ACE

AUTOMOTIVE COMPONENTS EUROPE

ANNUAL REPORT 2012

Leader in the European Automotive Components Market

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Auditor: Deloitte (Luxembourg)

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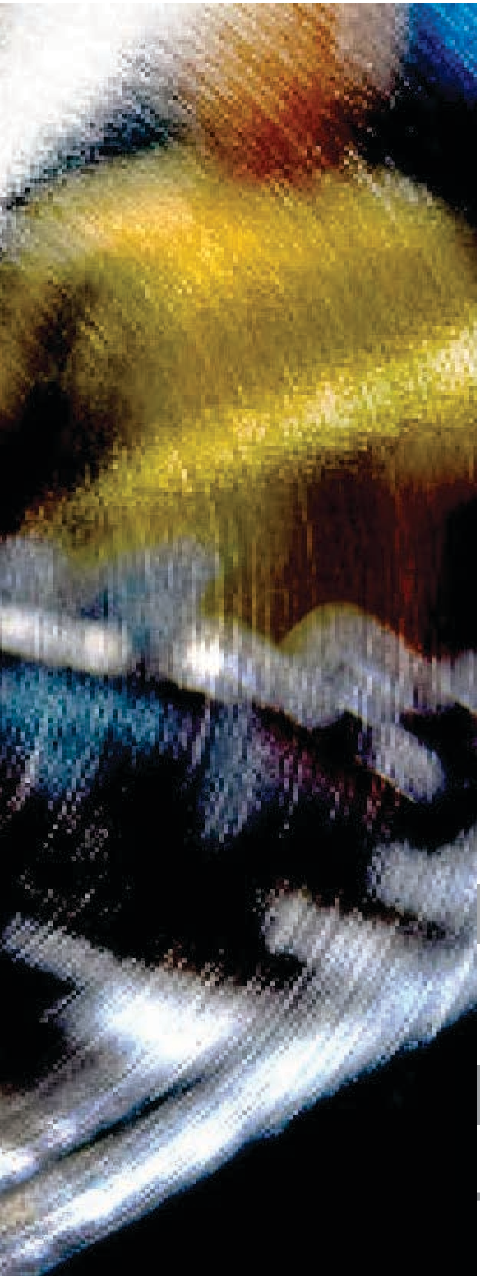
Introduction



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 38, boulevard Napoléon 1er, L-2017 Luxembourg, Grand Duchy of Luxembourg. On 22 February 2013 the Board of Directors of the Company, pursuant to Article 2.1 of the Articles of Association, took a resolution transferring on 25 February 2013 the registered office of the Company within the boundaries of the municipality of Luxembourg City, from its previous location at 82, route d’Arlon, L1150 Luxembourg.

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

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

Mission

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

Vision

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

Key Figures

(EUR '000 except per-share and employment figures)	2012	2011	% Change
Revenues from Sales	98,618	100,689	-2.1%
Gross Profit	17,011	19,093	-10.9%
Operating Profit	3,057	4,898	-37.6%
Net Profit	2,372	2,088	13.6%
Net Profit per share	EUR 0.11	EUR 0.10	13.6%
Cash Flow from Operations	4,804	8,711	-44.8%
Cash Flow from Investments	-11,469	-2,816	307.3%
Cash Flow from Financial Activity	- 996	-1,971	-49.5%
Net Cash Flow	-8,671	3,029	-386.3%
Current Assets	35,995	46,266	-22.2%
Fixed Assets	47,137	38,581	22.2%
Total Assets	83,132	84,847	-2.0%
Long-term Liabilities	22,087	20,502	7.7%
Short-term Liabilities	20,354	25,736	-20.9%
Liabilities	42,441	46,238	-8.2%
Net Debt	9,540	713	1,237.6%
Shareholders' Equity	40,691	38,609	5.4%
Book Value per share	EUR 1.92	EUR 1.82	5.4%
Employees	777	839	-7.4%
EBITDA Margin	8.4%	10.8%	-22.4%
Operating Profit Margin	3.1%	4.9%	-36.3%
Net Profit Margin	2.4%	2.1%	15.9%

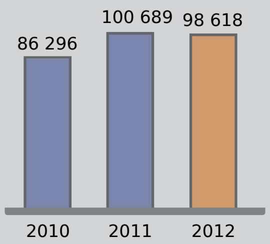
PLN/EUR	Average	High	Low	Period end
2011	4.1196	4.5642	3.8403	4.4168
2012	4.1852	4.5135	4.0465	4.0882

Source: National Bank of Poland

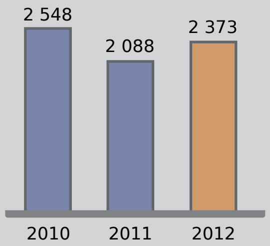
CZK/EUR	Average	High	Low	Period end
2011	24.5858	26.0250	24.0100	25.8000
2012	25.1435	25.9600	24.4350	25.1400

Source: Czech National Bank

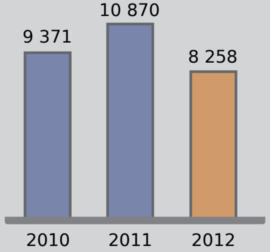
Sales
In '000 EUR



Net Profit
In '000 EUR



EBITDA
In '000 EUR



Major Events in 2012

27 April 2012 >	Publication of the 2011 Annual Report.
19 June 2012 >	Annual General Meeting of Shareholders. Approval of the dividend distribution and a buy-back.
31 August 2012 >	Publication of the interim report for the first half of 2012.
17 September 2012 >	2011 dividend payout.
12 December 2012 >	Initiation of the buy-back programme.

President and CEO's Letter

Dear Shareholders, Employees and Customers,

With unquestionable pride I would like to present ACE Group's consolidated financial statements for the fiscal year ended 31 December 2012. Last year was more than a challenging period for us to pass through due to the general and subjective difficulties we had to overcome. From the market perspective it was the fifth consecutive year of decline of European automotive production and sales, with a visible negative acceleration at the end of the period. From our company's perspective, it was a year of fundamental transition and capacity expansion, allowing us to enter a fast growth path in the upcoming years.

Indeed, our CEE Investment Programme at Feramo was the most important and most challenging issue from the strategic and technical point of view we have ever experienced in the history of ACE. Worth nearly EUR 10 million, this new capacity investment, completely reorganising the layout of the existing plant and requiring adaptive moves of the production facilities, was done on "living tissue" – a factory that was constantly delivering parts to its customers. The installation of an additional 20,000 tonnes of nodular iron capacity, more than doubling the original grey iron production capabilities of Feramo, is being completed with full success, and now we are in the process of start-up of the new equipment. Besides lower production costs and proximity to most of the plants of our current and future customers, which are very important from an operational and profit generation point of view, Feramo made an important step forward in lowering its environmental impact and also gained versatile production capabilities allowing us to move dynamically between iron material technologies, products and customers, depending on the current market situation and the book of orders.

Another important investment programme completed last year was modernisation of one of the production lines in our Spanish plant. The upgrade allowed us to return to the production capacity we had before the slowdown period, but with only two lines instead of three. After a stabilisation period in the fourth quarter of last year, now the new line is fully operational, and the benefits coming from lower production costs and higher productivity will be growing from quarter to quarter, especially accelerating after some minor changes that we will introduce during the summer, in line with its output approaching full capacity.

Despite a very difficult market situation and the investments mentioned above, which had a temporarily negative impact on current performance due to some unavoidable inefficiencies, we managed to report comparable financial results, not far away from the previous year, and even better in the case of some items. Over 1% volume growth of our two automotive plants, compared with a nearly 10% European automotive production decline, is strong evidence of our capabilities to overcome the market trends through the introduction of new products and to gain additional market share. The EBITDA margin was 24% lower year-on-year due to a less profitable mix of products and important additional operational costs linked with the investment programme in the Czech Republic and Spain. But at the same time we managed to improve our bottom line by over 13% year-on-year due to better financial and tax performance.

Beside a day-to-day focus on operational issues and setting up the basis for strong organic growth of the business in the near future, we were also involved in a search for M&A opportunities to speed up future expansion of the ACE Group even faster. We devoted a considerable part of our time and some financial resources to this issue, although at this stage we still cannot report final success in this matter. But we continue our search and strongly believe that it is only a matter of time before we are able to announce a step of expansion of the ACE Group in its market importance, products and customer range. In our opinion, careful selection of an optimal M&A target is very important for us, as it strongly impacts performance of the group right after the acquisition and has a long-lasting effect.

After a turbulent second half of last year, we entered 2013 with some concern, but the market situation seems to be more stable than we previously expected. Our Feramo project is in the final start-up stage and serial production of new parts will start at the beginning of the second half of the year. Our goal is to present measurable positive effects of both of last year's investments even in 2013, with further acceleration of profit generation in the following years—even if the automotive market situation is far from full recovery.

I would like to express my sincere gratitude to our staff at all levels for their efforts and hard work in building the future growth of the company, to our customers for good cooperation in this challenging environment, and to our shareholders for their continued support and confidence in our strategy.

Luxembourg, 23 April 2013

José Manuel Corrales
President and Chief Executive Officer
Automotive Components Europe

Management Report

Market Overview

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

The latest LMC Automotive forecast for 2013, issued in April 2013, predicts a decline of new car sales in Western Europe by about 4.2%, corresponding with a lower production decline of around 4% (source: PwC Autofacts April 2013 including commercial light vehicles), or -2% for Pan-Europe. This forecast is also slightly downgraded compared with the one issued one quarter ago, where expected production change for 2013 by -1% and +1% in the European Union and Pan-Europe respectively.

Market Structure

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

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

Products & Technologies

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

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

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

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

Rear axle brakes			Front axle brakes	
Disc brakes (60%)		Drum brakes (40%)	Disc brakes (100%)	
Iron brackets (100%)		No anchors	Iron brackets (100%)	
Iron callipers (34%)	Aluminium callipers (66%)	No callipers	Iron callipers (95%)	Aluminium callipers (5%)

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

The present and future development strategy of the Company includes development and introduction of some new products to diversify sales revenues. The evolution of "new family products" continues its strong growth and in 2012 grew by 29% compared to 2011 and more than 7-fold versus 2009, the first year of introduction, which very well illustrates and supports that strategy.

Operating Plants

EBCC Sp. z o.o. (Wrocław, Poland)

EBCC was established in 1999. It was originally a producer of hydraulic pumps (as part of PZL Hydral). The change of name and the shift to production of brake callipers resulted from the company's acquisition by Groupe Valfond in 1999, aimed at creating a "first choice" supplier of aluminium brake components for OEMs moving their production facilities to CEE countries. EBCC is currently the number two player, with an estimated nearly 40% of the European market share for aluminium callipers.

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

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 2012 its market share grew in comparison with 2011. Fuchosa has a strong market position, which results from a high level of specialisation, engineering and technological expertise as well as the highest standards of production and customer service.

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

Feramo is a producer of grey iron castings for various industries, including the automotive sector (auto products comprise around 10% of the company's total turnover). Feramo supplies mainly the following industries: automotive (brake drums and clutch components), white goods (mainly components for washing machines), engineering (components for electrical engines and pumps), and construction (sewer/drain iron castings). Feramo's products are mainly tailored to individual customers' requirements. The maximum production capacity of the foundry is about 18,000 tonnes, but in 2012, due to the world crisis, it produced over 40% 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. Before its acquisition by ACE, Feramo implemented a new production line and new sand pit technology. In 2012, Feramo accelerated the investment in the nodular iron technology (CEE project), which will be completed in 2013 and will expand Feramo's activity up to the same level of sales as the other two operating companies, increasing its production capacity and specialising the company in nodular iron parts for the automotive market, by adding some new customers and enlarging its product portfolio.

Customers

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

Since the acquisition of Feramo, some other customers have joined the ACE portfolio. Now Feramo has approximately 75 customers from the Czech Republic and abroad. The 10 largest customers generate about 70% of total sales revenue, and the customer structure is relative stable on a year-to-year basis. The main sectors Feramo supplies are engine parts, construction, automotive and urban furniture. With the launch of the growth project at Feramo, several new customers have been actively approached, and the company has already reached commercial agreements with some of them to produce new parts from the second half of 2013.

Suppliers

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

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

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

Quality Management

The highest quality of our products is the top requirement. Anchors as well as callipers and master cylinders 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 dimensional studies shape accuracy of the finished goods.

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

CERTIFICATION	Fuchosa	EBCC	FERAMO
ISO 9000	✔	✔	✔
TS 19649	✔	✔	✔
ISO 14000	✔	✔	2013*
OSHAS or similar	✔	2013*	2013*

* expected date of implementation

Environmental Issues

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

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

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

In order to reduce our environmental impact and CO2 emissions, our aim is to improve energy efficiency at our iron plant in the Czech Republic and we have already replaced cupola furnaces with electrical ones, which are an environment-friendly and more efficient solution. The improvement process is currently in progress at Feramo, and new electrical furnaces are already operational from the first quarter of 2013. This process will lead to ISO 14001 certification in the second half of 2013.

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

R&D

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

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

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

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

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

(EUR '000)	2012	2011
Investments in R&D	1,910	899
Costs regarding R&D	1,481	1,097
Total R&D expenses	3,391	1,996

Strategy

Strengthening the leading position on the European brake supply market

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

Broadening the technological and product range

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

and industrial equipment. In other directions, implementation of nodular iron technology, promoted by the Group to manufacture new parts for the automotive segment, is also on-going, and after implementation of the CEE investment project, ACE will also change its profile in the nodular iron segment (location, products and customers, among other aspects).

Increasing presence in Europe and exploring new opportunities overseas

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

The increased CEE exposure enables optimisation of the ACE Group's cost position and further business growth through expansion of the current product line and meeting customers' expectations for more flexible deliveries. With hi-tech know-how and experience in deliveries to the automotive industry, top product quality and customer service are guaranteed. Although the Company is focused on expansion in Europe, ACE is actively exploring opportunities in other important automotive areas for fast development, such as Asia and the Americas.

Combined engineering and other synergies

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

Employees

The Group benefits from a highly skilled and professional workforce. Our productivity levels per employee are very high, but much effort is also devoted to constant improvement in this area. At the end of 2012, the reduction in the number of employees was driven by the efficiency improvements achieved at EBCC and also to adjust the workforce to the market demand, and at Fuchosa related to the more efficient new machinery. These reductions have been partially compensated by the increase of employment levels linked with the CEE Investment Project at Feramo.

The total number of employees as of the end of December 2012 is presented in the table below:

	2012	**2011**
Managers	29	31
Administrative employees	140	135
Workers	608	673
Total number of employees	777	839

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)	2012	2011
Revenues from sales	98,618	100,689
Cost of goods sold	-81,607	-81,596
Gross profit	17,011	19,093
GP margin	17.2%	19.0%
G&A expenses	-13,954	-14,195
Operating profit	3,057	4,898
OP margin	3.1%	4.9%
Depreciation & amortisation	-5,201	-5,972
EBITDA	8,258	10,870
EBITDA margin	8.4%	10.8%
Financial income	1,380	1,777
Financial costs	-1,759	-3,360
Profit before tax	2,678	3,315
Tax	- 306	-1,227
Net profit	2,372	2,088
NP margin	2.4%	2.1%

Thousand Units	*Four quarters of 2012*	*Four quarters of 2011*	*Difference*	*%*
Cars sold	11,764	12,809	-1,045	-8.2%
Cars manufactured	11,389	12,658	-1,269	-10.0%
Difference sales - production	375	151	223	147.8%
ACE Automotive	30,457	30,129	328	1.1%

Source: Western Europe by LMC Automotive Forecasting, ACE

ACE sales in the market context

In the automotive industry, market conditions remain tough. Sales of cars in Western Europe decreased by 1,045,000 units (down to 11.8 million units and around 8.2% lower than 2011), with this difference softer in the Pan-European region, where sales of cars declined by 5.6% compared with 2011. In the same manner, production of cars was 10.0% lower (-1,269,000 units) and reduced in Europe as a whole by 6.2%.

