Automotive Components Europe S.A.

2007

Annual Consolidated Report

Luxembourg - May, 2008

Dear Shareholders,

I am pleased to present our Annual Report for the year 2007 in which you will find a clear evidence of our strong operating performance and delivery of all objectives defined and set during the Initial Public Offering process and listing on the Warsaw Stock Exchange, which was completed successfully in June 2007. Our WSE listing, which is in fact the only bourse on which the ACE shares are quoted, is linked directly with our long term development strategy as well as importance of the WSE in the CEE region.

At the time of the IPO the Company raised a new capital of around 11 Mio EUR, which was dedicated for expansion of the group through acquisition of an iron foundry in one of the CEE countries and optimisation of the financing structure through repayment of debt. By the day of the publication of this report both goals were achieved thanks to a substantial amount of work which was done in the second half of last year. The acquired company – Feramo Metallum International, based in Brno, Czech Republic – is an important platform for our fast growth in the following years. In the meantime, until the acquisition had been completed, we utilised part of raised funds to optimise our financing structure and decrease financial costs and improve our overall performance and net profit generation.
We are confident that the premise given to the investors at the time of the IPO is now being fulfilled but our goal for the future is to use the acquired platform for generation of additional value for shareholders in the upcoming years.

With regard to financial performance we made a very important step forward increasing our revenues and profit. With sales at 86 Mio EUR and net profit at 8.7 Mio EUR we are + 9% and +25% above the 2006 pro-forma performance, respectively. High profitability of the business and strong market share in both segments (iron and aluminium) are good basis for future organic growth of the Company and higher outputs on both production and financial levels. In our day-to-day operations we are focused on constant productivity and efficiency improvements as well as securing good position of ACE Group in relations with our suppliers and customers. Our goal for the future is to maintain high profitability of the growing business.

Although ACE is an international company, with its facilities located in EU countries, one of our main objectives is frequent communication with our current shareholders to provide on-going update and discuss our performance at least on a quarterly basis. I would like to thank all investment managers and analysts we were meeting last year and show the commitment that ACE will continue this dialog in the future.

We are very optimistic about the development of ACE Group in the following years. Year 2008 will be important for creation of foundations for future strong presence of ACE in the CEE region. Our 9 Mio EUR investment program in the newly acquired company and organic growth of the Polish facility will put us on a fast development path in the upcoming years, thanks to increasing diversification of revenues and substantial growth of production capacity.

I would like to take this opportunity to thank all board members, directors and staff of the ACE Group for their skill in running our operations and taking the Company forward. I look forward to the year ahead with strong confidence.

In Bilbao, 20th May 2008

José Manuel Corrales
Chief Executive Officer
Automotive Components Europe

Automotive Components Europe S.A.

Director’s Report and Additional Information

for the

2007 Annual Consolidated Report

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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 has its registered office located 82, route d'Arlon, L-1150 Luxembourg, Grand Duchy of Luxemburg where the company has moved to since August 2007 from its former address in 6 Rue d'Adolphe L 1116 Luxemburg.

ACE as a holding company incorporated in Luxembourg had in 2007 two operating companies: iron casting division (Fuchosa, S.L.) in Spain and aluminium casting division (EBCC Sp. z o.o.) in Poland.

ACE is a specialised 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 1st, 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:

Jose Manuel Corrales	*Chief Executive Officer*
Raul Serrano	*Senior Officer, Chief Financial Officer*
Carlos Caba	*Senior Officer, Business Development Manager*
Zbigniew Pawłucki	*Senior Officer, Head of Aluminium Activities*

Board of Directors:

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

The consolidated annual 2007 report was prepared according to International Accounting Standards as adopted by EU (EU IFRS). The content of the report directly refers to the IAS standard. The comparative figures as of 31 December 2006 have been also prepared in accordance with EU-IFRS, which due to company incorporation date in July 2006 only concern the period of the income statement from the 21st July to 31st December 2006.

Auditor: Deloitte S.A. (Luxembourg)

2. Financial Highlights

in '000 Euro

Selected consolidated financial items	*From Jan 1st to Dec 31st, 2007*	*From Jul 21st to Dec 31st, 2006*
Revenues from sales	85 859	38 541
Operating Profit	10 431	4 645
Profit before tax	10 541	5 056
Net profit	8 694	4 057
Net profit attributable to equity holders of the parent company	8 694	4 057
Cash flow from operating activities	14 538	6 394
Cash flow from investment activities	-3 247	-1 202
Cash flow from financial activities	-8 572	-5 007
Net cash flow	515	-1 423
Current assets	35 467	30 440
Fixed assets	35 977	36 812
Total Assets	71 444	67 252
Liabilities	33 640	51 257
Long-term Liabilities	14 072	33 300
Short term Liabilities	19 568	17 957
Shareholders Equity	37 804	15 995
Shareholders equity attributable to shareholders of the parent company	37 804	15 995
Share capital	3 317	3 008
No of shares outstanding	22 115 260	2 005 010
Net profit (loss) per share(diluted)	0.40	2.02
Book value per share	1.71	7.98

3. Financial performance

Consolidated Profit & Loss Statements

in '000 Euro

	From January 1st to Dec 31st, 2007	**From July 21st to Dec 31st, 2006**
Revenues from sales	85 859	38 541
Cost of goods sold	62 662	28 549
Gross profit	23 197	9 992
GP margin	*27.0%*	*25.9%*
G&A expenses	8 693	3 215
EBITDA	14 504	6 777
EBITDA margin	*16.9%*	*17.6%*
Depreciation & amortisation	4 073	2 132
Operating profit	10 431	4 645
OP margin	*12.1%*	*12.1%*
Financial income	1 763	1 100
Financial costs	1 653	689
Profit before tax	10 541	5 056
Tax	1 847	999
Net profit	8 694	4 057
NP margin	*10.1%*	10.5%

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.

Sales revenues in '000 Euro	***2007***	***%***	***2006****	***%***
Sales of products	81 507	94.9%	37 498	97.3%
Sales of goods and materials	4 352	5.1%	1 043	2.7%
Total sales revenue	**85 859**	**100%**	**38 541**	**100 %**

* For the period from July 21, 2006 until December 31, 2006

Sales of products in '000 Euro	***2007***	***%***	***2006****	***%***
Sales of iron castings	44 594	54.7%	20 927	55.8%
Sales of aluminium castings	36 913	45.3%	16 571	44.2%
Total sales of products	**81 507**	**100%**	**37 498**	**100 %**

* For the period from July 21, 2006 until December 31, 2006

Sales volumes in million pieces	***2007***	***2006****
Iron anchors	26.8	13.0
Aluminium callipers	6.1	2.8

* For the period from July 21, 2006 until December 31, 2006

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

Revenues by country	***2007***	***2006****
Germany	29.4%	34.4%
Czech Republic	27.7%	25.1%
France	9.3%	10.3%
Spain	10.6%	11.7%
Portugal	5.5%	6.5%
Other	17.4%	12.1%
Total	**100.0%**	**100.0%**

* For the period from July 21, 2006 until December 31, 2006

Geographical segments in '000 Euro

	2007
Western Europe	52 632
Eastern Europe	33 155
Other	72
Total	**85 859**

Business segments in '000 Euro

	Iron castings	***Aluminium castings***	***Other***	***Consolidated***
Total revenues	44 594	36 913	4 352	85 859
Profit for the segment	**5 287**	**5 358**		**10 645**

Items having direct impact on achieved financial result

The ACE Group sales revenue increased in 2007, in comparison with whole year 2006 by 8.4% (4,1% for Fuchosa and 14% for EBCC) to the level of 85 859 thousand Euro. In volume terms sales of aluminium callipers increased from 5.6m pieces in 2006 to 6.1m pieces last year. This increase in Poland mainly resulted from significantly increased orders from one of the clients, specially from raising sales figures of one of the car models, for which EBCC is a key supplier, thereby winning an increased market share.

In 2007 Fuchosa production of iron anchors decreased slightly from 27.5m in 2006 to 26.8m last year mainly due to second half general automotive market evolution. There was observed a general final product price increase as a result of increasing prices of raw materials. In the past, the average net price decreases were ca. 1-2% p.a. (net of raw material price change impact). Similar decreases are experienced in EBCC in 2007, as a result of the productivity price decrease mechanisms.

In 2007, the price of aluminium increased by 12%, while the price of steel scrap increased by 9,6% in comparison with the average price in 2006 for aluminimum and steel scrap respectively. The rising raw material prices also result in selling price increases of some of the ACE products, because raw material (aluminium and steel scrap) price changes are transferred to the clients.

Energy prices in Fuchosa recorded an increase of 13.3% in 2007 as regards 2006. For EBCC the energy prices in 2007 increased by 3%, while the gas prices were higher by 12%.

According to the agreement reached between Fuchosa and their employees in 2007 the salaries went up by around 4.0%. In EBCC the salaries in 2007 increased on the average by 8.7% in comparison to 2006.

On the financial level the Company was also performing very well mainly due to foreign exchange hedging and interest rate swap. Long and short term liabilities which generated some financial costs in the first half of last year were reduced significantly in the second half of the year to additionally support positive trend of financial income.

On the other hand, in 2007, the tax rate in the province of Vizcaya has been changed from 32.6% to 28% which positively influenced the net result of ACE in the whole year 2007.

In 2007 the ACE Group recorded consolidated EBITA of EUR 14 504 thousand EBIT of EUR 10 431 thousand and net profit of EUR 8 694 thousand.

Description of material risk factors and threats, including information on the degree of the company's exposure to such risks or threats

An extensive discussion of various risks having impact on the Group's current and performance was presented in the prospectus. Here are presented the most important ones related to the Group, the market and changes in the economy.

Risks related to the situation in the European car market

The ACE Group is a supplier to the European automotive industry. The market of this industry, the European car market is highly dependent on the economic situation globally, and in particular, in Europe. Various factors, outside the control of the ACE Group, may negatively impact upon the demand in the European car market including, *inter alia*, GDP growth, individuals purchasing power and interest rates stimulating the availability of loans. A negative development in the European car market, reducing the demand of the European automotive industry for the products manufactured by the ACE Group, could adversely affect the ACE Group's business, prospects, financial condition or results of operations, and consequently, the value of the Shares.
However, it should be noted that to date the ACE Group has not noticed any significant fall in demand, and the European car market is expected to maintain stable or, according to some sources, with a constant increase in the following years.

Risk of decreasing margins

There is a risk that the margins currently realised by the ACE Group may not be sustained due to the high pressure from clients to decrease prices, increased R&D spending, higher energy and labour and other non-transferable costs. There are many methods by which clients may exert pressure on the economics of contracts including, cost analysis, price calculation process (raw materials and production value added), terms of delivery, *etc.* A decrease in its sales margins could adversely affect the ACE Group's business, prospects, financial condition or results of operations, and consequently, the value of the Shares.
It should be noted however that, the ACE Group puts a great deal of effort into constantly increasing its productivity, in order to reduce costs and maintain its sales margins.

Risks related to labour cost increases

Costs related to labour constitute a significant portion of the ACE Group's operating costs. Wages, both in Poland and Spain (the countries where the Operating Entities production facilities are based), have been rising. It is expected that labour costs will rise further in the coming years. This trend is anticipated to be especially noticeable in Poland, where continued adjustment of labour costs to the EU levels is expected. Increases in wages at higher levels than assumed by the Issuer in the budgeting process could adversely affect the ACE Group's business, prospects, financial condition or results of operations. The ACE Group intends that any labour cost increases are reflected by a corresponding increased productivity by workers, achieved, *inter alia*, through the improvement of production process and investment in its automation.

Risks related to further growth through acquisitions

While no firm commitments have been given except for the acquisition of Feramo in May 12, 2008, ACE plans to execute acquisitions in the future, should favourable acquisition opportunities occur, with the expectation that these acquisitions will result in increased business growth. However, ACE cannot be sure of realising these anticipated benefits in full or at all. Achieving benefits from these potential acquisitions will depend, in part, upon the integration process.
In addition, there can be no assurance that the integration costs will not exceed those estimated by ACE Management or that the estimated cost synergies will be achieved. It also cannot be guaranteed that ACE will be able to execute such acquisitions at favourable prices. Any such failure may render the ACE Group unable to take advantage of opportunities or to meet unexpected financial requirements, which could adversely affect the ACE Group's business, prospects, financial condition or results of operations.

Risks relating to competition

The market on which the ACE Group operates is very concentrated. Furthermore, there are a limited number of brake systems producers in Europe and this brake systems market is totally dominated by three manufacturers.
The appearance of new or increased activity by the current market participants may significantly increase competition. The competitors may also have access to more and cheaper sources of capital allowing them to modernise and expand their operations more quickly and giving them a substantial competitive advantage over ACE. Clients in the automotive components market expect current suppliers to move their production to the low cost countries. It cannot be excluded, that competitors might invest in production facilities in such locations, which might influence the current market structure. ACE may need to increase its efforts on new acquisitions in low cost countries, marketing or adjusting the pricing of the products. Increased operating costs and reduced profitability resulting from such competition could adversely affect the ACE Group's business, prospects, financial condition or results of operations.
However, the competition risk is partially mitigated by the ACE Group's current strong market position as well as the significant levels of specialisation and capital commitments required to break into the automotive components industry.

Risks related to deliveries and increases in the cost of raw materials and energy

ACE depends on external suppliers for their key raw materials and energy for their production activities. A failure of the suppliers to deliver these materials in the necessary quantities or to adhere to delivery schedules or specified quality standards and technical specifications would adversely affect production processes and ability to deliver orders on time and at the desired level of quality. Disruptions in deliveries of such materials and energy could also arise due to weather-related problems, strikes, lock-outs, inadequacies in the transport infrastructure, or other events. Finding a suitable replacement in the event any key supplier was unwilling or unable to provide ACE's production plants with the necessary materials on short notice would likely take longer than supply stock would last, resulting in disruptions to production.
Prices of raw materials depend on worldwide supply and demand, inflation and overall economic conditions. Aluminium is quoted on the London Metal Exchange. Its price fluctuates with changes in the relevant market. In practise, the cost of aluminium supplies is equal to the value of aluminium as quoted on the London Metal Exchange, plus the premium added by the suppliers. The quoted price of aluminium could increase, or suppliers may increase their premium. The price of steel scrap is not indexed or index-linked. The price of Energy is not indexed. Competitive pressure may prevent the ACE Group from passing on some or all of the higher costs to clients. Any such failure in relation to deliveries or increase in relation to costs could adversely affect the ACE Group's business, prospects, financial condition or results of operations, and consequently, the value of the Shares.
ACE Management believes that the ACE Group is not significantly dependent on any single raw materials supplier and that the concentration of suppliers will not significantly influence the price of aluminium. The index-linkage of aluminium prices means that only that portion of the cost constituting the suppliers' premium is at risk of subjective increase. According to ACE Management, the steel scrap market has historically been, and is now, a liquid market. Both production plants implement pricing mechanisms that transfer the variation in the prices of aluminium and steel scrap on to the clients. Despite current price transfer mechanisms and the fact that this is currently market standard practice, there is a risk that the clients may reject the application of such transfers in the future. Also, the ACE Group adopts policies to partially hedge the risk of fluctuations in raw material costs through contracting for materials at fixed prices for particular orders.

Risks related to new products development

The development and design of a new project product is accomplished jointly by the client and the Operating Entities over a long lasting (between twelve and sixteen months) and expensive period before switching to the serial production phase. This joint development of the product with the client does not necessarily imply that the ACE Group will acquire the agreement after the development process is completed. Even where the ACE Group does acquire the agreement from the client, the client itself might not be nominated by the OEM, or the product might not be introduced to the market at all, Such loss of agreement, or opportunities could adversely affect the ACE Group's business, prospects, financial condition or results of operations, and consequently, the value of the Shares.
It should however be noted that during the development phase, the costs are partly covered by the clients, who cover the costs associated with the required tools, the raw materials and the prototypes. It should also be noted that according to the ACE Management, it is unusual in the automotive industry for the production phase to be carried out by a company other than that which cooperated on the development phase of the project.

Risks related to the breakdown of key machinery

The production processes of the Operating Entities depend on certain key machinery (e.g. the foundry or the sand system). Breakdown of this key machinery may interrupt the production process, which could adversely affect the ACE Group's business, prospects, financial condition or results of operations, and consequently, the value of the Shares.
Neither Operating Entity has experienced a serious breakdown of key machinery since their respective dates of incorporation (Fuchosa, S.A.- 1987; EBCC 1999) which has materially adversely affected their business, prospects, financial condition or results of operations.

Risks related to hiring and maintaining qualified personnel and retention of key persons

The ACE Group's growth and future success depends in part upon its senior management, who are heavily involved in developing the ACE Group's strategy. The loss of some or all of the ACE Group's senior management or an inability to attract additional or replacement qualified persons could adversely affect the ACE Group's business, prospects, financial condition or results of operations, and consequently, the value of the Shares.
The growth and future success of the ACE Group also depend in part on the continued services of qualified and experienced technical personnel. If the ACE Group were to lose their services, it may be unable to find and integrate replacement personnel in a timely manner, which could significantly impair ACE's ability to develop the ACE Group's business which could have a material adverse effect on the ACE Group's business, prospects, financial condition or results of operations and consequently, the value of the Shares.
The condition of the labour markets in which the ACE Group operates has a strong influence on the activities of domestic manufacturers, including the Operating Entities and in particular on the activities of EBCC. Labour migration in recent years has resulted in a drain in the qualified workforce from Poland and may adversely affect the ACE Group's financial results in the future. There is a limited number of relevantly and sufficiently qualified staff, who are critical to the production process, available for employment. The risk described here may become particularly significant if the operational departments of EBCC experience an outflow of qualified staff and in particular, of experienced technical staff. Any such outflow could adversely affect the ACE Group's business, prospects, financial condition or results of operations, and consequently, the value of the Shares.
The ACE Group seeks to mitigate this risk by providing its management and employees with convenient working conditions and attractive compensation packages, as well as by cooperating constantly with vocational and higher schools in order to attract new, qualified personnel.

