



# **Automotive Components Europe S.A.**

## **Quarterly Consolidated Report**

**for the**

**Quarter ended December 31, 2007**

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## **A. Director's report**

### **1. Introduction**

ACE ("Company") is a public limited liability company (*société anonyme*) incorporated pursuant to, and governed by the laws of Luxembourg under the legal and commercial name, of Automotive Components Europe S.A. (in abbreviated form A.C.E. S.A.). ACE is registered with the Luxembourg Registry of Commerce and Companies under number B 118130 and had its registered office located 6 rue Adolphe, L-1116 Luxembourg, Grand Duchy of Luxembourg. Since August 1, 2007 the corporate seat of the Company has been moved to 82 route d'Arlon, L-1150 Luxembourg.

ACE, as a holding company incorporated in Luxembourg has two operating companies: iron casting division (Fuchosa) in Spain and aluminium casting division (EBCC) in Poland

ACE is a specialized supplier to the European automotive industry having a leading position in brake systems components, and focusing on the manufacture of iron anchors (a safety component of a Disc Brake system, responsible for fixing the brake module to the chassis) and aluminium callipers (a component of a 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 outstanding shares. Under the same prospectus three existing shareholders of ACE – Casting Brake ,EB Holding and Halberg Holding sold together 10 423 316 Company's shares (less the shares bought with the over-allotment option (319.389) meant 10.103.927 shares sold). The first listing of ACE on Warsaw Stock Exchange took place on June 1<sup>st</sup>, 2007.

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 December 31, 2007

#### Management Committee:

<i>Jose Manuel Corrales</i>	<i>Chief Executive Officer</i>
<i>Raul Serrano</i>	<i>Senior Officer, Chief Financial Officer</i>
<i>Carlos Caba</i>	<i>Senior Officer, Business Development Manager</i>
<i>Zbigniew Pawlucki</i>	<i>Senior Officer, Head of Aluminium Activities</i>

#### Board of Directors:

<i>Andrzej Bartos</i>	<i>Class A Director</i>
<i>Arkadiusz Podziewski</i>	<i>Class A Director</i>
<i>Marek Adamiak</i>	<i>Class A Director</i>
<i>Jose Manuel Corrales</i>	<i>Class B Director</i>
<i>Raul Serrano</i>	<i>Class B Director</i>
<i>Jerzy Szymczak</i>	<i>Independent Director</i>
<i>Paweł Szymański</i>	<i>Independent Director</i>

The condensed consolidated quarterly report for the fourth quarter of 2007 was prepared according to International Accounting Standards. The content of the report directly refers to the IAS standard, however due to a short history and the fact that the Company was not reporting on quarterly basis last year, ACE is not able to present comparable data for the fourth quarter of 2006 and cumulative performance for the first four quarters of the previous year.

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## 2. Financial Highlights

in '000 Euro

<i>Selected consolidated financial items</i>	<i>For the fourth quarter of 2007 From October 1<sup>st</sup> to December 31<sup>st</sup>, 2007</i>	<i>For the four quarters of 2007 Cumulative From Jan 1<sup>st</sup> to Dec 31<sup>st</sup>, 2007</i>
Revenues from sales	20 136	85 859
Operating Profit	2 684	10 693
Profit before tax	3 165	10 548
Net profit	2 706	8 732
Net profit attributable to equity holders of the parent company	2 706	8 732
Cash flow from operating activities	1 693	10 526
Cash flow from investment activities	-714	-3 022
Cash flow from financial activities	266	-6 990
Net cash flow	1 245	513
Current assets	35 856	35 856
Fixed assets	35 439	35 439
Total Assets	71 295	71 295
Liabilities	33 452	33 452
Long-term Liabilities	12 736	12 736
Short term Liabilities	20 716	20 716
Shareholders Equity	37 843	37 843
Shareholders equity attributable to shareholders of the parent company	37 843	37 843
Share capital	3 317	3 317
No of shares outstanding	22 115 260	22 115 260
Net profit (loss) per share	0.12	0.39
Book value per share	1.71	1.71

## 3. Financial performance

### Consolidated Profit & Loss Statement

in '000 Euro

	<i>The fourth quarter of 2007 From October 1<sup>st</sup> to December 31<sup>st</sup>, 2007</i>	<i>The four quarters of 2007 Cumulative From January 1<sup>st</sup> to December 31<sup>st</sup>, 2007</i>
Revenues from sales	20136	85859
Cost of goods sold	14199	62399
Gross profit	5937	23460
GP margin	29,5%	27,3%
G&A expenses	2615	8717
EBITDA	3322	14743
EBITDA margin	16,5%	17,2%
Depreciation & amortisation	638	4050
Operating profit	2684	10693
OP margin	13,3%	12,5%
Financial income	704	1677
Financial costs	223	1822
Profit before tax	3165	10548
Tax	459	1816
Net profit	2706	8732
NP margin	13,4%	10,2%

Quarterly Consolidated Report for the quarter ended December 31<sup>st</sup>, 2007**Sources of sales revenues**

The main source of ACE Group's sales revenues are the sales of iron anchors and aluminium callipers. The remaining, minority part of the Company's sales, comprises of revenues from the after-production scrap, toolings and prototypes sales.