Meanwhile, Group sales in terms of volume outperformed market sales and were 1.1% higher in the number of units for the automotive segment, which is similar for the whole Group. The allocation of volume is different in the automotive business segments, with the nodular iron segment flat compared with the previous year (an increase of 0.4% in units but 2.3% in weight), with aluminium increasing by 3.2%, although in the aluminium segment the new family of products is gaining importance, growing by nearly 29%, with machining declining by 12.4%. In the non-automotive segment, grey iron also declined, by 10.1%, but less by weight (-7.7%), which is a much more reliable indicator for this business.

Nevertheless, Group turnover decreased by EUR 2,071,000, or 2.1%, with the aluminium segment as the main reason as a result of the reduction of the machining business, a cheaper mix of new family of products as well as less expensive aluminium surcharged in the selling price.

Direct production costs and gross profit

Regarding the gross profit, and considering that the main impacts are connected with the reduction in volume and activity at Feramo and the different mix at EBCC mentioned above, there is another factor negatively influencing the gross profit, which is the re-start of the third moulding line at Fuchosa, reducing productivity levels and increasing salary expenses, although they improved during the last quarter of 2012. By

contrast, savings in the aluminium segment due to improvements in productivity ratios achieved during this year partially compensated for those negative impacts.

FX activity at the operating level was positive by around EUR 300,000, as a result of the weakening Polish zloty year-on-year.

Finally, lower depreciation connected with the ending of the expected useful life of many Group assets, mainly related to machining assets, led the gross margin to EUR 17,011,000 (17.2% on sales), which is EUR 2,082,000 lower than 2011 (19% on sales).

General & administrative expenses

The change in total G&A expenses in the period was slightly positive. However, in 2012, many different positive and negative events affected total expenses, some of them of a non-recurrent nature and others appearing for the first year.

On the negative side, there was nearly EUR 984,000 in expenses derived from the CEE Project with no visible result so far, M&A expenses incurred during the period, municipality taxes arising out of the last four years, plus a fine coming from different criteria applied by the municipality, which has already been appealed by the Company, and a provision issued for bad debts to cover the insolvency filing of a Spanish customer.

On the positive side, there was EUR 1,047,000 in tax credits for research and development, formerly representing a lower amount, and recorded at the net profit level as a reduction of corporate income tax, which with the growing importance of this activity and its operating nature we are now accounting as operational income. This is appearing for the first year, but the Company can expect some maintenance of this operating income in the future so long as the tax rules do not change.

EBITDA and operating profit

EBITDA in the period was a positive EUR 8,258,000 (8.4% on sales), down by EUR 2,612,000 compared with 2011 (or 24% lower) for the reasons already mentioned.

As already stated, depreciation was lower compared with the previous year, resulting in an operating profit of EUR 3,057,000 (EUR 1,841,000 lower than 2011, reducing the higher difference of EBITDA).

Financial items

The financial result for 2012 was negative EUR 379,000, a positive difference versus 2011 of EUR 1,204,000. The main reasons are on the one hand the currency exchange rate positive differences of EUR 1,035,000, due to the lower volatility of PLN, and on the other hand the capitalisation of part of the Group's loan financial interests devoted to the CEE Project by EUR 538,000. Hereafter the Company can expect some more stability in the financial FX after the capitalisation of part of the Group loan to Feramo to fund the CEE Project capex and further reclassification to long-term of the remaining part of the loan.

At the end of the period, the fair value of hedging instruments and the interest rate swap in the balance sheet was negative by only EUR 100,000, significantly lower compared with the previous year due to the weakening of Polish zloty. According to accounting standards, changes in valuation of current hedging instruments have no impact on the P&L account and are fully cleared through the equity in the balance sheet.

Profit before tax and tax

With the net financial result partially offsetting the negative differences in operating margins, profit before tax was a positive EUR 2,678,000 (EUR 637,000 lower than 2011).

Considering lower profit before tax, the income tax expense was EUR 921,000 lower, also reduced by some tax deductions obtained by the Spanish company, connected with the significant investment realised in 2012.

Net profit

The negative difference in EBIT of EUR 1,841,000 is then compensated by positive differences in both the financial result, of EUR 1,204,000, and income tax, of EUR 921,000, which as a whole resulted in the net profit being EUR 284,000 higher, finally amounting to EUR 2,372,000.

Financial position

The operating generation of cash from January through December of 2012, at EUR 3,794,000, was limited by the increase of working capital and the reduction of EBITDA.

Otherwise, net investing activities were EUR 11,469,000 in the period, mainly affected by the CEE Project capital expenditure. The financing activity is driven by the repayment of Group loans and dividend payout, but also reduced by a new loan of EUR 3 million related to the new investment in Spain showing total financial cash outflows in a net amount of EUR 996,000.

Despite all the above, the final cash position of the Group as of the end of December 2012 was strongly positive, by EUR 12,407,000, growing the net debt as of the same date to EUR 9,540,000.

Performance against budget (forecasts)

The Company did not publish any official forecast or guidelines for 2012.

Outlook for 2013

Automotive market in 2013

The balance of the automotive market in Europe during recent years is quite bleak. In just the five years since 2007, the Western European market lost near 3 million cars, from 14.8 million to 11.8 million units (roughly 40% in Italy, 25% in Spain and 20% in the UK and France). This means a contraction of the market by 20% in only five years, a percentage which is softening when Eastern Europe is included, but also with an increased number of cars lost in the period.

The latest LMC Automotive forecast for sales in the Western European automotive market, issued at the beginning of April for full-year 2013, anticipates a decline of 4.2% from 2012.

This is also balanced with production forecasts. PwC Autofacts, in its last quarterly forecast update (including light commercial vehicles, LCV) issued in April 2013, shows a decrease of 4.2% in full year 2013 for the European Union (or decrease by 1.8% when Eastern Europe is included).

Indeed, the market remains weak, though Autofacts anticipates that demand should stabilse over the summer and begin showing signs of recovery towards the year end. The PwC Autofacts forecast “assumes continued contraction in most of the markets through the first half of the year, followed by some stabilisation and then a return to growth in an increasing number of markets towards the year end.”

Group sales

As far as 2013 is concerned, in the current environment it is very difficult to rely on market forecasts, but at the time of preparation of this report, and based on current sales, our customers’ demand and expectations, we can anticipate some market outperformance once again, and, depending upon the length and depth of the current downturn as well as the influence of potential new volumes, we could even see a general improvement of our margins.

As far as the nodular iron segment is concerned, most of the growth of sales in kg, in the range of 5-10%, is coming from the new capacity created by the CEE Project at our Czech plant, although some increase for our Spanish plant is also expected, which otherwise will be produced in a more efficient manner with the new production facility.

However, the aluminium segment is now more challenging, with some of the projects reaching the end of their useful life and the machining business declining, thus creating a reduced turnover, even below the market.

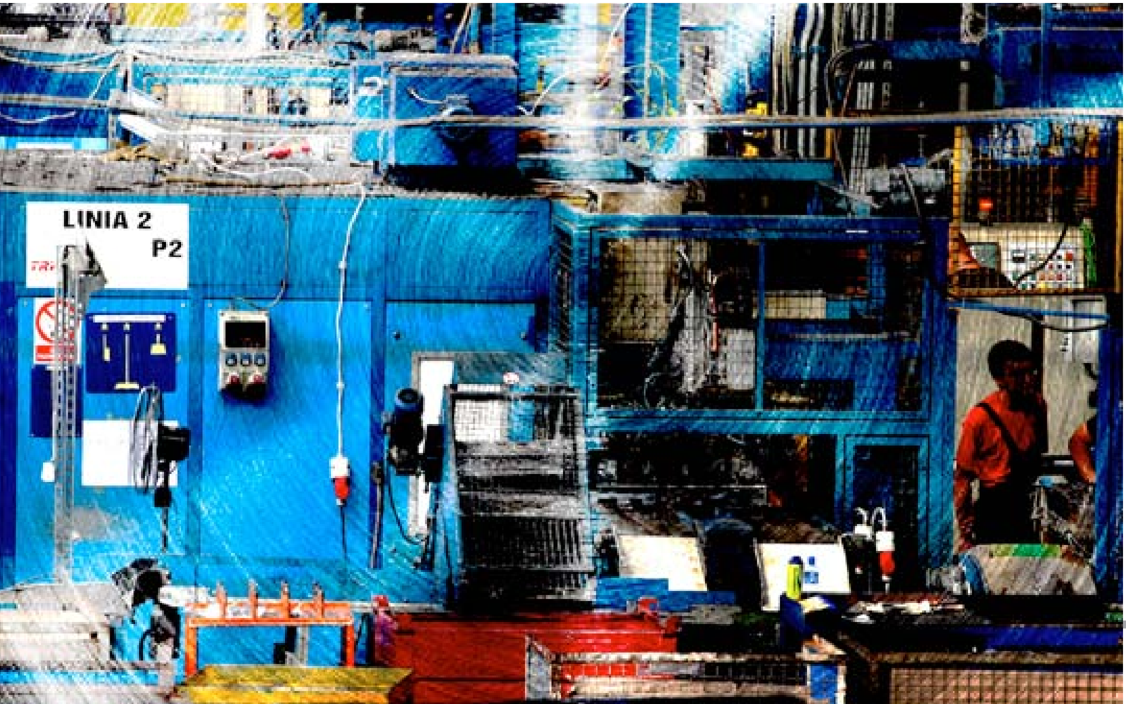
Meanwhile, one of the main tasks today is actively pushing on the pipeline of new products and projects to fulfil as much as possible the spare capacity created in the Group as a consequence of the slowdown, which applies especially to machining activity and grey iron castings. On the other hand, the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

Economy drivers

Productivity ratios in the nodular iron business will improve after the implementation of the new production line in August 2012, which will bring a much higher efficiency in the production process. The visibility of this improvement will be enhanced throughout the year as current products are shifted for manufacturing in the new machinery and new projects start production.

As regards raw material activity, the Group expects some stability compared to the previous year. Energy prices are another subject that in the trend of permanent growth is constantly open in the negotiations with customers to adapt the current surcharge agreements in place to market conditions or to start new agreements when they are not implemented with each relevant customer.

In this 2013 scenario of slow recovery and underused capacity, there is still an important competition factor which customers are taking advantage of to push down selling prices. The Group's important competitive advantage, mostly provided by the high degree of specialisation and thorough knowledge of the product, should help the Group to a significant extent to face this situation in better standing, but the Group is aware that it is operating in a still unstable market, and only companies that manage to deal better with the new environment will be stronger after the slowdown.



Investment activity – CEE Investment Project

In the context of expected constant growth in the automotive market for the following years, CEE expansion as the Group's platform to grow in the nodular iron segment for the automotive market is also an important asset for the Group which will bring additional value in the near future, jointly with an investment project to boost the efficiency in the nodular iron business in Spain, which have also represented some additional and higher amounts of capex, especially in 2012.

We expected 2012 to be a transition year, as we had to digest an ambitious capex programme of around EUR 12 million which would not be visible in the financial results until 2013.

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

Concerning the CEE Investment Project, the estimated deadlines for the main milestones are:

- March 2013 (planned for October 2012): Launch of new equipment tests in place
- March 2013: Homologation plan for nodular iron production
- End of 2nd quarter 2013 (formerly 1st quarter 2013): Serial production with the new equipment.

As of the date of publication of this report, we have already completed the first step with the implementation of new machinery (comprising electrical furnaces for metal, sand plant and moulding line for pouring and casting parts) and we have already initiated the trials and tests to be performed for customer homologation of different projects in order to start serial production with the new equipment in the third quarter. This means that the start on production of new facilities will be only partially visible in the second half of the year, according to the time schedule.

The first step also calls for the replacement of current furnaces by electrical furnaces, thus eliminating or reducing to a minimum the consumption of two of the most volatile and expensive raw materials and bringing additional and important savings also for grey iron activity not contemplated in the initial stage of the project. It will also achieve a more environment-friendly relationship with our surroundings.

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

Definition of the training process, as an important tool to transfer knowledge of the nodular iron technology from Spain to the Czech Republic, has already been completed. As the starting point for the plan, a contingent of Czech human resources were already moved to Spain.

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

Another important investment activity in 2012 has already taken place in our Spanish plant, consisting of replacement of one of the current moulding lines, in order to increase the plant's productivity and competitiveness. This investment was completed during the breakdown in August, and serial production with the new equipment was only partially visible during the 4th quarter of 2012 because in this testing period the machine is performing in the earliest stage of the learning curve.

M&A

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

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

Material Events After Year-End

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

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 2012

	Compared to the end of 2011
ACE S.A.	+28.1%
WIG Index	+26.2%
SWIG80 Index	+22.9%

Per-Share Data

	2012	2011
Earnings per share	EUR 0.11	EUR 0.10
Cash Flow per share	EUR -0.41	EUR 0.14
Dividend per share	EUR 0.05	EUR 0.07

Stock Market Data

	2012	2011
Market Capitalisation at the end of the period	PLN 121.0m EUR 29.6m	PLN 94.5m EUR 21.4m
Share Price		
- Highest	PLN 5.96	PLN 6.11
- Lowest	4.93	4.00
- Average	5.57	5.00
- At the end of the period	5.70	4.45
Shareholders' Equity per share	EUR 1.92	EUR 1.82

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 2012 the total value of all transactions in ACE shares was PLN 34.9 million, with trading volume of 5.9 million shares. The stock price grew by over 28%, in line with the market, which went up by over 26% in 2012 as a whole.

Investor Relations

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

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

IR contact:

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

Current Risk Factors

An extensive discussion of various risks that could have an impact on the Group's current and future performance was presented in the prospectus. The most important risk factors related to the Group, the market and changes in the economy in 2012 are presented below.

Risks related to the situation on the European car market

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

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

Risks related to currency fluctuations

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

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

Risk of decreasing margins

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

It should be noted however that the ACE Group puts a great deal of effort into constantly increasing its productivity, in order to reduce costs and maintain its sales margins, and insofar as any external factor reducing

our margins appears the Company approaches its customers in order to cooperate jointly to minimise its impact.

Risks related to labour cost increases

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

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

Risks related to further growth through acquisitions

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

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

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

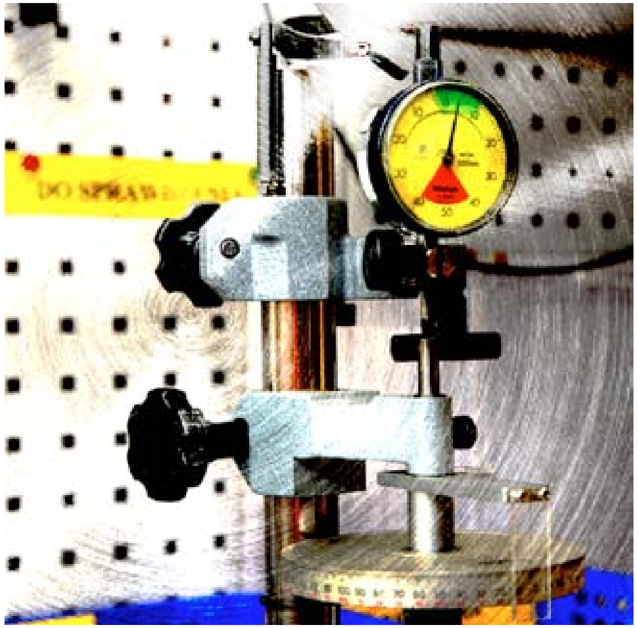
Risks relating to competition

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

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

However, the competition risk is partially mitigated by the ACE Group's current strong market position as well as the significant levels of specialisation and capital commitments required to break into the automotive components industry. Also, Feramo (in the Czech Republic), acquired in

2008, is a good platform for CEE business development in future and is currently under development. The first serial production of the new line at Feramo will start in 2013.



