

2014 annual results and highlights

Europlasma SA, the French company specialised in the design and operation of plasma solutions for renewable energy generation and hazardous waste recovery, announces today its results for the year ended 31 December 2014, approved by the Board of Directors on 27 April 2015 and audited by the Board of Statutory Auditors.

These results reflect the detailed attention given to the operational and financial restructuring of all the Group entities during 2014.

- **Start of the Group's industrial recovery**
 - Developing and implementing a clear strategy, based on the commercial roll-out of well-mastered technologies, and focused on value creation.
 - Mobilising the management teams to implement the 180-day plan, and fostering a performance culture based on stringent management.

- **Significant improvements in operational and sales performance**
 - Renewable Energies: preliminary acceptance testing of the CHO Morcenx power plant in June 2014, then upscaling (performance and endurance). Start of commercial deployment (CHO Tiper).
 - Asbestos treatment: sharp increase (+75%) in the number of tonnes treated in the second half of the year, compared with the first half. Launch of a technical improvement plan (€1 million) to ensure the long-term reliability of the Inertam plant.
 - Engineering: 4 studies commissioned, one of which was followed up with a contract for the supply of a vitrification unit (January 2015).

- **Strengthening of the Company's financial structure: capital increases totalling €41,1 million aimed at:**
 - Deleveraging the balance sheet: reducing the Group's debt and restoring a positive cash position;
 - Ensuring the continuation of operations and stepping up the Group's recovery in 2015;
 - Recruiting the required talents to uphold growth.

Upon the publication of the 2014 results, the Europlasma CEO, Jean-Eric Petit, made the following statement:

"On my arrival at the beginning of 2014, Europlasma's situation needed in-depth restructuring. This led to the clear redefinition of the strategy and an upgrade of our three business lines on all levels, i.e. industrial, operational, commercial, human and financial.

After this considerable task, which stretched throughout the year, I can confirm that the situation is completely different today: the Group is now under control, with stronger teams focused on a specific target and well-defined objectives for each of our branches. Moreover, with increased financial resources and a sound financial structure, the Group is heading into a new phase with confidence to make the most of its technology and optimise its operation.

To this effect, I want to thank all our shareholders and partners, whose support was vital to carry out this restructuring operation. Although the operation was financially demanding, it is equally essential to the company's future growth.

We are progressing step by step and measuring the remaining stages. The first results achieved since setting up the new strategy are highly encouraging and confirm its relevance. They give us confidence in our capacity to successfully activate our industrial and commercial levers and transform Europlasma into a global leader in plasma technologies applied to environmental issues".

Strengthened financial structure

- Equity: €16.8M, an increase of €14.4M
- Cash: €13.6M, an increase of €11.7M
- Financial Debt reduction of €8.4M
- Reduction of collateral asset pledges of €7.5M

Balance Sheet

In thousands of euros (€K)	31/12/2014	31/12/2013	Difference
Non-current assets	22,641	31,597	-8,956
Current assets excluding cash	24,021	14,715	9,306
Cash and cash equivalent	13,640	1,978	11,662
Consolidated equity - Group share	16,793	2,374	14,419
Non-controlling interests	128	748	-620
Current and non-current financial liabilities	9,341	17,745	-8,404
Other non-current liabilities	673	1,729	-1,056
Other current liabilities	33,367	25,694	7,673
Balance Sheet Total	60,302	48,290	12,012
Net debt	-4,299	15,767	-20,066
Net debt ratio	-25%	505%	-530%

Source: 2014 consolidated financial statements certified by the board of Statutory Auditors
See also in Note 2 to the financial statements, entitled Segment reporting

Reducing the Group's debt → Positive net cash position

The capital increases carried out in February and October 2014 for €4.4 million and €35.9 million respectively, excluding related expenses, and the exercise of redeemable share purchase warrants (BSAR A and B) during the year for €0.8 million significantly strengthened the Group's financial structure.

