



## **RELEVANT FACT**

### **CARBURES EUROPE, S.A.**

#### **PRESENTATION OF THE STRATEGIC PLAN 2014-2016**

**March 7, 2014**

In compliance with the provisions of Circular 9/2010 of the Alternative Stock Market (*Circular 9/2010 del Mercado Alternativo Bursátil*), we hereby place the following information regarding CARBURES EUROPE, S.A. ("CARBURES" or the "Company") at the disposal of the market.

In connection with the Relevant Fact disclosed yesterday, in which the Company anticipates the results obtained in 2013 prior to the completion of the audit and where significant upward deviations are included, the following Business Plan is published.

This Business Plan replaces the one published in the Reduced Capital Increase Document, placed at the disposal of the market last August 2013 and which, consequently, has no further effect.

The financial information included herein is the result of a joint analysis of the current economic, market and regulatory situations, as well as of the information that the Company has at the date on which it is presented.

This report may contain statements on future expectations, intentions or estimates. Except for those based on historical data, all the statements are assertions about future events, including, among others, those related to our financial position, business strategy, management plans and objectives for future operations. Such expectations, intentions or estimates are subject to risks and uncertainties that may cause the results to materially differ.

Notwithstanding the foregoing, with the information already known, Carbures believes that the expectations that have served as a basis for the elaboration of our projections and estimates are reasonable.

Therefore, it should be taken into account that the figures stated in this report are not definitive and may be subject to deviations as they have still to be audited.

The Strategic Plan, which is structured in the following sections, is detailed below:

- 1.- Introduction to the composites market.
- 2.- Sectoral scope.
- 3.- Growth indicators.
- 4.- Description of main business lines.
- 5.- Financial Statements 2014 - 2016.
- 6.- Financial requirements to comply with the strategic plan.

## 1. INTRODUCTION TO THE COMPOSITES MARKET

An ever-growing percentage of the industry is starting to use structures made of composite materials, especially structures made of carbon fiber. The use of carbon fiber structures in the new technologies market opens a range of incalculable possibilities for sectors where exceptional resistance, flexibility and low weight are needed, such as the aerospace, naval or automotive industries, among others. The special features of carbon fiber allow it to provide the same or more resistance and flexibility than steel with a weight lower than that of aluminum.

Among the advantages of composite materials are: great resistance; low density; possibility to manufacture complex parts; manufacturing economy; non-electric conductivity; great resistance to fatigue; vibration absorption and corrosion resistance.

The prospects for market acceptance and the demand are real.

Despite the unfavorable global economic situation, carbon fiber is one of the few industrial processes for which the demand is exponentially growing. The use of composites in the automotive, renewable and civil construction sectors is the main reason for this growth in carbon fiber demand and production.

The carbon fiber market (raw material) has been characterized by a progressive growth during the last decade. This growth has been particularly rapid in recent years due to the diversification and wide range of applications that carbon fiber may provide to different sectors and products.

In 2012, there were orders for 99 million lbs (44.9 million kg), amounting to USD 1,600 million (EUR 1,185 million). Forecasts indicate that the market will reach USD 3,000 million by 2018, with a compound annual growth rate of 11.1 % for the next five-year period (2013-2018).

The market value of the products manufactured using carbon fiber in 2012 amounted to an estimated amount of USD 13,900 million.

Overall, the subsectors with better performance in 2012 were:

- Commercial aerospace industry. Consumption of 17.7 million lbs of carbon fiber, registering a growth of 15 %. Particularly, in 2012, there were orders in the amount of USD 749 million; in 2013, they increased to USD 828 million and, for 2018, an increase to USD 1,312 million is expected. The compound annual growth rate between 2013 and 2018 is 9.6 %.

In this regard, the main products are: the Airbus A-350, A-380 and A-320, and the Boeing 787 and 737 Max. Carbures is currently working on the two first aircrafts. In the USA, it is certified as a registered supplier for the third aircraft.

- Transport/automotive industry. In 2012, 10.6 million lbs of carbon fiber were consumed, with a growth of 12 %. This amount corresponds to 18 % of the total global demand.

According to the forecasts resulting from the carbon fiber demand analyses, the automotive sector is the first target for suppliers. This fact is especially important to Carbures thanks to the technology that the Company has developed and patented, which allows an exponential increase in production of carbon fiber structures for this sector.

- Other sectors that were important in 2012 were the Aeolian energy sector, with a consumption of 17.1 million pounds of carbon fiber and an increase of 25.8 %, and the gas

tanks manufacturing subsector, with a consumption of 5 million pounds of carbon fiber and an increase of 11 %.

If we take into account the carbon fiber demand expectations by geographical area, it can be observed that, until 2018, the situation coincides with the current locations of Carbures.

Thus, the two largest areas requiring carbon fiber are North America and Europe, and after them, a third group comprising the rest of the world.

- North America: in 2012, there were orders amounting to USD 553 million. This amount was increased to USD 596 million in 2013 and, for 2018, an amount of USD 1,010 million is expected. The compound annual growth rate between 2013 and 2018 is 11.1 %.

These figures make sense taking into account the data regarding the carbon fiber demand by sector, especially the aerospace sector and the transport/automotive one, in which the United States is the leading country. Within the automotive sector, the rise of electric cars, as well as the necessity to reduce energy consumption and the spreading of a green-conscious in final consumers, requires carbon fiber to be incorporated to reduce the structures weight in order to reduce CO2 emissions.

- Europe: in 2012 there were orders amounting to USD 481 million; in 2013, they increased to USD 517 million and an increase to USD 881 million is expected by 2018. In this case, the compound annual growth rate between 2013 and 2018 is 11.2 %. In Europe, the Airbus presence and the significant incorporation of carbon fiber in the aircrafts A350 and A380, in which Carbures is currently present, as well as the European regulations that encourage, recommend and oblige to reduce energy consumption and emissions, makes the lightening of structures essential.

- The rest of the world would reach the amount of USD 1,131 million by 2018, with a compound annual growth rate similar to the European one: 11.2 %.

## **2. SECTORAL SCOPE**

The carbon fiber market is based on three business segments: the industrial, aerospace and sport equipment sectors. Among them, the largest one is the industrial sector, covering 60 % of the total, followed by the aerospace sector, with 26 %, and the sport equipment one with 14 %. It should be noted that the industrial sector encompasses the transport, naval, civil works and alternative energies sectors, apart from other subsectors with a great growth potential such as: design and urban furniture, and diverse applications related to people's homes and new technologies.

