ACE

AUTOMOTIVE COMPONENTS EUROPE

annual report 2010

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Auditor: Deloitte (Luxembourg)

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Introduction

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

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

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

Key Figures

(EUR '000 except per-share and employment figures)	2010	2009	% Change
Revenues from Sales	86,296	77,101	**+11.9%**
Gross Profit	16,716	15,763	**+6.0%**
Operating Profit	3,519	4,334	**-18.8%**
Net Profit	2,548	1,980	**+28.7%**
Net Profit per share	EUR 0.12	EUR 0.09	**+28.7%**
Cash Flow from Operations	10,071	11,019	**+8.6%**
Cash Flow from Investments	-2,899	-1,113	**+160.3%**
Cash Flow from Financial Activity	-1,391	-7,991	**+82.6%**
Net Cash Flow	5,512	1,832	**+200.5%**
Current Assets	39,787	33,624	**+18.3%**
Fixed Assets	40,831	43,298	**-5.7%**
Total Assets	80,618	76,922	**+4.8%**
Long-term Liabilities	21,637	18,447	**+17.3%**
Short-term Liabilities	20,182	21,628	**-6.7%**
Liabilities	41,819	40,075	**4.4%**
Net Debt	2,719	7,383	**-63.2%**
Shareholders' Equity	38,799	36,847	**+5.3%**
Book Value per share	EUR 1.83	EUR 1.74	**+5.3%**
Employees	801	812	**-1.4%**
EBITDA Margin	10.9%	13.1%	**-16.8%**
Operating Profit Margin	4.1%	5.6%	**-27.5%**
Net Profit Margin	3.0%	2.6%	**+15.0%**

PLN/EUR	Average	High	Low	Period end
2009	4.3282	4.8999	3.9170	4.1082
2010	3.9939	4.1770	3.8356	3.9603

Source: National Bank of Poland

CZK/EUR	Average	High	Low	Period end
2009	26.4450	29.4700	25.0850	26.4650
2010	25.2903	26.3700	24.4050	25.0600

Source: Czech National Bank

Major Events in 2010

30 April 2010 Publication of the 2009 Annual Report.

15 June 2010 Annual General Meeting of Shareholders. Appointment of the Board members. Approval of the dividend distribution.

27 August 2010 Publication of the interim report for the first half of 2010.

29 October 2010 2009 dividend payout.

12 November 2010 ACE Group signed a long-term syndicated financing agreement with a group of banks including Caixa d'Estalvis i Pensions de Barcelona, Banco Popular Español S.A., Banco Bilbao Vizcaya Argentaria S.A., Banco Santander S.A. and Bankinter S.A.

27 December 2010 The Board of Directors approved a Management Remuneration scheme for current Senior Officers of ACE.

President and CEO's Letter to Shareholders

Dear Shareholders,

I am proud to present to you our annual report for the year 2010, not only because we proved once again our strong market position in the automotive sector but especially because we managed, even under market conditions that are not yet fully stable, to accelerate our organic growth, expanding our business and its market presence.

We entered 2010 with very modest market prospects, expecting stability in terms of production and a considerable 10% decrease of sales of new cars in Western Europe. But during the year it turned out that some European countries are rebounding much faster and the demand for new cars is growing faster, proving that we are close to the beginning of the growth path in terms of car sales. In terms of auto production, which is the main driver of our sales, the Western European automotive market was already on the growth path last year, showing a 10% increase, strongly supported by exports to the US and China, but also lessening the decrease in inventories in the supply chain from the previous year, in a trend to maintain further sales growth in the nearest future.

I am very pleased to report that ACE Group not only maintained its market position in terms of market share for the two main products – iron anchors and aluminium callipers – but also we managed again to outperform the market growth, achieving a 12% increase in terms of volumes. I would like to stress here that this is not an accidental effect, but the result of our policy stimulating constant organic growth and introduction of new products. New Family Products, as we call them, grew by 4 times in volumes and 5 times in value terms over last year.

I would like to draw your attention to one product – front callipers – positively impacting our volume growth in 2010, which will also have a significant impact on performance of the aluminium business in 2011 and onwards. In 2010 we completed installation of a new production line especially dedicated to this product, and at the same time we managed to start serial production of this innovative application. The line has been in full operation since January 2011, and this new capacity will have a strong positive impact on our future sales, starting from now.

This is not the only additional organic growth factor raising

our profile in the automotive business. During last year we also successfully produced the first parts of nodular iron at Feramo, the iron foundry in the Czech Republic, through the transfer of technology know-how existing in the Group. Due to increasing demand for automotive castings, we recently took the decision to start an investment project to significantly expand our presence in the CEE region in a few years' time. Mentioning this, I would like to draw your attention to the fact that by the time the automotive market recovers to pre-crisis levels, which should be achieved within the next 3–4 years, our production capacity and market importance will be much above 2007 levels. At that time we expect to have (excluding potential acquisitions) three production plants that are equal in terms of sales and profitability, and a number of new products in our portfolio which were not produced by us before the slowdown.

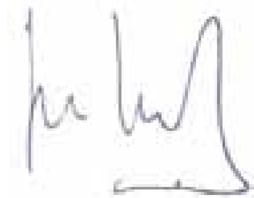
The annual report is also a good place to share our expectations regarding the performance of ACE in the following year in relation to 2010. Based on automotive market forecasts, we may expect not only a further increase in production of new cars, but also their sales in Europe, in comparison with 2010, which means that demand-wise we should experience a doubly positive effect, coming from exports and local sales. It should be an important driver of ACE sales volumes and further recovery of spare capacities, especially in the iron segment. To a great extent due to the New Family Products, our goal is to outperform the market, and also improve our operating profitability. We are very optimistic about the development of ACE Group in the following years, and we enter 2011 with strong confidence that ACE Group as well as the market are on a growth path and we are constantly overcoming the slowdown.

In terms of our financial performance, 2010 showed improvement on the sales and net profit levels and general stability in EBITDA and cash generation from operations. Despite capex spent for the front calliper investment and regular maintenance, we managed to significantly decrease our net debt to 0.29 times EBITDA, which shows the very healthy condition of the business. Due to growing volumes, we partially managed to offset significant instability of raw material and energy prices, but a big portion of the losses are one-off effects not having a persistent impact on our profitability in future. Another important financial achievement of 2010 was the debt restructuring and transfer of the total Group debt to the holding level. It will improve our cash management significantly, and will support further growth.

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

Luxembourg, 29 April 2011

José Manuel Corrales



President and Chief Executive Officer
Automotive Components Europe S.A.

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 very pessimistic forecasts for 2010, calling for a decline in car sales in Western Europe by around 10%, as a direct result of termination of scrapping incentive programmes it turned out that the actual sales declined by only 5%. During the year, a natural recovery of demand for mid-range and premium class cars, which were not a part of the sales stimulation programmes, was clearly visible. In terms of production, which had been expected to be stable in comparison with 2009, the market was even more positive and finally grew by 10%, mainly due to lowering of the decrease inventories and increasing exports.

The latest JD Power forecast for 2011 predicts a general increase in new car sales in Western Europe of about 1%, although production forecasts are more positive, showing a trend of stability and even positive growth of around 3–5% (source: PricewaterhouseCoopers Autofacts most recent report).

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 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 almost 100% of newly produced cars.

Callipers are also essential components of disc brake systems, which house the brake pads and pistons. In the process of braking they are responsible for supporting the hydraulic pressure in the brake moment. Aluminium callipers currently produced by ACE are mostly used in rear brakes. ACE's focus on rear callipers is in line with the current technological trends, according to which the predominant application of aluminium callipers is the rear-axle brake. Since January 2011, a new production line for front aluminium callipers has been in operation. A new manufacturing system to produce front callipers in aluminium is an innovative solution recently introduced by ACE, and this system has already been patented. ACE is the only supplier of this component in Europe.

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.

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.

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 near 40% of European market share for aluminium callipers.

From 2008 the plant introduced a range of new products and services to broaden its product portfolio and increase its importance as an automotive supplier in Europe. Thus, after commencement of TMC production in 2008, in 2009 EBCC introduced front callipers and iron machining. Since January 2011 front callipers have been manufactured on a large scale on a new production line, which was built in 2010.

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%. In 2010 its market share was stable in comparison with 2009. Fuchosa has a stable and strong market position, which results from a high level of specialisation, engineering and technological expertise as well as the highest standards of production and customer service.

Feramo Metallum International s.r.o. (Brno, Czech Republic)

Feramo is a producer of grey iron castings for various industries, including the automotive sector (auto products comprise around 10% of the company's total turnover). Feramo supplies mainly the following industries: automotive (brake drums and clutch components), white goods (mainly components for washing machines), engineering (components for electrical engines and pumps), and construction (sewer/drain iron castings). Feramo's products are mainly tailored to individual customers' requirements. The annual production rate of the foundry is about 15,000 tonnes, but in 2010, due to the world crisis, it produced almost 20% less in volume terms.

The history of Feramo dates back to 1932, when a grey iron foundry was founded and the production of heating technology (boiler cells and radiators) started. During 1970–1990 an extensive modernisation programme was implemented, which substantially increased Feramo's capacity. During recent years, Feramo implemented a new production line and new sand pit technology. Significant new investments will be developed within the following 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). 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 relatively 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 production of a particular assortment lot. The production process for these parts is also strictly controlled, starting from the quality of raw materials, to the mechanical properties and shape accuracy of the finished goods.

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

CERTIFICATION	Fuchosa	FERAMO	E3CC
ISO 9000	✓	✓	✓
TS 19649	✓	✓	✓ *
ISO 14000	✓	✓	2012**
OSHAS or similar	✓	2011**	2014**

* In March 2011 Feramo successfully completed the TS audit, and the certificate will be issued within the following weeks.
** 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 the situation to stakeholders in terms of emissions and waste management.

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

R&D

The Group has a well-executed and highly organised product development system, fully suited to the requirements of its

customers in the automotive industry. Compared to other brake casting manufacturers, ACE has leading-edge capabilities in product development. Human resources and equipment are designed to maintain the lead in development of 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.

