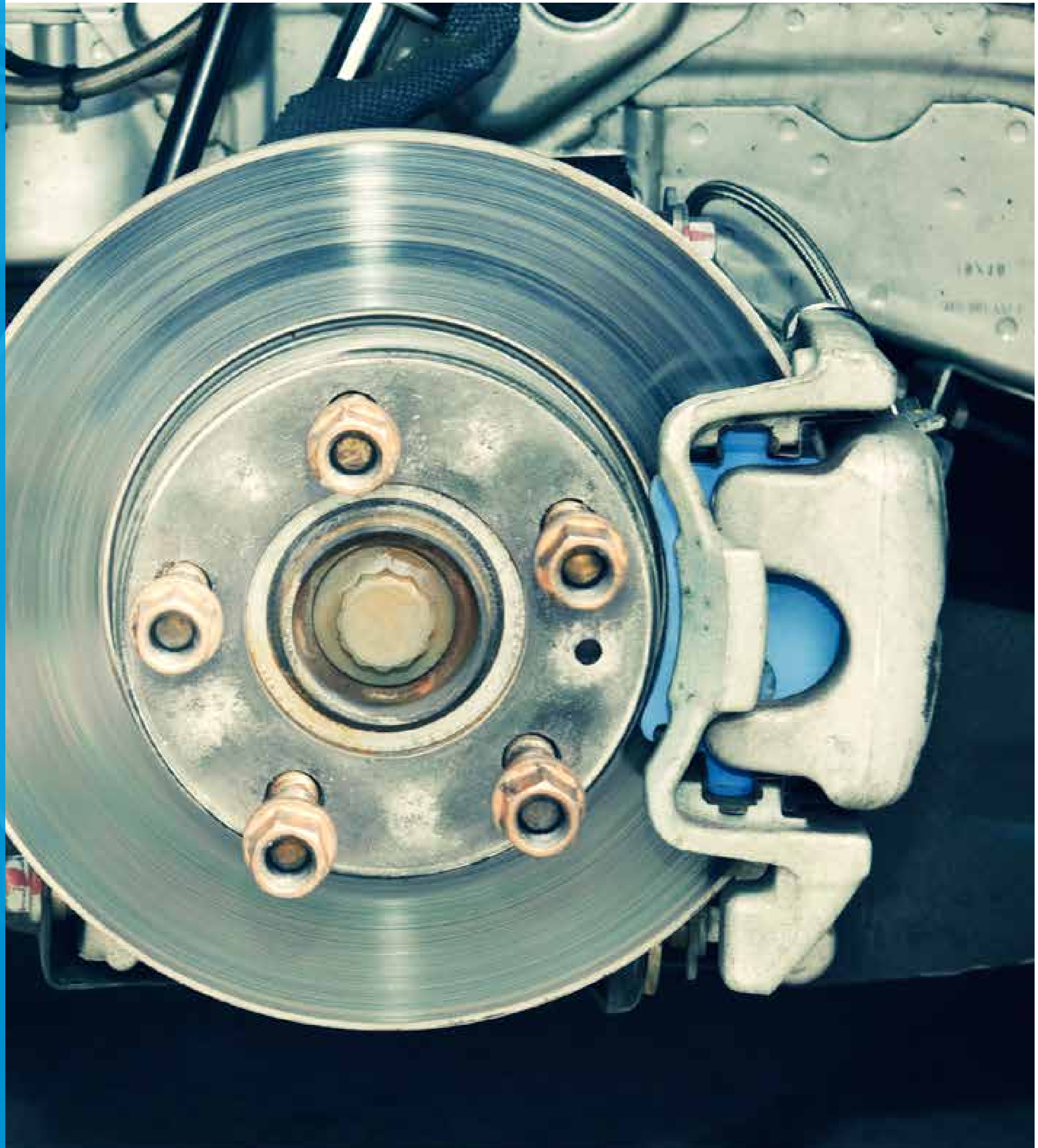
ANNUAL REPORT //2014



ACE
AUTOMOTIVE COMPONENTS EUROPE

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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-2210 Luxembourg, Grand Duchy of Luxembourg.
On 22 February 2013 the Board of Directors of the Company, pursuant to Article 2.1 of the Articles of Association, took a resolution transferring on 25 February 2013 the registered office of the Company within the boundaries of the municipality of Luxembourg City, from its previous location at 82, route d'Arlon, L-1150 Luxembourg.

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

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

Mission

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

Vision

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

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Key Figures

(EUR '000 except per-share and employment figures)	2014	2013	% Change
Revenues from Sales	100,234	100,843	-0.60%
Gross Profit	21,237	19,453	+9.17%
Operating Profit	5,088	4,463	+14.00%
Net Profit	1,538	1,936	-20.56%
Net Profit per share	EUR 0.07	EUR 0.09	-22.22%
Cash Flow from Operations	5,958	8,737	-31.81%
Cash Flow from Investments	-5,305	-5,131	+3.39%
Cash Flow from Financial Activity	-2,542	-7,837	-67.56%
Net Cash Flow	-3,626	-4,752	-23.70%
Current Assets	30,612	31,172	-1.80%
Fixed Assets	45,391	45,593	-0.44%
Total Assets	76,003	76,765	-0.99%
Long-term Liabilities	19,212	17,204	+11.67%
Short-term Liabilities	24,407	21,860	+11.65%
Liabilities	43,618	39,064	+11.66%
Net Debt	19,921	12,145	+64.03%
Shareholders' Equity	32,384	37,701	-14.10%
Book Value per share	EUR 1.53	EUR 1.78	-14.04%
Employees	761	735	+3.54%
EBITDA Margin	10.5%	10.3%	
Operating Profit Margin	5.1%	4.4%	
Net Profit Margin	1.5%	1.9%	

PLN/EUR	Average	High	Low	Period end
2013	4.1976	4.3432	4.0671	4.1472
2014	4.1845	4.3138	4.0998	4.2623

Source: National Bank of Poland

CZK/EUR	Average	High	Low	Period end
2013	25.9741	27.7200	25.2250	27.4250
2014	27.5331	28.0000	27.3300	27.7250

Source: Czech National Bank

Major Events in 2014

30 April 2014 – Publication of the 2013 Annual Report.

17 June 2014 – Annual General Meeting of Shareholders. Approval of the dividend distribution and the buyback value upgrade.

18 July 2014 – Dividend for 2013 – first tranche payout.

30 July 2014 – New long-term group financing agreement signed.

29 August 2014 – Publication of the interim report for the first half of 2014.

31 October 2014 – Dividend for 2013 – second tranche payout.

11 December 2014 – Temporary suspension of the buyback programme resolved by the Board of Directors.

President and CEO's Letter

Dear Shareholders,

I am very proud to present our consolidated annual report for the year 2014, which was an important period for us and for our business partners. During last year we managed to consolidate our efforts and build a strong basis for market expansion of the ACE Group in the following years.

Intending to expand the nodular business capacity, we completed an important next step in modernisation of our Spanish plant, increasing its maximum capacity by an additional 12%. This will give us room for further growth of our flagship factory in the upcoming years. It is the most advanced production plant in terms of technology and R&D projects.

But also starting from last year, the ACE Group's nodular business is not only located in Spain but also in the Czech Republic, at Feramo. After the definitive turn toward the nodular iron business in February 2014, Feramo became a full-scale automotive nodular iron producer. While we were far below fulfilling its maximum production capacity last year, our cooperation to date with new customers proves that the strategic decision to create an automotive foundry in the CEE region, which is the heart of the European automotive industry, was right, and it will bring the expected outcomes to the group in the future. From Feramo's perspective, 2014 was crucial in terms of its further growth in the following years. Alongside regular production, a lot of time and effort was devoted there to introduction of new projects, homologation processes, and company audits performed by our prospective new customers. Despite the complexity of development of this kind of industrial project and the significant and challenging difficulties that we still face, we are confident that in the next few years Feramo will be the most important element of consolidated sales and profitability growth in the organic development of the group.

Our Polish plant – EBCC – was the fastest-growing company in terms of volumes and sales generation last year. The aluminium business remains our strong suit, and we will focus our efforts on its further organic development in the following years. Besides its capacity growth, we have already made a decision to transform it into a more versatile business, able to work with dynamically changing product mixes and volumes. All these changes, including some new capex, are going to be introduced during this year.

From the automotive market perspective, in 2014 remarkable growth of car sales in Western Europe of 4.7% was recorded after six consecutive years of its contraction by around 22%. Also, production of cars substantially increased, achieving 3.0% growth, driving up our automotive volume sales by 3.2%. In value terms, consolidated sales growth of the group's automotive business was even higher, at 7.3%. On the other hand, due to specialisation of our Czech company in nodular iron since the beginning of last year, sales of grey iron products in FY 2014 declined substantially, upsetting the year-on-year comparison basis for this product. This effect will not be visible from 2015, as grey iron is now almost absent from our sales structure.

With regard to operational profitability, we made a very important step forward, increasing our gross profit by 9.2% and operating profit by 14.0% despite a stable level of consolidated revenues.

The high and still-improving profitability of the business and strong market share in both segments (nodular iron and aluminium) are good starting points for future further organic growth of the group and higher outputs on both production and financial levels. In our day-to-day operations we are focused on constant productivity and efficiency improvements as well as reinforcing the good position of the ACE Group in relations with our suppliers and customers. Our goal for the future is to increase the scope of the business through further development of our current plants and constant improvement of their profitability. We see strong potential for both factors, and all efforts will be focused on their implementation. We are confident that as a result of that effort, 2015 will be the first year in which these achievements will start to materialise.

In conclusion, I would like to take this opportunity to express my sincere gratitude to all board members, directors and especially staff of the ACE Group for their skill in running our operations and taking the ACE Group such a big step forward, to all our shareholders for their confidence in the current and future growth of the group, and to our customers and suppliers for their good cooperation.

Luxembourg, 30 April 2015
José Manuel Corrales
Chief Executive Officer
Automotive Components Europe

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 2015, issued in March 2015, predicts an increase of new car sales in Western Europe by about 4.2%, corresponding to production growth of around 4.5% (source: PwC Autofacts January 2015 including light commercial vehicles), or up to 4.9% for Pan-Europe. The PwC forecast is slightly downgraded in the European Union from the one issued one quarter ago, where the expected increase was 6.7%, and Pan-Europe slightly grew from the previous 4.8% despite stagnation now expected in Eastern Europe.

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.

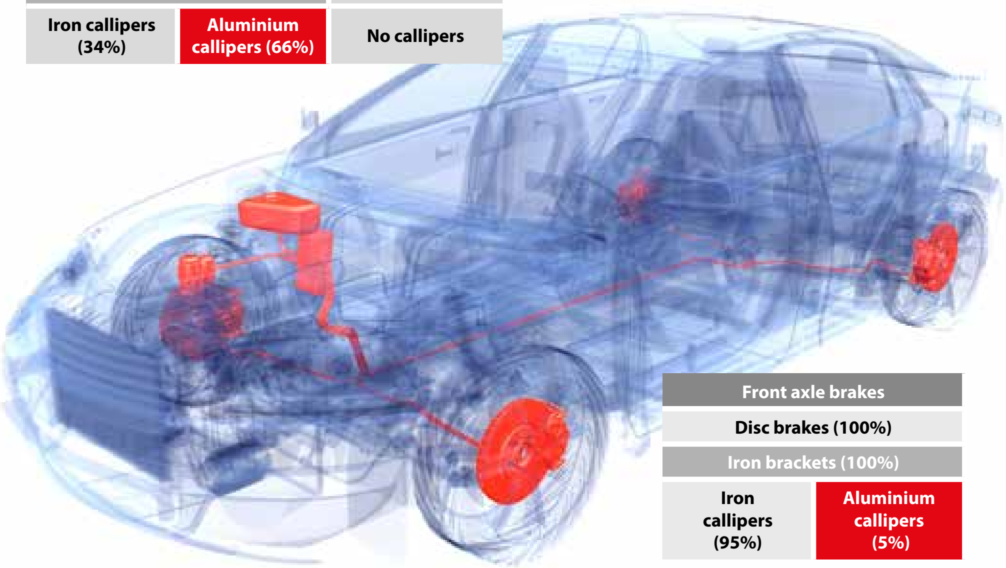
Products & Technologies

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. The aluminium callipers currently produced by ACE are mostly used in rear brakes, although since start-up of the CEE project in 2014 ACE also produces iron callipers for both front and 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 introduced by ACE, and this system has already been patented.

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



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

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

Feramo, a company acquired in 2008 in the Czech Republic, offered 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 constituted more than 10% of Feramo's sales. However, with the CEE Investment Project, Feramo is adding new volumes for the automotive sector and in the nodular iron segment with Tier 1 customers, which means higher specialisation in this market and gaining share in this market, above 70% of its turnover in 2014.

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 2014 its turnover grew by 6.5% from 2013 and already represents 8% of total group turnover, which very well illustrates and supports that strategy.

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Operating Plants

EBCC Sp. z o.o. (Wrocław, Poland)

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

From 2008 the plant introduced a range of new products and services to broaden its product portfolio and increase its importance as an automotive supplier in Europe. Thus, after commencement of TMC production in 2008, in 2009 EBCC introduced front callipers and iron machining. Since January 2010 front callipers have been manufactured on a large scale on a new production line, which was built in 2009. Volumes of "new family products," which grew by 6.5% in 2014 compared with 2013, already represent 8% of total group turnover.

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 above 40%. In 2014 its market share slightly declined in comparison with 2013 due to a temporary shift of a few projects and products. Fuchosa has a strong market position, which results from a high level of specialisation, engineering and technological expertise, as well as the highest standards of production and customer service.

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

Feramo was originally a producer of grey iron castings for various industries, including the automotive sector (auto products comprised around 10% of the company's total turnover). Feramo was supplying 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). After the definitive turn toward the nodular iron business in February 2014, Feramo became a full-scale automotive nodular iron producer.

The history of Feramo dates back to 1932, when a grey iron foundry was founded and the production of heating technology (boiler cells and radiators) started. During 1970–1990 an extensive modernisation programme was implemented, which substantially increased Feramo's capacity. During recent years, Feramo implemented a new production line and new sand pit technology. In 2011, Feramo initiated the investment in the nodular iron technology (CEE project), which started serial production of nodular iron parts from the beginning of 2014 and will expand Feramo's activity up to the same level of sales as the other two operating companies, increasing its production capacity and specialising the company in nodular iron parts for the automotive market, by adding some new customers and enlarging its product portfolio.

Customers

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

Since the acquisition of Feramo, some other customers have joined the ACE portfolio, with approximately 75 customers from the Czech Republic and abroad. However, with the launch of the CEE project at Feramo, most of those customers have been removed from the company's portfolio, and only a few of them and new customers have been actively approached. The company began producing their new products in the beginning of 2014.

Suppliers

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

In general, contracts made by the iron segment are for one month and mainly concern purchase and supply of scrap. As a general rule, upon expiration, the terms of the raw 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 and callipers are safety parts and are subject to a certification process conducted by our customers before commencement of production of a particular assortment lot. The production process for these parts is also strictly controlled, starting from the quality of raw materials, to the mechanical properties and shape accuracy of the finished goods.

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

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

Environmental Issues

The ACE Group is highly concerned with production sustainability, using state-of-the-art equipment in production to maximise productivity with the lowest impact on the environment. In this sense the ACE Group's policy is to apply the most modern management tools to prevent any negative impact on the environment. One of our plants is already EMAS-certified. As a management tool for companies to evaluate, report and improve their environmental performance, EMAS certification is also an excellent platform to present the situation to stakeholders in terms of emissions and waste management.

