Automotive Components Europe S.A.

Quarterly Consolidated Report

for the

Quarter ended September 30th, 2010

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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 82, Route d’Arlon, L-1150 Luxembourg, Grand Duchy of Luxembourg.

ACE as a holding company has three operating companies (the Group): the iron casting division of Fuchosa in Spain and Feramo (consisting of Feramo Metallum International and Feramo Trans) in the Czech Republic, and the aluminium casting division of EBCC in Poland.

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. 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 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, 2010

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*
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 2010 was prepared according to International Accounting Standards.

2. Financial Highlights

in '000 Euro

Selected consolidated financial items	*For the 3rd quarter of 2010 From Jul 1st to September 30th, 2010*	*From Jan 1st to Sept 30th , 2010 Cumulative*	*For the 3rd quarter of 2009 From July 1st to September 30th , 2009*	*From Jan 1st to Sept 30th , 2009 Cumulative*
Revenues from sales	20 110	64 034	19 955	56 235
Operating Profit	768	3 083	1 796	2 723
Profit before tax	1 059	2 869	2 296	24
Net profit	848	2 236	2 171	- 1
Net profit attributable to equity holders of the parent company	848	2 236	2 171	- 1
Cash flow from operating activities	1 241	6 630	4 200	6 478
Cash flow from investment activities	- 324	-1 808	- 623	- 996
Cash flow from financial activities	-1 606	-4 388	-1 513	-6 126
Net cash flow	- 898	211	1 988	- 719
Current assets	34 896	34 896	32 985	32 985
Fixed assets	40 877	40 877	45 122	45 122
Total Assets	75 773	75 773	78 107	78 107
Liabilities	37 122	37 122	42 873	42 873
Long-term Liabilities	14 528	14 528	18 689	18 689
Short term Liabilities	22 594	22 594	24 184	24 184
Shareholders Equity	38 650	38 650	35 234	35 234
Shareholders equity attributable to shareholders of the parent company	38 650	38 650	35 234	35 234
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	0,04	0,11	0,10	0,00
Book value per share	1,82	1,82	1,66	1,66

3. Financial performance

Consolidated Profit & Loss Statement

in '000 Euro

	For the 3rd quarter of 2010 From Jul 1st to September 30th, 2010	*From Jan 1st to Sept 30th , 2010 Cumulative*	*For the 3rd quarter of 2009 From July 1st to September 30th , 2009*	*From Jan 1st to Sept 30th , 2009 Cumulative*
Revenues from sales	20 110	64 034	19 955	56 235
Cost of goods sold	-16 302	-51 109	-15 465	-45 087
Gross profit	3 808	12 926	4 489	11 148
GP margin	*18,9%*	*20,2%*	*22,5%*	*19,8%*
G&A expenses	-3 040	-9 843	-2 693	-8 425
Operating profit	768	3 083	1 796	2 723
OP margin	*3,8%*	*4,8%*	*9,0%*	*4,8%*
Depreciation & amortisation	-1 315	-4 360	-1 298	-4 198
EBITDA	2 083	7 443	3 094	6 921
EBITDA margin	*10,4%*	*11,6%*	*15,5%*	*12,3%*
Financial income	98	919	68	317
Financial costs	193	-1 133	432	-3 015
Profit before tax	1 059	2 869	2 296	24
Tax	- 211	- 632	- 125	- 25
Net profit	848	2 236	2 171	- 1
NP margin	*4,2%*	*3,5%*	*10,9%*	*0,0%*

Sources of sales revenues

The main source of ACE Group's sales revenues is sales of nodular iron anchors and aluminium callipers 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 2010 cumulative***	***%***	***Three quarters of 2009 cumulative***	***%***
Sales of products	61 334	95,8%	54 232	96,4%
Sales of goods and materials	2 700	4,2%	2 003	3,6%
Total sales revenue	**64 034**	**100%**	**56 235**	**100%**

Sales revenue in '000 Euro	***Three quarters of 2010 cumulative***	***%***	***Three quarters of 2009 cumulative***	***%***
Nodular iron products	28 518	46,5%	23 147	42,7%
Grey iron products	9 083	14,8%	8 412	15,5%
Aluminum products	20 217	33,0%	22 148	40,8%
New family products	3 516	5,7%	525	1,0%
Total sales	**61 334**	**100%**	**54 232**	**100%**