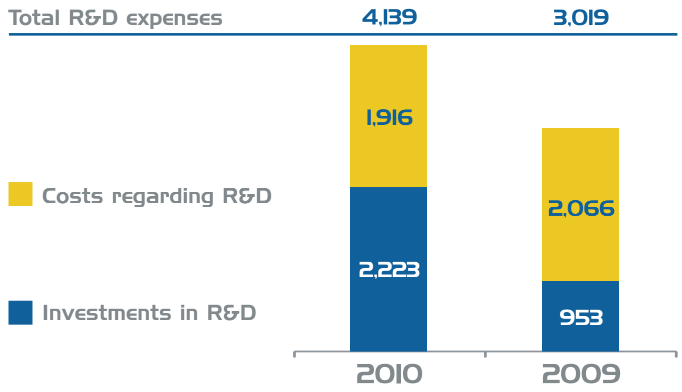
As a result of this vocation to move forward in R&D capabilities and expansion within the Group, in December 2010 some R&D resources of the operating companies were moved to a new company, ACE 4C A.I.E., which will be the new hub of the Group's research capabilities development and the technological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

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

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

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

in EUR '000



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

Increasing presence in Europe

The location of the Polish plant is very favourable because of the lower labour costs and the proximity to customers based in Central & Eastern Europe. Feramo is also located in the heart of the automotive industry, a very short distance from current 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 product line and meeting customers' expectations for more flexible deliveries. With hi-tech know-how and experience in deliveries to the automotive industry, top product quality and customer service are guaranteed.

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 2010 the Company managed to slightly reduce its headcount despite growing sales volumes.

The total number of employees as of the end of December 2010 is presented in the table below:

	2010	2009
Managers	33	29
Administrative employees	121	120
Workers	647	663
Total number of employees	**801**	**812**

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

EUR '000	2010	2009
Revenues from sales	86,296	77,101
Cost of goods sold	-69,580	-61,338
Gross profit	16,716	15,763
GP margin	*19.4%*	*20.4%*
G&A expenses	-13,197	-11,429
Operating profit	3,519	4,334
OP margin	*4.1%*	*5.6%*
Depreciation & amortisation	-5,852	-5,734
EBITDA	9,371	10,067
EBITDA margin	*10.9%*	*13.1%*
Negative goodwill	0	390
Financial income	1,189	390
Financial costs	-1,492	-2,970
Profit before tax	3,216	2,144
Tax	-668	-164
Net profit	2,548	1,980
NP margin	*3.0%*	*2.6%*

In 2010, sales of cars in Western Europe decreased by around 700,000 units, or 5.0%, from the previous year, whereas production was higher by around 1 million cars, or 9.7%.

In line with market production performance, which is the driver of the Company's sales, turnover and sales volume at ACE were higher than in 2009 by 12% and 11% respectively, improving both market sales and production.

Direct production costs and gross profit

Even though sales volume in terms of number of parts in 2010 was much higher than in 2009, the lower profile of the sales mix (e.g. a higher contribution of the grey iron segment, with lower margins) and especially the lower percentage of machining parts, ballasted better possible performance.

On the other hand, a trend of growing raw material prices during the year, especially nodular iron, versus the opposite trend the year before, also pushed gross profit down. This was, in fact, the most adverse effect of the period. According to surcharge agreements in force, sales prices reflect price increases of raw materials based on the previous quarter's variance, and thus do not fully cover the real increases experienced in the quarter of application itself. This is obviously a non-recurrent and even recoverable effect, to the extent that in the following quarters purchase prices are stable or decrease, respectively.

Much higher energy prices as a result of higher spot prices, driven by increasing demand, changes in distribution prices in Spain and increase of coke prices in our Czech business, had a substantial negative effect of nearly EUR 0.8 million on the gross profit margin.

On top of the above, strengthening of Polish zloty caused a total negative result of around -EUR 1.0 million in all operating margins compared with 2009.

Leveraged by higher sales and despite the described effects, gross margin was EUR 16.7 million (19.4% on sales), which is nearly EUR 1 million higher than in 2009 (+6%).

General & administrative expenses

Out of EUR 1,768,000 higher G&A expenses in the year (15% higher than 2009), strictly overheads were growing much less, by EUR 735,000, or 8%, compared with the prior year, partly containing the negative effect of operating FX but also pay rises and incorporation of some key company roles not yet covered, especially in Feramo, to create a solid basis in order to expand this company in the near future.

Otherwise, the difference is also related to higher sales and distribution costs connected to increasing sales, lower subsidies recorded in the period, write-down of some fixed assets, positive release of provisions made in the last quarter of 2009, and some other minor one-off items related to year-end closing in 2010.

EBITDA and operating profit

Despite some negative effects as described above, the impact of better operating leverage, driven by 12% higher sales, raised EBITDA in 2010 to EUR 9.4 million (11% on sales, EUR 0.7 million lower than in 2009) and EBIT to EUR 3.5 million (EUR 0.8 million lower than in 2009).

Financial items

In 2009 the Company registered important losses in valuation and cash losses of hedging instruments driven by the weakening Polish zloty during that year and its higher exposure to exchange rate derivative instruments. This is the main driver of the difference below the operating profit between 2009 and 2010.

As of the end of 2010, the negative fair value of these instruments and the interest rate swap in the balance sheet was EUR 267,000.

In the last quarter of 2009 the Company also agreed with the former owner of Feramo on a purchase price reduction in the amount of the deferred payment, EUR 390,000, and recorded income in that amount.

Altogether, net financial results in 2010 were higher than in 2009 by EUR 1,887,000, which increased profit before taxes in the same amount.

Profit before tax and tax

With the net financial result reducing the negative differences in operating margins, profit before tax was positive by EUR 3,216,000 (EUR 1,072,000 higher than 2009).

Taxes recorded as a consequence of these profits were EUR 668,000 (EUR 0.5 million higher than 2009).

Net profit

Reflecting all the above, the company was also positive at the net profit level, at EUR 2,548,000, or +EUR 568,000 compared with 2009 (29% higher).

Generally we could say that whereas in 2009, and on top of the action plan implemented in the Company to reduce the negative impact of the market slowdown, there were some general and external factors, like performance of foreign currency against

the Euro, prices of raw materials, energy and pay rises positively influencing the profitability of the Company, in 2010 the trend in these factors reversed and even overrode the volume increase.

However, we have to stress that a significant portion of these effects are one-off and thus recoverable in the medium term, and to reach the prior levels of activity in the Group there is still significant room for growth not only in iron, but also in aluminium activity, through the recovery of the machining activity lost during the crisis period. As mentioned in the Outlook section, these are the main areas where the Company management is focusing its efforts today.

Financial position

The operating generation of cash from January through December 2010 was strongly positive, above EUR 10.1 million, and even working capital decreased by EUR 1 million despite the increase of activity experienced during the period.

On the other hand, in the same period the Company increased capex, mainly required for melting and casting of new products in the aluminium division, to EUR 2.9 million.

Otherwise, the comparison of financing activities is even more positive for 2010 because of the cancellation costs for the hedging contracts of EUR 3.2 million (reduced by EUR 2 million by a new loan granted by the bank) in February of 2009 and the higher cash inflow generated as a consequence of the new debt raised in December 2010.

The final cash position of the Company as of the end of the year was EUR 17.4 million, representing an improvement of EUR 5.5 million compared with the end of 2009. Net financial debt as of the end of 2010 was only EUR 2.7 million or 0.29 times EBITDA, and was also sharply reduced compared with previous quarters.

Performance against budget (forecasts)

The Company did not publish any official forecast or guidelines for 2010.

Outlook for 2011

Actual data for car sales and production during 2010 continuously exceeded the initial expectations. Thus, Western European sales, forecast in the region of -10% at the beginning of the year, were finally -5.0% (Source: JD Power Forecasting), whereas production finally increased by 9.7%, versus a much flatter initial expectation of 1.5%. If we include Eastern Europe in the production output, then the year's trend was much more positive, with an actual increase of 12.6% versus a forecast of 3% (source: PricewaterhouseCoopers Autofacts).

This improvement of real data in 2010 implies somehow an anticipation of the market recovery initially expected for 2011 and could also explain to some extent the progressive lowering of expectations for 2011.

As far as 2011 is concerned, available forecasts show some growth for the current year in terms of production, but still a slight decline in terms of sales. Thus, the JD Power forecast

issued in February estimated a decline in sales by 1.9% from 2010 in Western Europe, though one month later the same source pointed to slight growth of around 0.8%.

In terms of production, the most recent forecast by PricewaterhouseCoopers Autofacts is for increased production of 2.7% in the same region, or 5.1% for the entire European Union and Eastern Europe. However, some other sources, like CSM, are more conservative, anticipating growth of only 1.7% across Europe as a whole.

On the basis of this difference between sales and production, which is not new and even softer in 2011 compared with the previous year, there are two main factors which will be impacting market behaviour this year:

- further recovery of inventory after a drastic reduction, especially produced in 2009, and
- increasing exports to China (and most other key global markets) recovering more strongly than anticipated.

In this context, and according to our own information based on customer orders and expectations, Group turnover should grow in 2011 in the range of 5-10% compared to 2010 within the expected prices of raw materials and energy (influencing our selling prices). In terms of sales volume, the growth should be closer to the lower range of 5%, which is in line with the market forecasts above. A strong impact on volume growth (especially in weight) will come from front callipers, which have been manufactured on a large scale since January of this year. However, the proportion of the aluminium machining segment is expected to be reduced throughout the current year, according to the projects portfolio. The reason is twofold: on the one hand customers still retain significant spare capacity in machining during the slowdown, and on the other hand new projects which the company is awarded are not machined.

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

After a deep, long crisis period, the market is returning to the prior scenario, step by step, and recovering its key drivers in an overcapacity environment. Thus, in terms of costs, the international industrial recovery could bring some more volatility of prices of raw materials and energy, whereas after a long period of wage freezes, workforce expectations of pay rises are also high. Obviously, the automotive market in which we are involved is very demanding, and it is a part of our work to focus on efficiency improvements to set off any increased cost.

In terms of potential further impact produced by the temporary gap in surcharge of raw material prices to our customers, the Group stresses that this is a non-recurrent effect, and depending on the trend in raw material prices onwards, some or even all of the difference may be recovered. However, in 2011, the Group expects raw material prices to grow versus the pre-vious year. Energy prices are another subject that in a trend of permanent growth must be re-opened in the

negotiations with our customers to overcome the current only partial recovery of price increases.