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

ACE depends on external suppliers for key raw materials and energy for its production activities. A failure of the suppliers to deliver these materials in the necessary quantities or to adhere to delivery schedules or specified quality standards and technical specifications would adversely affect production processes and the ability to deliver orders on time and at the desired level of quality. Disruptions in deliveries of such materials and energy could also arise due to weather-related problems, strikes, lockouts, inadequacies in the transport infrastructure, or other events. Finding a suitable replacement in the event any key supplier were unwilling or unable to provide ACE's production plants with the necessary materials on short notice would likely take longer than supply stock would last, resulting in disruptions to production.

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

The ACE Group is not significantly dependent on any single raw materials supplier, and the concentration of suppliers will not significantly influence the price of aluminium. The index-linkage of aluminium prices means that only that portion of the cost constituting the suppliers' premium is at risk of subjective increase. The steel scrap market has historically been, and is now, a liquid market. 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 2012, around 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, and consequently, the value of the shares.

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

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

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

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

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

Risks related to product liability claims

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

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

Corporate Governance

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

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

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

Accordingly, the Company is subject to the Rules of the Warsaw Stock Exchange of 4 January 2006 (as amended), and the Company has resolved to apply the "Code of Best Practice for WSE Listed Companies".

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

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

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

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

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

B.– OWNERSHIP STRUCTURE

The outstanding share capital of the Company as of 31 December 2012 was the following:

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

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

B.1.– Major Shareholders (Over 5% of Shareholders' Equity) as of 31 December 2012

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

In any case, according to the information received by the Company, and to its best knowledge, as of the end of 2012, the following shareholders were entitled to exercise over 5% of voting rights at the General Meeting of Shareholders in the Company (the table also includes changes in shareholders' ownership during the year):

	Number of direct voting rights as of 31 December 2012	Number of direct voting rights as of 31 December 2011
Casting Brake (Spain)	2,430,607 (11.45%)	2,430,607 (11.45%)
PZU "Złota Jesień" OFE	4,187,959 (19.73%)	4,214,174 (19.85%)
ING Nationale Nederlanden Polska OFE	3,767,347 (17.74%)	3,690,563 (17.38%)
Aviva OFE	1,996,491 (9.40%)	Below 5%
Noble Funds TFI	1,076,463 (5.07%)	Below 5%
Pioneer Pekao Investments	1,061,525 (5.00%)	1,061,525 (5.00%)
Aviva Investors	Below 5%	1,098,605 (5.17%)
ING Towarzystwo Funduszy Inwestycyjnych	Below 5%	2,025,603 (9.54%)

B.2.– Special rights

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

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

B.3.– Shareholders agreements affecting the company

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

B.4.– Current mandate given by the general meeting to the board of directors to carry out acquisitions or transfers of the company's own shares

As of the date of issuance of this report, there is no mandate or authorisation given by the general meeting to the Board of Directors to carry out acquisitions or transfers of the Company's own shares.

C.– ORGANISATIONAL STRUCTURE

As of the end of 2012, the ACE Group comprised two holding companies, three operating companies and an R&D unit:

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

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

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

The management of ACE's business is vested in and managed by a Board of Directors and a Chief Executive Officer to whom the Board has delegated the day-to-day management of the Group other than in relation to certain matters specifically reserved to the competence of the Board as referred to in Article 10.2 of the Articles of Association. The Chief Executive Officer, in the performance of the day-to-day management of ACE, is supported by a Management Committee constituted of senior officers of ACE, appointed by the Board.

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

C.2.– Composition of the Corporate bodies and Committees as of the end of December 2012:

C.2.1.- Composition of the Board of Directors

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

The current members of the Board of Directors are:

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

During financial year 2012, no vacancy occurred on the Board of Directors and as a consequence, no variation in its composition took place.

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

ogy 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, the successor to which since June 2010 has been Lorek Pawlak Family Office.

Piotr Nadolski

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

Olivier Schmeer

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

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

Competences of the Board of Directors

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

The Board is vested with the broadest powers to perform or cause to be performed all acts of disposition and administration in the Company’s interests. Without prejudice to the foregoing, the policy adopted by the Board consists of delegating the day-to-day management of the Company to the Chief Executive Officer, who is supported by a Management Committee consisting of Senior Officers appointed by the Board.

Acting in the Company’s best interests, the Board shall define the strategy and objectives of the Company’s operations. The Board shall be responsible for implementing and completing the strategy as well as attaining the Company’s major objectives.

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

Rules governing the appointment and replacement of board members

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

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

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

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

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

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

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

Specific requirements in order to be appointed chairman

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

Casting vote of the Chairman of the Board

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

Quorum and majorities to pass resolutions

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

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

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

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

Under Article 8.8 of the Articles of Association, resolutions of the Board relating to

- (i) a proposal to the General Meeting regarding the appointment of an auditor;
- (ii) transactions between the Company and Directors, significant Shareholders, Shareholders with Board representation or other persons related thereto;
- (iii) any increase in the subscribed share capital within the limits of the authorised share capital in accordance with Article 5.4 of the Articles of Association and any decision to limit or cancel the preferential subscription rights of existing Shareholders in accordance with Article 5.4 of the Articles of Association;
- (iv) approval of a capital expenditure plan exceeding 7% of the yearly consolidated turnover of the Group;
- (v) acquisition or sale of shares in subsidiaries;
- (vi) approval of indebtedness and financial liabilities, establishing mortgages/liens outside the approved annual budget exceeding (i) EUR 2,000,000 if within the ordinary course of business or (ii) EUR 500,000 if outside the ordinary course of business;
- (vii) entry into or termination of any joint ventures or acting as partner in limited or general partnerships;
- (viii) proposals to the General Meeting or decisions to convene the General Meeting in matters relating to liquidation, merger, dissolution, winding-up, capital decrease, share redemption, dividend distribution, and changes to the Articles of Association;
- (ix) approval of any ESOP for employees/officers of the Company or

the Group, provided that beneficiaries of the ESOP shall be exclusively nominated by the Chief Executive Officer;

(x) approval of the new budget for the next fiscal year as well as any amendments to it made during the fiscal year;

(xi) opening or closure of a branch or production plant; or

(xii) granting credits or loans or other debts, providing guarantees or sureties of performance of duties and contracting any other off balance sheet liabilities, other than with or to Group subsidiaries;

require the approval of a majority of 4/5 of the votes of the Directors present or represented at the meeting when the Board is composed of five (5) members, and a majority of 2/3 of the votes of the Directors present or represented at the meeting, when the Board is composed of six (6) or more members, provided that in the case of resolutions relating to points (i) and (ii) the majority includes at least one Independent Director.

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

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

Organisational connections of Directors with a given Shareholder

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

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

During fiscal year 2012, the Board held seven (7) meetings, three of which by written resolution under Article 8.10 of the Articles of Association.

Except for the meeting held in September (where only four of the six members were present), all the Directors were present at the Board meetings held.

C.2.2.- Audit Committee

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

Composition of the Audit Committee

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

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

The current composition of the Audit Committee is the following:

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

Competences of the Audit Committee

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

I. In relation to internal control and information systems:

a) To monitor the preparation process and the integrity of the financial information relating to the Company and the Group, as appropriate, ensuring compliance with regulatory requirements, the appropriate scope of consolidation and the correct application of accounting criteria.

b) To monitor the integrity of the annual, half-yearly and quarterly financial statements that should be submitted to regulatory or market supervision entities, including the internal control systems, as well as the accounting criteria applied, when applicable.

c) Periodically, and at least annually, to review the internal control and risk management systems so that the principal risks are appropriately identified, managed and reported.

d) To review at least annually the need or convenience of an internal audit function, and as the case may be, to monitor the internal audit function, through full access to it, and monitor and supervise its independence and effectiveness; propose the selection, appointment, re-election and removal of the manager of the internal audit service; propose the budget for this service and set the remuneration for its manager; receive periodic information on its activities and the budget for the service; and verify that senior management takes into account the conclusions and recommendations of its reports.

e) To establish and monitor a mechanism that allows employees to confidentially and anonymously, if appropriate, communicate potential irregularities, especially financial and accounting, which they may identify within the Company, proposing the appropriate corrective measures and approvals to the Board of Directors.

f) The Audit Committee shall notify the Board prior to adopting the corresponding decisions on the following issues:
   (i) The financial information that the Company must periodically publish, as a listed company. The Committee must ensure that the interim accounts are prepared using the same accounting criteria as the annual accounts, and therefore consider the relevance of a partial review by the external auditor.
   (ii) Related operations.

g) To notify the Board of any change in accounting criteria and of the risks on and off the balance sheet.

h) To report to the General Shareholders' Meeting on questions raised by shareholders in relation to matters of its competence.

i) To invite particular Directors, Company employees, as well as experts and advisors to its meetings, where their presence is justified by the subject matter to be discussed by the Audit Committee at the meeting.

j) To draft and submit a report to the Board, within three months of the end of the Company's accounting year, on its work conducted in the reporting year. This report shall in particular cover:
   (i) matters discussed by the Audit Committee at its meetings in the reporting year;
   (ii) decisions made by the Audit Committee in the reporting year; and
   (iii) matters that the Audit Committee wishes to bring to the Board's particular attention, with a justification of such selection and the Audit Committee's opinion and optionally, the Audit Committee's recommendations as to the Board's decision to be adopted on such matters.

II. In relation to the external auditor:

a) The proposals to select, appoint, re-elect or replace the external auditor, as well as the conditions of its contract, shall be presented by the Board of Directors to the Shareholders' General Meeting.

b) To obtain timely information about the audit plan and its results from the external auditor on a regular basis and verify that senior management takes its recommendations into account.

c) To ensure the independence of the external auditor, and therefore:
   - (i) that the Company notifies the Warsaw Stock Exchange of the change of auditor as a significant event and accompanies such disclosure with a statement about the existence of disputes with the outgoing auditor and the substance of such disputes, if they exist;
   - (ii) that it ensures that the Company and the auditor comply with the prevailing regulations on the provision of services, other than audit services, restrictions on the concentration of business with an auditor and, in general, any other regulations established to ensure auditors' independence;
   - (iii) in the case of the resignation of the external auditor, to examine the circumstances that may have caused it and make recommendations as to any required action.

d) To maintain contact with the external auditors in order to receive information about any issues that may prejudice the independence of the auditors and any other issues related to the process of auditing the accounts.

e) To keep the nature and extent of non-audit services under review, based inter alia on disclosure by the external auditor of all fees paid by the Company and its Group to the audit firm and network, with a view to preventing any material conflicts of interest from arising.

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

Periodicity of meetings of the Audit Committee

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

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

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

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

Quorum and majorities to pass resolutions

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

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

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

During fiscal year 2012, the Audit Committee held four meetings.

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

C.2.3.- Management Committee:

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

The Management Committee is currently composed of:

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

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

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

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

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

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

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

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

It is incumbent on the Audit Committee to propose the appointment of the auditors to the Board of Directors, so that it may be considered by the General Meeting of Shareholders; and furthermore, to propose to the

Board of Directors the terms of their contracts, the scope of their professional mandate and, where appropriate, the revocation or non-renewal of their appointment.

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

During fiscal year 2012, the Company did not change its external auditor for the standalone and consolidated annual accounts. The current audit firm has audited the annual accounts of the Company and the Group for financial years 2007 through 2012.

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

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

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

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

Powers of the Directors to issue or buy back shares

The General Meeting of Shareholders held on 19 June 2012 authorised the Board of Directors to perform a buy-back of the Company shares. The maximum number of shares that may be acquired by the Company shall not exceed in total the maximum of EUR 5,000,000. The details of the buy-back programme were described in Current Report 20/2012. The programme was initiated on 12 December 2012 and as of the end of December 2012 the number of treasury shares in the Company was 18,000 for a total acquisition cost of PLN 104,760.

Related party transactions and conflicts of interest

No relevant transactions, from a quantitative or qualitative perspective, entailing a transfer of resources or obligations, took place in fiscal year 2012 between the Company and the related parties thereto.

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

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

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

E.– COMPENSATION OF MANAGEMENT COMMITTEE AND BOARD OF DIRECTORS MEMBERS IN 2012

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

Management Committee compensation[2]

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

Details of compensation received by the Company's managers (including Management Committee members and plant operational managers) for the period from 1 January 2012 through 31 December 2012 are as follows:

		EUR '000
Current compensation		
-	salary	832
-	bonus	57
Total, directors of the Company		889

[2] Pursuant to Luxembourg law and §33 of the Regulations of the Board, where a Director is delegated the day-to-day management of the Company, the Board shall report annually to the General Meeting on the remuneration and other benefits paid to such Director.

Board of Directors compensation[3]

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

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

Information on supervision of Employee Share Option Plans

On 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's shares from the date of the agreement through the end of 2014. As of 31 December 2012 no amount related to this remuneration scheme had been accrued.

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

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

[3] Remuneration of Directors, in their capacity as directors of the Company, shall be approved by the General Meeting.

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

Convening of the General Shareholders Meeting

General Shareholders Meetings (General Meetings) may be convened by the Board or, if exceptional circumstances so require, by any two Directors acting jointly. The Board is obliged to convene a General Meeting so that it is held within a period of one month, if Shareholders representing (in the aggregate) one-tenth of the issued share capital so require in writing with an indication of the agenda. One or more Shareholders representing at least five per cent (5%) of the share capital of the Company can request the addition of one or several items on the agenda of any General Meeting and file draft resolution(s) for items included or to be included on the agenda of the General Meeting. Such request and draft resolution(s) must be sent to the Company's registered office or as indicated in the convening notice by registered letter or by electronic mail at least twenty-two (22) days prior to the date of the General Meeting, and shall be accompanied by proof of shareholding of such Shareholders. If such requests entail a modification of the agenda of the relevant meeting, the Company will make available a revised agenda at least fifteen (15) days prior the General Meeting.

The Board will convene a General Meeting by notice published thirty (30) days before the meeting, at least in the *Mémorial* and in a Luxembourg newspaper and in any other media which can easily and on a non-discriminatory basis be accessed throughout the European Economic Area. Such convening notice will contain the agenda of the meeting and the Record Date and set out the conditions for attendance and representation. Notices by mail shall be sent thirty (30) days before the meeting to registered Shareholders, the members of Board, as well as the auditor(s) of the Company, but no proof needs to be given that this formality has been complied with.

The convening notice will contain the agenda of the meeting, the place, date and time of the meeting, the precise description of the procedures that Shareholders must comply with in order to be able to participate and cast their votes at the General Meeting, the Record Date (which pursuant to the Company´s Articles of Association means midnight (24.00h) on the date falling 14 days prior to the date of the General Meeting), the manner in which Shareholders must register to be admitted, and the homepage and the postal and electronic address at which the complete text of any documents to be made available to Shareholders and any draft resolutions to be adopted can be obtained.

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

Venue of the General Shareholders' Meeting

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

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

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

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

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

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

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

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

Shareholders Rights

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

Dividend Rights

All Shares are entitled to participate equally in dividends, if and when declared by the annual ordinary General Meeting, out of funds legally available for such purposes. Each Shareholder shall receive dividends pro rata to the number of Shares held, at the time and place fixed by the Board within the limits of the decision of the annual ordinary General Meeting.

