ACE

AUTOMOTIVE COMPONENTS EUROPE

2008 Annual Report

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INTRODUCTION

ACE (the 'Company') is a public limited liability company (société anonyme) incorporated under the laws of Luxembourg (full name Automotive Components Europe S.A., abbreviated form ACE S.A.) ACE is registered with the Luxembourg Registry of Commerce and Companies under number B 118130, and its registered office is at 82, route d'Arlon, L-1150 Luxembourg, Grand Duchy of Luxembourg, where it moved on 1 August 2007 from the former address at 6, rue Adolphe, L-1116 Luxembourg.

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

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

KEY FIGURES

EUR thousands (except per-share figures)	2008	2007	Change in %
Revenues from sales	94,395	85,859	9.9%
Gross profit	18,245	23,197	-21.3%
Operating profit	4,758	10,431	-54.4%
Net profit	330	8,694	-96.2%
Net profit per share	EUR 0.01	EUR 0.40	-97.5%
Cash flow from operations	10,613	14,538	-27.0%
Cash flow from investments	-12,289	-3,247	278.5%
Cash flow from financial activity	2,489	-8,572	-129.0%
Net cash flow	-103	515	-120.0%
Current assets	34,150	35,467	-3.7%
Fixed assets	47,808	35,977	32.9%
Total assets	81,958	71,444	14.7%
Long-term liabilities	19,084	14,072	35.6%
Short-term liabilities	28,101	19,568	43.6%
Liabilities	47,185	33,640	40.3%
Net debt	11,804	3,990	195.8%
Shareholders' equity	34,773	37,804	-8.0%
Book value per share	EUR 1.57	EUR 1.71	-8.2%
Employees	893	683	30.7%
EBITDA	10.5%	16.8%	
Operating profit margin	5.0%	12.1%	
Net profit margin	0.3%	10.1%	

PLN/EUR exchange rate	Average	High	Low	Period end
2007	3.7843	3.9385	3.5699	3.5820
2008	3.5129	4.1848	3.2026	4.1724

CZK/EUR exchange rate	Average	High	Low	Period end
2008	24.9425	26.9300	22.9700	26.9300

MAJOR EVENTS IN 2008

12 May 2008

Acquisition of Feramo Metallum International. The transaction was financed from the Company's own funds and IPO proceeds, recovered with a new loan from BRE Bank of EUR 5 million. Feramo Metallum International, located in Brno (Czech Republic), specialises in grey iron technology and produces castings for various industries, including the automotive sector, which accounts for around 10% of its sales.

The acquisition is a very important step in the future development of the ACE Group and will allow for rapid growth of the iron segment and further diversification of future revenues.

30 May 2008

Publication of the 2007 annual report.

17 June 2008

Annual General Meeting of Shareholders. Approval of 2007 annual accounts, share premium distribution (EUR 0.11 per share) and buy-back of shares (up to EUR 2 million).

29 August 2008

Publication of interim report for the first half of 2008.

1 September 2008

Distribution of the share premium and commencement of the buy-back programme.

18 December 2008

Termination of buy-back agreement with brokerage house. This decision did not mean effective cancellation of the buy-back programme, which is still in force within the limits authorised by the AGM, but continuation would mainly depend on performance of the automotive market in the first half of 2009. The decision was taken to preserve the current positive financial position of the company, not only for the business itself but also to take advantage of potential market opportunities that could arise in the current environment in line with ACE's growth and expansion strategy.

Since the commencement of the buy-back programme on 1 September 2008, the Company has purchased around 885,000 of its own shares, spending EUR 549,000 out of the EUR 2 million dedicated for the programme.

CEO'S LETTER TO SHAREHOLDERS

Dear Shareholders,

I am proud to present to you our Annual Report for the year 2008, which was a very important period for the Group in terms of its future potential for growth and its market position. Last year was also the first full year of our presence on the Warsaw Stock Exchange, which is the only listing market for ACE S.A.

In May 2008 we successfully completed the acquisition of Feramo Metallum International, one of the largest foundries in the Czech Republic. The company specialises in grey iron technology, and it is our platform for future growth of the iron business and strengthening our market position in the automotive sector in the Central & Eastern European automotive manufacturing hub, with easier access to Czech, Slovak, Polish, German and in future Ukrainian plants of our customers. The acquisition was also one of the main IPO commitments and reasons for raising the funds, which we are very pleased to deliver.

Last year was also important in terms of organic growth of the business, especially in the aluminium segment. New projects for production of callipers substantially stimulated our sales and allowed us to increase market share in this segment in Europe to over 30%. Commencement of TMC production was also a big step forward in organic growth of the aluminium plant, which is planned to be continued and developed in the coming years. With this product we enter a new market segment, which is going to become an important part of our business, generating additional sales and profits. In 2009 we will continue further diversification of our production range through introduction of aluminium front callipers and iron machining – milestones in ACE's further expansion.

The second part of last year was also challenging and demanding in terms of rapid changes in the condition of the automotive market and deterioration of new car sales in Europe. Decreasing orders and high inventories on all levels of the supply chain had a negative impact on current production output of all companies in the sector. But our high, well-above-average profitability in previous periods allowed us to withstand the first wave of the global financial crisis with no harm to the financial standing of the Group. It also gave us necessary time to adapt the business to new operational conditions and introduce an extensive action plan to operate in a lower-demand scenario also forecast for 2009.

On the financial level, our consolidated sales increased by 9.9% in comparison with 2007, mainly as a result of the Group's expansion and organic growth of the aluminium business. On the EBITDA and operating profit levels we still maintained our strong performance among automotive parts producers, achieving margins of 10.5% and 5.0% respectively.

For us it is also very important that we maintained our strong cash position, at the same level as the end of 2007, and healthy financing of the business with moderate bank debt exposure.

According to independent forecasts, 2009 will not be an easy year for the automotive market in general. The forecast further decrease of sales of new cars in Europe will hurt many companies from the sector. But we believe that our strong market position, combined with access to our own substantial financial resources, supported by the savings plan mentioned above, will put us in a substantially stronger position after the slowdown, increasing our value for shareholders as well as our position in the automotive industry itself.

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.

Luxemburg, 30th April 2009

José Manuel Corrales
Chief Executive Officer
Automotive Components Europe

MANAGEMENT REPORT

MARKET OVERVIEW

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

So far European automotive production has remained constant and even increased. However, after a relatively stable first half of the year, the 4th quarter of 2008, like the previous one, showed a rapid reduction of sales of new cars in Western European countries. According to JD Power, in the first half of 2008, car sales in Western Europe fell by around 221,000 cars compared with same period of 2007 (-2.8%). In the 3rd quarter, the decline grew by an additional 340,000 cars (-10% in the period, or a year-to-date difference of -4.9%) and in the 4th quarter by an additional 683,000 (-20% in the period, or a year-to-date difference of -8.4%). Under this scenario, almost all the car manufacturers and Tier 1 component manufacturers, and consequently the rest of the component producers, took many steps to reduce their activity to match expected sales.

MARKET STRUCTURE

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

Tier 2 suppliers deliver their products to Tier 1 producers, which in turn are responsible for assembling brake systems and delivering them to car manufacturers (original equipment manufacturers or OEMs). Production of Tier 1 and Tier 2 manufacturers is highly dependent on the performance of OEMs, particularly in the passenger car segment. Relations are structured through open contracts covering capacity, price and product range. Contracts are normally signed or agreed on a long-term basis, but key terms such as capacity and price are negotiated every year. The product optimisation and development processes cause a significant client lock-in effect. Suppliers are usually locked into production during the entire production life of a given car platform. Tier 1 brake component manufacturers require that Tier 2 casting suppliers have capabilities for cooperating in product development of casting items (design, materials, etc), a certified, reliable manufacturing process, a 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.

PRODUCTS & TECHNOLOGIES

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

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

Callipers are also essential components of disc brake systems, housing the brake pads and pistons. In the braking process, 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 current technological trends, according to which the predominant application of aluminium callipers is the rear-axle brake.

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

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

OPERATING PLANTS

EBCC Sp. z o.o. (Wrocław, Poland)
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 acquisition by the Valfond Group in 1999, aimed at creating a 'first choice' supplier of aluminium brake components for OEMs moving their production facilities to CEE countries. EBCC is currently the number two

player, with an estimated 30% share of the European market for aluminium callipers.

Fuchosa S.L. (Atxondo, Spain)
Fuchosa's history dates back to 1987, but the company started as an iron foundry and focused exclusively on production of brake components (especially anchors and brackets) in 1991. Fuchosa is located in Atxondo, 40 km from Bilbao, in one of the most industrialised regions of Spain, with the highest intensity of iron foundries in the country and Europe. Fuchosa is the clear leader, with an estimated 45% share of the European iron anchor market. The strong market position results from a high level of specialisation, engineering and technological expertise as well as the highest standards of production and customer service.

Feramo Metallum International s.r.o. (Brno, Czech Republic)
Feramo is a producer of grey iron castings for various industries, including the automotive sector (auto products comprise around 10% of the company's total turnover). Feramo supplies mainly the following industries: automotive (brake drums and clutch components), white goods (mainly components for washing machines), engineering (components for electrical engines and pumps) and sewer/drain iron castings. Feramo's products are mainly tailored to individual customers' requirements. The annual production rate of the foundry is about 15,000 metric tonnes.

The history of Feramo dates back to 1932, when a grey iron foundry was founded and the production of heating technology (boiler cells and radiators) started. During 1970-1990 an extensive modernisation program was implemented, which substantially increased Feramo's capacity. During recent years, Feramo installed a new production line and new sand pit technology. Significant new investments are expected in the next few years, in order to increase production capacity and introduce a new portfolio of products.

CUSTOMERS

ACE Group supplies its products to Continental plants in Gifhorn and Rheinböllen (Germany), Palmela (Portugal), Ebbw Vale (Wales) and Zvolen (Slovakia), TRW Automotive plants in Jablonec (Czech Republic), Bouzonville (France), Koblenz (Germany) and Pontypool (Wales), and Bosch plants in Buelna (Spain), Bari (Italy), Angers (France) and Wrocław (Poland).

Since the acquisition of Feramo in May 2008, some other customers have joined the ACE portfolio. Currently this company has approximately 100 customers from the Czech Republic and abroad. The 10 largest customers generate about 70% of total sales revenue, and the customer profile is relative stable year-on-year. The main sectors Feramo supplies are engine parts, construction, automotive, and urban furniture.

The following table includes only total product sales of the ACE Group to its main clients.

(EUR thousands)	2008	2007
Continental	30,714	33,356
TRW	33,612	33,447
Bosch	13,095	14,568
Other	11,629	236

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 supply profile at the consolidated level might be misleading. For the purpose of this report we present the items that have the strongest impact on financial performance of subsidiaries and the Group as a whole.

In general, contracts for supplying the Spanish plant have a one-month duration and mainly concern purchase and delivery of scrap. As a rule, upon expiration, the terms of these raw material contracts are renegotiated and adjusted to market prices. Sand supply contracts have a longer duration, normally one year, and electricity contracts are agreed quarterly.

The main suppliers of our iron casting division are Iberdrola (electricity), Metalimpex and Reimasa (steel scrap) and Alcan International, Ferropen and Esfemetal (ferroalloys).

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

The Wrocław plant also has three utilities suppliers. The municipal water and sewer company (MPWiK Wrocław Sp. z o.o.) supplies water through the municipal water supply system and also disposes of sewage and industrial wastewater. Electricity is supplied to the plant by Zakład Energetyczny Wrocław S.A., and GZ-50 high-methane natural gas for heating and general purposes is supplied by the Wrocław branch of PGNiG S.A.

QUALITY CONTROL

The highest quality of our products is our number one priority. Anchors and callipers are safety components and are subject to certification by our customers before production of each lot begins. The production process for these parts is also strictly controlled, starting from the quality of the raw materials, through the mechanical properties and accurate shape of the finished goods.

The companies also hold the following external certifications:

	Fuchosa	EBCC	FERAMO
ISO 9001	✓	✓	✓
ISO TS 16949	✓	✓	2009
ISO 14001	✓	✓	2010
OHSAS 18001 or comparable	✓	2009	2010

R&D

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

The iron casting division has a well-executed and highly organised product development system, fully suited to the requirements of its clients in the automotive industry. Compared to other brake casting manufacturers, Fuchosa has leading-edge capabilities in product development. Human resources and equipment are designed to maintain the lead in anchor development. Product development capabilities are focused on just one product family (anchors) and a very limited number of clients. This allows it to be a client- and product-oriented company providing its clients with customised engineering. This advantageous position of the Spanish plant will definitively bring future benefits for Feramo in terms of knowledge transfer and development of new products.

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

Aluminium casting division (EUR '000)	2008	2007
Investments in R&D	3,720	144
Investments in IT systems for R&D	119	0
R&D costs	297	410
Total R&D expenses	4,136	555

Iron casting division (EUR '000)		2008	2007
Internal R&D:	wages, travel expenses	2,315	1,719
	R&D materials	5	259
	licences & software	28	22
	Training	5	14
	design & works - production / supplies	198	162
	machinery & equipment purchase	12	40
Total internal R&D		2,563	2,216
External R&D: R&D acquisitions		235	256
Total R&D		2,798	2,473

STRATEGY

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

Broadening the technological and product range
The Group has already expanded the current product portfolio, especially through introduction of new aluminium products in Poland and the acquisition of Feramo. In 2008 we successfully started production of TMC, which should generate a considerable portion of our revenues in future. There are several new capacity projects in the pipeline scheduled for 2009, including aluminium front calliper and iron machining. Thanks to our Czech plant, we have also broadened our product portfolio of iron castings for other industries, including electro-mechanical, construction and industrial equipment.

Increasing presence in Europe
The location of our Polish plant is very favourable because of the lower labour costs and the proximity to clients based in Central and Eastern Europe (CEE). Feramo is also located in the heart of the automotive industry, a very short distance to our current customers and potential new customers. This advantage will be utilised in future after expansion of Feramo's production capacity.

The increased CEE exposure enables optimisation of the ACE Group's cost position and further business growth through expansion of the current offer and meeting clients' expectations for more flexible deliveries. It also needs to be stressed that with hi-tech know-how and experience in deliveries to the automotive industry, top product quality and customer service are guaranteed.