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

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

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

R&D

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

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

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

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

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)	2014	2013
Investments in R&D	1,125	1,098
Costs regarding R&D	442	651
Total R&D expenses	1,567	1,749

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 and reinforcing 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 existing 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 subsequently has generated a considerable portion of revenues. There were several new capacity projects in the pipeline launched in 2009, including aluminium front callipers and iron machining. ACE has also developed the nodular iron technology in the Czech plant, promoted by the group to manufacture new parts for the automotive segment. After the full 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 Group is focused on expansion in Europe, ACE is actively exploring opportunities in other important automotive areas for fast development, such as Asia and Americas.

Combined engineering and other synergies

Combining and exploiting the strengths of each business as well as developing the synergies between them is one of the main factors for present and future success, not only in the business areas of engineering and manufacturing but also in support areas like finance, HR and IT, which step by step are being standardised. Indeed, this is one of the main pillars of our strategy when developing the nodular iron technology for the automotive business in the CEE region.

Employees

The Group benefits from a highly skilled and professional workforce. Our productivity levels per employee are very high, but much effort is also devoted to constant improvement in this area. In 2014, the increase in the number of employees was driven by the increase of production, especially at EBCC.

The total number of employees as of the end of December 2014 is presented in the table below:

	2014	2013
Managers	28	29
Administrative employees	143	133
Workers	590	573
Total number of employees	761	735

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

The following trade union organisations operate at Fuchosa:
- Euskal Langileen Alkartasuna (E.L.A./S.T.V.)
- Langile Abertzaleen Batzordea (L.A.B.)
- Comisiones Obreras (C.C.O.O.)
- Unión General de Trabajadores (U.G.T.)

No trade union organisations operate at Feramo.

Financial Performance

(EUR '000)	2014	2013
Revenues from sales	100,234	100,843
Cost of goods sold	-78,997	-81,390
Gross profit	21,237	19,453
GP margin	21.2%	19.3%
G&A expenses	-16,149	-14,990
Operating profit	5,088	4,463
OP margin	5.1%	4.4%
Depreciation & amortisation	-5,420	-5,919
EBITDA	10,509	10,382
EBITDA margin	10.5%	10.3%
Financial income	356	977
Financial costs	-1,641	-2,115
Profit before tax	3,804	3,324
Tax	-2,266	-1,389
Net profit	1,538	1,936
NP margin	1.5%	1.9%

Thousand Units	2014	2013	Difference	%
Cars sold	12,095	11,547	548	4.7%
Cars manufactured	11,797	11,456	341	3.0%
Difference sales - production	299	91	208	228.4%
ACE Automotive	33,523	32,471	1,052	3.2%

Source: Western Europe by LMC Automotive Forecasting, ACE

ACE sales in the market context

In volume terms, group sales grew by 3.2%, above the car production increase, which is a more straightforward driver than sales in our business. Although nodular iron sales were still higher than the previous year, the allocation per business segment was different. After a significant increase in the activity of the Spanish company in 2013, sales were lower than in the previous year, but this was balanced by the new capacity at the Czech company after the implementation of the CEE project. Meanwhile, sales in aluminium activity were up by 9.8% in the number of units, which is much higher than the market trend (including the new family of products). In the non-automotive segment, grey iron sales decreased by 91%, as currently nodular iron is the priority for the Czech company.

Direct production costs and gross profit

Gross profit increased in 2014, in both absolute and relative terms. The better performance in the nodular iron segment was led by the positive impact of the investment carried out during 2013 in Spain, even despite the temporary shift of a couple of projects during the year. And although the Czech company's performance was negatively impacted by the delay of the start-up of the CEE project, after a number of years of declines in performance and profitability of the Czech company, in 2014 this company stopped its sharp negative trend. Aluminium was the only business reducing its profitability, as a consequence of inefficiencies in the Polish company due to its lack of flexibility to meet the increasing demand for aluminium.

General & administrative expenses

G&A increased in comparison with 2013, with the main reason being the increase of transportation costs at EBCC, as a result of the inefficiencies already mentioned, and some provisions for bad debts recorded at Feramo, related to the former grey iron business and thus a one-off item at that company.

EBITDA and operating profit

As a result of the above, EBITDA for the year 2014 rose to EUR 10.5 million (10.5% on sales, thus with both sales and EBITDA flat compared to 2013). However, as a result of lower depreciation, operating profit increased by more than EUR 0.6 million, to 5.1% on sales.

Financial items

The financial result remained similar to the previous year, as the positive impact of the exchange rate of CZK and EUR was balanced by the negative impact of transaction costs and the interest rates on derivative contracts cancelled after the debt restructuring carried out as of the end of July.

Profit before tax, taxes and net profit

Profit before tax was EUR 3.8 million (EUR 0.5 million higher y-o-y). However, the tax recorded was EUR 2.3 million, which is EUR 0.9 million higher than in 2013. This was mainly driven by the increasing profits in the most tax-expensive unit of the group (Spain), combined with one-off savings in 2013 at the same company, and to a minor extent the write-off of tax losses capitalised in previous years at the Czech company, given the limited ability to offset future profits.

This increasing tax brought the net profit to EUR 1.5 million, down EUR 0.4 million year-on-year.

Financial position

The operating generation of cash from January through December 2014 was positive, by EUR 4.2 million, mostly affected by the positive operating results but reduced by the negative working capital level, which mostly increased the inventories in the last part of the year to meet later customer demand.

Otherwise, investing activities amounted to nearly EUR 5.3 million in the period, while financing activity was mainly driven by annual shareholder distribution of EUR 5.7 million, mostly the dividend payment, and to a lesser extent by the buyback programme, already temporary suspended to preserve funds for company needs.

A new loan taken out to finance the company long-term allowed the company to cover all the above, reaching a final cash position as of the end of December 2014 of a positive EUR 4.1 million, with net debt of EUR 19.5 million, near 2x Net Financial Debt versus EBITDA.

Performance against budget (forecasts)

The Company did not publish any official forecast or guidelines for 2014.

Outlook for 2015

Automotive market in 2015

In just six years from 2007, the Western European market lost more than 3 million cars, from 14.8 million to 11.5 million. This meant a contraction of the market by 22% in only six years, a percentage that is softened when Eastern Europe is included but also with an increased number of cars lost in the period. After six consecutive years of a shrinking market, remarkable growth of 4.7%, to 12.1 million cars, was recorded in the year 2014 as a whole.

In line with this growth for 2014, sales and production for 2015 also look quite positive. Despite the still uncertain economic scenario and weak customer spending in some countries, LMC forecasts growth in sales of 4.2% for the year 2015. PwC Autofacts forecasts a better increase in production, by 4.5%, and even higher when including Eastern Europe, up 4.9%.

Group sales

For the upcoming months of 2015, and depending on the CEE project's progress, group automotive sales will be in line with market sales. In our Spanish plant, the expected growth is more limited in the first quarter, but it could be more visible y-o-y after Easter due to the temporary shift of a couple of projects in mid-2014. In the aluminium business, due to its continuous and uneven growth throughout the year, some inefficiency can still be reasonably expected in the following quarters. To overcome these limitations, some capital expenditure was already accrued in 2014 and is also planned for 2015, mostly to renew current facilities and make them more flexible and versatile to fit the new production.

As far as 2015 is concerned, at the time of preparation of this report, and based on current sales, our customers' demands and expectations, we can anticipate significant market outperformance, mostly subject to the development of our Czech plant, thus with some unbalanced distribution of sales along the main business segments, and with a general improvement of our margins in the automotive business.

Indeed, regarding the iron segment, it is expected that a significant part of the growth of sales in volume will be coming from our Czech plant, with the consolidation of nodular iron in the production process, but still depending on the performance of new facilities, and even more on new product development (start of production). In our Spanish plant, after some projects temporary shifted are back, sales volume is expected to reach the same level as in 2013, with limited room for further productivity improvement without additional capex, to compensate for the huge customer pressure on margins, although some plant efficiency increase is still affordable with not very costly capex.

As far as the aluminium segment is concerned, it is expected that this business will continue outperforming the market in 2015, with a stable and even growing machining business, including the highly strategic volume of a new project shared with the iron division and the expected growth in the new family of products. However, given the current capacity constraints to meet customer demand, there could still be some inefficiencies, especially visible during the first half of 2015.

Economy drivers

As regards raw material activity, in 2015 the group expects some stability compared to the previous year. Energy prices are also expected to be more stable than in the preceding years and are already adapted to market conditions in the current surcharge agreements in place. Nevertheless, given the downward trend of energy prices during 2014, there should be a reduction of indexes in the yearly based agreements decreasing the positive difference of 2014.

In this 2015 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 major 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.

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 to expand the portfolio of manufactured products and further diversify future revenues. Although the main part of the investment is almost finalised, the CEE project should be more visible going forward, and challenging productivity goals are also targeted to be achieved throughout 2015 in the search for the necessary cost-efficiency to break even with this business. In addition to this, an investment for the production of a new product will start in the Polish plant, as a consequence of the constant search for new projects in the current market environment.

Thus annual planned capex is nearly EUR 6 million in 2015, after a final investment of EUR 5.3 million in 2014 (versus the originally expected EUR 6 million). Concerning CEE Investment Project, after some delay in the start-up process, mainly caused by the functionality of the electrical furnaces and learning curve, the company is now focused in the following activities:

- Industrialization and rump-up of new projects and products
- Stabilization of equipment and processes
- Improvement of technical parameters and cost efficiency orienting the efforts to our strategic activity
- Recruitment and training of some key positions and stabilisation of new staff

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

In the commercial pipeline, our R&D department is currently developing projects for a certain small amount of mass production projects, feeding only in 2016 the expected volume for the full new capacity installed in the plant and with enormous market potential to develop further group growth.

The management of the group is fully involved in development of the growth

project, and acknowledge the major difficulties arising with the project, far above any reasonable expectation.
The group is providing extraordinary managerial, human, technical and financial resources to make up for the significant lack of the Czech company's resources, caused among other things by high rotation of staff given the significant demand for manpower on the Czech labour market. We are convinced that it is an important asset for the group in the near future and we already see improvements, but unfortunately these are not always repeatable and much slower than desired, and at this stage it is still early to commit to much greater speed in the near future.

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 2014

	Compared to the end of 2013
ACE S.A.	-44.2%
WIG Index	+0.3%
SWIG80 Index	-15.5%

Stock Market Data

	2014	2013
Market Capitalisation at the end of the period	PLN 194.3 m EUR 45.7 m	PLN 348.2m EUR 84.0m
Share Price		
- Highest	PLN 16.90	PLN 17.70
- Lowest	9.10	5.70
- Average	12.49	9.57
- At the end of the period	9.15	16.40
Shareholders' Equity per share	EUR 1.53	EUR 1.78

Per-Share Data

	2014	2013
Earnings per share	EUR 0.07	EUR 0.09
Cash Flow per share	EUR -0.17	EUR -0.22
Dividend per share	EUR 0.17*	EUR 0.07

*The total dividend paid (all three tranches) was EUR 0.24 per share.

Shares and the Trading Market

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

	Before IPO		After IPO		Current	
	No. of shares	%	No. of shares	%	No. of shares	%
Existing shares	20,050,100	100%	20,050,100	90.66%	21,230,515	100%
New shares	-	-	2,065,160	9.34%	-	-
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 where ACE is listed. In 2014 the total value of all transactions in ACE shares was PLN 38.8 million, with trading volume of 3.1 million shares. The stock price declined by over 44%, strongly below the market, which went up by 0.3% in 2014 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 2014 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 and Czech plant operations, since Fuchosa fully operates in EUR. EBCC's and Feramo's export sales are denominated in EUR, while purchases are made in EUR, PLN and CZK. Costs denominated in PLN constitute 45–50% of EBCC's total costs, whereas for Feramo, costs denominated in CZK are even higher. Any changes in the value of EUR against PLN and CZK may have a negative impact on their profits and balance sheet as a result of foreign exchange losses. This influence, and imposition of exchange controls or other similar restrictions on currency convertibility in the countries in which the ACE Group operates, could adversely affect the ACE Group's business, prospects, financial condition or results of operations, and consequently, the value of the shares.

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

Risk of decreasing margins

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

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

Risks related to labour cost increases

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

Risks related to further growth through acquisitions

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

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

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

Risks relating to competition

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

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

However, the competition risk is partially mitigated by the ACE Group's current strong market position as well as the significant levels of specialisation and capital commitments required to break

into the automotive components industry. Feramo (in the Czech Republic), acquired in 2008, is a good platform for CEE business development in future and is currently in the production ramp-up process. The first serial production of the new line at Feramo started in the beginning of 2014.

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

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

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

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

Risks related to new product development

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

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

Risks related to insufficient exploitation of current machining capacities

There is a risk that if the current customers of the ACE Group for aluminium products decide to shift machining operations in-house, the current capabilities of EBCC would not be sufficiently utilised. Generally, the machining of iron castings is carried out by Tier 1 companies, while in many cases the machining of aluminium castings is outsourced to Tier 2 suppliers. In 2014, around 28% of castings produced by EBCC as well as additional castings produced abroad were subject to a further machining process by the machining department of EBCC, despite the fact that most new projects are just cast. Any reduction in the demand for machining to be carried out by EBCC could adversely affect the ACE Group's business, prospects, financial condition or results of operations, and consequently, the value of the shares.

Risks related to the breakdown of key machinery

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

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

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

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

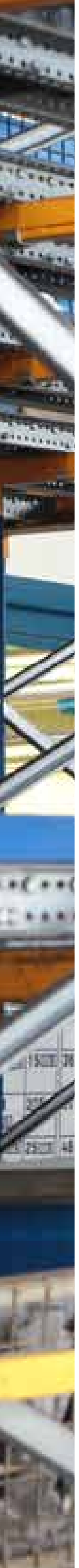
The growth and future success of the ACE Group also depend in part on the continued services of qualified and experienced technical personnel. If the ACE Group were to lose their services, it may be unable to find and integrate replacement personnel in a timely manner, which could significantly impair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

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

Risks related to product liability claims

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

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



Corporate Governance

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

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

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

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

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

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

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

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

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

ACE AUTOMOTIVE COMPONENTS EUROPE

B.- OWNERSHIP STRUCTURE

The outstanding share capital of the Company as of 31 December 2014 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 2014

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 2014, 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 2014	Number of Direct voting rights as of 31 December 2013
Casting Brake (Spain)	2,430,607 (11.45%)	2,430,607 (11.45%)
PZU "Złota Jesień" OFE	3,370,815 (15.88%)	3,500,762 (16.49%)
AVIVA OFE	3,114,178 (14.67%)	3,105,776 (14.63%)
ING Nationale Nederlanden Polska OFE	3,038,913 (14.31%)	3,185,090 (15.00%)
Pioneer Pekao Investments	1,659,249 (7.82%)	1,061,525 (5.00%)
Noble Funds TFI	1,363 157 (6.42%)	1,076,463 (5.07%)

As of 31 December 2014, Automotive Components Europe S.A. had 1,164,827 treasury shares, representing 5.49% of the company's share capital.

As part of the incentive plan for senior executives of the company and its subsidiaries adopted by the Board of Directors on 14 May 2013 ("ESOP Programme"), on 9 January 2015 the company sold 636,915 of its own shares on the basis of contracts for sale of shares concluded on 30 December 2014 with participants of the ESOP Programme. The purpose of the sale transaction of the company's shares was implementation of the ESOP Programme.

In respect of the disposal of 636,915 own shares made by the company on 9 January 2015 as part of the incentive plan for senior executives of the company and of its subsidiaries, the number of own shares held by the company fell below 5% of the share capital and voting rights in the General Assembly of the company.

On 29 January 2015 the company received an official notification from Noble Funds Towarzystwo Funduszy Inwestycyjnych SA, acting on behalf of managed investment funds, that due to the transaction of sale of Automotive Components Europe S.A. shares by the funds that took place on 23 January 2015, the total number of the company's shares owned by the funds fell below 5% of the total number of votes in the company.

After the transaction the funds held 1,036,558 of the company's shares, constituting 4.88% of the company's share capital and entitled to 1,036,558 votes, representing 4.88% of the total votes in the company.