ACE must allocate at least one-twentieth of the net profits to the creation of a reserve, which allocation ceases to be compulsory when the reserve has reached 10% of the issued share capital.

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

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

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

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

Rights to share in any surplus in the event of liquidation

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

Voting Rights and majorities required

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

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

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

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

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

Issue of Shares and Pre-emptive Rights

Under Luxembourg law, the articles of association of a company may authorise the board of directors to increase the share capital of the com-

pany on one or more occasions up to a specified amount. The general meeting of Shareholders may also grant such authorisation by means of an amendment to the articles of association. The rights attaching to the new shares shall be defined in the articles of association.

Such authorisation given to the board of directors shall be valid for only five years from the date of the publication of the articles of incorporation or the amendment of the articles of association. The authorisation may be renewed on one or more occasions by the general meeting of Shareholders deliberating in accordance with the requirements for amendments to the articles of association, for a period, for each renewal, that may not exceed five years.

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

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

The limitation or exclusion of pre-emptive rights is subject to the approval of at least 75% of the votes cast at a General Meeting where at least 50% of the issued share capital is present or represented.

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

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

Amendments to the rights of Shareholders

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

G.– COMPLIANCE WITH THE “CODE OF BEST PRACTICE FOR WSE LISTED COMPANIES”

In 2012 the Company did not fully or partially comply with the following rules described in the Code of Best Practice for WSE Listed Companies, on a temporary basis:

Section I: 1.3, 5, 9, 12
Section II: 1.2a, 1.7, 1.12, 2.7
Section IV: 10

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

- Section I: 1.3, 12 and Section IV: 10 – All rules refer to live transmissions of the General Shareholders Meetings and online participation of shareholders. Current corporate website capabilities do not allow either live transmission broadcasts or video streaming. However, ACE is constantly improving its website capabilities and intends to include such information if it is of material importance for shareholders.

- 5 – Remuneration policy. ACE has its internal remuneration policy and rules determining the form, structure, and level of remuneration of members of the board of directors and management bodies, however the Company is constantly improving its reporting standards to

fully comply with Commission Recommendations 2004/913/EC and 2009/385/EC.

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

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

- 2.7 – According to Luxembourg regulations ACE is obliged to hold General and Extraordinary Meetings of Shareholders in Luxembourg regardless of the current shareholders structure and their geographical location.

Directors' Statements

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

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

Luxembourg, 23 April 2013

José Manuel Corrales

Raúl Serrano

Automotive Components Europe S.A.

and subsidiary companies

38, boulevard Napoléon 1er

L-2017 LUXEMBOURG

RCB number: B 118130

Consolidated Financial Statements

for the year ended 31 December 2012

Automotive Components Europe S.A. and subsidiary companies
(ACE S.A.)
(hereinafter the « Company » or « ACE S.A. »)
Société Anonyme
38, boulevard Napoléon 1er
L-2017 Luxembourg
RCB Luxembourg B 118130

MANAGEMENT REPORT OF THE DIRECTORS CONCERNING CONSOLIDATED FINANCIAL STATEMENTS AND ANNUAL ACCOUNTS AS AT DECEMBER 31st 2012

Dear Shareholders,

The Board of Directors has the pleasure in presenting this report, which constitutes the management report ("Management Report") as defined by Luxembourg Law and Regulations, together with the audited consolidated financial statements and annual accounts as of 31 December 2012, and for the accounting period then ended. As permitted by Luxembourg Law, the Board of Directors has elected to prepare a single Management Report covering both the Company and the Group.

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

EBITDA for year 2012 rose to Euro 8.3 million (8.4% on sales and EUR 2.61 million lower than in 2011). Indeed, although sales volume were positive by 1,1% comparing 2011, highly above the Western European market which declined by -8,2% in sales and -10% in production, the reduction of non-automotive business and machining activity resulted in a less profitable turnover. Even in nodular iron business, where sales increased by 3%, the restart of the third moulding line created an significant underperformance already anticipated in our previous reports.

In addition to this, total investments in Group amount to Euro 11.4 million, mainly affecting the production activity of Feramo (so called CEE Investment Project) and Fuchosa. As a consequence, there were also inefficiencies within the year that impacted 2012 results, although thanks to this investment effort there are already identified positive trends in the last quarter of 2012, mainly in the Spanish company. Higher activity in M&A, and increases in prices of energy (partially surcharged to the customers) have also negatively impacted EBITDA.

On the other hand, lower depreciation connected with the ending of useful life of many Group assets mainly related to machining assets led Operating profit to Euro 3.1 million (3.1% on sales), which is EUR 1.8 million lower than year 2011.

Finally, the Net profit amounted to Euro 2.4 million in year 2012, which is Euro 0.3 million higher than previous year, mainly as a consequence of a better performance in financial results due to more stable exchange rates (Polish Zloty and Czech Corona versus Euro) and a reduction of income tax expenses.

As regards the financial position, the generation of cash from January to December of 2012, by Euro 3.8 million, was limited by the increase of working capital, the reduction of EBITDA and the huge investing activity already mentioned (CEE Project).
However, the final cash position of the Group as of the end of December 2012 is strongly positive by Euro 12.4 million being the Net debt as of same date of Euro 9.5 million.

ACE S.A.:

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

ACE BOROA S.L.U.

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

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

EBCC:

Since the incorporation, the Company held 100% of the capital of EBCC Spzoo (formerly INDUS Spzoo), European Brakes and Chassis Components Sp zoo, a limited liability company (spólkaz ograniczona odpowiedzialnooecia) with its registered office at ul. Bystrzycka 89, 54-215 Wroclaw (Poland), registered with the register of entrepreneurs of the national court register under number KRS 0000251842 of which the issued share capital is

PLN 7,148,500.00 represented by 14,297 shares having a par value of PLN 500.00 each, a wholly owned subsidiary of ACE and, known as European Brakes and Chassis Components Poland S.A.

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

EBCC was established in 1999. It was originally a producer of hydraulic pumps (as part of PZL Hydral). The change of name and the shift to production of brake callipers resulted from the company's take-over by the Valfond Group in 1999 aimed at creating a "first choice" supplier of aluminium brake components for OEMs moving their production facilities to the CEE countries. In 2005 it was taken over by Innova/3 L.P. Innova/3 EBRD Co- Investment Facility L.P. Since the start of production in 2002, EBCC increased its revenues to Euro 33.2 million in 2012. 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 52.4 million in 2012, becoming the leader of the anchor market. Fuchosa is located in Atxondo, 40km from Bilbao, in one of the most industrial regions of Spain with the highest intensity of iron foundries in Europe. Fuchosa is the clear leader with an estimated market share above 40% of the European iron anchor market. The strong market position result from high level of specialisation, engineering and technological expertise as well as highest standards of production and customer service.

FERAMO METALLUM INTERNATIONAL s.r.o.

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

Feramo is a producer of grey iron castings for various industries, including the automotive sector (auto products comprise around 10% of the company's total turnover). Feramo supplies mainly the following industries: automotive (brake drums and clutch components); white goods production (mainly components for washing machines); engineering (components for electrical engines and pumps) and sewer/drain iron castings. Feramo's products are mainly tailored to individual customers' requirements. Annual production rate of foundry fluctuates around 12,000 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. In 2012, Feramo accelerated the investment in the Nodular Iron technology (CEE project), which will be completed in 2013 and will expand Feramo activity up to the same level of sales than the other two operating companies increasing its production capacity and specializing the company in nodular iron parts for the automotive market, by adding some new customers, and enlarging its product portfolio.

ACE4C AIE

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

2. Important Events since December 31st 2012

There were no signifcant events after the year end.

3. Planned evolution of the Company and its subsidiaries

The management expected 2012 to be a transition period before the start-up of the investments implemented during 2011 and 2012. As far as 2013 is concerned it remains as a very challenging year for the Company and the market where it operates.

As regards the market, in the current environment it is very difficult to rely on market forecasts, but at the time of preparation of this report, and based on our customer's demand and expectations, we can anticipate some market outperformance for the Group sales.

As far as nodular iron segment is concerned, most of the growth of sales in kg, in the range of 5-10%, should be coming from the new capacity created by CEE Project in our Czech plant, although it is also expected some increase for our Spanish plant that otherwise will produce in a more efficient manner with the new production facility.

However, the aluminium segment is now more challenging, with some of the projects reaching the end of their useful life, machining business declining and thus creating a reduced turnover even below the market.

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

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

4. Branch

The Company has no branches

5. Research and Development Activities

During the period between 1st January and December 31st 2012, the Group did not capitalize any research or development activities.

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

6. Environmental Issues

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

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

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

7. Business risk management

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

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

The description as well as the management of those and other potential risks can be found in the Company Annual Report which is published jointly with the Consolidated Financial Statements and Annual Accounts for the year ended 31 December 2012.

8. Financial risk management

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

As regards, market risk is mainly determined by the foreign exchange risk, interest rate risk and commodities price risk. Both foreign exchange risk and interest rate risk are limited by the acquisition of derivative contracts that limit the Group's exposure to the movements on foreign exchange rates between Czech Koruna and Polish Zloty, with Euro as well as any interest rate (Euribor) movement. As regards commodities, for the main raw materials (iron and aluminium) and partially the energy, the Subsidiaries implement pricing transfer mechanisms that surcharge the variation in the prices to the customers and also adopt policies to partially hedge the risk of fluctuations in raw material prices.

9. Takeover Bids

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

Art. 11 from the Law on takeover bids		Description	Comments
a)	The structure of ACE capital, including securities which are not admitted to trading on a regulated market in a Member State, where appropriate with an indication of the different classes of shares and, for each class of shares, the rights and obligations attaching to it and the percentage of total share capital that it represents;	During the IPO, which took place in May 2007, the Company increased its shareholding capital from 20,050,100 to 22,115,260 shares. Under the prospectus the three existing shareholders of ACE—Casting Brake, EB Holding and Halberg Holding—sold a total of 10,423,316 of the Company's shares (less the shares bought with the over-allotment option (319,389) meant 10,103,927 shares sold). The first listing of ACE on the Warsaw Stock Exchange took place on 1 June 2007. The Extraordinary General Meeting of Shareholders held on 17 June 2009 resolved to reduce the issued share capital of the Company by 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. All the shares are of the same class and series, and are fully paid-up and subscribed. All shares are admitted for trading.	
b)	Any restrictions on the transfer of securities, such as limitations on the holding of securities or the need to obtain the approval of the company or other holders of securities, without prejudice to article 46 of Directive 2001/34/EC;		Not applicable
c)	Significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Directive 2004/109/EC;	As ACE's shares are represented in bearer form, it is not possible to know accurately the ownership structure of the Company. In any case, according to the information received by the Company, and to its best knowledge, as of the end of 2012, the following shareholders were entitled to exercise over 5% of voting rights at the General Meeting of Shareholders in the Company: Casting Brake 11.45%, PZU OFE 19.73%, ING Nationale Nederlanden OFE 17.74%, AVIVA OFE 9.40%, Noble Funds TFI 5.07%, Pioneer Pekao Investments 5.00%	
d)	The holders of any securities with special control rights and a description of those rights;	If Casting Brake holds at the time of nomination of the directors of the Board at least 10% of the voting rights in the share capital of the Company, Casting Brake shall have the right to nominate for appointment and removal by the General Meeting two (2) persons or entities as directors of the Company. In the event that at the time of nomination of Directors the percentage of voting rights held by Casting Brake falls below 10% of the voting rights in the share capital of the Company but is above 5% of the voting rights in the share capital of the Company, Casting Brake shall have the exclusive right to nominate one (1) Board member for appointment by the General Meeting. In the event the percentage of voting rights held by Casting Brake falls below 5%, Casting Brake will lose its exclusive right to nominate any Directors for appointment by the General Meeting.	
e)	The system of control of any employee share scheme where the control rights are not exercised directly by the employees;	On 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's shares from	

		the date of the agreement through the end of 2014. As of 31 December 2012, no amount related to this remuneration scheme had been accrued.	
f)	Any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities;	There is no distinction regarding the rights attached to each Share. ACE recognises only one holder per Share. Where a Share is held by more than one person, ACE has the right to suspend the exercise of all rights attached to that Share until one person has been appointed as sole owner vis-à-vis ACE. The same rule shall apply in the case of conflict between a usufruct holder (*usufruitier*) and a bare owner (*nu-propriétaire*) or between a pledgor and a pledgee. All Shares are entitled to participate equally in dividends, if and when declared by the annual ordinary General Meeting, out of funds legally available for such purposes. Each Shareholder shall receive dividends pro rata to the number of Shares held, at the time and place fixed by the Board within the limits of the decision of the annual ordinary General Meeting. Each Share entitles the holder to attend a General Meeting, either in person or by proxy, to address a General Meeting, and to exercise voting rights. Each Share entitles the holder to one vote at a General Meeting. There is no minimum shareholding required to be able to attend or vote at a General Meeting. Any Shareholder wishing to participate in the General Meeting shall notify the Company thereof at the latest on the Record Date in writing by mail, fax or electronic mail in the manner determined by the Board and indicated in the relevant convening notice. The Articles of Association provide that in the case of Shares held through a depositary or a sub-depositary as described in Article 6 of the Articles of Association, a Shareholder may exercise all rights attached to his or her Share(s) and in particular to participate and vote at a General Meeting upon presentation of a certificate issued by the depositary holding the Shares, certifying the number of Shares recorded in the relevant account in the name of the relevant Shareholder on the Record Date. Such certificates should be submitted to ACE prior to the General Meeting at its registered address or at the address included in the convening notice or, in case the Shares are listed on a foreign regulated market, with an agent of ACE located in the country of the listing and designated in the convening notice. In the event a Shareholder votes through proxy, the latter has to deposit his or her proxy within the same period of time at the registered office of ACE or with any local agent of ACE duly authorised to receive such proxy. In addition, if a Shareholder votes by correspondence, the relevant form must be received at the registered office of ACE before the General Meeting.	Restrictions: not applicable.
g)	Any agreements between shareholders which are known to the company and may result in restrictions on the transfer of securities or voting rights within the meaning of Directive 2004/109/EC;	According to the information reported to the Company, there are no shareholders agreements referring to transmission of shares or voting rights, nor does it have any evidence of the existence of concerted actions between its shareholders.	
h)	The rules governing the appointment and replacement of board members and the amendment of the articles of association	Directors are elected by the shareholders for a term terminating at the fourth (4^{th}) Annual General Meeting following the date of their appointment, unless otherwise provided by the General Shareholders Meeting at the time of their appointment, and shall be re-eligible. A Director may be removed with or without cause and/or replaced, at any time, by resolution adopted by the General	