Exploring and implementing synergies within the ACE Group

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

EMPLOYEES

The Group benefits from a highly skilled and professional workforce. Our productivity levels per employee are very high, but a lot of effort is spent on constant improvements in this area. For nearly the whole of 2008, employment levels at our two automotive plants in Spain and Poland were very stable, with small changes in the temporary workforce. Due to acquisition of Feramo in May 2008, employment in the Group increased by 252 additional workers plus 35 subcontracted employees. In the last quarter, however, the company started to reduce its headcount in the Group, and before yearend reductions had reached around 80 people or 8% of total staff. Additionally, in the production plant in Spain, an overall temporary layoff was launched, affecting the total workforce for 11 working days in the last quarter of 2008. This was part of a set of extraordinary measures taken to adjust current production levels to worsening market conditions and the slowdown in the automotive sector as a result of the global financial crises. After yearend, we continued optimisation of our workforce and headcount in all operating companies within the Group by laying off 130 more people, or 15% of total staff. The temporary layoff program at our Spanish plant has also been extended until June 2009.

The total number of employees as of the end of December 2008 is presented in the table below:

	2008	2007
Managers	33	21
Administrative employees	122	101
Workers	738	561
Total number of employees	893	683

The following trade unions operate at EBCC:

- MOZ NSZZ Solidarność
- MOZ NSZZ Pracowników WPH.

The following trade unions operate at Fuchosa:

- Euskal Langileen Alkartasuna (E.L.A./S.T.V.)
- Langile Abertzaleen Batzordea (L.A.B.)
- Comisiones Obreras (C.C.O.O.)

No trade unions operate at Feramo.

FINANCIAL PERFORMANCE

(EUR '000)	2008	2007
Revenues from sales	94,395	85,859
Cost of goods sold	-76,150	-62,662
Gross profit	18,245	23,197
GP margin	19.3%	27.0%
G&A expenses	-13,487	-12,766
Operating profit	4,758	10,431
OP margin	5.0%	12.1%
Depreciation & amortisation	-5,171	-4,073
EBITDA	9,929	14,504
EBITDA margin	10.5%	16.8%
Negative goodwill	1,433	0
Financial income	930	1,763
Financial costs	-6,962	-1,653
Profit before tax	159	10,541
Tax	171	-1,847
Net profit	330	8,694
NP margin	0.3%	10.1%

In 2008, sales on the automotive market in Western Europe decreased by about 8.4% from 2007 levels, while production of cars fell by about 1,316,000 units, or 9.2% (source: JD Power). Most of these reductions in both sales and production were recorded in the second half of the year, and especially the last quarter of 2008. In addition, the profile of cars sold shifted from higher-end to lower-end models, a segment where many vehicles have rear drum brakes and thus do not use our components, which are made for disc brakes.

In line with this trend, sales volume for the Group as a whole decreased by 7.4%, or 2.4 million parts, compared to 2007. However, if we focus only on automotive companies, the sales volume decreased by 13.4%, or 4.4 million components.

Most of this reduction (-16%) occurred in the nodular iron business, although in the aluminium segment the sale of machined parts also decreased significantly (-18%).

However, total sales turnover showed an increase by 9.9% or EUR 8.5 million, although if the same scope of consolidation as in 2007 is applied, there was a reduction by 4.8% or EUR 4.2 million. The reason for the lack of a direct correlation between the increase in volume and value of sales was the major increase in the cost of raw materials and energy re-invoiced to customers, as well as the value of sales other than parts, such as tooling, which were higher than in 2007.

Direct production costs and gross profit
Despite lower volume sales, production costs have increased compared to 2007. This is due to the following main reasons:

- Full-year consolidation of direct production expenses of the new acquisition. It is important to note that the new acquisition is not yet contributing a significant margin despite representing around 13% of total turnover. Although the general performance of Feramo is meeting expectations, the volatility experienced in the purchase prices of raw materials produced an imbalance between the real price of raw materials and the indexing used in agreements with customers, which means that this mechanism is not fully functioning yet and thus does not cover 100% of price increases. After a period of some stability, starting from the end of the last quarter of 2008, today this mechanism is living up to expectations and we do not expect further losses in this respect in the near future.

- Fixed or inflexible nature of some expenses included within production costs, such as depreciation and some staff costs.

- Increase of energy prices, especially in Spain, but also to a lesser extent in Poland.

Reduction of gross profit is also influenced by a general reduction of margins as a consequence of the different breakdown of products related to the reduction of sales volume.

Mostly as a consequence of lower sales, especially in the last quarter, and the imbalance of indexation agreements in the new acquisition, the gross profit margin is EUR 5 million lower than in 2007.

In addition, the estimated negative impact of the Polish zloty exchange rate at the operating level in 2008 was around EUR 1 million compared to 2007.

General & administrative expenses
On the one hand there are some savings in sales and distribution costs (EUR 270,000) due to lower sales volume. On the other hand, there are also some increases in general and administrative expenses (EUR 1,831,000). The increase experienced in the period is directly linked not only to the expenses added by the new acquisition, but also with some other expenses in R&D related to the Spanish operating company which have been subject to important subsidies recorded in other operating income, EUR 232,000 higher than in 2007.

EBITDA and operating profit
Mostly due to the general reduction of activity, the operating profit of EUR 4,758,000 is EUR 5,673,000 lower than the previous year. EBITDA is also reduced, to a lesser extent, by EUR 4,575,000, for a final figure of about EUR 10 million (10.5% of sales), which in these circumstances is still a very competitive and attractive margin.

Financial items
Weakening of the Polish zloty during the period, especially in the last quarter, caused fair value losses associated with the Group's use of derivative financial instruments to hedge Polish zloty of about EUR 4.7 million. Additionally, there were other currency exchange losses of about EUR 0.6 million. Compared with the positive results in 2007 of EUR 0.5 million, these differences mostly explain the difference in total financial losses of EUR 6.1 million.

Contract	1	2	3	4	5	6
Counterparty	BRE Bank	BRE Bank	BZ WBK	BZ WBK	BRE Bank	BRE Bank
Amount per transaction (EUR)						
PUT	100,000	100,000	100,000	100,000	100,000	100,000
CALL	300,000	300,000	300,000	300,000	300,000	200,000
Number of transactions per month	1	1	1	1	1	1
Duration (date of last transaction)	AUG 2010	AUG 2010	AUG 2010	FEB 2011	JUL 2011	DEC 2010
Strike	3.9317	3.9825	3.8000	3.7100	3.4087	3.4700

Information on outstanding hedging contracts as of 31 December 2008

The average strike in 2008 was at PLN 3.7666/EUR, which is above the average exchange rate of PLN 3.5129/EUR. This means that on average our realised hedging transactions were positive, and the Company earned EUR 412,000 in the whole year 2008.

Profit before tax and tax

As a consequence of negative operating profit and mostly hedging losses, profit before tax was only EUR 159,000 on the plus side. The decrease by EUR 10,382,000 from the previous year reflects the decrease in activity at the operating level and unrealised losses from fair valuation of hedging contracts. Due to pre-tax losses, corporate income tax in the different companies is then adjusted to match the new full-year results, resulting in a positive impact at the tax level of EUR 171,000 (a positive difference of EUR 2,018,000 compared to 2007).

Net profit

For all the reasons stated above, and to a greater extent due to unrealised fair value of hedging contracts, nonetheless the net profit for the year is still positive, by EUR 330,000 (0.35% of sales, or EUR 8,364,000 lower than the previous year).

Financial position

Despite a reduction in net profit, annual operating cash flow is still above EUR 10 million, and even after major investments made in the period, partial reimbursement of the share premium, and acquisition of treasury shares, the cash position of the Group is very strong and remains stable at EUR 10,276,000.

Performance against budget (forecasts)

The Company did not publish any official forecast for 2008, but some guidelines referred to expectations for growth in sales and net profit. According to those guidelines, sales in both volume and value would have grown in 2008 by 7 – 10% and net profit by 10 – 15% compared to 2007. As of the end of the 3rd quarter of 2008, and in view of the market environment, we already anticipated revision of these guidelines and stated that it would be difficult to meet the net profit target, 'because its final level would depend greatly on the performance of the Polish zloty', which proved to be the case. We did, however, anticipate at that time that the final level of operating performance (EBITDA), which would not be so dependent on foreign exchange volatility, would be in the range of 30 to 40% lower than in 2007.

In fact, sales grew by around 10% in value, but most of this difference was due to the new acquisition, which was not included in our initial guidelines. Using the same basis as 2007, sales were about 5% lower in value and about 13% lower in volume, which means that we are below the range of 7 – 10% growth published in the guidelines. This big difference is a direct consequence of the decline in customer orders, which besides a general reduction of sales volume in units has also led to a delay in start of production for some new projects, and a decrease in the machining business, which is also within our customers' capabilities, and in these circumstances of under-activity they keep this work in-house.

The main reason behind this underperformance of sales is the decline in the automotive market in Western Europe, especially in the second half of the year and more sharply in the last quarter. Sales of cars on the Western European market decreased in 2008 by 8.4% from 2007, and production decreased by more than 9.2% in the same period.

As for net profit, the full-year result of EUR 330,000 is much further from our initial target in the range of EUR 9.6 to 10 million. As we described when explaining the 4th quarter results, this was due on the one hand to the decline in the market, which affected our activity, and on the other hand to the negative results of hedging contracts, especially concentrated in the 4th quarter.

In our opinion, it is important to point out that this underperformance results from the rapidly worsening situation on the general automotive market and the situation on the currency exchange market, rather than company-specific issues.

Finally, what we did really meet was the estimate of EBITDA, which was in fact only 31.5% lower than year 2007, in comparison with the estimated range of 30 to 40% that we issued to the public market, and still above the average of comparable companies (listed companies in different European stock markets and operating in the same sector).

OUTLOOK FOR 2009

In terms of year 2009 expectations, in December JD Power predicted a decline of 16.5% in sales of cars in Western Europe for 2009, compared to 2008, but this forecast did not reflect possible support for the sector announced by the governments of Germany and France. In the current environment it is very difficult to rely on market forecasts, and our work now is focused on the most immediate implementation of actions to significantly reduce our costs and adjust as much as possible to reduced volume levels.

In 2008 the Company had already begun to reduce its headcount in all operating companies, and within the upcoming weeks and months the Group will continue this savings programme by reducing an additional 130 people, or 15% of total staff, resulting in annual savings of EUR 1,900,000 (already communicated to employees and labour unions). Additionally, in the production plant in Spain, in November 2008 an overall temporary layoff was launched, affecting all its workforce, for 54 working days through July 2009, reducing wage expenses in this period by around EUR 600,000.

There is also a big effort being made in maintenance and other general and administrative expenses in order to reduce and rationalise costs, as well as a working capital improvement plan in place to preserve and save cash as much as possible.

The capex programme for 2009 is limited to necessary maintenance and productivity improvement costs. We do not expect any investments in new capacity in 2009.

On the other hand, although we are focusing our efforts at the moment on using our free capacity for other projects, our medium- and long-term strategy calls for introduction of new products and customers to grow the business even when the automotive sector is not performing as it did in previous years. It is clear for us that our current financial structure allows us to face this situation in a better standing, and that companies which manage to deal better with the new environment will be stronger after the slowdown.

Though the dividend policy of ACE remains unchanged from the policy stated in the prospectus, in the near future we do not envisage company outflows for this item, in order to preserve current resources for business needs and market opportunities.

MATERIAL EVENTS AFTER YEAREND

Given the current volatility of the Polish zloty, and taking into account overall discussions with the major relationship bank for EBCC, the Company took a decision to restructure its liabilities to BRE in the following manner:

On 19 February 2009, EBCC Sp. z o.o. in Wroclaw signed an agreement with BRE Bank S.A. for cancelation of outstanding derivative financial instruments (hedging contracts). The agreement calls for full cancelation in 2009 and partial cancelation in 2010 of 4 outstanding hedging contracts with BRE (see Current Report 46/2008) in a total amount of PLN 15.3 million, at a level of PLN 4.669/EUR. This represents closing out around half of the Group's financial exposure to Polish zloty at the same exchange rate.

The cancelation was financed by a loan from BRE Bank S.A. in the amount of EUR 2.0 million, maturing at the end of 2013. The rest of the cancelation costs, beyond EUR 2.0 million, was financed by the Company. The debt repayment schedule calls for significantly lower financial exposure in 2009 in exchange for higher instalments in future. All other debt parameters are on current market terms. At the same time, the existing investment loan facility from BRE has been extended by nearly 2 years, until mid-2013.

The main purpose of this agreement is to reduce the subsidiary's exposure to volatility in the PLN/EUR exchange rate and the risk of further weakening of the zloty. Lower debt repayments in the current year, when we are facing a strong slowdown of the automotive market, will also help the ACE Group to come through the period in much better financial position. Release of a significant portion of cash collateral will also improve the subsidiary's working capital structure.

On 7 March 2009, Feramo Metallum renewed two bank loans which were maturing on that date. The overdraft facility of CZK 13 million (approximately EUR 484,000) was renewed as a revolving loan facility in the same amount, bearing interest at 1M PRIBOR + 2.65%, with a maturity date of 5 March 2010. A short-term revolving loan facility of CZK 20 million (approximately EUR 745,000) was renewed as a loan facility in the same amount, bearing interest at 1M PRIBOR + 2.85%, with monthly instalments starting on 20 October 2009 and a maturity date of 20 April 2012. These loan agreements are subject to compliance with certain obligations relating to financial ratios which should be reported quarterly, and they maintain the same pledge as the former agreement.

STOCK MARKET INFORMATION

BASIC INFORMATION

Fiscal Year: 1 January through 31 December
ISIN Code: LU0299378421
Par Value: EUR 0.15 per share
Market of Quotations: Warsaw Stock Exchange

SHARE PRICE EVOLUTION

% change as of the end of 2008	Compared to the end of 2007
ACE S.A.	- 85.08%
WIG Index	- 50.77%
SWIG80 Index	- 56.72%

STOCK MARKET DATA

	2008	2007
Market capitalisation as of the end of the period	PLN 38.9 million EUR 9.3 million	PLN 261.0 million EUR 72.4 million
Share price		
Highest	PLN 12.23	PLN 24.53
Lowest	1.66	10.42
Average	7.51	18.55
At the end of the period	1.76	11.80
Shareholder equity per share	EUR 1.57	EUR 1.71

PER-SHARE DATA

	2008	2007
Earnings per share	EUR 0.01	EUR 0.40
Cash flow per share	- EUR 0.01	EUR 0.02
Dividend per share	-	EUR 0.11

SHARES AND THE TRADING MARKET

During the IPO, which took place in May 2007, the Company increased the number of its shares from 20,050,100 to 22,115,260. Under the prospectus, three existing shareholders of ACE – Casting Brake, EB Holding and Halberg Holding – sold together 10,423,316 of the Company's shares (less 319,389 shares bought with the over-allotment option meant 10,103,927 shares sold). The first listing of ACE on the Warsaw Stock Exchange took place on 1 June 2007.

