# Automotive Components Europe S.A.

## Quarterly Consolidated Report

### for the

### Quarter ended September 30th, 2013

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# A. Director's report

## 1. Introduction

ACE (the "Company") is a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg (full name Automotive Components Europe S.A., abbreviated form ACE S.A.) ACE is registered with the Luxembourg Registry of Commerce and Companies under number B 118130, and its registered office is at 38, boulevard Napoléon 1er, L-2017 Luxembourg, Grand Duchy of Luxembourg. On 22 February 2013 the Board of Directors of the Company, pursuant to Article 2.1 of the Articles of Association, took a resolution transferring on 25 February 2013 the registered office of the Company within the boundaries of the municipality of Luxembourg City, from its previous location at 82, route d'Arlon, L-1150 Luxembourg.

ACE as a holding company has one holding company in Spain, ACE Boroa S.L.U., which holds three operating companies (the Group): the iron casting division of Fuchosa in Spain and Feramo in the Czech Republic, and the aluminium casting division of EBCC in Poland. ACE Boroa S.L.U. is also the main shareholder of ACE 4C A.I.E., the R&D company of the Group serving all the operating companies, with 96% of its shares (the remaining 4% are held by Fuchosa).

ACE is a specialised supplier to the European automotive industry, with a leading position in brake system components, focusing on the manufacture of iron anchors (a safety component of disc brake systems, responsible for fixing the brake module to the chassis) and aluminium callipers (a component of the disc brake system that houses the brake pads and pistons; in the braking process it is responsible for supporting the hydraulic pressure).

During the IPO, which took place in May 2007, the Company increased its shareholding capital from 20 050 100 to 22 115 260 shares. The first listing of ACE on Warsaw Stock Exchange took place on June 1st, 2007.

The Extraordinary General Meeting of Shareholders held on 17 June 2009 resolved to reduce the issued share capital of the Company by EUR 132 711.75 to bring it from EUR 3 317 289.00 to EUR 3 184 577.25 by cancellation of 884 745 shares at a par value of EUR 0.15 each, owned by the Company, following the completion of the buy-back programme as approved at the annual shareholders meeting of the Company held on 17 June 2008. Pursuant to the resolution the total number of outstanding shares decreased to 21 230 515 shares.

ACE's business is managed by a Board of Directors and a Chief Executive Officer to whom the Board has delegated the day-to-day management of the Company other than in relation to certain matters specifically reserved to the competence of the Board. The Chief Executive Officer, in the performance of the day-to-day management of ACE is supported by a Management Committee constituted of senior officers of ACE, appointed by the Board.

Composition of the Management bodies of ACE as of September 30, 2013

Management Committee:

| | |
|---|---|
| *Jose Manuel Corrales* | *Chief Executive Officer* |
| *Raul Serrano* | *Senior Officer, Chief Financial Officer* |
| *Carlos Caba* | *Senior Officer, Business Development Manager* |

Board of Directors:

| | |
|---|---|
| *Jose Manuel Corrales* | *Class CB Director, President* |
| *Raul Serrano* | *Class CB Director* |
| *Jerzy Franczak* | *Independent Director* |
| *Rafał Lorek* | *Independent Director* |
| *Piotr Nadolski* | *Independent Director* |
| *Oliver Schmeer* | *Independent Director* |

The condensed consolidated quarterly report for the third quarter of 2013 was prepared according to International Accounting Standards.

## 2. Financial Highlights

in '000 Euro

| *Selected consolidated financial items* | *For the 3rd quarter of 2013 From Jul 1st to September 30th, 2013* | *From Jan 1st to Sept 30th, 2013 Cumulative* | *For the 3rd quarter of 2012 From July 1st to September 30th, 2012* | *From Jan 1st to Sept 30th, 2012 Cumulative* |
|---|---|---|---|---|
| *Revenues from sales* | 24 075 | 76 882 | 23 060 | 76 285 |
| *Operating Profit* | 872 | 3 236 | 605 | 2 700 |
| *Profit before tax* | 789 | 2 550 | 468 | 1 920 |
| *Net profit* | 581 | 1 455 | 655 | 1 785 |
| *Net profit attributable to equity holders of the parent company* | 581 | 1 455 | 655 | 1 785 |
| *Cash flow from operating activities* | 2 713 | 8 288 | 2 174 | 2 365 |
| *Cash flow from investment activities* | - 947 | -3 625 | -5 872 | -9 186 |
| *Cash flow from financial activities* | -2 853 | -5 229 | 1 971 | -1 278 |
| *Net cash flow* | -1 279 | - 952 | -2 162 | -8 946 |
| *Current assets* | 35 420 | 35 420 | 37 584 | 37 584 |
| *Fixed assets* | 47 905 | 47 905 | 45 151 | 45 151 |
| *Total Assets* | 83 325 | 83 325 | 82 734 | 82 734 |
| *Liabilities* | 44 844 | 44 844 | 42 575 | 42 575 |
| *Long-term Liabilities* | 20 579 | 20 579 | 22 161 | 22 161 |
| *Short term Liabilities* | 24 266 | 24 266 | 20 415 | 20 415 |
| *Shareholders' Equity* | 38 481 | 38 481 | 40 159 | 40 159 |
| *Shareholders' equity attributable to shareholders of the parent company* | 38 481 | 38 481 | 40 159 | 40 159 |
| *Share capital* | 3 185 | 3 185 | 3 185 | 3 185 |
| *No of shares outstanding* | 21 230 515 | 21 230 515 | 21 230 515 | 21 230 515 |
| *Net profit (loss) per share* | 0,03 | 0,07 | 0,03 | 0,08 |
| *Book value per share* | 1,81 | 1,81 | 1,89 | 1,89 |

## 3. Financial performance

**Consolidated Profit & Loss Statement**

in '000 Euro

| | *For the 3rd quarter of 2013 From Jul 1st to September 30th, 2013* | *From Jan 1st to Sept 30th, 2013 Cumulative* | *For the 3rd quarter of 2012 From July 1st to September 30th, 2012* | *From Jan 1st to Sept 30th, 2012 Cumulative* |
|---|---|---|---|---|
| *Revenues from sales* | 24 075 | 76 882 | 23 060 | 76 285 |
| *Cost of goods sold* | -19 712 | -61 983 | -18 893 | -62 733 |
| *Gross profit* | 4 363 | 14 899 | 4 167 | 13 551 |
| *GP margin* | *18,1%* | *19,4%* | *18,1%* | *17,8%* |
| *G&A expenses* | -3 491 | -11 663 | -3 561 | -10 852 |
| *Operating profit* | 872 | 3 236 | 605 | 2 700 |
| *OP margin* | *3,6%* | *4,2%* | *2,6%* | *3,5%* |
| *Depreciation & amortisation* | -1 300 | -3 713 | -1 089 | -3 627 |
| *EBITDA* | 2 172 | 6 949 | 1 694 | 6 327 |
| *EBITDA margin* | *9,0%* | *9,0%* | *7,3%* | *8,3%* |
| *Financial Result* | - 83 | - 686 | - 138 | - 780 |
| *Profit before tax* | 789 | 2 550 | 468 | 1 920 |
| *Tax* | - 208 | -1 095 | 188 | - 135 |
| *Net profit* | 581 | 1 455 | 655 | 1 785 |
| *NP margin* | *2,4%* | *1,9%* | *2,8%* | *2,3%* |