<i>Sales revenues in '000 Euro</i>	<i>Four quarters of 2007 cumulative</i>	<i>%</i>	<i>2006</i>	<i>%</i>
<i>Sales of products*</i>	81 607	94.9%	76 384	96.5%
<i>Sales of goods and materials</i>	4 402	5.1%	2 787	3.5%
<b><i>Total sales revenue</i></b>	<b>86 009</b>	<b>100%</b>	<b>79 172</b>	<b>100%</b>

\* includes rental of office space in Poland of 141 000 Euro in 2006

<i>Sales of products in '000 Euro</i>	<i>Four quarters of 2007 cumulative</i>	<i>%</i>	<i>2006</i>	<i>%</i>
<i>Sales of iron castings</i>	44 694	54.8%	43 484	57.0%
<i>Sales of aluminium castings</i>	36 913	45.2%	32 759	43.0%
<b><i>Total sales of products</i></b>	<b>81 607</b>	<b>100%</b>	<b>76 243</b>	<b>100%</b>

<i>Sales volumes in million pieces</i>	<i>Four quarters of 2007 cumulative</i>	<i>2006</i>
<i>Iron anchors</i>	26.8	27.5
<i>Aluminium callipers</i>	6.1	5.6

If the geographical structure of sales is concerned it shows directly location of major client's factories producing complete braking systems.

<i>Revenues by country</i>	<i>Four quarters of 2007 cumulative</i>	<i>2006</i>
<i>Germany</i>	29.4%	34.6%
<i>Czech Republic</i>	27.7%	25.5%
<i>France</i>	9.3%	11.3%
<i>Spain</i>	10.6%	11.3%
<i>Portugal</i>	5.5%	7.1%
<i>Other</i>	17.4%	10.2%
<b><i>Total</i></b>	<b>100.0%</b>	<b>100.0%</b>

**Direct production costs and gross profit**

In terms of sales value, last quarter is slightly below the level of the year average. Indeed, volume of sales in units is not far away from 3<sup>rd</sup> quarter, when due to holidays period seasonality has the higher impact on sales. This sales difference is probably reflecting the decrease in European production of cars in second half of 2007 as regards first half (-7% according JD Power Automotive Forecasting). This lower volume of sales was partially compensated by higher production output.

However, gross profit margin is the highest of the year because of the lower depreciation in the iron business. At the time of the merger process in the Spanish structure of the group, an adjustment on the fair value of net assets and its remaining useful life following a detailed valuation exercise was finalized. As a result of this exercise, the depreciation has decreased significantly and all the yearly impact is reflected in fourth quarter.

Besides, this lower depreciation is a recurrent effect and hence impacting positively on future results.

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### **General & administrative expenses**

In general, these expenses are in line with the previous quarter and therefore there is an effect of under absorption due to lower volumes.

### **EBITDA and operating profit**

Due to comparable sales volumes with the previous quarter and some additional costs related to the current operations of the Company (see the explanations on comparison with the forecasts below), fourth quarter EBITDA margin is at the level of 16.5% on sales and 3 322 Thousand €, and lays slightly below YTD of 17.2% on sales and 14 743 thousand Euro.

### **Financial items**

As a result of hedging PLN / EUR in the polish facility and the strengthening of the polish zloty, the company has recorded positive results in the period for around 700 thousand €.

On the other hand, the progressive reimbursement of loans in general and the prepayment of the costly loan in particular have reduced the interest expenses of the company in the quarter significantly.

### **Profit before tax and tax**

The use of the negative results held in Retorgal in year 2006 after the merging process contribute to reduce the corporate income taxes in the period.

### **Net profit**

Net profit in the period amounts to 2 706 thousand Euro, 13.4% of the sales. In year to date the result rises to 8 732 thousand Euro, 10.2% of the sales.

### **Performance against the budget (forecasts)**

	<i>4 Quarters of 2007</i>	<i>Revised full year 2007 forecast</i>	<i>Full year 2007 forecast (Prospectus)</i>	<i>as % of 2007 Prospectus forecast</i>
<i>Revenues</i>	85 859	86 000	86 392	99.4%
<i>EBITDA</i>	14 743	14 700	17 199	85.7%
<i>EBIT</i>	10 693	10 600	12 364	86.5%
<i>Net Profit</i>	8 732	8 600	9 577	91.2%

Although 2007 forecast has been recently updated, the Management Board feels like the Company should continue comparison of its actual performance with the original forecast presented in the prospectus (the Budget), like it was done in the previously released periodical reports.

Performance on the sales level is in line with the full year budget despite delays in some aluminium projects experienced in the second half of 2007. It was mainly possible due to higher selling prices reflecting increase of raw materials and energy costs. In our opinion it is a positive evolution as it shows ability of the Company to compensate growth of external production costs.

On the EBITDA level the actual underperformance is close to 15% in comparison with the budget and it is more than our previous minus 10 – 12% estimation published in the previous quarterly report. Although the last quarter was some better in terms of production and sales in comparison with the previous one, there are a few significant ongoing factors impacting performance of the Company in a longer period than a quarter. The most important ones are new agreements reached with customers in terms of aluminium business prices reflecting general pressure on margins in 2007 and the delay of some new aluminium projects, especially the TMC project, which were scheduled to be commenced in the second half of 2007 and finally had been postponed until 2008. In addition to that in the fourth quarter, the Company had some non recurring costs which were not previously budgeted and mainly linked with the due diligence costs of the potential acquisition target, higher than expected Group audit expenses and higher costs generated by the holding company. The total value of the above mentioned costs booked in the fourth quarter is around 450k €.

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In addition to the above the actual exchange rate of PLN/€ in comparison with the budget incurred additional decrease of the EBITDA by 250k €, since PLN strengthened as regards exchange rate used for budget, although it did not impact in the net profits of the company due to a well based currency hedging mechanism in place, which is shown on the financial level.