Risks related to product liability claims

The ACE Group sells products to major braking system manufacturers, who in turn sell these systems to the automotive corporations. The ACE Group's products are also sold to, and used in, safety-critical applications. If the ACE Group were to sell components that were inconsistent with the specifications of the order or the requirements of the application, significant disruptions to the client's production lines could result. There could also be significant consequential damages resulting from the use of such products. The ACE Group has a limited amount of product liability insurance coverage. A major claim for damages related to products sold could leave the ACE Group uninsured against a portion or all of the award and, could adversely affect the ACE Group's business, prospects, financial condition or results of operations, and consequently, the value of the Shares.
However, it should be noted that, provided that the products manufactured by the Operating Entities and supplied to the clients comply with the parameters specified by the ordering clients, the ACE Group will not be liable for any subsequent damage caused by a system, including a component manufactured by the Operating Entities. Further, the Operating Entities have implemented what the respective management teams believe to be appropriate internal quality controls to ensure that all outgoing products comply with the specifications of the ordering client and while it is impossible to rule out that it may occur in the future, the ACE Group (or any individual member) has not had a product liability claim taken against it to date. In addition the Operating entities carry insurance policies to cover this potential risk up to an amount that ACE Management believes will adequately cover this potential risk.

Explanation of differences between the financial results disclosed in the annual report and the financial forecasts published earlier for a given period

The Company published forecasts for 2007 in the prospectus. Comparison of actually achieved results and forecasts is presented in the following table.

	Actual 2007	*Forecast full year 2007*	*as % of 2007 forecast*
Revenues	85 859	86 392	99.4%
EBITDA	14 504	17 199	84,3%
EBIT	10 431	12 364	84,4%
Net Profit	**8 694**	**9 577**	**90,8%**

Performance on the sales level was 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 was 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. There are a few significant ongoing factors impacting performance of the Group. The most important ones were 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, 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 parent company. The total value of the above mentioned costs booked in the fourth quarter is around 450k €.
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 was slightly better mainly due to lower depreciation than assumed in the budget, being the result of an adjustment of the fair valuation of assets an its remaining average useful life made during the process of finalising Purchase Price Allocationon Fuchosa in the second half of 2007 . Lower depreciation is a recurring item and will be positively impacting EBIT also in future.

On the Net Profit level performance of the Company 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 Group still presents its high growth potential and strong financial standing. In compare with a relatively stable automotive market the Group managed to increase its last year sales and net profit by 8.6% and 26%, respectively, in comparison with 2006 pro-forma results.

Explanations of any differences between the financial results disclosed in the annual report and the quarterly report for the fourth quarter of 2007

Comparison of financial results presented in the quarterly and the corrected version from the annual report is presented in the following table:

	Annual 2007 Report	*Fourth quarter 2007 Report*	*Difference*
Revenues	85 859	85 859	0
EBITDA	14 504	14 743	-239
EBIT	10 431	10 693	-262
Net Profit	**8 694**	**8 732**	**-38**

The differences in operating results are not material and reflect some reclassifications made as regards foreign exchange differences caused by using EUR as functional currency in Poland not longer considered as operational result. Whilst at Net Profit level this difference is almost reduced to zero.

An assessment of financial resources management

Financial standing of the Group as of the end of 2007 has significantly improved in compare with the end of the previous financial year mainly due to good performance of operating entities as well as additional capital raised during the IPO in May 2007. Cash position increased from 9.9m Euro in Dec 31, 2006 to 10.4m Euro in Dec 31, 2007. At the same time the Group managed to repay the most of the long term debt and some short term debt at the level of its subsidiaries, thus decreasing the level of its exposure to external financing. Long term debt decreased by 17 410k Euro while short term debt was reduced further by 146k Euro. Management's intention is to keep a reasonable level of debt financing necessary to maintain further growth of the Group in the following years. At the date of the publication of this report Management Committee of ACE does not see any threats in terms of the Group's ability to perform its obligations in future.

		2007	***2006****
Current Ratio	Curr. Assets/Curr. Liabilities	1.81	1.70
Quick Ratio	(Curr. Assets – Invent.)/Curr. Liabilities	1.37	1.41
Debt to Assets	(Long term debt +Short term debt)/Total Assets	20.2%	47.6%
ROA	Net profit/Total Assets	12.2%	6.0%
ROE	Net Profit/Total Equity	23.0%	25.4%

* For the period from July 21, 2006 until December 31, 2006

The slight reduction of ROE in the current period is mainly due to the capital increase and the subsequent increase of cash.

Description of the use of the issue proceeds

Net value of the funds raised during IPO in May 2007 was 11,1 mln EUR . To the date of the publication of the report the issue proceeds were subsequently utilized for the following purposes:

Repayment of the Vendor Note and of the Acknowledgement of Debt to Halberg Guss – 3 mln EUR
As described in the prospectus, ACE used the proceeds to reduce outstanding debt of its subsidiaries. For the fully prepayment of debt in EBCC, ACE lent to its subsidiary – 7 mln EUR.
At the time of the publication of the report the Company completed an acquisition of a Czech foundry for 6.34 mln EUR. The acquisition was financed by ACE finances with funds raised upon IPO recovered with a new loan from BRE Bank.
Remaining amount was used to pay commissions, costs and expenses in the amount of – 1,1 mln EUR

Information on contracted loans

Bank's Name	*Value of the loan*	*Maturity date*	*Guarantees*
Bre Bank Loan	5.000.000	July 2011	Mortgage of assets and plede of shares
Bre Bank Overdraft	4.000.000	Sept 2010	Mortgage of assets and plede of shares
Erste Bank *	11 164 000 Euro	April 2010	EBCC shares, bank accounts, assets
La Caixa	13 873 000 Euro	February 2013	Fuchosa & Retorgal shares, bank accounts
Banco de Sabadell	551 000 Euro	June 2008	
Vendor Note & Ackn. Of Debt **	3 000 000 Euro	After IPO or Feb 2013	Mortgage

* Erste Bank loan was fully repaid on September 18, 2007 with proceeds coming from the IPO.
** Vendor Note & Acknowledgement of Debt was repaid on June 7, 2007 with proceeds coming from the IPO.

Information on given loans

No loans have been given to any entities outside of the ACE Group.

Internal long term loans are presented in the table below:

Entity Name	*Value of the loan*	*Maturity date*	*Guarantees*
ACE in favor of Fuchosa	2 999 999 Euro	Feb 23, 2013	-
ACE in favor of EBCC	7 000 000 Euro	Dec 31, 2013	-

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 is material to the Company in 2007:

- 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.

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 organizational or capital links between the company and other entities

The Company has not entered into any capital or organizational links with other entities. All Company's efforts and financial resources are focused on development of the ACE Group.

Assessment of the feasibility of planned investments

During the IPO the Company declared that a substantial part of proceeds coming from capital raised would 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 was looking for additional capacity in iron foundry business in one of CEE countries.

On April 23rd, 2008 the company signed an agreement under conditions precedent and on May 12, 2008 a final purchase agreement for acquisition of 100% of shares of Feramo Metallum International, one of the largest Czech grey iron foundries, for 160 Mio CZK (6,34 Mio €). The transaction was financed from own funds and IPO raised capital recovered with a new loan from BRE Bank of 5 Mio € to be effective since the day of the transaction. Additional 4 Mio € overdraft will be utilised by its current subsidiary for operational purposes. Last year ACE used 7 Mio € of IPO proceeds to fully repay a bank debt hold by one of its production plants and in such way optimizing its financial structure. The current BRE Bank debt is taken on more favourable financial conditions.

Feramo International, located in Brno (Czech Republic), specialises in grey iron technology and produces castings for various industries including automotive sector which accounts for around 20% of their sales.
The acquisition is a very important step in development of the ACE Group in future and will allow for fast growth of the iron segment and further diversification of future revenues.

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 limit 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. According to PWC Autofacts, EU and EFTA sales of passengers cars increased during 2007 1% as regards 2006. First quarter 2008 compared with same period of 2007 decreased 1,7%. 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 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 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 optimisation 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 that 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. Their portfolio comprises of callipers for 16 different platforms (about 50 car models). Iron casting division specialises in the iron casting production of a wide range of iron anchors for approximately 125 car models. Anchors and callipers are core elements of the complete brake disc system.

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.

The 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, focused on refurbishment and improvement of produced brake system elements.

As of the end 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 (start on production) 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 Group 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 nominated by two customers as their supplier for the TMC product. The series production has already started 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 for a Land Rover project. 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.

(in % of total sales)	*2007*	*2006*
Continental	40.9%	44.2%
TRW	41.0%	38.8%
Bosch	17.9%	16.7%
Other	0.3%	0.3%

* For the period from July 21, 2006 until December 31, 2006

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.

Nevertheless, in Easter, summer and Christmas the activity decreases due to holiday period and maintenance stop of facilities.

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, Alcan International and Esfemetal for ferroalloys, Exaloid for brent and coal and Funsider for pig iron.

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, Fuchosa 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 the company has reached with its customers some other agreements to compensate these and other external price increases.

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 Aluminum 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 (+12.0% as regards average 2006) and energy (+3.0% 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 Tier 1 on a new brake concept. – Both divisions are collaborating with the engineering department of one of the most important clients in the development of a new concept of brake design process and improvement of brake performance.

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 its volume in aluminum through the existing capacity in its aluminum segment.

The R&D costs in 2007 by division were as follows:

Aluminium casting division in '000 Euro

	2007	***2006***
Investments in R&D	144	172
Investments in IT systems for R&D	0	0
Costs regarding R&D	410	350
Total R&D expenses	**555**	**522**

Iron casting division in '000 Euro

	2007	**2006**
Internal R&D: Wages, travel expenses	1719	1 438
R&D materials	259	59
Licences & Software	22	19
Training	14	39
Design & works - production / supplies	162	227
Machinery & equipment purchase	40	191
Total Internal R&D	2216	1 973
External R&D: R&D Acquisitions	256	175
Total R&D	**2473**	**2 148**

5. Outlook for the following year

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

- Merger & Acquisitions Merger & Acquisitions – on May 12, 2008 the company signed a final purchase agreement for acquisition, from a private individual, 100% of shares of Feramo Metallum International, one of the largest Czech grey iron foundries, for 160 Mio CZK (6,34 Mio €). It was a follow up of an agreement under conditions precedent signed on April 23rd, 2008. The transaction was financed from own funds and IPO raised capital recovered with a new loanfrom BRE Bank of 5 Mio € to be effective since the day of the transaction. Additional 4 Mio € overdraft, which is a part of the same bank loan agreement, will be utilised by its current subsidiary for operational purposes. Last year ACE used 7 Mio € of IPO proceeds to fully repay a bank debt hold by one of its production plants and in such way optimizing its financial structure. The current BRE Bank debt is taken on more favourable financial conditions than the bank loan paid back last year.

Feramo Metallum International, located in Brno (Czech Republic), specialises in grey iron technology and produces castings for various industries, including automotive sector, which accounts for around 20% of their sales. The acquisition is a very important step in development of the ACE Group in future and will allow for fast growth of the iron segment and further diversification of future revenues.

The Management of ACE has prepared an advanced plan for takeover and stabilization into a 100 days integration programme

- 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 for a new Land Rover project. 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.

- 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.

- Financial outlook: Management Board of ACE decided not to publish any official forecast for 2008. However, to provide investors with Management's expectations regarding the Group performance, ACE published a general guidelines describing anticipated sales and net profit growth in 2008. According to them sales in both volume and value should grow by 7 – 10% while net profit by 10 – 15% in compare with 2007.

B. Additional information

Information on any agreements significant to the company's business (material contracts)

A term loan facility agreement between EBCC and Erste Bank dated April 22, 2005 was originally concluded by EB Holding as the borrower. The loan of EUR 12,000 thousand was granted to EB Holding for the purpose of acquiring shares in EBCC and reimbursing a shareholder's loan granted to EB Holding by EB Holding LLC.
The loan was fully repaid on September 18, 2007.

On February 23, 2006, la Caixa, acting as agent, together with a syndicate of eight additional banks, granted a long-term facility for EUR 16 million to Fuchosa, S.L. (formerly Retorgal XXI, S.L), for the partial financing of the acquisition of Fuchosa and the related transaction costs. The final maturity date is February 23, 2013. The facility is structured in two tranches: tranche A for EUR 14 million and tranche B for EUR 2 million. Tranche A shall be repaid in six-monthly equal instalments starting on February 23, 2007; tranche B is a revolving facility which shall be fully repaid on February 23, 2013. Both tranches have a floating rate of EURIBOR plus 175 basis points.

To comply with the Unit Purchase Agreement and the agreement with la Caixa bank, described in the Prospectus, providing long term facility for financing an acquisition of Fuchosa by Retorgal in 2006, both companies - Fuchosa S.L. and Retorgal XXI S.L.- had been merged into one entity. The merger, which took place on September 30, 2007, lead to further simplification of the group structure and reduction of operational costs. After the merger, Fuchosa S.L., is 100% and directly owned by ACE S.A.

Changes in the key principles of managing the Company's business and its group

There have been no changes in principles of managing the business in the period.

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

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:

Marek Adamiak	*Class A Director*
Jerzy Szymczak	*Independent Director*
Paweł Szymański	*Independent Director*

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

Agreements concluded between the company and its managing persons, which provide for compensation in the event of a given person resigning or being removed from his or her position without a good reason, or being removed as a result of the company being merged into another company

Certain directors have individual indemnity agreements in the event of dismissal without just cause.

Remuneration of the Management Committee and the Board of Directors members in 2007

Management Committee remuneration

The ACE management committee members do not receive any remuneration, pension, retirement or similar benefits from the Group in compensation of such role, other that the reimbursement of reasonable expenses incurred by attending management committee meetings of ACE. However all members of the management committee other than Mr. Zbigniew Pawłucki have labor contracts with the ACE Group.

Details of remuneration received by the Company's directors for the period from January 1st , 2007 to December 31st , 2007 are as follows:

	Thousands of Euros
Short-term remuneration	698
Of which salary	668
Of which bonus	30
Share based payments and ESOP	376
Total, directors of the Company	1 074

Board of Directors remuneration

Until the appointment of three new Board of Directors members Directors did not receive any remuneration, pension, retirement or similar benefits from the Company in compensation of such role, other that the reimbursement of reasonable expenses incurred by attending board meetings of ACE. Since the appointment of new Directors on September 12th, 2007 only newly appointed members benefit from a new remuneration plan. The Chief Executive Officer is remunerated for his service in his capacity as general manager of ACE. It should be noted further that certain Directors have relationships in other capacities with members of the ACE Group and the terms of such relationships are set out in management contracts with the Company.

Details of the remuneration of the Board of Directors members in Thousand of Euros are as follows:

	Basic salary	*Bonuses*	*Other*
Arkadiusz Podziewski	0	0	0
Andrzej Bartos	0	0	0
Hugh Aiken (until Sep 12th, 2007)	0	0	0
Marek Adamiak (from Sep 12th, 2007)	6	0	0
Jose Manuel Corrales	0	0	0
Raul Serrano	0	0	0
Jerzy Szymczak (from Sep 12th, 2007)	6	0	0
Paweł Szymański (from Sep 12th, 2007)	6	0	0

Total number and par value of all the company shares and shares in the company's related undertakings held by the managing and supervisory persons

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 stakes in the Company.

Major shareholders (over 5% of shareholder's equity) as of May 30, 2008

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

	No of shares as of May 30, 2008 (% of share capital))	*Increase/ decrease No of shares*	*No of shares as on December 31, 2007 (% of share capital)*	*No of shares as of December 31, 2006 (% of share capital)*
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.	1 363 442 (6.17%)	190 442	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.	1 568 058 (7.09%)	11 479	1 556 579 (7.04%)	-
ING Nationale Nederlanden Polska OFE	1 150 000 (5.20%)	-	1 150 000 (5.20%)	-

Information on any agreements known to the Company (including those concluded after the balance-sheet date) which may cause changes in the percentages of shares held by the existing shareholders and bondholders in the future

The Management Committee is not aware of any agreements of this kind.

Identification of holders of any securities conferring special control powers with respect to the Company

There are no holders of any securities representing special control powers with respect to ACE. All issued shares are bearer type shares having the same power in terms of votes and dividend.

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.

Limitations of the transferability of the Company securities and any limitations concerning the exercise of voting rights conferred by the company shares

There are no any transferability limitations nor limitations concerning exercise of voting rights conferred by the company shares.

Characteristics of the consolidated assets and liabilities structure

The Group shows a very healthy and solid financial position. It has increased its equity in more than double as regards December 2006 and reduced its debt to less than half in the same period. This position, which strengthen its capability to grow in the future through further acquisitions is possible thanks to the proceeds raised upon Initial Public Offering of shares and what today after Feramo acquisition have been devoted for the purpose they were raised, but also thanks to the high profitability of the Group. Indeed, today Group generates profits for close to 9 Mio € and generates operating cash over 15 Mio€.

Description of main capital investments within the ACE Group in 2007

No capital expenditures made in the Company during 2007. The entire investment programme is developed within the subsidiaries.

Changes in the group structure and consolidated entities

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.

Company name	*Status*	*Ownership*	*Consolidation method*
Fuchosa S.L.	Operational	100%	Full
EBCC Sp. z o.o.	Operational	100%	Full

Accounting principles

The accounting principles and measurement basis of these Consolidated Financial Statements are consistent with those applied in the prospectus (pages F-9 to F-25) and have remained unchanged. In the preparation of these financial statements, the Company has followed the EU IFRS or International Accounting Standars as adopted by EU.