**Sources of sales revenues**

The main source of ACE Group's sales revenues is sales of nodular iron anchors as well as aluminium callipers and tandem master cylinders (TMC) for the automotive market, and grey iron parts for different purposes. The remaining, minority part of the Group's sales, comprises mostly revenues from post-production scrap and tooling.

| *Sales revenues in '000 Euro* | *Three quarters of 2013* | *%* | *Three quarters of 2012* | *%* |
|---|---|---|---|---|
| *Sales of products* | 74 672 | 97,1% | 73 762 | 96,7% |
| *Sales of goods and materials* | 2 210 | 2,9% | 2 523 | 3,3% |
| ***Total sales revenue*** | **76 882** | **100%** | **76 285** | **100%** |

| *Sales revenue in '000 Euro* | *Three quarters of 2013* | *%* | *Three quarters of 2012* | *%* |
|---|---|---|---|---|
| *Nodular iron products* | 43 010 | 57,6% | 39 012 | 52,9% |
| *Grey iron products* | 7 798 | 10,4% | 10 198 | 13,8% |
| *Aluminum products* | 17 458 | 23.4% | 17 918 | 24.3% |
| *New family of products* | 6 406 | 8.6% | 6 635 | 9.0% |
| ***Total sales*** | **74 672** | **100%** | **73 762** | **100%** |

| *Sales volumes in thousand pieces* | *Three quarters of 2013* | *Three quarters of 2012* |
|---|---|---|
| *Nodular iron products* | 19 301 | 17 875 |
| *Grey iron products* | 1 065 | 1 266 |
| *Aluminum products* | 3 700 | 3 958 |
| *New family of products* | 1 883 | 1 733 |
| ***Total pieces sold*** | **25 949** | **24 832** |

The geographical profile of sales directly reflects the location of major customer' factories producing complete braking systems.

| *Revenues by country* | *Three quarters of 2013* | *Three quarters of 2012* |
|---|---|---|
| *Czech Republic* | 20,4% | 23,2% |
| *Germany* | 21,0% | 21,1% |
| *Slovakia* | 14,3% | 10,5% |
| *France* | 11,5% | 13,8% |
| *Spain* | 8,4% | 8,7% |
| *Poland* | 4,7% | 4,7% |
| *Other* | 19,6% | 18,0% |
| ***Total*** | **100%** | **100%** |

**Automotive Market Performance**

| *Thousand Units* | *Three quarters of 2013* | *Three quarters of 2012* | *Difference* | *%* |
|---|---|---|---|---|
| *Cars sold* | 8 771 | 9 145 | -374 | -4,1% |
| *Cars manufactured* | 8 448 | 8 777 | -329 | -3,7% |
| *Difference sales - production* | 323 | 368 | -45 | |
| *ACE Automotive* | 24 879 | 23 566 | 1 313 | 5,5% |

*Source: Western Europe by LMC Automotive Forecasting, ACE*

| *Thousand Units* | *Third quarter of 2013* | *Third quarter of 2012* | *Difference* | *%* |
|---|---|---|---|---|
| *Cars sold* | 2 717 | 2 657 | 60 | 2,3% |
| *Cars manufactured* | 2 581 | 2 556 | 25 | 1,0% |
| *Difference sales - production* | 136 | 101 | 35 | |
| *ACE Automotive* | 7 616 | 6 812 | 804 | 11,8% |

*Source: Western Europe by LMC Automotive Forecasting, ACE*

In the third quarter of 2013 sales of cars in Western Europe increased by about 60 thousand units, or 2,3%, from the third quarter of 2012, according to LMC Automotive. This is the first quarter for two years now that this market reported year on year improvement. UK keeps its strong growth up to 12% year-on-year, but also Spanish market move to positive figures with sales up by 7% year-on-year. Germany, France and Italy decreased sales by around 2% in each market. This positive trend becomes negative when comparing the year-to-date market data for the same region that was down by -374 thousand units or -4,1%, being this difference softening in the Pan-European region, where sales of cars year-to-date declined by -3,7%.

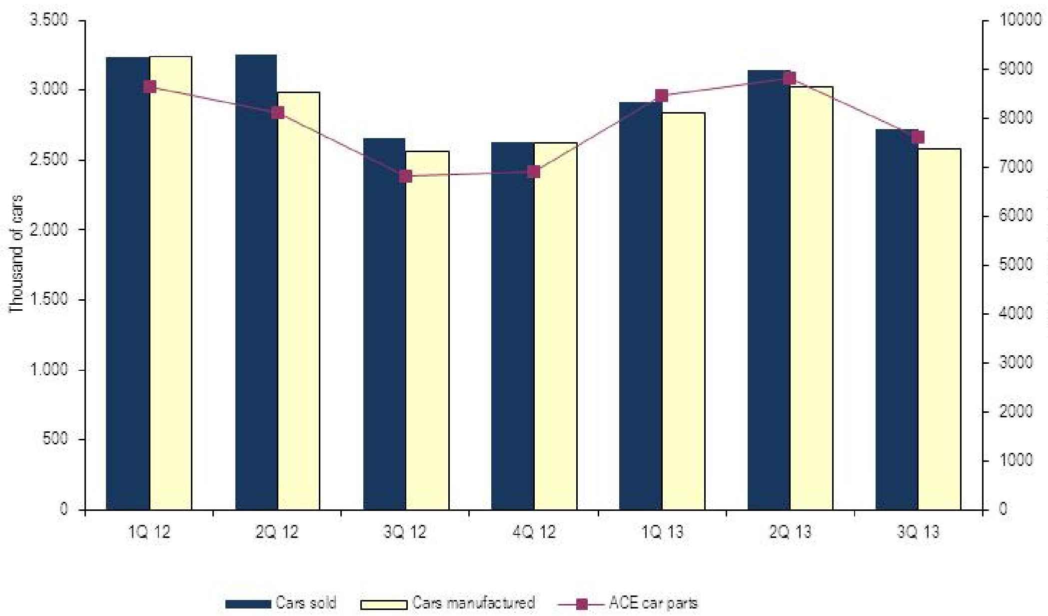
Quarterly car production in Western Europe year on year was also higher than in the third quarter of 2012, by around 25 thousand units or 1,0%. Once again, in the year to date the difference is negative by -3,7% (-329 thousand units) and reduced in Europe as a whole down to -2,0%.

**ACE sales in the market context**

| | *Thousand Units* | | | | *Thousand Euro* | | | |
|---|---|---|---|---|---|---|---|---|
| | ***Third quarter of 2013*** | ***Third quarter of 2012*** | ***Difference*** | ***%*** | ***Third quarter of 2013*** | ***Third quarter of 2012*** | ***Difference*** | ***%*** |
| *Nodular iron products* | 5 908 | 5 104 | 805 | 15,8% | 13 692 | 11 707 | 1 985 | 17,0% |
| *Aluminium products* | 1 707 | 1 708 | (1) | -0,1% | 7 535 | 7 697 | (162) | -2,1% |
| ***ACE Automotive*** | **7 616** | **6 812** | **804** | **11,8%** | **21 227** | **19 404** | **1 823** | **9,4%** |
| *Non-automotive* | 396 | 427 | (31) | -7,3% | 2 848 | 3 656 | (808) | -22,1% |
| ***Total ACE*** | **8 012** | **7 239** | **773** | **10,7%** | **24 075** | **23 060** | **1 015** | **4,4%** |

In volume terms the difference year on year was up by +11,8% in number of units for automotive segment (+10,7% for the whole Group). The allocation of this volume increase is unbalanced in the different automotive business segments. So far, the nodular iron segment sales climbed by +15,8%, while in aluminium segment sales were in line with same quarter of last year (including the new family of products). In non-automotive segment, grey iron sales decreased by -7,3%, even higher if we refer to weight (-17,3%), which is a much more reliable indicator in this business. However, quarter on quarter sales in this segment increased by near 20% with production even higher by 40%. Once again, Group sales outperformed market sales, and production.