In this 2011 scenario of slow recovery and underused capacity, there is an important competition factor which customers are taking advantage of to push down selling prices. Our important competitive advantage, mostly provided by our high degree of specialisation and thorough knowledge of our product, should help our Company to a significant extent to face this situation in better standing, but we are conscious that we are operating in a still unstable market, and only companies that manage to deal better with the new environment will be stronger after the slowdown.

In terms of capital expenditures for 2011, in the current business we do not anticipate expenditures other than some maintenance and renewal investments in the automotive segment and some others, more important, to boost the efficiency in the grey iron business, but in total not exceeding the amount of capex in 2010. However, in this context of constant growth in the automotive market, CEE expansion, represented by the Feramo investment project as the Group platform to grow in the nodular iron segment for the automotive market, is also an important asset for the Group which will bring additional value in the near future, and will also mean some additional and higher amount of capex in 2011.

Indeed, organic growth of the automotive production mainly relies on the CEE investment programme. In this sense, the Board of Directors, at its meeting on 31 March 2011, approved an important investment programme to expand its automotive business in Eastern Europe. The programme calls for capital expenditure of up to EUR 7.5 million within the next two years on capacity development of ACE's existing production facilities located in the CEE region. The additional purpose of the program is to enlarge the portfolio of manufactured products and further diversify future revenues. According to a preliminary schedule, the first parts will be produced from January 2013. This programme will be entirely financed from internal resources. The management of the Company is currently involved in start-up of the growth project, and expects to increase current Group sales up to 20% within the next 4 years. At the end of the period ACE Group will have three equally important production plants contributing comparable sales and operational profits.

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

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. However, it is important to highlight the investment programme approved by the Board as discussed above.

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 2010)

	Compared to the end of 2009
ACE S.A.	+17.04%
WIG Index	+18.77%
SWIG80 Index	+10.18%

Stock Market Data

EUR '000	2010	2009
Market Capitalisation at the end of the period	PLN 191.1 m EUR 48.3 m	PLN 163.3 m EUR 39.7m
Share Price		
Highest	PLN 10.10	PLN 7.69
Lowest	7.80	1.10
Average	*9.00*	*4.16*
At the end of the period	9.00	7.69
Shareholders' Equity per share	*EUR 1.83*	*EUR 1.74*

Per-Share Data

	2010	2009
Earnings per share	EUR 0.12	EUR 0.09
Cash Flow per share	EUR 0.26	EUR 0.09
Dividend per share	EUR 0.05	-

Shares and the Trading Market

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

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

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

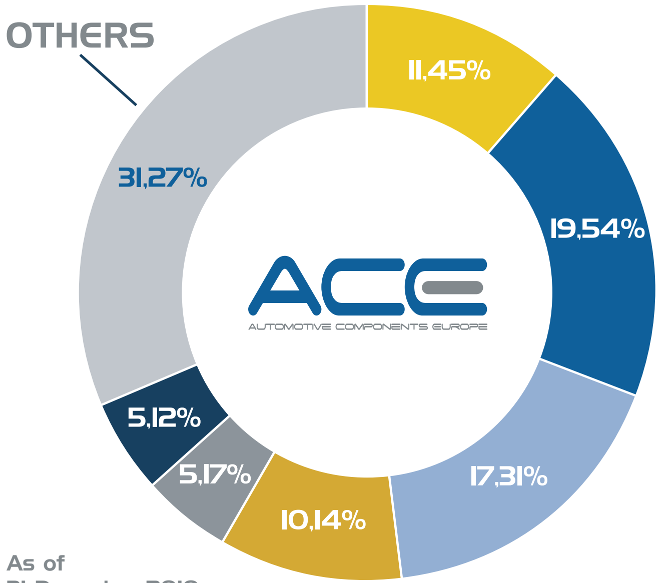
The Warsaw Stock Exchange is the only market of ACE quotations. In 2010 the total value of all transactions in ACE shares was PLN 65.7 million, with trading volume of 6.3 million shares. The stock price grew in line with the market by 17% for 2010 as a whole.

Major Shareholders (Over 5% of Shareholders' Equity) as of 31 December 2010

As of 31 December 2010 the Company's share capital comprised 21,230,515 shares. The corresponding number of voting rights was 21,230,515.

To the best of the Company's knowledge, as of the end of 2010, the following shareholders were entitled to exercise over 5% of voting rights at the General Meeting of Shareholders in the Company (the table also includes changes in shareholders' ownership during the year):

	As of 31 December 2010 (% of share capital)	As of 31 December 2009 (% of share capital)*
Casting Brake (Spain)	2,430,607 (11.45%)	2,980,607 (14.04%)
PZU "Złota Jesień" OFE	4,188,913 (19.54%)	3,696,233 (17.41%)
ING Nationale Nederlanden Polska OFE	3,674,050 (17.31%)	3,621,926 (17.06%)
Pioneer Pekao Investments	2,153,072 (10.14%)	1,739,612 (8.19%)
AVIVA Investors	1,098,605 (5.17%)	below 5%
ING Towarzystwo Funduszy Inwestycyjnych	1,087,615 (5.12%)	below 5%



As of 31 December 2010 (% of share capital)

Changes in shareholder structure after 31 December 2010:

On 17 February 2011, the Company received an official notification from Pioneer Pekao Investment Management S.A., on behalf of all managed portfolios belonging to their clients, that due to a market transaction that took place on 14 February 2011, the total number of the Company's shares/votes held in all portfolios belonging to PPIM clients decreased to 2,093,072 shares/votes (9.86% of the share capital/votes). Before the transaction all PPIM clients held 2,153,072 shares/votes (10,14% of the share capital/votes) of the Company.

On 15 March 2011 the Company received an official notification from ING Towarzystwo Funduszy Inwestycyjnych SA, acting on behalf of the investment fund, that due to the purchase of the Company's shares by ING Parasol Fundusz Inwestycyjny Otwarty that took place on 8 March 2011, the total number of the Company's shares owned by the fund increased and the threshold of 5% of total number of votes in the Company was exceeded. As a result of the transaction the fund holds 1,158,017 of the Company's shares, representing 5.45% of the Company's share capital and 1,158,017, or 5.45% of the total votes in the Company. Before the transaction the fund held 1,048,017 of the Company's shares, representing 4.94% of the Company's share capital and 1,048,017 votes, or 4.94% of the total votes in the Company.

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:

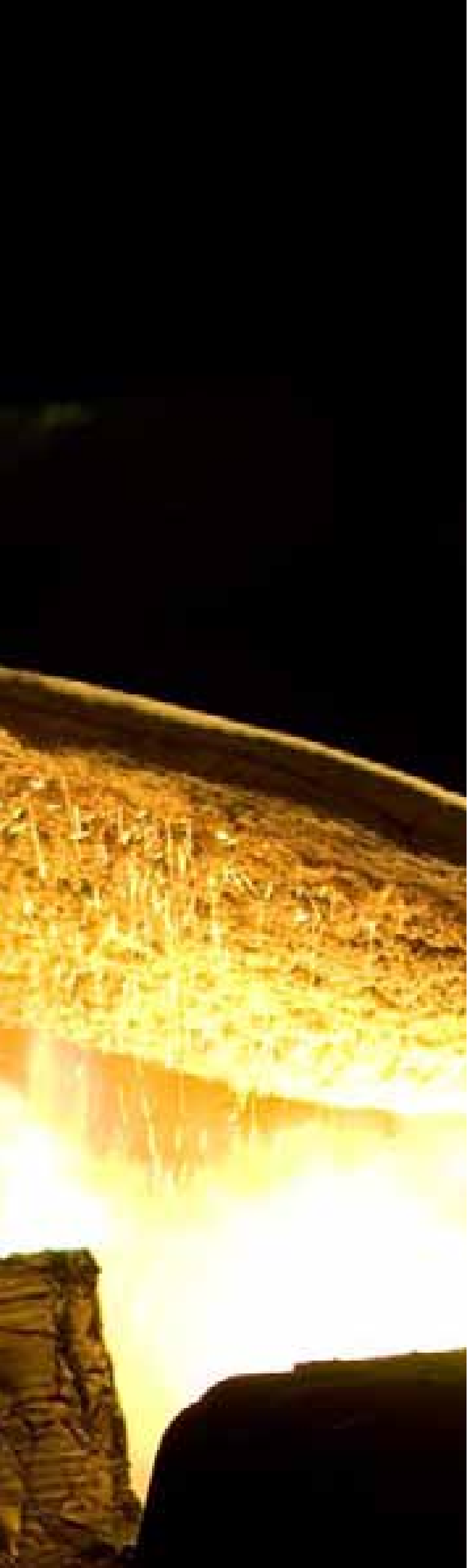
Piotr K. Fugiel
Investor Relations Officer
e-mail: **investor.relations@acegroup.lu**

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 2010 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 slowdown the upcoming years should show more stability in terms of production levels, and gradual recovery of the market is expected within the next few years.

Risks related to currency fluctuations

In the ACE Group, any currency fluctuation risk is mostly related to Polish plant operations, since Feramo is almost naturally hedged. EBCC's export sales are denominated in EUR, while purchases are made in EUR and PLN. Costs denominated in PLN constitute 45–50% of total EBCC costs. 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, ACE employs hedging techniques to hedge PLN/EUR currency fluctuations according to its hedging policies.

Risk of decreasing margins

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

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

Risks related to labour cost increases

Costs related to labour constitute a significant portion of the ACE Group's operating costs. Wages in Poland, the Czech Republic and Spain (the countries where the production plants are based) have been rising. It is expected that labour costs

will rise further in the coming years. This trend is anticipated to be especially noticeable in Poland and the Czech Republic, where continued adjustment of labour costs to EU levels is expected. Increases in wages at higher levels than assumed by the issuer in the budgeting process could adversely affect the ACE Group's business, prospects, financial condition or results of operations, and consequently, the value of the shares.

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

Risks related to further growth through acquisitions

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

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

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 CEE business development in future.

