ACE

AUTOMOTIVE COMPONENTS EUROPE

2009 Annual Report

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Introduction

ACE (the "Company") is a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg (full name Automotive Components Europe S.A., abbreviated form ACE S.A.). ACE is registered with the Luxembourg Registry of Commerce and Companies under number B 118130, and its registered office is at 82, Route d'Arlon, L-1150 Luxembourg, Grand Duchy of Luxembourg.

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

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

Key Figures

(EUR '000 except per-share and employment figures)	2009	2008	Change in %
Revenues from Sales	77,101	94,395	-18.3%
Gross Profit	15,763	18,245	-13.6%
Operating Profit	4,334	4,758	-8.9%
Net Profit	1,980	330	500.0%
Net Profit per share	EUR 0.09	EUR 0.01	800.0%
Cash Flow from Operations	11,019	10,613	3.8%
Cash flow from Investments	-1,113	-12,289	-90.9%
Cash flow from Financial Activity	-7,991	2,489	-421.1%
Net Cash Flow	1,832	-103	~
Current Assets	33,624	34,150	-1.5%
Fixed Assets	43,298	47,809	-9.4%
Total Assets	76,922	81,959	-6.1%
Long-term Liabilities	18,447	19,027	-3.0%
Short-term Liabilities	21,628	28,159	-23.2%
Liabilities	40,075	47,186	-15.1%
Net Debt	7,383	11,804	-37.5%
Shareholders' Equity	36,847	34,773	6.0%
Book Value per share	EUR 1.74	EUR 1.57	10.8%
Employees	812	893	-9.1%
EBITDA Margin	13.1%	10.5%	
Operating Profit Margin	5.6%	5.0%	
Net Profit Margin	2.6%	0.3%	

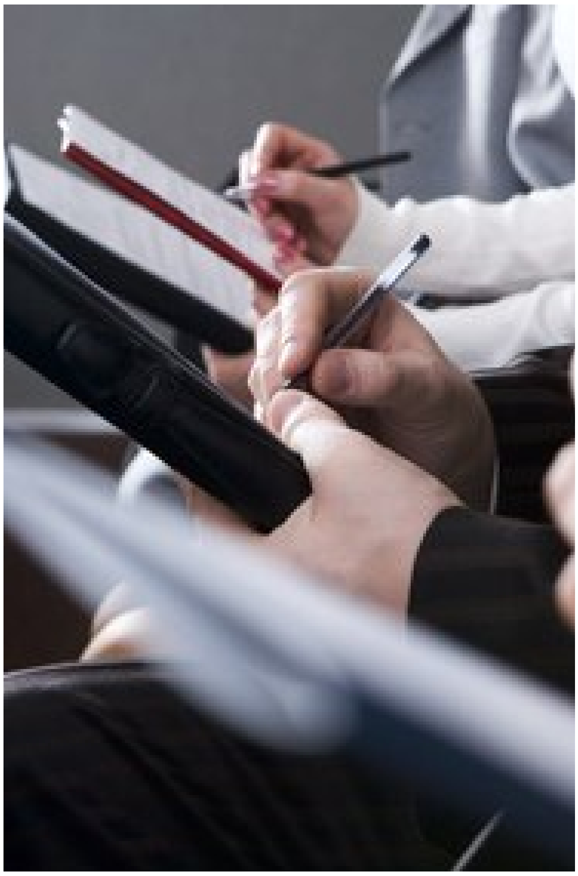
PLN per EUR	**Average**	**High**	**Low**	**Period end**
2008	3.5129	4.1848	3.2026	4.1724
2009	4.3282	4.8999	3.9170	4.1082

Source: National Bank of Poland

CZK per EUR	**Average**	**High**	**Low**	**Period end**
2008	24.9425	26.9300	22.9700	26.9300
2009	26.4450	29.4700	25.0850	26.4650

Source: Czech National Bank

Major Events in 2009



19 February 2009 – EBCC Sp. z o.o. in Wrocław (a subsidiary of ACE S.A.) signed an agreement with BRE Bank S.A. concerning cancellation of outstanding derivative financial instruments (hedging contracts).

30 April 2009 – Publication of the 2008 Annual Report.

17 June 2009 – Annual General Meeting of Shareholders. Approval of 2008 annual accounts and cancellation of buy-back shares.

29 August 2009 – Publication of the interim report for the first half of 2009.

17 November 2009 – Exit of the largest private equity shareholder, EB Holding, one of the founders of ACE S.A. In exchange the Company gained a number of financial investors, mostly pension and investment funds.

CEO's letter to shareholders

Dear Shareholders,

I am very pleased to have this opportunity to present the annual report for the year 2009 as well as our expectations and prospects going forward.

Looking back on 2009, I must admit that the last year was crucial not only for the automotive sector but also for the global economy. We entered last year under very turbulent market conditions. When planning our operations we had to take into account a declining level of orders and unpromising full-year forecasts for the automotive sector's performance. To counteract this external situation and to adapt to lower demand for products, the Company had to take extraordinary measures to decrease its Group-wide operational costs and improve performance.

On the other hand, the slowdown in the automotive market and decreasing sales of new cars forced many governments to introduce special incentive programmes to stimulate demand. The most important were those introduced by Germany and France, but many other EU countries also started similar projects. The final impact of all government support programmes was very positive, and sales of new cars in the "old" EU countries grew by 0.5% in comparison with 2008, while independent forecasts at the beginning of 2009 were expecting over a 16% decline.

Despite general stability of car sales in 2009, ACE's sales were driven by car production and not directly by sales. The European change in production was a 15% decrease in 2009 compared to 2008, mainly due to significant reduction of inventories. In these unfavourable market conditions all our efforts were focused on three main areas: lowering operational costs, maintaining ACE's market position, and introducing new products, which are going to have a positive impact on revenues in future. In all these three areas we finished 2009 with full success.

The cost reduction programme, called the Action Plan, initiated in the last quarter of 2008, began to show a positive impact from the beginning of 2009. We managed to decrease substantially not only expenses related directly to our labour costs, but also most items related to operations like maintenance, G&A and others, with a strong impact on our full-year performance.

A time of crisis is a real test of strength for all companies, not only automotive. It is much harder to pass the test in a declining market environment. Our automotive plants are the leading players in nodular iron and aluminium castings for brake systems, and both of them managed to maintain their market importance as Tier 2 suppliers. In the case of the aluminium business, we even managed to increase our market share significantly.

The long-term perspective is especially important in development of new products. Despite the crisis our R&D departments in both automotive plants were fully involved, in close cooperation with our customers, in development and introduction of new products, both for replacements and for business growth. It is remarkable that around 35% of products manufactured in our aluminium plant in the second half of last year were new projects, with an expected average production length of 5 to 7 years. Introduction of an aluminium front calliper also places us among the leaders in casting technology and will have a positive impact on future levels of orders.

Let me say also a few words about our non-automotive business—the grey-iron plant in the Czech Republic—for which 2009 was a very important year in terms of business stabilisation, productivity improvements, and its growth for the future. From 2009, despite the crisis, which also had a strong impact on this plant, we were able to consolidate not only sales but also EBITDA generated by Feramo. Performance of the grey iron business will be improving further in future, in line with general economic growth, but the real potential for step growth there is linked with nodular iron technology transfer, which is already in progress. Now we are even more strongly convinced that in a few years Feramo will become an equal, as a sales and profit centre, of the two automotive plants.

In summary, I would like to draw your attention to a few remarkable financial achievements of last year. In an environment of more than 18% lower revenues, the Group managed to increase margins, almost maintain its operating profit on a year-to-year basis, and even slightly increase the EBITDA level. Throughout the year ACE also maintained its strong ability to generate cash, and despite substantial repayment of bank debt and financing partial cancellation of existing hedging contracts, the company managed to improve its cash position, but especially net debt, which decreased by 37% to only EUR 7.4 million as of the end of last year.

We are confident that during the current year, 2010, the Company will make an additional step on its way to better performance. Our goal is to take the most from the expected stabilisation of automotive production and to outperform the market. For us our prospects are clear: we see no alternative but constant growth of the business in future. In this regard, and though increasing concentration makes it difficult to grow through acquisition, it is our goal to take advantage of current market opportunities in order to increase the Company's size and importance not only by means of buyouts but also by means of organic growth to match increasing demand from our customers.

In conclusion, I wish to thank all our shareholders for their support and confidence in the current and future growth of ACE, our customers and suppliers, and especially our employees for their important efforts to maintain and develop our strong market position and the efficiency of the business.

Luxembourg, 30th April 2010

José Manuel Corrales
Chief Executive Officer
Automotive Components Europe

Management Report

Market Overview

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

Despite all pessimistic forecasts for 2009, as of the end of December sales in Western EU countries were even 0.5% above 2008. These forecasts did not generally reflect the final support for the sector initially launched by the governments of Germany and France. Since the commencement of these programmes the real performance of the market, and market forecasts, have steadily become less pessimistic as the government premiums for scrapped cars were becoming effective in stimulating new car sales not only in Germany and France but also in other European countries. The latest JD Power forecast for 2010 calls for a general decline in new car sales of about -8.9%, though production forecasts are more positive, showing a trend of stability and even positive growth in the range of around 1% to 7% (sources: CSM Worldwide, PricewaterhouseCoopers Autofacts and Goldman Sachs' most recent reports).

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 production during the entire production life of a given car platform. Tier 1 brake component manufacturers require from Tier 2 casting suppliers capabilities of cooperation in product development of casting items (design, material, etc.), a certified, reliable manufacturing process, a high level of quality, and a competitive price. Machining of aluminium brake components, such as callipers, is mostly outsourced to CEE suppliers, such as ACE's plant in Poland or LeBelier in Hungary.

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 of the newly produced cars.

Callipers are also essential components of disc brake systems, which house the brake pads and pistons. In the process of braking they are responsible for supporting the hydraulic pressure in the brake moment. Aluminium callipers currently produced by ACE are used in rear brakes. ACE's focus on rear callipers is in line with the current technological trends, according to which the predominant application of aluminium callipers is the rear-axle brake.

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

Feramo, the company acquired in 2008 in the Czech Republic, offers a wide range of grey iron castings for the engineering, hydraulic, electrical and automotive sectors, as well as for small urban architecture projects. Sales to the automotive sector constitute around 10% of Feramo's sales.

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

The second project covered by the same division is development of aluminium front callipers, which are used in high-end cars. The subsidiary was nominated by its customer as a supplier of front callipers, and the start of serial production began in the last quarter of 2009.

ACE was also nominated by one of its current customers to provide machining of iron, which began in 2008. This is the first project in iron machining and, given the important presence of ACE in iron casting, represents a very interesting opportunity for growing this business.

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 35% European market share for aluminium callipers.

The plant constantly introduces new products and services to broaden its product portfolio and increase its importance as an automotive supplier in Europe. After commencement of TMC production in 2008, last year EBCC introduced front callipers and iron machining.

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 40%. However, in 2009 its market share declined slightly in comparison with 2008, which was a direct effect of the scrap incentive programmes run by many European governments promoting small and low-end cars using no disc brakes on the rear axle. Fuchosa has a stable and strong market position, which results from a high level of specialization, 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 annual production rate of the foundry fluctuates around 15,000 tonnes; however in 2009, due to the world crisis, it produced almost 30% 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 program was implemented, which substantially increased Feramo's capacity. During recent years, Feramo implemented a new production line and new sand pit technology. Significant new investments are expected in the next few years, in order to improve the production capacity and introduce a new portfolio of products for the automotive market.

Customers

ACE Group supplies its products to the following Continental plants: Gifhorn and Rheinböllen (Germany), Palmela (Portugal), Ebbw Vale (Wales) and Zvolen (Slovakia). As far as TRW Automotive is concerned, ACE delivers its products to the plants in Jablonec (Czech Republic), Bouzonville (France), Koblenz (Germany), and Pontypool (Wales). The supplies to Bosch are made at its plants in Buelna (Spain), Bari (Italy), Angers (France) and Wrocław (Poland).

Since the acquisition of Feramo in May 2008, 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.

Suppliers

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

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

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

Quality Management

The highest quality of our products is the top requirement. Anchors as well as callipers are safety parts and are subject to a certification process conducted by our customers before commencement of a particular assortment lot production. The production process for these parts is also strictly controlled, starting from the quality of raw materials, to the mechanical properties and shape accuracy in case of 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	✓	✓	2010*
ISO 14000	✓	✓	2011*
OSHAS OR SIMILAR	✓	2011*	2011*

** expected date of implementation*

Environmental Issues

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, the EMAS certification is also an excellent platform to present to stakeholders the situation 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.

Research & Development

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

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

Despite the economic crisis ACE is continuing to devote significant resources to R&D activities because of their importance for the present and future of the Group. However, in 2009 there was a significant reduction in funds devoted to one part of the R&D activity (investment), linked with the Action Plan focused on reduction of capital expenditures to improve the cash position.

in EUR '000	2009	2008
Investments in R&D	953	4,257
Costs regarding R&D	2,066	2,676
Total R&D expenses	**3,019**	**6,934**

Strategy

Strengthening the leading position on the European brake supply market

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

Broadening the technological and product range

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

Increasing presence in Europe

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

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

Combined engineering and other synergies

Integration of automotive plants as well as Feramo within the ACE Group results in important synergies. 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. In the last quarter of 2008 and beginning of 2009 the Company started to reduce its headcount in the Group. Additionally, in the production plant in Spain an overall temporary layoff was launched. These were part of the extraordinary measures taken to adapt production levels to worsening market conditions and the slowdown of the automotive sector as a result of the global financial crisis.

The total number of employees as of the end of December 2009 is presented in the table below:

	2009	2008
Managers	29	33
Administrative employees	120	122
Workers	663	738
Total number of employees	**812**	**893**

The following trade union organisations operate at EBCC:
- MOZ NSZZ Solidarność
- MOZ NSZZ Pracowników WPH

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.)

No trade union organisations operate at Feramo.