		Meeting. Neither the Articles of Association nor the Regulations of the Board establish a limited term of office for the Independent Directors. If Casting Brake holds at the time of such nomination at least 10% of the voting rights in the share capital of the Company, Casting Brake has the right to nominate for appointment and removal by the General Meeting two (2) persons or entities as directors of the Company. In the event that at the time of nomination of Directors the percentage of voting rights held by Casting Brake falls below 10% of the voting rights in the share capital of the Company but is above 5% of the voting rights in the share capital of the Company, Casting Brake shall have the exclusive right to nominate one (1) Board member for appointment by the General Meeting. In the event the percentage of voting rights held by Casting Brake falls below 5%, Casting Brake will lose its exclusive right to nominate any Directors for appointment by the General Meeting. Directors nominated by Casting Brake pursuant to Article 7.2 of the Articles of Association are designated “CB Directors”. In such cases, additional Director/s will be nominated by Shareholders representing more than 1% of the voting rights in the share capital of the Company in accordance with Article 7.3 of the Articles of Association. The Board shall choose from amongst the Directors a Chairman, provided that if CB Directors have been appointed the Chairman shall be appointed from amongst the CB Directors. The Chairman of the Board of Directors has a casting vote in the event of equality of votes between the Directors attending the meeting. This is understood without prejudice to the provisions of the Articles of Association referred to above. Extraordinary General Meetings are convened to resolve upon an amendment to the Articles of Association and are subject to the quorum and majority requirements set out below. All other General Meetings are ordinary General Meetings. An extraordinary General Meeting convened for the purpose of amending the Articles of Association or, pursuant to the Articles of Association, • to change the nature of the business conducted by ACE or any of the Operating Entities; • to sell, close or otherwise dispose of any Operating Entities; or • to dissolve, wind-up or liquidate any of the Operating Entities; must have a quorum of at least 50% of the issued capital of ACE.	
i)	The powers of board members, and in particular the power to issue or buy back shares;	Apart for the matters reserved for the competence of the General Meeting, the Board of Directors is the highest decision-making, supervisory and controlling body of the Company, as it is entrusted with the direction, administration, management and representation of the Company, delegating in general the management of ACE’s day-to-day business to the Chief Executive Officer, except for certain matters specifically reserved to the competence of the Board as referred to in Article 10.2 of the Articles of Association and §16.2 of the Regulations of the Board, and concentrating its efforts on the general supervisory function, which includes directing the policy of the Company, monitoring the management activity, assessing the management by the senior management, taking the most relevant decisions for the Company and acting as a link with the shareholders. The Board is vested with the broadest powers to perform or cause to be performed all acts of disposition and administration in the Company’s interests. Without prejudice to the foregoing, the policy adopted by the Board consists of delegating the day-to-day	

		management of the Company to the Chief Executive Officer, who is supported by a Management Committee consisting of Senior Officers appointed by the Board. Acting in the Company’s best interests, the Board shall define the strategy and objectives of the Company’s operations. The Board shall be responsible for implementing and completing the strategy as well as attaining the Company’s major objectives. The Board provides for the transparency and effectiveness of the Company’s management system and handling of the Company’s affairs in compliance with legal regulations and principles of good practice. The General Meeting of Shareholders held on 19 June 2012 authorised the Board of Directors to perform a buy-back of the Company shares. The maximum number of shares that may be acquired by the Company shall not exceed in total the maximum of five million euros (EUR 5 000 000). The details of the buy-back programme were described in the current report 20/2012. The programme was initiated on 12 December 2012 and as of the end of December 2012 the amount of treasury shares in the Company were 18 000 for a total acquisition cost of Euro 25 thousand (PLN 104 760).	
j)	Any significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company following a takeover bid, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to the company; this exception shall not apply where the company is specifically obliged to disclose such information on the basis of other legal requirements;		Not applicable
k)	Any agreements between the company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.		Not applicable

10. <u>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 :</u>

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

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

The maximum purchase price per share to be paid in cash shall not represent more than PLN 13, and no less than PLN 0.04.

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

The programme was initiated on 12 December 2012 and as of the end of December 2012 the amount of treasury shares in the Company were 18.000 for a total acquisition cost of Euro 25 thousand (PLN 104.760). The Company has not disposed any treasury share.

The financial statements for the next statutory reporting period will cover the months January 2012 to December 2012.

10. <u>Corporate Governance report</u>

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

In Brno, April 10, 2013.

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.
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 19, 2012, we have audited the accompanying consolidated financial statements of Automotive Components Europe S.A., which comprise the consolidated balance sheet as at December 31, 2012, and the consolidated income statement, consolidated comprehensive income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors' for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

As stated in note 2.4 of the accompanying consolidated financial statements, in 2012 the Group has recorded the Research and Development tax deductions in the "Other operating income" caption of the consolidated income statement for the year ended December 31, 2012 for an amount of 1,047 EUR thousand, approximately, as the member of the Board of Directors have considered that the nature of these tax deductions is similar to that of a government grant. In the aforementioned note 2.4, the Group has disclosed the effect both in 2012 and 2011 of the application of such a change in accounting policy, although the effects of that change for 2011 have only been disclosed in notes. However, and as the tax deductions are applied within the limit of the income tax liabilities which depend on the taxable profit, in our opinion these tax deductions should have been recorded in 2012 as in previous years reducing the income tax expense and the operating income. Neither the net profit after tax nor the equity is affected.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion Paragraph, the consolidated financial statements give a true and fair view of the consolidated financial position of Automotive Components Europe S.A. as of December 31, 2012, and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Deloitte.

Report on other legal and regulatory requirements

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

For Deloitte Audit, *Cabinet de révision agréé*

Sophie Mitchell, *Réviseur d'entreprises agréé*
Partner

April 10, 2013

AUTOMOTIVE COMPONENTS EUROPE SA
AND SUBSIDIARY COMPANIES

Notes to the consolidated Financial Statements

For the year ended 31 December 2012

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

Automotive Components Europe S.A. and subsidiary companies

Consolidated Balance Sheet
for the year ended 31 December 2012
(expressed in thousand of Euros)

Assets	Notes	December 2012	December 2011
Non-current assets			
Intangible assets	6	245	213
Property, plant and equipment	7	45.549	37.460
Derivative financial instruments	8	71	6
Deferred tax assets	15	1.272	902
Total non-current assets		47.137	38.581
Current assets			
Inventories	9	8.745	8.707
Trade and other receivables	10	14.532	17.046
Derivative financial instruments	8	205	10
Current income assets		78	2
Other current assets		28	35
Cash and cash equivalents	11	12.407	20.466
Total current assets		35.995	46.266
Total assets		83.132	84.847

Equity and Liabilities	Notes	December 2012	December 2011
Capital and reserves			
Share capital		3.185	3.185
Share premium		5.444	5.444
Retained earnings and other reserves		29.576	28.573
Cash flow hedges		(47)	(594)
Exchange differences		161	(87)
Net profit for the year		2.372	2.088
Total equity	12	40.691	38.609
Non-current liabilities			
Borrowings	13	18.461	16.806
Deferred income		555	253
Deferred tax liabilities	15	2.604	2.976
Derivative financial instruments	8	374	382
Provisions for other liabilities and charges	16	93	85
Total non-current liabilities		22.087	20.502
Current liabilities			
Trade and other payables	17	16.409	19.523
Borrowings	13	3.486	4.373
Derivative financial instruments	8	1	382
Current income tax liabilities		30	977
Other current liabilities	14	44	45
Provisions for other liabilities and charge	16	384	436
Total current liabilities		20.354	25.736
Total equity and liabilities		83.132	84.847

The accompanying notes form an integral part of the consolidated financial statements of Automotive Components Europe S.A. for the year ended 31 December 2012, 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 2012
(expressed in thousand of Euros)

	Notes	2012	2011
Revenues	18	98.618	100.689
Cost of sales	19	(81.607)	(81.596)
Gross profit		17.011	19.093
Selling and distribution costs	20	(2.189)	(2.386)
General and administrative expenses	21	(13.242)	(12.243)
Other operating income	22	1.815	588
Other operating expenses		(338)	(154)
Operating profit		3.057	4.898
Financial income		1.380	1.777
Financial expenses		(1.759)	(3.360)
Financial result	23	(379)	(1.583)
Profit before income tax		2.678	3.315
Income tax (expense) / income	24	(306)	(1.227)
Net profit for the period		2.372	2.088
Attributable to:			
Equity holders of the company		2.372	2.088

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

- basic	0,11	0,10
- diluted	0,11	0,10

The accompanying notes form an integral part of the consolidated financial statements of Automotive Components Europe S.A. for the year ended 31 December 2012, in conjunction with which they should be read.

Automotive Components Europe S.A. and subsidiary companies

Consolidated Comprehensive Income Statements
for the year ended 31 December 2012
(expressed in thousand of Euros)

	Notes	2012	2011
Consolidated profit per consolidated interim income statement (I)		2.372	2.088
Income and expense recognised directly in equity:			
- Cash flow hedges	8	470	(710)
- Tax effect	15	(66)	158
- Exchange differences		248	(122)
Total income and expense recognised directly in consolidated equity (II)		652	(674)
Transfers to consolidated profit and loss:			
- Cash flow hedges	8	178	(91)
- Tax effect	15	(35)	(23)
- Exchange differences		-	-
Total transfers to consolidated profit and loss (III)		143	(114)
Total consolidated recognised income and expense (I+II+III)		3.167	1.300
Attributable to the Parent		3.167	1.300

The accompanying notes are an integral part of the consolidated financial statements of Automotive Components Europe S.A. for the year ended 31 December 2012, 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 2012
(expressed in thousand of Euros)

	Notes	**Attributable to equity holders of the company**							
		Share Capital	**Share premium**	**Legal reserve**	**Retained earnings**	**Cash Flow hedges**	**Exchange differences**	**Profit for the period**	**Net Equity**
Balance at 1 January 2011		**3.185**	**6.931**	**307**	**25.721**	**72**	**35**	**2.548**	**38.799**
Allocation of previous year profit		-	-	13	2.535	-	-	(2.548)	-
Total consolidated recognised income and expense		-	-	-	-	(666)	(122)	2.088	1.300
Dividend relating to previous period		-	(1.487)	-	-	-	-	-	(1.487)
Other		-	-	-	(3)	-	-	-	(3)
Balance at 31 December 2011		**3.185**	**5.444**	**320**	**28.253**	**(594)**	**(87)**	**2.088**	**38.609**
Balance at 1 January 2012		**3.185**	**5.444**	**320**	**28.253**	**(594)**	**(87)**	**2.088**	**38.609**
Allocation of previous year profit		-	-	-	2.088	-	-	(2.088)	-
Total consolidated recognised income and expense		-	-	-	-	547	248	2.372	3.167
Dividend relating to previous period	12	-	-	-	(1.062)	-	-	-	(1.062)
Purchase of trasury shares	12	-	-	-	(25)	-	-	-	(25)
Other		-	-	-	2	-	-	-	2
Balance at 31 December 2012		**3.185**	**5.444**	**320**	**29.256**	**(47)**	**161**	**2.372**	**40.691**

The accompanying notes form an integral part of the consolidated financial statements of Automotive Components Europe S.A. for the year ended 31 December 2012, 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 2012
(expressed in thousand of Euros)

	Notes	December 2012	December 2011
Cash flows from ordinary activities			
Profit before tax		2.678	3.315
Adjusted for:			
Amortisation and depreciation	6 & 7	5.201	5.972
Net Financial result		239	1.788
Losses on sale of property, plant and equipment		41	6
Gains and losses on changes in fair values of derivative financial instruments		(1)	(323)
Others		(1.078)	(45)
Operating profit before changes in working capital		7.080	10.713
(Increase)/decrease in receivables and other current assets		2.549	(3.109)
(Increase)/decrease in inventories		(2)	(1.022)
Increase/(decrease) in trade and other payables		(4.824)	2.129
Cash from operating activities		4.803	8.711
Income taxes paid	24	(1.010)	(895)
Net cash from ordinary activities		3.793	7.816
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		(24)	-
Acquisition of property, plant and equipment	7	(11.413)	(2.773)
Proceeds from sale of non current assets		59	27
Acquisition of other intangible assets	6	(91)	(70)
Net cash from investing activities		(11.469)	(2.816)
Cash flows from financing activities			
Purchase of treasury shares	12	(26)	-
Repayments of borrowings	13	(3.903)	(2.006)
Proceeds from borrowings	13	4.464	2.927
Dividends paid to Company´s shareholders	12	(1.062)	(1.487)
Net of financial result paid and received	23	(469)	(1.405)
Net cash from financing activities		(996)	(1.971)
Net increase/(decrease) in cash and cash equivalents		(8.672)	3.029
Cash and cash equivalents at beginning of the period		20.466	17.433
Effects of exchange rate changes on the balance sheet		613	4
Cash and cash equivalents at the end of the period		12.407	20.466

The accompanying notes form an integral part of the consolidated financial statements of Automotive Components Europe S.A. for the year ended 31 December 2012, in conjunction with which they should be read.

(1) Nature and Principal Activities

Automotive Components Europe, S.A. (hereinafter “ACE” or the Company) was incorporated as a limited liability company, (“Société Anonyme”), under the law of the Grand Duchy of Luxembourg on 21 July 2006. ACE is registered with the Luxembourg Registry of Commerce and Companies under number B 118130 and has its registered office located in 38, boulevard Napoléon 1er , L-2017 Luxembourg, Grand Duchy of Luxembourg, where it was moved to in February 25, 2013 from the former address in 82 Route d’Arlon, L-1150 Luxembourg.

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

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

The Group is comprised of the following companies as of 31 December 2012:

Company	Registered offices	Percentage ownership
ACE Boroa, S.L.U.	Boroa, Spain	100.00 %
ACE4C, A.I.E	Boroa, Spain	100.00 % (*)
Fuchosa, S.L.U. (formerly Retorgal XXI, S.L.)	Atxondo, Spain	100.00 % (*)
European Brakes and Chassis Components Poland Sp.zo.o (formerly Indus Sp.zo.o.)	Wroclaw, Poland	100.00 % (*)
Feramo Metallum International s.r.o.	Brno, Czech Republic	100.00 % (*)

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

ACE was incorporated with limited liability on 21 July 2006 by the contributions in kind from 100% of the share capital of Indus Sp.zo.o, Poland and Retorgal XXI, S.L., Spain. The contributed companies held 100% of the share capital of European Brakes and Chassis Components Poland, Sp.zo.o, Poland, (EBCC) and Fuchosa, S.L., Spain, respectively. Said companies were contributed to the Company in full as a non-monetary payment. The financial year of all of the Group companies ends on 31 December of each year. The present consolidated financial statements are prepared as of 31 December 2012.

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. This merger had no impact on consolidated figures.

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

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

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

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

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

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

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

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

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

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

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

2.1 Basis of presentation

The Consolidated Financial Statements as of December 31, 2012 have been prepared in accordance with International Financial Reporting Standards, as adopted for use within the European Union (herein, IFRS-EU).

Continued

Unless stated otherwise (see note 2.4), the accounting policies as set out below have been applied consistently throughout all periods shown within these Consolidated Financial Statements.

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

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

The consolidated financial statements as of 31 December 2012 will be presented at the Warsaw Stock Exchange within the periods established by prevailing legislation in Poland.

Recently issued accounting standards

a) Standards, interpretations and amendments effective from January 1, 2012 applied by the Group:

- IFRS 7 (amendment), ´Financial Instruments: Disclosures´. This amendment modified the required disclosures about the risk exposures relating to transfers of financial assets. Among others, this amendment could affect the sale transactions of financial assets, factoring agreements, financial assets and the loan titles agreements.

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

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

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

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

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

Continued

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

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

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

- IFRS 13 ´Fair value measurement´. This Standard will be effective for periods beginning on or after January 1, 2013, both under IFRS-EU and IFRS-IASB.

- IAS 1 (amendment) ´Financial statements presentation´. The main change resulting from this amendment is a requirement to group items presented in ‘other comprehensive income’ (OCI) on the basis of whether they will be subsequently reclassified to profit or loss or not (reclassification adjustments). This Standard will be effective for annual periods beginning on or after July 1, 2012, both under IFRS-EU and IFRS-IASB. Earlier application is permitted.

- IAS 19 (amendment) ´Employee benefits´. IAS 19 amendment is mandatory for periods beginning on or after January 1, 2013.