Description of the main off-the-balance sheet items

(a) Commitments with former shareholders (Exit note)
On 23 February 2006 a Unit Purchase Agreement was entered into between (i) the former main shareholder of Fuchosa, (the vendor) (ii) Retorgal, (iii) Casting Brake and EB Holding (hereinafter the Unit Purchase Agreement) for the purpose, inter alia, of regulating Retorgal's purchase of 98.1% of Fuchosa's units.
As of 31 December 2007, the Exit Note was exercised by the vendor and therefore there is no further commitments related to the vendor and the Exit Note.
(b) Pledge of assets and shares
The 1,203,006 shares in Fuchosa are subject to a pledge in favour of a pool of Spanish banks composed by: Caixa d'estalvis i Pensions De Barcelona, Banco Bilbao Vizcaya Argentaria, S.A., Banco de Sabadell, S.A., Banco Santander Central Hispano, S.A., Caja de Ahorros de Galicia, Banco Español de Crédito, S.A., Bankinter, S.A., Caixa d'estalvis de Catalunya, And Caja de Ahorros de Santander y Cantabria.
The 14,297 shares in EBCC are pledged in favour of Erste Bank der Oesterreichischen Sparkassen AG Vienna, Austria.
Furthermore, certain assets of the Group are pledged or mortgaged as part of guarantees established for loans from banks and third parties.

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.
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*
2006	3.8959	4.1065	3.7565	3.8312
2007	3.7843	3.9385	3.5699	3.5820

Selection of an Auditor

On its meeting on 5 December 2006 the Board of Directors of the Company selected Deloitte S.A. 560, rue de Neudorf, L-2220 Luxembourg as an independent auditor to review ACE's consolidated financial statements.

The total value of remuneration provided for in the agreement with Deloitte S.A. - a qualified auditor of financial statements - and payable for the audit of the annual consolidated financial statements for 2007 is estimated to be EUR 47 thousand.

C. Directors' Statements

To the best of the Management's knowledge the annual consolidated financial statements and the comparable information have been prepared in compliance with the applicable accounting standards and give a true, fair and clear view of the Group's assets, financial standing and net result, and that the directors' report on the operations of the company truly reflects the development, achievements and situation of the Group, including a description of the key risk factors and threats.

The auditing firm (Deloitte S.A.) who audited the annual consolidated financial statements had been selected in compliance with the provisions of the law and that this firm and the qualified auditors who performed the audit met the conditions to issue an impartial and independent auditor's opinion in accordance with the applicable provisions of the national law.

Luxemburg, May 30, 2008

Jose Manuel Corrales

Raul Serrano

Automotive Components Europe S.A.

and subsidiary companies

Consolidated Financial Statements

for the year ended 31 December 2007

82 Route d´Arlon

L-1150 LUXEMBOURG

RCB number: B 118130

Automotive Components Europe S.A. (ACE S.A.)
(hereinafter the « Company » or « ACE S.A.)
Société Anonyme
82 Route D'Arlon
L-1150 Luxembourg
RCS Luxembourg B 118130

MANAGEMENT REPORT OF THE DIRECTORS CONCERNING CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31st 2007

Dear Shareholders,

In conformity with legal and statutory requirements, we have the pleasure to present and submit to your approval the consolidated financial statements for the period between 1st January and December 31st 2007.

1. Evolution of the Business and situation of the Company and its subsidiaries

From the consolidated accounts of the period between 1st January and December 31st 2007, it appears that the group reports a profit of EUR 8,694 thousands as per December 31st 2007.

ACE S.A. :

The Company intends to continue its principal activity consisting in the acquisition of participations in any form whatsoever, by purchase, exchange or in any other undertakings and companies either Luxembourg or foreign operating in the field of metallurgic automotive components or casting products for the similar industries, as well as the management, control, and development of these participations. The Company may also carry out the transfer of these participations by means of sale, exchange or otherwise.

EBCC :

Since the incorporation, the Company held 100% of the capital of EBCC Spzoo (formerly INDUS Spzoo), European Brakes and Chassis Components Sp zoo, a limited liability company (spólkaz ograniczona odpowiedzialnooecia) with its registered office at ul. Bystrzycka 89, 54-215 Wroclaw (Poland), registered with the register of entrepreneurs of the national court register under number KRS 0000251842 of which the issued share capital is PLN 7,148,500.00 represented by 14,297 shares having a par value of PLN 500.00 each., a wholly owned subsidiary of ACE and, prior to the EBCC Merger, known as European Brakes and Chassis Components Poland S.A.

As the sole shareholder of Indus was the Company ACE S.A., further to the above mentioned merger, the sole shareholder of EBCC Sp.z o.o. (previously named Indus Sp. z o.o.) is ACE S.A.

EBCC was established in 1999. It was originally a producer of hydraulic pumps (as part of PZL Hydral). The change of name and the shift to production of brake callipers resulted from the company's take-over by the Valfond Group in 1999 aimed at creating a "first choice" supplier of aluminium brake components for the OEMs moving their production facilities to the CEE countries. Since the start of production EBCC within 5 years increased its revenues to EUR 30.0 million in 2005, when it was taken over by Innova/3 L.P. Innova/3 EBRD Co-Investment Facility L.P. EBCC is located in Wrocław, one of the leading Polish academic cities and industrial areas. EBCC is currently the number two player with an estimated 28% market share of the European aluminium callipers.

FUCHOSA, S.L.

ACE S.A. has a 100% participation in the capital of FUCHOSA, S.L. (Formerly RETORGAL XXI, S.L.), a Limited Liability Company organised under the laws of Spain, with its registered office at Barrio Apatamonasterio S/N° Atxondo – 48 – VIZCAYA Spain, incorporated on 17 february 2005, registered with the Registro Mercantil de Vizcaya, tomo 4530, Book 53, Page BI-42017, first entry, with Tax Identification Number B95358081 of which the issued share capital is EUR 1,203,006 represented by 1,203,006 shares having a par value of EUR 1.00 each.

Pursuant to a merger RETORGAL XXI, S.L. acquired all the assets and liabilities of former FUCHOSA, S.L. Simultaneously, with filling the Registry application to the Registry of Commerce, the Articles of Association of RETORGAL XXI, S.L have been amended and its name has changed to FUCHOSA, S.L. The merger was registered by the Registry of Commerce and published on September 29, 2007.

Fuchosa's history dates back to 1987, but the company started as an iron foundry and focused exclusively on brake components (especially in anchors and brackets) production in 1991. Since then, the company increased its sales revenues from €6,8million in 1990 to €43,6million in 2005, becoming the leader of the anchor market. Fuchosa is located in Atxondo, 40km from Bilbao, in one of the most industrial regions of Spain with the highest intensity of iron foundries in the country/Europe. Fuchosa is the clear leader with an estimated 48% share of the European iron anchor market The strong market positions result from high level of specialisation, engineering and technological expertise as well as highest standards of production and customer service.

2. Important Events since December 31st 2007

On April 18, 2008 EBCC raised a new loan with Bre Bank S.A. up to 5,000,000 and an overdraft of 4,000,000 maturing the 29 of July 2011 and 30 September 2010 respectively, both bearing an interest of Euribor + 0.65% monthly payable. Both credits are subject to compliance with certain obligations relating to financial ratios. The financial ratios are determined in the agreement and EBCC must provide certain financial information to the bank in order to assess compliance with these ratios. Information has to be provided on a quarterly basis. Certain properties of EBCC secure said credit for an amount of Euro 6 and 4.8 million. Furthermore pledges over movable and immovable assets of EBCC as well as cession of insurance rights to movable and immovable assets were registered in favour of BRE Bank SA.

On May 12, 2008 the company signed a purchase agreement and acquired 100% of shares of Feramo International, one of the largest Czech grey iron foundries, for CZK 160 million (around Euros 6.4 Million). The transaction will be financed from proceeds raised upon IPO. Feramo International, located in Brno (Czech Republic), specialises in grey iron technology and produces castings for various industries including automotive sector which accounts for around 20% of their sales. The acquisition is a very important step in development of the ACE Group in future and will allow for fast growth of the iron segment and further diversification of future revenues.

3. Planned evolution of the Company and its subsidiaries

Further to this acquisition, the Management of ACE has prepared an advanced plan for takeover and stabilization into a 100 days integration program.

Regarding the long term investment projects which are planned and followed, the Company should realise profits during the following statutory financial years.

4. Branch

The Company has no branches.

5. Research and Development Activities

During the period between 1st January and December 31st 2007, the Company was not engaged in any research or development activities.

The following subsidiaries of ACE SA : European Brakes and Chassis Components SA and FUCHOSA S.L. carry out some activity in the field of research and development in the scope of improvement of industrial process and products efficiency.

6. Parent company's shares held by ACE SA itself, by subsidiary undertakings of that company or by a person acting in his own name but on behalf of those undertakings :

During the financial year 2007, the Company and its subsidiaries did not repurchase own ACE S.A.'s shares.

The financial statements for the next statutory reporting period will cover the months January 2008 to December 2008.

In Bilbao, 20th May 2008.

Andrzej Bartos,
Director A

Arkadiusz Podziewski,
Director A

Marek Adamiak
Director A

José-Manuel Corrales Ruiz,
Director B

Raúl Serrano
Director B

Jerzy Szymczak
Independent Director

Paweł Szymański
Independent Director

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REPORT OF THE REVISEUR D'ENTREPRISES

To the shareholders of Automotive Components Europe S.A. (ACE)
82, route d'Arlon
L-1150 Luxembourg

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders, we have audited the accompanying consolidated financial statements of Automotive Components Europe S.A. ("the Group"), which comprise the balance sheet as at December 31, 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of directors' responsibility for the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the réviseur d'entreprises

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the *Institut des réviseurs d'entreprises*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

Société Anonyme
RCS Luxembourg B 67.895
Autorisation d'établissement: n° 88607

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the *réviseur d'entreprises*, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises* considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of December 31, 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the board of directors, is consistent with the consolidated financial statements.

Deloitte S.A.
Réviseur d'entreprises

Sophie Mitchell
Partner

May 20, 2008

Automotive Components Europe S.A. and subsidiary companies

Consolidated Balance Sheet

for the year ended 31 December 2007 and 31 December 2006

(expressed in thousand of Euros)

Assets	December 2007	December 2006
Non-current assets		
Intangible assets (note 6)	299	116
Property, plant and equipment (note 7)	34,501	35,712
Investment in associates (note 8)	20	20
Derivative financial instruments (note 9)	233	140
Deferred tax assets (note 16)	624	524
Trade and other receivables (note 11)	300	300
Total non-current assets	35,977	36,812
Current assets		
Inventories (note 10)	8,566	5,199
Trade and other receivables (note 11)	16,075	15,087
Derivative financial instruments (note 9)	392	235
Cash and cash equivalents (note 12)	10,434	9,919
Total current assets	35,467	30,440
Total assets	71,444	67,252

Equity and Liabilities	December 2007	December 2006
Capital and reserves		
Share capital	3,317	3,008
Share premium	9,292	24
Retained earnings	16,501	8,906
Net profit for the year	8,694	4,057
Total equity (note 13)	37,804	15,995
Non-current liabilities		
Borrowings (note 14)	11,503	28,913
Deferred income	389	401
Deferred tax liabilities (note 16)	1,862	3,402
Other non-current liabilities	0	33
Provisions for other liabilities and charges (note 17)	318	551
Total non-current liabilities	14,072	33,300
Current liabilities		
Trade and other payables (note 18)	13,164	10,828
Borrowings (note 14)	2,921	3,067
Current tax liabilities	2,105	2,462
Other current liabilities (note 15)	209	754
Provisions for other liabilities and charges (note 17)	1,169	846
Total current liabilities	19,568	17,957
Total equity and liabilities	71,444	67,252

The accompanying notes form an integral part of the consolidated financial statements of Automotive Components Europe S.A. for the year ended 31 December 2007, in conjunction with which they should be read.

Automotive Components Europe S.A. and subsidiary companies

Consolidated Income Statement
for the year from 1 January 2007 to 31 December 2007

(Expressed in thousands of Euros)

	Period from 1 January to 31 December 2007	Period from 21 July to 31 December 2006
Revenues (note 19)	85,859	38,541
Cost of sales	(62,662)	(28,549)
Gross profit	23,197	9,992
Selling and distribution costs (note 20)	(2,772)	(1,185)
General and administrative expenses (note 21)	(9,691)	(4,368)
Other operating income (note 22)	526	312
Other operating expenses	(829)	(106)
Operating profit	10,431	4,645
Financial income	1,763	1,100
Financial expenses	(1,653)	(689)
Financial result (note 23)	110	411
Profit before tax	10,541	5,056
Income tax expense (note 24)	(1,847)	(999)
Net profit for the period	8,694	4,057

Attributable to:
Equity holder of the company
Minority interest

Earnings per share for profit attributable to equity holders of the Company during the year (expressed in € per share) (note 25)

- basic	0.41	2.02
- diluted	0.40	2.02

The accompanying notes form an integral part of the consolidated financial statements of Automotive Components Europe S.A. for the year ended 31 December 2007, in conjunction with which they should be read.

Consolidated Statement of changes in equity
for the year from the 1st of January 2007 to 31 December 2007

(Expressed in thousands of Euros)

Attributable to equity holders of the Company

	Share Capital	Share premium	Retained earnings	Profit for the year	Net equity
Balance at 21 July 2006	**3,008**	**24**	**8,776**	**0**	**11,808**
Profit for the period	0	0	0	4,057	4,057
Total recognised income and expense for the period	0	0	0	4,057	4,057
Recognition of share – based payments	0	0	130	0	130
Balance at 31 December 2006	**3,008**	**24**	**8,906**	**4,057**	**15,995**
Balance at 1 January 2007	**3,008**	**24**	**8,906**	**4,057**	**15,995**
Allocation of previous year profit	0	0	4,057	(4,057)	0
Profit for the year	0	0	0	8,694	8,694
Total recognised income and expense for the period	0	0	0	8,694	8,694
Recognition of share – based payments (Note 30)	0	0	376	0	376
Increase in share capital	309	9,268	0	0	9,577
Change in fair value of consideration paid	0	0	3,037	0	3,037
- Effect of the change in price	0	0	348	0	348
- Effect of revaluation of net assets acquired (Note 5)	0	0	2,689	0	2,689
Other variation	0	0	125	0	125
Balance at 31 december 2007	**3,317**	**9,292**	**16,501**	**8,694**	**37,804**

Automotive Components Europe S.A. and subsidiary companies

Consolidated Cash flow statements
for the years ending 31 December 2007 and 31 December 2006

(Expressed in thousands of Euros)

	December 2007	December 2006
Cash flows from ordinary activities		
Profit before tax	10,541	5,056
Adjusted for:		
Amortisation and depreciation	4,073	2,132
Equity-settled shares based payments transactions	376	130
Net Financial result	140	375
Losses on sale of property, plant and equipment	188	4
Gains and losses on changes in fair values of derivative financial instruments	(250)	(786)
Others	(540)	595
Operating cash before changes in working capital	15,608	7,506
(Increase)/decrease in receivables and other current assets	(904)	909
(Increase)/decrease in inventories	(3,370)	479
Increase/(decrease) in trade and other payables	3,204	(2,500)
Cash from operating activities	14,538	6,394
Income taxes paid	(2,204)	(1,608)
Net cash from ordinary activities	12,334	4,786
Cash flows from investing activities		
Acquisition of property, plant and equipment	(2,952)	(1,215)
Acquisition of other intangible assets	(295)	(22)
Acquisition of non-current financial assets	0	35
Net cash from investing activities	(3,247)	(1,202)
Cash flows from financing activities		
Proceeds from issues of equity shares (Note 13)	11,088	0
Payment for share issue cost	(1,511)	0
Repayments of bank borrowings	(14,539)	(4,632)
Repayment of other loans	(3,000)	0
Net of interest paid and received	(610)	(375)
Net cash from financing activities	(8,572)	(5,007)
Net increase/(decrease) in cash and cash equivalents	515	(1,423)
Cash and cash equivalents at beginning of the period	9,919	11,342
Cash and cash equivalents at the end of the period	10,434	9,919

(1) Nature and Principal Activities

Automotive Components Europe, S.A. (hereinafter ACE or the Company) was incorporated as a limited liability company, ("Société Anonyme"), under the law of the Grand Duchy of Luxembourg on 21 July 2006. As at 31 December 2006, the registered offices of the Company were in 6, rue Adolphe L-1116, Luxembourg; from 27 July 2007, the registered offices of the Company are in 82, route d'Arlon L-1150, Luxembourg City (Luxembourg).

Since its incorporation, the principal activity of the Company has been the holding and management of company investments. The main Shareholder of the Company is EB Holding S.à.r.L., which final beneficial owner at the same time is Innova/3 L.P. and Innova/3 EBRD Co-Investment Facility L.P..

The Company is the parent company of the Automotive Components Europe, S.A. Group (hereinafter the Group), which comprises the Company and the subsidiaries listed below, which operate in an integrated manner and under a common management, the main activity of which is the manufacturing of anchors and callipers for brake systems.

The Group is comprised of the following companies at 31 December 2007:

Company	Registered offices	Percentage ownership Direct
Fuchosa, S.L. (formerly Retorgal XXI, S.L.)	Atxondo, Spain	100.00 %
European Brakes and Chassis Components Poland Sp.zo.o (formerly Indus Sp.zo.o.)	Warsaw, Poland	100.00 %

ACE was incorporated with limited liability on 21 July 2006 by the contributions in kind from 100% of the share capital of Indus Sp.zo.o, Poland and Retorgal XXI, S.L., Spain. The contributed companies held 100% of the share capital of European Brakes and Chassis Components Poland, Sp.zo.o, Poland, (EBCC) and Fuchosa, S.L., Spain, respectively. Said companies were contributed to the Company in full as a non-monetary payment. The financial year of all of the Group companies ends on 31 December of each year. The present consolidated financial statements are prepared as at end of December 2007.