Sales volumes in thousand pieces	***Three quarters of 2010 cumulative***	***Three quarters of 2009 cumulative***
Nodular iron products	15,5	13,4
Grey iron products	1,5	1,3
Aluminum products	4,2	4,2
New family products	0,8	0,2
Total pieces sold	**22,0**	**19,1**

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

Revenues by country	***Three quarters of 2010 cumulative***	***Three quarters of 2009 cumulative***
Germany	28,1%	24,2%
Czech Republic	24,4%	32,5%
France	11,8%	11,6%
Spain	8,3%	7,0%
Italy	4,8%	5,6%
Other	22,6%	19,1%
Total	**100,0%**	**100,0%**

The following comments, unless expressly stated herein are exclusively referred to the third quarter of 2010 and its comparison versus same period of 2009.

Automotive Market Performance

In third quarter of 2010 **sales of cars in Western Europe decreased** by around **450 thousand cars or 14%** in comparison with the same period of precedent year, according to JD Power. In 2009, the first quarter was heavily influenced by the global crisis whereas in second quarter, introduction of government subsidies to stimulate the automotive market had a strong impact in the dynamic growth of sales. This positive influence was also projected in the rest of 2009, when thanks to this factor, usual seasonality of automotive market in second half was much softer than in precedent years. Third quarter of 2010 shows some more volatility somehow gathering this seasonality and the lack of government subsidies.

Despite the above, the **cars production** in the same region and in the same period in comparison with third quarter of 2009 was some more stable **declining** by around **200 thousand cars or 7%.** The main reason behind this gap between sales and production year-on-year was a very sudden negative correction of inventories produced especially in first half of 2009, driven by the very low production volume, to adjust stocks to new demand and improve capital needs.

In year to date, general market performance is much more positive, with sales only 3.5% below previous year and production even higher by 12%.

ACE sales in the market context

Only in this context of production above sales, and being production the main driver of Group sales, we can understand the slightly increase of third quarter turnover versus same period of 2009, higher by Euro 155 thousand, or 1%. However, this growth becomes decrease by 3% if we only focus in automotive turnover.

In volume terms the decrease did also represent 3% in number of units (4% only for automotive segment). The difference between value and volume is driven by the much higher prices of scrap iron and energy prices in third quarter 2010 versus same period of 2009, as they are partly passed along to customers as an adjustment in the sale price.

In this context, Group turnover outperformed market sales once again. The incidence of new projects in our customer portfolio is also one of the reasons why our Company is performing better than the market in general. Some recovery of premium and medium size cars in the market could be also supporting this outperformance.
This is even more visible in year to date, with turnover and sales volume higher by 14% and 15% respectively, improving both market sales and production.

Direct production costs and gross profit

Even though sales volume in terms of number of parts was not far away in third quarter of 2010 comparing with same quarter of 2009, lower profile of mix of sales and especially lower percentage of machining parts definitively determined company performance in the period. In addition, some lower production than sales volume in Nodular iron segment did also contribute to reduce even more the volume gap.

Much higher energy prices as a result of higher spot prices and changes in distribution prices in Spain and increase of coke prices in our Czech business amounting around EUR -0.4 million, had a substantial effect on the gross profit margin.

In the same direction, strengthening of Polish zloty in third quarter caused a negative result above EUR -0.1 million in all operating margins comparing with same period of 2009.

Positively, maintenance expenses were stable and prices of raw materials in the period did not fluctuate significantly and thus it did even bring some positive contribution when comparing with third quarter of 2009. As we already anticipated in semiannual report, sales prices reflect price increases of raw materials based on the previous quarter's variance, and this is a non-recurrent and even recoverable effect, to the extent that in the following quarters purchase prices are stable or decrease, respectively.

The quarterly gross margin was EUR 3.8 million (19% on sales), which is EUR 0.7 million lower than in 2009 (-15%).

General & administrative expenses

Out of EUR 347,000 higher G&A expenses in the period (13% higher), overheads were only growing by EUR 143,000 or 6% comparing last year, partly containing the before mentioned negative effect of operating FX but also pay rises and incorporation of some key company roles not yet covered, especially in Feramo, to create a solid basis in order to expand this company in the near future.