- IAS 32 (amendment) and IFRS 7 (amendment) ‘Compensation of financial assets for financial liabilities’. IAS 32 amendment is mandatory for periods beginning on or after January 1, 2014 and is to be applied retroactively, both under IFRS-EU and IFRS-IASB. IFRS 7 amendment is mandatory for periods beginning on or after January 1, 2013 and is to be applied retroactively, both under IFRS-EU and IFRS-IASB.

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

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

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

- IFRS 10, IFRS 11 and IFRS 12 (amendments) ´Transition Guidance´. Effective from January 1, 2013 under IFRS-IASB.

Continued

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

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

2.2 Funtional Currency

The ACE Group consolidated financial statements are presented in Euros as this is the currency of the chief economic environment in which the Group operates. However, it should be mentioned that the functional currency of Feramo is Czech koruna; whereas for the other subsidiaries the functional currency is the Euro. Operations abroad and financial statements in other functional currency than Euro are recorded in accordance with the policies described in Note 3.3.

2.3 Judgement, estimates and correction of errors

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

The Group’s consolidated financial statements as of 31 December 2012 include Group management and consolidated companies’ estimates on the value of assets, liabilities, income, expenses and commitments recognised, which were subsequently ratified by the Board of Directors. These estimates mainly comprise:

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

Although estimates were based on the best information available as of 31 December 2012, future events may require these estimates to be modified (increased or decreased) in subsequent years. Any change in accounting estimates would be recognised prospectively in the corresponding consolidated income statement, in accordance with IAS 8.

2.4 Changes in accounting policies

The Group has reviewed the accounting treatment regarding the tax credits for R&D expenses defined by IAS 12 and IAS 20, as this activity is gaining importance in the Group life. In this regard, the Group applied historically the IAS 12, and thus recorded those tax credits as “Income tax expense”. However, after a deeper review of those IAS, as R&D tax credits are not taxable profits nor are based on taxable profits since they depend on a level of R&D expense, in Management opinion IAS 12 does not describe the accounting treatment that should be followed.

Continued

On the other hand, R&D tax credits are not excluded from IAS 20 and the accounting treatment defined thereof reflects more accurately the real performance given the nature of such expenses. Indeed, these grants relate to expenditures incurred by the Group mainly in salaries and wages, materials, outsourcing and other indirect costs. Consequently, the Group has recorded in the financial statements for year 2012 these R&D tax credits with other Government Grants in “Other Income” according to IAS 20. Moreover, there is a direct link between the level of expenses in R&D and the government grants received consequently, and these factors are considered by the Group in its decision making process before undertaking a new R&D Project.

The impact in the Group Financial Statements connected with this change in accounting policy is as follows for year 2012 and 2011 (in Thousand of Euros):

	R&D tax credits according to IAS20				**R&D tax credits according to IAS12**	
	From Jan 1st to Dec 31st, 2012 Cumulative (*)	**From Jan 1st to Dec 31st, 2011 Cumulative (**)**	Impacts in 2012	Impacts in 2011	**From Jan 1st to Dec 31st, 2012 Cumulative (*)**	**From Jan 1st to Dec 31st, 2011 Cumulative (**)**
Other income	1.815	1.064	(1.047)	(476)	768	588
Operating profit	3.057	5.374	(1.047)	(476)	2.010	4.898
Profit before tax	2.678	3.791	(1.047)	(476)	1.631	3.315
Income tax expense	(306)	(1.703)	1.047	476	741	(1.227)
Net profit	2.372	2.088	-	-	2.372	2.088

(*) As stated in the Group Financial Statements
(**) Presented only for comparative purposes

Apart from what disclosed in the table above, the comparative figures for 2011 included in these consolidated financial statements have not been addapted according to the accounting policy described above, as in the opinion of the members of the board of directors such change could lead users to a misunderstanding when comparing the current consolidated financial statements with the consolidated financial statements for 2011 issued.

It should be taken into consideration that this change in accounting policy does not affect the earnings per share nor equity, as it does not have any impact in the Net profit.

2.5 <u>Going concern and accruals basis</u>

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 85% of total revenues in 2012 have been made with said customers (84% in 2011), which are allocated in Fuchosa and EBCC. Anyway, the management consider that this risk is mitigated, due mainly to the solvency of said customers and different specific circumstances that allows the Group to maintain a strong position againts the customers and build long term relationships. Apart from that, ACE Group products are installed in the majority of automobiles produced in Europe, so indirect customers are in practice all the OEM.

Continued

2.6 Basis for consolidation

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

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

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

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

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

a) Business combinations

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

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

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

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

b) Investments in associates

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

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

Continued

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.

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

c) Goodwill

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

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

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

(3) Significant Accounting Principles

1. Revenue recognition

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

Continued

a. Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

b. Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

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

c. Dividend and interest revenue

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

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

d. Rental income

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

2. Leasing

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

a. The Group as lessor

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

b. The Group as lessee

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

Continued

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

The obligation to pay deriving from the lease, net of the finance charge, is recognised as a long-term payable. If there is no reasonable certainty that the lessee will obtain ownership of the property by the end of the lease term, the asset should be fully depreciated over the shorter of the lease term or its useful life.

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

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

3. Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into the functional currency at the foreign exchange rate ruling at 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.

4. Borrowing costs

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

Continued

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

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

5. Government grants

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

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

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

Some tax deductions for Research and Development costs are treated as Government grants (see note 2.4).

6. Share-based payments

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

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest and adjusted for the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

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.

7. Taxation

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

a. <u>Current tax</u>

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.

Continued

b. Deferred tax

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

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

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

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

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

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

c. Current and deferred tax for the period

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

8. Property, plant and equipment

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

Continued

Freehold land is not depreciated.

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

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

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

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

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

	Years
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.

9. Intangible assets

a. Goodwill

Internally generated goodwill is not recognised as an asset.

Negative goodwill arising from the acquisitions of subsidiaries at the formation date was recorded in the retained earnings in 2008 (see note 1). Since the first consolidation negative goodwill arising from the acquisition of subsidiaries is recorded in the income statement of ACE.

b. Research & development expenditure

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

- Its intention to complete the intangible asset and use or sell it, as well as the availibility of 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.

Continued

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

c. Intangible assets acquired separately

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

10. Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

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

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, 2012, no impairment losses have arisen as a consequence of the impairment tests performed on the basis of abovementioned cash-generating units.

Continued

11. Inventories

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

12. Provisions

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

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

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

13. Financial instruments

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

a. Trade receivables

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

b. Cash and cash equivalents

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

c. Financial liabilities and equity

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

d. Bank borrowings

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

Continued

e. Trade payables

Trade payables are stated at amortized cost.

f. Equity instruments

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

g. Derivative financial instruments and hedge accounting

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

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

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

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

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

Derivative financial instruments qualify for hedge accounting when:

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

The effects of hedge accounting are as follows:

- For fair value hedges of existing assets and liabilities, the hedged portion of the asset & liability is recognized in the balance sheet and measured at 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.

Continued

14. Treasury shares

At year end the ACE Group's treasury shares are deducted from "Retained earnings and 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 "Retained earnings and other reserves" in the Consolidated Balance Sheet.

15. Share capital

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

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

16. Employee benefits

a. Termination benefits

Termination benefits are payable when employment is terminated before the normal contract expiry or retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

17. Offsetting assets and liabilities, income and expenses

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

18. Classification of assets and liabilities as current

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

19. Related parties

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

(4) Segment information

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

Continued

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

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

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

(5) Business combination

As mentioned in note 1, ACE was incorporated as a limited liability company on 21 July 2006 by the contributions in kind from 100% of the share capital of Indus Sp.zo.o, Poland and Retorgal XXI, S.L., Spain. The contributed companies held 100% of the share capital of EBCC and Fuchosa, respectively. Said companies were contributed to the Company in full as a non-monetary payment. These transactions were accounted for by the purchase method of accounting. As of 31 December 2007, the accounting for the business combination was completed.

On 12 May 2008 ACE acquired 100% of Feramo Metallum International s.r.o. The principal activity of Feramo Metallum International s.r.o is the manufacturing and sale of a broad range of grey iron foundry products.

Continued

(6) Intangible assets

Details of and movements in intangible assets for the year from 1 January 2011 to 31 December 2012 are shown below (in Thousands of Euros):

	Trademarks and licences	Other	Total
Year ended 31 December 2011			
Opening net book amount	59	158	217
Additions	41	54	95
Amortisation charge	(33)	(61)	(94)
Disposals (Cost)	-	(6)	(6)
Disposals (Depreciation)	-	1	1
Closing net book amount	67	146	213
At 31 December 2011			
Cost	669	1,115	1,784
Accumulated amortisation and impairment	(602)	(969)	(1,571)
Net book amount	67	146	213
Year ended 31 December 2012			
Opening net book amount	67	146	213
Additions	80	51	131
Amortisation charge	(31)	(68)	(99)
Closing net book amount	116	129	245
At 31 December 2012			
Cost	749	1,166	1,915
Accumulated amortisation and impairment	(633)	(1,037)	(1,670)
Net book amount	116	129	245

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

Continued

(7) Property, plant and equipment

Details of and movements in property, plant and equipment for the year from 1 January 2011 to 31 December 2012 are as below (in Thousands of Euros):

	Land & buildings	Vehicles & machinery	Furniture, fittings & equipment	Tangibles under construction	Total
Year ended 31 December 2011					
Opening net book amount	14,540	21,034	1,327	2,758	39,659
Additions	56	1,450	344	2,217	4,025
Depreciation charge	(517)	(5,033)	(319)	-	(5,869)
Transfers (Net)	42	2,576	33	(2,651)	-
Disposals (Cost)	-	(273)	(132)	-	(405)
Disposals (Depreciation)	-	256	9	-	265
Net foreign currency exchange differences (Cost)	(162)	(110)	(4)	-	(276)
(Depreciation)	20	37	4	-	61
Closing net book amount	13,937	19,937	1,262	2,324	37,460
At 31 December 2011					
Cost or valuation	18,593	77,048	4,147	2,324	102,112
Accumulated depreciation	(4,656)	(57,111)	(2,885)	-	(64,652)
Net book amount	13,937	19,937	1,262	2,324	37,460

Continued

	Land & buildings	Vehicles & machinery	Furniture, fittings & equipment	Tangibles under construction	Total
Year ended 31 December 2012					
Opening net book amount	13,937	19,937	1,262	2,324	37,460
Additions	468	3,211	401	9,601	13,681
Depreciation charge	(506)	(4,110)	(282)	(42)	(4,940)
Transfers (Net)	17	453	60	(530)	-
Disposals (Cost)	-	(4,863)	(74)	(142)	(5,079)
Disposals (Depreciation)	-	4,139	45	-	4,184
Net foreign currency exchange differences (Cost)	152	155	6	-	313
(Depreciation)	(25)	(44)	(1)	-	(70)
Closing net book amount	14,043	18,878	1,417	11,211	45,549
At 31 December 2012					
Cost or valuation	19,230	76,003	4,540	11,253	111,276
Accumulated depreciation	(5,187)	(57,126)	(3,123)	(42)	(65,727)
Net book amount	14,043	18,878	1,417	11,211	45,549

The Board of Directors of ACE on its meeting held on 31 March 2011 approved an important investment program to expand its automotive business in Central and Eastern Europe, referred to as the CEE Investment project. The Program assumes a capital expenditure up to Euro 12 million within 2011 and 2012, mainly, on capacity development of ACE existing production facilities located in the CEE region (Feramo) as well as on an investment project to boost the efficiency in the nodular iron business in Spain. The additional purpose of the Program is to enlarge the portfolio of manufactured products and diversify further future revenues.

Concerning CEE Investment Project referred to the investments in Feramo, the estimated deadline for the main milestones are the following:

1- March 2013: Launch of new equipment' tests in place
2- March 2013: homologation plan for nodular iron production
3- End of 2nd quarter 2013: serial production with the new equipment
4- May 2013: new electrical connection VVN to feed both grey and nodular mass production
5- September 2013: decommissioning of cupola furnaces

This capital expenditure program is currently under implementation so 2012 has been considered as a transition year as the Group digests this ambitious investment program which will not be visible in the financial results until 2013.

Continued

According to the accounting policies described in note 3.8, in 2012 the Group has capitalized as a higher cost of the investments in Feramo the corresponding borrowing costs directly attributable to the their acquisition and construction for an amount of Euro 538 thousand (nil in year 2011), considering an interest rate of 4.16%. This amount has been recorded by crediting the “Financial expenses” caption of the consolidated income statement for 2012.

As of 31 December 2012 and at 31 December 2011, all Group property, plant and equipment have been considered as a promise of mortgage guarantee in order to secure the repayment of the syndicated loan signed during 2010 (see note 13).

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.

(8) Derivative financial instruments

Details are as follows:

	Thousand of Euros December 2012	Thousand of Euros December 2011
Non - Current financial assets		
Currency option	71	6
	71	6
Current financial assets		
Currency option	205	10
	205	10
Non - Current financial liabilities		
Interest rate swap	374	243
Currency option	-	139
	374	382
Current financial liabilities		
Currency option	1	382
	1	382

The Group uses interest rate swaps to minimize its exposure to interest rates fluctuations on its bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. In December 2010, in the context of the agreements relating to the new syndicated loan (see note 13), the Group entered into derivative financial contracts to fix the interest payments of a nominal amount of Euro 9 million at an average rate of 2.43 per cent for periods up until 2016 (see note 13). The remaining outstanding nominal amount covered by these contracts as of December 31, 2012 is Euro 7,6 million (Euro 8.4 million in 2011).

Continued

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 2012 into additional derivative contracts to those signed during 2011, 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, 2012 amounts 30 million PLN, approximately (33 million PLN as of December 31, 2011).

The detail of the maturities of the contractual cash flows of the derivative financial instruments is as follows as of December 31, 2012 and 2011:

	December 2012			
	2013	2014	2015	2016
Foreign currency hedge				
PLN purchases (*)	20,243	9,795	-	-
Interest rate hedges (**)	1,082	1,980	2,249	2,251

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

	December 2011				
	2012	2013	2014	2015	2016
Foreign currency hedge					
PLN purchases (*)	22,880	9,703	-		-
Interest rate hedges (**)	807	1,082	1,980	2,249	2,251

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

(9) Inventories

Details of inventories are as follows:

	Thousand of Euros December 2012	Thousand of Euros December 2011
Raw materials and supplies	4,340	4,451
Work in progress	1,551	1,051
Finished products	3,674	3,948
Payments on account	-	1
Depreciation of inventories	(820)	(744)
	8,745	8,707

Continued

The “Raw materials and supplies” caption of the table above includes spare parts allocated in Fuchosa and EBCC for a gross amount of Euro 1,836 thousand, approximately (Euro 1,601 thousand as of December 31, 2011). Management performs on a monthly basis slow rotation analysis in order to identify indication of impairment. Following those analysis, the caption of “Depreciation of inventories” includes a provision for slow rotation amounting Euro 701 thousand, approximately, as of December 31, 2012 (Euro 610 thousand as of December 31, 2011).

(10) Trade and other receivables

Details of debtors are as follows:

	Thousand of Euros December 2012	Thousand of Euros December 2011
Trade receivables	15,102	17,369
Less: provision for impairment of receivables	(606)	(401)
Trade receivables – net	14,496	16,968
Prepayments	36	78
Total	14,532	17,046
Current portion	14,532	17,046
	14,532	17,046

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

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

	Thousand of Euro December 2011				
	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)	16,176	563	197	110	17,046
Total	16,176	563	197	110	17,046

The overdue amounts of the tables above are presented net of the corresponding allowances for bad debts, that amounts Euro 606 thousand and Euro 401 thousand as of December 31, 2012 and 2011.