On the EBIT level the Company performance is slightly better mainly due to lower depreciation, than assumed in the budget, being the result of an adjustment of the fair valuation of assets and its remaining average useful life made during the merger of companies in Spain. Lower depreciation is a recurring item and will be positively impacting EBIT also in future.

On the Net Profit level performance of the Company, after four quarters, is only around 10% lower than the value presented in the prospectus. It was mainly possible due to lower than planned financial costs associated with repayment of costly bank loans and some tax benefits linked with the restructuring of the Spanish part of the group.

The Management of ACE strongly believes that despite lower results in 2007 the Company still presents its high growth potential and strong financial standing. In compare with a relatively stable automotive market the Company managed to increase its last year sales and net profit by 8.6% and 25%, respectively, in comparison with 2006 proforma.

## 4. Business overview

### European Automotive Industry

Performance of ACE depends on trends in automotive industry as well as on the behavior of major brake systems producers. Due to the current market positions of both production plants, the ACE Group limits 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 occur. The conditions of the European automotive market are the major factors influencing performance of the Shares because of close-knit relationships in the supply chain structure.

The European automotive production remains constant or increases slightly despite lower production in countries considered to be European leaders (*e.g.* Germany and France). According to PWC Autofacts, EU and Eastern Europe countries accounted for a 31.6% share in the global automotive production in 2006. In the future, this share is expected to remain constant. Within Europe the producers are shifting their production world wide 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 have 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 specialized in foundry parts and castings. ACE is an integrated Tier 2 supplier of front and rear axle iron anchors and aluminium callipers for passenger cars 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 dependant 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 optimization and the development processes cause significant client lock-in effect. Suppliers are usually locked in for the production during 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.), certified, reliable manufacturing process, high level of quality and competitive price. Machining of aluminium brake components, such as callipers, is mostly outsourced to CEE suppliers such as ACE's plant in Poland or LeBelier in Hungary.

All new cars produced in Europe are equipped with disc brakes, as far as the front axle is concerned. As for rear axle, disc brakes are applied in around 72% of newly produced cars. 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 brake systems aluminium callipers are extremely 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.

### Main Products

The core business of the ACE Group focuses on production of high quality brake components for Disc Brake system (Tier 1) manufacturers. Aluminium casting division adds gravity aluminium casting and machining to the ACE Group's product range.

Anchors are safety parts expected to meet high technological requirements such as: very high strength resistance, elongation, machining, torsion, resilience, thermal stability and dampen vibration. 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 the newly produced cars.

Callipers are also essential components of disc brake systems that 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 applied 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.

ACE continuously cooperates with its clients on the redesign and development of anchors and callipers used in new models of cars, which are introduced to the market. There are currently several projects, in which both divisions are involved,

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focused on refurbishment and improvement of produced brake system elements. This is the key of our future business development since ACE cooperates jointly with its customers between one to three years before start on production (SOP).

As of the end of the fourth quarter of 2007 both subsidiaries maintained their strong market position in compare with 2006. In fact, during 2007 ACE was awarded with the following new projects:

- Iron casting: 23 new projects, of which 12 are starting on production in 2008, 9 in 2009 and 2 in 2010.
- Iron machining: 2 new projects with SOP in 2009.
- Aluminium casting, including TMC and front calipers: 15 new projects, 9 of which are starting on production in 2008 and 6 in 2009. Seven of these also include machining.

Future development strategy of the Company includes development and introduction a number of new products to diversify sales revenues. At the moment one of the most important projects of this type is introduction of a master cylinder (TMC) production by our Polish plant.

ACE has been recently nominated by two customers as their supplier for the TMC product. The series production will start in 2008 with an estimated volume of 400 thousand parts.

The second project covered by the same division is development of aluminium front calipers which are implemented in high-end cars. The subsidiary was nominated by two of its clients as a future supplier of front calipers. The project is in the validation stage. The first production output is expected for early 2009.

ACE has been nominated by one of the current customers to supply the machining of iron casting parts SOP is expected in the beginning of 2009. This is the first project in iron machining and represents, given the important presence of ACE in iron casting a very interesting opportunity for growing this business.

### Main clients

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). The supplies to Bosch are made at its plants in Buelna (Spain), Bari (Italy), Angers (France) and Wrocław (Poland). The following table reflects the percentage of the total sales of the ACE Group to its main clients.

<i>(in thousands €)</i>	<i>As on the end of Dec 2007</i>	<i>2006</i>
<i>Continental</i>	33 356	34 640
<i>TRW</i>	33 447	29 300
<i>Bosch</i>	14 568	12 076
<i>Other</i>	236	227

The Company did not usually experience any fluctuations of sales linked with changes in seasonal demand. In the reporting period sales were smooth and based mainly on long term agreements.

### Main Suppliers

Due to the fact that ACE's production plants use different production materials and technologies, they are responsible for their own supplies. Thus discussion of the supplies structure on the consolidated level might be misleading. For the purpose of this report we would like to present the items which have the strongest impact on financial performance of both subsidiaries and the whole group.

In general, the contracts executed by Spanish plant have a one year duration period and mainly concern the purchase and supply of electricity, and sand. Scrap supply contracts have a shorter duration, normally of one month. As a general rule, upon expiration, the terms of such raw material contracts are re-negotiated and adapted to market prices.

The main suppliers of our iron casting division are: Iberdrola for electricity, Metalimpex and Reimasa for steel scrap and Alcan International and Esfemetal for ferroalloys

The plant experienced growth prices of raw materials (9,6% of steel scrap as regards average 2006) and energy (13,3% as regards average 2006). Nevertheless, plant quotes the price for the finished product, such price being reviewed every three months so as to reflect any change in steel scrap prices and when the agreed base price is exceeded, to pass on a material portion of any relevant increase in the price of steel scrap to the ordering client. For the energy we have reached with our customers some other agreements to compensate these and other external price increases.

