



**RELEVANT FACT**  
**CARBURES EUROPE, S.A.**  
**January 2, 2015**

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)** at the disposal of the market:

**CARBURES** has completed the work it committed to perform as a result of the suspension of trading in its shares on the MAB (Relevant Facts from October 8<sup>1</sup> and 10<sup>2</sup>, 2014), and has submitted its financial statements of June, 30 to be audited by **PricewaterhouseCoopers Auditores S.L.** (hereinafter, **PWC**), which has taken into account the independent and external legal opinion report promised by the Company.

In this regard, the intermediate consolidated financial statements for the period ended June 30, 2014, which were prepared by the Board of Directors of the Company, have been submitted to be audited by **PWC**. **PWC** delivered its audit report to the Board of Directors of **CARBURES** on last December 29, 2014. On that date, the Board of Directors evaluated the report and prepared this Relevant Fact.

The scope of the audit report includes the intermediate consolidated financial statements of **CARBURES** and its subsidiaries for the period ended June 30, 2014, the profit and loss statement, the statement of changes in equity, the statement of cash flows and the explanatory notes. All of these statements are consolidated and correspond to the six-month period comprising January 1 to June 30, 2014.

The main consequences arising from the report are:

1. **PWC** has concluded its audit of **CARBURES** for the period referenced above providing a clean, unqualified audit report. For further information, the audit report of the intermediate consolidated financial statements for the period ended June 30, 2014 is attached to this Relevant Fact. **CARBURES** will not need to restate its financial statements for 2013. For the purpose of preparing the intermediate consolidated financial statements, some line items of the statements for 2013 have been changed. These changes will be taken into account when elaborating the annual statements for the 2014 fiscal year.

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<sup>1</sup>[http://www.bolsasymercados.es/mab/documentos/HechosRelev/2014/10/16162\\_HRelev\\_20141008.pdf](http://www.bolsasymercados.es/mab/documentos/HechosRelev/2014/10/16162_HRelev_20141008.pdf)

<sup>2</sup>[http://www.bolsasymercados.es/mab/documentos/HechosRelev/2014/10/16162\\_HRelev\\_20141010\\_1.pdf](http://www.bolsasymercados.es/mab/documentos/HechosRelev/2014/10/16162_HRelev_20141010_1.pdf)



2. **PWC** recognizes the validity of the initially applied accounting method to register the transaction with *Shenyang Hengrui* and, following its advice, the Company accepts to allocate it proportionately over the entire contract period, 2014 to 2019, although it will be mainly allocated during the periods 2015 and 2016, as a result of the characteristics of the abovementioned contract.
3. As a consequence of the changes in the annual statements for the period ending December 31, 2013, the transaction with *Ansal* shall be considered accrued as of 2014.
4. None of the companies that have been analyzed to delimit the scope of consolidation of **CARBURES** are subject of consolidation, neither associated to nor controlled by the Company or its executives or directors.

After three months of suspension of trading, a situation occasioned by the doubts expressed by **PWC** and that led to the circumstances revealed in the Relevant Facts of October 8 and 10, the audited statements of **CARBURES** are far from the worst scenario announced in October: none of the three companies can be considered subject of consolidation, associated to or controlled by **CARBURES** or its executives or directors. Just one transaction with *Ansal*, a company which is part of the **CARBURES'** cluster of companies, has been transferred from 2013 to 2014 and so is reflected in the audited statements but, under no circumstances can be considered an intragroup transaction. The other two analyzed companies, *Materiable* and *Sinatec*, have been considered part of the **CARBURES'** cluster of companies –as contained in the Company's statements for previous years– but under no circumstances can be considered associated to the company **CARBURES**. The revenue resulting from the transactions with these two companies are absolutely correct. Therefore, after applying the adjustments and transferring the amount of EUR 5.36 million invoiced to *Ansal* to 2014, Carbures ended 2013 with a revenue of EUR 19.989 million (instead of EUR 25.353 million if we add the *Ansal's* EUR 5.36 million) and a positive EBITDA of EUR 1.698 million (instead of EUR 4.707 million if we allocate *Ansal* in 2013).

