HAMON 2017
ANNUAL REPORT

HAMON

Integrated Solutions for a Clean Environment

OUR GROUP

The Hamon Group is a global player in the field of engineering and contracting (engineering, construction and project management). Its activities include the design and manufacture of key components, the installation and maintenance of **cooling systems**, **air quality systems** (AQS), **heat recovery systems** (HRSG) and chimneys, intended for the electricity generation, oil and gas sectors as well as certain other heavy industries such as steel, glassmaking and chemicals.


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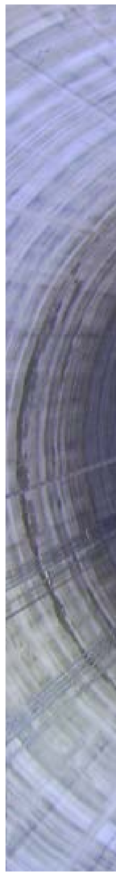
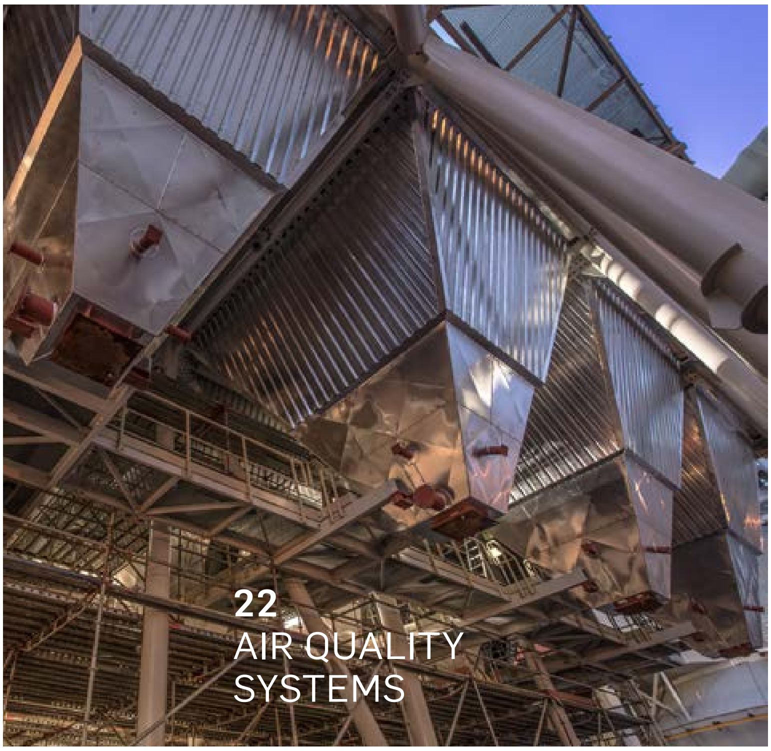
COOLING
SYSTEMS

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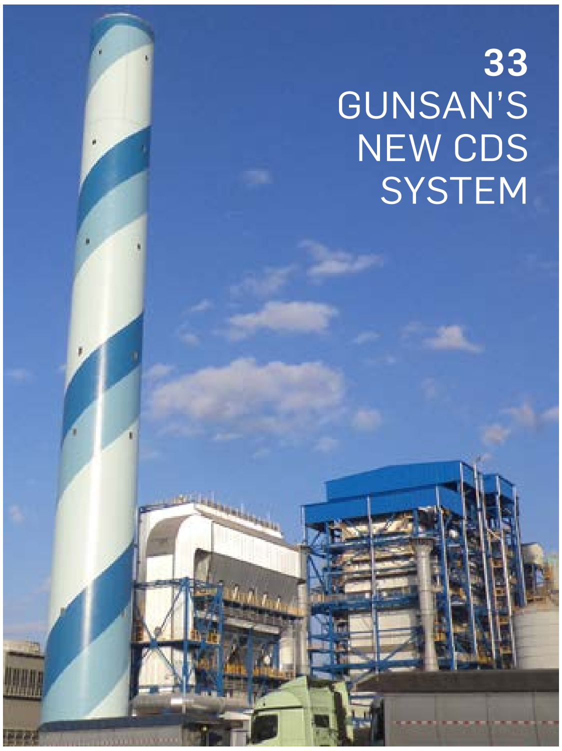
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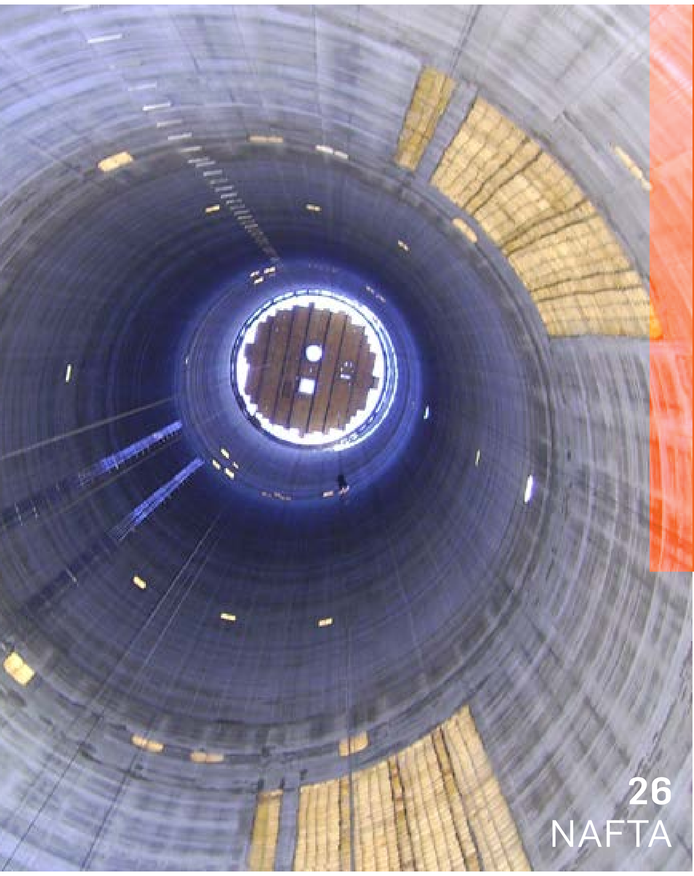


CONTENTS

GROUP PROFILE

Hamon ranks among the leaders in its niche markets related to energy and environmental protection.