### **Industrial sector**

The use of carbon fiber materials in various industrial applications has experienced a very significant growth in recent years. In addition, the future prospects for the Aeolian energy, gas tanks, civil works, automotive, petroleum and gas sectors are very encouraging and average annual growth rates of 5-20 % are expected.

The transport/automotive market is particularly relevant within this sector, as its carbon fiber consumption has moved from 9.5 million lbs in 2011, to 10.6 million lbs in 2012. It was a 12 % increase. This increase is marked by the use of carbon fiber in luxury cars. For instance, alliances as those established between Toray and Daimler, SGL Group and BMW, SGL Group

and Volkswagen, Toho Tenax and GM, among others, confirm the development and growth of the market.

Aeolian Energy: wind turbines blades were the second carbon fiber application segment in 2012, both in tones and USD millions (after commercial aviation).

Civil works and construction: in 2012, there was an 8 % increase. About 44 % of the total carbon fiber was used to reinforce concrete. On the other hand, 37 % was used to manufacture and restore bridges and tunnels, 10 % to construct new buildings and 9 % in various construction works.

Naval: the use of carbon fiber for naval application such as masts, hulls and keels generates much interest, especially for racing boats.

### **Aerospace sector**

The first applications of carbon fiber occurred in the aerospace sector. Carbon fiber is being currently used in commercial and military aircrafts, helicopters, general and executive aviation, after being applied in satellites, rockets and missiles.

Carbon fiber sales within the aerospace market have grown during the last few years. In 2012, the growth was quite significant and resulted in a great increase in sales and consumption.

Boeing and Airbus have informed that their commercial airplanes orders have been significantly increased in 2012, in comparison with 2011 and 2010.

### **Sport equipment sector**

The application of carbon fiber in sport items is mainly based on fishing rods, golf clubs, rackets, skies and snowboards. Recently, it is starting to be used in bicycles forks, baseball bats and kayaks, among others.

This market is the third largest segment for carbon fiber.

## **3. GROWTH INDICATORS**

One of the growth indicators for the carbon fiber market is the proliferation of companies related to new materials, as well as its application to the automotive and aerospace industries. Recognized as an industry for the future due to its high added value, which is mainly related to its weight and environmental cost, the technological development of the series manufacturing processes of composites will be very important for leading the industry.

The competitive structure of the composite materials industry allows to differentiate various levels of competitors, considering that, depending on their size, they can be deemed as competitors, collaborators or clients.

- I. Manufacturers of carbon fiber structures: only a very few companies have been able to develop this technology. We distinguish competitors from potential clients on the basis of two criteria: the importance of carbon fiber in their income statements and the amount of work they outsource (in general terms, our competitors outsource work packages to collaborators).

- II. According to the second parameter, we distinguish between: TIER 2 (autoclave having a useful volume from 3 to 6 m<sup>3</sup> and low technological diversity); TIER 1 (autoclave with 15 to 25 m<sup>3</sup> and highly technologically advanced); Collaborators (autoclave with more than 25 m<sup>3</sup> and highly technologically advanced).

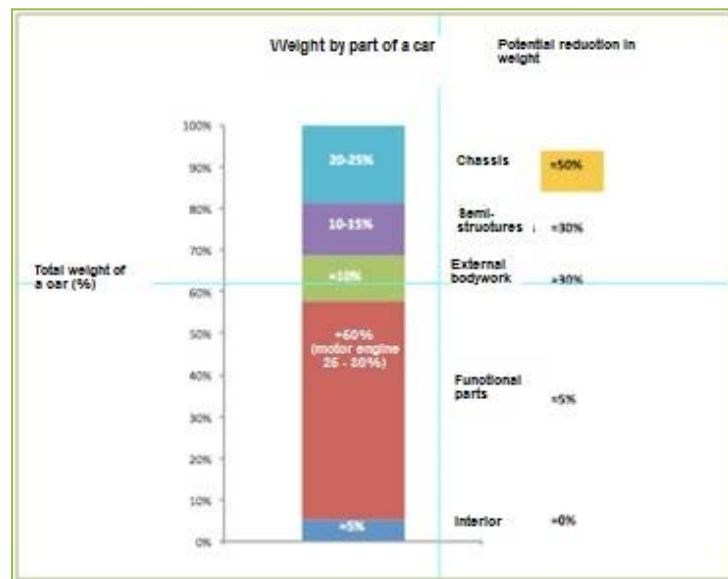
One of the highest priorities for the companies of the sector is to maintain the engineering, to analyze new products to offer and, especially, everything related to these materials. Therefore, we continue to affirm that carbon fiber technology is a product on the rise in the industrial, aerospace and sport equipment sectors, having a great potential in the automotive sector in terms of sales.

Another indicator considered convenient to present to fully understand the market evolution is the carbon fiber and composites progress in the automotive sector.

The main reasons for which vehicles manufacturers are interested in using composites to reduce weight are:

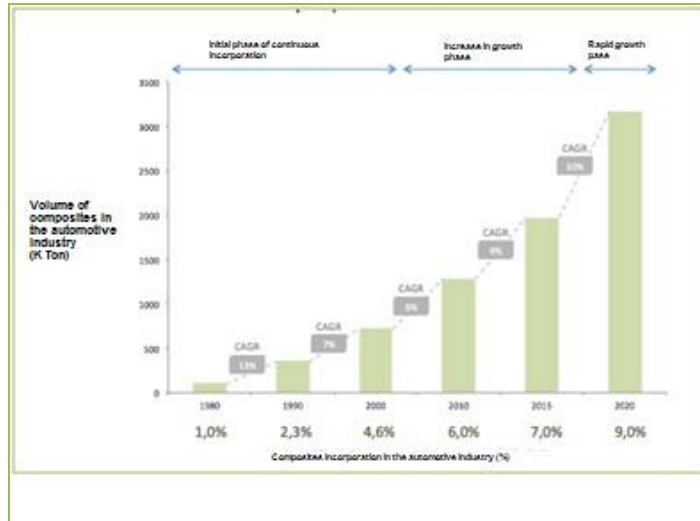
- To avoid duties and taxes for CO<sub>2</sub> emissions.
- To be able to manufacture more autonomous electric vehicles.
- To save costs due to the lower consumption resulting from the vehicles' weight reduction.