This outperformance in third quarter of 2013 versus third quarter of 2012 is not so much visible in value terms, which increased by EUR 1 015 thousand, or 4,4%, but influenced by the lower purchasing prices of raw materials surcharged to the customers, especially iron and cheaper mix in the new family of products in the Polish plant. Being the Nodular iron business segment increasing by 17,0% due to better mix Aluminium and grey iron non-automotive declined by -2,1% and -22,1%, respectively.



**Direct production costs and gross profit**

As described in previous reports, there are two main effects counteracting each other. On one hand, the good results achieved by the new moulding line in Spain operating since September last year, replacing two former lines and reducing the associated working teams, also allowing a significant increase in sales. On the other hand, the important difficulties experienced during the start-up of the CEE Project have caused not only relevant inefficiencies but also an important drop of production and subsequent turnover. However, this trend was reversed during the quarter, and as stated above, both production and sales level were improving month by month.

Some other positive effects were the positive trend of energy and raw material prices, as well as FX activity in the operating level mostly as a result of the weakening Czech koruna year on year.

On top of that, there was a seasonal increasing maintenance cost mainly in Spain in comparison with same quarter of 2012, when most of the company efforts were focused on the implementation of the new moulding line. In addition, there was also an increase of outsourcing expenses for external reworks done in the iron segment as a learning cost associated the startup of new projects.

Finally, as a consequence of the capitalization of some assets related to the CEE investment project during this quarter, depreciation was higher by Euro 211 thousand, and led the Gross profit to EUR 4 363 thousand (18,1% on sales), which is EUR 197 higher than same quarter of 2012 (18,1% on sales).

In fact, Gross Profit margin could be even better year on year driven by the higher turnover but production value constrained by the stock variance ballasted the final outcome.

**General & administrative expenses**

General and administrative expenses decreased by EUR 70 thousand or -2,0% y-o-y, due to the net impact of several effects. On the positive side, non-recurrent municipality taxes amounting to Euro 200 thousand recorded in previous year, and R&D tax credits formerly recorded in CIT level impacting EUR 110 thousand.

Counteracting those positive effects, there are some non-recurrent expenses recorded during this quarter, connected with the purchases of packaging materials for a new customer and write off of some obsolete machinery.

In addition, salary increases following the inflation rate jointly with a larger staff to meet the new challenging facilities in Spain, and to support the CEE Project supposed an increase for around EUR 100 thousand in this item.

**EBITDA and operating profit**

Higher Gross profit and lower General and administration expenses let EBITDA in the period positive by EUR 2 172 thousand (9,0% on sales), EUR 478 thousand up compared with the same period of 2012 (or 28,2% higher) for the reasons already mentioned.

As already stated, depreciation was higher in the comparative period by EUR 211 thousand, resulting in an operating profit of EUR 872 Thousand (EUR 267 thousand higher than 2012).

**Financial items**

The net financial result for the third quarter of 2013 was negative by EUR -83 thousand, being lower by EUR 55 thousand in comparison with the same period of 2012 as throughout 2013 the financial interest devoted to CEE Project is being capitalized month by month thus reducing the expenses by EUR 86 thousand.

Regarding currency exchange differences, most of the differences recorded in 2012 are related to changes in the outstanding balances at the end of the period which are not realized, and having accounting nature are now recorded in Equity thus resulting in a lower volatility.

After the period, the fair value of hedging instruments and the interest rate swap in the balance sheet is negative by EUR 149 thousand, thus reduced below half comparing with previous quarter. According to accounting standards, changes in valuation of current hedging instruments have no impact on P&L account and are fully cleared through the equity in the balance sheet.

**Profit before tax, Taxes and Net profit**

Profit before tax in third quarter was positive by EUR 789 thousand (EUR 321 thousand higher y-o-y).

Tax recorded was EUR 208 thousand which is higher by EUR 396 thousand comparing with the same period of 2012, mainly driven by a positive adjustment recorded the previous year in the Spanish company, but also by R&D tax credits currently recorded as “Other income” and not reducing the CIT, as described above, and finally, by the higher contribution to the Profit before tax of those operating companies accruing higher tax rates.

Reflecting all the above, the Group was also very positive at the net profit level by EUR 581 thousand, reduced by EUR 74 thousand comparing with 2012 as a result of higher tax and financial expenses.

Gross profit year-to-date was EUR 14 899 million, higher by EUR 1 348 thousand than 2012, being 19,4% on sales, near 2% over last year. EBITDA was positive by EUR 6 949 thousand, which is EUR 622 thousand higher comparing with previous year, with increasing G&A expenses in the first half of the year. Finally, Net profit amounts to EUR 1,4 million or EUR 0,3 below 2012, reflecting a higher income tax due to the same reasons as mentioned above.

**Financial Position**

The operating generation of cash from January to September of 2013 was very positive, by EUR 7 901 thousand, mostly as a result of EBITDA increased by the good performance of working capital year to date.

Otherwise, investing activities amounted to EUR 3 625 thousand in the period, mostly reflecting the CEE project capital expenditure, which will be still some visible in 2014. The financing activity is driven by the repayment of loans and interest expenses, increased by the buy-back program in progress which was specially intensive during this quarter.

Reflecting all the above, the final cash position of the Company as of the end of September 2013 is positive by EUR 11 715 thousand with an increasing Net debt up to EUR 9 021 thousand.

# 4. Business overview

**European Automotive Industry**

The performance of ACE depends on trends in the automotive industry as well as the behaviour of major brake system producers. Due to the current market positions of both brake system production plants, ACE Group is limiting its operations to Europe, where it has a strong position and competitive advantage. However, the Company does not exclude expansion to new geographical markets should favourable acquisition opportunities arise. The conditions of the European automotive market are a major factor influencing performance of the Company's shares because of close-knit relationships in the supply chain structure.

The latest LMC Automotive forecast for 2013, issued in October 2013, predicts a decline of new car sales in Western Europe by about 2,8%, corresponding with a lower production decline of 0,9% (source: PwC Autofacts October 2013 including commercial light vehicles), or 0,3% growth for Pan-Europe. This forecast is upgraded compared with the one issued one quarter ago, where expected production change for 2013 by -3,2% and -2,3% in the European Union and Pan-Europe respectively.

Within Europe the producers are shifting their production worldwide facilities to the CEE region. Central and Eastern Europe has become a new hub for manufacturing motor vehicles, especially passenger cars, and is sometimes called "East Detroit". This production zone spreads over southern Poland, north-eastern Czech Republic and Slovakia down to the northern part of Hungary, where a network of manufacturing facilities with significant capacity has recently been set up with more facilities under construction.