	Before IPO		After IPO	
	No. of shares	%	No. of shares	%
Existing shares	20,050,100	100%	20,050,100	90.66%
New shares	-	-	2,065,160	9.34%
Total	20,050,100	100%	22,115,260	100%

The Warsaw Stock Exchange is the only market where ACE is listed. In 2008 the total value of all transactions in ACE shares was PLN 71.4 million, and trading volume was 8.6 million shares. The stock price declined sharply by 85% over 2008 as a whole, mainly as a result of the global financial crisis and slowdown of the automotive market.

MAJOR SHAREHOLDERS (OVER 5% OF SHAREHOLDER EQUITY) AS OF 31 DECEMBER 2008

On 31 December 2008 the Company's share capital was made up of 22,115,260 shares, unchanged since the end of 2007, representing 22,115,260 votes, unchanged since the end of 2007. To the best of the Company's knowledge, as of the end of the 4th quarter of 2008, the following shareholders are entitled to exercise over 5% of votes at the General Meeting of Shareholders in the Company:

	Number of shares/votes as of 31 December 2008 (% of share capital)	Number of shares/votes as of 31 December 2007 (% of share capital)
EB Holding (Luxembourg)	6,535,593 (29.55%)	6,535,593 (29.55%)
Casting Brake (Spain)	2,980,607 (13.48%)	2,980,607 (13.48%)
AIG Towarzystwo Funduszy Inwestycyjnych S.A.	1,240,837 (5.61%)	1,556,579 (7.04%)
Templeton Asset Management Ltd	1,363,442 (6.17%)	1,173,000 (5.30%)
PKO Credit Suisse Towarzystwo Funduszy Inwestycyjnych S.A.	1,844,506 (8.34%)	1,250,000 (5.65%)
ING Nationale Nederlanden Polska OFE	1,169,602 (5.29%)	1,150,000 (5.20%)

On 9 February 2009, the Company received an official notification from Templeton Asset Management Ltd, on behalf of managed funds, that due to market transactions which took place on 6 February 2009 the total number of the Company's shares/votes held by the funds fell below 5% of the total number of outstanding shares/votes. Before those transactions, funds managed by Templeton Asset Management Ltd held 1,363,442 shares/votes of Automotive Components Europe S.A.

On 3 April 2009, the Company received an official notification from AIG Towarzystwo Funduszy Inwestycyjnych S.A., on behalf of managed open funds, that due to market transactions which took place on 31 March 2009 the total number of the Company's shares/votes held by the funds fell below 5% of the total number of outstanding shares/votes, to 1,046,228 shares/votes (4.73% of the share capital). Before those transactions the funds managed by AIG Towarzystwo Funduszy Inwestycyjnych S.A. held 1,132,756 shares/votes (5.12% of the share capital) of Automotive Components Europe S.A.

On 24 April 2009 the Company received an official notification from PKO Towarzystwo Funduszy Inwestycyjnych S.A., on behalf of managed open funds, that due to market transactions which took place on 22 April 2009 the total number of the Company shares/votes owned by the funds went below 5% of total number of outstanding shares/votes to 916 951 shares/votes (4.15% of share capital). Before those transactions the funds managed by PKO Towarzystwo Funduszy Inwestycyjnych S.A. had 1 316 951 shares/votes (5.95% of share capital) of Automotive Components Europe S.A.

INVESTOR RELATIONS

Our investor relations activities are focused on developing long-term relationships with analysts and investors who are current or potential ACE shareholders. Every quarter, after publication of the quarterly earnings report, the Company organises a roadshow to provide an opportunity for direct discussion of the results with Management Committee members.

Comprehensive information about the ACE Group is provided on our corporate website, ***www.acegroup.lu***, containing basic facts about ACE's business as well as all current and periodic reports required by Luxembourg and Polish capital market regulations.

IR contact:

Piotr K. Fugiel
Investor Relations Officer
Phone: + 48 22 353 88 60
e-mail: investor.relations@acegroup.lu

CURRENT RISK FACTORS

In the context of the financial crisis and negative trends on the automotive markets, the management has considered the risk factors which may affect the Group's ability to continue as a going concern.

The main risks considered and main points included in the Action Plan defined by the management are the following:

- Decrease in orders compared to previous years and the difficulty in forecasting volumes and sales: Although the latest forecasts for automotive sales agree that the total decrease in car sales in Western Europe will be around 15%, there is still substantial uncertainty on the market for estimating the decrease in sales for 2009. New government subsidies agreed in Germany and France have assumed positive adjustments to the previous forecast, and it seems that they have had a positive effect on the market evolution during recent weeks. Additional subsidies from other countries in Western Europe are expected, but there are not yet any definite proposals. In order to face up to this situation, the management is working to generate new demand by automotive customers for products not directly related to braking systems, and the management also has new agreements with customers from other markets related to the cast production of Group companies. This kind of action should smooth out the total decrease in the Group's sales due to the decline in the automotive market.

- Decrease in production levels, driven by the reduction in sales: As mentioned, a significant reduction in sales will involve a significant reduction in production. In order to adjust the cost structure of the Group companies to the new production level, the management is implementing new actions in all Group companies. In this regard, the Group already began in 2008 to reduce headcounts in all operating companies, and within the following weeks and months the Group will extend this savings programme by reducing an additional 130 people, or 15% of total staff, resulting in annual savings of EUR 1.9 million (already communicated to employees and labour unions). Additionally, in the production plant in Spain in November 2008 an overall temporary layoff was launched, affecting the total workforce for 54 working days through July 2009, reducing wage expenses during this period by around EUR 600,000. A major effort is also being made with respect to maintenance and other general and administrative expenses to reduce and rationalise costs in line with new production levels.

- Volatility of the PLN/EUR exchange rate: During recent months, the Polish zloty has significantly weakened again the Euro, which has had a negative impact on valuation of derivative financial instruments. In this regard, as mentioned in Note 30 of the Financial Statements of the Group, the Group has cancelled most of the derivative contracts with maturity dates in 2009 and 2010. The main purpose of this agreement is to reduce the Group's exposure to volatility of the PLN/EUR exchange rate. The current situation of the derivative instruments that are still held by the Group is more in line with the current needs for PLN to pay operational expenses. Excluding the fair valuation of derivative instruments, any significant variation in the exchange rate will have an impact on the financial result which should be compensated for at the operating level. As a result, the Group may predict that any variation in the exchange rate should not have a significant net impact on the income statement, other than the fair valuation of outstanding derivative instruments.

- The Group's financing structure and debt requirements: During the last month, a new agreement with EBCC's main bank was reached which involves cancellation of hedging contracts. A new loan has been raised and existing loan facilities have been extended by nearly 2 years, until mid-2013. Covenants related to this financing have been renegotiated in order to face up to the current market situation. These new agreements will require lower debt repayment in 2009. Additionally, the management is dealing with current banks for the Group's financial restructuring, which is still ongoing. The purpose of this restructuring is to better manage and control the financing activities of the Group. Management is also aware of compliance with covenants, which is being properly monitored, but renegotiation of covenants with banks will be another action if the current situation requires. Finally, a working capital improvement plan is in place to preserve and save cash as much as possible. Agreements related to payment and collection terms have been renegotiated with suppliers and customers respectively.

- Concentration of sales to three main customers in the automotive sector: A key feature of the braking system market is its concentration of customers among three Tier 1 companies. In this regard, approximately 87% of total revenues are generated from these customers, and attributed to Fuchosa and EBCC. However, this percentage has been reduced from the 95% of previous years to 87% due to the acquisition of Feramo. Considering the action mentioned before, a reduction in the concentration of sales will be expected, even though the Group will continue to focus on the automotive market. The management do not consider this situation to be a significant risk, because these customers are considered solvent enough and there is a good relationship with them that reduces the possible risk of losing any of them.

The current market conditions and risks described above create some uncertainty about the Group's ability to continue as a going concern, and the Group's future performance, recovery of its assets and settlement of its liabilities in the ordinary course of business will depend on sufficient demand for the Group's products, the continuing support of banks, and the ability of the Group to implement the action plans described above.

The Group believes it will be able to continue as a going concern in the foreseeable future, and management has concluded that the going concern assumption is appropriate.

Although market- and business-wise, conditions in 2009 are going to be much more difficult than last year, in management's opinion the Group has a very good chance to come through the period smoothly and preserve its good financial position.

CORPORATE GOVERNANCE

ORGANISATIONAL STRUCTURE

As of the end of 2007, the Group comprised a holding company, ACE S.A., the 100% owner of two operating companies: Fuchosa S.L. in Spain and EBCC Sp. z o.o. in Poland. In May 2008, due to a successful acquisition, we added an additional production company to our portfolio – Feramo s.r.o. in the Czech Republic. As of the end of 2008 we consolidate three operating companies:

Company name	Status	Ownership	Consolidation method
Fuchosa S.L.	Operating	100%	Full
EBCC Sp. z o.o.	Operating	100%	Full
Feramo s.r.o.	Operating	100%	Full

MANAGEMENT COMMITTEE & BOARD OF DIRECTORS

The management of ACE's business is vested in and managed by a Board of Directors and a Chief Executive Officer to whom the Board has delegated the day-to-day management of the Group, other than in relation to certain matters specifically reserved to the competence of the Board. The Chief Executive Officer, in 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.

The Directors are elected by the General Meeting of Shareholders for a term not exceeding four years and are eligible for re-election at the end of their term. Their terms end as of the 4th Annual General Meeting following the date of their appointment.

Corporate bodies as of the end of December 2008:

Management Committee:

José Manuel Corrales
Chief Executive Officer

Raúl Serrano
Senior Officer, Chief Financial Officer

Carlos Caba
Senior Officer, Business Development Manager

On 15 September 2008, the Board of Directors adopted a resolution on leave of Zbigniew Pawłucki – Senior Officer of ACE and CEO of EBCC Sp. z o.o. – at his request due to personal reasons.

Board of Directors:

Andrzej Bartos	Class A Director
Arkadiusz Podziewski	Class A Director
Marek Adamiak	Class A Director
José Manuel Corrales	Class B Director
Raúl Serrano	Class B Director
Jerzy Szymczak	Independent Director
Paweł Szymański	Independent Director

On 25 March, 2009 the Board of Directors acknowledged resignation of Mr. Andrzej Bartos as Director A and Chairman of the Board of the Company to be effective as of April 8, 2009, upon his formal notification to the Company. The Board approved Mr. Laurence Vine-Chatterron as Director A of the Company to fill the vacancy caused by the resignation of Mr. Bartos until the next General Meeting in accordance with art. 7 of the articles of association of the Company and art. 6 of the Regulations of the Board.

The Board in accordance with art. 8.1 of the articles of association of the Company and art. 4 of the Regulations of the Board appointed Mr. Arkadiusz Podziewski, Director A, as Chairman of the Board to be effective since April 8, 2009.

José Manuel Corrales
ACE CEO since the Group was established, he has worked within Fuchosa for 19 years playing management roles including the Plant Manager position for more than 7 years. \Mr Corrales began his career working for the Basque Government Health Department and as a lecturer at Deusto University (Bilbao, Spain). He holds a degree in industrial psychology from Deusto University.

Raúl Serrano
Holding a law degree and an MBA from Deusto University, Mr Serrano has over 14 years' experience in finance and administration management within ACE and Fuchosa. Previously, he worked in similar roles for Fundialava SA, Valfundix SA and Excludis SA, and as a financial and tax consultant for Lloyds Bank.

Carlos Caba
An international business administration graduate of Lincolnshire University (UK), Mr Caba has worked within Fuchosa since 1997 in a variety of roles, such as Quality Manager, Division Quality Manager in the Valfond Group, and most recently as Business Development Manager of Fuchosa. Prior to that, Mr Caba gained industry experience in quality management in different automotive companies.

Andrzej Bartos
Mr Bartos worked at Dresdner Kleinwort Capital (lately renamed Allianz Specialised Investments) for three years and was responsible for the Polish operations of the firm. Prior to Dresdner, he was an executive vice-president at BRE Bank Securities in Warsaw, where he was responsible for equity capital markets and corporate finance related activities. Between 1994 and 1998 he worked for the Polish Development Bank as director of Equity Capital Markets. Mr Bartos holds a master's degree in finance and banking from the Warsaw School of Economics and has completed the INSEAD executive course in corporate financial strategies in global markets.

Arkadiusz Podziewski
Mr Podziewski worked as a management consultant in the Warsaw Office of the Boston Consulting Group, where he was involved in strategy and reorganisation projects for telecom and banking clients. Prior to that, he spent three years as a consultant with Monitor in London, where he worked on strategy and M&A projects across various European markets. Mr Podziewski holds a degree in business administration from the University of Gdańsk.

Marek Adamiak
Mr Adamiak worked from 1988 to 1990 as a manager for Vimar Impet, then in 1990 – 1996 as national manager and later as national director for ICD Group and ICD Polska and was responsible for development of their business and commercial relations in Poland. From 1996 to 1999 Mr Adamiak worked as director of purchasing for the Polish branch of Delphi. Between 1999 and 2002 he served as European director of purchasing at the Delphi branch in Paris, and later as European project manager responsible for the group's accounting centre. From September 2002 to July 2007 Mr Adamiak was general director and president of the Delphi branch in Poland. Since July 2007 he runs his own consulting company, MA Management Solutions.

Jerzy Szymczak
Mr Szymczak worked in 1996 – 2004 as a project manager and consultant for Boston Consulting Group at their offices in Paris, Sydney and Warsaw. In 2004 – 2006 he was a director at Kolago & Co, responsible for a number of merger and acquisition projects in Poland, Germany and Russia. Since April 2006 Mr Szymczak has been a director at A.T. Kearney and is responsible for implementation of mergers in Northern and Central Europe. He has been involved in over 25 merger projects of companies in various economic sectors. He has also participated in a number of strategy building projects for companies entering Central European markets.

Paweł Szymański
Mr Szymański worked from 1994 to 1996 as an equity analyst at Wood & Co in Warsaw. From 1997 to 1999 he worked at a similar position, and later as deputy director of capital markets research, for Schroder Securities in London. Then in 2000 – 2003 he was director of a research team responsible for analysis of Polish stocks. From 2003 to 2004 Mr Szymański was president of Bank Handlowy brokerage house. In 2004 – 2007 he was vice-president of PKN Orlen responsible for its financial department. Since 2007 Mr Szymański has been vice-president and CFO at CTL Logistic.

Compensation of Management Committee and Board of Directors members in 2008

Management Committee compensation
ACE Management Committee members do not receive any salary, pension, retirement or similar benefits from the Group for such role, other than reimbursement of reasonable expenses incurred in attending ACE Management Committee meetings. However, all members of the Management Committee other than Zbigniew Pawłucki have employment contracts with the ACE Group.

