ANNUAL REPORT

2013

ACE
AUTOMOTIVE COMPONENTS EUROPE

Auditor: **Deloitte** (Luxembourg)

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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 38, boulevard Napoléon 1er, L-2017 Luxembourg, Grand Duchy of Luxembourg. On 22 February 2013 the Board of Directors of the Company, pursuant to Article 2.1 of the Articles of Association, took a resolution transferring on 25 February 2013 the registered office of the Company within the boundaries of the municipality of Luxembourg City, from its previous location at 82, route d'Arlon, L 1150 Luxembourg.

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

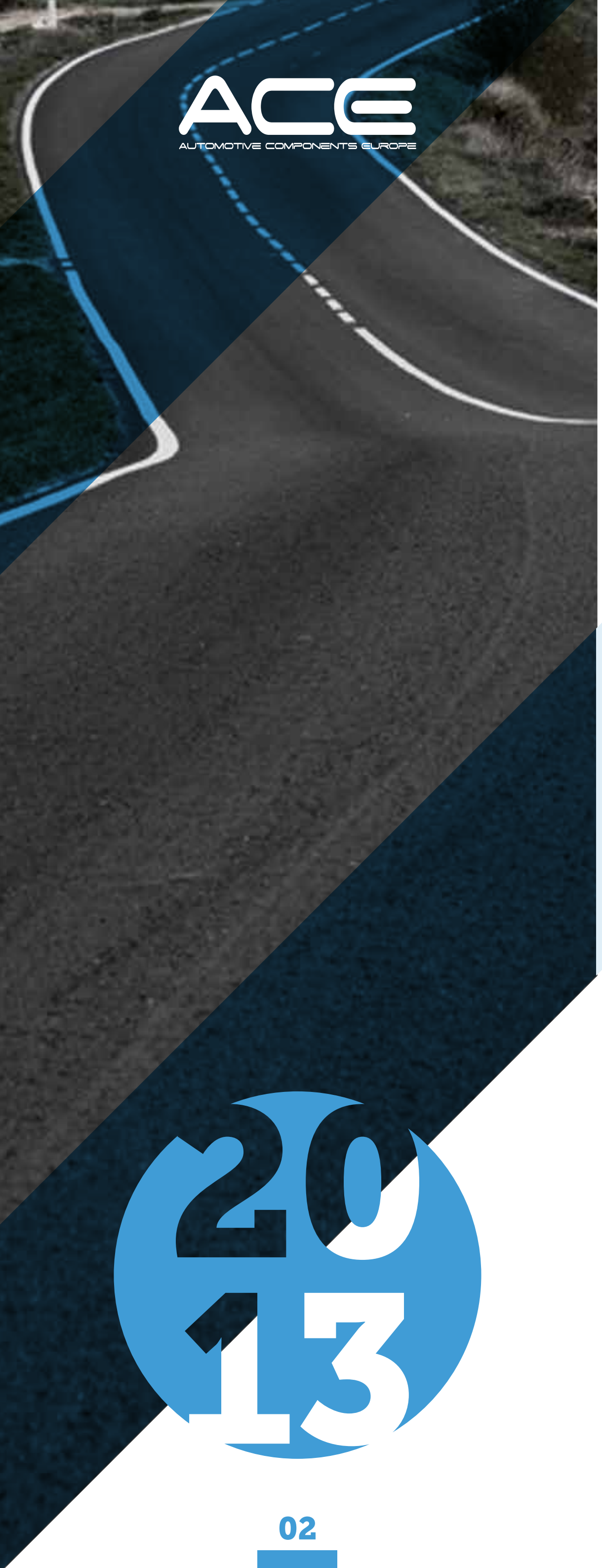
ACE is a specialised supplier to the European automotive industry, with a leading position in brake system components, focusing on the manufacture of iron anchors (a safety component of disc brake systems, responsible for fixing the brake module to the chassis) and aluminium callipers (a component of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

Mission

Our mission is to meet the needs of our customers in a sustainable manner through the supply of Best in Class products and services supported by highly skilled staff, motivated for continuous personal and professional development, ensuring cost effectiveness and attractive pricing.

Vision

We seek to be a leader in the automotive components market, recognised by our customers, employees, shareholders and environment as an international reference.



Key Figures

(EUR '000 except per-share and employment figures)	2013	2012	% Change
Revenues from Sales	100,843	98,618	2.3%
Gross Profit	19,453	17,011	14.4%
Operating Profit	4,463	3,057	46.0%
Net Profit	1,936	2,372	-18.4%
Net Profit per share	EUR 0.09	EUR 0.11	-18.2%
Cash Flow from Operations	8,737	4,804	81.9%
Cash Flow from Investments	-5,131	-11,469	-55.3%
Cash Flow from Financial Activity	-7,837	- 996	686.8%
Net Cash Flow	-4,752	-8,671	-45.2%
Current Assets	31,172	35,995	-13.4%
Fixed Assets	45,593	47,137	-3.3%
Total Assets	76,765	83,132	-7.7%
Long-term Liabilities	17,204	22,087	-22.1%
Short-term Liabilities	21,860	20,354	7.4%
Liabilities	39,064	42,441	-8.0%
Net Debt	12,145	11,119	9.2%
Shareholders' Equity	37,701	40,691	-7.3%
Book Value per share	EUR 1.78	EUR 1.92	-7.3%
Employees	735	777	-5.4%
EBITDA Margin	10.3%	8.4%	22.6%
Operating Profit Margin	4.4%	3.1%	41.9%
Net Profit Margin	1.9%	2.4%	-20.8%

PLN/EUR	Average	High	Low	Period end
2012	4.1852	4.5135	4.0465	4.0882
2013	4.1976	4.3432	4.0671	4.1472

Source: National Bank of Poland

CZK/EUR	Average	High	Low	Period end
2012	25.1435	25.9600	24.4350	25.1400
2013	25.9741	27.7200	25.2250	27.4250

Source: Czech National Bank

Major Events in 2013

23 April 2013 – Publication of the 2012 Annual Report.

18 June 2013 – Annual General Meeting of Shareholders. Approval of the dividend distribution and a second buyback.

1 July 2013 – Initiation of the second buyback programme.

23 July 2013 – Dividend payout for full-year 2012.

30 August 2013 – Publication of the interim report for the first half of 2013.

President and CEO's Letter

Dear Shareholders, Employees and Customers,

In my last year's letter to shareholders I highlighted that "Our goal is to present measurable positive effects of both of last year's investments even in 2013, with further acceleration of profit generation in the following years—even if the automotive market situation is far from full recovery." And I am very proud to say that 2013 was a very strong year for ACE, delivering on most of the objectives that we challenged ourselves to achieve.

From an automotive market point of view 2013 was the sixth consecutive year of slowdown in sales and production, which dropped by an additional 2% and 1% respectively. But there was visible improvement in the market sentiment during the year, and both sales of cars and their production entered the growth path in the second half. In this still challenging environment our automotive segment managed to outperform the market once again and grew in volume terms by a remarkable 6.6% in full-year 2013.

Our main operational focus in 2013 was the efficiency programme aimed at productivity, quality and profitability improvement of the new line installed at our Spanish plant in September 2012 and preparations for the production start-up of the new investment in the Czech plant. Both goals were successfully achieved during 2013, but I must say that in the case of the Czech plant we had to face more challenging technical issues that we previously expected, which caused some delay in the operational commencement date. However, with the strong effort of our team we managed to find the best solutions and prepare the Czech plant for serial production of automotive parts starting from the first quarter of 2014.

There is no question that last year consolidated growth was to a great extent driven by our Spanish plant, Fuchosa, which now represents a perfect mixture of positive factors: growing demand for nodular iron castings, plus engineering and sales proficiency, utilising the higher product mix capabilities of the new equipment. Last year volume sales of nodular iron products there grew by 9%, approaching almost the full capacity of the facility, but with efficiency levels not previously achievable for the plant before the investment. Meanwhile our Polish plant was performing on the market level which was expected due to the change of the product mix, but its profitability is also on a growth path and will be further improving in future in line with growing machining of current business and castings of front callipers.

Our 5.7% growth in consolidated sales volumes transformed into a much lower 2.3% growth in consolidated

turnover, which was strongly limited by declining prices of raw materials and changes in the product mix. However, on an operational level we managed to achieve spectacular consolidated growth even under temporary pressure from the strong financial underperformance of the Czech facility. In these circumstances, I am sure that full-year growth of the gross profit by over 14%, EBITDA by almost 26% and operating profit by 46% is a great achievement and a solid base for their further growth in the following years. There is no doubt that we will be able to continue last year's growth scenario even in 2014, after the financial turnaround of the Czech plant, which is expected to reach its monthly break-even by the end of this year.

After six consecutive years of automotive market decline, 2014 is the first year in which both independent analysts and automotive sales force forecasts call for growth in terms of sales but also in production, which is the main driver of our demand. During this long slowdown period we did our homework well, modernising facilities, growing capacity and significantly improving productivity. And I strongly believe that ACE is more than well prepared to benefit from the expected growth in market demand. But on the other hand, our goal is not to take advantage only of what we did in the past or are working on now, but we are constantly focused on further dynamic growth of the business, expansion of production capabilities and introduction of new products and technologies. This may be done through acquisitions, but mostly through organic expansion of each of our production plants. For these purposes, we intend to devote most of our future managerial efforts toward financing this expansion mostly from free cash generated by ACE in the following years.

I would like to thank our employees for their hard and dedicated work during the year 2013, bringing ACE forward to where we are today. I would also like to take this opportunity to express my sincere gratitude to our shareholders, customers and investors for their support, valuable cooperation and commitment in 2013.

Luxembourg, 30 April 2014

José Manuel Corrales

President and 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, the ACE Group is limiting its operations to Europe, where it has a strong position and a 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 the performance of the Company's shares because of close-knit relationships in the supply chain structure.

The latest LMC Automotive forecast for 2014, issued in April 2014, predicts an increase of new car sales in Western Europe by about 3.5%, corresponding with a production growth of around 4.1% (source: PwC Autofacts April 2014 including commercial light vehicles), or 3.4% for Pan-Europe due to the potential impact in Easter Europe caused by the political instability in this region. PwC forecast is slightly upgraded in the European Union compared with the one issued one quarter ago, where expected increase was 3.6%, but in Pan-Europe declined from previous 4.5% as a result of stagnation expected in Eastern Europe now.

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

TIER 2	TIER 1	OEM
Suppliers of components like castings and machining	Suppliers of complete brake platforms. Involved in machining of Tier 2 products	Car assembly using complete platforms
ACE	BOSCH, TRW, Continental TEVES, brembo	CITROËN, BMW, Nissan, Škoda, Fiat, Volvo, Audi, Ford, Alfa Romeo, SEAT, Mazda, VW, Toyota, Hyundai, Jaguar, Peugeot

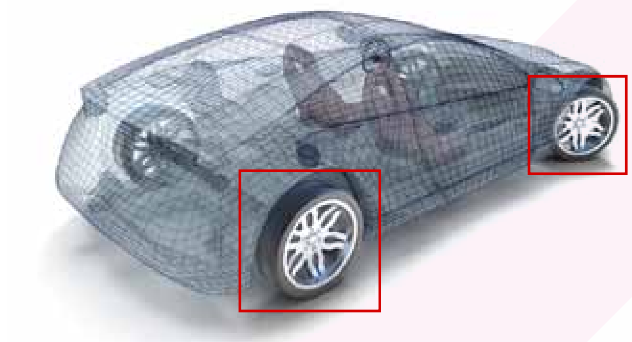
Products & Technologies

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

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

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

Front axle brakes	
Disc brakes (100%)	
Iron brackets (100%)	
Iron callipers (95%)	Aluminium callipers (5%)



Rear axle brakes		
Disc brakes (60%)		Drum brakes (40%)
Iron brackets (100%)		No anchors
Iron callipers (34%)	Aluminium callipers (66%)	No callipers

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

Feramo, a company acquired in 2008 in the Czech Republic, offers a wide range of grey iron castings for the engineering, hydraulic, electrical and automotive sectors, as well as for small urban architecture projects. Sales to the automotive sector constitute more than 10% of Feramo's sales. However, with the CEE Investment Project, Feramo is seeking additional volumes for the automotive sector and in the nodular iron segment with Tier 1 customers, which would mean higher specialisation in this market.

The present and future development strategy of the Company includes development and introduction of some new products to diversify sales revenues. The evolution of "new family products" continues its strong growth and in 2013 grew by 8.1% from 2012 and more than sevenfold from 2009, the first year of introduction, which very well illustrates and supports that strategy.

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 Groupe Valfond 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 nearly 40% of the European market share for aluminium callipers.

From 2008 the plant introduced a range of new products and services to broaden its product portfolio and increase its importance as an automotive supplier in Europe. Thus, after commencement of TMC production in 2008, in 2009 EBCC introduced front callipers and iron machining. Since January 2010 front callipers have been manufactured on a large scale on a new production line, which was built in 2009. Volumes of "new family products" grew by over 8.1% in 2013 compared with 2012.

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 industrial regions of Spain, with the highest intensity of iron foundries in the country and Europe. Fuchosa is the clear leader, with an estimated share of the European iron anchor market of over 42%. In 2013 its market share grew in comparison with 2012 due to introduction of several new projects and products. Fuchosa has a strong market position, which 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 construction (sewer/drain iron castings). Feramo's products are mainly tailored to individual customers' requirements. The maximum production capacity of the foundry is about 18,000 tonnes, but in 2013, due to lower orders and technical issues, it produced over 18.6% less in volume terms.

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 programme was implemented, which substantially increased Feramo's capacity. During recent years, Feramo implemented a new production line and new sand pit technology. In 2011, Feramo initiated the investment in the nodular iron technology (CEE project), which started serial production of nodular iron parts from the beginning of 2014 and will expand Feramo's activity up to the same level of sales as the other two operating companies, increasing its production capacity and specialising the company in nodular iron parts for the automotive market, by adding some new customers and enlarging its product portfolio.

Customers

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

Since the acquisition of Feramo, some other customers have joined the ACE portfolio. Now Feramo has approximately 75 customers from the Czech Republic and abroad. The 10 largest customers generate about 70% of total sales revenue, and the customer structure is relative stable on a year-to-year basis. The main sectors Feramo supplies are engine parts, construction, automotive, and urban furniture. With the launch of the growth project at Feramo, several new customers have been actively approached, and the company has already reached commercial agreements with some of them to produce new parts from the beginning of 2014.

Suppliers

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

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

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

Quality Management

The highest quality of our products is the top requirement. Anchors and callipers are safety parts and are subject to a certification process conducted by our customers before commencement of production of a particular assortment lot. The production process for these parts is also strictly controlled, starting from the quality of raw materials, to the mechanical properties and shape accuracy of the finished goods.

In addition, the following certificates issued by external certification companies are held by each company:

CERTIFICATION	Fuchosa	EBCC	FERAMO
ISO 9000	✓	✓	✓
TS 19649	✓	✓	✓
ISO 14001	✓	✓	✓
OHSAS or similar	✓	TBD	✓

Environmental Issues

The ACE Group is highly concerned with production sustainability, using state-of-the-art equipment in production to maximise productivity with the lowest impact on the environment. In this sense the ACE Group's policy is to apply the most modern management tools to prevent any negative impact on the environment.

One of our plants is already EMAS-certified. As a management tool for companies to evaluate, report and improve their environmental performance, EMAS certification is also an excellent platform to present the situation to stakeholders in terms of emissions and waste management.

All our plants are in compliance with environmental regulations in the different countries, and the aim of the Group is to complete all missing certifications in the near future.

In order to reduce our environmental impact and CO_2 emissions, we replaced cupola furnaces with electrical ones, which are an environment-friendly and more efficient solution, at our iron plant in the Czech Republic. This process allowed us to obtain ISO 14001 certification in the first half of 2013.

Our aluminium plant in Poland has benefitted from more energy-efficient and less polluting central melting since 2010.

R&D

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

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

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

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

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

(EUR '000)	2013	2012
Investments in R&D	1,098	1,910
Costs regarding R&D	651	1,481
Total R&D expenses	1,749	3,391

Strategy

Strengthening the leading position on the European brake supply market

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

Broadening the technological and product range

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

Increasing presence in Europe and exploring new opportunities overseas

The location of the Polish plant is very favourable because of the lower labour costs and the proximity to customers based in Central & Eastern Europe. Feramo is also located in the heart of the automotive industry, a very short distance from current and potential new customers. This advantage will be exploited in future after expansion of Feramo's production capacity.
The increased CEE exposure enables optimisation of the ACE Group's cost position and further business growth through expansion of the current product line and meeting customers' expectations for more flexible deliveries. With hi-tech know-how and experience in deliveries to the automotive industry, top product quality and customer service are guaranteed. Although the Company is focused on expansion in Europe, ACE is actively exploring opportunities in other important automotive areas for fast development, such as Asia and the Americas.

Combined engineering and other synergies

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

Employees

The Group benefits from a highly skilled and professional workforce. Our productivity levels per employee are very high, but much effort is also devoted to constant improvement in this area. At the end of 2013, the reduction in the number of employees was driven by the efficiency improvements achieved at EBCC but also by the adjustment of the workforce to the market demand at Feramo.

The total number of employees as of the end of December 2013 is presented in the table below:

	2013	2012
Managers	29	29
Administrative employees	133	140
Workers	573	608
Total number of employees	**735**	**777**

The following trade union organisations operate at EBCC:

- MOZ NSZZ Solidarność

The following trade union organisations operate at Fuchosa:

- Euskal Langileen Alkartasuna (E.L.A./S.T.V.)
- Langile Abertzaleen Batzordea (L.A.B.)
- Comisiones Obreras (C.C.O.O.)
- Unión General de Trabajadores (U.G.T.)

No trade union organisations operate at Feramo.

Financial Performance

(EUR '000)	2013	2012
Revenues from sales	100,843	98,618
Cost of goods sold	-81,390	-81,607
Gross profit	19,453	17,011
GP margin	19.3%	17.2%
G&A expenses	-14,990	-13,954
Operating profit	4,463	3,057
OP margin	4.4%	3.1%
Depreciation & amortisation	-5,919	-5,201
EBITDA	10,382	8,258
EBITDA margin	10.3%	8.4%
Financial income	977	1,380
Financial costs	-2,115	-1,759
Profit before tax	3,324	2,678
Tax	-1,389	- 306
Net profit	1,936	2,372
NP margin	1.9%	2.4%

Thousand Units	2013	2012	Difference	%
Cars sold	11,536	11,766	-230	-2.0%
Cars manufactured	11,349	11,466	-117	-1.0%
Difference sales - production	187	300		
ACE Automotive	**32,471**	**30,457**	**2,014**	**6.6%**

Source: Western Europe by LMC Automotive Forecasting, ACE

ACE sales in the market contex

In 2013, sales of cars in Western Europe decreased by around 230,000 units, or 2%, with this difference softer in the Pan-Europe region, where sales of cars declined by 1.6% compared with 2012. However, this gap was differently allocated in each half of the year. Indeed, while in the first half sales of cars were down by 6.7% y-o-y, in the second half of 2013 sales improved to +3.9%.

In the same manner, car production in Western Europe was also lower by 1% (or 117,000 units), with similar performance to sales (lower production in the first half by 6.1%, and higher in the second half by 4.5%). For Europe as a whole, car production was in line with the previous year.

Meanwhile, Group sales in terms of volume outperformed market sales and were 6.6% higher in the number of units for the automotive segment (+5.7% for the whole Group). The allocation of volume was different in each of the automotive business segments, with the nodular iron segment increasing by 9.0% and the aluminium segment flat compared with the previous year (including the new family of products up 8.1% and machining up 1.5%). In the non-automotive segment, grey iron declined by 10.8% in units and 18.6% in tonnes, which is a much more meaningful indicator for this business.

In terms of value, Group turnover increased by EUR 2,226,000, or 2.3%, ballasted by the lower sales in the non-automotive segment and also a cheaper mix and lower purchasing prices of raw materials surcharged to the customer.

Direct production costs and gross profit

There are two main effects counteracting each other which were quite visible throughout the year: on one hand, the good results achieved by the new moulding line operating in Spain since September 2012, and on the other hand, the serious difficulties experienced during the start-up of the CEE Project, which caused not only relevant inefficiencies but also a significant drop in production and subsequent turnover. Some further steps were taken in order to control the production process and to start serial production of nodular iron.

In relation to the CEE Investment Project, the status of certain assets under review advises replacement earlier than expected to improve the competitiveness of the Czech company, and consequently those assets which could be subject to replacement have been depreciated faster, which meant a one-off effect of almost EUR 900,000.

Some other notable effects were the positive trend in energy and raw material prices as well as FX activity at the operating level, mostly as a result of the weakening Czech koruna. Oppositely, increased outsourcing expenses for external reworks, as a learning cost associated with the start-up of new projects, and higher maintenance expenses of some facilities, impacted negatively on the gross profit.

All the above brought gross profit to EUR 19,453,000 (19.3% on sales), which is EUR 2,442,000 higher than full-year 2012 (17.2% on sales).

General & administrative expenses

General and administration expenses were higher by EUR 1,036,000. These expenses are mainly influenced by one-off expenses and income recorded in the current and prior year. Nevertheless, the main impact is connected to the increase in salary expenses, following the inflation rate, together with a larger staff to meet the challenges of the new facilities in Spain and to support CEE.

In addition, two effects impacting negatively were related to lower R&D tax credits obtained in 2013 and the purchase of packaging materials for a new customer this year.

EBITDA and operating profit

Higher gross profit, reduced by growing general and administration expenses, increased EBITDA to EUR 10,382,000 (10.3% on sales), up EUR 2,124,000 compared with 2012 (or 8.4% on sales), for the reasons already mentioned.

Depreciation was higher y-o-y by around EUR 718,000 (mostly due to EUR 900,000 in accelerated depreciation of certain assets), resulting in an operating profit of EUR 4,463,000 (EUR 1,406,000 higher than in 2012).