(11) Cash and cash equivalents

	Thousand of Euros December 2012	Thousand of Euros December 2011
Cash at bank and in hand	7,200	10,347
Short-term bank deposits	5,207	10,119
Cash and cash equivalents	12,407	20,466

Continued

(12) Equity

Details of and movements in the various items included in equity are detailed in the consolidated statement of changes in equity, which forms an integral part of the ACE Group consolidated financial statements as of 31 December 2012.

(a) Share capital

As of 31 December 2012 and 2011 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.

As of 31 December 2012, there was an authorised share capital not issued of 3,832,110 shares.

(b) Share premium

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

As of December 2012, the share premium amounts Euro 5,444 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 2012, Legal reserve amounts to Euro 320 thousand (Euro 320 thousand as of December 31, 2011).

(d) Retained earnings

This caption amounting to Euro 29,256 thousand includes as of 31 December 2012 the negative goodwill arising on consolidation of Fuchosa, EBCC and Feramo amounting to Euro 13,807 thousand (Euro 13,807 thousand as of December 31, 2011).

The Annual General Meeting of Shareholders approved on June 19, 2012 a dividend distribution of Euro 1,062 thousand out of the Retained earnings. No other dividend has been proposed or declared before the financial statements were authorised for issue.

(e) Treasury shares

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

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

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

Continued

In 2012 the Company purchased 18 thousand shares at market price for a total amount of Euro 25 thousand (PLN 104.760). The Company has not disposed any treasury share.

Consequently, the changes in 2012 in the shares of A.C.E. S.A. owned by the Group are as follows:

	Number of shares	Thousand of Euros
At 31 December 2011	-	-
Additions	18,000	25
At 31 December 2012	18,000	25

(13) Borrowings

Non-current and current borrowings are detailed as follows:

	Thousand of Euros December 2012	Thousand of Euros December 2011
Non-current		
Bank borrowings	15,204	14,652
Other borrowings	3,257	2,154
	18,461	16,806
Current		
Bank overdrafts	-	1,700
Bank borrowings	3,258	2,506
Other borrowings	228	167
	3,486	4,373
Total borrowings	21,947	21,179

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

Continued

With this financing agreement, all main Group bank loans were cancelled. The only previous loans the Group maintains as of December 31, 2012 are those bank loans related to Feramo and EBCC leasings and other granted subsidized loans in Fuchosa, as well as an overdraft in EBCC not drawn-down.

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

As of December 2012 the Group has met all the above mentioned financial ratios.

The exposure of the Group's borrowings to interest rate changes at the balance sheet date is mitigated as the Group uses interest rate swaps to manage its exposure to interest rate movements on its syndicated bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. The Group entered into interest rate swap contracts with nominal values of the 50% of the bank loan fixing the variable rate at an average rate of 2.43 per cent for periods up until 2016 (see note 8).

As disclosed in note 29, the Group has granted a guarantee in favour of the banks, through the pledge of Fuchosa, EBCC, Feramo and ACE Boroa shares. Additionally, as disclosed in note 7, a mortgage promise on all property, plant and equipment has been granted to secure said loans for an amount of Euro 34,371 thousand.

Additionally, in July 2012 and in the context of the investments done during 2012 by Fuchosa (see note 7), this Company has signed a new bank loan amounting 3 million euros. This loan will be maturing within the next four years. The cost of the loan is under current market conditions.

(14) Other current liabilities

The other current liabilities are detailed as follows:

	Thousand of Euros December 2012	Thousand of Euros December 2011
Lease liabilities	3	7
Other	41	38
	44	45

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

(15) Deferred tax assets and liabilities

The main deferred tax assets and liabilities recognised by the Group as of 31 December 2012 and 2011 are as follows:

	Thousand of Euros December 2012	Thousand of Euros December 2011
Deferred tax assets	1,272	902
	1,272	902
Deferred tax liabilities	(2,604)	(2,976)
	(2,604)	(2,976)
	(1,332)	(2,074)

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

	Thousand of Euros December 2012	Thousand of Euros December 2011
Beginning of the year	(2,074)	(2,281)
Tax charged to equity	(66)	154
Income statement charge (see note 24)	829	36
Exchange differences	(21)	17
End of the year	(1,332)	(2,074)

The companies forming part of the Group had tax loss carry-forwards after taxes to be offset against future tax profits amounting to Euro 1,525 thousand as of December 2012. This amount as of December 2011 was approximately Euro 1,196 thousand.

The remaining tax loss carry-forwards after taxes can be utilised during the next five years for a total amount of Euro 812 thousand (fully capitalized in the balance sheet) and indefinitely for Euro 713 (not capitalized).

The rest of the Deferred tax assets refers mainly to the tax effect of different provisions that were not considered to be deductible when they were recognised and of the valuation of the derivatives held as of December 31, 2012 (Euro 105 thousand as of December 31, 2012 directly credited to equity – see note 8).

The Deferred tax assets mentioned above have been recorded as the Group considers that they will be recovered against the estimated future profits in coming years.

Continued

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.

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

(16) Provisions for other liabilities and charges

Details are as follows (Thousand of Euros):

	Pensions and similar	Other provisions	Total
At 31 December 2010	60	383	443
Additional provisions	62	49	111
Used during year	(33)	-	(33)
At 31 December 2011	89	432	521
At 31 December 2011			
Additional provisions	8	79	87
Unused amounts reversed	(1)	(7)	(8)
Used during year	-	(123)	(123)
At 31 December 2012	96	381	477

Analysis of total provisions:

	December 2012	December 2011
Non-current	93	85
Current	384	436
	477	521

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

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

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

Continued

(17) Trade and other payables

Details are as follows:

	Thousand of Euros December 2012	Thousand of Euros December 2011
Trade payables	15,148	18,249
Current tax liabilities and other tax liabilities (apart from income tax)	986	976
Accrued expenses	275	298
	16,409	19,523

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

(18) Revenues

The distribution of consolidated net revenues for the twelve months ended 31 December 2012 and 2011 by business segments is as follows:

	Thousand of Euros 2012	Thousand of Euros 2011
Products		
Iron castings	63,563	63,336
Aluminium castings	31,623	33,825
Others	3,432	3,528
	98,618	100,689

The geographical distribution of the consolidated sales is as follows:

	Thousand of Euros 2012	Thousand of Euros 2011
Western Europe	56,260	58,124
Eastern Europe	39,664	41,653
Other countries	2,694	912
	98,618	100,689

Continued

Concentration risk

As mentioned in note 2.5, the main characteristic of the braking system market is its concentration of customers among three Tier 1 companies. Approximately 85% of the revenues are made with said customers (84% in 2011). For this reason and the company market share, the management considers that this risk is mitigated, as on the other hand said customers are considered solvent enough.

(19) Cost of sales

Details of cost of sales are as follows:

	Thousand of Euros 2012	Thousand of Euros 2011
Raw materials and consumptions	45,308	47,351
Stock variances	(115)	(1,372)
Energy and gas	10,914	10,437
Maintenance expenses	3,974	3,680
Salaries and wages and other labour costs	13,244	12,970
Outsourcing	1,781	1,338
Depreciation	4,730	5,496
Other cost of goods sold	1,771	1,696
	81,607	81,596

(20) Selling and distribution costs

Details of distribution costs are as follows:

	Thousand of Euros 2012	Thousand of Euros 2011
Transportation costs	1,159	1,264
Packaging expenses	431	433
Salaries and wages and other labour costs	521	590
Other distribution costs	78	99
	2,189	2,386

Continued

(21) General and administrative Expenses

Details of administrative expenses are as follows:

	Thousand of Euros 2012	Thousand of Euros 2011
Salaries and wages and other labour costs	7,233	6,878
External services	3,471	3,096
Depreciation and amortisation	471	476
Renting	475	446
Travel expenses	548	418
Other administrative expenses	1,044	929
	13,242	12,243

The fees for financial audit services provided to the various companies composing the ACE Group by the principal auditor during 2012 amounted to approximately Euro 132 thousand (Euro 129 thousand as of December 31, 2011). Also, other services were provided during 2012 and 2011 by the principal auditor the fees for which amounted to approximately Euro 8 thousand and Euros 4 thousand, respectively. No tax services have been provided by the principal auditor during 2012 and 2011.

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

	Headcounts December 2012	Headcounts December 2011
Managers	29	31
Administrative employees	140	135
Workers	608	673
	777	839

Continued

(22) Other Operating Income

Details are as follows:

	Thousand of Euros 2012	Thousand of Euros 2011
Income from subsidies	1,540	383
Insurance reimbursement	6	16
Other operating income	269	189
	1,815	588

As described in note 2.4, in 2012 the Group has recorded the R&D tax deductions in the caption “Income from subsidies” of the table above. R&D tax deductions for year 2012 amounts to Euro 1,047 thousand. R&D tax deductions are those tax benefits obtained as a percentage up to the Research and Development costs incurred during the year.

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

(23) Net financial result

Details are as follows:

	Thousand of Euros 2012	Thousand of Euros 2011
Interest income:		
- Interest on deposits	174	275
	174	275
Interest expense from third parties:		
- Bank borrowings	(783)	(844)
- Interest expense capitalized (see note 7)	538	-
- Other interest expenses and charges	(512)	(171)
	(757)	(1,015)
Net foreign exchange transaction gains/(losses) (net)	204	(843)
	(379)	(1,583)

a. Net foreign exchange transaction gains/(losses)

The amount in 2012 and 2011 of net foreign exchange transaction gains and losses corresponds to gains and losses in exchange rates transactions versus Czech koruna and Polish zloty.

Continued

(24) Income tax expense

Domestic income tax is calculated at 28.8% of the profit for the year (Corporate income tax was 28.8% for 2011). Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions (Spain: 28%, Poland and Czech Republic: 19%). The total charge for the year can be reconciled to the accounting profit as follows:

	Thousand of Euros 2012	Thousand of Euros 2011
Profit before tax	2.678	3,315
Tax at the domestic income tax rate	771	948
Effect of different tax rates	150	126
Effect of tax deductions	(306)	(507)
Effect of non tax deductible cost/non taxable income	(272)	115
Others	(37)	545
	306	1,227
Income tax expense / income and effective tax rate		
Thereof		
Current tax expense	1,135	1,263
Deferred tax expense / (income) (note 15)	(829)	(36)
	306	1,227

In “Others” it is included the tax effect of the different functional currency in IFRS and Local GAAPs of EBCC and Feramo affecting mainly to the value of the fixed assets. Additionally this caption includes other adjustments, as differences between the tax income estimate and the tax income definitively declared for the previous year.

(25) Earnings per Share

a. Basic

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

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

	2012	2011
Net profit for the year (thousands of Euros)	2,372	2,088
Weighted average number of ordinary shares for the purpose of basic earnings per share	21,229,578	21,230,515
Basic earnings per share (Euros)	0.11	0.10

The weighted average number of ordinary shares outstanding during the period is as follows:

	2012	2011
Number of ordinary shares outstanding at the beginning of the period	21,230.515	21,230,515
Effect of treasury shares (see note 12.e)	(937)	-
Weighted average number of ordinary shares outstanding during the period	21,229,578	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.

	2012	2011
Net profit for the year (thousands of Euros)	2,372	2,088
Weighted average number of ordinary shares plus the effect of dilutive options	21,229,578	21,481,141
Diluted earnings per share (Euros)	0.11	0.10

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:

	2012	2011
Weighted average number of ordinary shares used in the calculation of basic earnings per share	21,229,578	21,230,515
Shares deemed to be issued for no consideration in respect of employee options	-	250,626
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	21,229,578	21,481,141

(26) Operating lease arrangements

a. The Group as a Lessee

As of 31 December 2012 and 2011 the Group leases mainly forklift trucks, cars and PCs from third parties under operating leases. The duration of these lease contracts ranges from 3 to 5 years.

Operating lease instalments of Euros 475 thousand have been recognised as an expense for the year ending 31 December 2012 (Euro 446 thousand for the period ending at 31 December 2011).

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

	Thousand of Euros 2012	Thousand of Euros 2011
Up to 1 year	400	409
Between 1 and 5 years	1,111	983
	1,511	1,392

b. The Group as a Lessor

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

The property rental income earned by the Group, all leased out under operating leases, amounted to Euro 182 thousand for the year ending 31 December 2012 (Euro 212 thousand for 2011).

Continued

(27) Finance leases

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

Amounts payable for finance leases are as follows:

	Thousand of Euros 2012	Thousand of Euros 2011
Up to 1 year	138	158
Between 1 and 5 years	219	315
	357	473

The carrying amount of the assets under financial leasing amounts to Euro 677 thousand (Euro 758 thousand in 2011) included in the "Vehicles and machinery" category of the "Property, plant and equipment" caption.

(28) Transactions and Balances with Related Parties

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

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

Certain Company managers indirectly hold shares in the Company. These managers hold a total of 1,513,670 shares in the Company (1,513,670 shares as of December 31, 2011). The managers are entitled to all rights on said shares.

Additionally, said managers have individual indemnity agreements in the event of dismissal without justified cause.

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

	Thousand of Euros 2012	Thousand of Euros 2011
Short-term remuneration	889	991
Of which salary	*832*	*818*
Of which bonus	*57*	*173*
Share based payments	-	-
Total, directors of the Company	889	991

Continued

On December 23, 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 pluri-annual management remuneration scheme (granted as a one-off non-recurrent event) linked to the increase of the market value of the Company shares from the moment of the agreement to the end of 2014 and the achieving in getting an accumulated EBITDA (defined as earnings before interest, taxes, capitalized expenses, depreciation and amortization and other non-operating income and expenses, but excluding non-recurring income and costs) of a defined amount in the years 2010 to 2014. The pluri-annual variable retribution will be paid, if the conditions are met, in shares of the Company (the number of shares will depend on the market value of the Company shares but it will never be higher than 1,002,505 shares) Anyway, the Company will not issue any warrants, options and/or comparable securities granting rights to acquire, receive or subscribe for shares of the Company to the beneficiaries. As of 31 December 2012, the Group has accrued an amount of Euro 20 thousand concerning these commitments (Euro 119 thousand accrued as of December 31, 2011).

No significant transactions have been carried out with related parties during the financial year and there are no significant balances with related parties as of 31 December 2012.

(29) Contingent Liabilities

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

The claimed legal title to the disputed amount of CZK 30,364 thousand (approximately Euro 1,149 thousand) plus interest of 21% until its repayment means the right to the distribution share in Feramo of the claimants as heirs of former shareholder, who died in 1997, and owned 25.5% of the company shares.

According to the company management, the due settlement and distribution by agreement was done for both heirs on 8 November 1999, after the Feramo's auditor had calculated the distribution share for heirs, upon request from the company, at CZK 3,568 thousand (approximately Euro 135 thousand), which was paid to the heirs. Furthermore, any and all new claims lodged in autumn 2007, would be subject to limitation. Finally, the disputed amount is based on improper calculation with respect to the then applicable legislation on the distribution share determination.