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 other than the syndication agreement reached by the participants of the ESOP Programme (Current Report 3/2015).

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

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

The General Meeting of Shareholders held on 18 June 2013 approved a new buyback programme for the company's shares for a maximum period of three years as of the date of that Shareholders Meeting, further developed by the Board of Directors of the company on 28 June 2013. The maximum purchase price per share to be paid in cash shall not be more than PLN 20 or less than PLN 0.04. The value of shares that may be acquired by the company shall not exceed in total the maximum of EUR 5,000,000.

The General Meeting of Shareholders held on 17 June 2014 approved an increase in the maximum amount of the authorisation granted on 18 June 2013 by the General Meeting of Shareholders to the Board of Directors of the company and the corporate bodies of any subsidiaries of the company, for a maximum period of three years, to purchase shares of the company at any time and as many times as it deems appropriate by any means permitted by law, from EUR 5,000,000 to EUR 5,500,000. The programme initiated in June 2014 shall be valid until 17 June 2017.

As of the end of December 2014 the number of treasury shares in the company was 1,164,827, for a total acquisition cost of EUR 3,616,461.45 (PLN 15,140,000). In January 2015, the company transferred 636,915 shares following the Management Incentive Scheme described above. Apart from those, the company has not disposed of any treasury shares.

C.- ORGANISATIONAL STRUCTURE

As of the end of 2014, the ACE Group comprised two holding companies, three operating companies and an R&D unit:

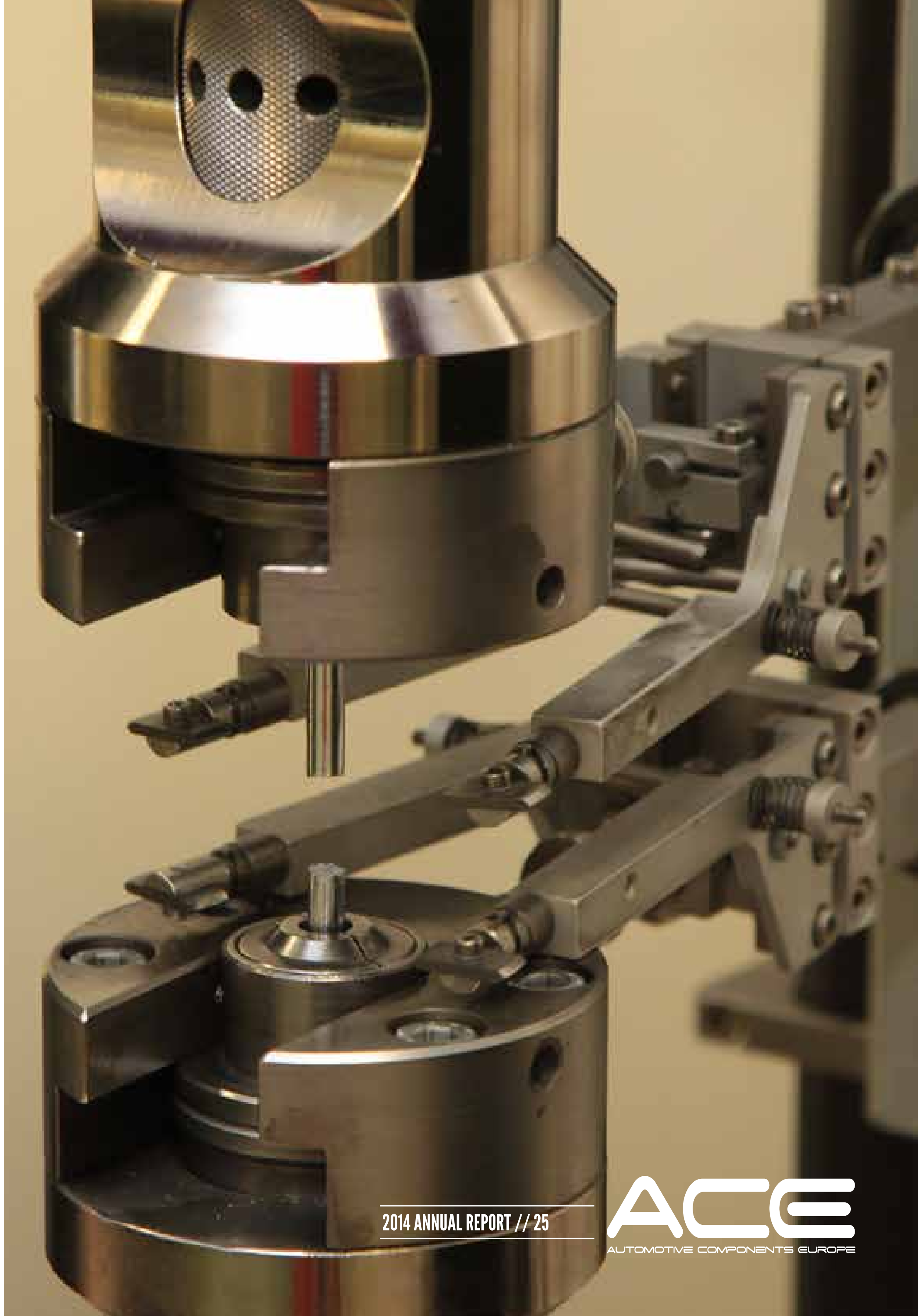
Company name	Status	Ownership	Consolidation method
ACE S.A.	Holding Company	-	Full
ACE Boroa S.L.U.	Holding Company	100%	Full
ACE 4C A.I.E.	R&D	100%	Full
Fuchosa S.L.U.	Operating	100%	Full
EBCC Sp. z o.o.	Operating	100%	Full
Feramo s.r.o.	Operating	100%	Full

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.



ACE
AUTOMOTIVE COMPONENTS EUROPE

C.2.- Composition of the Corporate bodies and Committees as of the end of December 2014:

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 seven (7) 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
Krzysztof Gerula	Independent Director
Rafał Lorek	Independent Director
Piotr Nadolski	Independent Director
Janusz Płocica	Independent Director

During financial year 2014, no vacancy occurred on the Board of Directors. The General Meeting of Shareholders held on 17 June 2014 appointed Krzysztof Gerula and Janusz Płocica as new independent directors of the company and did not reappoint Olivier Schmeer.

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

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

Witold Franczak
A graduate of Jagiellonian University in Cracow and the Technical University of Łódź, Mr Franczak has 17 years' experience in managing sales teams and directing distribution companies, in particular companies in the spirits industry. He is experienced in managing teams and projects in an international environment, including operations in Poland, Slovakia, the Czech Republic, Lithuania, and Ukraine, and has extensive experience in business development. Mr Franczak serves as Vice-President of CEDC and before served as CEO of Platinum Oil – Orlen Oil Distribution. Prior to these positions, 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.

Krzysztof Gerula
A graduate of the Cracow University of Economics and the University of Warsaw. Mr Gerula has 48 years' experience in management of a wide range of corporate activities of hotel groups and tour operators. He is experienced in managing companies and projects in an international environment, and has extensive experience in business development, global sales and marketing, restructuring and risk management. Currently Mr Gerula runs his own company, KG Doradztwo Gospodarcze Krzysztof Gerula. Prior to this in 1972–2008 he developed most of his professional career managing the largest hotel chain group in Poland. Between 1984 and 2008 he served as Vice President of Orbis S.A. and before, from 1978, as director of the Orbis Information Centre in Paris. Since 2009 Mr Gerula has been a member of the Polish branch of the Institute of Internal Auditors.

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.

Janusz Płocica
A graduate of the Warsaw University of Technology and the Warsaw School of Economics, Mr Płocica has over 15 years' experience in management of production

companies. Before he developed his professional career working for Trinity Management (the company managing NIF Fund 3) as Deputy Director managing the portfolio of companies, and for Procter & Gamble as Department Manager. Currently Mr Płocica serves as CEO of Cormay S.A., and he previously served as CEO of Zelmer S.A. Prior to these positions, in 2002–2005 he was CEO of recycling company Rekopol Organizacja Odzysku S.A., and in 1999–2002 Mr Płocica was CEO of Vistula S.A., a WSE-listed fashion and jewellery producer.

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.

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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 2014, 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 June (where five of the six members were present and one duly represented), all the Directors were present at the Board meetings held.

C.2.2.- Audit Committee

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

Composition of the Audit Committee

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

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

The current composition of the Audit Committee is the following:

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

Competences of the Audit Committee

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

I. In relation to internal control and information systems:
   a) To monitor the preparation process and the integrity of the financial information relating to the Company and the Group, as appropriate, ensuring compliance with regulatory requirements, the appropriate scope of consolidation and the correct application of accounting criteria.
   b) To monitor the integrity of the annual, half-yearly and quarterly financial statements that should be submitted to regulatory or market supervision entities, including the internal control systems, as well as the accounting criteria applied, when applicable.
   c) Periodically, and at least annually, to review the internal control and risk management systems so that the principal risks are appropriately identified, managed and reported.
   d) To review at least annually the need or convenience of an internal audit function, and as the case may be, to monitor the internal audit function, through full access to it, and monitor and supervise its independence and effectiveness; propose the selection, appointment, re-election and removal of the manager of the internal audit service; propose the budget for this service and set the remuneration for its manager; receive periodic information on its activities and the

budget for the service; and verify that senior management takes into account the conclusions and recommendations of its reports.

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

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

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

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

j) 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.

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

II. In relation to the external auditor:

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

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

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

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

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

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

Periodicity of meetings of the Audit Committee

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

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

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

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

Quorum and majorities to pass resolutions

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

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

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

During fiscal year 2014, the Audit Committee held four meetings.

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

[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.

C.2.3.- Management Committee:

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

The Management Committee is currently composed by:

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

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

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

The Audit Committee, made up entirely of Independent Directors, has either presential meetings or 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 2014, 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 2014, both inclusive.

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

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

José Manuel Corrales Ruiz, as Chief Executive Officer of the Company, has been delegated day-to-day management of the Company's business and the power to represent the Company with respect thereto, except for the matters exclusively reserved to the Board as referred to in Article 10.2.
Except as provided above, no Director or member of the Management Committee has been delegated or granted any power to act on behalf of or represent the Company.

Powers of the Directors to issue or buy back shares

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

The General Meeting of Shareholders held on 17 June 2014 resolved to increase the value of shares that may be acquired by the company, and currently they shall not exceed in total the maximum of EUR 5,500,000.

The details of the authorisation to the Board to purchase shares of the company were described in Current Report 36/2013 and Current Report 38/2014.

Upon the aforementioned authorisation of the General Meeting of Shareholders, the Board of Directors on 28 June 2013 passed a resolution authorising a share buyback programme on the conditions described in Current Report 40/2013. The programme was initiated on 1 July 2013 and as of the end of December 2014 the number of treasury shares in the company was 1,164,827, for a total acquisition cost of PLN 15,140,000, including those purchased based on the previous authorisation approved by the General Meeting of Shareholders on 19 June 2012.

Related party transactions and conflicts of interest

No relevant transactions, from a quantitative or qualitative perspective, entailing a transfer of resources or obligations, took place in fiscal year 2014 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 2014

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 2014 through 31 December 2014 are as follows:

	EUR '000
Current compensation	
salary	1,112
bonus	10
Share-based payments	455
Total, Management Committee	1,577

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	24,000	-	-
Krzysztof Gerula	12,867		
Rafał Lorek	24,000	-	-
Piotr Nadolski	24,000	-	-
Janusz Płocica	12,867		
Olivier Schmeer	11,133	-	-

Information on supervision of Employee Share Option Plans

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

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

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

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

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

The Management Shares will be distributed by the Board on an individual basis, at its discretion, among the Participants.

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

The share purchase agreement corresponding to December 2014 (the second Allocation Date) was actually executed in December but the shares were transferred to the Participants to their relevant securities account on 9 January 2015 due to technical reasons.

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

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

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

Convening of the General Shareholders Meeting

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

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

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

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

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

Venue of the General Shareholders' Meeting

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

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

Any Shareholder wishing to participate in the General Meeting shall notify the Company thereof at the latest on the Record Date in 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 to vote in favour, against or abstain from voting. Voting forms must be sent back by the Shareholders to the registered office or as otherwise indicated in the convening notice. Only voting forms received prior to the General Meeting are taken into account for the calculation of the quorum provided that the Shareholder had indicated his intention to participate in the relevant General Meeting. Voting forms which show neither a vote (in favour or against the proposed resolutions), nor an abstention, are void.

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

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

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

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

Shareholders Rights

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

Dividend Rights

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

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

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

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

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

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

Rights to share in any surplus in the event of liquidation

In the event of the liquidation, dissolution or winding-up of ACE, the assets remaining after allowing for the payment of all liabilities will be paid out to the Shareholders pro rata to their respective shareholdings. Any decision to liquidate

ACE requires the approval of at least seventy-five per cent (75%) of the votes cast at a General Meeting where at least 50% of the issued capital is present or represented.

Voting Rights and majorities required

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

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

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

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

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

Issue of Shares and Pre-emptive Rights

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

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

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

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

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

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

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

Amendments to the rights of Shareholders

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

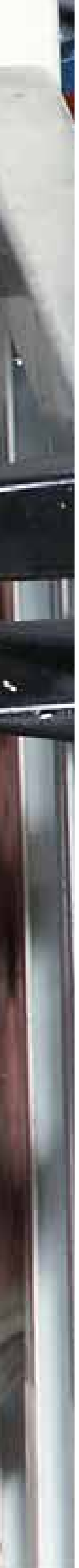
G.- COMPLIANCE WITH THE "CODE OF BEST PRACTICE FOR WSE LISTED COMPANIES"

In 2014 the Company did not fully or partially comply with the following rules described in the Code of Best Practice for WSE Listed Companies, on a temporary basis:

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

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

Section I: 12 and Section IV: 10 – All rules refer to live transmissions of the General Shareholders Meetings and



online participation of shareholders. Current corporate website capabilities do not allow either live transmission broadcasts or video streaming. However, ACE is constantly improving its website capabilities and intends to include such information if it is of material importance for shareholders.