Financial Performance

in EUR '000	**2009**	**2008**
Revenues from Sales	77,101	94,395
Cost of goods sold	-61,338	-76,150
Gross profit	15,763	18,245
GP margin	*20.4%*	19.3%
G&A expenses	-11,429	-13,487
Operating profit	4,334	4,758
OP margin	*5.6%*	5.0%
Depreciation & amortisation	-5,734	-5,171
EBITDA	10,067	9,929
EBITDA margin	*13.1%*	10.5%
Negative goodwill	390	1,433
Financial income	390	930
Financial costs	-2,970	-6,962
Profit before tax	2,144	159
Tax	-164	171
Net profit	1,980	330
NP margin	2.6%	0.3%

The global crisis affects particularly the automotive sector at the European level. However, according to JD Power, annual car sales in Western Europe in 2009, compared with 2008, were very stable and even grew slightly by 0.5%, or around 73,000 cars. Growth was very positive in the 4th quarter, when sales increased by 21.2%, or around 581,000 cars.

However, production in the same region in the full year was much lower year-on-year by -15%, or around 1,933,000 cars.

Only in this context of declining production, which is the main driver of Group sales, can we understand the reduction of the Group's annual 2009 sales, a total of EUR 17,294,000, 18% lower than 2008. A decrease in raw material and energy prices in 2009 also had a significant impact on revenues, as they are passed through to customers as an adjustment of the sale price.

This difference is somewhat lower if we focus only on the automotive companies of the Group, where the sales reduction represents around 3.9 million parts, or -14%, closer to production than the automotive market sales decrease, even more so considering two main effects produced in 2009:

- There was a significant decrease in large inventories throughout all participants in the supply chain.
- The profile of cars sold shifted temporarily from higher-end to lower-end models, a segment where many vehicles have rear drum brakes and thus do not use our components, which are made for disc brakes.

Direct production costs and gross profit

In the context of sales, the decline in activity is the main driver when comparing year-on-year results. There was lower turnover, but also a level of production below turnover in order to reduce inventories and improve working capital.

In addition, a worse mix, reflected in the higher contribution of the grey iron business, as well as a lower percentage of machining, reduced the profile of sales and thus the gross margin in 2009, compared to 2008.

Otherwise, savings in headcount as well as in maintenance, as a result of the Action Plan implemented throughout all operating companies since the last quarter of 2008, had a very positive effect on the gross profit margin.

Lower volatility of energy and raw materials, as well as a weaker Polish zloty in 2009, also contributed to compensate for the negative effects of volumes and mix.

The annual gross margin was EUR 15.8 million, which is EUR 2.5 million less than in 2008 (-13.6%).

General & administrative expenses

The reduction of sales and distribution expenses linked with the lower volume of sales, together with the impact of the Action Plan on some G&A expenses (despite 4 more months of consolidation of the new acquisition), reduced these expenses in a very significant manner.

Including also the savings already reflected in gross profit, the savings derived from the Action Plan represent almost EUR 4.5 million, compared with 2008. In addition, foreign exchange rates had a very positive impact on the Company's margins. The total impact of FX in EBITDA was around EUR 2.3 million.

In the last quarter of 2009, following the market trend, the Company realised the highest turnover since the 3rd quarter of 2008, and sales were even above the same period of 2008 for the first time in the year. This resulted in higher activity and thus lower savings derived from the Action Plan, which even so were still positive.

EBITDA and operating profit

EBITDA was positive, above EUR 10 million, and even slightly up by EUR 138,000 compared with 2008 (+1.4%).

Despite reduction of gross margin by EUR 2.5 million versus 2008, this lower and positive difference in EBITDA is mostly the result of the cost reduction programme for general and administration expenses.

Depreciation increased in the period by EUR 0.6 million due to longer consolidation of the Czech company and some increases of depreciation coming from new investments made in 2008.

Operating profit for the year was positive, at about EUR 4.3 million (only EUR 0.4 million lower than 2008, -8.9%) and shows a very positive and sustainable trend quarter by quarter, especially bearing in mind the reduction of turnover by -18% compared to the previous year.

Financial items

Driven by the weakening Polish zloty during the year, valuation and cash losses of hedging instruments in our Polish company produced a negative financial result of EUR 1.4 million, clearly affecting the financial year result of - EUR 2.6 million. After this negative result and partial cancellation of currency exchange contracts during the year, the fair value of these instruments in the balance sheet is EUR 1.2 million. However, strengthening of the Polish zloty in the last three quarters produced a positive fair valuation of hedging contracts of around EUR 0.3 million.

Therefore, the impact of this fair valuation was fully recorded in the first two months of the year, whereas after partial cancellation of hedging contracts and lower volatility of the Polish zloty, the Company did not experience any significant fluctuation in its results. In the following months, after progressive maturity of current contracts and with the new scenario after this cancellation, we can expect a more hedged structure where financial losses would be recovered at the operating level.

In last quarter of 2009 the Company managed to reduce part of the deferred price to be paid in 2009 for the Czech acquisition, which also resulted in positive financial income of EUR 390,000 (recognised as negative goodwill in the P&L account).

Thus in 2009 the Company reduced in a very significant manner the important losses recorded in year 2008 as a result of the sharpest impact on this year of fair valuation of derivative financial instruments amounting to EUR 5.0 million. The difference in financial items is finally positive in 2009 by EUR 3.5 million compared with 2008.

Profit before tax and tax

As a result of all the improvements in the operating level despite much lower turnover, and the non-recurrent financial effects recorded in 2008, profit before tax in 2009 was much higher than the previous year. Total profit before tax in 2009 rose to EUR 2.1 million (EUR 2.0 million higher than 2008).

Taxes recorded as a consequence of these profits were EUR 164,000.

Net profit

Reflecting the improvements already mentioned, the company was also positive at the net profit level by EUR 2.0 million, or +EUR 1.7 million compared with 2008.

Definitely the last quarters were very positive in terms of net profit, thanks to improvement of operating profitability as well as the end of the negative influence of exchange rate fluctuation on our financial results.

Financial position

The Company's Action Plan was also very active in working capital improvement and especially inventory reduction, thanks to which cash from operating activities was EUR 11.0 million, which is even above 2008 by EUR 0.4 million.

Otherwise, savings in taxes and reduction of capital expenditure contributed to improve the ordinary cash flow after investment activities, though the cancellation costs for the hedging contracts of EUR 3.2 million (reduced by EUR 2 million by a new loan granted by the bank) and the repayment of ordinary debt increased the final cash in the year by EUR 1.8 million, which was mostly produced in the last quarter.

The final cash position of the Company as of the end of the year was EUR 11.9 million, representing an improvement of EUR 4.5 million compared with the end of the first half, and even higher than the previous year. Net debt as of the end of 2009 was EUR 7.4 million, and was also sharply reduced compared with previous quarters.

Performance against budget (forecasts)

The Company did not publish any official forecast or guidelines for 2009.

Outlook for 2010

As far as 2010 is concerned, available forecasts show some stability and even slight growth for the current year in terms of production, but still a relevant decline in terms of sales. Thus, the JD Power forecast issued in March estimated a decline of sales by 8.9% compared with 2009 in Western Europe.

However, in terms of production, the most recent forecast by Pricewaterhouse Coopers Autofacts is for increased production by 1.5% in the same region or 3% for the full European Union and Eastern Europe. Some other production forecasts, like Goldman Sachs', very recently increased production forecasts from -0.2% to +7.1%.

Given the fact that European production of cars (and not sales) was the driver of ACE's sales in 2009, we can expect more stability for 2010 based on these production estimates.

However, in the current environment it is very difficult to rely on market forecasts, and our work now is focused on maintaining and improving the successful implementation of actions to significantly reduce costs and adjust as much as possible to reduced volume levels, as well as 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.

The main outcome and extent of this Action Plan are discussed in connection with the financial results above, but in the following months some of these actions could be gradually eliminated, thus reducing the impact of the plan, as an increasing volume of orders from customers is confirmed. In 2010 it may also be necessary to anticipate some future investments in order to meet demand, especially in the aluminium business. As a consequence of this new business, Group sales should grow in 2010 in the range of 5-10% compared to 2009 within the expected prices of raw materials and energy (influencing our selling prices).

On the other hand, although ACE is focusing its efforts at the moment on possibilities for using free capacity for other projects, 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. It is clear for ACE that the current financial structure allows the Group to face this situation in better standing, and that companies which manage to deal better with the new environment will be stronger after the slowdown.

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.

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 2009	**Compared to the end of 2008**
ACE S.A.	336.9%
WIG Index	46.9%
SWIG80 Index	61.9%

Stock Market Data

	2009	**2008**
Market Capitalisation at the end of the period	PLN 163.3m EUR 39.7m	PLN 38.9m EUR 9.3m
Share Price		
- Highest	PLN 7.69	PLN 12.23
- Lowest	1.10	1.66
- Average	4.16	7.51
- At the end of the period	7.69	1.76
Shareholders' Equity per share	EUR 1.74	EUR 1.57

Per-Share Data

	2009	**2008**
Earnings per share	EUR 0.09	EUR 0.01
Cash Flow per share	EUR 0.09	EUR 0.00
Dividend per share	-	-

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%	-	-
New shares	**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 Extraordinary General Meeting of Shareholders resolved to amend Article 5 of the Articles of Association of the Company as follows:

"The subscribed capital of the Company is set at EUR 3,184,577.25 (three million one hundred eighty-four thousand five hundred seventy-seven Euro and twenty-five cents) represented by 21,230,515 (twenty-one million two hundred thirty thousand five hundred fifteen) shares having a par value of EUR 0.15 (Euro fifteen cents) each."

All the above changes were published in the Registre de Commerce et des Sociétés in Luxembourg in July 2009.

The Warsaw Stock Exchange is the only market of ACE quotations. In 2009 the total value of all transactions in ACE shares was PLN 206.3 million, with trading volume of 26.2 million shares. The stock price grew sharply by 336.9% for 2009 as a whole, mainly as a result of very good financial performance and strengthening of the Company's market position.

Major Shareholders (Over 5% of Shareholders' Equity) as of 31 December 2009

As of the end of December 2008 the Company's share capital comprised 22,115,260 shares and the same number of corresponding votes. On 17 June 2009 the Extraordinary Shareholders Meeting approved cancellation of 884,745 buy-back shares. As of 31 December 2009 the Company's share capital comprised 21,230,515 shares. The corresponding number of voting rights was 21,230,515.

To the best of the Company's knowledge as of the end of 2009, the following shareholders are 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):

	As of 31 December 2009 (% of share capital)	As of 31 December 2008 (% of share capital)*
Casting Brake (Spain)	2,980,607 (14.04%)	2,980,607 (13.48%)
PZU "Złota Jesień" OFE	3,696,233 (17.41%)	below 5%
ING Nationale Nederlanden Polska OFE	3,621,926 (17.06%)	1,169,602 (5.29%)
Pioneer Pekao Investments	1,739,612 (8.19%)	below 5%
EB Holding (Luxembourg)	no shares	6,535,593 (29.55%)
PKO Credit Suisse Towarzystwo Funduszy Inwestycyjnych S.A.	below 5%	1,844,506 (8.34%)
Templeton Asset Management Ltd.	below 5%	1,363,442 (6.17%)
AIG Towarzystwo Funduszy Inwestycyjnych S.A.	below 5%	1,240,837 (5.61%)

(*) – stakes calculated for the number of shares before cancellation (22,115,260 shares)

Changes in shareholder structure after 31 December 2009:

On 9 March 2010, the Company received an official notification from Pioneer Pekao Investment Management S.A., on behalf of all managed portfolios belonging to its clients, that their holdings in ACE had increased to 10.07% of the total number of outstanding shares/votes, to 2,137,704 shares/votes.

Pioneer Pekao Investment Management S.A. also gave notice on behalf of managed open-end investment funds established by Pioneer Pekao Investments had a share of 10.10% of the Company's shares/votes.

On 9 March 2010 the Company received an official notification from Casting Brake S.L. that it had sold 550,000 shares of Automotive Components Europe S.A. After the transactions Casting Brake held 2,430,607 non-preferred bearer shares of ACE S.A. constituting 11.45% of ACE S.A.'s share capital and representing 2,430,607 votes at the shareholders' meeting of ACE S.A., constituting 11.45% of the overall number of votes.

On 11 March 2010 the Company received an official notification from Aviva Investors Poland S.A., acting on behalf of its managed portfolio and funds, that the portfolio and the funds together held 1,084,296 of the Company's shares, representing 5.11% of the Company's share capital and 1,084,296 votes, or 5.11% of the total votes in the Company.

On 19 March 2010 the Company received an official notification from Aviva Investors Poland S.A., acting on behalf of Aviva Investors Fundusz Inwestycyjny Otwarty, that the fund held 1,098,605 of the Company's shares, representing 5.17% of the Company's share capital and 1,098,605 votes, or 5.17% of the total votes in the Company.

On 6 April 2010 the Company received an official notification from Powszechne Towarzystwo Emerytalne PZU S.A., on behalf of Otwarty Fundusz Emerytalny PZU "Złota Jesień", that the fund had increased its holding in the Company to 3,792,171 shares/votes (17.86% of the share capital and votes).

On 15 April 2010 the Company received an official notification from Pioneer Pekao Investment Management S.A. on behalf of Pioneer Pekao Open-end Fund that that the total number of voting rights possessed by the Fund at the Automotive Components Europe S.A. general shareholder's meeting was increased to 9.19%. The increase was a result solely of transformation of a number of existing open-end investment funds into subfunds of Pioneer Open-end Investment Fund.

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

	30 April 2010 **(% of share capital)**
PZU "Złota Jesień" OFE	3,792,171 (17.86%)
ING Nationale Nederlanden Polska OFE	3,621,926 (17.06%)
Casting Brake (Spain)	2,430,607 (11.45%)
Pioneer Pekao Investments	2,137,704 (10.07%)
Aviva Investors Poland	1,098,605 (5.17%)

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 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
Phone: + 48 22 353 88 60
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 2009 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 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 2009 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 Euro, while purchases are made in EUR and PLN. Costs denominated in PLN constitute 45–50% of total EBCC costs. Taking into account that stand-alone financial statements of EBCC are prepared in PLN, any growth 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 on such debt. 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, EBCC employs hedging techniques to hedge EUR/PLN currency fluctuations.