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

ACE depends on external suppliers for key raw materials and energy for its production activities. A failure of the

suppliers to deliver these materials in the necessary quantities or to adhere to delivery schedules or specified quality standards and technical specifications would adversely affect production processes and the ability to deliver orders on time and at the desired level of quality. Disruptions in deliveries of such materials and energy could also arise due to weather-related problems, strikes, 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 2010, above 40% of castings produced by EBCC were subject to a further machining process by the machining department of EBCC, despite the fact that most new projects are just cast. Any reduction in the demand for machining to be carried out by EBCC could adversely affect the ACE Group's business, prospects, financial condition or results of operations, and consequently, the value of the shares.

Risks related to the breakdown of key machinery

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

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

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

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

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 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 2010 the ACE Group comprised two holding companies, three operating companies and a R&D unit:

Company name	Status	Ownership	Consolidation method
ACE S.A.	Holding Company	-	Full
ACE Boroa S.L.	Holding Company	100%	Full
ACE 4C A.I.E.	R&D	100%	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 2010:

Management Committee:

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

Board of Directors:

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

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. At the last GSM he was also elected President of the Board.

Raúl Serrano

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

Witold Franczak

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

Rafał Lorek

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

Piotr Nadolski

A graduate of the Warsaw School of Economics, Mr Nadolski has nearly 14 years' experience in management of equity assets and equity funds. He developed most of his professional career working for Ballinger Capital Group, in 1996–2006 as Investment Manager and in 2002–2003 as Vice President of Fund 1 NFI, followed by the position of President of Fund

V NFI in 2003–2007. Since 2007 Mr Nadolski has served as a founding partner and co-owner of Sandfield Capital, which focuses on seed and capital ventures with innovative companies.

Olivier Schmeer

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

Compensation of Management Committee and Board of Directors Members in 2010

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 2010 through 31 December 2010 are as follows:

	EUR '000
Current compensation	645
salary	642
bonus	3
Total, directors of the Company	**645**

Board of Directors compensation

Only members appointed in 2010 benefit from a compensation plan. The President and 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
José Manuel Corrales	-	-	-
Raúl Serrano	-	-	-
Paweł Szymanski	8,550	-	-
Marek Adamiak	8,550	-	-
Jerzy Symczak	8,550	-	-
Laurence Vine-Chatterton	2,400	-	-
Witold Franczak	9,750	-	-
Rafał Lorek	9,750	-	-
Piotr Nadolski	9,750	-	-
Olivier Schmeer	13,500	-	-

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. In 2010, only one manager of EBCC could 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.

Apart from this, on 23 December 2010, the Board of Directors approved a yearly management remuneration scheme for the Senior Officers of the Group and the Chief Executive Officer of the Company together with a multiyear annual management remuneration scheme linked to the increase of the market value of the Company shares from the date of the agreement through the end of 2014. As of 31 December 2010, no amount related to this remuneration scheme had been accrued.

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, but it 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 and a 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, references to "supervisory board" and "management board" in the Best Practices will be treated as references to ACE's Board of Directors.

In 2010 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, 1.12
Further explanation of non-compliance and proposed improvement actions are described below:
Section II: 1.7, 1.12 – All rules refer to the website content.

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

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 IFRS adopted by the EU and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer or the undertakings included in the consolidation as a whole and the management report includes a fair review of the important events that have occurred during the financial year. The directors' report on the operations of the Group truly reflects the development, achievements and situation of the Company, including a description of the key risk factors and threats.

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

Luxembourg, 29 April 2011

José Manuel Corrales

Raúl Serrano

AUTOMOTIVE COMPONENTS EUROPE

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www.acegroup.lu

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 2010

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 31 2010

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 2010.

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 2010, it appears that the group reports a profit of EUR 2,548 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.

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

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 39.6 million in 2007, 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 near 40% of the European aluminium callipers.

FUCHOSA, S.L.

ACE Boroa S.L. has a 100% participation in the capital of FUCHOSA, S.L. (Formerly RETORGAL XXI, S.L.), a Limited Liability Company organised under the laws of Spain, with its registered office at 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 46,4 million in 2007, becoming the leader of the anchor market. Fuchosa is located in Atxondo, 40km from Bilbao, in one of the most industrial regions of Spain with the highest intensity of iron foundries in Europe. Fuchosa is the clear leader with an estimated market share above 40% of the European iron anchor market. The strong market position result from high level of specialisation, engineering and technological expertise as well as highest standards of production and customer service.

FERAMO METALLUM INTERNATIONAL s.r.o.

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

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.

ACE BOROA S.L.U.

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

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

ACE4C AIE

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

2. Important Events since December 31 2010

There were no material events after the year end.

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 2010, 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 2010, 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 2011 to December 2011.

In Brno, 31th March 2011.

José Manuel CORRALES *Chairman*	Piotr NADOLSKI *Independent Director*
Witold Jan FRANCZAK *Independent Director*	Raul SERRANO SECADA *Director CB*
Rafal LOREK *Independent Director*	Oliver SCHMEER *Independent Director*

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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 AGREE

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated June 15, 2010, we have audited the accompanying consolidated financial statements of A.C.E. S.A., which comprise the consolidated balance sheet as at December 31, 2010 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated 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 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 agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

Deloitte.

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

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

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, 2010, and of its financial performance, changes in its equity 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 under the responsibility of the board of directors, is consistent with the consolidated financial statements.

For Deloitte S.A., *Cabinet de révision agréé*

Sophie Mitchell, *Réviseur d'entreprises agréé*
Partner

April 19, 2011

AUTOMOTIVE COMPONENTS EUROPE SA
AND SUBSIDIARY COMPANIES

Notes to the consolidated Financial Statements

For the year ended 31 December 2010

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

Automotive Components Europe S.A. and subsidiary companies

Consolidated Balance Sheet
for the year ended 31 December 2010
(expressed in thousand of Euros)

Assets	Notes	December 2010	December 2009
Non-current assets			
Intangible assets	6	217	139
Property, plant and equipment	7	39.659	41.988
Investment in associates	8	-	20
Derivative financial instruments	9	37	-
Deferred tax assets	16	918	1.151
Total non-current assets		40.831	43.298
Current assets			
Inventories	10	8.262	7.623
Trade and other receivables	11	13.981	13.989
Derivative financial instruments	9	82	-
Other current assets		29	106
Cash and cash equivalents	12	17.433	11.906
Total current assets		39.787	33.624
Total assets		80.618	76.922

Equity and Liabilities	Notes	December 2010	December 2009
Capital and reserves			
Share capital		3.185	3.185
Share premium		6.931	6.931
Retained earnings and other reserves		26.100	25.108
Exchange differences		35	(357)
Net profit for the year		2.548	1.980
Total equity	13	38.799	36.847
Non-current liabilities			
Borrowings	14	18.124	14.271
Deferred income		174	213
Deferred tax liabilities	16	3.199	3.410
Derivative financial instruments	9	48	444
Provisions for other liabilities and charges	17	92	109
Total non-current liabilities		21.637	18.447
Current liabilities			
Trade and other payables	18	17.410	14.866
Borrowings	14	2.028	5.018
Derivative financial instruments	9	338	953
Other current liabilities	15	55	14
Provisions for other liabilities and charge	17	351	777
Total current liabilities		20.182	21.628
Total equity and liabilities		80.618	76.922

The accompanying notes form an integral part of the consolidated financial statements of Automotive Components Europe S.A. for the year ended 31 December 2010, 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 2010
(expressed in thousand of Euros)

	Notes	2010	2009
Revenues	19	86.296	77.101
Cost of sales		(69.580)	(61.338)
Gross profit		16.716	15.763
Selling and distribution costs	20	(2.477)	(2.142)
General and administration expenses	21	(10.617)	(9.882)
Other operating income	22	351	1.034
Other operating expenses		(454)	(439)
Operating profit		3.519	4.334
Negative goodwill	5 & 23	-	390
Financial income		1.189	390
Financial expenses		(1.492)	(2.970)
Financial result	24	(303)	(2.580)
Profit before income tax		3.216	2.144
Income tax (expense) / income	25	(668)	(164)
Net profit for the period		2.548	1.980
Attributable to:			
Equity holders of the company		2.548	1.980
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in Euro per share) (note 26)			
- basic		0,12	0,09
- diluted		0,11	0,09

The accompanying notes form an integral part of the consolidated financial statements of Automotive Components Europe S.A. for the year ended 31 December 2010, 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 2010
(expressed in thousand of Euros)

	Notes	Attributable to equity holders of the company								
		Share Capital	**Share premium**	**Legal reserve**	**Other reserves**	**Retained earnings**	**Cash Flow hedges**	**Exchange differences**	**Profit for the period**	**Net Equity**
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		**-**	**-**	**307**	**-**	**23**	**-**	**-**	**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**
Balance at 1 January 2010		**3.185**	**6.931**	**307**	**-**	**24.801**	**-**	**(357)**	**1.980**	**36.847**
Allocation of previous year profit		-	-	-	-	1.980	-	-	(1.980)	-
Profit for the year		-	-	-	-	-	-	-	2.548	2.548
Total recognised income for 2010		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2.548**	**2.548**
Dividend relating to previous period		-	-	-	-	(1.060)	-	-	-	(1.060)
Exchange differences		-	-	-	-	-	-	392	-	392
Cash Flow hedges		-	-	-	-	-	72	-	-	72
Balance at 31 December 2010		**3.185**	**6.931**	**307**	**-**	**25.721**	**72**	**35**	**2.548**	**38.799**

The accompanying notes form an integral part of the consolidated financial statements of Automotive Components Europe S.A. for the year ended 31 December 2010, 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 2010
(expressed in thousand of Euros)

	Notes	December 2010	December 2009
Cash flows from ordinary activities			
Profit before tax		3.216	2.144
Adjusted for:			
Amortisation and depreciation	6 & 7	5.852	5.734
Negative goodwill	5 & 23	-	(390)
Net Financial result	24	1.112	5.471
Losses on sale of property, plant and equipment		(3)	(58)
Gains and losses on changes in fair values of derivative financial instruments	24	(1.058)	(2.898)
Others		(55)	(124)
Operating profit before changes in working capital		9.064	9.879
(Increase)/decrease in receivables and other current assets		(373)	(903)
(Increase)/decrease in inventories		(408)	2.151
Increase/(decrease) in trade and other payables		1.788	(108)
Cash from operating activities		10.071	11.019
Income taxes paid		(269)	(83)
Net cash from ordinary activities		9.802	10.936
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		(6)	-
Acquisition of property, plant and equipment		(2.791)	(2.126)
Proceeds from sale of non current assets		24	1.013
Acquisition of other intangible assets		(113)	-
Loans granted to related parties		(13)	-
Net cash from investing activities		(2.899)	(1.113)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		3	-
Repayments of borrowings		(17.155)	(7.288)
Proceeds from borrowings		17.980	4.796
Dividends paid to Company´s shareholders		(1.062)	-
Net of financial result paid and received		(1.157)	(5.499)
Net cash from financing activities		(1.391)	(7.991)
Net increase/(decrease) in cash and cash equivalents		5.512	1.832
Cash and cash equivalents at beginning of the period		11.906	10.276
Effects of exchange rate changes on the balance sheet		15	(202)
Cash and cash equivalents at the end of the period		17.433	11.906

The accompanying notes form an integral part of the consolidated financial statements of Automotive Components Europe S.A. for the year ended 31 December 2010, 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.