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

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

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

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

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

Directors' Statements

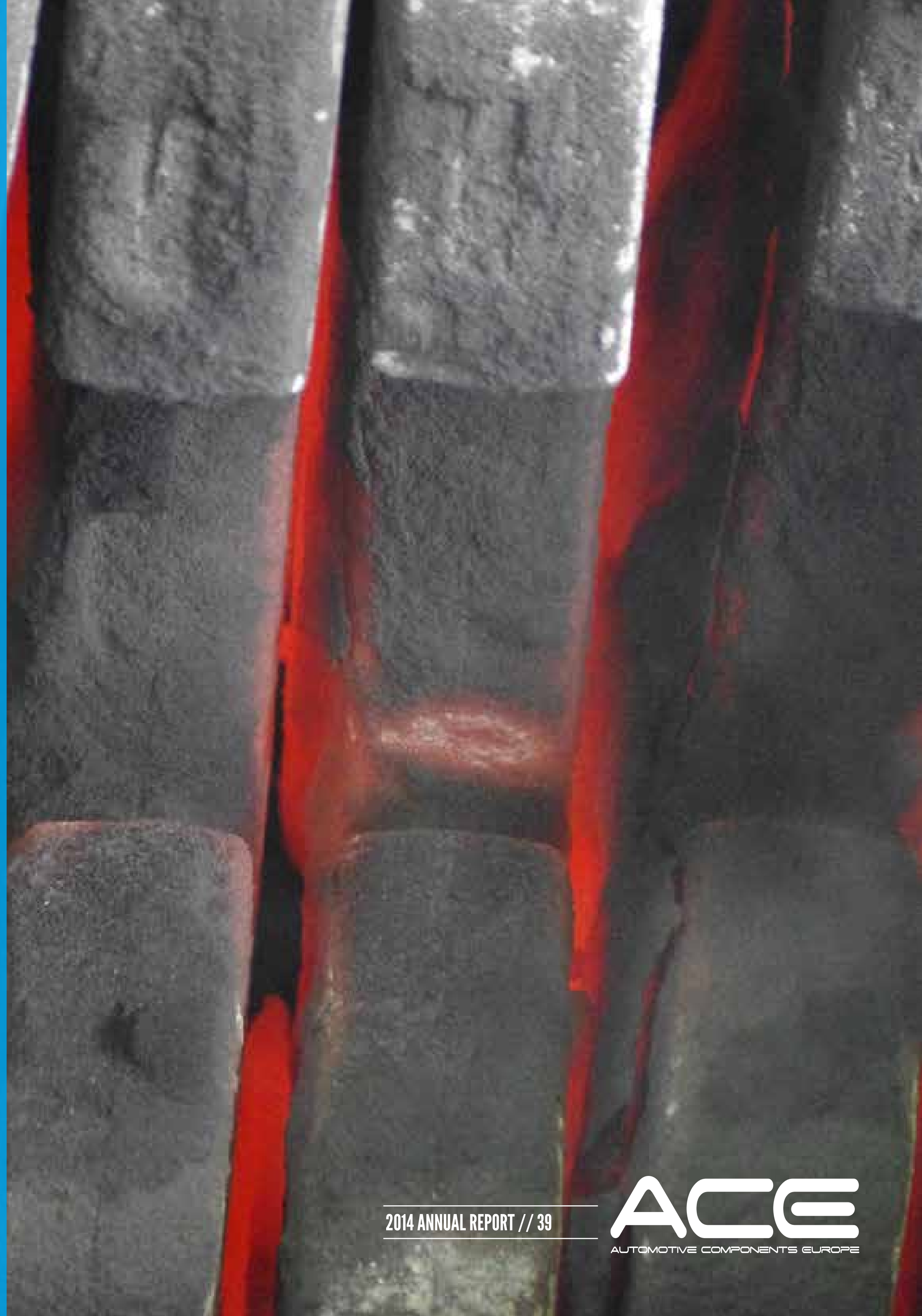
To the best of the Board of Directors' knowledge the annual consolidated financial statements and the comparable information have been prepared in compliance with IFRS adopted by the EU and give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer or the 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 Audit S.a.r.l.) that audited the annual consolidated financial statements was selected in compliance with the provisions of the law, and the firm and the qualified auditors who performed the audit met the conditions to issue an impartial and independent auditor's opinion in accordance with the applicable provisions of the national law.

Luxembourg, 30 April 2015

José Manuel Corrales

Raúl Serrano



Automotive Components Europe S.A.

and subsidiary companies

38, boulevard Napoléon 1er

L-2210 LUXEMBOURG

RCB number: B 118130

Consolidated Financial Statements

for the year ended 31 December 2014

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

MANAGEMENT REPORT OF THE DIRECTORS CONCERNING CONSOLIDATED FINANCIAL STATEMENTS AND ANNUAL ACCOUNTS AS AT DECEMBER 31st 2014

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 2014, 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 2014 rose to Euro 10.5 million (10.5% on sales, thus with both sales and Ebitda flat comparing 2013). Indeed, although automotive segment sales volume of ACE Group increased by +3.2%, following the production market trend for Western European market increase by 3.0% (by 4.7% in sales), the non-automotive segment of the Group reduced its sales even in a larger extent as a result of the Group concentration in its core business. After a number of years fall of performance and profitability of the Czech company, in 2014 it stopped its sharp negative trend.

On the other hand, the Spanish company continued its improvement trend even though a temporary shift of projects reduced its volume sales some below 2013. In fact, the productivity improvements in that company over-compensated the inefficiencies produced in the Polish company as a result of the lack of flexibility in our facilities to meet the increasing demand of aluminium.

Nevertheless, with a decreasing depreciation versus 2013, Operating profit was quite positive by Euro 5.1 million (5.1% on sales), which is Euro 0.6 million higher than 2013.

Net profit amounted to Euro 1.5 million in year 2014, which is Euro 0.4 million lower than year 2013, mostly as a consequence of higher income tax expenses derived of one off savings in 2013 as well as a "mix effect" coming from raising profits in the most expensive tax rate legislation (Spain).

As regards the financial position, the operating generation of cash from January to December of 2014 was positive by Euro 4.2 million, mostly as a result of EBITDA. Otherwise, investing activities amounted to Euro 5.3 million in the period, yet reflecting the CEE project capital expenditure finalization. The financing activity is driven by annual shareholder retribution of Euro 5.7 million, mostly dividend payment and in a lower extent by the buyback programme. New loan raising to finance the long term needs allowed the Company to cover all the above, reaching a final cash position as of the end of December 2014 positive by EUR 4.1 million with net debt of Euro 19.5 million, near x2 Net Financial Debt versus EBITDA.

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 (spółka z ograniczoną odpowiedzialnością) 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 36,0 million in 2014. 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 around 40% of the European aluminium callipers.

FUCHOSA, S.L.

ACE Boroa S.L. has a 100% participation in the capital of FUCHOSA, S.L. (Formerly RETORGAL XXI, S.L.), a limited liability company organised under the laws of Spain, with its registered office at Calle Autonomía, 1. Barrio Apatamonasterio S/N° Atxondo – 48291 – VIZCAYA Spain, incorporated on 17 February 2005, registered with the Registro Mercantil de Vizcaya, tomo 4530, Book 53, Page BI-42017, first entry, with Tax Identification Number B95358081 of which the issued share capital is Euro 1,203,006 represented by 1,203,006 shares having a par value of Euro 1.00 each.

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

Fuchosa's history dates back to 1987, but the company started as an iron foundry and focused exclusively on brake components (especially in anchors and brackets) production in 1991. Since then, the company increased its sales revenues from Euro 6.8 million in 1990 to Euro 55.8 million in 2014, 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 was traditionally a producer of grey iron castings for various industries, including the automotive sector (auto products comprised around 10% of the company's total turnover), supplying to different industries, like automotive, white goods production, engineering and sewer/drain iron castings.

The history of Feramo dates back to 1932 when a grey iron foundry was founded and the production of heating technology (boiler cells and radiators) started. During 1970-1990 an extensive modernization program was implemented, which substantially increased Feramo's capacity. During last years, Feramo implemented a new melting technology, a new production line and a new sand pit technology. In 2013, Feramo proceeded with the main part of the investment for the Nodular Iron technology (CEE project), which was only visible since 2014 and will expand in the next few years Feramo activity up to the same level of sales than the other two operating companies increasing its production capacity and specializing the company in nodular iron parts for the automotive market, by adding some new customers, and enlarging its product portfolio.

ACE4C AIE

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

2. Important Events since December 31st 2014

There were no significant events after the year end.

3. Planned evolution of the Company and its subsidiaries

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

As far as 2015 is concerned, at the time of preparation of this report, and based on our customer's demand and expectations, we can anticipate again some market outperformance for the Group sales.

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

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

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

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

4. Branch

The Company has no branches

5. Research and Development Activities

During the period between 1st January and December 31st 2014, 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 Sp.z.o.o., 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 2014.

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

9. Takeover Bids

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

Art. 11 from the Law on takeover bids		Description	Comments
a)	The structure of ACE capital, including securities which are not admitted to trading on a regulated market in a Member State, where appropriate with an indication of the different classes of shares and, for each class of shares, the rights and obligations attaching to it and the percentage of total share capital that it represents;	During the IPO, which took place in May 2007, the Company increased its shareholding capital from 20,050,100 to 22,115,260 shares. Under the prospectus the three existing shareholders of ACE—Casting Brake, EB Holding and Halberg Holding—sold a total of 10,423,316 of the Company's shares (less the shares bought with the over-allotment option (319,389) meant 10,103,927 shares sold). The first listing of ACE on the Warsaw Stock Exchange took place on 1 June 2007. The Extraordinary General Meeting of Shareholders held on 17 June 2009 resolved to reduce the issued share capital of the Company by Euro 132,711.75, from Euro 3,317,289.00 to Euro 3,184,577.25, by cancellation of 884,745 shares at a par value of Euro 0.15 each, owned by the Company, following the completion of the buy-back programme as approved at the annual shareholders meeting of the Company held on 17 June 2008. Pursuant to the resolution, the total number of outstanding shares decreased to 21,230,515. All the shares are of the same class and series, and are fully paid-up and subscribed. All shares are admitted for trading.	
b)	Any restrictions on the transfer of securities, such as limitations on the holding of securities or the need to obtain the approval of the company or other holders of securities, without prejudice to article 46 of Directive 2001/34/EC;		Not applicable
c)	Significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Directive 2004/109/EC;	As ACE's shares are represented in bearer form, it is not possible to know accurately the ownership structure of the Company. In any case, according to the information received by the Company, and to its best knowledge, as of the end of 2014, 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 15.88%, ING Nationale Nederlanden OFE 14.31%, AVIVA OFE 14.67%, Noble Funds TFI 6.42%, Pioneer Pekao Investments 7.82%	
d)	The holders of any securities with special control rights and a description of those rights;	If Casting Brake holds at the time of nomination of the directors of the Board at least 10% of the voting rights in the share capital of the Company, Casting Brake shall have the right to nominate for appointment and removal by the General Meeting two (2) persons or entities as directors of the Company. In the event that at the time of nomination of Directors the percentage of voting rights held by Casting Brake falls below 10% of the voting rights in the share capital of the Company but is above 5% of the voting rights in the share capital of the Company, Casting Brake shall have the exclusive right to nominate one (1) Board member for appointment by the General Meeting. In the event the percentage of voting rights held by Casting Brake falls below 5%, Casting Brake will lose its exclusive right to nominate any Directors for appointment by the General Meeting.	
e)	The system of control of any employee share scheme where the control rights are not exercised directly by the employees;	On 14 May 2013 the Board of Directors approved a new management incentive scheme (ESOP) and a new annual bonus structure replacing entirely the existing bonus structure and ESOP approved by the Board of Directors on December 23, 2010. The Participants shall be entitled to acquire from ACE, upon the terms of the scheme, shares representing in aggregate up to nine per cent (9%) of the outstanding share capital of ACE (the "Management Shares"). The purchase by	

		the Participants and transfer by ACE of the shares will take place in December, 2013, December 2014 and December 2015, resulting three per cent (3%) each date. The Management Shares will be distributed by the Board on an individual basis at its discretion, among the Participants. As of 31 December 2014 and following the guidelines of IFRS 2, the total amount accrued amounts to Euro 776 thousand. The second transfer of shares planned for December 2014 was actually done in January 2015 due to technical reasons.	
f)	Any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities;	There is no distinction regarding the rights attached to each Share. ACE recognises only one holder per Share. Where a Share is held by more than one person, ACE has the right to suspend the exercise of all rights attached to that Share until one person has been appointed as sole owner vis-à-vis ACE. The same rule shall apply in the case of conflict between a usufruct holder (*usufruitier*) and a bare owner (*nu-propriétaire*) or between a pledgor and a pledgee. All Shares are entitled to participate equally in dividends, if and when declared by the annual ordinary General Meeting, out of funds legally available for such purposes. Each Shareholder shall receive dividends pro rata to the number of Shares held, at the time and place fixed by the Board within the limits of the decision of the annual ordinary General Meeting. Each Share entitles the holder to attend a General Meeting, either in person or by proxy, to address a General Meeting, and to exercise voting rights. Each Share entitles the holder to one vote at a General Meeting. There is no minimum shareholding required to be able to attend or vote at a General Meeting. Any Shareholder wishing to participate in the General Meeting shall notify the Company thereof at the latest on the Record Date in writing by mail, fax or electronic mail in the manner determined by the Board and indicated in the relevant convening notice. The Articles of Association provide that in the case of Shares held through a depositary or a sub-depositary as described in Article 6 of the Articles of Association, a Shareholder may exercise all rights attached to his or her Share(s) and in particular to participate and vote at a General Meeting upon presentation of a certificate issued by the depositary holding the Shares, certifying the number of Shares recorded in the relevant account in the name of the relevant Shareholder on the Record Date. Such certificates should be submitted to ACE prior to the General Meeting at its registered address or at the address included in the convening notice or, in case the Shares are listed on a foreign regulated market, with an agent of ACE located in the country of the listing and designated in the convening notice. In the event a Shareholder votes through proxy, the latter has to deposit his or her proxy within the same period of time at the registered office of ACE or with any local agent of ACE duly authorised to receive such proxy. In addition, if a Shareholder votes by correspondence, the relevant form must be received at the registered office of ACE before the General Meeting.	Restrictions: not applicable.
g)	Any agreements between shareholders which are known to the company and may result in restrictions on the transfer of securities or voting rights within the meaning of 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, other than the syndication agreement reached by the Participants of the ESOP programme (Current Report 3/2015).	
h)	The rules governing the appointment and replacement of board members and the	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	

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

		management of the Company to the Chief Executive Officer, who is supported by a Management Committee consisting of Senior Officers appointed by the Board. Acting in the Company's best interests, the Board shall define the strategy and objectives of the Company's operations. The Board shall be responsible for implementing and completing the strategy as well as attaining the Company's major objectives. The Board provides for the transparency and effectiveness of the Company's management system and handling of the Company's affairs in compliance with legal regulations and principles of good practice. The General Meeting of Shareholders held on 18 June 2013 authorised the Board of Directors to perform a buy-back of the Company shares. The maximum number of shares that may be acquired by the Company within three years shall not exceed in total the maximum of five million euros (Euro 5 000 000). The Annual General Meeting of the Shareholders held on June 17, 2014 renewed the authorization to the Board of Directors of ACE, for a maximum period of three years as of the date of said meeting, to purchase shares of the Company and approved the increase of maximum amount from five million euros (EUR 5.000.000) to five million and five hundred thousand euros (EUR 5.500.000). The details of the buy-back programme were described in the current reports 36/2013 and 38/2014. The programme was initiated on 1 July 2013 and as of the end of December 2014 the amount of treasury shares in the Company were 1 164 827 for a total acquisition cost of Euro 3 616 thousand (PLN 15 140 thousand) which comprises two buy-backs programme, the one performed from December 2012 to June 2013, as explained in previous reports, plus the current one started in July 2013.	
j)	Any significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company following a takeover bid, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to the company; this exception shall not apply where the company is specifically obliged to disclose such information on the basis of other legal requirements;		Not applicable
k)	Any agreements between the company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.		Not applicable

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

Following with the buy-back program approved on 19 June 2012, the General Meeting of Shareholders held on 18 June 2013 approved a new buy-back programme for the Company shares further developed by the Board of Directors of the Company on 28 June 2013. Besides, the General Meeting of Shareholders held on June 17, 2014 increased both, the term of authorization to the Board of Directors of ACE and the maximum amount to devote to this programme. The Objectives of the buy-back programme are as follows:

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

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

The maximum number of shares that may be acquired by the Company shall not exceed in total the maximum of five million and five hundred thousand euros (Euro 5,500,000).

The programme was initiated on 1 July 2013 and shall be valid until June 17, 2017. As of the end of December 2014 the amount of treasury shares in the Company were 1.164.827 for a total acquisition cost of Euro 3,616 thousand (PLN 15,140 thousand). In January 2015, the Company transferred 637 thousand shares following the ESOP agreement described above. Apart from those, the Company has not disposed any treasury share.

The financial statements for the next statutory reporting period will cover the months January 2015 to December 2015.

11. Corporate Governance report

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

In Brno, April 14, 2015.

José Manuel CORRALES
Chairman

Piotr NADOLSKI
Independent Director

Witold Jan FRANCZAK
Independent Director

Raul SERRANO SECADA
Director CB

Rafał LOREK
Independent Director

Krzysztof GERULA
Independent Director

Janusz PLOCICA
Independent Director

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

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated 17 June 2014, we have audited the accompanying consolidated financial statements of Automotive Components Europe S.A., which comprise the consolidated statement of financial position as of 31 December 2014, and the consolidated statement of income, consolidated statement of other comprehensive income, consolidated statement in stockholder's equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

Responsibility of the réviseur d'entreprises agréé

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

Société à responsabilité limitée au capital de 35 000 €
RCS Luxembourg B 67 895
Autorisation d'établissement : 10022179

Deloitte.