These savings should compensate the composites-related cost overruns against metals. The chart below shows the weight savings that may result when using composites:



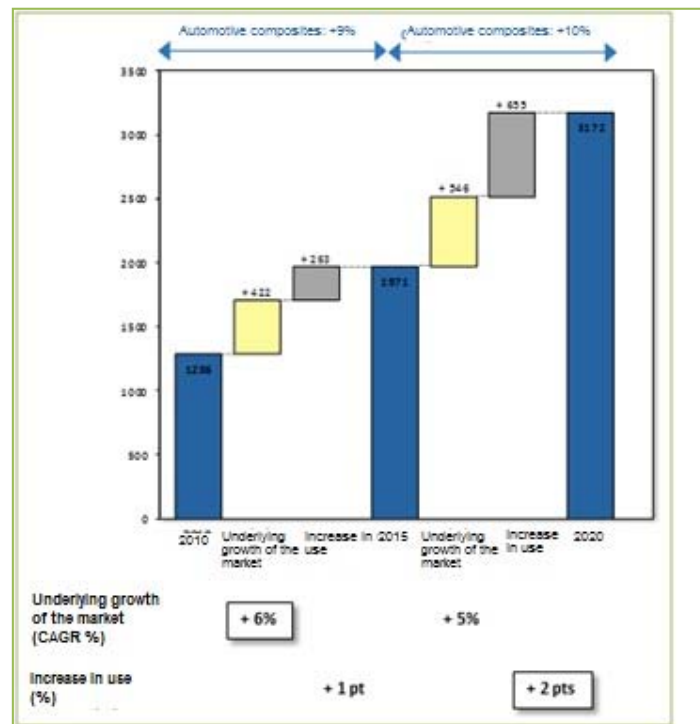
Source: Own elaboration

As can be seen in the chart, the composites development and their introduction in the automotive sector is impressive, resulting in an exponential growth in the use of composites.



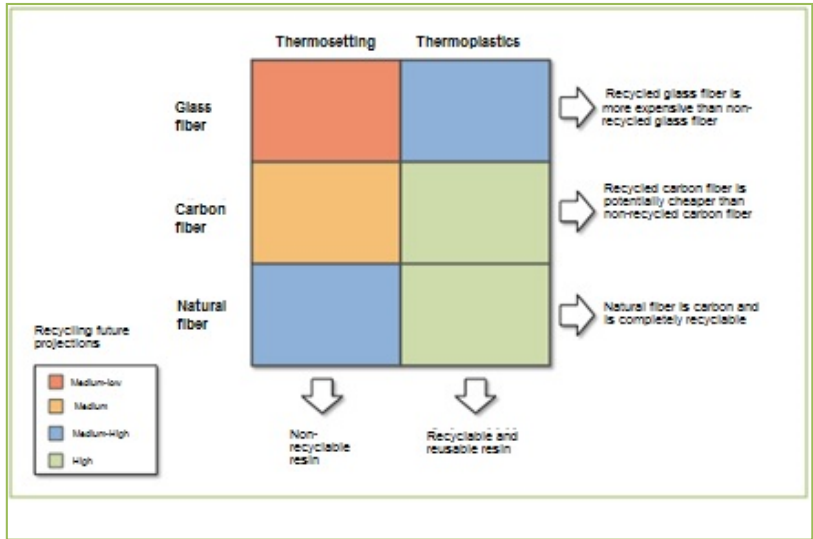
Source: Adapted from JEC 2012

If we analyze their penetration in the automotive industry, we can observe that the 2015-2020 period is the period in which the largest increase in use of composite materials within the automotive sector is predicted to occur. This is not only the result of a significant increase in the market demand, but also the result of an increase in use of composites within the automotive sector.



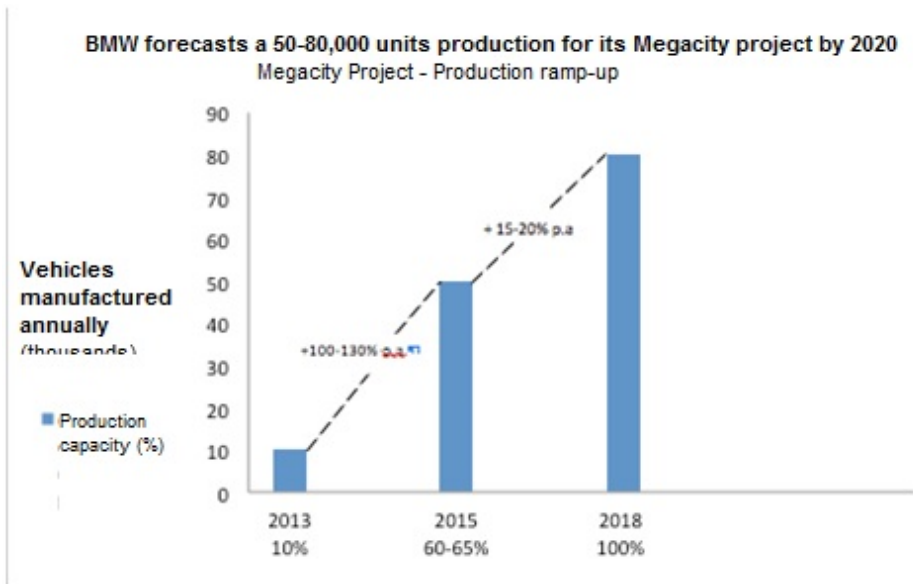
Source: Adapted from JEC 2012

An important aspect to consider is the recyclability of these materials, which is shown below in a schematic form. As can be observed, the trend is to use, whenever possible, thermoplastic resins and biodegradable resins, as well as natural fibers.

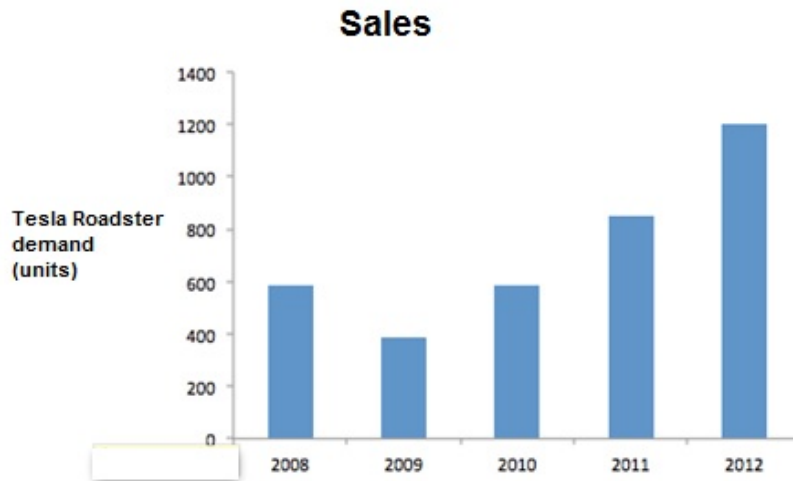


Source: Own elaboration

Two successful examples of the automotive use of carbon in the electric vehicles of BMW and Tesla are shown below. In this respect, it should be noted that BMW has earmarked EUR 400 million for the construction of a manufacturing plant to manufacture parts made of carbon fiber for its electric vehicle.



