

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

***MANAGEMENT REPORT OF THE DIRECTORS CONCERNING
CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31st 2008***

Dear Shareholders,

In conformity with legal and statutory requirements, we have the pleasure to present and submit to your approval the consolidated financial statements for the period between 1st January and 31st December 2008.

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

From the consolidated accounts of the period between 1st January and December 31st 2008, it appears that the group reports a profit of Euro 330 thousand as per December 31st 2008.

ACE S.A.:

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

EBCC:

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

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

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

FUCHOSA, S.L.

ACE S.A. has a 100% participation in the capital of FUCHOSA, S.L. (Formerly RETORGAL XXI, S.L.), a Limited Liability Company organised under the laws of Spain, with its registered office at Barrio Apatamonasterio S/Nº Atxondo – 48 – VIZCAYA Spain, incorporated on 17 February 2005, registered with the Registro Mercantil de Vizcaya, tomo 4530, Book 53, Page BI-42017, first entry, with Tax Identification Number B95358081 of which the issued share capital is Euro 1,203,006 represented by 1,203,006 shares having a par value of Euro 1.00 each.

Pursuant to a merger RETORGAL XXI, S.L. acquired all the assets and liabilities of former FUCHOSA, S.L. Simultaneously, with filing 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 6,8million in 1990 to Euro 43,6million in 2005, becoming the leader of the anchor market. Fuchosa is located in Atxondo, 40km from Bilbao, in one of the most industrial regions of Spain with the highest intensity of iron foundries in the country/Europe. Fuchosa is the clear leader with an estimated 45% share of the European iron anchor market. The strong market positions result from high level of specialisation, engineering and technological expertise as well as highest standards of production and customer service.

FERAMO METALLUM INTERNATIONAL s.r.o.

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

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

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

2. Important Events since December 31st 2008

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

The cancelation will be financed with a loan granted by BRE Bank S.A. in the amount of Euro 2.0 million, maturing in the end of 2013. The rest of cancelation costs beyond Euro 2.0 million will be financed by EBCC. Debt repayment schedule assumes significantly lower financial exposure in 2009 in exchange of higher instalments in future. All other debt parameters are at current market conditions. At the same time existing investment loan facility from BRE has been extended by nearly 2 years up to mid 2013.

The main purpose of this agreement is to reduce exposure of EBCC to volatility of zloty/euro exchange rate and risk of further weakening of zloty, but also to lower debt reimbursements in 2009.

3. Planned evolution of the Company and its subsidiaries and going concern assessment

In the context of the financial crisis and negative trends on the automotive markets, the management has considered the risk and factors which may affect the Group's ability to continue as a going concern.

Considered main risks, and main actions included in the Action Plan defined by the management, are the following:

- Decrease of orders in comparison to previous years and the difficulty to forecast volumes and sales: although the latest forecast related to the sales in automotive market agree that the total decrease in sales of cars for Western Europe will be around a 15% decrease, there is still a material uncertainty from the market to assess the decrease in sales for 2009. New government subsidies agreed in Germany and France

has supposed positive adjustments to the previous forecast, and it seems that they had a positive effect in the market evolution during last weeks. Additional subsidies from other countries in Western Europe are expected, despite there are not yet any defined proposal. In order to face up to this situation, the management is working to get new demand for the automotive customer for products not directly related to the brake systems, but also the management has new agreements with customers from other markets which are linked to the casted production of Group companies. This kind of actions will smoothly reduce the total decrease in sales of the Group due to the automotive market sales decrease.