- Firstly, the bridging loans granted between 2012 and 2014 to fund the continued construction of the Morcenx plant (EPC contract) were converted into shares amounting to €14.5 million, thereby reducing the Group's debt level. The financial liabilities were thus brought down to €9.3 million at 31/12/2014, compared with €17.7 million at 31/12/2013 (€8.4 million reduction), they are essentially related to the real estate financing of CHO Morcenx.
- Secondly, the cash injected upon these capital increases (€25.1 million net of fees) restored the Group's cash level. At 31/12/2014, the Group's cash amounted to €13.6 million versus €1.9 million at 31/12/2013.

The Group has thus deleveraged considerably, with a positive net cash position of €4.3 million, versus a net debt position of €15.7 million in 2013.

The elimination of the various debts has resulted in the cancellation of the collaterals pledged against the loans (€7.5 million reduction in the corresponding off-balance sheet commitments), clearing up the balance sheet of restrictions which may have restricted future growth.

Impairment of assets

- Non-currents assets are down by €9 million, consequence of this year's prudent valuation of assets and a reclassification. In 2014, asset impairment charges were recognised in the amount of €2.3 million: The net tangible assets of the KIWI test site were impaired by 50% due to the non-renewal of the partnership with KES (€1 million). In addition, given the losses recorded again in 2014 by Inertam, the residual value of the Inertam goodwill was impaired by 50% (€1.3 million).
- The financial guarantee of €3.75 million given under the EPC contract (gross value of €7.5 million) was reclassified as a current asset. Depreciated by 50% in 2012, it is recoverable subject to performance conditions upon the final delivery of the plant.

Increase in provisions

As part of this year's proactive restructuring measures, a rigorous approach and detailed risk review generated a €4.5M increase of current provisions, part of current liabilities. In particular, provisions of €3.6 million were recognised on the EPC contract, i.e. €3.1 million for losses upon completion of the contract and €0.5 million to cover the replacement of equipment identified during the warranty period. These provisions were established within the framework of the previously announced change in the estimate due to major delays in the delivery of the CHO Morcenx power plant (please refer to Note 3.1 of the consolidated financial statements).

Improved balance sheet

The balance sheet total stands at €60.3 million versus €48.3 million at 31/12/2013, i.e. an increase of €12 million. At 31/12/2014, shareholders' equity amounted to €16.8 million, significantly reinforced by the capital increases (totalling €41 million), but impacted by the recognition of the 2014 loss.

On the assets side, the Group's cash position showed a significant increase to €13.6 million.

Other current assets also posted strong increases: besides the reclassification of the EPC contract's €3.75 million guarantee into a current asset, additional guarantees of €4 million were recorded and should be recovered by the Group in 2015.

Cash flows

In thousands of euros (€K)	31/12/2014	31/12/2013	Difference
Operating cash flows	-13,440	-5,844	-7,596
Net disinvestments/(Investments)	-4,865	104	-4,969
Cash flows relating to financing operations	29,608	1,773	27,835

Source: 2014 consolidated financial statements certified by the Board of Statutory Auditors

The 2014 operating cash flow was strongly affected by the additional expenses and investments required to complete the commissioning of the CHO Morcenx power plant. These operations were financed by the additional bridging loans obtained in 2014 (€5.8 million, converted into shares at the capital increase in October) and by part of the proceeds of the capital increases carried out in February and October 2014.

Activity and results

This year generated an operational loss of €22.9M, including €11.7M of depreciation and amortization costs (non-cash and including impairment on goodwill) including €7.5M of non-recurring nature.

