ANNEX I

METHODOLOGY USED FOR DETERMINING THE OPERATING BUDGET DEFICITS

The methodology to determine the budget deficits in advance was developed by an independent consultant at the request of the Ministry for Housing, Spatial Planning and the Environment. It is dated 16 April 2002.

The methodology is based on a detailed assessment of the budgets for 2002 and subsequently makes extrapolations for 2003, taking into account all known factors that can be expected to affect the actual outcome for 2003. For later years, the same procedure would be followed, on each occasion for a two-year period. Owing to unexpected developments and the potential closure of the second RDF, AVR and the Dutch authorities agreed to have only a one-year budget for 2004.

The 2002 budget is based on estimated revenues, historical ratios for variable costs and estimates for other costs. The investment budget for 2002-16 and the specific investments planned for 2002 are also taken into account.

On basis of this budget, a forecasting model was built, including income statements, balance sheets and cash flow statements. The most important assumptions underlying the forecasting model are as follows:

— The scenario chosen assumes that approximately 85 000 tonnes can be processed annually (with some downtime due to recurring exceptional events being taken into account), resulting in estimated revenues of €30,5 million.
— Exceptional events are not accounted for separately in the model, it being assumed that they form part of the assumed recurring exceptional events.
— For depreciation and cost allocation, the estimates for 2003 differ from those for 2002. As of 2003, revenues and costs will rise by 3,5 %. An increase in efficiency is also taken into account.
— The old tangible fixed assets are valued at zero since they are not economically viable without the aid. They are not, therefore, included in the rental charged by AVR Chemie to AVR Nuts; this rental charge will include all AVR's other costs, excluding additions to the C2 provision (as this relates to the past) and including a 5 % mark-up for tax purposes.
— AVR Holding will provide AVR Chemie and AVR Nuts with substantial finance for which interest will be charged at a rate of 4,891 % (in 2002 and 2003).
— Cost allocations by AVR Holding are included; they total €4,3 million for 2002. For 2002 and 2003, these allocations include €400 000 for commercial costs which will not recur after 2003.
— A service contract lays down the conditions for the supply of services between AVR's various subsidiaries. Transfer prices are based mostly on cost prices calculated according to the activity-based costing method and also on market prices.
— No provisions are made for demolition costs since their payment is guaranteed by AVR (70 %) and the State (30 %).
— No provisions are made for personnel layoffs since the business continues and the financial exposures for any future layoffs remain at operator level. The State cannot be liable for any future layoff costs in the event of the activities of AVR Nuts being terminated. The State will never be held liable for severance payments that may be payable in the event of future layoffs resulting from the cessation of activities and/or the discontinuation of the agreement with AVR.

— AVR Holding is liable for negative results and for the effects of not meeting certain quality, safety and environmental requirements, account being taken of changing environmental requirements (one defined exception was made and this can be discussed with the State).

— There were special provisions for possible upward adjustment of the aid for three specific situations concerning: 1. the permissible temperature in the afterburning chamber; 2. potential economies from the use of secondary fuels for which an experiment was to be carried out; and 3. the legal question whether or not excise duty was to be paid on oil-containing waste.

Profit and loss	**2002 predetermined**	**2003 predetermined**	**2003 actual**	**2004 predetermined**
Revenue from RDF waste	29,3	30,4	22,8	15,9
Revenue from C2 waste	0,5	0,5	1,2	1,2
Revenue from steam	0,6	0,7	0,7	0,4
Total revenue	30,5	31,6	24,7	17,5
Materials and energy	3,8	3,9	3,0	2,4
Deposit of remaining materials	2,0	2,1	1,2	1,0
Processing/ storage	2,0	2,1	1,8	0,5
Transport costs	0,2	0,2	0,3	0,2
Total variable costs	8,0	8,2	6,4	4,1
Personnel costs	3,8	4,0	4,2	3,6
Third-party personnel	0,3	0,3	0,7	0,4
Maintenance	7,8	8,1	7,0	6,0
Layoff provision	–	–	0,7	0,2
Operational provisions	–	–	–	–
General expenses	0,6	0,6	2,4	0,8
Total direct fixed costs	12,5	12,9	15,0	11,0

Costs charged by AVR Holding	4,3	4,0	2,8	3,6
Other indirect costs	5,4	5,6	3,9	3,8
Total indirect fixed costs	9,8	9,6	6,7	7,4
Rental charged by AVR Chemie	**2,0**	**3,5**	**3,7**	**3,1**
Depreciation	**0,1**	**0,2**	**0,2**	**0,5**
Interest costs	**0,2**	**0,0**	**0,6**	**0,3**
Operating deficit	**1,6**	**2,9**	**7,8**	**8,9**

Costs incurred by AVR Holding and partially included in the budget include costs for security, canteen, administration, common facilities, management and ICT. The costs charged by AVR Holding are based on detailed estimates.

Changes to legislation:
There are currently no known outstanding effects for the Commission Decision of 22 June 2005 on the aid measures implemented by the Netherlands for AVR for dealing with hazardous waste (notified under document number C(2005) 1789) (Only the Dutch version is authentic) (Text with EEA relevance) (2006/237/EC), ANNEX I.