Source: Adapted from JEC 2012



Source: Adapted from JEC 2012

In conclusion:

According to latest research on the global carbon fiber market, it is expected to experience an annual double-digit growth for the next five years. In terms of dollar shipment, the global carbon fiber market is expected to reach USD 3.3 billion in 2018 from USD 1.8 billion in 2013. This research indicates that the future growth of global carbon fiber industry will likely be driven by emerging applications such as wind blades; nuclear centrifuge rotor tubes, etc. In addition, automotive applications in high-end cars, defense aircrafts, among others.

In particular, this growth is already reflected in the automotive industry with parameters such as:

- Exponential growth of the use of composites in transport and infrastructures, as well as in other decorative elements and tools.
- Development of specific plants.
- Development of electric cars with structures made of composites.

#### 4. DESCRIPTION OF MAIN BUSINESS LINES OF CARBURES

##### Manufacturing of structures made of composites

This business line is structured in four sections based on an activity-sector approach. These activity sectors are identified and selected based on two essential criteria:

- Critical mass in terms of market volume.
- Competitive advantage of the material (mainly two):
  - Weight reduction
  - Behaviour against corrosion.



## Aerospace production

The aerospace industry represents one of the industries with greatest dynamism at a global level. Its market has been estimated at EUR 380,000 million. This sector is closely linked to the innovation and development of new technologies and innovative materials.

The sector includes: aircrafts, MRO services, as well as a high specialization in engineering and design.

Parts manufacturing represents 36 %, MRO 45 % and the engineering 19 %. Carbures is positioned in these three subsectors.

The carbon fiber market (raw material) has produced more than 49 million kg during the last year, with an expected annual growth rate of 11.1 % for the next five-year period.

One of the most carbon fiber-consuming sectors (as raw material) is the aerospace one.

The growth in global air traffic (both for passengers and freight) is 5 % higher annually and it is expected to continue growing during the next years. All of this allows the main manufacturers to continue manufacturing their current projects and developing new and more efficient products.

After the development of the Boeing's models, such as the 787 Dreamliner, 737 Max, the Airbus' models, such as A380, A350 XWB, A320 Neo, and new regional products such as SSJ-1000 (Sukhoi), ARJ-21 (Comac) and the Bombardier's and Embraer's series, a significant growth in aircraft orders is expected for the next 20 years.

Airbus expects to receive 27,800 orders until 2030 and Boeing 33,500 orders.

As a result, the aircrafts production is annually growing, which have been recently developed by the two main manufacturers, both for civilian and military models. It also results in an increase in regional and executive aircrafts production, with Embraer and Bombardier taking the lead.

The Airbus A320 and B737 are currently at a point of high-rate production. The Airbus 380 models, 320 Neo, 350 XWB and A400M are starting to be increasingly manufactured. Carbures is currently working in these projects, manufacturing different components made of composites for the Airbus' aircrafts as well as the Boeing's ones (737 Max and 737 Dreamliner), which will be at a point of high-rate production in 2016.

The following chart shows the distribution, in percentages, of the total carbon fiber demand in the aerospace sector:

| <b>Total demand</b>        |      |
|----------------------------|------|
| <i>Commercial aviation</i> | 66 % |
| <i>% Regional jets</i>     | 12 % |
| <i>Defense</i>             | 13 % |

|                         |     |
|-------------------------|-----|
| <i>Helicopters</i>      | 6 % |
| <i>General aviation</i> | 1 % |
| <i>Space</i>            | 2 % |

Source: Growth Opportunities in the Global Carbon Fiber Market: 2013-2018 (Lucintel)

In short, carbon fiber orders are expected to be doubled within this sector during the period 2013-2018, with an annual growth of 11 %. This growth is mainly due to the huge demand of fiber for the new Airbus and Boeing models, and due to the increase in the production rates for other new narrow-body models, having the manufacturers the highest order backlogs ever.

Carbures is a TECHNOLOGICAL TIER 2 specializing in carbon fiber.

#### Structures for the automotive industry

Carbures focuses its business plan for the automotive industry in the following business lines:

- Design and development engineering for structural components of vehicles made of carbon fiber.
- Manufacture of prototypes.
- Manufacture of structural components for the automotive industry.
- Manufacture of secondary structures.
- Sales of machinery with the self-developed RMCP technology to manufacture long series of vehicle structures made of carbon fiber.

The global competitive advantages of Carbures can be summarized in:

- Reduction in manufacturing times to cycles of 3-5 minutes.
- Manufacture of components made of composites combining long and short fibers.
- Inclusion of nanoparticles in composites to improve their properties.
- Manufacture of integrated components at a single stage.

The positioning is mainly based on the RMCP technology. This technology arises from the integration, improvement and development of the conventional carbon fiber manufacturing systems, and may be considered the next generation of manufacturing using hot plates and RTM injections systems, in all their forms, including the HP-RTM and the SMC injection systems. The technology allows to reach manufacturing times of 3 minutes, making possible to manufacture long series of parts. It also allows to ensure that the composites standards of quality are satisfactorily maintained, with an optimal fiber/resin ratio and dimensional flatness of parts.

The points on which the competitive advantage of Carbures is based goes far beyond the lead times. Another advantage is the manufacturing of integrated components in a single stage, incorporating long fibers, short fibers and even nanocomposites in different areas of the product. This achieves to optimize materials and to provide the product with the ideal properties depending on its situation or location. In addition, apart from that, it places the RMCP technology over other technologies as the SMC and the HP-RTM systems.

This technology and its combination with other complementary technologies allow to

manufacture components in long series for the automotive industry. There is a reduction in costs and the savings per part manufactured are very significant, as can be seen below:

- Savings of 0.3-0.8 % per structural part.
- Savings of 1-4 % per semi-structural part.
- Savings of 6-12 % per secondary part.