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.

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.

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. Also, Feramo (in the Czech Republic), acquired in 2008, is a good platform for lower-cost business development in future.

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

ACE depends on external suppliers for their key raw materials and energy for 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, lock-outs, 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.

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. All production plants implement pricing mechanisms that transfer the variation in the prices of aluminium and steel scrap 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 2009, around 50% of castings produced by EBCC were subject to a further machining process by the machining department of EBCC. 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.

None of the operating entities has experienced a serious breakdown of key machinery since their respective dates of incorporation (Fuchosa S.A. 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.

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

Organisational Structure

As of the end of 2009 the ACE Group comprised the holding company and three operating companies:

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

Management Committee & Board of Directors

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

Corporate bodies as of the end of December 2009:

<u>Management Committee:</u>

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

<u>Board of Directors:</u>

Marek Adamiak	Class A Director
Laurence Vine-Chatterton	Class A Director
José Manuel Corrales	Class B Director
Raúl Serrano	Class B Director
Jerzy Szymczak	Independent Director
Paweł Szymański	Independent Director

On 18 February 2010 the Board of Directors appointed Carlos Caba, Senior Officer of ACE S.A., as Director of the Company to fill the vacancy caused by the resignation of Arkadiusz Podziewski until the next General Meeting, in accordance with Art. 7 of the Articles of Association of the Company and Art. 6

of the Bylaws of the Board.

On the same date, in accordance with Art. 8.1 of the Articles of Association of the Company and Art. 38 of the Bylaws of the Board, the Board appointed Marek Adamiak, Class A Director, as Chairman of the Board. In accordance with Art. 13 of the Articles of Association of the Company and Art. 38 of the Bylaws of the Board, the Board also appointed Marek Adamiak as a member of the Audit Committee, which appointment will expire at the next General Meeting.

On 8 March 2010 the Board of Directors received a formal notification from Laurence Vine-Chatterton of his immediate resignation as a Director of the Board of the Company due to personal reasons.

On 16 March 2010, pursuant to Art. 7.6 of the Articles of Association of the Company and §6 of the Bylaws of the Board, Oliver Robert Günter Schmeer was appointed as a Director of the Company to fill the vacancy caused by the resignation of Mr Vine-Chatterton until the next General Meeting.

Composition of the Board as of the date of publication in April 2010:

Marek Adamiak	Chairman and Class A Director
José Manuel Corrales	Class B Director
Raúl Serrano	Class B Director
Carlos Caba	Director
Oliver Schmeer	Director
Jerzy Szymczak	Independent Director
Paweł Szymański	Independent Director

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

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.

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

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

Paweł Szymański
Mr Szymański worked from 1994 to 1996 as an equity analyst at Wood & Co in Warsaw. From 1997 to 1999 he worked at a similar position, and later as deputy director of capital markets research, for Schroder Securities in London. Then in 2000 – 2003 he was director of a research team responsible for analysis of Polish stocks. From 2003 to 2004 Mr Szymański was president of Bank Handlowy brokerage house. In 2004 – 2007 he was Vice-President of PKN Orlen responsible for its financial department. From 2007 to 2008 Mr Szymański was Vice-President and CFO at CTL Logistic. Since 2008 he has been an Executive Partner and Deputy President of the Management Board of ICENTIS Corporate Solutions.

Compensation of Management Committee and Board of Directors Members in 2009

Management Committee compensation

ACE Management Committee members do not receive any salary, pension, retirement or similar benefits from the Group for such role, other than reimbursement of reasonable expenses incurred in attending ACE Management Committee meetings.

Details of compensation received by the Company's directors (including Management Committee members and plant operational managers) for the period from 1 January 2009 through 31 December 2009 are as follows:

	In EUR '000
Current compensation	476
- salary	463
- bonus	13
Total, directors of the Company	**476**

Board of Directors compensation

Only members appointed in 2007 or later benefit from a compensation plan. The Chief Executive Officer is paid for his service as general manager of ACE. It should be noted further that certain Directors have relationships in other capacities with members of the ACE Group and the terms of such relationships are set out in management contracts with the Company.

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

	Base salary	Bonuses	Other
Arkadiusz Podziewski	-	-	-
Laurence Vine-Chatterton	12,300	-	-
Marek Adamiak	15,300	-	-
José Manuel Corrales	-	-	-
Raúl Serrano	-	-	-
Jerzy Szymczak	15,300	-	-
Paweł Szymański	15,300	-	-

Information on Supervision of Employee Share Option Plans

An employee share option plan (the "ESOP") was approved by the Board at their meeting held on 22 February 2007. Currently, a manager of EBCC can benefit from the ESOP. The ESOP gives specified persons (the "ESOP Beneficiaries") the opportunity to acquire a stake in the capital of the Company. The extraordinary General Meeting held on 14 March 2007 approved the introduction of authorised share capital of 1,002,505 shares for the purposes, inter alia, of the ESOP. The options granted shall vest pro-rata on a quarterly basis over four years from the Allotment Date, and shall be exercisable on an annual basis from the second anniversary of the completion of the Offer. Options that have not yet vested upon the voluntary resignation or dismissal for cause of the beneficiary will automatically lapse upon the termination of the relationship between the beneficiary and the ACE Group. Where the relationship ends in the voluntary resignation or dismissal for gross negligence, fraud or wilful misconduct, all rights to shares vested over the last 12-month period are cancelled. The total number of shares subject to the ESOP shall not exceed 1,002,505. The strike price will be equal to the Offer Price, which was PLN 20.50.

Information Required by the Warsaw Stock Exchange in Poland

General statement:

ACE is a company formed under Luxembourg laws and does not have a supervisory board or a management board. ACE has a Board of Directors. The Board of Directors performs the functions of a supervisory board and a management board in companies incorporated under Polish law. Generally, the directors of a Luxembourg law corporation may be treated as the management authority of a corporation, which however should not be equated with a management board within the meaning of Polish law. The management of ACE's business is vested in and managed by a board of directors (the "Board of Directors") and a chief executive officer (the "Chief Executive Officer") to whom the Board of Directors has delegated the day-to-day management of the Company other than in relation to certain matters specifically reserved to the competence of the Board of Directors. The Chief Executive Officer, in the performance of the day-to-day management of ACE, is supported by a management committee constituted of Senior Officers of ACE, appointed by the Board of Directors. Subject to the above, for purposes of the responses of ACE, references to "supervisory board" and the "management board" in the Best Practices will be treated as references to its Board of Directors.

In 2009 the Company did not fully comply with the following rules described in the Code of Best Practice for WSE Listed Companies, on a temporary basis:

Section II: 1.7, 1.11, 1.12

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

Section II: 1.7, 1.11, 1.12 – All rules refer to the website content. The ACE website still does not contain information described by rules 1.7, 1.11 and 1.12. However, ACE is constantly improving its content and intends to include such information if it is of material importance for shareholders.

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

General Meeting practices

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

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

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

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

The Board will convene a General Meeting by notice published twice with a minimum interval of eight days, and the second at least twelve days before the meeting, in the *Mémorial* and in a Luxembourg newspaper. These convening notices will contain the agenda of the meeting and set out the conditions for attendance and representation.

Shareholders whose share ownership is directly registered in the Shareholders' registry will receive the notice by ordinary mail, which mail should be sent to such Shareholders at least twelve days prior to the General Meeting.

The Articles of Association provide that in the case of Shares held through a depositary or a sub-depositary as described in Article 6 of the Articles of Association, a Shareholder may exercise all rights attached to his or her Share(s) and in particular, to participate and vote at a General Meeting upon presentation of a certificate issued by the depositary holding the Shares, certifying the number of

Shares recorded in the relevant account in the name of the relevant Shareholder preceding the General Meeting.

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

In addition, if a Shareholder votes by correspondence, the relevant form must be received at the registered office of ACE at least five days before the General Meeting.

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

The Articles of Association provide that all powers of attorney should be forwarded to ACE within the same time delay as the certificates referred to in the foregoing paragraph. The Board may adopt rules and procedures concerning entry cards and proxy forms in order to allow Shareholders to exercise their right to vote.

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

Each Share entitles its holder to one vote on each matter to be voted upon by Shareholders.

Luxembourg law distinguishes between “ordinary” General Meetings and “extraordinary” General Meetings. Extraordinary General Meetings are convened to resolve upon an amendment to the Articles of Association and are subject to the quorum and majority requirements set out below. All other General Meetings are ordinary General Meetings.

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

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

- to change the nature of the business conducted by ACE or any of the Operating Entities;
- to sell, close or otherwise dispose of any Operating Entities; 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. If such quorum is not reached, the meeting of Shareholders may be reconvened at a later date, with no quorum requirements, by means of notices published twice, at fifteen days interval at least and fifteen days before the meeting in the Luxembourg official gazette, the Mémorial and in two Luxembourg newspapers. Such convening notice shall reproduce the agenda and indicate the date and the results of the previous meeting. At both meetings, resolutions described in this paragraph must be carried by at least 75% of the votes of the Shareholders present or represented.

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

The Certificate which shall be presented by a Shareholder in order for such Shareholder to be authorised to attend and vote at the General Meeting must, at least five days prior to the General Meeting, be filed with ACE, at its registered office or at the address set out in the convening notice or, in case the Shares are listed on a foreign regulated market, with an agent of ACE located in the country of the listing and designated in the convening notice. In the event that the Shareholder votes 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 proxies.

A Shareholder may act at any General Meeting by appointing another person, who need not be a Shareholder, as his proxy in writing or by telefax, cable, telegram or telex.

Any Shareholder who casts their vote by correspondence, by means of a form providing the option for a positive or negative vote or for an abstention shall be counted when reckoning a quorum at such General Meeting. The Board shall determine the format of such form. Such form must be received at the registered office of ACE at least five days before the General Meeting.

Issue of Shares and Pre-emptive Rights

Under Luxembourg law, the articles of association of a company may authorise the board of directors to increase the share capital of the company on one or more occasions up to a specified amount. The general meeting of Shareholders may also grant such authorisation by means of an amendment to the articles of association. The rights attaching to the new shares shall be defined in the articles of association.

Such authorisation given to the board of directors shall be valid for only five years from the date of the publication of the articles of incorporation or the amendment of the articles of association. The authorisation may be renewed on one or more occasions by the general meeting of Shareholders deliberating in accordance with the requirements for amendments to the articles of association, for a period, for each renewal, 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.

According to the Articles of Association, Shares shall be issued within the limit of the authorised capital, to be paid up in cash or, subject to applicable provisions of the law, in kind at a price or, if Shares are issued by way of incorporation of reserves, at an amount, which shall not be less than the par value. Such increase may be issued and subscribed for in the form of Shares with or without an issue premium, as the Board may determine.

The non-subscribed portion of the authorised capital shall only be used for (i) the conversion of stock options issued by ACE (or its subsidiaries) pursuant to an ESOP in favour of managers of ACE or the Operating Entities and any other stock options issued by ACE; or (ii) the issue of new Shares upon an initial public offering of the Shares of ACE. If, pursuant to the initial public offering of Shares and the ESOP, the limits of the authorised capital have not been reached, the Board may increase the issued capital up to the limits of the authorised capital by the issue of additional Shares, as the Board, in its discretion, shall determine. Whenever the Board has effected a complete or partial increase in capital within the limit of the authorised capital, the Articles of Association shall be amended so as to reflect such increase.

Unless limited or excluded by the General Meeting or the Board, as described below, holders of Shares have a pro rata pre-emptive right to subscribe for any newly issued Shares, except for Shares issued for consideration other than cash (in kind).

The limitation or exclusion of pre-emptive rights is subject to the approval of at least two-thirds of the votes cast at a General Meeting where at least 50% of the issued share capital is present or represented.

In addition, pre-emptive rights can be limited or excluded by the Board, if the General Meeting has delegated the authority to exclude or limit pre-emptive rights at a General Meeting where at least 50% of the issued capital is present or represented. Such authorisation cannot exceed five years. The General Meeting of Shareholders held on 14 March 2007 authorised the Board to exclude such pre-emptive rights for a period of five years from the date of publication of the minutes of such General Meeting.

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

Competences of the Board of Directors

The Board is vested with the broadest powers to perform or cause to be performed all acts of disposition and administration in the Company's interests. All powers not expressly reserved by the Luxembourg law on commercial companies or by the Articles of Association to the General Meeting fall within the competence of the Board.

Without prejudice to the foregoing, the policy adopted by the Board consists of delegating the day-to-day management of the Company to the Chief Executive Officer, who is supported by a management committee consisting of Senior Officers appointed by the Board.

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

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

Competences of the Audit Committee

The most important tasks of the Audit Committee include:

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

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

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

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

Internal financial controls focus on a clearly defined set of control procedures and a comprehensive monthly and quarterly reporting structure. Detailed revenue, cash flow and capital forecasts are prepared for each group member company and updated regularly throughout the year and reviewed by the Management Committee and the Board.

Directors' Statements

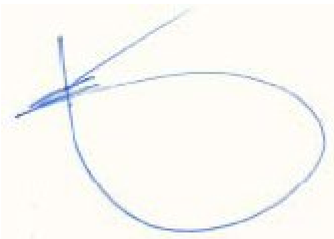
To the best of the management's knowledge the annual consolidated financial statements and the comparable information have been prepared in compliance with the applicable accounting standards and give a true, fair and clear view of the Group's assets, financial standing and net result, and the directors'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

The auditing firm (Deloitte S.A.) 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, April 30, 2010

José Manuel Corrales

Raúl Serrano



Automotive Components Europe S.A.

and subsidiary companies

82 Route d´Arlon

L-1150 LUXEMBOURG

RCB number: B 118130

Consolidated Financial Statements

for the year ended 31 December 2009

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

MANAGEMENT REPORT OF THE DIRECTORS CONCERNING CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31st 2009

Dear Shareholders,

In conformity with legal and statutory requirements, we have the pleasure to present and submit to your approval the consolidated financial statements for the period between 1st January and December 31st 2009.