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

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

Basis for Qualified Opinion

As stated in notes 3.5 and 22 of the accompanying consolidated financial statements, in 2014 and 2013 the Group has recorded Research and Development tax deductions of 534 EUR thousand and 650 EUR thousand as "Other operating income" in the consolidated income statement for the years ended 31 December 2014 and 2013, respectively, as the member of the Board of Directors considered the nature of these tax deductions to be similar to that of a government grant. 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 as of 31 December 2014 and 2013, respectively as a reduction of the income tax expense and the operating income. The equity or the net profit after tax are not impacted by this matter.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion Pparagraph, the consolidated financial statements give a true and fair view of the consolidated financial position of Automotive Components Europe S.A. as of 31 December 2014, and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Deloitte.

Report on other legal and regulatory requirements

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

For Deloitte Audit, *Cabinet de révision agréé*

J. van Delden

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

14 April 2015

BOARD OF DIRECTORS' RESPONSIBILITY STATEMENT RELATING TO THE CONSOLIDATED FINANCIAL STATEMENTS AND ANNUAL REPORT AS OF 31 DECEMBER 2014

To whom it may concern:

We confirm that, to the best of our knowledge, the Consolidated Financial Statements for the year ended 31 December 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and results of the Company and the undertakings included in the consolidation taken as a whole. We also confirm that, to the best of our knowledge, the 2014 Annual Report and Consolidated Financial Statements include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Signed on 30 April 2015

On behalf of the Board of Directors

José Manuel Corrales

Raúl Serrano

AUTOMOTIVE COMPONENTS EUROPE SA

AND SUBSIDIARY COMPANIES

Notes to the Consolidated Financial Statements

for the year ended 31 December 2014

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

Automotive Components Europe S.A. and subsidiary companies

Consolidated Statement of Financial Position
for the year ended 31 December 2014
(expressed in thousand of Euros)

Assets	Notes	December 2014	December 2013
Non-current assets			
Intangible assets	6	261	229
Property, plant and equipment	7	42.866	43.206
Derivative financial instruments	8	9	47
Deferred tax assets	15	2.249	1.947
Trade and other long term receivables		6	164
Total non-current assets		45.391	45.593
Current assets			
Inventories	9	9.543	7.831
Trade and other receivables	10	16.948	15.407
Derivative financial instruments	8	54	185
Current income tax assets		-	60
Cash and cash equivalents	11	4.067	7.690
Total current assets		30.612	31.173
Total assets		76.003	76.766

Equity and Liabilities	Notes	December 2014	December 2013
Capital and reserves			
Share capital		3.185	3.185
Share premium		-	3.959
Retained earnings and other reserves		28.889	29.675
Cash flow hedges		(145)	30
Exchange differences		(1.083)	(1.083)
Net profit for the year		1.538	1.936
Total equity	12	32.384	37.702
Non-current liabilities			
Borrowings	13	16.800	13.973
Deferred income		349	470
Deferred tax liabilities	15	1.647	2.307
Derivative financial instruments	8	245	220
Provisions for other liabilities and charges	16	171	235
Total non-current liabilities		19.212	17.205
Current liabilities			
Trade and other payables	17	13.771	14.893
Borrowings	13	6.774	5.240
Derivative financial instruments	8	23	-
Current income tax liabilities		1.911	1.254
Other current liabilities	14	1.433	12
Provisions for other liabilities and charge	16	495	460
Total current liabilities		24.407	21.859
Total equity and liabilities		76.003	76.766

The accompanying notes form an integral part of the consolidated financial statements of Automotive Components Europe S.A. for the year ended 31 December 2014, in conjunction with which they should be read.

Automotive Components Europe S.A. and subsidiary companies

Consolidated Statement of Income
for the year ended 31 December 2014
(expressed in thousand of Euros)

	Notes	2014	2013
Revenues	18	100.234	100.843
Cost of sales	19	(78.997)	(81.390)
Gross profit		21.237	19.453
Selling and distribution costs	20	(2.797)	(2.451)
General and administration expenses	21	(14.364)	(13.318)
Other operating income	22	1.300	1.327
Other operating expenses		(287)	(548)
Operating profit		5.089	4.463
Financial income		356	977
Financial expenses		(1.641)	(2.115)
Financial result	23	(1.285)	(1.138)
Profit before income tax		3.804	3.325
Income tax (expense) / income	24	(2.266)	(1.389)
Net profit for the period		1.538	1.936
Attributable to:			
Equity holders of the company		1.538	1.936

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

		2014	2013
- basic		0,08	0,09
- diluted		0,07	0,09

The accompanying notes form an integral part of the consolidated financial statements of Automotive Components Europe S.A. for the year ended 31 December 2014, in conjunction with which they should be read.

Automotive Components Europe S.A. and subsidiary companies

Consolidated Statement of Other Comprehensive Income
for the year ended 31 December 2014
(expressed in thousand of Euros)

	Notes	2014	2013
Consolidated profit per consolidated statement of income (I)		1.538	1.936
Income and (expense) recognised directly in equity:			
- Cash flow hedges	8	(262)	160
- Tax effect	15	74	(31)
- Exchange differences		-	(1.244)
Total income and expense recognised directly in consolidated equity (II)		(188)	(1.115)
Transfers to consolidated profit and loss:			
- Cash flow hedges	8	44	(48)
- Tax effect	15	(31)	(4)
Total transfers to consolidated profit and loss (III)		13	(52)
Total consolidated recognised income and expense (I+II+III)		1.363	769
Attributable to the Parent (*)		1.363	769

(*) All of the concepts included in "Other Comprehensive Income" will be recycled through profit and loss.

The accompanying notes are an integral part of the consolidated financial statements of Automotive Components Europe S.A. for the year ended 31 December 2014, 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 2014
(expressed in thousand of Euros)

	Notes	Attributable to equity holders of the company							
		Share Capital	Share premium	Legal reserve	Retained earnings and other reserves	Cash Flow hedges	Exchange differences	Profit for the period	Net Equity
Balance at 1 January 2013		**3.185**	**5.444**	**320**	**29.256**	**(47)**	**161**	**2.372**	**40.691**
Allocation of previous year profit		-	-	-	2.372	-	-	(2.372)	-
Total consolidated recognised income and expense		-	-	-	-	77	(1.244)	1.936	769
Dividend relating to previous period		-	(1.485)	-	-	-	-	-	(1.485)
Purchase of treasury shares		-	-	-	(2.594)	-	-	-	(2.594)
Other		-	-	-	321	-	-	-	321
Balance at 31 December 2013		**3.185**	**3.959**	**320**	**29.355**	**30**	**(1.083)**	**1.936**	**37.702**
Balance at 1 January 2014		**3.185**	**3.959**	**320**	**29.355**	**30**	**(1.083)**	**1.936**	**37.702**
Allocation of previous year profit		-	-	-	1.936	-	-	(1.936)	-
Total consolidated recognised income and expense		-	-	-	-	(175)	-	1.538	1.363
Dividend relating to previous period	12	-	(3.959)	-	(919)	-	-	-	(4.878)
Purchase of treasury shares	12	-	-	-	(2.258)	-	-	-	(2.258)
Other	28	-	-	-	455	-	-	-	455
Balance at 31 December 2014		**3.185**	**-**	**320**	**28.569**	**(145)**	**(1.083)**	**1.538**	**32.384**

The accompanying notes form an integral part of the consolidated financial statements of Automotive Components Europe S.A. for the year ended 31 December 2014, 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 2014
(expressed in thousand of Euros)

	Notes	December 2014	December 2013
Cash flows from ordinary activities			
Profit before tax		3.804	3.325
Adjusted for:			
Amortisation and depreciation	6 & 7	5.420	5.919
Net Financial result		1.599	1.181
Losses on sale of property, plant and equipment		(70)	(11)
Gains and losses on changes in fair values of derivative financial instruments		-	-
Others		(81)	(322)
Operating profit before changes in working capital		10.672	10.092
(Increase)/decrease in receivables and other current assets		(1.595)	(719)
(Increase)/decrease in inventories		(1.727)	959
Increase/(decrease) in trade and other payables		(1.393)	(1.595)
Cash from operating activities		5.957	8.737
Income taxes paid	24	(1.737)	(521)
Net cash from ordinary activities		4.220	8.216
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		(45)	(6)
Acquisition of property, plant and equipment	7	(5.285)	(5.118)
Proceeds from sale of non current assets		70	55
Acquisition of other intangible assets	6	(44)	(63)
Net cash from investing activities		(5.304)	(5.132)
Cash flows from financing activities			
Purchase of treasury shares	12	(2.257)	(2.595)
Repayments of borrowings	13	(14.456)	(3.511)
Proceeds from borrowings	13	17.973	637
Dividends paid to Company´s shareholders	12	(3.453)	(1.485)
Net of financial result paid and received	23	(349)	(882)
Net cash from financing activities		(2.542)	(7.836)
Net increase/(decrease) in cash and cash equivalents		(3.626)	(4.752)
Cash and cash equivalents at beginning of the period		7.690	12.407
Effects of exchange rate changes on the balance sheet		3	35
Cash and cash equivalents at the end of the period		4.067	7.690

The accompanying notes form an integral part of the consolidated financial statements of Automotive Components Europe S.A. for the year ended 31 December 2014, 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-2210 Luxembourg, Grand Duchy of Luxembourg.

The Company is listed in the Warsaw Stock exchange. The main shareholders of the Company are: PZU 'Zlota Jelsien' OFE, Aviva OFE, ING Nationale Nederlanden Polska OFE, Casting Brake, Pioneer Pekao Investments and Noble Funds TFI.

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 2014:

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 2014.

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. These mergers had no impact on consolidated figures.

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

On 15 October 2010, in the context of the group's restructuring process following mainly the requirements set by the lender of a 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, that was used by the Group for partial refinancing and repayment of the loan facilities used directly by all three production plants (see note 13). To rationalize this financing process and provide the local guarantees required by the syndicated pool of Spanish banks, ACE transferred at the same time, through a contribution in-kind, all shares of all three production plants (Fuchosa, S.L., EBCC sp. z o.o. and Feramo s.r.o.) to the new Spanish company ACE Boroa S.L.U., the borrower, being a 100% subsidiary of ACE S.A. This entity as well as all remaining ACE Group members are the debt guarantors.

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

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

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

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

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

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

- Feramo Metallum International s.r.o. (“Feramo”) was incorporated with limited liability under Czech law on 7 July 1992. The registered offices of the company are in Brno (Czech Republic), where the production plant is also located. The principal activity of the company was the manufacturing and sale of a broad range of grey iron foundry products and, since 2014, also nodular iron for automobile sector.

(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, 2014 have been prepared in accordance with International Financial Reporting Standards, as adopted for use within the European Union (herein, IFRS-EU).

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

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

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 2014 will be presented at the Warsaw Stock Exchange within the periods established by prevailing legislation in Poland.

Standards, interpretations and amendments effective from January 1, 2014

In 2014, the following new accounting standards came into force and were taken into account when drawing up the accompanying consolidated financial statements:

- IFRS 10 "Consolidated financial statements". IFRS 10 replaces the guidance on consolidation contained in IAS 27 and SIC 12 on the consolidation of special-purpose entities and introduces changes to the concept of control, which continues to be defined as the factor determining whether or not an entity should be included in the scope of consolidation.

  Under the new definition, in order for an investor to have control over an investee, the investor must have all three of the following: power over the investee (based on the substantive rights held); rights to variable returns from its investment; and the ability to use its power to affect the amount of these returns.

  This amendment has had no material effect on the Group's consolidated financial statements.

- IFRS 11 "Joint arrangements". IFRS 11 replaces IAS 31 on joint ventures and provides the accounting treatment for joint arrangements, based on the rights and obligations arising from the agreement, and not on its legal form. The types of joint agreements are reduced to two: joint operations and joint ventures. Joint operations imply that a participant has direct rights to the assets and obligations under the agreement, and thus may recognise the proportionate interest in the assets, liabilities, income and expenses of the entity in which it participates. Meanwhile, joint ventures arise when a participant has a right to the profit or the net assets of the entity in which the interest is held, and therefore uses the equity method to account for the interest in the entity. The recognition of interests in joint ventures under the proportionate consolidation method is no longer permitted.

  This amendment has had no material effect on the Group's consolidated financial statements.

- IFRS 12 "Disclosure of interests in other entities". IFRS 12 defines the disclosures related to interests held in subsidiaries, associates, joint arrangements and unconsolidated entities. It also introduces the requirement to disclose details of investments in unconsolidated vehicles.

  The notes to the Group's consolidated financial statements contain the details required under this standard.

- Transition Rules: Amendments to IFRS 10, 11 and 12. It has been clarified that the amendments to IFRS 10, 11 and 12 came into force at the start of 2014, requiring the Group to analyse at that date which investments were within the scope of consolidation.

  With respect to the figures presented for the purposes of comparison, it is established that if the application of these amendments does not produce any changes in the consolidation criteria, no adjustment to these figures is required. If it does result in changes, only the figures for the preceding financial year must be restated.

  This amendment has had no material effect on the Group's consolidated financial statements.

- Amendment to IAS 27 "Separate financial statements". IFRS 10 having come into force, IAS 27 only covers separate financial statements.

  This amendment has had no effect on the Group's consolidated financial statements.

- Revised IAS 28 "Investments in associates and joint ventures". IAS 28 has been updated to include references to joint ventures which, under the new IFRS 11 on joint agreements must be accounted for using the equity method.

  This amendment has had no effect on the Group's consolidated financial statements.

- Investment Companies: Amendment to IFRS 10, IFRS 12 and IAS 27. This amendment establishes an exception to the guidelines on consolidation contained in IFRS 10 for companies that meet the requirements to be treated as investment entities.

  This amendment has had no effect on the Group's consolidated financial statements.

- Amendment to IAS 32 "Offsetting financial assets and financial liabilities". The amendment clarifies that in order to offset a financial asset and liability in the statement of financial position, an entity must have the legally enforceable right to do so.

  This amendment has had no material effect on the Group's consolidated financial statements.

- Amendment to IAS 36 "Recoverable amount disclosures for non-financial assets". This amendment restricts current disclosures of the recoverable amount of an individual asset or a cash-generating unit to the reporting periods for which the entity has recognised or reversed an impairment loss and removes the requirement to disclose the recoverable amount when it has not recognised or reversed an impairment loss.

  It also introduces new disclosures when recoverable amount is measured at fair value less costs of disposal and the entity has recognised or reversed an impairment loss.

  This amendment has had no effect on the notes to the Group's consolidated financial statements.

- Amendment to IAS 39 "Novation of derivatives and continuation of hedge accounting". This amendment allows entities to continue hedge accounting if a derivative is novated through a central clearing house or an entity acting in a similar capacity as a consequence of legal requirements.

  This amendment has had no material effect on the Group's consolidated financial statements.

Standards and interpretations issued not in force

As at the date these consolidated annual financial statements were drawn up, the most significant standards, changes and interpretations that had been published by the IASB that had not yet come into force, either because their effective date is later than the date of the consolidated annual financial statements, or because they have not yet been endorsed by the European Union, are as follows:

- IFRIC 21 "Levies". The interpretation provides guidance on when to recognise a liability for a levy based on financial information of a period that is different to that when the activity that triggered payment occurred. The application of this standard will be mandatory for all financial years starting from 1 January 2015 in accordance with IFRS-EU (17 June 2014 in accordance with IFRS-IASB), and may be voluntarily applied during 2014.

The Group is assessing the effect that the application of this new standard may have on its consolidated financial statements and the Directors consider that this effect will not be material.