The legal dispute may 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.

b. Pledge of assets and shares

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

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

Continued

(30) Financial Instruments

The Group risk is managed on a day to day basis at the level of the Group's subsidiaries and monitored monthly at Group level. The Group subsidiaries are focused on the main risks associated to the activity of business (credit risk, liquidity risk and market risk) and the risks are reported to Group managers in order to maintain control over the risk taken by subsidiaries and any mitigating activity taken by these. The Group has not changed its objectives, policies and processes for managing those risks.

a. Carrying values and fair values of financial instruments

Carrying values of the Group's financial instruments are listed below disclosed by category, as defined by IAS 39 Financial Instruments: Recognition and Measurement (amounts in Euro thousands):

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

Continued

December 2011	Receivables At cost	Derivatives used for hedging at fair value	Financial assets and liabilities at cost	Total fair value of financial instruments
Assets:				
Trade and other receivables (note 10)				
- current	17,046	-	-	17,046
Derivative financial instruments (note 8)				
- non-current	-	6	-	6
- current	-	10	-	10
Cash and cash equivalents (note 11)				
- cash at bank and in hand	-	-	10,347	10,347
- short term bank deposits	-	-	10,119	10,119
Total	17,046	16	20,466	37,528
Liabilities:				
Borrowings (note 13)				
- non-current	-	-	16,806	16,806
- current	-	-	4,373	4,373
Derivative financial instruments (note 8)				
- non-current	-	382	-	382
- current	-	382	-	382
Trade and other payables (note 17)	-	-	19,523	19,523
Current income tax liabilities	-	-	977	977
Other current liabilities (note 14)	-	-	45	45
Total	-	764	41,724	42,488

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

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

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

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

Continued

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

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

Receivables at cost

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

Derivatives used for hedging at fair value

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

Financial assets and liabilities at amortized cost

Borrowings:

The carrying amount of borrowings will be different to our estimated fair value. We assume that the borrowings' estimated fair value is close to the sum of the carrying amount plus the fair value of the interest rate swap used for hedging purposes disclosed as a derivative instrument (see note 8), due to the fact that interest are calculated at floating rate (EURIBOR plus a margin).

Other Financial liabilities:

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

b. <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.

Continued

c. Liquidity risk management policies and exposures

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

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

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

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

December 2011	Due within 12 months	Due between 1 and 5 years	Due after 5 year
Bank borrowings (note 13)	4,373	15,753	1,052
Trade and other payables (note 17)	19,523	-	-
	23,896	15,753	1,052

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.

Continued

In this sense, as of 31 December 2012 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, as of 31 December 2012 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 not have any significant changes.

Impact on Profit before taxes	2012	2011
PLN/EUR +5%	22	308
PLN/EUR -5%	(25)	(267)
CZK/EUR +5%	(10)	(12)
CZK/EUR -5%	2	1

In the same way, as of 31 December 2012 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 changed by Euro 23 thousand approximately (Euro 90 thousand in 2011).

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

e. Capital Risk

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

f. Impairment of financial assets

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

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

Continued

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

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

(31) Subsequent Events

There has not been any significant subsequent event.

(32) Approval of financial statements

The financial statements have been approved by the board of directors and authorised for issue on April 10, 2013.

Continued

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

BUSINESS SEGMENTS
(expressed in thousands of Euros)

	Iron casting December 2012	Aluminium casting December 2012	Others/Unallocated December 2012	Consolidated December 2012
Revenues from third parties	63,563	31,623	3,432	98,618
Total revenues	**63,563**	**31,623**	**3,432**	**98,618**
Profit for the segment	**3,819**	**2,466**	**-**	**6,285**
Other unallocated (expense) income			(3,228)	(3,228)
Operating profit				**3,057**
Negative goodwill				-
Net financing cost	225	129	(733)	**(379)**
Income tax	(187)	(227)	108	(306)
Profit for the year				**2,372**
Segment assets	**57,021**	**24,996**		82,017
Unallocated assets			1,115	1,115
Total assets				**83,132**
Segment liabilities	**22,697**	**3,812**		26,509
Unallocated liabilities			15,932	15,932
Total liabilities				**42,441**
Other information:				
Amortisation and depreciation	(3,122)	(2,055)	(24)	(5,201)
Additions for the year of property, plant & equipment & intangible assets	13,464	278	59	13,801

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

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

BUSINESS SEGMENTS
(expressed in thousands of Euros)

	Iron casting December 2011	Aluminium casting December 2011	Others/Unallocated December 2011	Consolidated December 2011
Revenues from third parties	63,336	33,825	3,528	100,689
Total revenues	**63,336**	**33,825**	**3,528**	**100,689**
Profit for the segment	**5,603**	**1,944**	-	**7,547**
Other unallocated (expense) income			(2,649)	(2,649)
Operating profit				**4,898**
Negative goodwill				-
Net financing cost	(271)	(668)	(643)	**(1,583)**
Income tax	(946)	(304)	23	(1,227)
Profit for the year				**2,088**
Segment assets	**49,822**	**28,840**		78,662
Unallocated assets			6,185	6,185
Total assets				**84,847**
Segment liabilities	**20,351**	**7,508**		27,859
Unallocated liabilities			18,378	18,378
Total liabilities				**46,237**
Other information:				
Amortisation and depreciation	(2,599)	(3,364)	(9)	(5,972)
Additions for the year of property, plant & equipment & intangible assets	2,921	1,060	135	4,120

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

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

Annual Accounts and
Report of the Réviseur d'Entreprises Agréé
For the year ended
December 31, 2012

38, boulevard Napoléon 1er

L-2017 LUXEMBOURG

RCS number: B 118130

Share capital: EUR 3.184.577

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

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

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

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To the Shareholders of
Automotive Components Europe S.A.
82, route d'Arlon
L-1150 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the annual accounts

Following our appointment by the General Meeting of the Shareholders dated June 19, 2012, we have audited the accompanying annual accounts of A.C.E., Automotive Components Europe S.A., which comprise the balance sheet as at December 31, 2012 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors' for the annual accounts

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

Responsibility of the réviseur d'entreprises agréé

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

Deloitte.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the *réviseur d'entreprises agréé's* judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of A.C.E., Automotive Components Europe S.A. as of December 31, 2012, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

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

For Deloitte Audit, *Cabinet de révision agréé*

Sophie Mitchell, *Réviseur d'entreprises agréé*
Partner

April 10, 2013

A.C.E., Automotive Components Europe S.A.
Société Anonyme
Share Capital: EUR 3.184.577
BALANCE SHEET
As at December 31, 2012
(expressed in EUR)

ASSETS

	Note	31/12/2012	31/12/2011
FORMATION EXPENSES	3	-	110.019
		-	110.019
FIXED ASSETS			
Tangible assets		1.160	2.433
Financial assets	4	13.690.829	14.724.302
		13.691.989	14.726.735
CURRENT ASSETS			
Debtors	5	3.305	44.430
Own Shares or own corporate units	6	25.054	
Cash at bank and in hand		124.262	427.423
		152.621	471.853
		13.844.610	**15.308.607**

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

A.C.E., Automotive Components Europe S.A.
Société Anonyme
Share Capital: EUR 3.184.577
BALANCE SHEET
As at December 31, 2012
(expressed in EUR)
- continued -

LIABILITIES

	Note	31/12/2012	31/12/2011
CAPITAL AND RESERVES	6		
Subscribed capital		3.184.577	3.184.577
Share premium and similar premiums		6.468.388	6.468.388
Legal reserve		320.000	320.000
Reserve for own shares		25.054	-
Other reserves		3.935.941	5.651.150
Result for the financial year		(293.478)	(628.629)
		13.640.482	14.995.486
PROVISIONS FOR LIABILITIES AND CHARGES			
Provisions for taxation		3.150	1.575
Other provisions	7	61.233	251.619
		64.383	253.194
NON-SUBORDINATED DEBTS	8		
Trade creditors		5.992	8.998
Amounts owed to affiliated undertaking	13	23.586	-
Other creditors		110.167	50.929
		139.745	59.927
		13.844.610	**15.308.607**

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

A.C.E., Automotive Components Europe S.A.
Société Anonyme
Share Capital: EUR 3.184.577
PROFIT AND LOSS ACCOUNT
For the year ended December 31, 2012
(expressed in EUR)

CHARGES

	Note	31/12/2012	31/12/2011
Staff costs	9	8.495	8.229
Value adjustment on formation expenses and on tangible and intangible fixed assets	3	111.292	291.721
Other operating charges		350.982	647.690
Interest payable and similar charges	11	24.983	54.817
		495.752	**1.002.457**

INCOME

	Note	31/12/2012	31/12/2011
Other operating income		-	85.400
Other interest and other financial income	12	201.224	288.428
Extraordinary income		1.050	-
Loss for the financial year		293.478	628.629
		495.752	**1.002.457**

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

NOTE 1 - GENERAL

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

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

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

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

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

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General principles

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

Foreign currency translation

The financial statements are expressed in Euro (EUR).

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

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

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

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

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

Valuation of financial fixed assets

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

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

Debtors

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

Provisions for liabilities and charges

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

NOTE 3 - FORMATION EXPENSES

3.1. FORMATION EXPENSES

As at December 31, 2012, formation expenses are fully depreciated and were so over 5 years, including fees in relation with the incorporation of the Company.

	2012 EUR	2011 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	25.538	22.772
Amortisation for the year	-	2.766
Amortisation - closing balance	25.538	25.538
Net book value - opening balance	-	2.766
Net book value - closing balance	-	-

3.2. OTHER FORMATION EXPENSES

As at December 31, 2012, other formation expenses are fully depreciated and were so over 5 years, including fees in relation with the IPO.

	2012 EUR	2011 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	1.330.235	1.042.238
Amortisation for the year	110.019	287.997
Amortisation - closing balance	1.440.254	1.330.235
Net book value - opening balance	110.019	398.016
Net book value - closing balance	-	110.019

NOTE 4 - FINANCIAL FIXED ASSETS

The financial fixed assets are composed by the following elements:

	2012 EUR	2011 EUR
Shares in affiliated undertakings	9.607.856	9.607.856
Loans to affiliated undertakings	4.082.973	5.116.446
	13.690.829	**14.724.302**

The shares in affiliated undertakings are summarized as follows:

Name	Country	Ownership	2012 EUR	2011 EUR
Ace Boroa S.L.U.	Spain	100%	9.607.856	9.607.856
			9.607.856	**9.607.856**

The net equity of the affiliated undertakings is summarized below:

Name	Last balance sheet date	Net equity at the last balance sheet date * EUR	Result for the last financial year * EUR
Ace Boroa S.L.U.	31/12/2012	13.309.489	2.703.152

* as reported under IFRS

The loans to affiliated undertakings are summarized as follows:

Name	Country	Book value 2012 EUR	Book value 2011 EUR
Ace Boroa S.L.U.	Spain	4.082.973	5.116.446
		4.082.973	**5.116.446**

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 was 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. The interest accrued during each interest period is settled on the date on which the same ends and added to the principal. Said interest accrues, in turn, new interest at the same rate applicable to the initial assignment. In 2012, this loan has been partially repaid for an amount of EUR 1.231.591 upon previous consent given by the Company. This early repayment of the loan does not carry any additional charge.

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, 2012.

NOTE 5 - DEBTORS

The debtors comprise the following:

Becoming due and payable after less than one year	2012 EUR	2011 EUR
Fees for services rendered to affiliated undertakings	-	42.700
Other debtors	3.305	1.730
Total debtors	**3.305**	**44.430**

NOTE 6 - CAPITAL AND RESERVES

Subscribed capital

On January 1, 2012 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 issue and equivalent premiums	Legal reserve	Reserve for own shares	Other reserves	Result of the year
	EUR	EUR	EUR	EUR	EUR	EUR
As at 31 December 2011	3.184.577	6.468.388	320.000	-	5.651.150	(628.629)
Allocation of year result					(628.629)	628.629
Dividend distribution					(1.061.526)	
Reserve for own shares				25.054	(25.054)	
Result of the year						(293.478)
As at 31 December 2012	**3.184.577**	**6.468.388**	**320.000**	**25.054**	**3.935.941**	**(293.478)**

Reserve for own shares

The Annual General Meeting of the Shareholders held on June 19, 2012 authorised the board of directors of the Company, for a maximum period of one year as of the date of said Meeting, to purchase shares of the Company, up to a maximum of five million euros (EUR 5.000.000). The purchase may be charged to the year's earnings and/or to unrestricted reserves or share premium.

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

This reserve is not distributable.

Other reserves

On June 19, 2012 the Company decided the distribution of dividends in the global amount of EUR 1.061.526 to the shareholders from the other reserves account.

NOTE 7 - OTHER PROVISIONS

As at December 31, 2012 the other provisions comprise the following:

	2012 EUR	2011 EUR
Provisions for accounting & audit fees	59.185	59.300
Provisions for administrative and consulting fees	-	73.319
Provisions for director fees	-	119.000
Other provisions	2.048	-
	61.233	251.619

NOTE 8 – NON-SUBORDINATED DEBTS

As at December 31, 2012, the non-subordinated debts comprise the following:

	Less than 1 year EUR	After 1 year and within five years EUR	Total December, 31 2012 EUR	Total December, 31 2011 EUR
Trade creditors	5.992	-	5.992	8.998
Amounts owed to affiliated undertaking	23.586	-	23.586	-
Other creditors	110.167	-	110.167	50.929
Total creditors	**139.745**	**-**	**139.745**	**59.927**

NOTE 9 - STAFF

The Company employed one person during the year.

NOTE 10 - AUDIT FEES

The fees for financial audit services provided to the Company by the principal auditor during 2012 amounted EUR 46.825 (2011: EUR 45.470). None other services have been provided by the principal auditor.

NOTE 11 - INTEREST PAYABLE AND SIMILAR CHARGES

	2012 EUR	2011 EUR
Other interest payable and charges	924	2.227
Other financial charges	24.059	52.590
Total	**24.983**	**54.817**

NOTE 12 - OTHER INTEREST AND OTHER FINANCIAL INCOME

	2012 EUR	2011 EUR
Derived from affiliated undertakings	198.117	245.123
Other interest and other financial income	3.107	43.305
Total	**201.224**	**288.428**

NOTE 13 - RELATED PARTY TRANSACTIONS

During 2012, incomes and charges from related parties are as follows:

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

2011	Sales of others EUR	Interest revenues EUR	External services EUR
ACE Boroa, S.L.U.	-	245.123	91.951
EBCC Sp.zo.o	85.400	-	-
ACE4C, A.I.E.	-	-	85.400
Total	**85.400**	**245.123**	**177.351**

At December 31, 2012, the outstanding balances with related parties are as follows:

	Debtors (note 4)	Creditors (note 8)
2012	Long term EUR	Short term EUR
ACE Boroa, S.L.U.	4.082.973	23.586
Total	**4.082.973**	**23.586**

2011	Debtors (note 4 & 5) Long term EUR	Debtors (note 4 & 5) Short term EUR	Provisions (note 7) Short term EUR
ACE Boroa, S.L.U.	5.116.446	-	30.619
EBCC Sp.zo.o	-	42.700	
ACE4C, A.I.E.	-		42.700
Total	**5.116.446**	**42.700**	**73.319**

NOTE 14 - OFF-BALANCE SHEET COMMITMENTS

- On December 23, 2010, the Board of Directors approved a yearly management remuneration scheme for the Senior Officers and the Chief Executive Officer of the Group 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, 2011, the Company accrued EUR 119.000 related to this remuneration scheme. However, in 2012 payment was ordered from the affiliated Ace Boroa S.L.U. instead of from ACE SA. Thus, the same amount (EUR 119.000) has been credited as of December 31, 2012.
- 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 November 12, 2010 ACE Group through ACE Boroa SL entity signed a long-term syndicated financing agreement with a group of Spanish banks. ACE SA granted a guarantee in favour of the banks, through the pledge of ACE Boroa SL shares.

NOTE 15 - DIRECTOR FEES

Directors fees paid for the year ended December 31, 2012 amount to EUR 72.000 (2011: EUR 72.000). The company did not grant any advances or loans to the Directors during the year.

NOTE 16 – SUBSEQUENT EVENTS

No significant events occurred subsequent to year-end.