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

From the consolidated accounts of the period between 1st January and December 31st 2009, it appears that the group reports a profit of EUR 1,980 thousands.

ACE S.A. :

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

EBCC :

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

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

EBCC was established in 1999. It was originally a producer of hydraulic pumps (as part of PZL Hydral). The change of name and the shift to production of brake callipers resulted from the company's take-over by the Valfond Group in 1999 aimed at creating a "first choice" supplier of aluminium brake components for the OEMs moving their production facilities to the CEE countries. Since the start of production EBCC within 5 years increased its revenues to Euro 30.0 million in 2005, when it was taken over by Innova/3 L.P. Innova/3 EBRD Co-Investment Facility L.P. EBCC is located in Wrocław, one of the leading Polish academic cities and industrial areas. EBCC is currently the number two player with an estimated market share above 30% of the European aluminium callipers.

FUCHOSA, S.L.

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

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

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

FERAMO METALLUM INTERNATIONAL s.r.o.

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

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

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

2. Important Events since December 31st 2009

On February 18, 2010 the Board of Directors appointed Mr. Carlos Caba – Senior Officer of ACE S.A., as Director of the Company to fill the vacancy caused by the resignation of Mr. Arkadiusz Podziewski until the next General Meeting in accordance with art. 7 of the articles of association of the Company and art. 6 of the Regulations of the Board.

On the same date, the Board in accordance with art. 8.1 of the articles of association of the Company and art. 38 of the Regulations of the Board appointed Mr. Marek Adamiak, Director A, as Chairman of the Board. The Board in accordance with article 13 of the articles of association of the Company and with art. 38 of the Regulations of the Board also appointed Mr. Marek Adamiak as member of the Audit Committee which mandate will expire at the next shareholders meeting.

On March 8, 2010 the Board of Directors received a formal notification from Mr. Laurence Vine-Chatterton with his immediate resignation as Director of the Board of the Company.

On March 16, 2010 pursuant to article 7.6 of the articles of association of the Company and §6 of the Regulations of the Board it was approved the appointment of Mr Oliver Robert Günter Schmeer, as Director of the Company to fill the vacancy caused by the resignation of Mr Vine-Chatterton until the next General Meeting.

3. Planned evolution of the Company and its subsidiaries

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

4. Branch

The Company has no branches

5. Research and Development Activities

During the period between 1st January and December 31st 2009, the Company was not engaged in any research or development activities.

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

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

During the financial year 2009, the Company and its subsidiaries did not repurchase own ACE S.A.'s shares.

The financial statements for the next statutory reporting period will cover the months January 2010 to December 2010.

In Luxemburg, 30th March 2009.

Marek ADAMIAK *Director A*	Pawel SZYMANSKI *Independent Director*
José-Manuel CORRALES RUIZ *Director B*	Raul SERRANO SECADA *Director B*
Jerzy SZYMCZAK *Independent Director*	Carlos CABA LOPEZ DE VICUÑA
Oliver SCHMEER	

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

REPORT OF THE REVISEUR D'ENTREPRISES

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated June 17, 2009, we have audited the accompanying consolidated financial statements of A.C.E S.A., which comprise the consolidated balance sheet as at December 31, 2009, and the consolidated income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of directors' responsibility for the consolidated financial statements

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

Responsibility of the réviseur d'entreprises

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the réviseur d'entreprises, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

In making those risk assessments, the réviseur d'entreprises considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of A.C.E S.A. as of December 31, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

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

Deloitte S.A.
Réviseur d'entreprises

Sophie Mitchell
Partner

April 27, 2010

AUTOMOTIVE COMPONENTS EUROPE SA
AND SUBSIDIARY COMPANIES

Notes to the consolidated Financial Statements

for the year ended 31 December 2009

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

Automotive Components Europe S.A. and subsidiary companies

Consolidated Balance Sheet
for the year ended 31 December 2009
(expressed in thousand of Euros)

Assets	Notes	December 2009	December 2008
Non-current assets			
Intangible assets	6	139	278
Property, plant and equipment	7	41.988	46.248
Investment in associates	8	20	20
Deferred tax assets	16	1.151	1.261
Trade and other receivables	11	-	2
Total non-current assets		43.298	47.809
Cu Inventories	10	7.623	10.799
Trade and other receivables	11	13.989	13.075
Other current assets		106	-
Cash and cash equivalents	12	11.906	10.276
Total current assets		33.624	34.150
Total assets		76.922	81.959

Equity and Liabilities	Notes	December 2009	December 2008
Capital and reserves			
Share capital		3.185	3.317
Share premium		6.931	6.931
Retained earnings		25.108	24.646
Exchange differences		(357)	(451)
Net profit for the year		1.980	330
Total equity	13	36.847	34.773
Non-current liabilities			
Borrowings	14	14.271	12.895
Deferred income		213	376
Deferred tax liabilities	16	3.410	3.389
Derivative financial instruments	9	444	2.266
Provisions for other liabilities and charges	17	109	101
Total non-current liabilities		18.447	19.027
Current liabilities			
Trade and other payables	18	14.866	15.651
Borrowings	14	5.018	9.185
Derivative financial instruments	9	953	2.032
Other current liabilities	15	14	407
Provisions for other liabilities and charge	17	777	884
Total current liabilities		21.628	28.159
Total equity and liabilities		76.922	81.959

The accompanying notes form an integral part of the consolidated financial statements of Automotive Components Europe S.A. for the year ended 31 December 2009, in conjunction with which they should be read.

Automotive Components Europe S.A. and subsidiary companies

Consolidated Income Statements
for the year ended 31 December 2009
(expressed in thousand of Euros)

	Notes	2009	2008
Revenues	19	77.101	94.395
Cost of sales		(61.338)	(76.150)
Gross profit		15.763	18.245
Selling and distribution costs	20	(2.142)	(2.502)
General and administration expenses	21	(9.882)	(11.522)
Other operating income	22	1.034	1.253
Other operating expenses		(439)	(716)
Operating profit		4.334	4.758
Negative goodwill	5, 15 & 23	390	1.433
Financial income		390	930
Financial expenses		(2.970)	(6.962)
Financial result	24	(2.580)	(6.032)
Profit before income tax		2.144	159
Income tax (expense) / income	25	(164)	171
Net profit for the period		1.980	330
Attributable to:			
Equity holders of the company		1.980	330

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

- basic	0,09	0,01
- diluted	0,09	0,01

The accompanying notes form an integral part of the consolidated financial statements of Automotive Components Europe S.A. for the year ended 31 December 2009, 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 2009
(expressed in thousand of Euros)

	Notes	**Attributable to equity holders of the company**							
		Share Capital	**Share premium**	**Legal reserve**	**Other reserves**	**Retained earnings**	**Exchange differences**	**Profit for the period**	**Net Equity**
Balance at 1 January 2008		**3.317**	**9.292**	-	-	**16.501**	-	**8.694**	**37.804**
Allocation of previous year profit		-	-	-	-	8.694	-	(8.694)	-
Profit for the year		-	-	-	-		-	330	330
Total recognised income for 2008		**-**	**-**	**-**	**-**	**8.694**	**-**	**330**	**330**
Exchange differences		-	-	-	-	-	(451)	-	(451)
Partial reimbursment of share premium		-	(2.433)	-	-	-	-	-	(2.433)
Other variation		-	72	-	-	-	-	-	72
Purchase own shares		-	-	-	(549)	-	-	-	(549)
Balance at 31 December 2008		**3.317**	**6.931**		**(549)**	**25.195**	**(451)**	**330**	**34.773**
Balance at 1 January 2009		**3.317**	**6.931**	**-**	**(549)**	**25.195**	**(451)**	**330**	**34.773**
Allocation of previous year profit		-	-	307	-	23	-	(330)	-
Profit for the year		-	-	-	-	-	-	1.980	1.980
Total recognised income for 2009		**-**	**-**	**-**	**-**	**-**	**-**	**1.980**	**1.980**
Increase in share capital	13	(132)	-	-	-	132	-	-	-
Purchase of treasury shares	13	-	-	-	549	(549)	-	-	-
Exchange differences		-	-	-	-	-	94	-	94
Balance at 31 December 2009		**3.185**	**6.931**	**307**	**-**	**24.801**	**(357)**	**1.980**	**36.847**

The accompanying notes form an integral part of the consolidated financial statements of Automotive Components Europe S.A. for the year ended 31 December 2009, 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 2009
(expressed in thousand of Euros)

	Notes	December 2009	December 2008
Cash flows from ordinary activities			
Profit before tax		2.144	159
Adjusted for:			
Amortisation and depreciation	6 & 7	5.734	5.171
Negative goodwill	5 & 23	(390)	(1.433)
Net Financial result	24	5.471	1.109
Losses on sale of property, plant and equipment		(58)	-
Gains and losses on changes in fair values of derivative financial instruments	24	(2.898)	4.923
Others		(124)	(44)
Operating profit before changes in working capital		9.879	9.885
(Increase)/decrease in receivables and other current assets		(903)	5.416
(Increase)/decrease in inventories		2.151	(1.440)
Increase/(decrease) in trade and other payables		(108)	(3.248)
Cash from operating activities		11.019	10.613
Income taxes paid		(83)	(916)
Net cash from ordinary activities		10.936	9.697
Cash flows from investing activities			
Acquisition of property, plant and equipment		(2.126)	(5.827)
Acquisition of other intangible assets		-	(111)
Acquisition of subsidiary, net of cash acquired		-	(6.351)
Proceeds from sale of non current assets		1.013	-
Net cash from investing activities		(1.113)	(12.289)
Cash flows from financing activities			
Treasury shares acquisition		-	(549)
Repayments of borrowings		(7.288)	(3.135)
Proceeds from borrowings		4.796	9.762
Partial reimbursement of share premium		-	(2.433)
Net of financial result paid and received		(5.499)	(1.156)
Net cash from financing activities		(7.991)	2.489
Net increase/(decrease) in cash and cash equivalents		1.832	(103)
Cash and cash equivalents at beginning of the period		10.276	10.434
Effects of exchange rate changes on the balance sheet		(202)	(55)
Cash and cash equivalents at the end of the period		11.906	10.276

The accompanying notes form an integral part of the consolidated financial statements of Automotive Components Europe S.A. for the year ended 31 December 2009, in conjunction with which they should be read.

(1) Nature and Principal Activities

Automotive Components Europe, S.A. (hereinafter "ACE" or the Company) was incorporated as a limited liability company, ("Société Anonyme"), under the law of the Grand Duchy of Luxembourg on 21 July 2006. ACE is registered with the Luxembourg Registry of Commerce and Companies under number B 118130 and has its registered office located in 82 Route d'Arlon, L-1150 Luxembourg, Grand Duchy of Luxembourg, where it was moved to in August 1, 2007 from the former address in 6 rue Adolphe, L-1116 Luxembourg.

Since its incorporation, the principal activity of the Company has been the holding and management of company investments. After EB Holding S.à.r.L., which final beneficial owner at the same time is Innova/3 L.P. and Innova/3 EBRD Co-Investment Facility L.P., sold its shares in 2009, the main shareholders of the Company are: PZU 'Zlota Jelsien', ING Nationale Nederlanden Polska 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.

The Group is comprised of the following companies at 31 December 2009:

Company	Registered offices	Percentage ownership Direct
Fuchosa, S.L. (formerly Retorgal XXI, S.L.)	Atxondo, Spain	100.00 %
European Brakes and Chassis Components Poland Sp.zo.o (formerly Indus Sp.zo.o.)	Wroclaw, Poland	100.00 %
Feramo Metallum International s.r.o.	Brno, Czech Republic	100.00 %

ACE was incorporated with limited liability on 21 July 2006 by the contributions in kind from 100% of the share capital of Indus Sp.zo.o, Poland and Retorgal XXI, S.L., Spain. The contributed companies held 100% of the share capital of European Brakes and Chassis Components Poland, Sp.zo.o, Poland, (EBCC) and Fuchosa, S.L., Spain, respectively. Said companies were contributed to the Company in full as a non-monetary payment. The financial year of all of the Group companies ends on 31 December of each year. The present consolidated financial statements are prepared as at end of December 2009.

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

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

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

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

Continued

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

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

- Furthermore, EBCC Germany GmbH (a 100% subsidiary incorporated by EBCC) and Feramo Trans s.r.o. (a 100% subsidiary incorporated by ACE) are not included in the scope of consolidation as the contribution of these entities to the consolidated financial statement would have been negligible. (see note 8)

Since 1 June 2007 the Company is listed in the Warsaw Stock exchange by selling 10.103.927 old shares and issue of 2.065.160 new shares.

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

1. Adoption of new and revised International Financial Reporting Standards (IFRSs)

a.Standards (IFRS) and interpretations (IFRIC) that are effective for financial statements of 2009

The Group has adopted the following standards and interpretations as they are effective:

- Amendments to IAS 39 and IFRS 7: Reclassification of Financial Instruments (effective for accounting periods beginning on or after 1 July 2008);

- Amendment to IFRS 2 Share-Based Payment: Vesting Conditions and Cancellations (effective for accounting periods beginning on or after 1 January 2009);

- Amendment to IAS 23 Borrowing Costs (effective for accounting periods beginning on or after 1 January 2009);

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

- IFRS 8 Operating Segments (effective for accounting periods beginning on or after 1 January 2009);

- Amendments to IAS 1 Presentation of Financial Statements: A Revised Presentation (effective for accounting periods beginning on or after 1 January 2009);

- Revised IFRS 3 Business Combinations (effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009);

- IFRIC 18 Transfers of Assets from Customers issued 29 January 2009

- Amendments to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. As part of Improvements to IFRSs (2008), IAS 20 has been amended to require that the benefit of a government loan at a below-market rate of interest be treated as a government grant. This accounting treatment was not permitted prior to these amendments.

- IFRIC 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 July 2008);

- IFRIC 14 IAS 19 The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for accounting periods beginning on or after 1 January 2008).