Standards, amendments and interpretations that have not yet been endorsed by the European Union:

- IFRS 9 “Financial instruments”. IFRS 9 will replace IAS 39, introducing changes to the guidance on impairment, classification and measurement of financial instruments. The application of this amendment will be mandatory for financial years starting from 1 January 2018 in accordance with IFRS-IASB.

- IFRS 15 ”Revenues from contracts with customers”. The application of this standard on the recognition of revenue will be mandatory for all financial years starting from 1 January 2017 in accordance with IFRS-IASB.

- Amendment to IAS 19 “Defined benefit plans: employee contributions”. The application of this amendment will be mandatory for financial years starting from 1 July 2014 in accordance with IFRS-IASB and will apply retrospectively.

- Improvements published in the annual improvement cycles 2010-2012 and 2011-2013. The application of these improvements will be mandatory for all financial years starting from 1 July 2014 in accordance with IFRS-IASB.

- Amendment to IAS 16 and 38 “Acceptable Methods of Depreciation and Amortisation”, Amendments to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”, “IFRS Annual Improvements 2012-2014 cycle”, Amendment to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”, Amendment to IAS 27 “Equity method in separate financial statements” and IAS 16 and 41 “Bearer plants” . The application of these amendments will be mandatory for all financial years starting from 1 January 2016 in accordance with IFRS-IASB.

The Group is assessing the effect that the application of this amendment could have on its annual consolidated financial statements if adopted.

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 2014 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 2014, future events may require these estimates to be modified (increased or decreased) in subsequent years. Any change in accounting estimates would be recognised prospectively in the corresponding consolidated income statement, in accordance with IAS 8.

2.4 Comparative information

As required by IAS 1, the information relating to 2014 contained in these notes to the Consolidated Financial Statements is presented, for comparison purposes, with similar information relating to 2013, and does not constitute the ACE Group's statutory consolidated financial statements for 2013.

2.5 Going concern and accruals basis

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

The main characteristic of the braking system market is its concentration of customers among three Tier 1 companies. In this regard, approximately 94% of total revenues in 2014 have been made with said customers (86% in 2013). 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 vis a vis the customers and build long term relationships. Apart from that, ACE Group products are installed in the majority of automobiles produced in Europe, so indirect customers are in practice all the OEM.

2.6 Basis for consolidation

The consolidated financial statements incorporate the financial statements of the Company (ACE) and entities controlled by the Company (its subsidiaries).

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee when facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company’s voting rights in an investee are sufficient to give it power, including:

- the size of the Company’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

The value of non controlling interest in equity and the consolidated results are shown, respectively, under "Non controlling interests" of the Consolidated Statements of Financial Position and "Profit attributable to non controlling interests" in the Consolidated Income Statements.

Profit for the period and each component of other comprehensive income are attributed to the owners of the Company and to the non controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non controlling interests even if this results in the non controlling interests having a total negative balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on 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. Significant influence is the powerto participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these Consolidated Financial Statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture, the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture.

Profits and losses resulting from the transactions of the Company with the associate or joint venture are recognized in the Group's Consolidated Financial Statements only to the extent of interests in the associate or joint venture that are not related to the Group.

The group has not investments in joint ventures or associated companies.

c) Goodwill

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

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

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

(3) Significant Accounting Principles

1. Revenue recognition

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

a. Sale of goods

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.
- the amount of revenues can be measured reliably.

b. Rendering of services

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

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

c. Dividend and interest revenue

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

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

d. Rental income

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

2. Leasing

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

a. The Group as lessor

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

b. The Group as lessee

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

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

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

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

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

3. Foreign currency transactions

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

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

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

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

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

4. Borrowing costs

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

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

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

5. Government grants

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

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

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

Some tax deductions for Research and Development costs are treated as Government grants according IAS 20, as the accounting treatment defined thereof reflects more accurately the real performance given the nature of such expenses. Indeed, these grants relate to expenditures incurred by the Group mainly in salaries and wages, materials, outsourcing and other indirect costs. Moreover, there is a direct link between the level of expenses in R&D and the government grants received consequently, and these factors are considered by the Group in its decision making process before undertaking a new R&D Project (Note 22).

6. Share-based payments

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

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest and adjusted for the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve (see note 28).

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

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferrability, exercise restrictions and behavioural considerations.

7. Taxation

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

a. Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

b. Deferred tax

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

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

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

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

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

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

c. Current and deferred tax for the period

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

8. Property, plant and equipment

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

Freehold land is not depreciated.

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

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

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

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

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

	Years
Buildings	20 – 45
Plant and machinery	7 – 30
Fixtures and fittings	4 – 10
Computer equipment	3 – 14
Leasehold improvements	5
Other tangible assets	3 – 5

The Group reassesses the depreciation method and periods at least at the end of each financial year.
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9. Intangible assets

a. Goodwill

Internally generated goodwill is not recognised as an asset.

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

b. Research & development expenditure

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

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

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

c. Intangible assets acquired separately

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

The estimated useful lives of intangible assets is between two and five years.

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.

The main assumptions considered in performing this test are a projection period between 10-20 years from 2015 with no increase of the EBITDA since 2019 and a discount rate between 7%-12%. As of December 31, 2014 and 2013 no impairment losses have arisen as a consequence of the impairment tests performed on the basis of abovementioned cash-generating units.

11. Inventories

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

12. Provisions

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

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

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

13. Financial instruments

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

a. Trade receivables

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

b. Cash and cash equivalents

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

c. Financial liabilities and equity

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

d. Bank borrowings

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

e. Trade payables

Trade payables are stated at amortized cost.

f. Equity instruments

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

g. Derivative financial instruments and hedge accounting

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

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

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

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

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

Derivative financial instruments qualify for hedge accounting when:

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

The effects of hedge accounting are as follows:

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

14. Treasury shares

At year end the ACE Group’s treasury shares are deducted from “Retained earnings and other reserves” on the Consolidated Statement of financial position and are measured at acquisition cost.

The gains and losses obtained by the companies on disposal of these treasury shares are recognised in “Other reserves” in the Consolidated Statement of financial position.

15. Share capital

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

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

16. Employee benefits

Termination benefits

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

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

17. Offsetting assets and liabilities, income and expenses

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

18. Classification of assets and liabilities as current

Assets and liabilities are classified as current in the consolidated balance sheet when expected to be recovered, traded or settled within 12 months of the balance sheet date. 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 management committee in order to allocate resources to the segments and to assess their performance.

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

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

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

(5) Business combination

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

On 12 May 2008 ACE acquired 100% of Feramo Metallum International s.r.o. The principal activity of Feramo Metallum International s.r.o was the manufacturing and sale of a broad range of grey iron foundry products and, since 2014, also nodular iron for automobile sector.

(6) Intangible assets

Details of and movements in intangible assets for the years from 1 January 2013 to 31 December 2014 are shown below (in Thousands of Euros):

	Trademarks and licences	Other	Total
Year ended 31 December 2013			
Opening net book amount	116	129	245
Additions	33	62	95
Amortisation charge	(45)	(65)	(110)
Exchange differences (cost)	-	(2)	(2)
Exchange differences (depreciation)	-	1	1
Closing net book amount	104	125	229
At 31 December 2013			
Cost	782	1.226	2.008
Accumulated amortisation and impairment	(678)	(1,101)	(1,779)
Net book amount	104	125	229
Year ended 31 December 2014			
Opening net book amount	104	125	229
Additions	34	14	48
Amortisation charge	(40)	(56)	(96)
Exchange differences (cost)	-	(1)	(1)
Exchange differences (depreciation)	-	(1)	(1)
Tranfers	52	30	82
Closing net book amount	150	111	261
At 31 December 2014			
Cost	868	1,268	2,136
Accumulated amortisation and impairment	(718)	(1,157)	(1,875)
Net book amount	150	111	261

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.

(7) Property, plant and equipment

Details of and movements in property, plant and equipment for the years from 1 January 2013 to 31 December 2014 are as below (in Thousands of Euros):

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

	Land & Buildings	Vehicles& Machinery	Furniture fittings & equipment	Tangibles under construction	Total
Year ended 31 December 2014					
Opening net book amount	13,544	19,483	1,449	8,730	43,206
Additions	211	2,621	336	1,996	5,164
Depreciation charge	(556)	(4,231)	(438)	(99)	(5,324)
Transfers (Net)	159	42	261	(544)	(82)
Disposals (Cost)	(25)	(4,060)	-	(99)	(4,184)
Disposals (Depreciation)	25	4,060	-	99	4,184
Net foreign currency exchange differences (Cost)	(67)	(134)	90	(50)	(161)
Exchange differences (depreciation)	16	45	2	-	63
Closing net book amount	13,307	17,826	1,700	10,033	42,866
At 31 December 2014					
Cost or valuation	19,419	79,382	5,633	10,073	114,507
Accumulated depreciation	(6,112)	(61,556)	(3,933)	(40)	(71,641)
Net book amount	13,307	17,826	1,700	10,033	42,866

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

Although, and according to the initial time schedule for the different milestones of the project, the Company expected to finalize the investment project and to start with the production in a normal way during 2013, different problems occurred in the production launching/start-up phase that led to important delays. This fact has to be considered for a better understanding of Feramo's performance in 2013 and 2014, as these years have to be considered as transitions years in this ambitious investment program.

As of 31 December 2014 most part of the aforementioned investments have been finalized, though the new production facilities in Feramo have not yet reached to their expected functioning level. The "Tangibles under construction" caption of the table above as of 31 December 2014 includes and amount of Euro 8,440 thousand regarding these investments.

The main additions in 2014 and 2013 refer to the investments in Feramo in the context of the CEE investment program, together with some other investments in Fuchosa and EBCC to improve the production capacities and efficiency.

According to the accounting policies described in note 3.8, in 2014 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 22 thousand (274 in year 2013), considering an interest rate of 4.08% (4.27% in year 2013). This amount has been recorded by crediting the “Financial expenses” caption of the consolidated income statement on 2014 and 2013.

As of 31 December 2014 and at 31 December 2013, 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 2014 (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, covering more than the net book value of all the Group’s assets.

(8) Derivative financial instruments

Details are as follows:

	Thousand of Euros December 2014	Thousand of Euros December 2013
Non - Current financial assets		
Currency option	9	47
	9	47
Current financial assets		
Currency option	54	185
	54	185
Non - Current financial liabilities		
Currency option	14	-
Interest rate swap	231	220
	245	220
Current financial liabilities		
Currency option	23	-
	23	-

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 syndicated loan then signed (see note 13), the Group entered into derivative financial contracts to fix the interest payments of a nominal amount of Euro 9 million at an average rate of 2.43 per cent for periods up until 2016 (see note 13). The remaining outstanding nominal amount covered by these contracts as of December 31, 2013 was Euro 6.5 million. In 2014, and due to the cancelation of this loan, the Group has cancelled in advance the remaining derivative financial contracts linked to such loan.

On the other hand, and in the context of the agreements relating to the new syndicated loan signed in 2014 (see note 13), the Group has entered into new derivative financial contracts to fix the interest payments of a nominal amount of Euro 7.5 million at spot rates for periods up until 2020 (see note 13). The remaining outstanding nominal amount covered by these contracts as of December 31, 2014 is Euro 7.5 million

The Group also uses currency financial instruments in order to minimize its exposure to the exchange rate risk between the Polish Zloty and the Euro due to PLN denominated expenses whereas most of sales are denominated in Euro. The amount hedged as of December 31, 2014 amounts 43.2 million PLN, approximately (33.4 million PLN as of December 31, 2013).

The detail of the maturities of the contractual cash flows of the derivative financial instruments is as follows as of December 31, 2014 and 2013:

	December 2014					
	2015	2016	2017	2018	2019	2020
Foreign currency hedge						
PLN purchases (*)	31,200	12,000	-	-	-	-
Interest rate hedges (**)	1,250	1,250	1,250	1,250	1,250	1,250

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

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

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

(9) Inventories

Details of inventories are as follows:

	Thousand of Euros December 2014	Thousand of Euros December 2013
Raw materials and supplies	5,222	3,839
Work in progress	1,076	1,171
Finished products	4,063	3,880
Depreciation of inventories	(818)	(1,059)
	9,543	7,831

The "Raw materials and supplies" caption of the table above includes spare parts allocated in Fuchosa and EBCC for a gross amount of Euro 2,281 thousand, approximately (Euro 1,773 thousand as of December 31, 2013). 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 782 thousand, approximately, as of December 31, 2014 (Euro 738 thousand as of December 31, 2013).

(10) Trade and other receivables

Details of debtors are as follows:

	Thousand of Euros December 2014	Thousand of Euros December 2013
Trade and other receivables	17,645	15,783
Less: provision for impairment of receivables	(850)	(414)
Trade receivables – net	16,795	15,369
Prepayments	153	38
Total	16,948	15,407
Current portion	16,948	15,407
	16,948	15,407

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 2014				
	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)	15,469	1,296	183	-	16,948
Total	15,469	1,296	183	-	16,948

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

(11) Cash and cash equivalents

	Thousand of Euros December 2014	Thousand of Euros December 2013
Cash at bank and in hand	3,822	4,892
Short-term bank deposits	245	2,798
Cash and cash equivalents	4,067	7,690

(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 2014.

(a) Share capital

As of 31 December 2014 and 2013 the share capital of ACE was represented by 21,230,515 registered same type of shares of Euros 0.15 value each. The share capital was fully paid.

(b) Share premium

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

On June 17, 2014, the Group decided the distribution of dividends in the global amount of Euro 4,876 thousand to the shareholders from the share premium and other reserves accounts (Euro 1,422 thousand are still pending to be paid as of 31 December 2014 – see note 14).

(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 2014, Legal reserve amounts to Euro 320 thousand (Euro 320 thousand as of December 31, 2013).

(d) Retained earnings and other reserves

This caption amounting to Euro 28,569 thousand includes as of 31 December 2014 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, 2013).

(e) Treasury shares

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

The Annual General Meeting of the Shareholders held on June 17, 2014 renewed the authorization to the Board of Directors of ACE, for a maximum period of three years as of the date of said meeting, to purchase shares of the Company and approved the increase of maximum amount from five million euros (EUR 5.000.000) to five million and five hundred thousand euros (EUR 5.500.000).

Consequently, the changes in 2014 in the shares of A.C.E. S.A. owned by the Group are as follows:

	Number of shares	Thousand Euros
At 31 December 2012	18,000	25
Additions	1,046,779	2,594
At 31 December 2013	1,064,779	2,619
At 31 December 2013	1,064,779	2,619
Additions	736,964	2,258
Disposals	(636,916)	(1,261)
At 31 December 2014	1,164,827	3,616

Disposals are related to the incentive management scheme and correspond with the first allocation of shares to the Participants of the program (note 28). Anyway, and according to the corresponding accounting principles (see note 3.6), the shares issued to the participants of the aforementioned incentive management scheme are treated as treasury shares and no loan receivable from them is recognised.

(13) Borrowings

Non-current and current borrowings are detailed as follows:

	Thousand of Euros December 2014	Thousand of Euros December 2013
Non-current		
Bank borrowings	13,435	10,447
Other borrowings	3,365	3,526
	16,800	13,973
Current		
Bank borrowings	6,183	4,950
Other borrowings	591	290
	6,774	5,240
Total borrowings	23,574	19,213

Total non current and current borrowings mature as follows:

	Thousand of Euros December 2014	Thousand of Euros December 2013
6 months or less	2,255	2,589
6-12 months	4,518	2,651
1-5 years	13,413	12,341
Over 5 years	3,386	1,632
Total Borrowings	23,573	19,213

On 30 July 2014 ACE Boroa, S.L. has signed a long-term syndicated financing agreement with a group of Spanish banks. Total maximum amount of the new loan granted by the banks will not exceed Euro 20 million (Euro 15 million as bank borrowing and Euro 5 million as operating facility) and will be maturing within maximum six years. With part of the amount received, the Group has cancelled the current loan agreement signed in 2010, amounting to Euro 11 million, approximately, as of the date of the cancellation. The remaining amount of the new bank borrowing will be used to finance some other future corporative needs while the amount of the operating facility will be strictly used for new capacity investments of the Group and planned further organic and inorganic expansion. As of December 31, 2014, the Group had not made any disposal from the operating facility. Costs of the new loan are at current market level, but they will generally improve some financial terms and conditions of the cancelled loan agreement.