Revenue and operating income

In thousands of euros (€K)	31/12/2014	31/12/2013	Difference
Revenue	8,983	12,572	-3,589
Other operating income	2,247	4,870	-2,623
Other current operating expenses	-22,478	-21,520	-958
Depreciation, amortisation and provisions	-10,366	-4,146	-6,220
Current operating income	-21,615	-8,225	-13,390
Impairment of goodwill and equity-accounted investments	-1,308	0	-1,308
Other non-recurring operating income and expenses	-17	-910	893
Operating income	-22,940	-9,135	-13,805
EBITDA	-11,176	-5,341	-5,835

*Source: 2014 consolidated financial statements certified by the board of Statutory Auditors
See also in Note 2 to the financial statements, entitled Segment reporting*

Activity

Consolidated revenue stands at €9 million, down 28.6% compared with 2013, breaking down as follows:

Research and Engineering, Torches and Processes (Europlasma Industries)

The revenue of this business segment mainly stems from the sale of engineering studies prior to the supply of systems, thus offering the possibility of higher revenue for the Group in the longer term. This is a cyclical activity, characterised by long cycles. One of these studies gave rise to a significant order from a Chinese company in 2015 (see post-closing events)

The branch recorded revenue of €117,000 in 2014, versus €1,613,000 in 2013. This drop is mainly due to the postponement, on the end-customer's request, of the KNPP contract relating to the treatment and packaging of the low-level radioactive waste of the nuclear power plant of Kozloduy (Bulgaria), for an additional year. No revenue was recognised pursuant to this contract in 2014 (€1.1 million had been booked in 2013).

Finally, the partnership agreement with KES having expired early 2014, no spare parts have been sold (€0.4M had been booked in 2013).

Renewable Energies (CHO)

Revenue from the EPC contract is recognised based on the percentage-of-completion method. The previously announced delay in the delivery of the CHO Morcenx power plant resulted in the amendment of the estimate for the EPC contract, with a slight drop in the percentage of completion of the contract, leading to the recognition of negative revenue (€0.6 million) on the contract. The drop in revenue between 2013 and 2014 amounts to €2.4 million. As expected, no revenue has yet been recognised for the projects under development, including CHO Tiper.

Destruction of Hazardous Waste (Inertam)

Revenue from asbestos treatment amounted to €9.5 million, up 3%, making up most of the Group's revenue. This result conceals mixed performance:

- The quantities treated in 2014 (4,043 tonnes) dropped by 17% compared with 2013. The slump in performance in the first half of 2014, due to the low availability of the furnace (1,456 tonnes vitrified), was partly compensated by the sharp increase in treatments in the second half-year (2,587 tonnes vitrified), mainly due to improved production discipline.
- The intensification of sales efforts in the dismantling segment led to a sharp increase in quantities treated (up 152% to 800 tonnes), thus maintaining overall revenue.

Air & Gaz (Financière GEE)

This segment has no revenue or operation activity since the sale of the subgroup Environment at the end of 2013. However, it is still consolidated as it includes the last tranche of payment to be received (€0.7 million) and the asset and liability guarantee granted at the sale to the purchaser.

Operating performance

The Group's operating loss stood at -€22.9 million in 2014 versus -€9.1 million in 2013. Depreciation, amortisation and provisions accounted for €10.4 million of this loss, while the impairment of the Inertam goodwill accounted for €1.3 million. The year-on-year increase in these items amounted to €7.5 million, mainly due to the recognition of new current provisions for €4.5 million and asset impairment charges for €2.3 million (including €1 million for KIWI site assets and €1.3 million for the Inertam goodwill, as mentioned above).

At 31/12/14, EBITDA stood at -€11.2 million, versus -€5.3 million at 31/12/13, breaking down as follows:

- Engineering: Europlasma Industries posted negative EBITDA of €2.4 million (-€0.4 million in 2013), mainly due to the cyclical nature of the activity. Indeed, 2014 was impacted by the absence of activity on the KNPP contract the absence of spare parts sales to KES, and the drop in R&D activities (resulting in a drop in the capitalised internal costs of corresponding grants and tax research credits). At the same time this segment which also includes the operations of the Europlasma Group's holding company as well as the gasification SCI saw its staffing costs increased by €0.6 million.
- Renewable Energies: Negative EBITDA of €10.2 million in 2014, versus €6.3 million in 2013 for the Renewable Energies segment, mainly due to expenses related to the ramp-up of the CHO Morcenx power plant.
- Hazardous waste treatment: Inertam generated positive EBITDA of €1.5 million, in line with that of 2013.