Financial items

The financial result for 2013 was negative by EUR 1,138,000, representing a higher expenditure versus 2012 of EUR 759,000. The main reasons behind this were devaluation of the Czech koruna and higher interest expenses, as in 2012 part of the Group's loan financial expenses were capitalised in the context of the CEE Project whereas most of those assets were commissioned in 2013.

As regards currency exchange differences, most of the differences are not realised but are of an accounting nature, now recorded in equity thus resulting in lower volatility.
The fair value of hedging instruments and the interest rate swap in the balance sheet become positive for the first time since the pre-crisis period, at +EUR 13,000. According to accounting standards, changes in valuation of current hedging instruments have no impact on the P&L account and are fully cleared through the equity in the balance sheet.

Profit before tax, taxes and net profit

Despite the negative financial activity, profit before taxes for the full year was positive by EUR 3,324,000, which is EUR 646,000 higher than 2012.

Tax recorded was EUR 1,389,000, which is EUR 1,083,000 higher than 2012. This was mainly driven by the write-off of tax losses capitalised in previous years in the Czech company, given the limited ability to offset future profits, plus higher tax deductions obtained in 2012 by the Spanish company, connected with the significant investment made that year.

Reflecting all the above, net profit for the Group was quite positive, at EUR 1,936,000, but EUR 436,000 lower than 2012.

Financial position

The operating generation of cash from January through December 2013 was very positive, at EUR 8,314,000, mostly as a result of EBITDA.

Otherwise, investment activities amounted to EUR 5,132,000 in the period, mostly reflecting the CEE project capital expenditure, the closing of which will be still somewhat visible in 2014. The financing activity is driven by the repayment of loans and interest expenses, increased by the buyback programme in progress.

Reflecting all the above, the final cash position of the Company as of the end of December 2013 was a positive EUR 7,690,000, with net debt increasing to EUR 11,356,000.

Performance against budget (forecasts)

The Company did not publish any official forecast or guidelines for 2013.

Outlook for 2014

Automotive market in 2014

After six consecutive years of a shrinking market, some growth can be reasonably expected for the year 2014. The main European markets are increasing their sales, although slow recovery is foreseen, which will still suppose a quite weak market. In just the six years since 2007 the Western European market lost more than 3 million cars, from 14.8 million to 11.5 million units. This means a contraction of the market by 22% in only six years, a percentage which is softened when Eastern Europe is included but also with an increased number of cars lost in the period.

In this sense, the latest LMC Automotive forecast for sales in the Western Europe automotive market, issued at the beginning of April, expects an increase of 3.5% from 2013, while currently sales are up by 7.4% for the first quarter of 2014.
As regards production, the forecast is more optimistic. PwC Autofacts, in its last quarterly forecast update (including light commercial vehicles) issued in April 2014, shows an increase of 4.1% in full-year 2014 for the European Union (+3.4% including Eastern Europe).

Group sales

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

As far as the iron segment is concerned, it is expected that a significant part of the growth of sales in volume will come from our Czech plant, with the introduction of nodular iron in the production process, but still depending on the performance of new facilities and new product development. In our Spanish plant, the growth is more limited after the boost of the new facilities, with more stability in sales in line with automotive forecasts.
Although the aluminium segment still remains more challenging, for the first time since 2008 a stable machining business is expected, including the highly strategic volume of a new project shared with the iron division and the significant expected growth by 30% in the new family of products.

Meanwhile, one of the main tasks today is actively pushing

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

Economy drivers

During 2014, we expect to consolidate and even improve the productivity ratios obtained in 2013 in the nodular iron segment. This was already visible in 2013, and it should even enhance throughout the current year to the same extent that new projects start production.

As regards raw material activity, the Group expects some stability compared to the previous year. Energy prices are also expected to be more stable compared to previous years, and are already adjusted to market conditions in the current surcharge agreements in place.
In this 2014 scenario of slow recovery and underused capacity, there is still an important competition factor which customers are taking advantage of to push down selling prices. The Group's important competitive advantage, mostly provided by the high degree of specialisation and thorough knowledge of the product, should help the Group to a significant extent to face this situation in better standing, but the Group is aware that it is operating in a still unstable market, and only companies that manage to deal better with the new environment will be stronger after the slowdown.

Investment activity – CEE Investment Project

In the context of expected constant growth in the automotive market for the following years, CEE expansion as the Group's platform to grow in the nodular iron segment for the automotive market is also an important asset for the Group which will bring additional value in the near future. This investment, jointly with the new moulding line already implemented in Spain, represented some additional and higher amount of capex in 2012 well above EUR 11 million, about half of this amount in 2013, and it is still expected to represent around EUR 1 million more in 2014.

This capex programme has already been completed as regards the Spanish plant and is currently at the stage of starting serial production at the Czech plant (CEE Investment Project).

Concerning the CEE Investment Project, after some delay in the start-up process, mainly caused by the functionality of the electrical furnaces and the learning curve, the Company is now focused on the following activities:

- Industrialisation and ramp-up of new projects and products
- New electrical connection bringing further stability and cheaper energy costs
- Stabilisation of equipment and processes
- Improvement of technical parameters and cost efficiency by rationalising the current business and orienting efforts to our strategic activity.

Besides, we have already been successfully homologated for some projects for a specific customer, starting serial production with new equipment. Additionally, we initiated the trials and tests for some other new projects and customers in order to start serial production during the current and following quarters.

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

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

M&A

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

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

Material Events After Year-End

There were no material events having a direct impact on the Company's accounts or financial performance after the year-end.

On 27 February 2014 the Company received an official notification from ING Powszechne Towarzystwo Emerytalne S.A., on behalf of ING Otwarty Fundusz Emerytalny, that due to market transactions which were cleared on 21 February 2014 the total number of the Company's shares owned by the Fund decreased to 14.95% of shares/votes in the Company (3 174 104 shares/votes).

ACE
AUTOMOTIVE COMPONENTS EUROPE

2013

Stock Market Information

Basic Information

Fiscal Year:	1 January through 31 December
ISIN Code:	LU0299378421
No of shares issued:	21,230,515
Par Value:	EUR 0.15
Market of Quotations:	Warsaw Stock Exchange

Share Price Evolution

% change at the end of 2013	Compared to the end of 2012
ACE S.A.	+187.7%
WIG Index	+8.1%
SWIG80 Index	+37.3%

Stock Market Data

	2013	2012
Market Capitalisation at the end of the period	PLN 348.2m EUR 84.0m	PLN 121.0m EUR 29.6m
Share Price		
Highest	PLN 17.70	PLN 5.96
Lowest	5.70	4.93
Average	9.57	5.57
At the end of the period	16.40	5.70
Shareholders' Equity per share	EUR 1.78	EUR 1.92

Per-Share Data

	2013	2012
Earnings per share	EUR 0.09	EUR 0.11
Cash Flow per share	EUR -0.22	EUR -0.41
Dividend per share	EUR 0.07	EUR 0.05

Shares and the Trading Market

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

	Before IPO		After IPO		Current	
	No. of shares	%	No. of shares	%	No. of shares	%
Existing shares	20,050,100	100%	20,050,100	90.66%	21,230,515	100%
New shares	-	-	2,065,160	9.34%	-	-
Total	20,050,100	100%	22,115,260	100%	21,230,515	100%

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

The Warsaw Stock Exchange is the only market of ACE quotations. In 2013 the total value of all transactions in ACE shares was PLN 57.8 million, with trading volume of 5.7 million shares. The stock price grew by almost 190%, strongly above the market, which went up by over 8% in 2013 as a whole.

Investor Relations

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

The most comprehensive information about the ACE Group is provided through our corporate website, www.acegroup.lu, containing basic facts about the business of ACE as well as all current and periodic reports required by Luxembourg and Polish capital market regulations.

IR contact:

Piotr K. Fugiel

Investor Relations Officer
e-mail:
investor.relations@acegroup.lu

Current Risk Factors

An extensive discussion of various risks that could have an impact on the Group's current and future performance was presented in the prospectus. The most important risk factors related to the Group, the market and changes in the economy in 2013 are presented below.

Risks related to the situation on the European car market

The ACE Group is a supplier to the European automotive industry. The market of this industry, the European car market, is highly dependent on the economic situation globally, and in particular in Europe. Various factors outside the control of the ACE Group may have a negative impact on demand in the European car market, including, among others, GDP growth, individuals' purchasing power, and interest rates stimulating the availability of loans. A negative development on the European car market reducing the demand of the European automotive industry for the products manufactured by the ACE Group could adversely affect the ACE Group's business, prospects, financial condition or results of operations, and consequently, the value of the shares.

However, it should be noted that after the slowdown, the upcoming years should show more stability in terms of production levels, and gradual recovery of the market is expected within the next few years.

Risks related to currency fluctuations

In the ACE Group, any currency fluctuation risk is mostly related to Polish plant operations, since Feramo is almost naturally hedged. EBCC's export sales are denominated in EUR, while purchases are made in EUR and PLN. Costs denominated in PLN constitute 45–50% of total EBCC costs. Any changes in the value of the euro against the zloty may have a negative impact on EBCC's profits and balance sheet as a result of foreign exchange losses. This influence, and imposition of exchange controls or other similar restrictions on currency convertibility in the countries in which the ACE Group operates, could adversely affect the ACE Group's business, prospects, financial condition or results of operations, and consequently, the value of the shares.

It should be noted that profitable foreign exchange variations could positively influence the ACE Group's financial results. Further, ACE employs hedging techniques to hedge PLN/EUR currency fluctuations according to its hedging policies.

Risk of decreasing margins

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

It should be noted however that the ACE Group puts a great deal of effort into constantly increasing its productivity, in order to reduce costs and maintain its sales margins, and insofar as any external factor reducing our margins appears the Company approaches its customers in order to cooperate jointly to minimise its impact.

Risks related to labour cost increases

Costs related to labour constitute a significant portion of the ACE Group's operating costs. Wages in Poland, the Czech Republic and Spain (the countries where the production plants are based) have been rising. It is expected that labour costs will rise further in the coming years. This trend is anticipated to be especially noticeable in Poland and the Czech Republic, where continued adjustment of labour costs to EU levels is expected. Increases in wages at higher levels than assumed by the issuer in the budgeting process could adversely affect the ACE Group's business, prospects, financial condition or results of operations, and consequently, the value of the shares.

The ACE Group intends that any labour cost increases be reflected in corresponding increased productivity by workers, achieved among other means through improvement of the production process and investment in automation.

Risks related to further growth through acquisitions

ACE plans to conduct acquisitions in the future, should favourable acquisition opportunities occur, with the expectation that these acquisitions will result in increased business growth. However, ACE cannot be sure of realising these anticipated benefits in full or at all. Achieving benefits from these potential acquisitions will depend, in part, upon the integration process.

In addition, there can be no assurance that the integration costs will not exceed those estimated by ACE management or that the estimated cost synergies will be achieved. It also cannot be guaranteed that ACE will be able to execute such acquisitions at favourable prices. Any such failure may render the ACE Group unable to take advantage of opportunities or to meet unexpected financial requirements, which could adversely affect the ACE Group's business, prospects, financial condition or results of operations, and consequently, the value of the shares.

The ACE management team has significant know-how and is very well experienced in the market in which the Company operates, and in any case conducts the necessary processes for thorough review of any potential target, with due diligence performed by first-class advisors and assistants in order to minimise such risk.

Risks relating to competition

The market on which the ACE Group operates is very concentrated. Furthermore, there are a limited number of brake systems producers in Europe, and the brake systems market is totally dominated by three manufacturers.

The appearance of new or increased activity by the current market participants may significantly increase competition. Competitors may also have access to more and cheaper sources of capital, allowing them to modernise and expand their operations more quickly and giving them a substantial competitive advantage over ACE. Customers in the automotive components market expect current suppliers to move their production to low-cost countries. It cannot be excluded that competitors might invest in production facilities in such locations, which might affect the current market structure. Increased operating costs and reduced profitability resulting from such competition could adversely affect the ACE Group's business, prospects, financial condition or results of operations, and consequently, the value of the shares.

However, the competition risk is partially mitigated by the ACE Group's current strong market position as well as the significant levels of specialisation and capital commitments required to break into the automotive components industry. Feramo (in the Czech Republic), acquired in 2008, is a good platform for CEE business development in future and is currently in the production ramp-up process. The first serial production of the new line at Feramo started in the beginning of 2014.

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

ACE depends on external suppliers for key raw materials and energy for its production activities. A failure of the suppliers to deliver these materials in the necessary quantities or to adhere to delivery schedules or specified quality standards and technical specifications would adversely affect production processes and the ability to deliver orders on time and

at the desired level of quality. Disruptions in deliveries of such materials and energy could also arise due to weather--related problems, strikes, lockouts, inadequacies in the transport infrastructure, or other events. Finding a suitable replacement in the event any key supplier were unwilling or unable to provide ACE's production plants with the necessary materials on short notice would likely take longer than supply stock would last, resulting in disruptions to production.

Prices of raw materials depend on worldwide supply and demand, inflation and overall economic conditions. Aluminium is quoted on the London Metal Exchange. Its price fluctuates with changes in the relevant market. In practice, the cost of aluminium supplies is equal to the value of aluminium as quoted on the London Metal Exchange plus the premium added by the suppliers. The quoted price of aluminium could increase, or suppliers may increase their premium. The price of steel scrap is not indexed or index-linked. The price of energy is not indexed. Competitive pressure may prevent the ACE Group from passing on some or all of the higher costs to clients. Any such failure in relation to deliveries or increase in relation to costs could adversely affect the ACE Group's business, prospects, financial condition or results of operations, and consequently, the value of the shares.

The ACE Group is not significantly dependent on any single raw materials supplier, and the concentration of suppliers will not significantly influence the price of aluminium. The index-linkage of aluminium prices means that only that portion of the cost constituting the suppliers' premium is at risk of subjective increase. The steel scrap market has historically been, and is now, a liquid market. Production plants implement pricing mechanisms that transfer the variation in the prices of aluminium, steel scrap and energy to the customers. Despite current price transfer mechanisms and the fact that this is currently market standard practice, there is a risk that customers may reject the use of such transfers in the future. The ACE Group also adopts policies to partially hedge the risk of fluctuations in raw material costs through contracting for materials at fixed prices for particular orders.

Risks related to new product development

The development and design of a new product project is accomplished jointly by the customer and the production plants over a long-lasting (between 12 and 16 months) and expensive period before switching to the serial production phase. This joint development of the product with the customer does not necessarily imply that the ACE Group will receive the contract after the development process is completed. Even where the ACE Group does receive the contract from the customer, the customer itself may not be nominated by the OEM, or the product may not be introduced onto the market at all. Such loss of a contract or opportunities could adversely affect the ACE Group's business, prospects, financial condition or results of operations, and consequently, the value of the shares.

It should however be noted that during the development phase, the costs are partly covered by the customers, who cover the costs associated with the required tools, raw materials and prototypes. It should also be noted that it is unusual in the automotive industry for the production phase to be carried out by a company other than that which cooperated on the development phase of the project.

Risks related to insufficient exploitation of current machining capacities

There is a risk that if the current customers of the ACE Group for aluminium products decide to shift machining operations in-house, the current capabilities of EBCC would not be sufficiently utilised. Generally, the machining of iron castings is carried out by Tier 1 companies, while in many cases the machining of aluminium castings is outsourced to Tier 2 suppliers. In 2013, around 34% of castings produced by EBCC were subject to a further machining process by the machining department of EBCC, despite the fact that most new projects are just cast. Any reduction in the demand for machining to be carried out by EBCC could adversely affect the ACE Group's business, prospects, financial condition or results of operations, and consequently, the value of the shares.

Risks related to the breakdown of key machinery

The production processes of the production plants depend on certain key machinery (e.g. the foundry and the sand system). Breakdown of this key machinery may interrupt the production process, which could adversely affect the ACE Group's business, prospects, financial condition or results of operations, and consequently, the value of the shares.

None of the operating entities has experienced a serious breakdown of key machinery since their respective dates of incorporation (Fuchosa 1987, EBCC 1999, Feramo 2008) which has materially adversely affected their business, prospects, financial condition or results of operations, and consequently, the value of the shares.

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

The ACE Group's growth and future success depends in part upon its senior management, who are heavily involved in developing the ACE Group's strategy. The loss of some or all of the ACE Group's senior management or an inability to attract additional or replacement qualified persons could adversely affect the ACE Group's business, prospects, financial condition or results of operations, and consequently, the value of the shares.

The growth and future success of the ACE Group also depend in part on the continued services of qualified and experienced technical personnel. If the ACE Group were to lose their services, it may be unable to find and integrate replacement personnel in a timely manner, which could significantly impair ACE's ability to develop the Group's business, which could have a material adverse effect on the ACE Group's business, prospects, financial condition or results of operations, and consequently, the value of the shares.

The ACE Group seeks to mitigate this risk by providing its management and employees with convenient working conditions and attractive compensation packages, as well as by cooperating regularly with vocational schools and universities in order to attract qualified new personnel.

Risks related to product liability claims

The ACE Group sells products to major braking system manufacturers, who in turn sell these systems to automobile manufacturers. The ACE Group's products are also sold to, and used in, safety-critical applications. If the ACE Group

were to sell components that were inconsistent with the specifications of the order or the requirements of the application, significant disruptions to the customer's production lines could result. There could also be significant consequential damages resulting from the use of such products. The ACE Group has a limited amount of product liability insurance coverage. A major claim for damages related to products sold could leave the ACE Group uninsured against a portion or all of the award, and could adversely affect the ACE Group's business, prospects, financial condition or results of operations, and consequently, the value of the shares.

However, it should be noted that, provided that the products manufactured by the production plants and supplied to customers comply with the parameters specified by the ordering customers, the ACE Group will not be liable for any subsequent damage caused by a system, including a component manufactured by the production plants. Further, the production plants have implemented what the respective management teams believe to be appropriate internal quality controls to ensure that all outgoing products comply with the specifications of the ordering customer, and while it is impossible to rule out that it may occur in the future, the ACE Group (or any individual member) has not had a product liability claim made against it to date. In addition, the production plants carry insurance policies to cover this potential risk up to an amount that ACE management believes will adequately cover this potential risk.

Corporate Governance

This statement on corporate governance, which is now mandatory under Article 68 bis of the Law of 19 December 2002 on the Commercial and Companies Register and on the Accounting Records and Annual Accounts of Undertakings (as amended), contains the statement of compliance, relevant information on practices within the company as well as the procedures of the most important corporate bodies.

A.- CORPORATE GOVERNANCE CODE TO WHICH THE COMPANY IS SUBJECT

ACE is a company formed under Luxembourg laws and subject to Luxembourg regulations, and quoted on the Warsaw Stock Exchange. The Warsaw Stock Exchange is the only market of ACE quotations.

Accordingly, the Company is subject to the Rules of the Warsaw Stock Exchange approved in Resolution No. 12/1170/2007 of the Warsaw Stock Exchange Supervisory Board dated 4 July 2007 (as amended), and the Company has resolved to apply the "Code of Best Practice for WSE Listed Companies".

The "Code of Best Practice for WSE Listed Companies" is publicly available on the website of the Warsaw Stock Exchange, *www.corp-gov.gpw.pl*

Notwithstanding the above, it must be remarked that considering that ACE is a company formed under Luxembourg laws, with a monistic system of management structure (also called a single-tier system of management structure), it does not have a supervisory board or a management board (dual system of management structure). ACE has a Board of Directors.

The Board of Directors of ACE 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.

According to this system of management structure (Board of Directors), the references in the "Code of Best Practice for WSE Listed Companies" to the supervisory board and management board will be treated as references to ACE's Board of Directors.

The rules governing the corporate governance of ACE are established in its Articles of Association, Board of Directors' Regulations and Regulations of the General Meeting of Shareholders. The full text of all the aforementioned documents is available on the corporate web site, *www.acegroup.lu*

B.- OWNERSHIP STRUCTURE

The outstanding share capital of the Company as of 31 December 2013 was the following:

Date of last amendment	Share capital (€)	Number of shares	Number of voting rights
17 June 2009 Resolution passed by General Shareholders Meeting	3,184,577.25	21,230,515	21,230,515

All the shares are of the same class and series, and are fully paid-up and subscribed.

B.1.- Major Shareholders (Over 5% of Shareholders' Equity) as of 31 December 2013

As ACE's shares are represented in bearer form, it is not possible to know accurately the ownership structure of the Company.

In any case, according to the information received by the Company, and to its best knowledge, as of the end of 2013, the following shareholders were entitled to exercise over 5% of voting rights at the General Meeting of Shareholders in the Company (the table also includes changes in shareholders' ownership during the year):

	Number of Direct voting rights as of 31 December 2013	Number of Direct voting rights as of 31 December 2012
Casting Brake (Spain)	2,430,607 (11.45%)	2,430,607 (11.45%)
PZU "Złota Jesień" OFE	3,500,762 (16,49%)	4,187,959 (19.73%)
ING Nationale Nederlanden Polska OFE	3,185,090 (15,00%)	3,767,347 (17.74%)
AVIVA OFE	3,105,776 (14,63%)	1,996,491 (9.40%)
Noble Funds TFI	1,076,463 (5,07%)	1,076,463 (5,07%)
Pioneer Pekao Investments	1,061,525 (5.00%)	1,061,525 (5.00%)

B.2.- Special rights

If Casting Brake holds at the time of such nomination at least 10% of the voting rights in the share capital of the Company, Casting Brake shall have the right to nominate for appointment and removal by the General Meeting two (2) persons or entities as directors of the Company.

In the event that at the time of nomination of Directors the percentage of voting rights held by Casting Brake falls below 10% of the voting rights in the share capital of the Company but is above 5% of the voting rights in the share capital of the Company, Casting Brake shall have the exclusive right to nominate one (1) Board member for appointment by the General Meeting. In the event the percentage of voting rights held by Casting Brake falls below 5%, Casting Brake will lose its exclusive right to nominate any Directors for appointment by the General Meeting.