- Amendments to IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation (effective for accounting periods beginning on or after 1 January 2009);

- Revised IFRS 1 First Time Adoption of IFRS (effective for accounting periods beginning on or after 1 January 2009);

- IFRIC 12 Service Concession Arrangements (effective for accounting periods beginning on or after 1 January 2008);

- IFRIC 15 Agreements for the Construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009);

- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for accounting periods beginning on or after 1 October 2008);

- IFRIC 17 Distributions of Non-cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009);

- Amendments to IAS 27 Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after 1 January 2009);

- Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items (effective for accounting periods beginning on or after 1 July 2008);

- Amendment to IAS 39 Reclassification of Financial Assets: Effective Date and Transition (effective for accounting periods beginning on or after 1 July 2008).

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

b. Early adoption of standards, amendments and interpretations that are effective after 2009, but which the Group decided to adopt earlier

The Group has not adopted any standards, amendments or interpretations in advance of their effective dates.

Continued

c. Standards and Interpretations in issue not yet adopted that are effective after 2009

As part of Improvements to IFRSs 2009 issued in April 2009, the International Accounting Standards Board (IASB) amended the requirements of IAS 17 Leases regarding the classification of leases of land. Prior to amendment, IAS 17 Leases generally required leases of land with an indefinite useful life to be classified as operating leases. This was inconsistent with the general principles of the Standard, and the relevant guidance has been removed due to concerns that it could lead to accounting that did not reflect the substance of arrangements. Following the amendments, leases of land are classified as either ‘finance’ or ‘operating’ using the general principles of IAS 17. These amendments are effective for annual periods beginning on or after 1 January 2010, and they are to be applied retrospectively to unexpired leases at 1 January 2010 if the necessary information was available at the inception of the lease. Otherwise, the revised Standard will be applied based on the facts and circumstances existing on 1 January 2010 (i.e. the date of adoption of the amendments) and the Group will recognise assets and liabilities related to land leases newly classified as finance leases at their fair values on that date; any difference between those fair values will be recognised in retained earnings.

In June 2009, the IASB issued amendments to IFRS 2 Share-based Payment. These amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.

The directors anticipate that these amendments will be adopted in the Group’s financial statements for the period beginning 1 January 2010. The directors have not yet had an opportunity to consider the potential impact of the adoption of these amendments.

2. Comparative information

As indicated in Notes 1 and 5, the acquisition of Feramo (May 2008) needs to be taken into consideration when comparing the 2008 figures included in these Consolidated Financial Statements with the equivalent figures for 2009.

3. Funtional Currency

These annual accounts are presented in Euros as this is the currency of the chief economic environment in which the Group operates. However, it should be mentioned that the functional currency of Feramo is Czech koruna; whereas for the other subsidiaries the functional currency is the Euro. Operations abroad and financial statement in other functional currency than Euro are recorded in accordance with the policies described in Note 3.10.

4. Judgement, estimates and correction of errors

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

Continued

The Group's consolidated financial statements for the year ended 31 December 2009, include Group management and consolidated companies' estimates on the value of assets, liabilities, income, expenses and commitments recognised, which were subsequently ratified by the Board of Directors. These estimates mainly comprise:

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

Although estimates were based on the best information available at 31 December 2009, 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.

(3) Significant Accounting Principles

1. Statement of compliance

The consolidated financial statements have been prepared in accordance with the accounting principles and measurement standards set out in the International Financial Reporting Standards endorsed by the European Union at 31 December 2009.

2. Basis of preparation

The 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.

The consolidated financial statements as at 31 December 2009 will be presented at the Warsaw Stock Exchange within the periods established by prevailing legislation in Poland.

The principal accounting policies are set out below.

3. Going concern and accruals basis

The consolidated financial statements have been prepared on a going concern basis, as the management considers that the Group's future performance will allow the recovery of its assets and the settlement of its liabilities in the ordinary course of business.

The main characteristic of the braking system market is its concentration of customers among three Tier 1 companies. In this regard, approximately 84% of total revenues are made with said customers (87% in 2008), which are allocated in Fuchosa and EBCC. The management do not consider this situation as a significant risk, because said customers are considered solvent enough.

Income and expenses are recognised on an accruals basis, irrespective of collections and payments.

Continued

4. Basis of 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 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.

5. 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.

6. 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

Continued

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 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

7. Goodwill

Goodill 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 6 above

8. 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.

Continued

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.

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.

c. Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

d. Rental income

The Group's policy for recognition of revenue from operating leases is described in note 9 below.

9. 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 recognised 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

Continued

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 11 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.

10. Foreign currency transactions

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

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

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

- 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. These exchange differences are recognised as revenue or expenditure during the period in which the investment is disposed of.

11. 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.

Continued

12. 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.

13. 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. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 31.

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.

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

14. 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

Continued

reversal of the temporary difference and it is probable that the temporary difference will not 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.
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

15. Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. 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.

Continued

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
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.

16. 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. Since the first consolidation negative goodwill arising from the acquisition of subsidiaries is recorded in the income statement of ACE (see note 5).

b. 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.

17. 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.

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.

Continued

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 recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.
Where an impairment loss subsequently reverses, the carrying amount of the asset (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 recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

18. Inventories

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

19. 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.

20. Financial instruments

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

a. Trade receivables

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

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.

Continued

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, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

e. Trade payables

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

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

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

21. Treasury shares

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

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

Continued

22. Share capital

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

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

23. Employee benefits

a. 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.

24. Offsetting assets and liabilities, income and expenses

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

25. Classification of assets and liabilities as current

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

26. 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

The Group has adopted IFRS 8 *Operating Segments* with effect from 1 January 2009. 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. In contrast, the predecessor Standard (IAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of IFRS 8, the identification of the Group's reportable segments has changed.

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.

Continued

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

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 have been accounted for by the purchase method of accounting. As at 31 December 2007, the accounting for the business combination was completed.

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

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

At 31 December 2009, the fair values of net assets acquired are defined and were not subjected to changes from the initial accounting recorded.

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

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

Continued

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

	Thousand of Euros
Business combination cost	6,963
Underlying book value of acquired holdings	3,623
Allocation of fair value:	
Land & Buildings	3,930
Vehicles & machinery	1,913
Furniture, fittings & equipment	48
Deferred tax	(1,118)
Total gains allocated	8,396
Negative goodwill	(1,433)

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

As of 10 December 2009, ACE has signed a contract with the former owner of the acquired company, agreeing a Purchase Price Reduction in the amount of the deferred payment, Euro 0.4 million. (note 15)

Given that the date of the agreement is subsequent to the 12 months of provisional accounting permitted by IFRS 3, the Group has not modified the amount of the initial negative goodwill recognised, and therefore has recorded an income for Euro 0.4 million.

The negative goodwill of Euro 1,433 thousand was recorded in the income statement of 2008 (note 23), which arose after the purchase price allocation process and fair valuation of assets and liabilities of the acquired company in 2008, which supports the management assessment as regards the fair value of the business and its potential for the future development.

Continued

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

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

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

Feramo contributed in Euro 12.7 million and Euro (844) thousand to Group sales and net profit for year 2009 and 2008, respectively. The revenue and net profit of Feramo for the period ended 12 May 2008 amounted to approximately Euro 6.5 million and Euro 268 thousand, respectively.

(6) Intangible assets

Details of and movements in intangible assets for the year from 1 January 2008 to 31 December 2009 are shown below.

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

Continued

Details are as follows:

	Trademarks and licences	Other (*)	Total
At 1 January 2008			
Opening net book amount	289	10	299
Changes in scope of consolidation	-	10	10
Additions	111	-	111
Amortisation charge	(130)	(11)	(141)
Net foreign currency exchange differences	-	(1)	(1)
Closing net book amount	270	8	278
At 31 December 2008			
Cost	631	171	802
Accumulated amortisation and impairment	(361)	(163)	(524)
Net book amount	270	8	278
Year ended 31 December 2009			
Opening net book amount	270	8	278
Disposals	(3)	-	(3)
Amortisation charge	(132)	(4)	(136)
Closing net book amount	135	4	139
At 31 December 2009			
Cost	628	171	799
Accumulated amortisation and impairment	(493)	(167)	(660)
Net book amount	135	4	139

(*) Others includes R&D expenses

(7) Property, plant and equipment

Details of and movements in property, plant and equipment for the year from 1 January 2008 to 31 December 2009 are shown below.

At 31 December 2009, certain land and buildings are mortgaged to secure the repayment of loans with an outstanding balance of Euro 16,858 thousand (see note 14). The Group's policy is to take out insurance to cover what it estimates as the possible risks which could affect the tangible assets. The Group entities have taken out insurance, which more than covers the net book value of all the Group's assets.

Continued

	Land & Buildings	Vehicles & machinery	Furniture, fittings & equipment	Total
At 1 January 2008				
Opening net book amount	9,500	22,890	2,111	34,501
Changes in scope of consolidation	6,052	5,490	46	11,588
Additions	138	3,940	1,749	5,827
Disposals	-	(8)	-	(8)
Depreciation charge	(342)	(4,188)	(500)	(5,030)
Net foreign currency exchange differences	(359)	(268)	(3)	(630)
Closing net book amount	14,989	27,856	3,403	46,248
At 31 December 2008				
Cost or valuation	18,130	71,229	5,945	95,304
Accumulated depreciation	(3,141)	(43,373)	(2,542)	(49,056)
Net book amount	14,989	27,856	3,403	46,248
Year ended 31 December 2009				
Opening net book amount	14,989	27,856	3,403	46,248
Additions	115	1,295	717	2,127
Disposals	-	(44)	(933)	(977)
Depreciation charge	(484)	(4,703)	(412)	(5,599)
Net foreign currency exchange differences (cost)	86	112	8	206
(depreciation)	(2)	(13)	(2)	(17)
Closing net book amount	14,704	24,503	2,781	41,988
At 31 December 2009				
Cost or valuation	18,331	72,592	5,737	96,660
Accumulated depreciation	(3,627)	(48,089)	(2,956)	(54,672)
Net book amount	14,704	24,503	2,781	41,988

Continued

(8) Investment in associates

There have not been any movements in investment in associates for the year from 31 December 2008 to 31 December 2009. During 2008, Feramo Trans was acquired as part of the transaction with Feramo Metallum, being the total cost of the investment assigned to Feramo Metallum.

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

Name	Country of incorporation	Total Assets	Total Liabilities	Profit/ (Loss)	Revenues	% interest Held	Acquisition Cost
December 2009							
EBCC Germany	Germany	28	10	(4)	-	100%	20
Feramo Trans	Czech Republic	14	27	(23)	67	100%	-
		42	37	(27)	67		20
December 2008							
EBCC Germany	Germany	60	21	-	-	100%	20
Feramo Trans	Czech Republic	33	23	1	105	100%	-
		93	44	(7)	105		20

(9) Derivative financial instruments

Details are as follows:

	Thousand of Euros December 2009	Thousand of Euros December 2008
Non - Current financial liabilities		
Interest rate swap	-	45
Currency option	444	2,221
	444	2,266
Current financial liabilities		
Currency option	953	2,032

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. Contracts with outstanding values of Euro 7.1 million have fixed interest payments at an average rate of 3.51 per cent for periods up until 2013 (Euro 12 million at December 2008) (see note 14).

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

Continued

On February 19, 2009 the Group company EBCC Sp. z o.o. signed an agreement with BRE Bank S.A. as regards cancellation of outstanding derivative financial instruments at 31 December 2008. The agreement assumed full cancellation in 2009 and partial cancellation in 2010 of 4 outstanding hedging contracts with BRE for total amount of 15.3Mio PLN, at a level 4.669 zloty per euro (approximately Euro 3.2 million) and it represented the closing of around half of Group financial exposure to polish zloty at same exchange rate.

The main purpose of this agreement was to reduce exposure of EBCC to volatility of zloty/euro exchange rate and risk of further weakening of zloty
The fair value of the currency option for Polish Zloty amounts to a liability of Euro 1,397 thousand at year end (see note 14).

(10) Inventories

Details of inventories are as follows:

	Thousand of Euros December 2009	Thousand of Euros December 2008
Raw materials and supplies	3,240	4,927
Work in progress	1,336	1,294
Finished products	3,046	4,577
Payments on account	1	1
	7,623	10,799

There is Euro 242 thousand of write downs in inventories as at December 2009 (31 December 2008: Euro 107 thousand).

Continued

(11) Trade and other receivables

Details of debtors are as follows:

	Thousand of Euros December 2009	Thousand of Euros December 2008
Trade receivables	14,455	13,091
Less: provision for impairment of receivables	(530)	(364)
Trade receivables – net	13,925	12,727
Prepayments	64	349
Total	13,989	13,076
Less non-current portion:	-	1
Current portion	13,989	13,075
	13,989	13,076

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

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

	Thousand of Euro December 2009				
	Within terms	Up to three months overdue	Between three months and one year overdue	More than one year overdue	Total
Trade and other receivables of which current	12,324	1,456	209	-	13,989
Total	12,324	1,456	209	-	13,989

Continued

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

(12) Cash and cash equivalents

	Thousand of Euros December 2008	Thousand of Euros December 2008
Cash at bank and in hand	966	1,254
Short-term bank deposits	10,940	9,022
Cash and cash equivalents	11,906	10,276

The Group company Fuchosa did not meet the debt covenants required as of June 2009 review, as a result a total amount of Euro 1,214 thousand was taken as cash collateral by the agent bank of the syndicated loan (see note 14). This amount corresponds to the payment to be made in February 2010. Since the company is meeting bank covenants as of December 2009, the Management do not expect any amounts taken as cash collateral in the short term.

(13) Equity

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

(a) Share capital

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

At 31 December 2009 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. There has been a capital reduction during 2009, crediting Retained Earnings, as explained below (note 13.e)

As at 31 December 2009, there is an authorised share capital not issued of 2,947,365 shares of which 1,002,505 shares are related to the ESOP scheme in EBCC (Note 31).

Continued

(b) Share premium

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

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

No changes have been registered as for the share premium during the period. As at 31 December 2009, the share premium amounts Euro 6,931 thousand.