The next step for the RMCP technology, in which the Company is already working, is its integration with automatic systems for the incorporation of nanoparticles that include carbon and graphene nanotubes. To achieve this objective, the Company is working on methods of obtaining and modification of graphene, allowing to control the nanoparticles aggregation and to strengthen the interactions between fiber and nanoparticles and resin and nanoparticles. The RMCP technology injection system allows to overcome the filtration and non-homogeneous distribution problems of nanoparticles in composites.

#### Structures for civil works

In 2012, there was an 8 % increase. About 44 % of the total carbon fiber was used to reinforce concrete. On the other hand, 37 % was used to manufacture and restore bridges and tunnels, 10 % to construct new buildings and 9 % in various construction works.

Carbures is a TECHNOLOGICAL TIER 2 specializing in carbon fiber.

The company continues its innovation and activities diversification line, mainly due to the resistance of the material against corrosion.

#### Other structures

The structures manufactured for very attractive sectors, but not as significant as the previous ones, are located in this section.

We refer to sectors as the rail industry, where Carbures is present, or the sport equipment one.

#### **Manufacturing Lines**

In February 2014, preceded by another agreement of 2013, an agreement for the transfer of the patented technology by Carbures to Mapro was announced. The aim was to develop and commercialize it and also the acquisition of 100% of Mapro.

This operation is classified in the commercialization of the technology for manufacturing processes owned by Carbures. Particularly, it was carried out to globally commercialize, in first instance, the technology developed and patented by Carbures for the manufacture of long series of automotive parts made of carbon fiber.

In second instance, it was also carried out to commercialize the carbon fiber recycling technology.

The first one has achieved to reduce the manufacturing times of automotive parts made of carbon fiber, being now competitive compared with the manufacturing times of metal. The latter has achieved to reduce raw material costs, mainly concerning the automotive industry.

The Mapro's Executive President is the Carbures' current Vice President, José María Tarragó.

Thanks to this operation, Carbures establishes a new business line, the sales of technology to manufacture machines and the sales of manufacturing lines for long series of vehicles parts made of carbon fiber.

## Systems

This business line comes, partially, from the engineering developments of MDU.

## New composites

In this business line, the new technological advances in nanocomposites and the new applications of graphene are included.

## 5. Financial statements 2014-2016

### Prospective aggregate income statement of Carbures

The prospective aggregate profit and loss statement for the period 2014 - 2016, updated by Carbures' Management, are shown below:

| Prospective aggregate profit and loss statement              |                    |                     |                     |                     |
|--|--------------------|---------------------|---------------------|---------------------|
|  | 2013               | 2014                | 2015                | 2016                |
| Net revenue  | 71,662,262         | 162,791,210         | 361,126,444         | 553,826,174         |
| Changes in inventories                                       | (1,068,108)        | 6,853,326           | 14,228,827          | 12,713,862          |
| Other operating income                                       | 845,911            | 100,000             | 50,000              | -                   |
| Work carried out by the company on its assets                | 4,294,346          | 3,941,989           | 8,822,742           | 13,236,968          |
| Supplies   | (31,155,315)       | (82,383,403)        | (164,989,246)       | (261,571,687)       |
| Personnel expenses   | (24,553,102)       | (51,802,738)        | (130,042,084)       | (203,913,716)       |
| Other operating expenses                                     | (10,595,941)       | (12,559,747)        | (17,101,707)        | (18,590,548)        |
| Depreciation of fixed assets                                 | (4,301,104)        | (6,675,851)         | (13,896,064)        | (14,344,603)        |
| Allocation of non financial fixed assets and other subsidies | 380,303            | 465,614             | 692,998             | 1,047,815           |
| <b>Operating result</b>                                      | <b>5,509,251</b>   | <b>20,730,399</b>   | <b>58,891,909</b>   | <b>82,404,263</b>   |
| <i>Net revenue percentage</i>                                | 7.7%               | 12.7%               | 16.3%               | 14.9%               |
| Financial income   | 55,185             | 131,372             | 139,772             | 149,072             |
| Financial expenses   | (2,022,345)        | (10,846,522)        | (10,768,141)        | (10,713,524)        |
| <b>Financial result</b>                                      | <b>(1,967,160)</b> | <b>(10,715,150)</b> | <b>(10,628,369)</b> | <b>(10,564,452)</b> |
| <b>Result before taxes</b>                                   | <b>3,542,092</b>   | <b>10,015,249</b>   | <b>48,263,540</b>   | <b>71,839,812</b>   |
| Taxes on profits   | (634,299)          | (3,004,575)         | (14,479,062)        | (21,551,943)        |
| <b>Aggregate result</b>                                      | <b>2,907,793</b>   | <b>7,010,674</b>    | <b>33,784,478</b>   | <b>50,287,868</b>   |

### *Changes in inventories*

The business plan includes the need of having a safety stock at the facilities of the Group that, in addition to the activity growth expected, causes the changes in inventories item to be positive during the period 2014-2016.

### *Other operating income*

The operating subsidies expected by the product engineering business area (R&D) are included in this item.

#### *Work carried out by the company on its assets*

It includes capitalized costs incurred in the fourteen R&D projects. These projects will be developed in different fields and sectors (construction, materials development, aeronautical processes, automotive, online processes development and self-developed machinery to optimize processes). A patent application is expected for some of the projects in order to protect them.

Carbures has decided to capitalize these development costs incurred in specific and individual projects, in which the cost assignment, allocation and temporary distribution for each project will be clear, to ensure there are no doubts about their technical success and economic-commercial profitability.

#### *Supplies*

Supplies have been estimated based on past experiences, on breakdowns and costs of parts similar to those offered and on the best estimates of the Management, considering the growth projected in the Business Plan, especially for the new business lines.

#### *Personnel expenses*

This costs item shows a significant growth during the period projected, as a result of the expansion experienced by the Company through the incorporation of new business lines, the inorganic growth and the international development of the Group.

Personnel expenses have been estimated based not only on the potential business growth, but also on the progressive replacement of outsourced services, which will be carried out by the staff (increase in workforce).

#### *Other operating expenses*

This costs item shows a compound annual growth rate of 6.5 % between 2014 and 2016. Rental and hire costs, taxes, supplies, independent professional services, repair and maintenance costs, transport and insurance premiums, among others, are included in this item.

#### *Depreciation of fixed assets*

The depreciation amounts have been estimated on the basis of the useful life of the tangible and intangible assets, as well as of their accounting costs. Likewise, the annual additions to fixed assets that are expected in the business plan have been taken into account.

