



RELEVANT FACT

CARBURES EUROPE, S.A.

13th of August 2015

In compliance with the provisions of Circular letter 9/2010 from the *Mercado Alternativo Bursátil* [Alternative Stock Market] (the “**Market**”), and for its knowledge as a relevant fact, Carbures Europe, S.A. (herein after “Carbures” or the “Company”) communicates the following information to the Market:

Evolution of results for the first half of 2015

The suspension of the listing of shares during the second half of 2014 hampered the access of the Company to the financial markets. Despite this situation, Carbures’s growth plans, based on the entry of a technological product, that is, composite material in aviation and mobility, attracted the interest of certain investors (mainly Anangu Grup, S.L., BTC Dos S.à.r.l. and Neuer Gedanke, S.L.), who implemented several finance transactions as described in the relevant facts published in the past months. The Board of Directors has proposed at the Extraordinary Shareholders’ Meeting of 13th and 14th of this month of August, the capitalisation of the majority of this funding, as well as of a previous debt with Univen Capital, S.C.R., amounting to 4.3 million Euros. This capitalisation implies a very important boost in two ways, the deleveraging and the investors’ display of confidence towards Carbures’s projects. Once the capital increase needed to capitalise the credits is completed, the total debt of the group will descend to 66 million Euros (-35% compared to December 2014) and the debt/market capitalisation ratio will be set at around 74%.

Said capitalisation financially strengthens the Company, increasing its share capital. Furthermore, it not only allows the company to reduce its debt, but also to improve its debt structure, more than 60% of it being Public Administration loans with low interest rates (at an average of 1.5%) and long-term maturities and debts derived from the purchase of companies Mapro and Composystem guaranteed by bank deposits.

Following the publication of the audit report of the annual accounts for the financial year 2014, with an unqualified opinion, and the restructuring of the debt with BBVA and Bankia at the end of May, the Company has regained the confidence of credit institutions and is working on the renewal or concession of credit lines for the financing of working capital, which is necessary for it to continue growing. Furthermore, as was indicated in the relevant fact published on the 30th of June, the Company continues to progress in its negotiations to obtain additional sources of funding, which it expects to complete in the coming weeks.

The previously indicated financing by private investors allowed Carbures to maintain its usual industrial activity and finance its operational and investment needs in the past months.

In the framework of the Business Plan presented by Carbures in February, the group is boosting its organic growth, restricting its corporate transactions and consolidating and restructuring the purchases which do not offer the level of profitability now required in our investments by the Board, in order to focus on boosting the core business of the Group.

Preliminary data as of the 30th of June

Sales as of the 30th of June reach 31 million Euros, which is a 22% deviation from the estimation of the business plan for this period, but a 53% increase compared to the 20.02 million for the same period in the previous fiscal year. Regarding EBITDA, the preliminary estimate is negative 3.9 million Euros, improving from the negative 6.1 million Euros from the first half of 2014. The net result is better than that of the business plan due to the extraordinary results of the negotiation with PYPSA. We must bear in mind that the activity of Grupo Carbures presents an accentuated seasonality in the second half of the year, due to the production ramp of aircrafts and the start of production of projects developed in this first half of the year.

EUR '000	Jun 2014	Jun 2015 Estimate	Business Plan	2015 vs 2014	%	2015 vs Business Plan	%
Income	20,228	30,945	39,855	10,717	53%	(8,910)	-22%
Sales costs	(7,513)	(13,748)	(18,200)	(6,235)	83%	4,451	-24%
Gross margin	12,715	17,197	21,655	4,482	35%	(4,459)	-21%
	37.1%	44.4%	45.7%				
Personnel cost	(12,393)	(16,717)	(18,154)	(4,324)	35%	1,437	-8%
Other operating costs	(6,389)	(4,372)	(4,657)	2,017	-32%	285	-6%
EBITDA	(6,067)	(3,892)	(1,155)	2,175	-36%	(2,737)	237%
Net result	(7,602)	(4,229)	(5,474)	2,175	-29%	1,245	-23%

The data corresponding to the 30th of June 2015 included in the table above are preliminary and are subject to internal review processes. The final data will be published before the 10th of September 2015.