As of 31 December 2006 Indus and EBCC merged, with Indus being the remaining company and changing its name to European Brakes and Chassis Components Sp.zo.o. As of the end of September 2007, the two subsidiaries in Spain merged retroactively to 1st January 2007 in order to simplify the organisational structure of the ACE Group, save costs and comply with certain covenants of the Unit Purchase Agreement and the long term facility granted by la Caixa to finance the acquisition of Fuchosa. This merger has no impact on consolidated figures.

The activities of the companies forming part of the Group are as follows:

- Fuchosa, S.L. (Fuchosa) was incorporated with limited liability under Spanish law on 17 February 2005. The registered offices of the company are in Atxondo (Spain), where the production plant is also located. The principal activity of the company since its incorporation has been the manufacturing and sale of nodular iron safety parts for the automobile sector.

- European Brakes and Chassis Components Poland, Sp.zo.o. was incorporated with limited liability under Polish law on 8 November 2005. The registered offices of the company are in Wroclaw (Poland), where the production plant is also located. The principal activity of the Company is the manufacturing of calipers for brake systems for the automobile sector.

- Furthermore, EBCC Germany GmbH is a 100% subsidiary incorporated by EBCC end of 2005. Considering the contribution of this entity to the consolidated financial statements would have been negligible, EBCC Germany is not included in the scope of consolidation.

Since 1 June 2007 the Company is listed in the Warsaw Stock exchange by selling 10,103,927 old shares and 2,065,160 new issued shares.

(2) Basis of Preparation

(a) Statement of compliance

The accompanying consolidated financial statements, consisting of consolidated balance sheet, consolidated statement of income, consolidated statement of change in equity, consolidated statement of cash flows for the year from 1 January 2007 to 31 December 2007 have been prepared on the basis of the accounting records of ACE, Fuchosa and EBCC. These consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. The directors have prepared these consolidated financial statements under EU-endorsed International Financial Reporting Standards (EU-IFRS) for the accounting period beginning on 1 January 2007. The comparative figures as of 31 December 2006 have also been prepared in accordance with EU-IFRS.

Continued

The consolidated financial information is presented in Euros, which is the operating currency of the Parent company, rounded to the nearest thousand. This information has been prepared on the historical cost basis, except for derivative financial instruments and available-for-sale financial assets, which are stated at their fair value.

The consolidated financial statements as at 31 December 2007 will be presented at the Warsaw Stock Exchange within the periods established by prevailing legislation in Poland.

(i) Standards, interpretations and amendments to EU-IFRS, which have not come into force

The potential impact on the Group financial information of the standards, interpretations and amendments to EU-IFRS, which are not mandatory for years commenced prior to 1 January 2008 and which the Group has not applied in this financial information is not expected to be significant.

(b) Comparative information

Due to its incorporation date on 21 July 2006 the comparative figures of the income statement of prior period only concern the period from the 21st July 2006 to 31st December 2006.

(c) Judgement, estimates and correction of errors

The preparation of financial statements in conformity with EU-IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Continued

The Group's consolidated financial statements for the year ended 31 December 2007, include Group management and consolidated companies' estimates on the value of assets, liabilities, income, expenses and commitments recognised, which were subsequently ratified by the Board of Directors. These estimates mainly comprise:

- useful lives of property, plant and equipment
- certain provisions made
- recognition of deferred taxes.

Although estimates were based on the best information available at 31 December 2007, future events may require these estimates to be modified (increased or decreased) in subsequent years. Any change in accounting estimates would be recognised prospectively in the corresponding consolidated income statement, in accordance with IAS 8.

In the consolidated Financial Statement for the year ended 31 December 2007 there is a reclassification of the 31 December 2006 comparative figures of the balance sheet as a result of the correction of Available for sale investments. In this sense, the amount of Euro 320 reported in the 31 December 2006 balance sheet as Available for sale investments should had been separated in Euro 20 thousand for Investment in associates and Euro 300 thousand in Non-current Trade and other receivables.

In the consolidated Financial Statement for the year ended 31 December 2007 there is a further reclassification of the 31st December 2006 comparative figures within property, plant and equipment disclosure (see note 7). The amount reclassified for Land and buildings increased Euro 931 thousand; in the case of vehicles and machinery, the reclassification was a decrease of Euro 641 thousand and finally, furniture, fittings & equipment was reclasified with decreased Euro 290 thousand.

(d) Consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Company exercises control. Control is defined as the direct or indirect power to govern the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights owned by other entities, are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are no longer consolidated from the date that control ceases.

Continued

The Parent company and minority interests' share of profits or losses or changes in the net equity of subsidiaries are determined based on existing voting rights, without considering the effects of potential voting rights which are exercisable or convertible.

(ii) Transactions eliminated on consolidation

Intragroup transactions are eliminated in preparing the consolidated financial statements.

(iii) Business combinations

A business combination is the union of separate entities or businesses into one reporting entity which may be structured in a variety of ways. The result of nearly all business combinations is that one entity, the acquirer, obtains control of one or more other businesses, the acquiree.

A business combination may result in a parent-subsidiary relationship in which the acquirer is the parent and the acquiree a subsidiary of the acquirer. In such circumstances, the acquirer applies the business combination accounting method in its consolidated financial statements. It may also involve the purchase of the net assets, including any goodwill, of another entity rather than the purchase of the other entity's equity. Such a combination does not result in a parent-subsidiary relationship.

All business combinations are accounted for by applying the purchase method. This consists of identification of the acquirer (the entity which obtains control over the other entities which comprise the business combination), measurement of cost of the business combination and allocation, at the acquisition date, of the business combination's costs to the identifiable assets, liabilities and contingent liabilities (net identifiable assets) of the acquiree, except for non-current assets (or disposal groups) that are classified as held for sale, which are recognised at fair value less costs to sell.

The business combination is measured as the aggregate of: the fair values at the date of exchange, assets contributed, liabilities incurred or assumed (including contingent liabilities if reasonably measurable) and net equity instruments issued by the acquirer, in exchange for control over the acquiree; plus any costs directly attributable to the business combination.

The excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill.

Continued

If the acquirer's interest in the net fair value of assets, liabilities and contingent liabilities exceeds the cost of the business combination, any excess remaining after reassessment must be recognised by the acquirer in profit or loss.

(3) Significant Accounting Principles

The consolidated financial statements have been prepared in accordance with the accounting principles and measurement standards set out in the International Financial Reporting Standards endorsed by the European Union at 31 December 2007.

The most significant accounting principles applied are as follows:

(a) Going concern and accruals basis

The consolidated financial statements have been prepared on a going concern basis. Income and expenses are recognised on an accruals basis, irrespective of collections and payments.

(b) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into the functional currency at the foreign exchange rate ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated to the functional currency using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Euros at foreign currency exchange rate prevailing at the date the fair value was determined.

(c) Property, plant and equipment

i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises the purchase price, less any trade discounts and rebates, plus any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the board of directors.

Continued

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

ii) Leased assets

Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. Assets acquired by way of a financial lease are stated at an amount equal to the lower of the fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and any impairment losses.

iii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, including repair and maintenance costs, are recognised in the consolidated income statement as an expense as incurred.

iv) Depreciation

Depreciation of items of property, plant and equipment is calculated using the straight-line basis to allocate their cost, deemed cost or revalued amounts to their residual values over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Land is not depreciated. The estimated useful lives of other items of property, plant and equipment are as follows:

	Years
Buildings	20 - 40
Plant and machinery	7 - 25
Fixtures and fittings	4 - 10
Computer equipment	3 - 14
Leasehold improvements	5
Other tangible assets	3 - 5

The Group reassesses the depreciation method and periods at least at the end of each financial year.

Continued

(d) Intangible assets

(i) Goodwill

Internally generated goodwill is not recognised as an asset.

Negative goodwill arising from the acquisitions of subsidiaries is recorded in the retained earnings.

(ii) Other intangible assets

Other intangible assets are stated at cost or deemed cost, less accumulated amortisation and impairment losses.

Amortisation is calculated on a straight-line basis over the estimated useful life of the asset (3-5 years).

All intangible assets other than goodwill have defined useful lives.

(iii) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(e) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured initially at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Continued

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

Trade payables

Trade payables are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates.

The Group uses derivative financial instruments (foreign currency forward contracts and interest rate swaps) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions and to hedge its interest rate risk that arises from bank loans. The Group's policy is to convert a proportion of its floating rate debt to fixed rates.

In accordance with its treasury policy, the Group does not acquire or hold derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost and subsequently stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss as financial income or expense.

Continued

The Group does not use hedge accounting for derivative financial instruments and therefore changes in the fair value of these assets are recognised immediately in the income statement.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in selling and distribution.

(g) Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Continued

(h) Share capital

Ordinary shares are classified as equity. Shares are classified as equity if non-redeemable and any dividends are discretionary. Dividends are recognised as a liability in the period in which they are declared.

Incremental costs directly attributable to the issue of equity instruments, except those incurred on the issue of equity instruments as a result of the acquisition of a business are recorded as a deduction from equity, net of any related tax incentives or tax effect.

(i) Employee benefits

(i) Termination benefits

Termination benefits are payable when employment is terminated before the normal contract expiry or retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(ii) Anniversary payments

Anniversary payments which are payable to certain employees after certain years of services are provided for based on the best estimate of employees that will receive said payments and using assumptions for salary increases of 1.5 % and discounted as of the balance sheet dates using a rate of 3%.

(j) Share-based payment

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using the fair value of the shares, which was estimated based on prices paid on business combinations with third parties close to the grant date of the benefit. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Continued

(k) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. If the effect is material, provisions are determined by discounting to present value.

(l) Measurement of revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(i) Government grants

Grants that compensate the Group for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of acquisition of an asset are recognised in the income statement as other operating income on a systematic basis over the useful life of the asset.

Other government grants are recognised in the balance sheet initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached.

(m) Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership to the lessee. All other leases are classified as operating leases.

Continued

(i) Finance leases: lessee

A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset to the Group. At the inception of the lease, lessees shall recognise finance leases as assets and liabilities in their balance sheets at amounts equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The obligation to pay deriving from the lease, net of the finance charge, is recognised as a long-term payable. If there is no reasonable certainty that the lessee will obtain ownership of the property by the end of the lease term, the asset should be fully depreciated over the shorter of the lease term or its useful life.

(ii) Operating lease: lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(n) Income taxes

The income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Continued

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Unused income tax credits and deductions are recognised as tax credits under assets in the consolidated balance sheet provided that their recovery is considered probable and all the necessary conditions have been met. The income from these credits is recorded as a deduction from the income tax expense in the income statement.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(o) Offsetting assets and liabilities, income and expenses

Liabilities cannot be offset by assets, nor expenses by income, unless permitted by a relevant standard or interpretation.

(p) Classification of assets and liabilities as current

Assets and liabilities are classified as current in the consolidated balance sheet when expected to be recovered, traded or settled within 12 months of the balance sheet date, except for trading properties, which are expected to be realised in the ordinary course of business of sale of properties and unbuilt land. Where the Group does not have an unconditional right to defer settlement of the liability within at least 12 months of the balance sheet date, the liability is classified as current.

(q) Related parties

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence or joint control over the other party in making financial and operating decisions.

Continued

(4) Segment information

In accordance with IAS 14 Segment Reporting, financial information for business segments is reported in Annex I. Group companies are organised based on the nature of the products and services manufactured and marketed.

Based on the Group's internal management information system, business segments have been defined as primary and geographical segments as secondary.

Assets, liabilities, income and expenses for segments include directly attributable items as well those which can be reasonably and reliably assigned to a segment. All balance sheet items have been assigned to the segments. Income statement items which are not assigned to segments by the Group are: other operating income / expenses, financial income / expense and income tax expense.

(a) Business segments

The business segments defined by the Group are as follows:

- Iron casting: relates to the production of iron based products.
- Aluminium casting: relates to the production of aluminium based products.
- Others: relates mainly to the sale of tooling.

b) Geographical segments

Geographical segments are grouped into the following areas:

- Western Europe.
- Eastern Europe.
- Other countries.

The financial information reported for geographical segments is based on sales to third parties in these markets as well as on the location of assets.

(5) Business combination

As mentioned in note 1, ACE was incorporated with limited liability on 21 July 2006 by the contributions in kind from 100% of the share capital of Indus Sp.zo.o, Poland and Retorgal XXI, S.L., Spain. The contributed companies held 100% of the share capital of EBCC and Fuchosa, respectively. Said companies were contributed to the Company in full as a non-monetary payment. These transactions have been accounted for by the purchase method of accounting.

Continued

As at 31 December 2007, the accounting for the business combination has been completed and the definitive fair values of net assets acquired are detailed below.

Details of the aggregated business combination cost and equity acquired and the negative goodwill is as follows:

	Retorgal	EBCC	Total
	Thousand of Euros	Thousand of Euros	Thousand of Euros
Cost of business combination	1,203	1,829	3,032
Fair value of net assets acquired (*)	4,926	10,090	15,016
Negative goodwill	(3,723)	(8,261)	(11,984)

The fair value of the net assets acquired is as follows:

	Retorgal	EBCC
	Thousand of Euros	Thousand of Euros
Property, plant and equipment (*)	17,132	19,170
Inventories	3,306	2,372
Receivables and other current assets	10,975	4,743
Cash and cash equivalents	6,116	5,226
Other assets	1,042	465
Bank borrowings	(15,886)	(16,838)
Other debt	(3,593)	0
Trade liabilities	(9,817)	(1,791)
Provisions	(1,045)	(1,477)
Other liabilities	(3,823)	(1,780)
Change in fair value of Vendor's Loan (**)	519	0
Fair value of net assets acquired	4,926	10,090

(*) The negative goodwill recorded as at 21 July 2006 has been adjusted for an amount of Euro 2,689 thousand as at 31 December 2007 as a result of the change in fair value of the net assets acquired, upon completion of the purchase accounting for the business combination. In particular the fair value of the fixed assets has been adjusted on basis of an appraisal from an independent expert. The main effect on the negative goodwill adjustment however is due to the alignment of the value of fixed assets according to the statutory accounts established under Spanish legal and regulatory requirements to the value recorded under IFRS framework, resulting in a cancellation of deferred tax liabilities previously recorded.

Continued

(**) The negative goodwill recorded as at 21 July 2006 has been adjusted for an amount of Euro 519 thousand as a consequence of the change in fair value of the consideration paid to the vendor.

In the determination of the fair value of net assets acquired, no values were considered necessary to be allocated to contingent liabilities.

(6) Intangible assets

Details of and movements in intangible assets for the year from 1 January 2007 to 31 December 2007 are shown below.

All intangible assets have finite useful lives and these are amortised on a straight line basis during a period that ranges between 3 and 5 years.

Details are as follows:

	Trademarks and licences	**Other (*)**	**Total**
At 31 December 2006			
Cost	225	162	387
Accumulated amortisation and impairment	(137)	(134)	(271)
Net book amount	88	28	116
Year ended 31 December 2007			
Opening net book amount	88	28	116
Additions	295	0	295
Amortisation charge	(94)	(18)	(112)
Closing net book amount	289	10	299
At 31 December 2007			
Cost	520	162	682
Accumulated amortisation and impairment	(231)	(152)	(383)
Net book amount	289	10	299

(*) Other includes Group R&D Expenses.

Continued

(7) Property, plant and equipment

Details of and movements in property, plant and equipment for the year from 1 January 2007 to 31 December 2007 are shown below.

At 31 December 2007, certain land and buildings are mortgaged to secure the repayment of two loans with an outstanding balance of Euro 14,424 thousand (see note 14). The Group's policy is to take out insurance to cover what it estimates as the possible risks which could affect the tangible fixed assets. The Group entities have taken out insurance, which more than covers the net book value of all the Group's assets.

	Land & Buildings	**Vehicles & machinery**	**Furniture, fittings & equipment**	**Total**
At 31 December 2006				
Cost or valuation	12,219	59,820	3,937	75,976
Accumulated depreciation	(2,604)	(35,933)	(1,727)	(40,264)
Net book amount	**9,615**	**23,887**	**2,210**	**35,712**
Opening net book amount	9,615	23,887	2,210	35,712
Additions	96	2,577	267	2,940
Disposals	0	(170)	(18)	(188)
Depreciation charge	(211)	(3,404)	(348)	(3,963)
Closing net book amount	**9,500**	**22,890**	**2,111**	**34,501**
At 31 December 2007				
Cost or valuation	12,315	62,227	4,185	78,727
Accumulated depreciation	(2,815)	(39,337)	(2,074)	(44,226)
Net book amount	**9,500**	**22,890**	**2,111**	**34,501**

(8) Investment in associates

Details of and movements in investment in associates for the year from 1 January 2007 to 31 December 2007 are shown below.

	Thousand of Euros December 2007	Thousand of Euros December 2006
Beginning of the year	20	20
End of the year	20	20

Continued

The Group's share of the results of its principal associates, all of which are unlisted, and its share of net assets (including goodwill and liabilities) are as follows:

Name	Country of incorporation	Total Assets	Total Liabilities	Profit/(Loss)	Revenues	% interest held
December 2006						
EBCC Germany	Germany	23	4	201	(6)	
		23	4	201	(6)	100%
December 2007						
EBCC Germany	Germany	60	21	270	20	100%
		60	21	270	20	

(9) Derivative financial instruments

Details are as follows:

	Thousand of Euros December 2007	Thousand of Euros December 2006
Non - Current financial assets		
Interest rate swap	233	140
Current financial assets		
Currency option	392	235

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. Contracts with nominal values of Euro 12 million have fixed interest payments at an average rate of 3.51 per cent for periods up until 2013 (see note 14).