This syndicated loan, which matures on July 30, 2020, 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 closing of each semester and the Group must provide certain financial information to the banks in order to assess compliance with these ratios. The cost of the loan is according to current market indexations. The variance in the margin is based on the capital-debt ratio evolution, as included in the loan agreement.

As of December 2014 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 has entered into interest rate swap contracts with nominal values of the 50% of the bank loan fixing the variable rate at spot rates for periods up until 2020 (see note 8).

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

Additionally, as of December 2014 the Group holds mainly some other loans related to Feramo and EBCC leasings and other subsidized loans in Fuchosa, as well as credit accounts and overdrafts received in 2014 by Feramo and EBCC for a total amount of Euro 1,000 thousand and Euro 2,000 thousand, respectively (drawn-down for Euro 985 thousand and Euro 1,303 thousand, approximately and respectively). Moreover, in July 2012 and in the context of the investments held during 2012 by Fuchosa, this company signed a bank loan amounting 3 million Euros. This loan would be maturing within the following four years. The cost of the loan is under current market indexations.

(14) Other current liabilities

The other current liabilities are detailed as follows:

	Thousand of Euros December 2014	Thousand of Euros December 2013
Lease liabilities	11	12
Other (see note 12)	1,422	-
	1,433	12

(15) Deferred tax assets and liabilities

The main deferred tax assets and liabilities recognised by the Group as of 31 December 2014 and 2013 are as follows:

	Thousand of Euros December 2014	Thousand of Euros December 2013
Deferred tax assets	2,249	1,947
	2,249	1,947
Deferred tax liabilities	(1,647)	(2,307)
	(1,647)	(2,307)
	602	(360)

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

	Thousand of Euros December 2014	Thousand of Euros December 2013
Beginning of the year	(360)	(1,332)
Tax charged to equity	217	(42)
Income statement (charge)/benefit (see note 24)	777	1,050
Exchange differences	(32)	(36)
End of the year	602	(360)

The companies forming part of the Group had tax loss carry-forwards after taxes to be offset against future tax profits amounting to Euro 3,063 thousand as of December 2014. This amount as of December 2013 was approximately Euro 2,439 thousand.

The aforementioned tax loss carry-forwards after taxes can be utilised during the next five years for a total amount of Euro 2,128 thousand (Euro 1,158 thousand fully capitalized in the balance sheet) and indefinitely for Euro 935 thousand (not capitalized).

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

The rest of the Deferred tax assets refers mainly to the tax effect of different provisions that were not considered to be deductible when they were recognised, the temporary differences regarding the different valuation of some tangible assets for tax and accounting purposes and of the valuation of the derivatives held as of December 31, 2014, Euro 65 thousand as of December 31, 2014 directly credited to equity (Euro 35 thousand as of December 31, 2013).

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

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

(16) Provisions for other liabilities and charges

Details are as follows (Thousand of Euros):

	Pensions and similar	Other provisions	Total
At 31 December 2012	96	381	477
Additional provisions	-	411	411
Used during year	-	(216)	(216)
Exchange differences	23	-	23
At 31 December 2013	119	576	695
At 31 December 2013			
Additional provisions	40	55	95
Used during year	-	(99)	(99)
Exchange differences	(4)	(21)	(25)
At 31 December 2014	155	511	666

Analysis of total provisions:	December 2014	December 2013
Non-current	171	235
Current	495	460
	666	695

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.

(17) Trade and other payables

Details are as follows:

	Thousand of Euros December 2014	Thousand of Euros December 2013
Trade payables	11,807	13,445
Current tax liabilities and other tax liabilities	1,343	1,261
Accrued expenses	621	187
	13,771	14,893

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 2014 and 2013 by business segments is as follows:

	Thousand of Euros 2014	Thousand of Euros 2013
Products		
Iron castings	62,174	66,491
Aluminium castings	34,407	31,046
Others	3,653	3,306
	100,234	100,843

The geographical distribution of the consolidated sales is as follows:

	Thousand of Euros 2014	Thousand of Euros 2013
Western Europe	51,567	54,026
Eastern Europe	45,781	42,263
Other countries	2,886	4,554
	100,234	100,843

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 94% of the revenues are made with said customers (86% in 2013). Due to the company market share, the management considers that the risk is mitigated, as on the other hand said customers are considered solvent enough.

(19) Cost of sales

Details of cost of sales are as follows:

	Thousand of Euros 2014	Thousand of Euros 2013
Raw materials and consumptions	42,379	42,763
Stock variances	(140)	75
Energy and gas	9,866	11,250
Maintenance expenses	5,136	4,950
Salaries and wages	13,062	13,065
Outsourcing	1,602	2,167
Depreciation	4,863	5,406
Other cost of goods sold	2,229	1,714
	78,997	81,390

(20) Selling and distribution costs

Details of distribution costs are as follows:

	Thousand of Euros 2014	Thousand of Euros 2013
Transportation costs	1,802	1,374
Packaging expenses	579	664
Salaries and wages	352	350
Other distribution costs	64	63
	2,797	2,451

(21) General and administrative Expenses

Details of administrative expenses are as follows:

	Thousand of Euros 2014	Thousand of Euros 2013
Wages and salaries	8,489	8,075
External services	2,907	2,908
Depreciation and amortisation	557	513
Renting	509	460
Travel expenses	542	553
Other administrative expenses	1,360	809
	14,364	13,318

The fees for financial audit services provided to the various companies composing the ACE Group by the principal auditor during 2014 amounted to approximately Euro 130 thousand (Euro 129 thousand as of December 31, 2013). Also, other services were provided during 2014 and 2013 by the principal auditor the fees for which amounted to approximately Euro 13 thousand and Euros 16 thousand, respectively. No tax service was rendered by the principal auditor during 2014 (10 thousand in 2013).

The Group headcount as of 31 December 2014 and 2013 is as follows:

	Headcounts December 2014	Headcounts December 2013
Managers	28	29
Administrative employees	143	133
Workers	590	573
	761	735

(22) Other Operating Income

Details are as follows:

	Thousand of Euros 2014	Thousand of Euros 2013
Income from subsidies	892	941
Insurance reimbursement	211	94
Other operating income	197	292
	1,300	1,327

As described in note 3.5, the Group records the R&D tax deductions in the caption “Income from subsidies” of the table above. R&D tax deductions for year 2014 amounts to Euro 534 thousand (650 thousand in year 2013). R&D tax deductions are those tax benefits obtained as a percentage up to the Research and Development costs incurred during the year.

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

(23) Net financial result

Details are as follows:

	Thousand of Euros 2014	Thousand of Euros 2013
Interest income:		
- Interest on deposits	71	100
	71	100
Interest expense from third parties:		
- Bank borrowings	(570)	(861)
- Interest expense capitalized (see note 7)	22	274
- Other interest expenses and charges	(897)	(218)
	(1,445)	(805)
Net foreign exchange transaction gains/(losses)	89	(433)
	(1,285)	(1,138)

Net foreign exchange transaction gains/(losses)

The amount in 2014 and 2013 of net foreign exchange transaction gains and losses corresponds to gains and losses in exchange rates transactions versus Czech koruna and Polish zloty.

(24) Income tax expense

Domestic income tax is calculated at 28.8% of the profit for the year (Corporate income tax was 28.8% for 2013). 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 2014	Thousand of Euros 2013
Profit before tax	3,804	3,325
Tax at the domestic income tax rate	1,096	958
Effect of different tax rates	387	395
Effect of tax deductions	(157)	(84)
Effect of non tax deductible cost/non taxable income	515	(8)
Others	425	128
	2,266	1,389
Income tax expense / income and effective tax rate		
Thereof		
Current tax expense	3,043	2,439
Deferred tax expense / (income) (note 15)	(777)	(1,050)
	2,266	1,389

The “Others” caption of the table below corresponding to 2014 includes mainly the effect of the partial impairment of some of the tax loss carry-forwards that had been capitalized in previous years together with the effect of not capitalizing additional tax loss carry-forwards incurred in 2014 (see note 15).

(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:

	2014	2013
Net profit for the year (thousands of Euros)	1,538	1,936
Weighted average number of ordinary shares for the purpose of basic earnings per share	19,751,160	20,764,229
Basic earnings per share (Euros)	0.08	0.09

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

	2014	2013
Number of ordinary shares outstanding at the beginning of the period	21,230,515	21,229,578
Effect of treasury shares	(1,479,355)	(465,349)
Weighted average number of ordinary shares outstanding during the period	19,751,760	20,764,229

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.

	2014	2013
Net profit for the year (thousands of Euros)	1,538	1,936
Weighted average number of ordinary shares plus the effect of dilutive options	21,024,991	21,978,731
Diluted earnings per share (Euros)	0.07	0.09

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:

	2014	2013
Weighted average number of ordinary shares used in the calculation of basic earnings per share	19,751,160	20,764,229
Shares deemed to be issued for no consideration in respect of employee options	1,273,831	1,214,502
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	21,024,991	21,978,731

(26) Operating lease arrangements

a. The Group as a Lessee

As of 31 December 2014 and 2013 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 447 thousand have been recognised as an expense for the year ending 31 December 2014 (Euro 389 thousand for the period ending at 31 December 2013).

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

	Thousand of Euros 2014	Thousand of Euros 2013
Up to 1 year	394	384
Between 1 and 5 years	1,344	1,399
	1,738	1,783

b. The Group as a Lessor

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

The property rental income earned by the Group, all leased out under operating leases, amounted to Euro 161 thousand for the year ending 31 December 2014 (Euro 178 thousand for 2013).

(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 2014	Thousand of Euros 2013
Up to 1 year	10	57
Between 1 and 5 years	23	139
	33	196

The carrying amount of the assets under financial leasing amounts to Euro 1,094 thousand (Euro 750 thousand in 2013) included in the "Vehicles and machinery" category of the "Property, plant and equipment" caption.

(28) Transactions and Balances with Related Parties

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

	Thousand of Euros 2014	Thousand of Euros 2013
Short-term remuneration	1,122	879
Of which salary	*1,112*	*863*
Of which bonus	*10*	*16*
Share based payments	455	321
Total, directors of the Company	1,577	1,200

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

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

Certain key managers and employees hold shares in the Company, either directly or through a vehicle company. These directors hold a total of 2,150,587 shares in the Company (1,513,671 shares as of December 31, 2013). The directors are entitled to all rights on said shares.

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

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

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

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

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

According to the accounting principles stated in note 3.6, the Management Incentive Scheme has been defined as an Equity-settled share-based program. As a consequence, the Company has estimated the fair value of the services received as consideration of the equity instruments granted and recorded an amount of Euro 455 thousand (Euro 321 thousand in 2013) by debiting the consolidated income statement against equity. This amount corresponds to the portion of the estimated total fair value of the Scheme (Euros 3,2 million, approximately) accrued in the current year, considering a service period that begun on 14 May 2013 and ends on 31 December 2019.

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

(29) Contingent Liabilities

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

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

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

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

b. Pledge of assets and shares

As mentioned in note 13 as part of the long term financing of the Group, the shares in Fuchosa, EBCC, Feramo and ACE Boroa are subject to a pledge in favour of a pool of Spanish banks composed by: Caixabank, S.A., 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 promised as mortgage as part of guarantees established for loans from banks.

(30) Financial Instruments

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

a. Carrying values and fair values of financial instruments

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

December 2014	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	16,948	-	-	16,948
Derivative financial instruments (note 8)				
- non-current	-	9	-	9
- current	-	54	-	54
Cash and cash equivalents (note 11)				
- cash at bank and in hand	-	-	3,822	3,822
- short term bank deposits	-	-	245	245
Total	16,948	63	4,067	21,078
Liabilities:				
Borrowings (note 13)				
- non-current	-	-	16,800	16,800
- current	-	-	6,774	6,774
Derivative financial instruments (note 8)				
- non-current	-	245	-	245
- current	-	23	-	23
Trade and other payables (note 17)	-	-	13,771	13,771
Other current liabilities (note 14)	-	-	1,433	1,433
Total	-	268	38,778	39,046

December 2013	Receivables At cost	Derivatives used for hedging at fair value	Financial assets and liabilities at cost	Total fair value of Financial Instruments
Assets:				
Trade and other receivables (note 10)				
- current	15,407	-	-	15,407
Derivative financial instruments (note 8)				
- non-current	-	47	-	47
- current	-	185	-	185
Cash and cash equivalents (note 11)				
- cash at bank and in hand	-	-	4,892	4,892
- short term bank deposits	-	-	2,798	2,798
Total	15,407	232	7,690	23,329
Liabilities:				
Borrowings (note 13)				
- non-current	-	-	13,973	13,973
- current	-	-	5,240	5,240
Derivative financial instruments (note 8)				
- non-current	-	220	-	220
- current	-	-	-	-
Trade and other payables (note 17)	-	-	14,893	14,893
Other current liabilities (note 14)	-	-	12	12
Total	-	220	34,118	34,338

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

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

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

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

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

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

Receivables at cost

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

Derivatives used for hedging at fair value

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

Financial assets and liabilities at amortized cost

Borrowings:

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

Other Financial liabilities:

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

b. Credit risk management policies and exposures

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

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

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

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

c. Liquidity risk management policies and exposures

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

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

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

December 2014

	Due within 12 months	Due between 1 and 5 years	Due after 5 year
Bank borrowings (see note 13)	6,774	13,413	3,387
Trade and other payables (see note 17)	13,771	-	-
	20,545	13,413	3,387

December 2013

	Due within 12 months	Due between 1 and 5 years	Due after 5 year
Bank borrowings (see note 13)	5,240	12,341	1,632
Trade and other payables (see note 17)	14,893	-	-
	20,133	12,341	1,632

d. Market risk management policies and exposures

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

In this sense, as of 31 December 2014 if the Zloty and Czech Koruna 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.

Impact on Equity before taxes	2014	2013
PLN/EUR +5%	(499)	(366)
PLN/EUR -5%	499	404
CZK/EUR +5%	(710)	(617)
CZK/EUR -5%	784	682

Impact on Profit before taxes	2014	2013
PLN/EUR +5%	27	13
PLN/EUR -5%	(30)	(14)
CZK/EUR +5%	(15)	(44)
CZK/EUR -5%	16	49

In the same way, as of 31 December 2014 if the Euribor at that date had been 25 basis points lower or higher, with all other variables held constant, profit after tax for the year and equity would have been increased by Euro 25 thousand or decreased by Euro 32 thousand approximately (increase by EUR 17 thousand and decrease by EUR 10 thousand in 2013 respectively).

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 scraps 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

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.

Bad debt movement is show below (in Thousands of Euros):

	Bad debt
At 31 December 2012	(606)
Diminutions	192
At 31 December 2013	(414)
At 31 December 2013	
Additions	(436)
At 31 December 2014	(850)

(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, 14 2015.