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Aluminium casting division does not execute long-term written agreements with its major production material suppliers. Purchases of materials are effected on an order-by-order basis on the terms and conditions (including prices) agreed therein. The plant cooperates with three strategic suppliers: Hydro Aluminium and Elkem which are leading aluminium suppliers to the European market and Mapal (diamond machining tools).

The plant also has three utilities suppliers. Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji Sp. z o.o. is a supplier for water through the water supply system and also discharges domestic sewage and industrial wastewater into sewage system operated by this supplier. The electricity is supplied to the plant by Zakład Energetyczny Wrocław S.A. and GZ-50 high-methane content natural gas for heating and general purposes is supplied by the branch of Polskie Górnictwo Naftowe i Gazownictwo S.A. located in Wrocław.

Polish plant experienced growth prices of raw materials (+12.0% of Aluminium as regards average 2006), gas (+12% as regards average 2006) and energy (+3% as regards average 2006). The price of aluminium is composed of the base price, which is index-linked to the market price of aluminium as quoted on London Metal Exchange, and a premium, which is added by the supplier.

### **Research & Development**

The ACE's research and development is entirely carried out at the level of its subsidiaries.

The iron casting division has a well performing and highly organised product development system, fully adequate to the requirements of its clients in the automotive industry. Compared to other brake casting manufacturers the plant has leading edge capabilities in product development. Human resources and equipment are designed to keep the front position in anchor development. Product development capabilities are concentrated on only one product family (anchors) and a very limited number of clients. This allows them to be a client- and product-oriented company providing its clients with customised engineering.

A few years ago our aluminium casting division started to invest in its own R&D capacity. At present, by the application of specialised simulation and CAD software, Their R&D department is capable of designing and developing new products and technology processes. This capacity has been proven by the latest projects.

Currently ongoing projects:

*Development of a new calculation program to support its iron casting technology* based not only in traditional geometrical and thermal concepts but also on the self-supply capacity of the metal, modulated by means of cooling curves. The project is carried out in cooperation with the Azterlan Technological Center ("*Centro Tecnológico Azterlan*").

*Collaboration with TRW in EUREKA project:* The main two goals of the project are reduction of the product development timing by 30-40% due to establishment of a new cooperative design procedure between ACE and its client. And reduction of noise produced during braking actions thanks to innovative modeling of braking system elements. Thanks to this project ACE will become a technological reference in the automotive industry. ACE and TRW will be supported in measurements and simulations by technical universities from Bilbao (Spain) and Krakow (Poland). Thanks to its innovative approach the project was recently awarded the European EUREKA label.

*New technology for the production of front calipers:* Our plant in Poland is developing a special innovative and environmental friendly technology solution for the production of front calipers, which has the additional benefit of cost reduction. They are presently conducting preliminary work to apply for a patent for the innovative technology used in the production of aluminium front calipers.

*New technology or application with "neutral" environmental sand core:* the polish facility of ACE is involved in a new casting technology application for producing casting parts with an innovative sand core without impact, which will permit in the future to enter in the production of this kind of range products with a high demand in the automotive industry.

ACE is deploying an important commercial effort in order to keep its position in iron anchors (iron plant is today almost full capacity) and increase his volume in aluminum through the existing capacity in his aluminum segment.

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The R&D expenses in Q4 by company are as follows:

Aluminium casting division in '000 Euro

	4Q 2007	4Q cumulative 2007	2006
Investments in R&D	4	144	172
Investments in IT systems for R&D	0	0	0
Costs regarding R&D	112	410	350
<b>Total R&amp;D expenses</b>	<b>117</b>	<b>555</b>	<b>522</b>

Iron casting division in '000 Euro

	4Q 2007	4Q cumulative 2007	2006
Internal R&D: Wages, travel expenses	611	1719	1 438
R&D materials	0	259	59
Licences & Software	6	22	19
Training	5	14	39
Marketing	0	0	
Design & works - production / supplies	38	162	227
Machinery & equipment purchase	0	40	191
Total Internal R&D	660	2216	1 973
External R&D: R&D Acquisitions	82	256	175
<b>Total R&amp;D</b>	<b>743</b>	<b>2473</b>	<b>2 148</b>

### Strategic investments

During the IPO the Company declared that a substantial part of proceeds coming from capital raising will be used for acquisitions of new companies. The main goal of this process is not only an increase of ACE's production capacity and market share but also diversification of its product range. According to the strategy of ACE the Company is looking for additional capacity in iron foundry business in one of CEE countries.

Preliminary selection of potential targets has been already completed and currently the Management Committee of ACE focuses on direct negotiations with two potential prospects, which should lead to particular investment decisions.

Negotiations with one of the prospects are very advanced and ACE has finished the due diligence process and nowadays is analyzing its outcome and focused in negotiations with the target. But any decision will be made after the process is fully completed.

In addition, and though the company still has free capacity in aluminium, ACE is also looking for potentially attractive acquisition targets in aluminium business. The potential target should be placed in the growth area of ACE, the CEE countries.