Otherwise, the difference is also related to lower subsidies recorded in the period by EUR 123,000 and higher R&D expenses and other launching costs of new projects in the ramp-up process, as well as some other minor issues.

EBITDA and operating profit

EBITDA in the period was EUR 2,083,000 (10% on sales), EUR 1,011,000 down compared with the same period of 2009 (33% lower) for the reasons already mentioned.

Depreciation was very stable in the period, resulting in an operating profit of EUR 768,000 (EUR 1,028,000 lower than 2009).
However, the impact of better operating leverage driven by 14% higher sales, rose year-to-date EBITDA in 2010 to EUR 7.4 million (12% on sales and EUR 0.5 million higher than in 2009) and EBIT to EUR 3.1 million (EUR 0.4 million higher than in 2009)

Financial items

Driven by the strengthening of Polish zloty during the third quarter, the net financial result was quite positive, by EUR 291,000, mostly allocated to our Polish company. After the period, the fair value of these instruments and the interest rate swap in the balance sheet is EUR 678,000.

However, the more positive difference that the Group experienced in the same period of 2009 by EUR 500,000, caused by some deeper strengthening of Polish zloty recorded at that time and higher exposure until partial cancellation of hedging contracts results in a negative difference of EUR 209,000 in net financial result in third quarter of 2010 comparing with the same period of 2009.

Profit before tax and tax

With net positive financial result cutting the differences of operating margins, profit before tax in third quarter was positive by EUR 1.1 million (EUR 1.2 million lower than 2009).

Taxes recorded as a consequence of these profits were EUR 211,000.

Net profit

Reflecting all the above, the company was also in the black for the third quarter at the net profit level, at EUR 848,000, or - EUR 1,323,000 compared with 2009.

Total year-to-date profit before tax in 2010 rose to EUR 2.2 million (EUR 2.2 million higher than in 2009, when at this stage of the year the Net Profit was zero).

Financial Position

The operating generation of cash from January to September of 2010 was strongly positive, by EUR 6.6 million, even though working capital increased by EUR 786,000 as a result of a significant activity increase during the period in comparison with year-end.

On the other hand, in the same period we activated capex, mainly required for casting of new products in the aluminium division, by EUR 1.8 million.

Otherwise, the comparison of financing activities is even more positive for 2010 because of the cancellation costs for the hedging contracts of EUR 3.2 million (reduced by EUR 2 million by a new loan granted by the bank) in February of 2009.

The final cash position of the Company as of the end of June 2010 was EUR 12.1 million. Net debt as of same date was EUR 3.9 million, and was also significantly reduced compared with previous quarters.

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 JD Power forecast for 2010 calls for a general decline in new car sales of about -6.2%, though production forecasts are more positive, showing a trend of stability and even positive growth in the range of around 12% (source: PricewaterhouseCoopers Autofacts' most recent report).

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 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 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.), a certified, reliable manufacturing process, a high level of quality, and a 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. Up to year 2007 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. Due to lower profile of cars sold in year 2008 and 2009 it is very probable that the a.m. percentage of estimated disc brake per car have decreased in favor of drum brakes.

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 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.

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 the 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 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.

ACE continuously cooperates with its customers on redesign and development of anchors and callipers 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 (SOP).

Feramo, the 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 around 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. At the moment one of the most important projects of this type is introduction of tandem master cylinder (TMC) production by our Polish plant.

The second project covered by the same division is development of aluminium front callipers, which are used in high-end cars. The subsidiary was nominated by its customer as a supplier of front callipers, and the start of serial production began in the last quarter of 2009. In the end of the third quarter of 2010 production was moved into a new casting line especially dedicated for this product. ACE is the only supplier of this reference in Europe.

Main customers

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).

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.

The Company did not usually experience any important fluctuation of sales linked with changes in seasonal demand. In the reporting period, however, sales were affected by sharp decrease of production of new cars in West European countries.

Nevertheless, during Easter, summer and Christmas periods the activity decreases due to holidays and maintenance stop of facilities.

Suppliers

Due to the fact that ACE's production plants use different production materials and technologies, they are responsible for their own supplies.

In general, contracts executed by the iron segment have a one-month duration 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 daily basis at spot price.

The aluminium casting division does not execute long-term written agreements with its major production material suppliers other than 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 some 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 necessary for the Feramo investment project in terms of knowledge transfer and development.