The Company is listed in the Warsaw Stock exchange.The main shareholders of the Company are: OFE PZU 'Zlota Jelsien', ING Nationale Nederlanden Polska OFE, Pionner Pekao Investment 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 2010:

Company	Registered offices	Percentage ownership Direct
ACE Boroa, S.L.U.	Boroa, Spain	100.00 %
ACE4C, A.I.E	Boroa, Spain	100.00 %
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 2010.

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).

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

Continued

On 12 November 2010 the ACE Group signed an long-term syndicated financing agreement with a pool of spanish banks. The refinancing loan is to be used by the Group for partial refinancing and repayment of the current loan facilities used directly by all three production plants. The objective is to substantially improve group cash management, decrease costs of global debt financing and allow aditional free cash-flow within ACE group (see Note 14). To rationalize this financing process and provide the local guarantees required by the syndicated pool of spanish banks, ACE transferred at the same time, through a contribution in-kind, all shares of all three production plants (Fuchosa S.L., EBCC sp. z o.o. and Freramo s.r.o.) to the new Spanish company ACE Boroa S.L., the borrower, being a 100% subsidiary of ACE S.A. This entity as well as all remaining ACE Group members are the debt guarantors.

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

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

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

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

- Fuchosa, S.L. ("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 modular iron safety parts for the automobile sector.

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

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

- Furthermore, EBCC Germany GmbH (a 100% subsidiary incorporated by EBCC and liquidated in 2010) 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)

Continued

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

The Group´s consolidated financial statements for 2010 have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union on 31 December 2010, the Group´s annual closing date.

International Financial Reporting Standards include IFRSs and IASs (International Accounting Standards) and the related interpretations Committee (SIC) and the international Financial Reporting Interpretations Committee (IFRIC).

The following new and revised standards entered into force in 2010 have been considered for the preparation of these financial statements without having a significant impact on neither the reported figures nor the disclosures.

a. Standards (IFRS), amendments and interpretations (IFRIC) that are effective for financial statements of 2010

- IFRS 3 (Revised) on accounting for business combinations; the revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payment classified as debt subsequently re-measured through the income statement. All acquisition-related costs should be expensed. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquire at faire value or at the non controlling interest´s proportionate share of the acquiree´s net assets.

- IAS 27 (Revised) on the preparation of consolidated financial statement; the revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses.

- IAS 39 amendment, that provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

- IFRS 2 amendment, that 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 and services when another group entity or shareholder has the obligation to settle the award.

- IFRIC 17, this interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

- IFRIC 18, The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from ‘customers’ and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognize the asset at its fair value on the date of the transfer, with the credit being recognized as revenue in accordance with IAS 18 Revenue.

b. Newly published standards, amendments and interpretations to existing standards that are not yet effective

- Amendments to IFRS 7 Financial Instruments: Disclosures. The amendments to IFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.

Continued

- Amendments to IAS 24 on related party disclosures and transactions: IAS 24 Related Party Disclosures modifies the definition of a related party and simplifies disclosures for government related entities.

- Amendments to IAS 32: The amendments to IAS 32 titled Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability.

- IFRS 9: IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- IFRIC 19: This provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments.

- IFRIC 14: this provides guidance regarding prepayments of a minimum funding requirement.

The application of these standards, amendments and interpretations is not expected to have a material impact on the Group´s consolidated financial statements.

1. Funtional Currency

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

2. Judgement, estimates and correction of errors

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

The Group's consolidated financial statements for the year ended 31 December 2010, include Group management and consolidated companies' estimates on the value of assets, liabilities, income, expenses and commitments recognised, which were subsequently ratified by the Board of Directors. These estimates mainly comprise:

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

Although estimates were based on the best information available at 31 December 2010, 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.

Continued

(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 2010.

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 2010 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.

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 (84% in 2009), which are allocated in Fuchosa and EBCC. The management do not consider this situation as a significant risk, due mainly to the solvency of said customers and different specific circumstances that allows the Group to maintain a strong position againts the customers and build long term relationships. Apart from that, ACE Group products are installed in the majority of automobiles produced in Europe, so indirect customers are in practice all the OEM.

4. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries), except those which integration effect is negligible (see note 8). 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.

Continued

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 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.

Continued

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

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

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

The Group's policy for goodwill arising on the acquisition of an associate is described at Note 3.6 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.

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.

Continued

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

b. The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.
Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group’s general policy on borrowing costs (see note 3.11 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.

Continued

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.

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.

Continued

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 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.

Continued

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.

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.

Continued

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.

b. Research & development expenditure

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

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

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

c. Intangible assets acquired separately

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

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).

Continued

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Given the circumstances of its business, the Group considers each subsidiary as a different cash-generating unit. No additional cash-generating units are identified in the different subsidiaries.

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

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

As of December 31, 2010, no impairment losses have arisen as a consequence of the impairment tests performed on the basis of abovementioned cash-generating units.

18. Inventories

Inventories are stated at the lower of cost and net realizable value. Costs comprise 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 realizable 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.

Continued

20. Financial instruments

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

a. Trade receivables

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

b. Cash and cash equivalents

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

c. Financial liabilities and equity

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

d. Bank borrowings

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

e. Trade payables

Trade payables are stated at 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.

Continued

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

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

Derivative financial instruments qualify for Hedge accounting when:

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

The effects of hedge accounting are as follows:

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

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.

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. <u>Termination benefits</u>

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, or expenses by income, unless permitted by a relevant standard or interpretation.

Continued

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 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.

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

Assets, liabilities, income and expenses for segments include directly attributable items as well those which can be reasonably and reliably assigned to a segment. All balance sheet items have been assigned to the segments.

The business segments defined by the Group are as follows:
- Iron casting: relates to the production of iron based products.
- Aluminium casting: relates to the production of aluminium based products.
- Others: relates mainly to the sale of tooling.

(5) Business combination

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

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 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.

Continued

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

(6) Intangible assets

Details of and movements in intangible assets for the year from 1 January 2009 to 31 December 2010 are shown below.

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

Details are as follows:

	Trademarks and licences	Other (*)	Total
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
Year ended 31 December 2010			
Opening net book amount	135	4	139
Additions	-	113	113
Amortisation charge	(76)	(106)	(182)
Transfers (Net)	-	148	148
Disposals (Cost)	-	(226)	(226)
Disposals (Depreciation)	-	226	226
Closing net book amount	59	158	217
At 31 December 2010			
Cost	628	1,067	1,695
Accumulated amortisation and impairment	(569)	(909)	(1,478)
Net book amount	59	158	217

(*) Others includes R&D expenses recognised under IAS 38.

Continued

(7) Property, plant and equipment

Details of and movements in property, plant and equipment for the year from 1 January 2009 to 31 December 2010 are as below.

At 31 December 2010, all Group property, plant and equipment have been considered as a promise of mortgage guarantee in order to secure the repayment of the new syndicated loan signed during 2010 (see note 14).
At 31 December 2009, certain land and buildings were 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.

	Land & Buildings	**Vehicles & machinery**	**Furniture, fittings & Equipment**	**Total**
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

Year ended 31 December 2010				
Opening net book amount	14,704	24,503	2,781	41,988
Additions	43	1,132	1,616	2,791
Depreciation charge	(507)	(4,674)	(489)	(5,670)
Transfers (Net)	-	-	(147)	(147)
Disposals (Cost)	-	(556)	300	(256)
Disposals (Depreciation)	-	356	6	362
Net foreign currency exchange				
differences (cost)	324	322	21	667
(depreciation)	(24)	(49)	(2)	(75)
Closing net book amount	14,540	21,034	4,086	39,659
At 31 December 2010				
Cost or valuation	18,699	73,405	6,664	98,768
Accumulated depreciation	(4,159)	(52,371)	(2,579)	(59,109)
Net book amount	14,540	21,034	4,086	39,659

(8) Investment in associates

In 2010, EBCC Germany has been liquidated as of December 31, 2010.

The Group's share of the results of its principal associates (see Note 1), Feramo Trans, 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 2010							
Feramo Trans	Czech Republic	0.2	28	(5)	-	100%	-
		0.2	28	(5)	-	100%	-
December 2009							
EBCC Germany	Germany	28	10	(4)	-	100%	20
Feramo Trans	Czech Republic	14	27	(23)	67	100%	-
		42	37	(27)	67		20

Continued

(9) Derivative financial instruments

Details are as follows:

	Thousand of Euros December 2010	Thousand of Euros December 2009
Non - Current financial assets		
Currency option	37	-
Current financial assets		
Currency option	82	-
Non - Current financial liabilities		
Interest rate swap	47	-
Currency option	1	444
	48	444
Current financial liabilities		
Currency option	338	953

The Group uses interest rate swaps to minimize its exposure to interest rates fluctuations on its bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. As of December 2009, contracts with outstanding values of Euro 7.1 million had fixed interest payments at an average rate of 3.51 per cent for periods up until 2013. In the context of the new syndicated loan (see note 14), those interest swaps have been cancelled and new ones have been signed. Contracts with outstanding values of Euro 9 million have fixed interest payments at an average rate of 2.43 per cent for periods up until 2016 (see note 14).