## 5. Outlook for the following months of 2007

In the upcoming months ACE will focus mainly on the following issues:

- Merger & Acquisitions – ACE will continue negotiations with selected targets and the final decisions will be taken in the following months.
- Capacity development and diversification of a product range – It is currently focused mainly on development of new products – TMC and front calipers. Currently placed orders secure production output of around 400k pieces in 2008, however Management Committee's intention is to further increase TMC production level in 2008 and capture additional orders from other customers. Front calipers will be in a series production in early 2009. Introduction of new products is a very important step in diversification of ACE's portfolio and additional source of future revenues as well as a good starting point to further improvement of its market position. However, entering a new market segment is linked with introduction of a new technology and new relations with customers.
- Additional iron machining opportunities: ACE has been nominated by one of the current customers to supply the machining of iron casting parts SOP is expected in the beginning of 2009. This is the first project in iron machining and represents, given the important presence of ACE in iron casting a very interesting opportunity for growing this business.

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- Management Information System – In the following months all companies in the group will continue introduction of a common ERP system and IT platforms. This will improve reporting capabilities and quality as well as will help on day-to-day business management of ACE's subsidiaries and will allow further performance improvement and better integration of all production plants.
- Negotiations with suppliers and customers: due to the evolution of some costs and despite ACE has ongoing agreements with their customers to pass through them the price increase of main raw materials, in the following months ACE managers will concentrate in negotiations with customers and suppliers to reduce the impact of potential cost increases.
- Technology improvements – All projects of this kind are carried out by R&D departments of both production subsidiaries. Although specific goals of ongoing projects are different, all of them will lead to further improvement of production technology and design procedures. The intention of ACE is not only to maintain its dominant position in anchors and calipers but also to be a technical reference for other suppliers of these parts. In the following months all projects described in the R&D section will be continued.
- One of the most advanced new technology implementation is the production of casting parts with an innovative sand core without environmental impact, which will permit in the future to enter into the production of this kind of products range with a high demand in the automotive industry. This technology is currently in the prototype face in the polish facility of ACE.

## 6. Additional information

### Major shareholders (over 5% of shareholder's equity) as of February 15, 2008

To the best of the Company's knowledge as of the date of publication of this consolidated report for the fourth quarter of 2007, the following shareholders are entitled to exercise over 5% of voting rights at the General Meeting of Shareholders in the Company:

	<i>No of shares as of February 14, 2008 (% of share capital) (***)</i>	<i>Increase/ decrease  No of shares</i>	<i>No of shares as on December 31, 2007 (% of share capital) (***)</i>	<i>No of shares as of December 31, 2006 (*) (% of share capital)</i>
EB Holding (Luxemburg) (**)	6 535 593 (29.55%)	-	6 535 593 (29.55%)	16 040 080 (80%)
Casting Brake (Spain) (**)	2 980 607 (13.48%)	-	2 980 607 (13.48%)	4 010 020 (20%)
Templeton Asset Management Ltd.	1 173 000 (5.30%)	-	1 173 000 (5.30%)	-
PKO Credit Suisse Towarzystwo Funduszy Inwestycyjnych S.A.	1 250 000 (5.65%)	-	1 250 000 (5.65%)	-
AIG Towarzystwo Funduszy Inwestycyjnych S.A.	1 556 579 (7.04%)	-	1 556 579 (7.04%)	-
ING Nationale Nederlanden Polska OFE	1 150 000 (5.20%)	-	1 150 000 (5.20%)	-

\* Before the IPO and capital increase by issue of 2 065 160 new shares in May 2007

\*\* Old shareholders selling part of their shares during IPO

\*\*\* After the partial repurchase of the over-allotment as stated in the Prospectus

### 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.

### Issued guarantees for loans as of the end of the fourth quarter of 2007

No new guarantees issued during the period other than described in prospectus and oppositely it has been cancelled the pledge on the shares in favor of Halberg Holding.

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

ACE entered into two transactions with related parties (as this term is defined in the Regulation (EC) No 1606/2002) that are material to the Company, before December 31, 2007:

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- Agreement for 3m Euro loan to Retorgal dated June 1, 2007 in order to fully repay Vendor Note & Acknowledgement of Debt
- Agreement for 7m Euro loan to EBCC dated September 18, 2007 in order to fully repay the Erste Bank loan.

There have been no additional material transactions since closing the books on Dec 31, 2007 and until the date of publication of this report.

ACE and its subsidiaries have entered into some transactions with related parties over the course of the period 2004–2006 which may have affected the financial position and profit and loss of the ACE in future. All these transactions are described in details in the prospectus.

**Information on any proceedings pending before a court, a competent arbitration body or any public administration authority**

Our Spanish plant has appealed an administrative decision according which it was denied a tax credit of 81.821 € in favour of this company coming from expenses relative to the capture and transport of waste.

Otherwise, the Company is not aware about any proceedings pending before a court, a competent arbitration body or any public administration authority as on the date of the publication of this report.

**Information on paid or planned dividend**

In the near future, and due to a planned acquisition, the dividend policy of ACE remains unchanged as regards the policy stated in the Prospectus. In the future and after completing the envisaged acquisition it will be reviewed accordingly.

**Changes of the Company's managing or supervisory persons in the fourth quarter of 2007**

There has been no changes of the Board of the Directors composition in the fourth quarter.

On September 12, 2007 the Extraordinary Shareholders Meeting approved resignation of Mr. Hugh Aiken from his Class A Director's position and approved nomination of three new directors:

<i>Marek Adamiak</i>	<i>Class A Director</i>
<i>Jerzy Szymczak</i>	<i>Independent Director</i>
<i>Paweł Szymański</i>	<i>Independent Director</i>

Since the EGSM the new Board of Directors is composed of 7 members.

