EUROPLASMA
A leading Provider of Clean Technology and Clean Energy Solutions

2013 Annual consolidated results

The Board of Directors of Europlasma, which met on 9 July 2014 under the chairmanship of Pierre Catlin, approved the company and consolidated financial statements for the financial year ended 31 December 2013 and summoned shareholders to a Joint General Meeting to be held on 1 September 2014 in Pessac (33).

Differences in the consolidation scope

The Air & Gas segment, led by Europe Environnement, which was 99.4% held by Financière GEE SAS (FIG), was sold to the CMI Group on 16/12/2013 with immediate transfer of control. Europe Environnement, AMCEC (after merging with ATS on 01/01/2013), AMPLAST, RHE America and Ventacid Hungary have therefore been removed from Group Europlasma's scope as at 31/12/2013.

Since the impact from the disposal of the Air & Gas segment was significant in the presentation of the 2013 financial statements, the 2012 pro forma financial statements were prepared in order to enable comparisons according to the accounting rules and methods applied to the 2013 consolidated financial statements and by presenting the discontinued operations in 2013 as activities held for sale in 2012.

Additionally, CHOPEX SAS, a wholly-owned subsidiary of CHO POWER SAS, was created on 17 July 2013. CHOPEX operates the CHO Power electricity plants, including CHO Morcenx.

Activity and results

In thousands of euros (T€)	31/12/2013	31/12/2012 real	Difference	31/12/2012 pro forma	Difference
Revenue	12,572	35,338	-22,766	11,251	1,321
EBITDA	-5,341	-9,204	3,863	-10,269	4,928
Operating income	-9,135	-18,215	9,080	-17,934	8,799
Financial income	-899	-4,327	3,428	-3,888	2,989
Net income for the year	-13,061	-21,152	8,091	-21,152	8,091
Net income, Group share	-11,697	-20,891	9,194	-20,891	9,194
Basic earnings per share (in euros)	-0.74	-1.33	0.59	-1.33	0.59

Source: 2013 financial statements certified by the Board of Statutory Auditors

See also in Note 2 to the financial statements, entitled Segment reporting

Activity and Revenue

In 2013, the Group's revenue fell 64% to €12.6 million, primarily due to the disposal of the Europe Environnement sub-group, recorded in accordance with IFRS 5 ("Non-current assets held for sale and discontinued operations").

On a like-for-like basis, without the Europe Environnement sub-group, consolidated revenue increased €1.3 million, or +12%. This increase was related to Inertam's good performance, whose revenue increased €2.9 million.

The "Research and Engineering, Torches and Processes" activity recorded €1,613,000 in revenue in 2013, and represented 13% of the Group's activity, versus 22% in 2012, on a like-for-like basis.

Since 2010, Europlasma has been collaborating with Iberdrola and Belgoprocess as part of a contract for the treatment and conditioning of low-level radioactive waste from the Kozloduy nuclear power plant (Bulgaria), called KNPP. Within this context, the plasma furnace designed and made by Europlasma was successfully received in the Morcenx plant by the customer in July 2013, then dismantled for delivery to the Bulgarian power plant. Reassembly is expected in late 2015 depending on the Bulgarian government's revised schedule.

Throughout the year, Europlasma continued its activities in its three major R&D programmes, namely:

- The KIWI (Kobelco Industrial CHO PoWer Gasification) programme developed in partnership with Kobelco Eco-Solutions (Kobe Steel Group): this shared research and development programme, which focuses on energy production from waste, aims to develop industrial equipment based on Europlasma and Kobelco's respective technologies. This programme, which represents a joint investment of more than €6 million over a span of three years, received support from OSEO and the Conseil Régional d'Aquitaine. Over the course of 2013, the 4th trial run took place, which aimed to test the efficiency of Turboplasma. Results of these analyses illustrated a tar destruction rate of over 90%. Three other trial runs were conducted in the autumn of 2013 and early 2014 to test the gasification process with several types of waste;
- The SESCO (Cofalit Solar Energy Storage) research programme, developed in partnership with the PROMES and Cemthi laboratories, consists of using COFALIT (the inert material from the vitrification of waste asbestos) in order to store solar energy. During the first half of 2013, two new prototypes were made. One involved making a model whose weight and size closely matched that of the targeted finished product, and the other aimed to study the manufacturing parameters (cooling speed) on its mechanical strength. This programme, backed by the French National Research Agency (ANR), was rewarded in 2011 by the French Environment and Energy Management Agency (ADEME);
- The ANR Turboplasma® programme, which aims to develop a gas cleaning process using plasma technology (Tuboplasma®) ended in June 2013 after completing the last trial run, which ended with satisfactory results.

The Renewable Energies division generated €1,784,000 in revenue, representing 14% of overall activity, compared with €2,544,000 in 2012 (i.e. a 23% contribution to pro forma revenue). Revenue recorded in 2013 and 2012 mainly corresponded to the continued construction of the CHO plant in Morcenx.

After construction was finalised in summer 2012, this first electricity production plant using waste and biomass was commissioned with a planned Take Over Date of February 2013. Unfortunately, failures in the gasifier, a major piece of production equipment, coupled with a technical incident that took place in the ancillary equipment, caused the plant to close in February 2013. The last ten months of the year were dedicated to dismantling/reconstructing the gasifier with the goal of a Take Over Date in early 2014.

These events had a significant impact on cash and cash equivalents due to the accumulation of three factors: (i) a delay in recording revenue which should have been generated by the plant, (ii) a delay in freeing up blocked cash and cash equivalents used as a guarantee under a construction contract (EPC) and (iii) the additional working capital requirements needed due to the extension of this start-up period.

These financial difficulties forced the group to enter into conciliation proceedings in an effort to obtain amicable settlements with major creditors and partners. Under these circumstances, share trading was suspended on 15/04/2013 and resumed on 06/09/2013 after the Mont de Marsan Commercial Court approved the protocols of the conciliation agreements between the Group and its partners.

The Hazardous Waste destruction activity rose 47% in terms of revenue and 71% in terms of tonnage of waste processed. This activity accounted for 73% of the Group's revenue, or €9,175,000 as at 31/12/2013, versus €6,250,000 as at 31/12/2012 (i.e. accounting for 56% of 2012 pro forma revenue).

This revenue, calculated based on the effective treatment of waste, does not reflect commercial activity, which declined to 5,149 tonnes received on site in 2013, after 2012 experienced very high levels at 6,106 tonnes. This expected decline is due to the temporary and planned interruption of deliveries of one of the main clients.

In 2013, 5,212 tonnes were thus treated, compared with 3,048 tonnes in 2012. In 2012, major work carried out in the load preparation area (investment > €2 million) had significantly deteriorated the plant's cash at hand.

The complete reception of the facility occurred at the end of summer 2013 and the first months of treatment, on resumption of production in late September 2013, illustrated an encouraging increase in rhythm.

Expected productivity gains for this investment are approximately 30% (reducing intermediate consumption, improving the useful life of refractories and optimising human resources).

The Air and Gas segment was sold to the CMI Group for €3.5 million on 16 December 2013 with transfer of control taking effect on the same date. This sale generated a loss of €2.5 million. This disposal falls under the Group's strategy of refocusing its business activities on its core business - applying plasma technology in the area of hazardous waste treatment and renewable energy production.

Operational performance

As at 31/12/2013, consolidated EBITDA amounted to -€5,341,000, compared with -€9,204,000 and -€10,269,000 as at 31/12/2012 pro forma. The Group's operating losses during 2013 were mainly from the delay in the development of the CHO Morcenx plant (Renewable Energy activity), which generated -€6,331,000 in negative EBITDA.