Net income

This year generated a net loss of €26M, including €1.9M of non-recurring financial charges, and €11.7M of depreciation and amortization costs (non-cash) including €7.5M of non-recurring nature

Net income

In thousands of euros (€K)	31/12/2014	31/12/2013	Difference
Operating income	-22,940	-9,135	-13,805
Financial income	-2,821	-898	-1,923
Income tax	-322	-152	-170
Share of net income of equity affiliates	90	-352	442
Income from discontinued operations	0	-2,523	2,523
Minority interests	2	1,364	-1,362
Net income, Group share	-25,991	-11,697	-14,294

The €14.3 million drop in net income is mainly due to the €13.8 million drop in operating income and the €1.9 million decrease in financial earnings, partially offset by the absence of loss on transferred businesses, the share in the net income of equity affiliates and minority interests.

The increase in financial expenses is due to the cost of the loans granted in 2014, and to the impairment of financial assets.

- The €1.3 million increase in financial expenses is due to the increase in the cost of the debt and bonuses granted to lenders in the summer of 2014, in accordance with the terms and conditions of those loans, following their early repayment via their conversion into shares.
- Financial asset impairment charges increased by €0.6M, mainly due to the additional impairment of the fourth tranche of CHO Morcenx share warrants (BSAs) amounting to €0.4M. The agreements between the owner of CHO Morcenx and the Group provided for the progressive increase of CHO Power's stake in CHO Morcenx, according to a schedule of completion and performance until December 2015. Given the plant's current performance levels and its optimisation timetable, the exercise of these BSAs in 2015 was deemed unlikely. The corresponding provisions were thus increased from 50% to 100%.

Since all bridging loans were repaid in 2014 (by conversion upon the capital increases carried out in February and October 2014), the financial expenses associated with these loans and recognised for the year will be nil in 2015.

As the Air and Gas business (Europe Environnement group) was sold, there are practically no minority interests left in 2014.

In conclusion, the total net loss of €26 million, up €14.3 million compared with 2013, includes a total of €7.5 million in new and non-recurring provisions or impairment charges, including a €0.7 million impairment of financial assets. The remaining €7 million is mainly related to the increase in the negative EBITDA of the Renewable Energies segment, a result of the CHO Morcenx plant being ramped up but not delivered yet..

Significant post-balance sheet events and outlook

RENEWABLE ENERGIES (CHO)

CHO Morcenx power plant

The installation of the new equipment required to achieve the performance targets is progressing in keeping with the deliveries from the selected suppliers, and according to schedule. The new exchanger was thus delivered and installed in January, and the modification of the recovery boiler was completed in April 2015.

At the end of April 2015, the new boiler was tested and confirmed its capacity to significantly reduce soot-blowing frequency, thereby further improving the stability of syngas. An engine endurance test is currently being performed. This is the last step before acceptance.

The acceptance tests ("Acceptance with reserve"), with the two motors present on site, are planned for the summer of 2015.

CHO Tiper project

The CHO Tiper project is progressing at a steady pace with the support of local authorities. The CODOA (certificate of electricity purchasing obligation), the building permit, and the favourable opinion of the environmental authority have all been obtained.

The initial timetable, providing for the start of construction during winter 2015, is maintained.

CHO Locminé project

CHO Power and its partner ENRgy launched the start of the CHO Locminé project, located in Locminé (Morbihan). The project is based on the same economic model as that of the CHO Morcenx power plant and the future CHO Tiper. The permit applications were filed at the end of April 2015.

Business development

The development of new power plant projects is continuing. The project deployment strategy, essentially focused on France at this stage, relies on a network of partner developers. The projects are to be based on the Build Own Operate (BOO) model, in which the plants will be built by CHO Power and operated by its subsidiary CHOPEX.

About ten such projects in France are currently subject to preliminary or detailed studies.