B.3.- Shareholders agreements affecting the company

According to the information reported to the Company, there are no shareholders agreements referring to transmission of shares or voting rights, nor does it have any evidence of the existence of concerted actions between its shareholders.

B.4.- Current mandate given by the General Meeting to the Board of Directors to carry out acquisitions or transfers of the Company's own shares

As of the date of issuance of this report, there is an authorisation given by the General Meeting to the Board of Directors to carry out acquisitions or transfers of the Company's own shares.

The General Meeting of Shareholders held on 18 June 2013 approved a new buyback programme for the Company's shares, further developed by the Board of Directors of the Company on 28 June 2013. The maximum purchase price per share to be paid in cash shall not be more than PLN 20 or less than PLN 0.04. The total price of shares that may be acquired by the Company under this programme shall not exceed EUR 5,000,000. The programme was initiated on 1 July 2013 and shall be valid until 18 June 2016.

As of the end of December 2013 the number of treasury shares in the Company was 1,064,779, for a total acquisition cost of EUR 2,620,000 (PLN 11,059,000). In January 2014, the Company transferred 637,000 shares following the Management Incentive Scheme described below. Apart from those, the Company has not disposed of any treasury shares.

C.- ORGANISATIONAL STRUCTURE

As of the end of 2013, the ACE Group comprised two holding companies, three operating companies and an R&D unit:

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

C.1.- Management Structure; Management Committee & Board of Directors

As previously stated, ACE does not have a supervisory board or a management board, but has a Board of Directors which performs the functions of a supervisory board and a management board in companies incorporated under Polish law. Generally, the directors of a Luxembourg law corporation may be treated as the management authority of a corporation, which however should not be equated with a management board within the meaning of Polish law.

The management of ACE's business is vested in and managed by a Board of Directors 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 as referred to in Article 10.2 of the Articles of Association. 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.

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 fourth Annual General Meeting following the date of their appointment.

C.2.- Composition of the Corporate bodies and Committees as of the end of December 2013:

C.2.1.- Composition of the Board of Directors

Under Article 7.1 of the Articles of Association of the Company, the Company shall be managed by a Board composed of at least five (5) members. The Board of Directors is currently composed of six (6) members.

The current members of the Board of Directors are:

José Manuel Corrales	Class CB Director
Raúl Serrano	Class CB Director
Witold Franczak	Independent Director
Rafał Lorek	Independent Director
Piotr Nadolski	Independent Director
Oliver Schmeer	Independent Director

During financial year 2013, no vacancy occurred on the Board of Directors and as a consequence, no variation in its composition took place.

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. Initially, Mr Corrales started 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.

Witold Franczak

A graduate of Jagiellonian University in Cracow and the Technical University of Łódź, Mr Franczak has 17 years' experience in managing sales teams and directing distribution companies, in particular companies in the spirits industry. He is experienced in managing teams and projects in an international environment, including operations in Poland, Slovakia, the Czech Republic, Lithuania, and Ukraine, and has extensive experience in business development. Mr Franczak served as CEO of Platinum Oil – Orlen Oil Distribution. Prior to this position, in 2008–2010 he was director of market development for Central & Eastern Europe at Belvedere Group and Director General at Sobieski Ltd, and in 2004–2010 General Manager of Domain Menada Ltd. From 1993 he was running his own company Agro-Drink, whose business was suspended to comply with corporate governance rules and to avoid any conflict of interest.

Rafał Lorek

A graduate of the Warsaw School of Economics, most of Mr Lorek's professional career is linked with the capital market in Poland. He worked for a number of leading institutions providing investment banking and wealth management services. Mr Lorek started his career as a stockbroker at Bank Handlowy and Société Générale Securities Polska in 1995–2000. From 2001 to 2005 he worked for CA IB Investment Management S.A. as an account manager and deputy director of the Account Managers Team. Between 2005 and 2007 he served as Senior Wealth Manager at Citibank Polska. From 2007 to 2008 Mr Lorek worked for Bank Sal. Oppenheim Jr. & Cie Austria AG as vice president for private banking. Since 2008 he has run his own consulting company, R.S.P. Lorek, the successor to which since June 2010 has been Lorek Pawlak Family Office.

Piotr Nadolski

A graduate of the Warsaw School of Economics, Mr Nadolski has nearly 14 years' experience in management of equity assets and equity funds. He developed most of his professional career working for Ballinger Capital Group, in 1996–2006 as Investment Manager and in 2002–2003 as Vice President of Fund 1 NFI, followed by the position of President of Fund V NFI in 2003–2007. Since 2007 Mr Nadolski has served as a founding partner and co-owner of Sandfield Capital, which focuses on seed and capital ventures with innovative companies.

Olivier Schmeer

Mr Schmeer is a graduate of the Institut Supérieur de Gestion business school in Paris (1980) and San Diego State University, USA (1980). He developed most of his professional career in the automotive industry, but also in other industrial sectors like office furniture, electronics and the wiring harness industry, holding board positions in some of them. He also developed his professional career in Groupe Valfond, former owner of two of the current operating companies of ACE. In recent years he has run his own business, acquired through a MBI, since December 2007.

None of the members of the Board of Directors hold stakes in the capital of companies that have the same, similar or complementary type of activity as that making up the corporate object of the Company and its Group, nor do they hold offices or perform any functions in said entities.

Competences of the Board of Directors

Apart for the matters reserved for the competence of the General Meeting, the Board of Directors is the highest decision-making, supervisory and controlling body of the Company, as it is entrusted with the direction, administration, management and representation of the Company, delegating in general the management of ACE's day-to-day business to the Chief Executive Officer, except for certain matters specifically reserved to the competence of the Board as referred to in Article 10.2 of the Articles of Association and §16.2 of the Regulations of the Board, and concentrating its efforts on the general supervisory function, which includes directing the policy of the Company, monitoring the management activity, assessing the management by the senior management, taking the most relevant decisions for the Company and acting as a link with the shareholders.

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. 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 shall define the strategy and objectives of the Company's operations. The Board shall be 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.

Rules governing the appointment and replacement of board members

Directors are elected by the shareholders for a term terminating at the fourth (4th) Annual General Meeting following the date of their appointment, unless otherwise provided by the General Shareholders Meeting at the time of their appointment, and shall be re-eligible.

A Director may be removed with or without cause and/or replaced, at any time, by resolution adopted by the General Meeting. Neither the Articles of Association nor the Regulations of the Board establish a limited term of office for the Independent Directors.

If Casting Brake holds at the time of such nomination at least 10% of the voting rights in the share capital of the Company, Casting Brake has the right to nominate for appointment and removal by the General Meeting two (2) persons or entities as directors of the Company.

In the event that at the time of nomination of Directors the percentage of voting rights held by Casting Brake falls below 10% of the voting rights in the share capital of the Company but is above 5% of the voting rights in the share capital of the Company, Casting Brake shall have the exclusive right to nominate one (1) Board member for appointment by the General Meeting. In the event the percentage of voting rights held by Casting Brake falls below 5%, Casting Brake will lose its exclusive right to nominate any Directors for appointment by the General Meeting. Directors nominated by Casting Brake pursuant to Article 7.2 of the Articles of Association are designated "CB Directors".

In such cases, additional Director/s will be nominated by Shareholders representing more than 1% of the voting rights in the share capital of the Company in accordance with Article 7.3 of the Articles of Association.

In the event of vacancy in the office of a Director because of death, retirement or otherwise, the remaining Directors may appoint, by a majority vote and, in the case of CB Directors only, upon the exclusive proposal of the holder(s) of the Shares that nominated the Director whose office became vacant, a Director to fill such vacancy until the next General Meeting.

Neither the Articles of Association nor the Regulations of the Board of Directors establish any age limits for the Directors.

Specific requirements in order to be appointed chairman

The Board shall choose from amongst the Directors a Chairman, provided that if CB Directors have been appointed the Chairman shall be appointed from amongst the CB Directors.

Casting vote of the Chairman of the Board

The Chairman of the Board of Directors has a casting vote in the event of equality of votes between the Directors attending the meeting. This is understood without prejudice to the provisions of the Articles of Association referred to above.

Quorum and majorities to pass resolutions

As provided by Article 8.7 of the Articles of Association, and subject to Article 8.8, the Board can deliberate and/or act validly only if at least a majority of the Directors are present or represented at a meeting of the Board.

Any Director may act at any meeting of the Board by appointing, in writing whether in original, by telefax, cable, telegram or telex, another Director as his or her proxy, provided that a Director may not represent more than one other Director.

Subject to Article 8.8, decisions shall be taken by a majority of the votes of the Directors present or represented at such meeting.

In the event that at any meeting the number of votes for and against a resolution are equal, the chairman of the meeting shall have a casting vote.

Under Article 8.8 of the Articles of Association, resolutions of the Board relating to
(i) a proposal to the General Meeting regarding the appointment of an auditor;
(ii) transactions between the Company and Directors, significant Shareholders, Shareholders with Board representation or other persons related thereto;
(iii) any increase in the subscribed share capital within the limits of the authorised share capital in accordance with Article 5.4 of the Articles of Association and any decision to limit or cancel the preferential subscription rights of existing Shareholders in accordance with Article 5.4 of the Articles of Association;
(iv) approval of a capital expenditure plan exceeding 7% of the yearly consolidated turnover of the Group;
(v) acquisition or sale of shares in subsidiaries;
(vi) approval of indebtedness and financial liabilities, establishing mortgages/liens outside the approved annual budget exceeding (i) EUR 2,000,000 if within the ordinary course of business or (ii) EUR 500,000 if outside the ordinary course of business;
(vii) entry into or termination of any joint ventures or acting as partner in limited or general partnerships;
(viii) proposals to the General Meeting or decisions to convene the General Meeting in matters relating to liquidation, merger, dissolution, winding-up, capital decrease, share redemption, dividend distribution, and changes to the Articles of Association;
(ix) approval of any ESOP for employees/officers of the Company or the Group, provided that beneficiaries of the ESOP shall be exclusively nominated by the Chief Executive Officer;
(x) approval of the new budget for the next fiscal year as well as any amendments to it made during the fiscal year;
(xi) opening or closure of a branch or production plant; or
(xii) granting credits or loans or other debts, providing guarantees or sureties of performance of duties and contracting any other off balance sheet liabilities, other than with or to Group subsidiaries;
require the approval of a majority of 4/5 of the votes of the Directors present or represented at the meeting when the Board is composed of five (5) members, and a majority of 2/3 of the votes of the Directors present or represented at the meeting, when the Board is composed of six (6) or more members, provided that in the case of resolutions relating to points (i) and (ii) the majority includes at least one Independent Director.

Under Article 8.9, resolutions of the Board relating to the remuneration of Senior Officers require the approval of a majority of the votes of the Directors present or represented at the meeting, provided that the majority includes a majority of Non-Executive Directors and at least one Independent Director.

Under Article 12.4, the Chief Executive Officer shall abstain from voting on matters concerning the election, dismissal or compensation of any officers of the Company appointed pursuant to Articles 11.1 and 11.6.

Organisational connections of Directors with a given Shareholder

José Manuel Corrales Ruiz is the sole Administrator of Casting Brake S.L., which holds 11.45% of the voting rights in the share capital of the Company. Casting Brake S.L. is a vehicle through which some managers of the Group hold a participation in the Company.

Number of meetings held over the fiscal year by the Board of Directors

During fiscal year 2013, the Board held eight (8) meetings, three of which by written resolution under Article 8.10 of the Articles of Association.

Except for the meeting held in April (where five of the six members were present and one duly represented), in June (where four of the six members were present), and December (where five of the six members were present), all the Directors were present at the Board meetings held.

C.2.2.- Audit Committee

In accordance with Article 13 of the Articles of Association of the Company and §34 and §38 of the Regulations of the Board, the Board established the Audit Committee to assist the Board in the discharge of its responsibilities in the areas of financial reporting, internal control and risk management.

Composition of the Audit Committee

The Audit Committee is composed by three Directors, designated by the Board of Directors, among the non-executive Directors. A majority of members of the Audit Committee must be Independent Directors and at least one Independent Director must have qualifications in accounting and finance.

The tenure of a member of the Audit Committee will expire at the same time as his mandate of Director comes to an end. Prior to the expiration of the tenure of a Director, the Board may pass a resolution removing such member from the Audit Committee.

The current composition of the Audit Committee is the following:

Witold Franczak	Independent Director
Rafał Lorek	Independent Director
Piotr Nadolski	Independent Director

Competences of the Audit Committee

The Audit Committee is a consultative committee, with informational, advisory and proposal powers in the matters determined by the Board itself. Without prejudice to other tasks that the Board assigns to it, the basic tasks and competencies of the Audit Committee are:

I. In relation to internal control and information systems:
a) To monitor the preparation process and the integrity of the financial information relating to the Company and the Group, as appropriate, ensuring compliance with regulatory requirements, the appropriate scope of consolidation and the correct application of accounting criteria.
b) To monitor the integrity of the annual, half-yearly and quarterly financial statements that should be submitted to regulatory or market supervision entities, including the internal control systems, as well as the accounting criteria applied, when applicable.
c) Periodically, and at least annually, to review the internal control and risk management systems so that the principal risks are appropriately identified, managed and reported.
d) To review at least annually the need or convenience of an internal audit function, and as the case may be, to monitor the internal audit function, through full access to it, and monitor and supervise its independence and effectiveness; propose the selection, appointment, re-election and removal of the manager of the internal audit service; propose the budget for this service and set the remuneration for its manager; receive periodic information on its activities and the budget for the service; and verify that senior management takes into account the conclusions and recommendations of its reports.
e) To establish and monitor a mechanism that allows employees to confidentially and anonymously, if appropriate, communicate potential irregularities, especially financial and accounting, which they may identify within the Company, proposing the appropriate corrective measures and approvals to the Board of Directors.
f) The Audit Committee shall notify the Board prior to adopting the corresponding decisions on the following issues:
(i) The financial information that the Company must periodically publish, as a listed company. The Committee must ensure that the interim accounts are prepared using the same accounting criteria as the annual accounts, and therefore consider the relevance of a partial review by the external auditor.
(ii) Related operations.
g) To notify the Board of any change in accounting criteria and of the risks on and off the balance sheet.
h) To report to the General Shareholders' Meeting on questions raised by shareholders in relation to matters of its competence.
i) To invite particular Directors, Company employees, as well as experts and advisors to its meetings, where their presence is justified by the subject matter to be discussed by the Audit Committee at the meeting.
j) To draft and submit a report to the Board, within three months of the end of the Company's accounting year, on its work conducted in the reporting year. This report shall in particular cover:
(i) matters discussed by the Audit Committee at its meetings in the reporting year;
(ii) decisions made by the Audit Committee in the reporting year; and
(iii) matters that the Audit Committee wishes to bring to the Board's particular attention, with a justification of such selection and the Audit Committee's opinion and optionally, the Audit Committee's recommendations as to the Board's decision to be adopted on such matters.
II. In relation to the external auditor:
a) The proposals to select, appoint, re-elect or replace the external auditor, as well as the conditions of its contract, shall be presented by the Board of Directors to the Shareholders' General Meeting.
b) To obtain timely information about the audit plan and

its results from the external auditor on a regular basis and verify that senior management takes its recommendations into account.
c) To ensure the independence of the external auditor, and therefore:
(i) that the Company notifies the Warsaw Stock Exchange of the change of auditor as a significant event and accompanies such disclosure with a statement about the existence of disputes with the outgoing auditor and the substance of such disputes, if they exist;
(ii) that it ensures that the Company and the auditor comply with the prevailing regulations on the provision of services, other than audit services, restrictions on the concentration of business with an auditor and, in general, any other regulations established to ensure auditors' independence;
(iii) in the case of the resignation of the external auditor, to examine the circumstances that may have caused it and make recommendations as to any required action.
d) To maintain contact with the external auditors in order to receive information about any issues that may prejudice the independence of the auditors and any other issues related to the process of auditing the accounts.
e) To keep the nature and extent of non-audit services under review, based inter alia on disclosure by the external auditor of all fees paid by the Company and its Group to the audit firm and network, with a view to preventing any material conflicts of interest from arising.

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

Periodicity of meetings of the Audit Committee

The Audit Committee shall meet in an ordinary meeting on a quarterly basis in order to revise the periodic financial information that has to be given to the Stock Market authorities, as well as the information that the Board of Directors has to approve and include in its annual public documentation.

Furthermore, it shall meet each time its Chairman calls it to meet, who must do so whenever the Board or the Chairman thereof requests the issuing of a report or the adoption of proposals and, in any case, whenever appropriate for the successful performance of its functions.

The Audit Committee shall also meet on any occasion on which it is called by the Chairman, under his/her own initiative or at the instance of any two of its members, who in any event may inform the Chairman of the convenience of including a specific item on the Agenda of the following meeting.

The members of the management team or of the personnel of the Company and its Group shall be obliged to attend the meetings of the Committee and to provide help and access to the information at their disposal when the Audit Committee so requests. Equally, the Committee may require the attendance at its meetings of the auditors of the accounts.

Quorum and majorities to pass resolutions

The Audit Committee shall be considered to be validly constituted when the majority of its members are present or represented.

Resolutions shall be validly adopted when the majority of the Committee members present or represented vote in favour. In the event of a tie, the Chairman shall have the casting vote.

Number of meetings held by the Audit Committee over the fiscal year[1]

During fiscal year 2013, the Audit Committee held four meetings.

At all meetings, all the members of the Audit Committee were present.

C.2.3.- Management Committee:

The Chief Executive Officer, in the performance of the day-to-day management of the Company, is supported by a Management Committee constituted of Senior Officers, appointed by the Board of Directors.

The Management Committee is currently composed by:

José Manuel Corrales	President and Chief Executive Officer
Raúl Serrano	Senior Officer, Chief Financial Officer
Carlos Caba	Senior Officer, Business Development Manager

The Chief Executive Officer, as the highest-ranking officer of the Company, shall take care of the development of the business and of the highest executive duties in the Company. He shall keep the Board properly informed about key business and corporate developments at the Company and its subsidiaries and key decisions to be made within his power to represent the Company and such key business and corporate decisions at subsidiaries as listed in the Regulations of the Board.

D.- MAIN CHARACTERISTICS OF INTERNAL CONTROL PROCEDURES AND RISK MANAGEMENT IN RELATION TO PREPARATION OF FINANCIAL STATEMENTS:

The Audit Committee, made up entirely of Independent Directors, has either presential meetings or hold conference calls, without the presence of the management of the Company, with the auditors of the individual and consolidated annual accounts in order to review the Company's annual accounts and certain periodic financial information that the Board must provide to the markets and their supervisory boards, overseeing compliance with the legal requirements

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[1] *Under §37 of the Regulations of the Board, the Audit Committee shall prepare and deliver reports to the Board on its activity in the reporting period. Under §39(3) of the Regulations of the Board, the Audit Committee shall prepare and submit a report to the Board, within three months of the end of the Company's accounting year, on its work conducted in the reporting year. The report shall be made available to the Company's Shareholders. This report shall in particular cover matters discussed by the Audit Committee at its meetings in the reporting year; decisions made by the Audit Committee in the reporting year; and matters that the Audit Committee wishes to bring to the Board's particular attention, with a justification of such selection and the Audit Committee's opinion and optionally, the Audit Committee's recommendations as to the Board's decision to be adopted on such matters.*

and correct application of generally accepted accounting principles in the drawing up thereof.

In such meetings, any disagreement or difference of opinion existing between the management of the Company and the external auditors is put forward, so that the Board of Directors can take the necessary steps so that the audit reports are issued without qualifications.

Furthermore, before drafting of the annual or quarterly accounting statements, the management of the Company also holds a meeting with the Audit Committee and is subjected by the latter to suitable questions as to the application of accounting principles, estimations made in the preparation of the financial statements, etc., and matters which are subject to discussion with the external auditors.

In order to preserve the independence of the external auditor of the Group, the relations of the Board with the external auditors of the Company are channelled through the Audit Committee.

It is incumbent on the Audit Committee to propose the appointment of the auditors to the Board of Directors, so that it may be considered by the General Meeting of Shareholders; and furthermore, to propose to the Board of Directors the terms of their contracts, the scope of their professional mandate and, where appropriate, the revocation or non-renewal of their appointment.

Among the functions of the Audit Committee is also that of liaising with the external auditors in order to receive information on those matters that could prejudice their independence and on any other matter related to the carrying out of the accounts auditing process, as well as on those other communications envisaged by auditing legislation and auditing standards, and keeping the nature and extent of non-audit services under review, based inter alia on disclosure by the external auditor of all fees paid by the Company and its Group to the audit firm and network, with a view to preventing any material conflicts of interest from arising.

During fiscal year 2013, the Company did not change its external auditor for the standalone and consolidated annual accounts. The current audit firm has audited the annual accounts of the Company and the Group for financial years 2007 through 2013, both inclusive.

The auditing firm has also provided additional minor services to the Company and/or its Group, although none of them were related to tax services.

Powers delegated or granted to directors or members of the Management Committee

José Manuel Corrales Ruiz, as Chief Executive Officer of the Company, has been delegated day-to-day management of the Company's business and the power to represent the Company with respect thereto, except for the matters exclusively reserved to the Board as referred to in Article 10.2.

Except as provided above, no Director or member of the Management Committee has been delegated or granted any power to act on behalf of or represent the Company.

Powers of the Directors to issue or buy-back shares

The General Meeting of Shareholders held on 18 June 2013 resolved to authorise the Board of Directors of the Company and the corporate bodies of any of the subsidiaries of the Company, as referred to in Articles 49-2 and 49-3 of the Law of 10 August 1915 on Commercial Companies, as amended, for a maximum period of 3 years as of the date of the aforementioned meeting, to purchase shares of the Company at any time and as many times as it deems appropriate, by any means permitted by law.

The total price of shares that may be acquired by the Company under this programme shall not exceed EUR 5,000,000.

The details of the authorisation to the Board to purchase shares of the Company were described in Current Report 36/2013.