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

There is no a general stock option plan for all employees within ACE Group. Only certain managers of ACE's production plant in Poland (EBCC Sp. z o.o.) will benefit from the plan. An employee share option plan was approved by the Board at their meeting on February 22, 2007. The plan gives specified persons the opportunity to acquire a stake in the capital of the Company. The extraordinary General Meeting on March 14, 2007 approved the introduction of an authorised share capital for the purposes of, *inter alia*, the plan. The options granted shall vest pro-rata on a quarterly basis over four years from the Allotment Date, and shall be exercisable on an annual basis from the second anniversary of the completion of the Offer. Options that have not yet vested upon the voluntary resignation or dismissal for cause of the beneficiary will automatically lapse upon the termination of the relationship between the beneficiary and the ACE Group. Where the relationship ends in the voluntary resignation or dismissal for gross negligence, fraud, willful misconduct all rights to Shares vested over the last 12 month period are cancelled.

Quarterly Consolidated Report for the quarter ended December 31<sup>st</sup>, 2007**Information on the revenues and net results of individual business segments and geographical segments**

Geographical segments in '000 Euro

	<i>For the four quarters of 2007 (cumulative)</i>
Western Europe	52 482
Eastern Europe	33 456
Other	71
<b>Total</b>	<b>86 009</b>

Business segments in '000 Euro

	<i>Iron castings</i>	<i>Aluminium castings</i>	<i>Other</i>	<i>Consolidated</i>
Total revenues	46 369	39 641	-151	85 859
<b>Profit for the segment</b>	<b>4 047</b>	<b>4 672</b>	<b>-102</b>	<b>8 617</b>

## ***B. Condensed Consolidated Financial Statements for the quarter ended December 31, 2007***

The condensed consolidated quarterly report for the fourth quarter of 2007 was prepared according to International Accounting Standards. The content of the report directly refers to the IAS standard, however due to a short history and the fact that the Company was not reporting on quarterly basis last year, ACE is not able to present comparable data for the fourth quarter of 2006 and cumulative performance for the four quarters of the previous year.

### **Applied Exchange rates**

As ACE is incorporated in Luxembourg, its statutory reporting currency is euro. However, Polish plant uses *zloty* for both statutory and internal reporting. For the consolidation within ACE, the financial monthly statements of this division were 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](http://www.nbp.gov.pl).

Investors should also note that the average rates are simple arithmetic averages for each given period.

<i>PLN per 1 Euro</i>	<i>Average</i>	<i>High</i>	<i>Low</i>	<i>Period end</i>
2006	3.8959	4.1065	3.7565	3.8312
Jan 1 – Dec 31, 2007	3.7843	3.9385	3.5699	3.5820
Oct 1 – Dec 31, 2007	3.6583	3.7740	3.5699	3.5820

### **Consolidated Balance Sheet as of December 31, 2007 in thousands of Euros**

<i>Assets</i>	<i>As of Dec 31, 2007</i>	<i>As of Sep 30, 2007</i>	<i>As of Dec 31, 2006</i>
<b>Non current assets</b>			
Property, plant and equipment	34 501	34 545	35 712
Intangible assets	319	180	116
Available for sale investments	300	319	320
Derivative financial instruments	233	226	140
Deferred tax assets	86	60	524
<b>Total non-current assets</b>	<b>35 439</b>	<b>35 331</b>	<b>36 812</b>
<b>Current assets</b>			
Inventories	8 566	7 062	5 199
Trade and receivables	15 599	14 102	14 282
Other current assets	867	1 910	805
Derivative financial instruments	392	0	235
Cash and cash equivalents	10 434	9 187	9 919
<b>Total current assets</b>	<b>35 856</b>	<b>32 261</b>	<b>30 440</b>
<b>Total assets</b>	<b>71 295</b>	<b>67 592</b>	<b>67 252</b>

Quarterly Consolidated Report for the quarter ended December 31<sup>st</sup>, 2007

<i>Equity and Liabilities</i>	<i>As of Dec 31, 2007</i>	<i>As of Sep 30, 2007</i>	<i>As of Dec 31, 2006</i>
<b>Capital and reserves</b>			
Share capital	3 317	3 317	3 008
Share premium	9 292	9 373	24
Retained earnings	16 501	13 658	8 906
Net profit for the period	8 733	6 026	4 057
<b>Total equity</b>	<b>37 843</b>	<b>32 375</b>	<b>15 995</b>
<b>Non current liabilities</b>			
Non current bank borrowings	11 503	11 491	25 913
Other loans	0	0	3 000
Deferred income	389	378	401
Deferred tax liabilities	486	3 493	3 402
Other non current liabilities	0	0	33
Long term provisions	358	601	551
<b>Total non current liabilities</b>	<b>12 736</b>	<b>15 963</b>	<b>33 300</b>
<b>Current liabilities</b>			
Current bank borrowings	2 921	2 651	3 067
Trade and other payables	13 438	12 663	10 828
Current tax liabilities	2 702	1 623	2 462
Other current liabilities	523	1 447	754
Provisions	1 132	870	846
<b>Total current liabilities</b>	<b>20 716</b>	<b>19 254</b>	<b>17 957</b>
<b>Total equity and liabilities</b>	<b>71 295</b>	<b>67 592</b>	<b>67 252</b>

Quarterly Consolidated Report for the quarter ended December 31<sup>st</sup>, 2007**Consolidated Income Statement for the period from October 1 to December 31, 2007**  
**in thousands of Euros**

	<i>From Oct 1 to Dec 31, 2007</i>	<i>From Jan 1 to Dec 31, 2007</i>
Revenues	20 136	85 859
Costs of sales	14 199	62 399
Gross profit	5 937	23 460
Other operating income	44	523
Distribution costs	788	2 773
Administrative expenses	2 439	9 691
Other operating expenses	70	826
Operating profit	2 684	10 693
Financial income	704	1 677
Financial expenses	223	1 822
Financial result	481	-145
<b>Profit before tax</b>	<b>3 165</b>	<b>10 548</b>
Income tax expense	459	1 816
<b>Net profit for the period</b>	<b>2 706</b>	<b>8 732</b>