The Group also uses currency financial instruments in order to minimize its exposure to the exchange rate risk between the Polish Zloty and the Euro due to PLN denominated expenses whereas most of sales are denominated in Euro The Group has entered in 2010 into derivative contracts to sell Euro and buy PLN to secure EBCC's payments denominated in foreign currency (PLN), mainly salary and wages, moulds regeneration and supply and electricity costs. The amount hedged as of December 31, 2010 amounts 20 million PLN, approximately.

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 15.3 million 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

Continued

(10) Inventories

Details of inventories are as follows:

	Thousand of Euros December 2010	Thousand of Euros December 2009
Raw materials and supplies	4,336	3,447
Work in progress	1,015	1,336
Finished products	2,910	3,288
Payments on account	1	1
Depreciation of inventories	(738)	(449)
	8,262	7,623

The “Raw materials and supplies” caption of the table above includes spare parts allocated in Fuchosa and EBCC for a gross amount of Euro 2,178 thousand, approximately. Management performs on a monthly basis slow rotation analysis in order to identify signs of impairment. Following those analysis, the caption of “Depreciation of inventories” includes a provision for slow rotation amounting Euro 708 thousand, approximately, as of December 31, 2010 (Euro 388 thousand as of December 31, 2009).

(11) Trade and other receivables

Details of debtors are as follows:

	Thousand of Euros December 2010	Thousand of Euros December 2009
Trade receivables	14,184	14,455
Less: provision for impairment of receivables	(268)	(530)
Trade receivables – net	13,916	13,925
Prepayments	65	64
Total	13,981	13,989
Current portion	13,981	13,989
	13,981	13,989

Continued

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 2010				
	Within terms	Up to three months overdue	Between three months and one year overdue	More than one year Overdue	Total
Trade and other receivables (current)	13,612	310	29	30	13,981
Total	13,612	310	29	30	13,981

	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 (current)	12,324	1,456	209	-	13,989
Total	12,324	1,456	209	-	13,989

(12) Cash and cash equivalents

	Thousand of Euros December 2010	Thousand of Euros December 2009
Cash at bank and in hand	5,976	966
Short-term bank deposits	11,457	10,940
Cash and cash equivalents	17,433	11,906

The Group company Fuchosa did not met 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. This amount corresponded to the payment to be made in February 2010. Since the company is meeting bank covenants as of December 2010 the Management do not have any amounts taken as cash collateral in the short term.

Continued

(13) Equity

Details of and movements in the various items included in equity are detailed in the consolidated statement of changes in equity, which forms an integral part of the ACE Group consolidated financial statements as of December 31st 2010.

(a) Share capital

At 31 December 2010 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 was a capital reduction during 2009, crediting Retained Earnings, as explained below (note 13.e)

As at 31 December 2010, there was an authorised share capital not issued of 2,947,365 shares of which 1,002,505 shares are related to the ESOP scheme in EBCC (Note 31).

(b) Share premium

The share premium is governed by the same restrictions as those applicable to the voluntary reserves and can be used for the same purposes, including conversion to share capital.
No changes have been registered as for the share premium during the period. As at 31 December 2010, 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 of 31 December 2010, Legal reserve amounts to Euro 307 thousand.

(d) Retained earnings

This caption amounting to Euro 26,100 thousand includes as of 31 December 2010 the negative goodwill arising on consolidation of Fuchosa, EBCC and Feramo amounting to Euro 13,087 thousand.

Also Retained earnings have been decreased for Euro 1,062 thousand as a result of the dividends related to the previous period distributed during the year ended 31 December 2010.

This caption also includes the profit for year ended 31 December 2009.

(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 hold in 2009 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 Euro 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.

Continued

As of December 31, 2010 and 2009 there are not shares of A.C.E. S.A. owned by the company.

Detail of and movements in share capital for 2009 and 2010 are shown below.
In thousand of Euros, except the number of shares

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

There are not movements in share capital during 2010

(14) Borrowings

Non-current and current borrowings are detailed as follows:

	Thousand of Euros December 2010	Thousand of Euros December 2009
Non-current		
Bank borrowings	16,293	12,066
Other borrowings	1,831	2,205
	18,124	14,271
Current		
Bank overdrafts	-	363
Bank borrowings	1,861	4,488
Other borrowings	167	167
	2,028	5,018
Total borrowings	20,152	19,289

On 12 November 2010 ACE Group through ACE Boroa entity signed a long-term syndicated financing agreement with a pool of Spanish banks. The total maximum amount of the loan granted by the banks will not exceed Euro 19 millions (Euro 18 million as bank borrowing and Euro 1 million as working capital credit) and will be maturing within maximum six years. The cost of the loan is under current market indexations. The loan is to be used by the Group for partial refinance and repayment of the current loan facilities used directly by all three production plants. It has improved group cash management, decrease costs of global debt financing and allow for free flow of cash within the ACE group.

With this new financing agreement, all main Group bank loans have been cancelled. The only previous loans the Group mantains as of December 31, 2010 are those bank loans related to Feramo and EBCC leasings and other granted subsidized loans in Fuchosa.

Continued

This syndicated loan, which matures on December 13, 2016, is subject to compliance with certain obligations relating to financial ratios and CAPEX. Non compliance with them could affect both the interest rate and the maturing date. According to the agreed conditions, the degree of compliance with the financial ratios and levels will be determined at the close of each semester and the Group must provide certain financial information to the banks in order to assess compliance with these ratios. Said loan bears an interest of Euribor + 2.65% as a first margin. The increase in the margin is based on the capital-debt ratio evolution, as included in the loan agreement. At December 2010 the Group has met all the above mentioned financial ratios.

The exposure of the Group's borrowings to interest rate changes at the balance sheet date is 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. The Group entered into interest rate swap contracts with nominal values of the 50% of the bank loan (Euro 9 million as of December 31 2010) fixing the variable rate at an average rate of 2.43 per cent for periods up until 2016.

As of 31 December 2010, the Group has not already repaid any amount concerning this new loan.

As disclosed in note 30, the Group has granted a guarantee in favour of the banks, through the pledge of Fuchosa, EBCC, Feramo and ACE Boroa shares. Additionally, as disclosed in note 7, a mortgage promise on all property, plant and equipment has been granted to secure said loans for an amount of Euro 39,659 thousand.

(15) Other current liabilities

The other current liabilities are detailed as follows:

	Thousand of Euros December 2010	Thousand of Euros December 2009
Lease liabilities	7	14
Other	48	-
	55	14

Other current liabilities, besides lease liabilities, are composed of prepayments received for sale of castings.

Continued

(16) Deferred tax assets and liabilities

The main deferred tax liabilities and assets recognised by the Group as of 31 December 2010 are as follows:

	Thousand of Euros December 2010	Thousand of Euros December 2009
Deferred tax assets:	918	1,151
	918	1,151
Deferred tax liabilities:	(3,199)	(3,410)
	(3,199)	(3,410)
	(2,281)	(2,259)

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

	Thousand of Euros December 2010	Thousand of Euros December 2009
Beginning of the year	2,259	2,128
Changes in scope of consolidation	-	-
Income statement charge (see note 25)	(38)	141
Exchange differences	60	(10)
End of the year	2,281	2,259

The companies forming part of the Group had tax loss carry-forwards to be offset against future tax profits amounting to Euro 2,980 thousand as of December 2010. This amount as of December 2009 was approximately Euro 4,406 thousand. The decrease is due to derivative financial instruments cancellation costs during 2009 that were tax deductible (see note 24). Said cancellation costs were 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 1,300 thousand (capitalized in the balance sheet) and indefinitely for Euro 1,680 thousand not capitalized.

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.

Continued

(17) Provisions for other liabilities and charges

Details are as follows: (Thousand of Euros)

	Pensions and similar	Tooling Renewal	Other provisions	Total
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
At 31 December 2009	121	378	387	886
Additional provisions	-	-	71	71
Unused amounts reversed	(61)	(378)	(60)	(499)
Used during year	-	-	(15)	(15)
At 31 December 2010	60	-	383	443

Analysis of total provisions:

	December 2010	December 2009
Non-current	92	109
Current	351	777
	443	886

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 provision for tooling renewal registered in 2009 corresponds to the expected cash outflows for the replacement of the tooling used in its production process and which is owned by the customers. In 2010, management has reviewed the assumptions supporting that provision and has concluded that the provision is not necessary, as there is not a formal commitment to replace the tooling if not needed. From 2010 onwards this tooling are capitalized when purchased and depreciated over the remaining period of the corresponding project.

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 or is likely.

Continued

(18) Trade and other payables

Details are as follows:

	Thousand of Euros December 2010	Thousand of Euros December 2009
Trade payables	15,711	13,464
Current tax liabilities and other tax liabilities	1,412	1,061
Accrued expenses	287	341
	17,410	14,866

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

(19) Revenues

The distribution of consolidated net revenues for the twelve months ended 31 December 2010 by business segments is as follows:

	Thousand of Euros 2010	Thousand of Euros 2009
Products		
Iron castings	51,302	43,226
Aluminium castings	31,539	30,691
Others	3,455	3,184
	86,296	77,101

The geographical distribution of the consolidated sales is as follows:

	Thousand of Euros 2010	Thousand of Euros 2009
Western Europe	53,507	45,891
Eastern Europe	32,035	30,832
Other countries	754	378
	86.296	77,101

Continued

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. For this reason and the company market share, the management does not consider this fact a significant risk, as on the other hand said customers are considered solvent enough.

(20) Selling and distribution costs

Details of distribution costs are as follows:

	Thousand of Euros 2010	Thousand of Euros 2009
Transportation costs	1,246	1,203
Packaging expenses	298	135
Salaries and wages Sales	686	693
Other distribution costs	247	111
	2,477	2,142

(21) General and administrative Expenses

Details of administrative expenses are as follows:

	Thousand of Euros 2010	Thousand of Euros 2009
Wages and salaries	5,985	5,556
External services	2,502	2,232
Depreciation and amortisation	533	609
Renting	368	291
Other administrative expenses	1,229	1,194
	10,617	9,882

The fees for financial audit services provided to the various companies composing the ACE Group by the principal auditor during 2010 amounted to approximately EUR 127 thousand. Also, other services were provided by the principal auditor the fees for which amounted to approximately EUR 18 thousand. No tax services have been provided by the principal auditor during 2010.