Upon the aforementioned authorisation of the General Meeting of Shareholders, the Board of Directors on 28 June 2013 passed a resolution authorising a share buyback programme on the conditions described in Current Report 40/2013. The programme was initiated on 1 July 2013 and as of the end of December 2013 the number of treasury shares in the Company was 1,064,779 for a total acquisition cost of PLN 11,059,161 (including those purchased based on the previous authorisation approved by the General Meeting of Shareholders on 19 June 2012).

Related party transactions and conflicts of interest

No relevant transactions, from a quantitative or qualitative perspective, entailing a transfer of resources or obligations, took place in fiscal year 2013 between the Company and the related parties thereto.

Under §9 of the Regulations of the Board, in transacting with the Company's Shareholders, the Board and its members shall act with particular diligence so as to ensure that the transactions are concluded at arm's length.

Under Article 12.3 of the Articles of Association and §11 of the Regulations of the Board, in the event that any Director of the Company may have any personal and opposing interest in any transaction of the Company submitted to the Board for approval, such Director shall make known to the Board such personal and opposing interest and shall not consider or vote upon any such transaction, and such transaction, and such Director's interest therein, shall be reported to the next following General Meeting, which shall ratify such transaction.

In the event of a conflict of the Company's interests and the personal interest of a Director's spouse, relatives by blood or marriage up to the second degree, or other persons to whom the Director is personally related, such Director shall refrain from participating in the resolution of such matters and request that this be noted in the minutes of the Board meeting.

E.- COMPENSATION OF MANAGEMENT COMMITTEE AND BOARD OF DIRECTORS MEMBERS IN 2013

The remuneration of the members of the Management Committee and Board of Directors has been established in light of the size of the Company's business, in reasonable relation to the business results, and should be related to the scope of responsibility in a given function, taking into account the level of remuneration of members of boards and executive committees in similar companies on comparable markets.

Management Committee compensation[2]

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.

Details of compensation received by the Company's managers (including Management Committee members and plant operational managers) for the period from 1 January 2013 through 31 December 2013 are as follows:

	EUR '000
Current compensation	
salary	863
bonus	16
Share-based payments	321
Total, directors of the Company	**1,200**

Board of Directors compensation[3]

Details of the compensation of the Board of Directors members are as follows (EUR):

	Base salary	Bonuses	Other
José Manuel Corrales	-	-	-
Raúl Serrano	-	-	-
Witold Franczak	18,000	-	-
Rafał Lorek	18,000	-	-
Piotr Nadolski	18,000	-	-
Olivier Schmeer	18,000	-	-

Information on supervision of Employee Share Option Plans

On 14 May 2013 the Board of Directors approved a new management incentive scheme (the "Management Incentive Scheme" or the "Scheme") and a new annual bonus structure replacing entirely the existing bonus structure and ESOP approved by the Board of Directors on 23 December 2010.

Upon the Management Incentive Scheme, the participants in the Management Scheme (the "Participants") shall be entitled to acquire from ACE, upon the terms of the Scheme, shares representing in aggregate up to 9% of the outstanding share capital of ACE (the "Management Shares").

The purchase by the Participants and transfer by ACE of the shares will take place in December 2013, December 2014 and December 2015 (the "Allocation Dates" and each of them, individually, an "Allocation Date"), resulting in 3% on each Allocation Date.

The Management Shares will be distributed by the Board on

[2] Pursuant to Luxembourg law and §33 of the Regulations of the Board, where a Director is delegated the day-to-day management of the Company, the Board shall report annually to the General Meeting on the remuneration and other benefits paid to such Director.
[3] Remuneration of Directors, in their capacity as directors of the Company, shall be approved by the General Meeting.

an individual basis, at its discretion, among the Participants.

The share purchase agreement corresponding to December 2013 (the first Allocation Date) was actually executed in December but the shares were transferred to the Participants to their relevant securities account on 2 January 2014 due to technical reasons (first business day).

F.- GENERAL SHAREHOLDERS MEETING PRACTICES AND POWERS TOGETHER WITH A DESCRIPTION OF SHAREHOLDERS' RIGHTS AND THEIR EXECUTION:

The General Shareholders' Meeting is an organ of the Company whose powers are set forth in the Luxembourg Law dated 10 August 1915 on Commercial Companies, as amended (the "Company Law"), the Company's Articles of Association and the Regulations of the General Shareholders' Meeting.

The General Meeting of Shareholders, duly convened and constituted in accordance with all legal formalities and those of the Articles of Association and its own Regulations, is the supreme and sovereign body of expression of the will of the Company. Its resolutions are binding on all its shareholders, including those absent or dissenting shareholders, without prejudice to any remedies they may have at law.

Convening of the General Shareholders Meeting

General Shareholders Meetings (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. One or more Shareholders representing at least 5% of the share capital of the Company can request the addition of one or several items on the agenda of any General Meeting and file draft resolution(s) for items included or to be included on the agenda of the General Meeting. Such request and draft resolution(s) must be sent to the Company's registered office or as indicated in the convening notice by registered letter or by electronic mail at least 22 days prior to the date of the General Meeting, and shall be accompanied by proof of shareholding of such Shareholders. If such requests entail a modification of the agenda of the relevant meeting, the Company will make available a revised agenda at least 15 days prior the General Meeting.

The Board shall convene a General Meeting by notice published 30 days before the meeting, at least in the Mémorial and in a Luxembourg newspaper and in any other media which can easily and on a non-discriminatory basis be accessed throughout the European Economic Area.

The convening notice shall contain the agenda of the meeting, the place, date and time of the meeting, the precise description of the procedures that Shareholders must comply with in order to be able to participate and cast their votes at the General Meeting, the Record Date (which under the Company´s Articles of Association means midnight on the date falling 14 days prior to the date of the General Meeting), the manner in which Shareholders must register to be admitted, and the homepage and the postal and electronic address at which the complete text of any documents to be made available to Shareholders and any draft resolutions to be adopted can be obtained.

Notices by mail shall be sent 30 days before the meeting to registered Shareholders, the members of Board, as well as the auditor(s) of the Company, but no proof needs to be given that this formality has been complied with.

The General Meeting shall not be entitled to remove or alter items included in the agenda without the unanimous approval of all the Shareholders of ACE, i.e. 100% of the share capital of ACE.

Venue of the General Shareholders' Meeting

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

Each Share entitles the holder to attend a General Meeting, either in person or by proxy, to address a General Meeting, and to exercise voting rights. Each Share entitles the holder to one vote at a General Meeting. There is no minimum shareholding required to be able to attend or vote at a General Meeting.

Any Shareholder wishing to participate in the General Meeting shall notify the Company thereof at the latest on the Record Date in witting by mail, fax or electronic mail in the manner determined by the Board and indicated in the relevant convening notice.

Any Shareholder may vote by way of voting forms provided by the Company. Voting forms contain the date, place and agenda of the meeting, the text of the proposed resolutions as well as for each resolution, three boxes allowing to vote in favour, against or abstain from voting. Voting forms must be sent back by the Shareholders to the registered office or as otherwise indicated in the convening notice. Only voting forms received prior to the General Meeting are taken into account for the calculation of the quorum provided that the Shareholder had indicated his intention to participate in the relevant General Meeting. Voting forms which show neither a vote (in favour or against the proposed resolutions), nor an abstention, are void.

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 on the Record Date.

Such certificates should be submitted to ACE prior to the General Meeting at its registered address or at the address included in the convening notice or, in case the Shares are listed on a foreign regulated market, with an agent of ACE located in the country of the listing and designated in the convening notice. In the event a Shareholder votes through proxy, the latter has to deposit his or her proxy prior to the General Meeting at the registered office of ACE or with any local agent of ACE duly authorised to receive such proxy provided that the Shareholder has indicated his intention to participate in the relevant General Meeting.

Any Shareholder may act at any General Meeting by appointing in writing or by telefax, cable, telegram or telex as his proxy another person who need not be a Shareholder. The Board may adopt rules and procedures concerning entry cards and proxy forms in order to allow Shareholders to exercise their right to vote.

The Board may determine all other conditions that must be fulfilled in order to take part in a General Meeting.

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 can decide to distribute such profit in the form of dividends to the Shareholders. The amount of any dividends paid to Shareholders may not exceed the amount of the profits at the end of the last financial year plus any profits carried forward and any amounts drawn from reserves which are available for that purpose, less any losses carried forward and sums to be placed in reserve in accordance with law or the Articles of Association.

Interim dividends may be paid by the Board within the conditions provided for in the Luxembourg Company Law.

The new shares will rank pari passu with all existing Shares from the date of issue and accordingly will be entitled to any dividend distributions declared following the date of issue of such New Shares.

Distributions that have not been claimed within five years after the date on which they became due and payable revert to ACE.

Rights to share in any surplus in the event of liquidation

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

Voting Rights and majorities required

Each Share entitles its holder to one vote on each matter to be voted upon by Shareholders. There is no maximum percentage or number of votes than can be issued by one shareholder.

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, including the increase or reduction of the share capital or, pursuant to the Articles of Association to change the nature of the business conducted by ACE, must have a quorum of at least 50% of the issued capital of ACE. If such quorum is not reached, a second meeting may be convened, in the manner prescribed by the Articles of Association, provided that the convening notice shall be published seventeen (17) days before the General Meeting. This second meeting do not have any quorum requirements. Such convening notice shall reproduce the agenda and indicate the date and the results of the previous meeting. At both meetings, resolutions described in this paragraph must be carried by at least 75% of the votes of the Shareholders present or represented.

If the proposed amendments consist of changing ACE's nationality or of increasing the obligations of the Shareholders, unanimous consent of all Shareholders representing the entire issued capital is required.

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, that may not exceed five years.

Increases within that authorised share capital may be exercised on one or more occasions by the Board within five years from the date of publication of the resolution of the General Meeting approving the authorised capital.

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 75% of the votes cast at a General Meeting where at least 50% of the issued share capital is present or represented.

In addition, pre-emptive rights can be limited or excluded by the Board, if the General Meeting has delegated the authority to exclude or limit pre-emptive rights. Such authorisation cannot exceed five years.

The Board may also delegate to any duly authorised person the duty of accepting subscriptions and receiving direct payment in cash or in kind of the price of the Shares being the whole or part of such increase of capital.

Amendments to the rights of Shareholders

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

G.- COMPLIANCE WITH THE "CODE OF BEST PRACTICE FOR WSE LISTED COMPANIES"

In 2013 the Company did not fully or partially comply with the following rules described in the Code of Best Practice for WSE Listed Companies, on a temporary basis:

Section I: 5, 9, 12
Section II: 1.2a, 1.7, 1.9a, 1.12, 7
Section IV: 10

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

Section I: 12 and Section IV: 10 – All rules refer to live transmissions of the General Shareholders Meetings and online participation of shareholders. Current corporate website capabilities do not allow either live transmission broadcasts or video streaming. However, ACE is constantly improving its website capabilities and intends to include such information if it is of material importance for shareholders.

Section I: 5 – Remuneration policy. ACE has its internal remuneration policy and rules determining the form, structure, and level of remuneration of members of the board of directors and management bodies. However the Company is constantly improving its reporting standards to fully comply with Commission Recommendations 2004/913/EC and 2009/385/EC.

Section I: 9 and Section II: 1.2a – This rules refer to equal employment practices. At ACE, we take pride in hiring the best person for the job – irrespective of gender, age, nationality, sexual orientation or religious belief. The proportion of women and men in the management committee and the board of directors strictly depends on available human resources and the professional competences of candidates.

Section II: 1.7, 1.12 – Both rules refer to the website content.

The ACE website still does not contain information described by rules 1.7 and 1.12. However, ACE is constantly improving its content and intends to include such information if it is of material importance for shareholders.

Section II: 1.9a – This rule refers to audio or video recording of the General Shareholders Meeting. Currently ACE does not provide the above-mentioned recordings but intends to introduce such capabilities if they are of material importance for shareholders.

Section II: 7 – According to Luxembourg regulations ACE is obliged to hold General and Extraordinary Meetings of Shareholders in Luxembourg regardless of current shareholders structure and their geographical location.

Directors' Statements

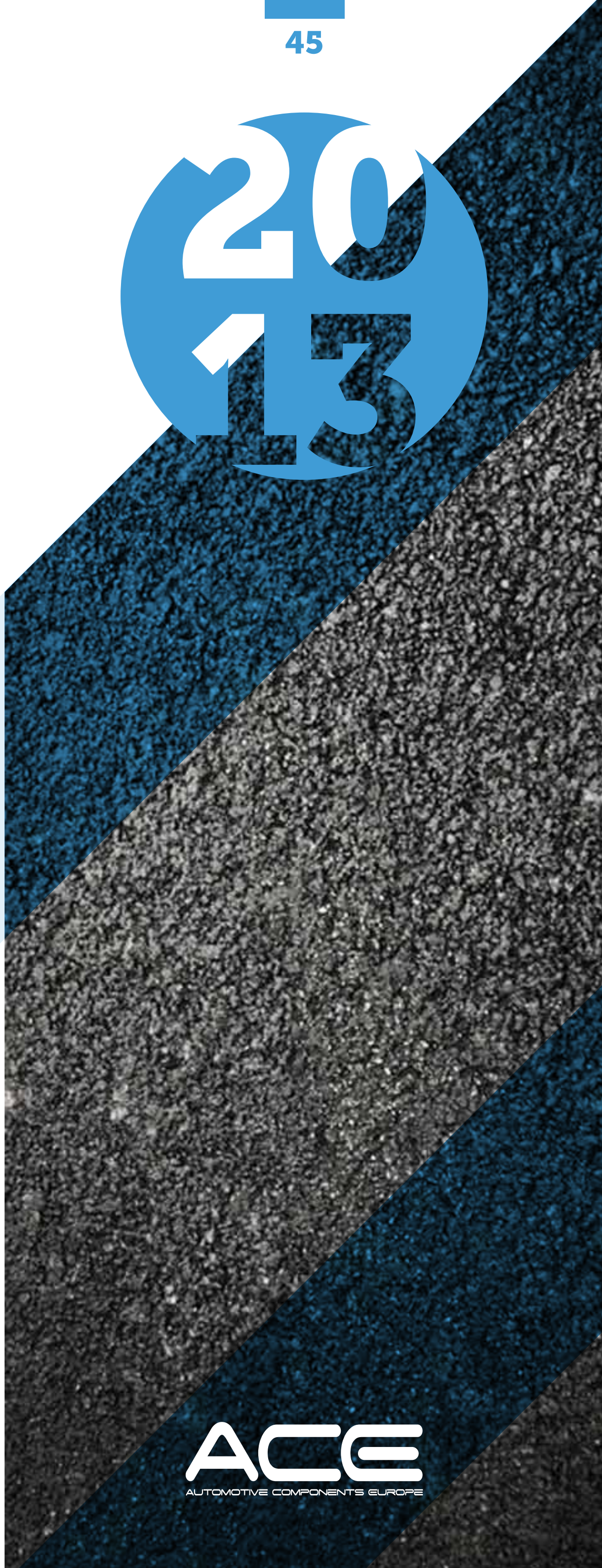
To the best of the Management's knowledge the annual consolidated financial statements and the comparable information have been prepared in compliance with IFRS adopted by the EU and give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer or the undertakings included in the consolidation as a whole and the management report includes a fair review of the important events that have occurred during the financial year. The directors' report on the operations of the Group truly reflects the development, achievements and situation of the Company, including a description of the key risk factors and threats.

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

Luxembourg, 30 April 2014

José Manuel Corrales

Raúl Serrano



Automotive Components Europe S.A.

and subsidiary companies

38, boulevard Napoléon 1er

L-2017 LUXEMBOURG

RCB number: B 118130

Consolidated Financial Statements

for the year ended 31 December 2013

Automotive Components Europe S.A. and subsidiary companies
(ACE S.A.)
(hereinafter the « Company » or « ACE S.A. »)
Société Anonyme
38, boulevard Napoléon 1er
L-2210 Luxembourg
RCB Luxembourg B 118130

MANAGEMENT REPORT OF THE DIRECTORS CONCERNING CONSOLIDATED FINANCIAL STATEMENTS AND ANNUAL ACCOUNTS AS AT DECEMBER 31st 2013

Dear Shareholders,

The Board of Directors has the pleasure in presenting this report, which constitutes the management report ("Management Report") as defined by Luxembourg Law and Regulations, together with the audited consolidated financial statements and annual accounts as of 31 December 2013, and for the accounting period then ended. As permitted by Luxembourg Law, the Board of Directors has elected to prepare a single Management Report covering both the Company and the Group.

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

EBITDA for year 2013 rose to Euro 10.4 million (10.3% on sales and Euro 2.1 million higher than in 2012). Indeed, although sales volume for Western European market declined -2.0% and production -1.0%, automotive segment sales of ACE Group increased by +6.6%. In addition, after the investments done in the Spanish facilities during 2012, the efficiency improvements in that company has overcompensated the delay in the investment related to the CEE project in our Czech company, thus impacting positively in the operating result.
Other remarkable effects were the salary increases following the inflation rate jointly with a larger staff to meet the new challenging facilities in Spain and Czech Republic, and some other one-off issues recorded in current and prior year, impacting negatively the performance of the Group.

Finally, the status of certain assets under review advises to be replaced before than expected to improve the competitiveness of the Czech company, and consequently those assets which could be subject to a replacement have been depreciated faster. Nevertheless, Operating profit was quite positive by Euro 4.5 million (4.4% on sales), which is Euro 1.3 million higher than 2012.

Net profit amounted to Euro 1.9 million in year 2013, which is Euro 0.4 million lower than year 2012, as a consequence of a worse performance in financial results, mainly due to the weakening of Czech Corona versus Euro, and a higher income tax expenses.

As regards, the financial position, the operating generation of cash from January to December of 2013 was very positive, by Euro 8.2 million, mostly as a result of EBITDA. Otherwise, investing activities amounted to Euro 5.2 million in the period, mostly reflecting the CEE project capital expenditure, which closing will be still some visible in 2014. The financing activity is driven by the repayment of loans and interest expenses, increased by the buy-back program in progress.

Reflecting all the above, the final cash position of the Company as of the end of December 2013 is positive by Euro 7.7 million with an increasing Net debt up to Euro 11.4 million leading to a Net Financial Debt versus Ebitda ratio below x1,5..

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.

ACE BOROA S.L.U.

On 15 October 2010, in the context of the Group's restructuring process following mainly the requirements set by the lender of the new financing obtained in 2010, ACE Boroa S.L.U. was purchased and incorporated as a sole proprietor company of the operating companies listed hereafter with limited liability under Spanish law. The registered office of the company is in Boroa, Amorebieta (Vizcaya-Spain). The principal activity of the company is the holding and management of company investments.

On 12 November 2010 the Group signed a long-term syndicated financing agreement with a pool of Spanish banks. The refinancing loan was used by the Group for partial refinancing and repayment of loan facilities used directly by all three production plants. The objective is to substantially improve Group cash management, decrease costs of global debt financing and allow additional free cash-flow within the Group. To rationalize this financing process and provide the local guarantees required by the syndicated pool of Spanish banks, ACE transferred at the same time, through a contribution in-kind, all shares of all three production plants (Fuchosa S.L., EBCC Sp. z o.o. and Feramo s.r.o.) to the new Spanish company ACE Boroa S.L., the borrower, being a 100% subsidiary of ACE S.A. This entity as well as all remaining Group members are the debt guarantors.

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, known as European Brakes and Chassis Components Poland S.A.

Further to the above, nowadays the sole shareholder of EBCC Sp.z o.o. (previously named Indus Sp. z o.o.) is ACE Boroa S.L.U.

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 OEMs moving their production facilities to the CEE countries. In 2005 it was taken over by Innova/3 L.P. Innova/3 EBRD Co- Investment Facility L.P. Since the start of production in 2002, EBCC increased its revenues to Euro 32.5 million in 2013. 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 market share near 40% of the European aluminium callipers.

FUCHOSA, S.L.

ACE Boroa S.L. 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 Calle Autonomía, 1. Barrio Apatamonasterio S/N° Atxondo – 48291 – 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 6.8 million in 1990 to Euro 52.4 million in 2012, 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 Europe. Fuchosa is the clear leader with an estimated market share above 40% of the European iron anchor market. The strong market position 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. Nowadays ACE Boroa S.L.U. is the sole shareholder of Feramo.

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.

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 melting technology, a new production line and a new sand pit technology. In 2013, Feramo proceed with the main part of the investment for the Nodular Iron technology (CEE project), which will be only visible since 2014 and will expand in the next few years Feramo activity up to the same level of sales than the other two operating companies increasing its production capacity and specializing the company in nodular iron parts for the automotive market, by adding some new customers, and enlarging its product portfolio.

ACE4C AIE

On 12 November 2010 ACE4C AIE (ACE4C) was created and incorporated as an economic interest group ("Agrupación de interés económico") under Spanish law, controlled in a 96% by ACE Boroa S.L.U. and 4% by Fuchosa S.L.U. The registered office of the company is in Boroa, Amorebieta (Vizcaya-Spain). The activity of the company is to develop R&D projects for the Group related to raw material consumption, manufacturing quality processes, new technology processes. The company has to perform those activities with non-profit objectives within the Group but with the aim to develop performing R&D results for the Group.

2. Important Events since December 31st 2013

There were no significant events after the year end.

3. Planned evolution of the Company and its subsidiaries

After six consecutive years of shrinking European automotive market, some growth can be reasonably expected for the year 2014. Main European markets are increasing its sales, although slow recovery is foreseen which will still suppose a quite weak market.

As far as 2014 is concerned, at the time of preparation of this report, and based on our customer's demand and expectations, we can anticipate again some market outperformance for the Group sales.

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

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

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

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

4. Branch

The Company has no branches

5. Research and Development Activities

During the period between 1st January and December 31st 2013, the Group did not capitalize any research or development activities.

Nevertheless, the Group subsidiary ACE4C AIE carries out, in collaboration with European Brakes and Chassis Components SA, FUCHOSA S.L. and Feramo Metallum International s.r.o, some activities in the field of research and development in the scope of improvement of industrial process and products efficiency.