**Consolidated Statement of changes in Shareholders' Equity for the period from January 1 to September 30, 2007 in thousands of Euros**

Attributable to equity holders of the Parent

	<i>Share capital</i>	<i>Share premium</i>	<i>Retained earnings</i>	<i>Profit for the period</i>	<i>Net Equity</i>
<b>Balance as of Jan 1, 2007</b>	<b>3 008</b>	<b>24</b>	<b>8 906</b>	<b>4 057</b>	<b>15 995</b>
Allocation of year 2006 profit			4 057	-4 057	0
Increase in share capital	309	9 268			9 577
Profit / Loss for the period				8 733	8 733
Change in fair value of consideration paid			3 147		3 147
Recognition of share-based payments			391		391
Other			8		8
<b>Balance as of Dec 31, 2007</b>	<b>3 317</b>	<b>9 292</b>	<b>16 509</b>	<b>8 733</b>	<b>37 851</b>

Presented changes in the Equity include an adjustment on the fair value of net assets acquired for Fuchosa, following a detailed valuation exercise finalized in 2007. As at the date of publication of this reporting, the accounting for the business combination can be determined only provisionally. Final adjustments on the valuation of net assets acquired and on related goodwill/badwill will be presented in the annual report.

Quarterly Consolidated Report for the quarter ended December 31<sup>st</sup>, 2007**Consolidated Cash Flow Statement for the period from January 1 to December 31, 2007**  
**in thousands of Euros**

	<i>From Jan 1 to Dec 31, 2007</i>	<i>From Oct 1 to Dec 31, 2007</i>
Cash flow from ordinary activities		
Profit before tax	10 549	3 166
Adjusted for:		
Amortisation and depreciation	4 050	638
Equity-settled share based payments transactions	391	0
Net financial result	395	-231
Losses on sale of property, plant and equipment	19	0
Gains and losses on changes in fair values of derivative financial instruments	-250	-399
Others	0	288
Operating cash before changes in working capital	15 154	3 463
Increase/decrease in receivables and other current assets	-1 379	584
Increase/decrease in inventories	-3 367	-1 504
Increase/decrease in trade and other payables	1 933	221
Cash from operating activities	12 342	2 764
Income tax paid	-1 816	-1 072
Net cash from ordinary activities	10 526	1 693
Cash flows from investing activities		
Acquisition of property, plant and equipment	-2 839	-626
Acquisition of other intangible assets	-203	-108
Acquisition of non current financial assets	20	20
Net cash from investing activities	-3 022	-714
Cash flows from financing activities		
Proceeds from issue of equity shares	11 089	1
Proceeds from bank financing	-14 556	281
Proceeds from other loans	-3 000	0
Change in other non current liabilities	-128	-246
Net of interest paid or received	-395	231
Acquisition of treasury shares	0	0
Net cash from financing activities	-6 990	266
Net increase/(decrease) in cash and cash equivalents	513	1 245
Cash and cash equivalents at the beginning of the period	9 919	9 187
<b>Cash and cash equivalents as of December 31</b>	<b>10 432</b>	<b>10 432</b>

**Notes to condensed financial statements**Accounting policies

The accounting principles and measurement basis of these Condensed Consolidated Financial Statements are consistent with those applied in the prospectus and have remained unchanged. In the preparation of these financial statements, the Company has followed the IAS interim condensed financial reporting standard. Due to a short history of the ACE (registered in July 2006) and no interim reporting obligations a fully comparable information for the fourth quarter of 2006 is not available.

Consolidated entities

<i>Company name</i>	<i>Status</i>	<i>Ownership</i>	<i>Consolidation method</i>
Fuchosa S.L.	Operational	100%	Full
EBCC Sp. z o.o.	Operational	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.

	<i>Before IPO</i>		<i>After IPO</i>	
	<i>No of shares</i>	<i>%</i>	<i>No of shares</i>	<i>%</i>
Existing shares	20 050 100	100%	20 050 100	90.66%
New shares	-	-	2 065 160	9.34%
<b>Total</b>	<b>20 050 100</b>	<b>100%</b>	<b>22 115 260</b>	<b>100%</b>

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

There has been no any non-recurring effects on consolidated financial statements of the company in the fourth quarter of 2007 except for the IPO and share capital increase described in the share capital changes above. There was an adjustment on the fair value of net assets acquired for Fuchosa, following a detailed valuation exercise finalized in 2007. As at the date of publication of this reporting, the accounting for the business combination can be determined only provisionally. Final adjustments on the valuation of net assets acquired and on related goodwill/badwill will be presented in the annual report

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 fourth quarter of 2007

The Company did not pay any dividend in the reported period.

Issuances, repurchases and repayments of debt and equity securities

In third quarter one of the subsidiaries of the Company has fully repaid the bank loan amounting 11 000 thousand €.

In addition, the company has fully repaid the Vendor Note and of the Acknowledgement of Debt to Halberg Guss as described in the prospectus. With this purpose, ACE has lent 3 000 Thousand € to Retorgal to fund this company via subordinated loan.