Continued

The Group headcount at 31 December 2010 is as follows:

	Headcounts December 2010	Headcounts December 2009
Managers	33	29
Administrative employees	121	120
Workers	647	663
	801	812

(22) Other Operating Income

Details are as follows:

	Thousand of Euros 2010	Thousand of Euros 2009
Income from subsidies	251	452
Insurance reimbursement	6	2
Other operating income	94	580
	351	1,034

(23) Negative goodwill

As mentioned in note 5, a negative goodwill arose due to the acquisition of Feramo in 2008.

As of 10 December 2009, ACE 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 was subsequent to the 12 months of provisional accounting permitted by IFRS 3, the Group did not modified the amount of the initial negative goodwill recognised, and therefore recorded an income for Euro 390 thousand. (See note 5)

(24) Net financial result

Details are as follows:

	Thousand of Euros 2010	Thousand of Euros 2009
Interest income:		
- Interest on deposits	130	139
	130	139
Interest expense from third parties:		
- Bank borrowings	(712)	(927)
- Other interest expenses and charges	(113)	(238)
	(825)	(1,165)
Net foreign exchange transaction gains/(losses):	(380)	(4,030)
Net profit from derivative financial instruments:		
- Forward foreign exchange contracts	843	2,647
- Interest rate swaps	(71)	(171)
	772	2,476
	(303)	(2,580)

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 15.3 million P LN, 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 in 2009 of net foreign exchange transaction losses exceeding Euro 3.2 million corresponded to losses in exchange rates transactions versus Czech koruna and Polish zloty.

Continued

b. Net profit from derivative financial instruments

The registered amount corresponds to the revenue regarding the valuation of the derivative financial instruments related to currency option for the Polish Zloty and the effect of the derivatives cancelled by Fuchosa related to the previous loan cancelled with the refinancing at Group level.

(25) Income tax expense

Domestic income tax is calculated at 28.59% of the profit for the year (Corporate income tax was 28.59% for 2009). 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 2010	Thousand of Euros 2009
Profit before tax	3.216	2,144
Tax at the domestic income tax rate	919	613
Effect of different tax rates	10	(74)
Effect of tax deductions	(271)	(431)
Effect of non tax deductible cost	188	91
Others	(177)	(35)
	668	164
Income tax expense / income and effective tax rate		
Thereof		
Current tax expense	706	23
Deferred tax expense / (income) (note 16)	(38)	141
	668	164

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 2010 is 20.77% (31 December 2009: 7.64%).

(26) Earnings per Share

a. Basic

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

	December 2010	December 2009
Net profit for the year (thousands of Euros)	2,548	1,980
Weighted average number of ordinary shares for the purpose of basic earnings per share	21,230,515	21,230,515
Basic earnings per share (Euros)	0.12	0.09

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

	December 2010	December 2009
Weighted average number of ordinary shares in circulation at the end of the year	21,230,515	21,230,515

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 2010	December 2009
Net profit for the year (thousands of Euros)	2,548	1,980
Weighted average number of ordinary shares plus the effect of dilutive options	22,233,020	22,233,020
Diluted earnings per share (Euros)	0.11	0.09

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 2010	December 2009
Weighted average number of ordinary shares used in the calculation of basic earnings per share	21,230,515	21,230,515
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	22,233,020

(27) Operating lease arrangements

a. The Group as a Lessee

At 31 December 2010 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 368 thousand have been recognised as an expense for the year ending 31 December 2010 (Euro 291 thousand for the period ending at 31 December 2009).

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

	Thousand of Euros 2010	Thousand of Euros 2009
Up to 1 year	340	244
Between 1 and 5 years	1,163	830
	1,503	1,074

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 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 198 thousand for the year ending 31 December 2010 (Euro 180 thousand for 2009).

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 2010	Thousand of Euros 2009
Up to 1 year	149	33
Between 1 and 5 years	476	142
	625	175

The carrying amount of the assets under financial leasing amounts to Euro 818 thousand (Euro 262 thousand in 2009) included in Vehicles and Machinery. During 2010, the subsidiaries Feramo and EBCC have signed new leasing contracts with Deutsche Leasing, CSOB Leasing, SG Equipment Leasing and BZ WBK Finanse&Leasing S.A. to lease equipments 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 1,513,670 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 2009 to 31 December 2010 are as follows:

	Thousand of Euros 2010	Thousand of Euros 2009
Short-term remuneration	645	476
Of which salary	*642*	*463*
Of which bonus	*3*	*13*
Share based payments and ESOP	-	-
Total, directors of the Company	645	476

The increase is explained by the salary of some new directors hired during the year ended 31 December 2010.

Continued

Apart from this, on December 23, 2010, the Board of Directors have approved a yearly management remuneration scheme for the Senior Officers of the Group and the Chief Executive Officer of the Company together with a pluri-annual management remuneration scheme linked to the increase of the market value of the Company shares from the moment of the agreement to the end of 2014. As of December 31, 2010, no amount related to this remuneration scheme has been accrued.

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 2010.

(30) Contingent Liabilities

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

As of December 31 2009, the dispute in question concerned 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 9,462 thousand). 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 decision of the Appellate court in Olomouc No. 8 Cmo 216/2007 from 7 September 2010 was issued and decided in line with the decision of the Supreme court of the Czech Republic č.j. 29 Cdo 3654/2008 from 16 December 2009. The court decided that Feramo was obligated to pay a part of interest, the principal amount that Feramo has defended over the 12 years was confirmed by the court as final. The interest amount to be paid amount to CZK 3.306 thousand (approximately Euro 132 thousand). Feramo paid it on 4 November 2010.

Based on the Purchase Agreement between ACE and the former owner of Feramo Metallum, the latest paid half of this amount to Feramo as a third party payee.

The deadline for a final appeal back to the Supreme Court has expired on 18 December 2010.

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 long. The company management considers that the probability of success of the claimant is low as such management has not recorded any provision. In addition to this, based on the Purchase Agreement between ACE and the former owner of Feramo Metallum, the latest should pay all of this amount to Feramo as a third party payee.

Continued

c. Pledge of assets and shares

As mentioned in note 14 as part of the new long term financing of the Group, the shares in Fuchosa; EBCC, Feramo and ACE Boroa are subject to a pledge in favour of a pool of Spanish banks composed by: Caixa d'Estalvis i Pensions de Barcelona, Banco Popular Español, S.A., Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A. and Bankinter, S.A.

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

(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 2009 and 2010, 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.

Continued

Amounts in Euro thousands

December 2010	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	13,981	-	-	13,981
Derivative financial instruments (note 9)				
- non-current	-	37	-	37
- current	-	82	-	82
Cash and cash equivalents (note 12)				
- cash at bank and in hand	-	-	5,976	5,976
- short term bank deposits	-	-	11,457	11,457
Total	13,981	119	17,433	31,533
Liabilities:				
Borrowings (note 14)				
- non-current	-	-	18,124	18,124
- current	-	-	2,028	2,028
Derivative financial instruments (note 9)				
- non-current	-	48	-	48
- current	-	338	-	338
Trade and other payables (note 18)	-	-	17,410	17,410
Other current liabilities (note 15)	-	-	55	55
Total	-	386	37,617	38,003

Continued

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

Receivables at cost

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

Derivatives used for hedging at fair value

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

Financial assets and liabilities at amortised cost

Borrowings:

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

Other Financial liabilities:

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

b. <u>Credit risk management policies and exposures</u>

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

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

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

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

c. <u>Liquidity risk management policies and exposures</u>

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

Continued

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 2010

	Due within 12 months	Due between 1 and 5 years	Due after 5 year
Bank borrowings (note 14)	2,028	12,777	5,347
Trade and other payables (note 18)	17,410	-	-
	19,438	12,777	5,347

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

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 2010 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.
Regarding Czech Koruna, at 31 December 2010 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	2010	2009
PLN/EUR +5%	83	465
PLN/EUR -5%	(173)	(241)
CZK/EUR +5%	201	(117)
CZK/EUR -5%	(223)	15

Continued

In the same way, at 31 December 2010 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 (2009 unchanged).

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

e. Capital Risk

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

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) <u>Subsequent Events</u>

There has not been any significant subsequent event.

Continued

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

BUSINESS SEGMENTS
(expressed in thousands of Euros)

	Iron casting December 2010	**Aluminium casting December 2010**	**Others/Unallocated December 2010**	**Consolidated December 2010**
Revenues from third parties	51.302	31.539	3.455	86.296
Total revenues	**51.302**	**31.539**	**3.455**	**86.296**
Profit for the segment	**2.583**	**1.719**	**-**	**4.302**
Other unallocated (expense) income			(783)	(783)
Operating profit				**3.519**
Negative goodwill				**-**
Net financing cost	(453)	169	(19)	**(303)**
Income tax	(384)	(284)	-	(668)
Profit for the year				**2.548**
Segment assets	**43.427**	**28.706**		72.133
Unallocated assets			8.485	8.485
Total assets				**80.618**
Segment liabilities	**18.048**	**5.628**		23.676
Unallocated liabilities			18.143	18.143
Total liabilities				**41.819**
Other information:				
Amortisation and depreciation	(2.461)	(3.389)	(2)	(5.852)
Additions for the year of property, plant & equipment & intangible assets	1.108	1.796	-	2.904

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

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

BUSINESS SEGMENTS
(expressed in thousands of Euros)

	Iron casting December 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.