**PWC**, which has not considered necessary to restate the statements, has suggested the company to apply more cautious accounting practices when allocating the revenue, although it recognizes their validity (see section 3.16 –page 32– of the Audit Report). This has been accepted and changed by the Company. This is particularly the case of the contracts with the Chinese company *Shenyang Hengrui*, for the sale of manufacturing lines for long series of car parts using composite materials. These contracts will bring **CARBURES** revenue of around USD 97 million for the sale of seven RMCP lines, their distribution and the royalties attached to the use of this technology.



In compliance with a more cautious accounting practice, the revenue resulting from the royalties contracts will be progressively and proportionally allocated and applied at the delivery of each RMCP.

Regarding the sales contract with *Shenyang Hengrui*, the Company has decided to adopt a conservative criterion, consisting in allocating the revenue at the delivery of the product. The Company will allocate the revenue and gross profit resulting from the machinery sales, when the machine is delivered and started. Each machine will bring **CARBURES** revenue of USD 12.719 million. The delivery schedule will be accomplished during 2015, when EUR 32 million will be allocated (42 % of the contract). This schedule will be extended to 2016, when the largest proportion of revenue is expected. Capitalized costs related to stocks and works in progress regarding this contract amounted to EUR 1.988 million on June 30, 2014. In addition, an increase in previous orders is considered.

These suggestions from the auditor, accepted by the Company, have led the Company to review its revenue and results, resulting in a first half-yearly statements with revenue of EUR 20.228 million, instead of EUR 41.907 million, and a negative EBITDA of EUR 6.067 million for the abovementioned period. This mismatch is mainly caused, as previously stated, by the change of the revenue allocation method used for the transaction with *Shenyang Hengrui*.

The estimate for 2014 places us in the "without increase" scenario, according to the data published in March, where the revenue would have amounted to EUR 104.380 million and the EBITDA to EUR 20.860 million. The Company expects to allocate in 2014 consolidated revenue in the amount of EUR 58.076 million, versus the figure of 2013, EUR 19.989 million, (i.e. an increase of around 300 %), and a negative EBITDA of EUR 9.091 million.

These deviations from the published expectations are mainly caused by the impact of the contracts with *Shenyang Hengrui* (which would explain approximately 70 % of the deviation) and, in addition, by the following reasons: (1) changes in the criteria used to offer consolidated figures instead of aggregate figures, as it was done in the business plan; (2) the slowdown, general in the sector, in the aeronautical industry; (3) the goodwill impairment (following the suggestions of the Board of maximum financial prudence); (4) the non-recurring costs which have been incurred as a result of the process to be listed on the continuous market and the audit process resulting from the suspension of trading on the MAB; and (5) for failing to comply with the inorganic growth expectations.

In line with the aforementioned, the criteria used to prepare the intermediate consolidated financial statements for the period ended June 30, 2014, which have been submitted to be audited, will be consistently applied to prepare the annual report for the period ended



December 31, 2014, which will be submitted for approval of the General Shareholders' Meeting of **CARBURES**.

Finally, the Company wishes to state that, as a consequence of the suggestions of the auditor, which have been accepted by the Company, the changes in the accounting criteria applied –which have led to deviations in the positive expectations for 2014– will bring a very positive effect on the financial statements of 2015, where the Company expects to allocate revenue in the amount of EUR 118 million, with an EBITDA of around EUR 13 million, more than 10 % over revenue. This increase from EUR 58 million to EUR 118 million will be driven by the growth of the Company (both organic and inorganic), as well as by the execution of the contract with *Shenyang Hengrui* (an estimate of EUR 32 million).