POSITIONING

HHamon, an international engineering, procurement and construction company (EPC), is one of the world's leading players in the niche markets for which it supplies equipment and the related aftermarket:

- Cooling systems;
- Air quality systems;
- Heat recovery systems (and steam generators);
- Industrial chimneys.

The target end customers are mainly:

- Electric power plants;
- Oil, gas and petrochemical industries;
- Other heavy industries, including steel, cement, minerals, glass and waste incineration.

Hamon sells its products and services to end users, including through large 'lead contractor' engineering firms.

Hamon offers its customers innovative systems using the best technology and responding exactly to their needs, at competitive prices thanks to strict cost control.

VISION

To provide its customers with the best technologies and equipment to produce cleaner energy and maintain air quality, at competitive prices.

MISSION

- To develop new technologies and to design, install and provide aftermarket service for efficient installations for cooling systems, heat exchangers, air pollution control systems, heat recovery systems and chimneys.
- To improve our customers' performances in the energy, oil and gas sectors as well as other heavy industries, such as steel, glass and chemicals.
- To carry out all our projects on schedule and within budget, in accordance with the customer's specifications.
- To provide a high-quality service in all our areas of activity, ensuring the satisfaction and development of our staff and protection of the environment, while offering our shareholders adequate profitability.

OUR VALUES

PROFESSIONALISM
RESPECT FOR THE INDIVIDUAL
RESPECT FOR THE ENVIRONMENT
RESPECT FOR CULTURAL DIVERSITY

VALUES

1. PROFESSIONALISM
Hamon attaches great importance to the rigour and efficiency of its services and the products it supplies to its customers.

2. RESPECT FOR THE INDIVIDUAL
Hamon respects the Universal Declaration of Human Rights and aims to foster a positive relationship with its teams.

3. RESPECT FOR THE ENVIRONMENT
Hamon holds the protection of the environment at the heart of its operations and its business activities.

4. RESPECT FOR CULTURAL DIVERSITY
Throughout the world, Hamon integrates cultural diversity into its working relations with its partners, its teams and local communities.

HAMON'S MAIN ACTIVITIES

The Group's main activities include sales, research and development, design, the manufacture of certain key components, project management, procurement, on-site installation (civil engineering), commissioning and aftermarket service.

Hamon focuses on high added-value activities, such as design, whether this is thermal design (for cooling systems), 'process' design (for example for chemical treatment systems for flue gas emissions) or mechanical design for all our equipment. A distinction can also be made between the preliminary design phases (dimensioning in order to submit preliminary quotes), design for final quotes and detailed engineering to fulfil the orders once the customer has signed the contract.

Supply chain management is another central aspect of our business activities. This begins with assembly dates and schedules for site deliveries to our customers', then integrates logistics aspects, matters linked to production (and production planning) in the Group's plants and purchasing from suppliers (again including all aspects linked to logistics) as well as quality control at our suppliers', in our plants and on site. The Group also takes care of all the administrative processes (trade finance, customs clearance, tax, purchase order follow-up, etc.). The management of these different and often complex tasks is essential for the success of our projects, particularly when, as is increasingly often the case, they involve several countries or emerging countries. The Hamon supply chain comprises hundreds of suppliers from around the world: local suppliers (for example, local subcontractors or labour) and global component suppliers located thousands of kilometres away.

We are continuing to develop a global sourcing approach, with internal teams of buyers scattered around the world and a wide-ranging supplier network, in order to meet our supply needs with the right level of quality, innovation, productivity and constant reliability, while maintaining strict stock management.

These measures are part and parcel of the Hamon Group's philosophy of continuous improvement, resulting in better profitability for the Group and greater customer satisfaction.

In 2017, purchases of materials and services amounted to a total of around EUR 278 million, or approximately 75% of the Group's revenue.

We would also like to point out that we take care to ensure respect for the aspects and values of sustainable development and social responsibility of organizations throughout our supply chain (see the chapter entitles A responsible company).

Finally, Research & Development activities are also essential to ensure that we offer our customers ever more efficient cutting-edge systems.

OUR PRESENCE IN THE WORLD

In 2017, Hamon employed on average some 1,367 people in 23 countries on all five continents. None of these countries appears on the list of risk countries identified by the World Bank.

In addition, the Group employs several hundred subcontractors or people under fixed-term contracts for on-site installation.

In 2017, the Group recorded a consolidated turnover of EUR 366.6 million.