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

BUSINESS SEGMENTS
(expressed in thousands of Euros)

	Iron casting December 2014	**Aluminium casting December 2014**	**Others/Unallocated December 2014**	**Consolidated December 2014**
Revenues from third parties	62,174	34,407	3,653	100,234
Total revenues	**62,174**	**34,407**	**3,653**	**100,234**
Profit for the segment	**4,948**	**2,515**	**1,425**	**8,889**
Other unallocated (expense) income			(3,800)	(3,800)
Operating profit				**5,089**
Net financing cost	(229)	50	(1,106)	**(1,285)**
Income tax	(1,596)	(439)	(231)	(2,266)
Profit for the year				**1,538**
Segment assets	**53,709**	**21,096**		**74,805**
Unallocated assets			1,198	1,198
Total assets				**76,003**
Segment liabilities	**18,601**	**6,177**		**24,779**
Unallocated liabilities			18,840	18,840
Total liabilities				**43,619**
Other information:				
Amortisation and depreciation	(4,089)	(1,282)	(49)	(5,420)
Interest revenue	35	1	8	44
Interest expense	(130)	(27)	(434)	(591)
Additions for the year of property, plant & equipment & intangible assets	3,045	2,071	96	5,212

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 2013	Aluminium casting December 2013	Others/Unallocated December 2013	Consolidated December 2013
Revenues from third parties	66,491	31,046	3,306	100,843
Total revenues	**66,491**	**31,046**	**3,306**	**100,843**
Profit for the segment	**4,430**	**1,837**	**1,591**	**7,858**
Other unallocated (expense) income			(3,395)	(3,395)
Operating profit				**4,463**
Net financing cost	(508)	(33)	(597)	**(1,138)**
Income tax	(1,144)	(358)	113	(1,389)
Profit for the year				**1,936**
Segment assets	**56,416**	**19,503**		**75,916**
Unallocated assets			847	847
Total assets				**76,766**
Segment liabilities	**21,046**	**3,148**		**24,194**
Unallocated liabilities			14,871	14,871
Total liabilities				**39,064**
Other information:				
Amortisation and depreciation	(4,156)	(1,723)	(40)	(5,919)
Interest revenue	86	2	11	99
Interest expense	(3)	(13)	(579)	(595)
Additions for the year of property, plant & equipment & intangible assets	4,327	931	41	5,299

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

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

Financial Statements and
Report of the Réviseur d'Entreprises Agréé
For the year ended
December 31, 2014

38, boulevard Napoléon 1er

L-2210 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 (until June 17, 2014) Mr Piotr Nadolski Mr Witold Jan Franczak Mr Rafal Lorek Krzysztof Gerula (since June 17, 2014) Janusz Płocica (since June 17, 2014)
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-2210 Luxembourg Luxembourg
Share Capital	EUR 3,184,577

BOARD OF DIRECTORS' RESPONSIBILITY STATEMENT RELATING TO THE ANNUAL ACCOUNTS AS OF 31 DECEMBER 2014

To whom it may concern:

We confirm that to the best of our knowledge, the annual accounts for the year ended 31 December 2014 have been prepared in accordance with Luxembourg legal and regulatory requirements and give a true and fair view of the assets, liabilities, financial position and result of the Company. We also confirm that, to the best of our knowledge, the Board of Directors' report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties it faces.

Signed on 30 April 2015

On behalf of the Board of Directors

José Manuel Corrales

Raúl Serrano

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

TABLE OF CONTENTS

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38, boulevard Napoléon 1er
L-2210 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the annual accounts

Following our appointment by the General Meeting of the Shareholders dated 17 June 2014, we have audited the accompanying annual accounts of A.C.E., Automotive Components Europe S.A., which comprise the balance sheet as at 31 December 2014 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors' for the annual accounts

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

Responsibility of the réviseur d'entreprises agréé

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

Deloitte.

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

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

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of A.C.E., Automotive Components Europe S.A. as of 31 December 2014, 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 consolidated management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts. The Corporate Governance Statement, as published on the Company's website http://www.acegroup.lu/ACE/en/investor-relations/corporate-governance.asp, which is the responsibility of the Board of Directors, includes the information required by the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended and the description included with respect to Article 68bis paragraphs c and d of the aforementioned law is consistent with the annual accounts.

For Deloitte Audit, *Cabinet de révision agréé*

J. van Delden

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

14 April 2015

A.C.E., Automotive Components Europe S.A.
Société Anonyme
Share Capital: EUR 3.184.577
BALANCE SHEET
As at December 31, 2014
(expressed in EUR)

ASSETS	Note	31/12/2014	31/12/2013
C. FIXED ASSETS			
II. Tangible fixeed assets		-	315
3. Other fixtures and fittings, tools and equipment		-	315
III. Financial assets	3	10.383.513	9.607.856
1. Shares in affiliated undertakings		9.607.856	9.607.856
2. Amounts owed by affiliated undertakings		775.657	-
		10.383.513	**9.608.171**
D. CURRENT ASSETS			
II. Debtors	4	191.650	3.816
2. Amounts owed by affiliated undertakings	13	179.598	-
a) becoming due and payable within one year		179.598	-
4. Other receivables		12.052	3.816
a) becoming due and payable within one year		12.052	3.816
III. Transferable securities		4.877.555	2.620.024
2. Own shares or own corporate units	5	4.877.555	2.620.024
IV. Cash at bank and cash in hand		34.168	34.496
		5.103.373	**2.658.336**
		15.486.886	**12.266.507**

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

A.C.E., Automotive Components Europe S.A.
Société Anonyme
Share Capital: EUR 3.184.577
BALANCE SHEET
As at December 31, 2014
(expressed in EUR)
- continued -

LIABILITIES

	Note	31/12/2014	31/12/2013
A. CAPITAL AND RESERVES	5		
I. Subscribed capital		3.184.577	3.184.577
II. Share issue and equivalent premiums		705.515	4.982.252
IV. Reserves		3.715.681	3.987.517
1. Legal reserve		320.000	320.000
2. Reserve for own shares		4.877.555	2.620.024
4. Other reserves		(1.481.874)	1.047.493
VI. Profit or loss for the financial year		4.223.991	(448.615)
		11.829.764	**11.705.731**
C. PROVISIONS	6		
2. Provisions for taxation		3.150	3.150
3. Other provisions		49.471	52.447
		52.621	**55.597**
D. NON SUBORDINATED DEBTS	7		
4. Trade creditors		6.389	16.191
a) becoming due and payable within one year		6.389	16.191
6. Amounts owed to affiliated undertaking	13	2.064.973	348.615
a) becoming due and payable within one year		2.064.973	348.615
8. Tax and social security debts		111.071	140.371
a) Tax debts		110.746	139.901
b) Social security debts		325	470
9. Other creditors		1.422.068	2
a) becoming due and payable within one year		1.422.068	2
		3.604.501	**505.179**
	3.546.051	**15.486.886**	**12.266.507**

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

A.C.E., Automotive Components Europe S.A.
Société Anonyme
Share Capital: EUR 3.184.577
PROFIT AND LOSS ACCOUNT
For the year ended December 31, 2014
(expressed in EUR)

A. CHARGES

	Note	31/12/2014	31/12/2013
3. Staff costs	8	8.650	8.525
a) Wages and salaries		7.657	7.555
b) Social security on salaries and wages		993	970
4. Value adjustments in respect of		315	845
a) formation expenses and on tangible fixed assets		315	845
5. Other operating charges		539.579	477.850
8. Interest payable and financhial charges	10	48.689	806
a) in respect of affilated undertakings		47.050	247
b) other interest and charges		1.639	559
10. Income tax		3.210	3.210
11. Other taxes not included in the previous caption		31.765	31.765
12. Profit for the financial year		**4.223.991**	**-**
		4.856.199	**523.001**

B. INCOME

	Note	31/12/2014	31/12/2013
6. Income from financial fixed assets	11	4.856.199	-
a) derived from affilated undertakings		4.856.199	-
8. Other interest and other financial income	12	-	74.386
a) affilated undertakings		-	73.835
b) other interest and financial income		-	551
10. Loss for the financial year		**-**	**448.615**
		4.856.199	**523.001**

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

A.C.E., Automotive Components Europe S.A.
Société Anonyme
Share Capital: EUR 3.184.577
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

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-2210 Luxembourg.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General principles

These financial statements have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention. Accounting policies and valuation rules are besides the ones laid down by the law of December 19, 2002 determined and applied by the managers.

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.

Subordinated debts

Debts are recorded under subordinated debts when their status is subordinated to unsecured debts.

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.

Transferable securities

Transferable securities are valued at the lower of purchase price, including expenses incidental thereto and calculated on the basis of weighted FIFO method, expressed in the currency in which the financial statements are prepared. A value adjustment is recorded where the market value is lower than the purchase price. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

NOTE 3 - FINANCIAL FIXED ASSETS

The financial fixed assets are composed by the following elements:

	2014 EUR	2013 EUR
Shares in affiliated undertakings	9.607.856	9.607.856
Amounts owed by affiliated undertakings	775.657	-
	10.383.513	**9.607.856**

The shares in affiliated undertakings are summarized as follows:

Name	Registerd office	Ownership	2014 EUR	2013 EUR
Ace Boroa S.L.U.	Amorebieta–48–Vizcaya, 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.	31/12/2014	17.089.337	4.896.013

* as reported under IFRS

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, 2014.

The values are unaudited. ACE Boroa S.L.U. will be consolidated.

According to the ESOP program approved in 2013 (note 14), Automotive Components Europe S.A. has booked an amount of EUR 775.657 (2013 nil) receivable from the companies of the Group in order to transfer the ownership of the shares committed to the participants of the program who are hired by the subsidiaries.

NOTE 4 - DEBTORS

The debtors comprise the following:

Becoming due and payable after less than one year	2014 EUR	2013 EUR
Amounts owed by affilated undertakings	179.598	-
Other debtors	12.052	3.816
Total debtors	**191.650**	**3.816**

On August 16, 2010, Automotive Components Europe S.A. signed a guarantee, up to the amount of CZK 5.000.000, in favour of HSBC BANK PLC to support a Factoring Agreement granted by the bank to Feramo Metallum International s.r.o. Said guarantee is terminated in 2014 resulting in the amount receivable of EUR 179.598.

NOTE 5 - CAPITAL AND RESERVES

Subscribed capital

On January 1, 2014 the Company had a subscribed and fully paid capital of EUR 3.184.577 represented by 21.230.515 shares with a value of EUR 0,15.

The subscribed capital at year end is summarized as follows:

	Subscribed Capital	Share issue and equivalent premiums	Legal reserve	Reserve for own shares	Other reserves	Result of the year
	EUR	EUR	EUR	EUR	EUR	EUR
As at 31 December 2013	3.184.577	4.982.252	320.000	2.620.024	1.047.493	(448.615)
Allocation of year result					(448.615)	448.615
Dividend distribution		(4.276.737)			(598.878)	
Reserve for own shares				2.257.531	(2.257.531)	
Reserve for ESOP (note 3)					775.657	
Result of the year						4.223.991
As at 31 December 2014	**3.184.577**	**705.515**	**320.000**	**4.877.555**	**(1.481.874)**	**4.223.991**

Share issue and equivalent premiums

On June 17, 2014 the Company decided the distribution of dividends in the global amount of EUR 4.875.615 to the shareholders from the share premium and other reserves accounts.

Reserve for own shares

The Annual General Meeting of the Shareholders held on June 17, 2014 renewed the authorization to the Board of Directors of the Company, for a maximum period of three years as of the date of said Meeting, to purchase shares of the Company and approved the increase of maximum amount from five million euros (EUR 5.000.000) to five million and five hundred thousand euros (EUR 5.500.000). 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 August 10, 1915 on commercial companies, the Company allocated in the year 2014 an amount of EUR 2.257.531 (2013: EUR 2.594.970) to the reserve for own shares corresponding of the amount of own shares acquired during the year.

This reserve is not distributable.

Legal reserve

The Company is required to allocate a minimum of 5% of its annual net income to a legal reserve, until the reserve equals 10% of the subscribed share capital. The legal reserve is fully set up. This reserve may not be distributed.

NOTE 6 - PROVISIONS

As at December 31, 2014 the other provisions comprise the following:

	2014	2013
	EUR	EUR
Provisions for taxation	3.150	3.150
Provisions for accounting & audit fees	49.471	50.399
Other provisions	-	2.048
	52.621	55.597

NOTE 7 – NON-SUBORDINATED DEBTS

As at December 31, 2014, the non-subordinated debts comprise the following:

	Less than 1 year EUR	After 1 year and within five years EUR	Total December, 31 2014 EUR	Total December, 31 2013 EUR
Trade creditors	6.389	-	6.389	16.191
Amounts owed to affiliated undertaking	2.064.973	-	2.064.973	348.615
Tax and social security debts	111.071		111.071	140.371
Other creditors	1.422.068	-	1.422.068	2
Total creditors	**3.604.501**	**-**	**3.604.501**	**505.179**

On December 9, 2013, a credit facility agreement was signed with Ace Boroa S.L.U.. Ace Boroa S.L.U. agrees to grant to the Company a credit facility for a maximum of EUR 5.000.000. This loan bears an interest of 6M EURIBOR + 2,75% payable in full at the maturity date of the loan which is automatically renewable on December 13, each year. On December 31, 2014 the outstanding loans amounts to EUR 2.025.245 (2013: EUR 311.760). This amounts are booked in chapter Amounts Owed to Affiliated Undertaking.

Dividends approved on June 17, 2014 were agreed to be paid in three instalments. As of December 31, 2014 the outstanding amount is EUR 1.422.054, due on February 27, 2015. This amount is booked in chapter Other Creditors.

NOTE 8 - STAFF

The Company employed one person during the year.

NOTE 9 - AUDIT FEES

The fees for financial audit services provided to the Company by the principal auditor during 2014 amounted to EUR 48.847 (2013: EUR 47.000). None other services have been provided by the principal auditor (same in 2013).

NOTE 10 - INTEREST PAYABLE AND SIMILAR CHARGES

	2014 EUR	2013 EUR
Derived from affiliated undertakings	47.050	247
Other interest payable and charges	1.639	559
Total	**48.689**	**806**

NOTE 11 – INCOME FROM FINANCIAL FIXED ASSETS

	2014 EUR	2013 EUR
Derived from shares in affiliated undertakings	4.856.199	-
Total	**4.856.199**	**-**

NOTE 12 - OTHER INTEREST AND OTHER FINANCIAL INCOME

	2014 EUR	2013 EUR
Derived from affiliated undertakings	-	73.835
Other interest and other financial income	-	551
Total	**-**	**74.386**

NOTE 13 - RELATED PARTY TRANSACTIONS

During 2014, incomes and charges from related parties are as follows:

2014	Interest revenues	External services	Interest charges
	EUR	EUR	EUR
ACE Boroa, S.L.U.	-	151.342	47.050
Total	**-**	**151.342**	**47.050**

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

The outstanding balances with related parties are as follows:

Debtors (note 4)	2014 Short term		2013 Short term
	EUR		EUR
Feramo Metallum International s.r.o.	179.598		-
Total	**179.598**		**-**

Creditors (note 7)	2014 Short term EUR	2013 Short term EUR
ACE Boroa, S.L.U.	2.064.973	348.615
Total	**2.064.973**	**348.615**

NOTE 14 - OFF-BALANCE SHEET COMMITMENTS

- On July 30, 2014 ACE Group through ACE Boroa SL entity has 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.

- On May 14, 2013 and June 18, 2013 and October 9, 2013, the Board of Directors approved a new management incentive scheme (ESOP) and a new annual bonus structure replacing entirely the existing bonus structure and ESOP approved by the Board of Directors on December 23, 2010. The management team or executive directors of ACE or its affiliates ("Participants") shall be entitled to acquire from ACE, upon the terms of the scheme, shares representing in aggregate up to nine per cent (9%) or 1.910.746 shares of the outstanding share capital of ACE (the "Management Shares"). The purchase by the Participants and transfer by ACE of the shares will take place in December 2013, December 2014 and December 2015, resulting three per cent (3%) each date. The Management Shares will be distributed by the Board on an individual basis at its discretion, among the Participants. The purchase price in EURO should cover the cost accrued by the company for the acquisition of such shares.

NOTE 15 - DIRECTOR FEES

Directors fees paid for the year ended December 31, 2014 amount to EUR 108.866 (2013: 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.