Quarterly Consolidated Report for the quarter ended December 31<sup>st</sup>, 2007

Material events after the end of the fourth quarter of 2007 that have not been reflected in the financial statements

There have been no material events impacting consolidated financial statements of ACE after the end of the 4<sup>th</sup> quarter and until the date of publication of this report. Due diligence expenses of the potential acquisition target - 120 k€

Changes in the composition of the Company during fourth quarter of 2007

To simplify a group structure and to reduce some operational costs two entities Fuchosa and Retorgal merged in the end of September 2007. After the merger Fuchosa is 100% directly ACE owned company. In the fourth quarter the Polish plant closed down its subsidiary (trade office) in Germany – EBCC Germany GmbH. All activities of the German branch are continued by the mother company in Wroclaw.

Changes in the contingent liabilities or contingent assets since the end of 2006

All current contingent assets and contingent liabilities were described in the Prospectus. There has been no change of these items since publication of the Prospectus and until the end of the fourth quarter of 2007.

Quarterly Consolidated Report for the quarter ended December 31<sup>st</sup>, 2007**Non – consolidated Balance Sheet Statement as of December 31, 2007**  
**in thousands of Euros**

<i>Assets</i>	<i>As of Dec 31, 2007</i>	<i>As of Dec 31, 2006</i>
<b>Non current assets</b>		
Property, plant and equipment	2	
Intangible assets		22
Available for sale investments		
Investment in Group and associated companies	3 032	3 032
Derivative financial instruments		
Receivables and other financial assets	10 000	
Deferred tax assets		
<b>Total non-current assets</b>	<b>13 034</b>	<b>3 054</b>
<b>Current assets</b>		
Inventories		
Trade and receivables	663	2
Other current assets		7
Derivative financial instruments		
Cash and cash equivalents	67	50
<b>Total current assets</b>	<b>730</b>	<b>59</b>
<b>Total assets</b>	<b>13 763</b>	<b>3 113</b>
<i>Equity and Liabilities</i>	<i>As of Dec 31, 2007</i>	<i>As of Dec 31, 2006</i>
<b>Capital and reserves</b>		
Share capital	3 317	3 008
Share premium	9 292	24
Retained earnings	-98	
Net profit for the period	14	-98
<b>Total equity</b>	<b>12 525</b>	<b>2 934</b>
<b>Non current liabilities</b>		
Non current bank borrowings		
Other loans	300	
Deferred income		
Deferred tax liabilities		
Other non current liabilities		
Long term provisions		
<b>Total non current liabilities</b>	<b>300</b>	<b>0</b>
<b>Current liabilities</b>		
Current bank borrowings		50
Trade and other payables	631	71
Current tax liabilities		
Other current liabilities		8
Provisions	307	50
<b>Total current liabilities</b>	<b>938</b>	<b>179</b>
<b>Total equity and liabilities</b>	<b>13 763</b>	<b>3 113</b>

Quarterly Consolidated Report for the quarter ended December 31<sup>st</sup>, 2007**Non – consolidated Income Statement for the fourth quarter of 2007  
in thousands of Euros**

	<i>From Oct 1 to Dec 31, 2007</i>	<i>From Jan 1 to Dec 31, 2007</i>
Revenues	518	518
Costs of sales	0	0
Gross profit	518	518
Other operating income	6	6
Distribution costs	0	0
Administrative expenses	-622	-622
Other operating expenses	71	-117
Operating profit	-26	-214
Financial income	119	249
Financial expenses	8	-21
Financial result	127	228
<b>Profit before tax</b>	101	14
Income tax expense	0	0
<b>Net profit for the period</b>	<b>101</b>	<b>14</b>

**Non – consolidated changes in Shareholders Equity from January 1 to December 31, 2007  
in thousands of Euros**

	<i>Share capital</i>	<i>Share premium</i>	<i>Retained earnings</i>	<i>Profit for the period</i>	<i>Net Equity</i>
<b>Balance as of Jan 1, 2007</b>	<b>3 008</b>	<b>24</b>	<b>0</b>	<b>-98</b>	<b>2 934</b>
Allocation of year 2006 profit			-98	98	0
Increase in share capital	309	9 268			9 577
Profit/Loss for the period				14	14
<b>Balance as of Dec 31, 2007</b>	<b>3 317</b>	<b>9 292</b>	<b>-98</b>	<b>14</b>	<b>12 525</b>

Quarterly Consolidated Report for the quarter ended December 31<sup>st</sup>, 2007**Non – consolidated Cash Flow Statement for the period from January 1 to December 31, 2007**  
**in thousands of Euros**

	<i>From Jan 1 to Dec 31, 2007</i>
<b>Cash flow from ordinary activities</b>	
Profit before tax	14
Adjusted for:	
Amortisation and depreciation	22
Equity-settled share based payments transactions	0
Net financial result	-228
Losses on sale of property, plant and equipment	0
Gains and losses on changes in fair values of derivative financial instruments	0
Others	0
<b>Operating cash flow before changes in working capital</b>	<b>-192</b>
Increase/decrease in receivables and other current assets	-428
Increase/decrease in inventories	0
Increase/decrease in trade and other payables	-702
<b>Cash from operating activities</b>	<b>-1 323</b>
Income tax paid	0
<b>Net cash from ordinary activities</b>	<b>-1 323</b>
<b>Cash flows from investing activities</b>	
Acquisition of property, plant and equipment	-2
Acquisition of other intangible assets	0
Acquisition of non current financial assets	0
<b>Net cash from investing activities</b>	<b>-2</b>
<b>Cash flows from financing activities</b>	
Proceeds from issue of equity shares	11 092
Proceeds from bank financing	-10 050
Proceeds from other loans	300
Net of interest paid and received	0
<b>Net cash from financing activities</b>	<b>1 341</b>
Net increase/(decrease) in cash and cash equivalents	17
Cash and cash equivalents at the beginning of the period	50
<b>Cash and cash equivalents at December 31</b>	<b>67</b>