



Business update

Since its construction was completed last summer, the CHO Morcenx plant has produced 2235MWh delivered and sold to the grid and has proven its overall efficiency thanks to the wood dryer equipment connected. Nevertheless the plant has not yet been commissioned because the duration of performance tests is not yet satisfactory. The main issue arises from one single piece of equipment (not built by Europlasma) not able to date to deliver its performance on a steady basis. The plant has demonstrated its capacity to reach the floor power of 6MW on a given period that CHO Power and their partners aim to increase.

Separately, a technical failure (some equipment has frozen) occurred mid-February when temperatures dropped drastically. The plant is stopped for estimably 3 months to dismantle and to repair the damaged equipment.

The Board, the management and the main customer, the CHO Morcenx company, are meeting regularly to consider the outcome of this postponement and find remedial actions regarding contractual terms as well as the cash position that has declined.

The CHO Morcenx delayed Take Over Date and the low production registered at INERTAM (due to technical issues on the fine tune up of the front end load preparation of asbestos wastes) have significantly impacted the financial year 2012 at Group level, when Europe Environment recovers in line with expectations. CHO Power incurred numerous non-recurring start-up costs in addition to standard operation costs. In addition, the company supported contractual costs linked to the postponed take-over date. In return, low revenues were generated from the operations given the poor production level achieved in the year.

"The Europlasma Group is positioned on the completion of key industrial challenges in the sector of Clean Energy with a relatively light structure associated with projects financing arrangements where timing is key given risks taken by investors", explains Didier PINEAU, MD. "Each day without production at a factory greatly affects the cash and the accounts' balance. After having invested (or secured investment) more than €M50 in 2012 (CHO Morcenx, Inertam and Kiwi), management is still strongly convinced of the pertinence of choices made and coherence of the industrial project, but apologises that they have not been able to deliver expected performances within the contractual timeline".

About Europlasma

Europlasma is a French Group operating in the clean technologies and renewable energy production industries. Founded in 1992 to apply its proprietary plasma torch technology to hazardous waste destruction, it is now built on the following four business units:

- > **Europlasma** is a world-wide supplier of plasma heating systems and related applications
- > **Inertamis** is the global specialist in the destruction and recycling of asbestos and hazardous waste
- > **Europe Environnement** is the European expert in industrial ventilation and gas cleaning systems.
- > **CHO Power** is a producer of electricity from waste and biomass gasification.

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