**European Brake Industry Structure**

With respect to brake components such as anchors and callipers, most of the business is outsourced from Tier 1 brake system assemblers to Tier 2 suppliers specialised in foundry parts and castings. ACE is an integrated Tier 2 supplier of front- and rear-axle iron anchors and aluminium callipers for passenger car brake systems.

Tier 2 suppliers deliver their products to Tier 1 producers, which in turn are responsible for assembling brake systems and delivering them to car manufacturers (OEMs). Production of Tier 1 and Tier 2 manufacturers is highly dependent on the performance of OEMs, particularly in the passenger car segment. The relations are structured through open contracts covering capacity, price and product range. Contracts are normally signed or agreed on a long-term basis, however, key terms such as capacity and prices are negotiated every year. The product optimisation and development processes cause a significant client lock-in effect. Suppliers are usually locked in for the entire production life of a given car platform. Tier 1 brake component manufacturers require from Tier 2 casting suppliers capabilities of cooperation in product development of casting items (design, material, etc.), a certified, reliable manufacturing process, a high level of quality, and a competitive price. Machining of aluminium brake components, such as callipers, has mostly been outsourced to CEE suppliers, such as ACE's plant in Poland or LeBelier in Hungary, though following the crisis period and consequent creation of overcapacity, Tier 1 manufacturers are retaining an important part of the machining business for themselves.

All new cars produced in Europe are equipped with disc brakes, as far as the front axle is concerned. Main assumptions in terms of using of disc brakes in cars were: as for rear axle, disc brakes are applied in around 72% of newly produced cars and the remaining 28% of cars still use drum brakes in rear axle.

In all disc brake systems the anchors are made of nodular iron castings. Currently, nodular iron is by far the best material for anchors. As far as callipers are concerned, these parts are usually made of nodular iron in front axles. However, since the late nineties aluminium castings are becoming increasingly popular, especially in rear disc brakes. Automakers are using more aluminium to improve fuel economy, reduce emissions and enhance performance, as aluminium helps to reduce the weight of the vehicle. Due to the fact that aluminium callipers are less durable than those made of nodular iron they are applied in rear axle disc brakes, as these brakes contribute to 20–30% of braking power. In front disc using of brake systems aluminium callipers is exceptional, as they need to be significantly bigger than nodular iron callipers, and are currently used only in high-end cars. However, this segment represents high growth potential and in fact the company became awarded with some of the few applications in the market, which are in the production pipeline since the last quarter of 2009.

**Main Products**

The core business of the ACE Group focuses on production of high-quality brake components for disc brake system (Tier 1) manufacturers. The aluminium casting division adds gravity aluminium casting and machining to the ACE Group's product range. With the CEE investment project ACE is also introducing other important products and customers for automotive sector.

Anchors are safety parts expected to meet high technological requirements such as very high standards for strength resistance, elongation, machining, torsion, resilience, thermal stability and vibration reduction. Anchors are responsible for fixing the brake module to the chassis. ACE's anchors are made of nodular iron. Iron anchors are currently applied in most of newly produced cars.

Callipers are also essential components of disc brake systems, which house the brake pads and pistons. In the process of braking they are responsible for supporting the hydraulic pressure in the brake moment. Aluminium callipers currently produced by ACE are mostly used in rear brakes. ACE's focus on rear callipers is in line with the current technological trends, according to which the predominant application of aluminium callipers is the rear-axle brake. A new production line for front aluminium callipers has been in operation since January 2010. A new manufacturing system to produce front callipers in aluminium is an innovative solution recently introduced by ACE, and this system has already been patented. ACE is the reference supplier of this component in Europe.

ACE continuously cooperates with its customers on redesign and development of products used in new car models introduced onto the market. There are currently several projects in which both divisions are involved, focused on refurbishment and improvement of the braking system components produced. This is the key to our future business development, since ACE cooperates with its customers for a period of one to three years before start of production.

Feramo, a company acquired in 2008 in the Czech Republic, offers a wide range of grey iron castings for the engineering, hydraulic, electrical and automotive sectors, as well as for small urban architecture projects. Sales to the automotive sector constitute more than 10% of Feramo's sales.

The present and future development strategy of the Company includes development and introduction of some new products to diversify sales revenues. This is very well illustrated by the so called "new family products" (including front callipers, tandem master cylinders or TMC and iron machining) starting since 2009 and whose volume is currently representing more than 7% of Group sales.

## Main customers

The ACE Group supplies its products to the following Continental plants: Gifhorn and Rheinböllen (Germany), Palmela (Portugal), Ebbw Vale (Wales) and Zvolen (Slovakia). As far as TRW Automotive is concerned, ACE delivers its products to the plants in Jablonec (Czech Republic), Bouzonville (France), Koblenz (Germany), and Pontypool (Wales). Supplies to CBI (former Bosch) are made at its plants in Buelna (Spain), Bari (Italy), Angers (France) and Wrocław (Poland). Since 2011, the Group has also delivered parts to American and Chinese plants of some of its customers to make up for discontinuation of supplies driven by under-capacity in those regions as well as local suppliers' quality failures.

Since the acquisition of Feramo, some other customers have joined the ACE portfolio. Now Feramo has approximately 75 customers from the Czech Republic and abroad. The 10 largest customers generate about 70% of total sales revenue, and the customer structure is relative stable on a year-to-year basis. The main sectors Feramo supplies are engine parts, construction, automotive and urban furniture. With the launch of the growth project at Feramo, several new customers have been actively approached, and the company has already reached commercial agreements with some of them to produce new parts in 2013.

The Group does not usually experience any important fluctuation of sales linked with changes in seasonal demand. Nevertheless, during Easter, summer and Christmas periods the activity decreases due to holidays and maintenance shutdown of facilities.

## Suppliers

Because ACE's production plants use different production materials and technologies, they are responsible for their own supplies.

In general, contracts made by the iron segment are for one month and mainly concern purchase and supply of scrap. As a general rule, upon expiration, the terms of the raw material contracts are re-negotiated and adjusted to market prices. Sand supply contracts have a longer duration, normally of one year, whereas electricity is supplied on a daily basis at the spot price.

The aluminium casting division does not sign long-term written agreements with its major production material suppliers, other than for aluminium raw material itself. Purchases of materials are made on an order-by-order basis on the terms and conditions (including prices) agreed therein.

## Research & Development

The Group has a well-executed and highly organised product development system, fully suited to the requirements of its customers in the automotive industry. Compared to other brake casting manufacturers, ACE has leading-edge capabilities in product development. Human resources and equipment are designed to maintain the lead in development of specific products (mainly anchors and callipers). The product development capabilities and philosophy are focused on close cooperation with customers. This allows ACE to be a customer- and product-oriented company providing its customers with customised engineering. This advantageous position definitely generates benefits for introduction of new products, which is especially beneficial for the CEE investment project in terms of knowledge transfer and development.

As a result of this vocation to move forward in R&D capabilities and expansion within the Group, in December 2010 some R&D resources of the operating companies were moved to a new company, ACE 4C A.I.E., which will be the new hub for development of the Group's research capabilities and a technological platform for growth. There are three main areas where ACE 4C will be focused:

- Product development for current and potential new products
- Process improvement, including active research on other interesting processes and technologies
- Creation of an important technological network

ACE 4C is involved in some important and innovative projects focused on improvements in process, design and products. Some of these projects are developed in collaboration with customers, technical universities and technological centres.