The Group also uses currency options in order to manage its exposure to the exchange rate risk between the Polish Zloty and the Euro due to PLN denominated expenses whereas most of sales are denominated in EUR.

Continued

(10) Inventories

Details of inventories are as follows:

	Thousand of Euros December 2007	Thousand of Euros December 2006
Raw materials and supplies	3,726	2,027
Work in progress	1,345	1,184
Finished products	3,495	1,983
Payments on account	0	5
	8,566	5,199

There are Euro 146 thousand of write downs in inventories as at December 2007 (31 December 2006: Euro 94 thousand).

(11) Trade and other receivables

Details of debtors are as follows:

	Thousand of Euros December 2007	Thousand of Euros December 2006
Trade receivables	16,329	15,255
Less: provision for impairment of receivables	(291)	(236)
Trade receivables – net	16,038	15,019
Prepayments	337	297
Receivables from related parties	0	71
Total	16,375	15,387
All non-current receivables are due within five years from the balance sheet date		
Non-current portion:	300	300
Current portion	16,075	15,087
	16,375	15,387

Continued

The table below shows the ageing beyond due date of the financial assets for credit risk exposure purposes (in thousand of Euros):

December 2007

In thousand of Euros	Within terms	Up to three months overdue	Between three months and one year overdue	Total
Trade and other receivables				
- non-current	300			300
- current	12,417	3,637	21	16,075
Total	12,717	3,637	21	16,375

December 2006

In thousand of Euros	Within terms	Up to three months overdue	Between three months and one year overdue	Total
Trade and other receivables				
- non-current	300			300
- current	12,987	2,073	27	15,087
Total	13,287	2,073	27	15,387

There are no receivables with more than one year over due.

(12) Cash and cash equivalents

	Thousand of Euros December 2007	Thousand of Euros December 2006
Cash at bank and in hand	1,515	1,846
Short-term bank deposits	8,919	8,073
Cash and cash equivalents	10,434	9,919

Continued

(13) Equity

Details of and movements in the various items included in equity are detailed in the consolidated statement of changes in equity, which forms an integral part of the consolidated financial statements.

(a) Share capital

At 31 December 2006 the share capital of ACE was represented by 2,005,010 registered shares of Euros 1.5 par value each divided into 1,604,008 type A shares and 401,002 type B shares. The share capital was fully paid.

At 31 December 2007, the share capital of ACE was represented by 22,115,260 registered same type of shares of Euros 0.15 value each. The increase in the number of shares is the result of a split of each one of the old shares into ten new shares and the issue of additional 2,065,160 new shares as a result of the capital increase upon IPO on the 1 June 2007.

As at 31 December 2007, there is an authorised share capital not issued of 2,947,365 shares of which 1,002,505 shares are related to the ESOP scheme in EBCC (Note 30).

(b) Share premium

The share premium is governed by the same restrictions as those applicable to the voluntary reserves and can be used for the same purposes, including conversion to share capital.

As at 31 December 2007, the share premium increased as a result of the IPO and the costs derived from the operation were deducted from the share premium. The costs relating to the IPO were Euro 1,511 thousand.

(c) Legal reserve

In accordance with Luxembourg company law, the Company is obliged to transfer a minimum of 5% of the profit for the year to a legal reserve, until such time as the reserve represents 10% of the share capital. This reserve is non-distributable, except upon dissolution of the Company.

(d) Retained earnings

This caption amounting to Euro 16,501 thousand as of 31 December 2007 includes the negative goodwill generated by the acquisition of the subsidiaries (see note 1 and note 5), the profit for period ended 31 December 2006 and the share based payments (see note 30).

Continued

AUTOMOTIVE COMPONENTS EUROPE SA
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Notes to the consolidated Financial Statements

for the year ended 31 December 2007

Details of and movements in share capital and in share premium for the year from 1 January 2007 to 31 December 2007 are shown below.

In thousand of Euros, except the number of shares

	Number of shares	Ordinary shares	Share premium	Total
At 21 July 2006	2,005,010	3,008	24	3,032
At 31 December 2006	2,005,010	3,008	24	3,032
Increase of share capital	20,110,250	309	9,268	9,577
At 31 December 2007	22,115,260	3,317	9,292	12,609

(14) Borrowings

Non-current and current borrowings are detailed as follows:

	Thousand of Euros December 2007	Thousand of Euros December 2006
Non-current		
Bank borrowings	11,503	25,913
Debentures and other loans	0	3,000
	11,503	28,913
Current		
Bank borrowings	2,921	3,067
	2,921	3,067
Total borrowings	14,424	31,980

On 21 June 2007, Fuchosa and Banco Sabadell agreed a loan of Euros 551,306 maturing the 30 June 2008. The loan bears an interest of Euribor + 0.5% and it is semi-annually reviewed.

Continued

On 23 February 2006, Retorgal on one hand and EB Holding S.à.r.l. and Casting Brake, S.L., as shareholders of the Company, on the other hand signed a syndicated loan agreement for an amount of Euro 16 million with the agent bank Caixa D'Estalvis I Pensions de Barcelona, "la Caixa". The main purpose of this syndicated loan is to partially finance Retorgal's acquisition of Fuchosa. This syndicated loan, which matures on 23 February 2013, is subject to compliance with certain obligations relating to financial ratios. According to the agreed conditions, the degree of compliance with the financial ratios and levels will be determined at the close of each fiscal year and Fuchosa must provide certain financial information to the banks in order to assess compliance with these ratios. Said loan bears an interest of Euribor + 1.75%. In order to hedge the interest rate risk for said loan, the Group contracted an interest rate swap, fixing the rate at 3.51%. As of 31 December 2007, the Group has already repaid Euro 2,154 thousand.

On 22 April 2006, EB Holding S.à.r.l., shareholder of ACE, and Erste Bank der Oesterreichischen Sparkassen AG, Vienna, signed a term loan facility agreement for an amount of Euro 12 million. On 29 May 2006, EBCC and Indus signed a debt assignment agreement, whereby both companies replace EB Holding S.à.r.l. as part of the loan agreement. The main purpose of this loan was to finance Indus' purchase of EBCC. This loan, which initially matured on 28 April 2010, was subject to compliance with certain obligations relating to financial ratios. Said loan beard an interest of Euribor plus 3.25%. Ann amendment to the term loan agreement on 1 May 2007 changed this margin into a margin rate from 1.25% to 2.00% based on the reference Net debt / EBITDA. As of 31 December 2007, this loan was fully reimbursed.

As disclosed in note 29, certain Group companies have granted a guarantee in favour of the banks, through the pledge of EBCC and Fuchosa shares in favour of the banks. Additionally, certain properties of the Group secure said loans for an amount of Euro 37 million. Furthermore, pledges over moveable assets and bank accounts as well as assignment of rights over receivables of EBCC were registered in favour of Erste Bank der Oesterreichischen Sparkassen AG, Vienna.

As at 31 December 2006 debentures and other loans included the loan extended by the former main shareholder of Fuchosa, as part of the financing of the acquisition. This loan bears a fixed interest rate of 5% p.a., the maturity date is the 23 February 2013. This loan was secured by the right of inscription of a mortgage in second range amounting to Euro 4.2 million in favour of said third party (Note 29). As at 31 December 2007, this loan was fully reimbursed together with the accrued interest.

The Company grants borrowing facilities to its subsidiaries. The undrawn amount of these borrowings as of 31 December 2007 is EUR 450 thousand.

Average rate charged to the income statement corresponding to all Company loans raises to 6,36%.

Continued

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet date is not significant and, therefore, no average rate has been charged to the income statement as the Group uses interest rate swaps to manage its exposure to interest rate movements on its syndicated bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. Contracts with nominal values of Euro 12 million have fixed interest payments at an average rate of 3.51 per cent for periods up until 2013.

(15) Other current liabilities

The other current liabilities are detailed as follows:

	Thousand of Euros December 2007	Thousand of Euros December 2006
Lease liabilities	44	161
Other(*)	165	593
	209	754

(*) Other includes Group wages arrears.

(16) Deferred tax assets and liabilities

The main deferred tax liabilities and assets recognised by the Group as of 31 December 2007 are as follows:

	Thousand of Euros December 2007	Thousand of Euros December 2006
Deferred tax assets:	624	524
	624	524
Deferred tax liabilities:	1,862	3,402
	1,862	3,402
	1,238	2,878

The gross movement on the deferred income tax account is as follows:

Thousand of Euros

Continued

	December 2007
Beginning of the year	2,878
Adjustment of deferred tax liabilities from the finalisation of the purchase accounting (note 5)	(2,914)
Reclassification from current tax liabilities	904
Deferred tax relating to fixed assets	370
End of the year	1,238

The companies forming part of the Group had tax loss carry-forwards to be offset against future tax profits amounting to Euro 252 thousand as of December 2007. This amounts as of December 2006 was approximately Euro 1.1 million. The decrease from one period to another is due to the use of Euro 1 million. The remaining tax loss carry-forwards can be utilised indefinitely.

(17) Provisions for other liabilities and charges

Details are as follows: (Thousand of Euros)

	Legal Claims	Pensions and similar	Tooling Renewal	Other provisions	Total
At 1 January 2007	128	319	577	373	1,397
Unused amounts reversed, charged to consolidated income statement	(128)	0	(50)	(75)	(253)
Increase in provision - discount unwinding	0	106	0	237	343
At 31 December 2007	0	425	527	535	1,487

Analysis of total provisions:	December 2007	December 2006
Non-current	318	551
Current	1,169	846
	1,487	1,397

Continued

The provision for pension and similar relates to anniversary premium payments to be made for employees in one of the Group companies until 25 , between 25 and 30 and more than 35 years seniority at said company. The estimations are calculated based on a discount rate of 3% and salary increases of 1.5%.

With a view to gradually renewing the workforce, the Group encouraged some of its workers to take partial early retirement through the system of relief contracts regulated in Spanish Royal Decree 144 of 29 January 1999 and bonuses prior to ordinary retirement provided for in the Ministerial Order of 5 October 1994. In this regard, and for employees with whom these types of agreements were reached, the Company made long-term provisions of Euros 129 thousand at 31 December 2006. As of 31 December 2007, the provision amounts to Euro 140 thousand.

The Group receives payments in advance from its customers for the renewal of tooling used in its production process and which is owned by its customers. The provision for tooling renewal corresponds to the expected cash outflows for the replacement of this tooling.

(18) Trade and other payables

Details are as follows:

	December 2007	December 2006
Trade payables	12,942	10,828
Amounts due to related parties	9	0
Accrued expenses	213	0
	13,164	10,828

(19) Revenues

The distribution of consolidated net revenues for the six months ended 31 December 2007 by business segments is as follows:

	Thousand of Euros	Thousand of Euros
	From 1 January to December 2007	From 21 July to December 2006
	(12 months)	(6 months)
Products		
Iron castings	44,594	20,927
Aluminium castings	36,913	16,571
Others	4,352	1,043

Continued

	85,859	38,541

The geographical distribution of the consolidated sales is as follows:

	Thousand of Euros From 1 January to December 2007 (12 months)	Thousand of Euros From 21 July to December 2006 (6 months)
Western Europe	52,632	26,979
Eastern Europe	33,155	11,527
Other countries	72	35
	85,859	38,541

Concentration risk

The main characteristic of the braking system market is its concentration of customers among three Tier 1 companies. Approximately 95% of the revenues are made with said customers.

(20) Selling and distribution costs

Details of distribution costs are as follows:

	Thousand of Euros From 1 January to December 2007 (12 months)	Thousand of Euros From 21 July to December 2006 (6 months)
Transportation costs	1,948	806
Packaging expenses	373	94
Salaries and wages Sales	160	102
Other distribution costs	291	183
	2,772	1,185

Continued

(21) General and administrative Expenses

Details of administrative expenses are as follows:

	Thousand of Euros From 1 January to December 2007 (12 months)	Thousand of Euros From 21 July to December 2006 (6 months)
Wages and salaries	5,107	2,353
External services	1,599	543
Office material	1,649	653
Depreciation and amortisation on non operating fixed assets	575	377
Other administrative expenses	761	442
	9,691	4,368

The Group headcount at the year end is as follows:

	Headcounts December 2007	Headcounts December 2006
Managers	21	17
Administrative employees	125	117
Workers	537	543
	683	677

Continued

(22) Other Operating Income

Details are as follows:

	Thousand of Euros From 1 January to December 2007 (12 months)	Thousand of Euros From 21 July to December 2006 (6 months)
Income from subsidies	203	14
Insurance reimbursement	42	0
Income from release of write-downs	98	143
Other operating income	183	155
	526	312

(23) Net financial result

Details are as follows:

	Thousand of Euros From 1 January to December 2007 (12 months)	Thousand of Euros From 21 July to December 2006 (6 months)
Interest income:		
- Interest on deposits	1,025	314
	1,025	314
Interest expense from third parties:		
- Bank borrowings	(1,318)	(514)
- Other interest expenses and charges	(335)	0
	(1,653)	(514)
Net foreign exchange transaction gains/(losses):	488	(175)
Net profit from derivative financial instruments:		
- Forward foreign exchange contracts	157	646
- Interest rate swaps	93	140
	250	786
	110	411

Continued

(24) Income tax expense

Domestic income tax is calculated at 29,63% of the profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions (Spain: 28%, Poland: 19%)

The total charge for the year can be reconciled to the accounting profit as follows:

	Thousand of Euro From 1 January to December 2007 (12 months)	Thousand of Euro From 1 January December 2006 (6 months)
Profit before tax	10,541	5,056
Tax at the domestic income tax rate	3,123	1,536
Effect of different tax rates	(570)	(295)
Effect of tax deductions	(519)	(108)
Effect of decreased Spanish corporate tax rate	(10)	0
Effect of non tax deductible cost	118	0
Use of losses carry-forwards not recognized	(295)	196
Permanent differences resulting from change of functional currency	0	(330)
	1,847	999
Income tax expense and effective tax rate		
Thereof		
Current tax expense	1,715	922
Deferred tax expense	132	77
	1,847	999

As far as the effective tax rate is concerned, the rate as of 31 December 2007 is 17,52% (31 December 2006: 19,76%).

Continued

(25) Earnings per Share

(a) Basic

Basic profits per share are calculated by dividing profit for the year attributable to the shareholders of the Company by the weighted average number of ordinary shares in circulation throughout the year.

Details of the calculation of basic profits per share are as follows:

	December 2007	December 2006
Net profit for the year (thousands of Euros)	8,694	4,057
Weighted average number of ordinary shares in circulation	21,254,777	2,005,010
Basic earnings per share (Euros)	0.41	2.02

The weighted average number of ordinary shares issued is determined as follows:

	December 2007	December 2006
Weighted average number of ordinary shares in circulation at the beginning of the year	2,005,010	2,005,010
Split of shares (1:10) 1.6.07	20,050,100	0
Capital increase 1.6.07	2,065,160	0
Weighted average number of ordinary shares in circulation at the end of the year	21,254,777	2,005,010

(b) Diluted

Diluted profits per share are calculated by dividing profits attributable to shareholders of the Company by the weighted average number of ordinary shares in circulation considering the diluting effects of potential ordinary shares.

There is a dilution effect as a result of the ESOP scheme and the introduction of an authorised share capital of 1,002,505 shares as approved in the extraordinary General Meeting held on March 14, 2007.

Continued

	December 2007	December 2006
Net profit for the year (thousands of Euros)	8,694	4,057
Weighted average number of ordinary shares in circulation for the effect of dilutive options and other dilutive potential ordinary shares	21,964,884	2,005,010
Diluted earnings per share (Euros)	0.40	2.02

The weighted average number of ordinary shares in circulation for the effect of dilutive options and other dilutive potential ordinary shares is determined as follows:

	December 2007	December 2006
Weighted average number of ordinary shares in circulation at the beginning of the year	2,005,010	2,005,010
Split of shares (1:10) 1.6.07	20,050,100	0
Authorised share capital 14.3.07	1,002,505	0
Capital increase 1.6.07	2,065,160	0
Weighted average number of ordinary shares in circulation for the effect of dilutive options and other dilutive potential ordinary shares at the end of the year	21,964,884	2,005,010

(26) Operating lease arrangements

At 31 December 2007 the Group leases mainly forklift trucks, cars and PCs from third parties under operating leases. The duration of these lease contracts ranges from between 3 to 5 years.

Operating lease instalments of Euros 221 thousand have been recognised as an expense for the year from 1 January 2007 to 31 December 2007 (31 December 2006: 144).

Continued

Future minimum payments on non-cancellable operating leases are as follows:

	Thousand of Euros December 2007	Thousand of Euros December 2006
Up to 1 year	221	184
Between 1 and 5 years	86	33
	307	217

(27) Finance leases

The Group has leased certain of its property, plant and equipment under finance leases.

Amounts payable for finance leases are as follows:

	Thousand of Euros December 2007	Thousand of Euros December 2006
Up to 1 year	44	161
Between 1 and 5 years	0	33
	44	194

(28) Transactions and Balances with Related Parties

Key management personnel are members of the Company's board of directors.

No advances and loans have been paid to directors of the Company.

Certain Company directors hold shares in the Company. These directors hold a total of 1,959,761 shares in the Company. As part of share-based payment arrangements with said directors, as described in note 30, the directors are entitled to all rights on said shares, however, the shares were subject to a vesting period lasting up-to five years. According to the new Shareholder Agreement from the 27 April 2007 this vesting period was accelerated upon IPO and therefore all the shares accrued in favour of the managers.