#### *Allocation of non financial fixed assets and other subsidies*

This item partly corresponds to Europe, and includes the transfer to results of the subsidies expected to be received during the period projected for the execution of the fourteen R&D projects. The subsidies received in Europe are transferred to results. Likewise, it also includes the transfer to results of the capital subsidies.

#### *Aggregate operating result*

The aggregate operating result is positive in all the projected years. This growth is mainly due to the internationalization and development of the company, as well as the diversification carried out by entering new sectors.

#### *Financial result*

Financial expenses have been estimated according to the maturity schedule of current and projected debts for this and the coming periods.

### Taxes on profits

Taxes on profits have been estimated considering a general tax rate of 30% for all the companies, offsetting tax losses and applying deductions derived from investments in R&D projects.

### Sales by business line

In order to achieve a better understanding of the projected net revenue, the income by business line is shown below:

| Income by business line |                   |                |                    |                |                    |                |                    |                |
|-------------------------|-------------------|----------------|--------------------|----------------|--------------------|----------------|--------------------|----------------|
|                         | 2013              | %              | 2014               | %              | 2015               | %              | 2016               | %              |
| Composites structures   | 38,925,988        | 54.32%         | 81,234,665         | 49.90%         | 252,668,510        | 69.97%         | 388,036,885        | 70.06%         |
| Systems                 | 4,951,966         | 6.91%          | 5,116,623          | 3.14%          | 6,697,340          | 1.85%          | 7,236,793          | 1.31%          |
| Manufacturing lines     | 27,784,307        | 38.77%         | 74,498,457         | 45.76%         | 99,696,914         | 27.61%         | 156,385,632        | 28.24%         |
| New composites          | -                 | 0.00%          | 1,941,464          | 1.19%          | 2,063,680          | 0.57%          | 2,166,864          | 0.39%          |
| <b>Total</b>            | <b>71,662,262</b> | <b>100.00%</b> | <b>162,791,210</b> | <b>100.00%</b> | <b>361,126,444</b> | <b>100.00%</b> | <b>553,826,174</b> | <b>100.00%</b> |

### Investments and financing needs to comply with the business plan

| Investments by line and company |                    |                  |                   |
|---------------------------------|--------------------|------------------|-------------------|
| €000                            | 2014               | 2015             | 2016              |
| Aeronautics                     | -                  | -                | -                 |
| Civil works                     | 4,971,389          | -                | -                 |
| Automotive industry             | 60,983,156         | -                | -                 |
| Financial investments           | 86,500,000         | -                | -                 |
| Nanocomposites and graphene     | 4,000,000          | -                | -                 |
| R&D projects                    | 1,701,789          | 6,502,742        | 10,786,568        |
| <b>Total Carbuces Europe</b>    | <b>158,156,334</b> | <b>6,502,742</b> | <b>10,786,568</b> |
| Aeronautics                     | 1,000,000          | -                | -                 |
| Automotive industry             | 12,000,000         | -                | -                 |
| <b>Total USA and Seattle</b>    | <b>13,000,000</b>  | -                | -                 |
| Financial investments           | 4,545,455          | -                | -                 |
| Aeronautics                     | 2,500,000          | 140,000          | 140,000           |
| <b>Total MDU</b>                | <b>7,045,455</b>   | <b>140,000</b>   | <b>140,000</b>    |
| Financial investments           | -                  | -                | -                 |
| Automotive industry             | -                  | 1,090,000        | 1,111,000         |
| <b>Total MAPRO</b>              | -                  | <b>1,090,000</b> | <b>1,111,000</b>  |
| Financial investments           | 3,500,000          | -                | -                 |
| <b>Total China</b>              | <b>3,500,000</b>   | -                | -                 |
| <b>TOTAL</b>                    | <b>181,701,789</b> | <b>7,732,742</b> | <b>12,037,568</b> |

| Investment summary     |                    |                  |                   |
|------------------------|--------------------|------------------|-------------------|
|                        | 2014               | 2015             | 2016              |
| Capex ( Machinery )    | 70,701,789         | 7,732,742        | 12,037,568        |
| Capex ( Non-recurrent) | 21,000,000         |                  |                   |
| Financial investment   | 90,000,000         | -                | -                 |
| <b>Total</b>           | <b>181,701,789</b> | <b>7,732,742</b> | <b>12,037,568</b> |

The investments included for the period 2014-2016 have the purpose of equipping the company with the necessary machinery to develop, mainly, the new automotive business line and, to a lesser extent, the rail, civil works and maritime ones. In addition, a Capex for the automotive sector to begin its operations is also included.

### Expected balance sheet

The assets of the prospective balance sheet prepared by the Company, corresponding to the period 2014-2016, which are included in the Business Plan and elaborated based on the historical evolution shown by the Company and the future estimates on the business evolution, are:

| Prospective balance sheets       | Assets             |                    |                    |                    |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                  | 2013               | 2014               | 2015               | 2016               |
| Intangible fixed assets          | 18,805,174         | 18,753,968         | 23,262,567         | 31,672,531         |
| Tangible fixed                   | 36,255,333         | 120,367,348        | 109,695,427        | 98,978,428         |
| Long-term financial investments  | 32,770,311         | 123,780,766        | 123,749,266        | 123,720,966        |
| Deferred tax assets              | 4,310,374          | 4,122,839          | 3,946,292          | 3,777,859          |
| Non-current assets               | 92,141,193         | 267,024,921        | 260,653,552        | 258,149,783        |
| Inventories                      | 6,347,892          | 13,201,218         | 27,430,045         | 40,143,906         |
| Trade and other receivables      | 37,918,060         | 35,037,124         | 61,952,590         | 92,460,742         |
| Short-term financial investments | 13,853,804         | 10,367,804         | 7,882,504          | 4,897,904          |
| Cash and cash equivalents        | 6,374,369          | 20,864,950         | 26,680,772         | 52,550,245         |
| Current assets                   | 64,494,124         | 79,471,096         | 123,945,910        | 190,052,797        |
| <b>Total assets</b>              | <b>156,635,317</b> | <b>346,496,017</b> | <b>384,599,462</b> | <b>448,202,580</b> |

#### *Intangible fixed assets*

The intangible fixed assets evolution is marked by the investments to be made during the following periods and the projected depreciation policy, which has been elaborated on the basis of the useful life of the assets to which the debt is related.

Retirements of or disinvestments in intangible fixed assets are not expected for the years included in the prospective financial information.