Details of the compensation received by the Company's directors (including Management Committee members and plant operation managers) for the period from 1 January 2008 through 31 December 2008 are as follows:

	(EUR thousands)
Current compensation	
salary	670
bonus	10
Total for Company directors	**680**

Board of Directors compensation
Only members appointed in 2007 benefit from a compensation scheme. The Chief Executive Officer is paid for service in his capacity as general manager of ACE. It should also be noted 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 compensation of members of the Board of Directors are as follows (EUR thousands):

	Base salary	Bonuses	Other
Arkadiusz Podziewski	0	0	0
Andrzej Bartos	0	0	0
Marek Adamiak	18	0	0
José Manuel Corrales	0	0	0
Raúl Serrano	0	0	0
Jerzy Szymczak	18	0	0
Paweł Szymański	18	0	0

INFORMATION ON SUPERVISION OF EMPLOYEE STOCK OPTION PLANS

There is no a general stock option plan for all employees within the 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 22 February 2007. The plan gives specified persons the opportunity to acquire a stake in the capital of the Company. The extraordinary General Meeting on 14 March 2007 approved the introduction of authorised share capital for purposes of the plan, among other purposes. The options granted shall vest pro-rata on a quarterly basis over four years from the Allotment Date (described in the Prospectus), and shall be exercisable on an annual basis from the second anniversary of the completion of the IPO. Options that have not yet vested upon voluntary resignation or dismissal for cause of the beneficiary will automatically lapse upon termination of the relationship between the beneficiary and the ACE Group. Where the relationship ends in voluntary resignation or dismissal for gross negligence, fraud or wilful misconduct, all rights to shares vested over the last 12-month period are cancelled.

INFORMATION REQUIRED BY THE WARSAW STOCK EXCHANGE IN POLAND

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 the Board of Directors and 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 the 'supervisory board' and management board' in the Best Practices will be treated as references to its Board of Directors.

In 2008 the Company did not fully comply with the following rules described in the Code of Best Practice for WSE Listed Companies, on a temporary basis:
Section II: 1.2, 1.7, 1.11, 1.12
Section III: 7

Further explanation of non-compliance and proposed corrective actions are described below:

Section II: 1.2, 1.7, 1.11, 1.12 – All rules refer to the website content. In December 2008 the new website was launched containing more obligatory and non-obligatory information about ACE Group, including that described in Rule 1.2. The ACE website still does not contain information described in Rules 1.7, 1.11 and 1.12. However, ACE is constantly improving its content and intends to include information that is material to shareholders.

Section III: 7 – This rule refers to appointment of an audit committee. Until 18 December 2008, all duties and responsibilities of the audit committee were granted to the Board of Directors. On that date the Board of Directors appointed an Audit Committee of Arkadiusz Podziewski (Director A), Jerzy Szymczak (Independent Director) and Paweł Szymański (Independent Director). The committee has its own regulations and defined scope of responsibilities.

General shareholders meeting practices and powers together with a description of shareholders' rights and exercise thereof:

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 by 30 June. 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 amend 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 shall 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 shall 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 shall deposit his or her proxy within the same period 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 as the certificates referred to above. 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 announce convening of General Meeting under Polish law

Pursuant to Polish disclosure regulations, 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 depositary certificates, no later than 22 days before the General Meeting.

The wording of the proposed resolutions as well as material annexes to resolutions shall 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-à-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 may 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 Commercial Companies 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 percent (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 plants;
- to sell, close or otherwise dispose of any operating plants; or
- to dissolve, wind-up or liquidate any of the operating plants,

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, with at least a fifteen-day interval, 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 increasing the obligations of the shareholders, unanimous consent of all shareholders representing the entire issued capital is required.

The Certificate referred to in Company's articles of association section 'Form and Transfer of Shares' hereinabove 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 be filed with ACE at least five days prior to the General Meeting 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 through a proxy, the latter shall deposit his or her proxy within the same period 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 fax, cable, telegram or telex.

Any shareholder who casts a 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, which may not exceed five years.

Increases within such 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 employee stock ownership plan (ESOP) in favour of managers of ACE or the operating plants 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 may 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 14 March 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 constituting all 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.

Competencies of the Board of Directors

The Board is vested with the broadest powers to perform or cause to be performed all acts of disposition and administration in the Company's interests. All powers not expressly reserved by the Luxembourg Commercial Companies Law or by the 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 is 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 legal regulations and principles of good practice.

Competencies of the Audit Committee

Among the most important tasks of the Audit Committee are:

- monitoring the preparation process and the integrity of the financial information relating to the Company and the Group,
- monitoring the integrity of the annual, half-yearly and quarterly financial statements that should be submitted to regulatory or market supervision entities, periodically and at least annually,
- reviewing the internal control and risk management systems so that the principal risks are appropriately identified, managed and reported.

The complete scope of competencies and responsibilities of the Audit Committee is described in its internal regulations, which can be obtained from the ACE corporate office or downloaded from our official website ***www.acegroup.lu***.

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, appointment of appropriately qualified staff, regular reporting and monitoring of performance, and effective control over capital expenditure and investment.

Internal financial controls focus 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.

Until December 2008 there was no Audit Committee, but the whole Board of Directors was 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.

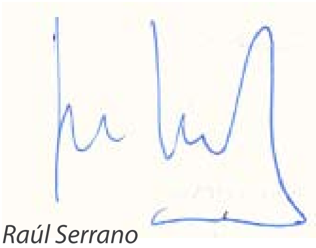
DIRECTORS' STATEMENTS

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 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.

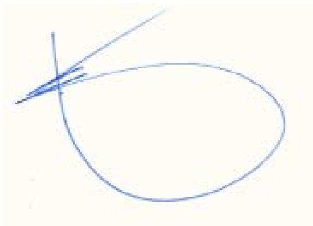
The auditing firm (Deloitte S.A.) who audited the annual consolidated financial statements was selected in compliance with the provisions of law, and this firm and the qualified auditors who performed the audit met the conditions to issue an impartial and independent auditor's opinion in accordance with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

Luxembourg, 30 April 2009

José Manuel Corrales



Raúl Serrano



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Automotive Components Europe S.A.

and subsidiary companies

82 Route d´Arlon

L-1150 LUXEMBOURG

RCB number: B 118130

Consolidated Financial Statements
for the year ended 31 December 2008 and
Management Report, together with
Auditor's Report

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 2008

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 31st December 2008.

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 2008, it appears that the group reports a profit of Euro 330 thousand as per December 31st 2008.

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 Euro 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 30% 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 Euro 1,203,006 represented by 1,203,006 shares having a par value of Euro 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 Euro 6,8million in 1990 to Euro 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 45% 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.

FERAMO METALLUM INTERNATIONAL s.r.o.

On 12 May 2008, ACE acquired 100% of Feramo Metallum International s.r.o.. Feramo was incorporated with limited liability under Czech law on 7 July 1992. The registered offices of the company are located Vodarská 15, in Brno CZ- 61700 (Czech Republic), where the production plant is also located, with identification number 46962913 according to 132 of the act. 513/1991 Coll., the Czech Commercial Code. The issued share capital is CZK 164 thousand and the Tax Identification Number is CZ46962913.

Feramo is a producer of grey iron castings for various industries, including the automotive sector (auto products comprise around 10% of the company's total turnover). Feramo supplies mainly the following industries: automotive (brake drums and clutch components); white-goods production (mainly components for washing machines); engineering (components for electrical engines and pumps) and sewer/drain iron castings. Feramo's products are mainly tailored to individual customers' requirements. Annual production rate of foundry fluctuates around 15,000 tonnes.

The history of Feramo dates back to 1932 when, a grey iron foundry was founded and the production of heating technology (boiler cells and radiators) started. During 1970-1990 an extensive modernization program was implemented, which substantially increased Feramo's capacity. During last years, Feramo implemented a new production line and new sand pit technology. New significant investments are expected in the next years, in order to improve the production capacity and introduce new portfolio of products.

2. Important Events since December 31st 2008

On February 19 , 2009 the Group company EBCC Sp. z o.o. signed an agreement with BRE Bank S.A. as regards cancelation of outstanding derivative financial instruments. The agreement assumes full cancelation in 2009 and partial cancelation in 2010 of 4 outstanding hedging contracts with BRE for total amount of 15.3 million PLN, at a level 4.669 zloty per euro (approximately Euro 3.2 million) and it represents the closing of around half of Group financial exposure to polish zloty at same exchange rate.

The cancelation will be financed with a loan granted by BRE Bank S.A. in the amount of Euro 2.0 million, maturing in the end of 2013. The rest of cancelation costs beyond Euro 2.0 million will be financed by EBCC. Debt repayment schedule assumes significantly lower financial exposure in 2009 in exchange of higher instalments in future. All other debt parameters are at current market conditions. At the same time existing investment loan facility from BRE has been extended by nearly 2 years up to mid 2013.

The main purpose of this agreement is to reduce exposure of EBCC to volatility of zloty/euro exchange rate and risk of further weakening of zloty, but also to lower debt reimbursements in 2009.

3. Planned evolution of the Company and its subsidiaries and going concern assessment

In the context of the financial crisis and negative trends on the automotive markets, the management has considered the risk and factors which may affect the Group's ability to continue as a going concern.

Considered main risks, and main actions included in the Action Plan defined by the management, are the following:

- Decrease of orders in comparison to previous years and the difficulty to forecast volumes and sales: although the latest forecast related to the sales in automotive market agree that the total decrease in sales of cars for Western Europe will be around a 15% decrease, there is still a material uncertainly from the market to assess the decrease in sales for 2009. New government subsidies agreed in Germany and France has supposed positive adjustments to the previous forecast, and it seems that they had a positive effect in the market evolution during last weeks. Additional subsidies from other countries in Western Europe are expected, despite there are not yet any defined proposal. In order to face up to this situation, the management is working to get new demand for the automotive customer for products not directly related to the brake systems, but also the management has new agreements with customers from other markets which are linked to the casted production of Group companies. This kind of actions will smoothly reduce the total decrease in sales of the Group due to the automotive market sales decrease.

- Decrease in production level driven by the reduction in sales: as mentioned, significant reduction in sales will suppose a significant reduction in production. In order to adjust the cost structure of the Group companies to the new production level, the management is implementing new actions in all group companies. In this regard, the Group already started in year 2008 to shorten its headcount in all operating companies and within following weeks and months the Group will continue into this saving programme by reducing additional 130 people or 15% of total staff with derived yearly savings of Euro 1,900 thousand (already communicated to employees and Unions). Additionally, in the production plant of Spain in November 2008 it was launched an overall temporary layoff affecting all its workforce during 54 working days until July 2009 and reducing the wage expenses in this period by around Euro 600 thousand. There is also a big effort made in maintenance and other general and administration expenses in order to reduce and rationalize costs according to new production levels.

- Volatility of zloty/euro exchange rate: during the last months, the Polish Zloty has significantly weakened again Euro which has a negative impact in the valuation of the derivative financial instruments. In this regard, as mentioned in Note 30 of the Financial Statements of the Group, the Group has cancelled most of the derivative contract with maturity dates in 2009 and 2010. The main purpose of this agreement is to reduce the exposure of the Group to volatility of zloty/euro exchange rate. The current situation of the derivative instruments that are still held by the Group are more in line with the current needs of PLN for the payments of the operational expenses. Excluding the fair valuation of the derivative instruments, any significant variation in the exchange rate will have an impact in the financial result which should be compensated in the operating level. As a conclusion, the Group can assess that any variation of the exchange rate should not have any significant net impact in the income statement, other than the fair valuation of the outstanding derivative instruments.

- Group's financing structure and debts requirements: during last month new agreement with the main bank of the company EBCC has been achieved which is connected with the cancellation of hedging contracts. A new debt has been raised and existing loan facilities have been extended by nearly 2 years up to mid 2013. Covenants related to this financing have been renegotiated in order to face up to the current market situation. These new agreements will suppose a lower debt reimbursement in 2009. Additionally, the management is dealing with current banks for the Group financial restructuring which is still ongoing. The purpose of this restructuring is for better managing and controlling the financing activities of the Group. Management is also aware of the compliance of covenants which is being properly monitored, but renegotiation of covenants with banks will be another action if current situation requires it. Finally, working capital improvement plan is in place to preserve and save cash as much as possible. Agreement related to payment and collecting terms have been renegotiated with suppliers and customers respectively.

- Concentration of sales to three main customers active in the automotive sector: the main characteristic of the braking system market is its concentration of customers among three Tier 1 companies. In this regard, approximately 87% of total revenues are made with said customers, which are allocated in Fuchosa and EBCC. However, this percentage has been reduced from the 95% of previous years to 87% due to the acquisition of Feramo. Considering the action mentioned before, a reduction in the concentration of sale will be expected, despite the Group will continue focusing in the automotive market. The management do not consider this situation as a significant risk, because said customers are considered solvent enough and there is a good relationship with them that reduce the possible risk to loose any of them.

The current market conditions and risks described above create uncertainty around the Group's ability to continue as a going concern, and the Group's future performance and the recovery of its assets and the settlement of its liabilities in the ordinary course of business will depend on sufficient demand for the Group's products, the continuing support of Banks, and the ability of the Group to implement the action plans described above.
The Group believes it will be able to continue as going concern in foreseeable future, and that management has concluded the going concern assumption was appropriate.

4. Branch

The Company has no branches

5. Research and Development Activities

During the period between 1st January and 31st December 2008, the Company was not engaged in any research or development activities.

The following subsidiaries of ACE SA: European Brakes and Chassis Components SA, Fuchosa S.L. and Feramo Metallum International s.r.o 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 :

On 17 June 2008 the General Meeting authorised the board of directors of ACE and the corporate bodies of any of the subsidiaries of the ACE Group, as referred to in articles 49-2 and 49-3 of the Luxembourg law of August 10, 1915 on commercial companies as amended, for a maximum period of twelve months as of the date of the Meeting, to purchase shares of ACE S.A. at any time and as many times as it deems appropriate, by any means permitted by law, in a limit of 10% of the subscribed capital.

The maximum aggregate value of shares that may be acquired by ACE S.A. shall not exceed in total the maximum of Euro 2 million. The aggregate nominal value of shares may not exceed Euro 301 thousand and their number shall not exceed 20,050,010. The shares may be sold or, subject to a decision of the shareholders taken at an extraordinary general meeting cancelled at a later date subject to the provisions of any applicable law or regulation.

The maximum purchase price per share to be paid in cash shall not represent more than Euro 5.37, and no less than Euro 0.15.

Such purchases and sales may be carried out for any purpose authorised or which would come to be authorised by the laws and regulations in force.

All powers are granted to the board of directors of ACE S.A., with delegation powers, in view of ensuring the performance of this authorization.

At as 31 December 2008, the treasury shares owned by the Group amount to shares 884,745.

The financial statements for the next statutory reporting period will cover the months January 2009 to December 2009.

