



2011 consolidated half year results

Europlasma's Board of Directors met on 5 October 2011 under the chairmanship of Pierre Catlin and authorised the release of the consolidated accounts for the first half of 2011.

Turnover of €25.8m, +60% vs 30/06/10, with an increase in the majority of business segments
Operating income of -€2.3m, -30% vs 30/06/10, affected by non-recurring negative factors
Net income, group share of -€2.6m, -101% vs 30/06/10, reflecting the operating result and the negative share of income in the equity-accounted companies
Net investments of €10.2m compared with a net disinvestment of €0.4m at 30/06/10 linked to the development of the renewable energy production sector.
Net debt of -€0.6m compared with a net cash of €2.5m at 30/06/10, the Group having self-financed significant investments in the period, and zero **debt ratio**, the debt of the Group not being significant.

Commenting on these figures, Didier Pineau, the Managing Director, indicated:

« This first half year has been affected by non recurrent events, especially on Inertam ; our first half usually do not reflect the whole year performance, as previously seen in the past years, due to turnover seasonality for most of our activities. And this year, the good news arrived after HY1 closing date, for instance SHARP contract successful completion with the attached bonus. The Board has also reviewed the 2011 full year landing and is positive about a clear recovery for the Group in HY2 2011. The Group confirms the high growth of 50% in turnover for full year 2011 »

Activity and results

In thousand euros (€ '000)	30/06/2011	30/06/2010	Change	
Turnover	25,760	16,117	9,643	60%
EBITDA	(529)	(380)	(150)	(39%)
Operating income	(2,329)	(1,791)	(537)	(30%)
Ordinary income	(2,325)	(1,955)	(370)	(19%)
Net income, group share	(2,634)	(1,312)	(1,322)	(101%)
Earnings per share (in euros per share)	(0.168)	(0.114)	(0.054)	(48%)

Turnover

The consolidated turnover totals €25,760 thousand, i.e. an organic growth of 60% compared to 30 June 2010.

Europlasma's historical activity "Study and engineering, torches and processes" represented 3% of the consolidated turnover in HY1 2011 (compared to 8% in HY1 2010). Detailed engineering for the KNPP contract signed in 2010 with Iberdrola and Belgoproces for the supply of a vitrification unit for low-level radioactive waste (Bulgaria) has been sent to the client.

The renewable energy production business generated a turnover of €5,707 thousand, representing 22% of the Group's turnover in HY1 2011 (compared with 0% in HY1 2010). This revenue is linked to the construction of the first energy production factory at Morcenx which started on 1 December 2010 and of which the project management was entrusted to CHO Power SAS.

In parallel, the Group invoiced Synergy for the first feasibility study relating to the supply of several gasification units to the United States and ensured the monitoring of the development of pipeline projects.

The business of air and gas cleaning solutions contributed by 63% to the consolidated turnover of HY1 2011, with revenues which total €16,308 thousand, compared with €10,619 thousand in HY1 2010. Activity in the first half of the year was dynamic with the focal point being the implementation of the Air Liquide contract for the supply of two gas treatment lines to the factory manufacturing 3SUN photovoltaic panels at Catane (Italy).

The business for the hazardous waste destruction contributed by 12% to the Group's turnover with €3,151 thousand generated at 30/06/2011 compared with €4,177 thousand at 30/06/2010. The use of a new type of refractory in the furnace did not produce the expected result and affected production. Therefore, 1,769 tons have been treated at 30/06/2011 compared with 2,576 tons the previous year. However, the commercial business was very buoyant all throughout the first half of the year and the amount of waste arriving reached a new record, an increase of 15% over the previous year. This good commercial performance allowed for an increase in the production planning for the second half of the year.

Operational performance

The EBITDA show a deficit of -€0.5m compared with a deficit of -€0.4m at 30/06/2010. The operational performance of the Group during H1 2011 was affected by non-recurring negative factors. In particular:

- in January 2011, the renewable energy production sector reported fees that were paid to external advisors which helped the Group to close the financing for the construction of the first CHO factory at Morcenx;
- the performance of the hazardous waste destruction suffered the consequences of a reduction in production caused by using the new type of refractory. The melting furnace has since been completely reconditioned, but the negative consequences resulting from the unexpected shut-down could not be made up during HY1.