ACE 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 in the third quarter of 2010 are as follows:

In ‘000 Euro

	Three quarters of 2010 cumulative	*Three quarters of 2009 cumulative*
Investments in R&D	583	529
Costs regarding R&D	1 920	1 328
Total R&D expenses	**2 503**	**1 857**

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 recent 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. Planned 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 the other direction, implementation of nodular iron technology promoted by the Group to manufacture new parts for automotive segment in the Czech plant is also ongoing and during last summer, first samples were successfully produced under this technology

Increasing presence in Europe
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 customers and potential new customers. This advantage will be utilised 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 offer 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.

Combined engineering and other synergies
Integration of automotive plants as well as the newly acquired Feramo within the ACE Group will result in synergies in the very near future. Combined engineering will be of particular importance in the development of new products in both iron and aluminium. The Polish and Czech plants benefit from the experience of the plant in Spain and are further developing their general management systems.

5. Outlook for the following months

The latest JD Power forecast for sales in the Western European automotive market, issued in November for full-year 2010, anticipated a decline by 6.4% versus 2009. Given that so far the difference is a positive 1.8%, this means that in the last quarter of the year we can expect a decline of about 15%, or 510,000 cars.

However, production forecasts are somewhat more optimistic. PwC Autofacts shows an increase of around 7% in the Western Europe (around 12% including Eastern Europe), but with the current level of production already at +12%, this means again a last quarter stable or even decline of about 7% compared to the same period of 2009.

Obviously there is some component of seasonality in this unbalanced yearly volume breakdown, but probably there is also some decline of sales discounted in the sales outlook for 2010, which remains somewhat uncertain as scrappage incentives roll over.

In terms of Group sales in the first three quarters of 2010, the volume of sales accelerated, probably anticipating part of the yearly turnover. For the remaining months of the year, according to the order book and further expectations, the Group can anticipate some stability in sales compared with the last quarter of 2009, and even some growth by above 10% in the aluminium segment, whereas the iron segment should be somewhat more stable. However, the proportion of the aluminium machining segment is also expected to be reduced throughout the current year according to the current projects portfolio.

The non-automotive business yearly sales growth is performing better than the automotive segment, but due to its generalised scope it is less predictable and the order book has lower visibility.

Nonetheless, the Group maintains its expectation of sales growth for full year 2010 in number of units in the range of 5-10%.

In terms of further impact produced by the temporary gap in surcharge agreements, the Group stresses that this is a non-recurrent effect, and depending on the trend in raw material prices for the rest of the year, some or even all of the difference may be recovered. In Q4, the Group expects raw material prices to be stable, or even slightly decline versus the previous quarter.

Meanwhile, one of the main tasks today is focused on actively pushing on the pipeline of new products and projects to fulfil as much as possible the spare capacity created in the Group as a consequence of the slowdown, which applies especially to machining activity. 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 it did in previous years.

As far as year 2011 is concerned, the latest JD Power forecast for sales in the Western European automotive market, issued in November for full-year 2011, anticipated a decline by 2.1% versus 2010.Once again, production forecasts are somewhat more optimistic. PwC Autofacts shows an increase of around 1.5% in the Western Europe (around 3.7% including Eastern Europe).

Group forecast according to the order book and further expectations can also anticipate some stability in sales volume in terms of number of parts compared with 2010, which is some more positive for the aluminium segment, whereas the iron segment should be somewhat more stable. However, the proportion of the aluminium machining segment is also expected to be reduced throughout the following year according to the current projects portfolio. Reason is double: on the one hand customers are still retaining an important spare capacity in machining during slowdown, and on the other hand new projects which the company is awarded are not machined.

After a deep long crisis period, market comes back to precedent scenario step by step and recovers its key drivers in an overcapacity environment. So, in terms of costs, the international industrial recovery could bring some more volatility of prices of raw materials and energy, whereas after a long period of wage freeze, workforce expectations could be overstated.. Obviously automotive market where we are involved is very demanding and it is a part of our work to focus on efficiency improvements to set off any increased cost.