In Luxembourg, 8th April 2009.

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

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, 2008, 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.

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, 2008, 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.

Without qualifying our opinion, we draw attention to note 3 a) in the consolidated financial statements which indicates the existence of factors raising a material uncertainty around the Group's ability to continue as a going concern.

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

April 8th 2009

Automotive Components Europe S.A.

and subsidiary companies

82 Route d´Arlon

L-1150 LUXEMBOURG

RCB number: B 118130

Consolidated Financial Statements

for the year ended 31 December 2008

AUTOMOTIVE COMPONENTS EUROPE SA
AND SUBSIDIARY COMPANIES

Notes to the consolidated Financial Statements

for the year ended 31 December 2008

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

Automotive Components Europe S.A. and subsidiary companies

Consolidated Balance Sheet
for the year ended 31 December 2008
(expressed in thousand of Euros)

Assets	Notes	December 2008	December 2007
Non-current assets			
Intangible assets	6	278	299
Property, plant and equipment	7	46,248	34,501
Investment in associates	8	20	20
Derivative financial instruments	9	-	233
Deferred tax assets	16	1,261	624
Trade and other receivables	11	1	300
Total non-current assets		47,808	35,977
Current assets			
Inventories	10	10,799	8,566
Trade and other receivables	11	13,075	16,075
Derivative financial instruments	9	-	392
Cash and cash equivalents	12	10,276	10,434
Total current assets		34,150	35,467
Total assets		81,958	71,444

Equity and Liabilities	Notes	December 2008	December 2007
Capital and reserves			
Share capital		3,317	3,317
Share premium		6,931	9,292
Retained earnings		24,646	16,501
Exchange differences		(451)	-
Net profit for the year		330	8,694
Total equity	13	34,773	37,804
Non-current liabilities			
Borrowings	14	12,952	11,503
Deferred income		376	389
Deferred tax liabilities	16	3,389	1,862
Derivative financial instruments	9	2,266	-
Provisions for other liabilities and charges	17	101	318
Total non-current liabilities		19,084	14,072
Current liabilities			
Trade and other payables	18	15,651	15,269
Borrowings	14	9,128	2,921
Derivative financial instruments	9	2,032	-
Other current liabilities	15	407	209
Provisions for other liabilities and charge	17	884	1,169
Total current liabilities		28,101	19,568
Total equity and liabilities		81,958	71,444

The accompanying notes form an integral part of the consolidated financial statements of Automotive Components Europe S.A. for the year ended 31 December 2008, in conjunction with which they should be read.

Automotive Components Europe S.A. and subsidiary companies

Consolidated Income Statements
for the year ended 31 December 2008
(expressed in thousand of Euros)

	Notes	2008	2007
Revenues	19	94,395	85,859
Cost of sales		(76,150)	(62,662)
Gross profit		18,245	23,197
Selling and distribution costs	20	(2,502)	(2,772)
General and administration expenses	21	(11,522)	(9,691)
Other operating income	22	1,253	526
Other operating expenses		(716)	(829)
Operating profit		4,758	10,431
Negative goodwill	23	1,433	-
Financial income		930	1,763
Financial expenses		(6,962)	(1,653)
Financial result	24	(6,032)	110
Profit before income tax		159	10,541
Income tax (expense) / income	25	171	(1,847)
Net profit for the period		330	8,694
Attributable to:			
Equity holders of the company		330	8,694

Earnings per share for profit attributable to equity holders of the Company during the year (expressed in € per share) (note 26)

- basic	0.01	0.41
- diluted	0.01	0.40

The accompanying notes form an integral part of the consolidated financial statements of Automotive Components Europe S.A. for the year ended 31 December 2008, in conjunction with which they should be read.

Automotive Components Europe S.A. and subsidiary companies

Consolidated Statement of Changes in Stockholder's Equity
for the year ended 31 December 2008
(expressed in thousand of Euros)

	Notes	**Attributable to equity holders of the company**						
		Share capital	**Share premium**	**Treasury shares**	**Retained earnings**	**Exchange differences**	**Profit for the period**	**Net equity**
Balance at 1 January 2007		**3,008**	**24**	**-**	**8,906**	**-**	**4,057**	**15,995**
Allocation of previous year profit		-	-	-	4,057	-	(4,057)	-
Profit for the year		-	-	-	-	-	8,694	8,694
Total recognised income and expenses for the year		**-**	**-**	**-**	**-**	**-**	**8,694**	**8,694**
Recognised of share-based payments		-	-	-	376	-	-	376
Increase in share capital		309	9,268	-	-	-	-	9,577
Change in fair value of consideration paid		-	-	-	3,037	-	-	3,037
- Effect of the change in price		-	-	-	348	-	-	348
- Effect of revaluation of net assets acquired		-	-	-	2,689	-	-	2,689
Other variation		-	-	-	125	-	-	125
Balance at 31 December 2007		**3,317**	**9,292**	**-**	**16,501**	**-**	**8,694**	**37,804**
Balance at 1 January 2008		**3,317**	**9,292**	**-**	**16,501**	**-**	**8,694**	**37,804**
Allocation of previous year profit		-	-	-	8,694	-	(8,694)	-
Profit for the year		-	-	-	-	-	330	330
Total recognised income and expenses for the year		**-**	**-**	**-**	**-**	**-**	**330**	**330**
					-			
Exchange differences		-	-	-	-	(451)	-	(451)
Partial reimbursement of share premium	13	-	(2,433)	-	-	-	-	(2,433)
Other variation		-	72	-	-	-	-	72
Purchase own shares	13	-	-	(549)	-	-	-	(549)
Balance at 31 December 2008		**3,317**	**6,931**	**(549)**	**25,195**	**(451)**	**330**	**34,773**

The accompanying notes form an integral part of the consolidated financial statements of Automotive Components Europe S.A. for the year ended 31 December 2008, in conjunction with which they should be read.

Automotive Components Europe S.A. and subsidiary companies

Consolidated Cash Flow Statement
for the year ended 31 December 2008
(expressed in thousand of Euros)

	Notes	December 2008	December 2007
Cash flows from ordinary activities			
Profit before tax		159	10,541
Adjusted for:			
Amortisation and depreciation	6 & 7	5,171	4,073
Equity-settled shares based payments transactions		-	376
Negative goodwill	5 & 23	(1,433)	
Net Financial result	24	1,109	140
Losses on sale of property, plant and equipment		-	188
Gains and losses on changes in fair values of derivative financial instruments	24	4,923	(250)
Others		(44)	(540)
Operating profit before changes in working capital		9,885	15,608
(Increase)/decrease in receivables and other current assets		5,416	(904)
(Increase)/decrease in inventories		(1,440)	(3,370)
Increase/(decrease) in trade and other payables		(3,248)	3,204
Cash from operating activities		10,613	14,538
Income taxes paid		(916)	(2,204)
Net cash from ordinary activities		9,697	12,334
Cash flows from investing activities			
Acquisition of property, plant and equipment	7	(5,827)	(2,952)
Acquisition of other intangible assets	6	(111)	(295)
Acquisition of subsidiary, net of cash acquired	5	(6,351)	-
Net cash from investing activities		(12,289)	(3,247)
Cash flows from financing activities			
Proceeds from issues of equity shares		-	11,088
Payment for share issue cost		-	(1,511)
Treasury shares acquisition	13	(549)	
Repayments of borrowings	14	(3,135)	(17,539)
Proceeds from borrowings	14	9,762	-
Partial reimbursement of share premium	13	(2,433)	-
Net of financial result paid and received	24	(1,156)	(610)
Net cash from financing activities		2,489	(8,572)
Net increase/(decrease) in cash and cash equivalents		(103)	515
Cash and cash equivalents at beginning of the period		10,434	9,919
Effects of exchange rate changes on the balance sheet		(55)	-
Cash and cash equivalents at the end of the period	12	10,276	10,434

The accompanying notes form an integral part of the consolidated financial statements of Automotive Components Europe S.A. for the year ended 31 December 2008, in conjunction with which they should be read.

(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. ACE is registered with the Luxembourg Registry of Commerce and Companies under number B 118130 and has its registered office located in 82 Route d'Arlon, L-1150 Luxembourg, Grand Duchy of Luxembourg, where it was moved to in August 1, 2007 from the former address in 6 rue Adolphe, L-1116 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, and 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 2008:

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.)	Wroclaw, Poland	100.00 %
Feramo Metallum International s.r.o.	Brno, Czech Republic	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 2008.

Continued

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 had no impact on consolidated figures.

On 12 May 2008 ACE acquired 100% of Feramo Metallum International s.r.o. and Feramo Trans s.r.o. located in Brno (Czech Republic) (see Note 5).

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. ("EBCC") 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.

- Feramo Metallum International s.r.o. ("Feramo") was incorporated with limited liability under Czech law on 7 July 1992. The registered offices of the company are in Brno (Czech Republic), where the production plant is also located. The principal activity of the company is the manufacturing and sale of a broad range of grey iron foundry products.

- Furthermore, EBCC Germany GmbH (a 100% subsidiary incorporated by EBCC) and Feramo Trans s.r.o. (a 100% subsidiary incorporated by ACE) are not included in the scope of consolidation as the contribution of these entities to the consolidated financial statements would have been negligible.

Since 1 June 2007 the Company is listed in the Warsaw Stock exchange by selling 10.103.927 old shares and issue of 2.065.160 new 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 2008 to 31 December 2008 have been prepared on the basis of the accounting records of ACE, Fuchosa, EBCC and Feramo. The accounting policies that were used for the preparation of the consolidated financial statements on the 31 December 2008 are the same as those used for the preparation of the consolidated financial statements on the 31 December 2007 under EU-endorsed International Financial Reporting Standards (EU-IFRS) except for the application of new standards and interpretations by the Group. Those new IFRS, amendments and interpretations are listed below.

(i) Standards (IFRS) and interpretations (IFRIC) that are effective for financial statements of 2008

The Group has adopted the following standards and interpretations as they are effective:
- Amendments to IAS 39 and IFRS 7: Reclassification of Financial Instruments (effective for accounting periods beginning on or after 1 July 2008);
- IFRIC 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 July 2008);
- IFRIC 14 IAS 19 The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for accounting periods beginning on or after 1 January 2008).

The adoption of these standards and interpretations, and amendments has not led to any changes in the Group’s accounting policies.

(ii) Early adoption of standards, amendments and interpretations that are effective after 2008, but which the Group decided to adopt earlier

In addition, the Group has elected to adopt the following in advance of their effective dates:
- Amendment to IFRS 2 Share-Based Payment: Vesting Conditions and Cancellations (effective for accounting periods beginning on or after 1 January 2009);
- Amendment to IAS 23 Borrowing Costs (effective for accounting periods beginning on or after 1 January 2009);
- Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009);

Continued

- Amendments to IFRS 1 and IAS 27 Cost of an Investment in a subsidiary, jointly-controlled entity or associate (effective for accounting periods beginning on or after 1 January 2009).

The adoption of these standards and interpretations, and amendments has not led to any changes in the Group's accounting policies.

(iii) Standards, amendments and interpretations in issue not yet adopted that are effective after 2008

At the date of authorization of these financial statements, other than the Standards and Interpretations adopted by the Group in advance of their effective dates (as described in 2.(ii) above) the following Interpretations were in issue but not yet effective:
- IFRS 8 Operating Segments (effective for accounting periods beginning on or after 1 January 2009);
- Amendments to IAS 1 Presentation of Financial Statements: A Revised Presentation (effective for accounting periods beginning on or after 1 January 2009);
- Amendments to IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation (effective for accounting periods beginning on or after 1 January 2009);
- Revised IFRS 3 Business Combinations (effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009);
- Revised IFRS 1 First Time Adoption of IFRS (effective for accounting periods beginning on or after 1 July 2009);
- IFRIC 12 Service Concession Arrangements (effective for accounting periods beginning on or after 1 January 2008);
- IFRIC 15 Agreements for the Construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009);
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for accounting periods beginning on or after 1 October 2008);
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009);
- Amendments to IAS 27 Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after 1 July 2009);
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items (effective for accounting periods beginning on or after 1 July 2008);
- Amendment to IAS 39 Reclassification of Financial Assets: Effective Date and Transition (effective for accounting periods beginning on or after 1 July 2008).
- IFRIC 18 Transfers of Assets from Customers issued 29 January 2009 (effective for accounting periods beginning on or after 1 January 2009).

The Group does not expect any significant impact, on the financial situation on the Group, linked to the application of these measures.

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 2008 will be presented at the Warsaw Stock Exchange within the periods established by prevailing legislation in Poland.

(b) Comparative information

As indicated in Notes 1 and 5, the acquisition of Feramo needs to be taken into consideration when comparing the 2008 figures included in these Consolidated Financial Statements with the equivalent figures for 2007.

(c) Functional Currency

These annual accounts are presented in Euros as this is the currency of the chief economic environment in which the Group operates. However, it should be mentioned that the functional currency of Feramo is Czech koruna. Operations abroad and financial statements in other functional currency than Euro are recorded in accordance with the policies described in Note 3 b.

(d) 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.

The Group's consolidated financial statements for the year ended 31 December 2008, 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.

Continued

Although estimates were based on the best information available at 31 December 2008, 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 Statements for the year ended 31 December 2008 there is a further reclassification of the 31 December 2007 comparative figures within General and administrative expenses disclosure (see note 21).

(e) 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.

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.

Continued

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.

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 2008.

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.

The management acknowledges the existence of factors raising a material uncertainty around the group ability to continue as a going concern. The Group's future performance and the recovery of its assets and the settlement of its liabilities in the ordinary course of business will depend on sufficient demand for the Group's products, the continuing support of Banks, and the ability of the Group to implement the related action plans.

Based on the assessment performed, the management believes that the Group will be able to continue as going concern in foreseeable future. Action Plan and other considerations done by the management are more deeply set out in the note 3 of the Management Report.

(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.

The balances of the annual accounts of the consolidated entities whose functional currencies are other than Euro are converted into Euro as follows:

(i) Assets and liabilities, by application of the exchange rates at the close of the period.
(ii) Revenue, expenditure and cash flows, using the average exchange rate for the year.
(iii) Equity, at historical exchange rates.

Differences arising in the conversion process are recorded under “Exchange differences" in equity. These exchange differences are recognised as revenue or expenditure during the period in which the investment is disposed of.

(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.

Continued

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

	Years
Buildings	20 – 45
Plant and machinery	7 – 30
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.

(d) Intangible assets

(i) Goodwill

Internally generated goodwill is not recognised as an asset.

Negative goodwill arising from the acquisitions of subsidiaries at the formation date was recorded in the retained earnings. Since the first consolidation negative goodwill arising from the acquisition of subsidiaries is recorded in the income statement of ACE (see note 5).

(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.