In parallel, the traditional activity of the air and gas treatment sector relied on contracts signed during previous periods, and, therefore, its margin was still affected by the effects of the financial crisis. The progressive return to pre-financial crisis margins is confirmed by new incoming orders.

The operating income totals -€2.3m, compared with -€2.0m at 30/06/2010. Net appropriations to amortisations and depreciations increased from -€1.4m at 30/06/2010 to -€1.8m at 30/06/2011. This increase is a result of a reduction in write-backs of -€0.3m and an increase in appropriations of €0.1m. The Group did not record significant depreciation on assets for the period.

Net result

The net result (group share) saw a loss of €2.6m compared with a loss of €1.3m in H1 2010.

The share of profits in the equity-accounted companies amounts to a loss of €0.2m compared with €0.0m at 30/06/2010. This share of losses is linked to the equity-accounted company CHO Morcenx of which the factory is in the process of being constructed and is still not active. The percentage held by the Group in CHO Morcenx increased from 4% at 31/12/2010 to 25% at 30/06/2011 after reaching the set targets.

Appropriations for goodwill amortisation increased by €0.1m which essentially corresponds to the amortisation of goodwill reported during the period with the increase in the Group's shareholding in CHO Morcenx. See comments below about the balance sheet.

The share of minority interests in the net result amounts to a loss of €0.3m compared with a loss of €0.5m at 30/06/2010.

Cash flows and balance sheet

In thousand euros (T€)	30/06/2011	31/12/2010	Change	
Fixed assets	45,479	38,332	7,147	19%
Current assets	22,432	20,142	2,290	11%
Marketable securities and cash at bank	12,175	14,466	(2,291)	(16)%
Total equity – Group share	36,133	38,829	(2,696)	(7)%
Minority interest	3,503	3,865	(362)	(9)%
Other equity and provisions	1,078	1,813	(735)	(41)%
Financial liabilities *	12,792	12,016	776	6%
Payables and deferred income	26,580	16,416	10,163	62%
Net (debt)/cash	(618)	2,450	(3,067)	(125)%
Gearing ratio – Net debt / (net debt + equity)	0.0	(0.1)	0.1	(125)%
Ratio net debt / EBITDA	1.2	(6.5)	7.6	(118)%
Cash generated from operations before changes in working capital	(255)	(28)	(227)	797%
Net (investments)/disinvestments	(10,222)	353	(10,565)	(2997)%

* Financial liabilities have been impacted by a 784 K€ presentation adjustment from other equity. At 31/12/2010, financial liabilities and other equity amounted to 12 800 K€ and, at 30/06/2011, to 12 792 K€.

The total balance sheet amounts to €80.1m compared with €72.9m at 31/12/2010, i.e. an increase of €7.1m or +10%.

Within the balance sheet assets, this increase essentially relates to fixed assets. The main items concerned are the following:

- net goodwill +€3.9m, i.e. +33%; the significant change results mainly from the recognition of a gross goodwill increase of €4.6m in the holding share within the equity-accounted company CHO Morcenx following the exercise of two successive tranches of share warrants during HY1 2011 for an almost-zero strike price;
- long-term investments +€1.5m, i.e. +18%; this net change is broken down by an increase of €7.5m in deposits and guarantees integrally linked to the guarantees offered on the EPC contract for CHO Morcenx and a decrease of €6.0m in long-term investments corresponding to the value of 2 tranches of share warrants in CHO Morcenx exercised during the period;
- investments in associates +€1.3m, i.e. +644%; the increase, above all, results from the holding percentage increase in CHO Morcenx which rose from 4% at 31/12/2010 to 25% at 30/06/2011, generating +€1.5m as the result of the change in scope of consolidation.

