

AVCORP

NEWS RELEASE

Acquisition of Hitco Carbon Composites Business

Avcorp Industries Inc.

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**Common Stock Listed
Toronto
Trading Symbol: AVP**

DELTA, British Columbia: Avcorp Industries Inc. (the “Company” or “Avcorp”) (AVP:TSX) is pleased to announce that it has entered into a definitive agreement (the “Agreement”) to acquire the US-based composite aerostructures division of a subsidiary of Frankfurt-listed SGL Carbon SE (“SGL”). The transaction will significantly expand the capabilities of Avcorp in composites and offer a strong platform to grow the profitability of the business.

Pursuant to the Agreement, Avcorp will purchase the assets of the division of SGL’s subsidiary Hitco Carbon Composites Inc. (“Hitco”) which produces composite parts for commercial and military aerostructures. This includes all inventories, equipment, tooling and other fixed assets, intellectual property, contractual rights, good will, accounts receivable, and work in progress. The Corporation is not acquiring any assets of Hitco’s materials division. Avcorp will be continuing operations at Hitco’s current aerostructures facilities in Gardena, California.

The addition of the Hitco composites division is anticipated to approximately double Avcorp’s revenues in the immediate term. While not run as a separate accounting unit, the division has been operating at a loss.

Consideration for the acquisition of the assets is principally the assumption by Avcorp of current trade payables and ongoing contractual obligations of the aerostructures business of Hitco.

Avcorp will receive approximately \$42 million in cash and payment commitments. SGL will also provide further in kind supplies or payments of up to \$5 million over the period to December 31, 2016. The purchase consideration is subject to customary adjustments based on working capital of Hitco and certain contract pricing adjustments being negotiated by Hitco.

Closing is subject to customary conditions, including finalization of other ancillary agreements, third party and regulatory approvals, and is anticipated to occur in Q3 2015.

Peter George, Avcorp Group CEO commented that “the acquisition of Hitco’s composites division offers a unique opportunity to transform our business by broadening our product range and strengthening our composite capabilities. We also anticipate significant operational efficiencies and better utilization of our existing assets. Combining the businesses should accelerate Avcorp’s return to profitability. We see many opportunities to enhance the Hitco composites business and provide superior products to Hitco’s exceptional aerospace customers.”

About Avcorp

Avcorp designs and builds major airframe structures for some of the world’s leading aircraft companies, including BAE Systems, Boeing and Bombardier. With more than 50 years of experience, over 380 skilled employees and 340,000 square feet of facilities in Delta BC and Burlington ON, Avcorp offers integrated composite and metallic aircraft structures to aircraft manufacturers, a distinct advantage in the pursuit of contracts for new aircraft designs, which require lower-cost, light weight, strong, reliable structures. Our Burlington location also offers composite repairs for commercial aircraft. Avcorp is a Canadian public company traded on the Toronto Stock Exchange (TSX:AVP)



**PETER GEORGE
CHIEF EXECUTIVE OFFICER, AVCORP GROUP**

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Forward-Looking Statements

Certain statements in this release and other oral and written statements made by the Company from time to time are forward-looking statements, including those that discuss strategies, goals, outlook or other non-historical matters; or projected revenues, income, returns or other financial measures. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those contained in the statements, including the following: (a) the extent to which the Company is able to achieve savings from its restructuring plans; (b) uncertainty in estimating the amount and timing of restructuring charges and related costs; (c) changes in worldwide economic and political conditions that impact interest and foreign exchange rates; (d) the occurrence of work stoppages and strikes at key facilities of the Company or the Company's customers or suppliers; (e) government funding and program approvals affecting products being developed or sold under government programs; (f) cost and delivery performance under various program and development contracts; (g) the adequacy of cost estimates for various customer care programs including servicing warranties; (h) the ability to control costs and successful implementation of various cost reduction programs; (i) the timing of certifications of new aircraft products; (j) the occurrence of further downturns in customer markets to which the Company products are sold or supplied or where the Company offers financing; (k) changes in aircraft delivery schedules or cancellation of orders; (l) the Company's ability to offset, through cost reductions, raw material price increases and pricing pressure brought by original equipment manufacturer customers; (m) the availability and cost of insurance; (n) the Company's ability to maintain portfolio credit quality; (o) the Company's access to debt financing at competitive rates; and (p) uncertainty in estimating contingent liabilities and establishing reserves tailored to address such contingencies.

*For further information
about Avcorp Industries Inc.
please visit our website.*

www.avcorp.com