Despite the economic crisis ACE is continuing to devote significant resources to R&D activities because of their importance for the present and future of the Group.

The R&D expenditures during three quarters of 2013 are as follows:

In '000 Euro

| | *Three quarters of 2013* | *Three quarters of 2012* |
|---|---|---|
| Investments in R&D | 592 | 1 527 |
| Costs regarding R&D | 503 | 1 083 |
| **Total R&D expenses** | **1 095** | **2 610** |

## Strategy

*Strengthening the leading position on the European brake supply market*
Since specialising in the casting of brake components, the operating plants have been constantly focused on increasing their respective market shares, maintaining the high quality of components manufactured, and providing reliable logistics and service for customers. In the upcoming years, the Spanish plant will focus on maintaining its strong market position in iron castings, while the plant in Poland, currently the number two aluminium calliper provider, will strive to gain additional market share in the aluminium castings market by capturing additional volumes for production of callipers, due to its high degree of innovation and competitiveness. Development of new capacities at Feramo will position the Czech plant among important suppliers of automotive castings in future.

*Broadening the technological and product range*
The Group has already expanded the current product portfolio, especially through introduction of new aluminium products in Poland and the acquisition of Feramo. In 2008 ACE successfully started production of TMC, which should generate a considerable portion of revenues in future. There were several new capacity projects in the pipeline launched in 2009, including aluminium front calliper and iron machining. Thanks to the Czech plant, ACE has also broadened its product portfolio of iron castings for other industries, including electro-mechanical, construction and industrial equipment. In other directions, implementation of nodular iron technology, promoted by the Group to manufacture new parts for the automotive segment, is also on-going, and after implementation of the CEE investment project, ACE will also change its profile in the nodular iron segment (location, products and customers, among other aspects).

*Increasing presence in Europe and exploring new opportunities overseas*
The location of the Polish plant is very favourable because of the lower labour costs and the proximity to customers based in Central & Eastern Europe. Feramo is also located in the heart of the automotive industry, a very short distance from current and potential new customers. This advantage will be exploited in future after expansion of Feramo's production capacity.

The increased CEE exposure enables optimisation of the ACE Group's cost position and further business growth through expansion of the current product line and meeting customers' expectations for more flexible deliveries. With hi-tech know-how and experience in deliveries to the automotive industry, top product quality and customer service are guaranteed. Although the Group is focused on expansion in Europe, ACE is actively exploring opportunities in other important automotive areas for fast development, such as Asia and America.

*Combined engineering and other synergies*
Combining and exploiting the strengths of each business as well as developing the synergies between them is one of the main factors for present and future success, not only in the business areas of engineering and manufacturing but also in the areas of support, like finance, HR and IT, which step by step are being standardised. Indeed, this is one of the main pillars of our strategy when developing the nodular iron technology for the automotive business in the CEE region.

# 5. Outlook for the following months

*Automotive market in 2013*

The balance of automotive market in Europe during last years is quite bleak. Only in five years since 2007 the Western European market lost near 3 million cars from a rate of 14,8 to 11.8 (roughly 40% in Italy, 25% in Spain and 20% in UK and France). This means a contraction of the market by 20% in only five years, percentage which is softening when Eastern Europe is included but also with an increased number of cars lost in the period.

The latest LMC Automotive forecast for sales in the Western European automotive market, issued at the beginning of October for full-year 2013, anticipates a decline by -2,8% from 2012, which has been upgraded when comparing with the report issued in July (-3,4%). Given the fact that sales year to date are already lower by -4,1%, this would mean a recovery in sales for the remaining months when comparing with last year.

As regards production, forecast is some more optimistic. PwC Autofacts, in its last quarterly forecast update (including light commercial vehicles, LCV) issued in October 2013, shows a decrease of -0,9% in full year 2013 for the European Union (although a small increase by +0,3% is observed when we include Eastern Europe). This forecast is also upgraded comparing last forecast issued in July and showing a decline by -3,2% in Western Europe, in line with sales.

These forecasts could sound some optimistic bearing in mind last months' market trend, but as highlighted by PwC Autofacts "this past summer is likely to have marked the bottom of the EU market, following over five years of decline". In addition, signs of sustained growth in many markets of the region and the expected unemployment rate fall could support the forecast stated above.

*Automotive market in 2014*

In line with these optimistic updated forecasts for 2013, sales and production for 2014 look also quite positive. Despite the still uncertain economic scenario and weak customer spending in some countries, LMC forecasts a slight growth in sales of 1,0% for year 2014.

Regarding production, PwC Autofacts anticipates an even more optimistic forescat with an increase of 3,2% of production, even higher when including Easter Europe, up to 4,0%.

*Group Sales*

YTD, the volume of Group automotive sales is above the automotive market, representing an increase in sales of 5,5% comparing to previous year, despite the decrease in sales and production in the Western Europe.

For the upcoming months of 2013, Group automotive sales will still outperform automotive market, with both automotive segments, iron and aluminium, even enhancing their year on year positive difference accrued so far. But provided the anticipated market growth in the last quarter of 2013, the difference of the group sales versus the market is not expected to maintain the current level. Non-automotive business sales are expected to perform even better than the automotive segment year on year in number of units, but due to its generalist scope it is less predictable and the order book has lower visibility.

As far as 2014 is concerned, at the time of preparation of this report, and based on current sales, our customer's demand and expectations, we can anticipate some market outperformance once again, and a general improvement of our margins in the automotive business.

As far as iron segment is concerned, it is expected that most of the growth of sales in volume is coming from our Czech plant with the introduction of nodular iron in the production process but still depending on the performance of new facilities and new product development. In our Spanish plant, the growth is more limited after the boost of the new facilities, with more stability in sales in line with automotive forecasts.

Although aluminium segment still remains more challenging, as first time since 2008 it is expected a stable machining business including the highly strategic volume of a new project shared with the iron division and the significant expected growth by 30% in the new family of products.

Meanwhile, one of the main tasks today is actively pushing on the pipeline of new products and projects to fulfill as much as possible the spare capacity created in the Group as a consequence of the slowdown, which applies especially to machining activity and grey iron castings. On the other hand, the medium and long-term strategy calls for introduction of new products and customers (organically and through acquisitions) to grow the business even when the automotive sector is not performing as in the past. The Group is well prepared in terms of assets and technologies to benefit from its future organic growth in both casting businesses – iron and aluminium.

*Economy drivers*

Productivity ratios in nodular iron business are improving after the implementation of the new production line in August 2012, which is bringing a much higher efficiency in the production process. This was already visible and it should even enhance throughout the year to the same extent that the current products are shifted for their manufacturing in the new machine and new projects start on production.

As regards raw material activity, the Group expects some stability compared to the previous year. Energy price is also expected to be more stable comparing precedent years and it is already adapted to market conditions in the current surcharge agreements in place.

In this 2014 scenario of slow recovery and underused capacity, there is still an important competition factor which customers are taking advantage of to push down selling prices. The Group's important competitive advantage, mostly provided by the high degree of specialization and thorough knowledge of the product, should help the Group to a significant extent to face this situation in better standing, but the Group is aware that it is operating in a still unstable market, and only companies that manage to deal better with the new environment will be stronger after the slowdown.