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

Annual accounts and
Report of the Réviseur d'entreprises
For the year ended
December 31, 2010

82 Route d´Arlon

L-1150 LUXEMBOURG

RCB number: B 118130

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

Chief Executive Director	Mr José-Manuel Corrales Ruiz
Directors	Mr Raúl Serrano Secada Mr Carlos Caba (since February 18, 2010 resigned on June 15, 2010) Mr Oliver Robert G. Schmeer (since March 16, 2010) Mr Piotr Nadolski (since June 15, 2010) Mr Witold Jan Franczak (since June 15, 2010) Mr Rafal Lorek (since June 15, 2010) Mr Pawel Szymanski (resigned on June 15, 2010) Mr Jerzy Szymczak (resigned on June 15, 2010) Mr Marek Adamiak (resigned on June 15, 2010) Mr Laurence Vine-Chatteron (resigned on March 8, 2010)
Audit Committee members	Mr Piotr Nadolski Mr Witold Jan Franczak Mr Rafal Lorek
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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Deloitte.

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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 AGREE

Following our appointment by the General Meeting of the Shareholders dated June 15, 2010, we have audited the accompanying annual accounts of A.C.E. S.A., which comprise the balance sheet as at December 31, 2010 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 agréé

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

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

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

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of A.C.E. S.A. as of December 31, 2010, 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.

For Deloitte S.A., *Cabinet de révision agréé*

Sophie Mitchell, *Réviseur d'entreprises agréé*
Partner

April 19, 2011

A.C.E., Automotive Components Europe S.A.
Société Anonyme
Share Capital: EUR 3.184.577
BALANCE SHEET
As at December 31, 2010
(expressed in EUR)

ASSETS

	Note	31/12/2010	31/12/2009
FORMATION EXPENSES	3	400.783	693.941
		400.783	693.941
FIXED ASSETS			
Tangible fixed assets		2.132	3.448
Financial assets	4	15.529.180	14.363.257
		15.531.312	14.366.705
CURRENT ASSETS			
Debtors	5	381.514	584.608
Cash at bank or in hand		1.119.112	1.704.144
		1.500.626	2.288.752
PREPAYMENTS			
Deferred charges		-	56.234
		17.432.721	**17.405.632**

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, 2010
(expressed in EUR)
- continued -

LIABILITIES

	Note	31/12/2010	31/12/2009
CAPITAL AND RESERVES	6		
Subscribed capital		3.184.577	3.184.577
Share premium account		7.954.525	7.954.525
Legal reserve		306.677	306.677
Voluntary reserve		4.152.218	5.574.673
Profit or loss for the financial year		1.512.255	(360.929)
		17.110.252	16.659.523
PROVISIONS FOR LIABILITIES AND CHARGES			
Tax provisions		-	73.383
Other provisions	7	57.693	72.746
		57.693	146.129
CREDITORS	8	264.776	599.980
		264.776	599.980
		17.432.721	**17.405.632**

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, 2010
(expressed in EUR)

CHARGES

	Note	31/12/2010	31/12/2009
Value adjustment in respect of formation expenses	3	293.158	293.158
Value adjustment in respect of tangible fixed assets		1.315	1.397
Staff costs	9	7.972	7.871
Other operating charges		755.326	692.479
Interest payable and similar charges	10	2.218	2.789
Profit for the financial year		1.512.255	-
		2.572.244	**997.694**

INCOME

	Note	31/12/2010	31/12/2009
Other operating income		416.449	449.254
Other interest receivable and similar income	11	2.155.795	183.511
Extraordinary income		-	4.000
Loss for the financial year			360.929
		2.572.244	**997.694**

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, 2010

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, 2010, formation expenses are depreciated over 5 years and include fees in relation with the incorporation of the Company.

	2010 EUR	2009 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	17.664	12.556
Amortisation for the year	5.108	5.108
Amortisation - closing balance	22.772	17.664
Net book value - opening balance	7.874	12.982
Net book value - closing balance	2.766	7.874

3.2. OTHER FORMATION EXPENSES

As at December 31, 2010, other formation expenses are depreciated over 5 years and include fees in relation with the IPO:

	2010 EUR	2009 EUR
Gross book value - opening balance	1.440.254	1.440.254
Additions for the year	-	-
Gross book value - closing balance	1.440.254	1.440.254
Amortisation - opening balance	754.187	466.136
Amortisation for the year	288.051	288.051
Amortisation - closing balance	1.042.238	754.187
Net book value - opening balance	686.067	974.118
Net book value - closing balance	398.016	686.067

NOTE 4 - FINANCIAL FIXED ASSETS

The financial fixed assets are composed by the following elements:

	2010 EUR	2009 EUR
Shares in affiliated undertakings	9.607.856	9.604.844
Loans to affiliated undertakings	5.921.323	4.758.413
	15.529.180	**14.363.257**

The shares in affiliated undertakings are summarized as follows:

Name	Country	Ownership %	Book value 2010 EUR	Book value 2009 EUR
Fuchosa S.L.	Spain	100%	-	1.203.006
EBCC Sp. z o.o.	Poland	100%	-	1.829.000
Feramo Metallum International s.r.o.	Czech Republic	100%	} -	6.572.838
Feramo Trans s.r.o.	Czech Republic	100%		
Ace Boroa S.L.U.	Spain	100%	9.607.856	
			9.607.856	**9.604.844**

The movements of the year correspond to:

- On October 8, 2010 the Company bought the company ACE Boroa S.L.U.
- On November 12, 2010 the Company increased the share capital of ACE Boroa S.L.U. by the contribution by kind of the shares it holded in the subsidiary undertakings (Fuchosa S.L., EBCC Sp.z o. o., Feramo Metallum International s.r.o. and Feramo Trans s.r.o.). Consequently, the contribution has been done at the historical net booked value of these four companies.

The net equity of the affiliated undertakings is summarized below:

Name	Last balance sheet date	Net equity at the last balance sheet date * EUR	Result for the last financial year * EUR
Ace Boroa S.L.U.	31/12/2010	47.016.879	(102.049)

* as reported under IFRS

The loans to affiliated undertakings are summarized as follows:

Name	Country	Book value 2010 EUR	Book value 2009 EUR
Fuchosa S.L.	Spain	-	2.999.999
EBCC Sp. z o.o.	Poland	-	1.608.414
Feramo Metallum International s.r.o.	Czech Republic	-	150.000
Ace Boroa S.L.U.	Spain	5.921.323	-
		5.921.323	**4.758.413**

On December 13, 2010, a new loan agreement was signed with Ace Boroa S.L.U. as a result of all outstanding balances of Automotive component Europe S.A. with Fuchosa S.L., EBCC Sp. Z o.o. and Feramo Metallum International s.r.o. The initial amount of said loan is EUR 5.908.827. This loan bears an interest of 6M EURIBOR + 2,75% payable in full at the maturity date of the loan which is on December 13, 2016. Accrued interests are summed up to principal and bear new interest.

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, 2010.

NOTE 5 - DEBTORS

The debtors comprise the following:

Less than 1 year	2010	2009
	EUR	EUR
Interest on loans to affiliated undertakings	-	133.398
Fees for services rendered to affiliated undertakings	381.449	449.254
Other debtors	65	1.956
Total debtors	**381.514**	**584.608**

NOTE 6 - CAPITAL AND RESERVES

Subscribed capital

On January 1, 2010 the Company had a subscribed and fully paid capital of EUR 3.184.577 represented by 21.230.515 shares with a value of EUR 0,15. The authorized capital is EUR 3.759.394.

The subscribed capital at year end is summarized as follows:

	Subscribed Capital	**Share premium account**	**Legal reserve**	**Voluntary reserve**	**Result of the year**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**
As at 31 December 2009	3.184.577	7.954.525	306.677	5.574.673	(360.929)
Allocation of year result				(360.929)	360.929
Dividend distribution				(1.061.526)	
Result of the year					1.512.255
As at 31 December 2010	3.184.577	7.954.525	306.677	4.152.218	1.512.255

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.

Voluntary reserve

On June 15, 2010 the Company decided the distribution of dividends in the global amount of EUR 1.061.525,75 to the shareholders from the account voluntary reserve.

NOTE 7 - OTHER PROVISIONS

As at December 31, 2010 the other provisions comprise the following:

	2010 EUR	2009 EUR
Provisions for accounting & audit fees	57.640	52.460
Provisions for administrative and consulting fees	-	15.000
Other provisions	53	5.286
	57.693	72.746

NOTE 8 - CREDITORS

As at December 31, 2010, the creditors comprise the following:

	Less than 1 year	After 1 year and within five years	Total December, 31 2010	Total December, 31 2009
	EUR	EUR	EUR	EUR
Trade creditors	(23.474)	-	(23.474)	13.097
Amounts owed to affiliated undertaking	260.835	-	260.835	547.538
Other creditors	27.415	-	27.415	39.344
Total creditors	**264.776**	**-**	**264.776**	**599.979**

NOTE 9 - STAFF

The Company employed one person during the year.

NOTE 10 - INTEREST PAYABLE AND SIMILAR CHARGES

	2010	2009
	EUR	EUR
Other interest payable and charges	2.218	2.789
Total	**2.218**	**2.789**

NOTE 11 - OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2010 EUR	2009 EUR
Derived from affiliated undertakings	2.130.088	143.475
Other interest receivable and similar income	25.707	40.036
Total	**2.155.795**	**183.511**

NOTE 12 - OFF-BALANCE SHEET COMMITMENTS

- 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.
- On December 23, 2010, the Board of Directors have approved a yearly management remuneration scheme for the Senior Officers of the Group and the Chief Executive Officer of the Company together with a pluri-annual management remuneration scheme linked to the increase of the market value of the Company shares from the moment of the agreement to the end of 2014. As of December 31, 2010, no amount related to this remuneration scheme has been accrued.
- Guarantee, up to the amount of CZK. 5.000.000, given by ACE SA to HSBC BANK PLC to support a Factoring Agreement granted by the bank to Feramo Metallum International s.r.o.
- On 12 November 2010 ACE Group through ACE Boroa SL entity signed a long-term syndicated financing agreement with a group of Spanish banks. ACE SA has granted a guarantee in favour of the banks, through the pledge of ACE Boroa SL shares.
- ACE SA has entered in 2010 into derivative contracts to sell EUR and buy PLN to secure Group's payments denominated in foreign currency (PLN). The amount hedged as of December 31, 2010 amounts PLN 13.259.500.

NOTE 13 - DIRECTOR FEES

Directors fees paid for the year ended December 31, 2010 amount to EUR 70.800 (2009: EUR 61.800). The company did not grant any advances or loans to the Directors during the year.