(c) Legal reserve

In accordance with Luxembourg company law, the Company is obliged to transfer a minimum of 5% of the profit for the year to a legal reserve, until such time as the reserve represents 10% of the share capital. This reserve is non-distributable, except upon dissolution of the Company. As at 31 December 2009 Legal reserve amounts to Euro 307 thousand.

(d) Retained earnings

This caption amounting to Euro 25,108 thousand includes as of 31 December 2009 the negative goodwill arising on consolidation of Fuchosa, EBCC and Feramo amounting to Euro 13,087 thousand, (31 December 2008: Euro 11,984 thousand).

Also Retained earnings have been decreased for Euro 549 thousand to cancel the Treasury shares purchased during 2008 (see note below). Consequently Share Capital was reduced on the amount of shares bought back, increasing Retained Earning in Euro 132 thousand.

This caption also includes the profit for year ended 31 December 2008.

(e) Treasury shares

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

During 2008 ACE purchased 885 thousand shares at market price for a total of Euro 549 thousand. Extraordinary General Meeting of Shareholders resolved to reduce the issued share capital of the Company by an amount of Euro 132,711.75 as to bring it from its present amount of Euro 3,317,289 to Euro 3,184,577.25 by cancellation of 884,745 shares with a nominal value of EUR 0.15 owned by the Company following the completion of the buy-back programme as approved at the annual shareholders meeting of the Company held on June 17, 2008.

Extraordinary General Meeting of Shareholders further resolved to grant authorization to the board of directors of the Company to re-allocate the amount of Euro (548,612) representing the entire amount standing on the account “Reserves for own shares” of the Company specially created due to the completion of the buy-back programme as provided by Article 49-5 of the law of August 10, 1915 as amended on commercial companies to any other relevant reserves’ accounts and consequently cancel the account “Reserves for own shares”.

Continued

The changes in 2009 in the shares of A.C.E. S.A., owned by the Group are as follows:

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

	Number of shares	Thousand of Euros
At 31 December 2008	884,745	549
Additions	-	-
Reductions	884,745	549
At 31 December 2009	-	-

Detail of and movements in share capital for 2008 and 2009 are shown below.

In thousand of Euros, except the number of shares

	Number of shares	Ordinary shares	Share premium	Total
At 31 December 2006	2,005,010	3,008	24	3,032
Increase of share capital	20,110,250	309	9,268	9,577
At 31 December 2007	22,115,260	3,317	9,292	12,609
Partial reimbursement of share premium	-	-	(2,433)	(2,433)
Other adjustments	-	-	72	72
At 31 December 2008	22,115,260	3,317	6,931	10,248

	Number of shares	Ordinary shares	Share premium	Total
At 31 December 2008	22,115,260	3,317	6,931	10,248
Partial reimbursement of share premium				
Capital reduction	(884,745)	(132)		(132)
At 31 December 2009	21,230,515	3,185	6,931	10,116

Continued

(14) Borrowings

Non-current and current borrowings are detailed as follows:

	Thousand of Euros December 2009	Thousand of Euros December 2008
Non-current		
Bank borrowings	12,066	12,238
Other borrowings	2,205	657
	14,271	12,895
Current		
Bank overdrafts	363	4,239
Bank borrowings	4,488	4,889
Other borrowings	167	57
	5,018	9,185
Total borrowings	19,289	22,080

On 23 February 2006, Retorgal on the one hand and EB Holding S.à.r.l. and Casting Brake, S.L., as shareholders of the Company on the other hand, signed a syndicated loan agreement for an amount of Euro 16 million, the agent bank of which is Caixa D'Estalvis I Pensions de Barcelona, "la Caixa". The main purpose of this syndicated loan is to partially finance Retorgal's acquisition of Fuchosa. This syndicated loan, which matures on 23 February 2013, is subject to compliance with certain obligations relating to financial ratios. According to the agreed conditions, the degree of compliance with the financial ratios and levels will be determined at the close of each semester and Fuchosa must provide certain financial information to the banks in order to assess compliance with these ratios. Said loan bears an interest of Euribor + 1.25% for the first half of 2009 and Euribor + 1.75% for the second half of 2009.The increase in the interest rate is due to the fail on compliance of some covenants included in the loan agreement. At December 2009 Fuchosa is meeting bank covenants and as a result the interest has been reviewed, being the rate from February 2010 Euribor+ 1.25%

In order to hedge for the interest rate risk for said loan, the Group contracted an interest rate swap, fixing the variable rate at 3.51% (note 9). As of 31 December 2009, the Group has already repaid Euro 6,461 thousand (2006-2008: Euro 4,308 thousand).

On 16 December 2009, due to the change in the shareholders composition,(note 1) a clause within the contract terms was not met. However, the company received an official waiver from La Caixa and other banks cancelling the loan default explained above. The waiver was issued with no cost for the company.

During 2008, Fuchosa was granted with two new loans connected to the R&D expenses in 2006 and 2007.

The first one was signed at 9 July 2008 amounting Euro 714 thousand. The repayment of the loan has started in 2009, being the outstanding balance Euro 657 thousand at year end, with a maturity date on 31 December 2015. This loan does not bear any interest expenses.

The second one was signed with Banco Sabadell under the concept of Advance connected to R&D expenses incurred in 2007, on 12 December 2008 for a total amount of Euro 491 thousand bearing a 4% interest rate quarterly. This loan matured on 12 June 2009 and was repaid after the company was granted the full loan connected to further R&D expenses in 2007 amounting Euro 611 thousand. This loan starts repayment on 22 June 2010, with a maturity date on 22 September 2018 and does not bear any interest.

Continued

In the same way, on 12 December 2009, Fuchosa has signed a new loan with La Caixa amounting Euro 405 thousand in concept of Advance to the R&D expenses incurred in 2008. This advance bears an interest of 6M Euribor+0,5% and will be fully repaid on one payment at 31 December 2010. At that point, the company will be granted a new interest free loan.

Finally, on 30 September 2009, Fuchosa was granted a new loan from the Spanish Ministry of Industry amounting Euro 1,103 thousand with repayment starting in 30 October 2015 and with a maturity date on 30 October 2024. This loan does not bear any interest. However, to maintain the amount received (Euro 1,103 thousand) the company has to meet some conditions which have not been confirmed yet.

On 27 September 2007 the Group company EBCC raised an overdraft of Euro 4,000 thousand maturing the 30 September 2010; at year end this overdraft bears an interest of LIBOR+ 2.5%. Additionally, on 18 April 2008 a new loan with BRE Bank S.A. up to Euro 5,000 thousand was raised maturing the 29 July 2011; at year end this loan bears an interest of 1M Euribor+ 3.40%. Both credits bear are subject to compliance with certain obligations relating to financial ratios. These financial ratios are determined in the agreement and EBCC must provide certain financial information to the bank in order to assess compliance with said ratios. Information has to be provided on a quarterly basis.

On 19 February 2009 EBCC signed a loan with BRE Bank S.A. amounting Euro 2 million in order to finance the partial cancellation of the currency option swap (see note 9). This loan bears an interest of 1M Euribor +3.40% and the outstanding balance is Euro 1,890 thousand at year end.

On 1 April 2005 and 9 July 2007, Feramo Metallum signed loans agreements for amounts of long term investment loans Euro 675 thousand, and CZK 10,000 thousand (approximately Euro 378 thousand) respectively. These loans are scheduled to mature on 25 February 2010 the first one, and 25 October 2009 the second one. Said loans bear an interest of 3M EURIBOR + 3.30 % p.a. for the first one and 1M PRIBOR + 2.90 % p.a. for the second one. At 31 December 2009, the outstanding balance for the first one is Euro 25 thousand and the second one has been fully reimbursed.

On 7 March 2009, Feramo Metallum renewed two of the bank debt which was maturing at that day. The overdraft facility of CZK 13,000 thousand (approximately Euro 492 thousand) was renewed as a revolving loan facility for the same amount, bearing an interest of 1M PRIBOR + 2.65% and a maturity date on 5 March 2010. The short term revolving loan facility of CZK 20,000 thousand (approximately Euro 757 thousand) was renewed as a loan facility for the same amount, bearing an interest of 1M PRIBOR + 2.85%, with monthly instalments starting on 20 October 2009 and maturity date on 20 April 2012. These loan agreements are subject to compliance with certain obligation relating to financial ratios which should be reported quarterly, and they keep the same pledge than the former agreement.

The outstanding balances at year end 2009 and 2008 are CZK 9,000 thousand (approximately Euro 340 thousand) and CZK 18,052 thousand (approximately Euro 682 thousand) respectively.

All mentioned Feramo Metallum loan agreements are subject to compliance with certain obligations relating to financial ratios. According to the agreed conditions, the degree of compliance with the financial ratios and levels will be determined at the close of every quarter and Feramo Metallum must provide certain financial information to the banks in order to assess compliance with these ratios. At 31 December 2009 Feramo has complied with the financial ratio. These loans agreements are secured by the real estate (land and buildings) of Feramo, its receivables for a total amount of approximately Euro 437 thousand and blank bills of exchange issued by ACE S.A.

At December 2009, all companies within the Group are meeting bank covenants and the Management expects to continue meeting financial ratios requirements in the short term.

As disclosed in note 30, the Group has granted a guarantee in favour of the banks, through the pledge of Fuchosa shares. Additionally, certain properties of the Group secure said loans for an amount of Euro 35,466 thousand.

Continued

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet date is not significant as the Group uses interest rate swaps to manage its exposure to interest rate movements on its syndicated bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. Contracts with nominal values of Euro 7.1 million have fixed interest payments at an average rate of 3.51 per cent for periods up until 2013.

(15) Other current liabilities

The other current liabilities are detailed as follows (see note 32):

	Thousand of Euros December 2009	Thousand of Euros December 2008
Lease liabilities	14	8
Other	-	399
	14	407

In 2008 there was an amount of Euro 394 thousand included in other current liabilities as the deferred instalment payment of Feramo acquisition. On 10 December 2009, ACE signed a purchase price reduction with the previous owner, agreeing a reduction in Feramo's price for the amount of the future payment, this is Euro 390 thousand.

(16) Deferred tax assets and liabilities

The main deferred tax liabilities and assets recognised by the Group as of 31 December 2009 are as follows:

	Thousand of Euros December 2009	Thousand of Euros December 2008
Deferred tax assets:	1,151	1,261
	1,151	1,261
Deferred tax liabilities:	(3,410)	(3,389)
	(3,410)	(3,389)
	(2,259)	(2,128)

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

	Thousand of Euros December 2009	Thousand of Euros December 2008
Beginning of the year	2,128	1,238
Changes in scope of consolidation	-	1,312
Income statement charge (see note 25)	141	(359)
Exchange differences	(10)	(63)
End of the year	2,259	2,128

The companies forming part of the Group had tax loss carry-forwards to be offset against future tax profits amounting to Euro 4,406 thousand as of December 2009. This amount as of December 2008 was approximately Euro 1,436 thousand. The increase is due to derivative financial instruments cancellation costs that are tax deductible (see note 24). Said cancellation costs have been included in the balance sheet at EBCC income tax rate (19%).

The remaining tax loss carry-forwards can be utilised during next five years for a total amount of Euro 2,888 thousand (capitalized in the balance sheet) and indefinitely for Euro 1,346 thousand.

Deferred tax liabilities include 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.

(17) Provisions for other liabilities and charges

Details are as follows: (Thousand of Euros)

	Pensions and similar	Tooling Renewal	Other provisions	Total
At 1 January 2008	425	527	535	1,487
Changes in scope of consolidation	-	-	85	85
Additional provisions	-	191	112	303
Unused amounts reversed	(324)	(183)	(71)	(578)
Used during year	-	(67)	(245)	(312)
At 31 December 2008	101	468	416	985
Additional provisions	20	149	190	359
Unused amounts reversed	-	(239)	(134)	(373)
Used during year	-		(85)	(85)
At 31 December 2009	121	378	387	886

Continued

Analysis of total provisions:

	December 2009	December 2008
Non-current	109	101
Current	777	884
	886	985

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.

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

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

(18) Trade and other payables

Details are as follows:

	Thousand of Euros December 2009	Thousand of Euros December 2008
Trade payables	13,464	14,323
Current tax liabilities	1,061	953
Accrued expenses	341	375
	14,866	15,651

The average credit period on purchase of goods is different from the companies in the Group, and depends on the terms and conditions agreed with suppliers locally. No interest is 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.

(19) Revenues

The distribution of consolidated net revenues for the twelve months ended 31 December 2009 by business segments is as follows:

	Thousand of Euros 2009	Thousand of Euros 2008
Products		
Iron castings	43,226	55,591
Aluminium castings	30,691	33,459
Others	3,184	5,345
	77,101	94,395

The geographical distribution of the consolidated sales is as follows:

	Thousand of Euros 2009	Thousand of Euros 2008
Western Europe	45,891	56,147
Eastern Europe	30,832	37,756
Other countries	378	492
	77,101	94,395

Concentration risk

As mentioned in note 3.3, the main characteristic of the braking system market is its concentration of customers among three Tier 1 companies. Approximately 84% of the revenues are made with said customers. However, the management does not consider a significant risk, as said customers are considered solvent enough.

Continued

(20) Selling and distribution costs

Details of distribution costs are as follows:

	Thousand of Euros 2009	Thousand of Euros 2008
Transportation costs	1,203	1,738
Packaging expenses	135	170
Salaries and wages Sales	693	471
Other distribution costs	111	123
	2,142	2,502

(21) General and administrative Expenses

Details of administrative expenses are as follows:

	Thousand of Euros 2009	Thousand of Euros 2008
Wages and salaries	5,556	5,475
External services	2,232	3,057
Depreciation and amortisation	609	843
Renting	291	344
Other administrative expenses	1,194	1,803
	9,882	11,522

This reduction in G&A expenses comes as a result of the action plan driven by the Company management not only involving reduction of headcount but also involving several overhead expenses throughout the course of the year.

The Group headcount at 31 December 2009 is as follows:

	Headcounts December 2009	Headcounts December 2008
Managers	29	33
Administrative employees	120	122
Workers	663	738
	812	893

Continued

During 2009 there has been a headcount restructuring process carried out as part of the Action Plan in both Group companies EBCC and Feramo.