Continued

(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.

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.

Continued

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 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 for trading instruments.

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) Treasury shares

At year end the ACE Group's treasury shares are deducted from "Other reserves" on the Consolidated Balance Sheet and are measured at acquisition cost.

The gains and losses obtained by the companies on disposal of these treasury shares are recognised in "Other reserves" in the Consolidated Balance Sheet.

(g) 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.

Continued

(h) 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.

(i) 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.

Continued

(j) Employee benefits

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.

(k) 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-transferrability, exercise restrictions and behavioural considerations.

(l) 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.

(m) 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.

Continued

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.

(n) 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.

(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.

Continued

(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.

(o) 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.

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.

Continued

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.

(p) 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.

(q) 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.

(r) 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.

(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.

Continued

(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. As at 31 December 2007, the accounting for the business combination was completed.

On 12 May 2008 ACE acquired 100% of Feramo Metallum International s.r.o. and Feramo Trans s.r.o. located in Brno (Czech Republic). The principal activity of the first company is the manufacturing and sale of a broad range of grey iron foundry products. On the other hand, Feramo Trans is mainly focused on the transportation of Feramo Metallum products.

At 31 December 2008, the initial accounting for the business combination for Feramo Metallum can be determined only provisionally. These provisional fair values of net assets acquired are subject to changes upon completion of the accounting for the business combination within twelve months from the acquisition date.

Continued

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

	Feramo
	Thousand of Euros
Cost of business combination	6,963
Fair value of net assets acquired	8,396
Negative goodwill	(1,433)

The difference between the fair value of Feramo and the underlying book value at the time of acquisition recorded in the financial statements of the acquired company is assigned to the asset and liability items as detailed below.

	Thousand of Euros
Business combination cost	6,963
Underlying book value of acquired holdings	3,623
Allocation of fair value:	
Land & Buildings	3,930
Vehicles & machinery	1913
Furniture, fittings & equipment	48
Deferred tax	(1,118)
Total gains allocated	8,396
Negative goodwill	(1,433)

The cost of the business combination of Feramo includes Euro 6.6 million in respect of costs directly attributable to the acquisition, and Euro 0.4 million in respect of the future payment agreed with the former owner of the acquired company, according to a signed contract related to the reallocation of a third company located in Feramo installations.

The negative goodwill of Euro 1,433 thousand has been recorded in the income statement of the year (note 23), which has arisen after the purchase price allocation process and fair valuation of assets and liabilities of the acquired company, which supports the management assessment as regards the fair value of the business and its potential for the future development.

Continued

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

	Feramo Thousand of Euros
Property, plant and equipment	11,588
Inventories	905
Receivables and other current assets	2,207
Cash and cash equivalents	208
Other assets	10
Bank borrowings	(1,399)
Other debt	(3,495)
Trade liabilities	(1,312)
Provisions	(85)
Other liabilities	(231)
Fair value of net assets acquired	8,396

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

Feramo has contributed in Euro 12.7 million and Euro (844) thousand to Group sales and net profit for year 2008, respectively.

The revenue and net profit of Feramo for the period ended 12 May 2008 amount to approximately Euro 6.5 million and Euro 268 thousand, respectively.

(6) Intangible assets

Details of and movements in intangible assets for the year from 1 January 2008 to 31 December 2008 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.

Continued

Details are as follows:

	Trademarks and licences	Other (*)	Total
Year ended 31 December 2007			
Opening net book amount	88	28	116
Additions	295	-	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
Year ended 31 December 2008			
Opening net book amount	289	10	299
Changes in scope of consolidation	-	10	10
Additions	111	-	111
Amortisation charge	(130)	(11)	(141)
Net foreign currency exchange differences	-	(1)	(1)
Closing net book amount	270	8	278
At 31 December 2008			
Cost	631	171	802
Accumulated amortisation and impairment	(361)	(163)	(524)
Net book amount	270	8	278

(*) Others includes R&D expenses

(7) Property, plant and equipment

Details of and movements in property, plant and equipment for the year from 1 January 2008 to 31 December 2008 are shown below.

At 31 December 2008, certain land and buildings are mortgaged to secure the repayment of two loans with an outstanding balance of Euro 22,080 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 assets. The Group entities have taken out insurance, which more than covers the net book value of all the Group's assets.

Continued

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for the year ended 31 December 2008

	Land & Buildings	Vehicles & machinery	Furniture, fittings & equipment	Total
Year ended 31 December 2007				
Opening net book amount	9,615	23,887	2,210	35,712
Additions	96	2,577	267	2,940
Disposals	-	(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
Year ended 31 December 2008				
Opening net book amount	9,500	22,890	2,111	34,501
Changes in scope of consolidation	6,052	5,490	46	11,588
Additions	138	3,940	1,749	5,827
Disposals (*)	-	(8)	-	(8)
Depreciation charge	(342)	(4,188)	(500)	(5,030)
Net foreign currency exchange Differences	(359)	(268)	(3)	(630)
Closing net book amount	14,989	27,856	3,403	46,248
At 31 December 2008				
Cost or valuation	18,130	71,229	5,945	95,304
Accumulated depreciation	(3,141)	(43,373)	(2,542)	(49,056)
Net book amount	14,989	27,856	3,403	46,248

(*) During 2008, the Group has disposed assets amounting Euro 150 thousand which were fully depreciated.

Continued

(8) Investment in associates

There have not been any movements in investment in associates for the year from 1 January 2008 to 31 December 2008. During 2008, Feramo Trans has been acquired as part of the transaction with Feramo Metallum.

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

Name	Country of incorporation	Total Assets	Total Liabilities	Profit/(Loss)	Revenues	% interest Held
December 2008						
EBCC Germany	Germany	60	21	-	-	100%
Feramo Trans	Czech Republic	33	23	1	(*) 105	100%
		93	44	1	105	

(*) More than 50% of the sales of Feramo Trans are done with Feramo Metallum

Name	Country of incorporation	Total Assets	Total Liabilities	Profit/(Loss)	Revenues	% interest Held
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 2008	Thousand of Euros December 2007
Non - Current financial assets		
Interest rate swap	-	233
Current financial assets		
Currency option	-	392
Non - Current financial liabilities		
Interest rate swap	45	-
Currency option	2,221	-
	2,266	-
Current financial liabilities		
Currency option	2,032	-

Continued

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, the Czech koruna and the Euro due to PLN and CZK denominated expenses whereas most of sales are denominated in EUR. Due to the weakening of the Polish zloty against Euro during the second half of the year, the fair value of the currency option for Polish Zloty amounts to a liability of Euro 4,173 thousand at year end (see note 24 and note 33).

(10) Inventories

Details of inventories are as follows:

	Thousand of Euros December 2008	Thousand of Euros December 2007
Raw materials and supplies	4,927	3,726
Work in progress	1,294	1,345
Finished products	4,577	3,495
Payments on account	1	-
	10,799	8,566

There are Euro 107 thousand of write downs in inventories as at December 2008 (31 December 2007: Euro 146 thousand).

(11) Trade and other receivables

Details of debtors are as follows:

	Thousand of Euros December 2008	Thousand of Euros December 2007
Trade receivables	13,091	16,329
Less: provision for impairment of receivables	(364)	(291)
Trade receivables – net	12,727	16,038
Prepayments	349	337
Total	13,076	16,375

All non-current receivables are due within five years from the balance sheet date

Less non-current portion:	1	300
Current portion	13,075	16,075
	13,076	16,375

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

	Thousand of Euro December 2008				
	Within terms	Up to three months overdue	Between three months and one year overdue	More than one year Overdue	Total
Trade and other receivables of which current	10,837	2,095	105	39	13,076
Total	10,837	2,095	105	39	13,076

Continued

	Thousand of Euro December 2007				
	Within terms	Up to three months overdue	Between three months and one year overdue	More than one year Overdue	Total
Trade and other receivables					
of which non-current	300	-	-	-	300
of which current	12,417	3,637	21	-	16,075
Total	12,717	3,637	21	-	16,375

(12) Cash and cash equivalents

	Thousand of Euros December 2008	Thousand of Euros December 2007
Cash at bank and in hand	1,254	1,515
Short-term bank deposits	9,022	8,919
Cash and cash equivalents	10,276	10,434

Due to the weakening of Zloty and due to the negative valuation of the derivative financials instruments, a total amount of Euro 514 thousand have been taken as cash collateral by one bank of a Group company.

(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 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 was 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.

Continued

At 31 December 2008 the share capital of ACE was represented by 22,115,260 registered same type of shares of Euros 0.15 value each. The share capital was fully paid.

As at 31 December 2008, 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 31).

(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.

As at 17 June 2008, the General Meeting approved the partial reimbursement of the share premium in the global amount of Euro 2,433 thousand amounting to Euro 0.11 per share. This amount was paid on 1 September 2008.

(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 24,646 thousand includes as of 31 December 2008 the negative goodwill arising on consolidation of Fuchosa and EBCC amounting to Euro 11,984 thousand, (31 December 2007: Euro 11,984 thousand), the treasury shares (see below) and the profit for year ended 31 December 2007.

(e) Treasury shares

On 17 June 2008 the General Meeting authorised the board of directors of ACE and the corporate bodies of any of the subsidiaries of the ACE Group, as referred to in articles 49-2 and 49-3 of the Luxembourg law of August 10, 1915 on commercial companies as amended, for a maximum period of twelve months as of the date of the Meeting, to purchase shares of ACE S.A. at any time and as many times as it deems appropriate, by any means permitted by law, in a limit of 10% of the subscribed capital.

Continued

The maximum aggregate value of shares that may be acquired by ACE S.A. shall not exceed in total the maximum of Euro 2 million. The aggregate nominal value of shares may not exceed Euro 301 thousand and their number shall not exceed 20,050,010. The shares may be sold or, subject to a decision of the shareholders taken at an extraordinary general meeting cancelled at a later date subject to the provisions of any applicable law or regulation.

The maximum purchase price per share to be paid in cash shall not represent more than Euro 5.37, and no less than Euro 0.15.

Such purchases and sales may be carried out for any purpose authorised or which would come to be authorised by the laws and regulations in force.

All powers are granted to the board of directors of the ACE S.A., with delegation powers, in view of ensuring the performance of this authorization.

The changes in 2008 in the shares of A.C.E. S.A., owned by the Group were as follows:

	Number of shares	Thousand of Euros
At 31 December 2007	-	-
Additions	884,745	549
At 31 December 2008	884,745	549

Detail of and movements in share capital for the year from 1 January 2008 to 31 December 2008 are shown below.

In thousand of Euros, except the number of shares

	Number of shares	Ordinary shares	Share premium	Total
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
Partial reimbursement of share premium	-	-	(2,433)	(2,433)
Other adjustments	-	-	72	72
At 31 December 2008	22,115,260	3,317	6,931	10,248

Continued

(14) Borrowings

Non-current and current borrowings are detailed as follows:

	Thousand of Euros December 2008	Thousand of Euros December 2007
Non-current		
Bank borrowings	12,952	11,503
	12,952	11,503
Current		
Bank overdrafts	4,239	-
Bank borrowings	4,889	2,921
	9,128	2,921
Total borrowings	22,080	14,424

On 23 February 2006, Retorgal on the 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, the agent bank of which is 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% for 2007 and fist half of 2008, and Euribor + 1.25% for second half of 2008. The reduction in the interest rate is due to the compliance of some commitments included in the loan agreement. In order to hedge for the interest rate risk for said loan, the Group contracted an interest rate swap, fixing the variable rate at 3.51% (note9). As of 31 December 2008, the Group has already repaid Euro 4,308 thousand (2007: Euro 2,154 thousand).

On 21 June 2007, Fuchosa and Banco Sabadell agreed a loan of Euros 551 thousand maturing the 30 June 2008. The loan bears an interest of Euribor + 0.5% and it is semi-annually reviewed. As of 31 December 2008, this loan was fully reimbursed.

Continued

On 27 September 2007 the Group company EBCC raised an overdraft of Euro 4,000 thousand maturing the 30 September 2010. Additionally, on 18 April 2008 a new loan with BRE Bank S.A. up to Euro 5,000 thousand was raised maturing the 29 July 2011. Credit for Euro 5,000 thousand bears an interest of 1M Euribor + 0.65% with quarterly instalments, first was paid on 31 October 2008, last to be paid on 29 July 2011. Credit for Euro 4,000 thousand bears an interest of Libor O/N + 0.65% and maturing date 29 September. Both credits are subject to compliance with certain obligations relating to financial ratios. These financial ratios are determined in the agreement and EBCC must provide certain financial information to the bank in order to assess compliance with said 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. At 31 December 2008 the withdrawn amount of these borrowings is Euro 7.9 million.

During 2008, Fuchosa has been granted with two new loans connected to the R&D expenses in 2006 and 2007. The first one was signed at 9 July 2008 amounting Euro 714 thousand. The repayment of the loan starts in 2009 with a maturity date on 31 December 2015. This loan does not bear any interest expenses. The second one was signed with Banco Sabadell on 12 December 2008 for a total amount of Euro 491 thousand. This loan matures on 12 June 2009 and bears an interest rate of 4% payable every three months.

On 1 April 2005, 30 September 2005 and 9 July 2007, Feramo Metallum signed loans agreements for amounts of long term investment loans Euro 675 thousand, CZK 10,000 thousand (approximately Euros 370 thousand) and CZK 10,000 thousand (approximately Euro 370 thousand) respectively. These loans are scheduled to mature on 25 February 2010 the first one, 31 December 2008 the second one and 25 October 2009 the third one. Said loans bear an interest of 3M EURIBOR + 3.30 % p.a. for the first one and 1M PRIBOR + 2.90 % p.a. for the second and third ones. At 31 December 2008, Feramo Metallum has already repaid Euro 494 thousand, CZK 10,000 thousand (approximately Euro 370 thousand) and CZK 6,000 thousand (approximately Euro 220 thousand) respectively.

On 7 March 2008, Feramo Metallum signed a loan agreement for an amount of overdraft facility CZK 13,000 thousand (approximately Euro 484 thousand). The loan matures on 6 March 2009. Said loan bears an interest of 1M PRIBOR + 2.25 % p.a.. At 31 December 2008, Feramo Metallum has already utilised CZK 4,731 thousand (approximately Euro 176 thousand).

On 9 March 2008, Feramo Metallum formalized a loan agreement for an amount of short term revolving loan facility CZK 20,000 thousand (approximately Euro 745 thousand). This loan’s maturity date is scheduled to occur on 6 March 2009. This loan bears an interest of 1M PRIBOR + 2.25 % p.a.. At 31 December 2008, Feramo Metallum has utilised CZK 20,000 thousand (approximately Euro 745 thousand).