The significant operating losses in the Renewable Energies segment are due in part to the accumulation of expenses related to the extended start-up period of the CHO Morcenx plant and the delay in the plant's Take Over Date, but they were also due in part to the process improvement plan agreed upon with the client during the plant's ramp-up period, which will require an additional investment of around €1 million. These additional costs identified were included in the contract's final costs at completion as at 31/12/2013 in relation to the revenue and margin according to the percentage-of-completion recognition method of the EPC contract.

The Research and Engineering, Torches and Processes activity posted negative EBITDA of -€441,000, versus +€179,000 in 2012, primarily due to non-recurring restructuring and conciliation procedure costs.

The Hazardous Waste activity posted positive EBITDA of €1,545,000, compared with negative EBITDA of -€1,481,000 in 2012. The Inertam plant performed better in 2013 than in 2012, despite the numerous down-times due to the development of the new load preparation area and due to the shutdown scheduled in summer 2013 for the complete retrofitting of the treatment furnace, which takes place on a triennial basis. Since the Inertam plant's operating costs include a large portion of fixed costs, its operating income relies heavily on treatment volumes.

Net income

Net income, group share showed a loss of -€11,697,000, compared with a loss of -€20,891,000 in 2012, representing a 44% improvement.

The Renewable Energies division recorded a net loss of -€7,100,000, versus -€16,488,000 in 2012, which represented the company's largest source of loss, as in 2012.

The net financial impairment of €3.7 million recorded in 2012 mainly corresponded to the provision for impairment of the escrow account for €7.5 million, which was given as a guarantee under the CHO Morcenx plant's EPC contract. This provision was still recorded as at 31/12/2013, even though the Take Over Date was booked on 13/06/2014, taking into account the residual uncertainties of the plant's ramp-up period and its Final Acceptance Date planned for the first quarter of 2015. It reflects the risk that the financial guarantee is brought into play by CHO Morcenx, owner of the plant.

Net borrowing cost worsened in 2013 following financing put in place in 2012 with both Bpifrance as well as with CHO Morcenx and the reference shareholder.

Income tax expense in 2013 broke down equally into a tax payable of €76,000 and a deferred tax of €76,000. The €814,000 in tax income in 2012 was due to €1,054,000 in deferred tax income, which essentially related to the consolidated tax treatment of the financial impairment for the year (€3.7 million, see above).

Share of net income from associates was a loss of -€352,000 in 2013 (net deficit of CHO Morcenx taking into account the delay in the Take Over Date) compared to a gain of €576,000 in 2012 (exceptional impact of the upturn in margin, which was previously cancelled in light of the margin eroding from the EPC contract).

Income from discontinued operations was a loss of -€2,523,000, breaking down into ordinary income of €183,000, a goodwill impairment of -€2,644,000 and a gain on disposal of €304,000.

The share of non-controlling interests in the 2013 net income amounted to a loss of -€1,364,000, versus a loss of €261,000 in 2012, in line with the losses of the discontinued operations.

Cash flows and balance sheet

In thousands of euros (T€)	31/12/2013	31/12/2012	Difference	31/12/2012 pro forma	Difference
Non-current assets	31,597	46,055	-14,458	32,442	-845
Current assets	16,693	26,941	-10,248	40,555	-23,862
Consolidated equity - Group share	2,374	13,808	-11,434	13,808	-11,434
Non-controlling interests	748	2,133	-1,385	2,133	-1,385
Non-current financial liabilities	15,935	19,753	-3,818	12,921	3,015
Other non-current liabilities	1,729	1,648	81	812	917
Current financial liabilities	1,810	3,803	-1,993	1,444	367
Other current liabilities	25,694	31,853	-6,159	41,879	-16,185
Net debt	15,767	19,501	-3,734	11,480	4,287
Gearing	0.8	0.6	-0.3	0.4	-0.4
Operating cash flows	- 4,282	-9,579	5,297	-9,579	5,297
Net disinvestments/(Investments)	104	-7,609	7,713	-7,609	7,713
Shareholders' equity - Group share, in euros per share	0.15	0.88	-0.73	0.88	-0.73

Source: 2013 consolidated financial statements certified by the Board of Statutory Auditors

See also in Note 2 to the financial statements, entitled Segment reporting

The balance sheet total amounted to €48,290,000, compared with €72,996,000 as at 31/12/2012, down -€24,706,000.