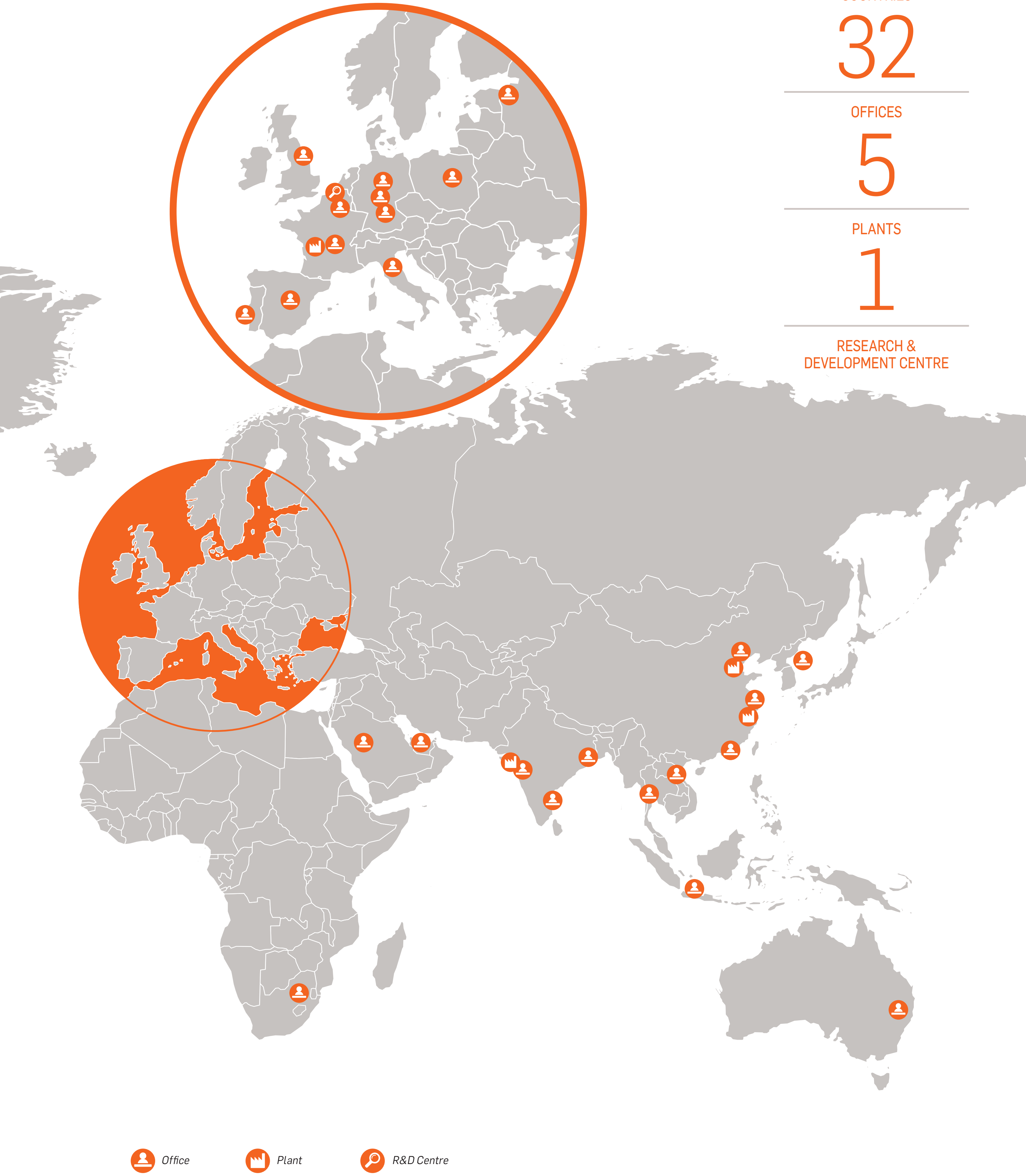
See the other key figures at the beginning of this annual report.

23
COUNTRIES

32
OFFICES

5
PLANTS

1
RESEARCH & DEVELOPMENT CENTRE



KEY FIGURES (excluding PHE)

in EUR million	2017	2016
RATIOS		
EBITDA /revenue	-4.7%	-4.4%
ROCE [(1)]	-17.2%	-9.5%
Net financial debt / equity [(2)]	59.4	4.9
Enterprise value / EBITDA [(3)]	(7.31)	(11.97)
DATA PER SHARE (IN EUR/SHARE)		
Group share of net result	(0.99)	(5.75)
Net result from continued operations	1,14	(4,55)
Equity (excluding non-controlling interests)	0.10	2.66
Gross dividend	0.00	0.00
P/E (share price as at 31.12) [(4)]	NR	NR
Average number of outstanding shares	22,612,323	10,877,836
Number of outstanding shares as at 31.12	22,661,710	21,250,600
Number of shares issued as at 31.12	22,703,278	21,274,563
Market capitalization as at 31.12 (EUR million)	40.8	75.3
Share closing price as at 31.12	1.80	3.54
Year average share closing price	2.98	5.09
NEW ORDER BOOKINGS	**278.8**	**415.0**
BACKLOG (AS AT 31 DECEMBER)	**400.2**	**520.3**
INCOME STATEMENT		
Revenue	366.6	394.4
EBITDA [(5)]	(17.2)	(17.3)
EBIT (result before interest and tax)	(20.8)	(30.5)
Result before tax from continued operations	42.2	(46.8)
Net result from continued operations	25.4	(49.8)
Net result from discontinued operations	(48.0)	(13.1)
Group share of net result	(22.3)	(62.6)
Cash flow [(6)]	(64.5)	(78.6)

in EUR million	2017	2016
BALANCE SHEET		
Non-current assets	76.3	134.7
Cash and cash equivalents	50.2	46.9
Other current assets	238.8	311
Total assets	**365.4**	**492.6**
Equity [(7)]	1.5	28.7
of which non-controlling interests	(0.7)	(0.2)
Financial liabilities (current and non-current)	139.3	187.5
Non-current provisions	3.7	5.9
Other non-current liabilities	5.6	7.2
Current liabilities (excl. financial liabilities)	215.3	263.3
Total liabilities and equity	**365.4**	**492.6**
Working capital requirements [(8)]	23.5	47.7
Net financial debts [(9)]	89.0	140.6
Capital employed [(10)]	99,8	182.4
Average workforce (yearly)	1,194	1,511

in EUR million	Bank loan write-off (2017)	Balance sheet 2017	Debts	Capital increase 2018	Pro forma balance sheet Dec. 2017
Equity	87.0	1.5		47.3	48.8
Gross debt	(87.0)	139.3	(3.7)		135.6
Cash		50.2	(3.7)	47.3	93.8
Net debt	(87.0)	89.0		(47.3)	41.8

(1) EBITDA / capital employed
(2) Net financial debts / equity (including non-controlling interests)
(3) Enterprise value = market capitalization as at 31.12 + non-controlling interests + net financial debts – investments in associated companies
(4) Share price as at 31.12 / net result from continued operations, per share
(5) EBITDA = earnings profit before depreciation, amortization and non-recurring items
(6) Cash flow = net cash flow from operations after restructuring
(7) Equity including non-controlling interests
(8) Current assets (excluding cash and cash equivalents) – non-financial current liabilities
(9) Financial liabilities – cash and cash equivalents
(10) Non-current assets + working capital requirements

MESSAGE FROM THE CHAIRMAN OF THE BOARD AND THE GENERAL MANAGER

Philippe Bodson, Chairman of the Board
Bernard Goblet, General Manager

Dear shareholders,

Dear readers,

The economic environment remained very difficult for the Hamon Group in 2017. The market conditions and the Group's difficult financial situation prevented the company from recording a good level of bookings. At EUR 313 million (including PHE), we reached 66% of the level of activity recorded the year before.

Despite this tense context, we are continuing with the organizational and financial transformation of the Group.

The annual financial statements, presented in this report, reflect the major actions undertaken by Hamon during the year.

As regards the Group's financial situation, the restructuring set launched during the last quarter of the year proved to be a great success. At the end of 2017, the banks accepted a very substantial reduction in the debt (EUR 87 million) and the capital increase undertaken in early 2018, included as a post balance sheet event, brought in a satisfactory EUR 47.3 million. The combination of these two transactions fully restored the balance sheet with a debt ratio of less than 1.