In this 2011 scenario of sad recovery and capacity under utilized, there is an important competition factor which customers are taking advantage of to push down selling prices. Our important competitive advantage mostly provided by our high degree of specialization and important knowledge of our product should protect our Company in an important extent to face this situation in better standing, but we are conscious that we are operating in a very turbulent market and only companies which manage to deal better with the new environment will be stronger after the slowdown.
In this context, CEE expansion represented by Feramo investment project as group platform to grow in the automotive market is also an important asset in the Group and could bring additional value in the near future.

6. Additional information

Major shareholders (over 5% of shareholder's equity) as of September 30th, 2010

As of the end of December 2008 the Company's share capital comprised 22 115 260 shares and the same number of corresponding votes. On 17 June 2009 the Extraordinary Shareholders Meeting approved cancellation of 884 745 buy-back shares. As of September 30, 2010 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 2010, 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, 2010 (% of share capital)	*As of December 31, 2009 (% of share capital)*
Casting Brake (Spain)	2 430 607 (11,45%)	2 980 607 (14,04%)
PZU „Zlota Jesien" OFE	3 900 000 (18,37%)	3 696 233 (17,41%)
ING Nationale Nederlanden Polska OFE	3 674 050 (17,31%)	3 621 926 (17,06%)
Pioneer Pekao Investments	2 137 704 (10,07%)	1 739 612 (8,19%)
AVIVA Investors Poland	1 098 605 (5,17%)	Below 5%
ING Towarzystwo Funduszy Inwestycyjnych	1 087 615 (5,12%)	Below 5%

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 2010.

Information on paid or planned dividend

The General Meeting of Shareholders held on 15 June 2010 approved distribution of a dividend in the total amount of EUR 1,061,525.75, amounting to EUR 0.05 per share, to be paid from the retained earnings account. On September 29, 2010, the Board of Directors adopted a resolution setting forth details of the dividend payment. The dividend was paid on October 29, 2010 to the shareholders holding the shares of the Company on October 14, 2010 (the "record date"). The dividend was paid in euro and distributed through National Depositary for Securities in Poland.

Changes of the Company's managing or supervisory persons in the third quarter of 2010

There were no changes in the Company's managing or supervisory persons in the third quarter of 2010.

Information on the supervision of employee stock option plans

An employee share option plan (the "ESOP") was approved by the Board at their meeting held on 22 February 2007. Currently, only one manager of EBCC can benefit from the ESOP. The ESOP gives specified persons (the "ESOP Beneficiaries") the opportunity to acquire a stake in the capital of the Company. The extraordinary General Meeting held on 14 March 2007 approved the introduction of authorised share capital of 1,002,505 shares for the purposes, inter alia, of the ESOP. 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 or wilful misconduct, all rights to shares vested over the last 12-month period are cancelled. The total number of shares subject to the ESOP shall not exceed 1,002,505. The strike price will be equal to the Offer Price, which was PLN 20.50.

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

	Three quarters of 2010 cumulative	***Three quarters of 2009 cumulative***
Western Europe	40 462	33 093
Eastern Europe	23 196	22 961
Other	376	181
Total	**64 034**	**56 235**

Business segments in '000 Euro

	Iron castings	***Aluminium castings***	***Other***	***Consolidated***
Total revenues	37 602	23 733	2 700	64 034
Operating Profit for the segment	**2 204**	**1 281**	**- 401**	**3 083**
Net Profit for the segment	**1 453**	**1 175**	**- 391**	**2 236**

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 2010

	Compared to the end of 2009
ACE S.A.	31,99%
WIG Index	13,13%
SWIG80 Index	9,14%

Stock Market Data

	Third quarter of 2010	*2009*	*2008*
Market capitalisation as of the end of the period	PLN 215,5m	PLN 163,3m	PLN 38,9m
(in millions of PLN and EUR)	€ 54,1m	€ 39,7m	€ 9,3m
Share price (in PLN)			
- Highest	11,96	7,69	12,23
- Lowest	9,65	1,10	1,66
- Average	11,00	4,16	7,51
- At the end of the period	10,15	7,69	1,76
Shareholders equity per share in EUR (in PLN)	1,82 (7,26)	1,74 (7,15)	1,57 (6,55)

Per Share Data

	Three quarters of 2010	*Three quarters of 2009*	*2009*	*2008*
Earnings per share (in EUR)	0,11	0,00	0,09	0,01
Cash Flow per share (in EUR)	0.01	-0,03	0,09	-0,01
Dividend per share (in EUR)	-	-	-	-