In the balance sheet assets, €22,910,000 of this decrease is explained by the disposal of the assets from the Europe Environnement sub-group sold on 16/12/2013. The residual change of -€1,796,000 broke down between non-current assets and current assets at -€844,000 and -€952,000 respectively. The main line items concerned are:

- in non-current assets, tangible assets, which fell €1,057,000 primarily from depreciation and amortisation for the period, and investments in associates, down €352,000, which corresponded to the share of income in CHO Morcenx. These decreases were partially offset by an increase in other non-current financial assets for €595,000, +€576,000 of which was related to the discounted debt over one year on the income from the disposal of Europe Environnement;
- in current assets, cash and cash equivalents of -€907,000, which were significantly impacted by the delay in the provisional Take Over Date of the plant in Morcenx and the start-up costs of the plant, and other operating receivables (-€733,000, -€747,000 of which from VAT) in line with the decline in business.

In balance sheet liabilities, shareholders' equity posted a €12,818,000 drop, -€10,269,000 of which for Group share, in line with the loss for 2013, which totalled €13,061,000 for the consolidated group, and -€11,697,000 for Group share. After eliminating the impact from the disposal of the Europe Environnement sub-group's liabilities totalling €16,932,000 as at 31/12/2012, the changes were +€3,931,000 for non current liabilities and +€1,113,000 for current assets.

The Group's net debt stood at €15,767,000 as at 31/12/2013, compared with net debt of €11,479,000 as at 31/12/2012 at constant scope and €19,501,000 in the published 2012 financial statements. The €4,287,000 increase at constant scope is mainly due to the €4,560,000 loan granted in July 2013 by the Group's reference shareholder and main customer.

Net cash and cash equivalents amounted to €1,973,000, versus €2,829,000 as at 31/12/2012 and €2,880,000 as at 31/12/2012 pro forma. Operating cash flows in 2013 were severely strained by technical difficulties and delays experienced in the construction contract and the start-up of the CHO Morcenx plant. Operating activities were financed by the opening cash position and by resorting to external financing, mentioned above.

Net disinvestments/(Investments) flows were not material, with a net disinvestment of €104,000. They include the impact of the sale of Europe Environnement, i.e. +€1,660,000 of net proceeds received and +€964,000 from disposal of the sub-group's negative cash flow.

Significant post-balance sheet events and outlook

Changes in governance

Arrival of Mr Jean-Eric Petit to the Group's General Management

On 23 December 2013, the Board of Directors appointed Mr Jean-Eric Petit to succeed Mr François Marchal as Managing director of the Europlasma Group, with effect on 6 January 2014. Mr Jean-Eric Petit also succeeded Mr François Marchal as Managing Director of CHO Power, Chairman of Inertam, Chairman of CHOPEX and manager of SC Immobilière de Gazéification.

Changes within the Board of Directors

The Board of Directors decided to co-opt Mr Jean-Eric Petit as a director as from 28 January 2014 to replace Mr Jean-Claude Rebischung, who has resigned from office.

On 1 April 2014, the Board of Directors also decided to replace DLJ MB Advisors, who resigned from office, by co-opting Crédit Suisse Asset Management, represented by Mr Henri Arif. These changes are related to Crédit Suisse's disposal of its "Customized Fund Investment Group" (CFIG) business to Grovesnor Capital Management LP and to the reorganisation of Crédit Suisse Europlasma SPV's investment in Europlasma's share capital.

These two co-optations will be proposed to the General Meeting on 1 September 2014 for ratification by the shareholders.