Continued

All mentioned Feramo Metallum loan agreements are 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 every quarter and Feramo Metallum must provide certain financial information to the banks in order to assess compliance with these ratios. At 31 December 2008 Feramo has not complied with the financial ratio, and a total amount of Euro 25 thousand has been reclassified into the short term liabilities. These loans agreements are secured by the real estate (land and buildings) of Feramo, its receivables for a total amount of approximately Euro 437 thousand and blank bills of exchange issued by ACE S.A..

As disclosed in note 30, the Group has granted a guarantee in favour of the banks, through the pledge of Fuchosa shares. Additionally, certain properties of the Group secure said loans for an amount of Euro 41 million.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet date is not significant 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 (see note 32):

	Thousand of Euros December 2008	Thousand of Euros December 2007
Lease liabilities	8	44
Other	399	165
	407	209

Continued

(16) Deferred tax assets and liabilities

The main deferred tax liabilities and assets recognised by the Group as of 31 December 2008 are as follows:

	Thousand of Euros December 2008	Thousand of Euros December 2007
Deferred tax assets:	1,261	624
	1,261	624
Deferred tax liabilities:	(3,389)	(1,862)
	(3,389)	(1,862)
	(2,128)	(1,238)

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

	Thousand of Euros December 2008	Thousand of Euros December 2007
Beginning of the year	1,238	2,878
Changes in scope of consolidation	1,312	
Adjustment of deferred tax liabilities	-	(2,914)
Income statement charge (see note 25)	(359)	-
Reclassification form current tax liabilities	-	904
Deferred tax relating to fixed assets	-	370
Exchange differences	(63)	-
End of the year	2,128	1,238

The companies forming part of the Group had tax loss carry-forwards to be offset against future tax profits amounting to Euro 1,436 thousand as of December 2008. This amount as of December 2007 was approximately Euro 252 thousand. The remaining tax loss carry-forward can be utilised during next five years for a total amount of Euro 615 thousand (capitalized in the balance sheet) and indefinitely for Euro 821 thousand.

Continued

(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
Additional provisions	-	106	-	237	343
Unused amounts reversed	(128)	-	(50)	(75)	(253)
At 31 December 2007	-	425	527	535	1,487
Changes in scope of consolidation	-	-	-	85	85
Additional provisions	-	-	191	112	303
Unused amounts reversed	-	(324)	(183)	(71)	(578)
Used during year	-	-	(67)	(245)	(312)
At 31 December 2008	-	101	468	416	985

Analysis of total provisions:

	December 2008	December 2007
Non-current	101	318
Current	884	1,169
	985	1,487

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.

Other provisions relates to the provision needed to meet likely or known liabilities arising from lawsuits in progress, and for unquantified indemnification and contingencies or other similar guarantees. These provisions are recorded when the obligation or liability determining the indemnification or payment arises.

Continued

(18) Trade and other payables

Details are as follows:

	Thousand of Euros December 2008	Thousand of Euros December 2007
Trade payables	14,323	12,942
Current tax liabilities	953	2,105
Amounts due to related parties	-	9
Accrued expenses	375	213
	15,651	15,269

(19) Revenues

The distribution of consolidated net revenues for the twelve months ended 31 December 2008 by business segments is as follows:

	Thousand of Euros 2008	Thousand of Euros 2007
Products		
Iron castings	55,591	44,594
Aluminium castings	33,459	36,913
Others	5,345	4,352
	94,395	85,859

The geographical distribution of the consolidated sales is as follows:

	Thousand of Euros 2008	Thousand of Euros 2007
Western Europe	56,147	52,632
Eastern Europe	37,756	33,155
Other countries	492	72
	94,395	85,859

Continued

Concentration risk

As mentioned in note 3 (a), the main characteristic of the braking system market is its concentration of customers among three Tier 1 companies. Approximately 87% of the revenues are made with said customers. However, the management does not consider a significant risk, as said customers are considered solvent enough.

(20) Selling and distribution costs

Details of distribution costs are as follows:

	Thousand of Euros 2008	Thousand of Euros 2007
Transportation costs	1,738	1,948
Packaging expenses	170	373
Salaries and wages Sales	471	160
Other distribution costs	123	291
	2,502	2,772

(21) General and administration Expenses

Details of administrative expenses are as follows:

	Thousand of Euros 2008	Thousand of Euros 2007
Wages and salaries	5,475	4,890
External services	3,057	2,933
Depreciation and amortisation	843	555
Renting	344	295
Other administrative expenses	1,803	1,018
	11,522	9,691

Continued

The Group headcount at 31 December 2008 is as follows:

	Headcounts December 2008	Headcounts December 2007
Managers	33	21
Administrative employees	122	101
Workers	738	561
	893	683

The increase in total headcounts is due to the acquisition of the Group company Feramo with 252 employees. As a consequence of this acquisition, the average cost per employee has been reduced in comparison to previous years.

(22) Other Operating Income

Details are as follows:

	Thousand of Euros 2008	Thousand of Euros 2007
Income from subsidies	435	203
Insurance reimbursement	28	42
Income from release of write-downs	587	98
Other operating income	203	183
	1,253	526

(23) Negative goodwill

As mentioned in note 5, a negative goodwill has arisen due to the acquisition of Feramo. The difference between the purchase price allocation and the fair valuation of assets and liabilities has been recorded in the income statement amounting Euro 1,433 thousand.

Continued

(24) Net financial result

Details are as follows:

	Thousand of Euros 2008	Thousand of Euros 2007
Interest income:		
- Interest on deposits	677	1,025
	677	1,025
Interest expense from third parties:		
- Bank borrowings	(1,035)	(1,318)
- Other interest expenses and charges	(104)	(335)
	(1,139)	(1,653)
Net foreign exchange transaction gains/(losses):	(647)	488
Net profit from derivative financial instruments:		
- Forward foreign exchange contracts	(4,645)	157
- Interest rate swaps	(278)	93
	(4,923)	250
	(6,032)	110

As mentioned in note 9, the total losses regarding the valuation of the derivative financial instruments related to currency option for the Polish Zloty amounting Euro 4,568 thousand has been recorded as financial losses (see note 33).

Continued

(25) Income tax expense / (income)

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%, Czech Republic: 20%)

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

	Thousand of Euros 2008	Thousand of Euros 2007
Profit before tax	159	10,541
Tax at the domestic income tax rate	47	3,123
Effect of different tax rates	(33)	(570)
Effect of tax deductions	(544)	(519)
Effect of decreased Spanish corporate tax rate	-	(10)
Effect of non tax deductible cost	(121)	118
Use of losses carry-forwards not recognized	-	(295)
Others	480	-
	(171)	1,847
Income tax expense / income and effective tax rate		
Thereof		
Current tax expense	188	1,715
Deferred tax expense / (income) (note 16)	(359)	132
	(171)	1,847

In others it is included the effect of the different functional currency in IFRS and Local GAAPs of the Group company EBCC, affecting mainly to the value of the fixed assets and driven by the weakening of zloty.

As far as the effective tax rate is concerned, the rate as of 31 December 2008 is -79.43% (31 December 2007: 17.52%).

Continued

(26) 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 2008	December 2007
Net profit for the year (thousands of Euros)	330	8,694
Weighted average number of ordinary shares for the purpose of basic earnings per share	22,056,529	21,254,777
Basic earnings per share (Euros)	0.01	0.41

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

	December 2008	December 2007
Weighted average number of ordinary shares in circulation at the end of the year	22,056,529	21,254,777

(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.

	December 2008	December 2007
Net profit for the year (thousands of Euros)	330	8.694
Weighted average number of ordinary shares plus the effect of dilutive options	23,059,034	21,964,884
Diluted earnings per share (Euros)	0.01	0.40

Continued

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 2008	December 2007
Weighted average number of ordinary shares used in the calculation of basic earning per share	22,056,529	21,254,777
Shares deemed to be issues for no consideration in respect of employee options	1,002,505	1,002,505
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	23,059,034	21,964,884

(27) Operating lease arrangements

At 31 December 2008 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 344 thousand have been recognised as an expense for the year from 1 January 2008 to 31 December 2008 (31 December 2007: 221).

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

	Thousand of Euros 2008	Thousand of Euros 2007
Up to 1 year	265	221
Between 1 and 5 years	639	86
	904	307

Continued

(28) 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 2008	Thousand of Euros 2007
Up to 1 year	3	44
Between 1 and 5 years	1	-
	4	44

(29) 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. The directors are entitled to all rights on said shares.

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

Details of remuneration received by the Company's directors for the year from 1 January 2008 to 31 December 2008 are as follows:

	Thousand of Euros 2008	Thousand of Euros 2007
Short-term remuneration	680	698
Of which salary	*670*	*668*
Of which bonus	*10*	*30*
Share based payments and ESOP	-	376
Total, directors of the Company	680	1,074

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 2008.

Continued

(30) Contingent Liabilities

(a) Legal dispute between Feramo Metallum International, s.r.o and J.J. International s.r.o.

The dispute in question concerns the member's distribution share of 49% owned by J.J. International s.r.o after its bankrupt on 16 December 1997 as part of the bankrupt's assets, in compliance with legal regulations in effect before the "large-scale amendment" of the Civil Code in 2000.

The original dispute concerned CZK 250,000 thousand (approximately Euro 9,311 thousand). Currently the disputed amount is approx. CZK 13,156 thousand (approximately Euro 490 thousand) for the principal plus 21% of interest on this principal amount from 1998 and differential interests of 9% on the already paid amount (CZK 7,398 thousand from 1998 approximately Euro 276 thousand).

The legal dispute was decided in common two instance processes at 1 April 2008, which affirmed the previous first instance judgement on merits at 12 December 2006. The original judgement amount at 12 December 2006 was CZK 7,398 thousand (Euro 276 thousand) with the default interest of 12% from 25 March 1999, which corresponded to the amount recognised by Feramo and that this company already paid during last exercise.

In July 2008, the claimant lodged an extraordinary appeal (appellate review) and the case is now pending at the Supreme Court of the Czech Republic at the stage of the extraordinary appellate (appellate review) proceedings. According to the company management, and considering the fact that the two judgements affirmed the settlement and distribution supported by Feramo, the extraordinary appeal would be dismissed and consequently the Group has not accrued any amount regarding this legal dispute.

(b) Legal dispute between Feramo and the heirs of a former shareholder

The claimed legal title to the disputed amount of CZK 30.364 thousand (approximately Euro 1,131 thousand) plus interest of 21% until its repayment means the right to the distribution share in Feramo of the claimants as heirs of former shareholder, who died in 1997, and owned 25.5% of the company shares.

According to the company management, the due settlement and distribution by agreement was done for both heirs on 8 November 1999, after the Feramo's auditor had calculated the distribution share for heirs, upon request from the company, at CZK 3,568 thousand (approximately Euro 133 thousand), which was paid to the heirs. Furthermore, any and all new claims lodged in autumn 2007, would anyway be subject to limitation. Finally, the disputed amount is based on improper calculation with respect to the then applicable legislation on the distribution share determination.

Continued

The legal dispute has now only commenced and it may last, unless the action was withdrawn, even several years. The company management considers that the probability of success of the claimant is low, so that the management has not recorded any provision.

(c) Pledge of assets and shares

As mentioned in note 14 as part of the long term financing of the Group, 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.

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.

(31) Share-based payments

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.

At 31 December 2008, the Group has not accrued any amount for this concept.

Continued

(32) Financial Instruments

The Group risk is managed in a 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.

Amounts in Euro thousands

December 2008

	Receivables at cost	Derivatives used for hedging at fair value	Financial assets and liabilities at cost	Total fair value of financial instruments
Assets:				
Trade and other receivables (note 11)				
- current	13,075	-	-	13,075
Cash and cash equivalents (note 12)				
- cash at bank and in hand	-	-	1,254	1,254
- short term bank deposits	-	-	9,022	9,022
Total	13,075	-	10,276	23,351

Continued

Liabilities:				
Borrowings (note 14)				
- non-current	-	-	12,952	12,789
- current	-	-	9,128	9,128
Derivative financial instruments (note 9)				
- non-current	-	2,266	-	2,266
- current	-	2,032	-	2,032
Trade and other payables (note 18)	-	-	15,651	15,651
Other current liabilities (note 15)	-	-	407	407
Total	-	4,298	38,138	42,273

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	-	233	-	233
- current	-	392	-	392
Trade and other receivables (note 11)				
- non-current	300	-	-	300
- current	16,075	-	-	16,075
Cash and cash equivalents (note 12)				
- cash at bank and in hand	-	-	1,515	1,515
- short term bank deposits	-	-	8,919	8,919
Total	16,375	625	10,434	27,434
Liabilities:				
Borrowings (note 14)				
- non-current	-	-	11,503	11,736
- current	-	-	2,921	2,921
Trade and other payables (note 18)	-	-	13,164	13,164
Other current liabilities (note 15)	-	-	209	209
Total	-	-	27,797	28,030

Continued

Receivables at cost

The fair value of the receivables are assumed to approximate the carrying amounts either due to short term maturity of the instruments or the rewardless 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.

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 sum of the carrying amount plus the fair value of the interest rate swap used for hedging purposes disclosed as a long term derivative instrument (see note 9), due to the fact that interest are calculated at floating rate (EURIBOR plus a margin).

- 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.

Continued

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.

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 2008

	Due within 12 months	Due between 1 and 5 years	Due after 5 year
Bank borrowings (note 14)	9,128	12,860	92
Trade and other payables (note 18)	15,651	-	-
	24,779	12,860	92

December 2007

	Due within 12 months	Due between 1 and 5 years	Due after 5 year
Bank borrowings (note 14)	2,921	8,419	3,084
Trade and other payables (note 18)	15,269	-	-
	18,190	8,419	3,084

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 Czech Koruna and Polish Zloty, with Euro as well as any interest rate (Euribor) movement. In this sense, at 31 December 2008 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 been approximately Euro 1 million higher or lower respectively (2007 unchanged), mainly driven by the valuation of the remaining hedging contract at its fair value. During the current year the Group has hired four new foreign exchange derivative instruments. Regarding Czech Koruna, at 31 December 2007 if the Czech Koruna had weakened or strengthened five per cent against the Euro, with all other variations remaining constant, profit after tax for the year and equity would not been changed. In the same way, at 31 December 2008 if the Euribor at that date had been 25 basis points lower or higher, with all other variables held constant, profit after tax for the year and equity would have been unchanged (2007 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 product, such price being reviewed every month 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.

e) Capital Risk

The Group manages its capital to ensure the business continuity of its companies and at the same time to maximize the profitability for its shareholders via an optimal balance between debt and equity. The Group periodically reviews the capital structure to set out the guidelines as regards investment and finance needs.