6. Environmental Issues

Group is highly concerned with production sustainability, using state-of-the-art equipment in production to maximise productivity with the lowest impact on the environment. In this sense the Group's policy is to apply the most modern management tools to prevent any negative impact on the environment.

One of our plants is already EMAS-certified. As a management tool for companies to evaluate, report and improve their environmental performance, the EMAS certification is also an excellent platform to present the situation to stakeholders in terms of emissions and waste management.

All our plants are in compliance with environmental regulations in the different countries, and the aim of the Group is to complete all missing certifications in the near future.

7. Business risk management

Various risks could have an impact on the Group's current and future performance. The most important risk factors related to the Group, the market and changes in the economy are the following:

- Risks related to the situation on the European car market
- Risks related to currency fluctuations
- Risk of decreasing margins
- Risks related to labour cost increases
- Risks related to deliveries and increases in the cost of raw materials and energy

The description as well as the management of those and other potential risks can be found in the Company Annual Report which is published jointly with the Consolidated Financial Statements and Annual Accounts for the year ended 31 December 2013.

8. Financial risk management

The Group risk is managed on a day to day basis at the level of the Group's subsidiaries and monitored monthly at Group level. The Group subsidiaries are exposed to the main risks associated to the activity of business (credit risk, liquidity risk, market risk and capital 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.

As regards, 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. As regards commodities, for the main raw materials (iron and aluminium) and partially the energy, the Subsidiaries implement pricing transfer mechanisms that surcharge the variation in the prices to the customers and also adopt policies to partially hedge the risk of fluctuations in raw material prices.

9. Takeover Bids

According to the law of 19 May 2006 on takeover bids (the "Law on Takeover Bids"), the Company should publish certain information on the structures and measures that could hinder the acquisition and control over the company by an offeror. In the chart below, the reader can find detailed information in relation to points (a) to (k) as required by Article 11(1) of the Law on Takeover Bids.

Art. 11 from the Law on takeover bids		Description	Comments
a)	The structure of ACE capital, including securities which are not admitted to trading on a regulated market in a Member State, where appropriate with an indication of the different classes of shares and, for each class of shares, the rights and obligations attaching to it and the percentage of total share capital that it represents;	During the IPO, which took place in May 2007, the Company increased its shareholding capital from 20,050,100 to 22,115,260 shares. Under the prospectus the three existing shareholders of ACE—Casting Brake, EB Holding and Halberg Holding—sold a total of 10,423,316 of the Company's shares (less the shares bought with the over-allotment option (319,389) meant 10,103,927 shares sold). The first listing of ACE on the Warsaw Stock Exchange took place on 1 June 2007. The Extraordinary General Meeting of Shareholders held on 17 June 2009 resolved to reduce the issued share capital of the Company by Euro 132,711.75, from Euro 3,317,289.00 to Euro 3,184,577.25, by cancellation of 884,745 shares at a par value of Euro 0.15 each, owned by the Company, following the completion of the buy-back programme as approved at the annual shareholders meeting of the Company held on 17 June 2008. Pursuant to the resolution, the total number of outstanding shares decreased to 21,230,515. All the shares are of the same class and series, and are fully paid-up and subscribed. All shares are admitted for trading.	
b)	Any restrictions on the transfer of securities, such as limitations on the holding of securities or the need to obtain the approval of the company or other holders of securities, without prejudice to article 46 of Directive 2001/34/EC;		Not applicable
c)	Significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Directive 2004/109/EC;	As ACE's shares are represented in bearer form, it is not possible to know accurately the ownership structure of the Company. In any case, according to the information received by the Company, and to its best knowledge, as of the end of 2013, the following shareholders were entitled to exercise over 5% of voting rights at the General Meeting of Shareholders in the Company: Casting Brake 11.45%, PZU OFE 16.49%, ING Nationale Nederlanden OFE 15.00%, AVIVA OFE 14.63%, Noble Funds TFI 5.07%, Pioneer Pekao Investments 5.00%	
d)	The holders of any securities with special control rights and a description of those rights;	If Casting Brake holds at the time of nomination of the directors of the Board at least 10% of the voting rights in the share capital of the Company, Casting Brake shall have the right to nominate for appointment and removal by the General Meeting two (2) persons or entities as directors of the Company. In the event that at the time of nomination of Directors the percentage of voting rights held by Casting Brake falls below 10% of the voting rights in the share capital of the Company but is above 5% of the voting rights in the share capital of the Company, Casting Brake shall have the exclusive right to nominate one (1) Board member for appointment by the General Meeting. In the event the percentage of voting rights held by Casting Brake falls below 5%, Casting Brake will lose its exclusive right to nominate any Directors for appointment by the General Meeting.	
e)	The system of control of any employee share scheme where the control rights are not exercised directly by the employees;	On 14 May 2013 the Board of Directors approved a new management incentive scheme (ESOP) and a new annual bonus structure replacing entirely the existing bonus structure and ESOP approved by the Board of Directors on December 23, 2010. The Participants shall be entitled to acquire from ACE, upon the terms	

		of the scheme, shares representing in aggregate up to nine per cent (9%) of the outstanding share capital of ACE (the “Management Shares"). The purchase by the Participants and transfer by ACE of the shares will take place in December, 2013, December 2014 and December 2015, resulting three per cent (3%) each date. The Management Shares will be distributed by the Board on an individual basis at its discretion, among the Participants. As of 31 December 2013 and following the guidelines of IFRS 2, the total amount accrued amounts to Euro 321 thousand. The transfer of shares planned for December 2013 was actually done in January 2014 due to technical reasons.	
f)	Any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company’s cooperation, the financial rights attaching to securities are separated from the holding of securities;	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. 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. 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. Any Shareholder wishing to participate in the General Meeting shall notify the Company thereof at the latest on the Record Date in writing by mail, fax or electronic mail in the manner determined by the Board and indicated in the relevant convening notice. 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 on the Record Date. Such certificates should be submitted to ACE prior to the General Meeting at its registered address or at the address included in the convening notice or, in case the Shares are listed on a foreign regulated market, with an agent of ACE located in the country of the listing and designated in the convening notice. In the event a Shareholder votes through proxy, the latter has to deposit his or her proxy within the same period of time at the registered office of ACE or with any local agent of ACE duly authorised to receive such proxy. In addition, if a Shareholder votes by correspondence, the relevant form must be received at the registered office of ACE before the General Meeting.	Restrictions: not applicable.
g)	Any agreements between shareholders which are known to the company and may result in restrictions on the transfer of securities or voting rights within the meaning of	According to the information reported to the Company, there are no shareholders agreements referring to transmission of shares or voting rights, nor does it have any evidence of the existence of concerted actions between its shareholders.	

	Directive 2004/109/EC;		
h)	The rules governing the appointment and replacement of board members and the amendment of the articles of association	Directors are elected by the shareholders for a term terminating at the fourth (4th) Annual General Meeting following the date of their appointment, unless otherwise provided by the General Shareholders Meeting at the time of their appointment, and shall be re-eligible. A Director may be removed with or without cause and/or replaced, at any time, by resolution adopted by the General Meeting. Neither the Articles of Association nor the Regulations of the Board establish a limited term of office for the Independent Directors. If Casting Brake holds at the time of such nomination at least 10% of the voting rights in the share capital of the Company, Casting Brake has the right to nominate for appointment and removal by the General Meeting two (2) persons or entities as directors of the Company. In the event that at the time of nomination of Directors the percentage of voting rights held by Casting Brake falls below 10% of the voting rights in the share capital of the Company but is above 5% of the voting rights in the share capital of the Company, Casting Brake shall have the exclusive right to nominate one (1) Board member for appointment by the General Meeting. In the event the percentage of voting rights held by Casting Brake falls below 5%, Casting Brake will lose its exclusive right to nominate any Directors for appointment by the General Meeting. Directors nominated by Casting Brake pursuant to Article 7.2 of the Articles of Association are designated "CB Directors". In such cases, additional Director/s will be nominated by Shareholders representing more than 1% of the voting rights in the share capital of the Company in accordance with Article 7.3 of the Articles of Association. The Board shall choose from amongst the Directors a Chairman, provided that if CB Directors have been appointed the Chairman shall be appointed from amongst the CB Directors. The Chairman of the Board of Directors has a casting vote in the event of equality of votes between the Directors attending the meeting. This is understood without prejudice to the provisions of the Articles of Association referred to above. 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. An extraordinary General Meeting convened for the purpose of amending the Articles of Association or, pursuant to the Articles of Association, • to change the nature of the business conducted by ACE or any of the Operating Entities; • to sell, close or otherwise dispose of any Operating Entities; or • to dissolve, wind-up or liquidate any of the Operating Entities; must have a quorum of at least 50% of the issued capital of ACE.	
i)	The powers of board members, and in particular the power to issue or buy back shares;	Apart for the matters reserved for the competence of the General Meeting, the Board of Directors is the highest decision-making, supervisory and controlling body of the Company, as it is entrusted with the direction, administration, management and representation of the Company, delegating in general the management of ACE's day-to-day business to the Chief Executive Officer, except for certain matters specifically reserved to the competence of the Board as referred to in Article 10.2 of the Articles of Association and §16.2 of the Regulations of the Board, and concentrating its efforts on the general supervisory	

		function, which includes directing the policy of the Company, monitoring the management activity, assessing the management by the senior management, taking the most relevant decisions for the Company and acting as a link with the shareholders. 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. 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 shall define the strategy and objectives of the Company's operations. The Board shall be 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. The General Meeting of Shareholders held on 18 June 2013 authorised the Board of Directors to perform a buy-back of the Company shares. The maximum number of shares that may be acquired by the Company within three years shall not exceed in total the maximum of five million euros (Euro 5 000 000). The details of the buy-back programme were described in the current report 36/2013. The programme was initiated on 1 July 2013 and as of the end of December 2013 the amount of treasury shares in the Company were 1 064 779 for a total acquisition cost of Euro 2 620 thousand (PLN 11 075 thousand) which comprises two buy-backs programme, the one performed from December 2012 to June 2013, as explained in previous reports, plus the current one started in July 2013.	
j)	Any significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company following a takeover bid, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to the company; this exception shall not apply where the company is specifically obliged to disclose such information on the basis of other legal requirements;		Not applicable
k)	Any agreements between the company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.		Not applicable

10. 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 :

Following with the buy-back program approved on 19 June 2012, the General Meeting of Shareholders held on 18 June 2013 approved a new buy-back programme for the Company shares further developed by the Board of Directors of the Company on 28 June 2013. The Objectives of the buy-back programme are as follows:

(i) to meet obligations arising from ESOP granted or that could be granted,
(ii) purchase of shares for retention and subsequent use for exchange or payment in the framework of potential external growth transactions,
(iii) to be used for supporting the liquidity of the secondary market,
(iv) to be cancelled in the framework of a share capital reduction.

The maximum purchase price per share to be paid in cash shall not represent more than PLN 20, and no less than PLN 0.04.

The maximum number of shares that may be acquired by the Company shall not exceed in total the maximum of five million euros (Euro 5,000,000).

The programme was initiated on 1 July 2013 and shall be valid until June 18, 2016. As of the end of December 2013 the amount of treasury shares in the Company were 1.064.779 for a total acquisition cost of Euro 2,620 thousand (PLN 11,075 thousand). In Januray 2014, the Company transferred shares 637 thousand following the ESOP agreement described above. Apart from those, the Company has not disposed any treasury share.

The financial statements for the next statutory reporting period will cover the months January 2014 to December 2014.

10. Corporate Governance report

Pursuant to article 68 bis of the Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings (as amended), the Company will issue the Corporate Governance report within Company's Annual Report. This report will be also available in Company's webpage (www.acegroup.lu).

In Brno, April 2, 2014.

José Manuel CORRALES
Chairman

Piotr NADOLSKI
Independent Director

Witold Jan FRANCZAK
Independent Director

Raul SERRANO SECADA
Director CB

Rafal LOREK
Independent Director

Oliver SCHMEER
Independent Director

Deloitte.

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To the Shareholders of
Automotive Components Europe S.A.
38, boulevard Napoléon 1er
L-2017 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated 18 June 2013, we have audited the accompanying consolidated financial statements of Automotive Components Europe S.A., which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of income, consolidated statement of other comprehensive income, consolidated statement of changes in stockholder's equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors' 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, and for such internal control the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

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 for Luxembourg by the *Commission de Surveillance du Secteur Financier*. 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.

Deloitte.

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 *réviseur d'entreprises agréé's* judgment 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 agréé* 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.

Basis for Qualified Opinion

As stated in note 3.5 and 22 of the accompanying consolidated financial statements, in 2013 and 2012 the Group has recorded the Research and Development tax deductions in the "Other operating income" caption of the consolidated income statement for the year ended 31 December 2013 and 2012 amounts to 650 EUR thousand and 1.047 EUR thousand, respectively and approximately, as the member of the Board of Directors have considered that the nature of these tax deductions is similar to that of a government grant. In the aforementioned note 22, the Group has disclosed the effect both in 2013 and 2012 of the application of such a change in accounting policy. However, and as the tax deductions are applied within the limit of the income tax liabilities which depend on the taxable profit, in our opinion these tax deductions should have been recorded in 2013 and 2012 reducing the income tax expense and the operating income. Neither the net profit after tax nor the equity is affected.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion Paragraph, the consolidated financial statements give a true and fair view of the consolidated financial position of Automotive Components Europe S.A. as of 31 December 2013, and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Deloitte.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements. The Corporate Governance Statement, as published on the Company's website http://www.acegroup.lu/ACE/en/investor-relations/corporate-governance.asp, which is the responsibility of the Board of Directors, includes the information required by the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended and the description included with respect to Article 68bis paragraphs c and d of the aforementioned law is consistent with the consolidated financial statements.

For Deloitte Audit, *Cabinet de révision agréé*

J. van Delden

Jan van Delden, *Réviseur d'entreprises agréé*
Partner

2 April 2014

Automotive Components Europe S.A.
38, boulevard Napoléon 1er
L-2210 Luxembourg
("Company")

BOARD OF DIRECTORS' RESPONSIBILITY STATEMENT RELATING TO THE CONSOLIDATED FINANCIAL STATEMENTS AND ANNUAL REPORT AS OF 31 DECEMBER 2013

To whom it may concern:

We confirm that, to the best of our knowledge, the Consolidated Financial Statements for the year ended 31 December 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and results of the Company and the undertakings included in the consolidation taken as a whole. We also confirm that, to the best of our knowledge, the 2013 Annual Report and Consolidated Financial Statements include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Signed on 30 April 2014

On behalf of the Board of Directors

José Manuel Corrales

Raúl Serrano

AUTOMOTIVE COMPONENTS EUROPE SA

AND SUBSIDIARY COMPANIES

Notes to the Consolidated Financial Statements

for the year ended 31 December 2013

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

Automotive Components Europe S.A. and subsidiary companies

Consolidated Statement of Financial Position
for the year ended 31 December 2013
(expressed in thousand of Euros)

Assets	Notes	December 2013	December 2012
Non-current assets			
Intangible assets	6	229	245
Property, plant and equipment	7	43.206	45.549
Derivative financial instruments	8	47	71
Deferred tax assets	15	1.947	1.272
Trade and other long term receivables		164	-
Total non-current assets		45.593	47.137
Current assets			
Inventories	9	7.831	8.745
Trade and other receivables	10	15.407	14.532
Derivative financial instruments	8	185	205
Current income assets		60	78
Other current assets		-	28
Cash and cash equivalents	11	7.690	12.407
Total current assets		31.173	35.995
Total assets		76.766	83.132

Equity and Liabilities	Notes	December 2013	December 2012
Capital and reserves			
Share capital		3.185	3.185
Share premium		3.959	5.444
Retained earnings and other reserves		29.675	29.576
Cash flow hedges		30	(47)
Exchange differences		(1.083)	161
Net profit for the year		1.936	2.372
Total equity	12	37.702	40.691
Non-current liabilities			
Borrowings	13	13.973	18.461
Deferred income		470	555
Deferred tax liabilities	15	2.307	2.604
Derivative financial instruments	8	220	374
Provisions for other liabilities and charges	16	235	93
Total non-current liabilities		17.205	22.087
Current liabilities			
Trade and other payables	17	14.893	16.409
Borrowings	13	5.240	3.486
Derivative financial instruments	8	-	1
Current income tax liabilities		1.254	30
Other current liabilities	14	12	44
Provisions for other liabilities and charge	16	460	384
Total current liabilities		21.859	20.354
Total equity and liabilities		76.766	83.132

The accompanying notes form an integral part of the consolidated financial statements of Automotive Components Europe S.A.
for the year ended 31 December 2013, in conjunction with which they should be read.

Automotive Components Europe S.A. and subsidiary companies

Consolidated Statement of Income
for the year ended 31 December 2013
(expressed in thousand of Euros)

	Notes	2013	2012
Revenues	18	100.843	98.618
Cost of sales	19	(81.390)	(81.607)
Gross profit		19.453	17.011
Selling and distribution costs	20	(2.451)	(2.189)
General and administration expenses	21	(13.318)	(13.242)
Other operating income	22	1.327	1.815
Other operating expenses		(548)	(338)
Operating profit		4.463	3.057
Financial income		977	1.380
Financial expenses		(2.115)	(1.759)
Financial result	23	(1.138)	(379)
Profit before income tax		3.325	2.678
Income tax (expense) / income	24	(1.389)	(306)
Net profit for the period		1.936	2.372
Attributable to:			
Equity holders of the company		1.936	2.372

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

- basic	0,09	0,11
- diluted	0,09	0,11

The accompanying notes form an integral part of the consolidated financial statements of Automotive Components Europe S.A. for the year ended 31 December 2013, 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 2013
(expressed in thousand of Euros)

	Notes	Attributable to equity holders of the company							
		Share Capital	Share premium	Legal reserve	Retained earnings	Cash Flow hedges	Exchange differences	Profit for the period	Net Equity
Balance at 1 January 2012		**3.185**	**5.444**	**320**	**28.253**	**(594)**	**(87)**	**2.088**	**38.609**
Allocation of previous year profit		-	-	-	2.088	-	-	(2.088)	-
Total consolidated recognised income and expense		-	-	-	-	547	248	2.372	3.167
Dividend relating to previous period		-	-	-	(1.062)	-	-	-	(1.062)
Purchase of treasury shares		-	-	-	(25)	-	-	-	(25)
Other		-	-	-	2	-	-	-	2
Balance at 31 December 2012		**3.185**	**5.444**	**320**	**29.256**	**(47)**	**161**	**2.372**	**40.691**
Balance at 1 January 2013		**3.185**	**5.444**	**320**	**29.256**	**(47)**	**161**	**2.372**	**40.691**
Allocation of previous year profit		-	-	-	2.372	-	-	(2.372)	-
Total consolidated recognised income and expense		-	-	-	-	77	(1.244)	1.936	769
Dividend relating to previous period	12	-	(1.485)	-	-	-	-	-	(1.485)
Purchase of treasury shares	12	-	-	-	(2.594)	-	-	-	(2.594)
Other	28	-	-	-	321	-	-	-	321
Balance at 31 December 2013		**3.185**	**3.959**	**320**	**29.355**	**30**	**(1.083)**	**1.936**	**37.702**

The accompanying notes form an integral part of the consolidated financial statements of Automotive Components Europe S.A. for the year ended 31 December 2013, in conjunction with which they should be read.

Automotive Components Europe S.A. and subsidiary companies

Consolidated Statement of Other Comprehensive Income
for the year ended 31 December 2013
(expressed in thousand of Euros)

	Notes	2013	2012
Consolidated profit per consolidated interim income statement (I)		1.936	2.372
Income and expense recognised directly in equity:			
- Cash flow hedges	8	160	470
-Tax effect	15	(31)	(66)
- Exchange differences		(1.244)	248
Total income and expense recognised directly in consolidated equity (II)		(1.115)	652
Transfers to consolidated profit and loss:			
- Cash flow hedges	8	(48)	178
-Tax effect	15	(4)	(35)
Total transfers to consolidated profit and loss (III)		(52)	143
Total consolidated recognised income and expense (I+II+III)		769	3.167
Attributable to the Parent		769	3.167

The accompanying notes are an integral part of the consolidated financial statements of Automotive Components Europe S.A. for the year ended 31 December 2013, 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 2013
(expressed in thousand of Euros)

	Notes	December 2013	December 2012
Cash flows from ordinary activities			
Profit before tax		3.325	2.678
Adjusted for:			
Amortisation and depreciation	6 & 7	5.919	5.201
Net Financial result		1.181	239
Losses on sale of property, plant and equipment		(11)	41
Gains and losses on changes in fair values of derivative financial instruments			(1)
Others		(322)	(1.078)
Operating profit before changes in working capital		10.092	7.080
(Increase)/decrease in receivables and other current assets		(719)	2.549
(Increase)/decrease in inventories		959	(2)
Increase/(decrease) in trade and other payables		(1.595)	(4.824)
Cash from operating activities		8.737	4.803
Income taxes paid	24	(521)	(1.010)
Net cash from ordinary activities		8.216	3.793
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		(6)	(24)
Acquisition of property, plant and equipment	7	(5.118)	(11.413)
Proceeds from sale of non current assets		55	59
Acquisition of other intangible assets	6	(63)	(91)
Net cash from investing activities		(5.132)	(11.469)
Cash flows from financing activities			
Purchase of treasury shares	12	(2.595)	(26)
Repayments of borrowings	13	(3.511)	(3.903)
Proceeds from borrowings	13	637	4.464
Dividends paid to Company´s shareholders	12	(1.485)	(1.062)
Net of financial result paid and received	23	(882)	(469)
Net cash from financing activities		(7.836)	(996)
Net increase/(decrease) in cash and cash equivalents		(4.752)	(8.672)
Cash and cash equivalents at beginning of the period		12.407	20.466
Effects of exchange rate changes on the balance sheet		35	613
Cash and cash equivalents at the end of the period		7.690	12.407

The accompanying notes form an integral part of the consolidated financial statements of Automotive Components Europe S.A. for the year ended 31 December 2013, 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 38, boulevard Napoléon 1er , L-2017 Luxembourg, Grand Duchy of Luxembourg, where it was moved to in February 25, 2013 from the former address in 82 Route d’Arlon, L-1150 Luxembourg.