- Decrease in production level driven by the reduction in sales: as mentioned, significant reduction in sales will suppose a significant reduction in production. In order to adjust the cost structure of the Group companies to the new production level, the management is implementing new actions in all group companies. In this regard, the Group already started in year 2008 to shorten its headcount in all operating companies and within following weeks and months the Group will continue into this saving programme by reducing additional 130 people or 15% of total staff with derived yearly savings of Euro 1,900 thousand (already communicated to employees and Unions). Additionally, in the production plant of Spain in November 2008 it was launched an overall temporary layoff affecting all its workforce during 54 working days until July 2009 and reducing the wage expenses in this period by around Euro 600 thousand. There is also a big effort made in maintenance and other general and administration expenses in order to reduce and rationalize costs according to new production levels.
- Volatility of zloty/euro exchange rate: during the last months, the Polish Zloty has significantly weakened again Euro which has a negative impact in the valuation of the derivative financial instruments. In this regard, as mentioned in Note 30 of the Financial Statements of the Group, the Group has cancelled most of the derivative contract with maturity dates in 2009 and 2010. The main purpose of this agreement is to reduce the exposure of the Group to volatility of zloty/euro exchange rate. The current situation of the derivative instruments that are still held by the Group are more in line with the current needs of PLN for the payments of the operational expenses. Excluding the fair valuation of the derivative instruments, any significant variation in the exchange rate will have an impact in the financial result which should be compensated in the operating level. As a conclusion, the Group can assess that any variation of the exchange rate should not have any significant net impact in the income statement, other than the fair valuation of the outstanding derivative instruments.
- Group's financing structure and debts requirements: during last month new agreement with the main bank of the company EBCC has been achieved which is connected with the cancellation of hedging contracts. A new debt has been raised and existing loan facilities have been extended by nearly 2 years up to mid 2013. Covenants related to this financing have been renegotiated in order to face up to the current market situation. These new agreements will suppose a lower debt reimbursement in 2009. Additionally, the management is dealing with current banks for the Group financial restructuring which is still ongoing. The purpose of this restructuring is for better managing and controlling the financing activities of the Group. Management is also aware of the compliance of covenants which is being properly monitored, but renegotiation of covenants with banks will be another action if current situation

requires it. Finally, working capital improvement plan is in place to preserve and save cash as much as possible. Agreement related to payment and collecting terms have been renegotiated with suppliers and customers respectively.

- Concentration of sales to three main customers active in the automotive sector: the main characteristic of the braking system market is its concentration of customers among three Tier 1 companies. In this regard, approximately 87% of total revenues are made with said customers, which are allocated in Fuchosa and EBCC. However, this percentage has been reduced from the 95% of previous years to 87% due to the acquisition of Feramo. Considering the action mentioned before, a reduction in the concentration of sale will be expected, despite the Group will continue focusing in the automotive market. The management do not consider this situation as a significant risk, because said customers are considered solvent enough and there is a good relationship with them that reduce the possible risk to loose any of them.

The current market conditions and risks described above create uncertainty around the Group's ability to continue as a going concern, and the Group's future performance and the recovery of its assets and the settlement of its liabilities in the ordinary course of business will depend on sufficient demand for the Group's products, the continuing support of Banks, and the ability of the Group to implement the action plans described above.

The Group believes it will be able to continue as going concern in foreseeable future, and that management has concluded the going concern assumption was appropriate.

4. Branch

The Company has no branches

5. Research and Development Activities

During the period between 1st January and 31st December 2008, the Company was not engaged in any research or development activities.

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

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

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

The maximum aggregate value of shares that may be acquired by ACE S.A. shall not exceed in total the maximum of Euro 2 million. The aggregate nominal value of shares may not exceed Euro 301 thousand and their number shall not exceed 20,050,010. The shares may be

sold or, subject to a decision of the shareholders taken at an extraordinary general meeting cancelled at a later date subject to the provisions of any applicable law or regulation.

The maximum purchase price per share to be paid in cash shall not represent more than Euro 5.37, and no less than Euro 0.15.

Such purchases and sales may be carried out for any purpose authorised or which would come to be authorised by the laws and regulations in force.

All powers are granted to the board of directors of ACE S.A., with delegation powers, in view of ensuring the performance of this authorization.

At as 31 December 2008, the treasury shares owned by the Group amount to shares 884,745.

The financial statements for the next statutory reporting period will cover the months January 2009 to December 2009.

In Luxembourg, 8th April 2009.

Andrzej Bartos,
Director A

Arkadiusz Podziewski,
Director A

Marek Adamiak
Director A

José-Manuel Corrales Ruiz,
Director B

Raúl Serrano
Director B

Jerzy Szymczak
Independent Director

Paweł Szymański
Independent Director