Among the several business lines of the group, we must highlight the good performance of the aeronautical manufacturing activity, with improvements both in sales and in EBITDA regarding the business plan (almost 1 million Euros), of Carbures Engineering & Systems, with fewer sales but focusing on greater profit margins, which have allowed it to increase its EBITDA from what was expected in the business plan.

The same in other divisions, such as Mapro (machinery manufacturing), the German engineering Axcep, the production units of pieces in composite materials in the production plants of El Puerto de Santa María and in El Burgo de Osma, and the railway segment involve not very significant deviations regarding the budget, expecting to end the year positively in most cases. Regarding Mapro, the most relevant division in terms of volume, the sales deviation is mainly (1.5 million Euros) due to the delay in the negotiation process for the purchase of the Company in China, envisaged in the Business Plan for 2015; it is, however, expected to conclude before the end of the year. This effect will be compensated in total for 2015 thanks to the high amount of order backlog for the second half.

As a result, the deviation concentrates in the following units:

- PYPSA: the purchase of this Company was concluded a month before the suspension of trading, which initially affected the group's capacity to promote the strategic plan. Finally, the previously indicated agreement reached with the selling party has allowed us to financially strengthen the Company and, above all, improve its positioning in terms of guarantees of success in bidding processes. In this sense, the sales deviations and EBITDA in the first half, of 3.4 and 2.2 million respectively, are compensated in the net result with an extraordinary income over 4 million Euro derived from the agreement.

- United States: Carbures concentrates its activity in its plant in South Carolina, where Boeing opts for carbon fibres. It should be noted that, in the last half of this year, we will start the necessary investments to build a new aeronautical plant in South Carolina. Additionally, the Carbures management team for United States and Mexico has been built up with personnel with a broad experience in business management, especially the automotive industry. This restructuring will bring Carbures USA up to positive numbers in 2016, although on 30th June it still has a 1.5 million Euros sales deviation and a 0.7 million Euros deviation in EBITDA, which include the non-recurring closing and relocation costs.

- Finally, Technical & Racing Composites, specialised in design and manufacturing short series in automotive and aviation, has been affected by the need to end the investments in a new plant to be able to support growth and gain competitively in costs, reducing the volume of outsourcing and turning to in-house manufacturing, with a greater profit margin. The company has also been strengthened by the recruitment of broadly experienced technical personnel. As a result, during the first half of the year there is a 0.3 million Euros EBITDA deviation; this will improve in the second half of the year, reaching positive numbers in 2016.

Contract with Shengyang Hengrui

The Business Plan presented the past 17th February included the production and delivery of seven production chains with RMCP technology, with their corresponding moulds for pieces production, to Shengyang Hengrui, of which the delivery of the first three was expected for the year 2015, representing an input of 33 million Euros and an EBITDA of 10.6 million Euros in this fiscal year. Hengrui's program does not affect the sales of the first half of the year, since the delivery of these three chain machines, and consequently the income accounting record, are expected for the second half of the 2015 fiscal year.

Due to logistic difficulties regarding the export of such big machinery and technology to China, the delivery has slowed down, and consequently, the charging of this technology. The first machine will be embarked in September in the port of Bilbao, and will be delivered and set up in Hengrui's company at the beginning of December. The second machine will not be sent until November, expecting it to be operative by the start of 2016, while the third machine will be sent and delivered in 2016. As a consequence, and in terms of the income accounting record regarding the delivery and set up of the production, in the fiscal year 2015 it is expected to register the income and profits corresponding to the first machine. The incomes corresponding to the other two production chains are postponed until the first half of 2016. During the month of September owners of Hengrui will travel to Spain, along with authorities from the Chinese local government to speed up the logistic procedure.

This delay affects the estimation for the closing of the fiscal year 2015, decreasing the sales and the EBITDA of the year by 10 and 8 million Euros, respectively. It is important to bear in mind that this does not affect the joint Business Plan of the Company for the next 3 years; the contract continues to be completely in force, since it is simply a delay in the implementation pace and the deliveries are passed on to 2016. Once the accounts and the balance sheet as of June 2015 are audited, we will publish the prediction for the closing of fiscal year 2015 with these modifications.

El Puerto de Santa María, on the 12th of August, 2015

Tomas Pelayo Muñoz

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