*Investment activity-CEE Investment Project*

In the context of expected constant growth in the automotive market for the following years, CEE expansion as the Group's platform to grow in the nodular iron segment for the automotive market is also an important asset for the Group which will bring additional value in the near future. This investment which jointly with the new moulding line already implemented in Spain, represented some additional and higher amount of capex in 2012 largely above EUR 11 million, is still expected to represent near half of this amount in 2013 and around 2 million in 2014.

This capex program has been already completed as regards the Spanish plant and is currently in the stage of launching and testing in the Czech plant (CEE Investment Project).

Concerning CEE Investment Project, although some of the problems reported in our latest report have been fixed, we are still experiencing many different difficulties related to the functionality of the electrical furnaces, representing either important cost overruns or even influencing the capacity of the plant to produce in a stable and continuous manner and thus reducing turnover and potentially delaying the start on production of the new volume. These consequences will be also visible in the following months, but some more stability in production process is expected, deepening the improvement trend.

Nevertheless, we had already initiated the trials and tests to be performed for customer homologation of different projects in order to start the serial production with the new equipment in the fourth quarter.

On the commercial pipeline, our R&D department is currently developing projects for a certain small amount of mass production projects, feeding only in 2015 the expected volume for the full new capacity installed in the plant and with an enormous market potential to develop a further group growth.

An additional purpose of this investment programme is to expand the portfolio of manufactured products and further diversify future revenues. This programme is being entirely financed from internal resources. The management of the Group is currently involved in development of the growth project, and expects to increase current Group sales by up to 20% within the next 4 years. At the end of the period ACE Group will have three equally important production plants contributing comparable sales and operational profits.

*M&A*

Additional growth of production and sales should come from M&A activities. The management of ACE carefully review any acquisition targets that appear, to assess their potential impact not only on the Group's sales but also on the financial position of the future entity. For a transaction to be approved, it should generate added value for the Group and the shareholders and should not worsen the financial situation of the existing plants in any way.

As regards Group strategy as stated in our ESPI report published on December 2011, the goals stated therein remain unchanged and it will be our main framework to develop our activities within the near future.

# 6. Additional information

**Major shareholders (over 5% of shareholder's equity) as of September 30th, 2013**

As of September 30th, 2013 the Company's share capital comprised 21 230 515 shares. The corresponding number of voting rights was 21 230 515.

To the best of the Company's knowledge as of the end of the third quarter of 2013, the following shareholders are entitled to exercise over 5% of voting rights at the General Meeting of Shareholders in the Company:

| | *As of September 30, 2013 (% of share capital)* | *As of December 31, 2012 (% of share capital)* |
|---|---|---|
| Casting Brake (Spain) | 2 430 607 (11,45%) | 2 430 607 (11,45%) |
| PZU Złota Jesień OFE | 4 187 959 (19,73%) | 4 187 959 (19,73%) |
| ING Nationale Nederlanden Polska OFE | 3 767 347 (17,74%) | 3 767 347 (17,74%) |
| Aviva OFE | 2 221 000 (10,46%) | 1 996 491 (9,40%) |
| Noble Funds TFI | 1 076 463 (5,07%) | 1 076 463 (5,07%) |
| Pioneer Pekao Investments | 1 061 525 (5,00%) | 1 061 525 (5,00%) |

On 3 October 2013 the Company received an official notification from AVIVA Powszechne Towarzystwo Emerytalne AVIVA BZ WBK S.A., on behalf of AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK (the Fund), that due to market transactions which took place on 25 September 2013 the total number of the Company's shares owned by the Fund has increased more than 2pp. over previously reported 10,46% of shares/votes in the Company.

In result of the abovementioned transaction the Fund holds 3 113 988 Company's shares consisting of 14,67% of the Company's share capital and entitling to 3 113 988 votes that correspond to 14,67% of the total number of votes in the Company.

Before the abovementioned transaction the Fund held 2 553 988 Company's shares consisting of 12,03% of the Company's share capital and entitling to 2 553 988 votes which correspond to 12,03% of the total number of votes in the Company.

**Changes in ownership of shares and rights to shares by Board of Directors' members**

Board of Directors and Management Committee members do not have directly any shares of ACE or its subsidiaries or any rights to them, although indirectly some of them hold a stake in the Company.

**Information on any one or more transactions concluded by the issuer or its subsidiary with related parties**

The Company did not conclude any transactions with its subsidiaries or related parties in the third quarter of 2013.

**Information on paid or planned dividend and buy-back**

The General Meeting of Shareholders held on 18 June 2013 approved a repayment in the global amount of EUR 1 486 136,05, amounting to EUR 0,07 per share, to be paid from the "Share Premium."

The dividend was paid on 23 July 2013 to shareholders holding shares of the Company on 8 July 2013 (the record date). The dividend was paid in euro and distributed through the National Depository for Securities, in accordance with regulations applicable to dividend payments by companies listed on the Warsaw Stock Exchange.

The Company applied tax withholding rates applicable under Luxembourg law or other international laws, if applicable.

At the same meeting, the General Meeting of Shareholders adopted another buy-back programme under the same conditions as the one defined on 19 June 2012, but for a period of 3 years and with a maximum purchase price per share to be paid in cash of no more than PLN 20 and no less than PLN 0,04.

**Changes of the Company's managing or supervisory persons in the third quarter of 2013**

There were no changes in the Company's managing or supervisory persons in the third quarter of 2013.

**Information on the supervision of employee stock option plans**

On 14 May 2013 the Board of Directors approved a new management incentive scheme (ESOP) and a new annual bonus structure replacing entirely the existing bonus structure and ESOP approved by the Board of Directors on December 23, 2010. The objective of the scheme will be to incentivize the management team or executive directors of ACE or its affiliates ("Participants") to contribute to the success of ACE Group, to align the interests of the management, ACE Group and ACE shareholders. The Participants shall be entitled to acquire from ACE, upon the terms of the scheme, shares representing in aggregate up to nine per cent (9%) of the outstanding share capital of ACE (the "Management Shares"). The purchase by the Participants and transfer by ACE of the shares will take place in December, 2013, December 2014 and December 2015, resulting three per cent (3%) each date. The Management Shares will be distributed by the Board on an individual basis at its discretion, among the Participants. The purchase price in EURO will be the lower of (i) average purchase price paid by the company for the shares to be sold or (ii) the daily average stock market price of the day when the shares to be sold were acquired.

The new annual bonus for the Participants will be based on achievement of certain EBITDA targets in following years in line with former system, following which the Participants will be entitled to a yearly amount in EUR equivalent to 1% of shares acquired by ACE and that will be wholly dedicated to cover payments for acquired shares.