The Company is listed in the Warsaw Stock exchange. The main shareholders of the Company are: OFE PZU ‘Zlota Jelsien’, ING Nationale Nederlanden Polska OFE , Aviva OFE and Casting Brake.

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 in the automotive industry.

The Group is comprised of the following companies as of 31 December 2013:

Company	Registered offices	Percentage Ownership
ACE Boroa, S.L.U.	Boroa, Spain	100.00 %
ACE4C, A.I.E	Boroa, Spain	100.00 % (*)
Fuchosa, S.L.U. (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 % (*)

(*) Owned directly and indirectly by ACE Boroa, S.L.U.

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 of 31 December 2013.

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. Theses mergers had no impact on consolidated figures.

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

On 15 October 2010, in the context of the group’s restructuring process following mainly the requirements set by the lender of a new financing obtained in 2010 (see note 13), ACE Boroa S.L. was created and incorporated as a sole proprietor company with limited liability under Spanish law.

On 12 November 2010 the ACE Group signed a long-term syndicated financing agreement with a pool of spanish banks. This was used by the Group for partial refinancing and repayment of the loan facilities used directly by all three production plants. The objective was to substantially improve group cash management, decrease costs of global debt financing and allow adDitional free cash-flow within ACE group (see note 13). To rationalize this financing process and provide the local guarantees required by the syndicated pool of spanish banks, ACE transferred at the same time, through a contribution in-kind, all shares of all three production plants (Fuchosa, S.L., EBCC sp. z o.o. and Feramo s.r.o.) to the new Spanish company ACE Boroa S.L.U., the borrower, being a 100% subsidiary of ACE S.A. This entity as well as all remaining ACE Group members are the debt guarantors.

On 12 November 2010 ACE4C, AIE (ACE4C) was created and incorporated as an economic interest group (“Agrupación de interés económico”) under Spanish law, controlled in a 96% by ACE Boroa, S.L.U. and 4% by Fuchosa, S.L.U.

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

- ACE Boroa, S.L.U. was incorporated as a sole owner company with limited liability under Spanish law on 15 October 2010. The registered offices of the company are in Boroa (Spain). The principal activity of the company is the holding and management of company investments.

- ACE4C, AIE, was incorporated as a “Agrupación de Interés Económico” under Spanish law on 12 November 2010. The registered offices of the company are in Boroa (Spain). The activity of the company is to develop R&D projects for the Group related to raw material consumption, manufacturing quality processes and new technology processes. The company has to perform those activities with non-profit objectives within the Group but with the aim to develop performing R&D results for ACE Group.

- Fuchosa, S.L.U. (“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.

(2) Basis of presentation of the consolidated financial statements and basis for consolidation

2.1 Basis of presentation

The Consolidated Financial Statements as of December 31, 2013 have been prepared in accordance with International Financial Reporting Standards, as adopted for use within the European Union (herein, IFRS-EU).

The accounting policies as set out below have been applied consistently throughout all periods shown within these Consolidated Financial Statements.

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Continued

The preparation of the Consolidated Financial Statements under IFRS-EU requires the use of certain critical accounting estimates. Note 2.3 provides further information on those areas which involve a higher degree of judgment or areas of complexity for which the assumptions or estimates made are significant to the financial statements.

The consolidated financial statements as of 31 December 2013 will be presented at the Warsaw Stock Exchange within the periods established by prevailing legislation in Poland.

Recently issued accounting standards

a) Standards, interpretations and amendments effective from January 1, 2013 applied by the Group:

- IFRS 13, ´Fair Value Measurement´. This standard was issued in order to group in a single framework the requirements to calculate the fair value of assets, liabilities or own equity instruments if fair value is required or permitted by other IFRSs. IFRS 13 changes the current definition of fair value and the disclosures requirements about fair value measurements.

  This amendment did not have a significant impact on the Group's consolidated financial statements.

- IAS 1 (Amendment), "Presentation of Financial Statements". The main change resulting from this amendment is a requirement to group items presented in 'other comprehensive income' (OCI) on the basis of whether they will be subsequently reclassified to profit or loss or not (reclassification adjustments).

- IAS 19 (Amendment), "Employee Benefits". The main changes of this amendment are related to the defined benefit plans.

- IAS 12 (Amendment), "Deferred tax assets related to property investments". This amendment introduces an exception to the general principles of IAS 12 that affects deferred taxes related to property investments. In these cases, applies the fair value model in IAS 40 (the carrying value of these assets will be recovered through sale).

  This amendment did not have any impact on the consolidated financial statements of ACE Group.

- IFRS 7 (Amendment) "Offsetting of financial assets and financial liabilities". This amendment introduces specific new disclosure requirements for assets and liabilities that are netted in the balance sheet and also for those financial instruments subject to an agreement net payable or similar relief.

b) Standards, interpretations and amendments published by the IASB that are not yet in force and have been adopted by the European Union:

- IFRS 10, ´Consolidated Financial Statements´. IFRS 10 replaces current consolidation requirements of IAS 27 and establishes principles for the presentation and preparation of Consolidated Financial Statements when an entity controls one or more other entities. The standard defines the principle of control, and establishes control as the basis for consolidation. This Standard will be effective for periods beginning on or after January 1, 2014 under IFRS-EU (January 1, 2013 under IFRS approved by the International Accounting Standards Board, herein IFRS-IASB).

- IFRS 11 ´Joint Arrangements´. This Standard will be effective for periods beginning on or after January 1, 2014 under IFRS-EU (January 1, 2013 under IFRS-IASB).

Continued

IFRS 11, replaces the actual IAS 31 about joint ventures and under this standard investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than just the legal structure of the joint arrangement. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and accounts for its interest under the equity method. Proportional consolidation of joint ventures is no longer allowed.

- IFRS 12 ´Disclosures of interests in other entities´. This Standard will be effective for periods beginning on or after January 1, 2014 under IFRS-EU (January 1, 2013 under IFRS-IASB). Standard that defines the disclosures related to interests held in subsidiaries, associates, joint arrangements and non-consolidated entities.

- IAS 27 (amendment) ´Separated financial statements´. IAS 27 amendment is mandatory for periods beginning on or after January 1, 2014 under IFRS-EU (January 1, 2013 under IFRS-IASB). After IFRS 10 has been published, IAS 27 covers only separate financial statements.

- IAS 28 (amendment) ´Associates and joint ventures´. IAS 28 has been amended to include the requirements for joint ventures to be accounted for under the equity method following the issuance of IFRS 11. IAS 28 is mandatory for periods beginning on or after January 1, 2014 under IFRS-EU (January 1, 2013 under IFRS-IASB).

The Group is currently in the process of evaluating the impact on the consolidated financial statements derived from the application of these new standards and they will not have a significant impact on the Group’s consolidated financial statements in opinion of the Directors.

c) Standards, interpretations and amendments that have not been adopted by the European Union:

- IFRS 9, ´Financial Instruments´. This Standard will be effective as from January 1, 2015 under IFRS-IASB.

- Improvements to IFRS published by the IASB in May 2012 as part of the Annual Improvements 2009-2011 Cycle. The improvements affect IFRS 1 ´ First-time adoption of IFRS´, IAS 1´Presentation of Financial Statements´, IAS 16 ´Property, Plant and Equipment´, IAS 34 ´Interim financial reporting´, and IAS 32 ´Financial Instruments: Presentation’. These amendments are mandatory as from January 1, 2014 under IFRS-IASB.

- IFRIC 21, “Taxes”. This standard is applicable for annual periods beginning on or after January 1, 2014 under IFRS-IASB.

The Group is currently in the process of evaluating the impact on the consolidated financial statements derived from the application of these new standards and amendments.

2.2 Funtional Currency

The ACE Group consolidated financial statements 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; whereas for the other subsidiaries the functional currency is the Euro. Operations abroad and financial statements in other functional currency than Euro are recorded in accordance with the policies described in Note 3.3.

2.3 Judgement, estimates and correction of errors

The preparation of financial statements in accordance with EU-IFRS requires management to make judgements, estimates and assumptions in order to determine the reported amounts of certain assets and

Continued

liabilities, income and expenses items. 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 as of 31 December 2013 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:

- the recoverable amount and useful lives of property, plant and equipment.
- certain provisions made.
- recognition of deferred taxes.
- fair value of certain financial instruments.

Although estimates were based on the best information available as of 31 December 2013, 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.

2.4 Comparative information

As required by IAS 1, the information relating to 2013 contained in these notes to the Consolidated Financial Statements is presented, for comparison purposes, with similar information relating to 2012, and does not constitute the ACE Group's statutory consolidated financial statements for 2012.

2.5 Going concern and accruals basis

The consolidated financial statements have been prepared on a going concern basis.

The main characteristic of the braking system market is its concentration of customers among three Tier 1 companies. In this regard, approximately 86% of total revenues in 2013 have been made with said customers (85% in 2012), which are allocated in Fuchosa and EBCC. Anyway, the management consider that this risk is mitigated, due mainly to the solvency of said customers and different specific circumstances that allows the Group to maintain a strong position againts the customers and build long term relationships. Apart from that, ACE Group products are installed in the majority of automobiles produced in Europe, so indirect customers are in practice all the OEM.

2.6 Basis for consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group’s interests and the non-controlling interests are

Continued

adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

a) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

b) Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held

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equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

c) Goodwill

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described at Note 3.9.

(3) Significant Accounting Principles

1. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

a. Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:
- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.
- the amount of revenues can be measured reliably.

b. Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:
- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

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c. Dividend and interest revenue

Interest income and dividend income are recognized provided that it is likely that they will be received and they can be measured reliably.

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

d. Rental income

The Group's policy for recognition of revenue from operating leases is described in note 3.2 below.

2. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a. The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

b. The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see note 3.8 below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. 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

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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:

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

Differences arising in the conversion process are recorded under “Exchange differences" in equity. Additionally, those monetary items (intragroup loans) which settlement is neither planned nor likely to occur in the foreseeable future are considered part of the net investment in the foreign operations, so the differences arising in the translation of such monetary items into the functional currency of the foreign operations are also recorded under “Exchange differences” in equity in the consolidated financial statements. These exchange differences are recognised as revenue or expenditure during the period in which the investment is disposed of.

4. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

5. Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Some tax deductions for Research and Development costs are treated as Government grants according IAS 20, as the accounting treatment defined thereof reflects more accurately the real performance given the nature of such expenses. Indeed, these grants relate to expenditures incurred by the Group mainly in salaries and wages, materials, outsourcing and other indirect costs. Moreover, there is a direct link between the level of expenses in R&D and the government grants received consequently, and these

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factors are considered by the Group in its decision making process before undertaking a new R&D Project (Note 22).

6. Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date, excluding the effect of non market-based vesting conditions.

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 equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest and adjusted for the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve (see note 28).

Fair value of the services received as consideration of the equity instruments granted is estimated indirectly by reference to the fair value of the equity instruments granted.

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.

7. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and 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 end of the reporting period.

b. Deferred tax

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

c. Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in the accounting for the business combination.

8. Property, plant and equipment

Property, plant and equipment, which are all for own use, are stated at acquisition cost less any accumulated depreciation and any recognised impairment losses. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated useful lives of other items of property, plant and equipment are as follows:

	Years

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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.
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9. Intangible assets

a. 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 in 2008 (see note 1). Since the first consolidation negative goodwill arising from the acquisition of subsidiaries is recorded in the income statement of ACE.

b. Research & development expenditure

Under IAS 38- Intangible assets, development expenditure is recognised as an intangible asset if the entity can demonstrate in particular:

- Its intention to complete the intangible asset and use or sell it, as well as the availibility of adequate technical, financial and other ressources for this purpose;
- That it is probable that the future economic benefits attributable to the development expenditure will flow to the group
- That the cost of the asset can be measured reliably.

Other research and development expenditure is recognised as an expense for the period in which it is incurred.

c. Intangible assets acquired separately

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

10. Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Given the circumstances of its business, the Group considers each subsidiary as a different cash-generating unit. No additional cash-generating units are identified in the different subsidiaries.

Continued

As a consequence, the Group performs the corresponding impairment test on the assets related to those subsidiaries which current or expected performance could show an indication of impairment loss.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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 for which the estimates of future cash flows have not been adjusted.

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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized 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 (or 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 recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized 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.

The main assumptions considered in performing this test are a projection period between 10-20 years from 2014 with no increase of the EBITDA since 2018 and a discount rate between 7%-12%. As of December 31, 2013 and 2012 no impairment losses have arisen as a consequence of the impairment tests performed on the basis of abovementioned cash-generating units.

11. Inventories

Inventories are stated at the lower of cost and net realizable value. Costs comprise direct materials and, where applicable, direct labor 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 realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in selling and distribution.

12. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

13. Financial instruments

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

a. Trade receivables

Continued

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

b. 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.

c. 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.

d. Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, net of direct issue costs, and are subsequently measured at amortized 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.

e. Trade payables

Trade payables are stated at amortized cost.

f. Equity instruments

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

g. 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 instruments may be designed as hedging instruments in one of the two types of hedging relationship:

- Fair value hedges, corresponding to hedges of the exposure to changes in fair value of an asset or liability due to movements in interest rates or foreign exchange rates;
- Cash flow hedges, corresponding to hedges of the exposure to variability in cash flows from existing or future assets or liabilities.

Continued

Derivative financial instruments qualify for hedge accounting when:

- At the inception of the hedge there is a formal designation and documentation of the hedging relationship;
- The effectiveness of the hedge is demonstrated at inception and in each financial reporting period for which the hedge is designed;

The effects of hedge accounting are as follows:

- For fair value hedges of existing assets and liabilities, the hedged portion of the asset & liability is recognized in the balance sheet and measured at fair value. Gains and losses arising from measurement at fair value are recognized in profit or loss and are offset by the effective portion of loss or gain arising from remeasurement at fair value of the hedging instrument.
- For cash flow hedges the effective portion of the gain or loss arising from remeasurement at fair value of the hedging instrument is recognized directly in equity. The ineffective portion is recognized in profit or loss.

14. Treasury shares

At year end the ACE Group's treasury shares are deducted from "Retained earnings and other reserves" on the Consolidated Statement of financial position 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 Statement of financial position.

15. 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 approved.

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.

16. 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 recognizes 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.

17. Offsetting assets and liabilities, income and expenses

Liabilities cannot be offset by assets, or expenses by income, unless permitted by a relevant standard or interpretation.

18. 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 realized 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.

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19. 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

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

Group companies are organised based on the nature of the products and services manufactured and marketed. Information for operating segments is reported in Appendix I.

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.

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.

(5) Business combination

As mentioned in note 1, ACE was incorporated as a limited liability company 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 were accounted for by the purchase method of accounting. As of 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. The principal activity of Feramo Metallum International s.r.o is the manufacturing and sale of a broad range of grey iron foundry products.

Continued

(6) Intangible assets

Details of and movements in intangible assets for the years from 1 January 2012 to 31 December 2013 are shown below (in Thousands of Euros):

	Trademarks and licences	Other	Total
Year ended 31 December 2012			
Opening net book amount	67	146	213
Additions	80	51	131
Amortisation charge	(31)	(68)	(99)
Closing net book amount	116	129	245
At 31 December 2012			
Cost	749	1,166	1,915
Accumulated amortisation and impairment	(633)	(1,037)	(1,670)
Net book amount	116	129	245
Year ended 31 December 2013			
Opening net book amount	116	129	245
Additions	33	62	95
Amortisation charge	(45)	(65)	(110)
Exchange differences (cost)	-	(2)	(2)
Exchange differences (depreciation)	-	1	1
Closing net book amount	104	125	229
At 31 December 2013			
Cost	782	1.226	2.008
Accumulated amortisation and impairment	(678)	(1.101)	(1.779)
Net book amount	104	125	229

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

(7) Property, plant and equipment

Details of and movements in property, plant and equipment for the years from 1 January 2012 to 31 December 2013 are as below (in Thousands of Euros):

	Land & Buildings	Vehicles & Machinery	Furniture, fittings & equipment	Tangibles under construction	Total
Year ended 31 December 2012					
Opening net book amount	13,937	19,937	1,262	2,324	37,460
Additions	468	3,211	401	9,601	13,681
Depreciation charge	(506)	(4,110)	(282)	(42)	(4,940)
Transfers (Net)	17	453	60	(530)	-
Disposals (Cost)	-	(4,863)	(74)	(142)	(5,079)
Disposals (Depreciation)	-	4,139	45	-	4,184
Net foreign currency exchange differences (Cost)	152	155	6	-	313
(Depreciation)	(25)	(44)	(1)	-	(70)
Closing net book amount	14,043	18,878	1,417	11,211	45,549
At 31 December 2012					
Cost or valuation	19,230	76,004	4,540	11,253	111,027
Accumulated depreciation	(5,187)	(57,126)	(3,123)	(42)	(65,478)
Net book amount	14,043	18,878	1,417	11,211	45,549

Continued

	Land & Buildings	Vehicles& Machinery	Furniture fittings & equipment	Tangibles under construction	Total
Year ended 31 December 2013					
Opening net book amount	14,043	18,878	1,417	11,211	45,549
Additions	431	617	428	3,728	5,204
Depreciation charge	(516)	(4,910)	(384)	-	(5,810)
Transfers (Net)		5,353		(5,353)	-
Disposals (Cost)	-	(505)	-	-	(505)
Disposals (Depreciation)	-	351	-	-	351
Net foreign currency exchange					
differences (Cost)	(520)	(556)	(22)	(858)	(1,956)
(Depreciation)	106	255	10	2	373
Closing net book amount	13,544	19,483	1,449	8,730	43,206
At 31 December 2013					
Cost or valuation	19,141	80,913	4,946	8,770	113,770
Accumulated depreciation	(5,597)	(61,430)	(3,497)	(40)	(70,564)
Net book amount	13,544	19,483	1,449	8,730	43,206

The Board of Directors of ACE on its meeting held on 31 March 2011 approved an important investment program to expand its automotive business in Central and Eastern Europe, referred to as the CEE Investment project. The Program assumes a capital expenditure up to Euro 12 million, mainly, on capacity development of ACE existing production facilities located in the CEE region (Feramo) as well as on an investment project to boost the efficiency in the nodular iron business in Spain. The additional purpose of the Program is to enlarge the portfolio of manufactured products and diversify further future revenues.

The main additions in 2013 and 2012 refer to the investments in Feramo in the context of the CEE investment program.

Although, and according to the initial time schedule for the different milestones of the project, the Company expected to finalize the investment project and to start with the production in a normal way during 2013, different problems have occurred in the production launching/start-up phase that have led to important delays. This fact has to be considered for a better understanding of Feramo’s performance in 2013, as the current year has been a transition year in this ambitious investment program, which results are expected to influence possitively the Group’s activity since the end of 2014.

According to the accounting policies described in note 3.8, in 2013 the Group has capitalized as a higher cost of the investments in Feramo the corresponding borrowing costs directly attributable to the their acquisition and construction for an amount of Euro 274 thousand (538 in year 2012), considering an interest rate of 4,27% (4,16% in year 2012). This amount has been recorded by crediting the “Financial expenses” caption of the consolidated income statement on 2013 and 2012.

As of 31 December 2013 and at 31 December 2012, all Group property, plant and equipment have been considered as a promise of mortgage guarantee in order to secure the repayment of the syndicated loan signed during 2010 (see note 13).

Continued

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, covering more than the net book value of all the Group's assets.

(8) Derivative financial instruments

Details are as follows:

	Thousand of Euros December 2013	Thousand of Euros December 2012
Non - Current financial assets		
Currency option	47	71
	47	71
Current financial assets		
Currency option	185	205
	185	205
Non - Current financial liabilities		
Interest rate swap	220	374
	220	374
Current financial liabilities		
Currency option	-	1
	-	1

The Group uses interest rate swaps to minimize its exposure to interest rates fluctuations on its bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. In December 2010, in the context of the agreements relating to the new syndicated loan (see note 13), the Group entered into derivative financial contracts to fix the interest payments of a nominal amount of Euro 9 million at an average rate of 2.43 per cent for periods up until 2016 (see note 13). The remaining outstanding nominal amount covered by these contracts as of December 31, 2013 is Euro 6,5 million (7,6 as of December 31, 2012).

The Group also uses currency financial instruments in order to minimize its exposure to the exchange rate risk between the Polish Zloty and the Euro due to PLN denominated expenses whereas most of sales are denominated in Euro. The amount hedged as of December 31, 2013 amounts 33 million PLN, approximately (30 million PLN as of December 31, 2012).

Continued

The detail of the maturities of the contractual cash flows of the derivative financial instruments is as follows as of December 31, 2013 and 2012:

	December 2013		
	2014	2015	2016
Foreign currency hedge			
PLN purchases (*)	23,395	10,000	-
Interest rate hedges (**)	1,980	2,250	2,250

(*) In PLN Thousands.
(**) In Euro Thousands.

	December 2012			
	2013	2014	2015	2016
Foreing currency hedge				
PLN Purchases (*)	20,243	9,975		
Interest rate hedges (**)	1,082	1,980	2,249	2,251

(*) In PLN Thousands.
(**) In Euro Thousands.

(9) Inventories

Details of inventories are as follows:

	Thousand of Euros December 2013	Thousand of Euros December 2012
Raw materials and supplies	3,839	4,340
Work in progress	1,171	1,551
Finished products	3,880	3,674
Depreciation of inventories	(1,059)	(820)
	7,831	8,745

The “Raw materials and supplies” caption of the table above includes spare parts allocated in Fuchosa and EBCC for a gross amount of Euro 1,773 thousand, approximately (Euro 1,836 thousand as of December 31, 2012). Management performs on a monthly basis slow rotation analysis in order to identify indication of impairment. Following those analysis, the caption of “Depreciation of inventories” includes a provision for slow rotation amounting Euro 738 thousand, approximately, as of December 31, 2013 (Euro 701 thousand as of December 31, 2012).