In Group company Fuchosa the adjustment of payroll was achieved by a temporary redundancy dismissal procedure.

(22) Other Operating Income

Details are as follows:

	Thousand of Euros 2009	Thousand of Euros 2008
Income from subsidies	452	435
Insurance reimbursement	2	28
Income from release of write-downs and other operating income	580	790
	1,034	1,253

(23) Negative goodwill

As mentioned in note 5, a negative goodwill arose due to the acquisition of Feramo in 2008. The difference between the purchase price allocation and the fair valuation of assets and liabilities was recorded in the prior year income statements amounting Euro 1,433 thousand. During the provisional accounting period of 12 months after the acquisition date, no further changes were made to the initially recognised amounts.

As of 10 December 2009, ACE has signed a contract with the former owner of the acquired company, agreeing a Purchase Price Reduction in the amount of the deferred payment, Euro 390 thousand.

Given that the date of the agreement is subsequent to the 12 months of provisional accounting permitted by IFRS 3, the Group has not modified the amount of the initial negative goodwill recognised, and therefore has recorded an income for Euro 390 thousand. (see note 5)

(24) Net financial result

Details are as follows:

	Thousand of Euros 2009	Thousand of Euros 2008
Interest income:		
- Interest on deposits	139	677
	139	677
Interest expense from third parties:		
- Bank borrowings	(927)	(1,035)
- Other interest expenses and charges	(238)	(104)
	(1,165)	(1,139)
Net foreign exchange transaction gains/(losses):	(4,030)	(647)
Net profit from derivative financial instruments:		
- Forward foreign exchange contracts	2,647	(4,645)
- Interest rate swaps	(171)	(278)
	2,476	(4,923)
	(2,580)	(6,032)

a. Net foreign exchange transaction gains/ (losses)

As explained in note 9, on February 19, 2009 the Group company EBCC Sp. z o.o. signed an agreement with BRE Bank S.A. as regards cancellation of outstanding derivative financial instruments at 31 December 2008. The agreement assumed full cancellation in 2009 and partial cancellation in 2010 of 4 outstanding hedging contracts with BRE for total amount of 15.3Mio PLN, at a level 4.669 zloty per euro (approximately Euro 3.2 million) and it represented the closing of around half of Group financial exposure to polish zloty at same exchange rate.

The main purpose of this agreement was to reduce exposure of EBCC to volatility of zloty/euro exchange rate and risk of further weakening of zloty.

The amount of net foreign exchange transaction losses exceeding Euro 3.2 million corresponds to losses in exchange rates transactions versus Czech koruna and Polish zloty.

b. Net profit from derivative financial instruments

As mentioned in note 9, the total revenue regarding the valuation of the derivative financial instruments related to currency option for the Polish Zloty amounting Euro 2,647 thousand has been recorded as financial revenue.

Continued

(25) Income tax expense

Domestic income tax is calculated at 28.59% of the profit for the year (Corporate income tax was 29.63% for 2008). Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions (Spain: 28%, Poland: 19%, Czech Republic: 20%). The total charge for the year can be reconciled to the accounting profit as follows:

	Thousand of Euros 2009	Thousand of Euros 2008
Profit before tax	2,144	159
Tax at the domestic income tax rate	613	47
Effect of different tax rates	(74)	(33)
Effect of tax deductions	(431)	(544)
Effect of non tax deductible cost	91	(121)
Others	(35)	480
	164	(171)
Income tax expense / income and effective tax rate		
Thereof		
Current tax expense	23	188
Deferred tax expense / (income) (note 16)	141	(359)
	164	(171)

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

As far as the effective tax rate is concerned, the rate as of 31 December 2009 is 7.64% (31 December 2008: -107.54%).

(26) Earnings per Share

a. Basic

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

Continued

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

	December 2009	December 2008
Net profit for the year (thousands of Euros)	1,980	330
Weighted average number of ordinary shares for the purpose of basic earnings per share	21,230,515	22,056,529
Basic earnings per share (Euros)	0.09	0.01

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

	December 2009	December 2008
Weighted average number of ordinary shares in circulation at the end of the year	21,230,515	22,056,529

b. Diluted

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

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

	December 2009	December 2008
Net profit for the year (thousands of Euros)	1,980	330
Weighted average number of ordinary shares plus the effect of dilutive options	22,233,020	23,059,034
Diluted earnings per share (Euros)	0.09	0.01

Continued

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

	December 2009	December 2008
Weighted average number of ordinary shares used in the calculation of basic earnings per share	21,230,515	22,056,529
Shares deemed to be issued for no consideration in respect of employee options (note 31)	1,002,505	1,002,505
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	22,233,020	23,059,034

(27) Operating lease arrangements

a. The Group as a Lessee

At 31 December 2009 the Group leases mainly forklift trucks, cars and PCs from third parties under operating leases. The duration of these lease contracts ranges from between 3 to 5 years.

Operating lease instalments of Euros 291 thousand have been recognised as an expense for the year ending 31 December 2009 (Euro 344 thousand for the period ending at 31 December 2008).

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

	Thousand of Euros 2009	Thousand of Euros 2008
Up to 1 year	244	265
Between 1 and 5 years	830	639
	1,074	904

b. The Group as a Lessor

Operating leases relate to the investment property owned by the Group with different lease terms. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew.

The subsidiary EBCC leases office spaces and storage rooms within its main building to thirty two different third parties under operating leases. The duration is different for each contract, being some of them for an unlimited duration.

The property rental income earned by the Group, all leased out under operating leases, amounted to Euro 180 thousand for the year ending 31 December 2009 (Euro 167 thousand for 2008).

Continued

(28) Finance leases

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

Amounts payable for finance leases are as follows:

	Thousand of Euros 2009	Thousand of Euros 2008
Up to 1 year	33	3
Between 1 and 5 years	142	1
	175	4

The carrying amount of the assets under financial leasing amounts to Euro 262 thousand (Euro 0 thousand in 2008) included in Vehicles and Machinery. During 2009, the subsidiary Feramo has signed new leasing contracts with CAC Leasing, Unicredit Leasing and Deutsche Leasing to lease compressors and forklifts mainly.

(29) Transactions and Balances with Related Parties

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

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

Certain Company directors hold shares in the Company. These directors hold a total of 1,246,634 shares in the Company. The directors are entitled to all rights on said shares.

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

Details of remuneration received by the Company's directors for the year from 31 December 2008 to 31 December 2009 are as follows:

	Thousand of Euros 2009	Thousand of Euros 2008
Short-term remuneration	476	680
Of which salary	*463*	*670*
Of which bonus	*13*	*10*
Share based payments and ESOP	-	-
Total, directors of the Company	476	680

The decrease is explained by the salary of some EBCC and Fuchosa directors, who were not part of the companies in 2009.

Continued

No significant transactions have been carried out with related parties during the financial year and there are no significant balances with related parties at 31 December 2009.

(30) Contingent Liabilities

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

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

The original dispute concerned CZK 250,000 thousand (approximately Euro 9,462thousand). Currently the disputed amount is approx. CZK 13,156 thousand (approximately Euro 498 thousand) for the principal, plus 21% of interest on this principal amount from 1998, and differential interests of 9% on the already paid amount (CZK 7,398 thousand from 1998 approximately Euro 276 thousand).

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

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

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

The claimed legal title to the disputed amount of CZK 30.364 thousand (approximately Euro 1,149 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 has now only commenced and it may last, unless the action was withdrawn several years. The company management considers that the probability of success of the claimant is low as such management has not recorded any provision.

c. Pledge of assets and shares

As mentioned in note 14 as part of the long term financing of the Group, the 1,203,006 shares in Fuchosa are subject to a pledge in favour of a pool of Spanish banks composed by: Caixa d'Estalvis i Pensions De Barcelona, Banco Bilbao Vizcaya Argentaria, S.A., Banco de Sabadell, S.A., Banco Santander Central Hispano, S.A., Caja de Ahorros de Galicia, Banco Español de Crédito, S.A., Bankinter, S.A., Caixa d'Estalvis de Catalunya, and Caja de Ahorros de Santander y Cantabria.

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

Continued

(31) Share-based payments

Employee Stock Option Programme (The "ESOP")

An employee share option plan (the "ESOP") was approved by the Board at their meeting held on February 22, 2007. Currently, a manager of EBCC can benefit from the ESOP. The ESOP gives specified persons (the "ESOP Beneficiaries") the opportunity to acquire a stake in the capital of the Company. The extraordinary General Meeting held on March 14, 2007 approved the introduction of an authorised share capital of 1,002,505 shares for the purposes of, inter alia, the ESOP. The options granted shall vest pro-rata on a quarterly basis over four years from the Allotment Date, and shall be exercisable on an annual basis from the second anniversary of the completion of the Offer. Options that have not yet vested upon the voluntary resignation or dismissal for cause of the beneficiary will automatically lapse upon the termination of the relationship between the beneficiary and the ACE Group. Where the relationship ends in the voluntary resignation or dismissal for gross negligence, fraud, wilful misconduct all rights to Shares vested over the last 12 month period are cancelled. The total number of Shares subject of the ESOP shall not exceed 1,002,505. The strike price will be equal to the Offer Price, which amounted to PLN 20.5.

At 31 December 2008 and 2009, the Group has not accrued any amount for this concept.

(32) Financial Instruments

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

a. Carrying values and fair values of financial instruments

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

AUTOMOTIVE COMPONENTS EUROPE SA
AND SUBSIDIARY COMPANIES

Notes to the consolidated Financial Statements

for the year ended 31 December 2009

Amounts in Euro thousands

December 2009	Receivables At cost	Derivatives used for hedging at fair value	Financial assets and liabilities at cost	Total fair value of financial instruments
Assets:				
Trade and other receivables (note 11)				
- current	13,989	-	-	13,989
Cash and cash equivalents (note 12)				
- cash at bank and in hand	-	-	966	966
- short term bank deposits	-	-	10,940	10,940
Total	13,989	-	11,906	25,895
Liabilities:				
Borrowings (note 14)				
- non-current	-	-	14,271	14,271
- current	-	-	5,018	5,018
Derivative financial instruments (note 9)				
- non-current	-	444	-	444
- current	-	953	-	953
Trade and other payables (note 18)	-	-	14,866	14,866
Other current liabilities (note 15)	-	-	14	14
Total	-	1,397	34,169	35,566

Continued

December 2008	Receivables at cost	Derivatives used for hedging at fair value	Financial assets and liabilities at cost	Total fair value of financial instruments
Assets:				
Trade and other receivables (note 11)				
- current	13,075	-	-	13,075
Cash and cash equivalents (note 12)				
- cash at bank and in hand	-	-	1,254	1,254
- short term bank deposits	-	-	9,022	9,022
Total	13,075	-	10,276	23,351

Liabilities:				
Borrowings (note 14)				
- non-current	-	-	12,895	12,895
- current	-	-	9,185	9,185
Derivative financial instruments (note 9)				
- non-current	-	2,266	-	2,266
- current	-	2,032	-	2,032
Trade and other payables (note 18)	-	-	15,651	15,651
Other current liabilities (note 15)	-	-	407	407
Total	-	4,298	38,138	42,273

Receivables at cost

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

Derivatives used for hedging at fair value

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

Financial assets and liabilities at amortised cost

Borrowings:

The carrying amount of borrowings will be different to our estimated fair value. We assume that the borrowings' estimated fair value is close to the sum of the carrying amount plus the fair value of the interest rate swap used for hedging purposes disclosed as a long term derivative instrument (see note 9), due to the fact that interest are calculated at floating rate (EURIBOR plus a margin).

Continued

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 comparethose 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 2009

	Due within 12 months	Due between 1 and 5 years	Due after 5 year
Bank borrowings (note 14)	5,018	12,991	1,280
Trade and other payables (note 18)	14,866		
	19,884	12,991	1,280

Continued

December 2008

	Due within 12 months	Due between 1 and 5 years	Due after 5 year
Bank borrowings (note 14)	9,185	12,803	92
Trade and other payables (note 18)	15,651	-	-
	24,836	12,803	92

d. Market risk management policies and exposures

Market risk is mainly determined by the foreign exchange risk, interest rate risk and commodities price risk. Both foreign exchange risk and interest rate risk are limited by the acquisition of derivative contracts that limit the Group's exposure to the movements on foreign exchange rates between Czech Koruna and Polish Zloty, with Euro as well as any interest rate (Euribor) movement.

In this sense, at 31 December 2009 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, mainly driven by the valuation of the remaining hedging contract at its fair value. Equity would have not been changed. During the current year the Group has cancelled outstanding derivative instruments for Euro 3.2 million (see note 9)

Regarding Czech Koruna, at 31 December 2009 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. Equity would have not been changed.

Impact on Profit before taxes	2009	2008
PLN/EUR +5%	465	1,000
PLN/EUR -5%	(241)	(1,000)
CZK/EUR +5%	(117)	-
CZK/EUR -5%	15	-

In the same way, at 31 December 2009 if the Euribor at that date had been 25 basis points lower or higher, with all other variables held constant, profit after tax for the year and equity would have been unchanged (2008 unchanged).

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

Continued

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.

d. 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

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.

(33) Subsequent Events

On February 18, 2010 the Board of Directors appointed Mr. Carlos Caba – Senior Officer of ACE S.A., as Director of the Company to fill the vacancy caused by the resignation of Mr. Arkadiusz Podziewski until the next General Meeting in accordance with art. 7 of the articles of association of the Company and art. 6 of the Regulations of the Board.

On the same date, the Board in accordance with art. 8.1 of the articles of association of the Company and art. 38 of the Regulations of the Board appointed Mr. Marek Adamiak, Director A, as Chairman of the Board. The Board in accordance with article 13 of the articles of association of the Company and with art. 38 of the Regulations of the Board also appointed Mr. Marek Adamiak as member of the Audit Committee which mandate will expire at the next shareholders meeting.