Certain directors have individual indemnity agreements in the event of dismissal without justified cause.

Continued

Details of remuneration received by the Company's directors for the year from 1 January 2007 to 31 December 2007 are as follows:

	Thousand of Euros June 2007	Thousand of Euros December 2006
Short-term remuneration	698	322
Of which salary	*668*	*285*
Of which bonus	*30*	*37*
Share based payments and ESOP	376	130
Total, directors of the Company	1,074	452

With the exception of the ones mentioned below, no significant transactions have been carried out with related parties during the financial year and there are no significant balances with related parties at 31 December 2007.

- Marketing Services agreement concluded between EBCC and EBCC Germany GmbH on 21 December 2005.

The subject of the agreement is the development of EBCC's product sales in Germany by EBCC GmbH. The development of sales within the meaning of the agreement includes marketing services, market research, winning the clients and new orders and any other necessary activities. The annual remuneration for the services is Euro 240 thousand The agreement was concluded for an unspecified period and may be terminated upon six months' notice.

As mentioned in note 1 EBCC Germany is a 100% subsidiary incorporated by EBCC end of 2005. EBCC Germany is not included in the scope of consolidation.

(29) Contingent Liabilities

(a) Commitments with former shareholders (Exit note)

On 23 February 2006 a Unit Purchase Agreement was entered into between (i) the former main shareholder of Fuchosa, (the vendor) (ii) Retorgal, (iii) Casting Brake and EB Holding (hereinafter the Unit Purchase Agreement) for the purpose, inter alia, of regulating Retorgal's purchase of 98.1% of Fuchosa's units.

It was agreed between the parties to the Unit Purchase Agreement that (i) the establishment of ACE as well as the contribution of Fuchosa units and EBCC shares to ACE, as the case may be, was to be completed by no later than 31 July 2006 and that (ii) a merger between Retorgal and Fuchosa would take place no later than 30 September 2007.

Continued

It was further agreed between the parties that the vendor would be entitled, in the case of, inter alia, an initial public offering of shares of ACE, to receive in such initial public offering, an amount equivalent to 5% of share capital of ACE (hereinafter Percentage Interest). An Exit Note was entered into on 23 February 2006 between the vendor, Retorgal, Casting Brake and EB Holding (hereinafter Exit Note) for the purpose of detailing the rights of the vendor in this regard.

On 3 July 2006 pursuant to the terms and conditions of the Exit Note, the vendor assigned its rights under the Exit Note to one affiliated company

Furthermore on 4 August 2006 Casting Brake and EB Holding granted a pledge over 5% of the A shares of ACE held by EB Holding and 5% of the B shares of ACE held by Casting Brake in favour of the vendor for the purpose of, inter alia, securing the terms of the Exit Note (hereinafter the Pledge Agreement).

On 2 February 2007, pursuant to the terms of the Exit Note, ACE notified the vendor of its intention to launch an initial public offering (hereinafter IPO) of its shares. On 14 February 2007 the vendor notified ACE of its intention to exercise the Exit Note in the following manner through the pro rata sale of existing shares owned directly or indirectly by Casting Brake and EB Holding.

Casting Brake and EB Holding shall sell a portion of their existing interest to the vendor in exchange for the payment by them of the Strike Price directly to the benefit of Casting Brake and EB Holding.

The allocation or the transfer of shares shall in any case take place prior to the IPO. Once the vendor has acquired Shares in ACE it shall be entitled to sell its shares in the IPO, at its own discretion and in the same proportion as EB Holding (Option to Sell).

The agreement ruling the Exit Note also foresees that the vendor may execute its right in the case of a partial exit or a distribution of dividends by any Group entity before the IPO or maturity of the debt or the Vendor's Note Debt.

According to the terms and conditions of the Exit Note, and prior the IPO, the vendor received 1,002,505 shares, an amount equivalent to 5% of the share capital of ACE proportionally sold by Casting Brake and EB Holding in exchange of the Strike Price, and exercised its right to sell part of these shares in the same proportion as EB Holding.

As of 31 December 2007, the Exit Note was exercised by the vendor and therefore there is no further commitments related to the vendor and the Exit Note.

(b) Pledge of assets and shares

As mentioned in note 14 as part of the long term financing of the Group, the banks have pledged the shares of some of the companies forming part of the Group.

Continued

The 1,203,006 shares in Fuchosa are subject to a pledge in favour of a pool of Spanish banks composed by: Caixa d'estalvis i Pensions De Barcelona, Banco Bilbao Vizcaya Argentaria, S.A., Banco de Sabadell, S.A., Banco Santander Central Hispano, S.A., Caja de Ahorros de Galicia, Banco Español de Crédito, S.A., Bankinter, S.A., Caixa d'estalvis de Catalunya, And Caja de Ahorros de Santander y Cantabria.

The 14,297 shares in EBCC are pledged in favour of Erste Bank der Oesterreichischen Sparkassen AG Vienna, Austria.

Furthermore, as described in note 14 above certain assets of the Group are pledged or mortgaged as part of guarantees established for loans from banks and third parties.

(30) Share-based payments

(a) Share based compensation scheme

In the Shareholders' Agreement between the current shareholders of ACE dated 23 February 2006 a share based compensation scheme was granted to 7 managers of the Group, of which only 6 are currently working at companies forming part of the Group.

The basic terms of the agreement specify that 60% of the shares of each manager, who in total own 20% of the shares of ACE, were subject to a vesting scheme. In the event of termination of a manager's labour contract within a period of 5 years these shares should be reallocated to a new employee or acquired by any of the remaining shareholders. This vesting scheme shall be reduced every quarter by 1/20th as from the completion date, 23 February 2006. During that period managers are entitled to exercise votes and receive dividends.

This vesting scheme can be defined as an equity settled share based payment scheme as defined by IFRS 2. Accordingly, the Company determines the fair value of the compensation on the grant date and spreads the recognition over the vesting period of 5 years at 31 December 2006. The Company estimated that all of the 7 managers will stay until completion of the vesting period. Based on the estimates made, the expense to be recognised over a five-year period was Euro 685 thousand, Euro 130 thousand of which are already recognised for the period from 21 July to 31 December 2006.

Continued

In the new Shareholders' Agreement signed in the 27 April 2007 it was agreed the one hundred per cent (100%) acceleration of the Vesting Scheme agreed in stipulation 17 of the Shareholders Agreement dated 23 February 2006, whereby the managers consolidate full ownership to one hundred per cent of the Allocated Units. As a consequence, a remaining amount of Euro 376 thousand share-based payments was recorded in the year from 1 January to 31 December 2007. (See Statement of consolidated changes in equity)

(b) Employee Stock Option Programme (The "ESOP")

An employee share option plan (the "ESOP") was approved by the Board at their meeting held on February 22, 2007. Certain managers of EBCC 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 March 14, 2007 approved the introduction of an authorised share capital of 1,002,505 shares for the purposes of, inter alia, 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, wilful misconduct all rights to Shares vested over the last 12 month period are cancelled. The total number of Shares subject of the ESOP shall not exceed 1,002,505. The strike price will be equal to the Offer Price, which amounted to PLN 20.5.

In the year from 1 January 2007 to 31 December 2007, the amount accrued for this concept was Euro 15 Thousand.

(31) Financial Instruments

The Group risk is managed in on day to day basis at the level of the Group's subsidiaries and monitored monthly at Group level. The Group subsidiaries are focused on the main risks associated to the activity of business (credit risk, liquidity risk and market risk) and the risks are reported to Group managers in order to maintain control over the risk taken by subsidiaries and any mitigating activity taken by these.

a) Carrying values and fair values of financial instruments

Carrying values of the Group's financial instruments are listed below disclosed by category, as defined by IAS 39 Financial Instruments: Recognition and Measurement.

Continued

AUTOMOTIVE COMPONENTS EUROPE SA
AND SUBSIDIARY COMPANIES

Notes to the consolidated Financial Statements

for the year ended 31 December 2007

Amounts in Euro thousands

December 2007

	Receivables at cost	Derivatives used for hedging at fair value	Financial assets and liabilities at cost	Total fair value of financial instruments
Assets:				
Derivative financial instruments (note 9)				
- non-current	0	233	0	233
- current	0	392	0	392
Trade and other receivables (note 11)				
- non-current	300	0	0	300
- current	16,075	0	0	16,075
Cash and cash equivalents (note 12)				
- cash at bank and in hand	0	0	1,515	1,515
- short term bank deposits	0	0	8,919	8,919
Total	16,375	625	10,434	27,434
Liabilities:				
Borrowings (note 14)				
- non-current	0	0	11,503	11,736
- current	0	0	2,921	2,921
Trade and other payables (note 18)	0	0	13,164	13,164
Other current liabilities (note 15)	0	0	209	209
Total	0	0	27,797	28,030

Continued

December 2006

	Receivables at cost	Derivatives used for hedging at fair value	Financial assets and liabilities at cost	Total fair value of financial instruments
Assets:				
Derivative financial instruments (note 9)				
- non-current	0	140	0	140
- current	0	235	0	235
Trade and other receivables (note 11)				
- non-current	300	0	0	300
- current	15,087	0	0	15,087
Cash and cash equivalents (note 12)				
- cash at bank and in hand	0	0	1,846	1,846
- short term bank deposits	0	0	8,073	8,073
Total	15,387	375	9,919	25,681
Liabilities:				
Borrowings (note 14)				
- non-current	0	0	28,913	29,053
- current	0	0	3,067	3,067
Other non-current liabilities (note 15)	0	0	33	33
Trade and other payables (note 18)	0	0	10,828	10,828
Other current liabilities (note 15)	0	0	754	754
Total	0	0	43,595	43,735

Receivables at cost:

The fair values of the receivables are assumed to approximate the carrying amounts either due to short term maturity of the instruments or the reward less characteristic of the long term other receivable.

Derivatives used for hedging at fair value:

In the case of the derivatives, the carrying amounts are equal to fair value and these have been estimated by discounting expected future cash flows using prevailing interest rate curves.

Continued

Financial assets and liabilities at amortised cost:

- Borrowings:

The carrying amount of borrowings will be different to our estimated fair value. We assume that the borrowings' estimated fair value is close to the carrying amount due to the fact that interest is calculated at floating rate (EURIBOR plus a margin) and that the interest rate risk is hedged.

- Other Financial liabilities:

As for trade payables and other liabilities, the fair values are assumed to approximate their carrying amount due to short term maturity of these instruments.

b) Credit risk management policies and exposures:

The Group's principal financial assets are bank balances and cash and trade receivables. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's credit risk is primarily attributable to its trade receivables. The bad debt risk is not considered relevant due to the solvency of the customers. However, there is a great concentration of credit risk, since the main characteristic of the brake market is its concentration among three Tier 1 companies.

As stated above, concentration in the brake market does not only affect Tier 1 level but also lower levels. The maximum exposure of credit risk is based on the total of outstanding balances held as of the end of each period disclosed in the annual accounts.

The monitoring of the due date of trade receivables and therefore the credit risk is undertaken monthly. The normal procedure is to extract the balances of customers and analyse the amounts overdue (if any) and contact those with balances outside the terms of payment conditions.

Continued

c) Liquidity risk management policies and exposures

The Group is subject to risks associated normally to debt financing, including the risk of that the cash flow from its operations is insufficient to meet the debt service requirements. If the Group does not have enough cash to service its debt, meet other obligations and fund its liquidity needs, it might be required to take actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing all or part of its existing debt, or seeking additional equity capital. Yet, these actions might not be possible to take place on commercially reasonable terms or at all.

Based on past experience and track record, the financial situation as regards the generation of sufficient cash for the repayment of financing debt as well as serving trade payables shows a reliable good performance. Yet, the Group undertakes common industry liquidity and funding procedures in order to manage and control its liquidity risk. In this sense, the Group process includes projecting cash flows and considering the level of liquid assets necessary in relation thereto, monitoring balance sheet liquidity ratios and maintaining debt financing plans.

The maturity analysis for contractual financial liabilities is disclosed below (in thousand of Euros):

December 2007

	Due within 12 months	Due between 1 and 5 years	Due after 5 years
Bank borrowings (note 14)	2,921	8,419	3,084
Trade and other payables (note 18)	13,164		
Total	16,085	8,419	3,084

December 2006

	Due within 12 months	Due between 1 and 5 years	Due after 5 years
Bank borrowings (note 14)	3,067	20,630	5,283
Debentures and other loans (note 14)	0	0	3,000
Trade and other payables (note 18)	10,828		
Total	13,895	20,630	8,283

Continued

d) Market risk management policies and exposures

Market risk is mainly determined by the foreign exchange risk, interest rate risk and commodities price risk. Both foreign exchange risk and interest rate risk are limited by the acquisition of derivative contracts that limit the Group's exposure to the movements on foreign exchange rates between Polish Zloty and Euro as well as any interest rate (Euribor) movement. In this sense, at December 31, 2007 if the Zloty had weakened or strengthened five per cent against the Euro, with all other variables remaining constant, profit after tax for the year and equity would have not been changed (2006 unchanged). In the same way, at December 31, 2007 if the Euribor at that date had been 25 basis points lower or higher for instance, with all other variables held constant, profit after tax for the year and equity would have also not been changed (2006 unchanged).

As far as the commodity price risk is concerned, the Group manages its risk by fixing price movements to the price for the finished products, such price being reviewed every three months in the case of iron scrap so as to reflect any change in prices. When the agreed base price is exceeded, the agreed policy with customers is to pass on a material portion of any relevant increase in the price of steel scrap to the ordering client. As for the aluminium, the price is index-linked to the market price as quoted on the London Metal Exchange.

(32) Subsequent Events

On April 18, 2008 EBCC raised a new loan with Bre Bank S.A. up to 5,000,000 and an overdraft of 4,000,000 maturing the 29 of July 2011 and 30 September 2010 respectively, both bearing an interest of Euribor + 0.65% monthly payable. Both credits are subject to compliance with certain obligations relating to financial ratios. The financial ratios are determined in the agreement and EBCC must provide certain financial information to the bank in order to assess compliance with these ratios. Information has to be provided on a quarterly basis. Certain properties of EBCC secure said credit for an amount of Euro 6 and 4.8 million. Furthermore pledges over movable and immovable assets of EBCC as well as cession of insurance rights to movable and immovable assets were registered in favour of BRE Bank SA.

Continued

On May 12, 2008 the company signed a purchase agreement and acquired 100% of shares of Feramo International, one of the largest Czech grey iron foundries, for CZK 160 million (around Euros 6.4 Million). The transaction will be financed from proceeds raised upon IPO. Feramo International, located in Brno (Czech Republic), specialises in grey iron technology and produces castings for various industries including automotive sector which accounts for around 20% of their sales. The acquisition is a very important step in development of the ACE Group in future and will allow for fast growth of the iron segment and further diversification of future revenues.

Continued

AUTOMOTIVE COMPONENTS EUROPE S.A. AND SUBSIDIARY COMPANIES
Segment information

BUSINESS SEGMENTS
(expressed in thousands of Euros)

	Iron casting December 2007	**Aluminium casting December 2007**	**Others/Unallocated December 2007**	**Consolidated December 2007**
Revenues from third parties	44,594	36,913	4,352	85,859
Total revenues	**44,594**	**36,913**	**4,352**	**85,859**
Profit for the segment	**5,287**	**5,358**		**10,645**
Other unallocated (expense) income			(214)	(214)
Operating profit				**10,431**
Net financing cost				**110**
Income tax				(1,847)
Profit for the year				**8,694**
Segment assets	**39,868**	**31,419**	--	71,287
Unallocated assets			157	157
Total assets				**71,444**
Segment liabilities	**26,602**	**6,492**	--	33,094
Unallocated liabilities			546	546
Total liabilities				**33,640**
Other information:				
Amortisation and depreciation	1,490	2,583		4,073
Expenses that do not require cash payments	376			376
Additions for the year of property, plant & equipment & intangible assets	1,005	1,932	2	2,939

This Annex forms an integral part of note 4 to the consolidated financial statements

AUTOMOTIVE COMPONENTS EUROPE S.A. AND SUBSIDIARY COMPANIES
Segment information

GEOGRAPHICAL SEGMENTS
(expressed in thousands of Euros)

	Western Europe December 2007	Eastern Europe December 2007	Others December 2007	Consolidated December 2007
Revenues to third parties	**52,632**	**33,155**	**72**	**85,859**
Assets by segment	**40,025**	**31,419**	**-**	**71,444**
Other information:				
Additions for the year of property, plant & equipment & intangible assets	1,007	1,932	-	2,939

This Annex forms an integral part of note 4 of the consolidated financial statements

AUTOMOTIVE COMPONENTS EUROPE S.A. AND SUBSIDIARY COMPANIES
Segment information

BUSINESS SEGMENTS
(expressed in thousands of Euros)

	Iron casting December 2006	Aluminium casting December 2006	Others/Unallocated December 2006	Consolidated December 2006
Revenues from third parties	20,927	16,571	1,043	38,541
Total revenues	**20,927**	**16,571**	**1,043**	**38,541**
Profit for the segment	**1,625**	**2,385**	**429**	**4,439**
Other unallocated (expense) income			206	206
Operating profit				**4,645**
Net financing cost				**411**
Income tax				(999)
Profit for the year				**4,057**
Segment assets	**36,795**	**30,425**	-	67,220
Unallocated assets			32	32
Total assets				**67,252**
Segment liabilities	**33,823**	**17,304**	-	51,127
Unallocated liabilities			130	130
Total liabilities				**51,257**
Other information:				
Amortisation and depreciation	892	1,240		2,132
Expenses that do not require cash payments	130			130
Additions for the year of property, plant & equipment & intangible assets	759	500		1,259

This Annex forms an integral part of note 4 to the consolidated financial statements

AUTOMOTIVE COMPONENTS EUROPE S.A. AND SUBSIDIARY COMPANIES
Segment information

GEOGRAPHICAL SEGMENTS
(expressed in thousands of Euros)

	Western Europe December 2006	Eastern Europe December 2006	Others December 2006	Consolidated December 2006
Revenues to third parties	**26,979**	**11,527**	**35**	**38,541**
Assets by segment	**36,827**	**30,425**	**-**	**67,252**
Other information:				
Additions for the year of property, plant & equipment & intangible assets	759	500	-	1,259

This Annex forms an integral part of note 4 of the consolidated financial statements

A.C.E., Automotive Components Europe S.A.