In terms of organization, the transformation plan led the Group to focus on its main engineering activities. The disposal of several activities was carried out or decided upon. The recurrent level of our main activities amounts to approximately EUR 400 million per year. The resizing of the Group was necessary to ensure its profitability. Our transformation plan aims to reduce costs relating to the world organization of the Group by 35% compared with 2015 by 2019.

Alongside cost-cutting measures, the plan consists of an organization by Region to move closer to the markets and improve responsiveness to customers, an integrated global organization in order to benefit from synergies and economies of scale, the standardization of management processes and tools for improved productivity and more efficient monitoring of the fulfilment of tasks, as well as the redeployment of R&D activities in order to offer our customers ever more efficient products and services. The Group is also developing a specific structure for the aftermarket service in order to ensure a profitable base with recurrent activities and a short implementation cycle.

The positive signs in terms of the world economy, the Group's healthy balance sheet and the new, targeted organization give us confidence for the years to come.

We would like to thank our financial partners for their constant support and the Hamon staff for their motivation and devotion in implementing the transformation plan.

KEY FACTS 2017

1. IN BRIEF

FINANCIAL RESTRUCTURING

Hamon underwent a major financial restructuring including substantial debt reduction of EUR 87 million in December 2017 and a capital increase of EUR 47.3 million in February 2018.

The banks in the banking consortium granted Hamon a loan write-off of EUR 87 million and the credit agreement with the consortium was renegotiated for the sum of EUR 302 million (compared with EUR 380 million previously). In addition, Hamon undertook a major capital increase in early 2018 by means of a public offer for subscription open to existing shareholders, with a preferential right from 26 January 2018 to 9 February 2018, which resulted in a capital increase of EUR 47,266,017.

IMPROVEMENT ACTIONS

In addition to the measures initiated at the end of 2016 resulting in savings of EUR 9 million in 2017, a series of actions was decided upon in 2017 which will gradually reduce the structural costs. The savings anticipated from this additional plan will increase from EUR 4 million in 2017 to EUR 14 million in 2018 to reach total savings of EUR 15 million in 2019. This plan is being carefully monitored and, at this stage, is in line with expectations. The total effects anticipated from the plans launched in 2016 and 2017 will amount to EUR 24 million in 2019, representing a reduction of 35% compared with 2015.

The sale of the process heat exchangers division is underway. The shares in the subsidiary TTC and in AIT and Jacir have been sold. The closure of the subsidiaries in South Africa and Brazil is progressing well and will be finalized in 2018.

The Group is also continuing its efforts to streamline and develop synergies resulting from its regional organization and the optimization of the process supply chain.

COMMERCIAL ACTIVITY

The business units have all suffered from the period of uncertainty between the publication of the results in June 2017 and the announcement of the successful refinancing in January 2018. Moreover, the market in general was less dynamic and hence extremely competitive.

EBITDA

EBITDA in 2017 amounted to EUR – 17.2 million, excluding the external results of PHE. On the one hand, the structure has not yet been fully adjusted as the cost-cutting programmes launched in 2016 and 2017 only had a partial effect in 2017; their full effect will be felt in 2019. On the other hand, the result was impacted by substantial and unforeseen costs in South Africa and Brazil (EUR – 5.2 million on EBITDA) and by specific difficulties linked to the finalization of certain contracts (costs under-estimated, unforeseen events such as strikes, inefficient sub-contractors, slower than scheduled implementation, etc.).

Excluding South Africa and Brazil, where the closures will be finalized in 2018, and TTC, sold in 2017, EBITDA would have been EUR – 12 million.

NET RESULT FROM DISCONTINUED ACTIVITIES

As the PHE division has been put up for sale, its results (excluding intra-Group results) have been booked in this line. The negative results of 2017 and the valuation of the assets and liabilities of this division at the estimated disposal value totalled EUR – 48 million.

NET RESULT

The net result was positively impacted by the loan write-off granted by the banks in the banking consortium, amounting to EUR 87 million and by the capital gain on the sale of TTC (EUR 20 million before tax). However, due to the resizing of the Group, it was necessary to book impairment of EUR 10 million on the goodwill of the AQS division. For the same reason, and also due to the change in Belgian tax rules and the use of tax losses, the net position of deferred taxes in the balance sheet was reduced by around EUR 10 million.

Taking account of the elements described above, the Group closes the financial year with a loss of EUR – 22.6 million, including EUR – 48 million relating to PHE (cf. above).

BALANCE SHEET

The balance sheet has been considerably strengthened by the debt reduction of EUR 87 million in December 2017 announced in January 2018 and the capital increase of EUR 47 million in February 2018.

It is impacted by the decision to put the PHE division up for sale, leading to the grouping together under one heading of the assets and liabilities of this division and by the various impairments described above.

PROSPECTS

In view of the general economic context, Hamon does not release any guidance as to its future results.

2.2 CONSOLIDATED INCOME STATEMENT

(in EUR million)	2017	2016
Revenue	366.6	394.4
Gross margin	36.2	51.0
EBITDA	(17.2)	(17.3)
EBITDA/revenue	*-4.7%*	*-4.4%*
Current operating result	(23.7)	(24.9)
Non-recurring elements	3.0	(5.7)
Operating results (EBIT)	(20.8)	(30.5)
Net financial charges	72.2	(11.7)
Group share of net result of associated companies	(9.2)	(4.6)
Result before tax (continued operations)	**42.2**	**(46.8)**
Income tax	(16.8)	(3.1)
Net result from continued operations	25.4	(49.8)
Net result from discontinued operations	(48.0)	(13.1)
Net result	**(22.6)**	**(63.0)**
Group share of net result	(22.3)	(62.6)

Having been put up for sale, the PHE BU is booked in the 'Net result of discontinued activities' line. In 2017, the sum of EUR – 48 million noted on this line consists of the external result of the PHE BU and the valuation of the assets and liabilities, bearing in mind the prospects regarding its sale. In 2016, the sum of EUR – 13.1 million covered the results of the PHE BU. Classifying the PHE result in discontinued activities had a positive impact on EBITDA.

Revenue fell further to the decline in new orders booked in 2017. The gross margin was also impacted by this lack of volume of activity.