On March 8, 2010 the Board of Directors received a formal notification from Mr. Laurence Vine-Chatterton with his immediate resignation as Director of the Board of the Company.

On March 16, 2010 pursuant to article 7.6 of the articles of association of the Company and §6 of the Regulations of the Board it was approved the appointment of Mr Oliver Robert Günter Schmeer, as Director of the Company to fill the vacancy caused by the resignation of Mr Vine-Chatterton until the next General Meeting.

Continued

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

BUSINESS SEGMENTS
(expressed in thousands of Euros)

	Iron casting December 2009	**Aluminium casting December 2009**	**Others/Unallocated December 2009**	**Consolidated December 2009**
Revenues from third parties	43.226	30.692	3.183	77.101
Total revenues	**43.226**	**30.692**	**3.183**	**77.101**
Profit for the segment	**2.423**	**2.271**	**-**	**4.694**
Other unallocated (expense) income			(360)	(360)
Operating profit				**4.334**
Negative goodwill			390	**390**
Net financing cost	(704)	(1.918)	42	**(2.580)**
Income tax	(137)	(27)		(164)
Profit for the year				1.980
Segment assets	**47.588**	**27.568**		
Unallocated assets			1.766	
Total assets				**76.922**
Segment liabilities	**26.735**	**13.142**		
Unallocated liabilities			198	
Total liabilities				**40.075**
Other information:				
Amortisation and depreciation	(2.275)	(3.458)	(1)	(5.734)
Additions for the year of property, plant & equipment & intangible assets	657	1.469	-	2.126

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

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

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

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

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

Annual accounts and
Report of the Réviseur d'entreprises
For the year ended
December 31, 2009

82 Route d´Arlon

L-1150 LUXEMBOURG

R.C.S. Luxembourg : B118130

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

Chief Executive Director	Mr José-Manuel Corrales Ruiz
Directors	Mr Marek Adamiak Mr Pawel Szymanski Mr Jerzy Szymczak Mr Raùl Serrano Secada Mr Carlos Caba (since February 18, 2010) Mr Oliver Robert G. Schmeer (since March 16, 2010) Mr Arkadiusz Podziewski (resigned on December 16, 2009) Mr Laurence Vine-Chatterton (resigned on March 08, 2009)
Audit Committee members	Mr Marek Adamiak Mr Pawel Szymanski Mr Jerzy Szymczak
Registration Number	RCS Luxembourg B 118.130
Registered office	82, Route d'Arlon L-1150 Luxembourg Luxembourg
Share capital	EUR 3.184.577

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. (A.C.E. S.A.)
82, route d'Arlon
L-1150 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES

Following our appointment by the General Meeting of the Shareholders dated June 17, 2009, we have audited the accompanying annual accounts of A.C.E. S.A., which comprise the balance sheet as at December 31, 2009 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of directors' responsibility for the annual accounts

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

Responsibility of the réviseur d'entreprises

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

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

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

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of A.C.E. S.A. as of December 31, 2009, and of the results of its operations for the year then ended in accordance with the Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Deloitte S.A.
Réviseur d'entreprises

Sophie Mitchell
Partner

March 30, 2010

A.C.E., Automotive Components Europe S.A.
Société Anonyme
Share Capital: EUR 3.184.577
BALANCE SHEET
As at December 31, 2009
(expressed in EUR)

ASSETS

	Note	31/12/2009	31/12/2008
FORMATION EXPENSES	3	693.941	987.100
		693.941	987.100
FIXED ASSETS			
Tangible fixed assets		3.448	4.844
Financial assets	4	14.363.257	12.994.801
		14.366.705	12.999.645
CURRENT ASSETS			
Debtors	5	584.608	731.491
Own shares	6	-	548.612
Cash at bank or in hand		1.704.144	3.149.842
		2.288.752	4.429.945
PREPAYMENTS			
Deferred charges		56.234	-
		17.405.632	**18.416.690**

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

A.C.E., Automotive Components Europe S.A.
Société Anonyme
Share Capital: EUR 3.184.577
BALANCE SHEET
As at December 31, 2009
(expressed in EUR)
- continued -

LIABILITIES

	Note	31/12/2009	31/12/2008
CAPITAL AND RESERVES	6		
Subscribed capital		3.184.577	3.317.289
Share premium account		7.954.525	7.821.813
Legal reserve		306.677	-
Reserve for own shares		-	548.612
Retained earnings		5.574.673	(252.187)
Profit or loss for the financial year		(360.929)	6.133.537
		16.659.523	17.569.064
PROVISIONS FOR LIABILITIES AND CHARGES			
Tax provisions		73.383	38.122
Other provisions	7	72.746	453.719
		146.129	491.841
CREDITORS	8	599.980	355.785
		599.980	355.785
		17.405.632	**18.416.690**

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

A.C.E., Automotive Components Europe S.A.
Société Anonyme
Share Capital: EUR 3.184.577
PROFIT AND LOSS ACCOUNT
For the year ended December 31, 2009
(expressed in EUR)

CHARGES

	Note	31/12/2009	31/12/2008
Value adjustment in respect of formation expenses	3	293.158	284.839
Value adjustment in respect of tangible fixed assets		1.397	970
Staff costs	9	7.871	7.894
Other operating charges		692.479	1.099.018
Interest payable and similar charges	10	2.789	453.191
Profit for the financial year		-	6.133.537
		997.694	**7.979.450**

INCOME

	Note	31/12/2009	31/12/2008
Other operating income		449.254	621.400
Other interest receivable and similar income	11	183.511	7.346.637
Extraordinary income		4.000	11.413
Loss for the financial year		360.929	-
		997.694	**7.979.450**

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

A.C.E., Automotive Components Europe S.A.
Société Anonyme
Share Capital: EUR 3.184.577
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 - GENERAL

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

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

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

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

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

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General principles

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

Foreign currency translation

The financial statements are expressed in Euro (EUR).

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

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

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

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

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

Valuation of financial fixed assets

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

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

Debtors

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

Provisions for liabilities and charges

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

NOTE 3 - FORMATION EXPENSES

3.1. FORMATION EXPENSES

As at December 31, 2009, formation expenses are depreciated over 5 years and include fees in relation with the incorporation of the Company.

	2009 EUR	2008 EUR
Gross book value - opening balance	25.538	25.538
Additions for the year	-	-
Gross book value - closing balance	25.538	25.538
Amortisation - opening balance	12.556	7.449
Amortisation for the year	5.108	5.107
Amortisation - closing balance	17.664	12.556
Net book value - opening balance	12.982	18.089
Net book value - closing balance	7.874	12.982

3.2. OTHER FORMATION EXPENSES

As at December 31, 2009, other formation expenses are depreciated over 5 years and include fees in relation with the IPO:

	2009 EUR	2008 EUR
Gross book value - opening balance	1.440.254	1.511.544
Additions for the year	-	-
Correction for the year	-	(71.300)
Gross book value - closing balance	1.440.254	1.440.254
Amortisation - opening balance	466.136	186.404
Amortisation for the year	288.051	279.732
Amortisation - closing balance	754.187	466.136
Net book value - opening balance	974.118	1.325.150
Net book value - closing balance	686.067	974.118

NOTE 4 - FINANCIAL FIXED ASSETS

The financial fixed assets are composed by the following elements:

	2009 EUR	2008 EUR
Shares in affiliated undertakings	9.604.844	9.994.802
Loans to affiliated undertakings	4.758.413	2.999.999
	14.363.257	**12.994.801**

The movements of the year correspond to:

- On December 10, 2009 the Company and the former owner of Feramo Metallum International s.r.o. and Feramo Trans s.r.o. agreed a reduction on the purchase price of both companies (note 7).
- In the year 2009 the Company agreed two new loans for amounts of EUR 1.608.413 and EUR 150.000 in favour of EBCC Sp. Z.o.o. and Feramo Metallum International s.r.o, respectively.

The shares in affiliated undertakings are summarized as follows:

Name	Country	Ownership %	Book value 2009 EUR	Book value 2008 EUR
Fuchosa S.L.	Spain	100%	1.203.006	1.203.006
EBCC Sp. z o.o.	Poland	100%	1.829.000	1.829.000
Feramo Metallum International s.r.o.	Czech Republic	100%	} 6.572.838	6.962.796
Feramo Trans s.r.o.	Czech Republic	100%		
			9.604.844	**9.994.802**

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
Fuchosa S.L.	31/12/2009	11.120.000	1.981.000
EBCC Sp. z o.o.	31/12/2009	15.438.000	(166.000)
Feramo Metallum International s.r.o.	31/12/2009	7.041.000	(154.000)
Feramo Trans s.r.o.	31/12/2009	(13.000)	(23.000)

* as reported under IFRS

The loans to affiliated undertakings are summarized as follows:

Name	Country	Book value 2009 EUR	Book value 2008 EUR
Fuchosa S.L.	Spain	2.999.999	2.999.999
EBCC Sp. z o.o.	Poland	1.608.414	-
Feramo Metallum International s.r.o.	Czech Republic	150.000	-
		4.758.413	**2.999.999**

The loans are interest bearing (note 5).

The board of directors is of the opinion that there is no permanent diminution in the value of the investments held as at December 31, 2009.

NOTE 5 - DEBTORS

The debtors comprise the following:

Less than 1 year	2009	2008
	EUR	EUR
Interest on loans to affiliated undertakings	133.398	79.000
Fees for services rendered to affiliated undertakings	449.254	613.400
Other debtors	1.956	39.091
Total debtors	**584.608**	**731.491**

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

Interest on loan Fuchosa S.L.	84.136	79.000
Interest on loan EBBC Sp. z o.o.	43.493	-
Interest on loan Feramo Metallum International s.r.o.	5.769	-
	133.398	**79.000**

NOTE 6 - CAPITAL AND RESERVES

Subscribed capital

On January 1, 2009 the Company had a subscribed and fully paid capital of EUR 3.317.289 represented by 22.115.260 shares with a par value of EUR 0,15.
As approved by the extraordinary general meeting of the shareholders dated June 17, 2009, the Company reduced the issued share capital by an amount of EUR 132.711,75 by cancellation of 884.745 own shares.
On December 31, 2009 the Company has 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 authorized capital is EUR 3.759.393.

The subscribed capital at year end is summarized as follows:

	Subscribed Capital	**Share premium account**	**Legal reserve**	**Reserve for own shares**	**Retained earnings**	**Result of the year**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
As at 31 December 2008	3.317.289	7.821.813	-	548.612	(252.187)	6.133.537
Allocation of year result			306.677		5.826.860	(6.133.537)
Capital decrease	(132.712)	132.712				
Reserve for own shares				(548.612)		
Result of the year						(360.929)
As at 31 December 2009	3.184.577	7.954.525	306.677	-	5.574.673	(360.929)

Legal reserve

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

Share premium

Following capital decrease decided by the extraordinary general meeting of the shareholders dated June 17, 2009, EUR 132.712 had been allocated to the Share premium account.

Reserve for own shares

As approved by the extraordinary General Meeting of the shareholders dated June 17, 2009 the Company cancelled the reserve for own shares of EUR 548.612.

NOTE 7 - OTHER PROVISIONS

As at December 31, 2009 the other provisions comprise the following:

	2009 EUR	2008 EUR
Provisions for accounting & audit fees	52.460	54.980
Provisions for fees in relation with Feramo purchase (note 4)	-	389.957
Provisions for administrative and consulting fees	15.000	4.000
Provisions for webpage fees	-	782
Provisions for interests	-	4.000
Other provisions	5.286	-
	72.746	453.719

NOTE 8 - CREDITORS

As at December 31, 2009, the creditors comprise the following:

	Less than 1 year EUR	After 1 year and within five years EUR	Total December, 31 2009 EUR	Total December, 31 2008 EUR
Trade creditors	13.097	-	13.097	29.749
Amounts owed to affiliated undertaking	547.538	-	547.538	311.470
Other creditors	39.344	-	39.344	14.566
Total creditors	**599.979**	**-**	**599.979**	**355.785**

NOTE 9 - STAFF

The Company employed one person during the year.

NOTE 10 - INTEREST PAYABLE AND SIMILAR CHARGES

	2009 EUR	2008 EUR
Concerning affiliated undertakings	-	15.338
Other interest payable and charges	2.789	437.853
Total	**2.789**	**453.191**

NOTE 11 - OTHER INTEREST RECEIVABLE AND SIMILAR CHARGES

	2009 EUR	2008 EUR
Derived from affiliated undertakings	143.475	7.265.725
Other interest receivable and similar income	40.036	80.912
Total	**183.511**	**7.346.637**

NOTE 12 - OFF-BALANCE SHEET COMMITMENTS

- The shares held in Fuchosa S.L. are subject to a pledge in favor of a pool of spanish banks composed as follows: CAIXA D'ESTALVIS I PENSIONS DE BARCELONA, BANCO BILBAO VIZCAYA ARGENTARIA S.A., BANCO DE SABADELL S.A., BANCO SANTANDER CENTRAL HISPANO S.A., CAJA DE AHORROS DE GALICIA, BANCO ESPAÑOL DE CRÉDITO S.A., BANKINTER S.A., CAIXA D'ESTALVIS DE CATALUNYA, and CAJA DE AHORROS DE SANTANDER Y CANTABRIA.
- Feramo Metallum International s.r.o. loan agreements are secured by blank bills of exchange issued by ACE S.A.
- A letter of Comfort has been given by ACE SA to HSBC BANK PLC to support a credit facility agreement granted by the bank to the subsidiaries.
- An employee share option plan (the "ESOP") was approved for the benefit of one manager of EBCC. This ESOP gives specified person the opportunity to acquire a stake in the capital of the

Company. The total number of Shares subject of the ESOP shall not exceed 1,002,505 and currently it is limited to a granted amount of 200.501 Shares. The strike price will be equal to the Offer Price, which amounted to PLN 20.5. At December 31, 2009, the Group has not accrued any amount for this concept.

NOTE 13 - DIRECTOR FEES

Directors fees paid for the year ended December 31, 2009 amount to EUR 61.800 (2008: EUR 54.000). The company did not grant any advances or loans to the Directors during the year.