Financial Statements
For the year ended
December 31, 2007

A.C.E., Automotive Components Europe S.A.

Company Information

Executive Director	Mr José-Manuel Corrales Ruiz
Directors	Mr Andrzej Bartos Mr Arkadiusz Podziewski Mr Marek Adamiak Mr Jerzy Szymczak Mr Pawel Sysmanski Mr Raùl Serrano Secada
Company Number	RCS Luxembourg B 118.130
Registered office	82, Route d'Arlon L-1150 Luxembourg Luxembourg
Share capital	EUR 3.317.289

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Deloitte

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To the shareholders of Automotive Components Europe S.A. (ACE S.A.)
82, route d'Arlon
L-1150 Luxembourg
Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES

Following our appointment, we have audited the accompanying annual accounts of ACE S.A., which comprise the balance sheet as at December 31, 2007 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of directors' responsibility for the annual accounts

The board of directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the réviseur d'entreprises

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Institut des réviseurs d'entreprises. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the réviseur d'entreprises, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the réviseur d'entreprises considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the annual accounts. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of ACE S.A. as of December 31, 2007, and of the results of its operations for the year then ended in accordance with the Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Deloitte S.A.
Réviseur d'entreprises

Sophie Mitchell
Partner

May 20, 2008

A.C.E., Automotive Components Europe S.A.
Société Anonyme
Share Capital: EUR 3 317 289
BALANCE SHEET
As at December 31, 2007
(expressed in EUR)

ASSETS

	Note	31/12/2007	31/12/2006
FORMATION EXPENSES	3	1.343.239	21.636
		1.343.239	21.636
FIXED ASSETS			
Tangible fixed assets		1.550	0
Financial assets	4	13.032.005	3.032.006
		13.033.555	3.032.006
CURRENT ASSETS			
Debtors	5	662.597	2.230
Cash at bank or in hand		66.915	50.000
		729.512	52.230
PREPAYMENTS		0	7.489
		15.106.306	**3.113.361**

The accompanying notes form an integral part of these financial statements.

A.C.E., Automotive Components Europe S.A.
Société Anonyme
Share Capital: EUR 3 317 289
BALANCE SHEET
As at December 31, 2007
(expressed in EUR)
- continued -

LIABILITIES

	Note	31/12/2007	31/12/2006
CAPITAL AND RESERVES	6		
Subscribed capital		3.317.289	3.007.515
Share premium account		10.803.103	24.491
Accumulated results		(97.974)	0
Profit or loss for the financial year/period		(154.213)	(97.974)
		13.868.205	2.934.032
PROVISIONS FOR LIABILITIES AND CHARGES			
Tax provisions		62	0
Other provisions	7	306.862	0
		306.924	0
CREDITORS	8	931.177	179.329
		15.106.306	**3.113.361**

The accompanying notes form an integral part of these financial statements.

A.C.E., Automotive Components Europe S.A.
Société Anonyme
Share Capital: EUR 3 317 289
PROFIT AND LOSS ACCOUNT
For the year ended December 31, 2007
(expressed in EUR)

CHARGES	Note	from 01/01/2007 to 31/12/2007	from 21/07/2006 to 31/12/2006
Value adjustment in respect of formation expenses	3	189.951	3.901
Value adjustment in respect of tangible fixed assets		81	0
Staff costs	9	4.580	0
Other operating charges		712.085	94.011
Interest payable and similar charges	10	20.842	62
Extraordinary charges		2.230	0
		929.769	**97.974**

INCOME	Note	from 01/01/2007 to 31/12/2007	from 21/07/2006 to 31/12/2006
Other operating income		517.750	0
Other interest receivable and similar income	11	249.097	0
Extraordinary income		8.709	0
Loss for the financial year / period		154.213	97.974
		929.769	**97.974**

The accompanying notes form an integral part of these financial statements.

A.C.E., Automotive Components Europe S.A.
Société Anonyme
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007

NOTE 1 - GENERAL

Automotive Components Europe S.A. ("the Company") was incorporated on July 21, 2006 for an unlimited period of time as a «Société Anonyme», within the definition of the Luxembourg law of August 10, 1915.

The object of the Company is the acquisition of participations in any form whatsoever, by purchase, exchange or in any other undertakings and companies either Luxembourg or foreign operating in the field of metallurgic automotive components or casting products for the similar industries, as well as the management, control, and development of these participations. The Company may also carry out the transfer of these participations by means of sale, exchange or otherwise.

The Company may also acquire and develop all patents, trademarks and other intellectual and immaterial right as well as any other rights connected to them or which may complete them.

The Company can borrow in any form and in particular by way of bond issue, convertible or not, bank loan or shareholder's loan, and grant to other companies in which it has direct or indirect participating interests, any support, loans, advances or guarantees.

Moreover, the Company may have an interest in any securities, cash deposits, treasury certificates, and any other form of investment, in particular shares, bonds, options or warrants, to acquire them by way of purchase, subscription or by any other manner, to sell or exchange them.

It may carry out any industrial, commercial, financial, movable or real estate property transactions which are directly or indirectly in connection, in whole or in part, with its corporate object.

It may carry out its object directly or indirectly on its behalf or on behalf of third parties, alone or in association by carrying out all operations which may favour the aforementioned object or the object of the companies in which the Company holds interests.

Generally, the Company may take any controlling or supervisory measures and carry out any operations which it may deem useful in the accomplishment of its object; it may also accept any mandate as director in any other companies Luxembourg or foreign, remunerated or not.

The accounting year of the Company begins on the 1st of January and terminates on the 31st of December of each year.

The Company also prepares consolidated financial statements, which are published according to the provisions of the law and available at 82, rue d'Arlon, L-1150 Luxembourg.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General principles

These financial statements have been established in accordance with the laws and regulations in force in the Grand-Duchy of Luxembourg and with generally accepted accounting principles in Luxembourg.

Foreign currency translation

The financial statements are expressed in Euro (EUR).

The transactions made in a currency other than the Euro are translated into Euro at the exchange rate prevailing at the transaction date. The translation at the balance sheet date is made according to the following principles:

- The acquisition cost of the participations and of all other items defined as financial fixed assets and the acquisition cost of the tangible fixed assets, expressed in a currency other than the Euro, is translated into Euro at the historical exchange rate;

- All other assets and liabilities expressed in a currency other than the Euro are valued individually at the lower, respectively at the higher, of the value determined using the historical exchange rate or the value determined using the exchange rate prevailing at the balance sheet date.

Income and charges expressed in a currency other than the Euro are translated into Euro at the exchange rate prevailing at the transaction date.

Consequently, only realized foreign exchange gains and losses and unrealized foreign exchange losses are taken into account in the profit and loss account.

Valuation of financial fixed assets

The participations and all other items defined as financial fixed are valued, individually, at the lower of their acquisition cost or their value estimated by the Board of Directors, without compensation between individual appreciation and depreciation.

In order to determine the estimated value, the Board of Directors bases its estimation on the financial statements of the companies concerned, and on other information and documents available.

Debtors

Debtors are valued at their nominal value less provision for any permanent depreciation in value.

Provisions for liabilities and charges

At the close of business, each year, the Board of Directors determines whether provisions should be set up to cover foreseeable liabilities and charges. Previous year's provisions are reassessed every year.

NOTE 3 - FORMATION EXPENSES

3.1 FORMATIONS EXPENSES

As at December 31, 2007, formation expenses are depreciated over 5 years and include fees in relation with the incorporation of the Company.

	2007 EUR	2006 EUR
Gross book value - opening balance	25.538	-
Additions for the period	7	25.538
Disposals for the period	-	7
Gross book value - closing balance	25.538	25.538
Amortisation - opening balance	3.901	-
Amortisation for the period	3.548	3.901
Amortisation - closing balance	7.449	3.901
Net book value - opening balance	21.637	-
Net book value - closing balance	18.089	21.636

As at of December 2006, formation expenses were depreciated over 3 years and included fees in relation with the incorporation of the company. As at December 2007, the company decided to change the accounting policy regarding the depreciation of formation expenses from 3 to 5 years, which also affected the new expenses and, which are recorded under "other formation expenses. See note 3.2, resulting from the capital increase and the Initial public offering (IPO) that took place in June 2007. The rationale behind this decision is the management's perception of increased future economic benefit expectations resulting from the capital increase and the IPO. In this sense, the management of the company considers that the capital increase and the cash generated throughout the IPO will allow the company to undertake new investments in the European automotive market, thus assuring increased economic benefits in a longer period of time and therefore, the managers consider that is more realistic to amortise the related expenses in a longer period of time.

3.2 OTHER FORMATION EXPENSES

As at December 31, 2007, other formation expenses are depreciated over 5 years and include fees in relation with the IPO:

	2007 EUR	2006 EUR
Gross book value - opening balance	-	-
Additions for the period	1.511.554	-
Gross book value - closing balance	1.511.554	-
Amortisation - opening balance	-	-
Amortisation for the period	186.404	-
Amortisation - closing balance	186.404	-
Net book value - opening balance	-	-
Net book value - closing balance	1.325.150	-

NOTE 4 - FINANCIAL FIXED ASSETS

The financial fixed assets are composed by the following elements:

	2007 EUR	2006 EUR
Shares in affiliated undertakings	3.032.006	3.032.006
Loans to affiliated undertakings	9.999.999	0
	13.032.005	**3.032.006**

The shares in affiliated undertakings are summarized as follows:

Name	Country	Ownership %	Book value 2007 EUR	Book value 2006 EUR
Fuchosa S.L.	Spain	100%	1.203.006	1.203.006
EBCC Sp. z o.o.	Poland	100%	1.829.000	1.829.000
			3.032.006	**3.032.006**

The net equity of the affiliated undertakings is summarized below:

Name	Last balance sheet date	Net equity at the last balance sheet date * EUR	Result for the last financial period/ year * EUR
Fuchosa S.L.	31/12/2007	10.558.000	4.047.000
EBCC Sp. z o.o.	31/12/2007	20.866.000	4.533.000

* as reported under local IFRS (audited)

The loans to affiliated undertakings are summarized as follows:

Name	Country	Book value 2007 EUR	2006 EUR
Fuchosa S.L.	Spain	2.999.999	0
EBCC Sp. z o.o.	Poland	7.000.000	0
		9.999.999	**0**

NOTE 5 - DEBTORS

The debtors comprise the following:

Less than 1 year	2007 EUR	2006 EUR
Interest on loans to affiliated undertakings	155.510	0
Fees for services rendered to affiliated undertakings	417.750	2.230
Other debtors	89.337	0
Total debtors	**662.597**	**2.230**

The interest on loans to related parties are summarized as follows:

	2007 EUR	2006 EUR
Interest on loan Fuchosa S.L. (formerly Retorgal XXI,S.L.)	46.587	0
Interest on loan EBBC Sp. z o.o.	108.923	0
	155.510	**0**

NOTE 6 - CAPITAL AND RESERVES

Subscribed capital

On 01/01/2007 the company had a subscribed and fully paid in capital of EUR 3.007.515 represented by 2.005.010 shares with a par value of EUR 1,5. In the year 2007 the share capital of the company had been increased by EUR 309.774. In relation with the capital increase of the company EUR 10.778.612 had been allocated as a share premium. As at 31 December 2007, the subscribed capital of the company is set at EUR 3.317.289, represented by 22.115.260 shares with a par value of EUR 0,15 each. The authorized capital is EUR 2.947.365.

The subscribed capital at year end is summarized as follows:

	Subscribed Capital	Share premium account	Retained earnings	Result of the year
	EUR	EUR	EUR	EUR
As at 31 December 2006	3.007.515	24.491	0	-97.974
Allocation of prior year result			-97.974	97.974
Capital increase	309.774	10.778.612		
Result of the year				-154.213
As at 31 December 2007	3.317.289	10.803.103	-97.974	-154.213

Legal reserve

In accordance with Luxembourg company law, the Company is required to appropriate a minimum of 5% of the its profit after tax for the year to a legal reserve until the balance of such reserve is equal to 10% of the issued share capital. The legal reserve is not available for distribution to shareholders, except upon the dissolution of the company.

NOTE 7 - OTHER PROVISIONS

As at December 31,2007 the caption other provisions comprises the following:

	2007 EUR	2006 EUR
Provisions for audit fees	73.500	0
Provision for administrative and consulting fees	233.362	0
	306.862	0

NOTE 8 - CREDITORS

As at December 31, 2007, the creditors comprise the following:

	Less than 1 year EUR	After 1 year and within five years EUR	Total December,31 2007 EUR	Total December,31 2006 EUR
Trade creditors	445.008	-	445.008	70.727
Amounts owed to affiliated undertaking	9.673	308.000	317.673	58.062
Other creditors	168.496	-	168.496	50.540
Total creditors	**623.177**	**308.000**	**931.177**	**179.329**

On 5 December 2006, a Credit Facility Agreement has been entered into between Fuchosa, S.L.U., as Lender and Automotive Components Europe SA, as Borrower, for a maximum amount of EUR 500.000. This agreement has been signed for a duration of 5 years as from 5 December 2006 and will henceforth expire on 5 December 2011. Interest rate for the Credit Facility shall be Euribor + 1%. A drawdown of 50.000 EUR has been made with value date on 22 December 2006. A further drawdown of 50.000 EUR has been made with value date on 20 March 2007.

On 20 March 2007, a Loan Facility Agreement has been entered into between EBBC., as Lender and Automotive Components Europe SA, as Borrower, for a maximum amount of EUR 250.000. This agreement has been signed for a duration of 5 years as from 20 March 2007 and will henceforth expire on 20 March 2012. Interest rate for the Credit Facility shall be Euribor + 1%. A drawdown of 100.000 EUR has been made with the value date on 26 March 2007. A further drawdown of 100.000 EUR has been made with the value date on 23 October 2007.

NOTE 9 - STAFF

The Company employed two persons during the period.

NOTE 10 - INTEREST PAYABLE AND SIMILAR CHARGES

	2007 EUR	2006 EUR
Concerning affiliated undertakings	9.611	0
Other interest payable and charges	11.231	0
Total	**20.842**	**0**

NOTE 11 - OTHER INTEREST RECEIVABLE AND SIMILAR CHARGES

	2007 EUR	2006 EUR
Derived from affiliated undertakings	155.510	0
Other interest receivable and similar income	93.587	0
Total	**249.097**	**0**

NOTE 12 - OFF-BALANCE SHEET COMMITMENTS

The shares held in Fuchosa S.L. (formerly Retrogal XXI S.L.) are subject to a pledge in favour of a pool of spanish banks composed as follows: CAIXA D'ESTALVIS I PENSIONS DE BARCELONA, BANCO BILBAO VIZCAYA ARGENTARIA S.A., BANCO DE SABADELL S.A., BANCO SANTANDER CENTRAL HISPANO S.A., CAJA DE AHORROS DE GALICIA, BANCO ESPAÑOL DE CRÉDITO S.A., BANKINTER S.A., CAIXA D'ESTALVIS DE CATALUNYA, and CAJA DE AHORROS DE SANTANDER Y CANTABRIA.

The shares held in EBCC Sp. z o.o. are pledged in favour of Erste Bank der Oesterreichischen Sparkassen AG Vienna, Austria.

On 23 February 2006 a Unit Purchase Agreement was entered into between (i) the former main shareholder of Fuchosa, (the vendor) (ii) Retorgal, (iii) Casting Brake and EB Holding (hereinafter the Unit Purchase Agreement) for the purpose, inter alia, of regulating Retorgal's purchase of 98.1% of Fuchosa's units.

It was agreed between the parties to the Unit Purchase Agreement that (i) the establishment of ACE as well as the contribution of Fuchosa units and EBCC shares to ACE, as the case may be, was to be completed by no later than 31 July 2006 and that (ii) a merger between Retorgal and Fuchosa would take place no later than 30 September 2007.

It was further agreed between the parties that the vendor would be entitled, in the case of, inter alia, an initial public offering of shares of ACE, to receive in such initial public offering, an amount equivalent to 5% of share capital of ACE (hereinafter Percentage Interest). An Exit Note was entered into on 23 February 2006 between the vendor, Retorgal, Casting Brake and EB Holding (hereinafter Exit Note) for the purpose of detailing the rights of the vendor in this regard.

On 3 July 2006 pursuant to the terms and conditions of the Exit Note, the vendor assigned its rights under the Exit Note to one affiliated company.

Furthermore on 4 August 2006 Casting Brake and EB Holding granted a pledge over 5% of the A shares of ACE held by EB Holding and 5% of the B shares of ACE held by Casting Brake in favor of the vendor for the purpose of, inter alia, securing the terms of the Exit Note (hereinafter the Pledge Agreement).

On 2 February 2007, pursuant to the terms of the Exit Note, ACE notified the vendor of its intention to launch an initial public offering (hereinafter IPO) of its shares. On 14 February 2007 the vendor notified ACE of its intention to exercise the Exit Note in the following manner through the pro rata sale of existing shares owned directly or indirectly by Casting Brake and EB Holding.