The main investments correspond to the capitalization of the costs incurred in R&D projects to be developed by the Group. Carbures has decided to capitalize these development costs incurred in specific and individual projects, in which the cost assignment, allocation and temporary distribution for each project will be clear, to ensure there are no doubts about their technical success and economic-commercial profitability.

#### *Tangible fixed assets*

The tangible fixed assets evolution is marked by the investments to be made during the following periods and the projected depreciation policy, which has been elaborated based on the useful life of the assets to which the debt is related.

Retirements of or disinvestments in tangible fixed assets are not expected for the years included in the prospective financial information.

#### *Long-term financial investments*

This item includes the existing long-term financial investments, not considering disinvestments during the projected period.

In addition, the inorganic growth of financial investments has been considered for 2014.

#### *Deferred tax assets*

Deferred tax assets are reduced during the period projected as tax losses and deductions for the R&D&I projects are offset at the corporate tax returns of subsequent years.

#### *Inventories*

An increase in inventories is expected as a result of the need of having a safety stock at the facilities of the Group and the business growth expected for subsequent years, which is reflected in the prospective aggregate income statement.

#### *Trade and other receivables*

Trade receivables in Europe have been estimated assuming an average collection period of 75 days for the first year and 60 days for the subsequent years.

The growth in this item is a consequence of the growth of the Company's activities.

#### *Short-term financial investments*

This item includes the existing short-term financial investments. It is expected to be reduced since the Company will use the deposits for the corporate treasury needs.

The liabilities of the prospective aggregate balance sheet, corresponding to the period 2012-2016 and elaborated on the basis of the future estimates made by the Company on its business evolution, are shown below:

| Prospective balance sheets                 | - Liabilities      |                    |                    |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | 2013               | 2014               | 2015               | 2016               |
| Own funds                                  | 60,388,321         | 130,773,995        | 164,558,473        | 214,846,341        |
| Subsidies, donations and legacies received | 2,630,319          | 2,362,956          | 2,711,030          | 3,975,248          |
| Equity                                     | 63,018,640         | 133,136,951        | 167,269,503        | 218,821,589        |
| Long-term debts with credit institutions   | 13,627,762         | 10,888,504         | 8,065,141          | 6,174,049          |
| Other long-term debts                      | 43,810,950         | 162,022,391        | 155,795,245        | 151,450,973        |
| Deferred tax liabilities                   | 2,813,297          | 2,560,214          | 2,313,370          | 2,073,387          |
| Non-current liabilities                    | 60,252,009         | 175,471,109        | 166,173,756        | 159,698,409        |
| Short-term debts with credit institutions  | 10,054,596         | 14,801,862         | 13,784,592         | 16,076,021         |
| Trade payables                             | 14,711,509         | 13,388,358         | 26,892,726         | 42,760,840         |
| Other short-term debts                     | 8,598,564          | 9,697,737          | 10,478,886         | 10,845,720         |
| Current liabilities                        | 33,364,668         | 37,887,957         | 51,156,203         | 69,682,581         |
| <b>Total equity and liabilities</b>        | <b>156,635,317</b> | <b>346,496,017</b> | <b>384,599,462</b> | <b>448,202,580</b> |

#### *Aggregate own funds*



The Business Plan includes an inflow of funds resulting from the capital increase expected to be carried out during 2014, including share capital and share premium. The amount may differ depending on the market situation.

#### *Subsidies, donations and legacies received*

In Europe, the Business Plan includes non refundable subsidies and aids for the R&D projects. These new subsidies are transferred to results depending on the depreciation of the R&D subsidized costs.

#### *Short and long-term debts with credit institutions*

The Business Plan does not contain inflows of funds. The long-term debt with credit institutions will decrease as a result of the expected cash outflows derived from the depreciation of financial debts. These cash outflows will occur at the maturity dates of the aforementioned debts.

The Business plan contemplates to obtain credit lines from different entities to cover the potential operating needs of the companies comprising the Group.

#### *Other short and long-term debts*

The Business Plan includes inflows of funds from non-credit institutions for all the projected years. It should be noted the EUR 120 million inflow that may result from the issuance of financial instruments. The amount may differ depending on the market situation.

Inflows through loans are also expected to finance 75 % of the R&D projects costs. It is also expected to collect the balance of outstanding debts pending amortization at December 31, 2013.

The total amount of the long and short-term debts items increases during the whole period shown, except for 2016, since the expected cash outflows, which depend on the maturity dates of the debts, are less than the expected cash inflows resulting from obtaining new products.

#### *Deferred tax liabilities*

The generated deferred tax liabilities are transferred to results in 5 years depending on the reversion of the temporary differences.

#### *Trade payables*

Trade payables in Europe have been estimated assuming an average payment period of 60 days for the whole projected period.

### **Cash flow statements of Carburess**

The prospective consolidated cash flows for the period 2014 - 2016 are shown below. These projections are based on the historical financial information, even though there were not cash flows statements in the abridged annual accounts.

| <b>Cash flows forecast</b>                   |                      |                     |                     |
|--|----------------------|---------------------|---------------------|
|  | <b>2014</b>          | <b>2015</b>         | <b>2016</b>         |
| Result before taxes                          | 10,015,249           | 48,263,540          | 71,839,812          |
| Result adjustments:                          | -                    | -                   | -                   |
| Amortizations/Depreciations                  | 6,675,851            | 13,896,064          | 14,344,603          |
| Allocation of subsidies                      | (465,614)            | (692,998)           | (1,047,815)         |
| Financial result                             | 10,715,150           | 10,628,369          | 10,564,452          |
| Changes in inventories                       | (6,853,326)          | (14,228,827)        | (12,713,862)        |
| Changes in working capital                   | 2,656,958            | (12,629,949)        | (14,273,204)        |
| Corporate tax                                | (3,004,575)          | (14,479,062)        | (21,551,943)        |
| <b>Cash flows from operating activities</b>  | <b>19,739,694</b>    | <b>30,757,138</b>   | <b>47,162,042</b>   |
| CAPEX  | (90,736,659)         | (7,732,742)         | (12,037,568)        |
| Changes in financial investments             | (87,524,455)         | 2,516,800           | 3,012,900           |
| <b>Cash flows from investment activities</b> | <b>(178,261,114)</b> | <b>(5,215,942)</b>  | <b>(9,024,668)</b>  |
| Capital increase -                           | 60,000,000           | -                   | -                   |
| R&D Subsidies                                | 198,251              | 1,041,072           | 2,312,033           |
| Non-recurrent Capex                          | -                    | -                   | -                   |
| Financial debt service                       | 123,594,448          | (10,067,778)        | (3,943,934)         |
| Financial debt interest                      | (10,715,150)         | (10,628,369)        | (10,564,452)        |
| Return on financial investments              | -                    | -                   | -                   |
| Other changes (deferred)                     | (65,548)             | (70,297)            | (71,549)            |
| <b>Cash flows from financing activities</b>  | <b>173,012,001</b>   | <b>(19,725,373)</b> | <b>(12,267,903)</b> |
| <b>Annual cash flows</b>                     | <b>14,490,581</b>    | <b>5,815,822</b>    | <b>25,869,472</b>   |
| Beginning cash balance                       | 6,374,369            | 20,864,950          | 26,680,772          |
| <b>Ending cash balance</b>                   | <b>20,864,950</b>    | <b>26,680,772</b>   | <b>52,550,245</b>   |