Investor Relations Contact Person:

***Piotr K. Fugiel***
***Investor Relations Officer***
***e-mail: investor.relations@acegroup.lu***

**Information on the revenues and net results of individual business segments and geographical segments**

Geographical segments in ‘000 Euro

| | *Third quarter of 2013* | *Third quarter of 2012* |
|---|---|---|
| Western Europe | 41 004 | 43 542 |
| Eastern Europe | 32 426 | 31 234 |
| Other | 3 452 | 1 509 |
| **Total** | **76 882** | **76 285** |

Business segments in ‘000 Euro

| | *Iron castings* | *Aluminium castings* | *Other* | *Consolidated* |
|---|---|---|---|---|
| Total revenues | 50 808 | 23 864 | 2 210 | 76 882 |
| **Operating Profit for the segment** | **4 173** | **2 039** | **-2 976** | **3 236** |
| **Net Profit for the segment** | **3 174** | **1 614** | **-3 333** | **1 455** |

# 7. Stock Market Information

## Basic Information

| | |
|---|---|
| Fiscal Year: | 1 January through 31 December |
| ISIN Code: | LU0299378421 |
| Par Value: | EUR 0,15 per share |
| Market of Quotations: | Warsaw Stock Exchange |

## Share Price Evolution

% of change as of the end of September 2013

| | *Compared to the end of 2012* |
|---|---|
| ACE S.A. | 101,8% |
| WIG Index | 6,0% |
| SWIG80 Index | 27,5% |

## Stock Market Data

| | *Third quarter of 2013* | *2012* | *2011* |
|---|---|---|---|
| Market capitalisation as of the end of the period | PLN 244,2m | PLN 121,0m | PLN 94,5 m |
| (in millions of PLN and EUR) | € 57,9m | € 29,6m | € 21,4 m |
| Share price (in PLN) | | | |
| - Highest | 11,70 | 7,60 | 6,11 |
| - Lowest | 7,92 | 4,00 | 4,00 |
| - Average | 9,73 | 5,72 | 5,00 |
| - At the end of the period | 11,50 | 5,70 | 4,45 |
| Shareholders equity per share in EUR (in PLN) | 1,81 (7,63) | 1,92 (7,85) | 1,82 (8,04) |

## Per Share Data

| | *Three quarters of 2013* | *2012* | *2011* |
|---|---|---|---|
| Earnings per share (in EUR) | 0,07 | 0,11 | 0,10 |
| Cash Flow per share (in EUR) | -0,04 | -0,41 | 0,14 |
| Dividend per share (in EUR) | 0,07 | 0,05 | 0,07 |

# B. Condensed Consolidated Financial Statements for the quarter ended September 30th, 2013

The condensed consolidated quarterly report for the third quarter of 2013 was prepared according to International Accounting Standards.

**Applied Exchange rates**

As ACE is incorporated in Luxembourg, its statutory reporting currency is Euro. However, Polish plant uses *zloty* and Feramo uses Czech korona for both statutory and internal reporting. For the consolidation within ACE, the financial monthly statements of polish plant are converted into euro by being its functional currency.
The following table shows certain information regarding the exchange rate between *zloty* and euro for the respective periods of analysis. This information is based on the official exchange rates quoted by the National Bank of Poland on its website www.nbp.gov.pl.
Investors should also note that the average rates are simple arithmetic averages for each given period.

| *PLN per 1 Euro* | *Average* | *Highest* | *Lowest* | *Period end* |
|---|---|---|---|---|
| 1 Jul – 30 Sep 2012 | 4,1393 | 4,2401 | 4,0465 | 4,1138 |
| 1 Jan – 30 Sep 2012 | 4,2091 | 4,5135 | 4,0465 | 4,1138 |
| 1 Jul – 30 Sep 2013 | 4,2487 | 4,3416 | 4,1790 | 4,2163 |
| 1 Jan – 30 Sep 2013 | 4,2014 | 4,3432 | 4,0671 | 4,2163 |

The following table shows certain information regarding the exchange rate between *korona* and euro for the respective periods of analysis. This information is based on the official exchange rates quoted by the Czech National Bank on its website www.cnb.cz.
Investors should also note that the average rates are simple arithmetic averages for each given period.

| *CZK per 1 Euro* | *Average* | *Highest* | *Lowest* | *Period end* |
|---|---|---|---|---|
| 1 Jul – 30 Sep 2012 | 25,0652 | 25,5850 | 24,4350 | 24,8650 |
| 1 Jan – 30 Sep 2012 | 25,1358 | 25,9600 | 24,4350 | 24,8650 |
| 1 Jul – 30 Sep 2013 | 25,8523 | 26,0500 | 25,6250 | 25,7350 |
| 1 Jan – 30 Sep 2013 | 25,7513 | 26,1200 | 25,2250 | 25,7350 |

**Consolidated Balance Sheet as of September 30th,2013 in thousands of Euros**

| *Assets* | *As of Sep 30, 2013* | *As of Dec 31, 2012* | *As of Sep 30, 2012* |
|---|---|---|---|
| **Non-current Assets** | | | |
| Intangible assets | 193 | 245 | 202 |
| Property, plant and equipment | 45 469 | 45 549 | 43 592 |
| Derivative financial instruments (NCA) | 15 | 71 | 88 |
| Deferred tax assets | 2 227 | 1 272 | 1 269 |
| | **47 905** | **47 137** | **45 151** |
| **Current assets** | | | |
| Inventories | 6 657 | 8 745 | 8 330 |
| Trade and other receivables | 16 912 | 14 532 | 16 787 |
| Derivative financial instruments (CA) | 132 | 205 | 150 |
| Current income tax assets | 5 | 78 | 3 |
| Other current assets | 0 | 28 | 0 |
| Cash and cash equivalents | 11 715 | 12 407 | 12 313 |
| | **35 420** | **35 995** | **37 584** |
| **Total assets** | **83 325** | **83 132** | **82 734** |

| *Equity & Liabilities* | *As of Sep 30, 2013* | *As of Dec 31, 2012* | *As of Sep 30, 2012* |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 3 185 | 3 185 | 3 185 |
| Share premium | 3 958 | 5 444 | 5 444 |
| Retained earnings | 30 251 | 29 576 | 29 599 |
| Cash flow hedges | - 96 | - 47 | - 119 |
| Exchange gain or loss against equity | - 272 | 161 | 265 |
| Profit for the year | 1 455 | 2 372 | 1 785 |
| | **38 481** | **40 691** | **40 159** |
| ***Liabilities*** | | | |
| **Non-current liabilities** | | | |
| Borrowings (NCL) | 17 017 | 18 461 | 18 415 |
| Deferred income | 481 | 555 | 414 |
| Deferred tax liabilities | 2 698 | 2 604 | 2 837 |
| Provisions for other liabilities and charges (NCL) | 93 | 93 | 90 |
| Derivative financial instruments (NCL) | 290 | 374 | 404 |
| | **20 579** | **22 087** | **22 161** |
| **Current liabilities** | | | |
| Trade and other payables | 18 817 | 16 408 | 16 143 |
| Borrowings (CL) | 3 719 | 3 486 | 3 012 |
| Derivative financial instruments (CL) | 6 | 1 | 26 |
| Current income tax liabilities | 1 184 | 30 | 758 |
| Other current liabilities | 42 | 44 | 30 |
| Provisions for other liabilities and charges (CL) | 498 | 384 | 446 |
| | **24 266** | **20 354** | **20 415** |
| **Total Liabilities** | **44 844** | **42 441** | **42 575** |
| **Total equity and liabilities** | **83 325** | **83 132** | **82 734** |