Jerez de la Frontera, January 2, 2014

**Tomás Pelayo Muñoz**

Non-Director Secretary of the Board of Directors  
of **CARBURES EUROPE, S.A.**

**Carbures Europe, S.A.**

Independent audit report on the intermediate consolidated  
financial statements at June 30, 2014



## **INDEPENDENT AUDIT REPORT ON THE INTERMEDIATE CONSOLIDATED FINANCIAL STATEMENTS**

To the shareholders of Carbures Europe, S.A., upon request of the Board of Directors:

We have audited the intermediate consolidated financial statements of the company CARBURES EUROPE, S.A. (hereinafter, the Parent Company) and its subsidiary companies (hereinafter, the Group), which comprise the balance sheet at June 30, 2014, the profit and loss statement, the statement of changes in equity, the statements of cash flows and the explanatory notes, being all of them consolidated, corresponding to the six-month period ended on that date.

### Directors' responsibility for the intermediate consolidated financial statements

The directors are responsible for the preparation of these intermediate consolidated financial statements giving a true and fair view of the assets, the financial position, as well as the results of Carbures Europe, S.A and its subsidiaries, in accordance with the generally accepted accounting practices in Spain, which are explained in note 2.1 of the explanatory notes, and for such internal controls as the Directors determine are necessary to enable the preparation of the intermediate consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express an opinion on these intermediate consolidated financial statements based on our audit. We conducted our audit in accordance with the current Spanish regulations on auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the intermediate consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the intermediate consolidated financial statements. The procedures selected depend on the auditors' 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 auditors consider the internal controls relevant to the preparation of the intermediate consolidated financial statements by the directors of the Parent Company, 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 Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates carried out by the directors, as well as evaluating the overall presentation of the intermediate consolidated financial statements.

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



### Opinion

In our opinion, these intermediate consolidated financial statements give, in all material respects, a true and fair view of the consolidated assets and financial position of Carbures Europe, S.A. and its subsidiaries as at June 30, 2014, as well as of the consolidated cash flows for the six-month period then ended, complying with the applicable financial regulations and, particularly, with the accounting standards and criteria contained therein.

### Emphasis of matter

We draw attention to explanatory note 2.2 of these intermediate consolidated financial statements, which indicates that, as at June 30, 2014, the current liabilities of the group exceeded its current assets by EUR 12,673 thousand. In order to remedy the situation, the Group has entered a negotiation phase to request the deferral of the payment and to find different funding sources and, at the date of issue of this report, it has formalized a new loan, among others, in the amount of EUR 13,050 thousand (see explanatory note 31). As stated in the explanatory notes 2.2 and 4.3, the directors of the Parent Company have prepared a liquidity plan, in which it is estimated to close the financial year 2015 with enough cash. The achievement of this plan depends on significant assumptions, including the obtaining of a relevant volume of cash flows resulting from the contract signed with Shenyang Hengrui Imp. & Exp. Trade Co. Ltd. Otherwise, it would be necessary to obtain additional funding sources. The existence of this material uncertainty that could give rise to significant doubts on the Company's ability to continue as a going concern is closely related to the fulfillment of these assumptions. This issue does not affect our opinion.

We draw attention to explanatory note 28 of these intermediate consolidated financial statements, which indicates that a significant volume of the sales and transactions of the Company have been carried out with related entities. These transactions have been registered in compliance with the terms and conditions established by the parties. The criteria used to determine the impact that the degree of the relationship between these related parties may have on the intermediate consolidated financial statements, including the fact that all transactions have been completed at market price, require judgment elements that the directors describe in explanatory note 28. This issue does not affect our opinion.

### Other issues

The corresponding figures for the six-month period ended June 30, 2013, which have been included for comparative purposes with these intermediate consolidated financial statements and its explanatory notes for the six-month period ended June 30, 2014, have not been audited.

PricewaterhouseCoopers Auditores, S.L.

Luis Fernández Prieto  
Socio – Auditor de cuentas

December 24, 2014

"This text is a translation provided for information purposes only. The original Spanish text shall prevail in the event of any discrepancies between the English translation and the Spanish original."