B. Condensed Consolidated Financial Statements for the quarter ended September 30th, 2010

The condensed consolidated quarterly report for the third quarter of 2010 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*	*High*	*Low*	*Period end*
Jul 1 – Sep 30 2009	4,2006	4,4241	4,0854	4,2226
Jan 1 – Sep 30 2009	4,3797	4,8999	3,9170	4,2226
Jul 1 – Sep 30 2010	4,0081	4,1529	3,9279	3,9870
Jan 1 – Sep 30, 2010	4,0023	4,1770	3,8356	3,9870

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*	*High*	*Low*	*Period end*
Jul 1 – Sep 30 2009	25,5979	26,0450	25,0850	25,5979
Jan 1 – Sep 30 2009	26,6190	29,4700	25,0850	25,1650
Jul 1 – Sep 30 2010	24,9134	25,7600	24,5500	24,6100
Jan 1 – Sep 30, 2010	25,4575	26,3700	24,5500	24,6100

Consolidated Balance Sheet as of September 30th, 2010 in thousands of Euros

Assets	*As of Sep 30, 2010*	*As of Dec 31, 2009*	*As of Sep 30, 2009*
Non-current Assets			
Intangible assets	238	139	147
Property, plant and equipment	39 631	41 988	43 922
Investment in associates	20	20	21
Derivative financial instruments (NCA)	56	0	0
Deferred tax assets	931	1 151	1 031
Trade and other long term receivables	0	0	1
	40 877	**43 298**	**45 122**
Current assets			
Inventories	8 707	7 623	7 223
Trade and other receivables	13 893	13 989	16 388
Derivative financial instruments (CA)	54	0	0
Other current assets	110	106	0
Cash and cash equivalents	12 131	11 906	9 374
	34 896	**33 624**	**32 985**
Total assets	**75 773**	**76 922**	**78 107**

Equity & Liabilities	*As of Sep 30, 2010*	*As of Dec 31, 2009*	*As of Sep 30, 2009*
Equity			
Share capital	3 185	3 185	3 185
Share premium	6 931	6 931	6 931
Retained earnings	26 137	25 108	25 108
Exchange gain or loss against equity	161	- 357	9
Profit for the year	2 236	1 980	- 1
	38 650	**36 847**	**35 232**
Liabilities			
Non-current liabilities			
Borrowings (NCL)	10 783	14 271	14 179
Deferred income	185	213	224
Deferred tax liabilities	3 426	3 410	3 413
Provisions for other liabilities and charges (NCL)	134	109	96
Derivative financial instruments (NCL)	0	444	777
	14 528	**18 447**	**18 689**
Current liabilities			
Trade and other payables	15 194	14 866	14 629
Borrowings (CL)	5 255	5 018	6 871
Derivative financial instruments (CL)	678	953	1 070
Other current liabilities	1 110	14	533
Provisions for other liabilities and charges (CL)	357	777	1 082
	22 594	**21 628**	**24 186**
Total Liabilities	**37 122**	**40 075**	**42 875**
Total equity and liabilities	**75 772**	**76 922**	**78 107**

Consolidated Income Statement for the period from January 1st to September 30th, 2010 in thousands of Euros

	For the 3rd quarter of 2010 From Jul 1st to September 30th, 2010	*From Jan 1st to Sept 30th , 2010 Cumulative*	*For the 3rd quarter of 2009 From July 1st to September 30th , 2009*	*From Jan 1st to Sept 30th , 2009 Cumulative*
Revenues	20 110	64 034	19 955	56 235
Costs of goods sold	-16 302	-51 109	-15 465	-45 087
Gross profit	3 808	12 926	4 489	11 148
Selling and distribution costs	- 556	-1 766	- 493	-1 354
General and administration costs	-2 338	-7 957	-2 195	-7 381
Other income	29	139	152	662
Other expenses	- 174	- 259	- 158	- 352
Operating profit	768	3 083	1 796	2 723
Financial income	98	919	68	317
Financial expenses	(*) 193	-1 133	(*) 432	-3 015
Profit before income tax	**1 059**	**2 869**	**2 296**	**24**
Income tax expense	- 211	- 632	- 125	- 25
Profit for the period	**848**	**2 236**	**2 171**	**- 1**

(*) Hedging financial result each quarter is income or expense depending on year to date result.