Moreover, a number of projects produced results that were less favourable than anticipated upon completion, especially in South Africa and Brazil, subsidiaries which are to be closed in 2018, but also in other countries.

Overheads fell sharply further to the cost-cutting programme which was successfully implemented and the withdrawal of the American subsidiary Thermal Transfer Corporation on 31 March 2017.

The Group decided to book impairment on the goodwill of AQS amounting to a total of EUR 10 million. This impairment together with the restructuring costs (EUR 5.7 million) linked to the implementation of the cost-cutting programme are booked as non-recurrent elements. Moreover, the capital gain of EUR 20.4 million made on the sale of the American subsidiary Thermal Transfer Corporation was also booked as a non-recurrent element, along with the capital gains (for the sum of EUR 0.6 million) on the sale of the Group's holdings in AIT and JACIR.

The write-off of the bank debt booked in December 2017 for EUR 87 million had a positive impact on the net financial charges.

2. MAIN DEVELOPMENTS IN 2017

2.1. COMMERCIAL ACTIVITIES

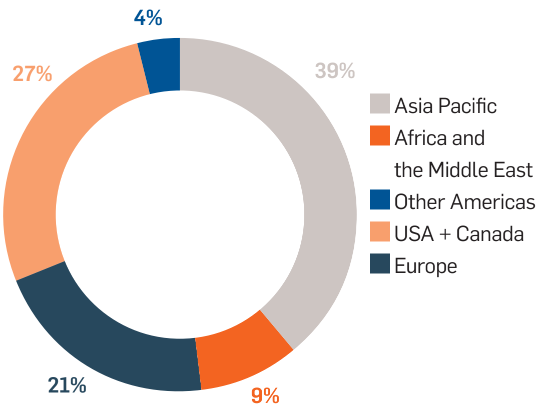
New orders booked (in EUR million)	**2017**	**2016**
Total excl. PHE	**278.8**	**415.0**
Process heat exchangers	34.1	58.0
Total incl. PHE	**312.9**	**473.0**

Order book (in EUR million)	**2017**	**2016**
Total excl. PHE	400.2	520.3
Total incl. PHE	**439.1**	**581.3**

The new orders booked during the financial year and the backlog at 31 December 2017 (excluding PHE) stood at EUR 279 million and EUR 400 million respectively, down compared with the previous year further to the Group's wish to be more selective as part of its repositioning process.

The figures above do not include activities between BUs nor PHE.

NEW ORDERS BOOKED IN 2017 BY REGION



The share in the net result of associated companies includes our share of the loss recorded by the companies consolidated using the equity method (EUR – 2.1 million) as well as impairment on two of them (EUR - 7.1 million).

The tax burden is linked mainly to the fall in deffered tax assets and the tax burden on the capital gain linked to the sale of TTC (Thermal Transfer Corporation). On the other hand, the Group obtain a tax refund of EUR 3.5 million, only EUR 1.5 million of which was booked as tax income.

2.3. CONSOLIDATED BALANCE SHEET

(in EUR million)	31/12/2017	31/12/2016
ASSETS		
Deferred tax assets	9.1	20.5
Other non-current assets	67.2	114.1
Stocks and contracts in progress (assets)	69.0	119.4
Customers and other debtors	149.6	152.8
Cash and cash equivalents	50.2	46.9
Other current assets	20.2	38.8
Total assets	**365.4**	**492.6**
EQUITY	**1.5**	**28.7**
LIABILITIES		
Deferred tax liabilities	4.0	5.1
Non-current financial liabilities	74.0	153.7
Other non-current liabilities	5.3	8.0
Current financial liabilities	65.3	33.8
Contracts in progress (liabilities)	79.2	105.3
Suppliers and other creditors	105.2	134.0
Other current liabilities	30.9	23.9
Total liabilities	**363.9**	**463.9**
Total liabilities and equity	**365.4**	**492.6**
Working capital requirements	**23.5**	**47.7**
Net debt	**89.0**	**140.6**

As at December 2017, the balance sheet did not include the assets and liabilities of the PHE BU, which on this date were included under the headings 'Other current assets' and 'Other current liabilities', including the assets and liabilities held for sale with a view to selling. As explained elsewhere, the assets and liabilities of this division were valued bearing in mind the prospects linked to its disposal.

However, the balance sheet as at 31 December 2016 includes the various assets and liabilities of the PHE BU. This largely explains the development observed in the various balance sheet items from one year to the next.

As at December 2016, the assets and liabilities of TTC were included under the headings 'Other current assets' and 'Other current liabilities'. The development observed as at 31 December 2017 may be attributed to the disposal of TTC in the first quarter of 2017.

The reduction in deferred tax assets can be explained mainly by utilization and impairments in European and Asian entities.

As well as the impact of booking the PHE BU under 'assets held for sale', the reduction in the 'Other non-current assets' is due to impairment on the goodwill of AQS, the development of companies incorporated using the equity method and the reduction linked to the evolution of assets in foreign currencies.

At EUR 1.5 million, the equity benefited from the capital increase of EUR 5 million in January 2017 but was also impacted by the negative net result of the financial year and by the cumulative consolidation adjustments, resulting from the consolidation of subsidiaries operating in foreign currencies. This sum does not include the capital increase of EUR 47 million carried out in February 2018.

The EUR 87 million loan write-off had a positive impact on the long-term debt. Moreover factoring, which was no longer deconsolidated in 2017, the increase in commercial papers and the debts contracted in South Africa and Brazil to finance the conclusion of certain projects, increased the short-term debt.

The net debt amounted to EUR 89 million, compared with EUR 141 million at the end of 2016. The positive impact of the EUR 87 million loan write-off was partially offset by the increase in the short-term tem for the reasons given above.

3. POST BALANCE SHEET EVENTS

As previously announced, Hamon carried out a major capital increase in early 2018 by means of a public offer for subscription open to existing shareholders, with a preferential right from 26 January 2018 to 9 February 2018.

Sogepa subscribed EUR 25 million, three consortium banks (transferees of the subscription rights of Sogepa and Sopal) EUR 8.7 million and the public EUR 9.4 million. This resulted in a capital increase of EUR 47,266,017.

The capital increase was part of a wide range of transactions aimed at restructuring the equity and overall indebtedness of Hamon. It was accompanied, in particular, by a renegotiation of the terms of the Senior Credit whereby the banking consortium granted a loan write-off of around EUR 86.9 million and an initial test of financial covenants as at 31 December 2018, as well as the conclusion of a new loan of EUR 25 million granted by Sogepa.