For international pipeline opportunities, given the limited capacity to carry out projects abroad, and related issues, CHO Power's strategy essentially consists, at this stage, in responding to non-French requests by proposing preliminary design. Several such proposals were made in various countries and could be followed up in the upcoming months. CHO Power will then examine their financial feasibility on a case-by-case basis (project management, partnership or granting of a license), in order to optimise their value and minimise the risks.

DESTRUCTION OF HAZARDOUS WASTE (INERTAM)

In 2014, an in-depth analysis was carried out on the causes of the abnormally recurrent losses of Inertam, and a corrective action plan was set up, combining operational discipline (the results of which were tangible as from the second half of 2014), and technical improvements (investment of €1 million).

The shutdown scheduled for January/February 2015 to upgrade the furnace also provided the opportunity to roll out a first technical improvement phase, aimed at increasing the availability of the power plant. The plant was back on stream at the beginning of March and has since delivered an availability rate above expectations.

The general context and outlook remain highly favourable for Inertam. The European Economic and Social Committee (EESC) published a report (CCMI/130) in February 2015, firmly recommending that Member States favour the definitive destruction of asbestos over its burial, a solution recognised as temporary and potentially hazardous for future generations.

RESEARCH AND ENGINEERING, TORCHES AND PROCESSES (EUROPLASMA INDUSTRIES)

Business development - Sale of studies

To reinforce its identity and visibility, the Research and Engineering, Torches and Processes segment is now called Europlasma Industries (www.europlasmaindustries.com).

The sale of engineering studies is continuing, with a new order recorded in early 2015 (European steel producer).

Contract signed with a Chinese company

In January 2015, Europlasma signed a contract with a Chinese company for the supply of engineering and equipment for the vitrification of fly ash stemming from the incineration of household waste. The name of the customer and amount of the contract cannot be disclosed due to reciprocal confidentiality agreements. Delivery is scheduled for early 2016. Once the equipment has been installed, this incineration unit will be the first Chinese facility able to neutralise and recover fly ash, in response to the Chinese government's expectations concerning environmental protection.

In May 2015, Europlasma Industries will exhibit at the IE Expo trade show in Shanghai.

KNPP (Kozloduy Nuclear Power Plant) contract

Following numerous delays, the project is now progressing in accordance with the revised schedule. A new rider providing for a price supplement is under discussion, in order to cover the additional services to be provided by Europlasma following the delayed installation attributable to the customer. The re-assembly of the vitrification facility for low-level radioactive waste by Europlasma teams is planned for the end of 2015, in anticipation of the commissioning of the facility at the beginning of 2017.

KIWI R&D Programme

After the suspension of operations on the Kiwi pilot in 2014, the decision was made to reposition this one-of-a-kind facility in Europe. The site will become available to CHO Power for studies on the optimisation of the equipment and energy generation process using various types of waste (Waste To Energy). It will also be available to companies for the development or validation of plasma solutions enabling them to improve their processes. These services may be performed under partnerships or on a simple service provision basis.

Publication of 2014 results

Find all the information concerning the 2014 results on the Group website www.europlasma.com, in the section "Shareholders & Investors", subsection "Financial Information".

- Slide show of the presentation of the 2014 results
- Interview with Group CEO Jean Eric Petit via the link www.labourseetlavie.com
- This Financial Press Release
- Consolidated financial statements and management report

Upcoming dates in the financial agenda

- 24/06/2015: Combined General Meeting in the Company's Pessac premises (Gironde department):
- October 2015: Publication of half-year results

The 2014 consolidated financial statements and management report are available on the Company's website, under "Shareholders & Investors", "Financial Information" section ».

About EUROPLASMA

At the heart of environmental issues, EUROPLASMA designs and develops innovative plasma solutions for renewable energy generation and hazardous waste recovery, as well as related applications for multi-sector companies wishing to reduce their environmental footprint.