Consolidated Statement of changes in Shareholders' Equity for the period from January 1st to September 30th, 2010 in thousands of Euros

Attributable to equity holders of the Parent

	Share capital	*Share premium*	*Legal Reserve*	*Retained earnings*	*Cash flow hedges*	*Exchange differences*	*Profit for the period*	*Net Equity*
Balance as of Jan 1, 2010	**3 185**	**6 931**	**307**	**24 801**	**0**	**- 357**	**1 980**	**36 847**
Allocation of previous year profit				1 980			-1 980	**0**
Profit / Loss for the period							2 236	**2 236**
Total recognised income and expenses for the period							**2 236**	**2 236**
Exchange differences						518		**518**
Dividend distribution				-1 061				**-1 061**
Changes in fair value of currency hedging instruments					110			**110**
Balance as of Sep 30, 2010	**3 185**	**6 931**	**307**	**25 720**	**110**	**161**	**2 236**	**38 650**

Consolidated Cash Flow Statement for the period from January 1st to September 30th, 2010
in thousands of Euros

	From Jan 1st to Sep 30th, 2010	*From Jan 1st to Sep 30th, 2009*
Profit before income tax	2 869	24
Adjustments for:	4 548	6 697
- Depreciation and amortizations of non-current assets	4 360	4 198
- (Profit)/loss on sale, or impairment /reversal of non-current assets	- 8	- 68
- Net financial result	929	5 141
-Gain and losses on charges in fair values of derivate financial instruments	- 715	-2 451
- Net movements in provisions	- 19	- 122
Changes in working capital(excluding effects of acquisition and exchange differences on consolidation)	- 786	- 243
- Inventories	120	3 597
- Trade and other receivables	- 135	-3 209
- Trade and other payables	- 772	- 632
Cash from operations activities	**6 630**	**6 478**
Income tax paid	- 223	- 75
Net cash from ordinary activities	**6 407**	**6 403**
Cash flows from investing activities		
Purchases of property, plant and equipment (PPE)	-1 720	-1 119
Proceeds from sale of non current assets	9	123
Purchases of intangible assets	- 97	0
Net cash used in investing activities	**-1 808**	**- 996**
Cash flows from financing activities		
Repayments of bank borrowings	-3 908	-4 593
Repayment of other loans	- 289	- 6
Proceeds from bank borrowings	242	2 475
Proceeds from other loans	547	1 219
Net of financial result paid and received	- 981	-5 222
Net cash used in financing activities	**-4 388**	**-6 126**
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	**211**	**- 719**
Cash, cash equivalents and bank overdrafts at beginning of the period	11 906	10 098
Effects of exchange rate changes on the balance of cast held, in foreign currencies	14	- 5
Cash, cash equivalents and bank overdrafts at the end of the period	**12 131**	**9 374**

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 have remained unchanged. 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
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 2010

There were no dividend paid in the third quarter of 2010.

Issuances, repurchases and repayments of debt and equity securities

The company repaid EURO 1.9 million of debt in the third quarter of 2010.

Material events after the end of the third quarter of 2010 that have not been reflected in the financial statements

On 12 November 2010 the ACE Group signed an long-term syndicated financing agreement with a group of banks including Caixa d'Estalvis i Pensions de Barcelona, Banco Popular Espanol , S.A., Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A. and Bankinter, S.A. The total maximum amount of the loan granted by the banks will not exceed EURO 19 millions and will be maturing within maximum six years. A cost of the loan is at current market levels. The loan will be used by the Group for partial refinance and repayment of the current loan facilities used directly by all three production plants. It will substantially improve group cash management, decrease costs of global debt financing and allow for free flow of cash within the ACE group.

To ease the process and to provide the group of entities taking part of the syndicated pool of banks with the local guarantees required, ACE transferred at the same time, through a contribution in-kind, all shares and parts of all three production plants (Fuchosa S.L., EBCC sp. z o.o. and Freramo s.r.o.) to a new Spanish company ACE Boroa S.L., the borrower, being a 100% subsidiary of ACE S.A. This intermediary vehicle as well as all remaining ACE Group members are the debt guarantors.

Changes in the composition of the Company during third quarter of 2010

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