The restructuring is a major step in the wide-ranging plan of transformation and savings embarked upon by the Group in 2017. Under this plan, the Group is focusing on its core activities, such as water cooling systems engineering, air quality control and heat recovery intended for industrial customers. This global restructuring gives Hamon the financial base that the Group needs to finance the major changes on which the transformation plan is based in order to better serve its customers in its international network.

4. COMPLIANCE

The financial instruments used by the Group to cover the risks linked to contracts and circumstances likely to have a notable influence on the development of the consolidated whole are described in the Financial Statements.

Moreover, details of the independence and competence of the audit committee and the internal monitoring and risk management systems of the affiliated companies are given in the section on corporate governance.

KEY EVENTS 2017

6 APRIL

FINALIZATION OF THE SALE OF TTC

Hamon & Cie (International) S.A. finalized the announced sale of its American subsidiary, THERMAL TRANSFER CORPORATION (TTC), to a subsidiary of Westinghouse Air Brake Technologies Corporation (ABTC).

Hamon thus successfully valorized an asset that was not essential to the development of the company. “The disposal of our Thermal Transfer activity enables Hamon to direct management resources and capital to its core activities in the fields of energy production, oil, gas and other heavy industries.” said Hamon Group General Manager Bernard Goblet.

16 JUNE

LAUNCH OF THE NEW HAMON ORGANIZATION BY REGIONS: EMEA, AMERICAS AND ASIA.

18 MAY

OPENING CEREMONY OF THE UGLJEVIK SITE

The opening of the Ugljevik site in Bosnia and Herzegovina was celebrated on 15 May 2017. The Minister for Energy and the Japanese ambassador as well as senior officials from the company that owns the site (Elektroprivreda de Srpska), the FGD supplier (Mitsubishi Power Systems) and many guests attended the event.

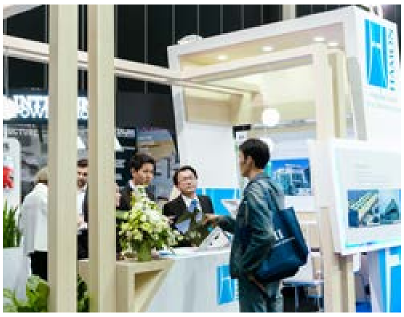
HAMON Enviroserv is acting as a consultant to the owner for the installation of the new FGD, the first in Bosnia and Herzegovina. The overall project is being financed by JICA.

The new FGD is scheduled to be operational in October 2019.

10 JULY

GOLDEN TROPHY FOR SAFETY

At a ceremony honouring a number of partners whose performance in terms of safety is exemplary, Hamon, which had already won the silver trophy in two consecutive years, was awarded the Golden Trophy, presented by the Director of the power station, Mr John Watts, for its Drax site.



HAMON IN THE FOUR CORNERS OF THE WORLD

Hamon marked its presence at various trade fairs organized in 2017:

- **Iran Oil Show – Teheran** – May
- **Power-Gen Europe – Cologne** – June
- **Power-Gen Africa – Johannesburg** – July
- **Power-Gen Asia – Bangkok** – September
- **Power-Gen International – Las Vegas** – December

25 SEPTEMBER

EARTHQUAKE IN MEXICO

Hamon employees working on a site not far from the epicentre of the earthquake in Mexico placed their skills at the disposal of the emergency services.

18 DECEMBER

HAMON ON VIETNAMESE TELEVISION

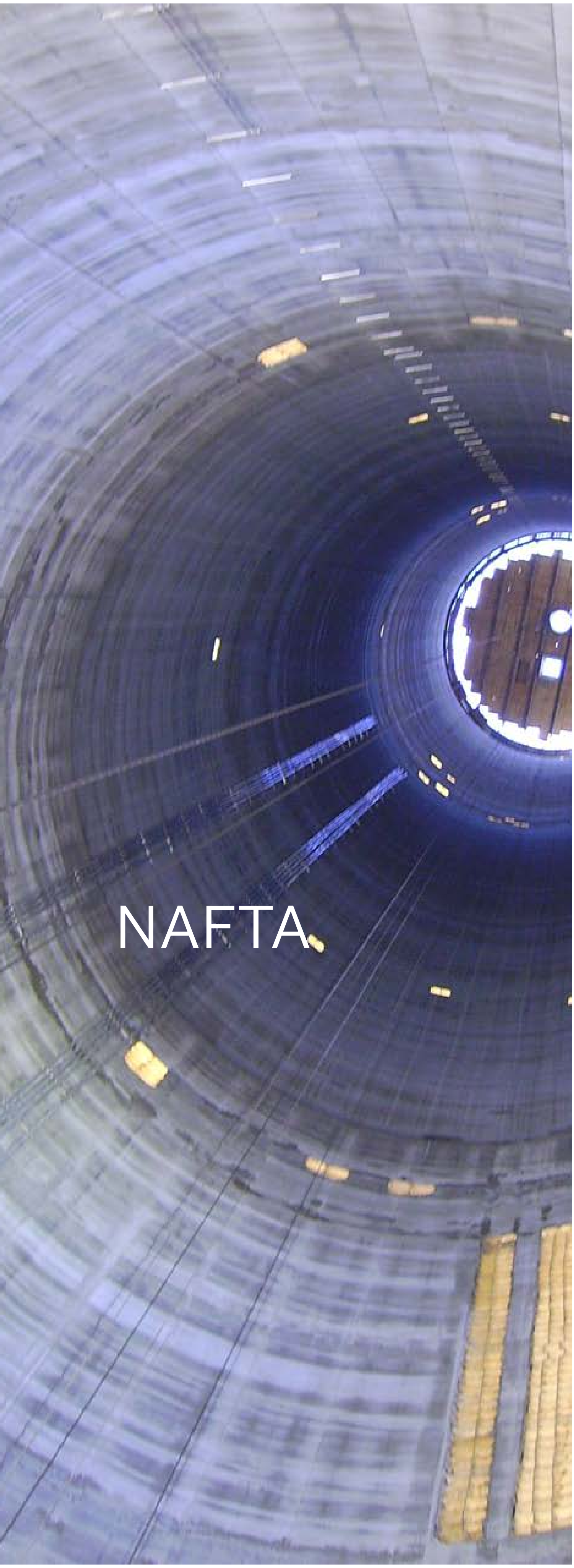
The Vinh Tan electrostatic precipitator project was the focus of the economic programme Nhân Dân on Vietnamese television.