Within balance sheet equity and liabilities, the increase essentially focuses on trade creditors and other operating payables which have increased from €4.9m, i.e. +74%, and €5.2m, i.e. +54% respectively. These changes, linked to the strong growth of the business, are partly offset by the decrease in consolidated equity by some €3m.

The Group's net debt which amounts to €0.6m is not significant. In effect, the Group did not require external financing for the significant investments within the business sector for renewable energy production done in this half of the year. These net investments of €10.2m were therefore financed thanks to the increases of capital in summer 2010 and to positive net flows generated by the business in HY1.

Post balance sheet events and trends for the year-end 2011

Post balance sheet events

The Board of Directors of October 5th 2011 has decided the IFRS transition for FY 2011. The Group consolidated financial statements will be presented according to International Financial Reporting Standards for the first time for the year ending December 31st 2011.

Study and engineering, torches and processes

The scheduled order of spare parts as part of the KNPP contract was received. In addition, the client has asked for the subsequent payments to be deferred for one year. An amendment to take this one-year period into account within the execution of the contract is currently being negotiated.

Production of renewable energy

The Synergy Group ordered a new feasibility study which aims to set the construction price for an energy production installation in the United States. An order for an EPC contract is currently being negotiated.

Air and gas cleaning solutions

The Group successfully concluded the Air Liquide contract with the industrial commission of two gas treatment lines. As such, the Group has been granted an exceptional bonus which will be recorded in the second half of the year.

Destruction of hazardous waste

The public organisation "Réseau Ferré de France" (RFF) has made an order for the treatment of approximately 500 tons of asbestos waste. EDF has also ordered the recycling of around 400 tons coming from the site deconstruction of the Albi factory. Other orders on the same scale are being negotiated with other French and foreign companies.

Trends for 2011

The target growth of 50% of consolidated turnover is confirmed. This confirmation is, in particular, based on:

- the expected cumulative progress by about 90% of the EPC contract for the CHO factory at Morcenx;
- the continued commercial success of treating asbestos waste and optimising the production planning in HY2 and
- reporting the bonus linked to the satisfactory conclusion of the Air Liquide contract.

In view of the aforementioned elements, the results for the second half of 2011 will reflect a significant improvement compared to the performance of the first half of the year.

Next financial publication: 2011 Annual consolidated results - mid-April 2012

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
- > **Inertam** 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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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

BALANCE SHEET (T€)	<u>30/06/2011</u>	<u>31/12/2010</u>
Goodwill	15,552	11,673
Intangible assets	2,208	2,325
Tangible assets	16,682	16,078
Financial investments	9,533	8,053
Investments in associates	1,505	202
Total Fixed Assets	45,479	38,332
Inventories	2,433	1,830
Trade receivables and related accounts	13,947	13,014
Other receivables and prepayments	6,052	5,298
Marketable securities	2,418	2,676
Cash at bank	9,757	11,790
Total Assets	80,085	72,940
Share capital	15,656	15,285
Share premium	34,658	34,670
Translation reserve	45	71
Other reserves	(11,583)	(11,978)
Net income of the financial year	(2,634)	781
Others	(9)	0
Total Equity – Group share	36,133	38,829
Minority interest	3,503	3,865
Total Equity - Consolidated	39,636	42,694
Other equity	0	784
Provisions	1,078	1,029
Financial liabilities	12,792	12,016
Trade payables and related accounts	11,610	6,680
Other payables and deferred income	14,970	9,736
Total Equity and liabilities	80,085	72,940

CONSOLIDATED INCOME STATEMENT (T€)	<u>30/06/2011</u>	<u>30/06/2010</u>
Turnover	25,760	16,117
Other operating revenues	2,868	802
Purchases consumed	(22,280)	(10,837)
Employee benefit expenses	(6,309)	(5,991)
Other operating charges	(132)	(31)
Taxes	(436)	(440)
Net change in depreciation, amortisation and provisions	(1,800)	(1,412)
Operating income	(2,329)	(1,791)
Financial income	4	(164)
Ordinary income of the integrated companies	(2,325)	(1,955)
Extraordinary income	0	197
Income tax	78	389
Net income of the integrated companies	(2,247)	(1,370)
Share of (loss)/profit of associates	(175)	1
Goodwill amortisation	(535)	(447)
Net income of the consolidated group	(2,958)	(1,815)
Minority interest	323	503
Net income (group share)	(2,634)	(1,312)
Basic earnings per share in €	(0.168)	(0.114)
Number of shares	15,656,035	11,511,752
Diluted earnings per share in €	(0.132)	(0.076)
Fully diluted	19,892,903	17,285,252