EUROPLASMA is listed on Alternext (FR000044810-ALEUP). For more information: www.europlasma.com

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Important notice

This release contains provisional information and statements based on the best estimates of the Management at the date of their publication. This information is by nature subject to risks and uncertainties which are difficult to predict and generally outside the Group's field of action. These risks include the risks listed in the Group's reference document available on its website <http://www.europlasma.com>.

Consequently, the future performance of the Group may differ significantly from the provisional data communicated and the Group can make no commitment to the achievement of these provisional elements.

APPENDICES

1. GLOSSARY

BSA: Share purchase warrant

BSA: Redeemable share purchase warrant

CHO Morcenx: Simplified joint-stock company (*Société par Actions Simplifiée*), owner of the waste and biomass-to-energy power plant in Morcenx (France), 35% owned by Europlasma Group, through its subsidiary CHO Power, at 31/12/2014.

CODOA: Certificate of electricity purchasing obligation.

EBITDA: net consolidated revenue, including companies' fiscal expenses, net financial expenses and net appropriations to depreciation and provisions (including impairment on goodwill).

Net debt: financial debt less liquid assets and short-term investment securities

EPC: Engineering, Procurement and Construction contract. This concerns the contract for the CHO Morcenx power plant.

KES: Kobelco Eco Solution (KOBELCO STEEL Group).

KIWI: Kobelco Eco Solution (KES) Industrial CHO PoWer Gasification is a R&D programme that aims to test the combination of a new type of gasifier developed by KES and Turboplasma® (syngas cleaning process by plasma) developed by Europlasma, for the production of energy from waste and biomass.

KNPP: Kozloduy Nuclear Power Plant is a contract for the supply of a plasma furnace to reduce and immobilize low-level radioactive waste at the Bulgarian nuclear power plant of Kozloduy.

MEE: equity method of accounting

O&M: Operations and Maintenance Contract.

Take Over Date: preliminary delivery of the CHO Morcenx power plant under the EPC contract.

2. SEGMENT INFORMATION

Balance sheet items

31/12/2014	Holding company Europlasma Industries	& Hazardous waste	Renewable Energies	Air & Gas (Sold activity)	Total
Goodwill	0	1,308	0	8	1,316
Other intangible assets	844	35	186	0	1,065
Property, plant and equipment	8,347	3,874	66	0	12,287
Other non-current assets	1,285	914	5,170	605	7,973
Cash and cash equivalent	12,638	464	425	114	13,640
Total Assets (excluding impact of consolidated entities)	26,043	10,875	22,653	730	60,302
Financial liabilities	6,891	2,447	4	0	9,341

Balance sheet items

31/12/2013	Holding company Europlasma Industries	& Hazardous waste	Renewable Energies	Air & Gas (Sold activity)	Total
Goodwill	0	2,615	0	8	2,624
Other intangible assets	920	21	497	0	1,438
Property, plant and equipment	10,336	5,530	71	0	15,937
Other non-current assets	1,288	732	9,003	576	11,599
Cash and cash equivalent	311	880	742	45	1,978
Total assets	16,512	13,739	16,326	1,713	48,290
Financial liabilities	7,386	2,698	7,661	0	17,746

Income Statement

31/12/2014	Holding company Europlasma Industries	& Hazardous waste	Renewable Energies	Air & Gas (Sold activity)	Total
Revenue	117	9,461	-596	0	8,983
Net increase in depreciation, amortisation, and impairment	-3,076	-3,278	-4,041	29	-10,366
Operating income	-5,478	-3,094	-14,358	-10	-22,940
EBITDA	-2,402	1,491	-10,227	-39	-11,176

Income Statement

31/12/2013	Holding company Europlasma Industries	& Hazardous waste	Renewable Energies	Air & Gas (Sold activity)	Total
Revenue	1,613	9,175	1,784	0	12,572
Net increase in depreciation, amortisation, and impairment	-1,509	-2,311	-422	96	-4,146
Operating income	-1,950	-767	-6,402	-17	-9,135
EBITDA	-441	1,545	-6,331	-113	-5,341

Source: 2014 consolidated financial statements certified by the Board of Statutory Auditors