Continued

(10) Trade and other receivables

Details of debtors are as follows:

	Thousand of Euros December 2013	Thousand of Euros December 2012
Trade and other receivables	15,783	15,102
Less: provision for impairment of receivables	(414)	(606)
Trade receivables – net	15,369	14,496
Prepayments	38	36
Total	15,407	14,532
Current portion	15,407	14,532
	15,407	14,532

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

	Thousand of Euro December 2013				
	Within terms	Up to three months overdue	Between three months and one year overdue	More than one year overdue	Total
Trade and other receivables (current)	14,894	513	-	-	15,407
Total	14,894	513	-	-	15,407

Continued

	Thousand of Euro December 2012				
	Within terms	Up to three months overdue	Between three months and one year overdue	More than one year overdue	Total
Trade and other receivables (current)	13,192	1,040	279	21	14,532
Total	13,192	1,040	279	21	14,532

(11) Cash and cash equivalents

	Thousand of Euros December 2013	Thousand of Euros December 2012
Cash at bank and in hand	4,892	7,200
Short-term bank deposits	2,798	5,207
Cash and cash equivalents	7,690	12,407

(12) 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 ACE Group consolidated financial statements as of 31 December 2013.

(a) Share capital

As of 31 December 2013 and 2012 the share capital of ACE was represented by 21,230,515 registered same type of shares of Euros 0.15 value each. The share capital was fully paid.

(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 of December 2013, the share premium amounts Euro 3,959 thousand (Euro 5,444 thousand as of December 2012).

The Annual General Meeting of Shareholders approved on June 18, 2013 a dividend distribution of Euro 1,485 thousand out of the Share Premium. No other dividend has been proposed or declared before the financial statements were authorised for issue.

(c) Legal reserve

Continued

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. As of 31 December 2013, Legal reserve amounts to Euro 320 thousand (Euro 320 thousand as of December 31, 2012).

(d) Retained earnings and other reserves

This caption amounting to Euro 29,675 thousand includes as of 31 December 2013 the negative goodwill arising on consolidation of Fuchosa, EBCC and Feramo amounting to Euro 13,807 thousand (Euro 13,807 thousand as of December 31, 2012).

(e) Treasury shares

The General Meeting of Shareholders held on 19 June 2012 approved a buy-back program of the Company shares. The objectives of the buy-back programme are as follows:

(i) to meet obligations arising from ESOP granted or that could be granted,
(ii) purchase of shares for retention and subsequent use for exchange or payment in the framework of potential external growth transactions,
(iii) to be used for supporting the liquidity of the secondary market,
(iv) to be cancelled in the framework of a share capital reduction.

The maximum purchase price per share to be paid in cash shall not represent more than PLN 13, and no less than PLN 0.04. The maximum number of shares that may be acquired by the Company shall not exceed in total the maximum of five million euros (Euro 5,000 thousand).

Additionally, at the Annual General Meeting of Shareholders of the Company held on 18 June 2013, the shareholders of the Company have granted authorisation to the Board of Directors of the Company to repurchase the Company's shares that shall not exceed in total a maximum of five million euro (Euro 5,000 thousand) for a maximum period of three years as of the date of that shareholders meeting and for any purpose authorized or which would come to be authorized by the laws and regulations in force, among others, for the purpose of completing an Incentive Management Scheme (see note 28).

In 2013 the Company purchased 1,047 thousand shares at market price for a total amount of Euro 2,595 thousand (PLN 10,970,380). According to the Management Incentive Scheme described in note 28, the Company and the Participants of such Scheme have entered into the corresponding Share Purchase Agreements for a total amount of 636,916 Company's shares.

Consequently, the changes in 2013 in the shares of A.C.E. S.A. owned by the Group are as follows:

	Number of shares	Thousand Euros
At 31 December 2012	18.000	25
Additions	1,046,779	2,594
At 31 December 2013	1,064,779	2,619

Continued

(13) Borrowings

Non-current and current borrowings are detailed as follows:

	Thousand of Euros December 2013	Thousand of Euros December 2012
Non-current		
Bank borrowings	10,447	15,204
Other borrowings	3,526	3,257
	13,973	18,461
Current		
Bank borrowings	4,950	3,258
Other borrowings	290	228
	5,240	3,486
Total borrowings	19,213	21,947

On 12 November 2010 ACE Group through ACE Boroa entity signed a long-term syndicated financing agreement with a pool of Spanish banks, that was partially amended in 2012. The total maximum amount of the loan granted by the banks will not exceed Euro 19 millions (Euro 18 million as bank borrowing and Euro 1 million as working capital credit) and will be maturing within maximum five years. The cost of the loan is under current market conditions. The loan was used by the Group for partial refinance and repayment of the current loan facilities used directly by all three production plants. It has improved group cash management, decrease costs of global debt financing and allow for free flow of cash within the ACE Group. As of December 31, 2013 the Group has voluntarily early amortised the working capital credit. As of December 31, 2012, the Group had not made any disposal from the working capital credit.

This syndicated loan, which matures on December 13, 2016, is subject to compliance with certain obligations relating to financial ratios. Non-compliance with them could affect both the interest rate and the maturing date. According to the agreed conditions, the degree of compliance with the financial ratios and levels is determined at the close of each semester and the Group must provide certain financial information to the banks in order to assess compliance with these ratios. Said loan bears an interest of Euribor + 2.65% as a first margin. The variance in the margin is based on the capital-debt ratio evolution, as included in the loan agreement.

As of December 2013 the Group has met all the above mentioned financial ratios.

The exposure of the Group's borrowings to interest rate changes at the balance sheet date is mitigated 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. The Group entered into interest rate swap contracts with nominal values of the 50% of the bank loan fixing the variable rate at an average rate of 2.43 per cent for periods up until 2016 (see note 8).

As disclosed in note 29, the Group has granted a guarantee in favour of the banks, through the pledge of Fuchosa, EBCC, Feramo and ACE Boroa shares. Additionally, as disclosed in note 7, a mortgage promise on all property, plant and equipment has been granted to secure said loans for an amount that covers up to 140% of their outstanding balance.

Continued

As of December 2013, the Group holds some other loans related to Feramo and EBCC leasings and other subsidized loans in Fuchosa, as well as an overdraft in EBCC not drawn-down. Additionally, in July 2012 and in the context of the investments held during 2012 by Fuchosa (see note 7) this company signed a new bank loan amounting 3 million euros. This loan will be maturing within the next four years. The cost of the loan is under current market indexations.

(14) Other current liabilities

The other current liabilities are detailed as follows:

	Thousand of Euros December 2013	Thousand of Euros December 2012
Lease liabilities	12	3
Other	-	41
	12	44

(15) Deferred tax assets and liabilities

The main deferred tax assets and liabilities recognised by the Group as of 31 December 2013 and 2012 are as follows:

	Thousand of Euros December 2013	Thousand of Euros December 2012
Deferred tax assets	1,947	1,272
	1,947	1,272
Deferred tax liabilities	(2,307)	(2,604)
	(2,307)	(2,604)
	(360)	(1,332)

Continued

The main variations on the deferred tax positions are as follow:

	Thousand of Euros December 2013	Thousand of Euros December 2012
Beginning of the year	(1,332)	(2,074)
Tax charged to equity	(42)	(66)
Income statement charge/benefit (see note 24)	1,050	829
Exchange differences	(36)	(21)
End of the year	(360)	(1,332)

The companies forming part of the Group had tax loss carry-forwards after taxes to be offset against future tax profits amounting to Euro 2,439 thousand as of December 2013. This amount as of December 2012 was approximately Euro 1,525 thousand.

The remaining tax loss carry-forwards after taxes can be utilised during the next five years for a total amount of Euro 1,640 thousand (Euro 870 thousand fully capitalized in the balance sheet) and indefinitely for Euro 799 (not capitalized).

The Deferred tax assets mentioned above have been recorded as the Group considers that they will be recovered against the estimated future profits in coming years. Given the revised time schedule of the results to be obtained in Feramo in the next years as a consequence of the delay in the full completion of the CEE investment project (see note 7), the Group, applying a prudent policy, have decided to reverse the tax loss carry-forwards that had been capitalized in previous years.

The rest of the Deferred tax assets refers mainly to the tax effect of different provisions that were not considered to be deductible when they were recognised, the temporary differences regarding the different valuation of some tangible assets for tax and accounting purposes and of the valuation of the derivatives held as of December 31, 2013 (Euro 35 thousand as of December 31, 2013 directly credited to equity).

Deferred tax liabilities include mainly accelerated depreciation for tax purposes applied in both Group companies Fuchosa and EBCC, as well as a revaluation of fixed assets at fair value during the acquisition process in Feramo.

The deferred tax assets and liabilities recognised are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

Continued

(16) Provisions for other liabilities and charges

Details are as follows (Thousand of Euros):

	Pensions and similar	Other provisions	Total
At 31 December 2011	89	432	521
Additional provisions	8	79	87
Unused amounts reversed	(1)	(7)	(8)
Used during year	-	(123)	(123)
At 31 December 2012	96	381	477
At 31 December 2012			
Additional provisions	-	411	411
Used during year	-	(216)	(216)
Exchange differences	23	-	23
At 31 December 2013	119	576	695

Analysis of total provisions:	December 2013	December 2012
Non-current	235	93
Current	460	384
	695	477

Pensions and similar caption refers to employees from Group company EBCC who are entitled to a lump sum of three monthly payments at the retirement date.

Other provisions relates to the provision needed to meet likely or known liabilities arising from lawsuits in progress, and for un-quantified indemnification and contingencies or other similar guarantees. This caption mainly includes provisions for working hours owed to employees that are expected to be paid or used (as holidays) within the following year.

These provisions are recorded when the obligation or liability determining the indemnification or payment arises or is likely.

Continued

(17) Trade and other payables

Details are as follows:

	Thousand of Euros December 2013	Thousand of Euros December 2012
Trade payables	13,445	15,148
Current tax liabilities and other tax liabilities	1,261	986
Accrued expenses	187	275
	14,893	16,409

The average credit period on purchase of goods may differ within the Group, and depends on the terms and conditions agreed with suppliers at local level. No interest is used to be charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

(18) Revenues

The distribution of consolidated net revenues for the twelve months ended 31 December 2013 and 2012 by business segments is as follows:

	Thousand of Euros 2013	Thousand of Euros 2012
Products		
Iron castings	66,491	63,563
Aluminium castings	31,046	31,623
Others	3,306	3,432
	100,843	98,618

The geographical distribution of the consolidated sales is as follows:

	Thousand of Euros 2013	Thousand of Euros 2012
Western Europe	54,026	56,260
Eastern Europe	42,263	39,664
Other countries	4,554	2,694
	100,843	98,618

Continued

Concentration risk

As mentioned in note 2,5, the main characteristic of the braking system market is its concentration of customers among three Tier 1 companies. Approximately 86% of the revenues are made with said customers (85% in 2012). For this reason and the company market share, the management considers that the risk is mitigated, as on the other hand said customers are considered solvent enough.

(19) Cost of sales

Details of cost of sales are as follows:

	Thousand of Euros 2013	Thousand of Euros 2012
Raw materials and consumptions	42,763	45,308
Stock variances	75	(115)
Energy and gas	11,250	10,914
Maintenance expenses	4,950	3,974
Salaries and wages	13,065	13,244
Outsourcing	2,167	1,781
Depreciation	5,406	4,730
Other cost of goods sold	1,714	1,771
	81,390	81,607

(20) Selling and distribution costs

Details of distribution costs are as follows:

	Thousand of Euros 2013	Thousand of Euros 2012
Transportation costs	1,374	1,159
Packaging expenses	664	431
Salaries and wages	350	521
Other distribution costs	63	78
	2,451	2,189

Continued

(21) General and administrative Expenses

Details of administrative expenses are as follows:

	Thousand of Euros 2013	Thousand of Euros 2012
Wages and salaries	8,075	7,233
External services	2,908	3,471
Depreciation and amortisation	513	471
Renting	460	475
Travel expenses	553	548
Other administrative expenses	809	1,044
	13,318	13,242

The fees for financial audit services provided to the various companies composing the ACE Group by the principal auditor during 2013 amounted to approximately Euro 129 thousand (Euro 132 thousand as of December 31, 2012). Also, other services were provided during 2013 and 2012 by the principal auditor the fees for which amounted to approximately Euro 16 thousand and Euros 8 thousand, respectively. Tax services amounting to Euro 10 thousand have been provided by the principal auditor during 2013 (non in 2012).

The Group headcount as of 31 December 2013 and 2012 is as follows:

	Headcounts December 2013	Headcounts December 2012
Managers	29	29
Administrative employees	133	140
Workers	573	608
	735	777

Continued

(22) Other Operating Income

Details are as follows:

	Thousand of Euros 2013	Thousand of Euros 2012
Income from subsidies	941	1,540
Insurance reimbursement	94	6
Other operating income	292	269
	1,327	1,815

As described in note 3.5, the Group records the R&D tax deductions in the caption “Income from subsidies” of the table above. R&D tax deductions for year 2013 amounts to Euro 650 thousand (1,047 thousand in year 2012). R&D tax deductions are those tax benefits obtained as a percentage up to the Research and Development costs incurred during the year.

Most part of the remaining amounts recorded in the “Income from subsidies” caption of the table above, are connected also to the R&D expenses incurred during the year and connected with several R&D projects. In addition to those subsidies, the Group companies receive non-interest bearing loans or subsidized loans which are recorded in "Other borrowings" in Note 13, also connected with R&D projects. The Company has fulfilled the conditions required by these goverments assistances and consequently, no provisions for refund or other contingencies have been recorded.

(23) Net financial result

Details are as follows:

	Thousand of Euros 2013	Thousand of Euros 2012
Interest income:		
- Interest on deposits	100	174
	100	174
Interest expense from third parties:		
- Bank borrowings	(861)	(783)
- Interest expense capitalized (see note 7)	274	538
- Other interest expenses and charges	(218)	(512)
	(805)	(757)
Net foreign exchange transaction gains/(losses)	(433)	204
	(1,138)	(379)

Continued

Net foreign exchange transaction gains/(losses)

The amount in 2013 and 2012 of net foreign exchange transaction gains and losses corresponds to gains and losses in exchange rates transactions versus Czech koruna and Polish zloty.

(24) Income tax expense

Domestic income tax is calculated at 28.8% of the profit for the year (Corporate income tax was 28.8% for 2012). Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions (Spain: 28%, Poland and Czech Republic: 19%). The total charge for the year can be reconciled to the accounting profit as follows:

	Thousand of Euros 2013	Thousand of Euros 2012
Profit before tax	3,325	2,678
Tax at the domestic income tax rate	958	771
Effect of different tax rates	395	150
Effect of tax deductions	(84)	(306)
Effect of non tax deductible cost/non taxable income	(8)	(272)
Others	128	(37)
	1,389	306
Income tax expense / income and effective tax rate		
Thereof		
Current tax expense	2,439	1,135
Deferred tax expense / (income) (note 15)	(1,050)	(829)
	1,389	306

Continued

(25) Earnings per Share

a. Basic

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

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

	2013	2012
Net profit for the year (thousands of Euros)	1,936	2,372
Weighted average number of ordinary shares for the purpose of basic earnings per share	20,764,229	21,229,578
Basic earnings per share (Euros)	0.09	0.11

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

	2013	2012
Number of ordinary shares outstanding at the beginning of the period	21,229,578	21,230,515
Effect of treasury shares	(465,349)	(937)
Weighted average number of ordinary shares outstanding during the period	20,764,229	21,229,578

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.

	2013	2012
Net profit for the year (thousands of Euros)	1,936	2,372
Weighted average number of ordinary shares plus the effect of dilutive options	21,978,731	21,229,578
Diluted earnings per share (Euros)	0.09	0.11

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:

	2013	2012
Weighted average number of ordinary shares used in the calculation of basic earnings per share	20,764,229	21,229,578
Shares deemed to be issued for no consideration in respect of employee options	1,214,502	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	21,978,731	21,229,578

(26) Operating lease arrangements

a. The Group as a Lessee

As of 31 December 2013 and 2012 the Group leases mainly forklift trucks, cars and PCs from third parties under operating leases. The duration of these lease contracts ranges from 3 to 5 years.

Operating lease instalments of Euros 389 thousand have been recognised as an expense for the year ending 31 December 2013 (Euro 475 thousand for the period ending at 31 December 2012).

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

	Thousand of Euros 2013	Thousand of Euros 2012
Up to 1 year	384	400
Between 1 and 5 years	1,399	1,111
	1,783	1,511

b. The Group as a Lessor

The subsidiary EBCC leases office spaces and storage rooms within its main building to different third parties under operating leases. The duration is different for each contract, being some of them for an unlimited duration. All operating lease contracts contain market review clauses in the event that the lessee excercises its option to renew.

The property rental income earned by the Group, all leased out under operating leases, amounted to Euro 178 thousand for the year ending 31 December 2013 (Euro 182 thousand for 2012).

Continued

(27) Finance leases

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

Amounts payable for finance leases are as follows:

	Thousand of Euros 2013	Thousand of Euros 2012
Up to 1 year	57	138
Between 1 and 5 years	139	219
	196	357

The carrying amount of the assets under financial leasing amounts to Euro 750 thousand (Euro 677 thousand in 2012) included in the "Vehicles and machinery" category of the "Property, plant and equipment" caption.

(28) Transactions and Balances with Related Parties

Details of remuneration received by the Company's managers are as follows:

	Thousand of Euros 2013	Thousand of Euros 2012
Short-term remuneration	879	889
Of which salary	*863*	*832*
Of which bonus	*16*	*57*
Share based payments	321	-
Total, directors of the Company	1,200	889

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

Chief Executive Officer and Chief Financial Officer are members of the Company's board of directors.

Certain key managers and employees hold shares in the Company, either directly or through a vehicle company. These directors hold a total of 2.150.186 shares in the Company (1,513,670 shares as of December 31, 2013). The directors are entitled to all rights on said shares.

Continued

On 14 May 2013 and 18 June 2013 and 9 October 2013, the Board of Directors of the Company has approved and developed the completion of an incentive management scheme whereby the Company shall allocate the Company's Shares representing 9% of the issued share capital of the Company at that date or 1,910,746 shares to certain key managers and employees of the Company's Group (the "Participants") (the "Incentive Management Scheme"). This new Incentive Management Scheme replaces entirely the previously existing bonus structure and ESOP approved by the Board of Directors on December 23, 2010 while increasing the number of beneficiaries eligible for the new programme. These resolutions were followed by the corresponding individual agreements which were executed between the Company and the Participants as of 31 December 2013.

The Incentive Management Scheme shall be completed in three steps, respectively on 31 December 2013, 31 December 2014 and 31 December 2015 (each an "Allocation Date"), at which each Participant shall acquire, pro rata to the percentage allocated to them as distributed by the Board on an individual basis at its discretion, a certain number of Company's Shares representing at each Allocation Date an aggregate of 3% of the issued share capital of the Company. The purchase price in EURO should cover the cost accrued by the company for the acquisition of such shares and the purchase price payment will be deferred to the seventh anniversary of the date of the different purchase agreements or the date on with an IPO or a change of control occurs, the earliest. Meanwhile, the purchase price shall bear interest on unpaid amounts

To guarantee the full payment of the purchase price and any related interests, the Participants will grant a security interest on the shares and any amounts received in the context of the Incentive Management Scheme.

The portion of Company's shares to be acquired by the Participants at each Allocation Date shall be entirely purchased at that date but will only be vested to the Participants in totality following the end of the sixteenth quarter starting from the date of execution of the relevant Share Purchase Agreement and ending on the sixteenth quarter following such date. Anyway, and upon the occurrence of a leaving event, the Participants have agreed to sell and transfer to the Company and the Company has the obligation to acquire all the vested shares owned by the leaving Participant. This Leaving Option will automatically extinguish in full on 31 December 2019 or upon the occurrence of an IPO or change of control of the Company.

Additionally, the Company has implemented in 2013 a new bonus structure for the Participants of the Incentive Management Scheme based on the achievement of an aggregate consolidated EBITDA target, within the current scope of consolidation, for the financial years 2013 to 2015 both inclusive, following which the Participants will be entitled to an amount in EUR equivalent to 3% of the outstanding shares of the Company on 31 December 2013, and that will be dedicated in full to the purchase price payment of the aforementioned Management Incentive Scheme.

According to the accounting principles stated in note 3.6, the Management Incentive Scheme has been defined as an Equity-settled share-based program. As a consequence, the Company has estimated the fair value of the services received as consideration of the equity instruments granted and recorded an amount of Euros 321 thousand by debiting the consolidated income statement against equity. This amount corresponds to the portion of the estimated total fair value of the Scheme (Euros 3,2 million, approximately) accrued between the date of its approval by the Boards of Director (14 May 2013) and 31 December 2013, considering a service period that ends on 31 December 2019 and other than for the bonus portion of the plan, which otherwise would be also accrued as part of the buyback programme, does not represent neither a real expense nor a cash outflow for the Company.

The aforementioned fair value of the services received as consideration of the equity instruments granted has been estimated indirectly by reference to the fair value of the equity instruments granted. The option pricing model used has been the Black and Sholes model and the main inputs considered in the valuation (share price, expected volatility, expected dividends, risk-free interest rate and exchange rate) have been obtained by the observation of the information available in Bloomberg together with historical information.

Continued

(29) Contingent Liabilities

a. 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 1,149 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 135 thousand), which was paid to the heirs. Furthermore, any and all new claims lodged in autumn 2007, would 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.