29 DECEMBER

FINALIZATION OF THE BANK REFINANCING WITH THE CONSORTIUM BANKS.


COOLING
SYSTEMS


AIR
QUALITY
SYSTEMS



BUSINESS UNITS

The Hamon Group structures its activities in three business units: Cooling Systems, Air Quality Systems and NAFTA, in 23 countries on all five continents.

This is the last time that Hamon will be presenting its results per Business Unit.

In fact, a new organization by Region was put in place in June 2017. Three regions were created: EMEA, ASIA, AMERICAS. This new organization will be operational in accounting terms as of the 2018 financial year; the results will therefore be presented by Region in the future.

Moreover, the process of selling the PHE Business Unit is underway. This is why PHE is no longer included in the presentation of the BUs. More detailed information about PHE is provided in the financial section of this report.

COOLING SYSTEMS

The Cooling Systems Business Unit supplies electric power plants and industries, including the chemicals, petrochemicals, iron and steel, paper making and sugar refining industries, with equipment and related services designed to cool water or condense the steam produced by their processes.

CUSTOMIZED TECHNICAL SOLUTIONS

Hamon offers two types of technical solutions adapted to the needs of electricity producers, engineering companies and industries: air-cooling towers (wet cooling) and dry cooling systems.

The air-cooling towers work by evaporating part of the water flow using different means of generating air flow (natural draft with a chimney or induced draft when fans are used). They cool down all kinds of water (from fresh water to treated waste water and salt water) and even acid solutions. They can also be equipped with a plume abating system.

Dry cooling systems (air-cooled condensers and indirect systems) are used to condense and cool down steam without evaporation and without releasing a plume. They therefore offer a solution to cooling problems in areas where water is scarce, such as in parts of continental China, South Africa or the Middle East.

REDUCING PRIMARY ENERGY CONSUMPTION

By ensuring that these cooling systems have just the right dimensions, more electricity can be generated for a given consumption of primary energy. Obtaining colder cooling water increases the output of a steam turbine. For each drop in the temperature of the cold water of one degree Celsius, electricity generation increases by approximately one per cent. With same level of electricity generation, the consumption of primary energy (coal, gas, etc.) declines and CO_2 emissions into the atmosphere are reduced. In the other industries, good cooling system management also enables substantial savings. The use of a closed circuit system (with cooling tower) also avoids the heating of sea or river water caused by hot water discharged from the open circuit and thus prevents the destruction of their ecosystem.

AN INTERNATIONAL CENTRE OF EXCELLENCE

The unit's centre of excellence is located in Mont- St-Guibert (Belgium). The BU has a test and R&D centre in Drogenbos (Belgium) as well as in China and offices in various countries: South Africa, Germany, England, Saudi Arabia, Australia, Brazil, China, South Korea, United Arab Emirates, United States, France, India, Indonesia, Italy, Mexico, Poland, Russia and Thailand, as well as a network of agents. Critical components are designed by Hamon and manufactured by the Group's plants in France, India and China.

REVIEW OF THE YEAR 2017

The Cooling Systems BU bookings amount to EUR 156 million in 2017. This is less than in 2016 but with better margins thanks to a favourable mix of new projects and aftermarket services, resulting from the Group's strategy aimed at reinforcing its presence in this more profitable segment. The major orders relate to 'dry' contracts in China and the Middle East and 'wet' contracts in Europe, south-east Asia and the United States.

The backlog at the end of December 2017 remained sound and represented over a year's activity.

Revenue in 2017 was lower than in 2016 due to the lower level of new orders booked and delays in fulfilment. A major 'dry' project, interrupted in 2016 because the customer was experiencing solvency problems, started up again in the fourth quarter of 2017 and is expected to make a significant contribution to the results in 2018.

Despite the successful implementation of the cost-cutting programme leading to a fall in net overheads of 18%, EBITDA remains negative further to the low volume of activity and exchange rate losses.

EMEA REGION – PROSPECTS FOR 2018

The markets on which the Cooling Systems BU operates remain highly competitive for both wet and dry systems. The prospects in terms of the volume of business remain in line with previous years. However, the Group's market share is expected to evolve positively in these segments thanks in particular to new innovative developments and patents in dry systems and the implementation of Global Supply Chain Management within the company.

As regards the flue gas treatment activity, the markets remain buoyant. Europe in particular, keen to protect its environment, is tending to introduce more stringent pollutant emission standards, thereby generating opportunities for new projects with high added value in the industrial and energy sectors for which the Group is well positioned thanks to its expertise and reputation.

The aftermarket activity (Customer Services) remains one of the Group's spearheads. On this key market, the Group will benefit from the synergies created by the recent regrouping of its sales activities on a regional basis and the implementation of new teams – particularly in Eastern Europe – dedicated to this activity. Projects involving the repairing and improving of natural draft towers remain one of the flagship sectors in which the Group has acquired an unparalleled reputation in the field.

KEY FIGURES

EUR million	2017	2016
Bookings	155.9	169.6
Backlog	234.5	250.0
Revenue	178.2	195.2
EBITDA	(5.6)	(11.0)
EBITDA/Revenue	-3.1%	-5.6%
Average workforce	523	731

AIR QUALITY SYSTEMS

The business unit gives industries the means to limit the environmental impact of their processes. As well as providing an integrated service, the unit designs, manufactures and installs flue gas treatment systems for different kinds of pollutants, thereby ensuring strict compliance with the environmental protection regulations in force.

REPUTATION FOR EXCELLENCE

The Air Quality Systems Business Unit offers its customers tailored environmental solutions on its own or in partnership. It meets the demands of three markets: thermal electric power plants, industry (iron and steel, cement, glassmaking and petrochemicals) and heat recovery from waste (household, industrial, hospital, water purification sludge, biomass).

The BU's products portfolio implements internationally recognized technologies that can meet the specific needs of each market. This portfolio is divided into two groups based on their action: on the one hand, de-dusting (physical action) and on the other, the neutralization of acids, desulfurization, denitrification and the elimination of heavy metals (physico-chemical action).

The BU's activity comprises two parts: on the one hand, the design and installation of new equipment for new plants or to bring existing plants up to standard and on the other, aftermarket services comprising in particular maintenance, consultancy and the supply of spare parts.