**Consolidated Income Statement for the period from January 1st to September 30th, 2013**
**in thousands of Euros**

| | *For the 3rd quarter of 2013 From Jul 1st to September 30th, 2013* | *From Jan 1st to Sept 30th, 2013 Cumulative* | *For the 3rd quarter of 2012 From July 1st to September 30th, 2012* | *From Jan 1st to Sept 30th, 2012 Cumulative* |
|---|---|---|---|---|
| Revenues | 24 075 | 76 882 | 23 060 | 76 285 |
| Costs of goods sold | -19 712 | -61 983 | -18 893 | -62 733 |
| Gross profit | 4 363 | 14 899 | 4 167 | 13 551 |
| Selling and distribution costs | - 556 | -1 767 | - 534 | -1 685 |
| General and administration costs | -3 041 | -10 342 | -3 083 | -9 660 |
| Other income | 215 | 745 | 79 | 575 |
| Other expenses | - 109 | - 300 | - 24 | - 82 |
| Operating profit | 872 | 3 236 | 605 | 2 700 |
| Financial result | - 83 | - 686 | - 138 | - 780 |
| **Profit before income tax** | **789** | **2 550** | **468** | **1 920** |
| Income tax expense | - 208 | -1 095 | 188 | - 135 |
| **Profit for the period** | **581** | **1 455** | **655** | **1 785** |

**Consolidated Statement of changes in Shareholders' Equity for the period from January 1st to September 30th, 2013**
**in thousands of Euros**

Attributable to equity holders of the Parent

| | *Share capital* | *Share premium* | *Legal Reserve* | *Treasury shares* | *Retained earnings* | *Cash flow hedges* | *Exchange differences* | *Profit for the period* | *Net Equity* |
|---|---|---|---|---|---|---|---|---|---|
| **Balance as of Jan 1, 2013** | **3 185** | **5 444** | **320** | **-25** | **29 281** | **- 47** | **161** | **2 372** | **40 691** |
| Allocation of previous year profit | | | | | 2 372 | | | -2 372 | **0** |
| Profit / Loss for the period | | | | | | | | 1 455 | **1 455** |
| Total recognised income and expenses for the period | | | | | | | | 1 455 | **1 455** |
| Exchange differences | | | | | | | - 433 | | **- 433** |
| Purchase of treasury shares | | | | -1 696 | | | | | **-1 696** |
| Dividend distribution | | -1 486 | | | | | | | **-1 486** |
| Changes in fair value of currency hedging instruments | | | | | | - 49 | | | **- 49** |
| **Balance as of Sep 30, 2013** | **3 185** | **3 958** | **320** | **-1 721** | **31 653** | **- 96** | **- 272** | **1 455** | **38 481** |

**Consolidated Cash Flow Statement for the period from January 1st to September 30th, 2013**
**in thousands of Euros**

| | *From Jan 1st to Sep 30th, 2013* | *From Jan 1st to Sep 30th, 2012* |
|---|---|---|
| Profit before income tax | 2 550 | 1 920 |
| Adjustments for: | 3 948 | 4 188 |
| - Depreciation and amortizations of non-current assets | 3 713 | 3 627 |
| - Losses on sale of property, plant and equipment | | - 53 |
| - Net financial result | 699 | 637 |
| -Gain and losses on charges in fair values of derivate financial instruments | | -1 |
| - Net movements in provisions | - 464 | - 22 |
| Changes in working capital(excluding effects of acquisition and exchange differences on consolidation) | 1 790 | -3 742 |
| - Inventories | 2 070 | 408 |
| - Trade and other receivables | -2 332 | 525 |
| - Trade and other payables | 2 051 | -4 675 |
| **Cash from operating activities** | **8 288** | **2 365** |
| Income tax paid | - 387 | - 848 |
| **Net cash from ordinary activities** | **7 901** | **1 518** |
| **Cash flows from investing activities** | | |
| Acquisition of subsidiary, net of cash acquired | - 6 | |
| Purchases of property, plant and equipment (PPE) | -3 618 | -9 209 |
| Proceeds from sale of non-current assets | 27 | 59 |
| Purchases of intangible assets | - 27 | - 36 |
| **Net cash used in investing activities** | **-3 625** | **-9 186** |
| **Cash flows from financing activities** | | |
| Purchase of treasury shares | -1 695 | |
| Repayments of bank borrowings | -1 931 | -2 642 |
| Repayment of other loans | - 114 | - 322 |
| Proceeds from bank borrowings | | 3 000 |
| Proceeds from other loans | 523 | - 17 |
| Dividends paid to Company´s shareholders | -1 486 | -1 062 |
| Net of financial result paid and received | - 526 | - 234 |
| **Net cash used in financing activities** | **-5 229** | **-1 278** |
| **Net (decrease)/increase in cash, cash equivalents and bank overdrafts** | **- 952** | **-8 946** |
| Cash, cash equivalents and bank overdrafts at beginning of the period | 12 407 | 20 466 |
| Effects of exchange rate changes on the balance of cast held, in foreign currencies | 260 | 793 |
| **Cash, cash equivalents and bank overdrafts at the end of the period** | **11 715** | **12 313** |

**Notes to condensed financial statements**

*Accounting polices*

The accounting principles and measurement basis of these Condensed Consolidated Financial Statements are consistent with those applied in the prospectus and changes introduced in 2012 regarding treatment of tax credits for R&D expenses. In the preparation of these financial statements, the Company has followed the IAS interim condensed financial reporting standards.

*Consolidated entities*

| *Company name* | *Status* | *Ownership* | *Consolidation method* |
|---|---|---|---|
| ACE S.A. | Holding Company | - | Full |
| ACE Boroa S.L. | Holding Company | 100% | Full |
| ACE 4C, A.I.E | R&D | 100% | Full |
| Fuchosa S.L. | Operating | 100% | Full |
| EBCC Sp. z o.o. | Operating | 100% | Full |
| Feramo S.r.o. | Operating | 100% | Full |

*Share capital changes*

During IPO which took place in May 2007 the Company issued 2 065 160 new shares, which were offered to new investors of ACE as well as 10 103 927 existing shares which were sold by old shareholders. Changes in the share capital are illustrated in the following table.

| | *Before IPO* | | *After IPO* | | *Current* | |
|---|---|---|---|---|---|---|
| | *No of shares* | *%* | *No of shares* | *%* | *No of shares* | *%* |
| Existing shares | 20 050 100 | 100% | 20 050 100 | 90,66% | 21 230 515 | 100% |
| New shares | - | - | 2 065 160 | 9,34% | - | - |
| **Total** | **20 050 100** | **100%** | **22 115 260** | **100%** | **21 230 515** | **100%** |

*Non-recurring items affecting assets, liabilities, equity, net income or cash flows for the third quarter*

There were no significant non-recurring items affecting assets, liabilities, equity, net income or cash flows for the third quarter.

*The nature and amount of changes in estimates of amounts reported in previous financial reports having material effect in the current financial report.*

There has been no change in estimates of amounts since publication of the Prospectus. All valuation methods applied in this report are consistent with those used for financial statements presented in the Prospectus.

*Dividends Paid in the period of the third quarter of 2013*

The dividend of PLN 0,07 was paid on 23 July 2013 to shareholders holding shares of the Company on 8 July 2013 (the record date). The dividend was paid in euro and distributed through the National Depository for Securities, in accordance with regulations applicable to dividend payments by companies listed on the Warsaw Stock Exchange.

The Company applied tax withholding rates applicable under Luxembourg law or other international laws, if applicable.

*Issuances, repurchases and repayments of debt and equity securities*

The company repaid EURO 357 thousand of debt in the third quarter of 2013.

*Material events after the end of the third quarter of 2013 that have not been reflected in the financial statements*

There were no material events after the third quarter of 2013.

*Changes in the composition of the Company during third quarter of 2013*

There has not been any change in composition of the ACE group within the period.