Take Over Date (TOD) of the CHO Morcenx plant

Start-up of the CHO Morcenx plant began again in early 2014 once the new gasifier was built and connected to the rest of the facility. However, minor incidents in certain ancillary equipment and the complexity in configuring this innovative process delayed the Take Over Date again, which was set for 28 February 2014, and which finally took place on 13 June 2014 at the end of the agreed upon performance tests. Since performance was lower than the initial contractual stipulations, the plant's ramp-up period includes a process improvement plan requiring an additional investment of around €1 million, and new technical milestones that must validate the improvements made.

The plant's Final Acceptance Date, "FAD" is scheduled for the first quarter of 2015.

Cash and financing requirements

In 2013, the Group had identified approximately €6 million in financing needed in 2014 to compensate for the start-up and ramp-up of the CHO Morcenx plant after its Take Over Date set for 28 February 2014. This financing requirement was to be brought in two stages, the first before the TOD and the second after the TOD. The first stage of this financing was carried out successfully under the capital increase with retention of preferential subscription rights in February 2014. The second stage, however, was postponed in view of the new delay of the TOD, which was finally obtained on 13 June 2014. This latest delay, which impeded the preparation and completion of the second fund-raising initially expected in spring 2014, also increased cash requirements in the first half of 2014 and drove the Group to suspend trading on 1 April 2014 and to negotiate new financial assistance from its primary financial partners and new maturity extensions from its other partners.

February 2014 capital increase with retention of preferential subscription rights

The capital increase with retention of preferential subscription rights launched on 6 January 2014 amounted to €4,351,000 with the creation of a total of 7,251,778 new ordinary shares with the exercise of an extension clause. The main shareholder, Crédit Suisse Europlasma SPV LLC participated in it by converting part of its receivable into 1,305,892 new shares for €784,000.

Additional bridging loans granted by the reference shareholder of the Group and CHO Morcenx in April 2014

On 16 April 2014, the Board of Directors approved the terms of the new loan granted on a *pari passu* basis by the reference shareholder Crédit Suisse Europlasma SPV LLC (CSE) and CHO Morcenx.

This €2.8 million loan was intended to supplement the financial assistance (extended maturities) granted by the French government and by certain of the Group's other key partners to cover cash requirements between April and July 2014. It is repayable by no later than May 2015, in cash, or by converting it into Europlasma or CHO Power shares, if the lenders request it, and is subject to prior authorisation of the General Shareholders' Meeting concerning the conversion into Europlasma shares. The terms and conditions of this loan are detailed in the note to the 2013 consolidated financial statements pertaining to post balance sheet events.

Additional financing being prepared

As indicated in the consolidated financial statements and the 2013 Management Report, the Group is still facing large short-term cash requirements to ensure its sustainability.

A €2.5 million financing that should cover the Group's needs until September 2014 was being discussed with potential lenders, including CHO Morcenx, at the time that the accounts were closed on 9 July 2014. As of the date of this publication, this sum has been received by the company, €1.5 million of which from CHO Morcenx and €1 million from new financial partners. These new loans, granted for one year, are remunerated at an initial rate of 15% and include an additional remuneration clause in the event of accelerated repayment via a conversion into shares as part of a substantial capital increase with retention of preferential subscription rights, which Europlasma plans to launch in September 2014.

The planned transaction, which will be subject to approval by the French financial markets authority (*Autorité des Marchés Financiers* - AMF), will have the following objectives:

i) reorganise the Group's current debt structure by repaying and/or converting the bridging loans that have been granted by its main financial partners since late 2012;
ii) cover reinvestment requirements in the CHO Morcenx plant, which are necessary for improving its performance and in working capital requirements during its ramp-up period;
iii) complete the Group's recovery and give it the means to seize growth opportunities available in each of its activities; and
iv) finance the share of the Group's investment in the next CHO Power plant, by late 2015 according to the projected deployment schedule.

After the capital increase, the Group plans to allocate free redeemable equity warrants (BSAR) for all shareholders, whether they subscribed to this capital increase or not.