(33) Subsequent Events

On February 19, 2009 the Group company EBCC Sp. z o.o. signed an agreement with BRE Bank S.A. as regards cancelation of outstanding derivative financial instruments. The agreement assumes full cancelation in 2009 and partial cancelation in 2010 of 4 outstanding hedging contracts with BRE for total amount of 15.3Mio PLN, at a level 4.669 zloty per euro (approximately Euro 3.2 million) and it represents the closing of around half of Group financial exposure to polish zloty at same exchange rate.

The cancelation will be financed with a loan granted by BRE Bank S.A. in the amount of Euro 2.0 million, maturing in the end of 2013. The rest of cancelation costs beyond Euro 2.0 million will be financed by EBCC. Debt repayment

Continued

schedule assumes significantly lower financial exposure in 2009 in exchange of higher instalments in future. All other debt parameters are at current market conditions. At the same time EBCC Sp.zo.o obtained a waiver for loans with BRE for the next twelve months due to the breach of covenants at balance sheet date, and the existing investment loan facility has been extended by nearly 2 years up to mid 2013.

The main purpose of this agreement is to reduce exposure of EBCC to volatility of zloty/euro exchange rate and risk of further weakening of zloty, but also to lower debt reimbursements in 2009.

On 7 March 2009, Feramo Metallum renewed two of the bank debt which were maturing at that day. The overdraft facility of CZK 13,000 thousand (approximately Euro 484 thousand) was renewed as a revolving loan facility for the same amount, bearing an interest of 1M PRIBOR + 2.65% and a maturity date on 5 March 2010. The short term revolving loan facility of CZK 20,000 thousand (approximately Euro 745 thousand) was renewed as a loan facility for the same amount, bearing an interest of 1M PRIBOR + 2.85%, with monthly instalments starting on 20 October 2009 and maturity date on 20 April 2012. These loan agreements are subject to compliance with certain obligation relating to financial ratios which should be reported quarterly, and they keep the same pledge than the former agreement.

Continued

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

BUSINESS SEGMENTS
(expressed in thousands of Euros)

	Iron casting December 2008	Aluminium casting December 2008	Others/Unallocated December 2008	Consolidated December 2008
Revenues from third parties	55,591	33,459	5,345	94,395
Total revenues	**55,591**	**33,459**	**5,345**	**94,395**
Profit for the segment	**2,609**	**2,624**		**5,233**
Other unallocated (expense) income			(475)	(475)
Operating profit				**4,758**
Negative goodwill				**1,433**
Net financing cost				**(6,032)**
Income tax				171
Profit for the year				**330**
Segment assets	**47,083**	**34,798**	--	81,881
Unallocated assets			77	77
Total assets				**81,958**
Segment liabilities	**28,071**	**18,577**	--	46,648
Unallocated liabilities			537	537
Total liabilities				**47,185**
Other information:				
Amortisation and depreciation	2,052	3,118	1	5,171
Additions for the year of property, plant & equipment & intangible assets	763	5,171	4	5,938

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 2008	Eastern Europe December 2008	Others December 2008	Consolidated December 2008
Revenues to third parties	**56,147**	**37,756**	**492**	**94,395**
Assets by segment	**33,522**	**48,436**	**-**	**81,958**
Other information:				
Additions for the year of property, plant & equipment & intangible assets	707	5,231	-	5,938

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 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	2,940

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

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

Annual Accounts and
Report of the Réviseur d'entreprises
For the year ended
December 31, 2008

A.C.E., Automotive Components Europe S.A.
Société Anonyme
Share Capital: EUR 3 317 289
COMPANY INFORMATION

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

A.C.E., Automotive Components Europe S.A.
Société Anonyme
Share Capital: EUR 3 317 289

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REPORT OF THE REVISEUR D'ENTREPRISES

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

Following our appointment, we have audited the accompanying annual accounts of ACE S.A., which comprise the balance sheet as at December 31, 2008 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 the 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, 2008, 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

8 April 2009

A.C.E., Automotive Components Europe S.A.
Société Anonyme
Share Capital: EUR 3.317.289
BALANCE SHEET
As at December 31, 2008
(expressed in EUR)

ASSETS

	Note	31.12.2008	31.12.2007
FORMATION EXPENSES	3	987.100	1.343.239
		987.100	1.343.239
FIXED ASSETS			
Tangible fixed assets		4.844	1.550
Financial assets	4	12.994.801	13.032.005
		12.999.645	13.033.555
CURRENT ASSETS			
Debtors	5	731.491	662.597
Own shares	6	548.612	-
Cash at bank or in hand		3.149.842	66.915
		4.429.945	729.512
		18.416.690	**15.106.306**

The accompanying notes form an integral part of these annual accounts.

A.C.E., Automotive Components Europe S.A.
Société Anonyme
Share Capital: EUR 3.317.289
BALANCE SHEET
As at December 31, 2008
(expressed in EUR)
- continued -

LIABILITIES

	Note	31/12/2008	31/12/2007
CAPITAL AND RESERVES	6		
Subscribed capital		3.317.289	3.317.289
Share premium account		7.821.813	10.803.103
Reserve for own shares		548.612	-
Accumulated results		(252.187)	(97.974)
Profit or loss for the financial year		6.133.537	(154.213)
		17.569.064	13.868.205
PROVISIONS FOR LIABILITIES AND CHARGES			
Tax provisions		38.122	62
Other provisions	7	453.719	306.862
		491.841	306.924
CREDITORS	8	355.785	931.177
		355.785	931.177
		18.416.690	**15.106.306**

The accompanying notes form an integral part of these annual accounts.

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, 2008
(expressed in EUR)

CHARGES

	Note	31/12/2008	31/12/2007
Value adjustment in respect of formation expenses	3	284.839	189.951
Value adjustment in respect of tangible fixed assets		970	81
Staff costs	9	7.894	4.580
Other operating charges		1.099.018	712.085
Interest payable and similar charges	10	453.191	20.842
Extraordinary charges		-	2.230
Profit for the financial year		6.133.537	-
		7.979.450	**929.769**

INCOME

	Note	31/12/2008	31/12/2007
Other operating income		621.400	517.750
Other interest receivable and similar income	11	7.346.637	249.097
Extraordinary income		11.413	8.709
Loss for the financial year		-	154.213
		7.979.450	**929.769**

The accompanying notes form an integral part of these annual accounts.

A.C.E., Automotive Components Europe S.A.
Société Anonyme
Share Capital: EUR 3.317.289
NOTES TO THE ANNUAL ACCOUNTS
December 31, 2008

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 1^{st} of January and terminates on the 31^{st} 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 annual accounts 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 annual accounts 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, 2008, formation expenses are depreciated over 5 years and include fees in relation with the incorporation of the Company.

	2008 EUR	2007 EUR
Gross book value - opening balance	25.538	25.531
Additions for the period	-	7
Gross book value - closing balance	25.538	25.538
Amortisation - opening balance	7.449	3.901
Amortisation for the period	5.107	3.548
Amortisation - closing balance	12.556	7.449
Net book value - opening balance	18.089	21.630
Net book value - closing balance	12.982	18.089

3.2. OTHER FORMATION EXPENSES

As at December 31, 2008, other formation expenses are depreciated over 5 years and include fees in relation with the IPO:

	2008 EUR	2007 EUR
Gross book value - opening balance	1.511.554	-
Additions for the period	-	1.511.554
Correction for the period	(71.300)	-
Gross book value - closing balance	1.440.254	1.511.554
Amortisation - opening balance	186.404	-
Amortisation for the period	279.732	186.404
Amortisation - closing balance	466.136	186.404
Net book value - opening balance	1.325.150	-
Net book value - closing balance	974.118	1.325.150

The correction of the gross book value in 2008 had been done due to a higher refund of VAT as initially estimated.

NOTE 4 - FINANCIAL FIXED ASSETS

The financial fixed assets are composed by the following elements:

	2008 EUR	2007 EUR
Shares in affiliated undertakings	9.994.802	3.032.006
Loans to affiliated undertakings	2.999.999	9.999.999
	12.994.801	**13.032.005**

The movement of the year correspond to:
- On 12 May 2008 the Company acquired 100% of Feramo Metallum International s.r.o. and Feramo Trans s.r.o. located in Brno (Czech Republic).

- In the Year 2008, EBCC Sp. z o.o. completely paid back the loan of EUR 7.000.000.

The shares in affiliated undertakings are summarized as follows:

Name	Country	Ownership %	Book value 2008 EUR	Book value 2007 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
Feramo Metallum International s.r.o. Feramo Trans s.r.o.	Czech Republic Czech Republic	100% 100%	6.962.796	-
			9.994.802	**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.	31/12/2008	9,139,000	2,467,000
EBCC Sp. z o.o.	31/12/2008	15,603,000	(2,532,000)
Feramo Metallum International s.r.o.	31/12/2008	7,101,000	(844,000)
Feramo Trans s.r.o.	31/12/2008	10,000	1,000

* as reported under IFRS

The loans to affiliated undertakings are summarized as follows:

Name	Country	Book value 2008 EUR	Book value 2007 EUR
Fuchosa S.L.	Spain	2.999.999	2.999.999
EBCC Sp. z o.o.	Poland	-	7.000.000
		2.999.999	**9.999.999**

The loans are bearing interest (note 5).

The board of directors is of the opinion that there is no permanent diminution in the value of the investments held as at December 31, 2008.

NOTE 5 - DEBTORS

The debtors comprise the following:

Less than 1 year	2008 EUR	2007 EUR
Interest on loans to affiliated undertakings	79.000	155.510
Fees for services rendered to affiliated undertakings	613.400	417.750
Other debtors	39.091	89.337
Total debtors	**731.491**	**662.597**

According to a subordinated loan agreement signed on 18 February 2009, a total amount of Euro 608 thousand recorded in Fees for services rendered to affiliated undertakings will be recovered in the long term.

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

	2008 EUR	2007 EUR
Interest on loan Fuchosa S.L.	79.000	46.587
Interest on loan EBBC Sp. z o.o.	-	108.923
	79.000	**155.510**

NOTE 6 - CAPITAL AND RESERVES

Subscribed capital

On 01/01/2008 the Company had a subscribed and fully paid in capital of EUR 3.317.289 represented by 22.115.260 shares with a par value of EUR 0,15. The authorized capital is EUR 3.759.393.

The capital and reserves at year end are summarized as follows:

	Subscribed Capital	Share premium account	Reserve for own shares	Retained earnings	Result of the year
	EUR	EUR	EUR	EUR	EUR
As at 31 December 2007	3.317.289	10.803.103	-	(97.974)	(154.213)
Allocation of year result				(154.213)	154.213
Capital increase					
Result of the year					6.133.537
Partial reimbursement of share premium		(2.432.678)			
Reserve for own shares		(548.612)	548.612		
As at 31 December 2008	3.317.289	7.821.813	548.612	(252.187)	6.133.537

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.

Share premium

As approved by the Annual General Meeting of Shareholders dated 17 June 2008, the Company made in the year 2008 a partial reimbursement of share premium for the amount of EUR 2.432.678.

The same Annual General Meeting of the Shareholders authorised the board of directors of the Company, for a maximum period of twelve months as of the date of this Meeting, to purchase shares of the Company, up to a maximum of two millions euros. The purchase may be charged to the year’s earnings and/or to unrestricted reserves or share premium.
As at 31 December 2008, own shares acquired amounts to EUR 548.612.

Reserve for own shares

As authorised by the Annual General Meeting of Shareholders and in accordance with legal requirements as per article 49-2 of the Law of 10 August 1915 on commercial companies, the Company allocated in the year 2008 EUR 548.612 to the reserve for own shares corresponding of the amount of own shares acquired during the year.

NOTE 7 - OTHER PROVISIONS

As at December 31, 2008 the other provisions comprises the following:

	2008 EUR	2007 EUR
Provisions for accounting & audit fees	54.980	73.500
Provisions for fees in relation with Feramo purchase	389.957	-
Provisions for administrative and consulting fees	4.000	233.362
Provisions for webpage fees	782	-
Provisions for interests	4.000	-
	453.719	306.862

NOTE 8 - CREDITORS

As at December 31, 2008, the creditors comprise the following:

	Less than 1 year EUR	After 1 year and within five years EUR	Total December, 31 2008 EUR	Total December, 31 2007 EUR
Trade creditors	29.749	-	29.749	445.008
Amounts owed to affiliated undertaking	311.470	-	311.470	317.673
Other creditors	14.566	-	14.566	168.496
Total creditors	**355.785**	**-**	**355.785**	**931.177**

On December 5, 2006, a Credit Facility Agreement has been entered into between Fuchosa, S.L., as Lender and Automotive Components Europe S.A., as Borrower, for a maximum amount of EUR 500.000. This agreement has been signed for a duration of 5 years as from December 5, 2006 and will henceforth expire on December 5, 2011. Interest rate for the Credit Facility shall be Euribor + 1%. A drawdown of EUR 50.000 was made with value date on December 22, 2006. Further draw downs of EUR 50.000 with value date on March 20, 2007, EUR 100.000 with value date on January 11, 2008 and EUR 100.000 with value date on March 26, 2008 were made. In the year 2008 the Company paid the complete loan back to the lender.

On March 20, 2007, a Loan Facility Agreement has been entered into between EBBC Sp. z o.o., as Lender and Automotive Components Europe SA, as Borrower, for a maximum amount of EUR 250.000. This agreement was signed for a duration of 5 years as from March 20, 2007 and will henceforth expire on March 20, 2012. Interest rate for the Credit Facility shall be Euribor + 1%. A drawdown of EUR 100.000 was made with the value date on March 26, 2007. A further drawdown of EUR 100.000 was made with the value date on October 23, 2007. In the year 2008 the Company paid the complete loan back to the Lender.

NOTE 9 - STAFF

The Company employed two persons during the year.

NOTE 10 - INTEREST PAYABLE AND SIMILAR CHARGES

	2008 EUR	2007 EUR
Concerning affiliated undertakings	15.338	9.611
Other interest payable and charges	437.853	11.231
Total	**453.191**	**20.842**

NOTE 11 - OTHER INTEREST RECEIVABLE AND SIMILAR CHARGES

	2008 EUR	2007 EUR
Derived from affiliated undertakings	7.265.725	155.510
Other interest receivable and similar income	80.912	93.587
Total	**7.346.637**	**249.097**

The Company received in the year 2008 a dividend of EUR 3.885.709 from Fuchosa S.L. and a dividend of EUR 3.144.384,74 from EBBC Sp. z o.o..

NOTE 12 - OFF-BALANCE SHEET COMMITMENTS

The shares held in Fuchosa S.L. are subject to a pledge in favor 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.

NOTE 13 - DIRECTOR FEES

Directors fees paid for the year ended December 31, 2008 amount to EUR 54.000 (2007:18.000). The company did not grant any advances or loans to the Directors during the year.