CONSOLIDATED CASH FLOW STATEMENT (T€)	30/06/2011	30/06/2010
Net income of the integrated companies	(2,247)	(1,370)
Adjustments for depreciation and amortisation	1,890	1,727
Adjustments for deferred taxation	97	(123)
Adjustments for (gains)/losses on disposal of fixed assets	6	(283)
Other non-cash items		20
Total cash generated from operations before changes in working capital	(255)	(28)
Dividends received from associates	0	0
Changes in working capital	7,435	(2,420)
Net cash from operating activities	7,180	(2,448)
Acquisition of fixed assets	(1,885)	(786)
Proceeds from sale of fixed assets	10	(1,139)
Impact of changes in the consolidation scope	(10)	0
Net change in short- and mid-term investments	-8,337	0
Net cash used in investing activities	(10,222)	353
Dividends paid to minority shareholders	0	0
Proceeds from issue of share capital	0	2
Proceeds from investment grants	0	154
Proceeds from loans and borrowings	624	519
Repayment from loans and borrowings	(536)	(1,150)
Net change in overdraft	0	1
Net cash from financing activities	87	(473)
Translation differences	(249)	11
Net change in cash and cash equivalents	(3,204)	(2,558)
Cash and cash equivalent at opening date	13,205	13,917
Cash and cash equivalent at closing date	10,002	11,358

SEGMENT REPORTING (T€)

	Holding and R&D activities			Study and engineering torches and processes EUROPLASMA			Renewable energy production CHO-POWer			Hazardous waste destruction inertam			Air and gas cleaning solutions FIG and Europe Environnement			TOTAL		
	Europlasma Holding and R&D, SC Immobilière Gazéification			Europlasma Plasma torch activity			CHO Power and CHO Morcenx			Inertam			FIG and Europe Environnement					
	2 011	2 010	%	2 011	2 010	%	2 011	2 010	%	2 011	2 010	%	2 011	2 010	%	2 011	2 010	%
Turnover	20	184	B	575	257	B	5 707	6 527	B	3 151	8 982	B	16 308	24 885	B	25 760	40 836	B
Operating income	-1 404	-1 970	B	220	-93	B	76	2 558	B	-1 076	208	B	-145	-245	B	-2 329	458	B
Tangible assets	2 764	1 344	106%	0	0	0%	0	0	0%	5 634	6 127	-8%	8 284	8 607	-4%	16 682	16 078	4%
Intangible assets	0	0	121%	129	168	-23%	1 979	2 027	-2%	27	35	-23%	73	95	-23%	2 208	2 325	-5%
Goodwill	0	0	0%	0	0	0%	4 462	0	0%	3 174	3 288	-3%	7 916	8 385	-6%	15 552	11 673	33%
Financial investments & investements in associates	0	0	0%	19	18	5%	10 765	7 944	36%	0	0	0%	254	294	-14%	11 037	8 256	34%
Fixed assets	2 764	1 344	106%	148	186	-21%	17 206	9 970	73%	8 835	9 450	-7%	16 527	17 382	-5%	45 479	38 332	19%

Notes: A) Presentation adjustments on fixed assets have been made as at June 30th 2011 between the segments Hazardous Waste Destruction and Engineering and Plasma Torches. As at December 31st 2010, Hazardous waste destruction's Tangibles should have been of TEUR 5 343 (instead of TEUR 6,127) and Engineering and Plasma Torches' tangibles should have been of TEUR 2,127 (instead of TEUR 1,344).

B) Comparative data is shown at December 31st 2010.