



RELEVANT FACT
CARBURES EUROPE, S.A.
30 March 2016

In accordance with the provisions of Notice 7/2016 from the Alternative Investment Market, the present document provides the market with the following information related to **CARBURES EUROPE, S.A.** (hereinafter "CARBURES" or the "Company").

The Company continues to work this month on formulating the accounts for 2015, in order to use them to approve new budgets. Both processes have been slowed by a series of circumstances: the first is the insufficient integration of information from different companies in the group, accompanied by the new senior executive management of the company and the new auditor, which is in its first financial year. Currently, and pending the official end of the financial year, the closure of the 2015 financial year shows some variations from the published forecasts.

On 30 September the Company released a Relevant Event in which Carbures forecasted a turnover of 78 million euros in 2015, with an EBITDA figure of 2.8 million euros.

The current forecast is that the end of the 2015 financial year will have sales of 66 million euros and a negative EBITDA of 6.8 million euros, at a conservative estimate. These figures are not final, and are pending the definitive end of the financial year.

The following table shows a comparison between the forecast made in the Material Fact dated 30 September and the current estimates for the group.

Thousands of euros	Estimated close	Previous forecast	<i>Difference</i>	%
Income	65,965	78,120	<i>(12,155)</i>	-15.6%
Sales costs	(30,016)	(36,825)	<i>6,809</i>	-18.5%
Operating margin	35,949	41,295	<i>(5,346)</i>	-12.9%
<i>% s/ operating income</i>	54.5%	52.9%	44.0%	
Staff costs	(31,057)	(31,201)	144	-0.5%
Other operating expenses	(11,768)	(7,274)	<i>(4,494)</i>	61.8%
EBITDA	(6,876)	2,820	<i>(9,696)</i>	n/c
<i>% s/ operating income</i>	-10%	4%	80%	

As shown below, the Company's growth model (by sector, technology and product) is beyond doubt, and Carbures believes that the worst-case outcomes are not a fault of the industrial model, but rather due to a delay in its implementation, especially in the automotive sector, and also relate to bad decisions made in other core sectors during 2015.

With regards to the results, the results for aviation in 2015 show the power of Carbures' equity story since its inception, with the ramp up processes meaning that all the centres (in Jerez, Seville and Illescas) reached higher sales than initially forecasted which financed the group structure costs and show that this line of business for the Company is fully profitable today with estimates that it will improve in the current financial year and those to come.

The Civil Work division was not included in the results for September as the decision was taken place this asset up for sale, in December 2015, although the new management team and analysis of the sector mean that this decision is pending review as it might be an important asset due to the application of composite materials in the oil and gas sector, especially in the implementation of pipelines .

The worst results for the Company in 2015 were in the automotive industry, with a significant increase in the costs associated with this line of business without a corresponding increase in sales, and which has therefore brought down the overall result for the group. The lack of focus on commercial work during the previous period has affected the overall performance of the group in the automotive sector. The automotive business as a whole has not grown in the way promised by the previous management team, and expected by the Company.

Within the automotive industry, the machinery line has also contributed to the reduced sales forecast with 3 million euros less sales from the group's traditional machinery unit (MAPRO).

Lower sales figures can also be explained, in large part due to the delay of the first line to Hengrui, in China, which reduced sales by 10 million euros. The delay was partly due to not being able to access the funding necessary to make faster progress on this project, and also due to the decision to prioritize technological developments over delivering the product in 2015. At present the relationship with the Hengrui continues along the same contract terms. The first line is due to be partially delivered at the end of April. In accordance with the principles of prudence agreed with the auditors, Carbures will not add any corresponding entries for this contract until the entire line (press, robots, auxiliary machinery) is fully up and running, which means that 2015 will be closed without any income associated with this contract.

Other operations have had a significant impact on the Company turnover, although not the EBITDA. The situation with EMI is notable in this respect, and a specific Relevant Event has been published on the matter, released immediately prior to this document, and which we ask you to read for full details.

The fact that the results are worse than expected is due to the new company management that occurred at the end of the 2015 financial year.

The following events, which are mostly non-recurring, result in a negative EBITDA. They should be noted due to their relevance to the significant differences to the published estimates, which can be attributed to:

- In the main, the business development of the automotive sector is the main negative element. Special mention should be given to the TR Composites business unit due to the negative impact (approx. 0.5 million euros negative impact on the EBITDA compared to the initially estimated figure).
- The delay in delivering the first line to Hengrui, which means that no turnover was included in the accounts for this concept and therefore it does not compensate for the previous element. This concept had a negative impact on EBITDA of approximately 2 million euros with respect to the initially estimated figure.
- The reduction in the volume of sales for the machinery business line (MAPRO), with an EBITDA substantially lower than the forecasted contribution. MAPRO has a lower EBITDA contribution than the initially estimated figure (due to lower net sales) of 1.6 million euros.
- The significant increase in corporate costs for the group. This section includes the costs associated with financial and legal advice for financing (operations involving Black Toro Capital and Wilbur Ross). The costs for both operations are over 1.6 million. For further information on these operations, please see the Material Facts released on 1 December 2015 and 27 January 2016. The costs for the lawsuit filed against EMI in US courts to defend Carbures' interests (the company released a specific Material Fact in relation to this matter immediately before this one, as an update to the Material Fact released on 26 November). Please note that these are all exceptional costs, and are not recurrent.

El Puerto de Santa María, 30 March, 2016

CARBURES EUROPE, S.A.
Guillermo Medina Ors
Secretary of the Board of Directors.