Suspension of trading

Due to the high technical and financial uncertainties described in the sections "Take Over Date (TOD) of the CHO Morcenx plant" and "Financing", and given that the number of external stakeholders made information difficult to control, trading was suspended for ALEUP shares on 1 April 2014. Although certain technical uncertainties have since been cleared up, the Group's position remains fragile in regards to its liquidity risk. Within this context, trading remains suspended. It will resume in September, before the launch of the capital increase and free allocation of BSAR.

Next steps

- 01/09/2014 : Combined Annual Shareholders' Meeting
- September 2014 : Resumption of trading
- September 2014 : Capital increase with preferential subscription rights with allocation of Redeemable Warrants (Bons de Souscription d'Actions Remboursables - BSAR) for all Shareholders
- 31/10/2014 : Publication of 2014 consolidated half-yearly financial statements

Details of the 2013 consolidated financial statements and company report are available on the company website, by clicking on Shareholders and Investors and then Financial Information.

Press and Investors contacts

Jean-Eric PETIT – Chief Executive Officer
Estelle MOTHAY – Chief Financial Officer
Anne BORDERES – Communication Manager
Tel: + 33 (0) 556 497 000
contactbourse@europlasma.com

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 of 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

CHO Morcenx : Simplify joint-stock company (Société par Actions Simplifiée), owner of the waste and biomass-to-energy power plant in Morcenx (France), 25% owned by Europlasma Group, through its sub CHO Power.

EBITDA : This is the net consolidated revenue, including companies' fiscal expenses, net financial expenses and net appropriations to depreciation and provisions.

EPC : Engineering, Procurement and Construction contract. This is a contract of engineering, suplly and construction.

Gearing : Net debt / (net debt + equity ratio)

KIWI : **K**obelco Eco Solution (KES) **I**ndustrial CHO Po**W**er Gas**I**fication is a R&D program that aims to test the combination of a new type of gasifier developed by KES and the Turboplasma ® (syngas cleaning process by plasma) developed by Europlasma, for the production of energy form waste and biomass.

KNPP : **K**ozloduy **N**uclear **P**ower **P**lant is a contact for the supply of a plasma furnace to reduce and immobilize radioactive waste in Bulgaria.

Net debt : Financial debt less liquid assets and short term investment securities.

O&M : Operations and Maintenance Contract.

Take Over Date : provisional technical delivery of the power plant in Morcenx within the EPC contract.

2. SEGMENT INFORMATION

31/12/2013	Holding R&D Engineering torches	Hazardous Waste	Renewable Energies	Air et Gas	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
Financial liabilities	7,386	2,698	7,661	0	17,746
Total Assets	16,512	13,739	16,326	1,713	48,290
Revenues	1,613	9,175	1,784	0	12,572
Operating income	-1,950	-767	-6,402	-17	-9,135
EBITDA	-441	1,545	- 6,331	-113	-5,341
Net increase in depreciation, amortisation and impairment	-1,509	-2,311	- 422	96	-4,146

31/12/2012	Holding R&D Engineering torches	Hazardous Waste	Renewable Energies	Air et Gas	Total
Goodwill	0	2,615	0	5,256	7,872
Other intangible assets	496	21	805	35	1,357
Property, plant and equipment	11,216	5,776	2	7,387	24,380
Other non-current assets	1,273	738	9,490	944	12,446
Cash and cash equivalent	1,715	786	300	1,254	4,055
Financial liabilities	9,321	2,673	1,622	9,940	23,556
Total Assets	18,450	14,328	17,162	23,056	72,996
Revenues	2,457	6,250	2,544	24,087	35,338
Operating income	-647	-3,180	-14,165	-222	-18,215
EBITDA	179	-1,481	-8,973	1,071	-9,204
Net increase in depreciation, amortisation and impairment	-826	-1,699	-743	-770	-4,038

** The distribution by sector of total assets has been revised compared to the segment information presented in the FY2012 accounts.*

Source: 2013 consolidated accounts audited by the Statutory Auditors