Casting Brake and EB Holding shall sell a portion of their existing interest to the vendor in exchange for the payment by them of the Strike Price directly to the benefit of Casting Brake and EB Holding.

The allocation or the transfer of shares shall in any case take place prior to the IPO. Once the vendor has acquired Shares in ACE it shall be entitled to sell its shares in the IPO, at its own discretion and in the same proportion as EB Holding (Option to Sell).

The agreement ruling the Exit Note also foresees that the vendor may execute its right in the case of a partial exit or a distribution of dividends by any Group entity before the IPO or maturity of the debt or the Vendor's Note Debt.

According to the terms and conditions of the Exit Note, and prior the IPO, the vendor received 1.002.505 shares, an amount equivalent to 5% of the share capital of ACE proportionally sold by Casting Brake and EB Holding in exchange of the Strike Price, and exercised its right to sell part of these shares in the same proportion as EB Holding.

NOTE 13 - EMOLUMENTS, ADVANCES AND LOANS GRANTED TO THE ADMINISTRATIVE, MANAGERIAL AND SUPERVISORY BODIES

Directors' fees paid for the year ended 31 December, 2007 amount to EUR 18.000,00 (2006: EUR 0,00). The company did not grant any advances or loans to the Directors during the year.

NOTE 14 - POST BALANCE SHEET EVENTS

On May 12, 2008 the company signed a purchase agreement and acquired 100% of shares of Feramo International, one of the largest Czech grey iron foundries, for 160 m CZK (around 6,4 Mio €). The transaction will be financed from proceeds raised upon IPO.
Feramo International, located in Brno (Czech Republic), specialises in grey iron technology and produces castings for various industries including automotive sector which accounts for around 20% of their sales. The acquisition is a very important step in development of the ACE Group in future and will allow for fast growth of the iron segment and further diversification of future revenues.

2007 Corporate Governance Report

Best Practices the Company did not comply with during the year 2007 together with explanations of not compliance and a possible ways to improve the situation in future:

A general statement:

ACE is a company formed under Luxembourg laws and does not have a supervisory board or a management board. ACE has a Board of Directors. The Board of Directors performs the functions of a supervisory board and a management board in companies incorporated under Polish law. Generally, the directors of a Luxembourg law corporation may be treated as the management authority of a corporation, which however should not be equated with a management board within the meaning of Polish law. The management of ACE's business is vested in and managed by a board of directors (the "Board of Directors") and a chief executive officer (the "Chief Executive Officer") to whom the Board of Directors 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 of Directors. 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 of Directors. Subject to the above, for purposes of the responses of ACE, references to "supervisory board" and the "management board" in the Best Practices will be treated as references to its Board of Directors.

The rules ACE S.A. did not comply fully on temporary basis in the year 2007:

After the approval of the prospectus and the IPO the Company did not comply with the rule 20 a . During the shareholders meeting held on September 12th, 2007 two new independent Board of Directors members were appointed.

The Company partially complied with the following rules: 4, 20c, 28, 29.

Explanations:

Rule 4: The Regulations of the General Shareholders Meeting provide that the notice of cancellation of the shareholders meeting shall be published in the same manner as the convening notice for such meeting, at least five days before such meeting.

Rule 20c: According to the Articles of Association resolutions of the Board of Directors relating to:

- a proposal to the General Meeting regarding the appointment of an auditor;
- transactions between the Company and Directors, significant Shareholders, Shareholders with the Board of Directors representation or other persons related thereto; and
- any increase in the subscribed share capital within the limits of the authorised share capital in accordance with certain provisions of the Articles of Association and any decision to limit or cancel the preferential subscription rights of existing Shareholders in accordance with certain provisions of the Article of Association;

require the approval of the majority of the votes of the Directors present or represented at the meeting provided that the majority includes at least one Independent Director (when the number of Independent Directors in the Board of Directors is no more than two) and two Independent Directors (when the number of Independent Directors in the Board of Directors is more than two).

Rule 28: The Board of Directors has its own Regulations of the Board of Directors of the company. These Regulations and the Articles of Association provide that the Board of Directors may adopt a resolution establishing an audit committee. According to the provisions of the Regulations of the Board of Directors of the Company, the Audit Committee shall be comprised of not less than three and not more than five Directors, all of whom shall be Non- Executive Directors and at least one of whom shall be an Independent Director.
The work of the Audit Committee shall be chaired by an Independent Director appointed by the Chairman of the Board. At least one member of the Audit Committee shall possess the relevant qualifications and experience in accounting and finance. Intention of the Board of Directors is to establish the audit committee in 2008.

Rule 29: According to Luxembourg law, if the agenda is changed without the consent of all the Directors this is leaving open the possibility for the decisions taken at such meeting to be challenged. If there is a conflict of interest the relevant Director must abstain from voting but there is no change to the agenda.

General shareholders meeting practices and powers together with a description of shareholders' rights and their execution:

General Meeting practices

General Meetings may be convened by the Board or, if exceptional circumstances so require, by any two Directors acting jointly. The Board is obliged to convene a General Meeting so that it is held within a period of one month, if Shareholders representing (in the aggregate) one-tenth of the issued share capital so require in writing with an indication of the agenda. Shareholders representing (in the aggregate) one tenth of the issued share capital may also, pursuant to Luxembourg law, request that additional items be added to the agenda of a General Meeting. Such request must be made by registered letter at least five (5) days before the General Meeting.

The annual ordinary General Meeting shall be held each year on the third Tuesday in June and at the latest on June 30. The annual General Meeting shall consider the approval of the annual accounts, the discharge of the Directors and auditors for the period up to the date of the annual accounts, any proposals to pay dividends and any other proposals placed on the agenda by the Board.

Each Share entitles the holder to attend a General Meeting, either in person or by proxy, to address a General Meeting, and to exercise voting rights. Each Share entitles the holder to one vote at a General Meeting. There is no minimum shareholding required to be able to attend or vote at a General Meeting.
The General Meeting, shall not be entitled to remove or alter items included in the agenda without the unanimous approval of all the Shareholders of ACE, i.e. 100% of the share capital of ACE.
The Board will convene a General Meeting by notice published twice with a minimum interval of eight days, and the second at least twelve days before the meeting, in the *Mémorial* and in a Luxembourg newspaper. These convening notices will contain the agenda of the meeting and set out the conditions for attendance and representation.

Shareholders whose share ownership is directly registered in the Shareholders' registry will receive the notice by ordinary mail, which mail should be sent to such Shareholders at least twelve days prior to the General Meeting.
The Articles of Association provide that in the case of Shares held through a depositary or a sub-depositary as described in Article 6 of the Articles of Association, a Shareholder may exercise all rights attached to his or her Share(s) and in particular, to participate and vote at a General Meeting upon presentation of a certificate issued by the depositary holding the Shares, certifying the number of Shares recorded in the relevant account in the name of the relevant Shareholder preceding the General Meeting.
Such certificates should be submitted to ACE at the latest on the fifth business day prior to the General Meeting at its registered address or at the address included in the convening notice or, in case the Shares are listed on a foreign regulated market, with an agent of ACE located In the country of the listing and designated in the convening notice. In the event a Shareholder votes through proxy, the latter has to deposit his or her proxy within the same period of time at the registered office of ACE or with any local agent of ACE duly authorised to receive such proxy.

In addition, if a Shareholder votes by correspondence, the relevant form must be received at the registered office of ACE at least five days before the General Meeting.
The Board may determine all other conditions that must be fulfilled in order to take part in a General Meeting.
The Articles of Association provide that all powers of attorney should be forwarded to ACE within the same time delay as the certificates referred to in the foregoing paragraph. The Board may adopt rules and procedures concerning entry cards and proxy forms in order to allow Shareholders to exercise their right to vote.

Obligation to inform of convening the General Meeting under Polish law

Pursuant to the Polish Disclosure Regulation, the issuer is obliged to publish, the date, place and agenda of the General Meeting together with the deadline (including hour) for the delivery of depository certificates no later than 22 days before the General Meeting.
The contents of the proposed resolutions as well as material annexes to these resolutions should be published no later than 8 days before the General Meeting, provided that such resolutions or annexes were not subject to earlier publication.

Shareholders Rights

There is no distinction regarding the rights attached to each Share. ACE recognises only one holder per Share. Where a Share is held by more than one person, ACE has the right to suspend the exercise of all rights attached to that Share until one person has been appointed as sole owner vis-a`-vis ACE. The same rule shall apply in the case of conflict between a usufruct holder (*usufruitier*) and a bare owner (*nu-propriétaire*) or between a pledgor and a pledgee.

Dividend Rights

All Shares are entitled to participate equally in dividends if, and when declared by the annual ordinary General Meeting, out of funds legally available for such purposes. Each Shareholder

shall receive dividends pro rata to the number of Shares held, at the time and place fixed by the Board within the limits of the decision of the annual ordinary General Meeting.
ACE must allocate at least one twentieth of the net profits to the creation of a reserve which allocation ceases to be compulsory when the reserve has reached 10% of the issued share capital.
The remaining balance of the net profit is at the disposal of the General Meeting, which can decide to distribute such profit in the form of dividends to the Shareholders. The amount of any dividends paid to Shareholders may not exceed the amount of the profits at the end of the last financial year plus any profits carried forward and any amounts drawn from reserves which are available for that purpose, less any losses carried forward and sums to be placed in reserve in accordance with law or the Articles of Association.
Interim dividends may be paid by the Board within the conditions provided for in the Luxembourg Company Law.
The New Shares will rank *pari passu* with all existing Shares from the date of issue and accordingly, will be entitled to any dividend distributions declared following the date of issue of such New Shares.
Distributions that have not been claimed within five years after the date on which they became due and payable revert to ACE.

Rights to share in any surplus in the event of liquidation

In the event of the liquidation, dissolution or winding-up of ACE, the assets remaining after allowing for the payment of all liabilities will be paid out to the Shareholders pro rata to their respective shareholdings. Any decision to liquidate ACE requires the approval of at least seventy five per cent (75%) of the votes cast at a General Meeting where at least 50% of the issued capital is present or represented.

Voting Rights

Each Share entitles its holder to one vote on each matter to be voted upon by Shareholders. Luxembourg law distinguishes between "ordinary" General Meetings and "extraordinary" General Meetings. Extraordinary General Meetings are convened to resolve upon an amendment to the Articles of Association and are subject to the quorum and majority requirements set out below.
All other General Meetings are ordinary General Meetings.

Unless otherwise required by the Articles of Association or the laws of Luxembourg, resolutions of the General Meeting duly convened, the purpose of which is not to amend the Articles of Association will be adopted by a simple majority of the Shareholders present and voting, without any quorum requirements and irrespective of the number of Shares represented.

An extraordinary General Meeting convened for the purpose of amending the Articles of Association or, pursuant to the Articles of Association,

• to change the nature of the business conducted by ACE or any of the Operating Entities;
• to sell, close or otherwise dispose of any Operating Entities; and
• to dissolve, wind-up or liquidate any of the Operating Entities.

Must have a quorum of at least 50% of the issued capital of ACE. If such quorum is not reached, the meeting of Shareholders may be reconvened at a later date, with no quorum requirements, by means of notices published twice, at fifteen days interval at least and fifteen days before the meeting in the Luxembourg official gazette, the *Mémorial* and in two Luxembourg newspapers. Such convening notice shall reproduce the agenda and indicate the date and the results of the previous meeting. At both meetings, resolutions described in this paragraph must be carried by at least 75% of the votes of the Shareholders present or represented.

If the proposed amendments consist of changing ACE's nationality or of increasing the obligations of the Shareholders, unanimous consent of all Shareholders representing the entire issued capital is required.
The Certificate referred to in section "*Form and Transfer of Shares*" hereabove and which shall be presented by a Shareholder in order for such Shareholder to be authorised to attend and vote at the General Meeting must, at least five days prior to the General Meeting, be filed with ACE, at its registered office or at the address set out in the convening notice or, in case the Shares are listed on a foreign regulated market, with an agent of ACE located in the country of the listing and designated in the convening notice, in the event that the Shareholder votes hrough proxy, the latter has to deposit his or her proxy within the same period of time at the registered office of ACE or with any local agent of ACE duly authorised to receive proxies.

A Shareholder may act at any General Meeting by appointing another person, who need not be a Shareholder, as his proxy in writing or by telefax, cable, telegram or telex.
Any Shareholder who casts their vote by correspondence, by means of a form providing the option for a positive or negative vote or for an abstention shall be counted when reckoning a quorum at such General Meeting. The Board shall determine the format of such form. Such form must be received at the registered office of ACE at least five days before the General Meeting.

Issue of Shares and Pre-emptive Rights

Under Luxembourg law, the articles of association of a company may authorise the board of directors to increase the share capital of the company on one or more occasions up to a specified amount. The general meeting of Shareholders may also grant such authorisation by means of an amendment to the articles of association. The rights attaching to the new shares shall be defined in the articles of association.
Such authorisation given to the board of directors shall be valid for only five years from the date of the publication of the articles of incorporation or the amendment of the articles of association. The authorisation may be renewed on one or more occasions by the general meeting of Shareholders deliberating in accordance with the requirements for amendments to the articles of association, for a period, for each renewal, may not exceed five years.

Increases within that authorised share capital may be exercised on one or more occasions by the Board within five years from the date of publication of the resolution of the General Meeting approving the authorised capital.
According to the Articles of Association, Shares shall be issued within the limit of the authorised capital, to be paid up in cash or, subject to applicable provisions of the law, in kind at a price or, if Shares are issued by way of incorporation of reserves, at an amount, which

shall not be less than the par value. Such increase may be issued and subscribed for in the form of Shares with or without an issue premium, as the Board may determine.
The non-subscribed portion of the authorised capital shall only be used for (i) the conversion of stock options issued by ACE (or its subsidiaries) pursuant to an ESOP in favour of managers of ACE or the Operating Entities and any other stock options issued by ACE; or (ii) the issue of new Shares upon an initial public offering of the Shares of ACE. If, pursuant to the initial public offering of Shares and the ESOP, the limits of the authorised capital have not been reached, the Board may increase the issued capital up to the limits of the authorised capital by the issue of additional Shares, as the Board, in its discretion, shall determine.
Whenever the Board has effected a complete or partial increase in capital within the limit of the authorised capital, the Articles of Association shall be amended so as to reflect such increase.
Unless limited or excluded by the General Meeting or the Board, as described below, holders of Shares have a pro rata pre-emptive right to subscribe for any newly issued Shares, except for Shares issued for consideration other than cash (in kind).
The limitation or exclusion of pre-emptive rights is subject to the approval of at least two-thirds of the votes cast at a General Meeting where at least 50% of the issued share capital is present or represented.
In addition, pre-emptive rights can be limited or excluded by the Board, if the General Meeting has delegated the authority to exclude or limit pre-emptive rights at a General Meeting where at least 50% of the issued capital is present or represented. Such authorisation cannot exceed five years. The General Meeting of Shareholders held on March 14, 2007 authorised the Board to exclude such pre-emptive rights for a period of five years from the date of publication of the minutes of such General Meeting.
The Board may also delegate to any duly authorised person, the duty of accepting subscriptions and receiving direct payment in cash or in kind of the price of the Shares being whole or part of such increase of capital.

Amendments to the rights of Shareholders

Any amendment to the rights of Shareholders requires an amendment to the Articles of Association with the quorum and majority requirements for an extraordinary General Meeting.

Composition of the Management bodies of ACE as of December 31, 2007 and their main responsibilities:

<u>Management Committee:</u>

Jose Manuel Corrales	*Chief Executive Officer*
Raul Serrano	*Senior Officer, Chief Financial Officer*
Carlos Caba	*Senior Officer, Business Development Manager*
Zbigniew Pawłucki	*Senior Officer, Head of Aluminium Activities*

<u>Board of Directors:</u>

Andrzej Bartos	*Class A Director*
Arkadiusz Podziewski	*Class A Director*
Marek Adamiak	*Class A Director*

Jose Manuel Corrales	*Class B Director*
Raul Serrano	*Class B Director*
Jerzy Szymczak	*Independent Director*
Paweł Szymański	*Independent Director*

Competences of the Board of Directors:

The Board is vested with a broadest powers to perform o cause to be performed all acts of disposition and administration in the Company's interests. All powers not expressly reserved by the Luxembourg law on commercial companies or by articles of Association to the General Meeting fall within the competence of the Board.
Without prejudice to the foregoing, the policy adopted by the Board consists of delegating the day-to-day management of the Company to the Chief Executive Officer who are supported by a management committee consisting of Senior Officers appointed by the Board.

Acting in the Company's best interests, the Board defines the strategy and objectives of the Company's operations. The Board is responsible for implementing and completing the strategy as well as attaining the Company's major objectives.

The Board provides for the transparency and effectiveness of the Company's management system and handling of the Company's affairs in compliance with the legal regulations and principles of good practice.

The main characteristics of internal control procedures and risk management in relation to preparation of financial statements:

The Directors assume overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The controls are designed to identify and manage risks faced by the Group and not to totally eliminate the risk of failure to achieve business objectives. In our opinion internal controls provide reasonable, but not absolute assurance against material misstatement or loss. Such systems include strategic planning, the appointment of appropriately qualified staff, regular reporting and monitoring of performance and effective control over capital expenditure and investment.

Internal financial controls focuses on a clearly defined set of control procedures and a comprehensive monthly and quarterly reporting structure. Detailed revenue, cash flow and capital forecasts are prepared for each group member company and updated regularly throughout the year and reviewed by the Management Committee and the Board.
Although there is no an Audit Committee but the whole Board of Directors is responsible for reviewing the effectiveness of the system of internal financial control. A review of these processes is conducted on a regular basis and any significant issues raised are discussed during the Board meetings.