## 6. Financial requirements to comply with the strategic plan.

In order to comply with the strategic plan, as described above, the Company needs a capital inflow in the amount of EUR 180 million, through equity and bonds emission.

The pre-capital increase and post-capital increase prospective aggregate income statements are compared below.

## Without increase

| Prospective consolidated profit and loss statement     |                    |                    |                    |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | 2013               | 2014               | 2015               | 2016               |
| Net revenue  | 71,662,262         | 104,380,744        | 177,957,863        | 222,962,160        |
| Changes in inventories                                 | (1,068,108)        | 2,703,862          | 8,757,548          | 5,169,322          |
| Other operating income                                 | 845,911            | 100,000            | 50,000             | -                  |
| Work carried out by the Company on its assets          | 4,294,346          | 5,304,904          | 6,024,554          | 6,240,531          |
| Supplies   | (31,155,315)       | (49,088,749)       | (86,078,086)       | (114,449,822)      |
| Personnel expenses                                     | (24,553,102)       | (33,205,796)       | (56,307,387)       | (67,117,501)       |
| Other operating expenses                               | (10,595,941)       | (10,077,307)       | (12,471,643)       | (13,258,709)       |
| Depreciation of fixed assets                           | (4,301,104)        | (5,386,332)        | (6,191,237)        | (7,370,373)        |
| Allocation of non-financial assets and other subsidies | 380,303            | 742,627            | 873,948            | 1,004,941          |
| <b>Operating result</b>                                | <b>5,509,251</b>   | <b>15,473,955</b>  | <b>32,615,560</b>  | <b>33,180,548</b>  |
| <i>Net revenue percentage</i>                          | 7.7%               | 14.8%              | 18.3%              | 14.9%              |
| Financial income                                       | 55,185             | 131,372            | 139,772            | 149,072            |
| Financial expenses                                     | (2,022,345)        | (2,652,555)        | (2,529,770)        | (2,434,383)        |
| <b>Financial result</b>                                | <b>(1,967,160)</b> | <b>(2,521,183)</b> | <b>(2,389,998)</b> | <b>(2,285,311)</b> |
| <b>Result before taxes</b>                             | <b>3,542,092</b>   | <b>12,952,772</b>  | <b>30,225,562</b>  | <b>30,895,237</b>  |
| Taxes on profits                                       | (634,299)          | (1,566,268)        | (8,040,299)        | (8,553,996)        |
| <b>Aggregate result</b>                                | <b>2,907,793</b>   | <b>11,386,504</b>  | <b>22,185,262</b>  | <b>22,341,241</b>  |

| EBITDA              |                  |                   |                   |                   |
|---------------------|------------------|-------------------|-------------------|-------------------|
|                     | 2013             | 2014              | 2015              | 2016              |
| <b>EBITDA</b>       | <b>9,810,355</b> | <b>20,860,287</b> | <b>38,806,797</b> | <b>40,550,992</b> |
| % Total net revenue | 13.7%            | 20.0%             | 21.8%             | 18.2%             |

## Differences with-without increase

| Prospective aggregate profit and loss statement              |      |                    |                    |                    |
|--|------|--------------------|--------------------|--------------------|
|  | 2013 | 2014               | 2015               | 2016               |
| Net revenue  | -    | 58,410,465         | 183,168,581        | 330,864,014        |
| Changes in inventories                                       | -    | 4,149,464          | 5,471,278          | 7,544,540          |
| Other operating income                                       | -    | -                  | -                  | -                  |
| Work carried out by the Company on its assets                | -    | (1,362,915)        | 2,798,188          | 6,996,437          |
| Supplies   | -    | (33,294,654)       | (78,911,159)       | (147,121,865)      |
| Personnel expenses   | -    | (18,596,942)       | (73,734,698)       | (136,796,215)      |
| Other operating expenses                                     | -    | (2,482,441)        | (4,630,064)        | (5,331,840)        |
| Depreciation of fixed assets                                 | -    | (1,289,519)        | (7,704,827)        | (6,974,230)        |
| Allocation of non-financial fixed assets and other subsidies | -    | (277,014)          | (180,951)          | 42,874             |
| <b>Operating result</b>                                      | -    | <b>5,256,444</b>   | <b>26,276,349</b>  | <b>49,223,715</b>  |
| <i>Net revenue percentage</i>                                | -    | -                  | -                  | -                  |
| Financial income   | -    | -                  | -                  | -                  |
| Financial expenses   | -    | (8,193,967)        | (8,238,371)        | (8,279,140)        |
| <b>Financial result</b>                                      | -    | <b>(8,193,967)</b> | <b>(8,238,371)</b> | <b>(8,279,140)</b> |
| <b>Result before taxes</b>                                   | -    | <b>(2,937,523)</b> | <b>18,037,978</b>  | <b>40,944,575</b>  |
| Taxes on profits   | -    | (1,436,307)        | (6,438,763)        | (12,997,947)       |
| <b>Aggregate result</b>                                      | -    | <b>(4,375,830)</b> | <b>11,599,215</b>  | <b>27,946,627</b>  |

| EBITDA              |      |       |       |       |
|---------------------|------|-------|-------|-------|
|                     | 2013 | 2014  | 2015  | 2016  |
| <b>EBITDA</b>       | -    | -     | -     | -     |
| % Total net revenue | 0.0% | -3.1% | -1.7% | -0.7% |

We remain at your disposal for any clarification you might deem necessary.

El Puerto de Santa María, March 7, 2014

CARBURES EUROPE, S.A.  
Mr. Rafael Contreras Chamorro  
On behalf of Rafcon Economist, S.L. as  
Chief Executive Officer of CARBURES EUROPE, S.A.