The legal dispute may not last long. The Company management considers that the probability of success of the claimant is low so no provision has been recorded. In addition to this, based on the Purchase Agreement between ACE and the former owner of Feramo Metallum, the latest should pay all of this amount to Feramo as a third party payee.

b. Pledge of assets and shares

As mentioned in note 13 as part of the long term financing of the Group, the shares in Fuchosa, EBCC, Feramo and ACE Boroa are subject to a pledge in favour of a pool of Spanish banks composed by: Caixa d'Estalvis i Pensions de Barcelona, Banco Popular Español, S.A., Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A. and Bankinter, S.A.

Furthermore, as described in note 13 above certain assets of the Group are pledged or mortgaged as part of guarantees established for loans from banks.

Continued

(30) 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. The Group has not changed its objectives, policies and processes for managing those risks.

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 2013	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 10)				
- current	15,407	-	-	15,407
Derivative financial instruments (note 8)				
- non-current	-	47	-	47
- current	-	185	-	185
Cash and cash equivalents (note 11)				
- cash at bank and in hand	-	-	4,892	4,892
- short term bank deposits	-	-	2,798	2,798
Total	15,407	232	7,690	23,329
Liabilities:				
Borrowings (note 13)				
- non-current	-	-	13,973	13,973
- current	-	-	5,240	5,240
Derivative financial instruments (note 8)				
- non-current	-	220	-	220
- current	-	-	-	-
Trade and other payables (note 17)	-	-	14,893	14,893
Current income tax liabilities	-	-	1,254	1,254
Other current liabilities (note 14)	-	-	12	12
Total	-	220	35,372	35,592

Continued

December 2012	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 10)				
- current	14,532	-	-	14,532
Derivative financial instruments (note 8)				
- non-current	-	71	-	71
- current	-	205	-	205
Cash and cash equivalents (note 11)				
- cash at bank and in hand	-	-	7,200	7,200
- short term bank deposits	-	-	5,207	5,207
Total	14,532	276	12,407	27,215
Liabilities:				
Borrowings (note 13)				
- non-current	-	-	18,461	18,461
- current	-	-	3,486	3,486
Derivative financial instruments (note 8)				
- non-current	-	374	-	374
- current	-	1	-	1
Trade and other payables (note 17)	-	-	16,409	16,409
Current income tax liabilities	-	-	30	30
Other current liabilities (note 14)	-	-	44	44
Total	-	375	38.430	38.805

The entity classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

- Level 1: their fair value is obtained from directly observable quoted prices in active markets for identical assets and liabilities.

- Level 2: their fair value is determined using observable market inputs other than the quoted prices included in category 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: their fair value is determined using measurement techniques that include inputs for the assets and liabilities that are not directly observable market data.

The financial instruments of the entity measured at fair value, all of them derivative financial instruments, are classified in the level 2 in the fair value hierarchy.

Continued

No transfers between level 1 and level 2 of the fair value hierarchy have occurred.

Receivables at cost

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

Derivatives used for hedging at fair value

In the case of the derivatives, the carrying amounts are equal to fair value, as they are measured at fair value. To measure derivatives not traded on an organized market, Group uses assumptions based on year-end market conditions. Specifically, the market value of interest rate swaps is calculated by discounting at a market interest rate the difference between the swap rates, and the market value of foreign currency forward contracts is determined by discounting the estimated future cash flows using the forward rates existing at year-end. In both cases, these measurements are verified against those provided by the banks.

Financial assets and liabilities at amortized 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 derivative instrument (see note 8), 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.

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 analyze the amounts overdue (if any) and compare those with balances outside the terms of payment conditions.

c. Liquidity risk management policies and exposures

The Group is subject to risks normally associated with debt financing, including the risk of that the cash flows from its operations is insufficient to meet debt service requirements. If the Group does not have enough cash to service its debt, meet other obligations and fund its liquidity needs, it may 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 with regards to the generation of sufficient cash for the repayment of financing debt as well as serving trade payables shows a reliably 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 2013	Due within 12 months	Due between 1 and 5 years	Due after 5 year
Bank borrowings (see note 13)	5,240	12,341	1,632
Trade and other payables (see note 17)	14,893	-	-
	20,133	12,341	1,632

December 2012	Due within 12 months	Due between 1 and 5 years	Due after 5 year
Bank borrowings (see note 13)	3,486	17,266	1,195
Trade and other payables (see note 17)	16,409	-	-
	19,895	17,266	1,195

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, as of 31 December 2013 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 would have been approximately higher or lower respectively as shown in the table below.

Regarding Czech Koruna, as of 31 December 2013 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 would have been approximately higher or lower respectively as shown in the table below.

Continued

Impact on Equity before taxes	2013	2012
PLN/EUR +5%	(366)	(329)
PLN/EUR -5%	404	363
CZK/EUR +5%	(617)	(489)
CZK/EUR -5%	682	541

Impact on Profit before taxes	2013	2012
PLN/EUR +5%	13	26
PLN/EUR -5%	(14)	(29)
CZK/EUR +5%	(44)	(20)
CZK/EUR -5%	49	22

In the same way, as of 31 December 2013 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 increased by Euro 17 thousand or decreased by Euro 10 thousand approximately (EUR 23 thousand in 2012).

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.

f. Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation

Continued

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against this account. Subsequent recoveries of amounts previously written off are credited against the same allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

(31) Subsequent Events

There has not been any significant subsequent event.

(32) Approval of financial statements

The financial statements have been approved by the board of directors and authorised for issue on April, 2 2013.

Continued

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

BUSINESS SEGMENTS
(expressed in thousands of Euros)

	Iron casting December 2013	**Aluminium casting December 2013**	**Others/Unallocated December 2013**	**Consolidated December 2013**
Revenues from third parties	66,491	31,046	3,306	100,843
Total revenues	**66,491**	**31,046**	**3,306**	**100,843**
Profit for the segment	**4,430**	**1,837**	**1,591**	**7,858**
Other unallocated (expense) income			(3,395)	(3,395)
Operating profit				**4,463**
Net financing cost	(508)	(33)	(597)	**(1,138)**
Income tax	(1,144)	(358)	113	(1,389)
Profit for the year				**1,936**
Segment assets	**56,416**	**19,503**		**75,916**
Unallocated assets			847	847
Total assets				**76,766**
Segment liabilities	**21,046**	**3,148**		**24,194**
Unallocated liabilities			14,871	14,871
Total liabilities				**39,064**
Other information:				
Amortisation and depreciation	(4,156)	(1,723)	(40)	(5,919)
Additions for the year of property, plant & equipment & intangible assets	4,327	931	41	5,299

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

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

BUSINESS SEGMENTS
(expressed in thousands of Euros)

	Iron casting December 2012	Aluminium casting December 2012	Others/Unallocated December 2012	Consolidated December 2012
Revenues from third parties	63,563	31,623	3,432	98,618
Total revenues	**63,563**	**31,623**	**3,432**	**98,618**
Profit for the segment	**3,819**	**2,466**	-	**6,285**
Other unallocated (expense) income			(3,228)	(3,228)
Operating profit				**3,057**
Net financing cost	225	129	(733)	**(379)**
Income tax	(187)	(227)	108	(306)
Profit for the year				**2,372**
Segment assets	**57,021**	**24,996**		82,017
Unallocated assets			1,115	1,115
Total assets				**83,132**
Segment liabilities	**22,697**	**3,812**		26,509
Unallocated liabilities			15,931	15,931
Total liabilities				**42,441**
Other information:				
Amortisation and depreciation	(3,122)	(2,055)	(24)	(5,201)
Additions for the year of property, plant & equipment & intangible assets	13,464	278	59	13,801

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

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

Annual Accounts and
Report of the Réviseur d'Entreprises Agréé
For the year ended
December 31, 2013

38, boulevard Napoléon 1er

L-2017 LUXEMBOURG

RCS number: B 118130

Share capital: EUR 3.184.577

A.C.E., Automotive Components Europe S.A.
Société Anonyme
Share Capital: EUR 3.184.577

Chief Executive Director	Mr José-Manuel Corrales Ruiz
Directors	Mr Raúl Serrano Secada Mr Oliver Robert G. Schmeer Mr Piotr Nadolski Mr Witold Jan Franczak Mr Rafal Lorek
Audit Committee members	Mr Piotr Nadolski Mr Witold Jan Franczak Mr Rafal Lorek
Registration Number	RCS Luxembourg B 118.130
Registered Office	38, boulevard Napoléon 1er L-2017 Luxembourg Luxembourg
Share Capital	EUR 3.184.577

Automotive Components Europe S.A.

38, boulevard Napoléon 1er

L-2210 Luxembourg

("Company")

BOARD OF DIRECTORS' RESPONSIBILITY STATEMENT RELATING TO THE ANNUAL ACCOUNTS AS OF 31 DECEMBER 2013

To whom it may concern:

We confirm that to the best of our knowledge, the annual accounts for the year ended 31 December 2013 have been prepared in accordance with Luxembourg legal and regulatory requirements and give a true and fair view of the assets, liabilities, financial position and result of the Company. We also confirm that, to the best of our knowledge, the Board of Directors' report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties it faces.

Signed on 30 April 2014

On behalf of the Board of Directors

José Manuel Corrales

Raúl Serrano

A.C.E., Automotive Components Europe S.A.
Société Anonyme
Share Capital: EUR 3.184.577

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To the Shareholders of
Automotive Components Europe S.A.
38, boulevard Napoléon 1er
L-2210 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the annual accounts

Following our appointment by the General Meeting of the Shareholders dated 18 June 2013, we have audited the accompanying annual accounts of A.C.E., Automotive Components Europe S.A., which comprise the balance sheet as at 31 December 2013 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors' for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

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 for Luxembourg by the *Commission de Surveillance du Secteur Financier*. 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.

Deloitte.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the *réviseur d'entreprises agréé's* judgement, 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 agréé* 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 A.C.E., Automotive Components Europe S.A. as of 31 December 2013, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts. The Corporate Governance Statement, as published on the Company's website http://www.acegroup.lu/ACE/en/investor-relations/corporate-governance.asp, which is the responsibility of the Board of Directors, includes the information required by the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended and the description included with respect to Article 68bis paragraphs c and d of the aforementioned law is consistent with the consolidated financial statements.

For Deloitte Audit, *Cabinet de révision agréé*

J. van Delden

Jan van Delden, *Réviseur d'entreprises agréé*
Partner

2 April 2014

A.C.E., Automotive Components Europe S.A.
Société Anonyme
Share Capital: EUR 3.184.577
BALANCE SHEET
As at December 31, 2013
(expressed in EUR)

ASSETS

	Note	31/12/2013	31/12/2012
C. FIXED ASSETS			
II. Tangible fixeed assets		315	1.160
3. Other fixtures and fittings, tools and equipment		315	1.160
III. Financial assets	3	9.607.856	13.690.829
1. Shares in affiliated undertakings		9.607.856	9.607.856
6. Loans and claims held as fixed assets		-	4.082.973
		9.608.171	**13.691.989**
D. CURRENT ASSETS			
II. Debtors	4	3.816	3.305
4. Other receivables		3.816	3.305
a) becoming due and payable within one year		3.816	3.305
III. Transferable securities		2.620.024	25.054
2. Own shares or own corporate units	5	2.620.024	25.054
IV. Cash at bank and cash in hand		34.496	124.262
		2.658.336	**152.621**
		12.266.507	**13.844.610**

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

A.C.E., Automotive Components Europe S.A.
Société Anonyme
Share Capital: EUR 3.184.577
BALANCE SHEET
As at December 31, 2013
(expressed in EUR)
- continued -

LIABILITIES

	Note	31/12/2013	31/12/2012
A. CAPITAL AND RESERVES	5		
I. Subscribed capital		3.184.577	3.184.577
II. Share premium and similar premiums		4.982.252	6.468.388
IV. Reserves		3.987.517	4.280.995
1. Legal reserve		320.000	320.000
2. Reserve for own shares		2.620.024	25.054
4. Other reserves		1.047.493	3.935.941
VI. Profit or loss for the financial year		(448.615)	(293.478)
		11.705.731	**13.640.482**
C. PROVISIONS			
2. Provisions for taxation		3.150	3.150
3. Other provisions	6	52.447	61.233
		55.597	**64.383**
D. NON SUBORDINATED DEBTS	7		
4. Trade creditors		16.191	5.992
a) becoming due and payable within one year		16.191	5.992
6. Amounts owed to affiliated undertaking	12	348.615	23.586
a) becoming due and payable within one year		348.615	23.586
9. Other creditors		140.373	110.167
a) becoming due and payable within one year		140.373	110.167
		505.179	**139.745**
		12.266.507	**13.844.610**

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

A.C.E., Automotive Components Europe S.A.
Société Anonyme
Share Capital: EUR 3.184.577
PROFIT AND LOSS ACCOUNT
For the year ended December 31, 2013
(expressed in EUR)

A. CHARGES

	Note	31/12/2013	31/12/2012
3. Staff costs	8	8.525	8.495
a) Salaries and wages		7.555	7.469
b) Social security on salaries and wages		970	1.026
4. Value adjustment on formation expenses and		845	111.292
a) on tangible and intangible fixed assets		845	111.292
5. Other operating charges		512.825	350.982
8. Interest payable and financhial charges	10	806	24.983
a) concerning affilated undertakings		247	-
b) other interest and charges		559	24.983
		523.001	**495.752**

B. INCOME

	Note	31/12/2013	31/12/2012
8. Other interest and other financial income	11	74.386	201.224
a) derived from affilated undertakings		73.835	198.117
b) other interest and financial income		551	3.107
9. Extraordinary income		-	1.050
12. Loss for the financial year		**448.615**	**293.478**
		523.001	**495.752**

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

A.C.E., Automotive Components Europe S.A.
Société Anonyme
Share Capital: EUR 3.184.577
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 - GENERAL

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

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

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

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

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

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

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

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

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

The Company also prepares consolidated financial statements, which are published according to the provisions of the law and available at 38, boulevard Napoléon 1er, L-2017 Luxembourg.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General principles

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

Foreign currency translation

The financial statements are expressed in Euro (EUR).

The transactions made in a currency other than 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 Euro, is translated into Euro at the historical exchange rate;

- All other assets and liabilities expressed in a currency other than Euro are valued individually at the lower and at the higher respectively, 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 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 assets 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 - FINANCIAL FIXED ASSETS

The financial fixed assets are composed by the following elements:

	2013 EUR	2012 EUR
Shares in affiliated undertakings	9.607.856	9.607.856
Loans to affiliated undertakings	-	4.082.973
	9.607.856	**13.690.829**

The shares in affiliated undertakings are summarized as follows:

Name	Country	Ownership	2013 EUR	2012 EUR
Ace Boroa S.L.U.	Spain	100%	9.607.856	9.607.856
			9.607.856	**9.607.856**

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 year * EUR
Ace Boroa S.L.U.	31/12/2013	16.337.115	2.916.644

* as reported under IFRS

The loans to affiliated undertakings are summarized as follows:

Name	Country	Book value 2013 EUR	Book value 2012 EUR
Ace Boroa S.L.U.	Spain	-	4.082.973
		-	**4.082.973**

On December 13, 2010, a loan agreement was signed with Ace Boroa S.L.U. as a result of all outstanding balances of Automotive Component Europe S.A. with Fuchosa S.L., EBCC Sp. Z o.o. and Feramo Metallum International s.r.o. The initial amount of said loan was EUR 5.908.827. In 2013, this loan has been totally paid back upon previous consent given by the Company. This early repayment of the loan does not carry any additional charge. This loan used to bear an interest of 6M EURIBOR + 2,75% payable in full at the maturity date of the loan which was on December 13, 2016. The interest accrued during each interest period was settled on the date on which the same ended and added to the principal. Said interest used to accrue, in turn, new interest at the same rate applicable to the initial assignment.

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, 2013.

NOTE 4 - DEBTORS

The debtors comprise the following:

Becoming due and payable after less than one year	2013 EUR	2012 EUR
Other debtors	3.816	3.305
Total debtors	**3.816**	**3.305**

NOTE 5 - CAPITAL AND RESERVES

Subscribed capital

On January 1, 2013 the Company had a subscribed and fully paid capital of EUR 3.184.577 represented by 21.230.515 shares with a value of EUR 0,15.

The subscribed capital at year end is summarized as follows:

	Subscribed Capital	Share issue and equivalent premiums	Legal reserve	Reserve for own shares	Other reserves	Result of the year
	EUR	EUR	EUR	EUR	EUR	EUR
As at 31 December 2012	3.184.577	6.468.388	320.000	25.054	3.935.941	(293.478)
Allocation of year result					(293.478)	293.478
Dividend distribution		(1.486.136)				
Reserve for own shares				2.594.970	(2.594.970)	
Result of the year						(448.615)
As at 31 December 2013	**3.184.577**	**4.982.252**	**320.000**	**2.620.024**	**1.047.493**	**(448.615)**

Share issue and equivalent premiums

On June 18, 2013 the Company decided the distribution of dividends in the global amount of EUR 1.486.136 to the shareholders from the share issue and equivalent premiums account.

Reserve for own shares

The Annual General Meeting of the Shareholders held on June 18, 2013 renewed the authorization to the board of directors of the Company, for a maximum period of three years as of the date of said Meeting, to purchase shares of the Company, up to a maximum of five million euros (EUR 5.000.000). The purchase may be charged to the year's earnings and/or to unrestricted reserves or share premium.

In accordance with legal requirements as per article 49-2 of the Law of the 10 August 1915 on commercial companies, the Company allocated in the year 2013 an amount of EUR 2.594.970 (2012: EUR 25.054) to the reserve for own shares corresponding of the amount of own shares acquired during the year.

This reserve is not distributable.

NOTE 6 - OTHER PROVISIONS

As at December 31, 2013 the other provisions comprise the following:

	2013 EUR	2012 EUR
Provisions for accounting & audit fees	50.399	59.185
Other provisions	2.048	2.048
	52.447	61.233

NOTE 7 – NON-SUBORDINATED DEBTS

As at December 31, 2013, the non-subordinated debts comprise the following:

	Less than 1 year	After 1 year and within five years	Total December, 31 2013	Total December, 31 2012
	EUR	EUR	EUR	EUR
Trade creditors	16.191	-	16.191	5.992
Amounts owed to affiliated undertaking	348.615	-	348.615	23.586
Other creditors	140.373	-	140.373	110.167
Total creditors	**505.179**	**-**	**505.179**	**139.745**

On December 9, 2013, a credit facility agreement was signed with Ace Boroa S.L.U.. Ace Boroa S.L.U. agrees to grant to the Company a credit facility for a maximum of EUR 5.000.000. This loan bears an interest of 6M EURIBOR + 2,75% payable in full at the maturity date of the loan which is on December 13, each year. On December 31, 2013 the outstanding loans amounts to EUR 311.760.

NOTE 8 - STAFF

The Company employed one person during the year.

NOTE 9 - AUDIT FEES

The fees for financial audit services provided to the Company by the principal auditor during 2013 amounted to EUR 47.000 (2012: EUR 46.825). None other services have been provided by the principal auditor.

NOTE 10 - INTEREST PAYABLE AND SIMILAR CHARGES

	2013 EUR	2012 EUR
Derived from affiliated undertakings	247	-
Other interest payable and charges	559	924
Other financial charges	-	24.059
Total	**806**	**24.983**

NOTE 11 - OTHER INTEREST AND OTHER FINANCIAL INCOME

	2013 EUR	2012 EUR
Derived from affiliated undertakings	73.835	198.117
Other interest and other financial income	551	3.107
Total	**74.386**	**201.224**

NOTE 12 - RELATED PARTY TRANSACTIONS

During 2013, incomes and charges from related parties are as follows:

2013	Interest revenues	External services	Interest charges
	EUR	EUR	EUR
ACE Boroa, S.L.U.	73.835	130.557	247
Total	**73.835**	**130.557**	**247**

2012	Interest revenues	External services
	EUR	EUR
ACE Boroa, S.L.U.	198.117	111.807
Total	**198.117**	**111.807**

At December 31, 2013, the outstanding balances with related parties are as follows:

	Debtors (note 3)	Creditors (note 7)
2013	Long term	Short term
	EUR	EUR
ACE Boroa, S.L.U.	-	348.615
Total	**-**	**348.615**

	Debtors (note 3)	Creditors (note 7)
2012	Long term	Short term
	EUR	EUR
ACE Boroa, S.L.U.	4.082.973	23.586
Total	**4.082.973**	**23.586**

NOTE 13 - OFF-BALANCE SHEET COMMITMENTS

- On November 12, 2010 ACE Group through ACE Boroa S.L.U. entity signed a long-term syndicated financing agreement with a group of Spanish banks. ACE S.A. granted a guarantee in favour of the banks, through the pledge of ACE Boroa S.L.U. shares.

- Guarantee, up to the amount of CZK. 5.000.000, given by ACE SA to HSBC BANK PLC to support a Factoring Agreement granted by the bank to Feramo Metallum International s.r.o.

- On 14 May 2013 and 18 June 2013 and 9 October 2013, the Board of Directors approved a new management incentive scheme (ESOP) and a new annual bonus structure replacing entirely the existing bonus structure and ESOP approved by the Board of Directors on December 23, 2010. The management team or executive directors of ACE or its affiliates ("Participants") shall be entitled to acquire from ACE, upon the terms of the scheme, shares representing in aggregate up to nine per cent (9%) or 1,910,746 shares of the outstanding share capital of ACE (the "Management Shares"). The purchase by the Participants and transfer by ACE of the shares will take place in December, 2013, December 2014 and December 2015, resulting three per cent (3%) each date. The Management Shares will be distributed by the Board on an individual basis at its discretion, among the Participants. The purchase price in EURO should cover the cost accrued by the company for the acquisition of such shares.

NOTE 14 - DIRECTOR FEES

Directors fees paid for the year ended December 31, 2013 amount to EUR 72.000 (2012: EUR 72.000). The company did not grant any advances or loans to the Directors during the year.

NOTE 15 – SUBSEQUENT EVENTS

No significant events occurred subsequent to year-end.

ACE

AUTOMOTIVE COMPONENTS EUROPE

2013