Flue gas purification is a complex business. Anticipating the technological risks calls for know-how, great experience and an in-depth knowledge of customers' processes. The business unit, which operates under the commercial names Hamon Research-Cottrell, Hamon Environmental or Hamon Enviroserv, enjoys an excellent reputation on its target markets.

REDUCING RELEASES INTO THE ATMOSPHERE

The air pollution control systems marketed by Hamon make it possible to drastically reduce the quantities of dust, acid gases and other pollutants released into the atmosphere by heavy industries.

THE DRIVING FORCE IN ASIA

The business unit is continuing to develop around two main axes: Asia and Europe, in line with the evolution of its markets and the shift in their centre of gravity towards Asia.

Hamon's growing presence in Asia facilitates active participation in the various projects followed by 'EPC' engineering firms, mainly Japanese, Korean and Chinese, as well as direct access to users in the region.

The Group can rely on a management and commercial development centre in Hong Kong, an operational production unit in Shanghai (China), an engineering and service cluster in Chennai (India) and centres of excellence in Europe (Belgium and Germany) in the field of electrostatic precipitators and desulfurization as well as a regional centre in Korea.

The other subsidiaries and branches focus on commercial activities and projects (mainly in Brazil, France, Italy, South Africa and Poland).

The Asian development of the Business Unit has a major impact on our competitiveness in all the regions.

KEY FIGURES

EUR million	2017	2016
Bookings	57.0	132.6
Backlog	99.5	161.1
Revenue	109.4	103.2
EBITDA	(13.6)	(0.7)
EBITDA/Revenue	-12.4%	-0.7%
Average workforce	375	396

REVIEW OF THE YEAR 2017

At EUR 57 million, the bookings were again at a record low level due to a combination of factors, in particular the fact that notification of the order to start up a major contract signed, worth EUR 50 million, has not yet been received and could not therefore be included in the bookings at the end of 2017.

Despite higher sales than the year before, totalling EUR 109.4 million, the margin is insufficient to generate a satisfactory operating profit. Most of the loss is related to:

- the under-performance of the subsidiaries in South Africa and Brazil, which are to be closed in 2018;
- excess costs incurred on a major contract;
- an inadequate level of activity in Germany.

The synergies, cost reductions and greater proximity to customers, related to the new regional organization, will have a positive impact in 2018.

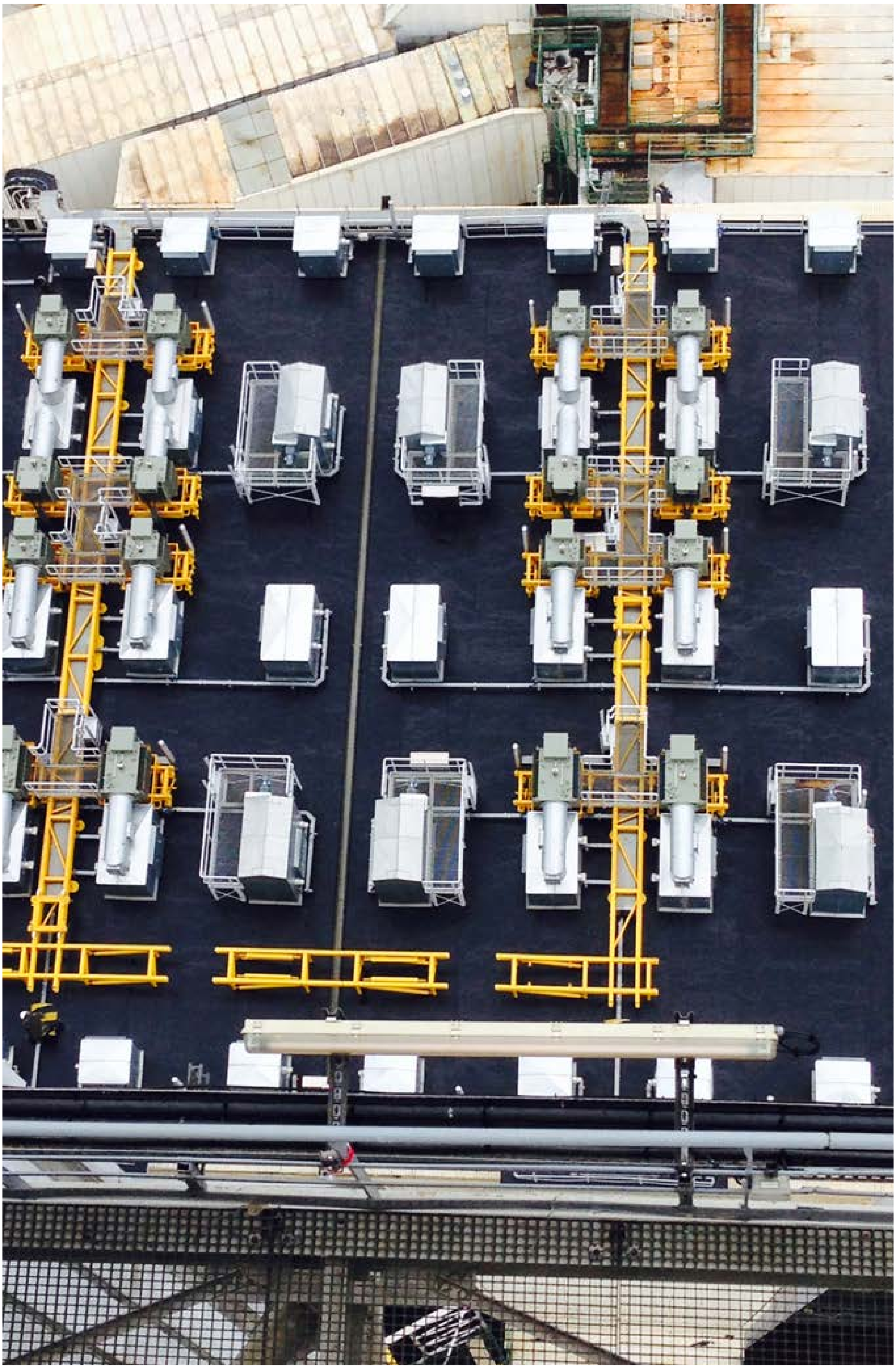
ASIA REGION – PROSPECTS FOR 2018

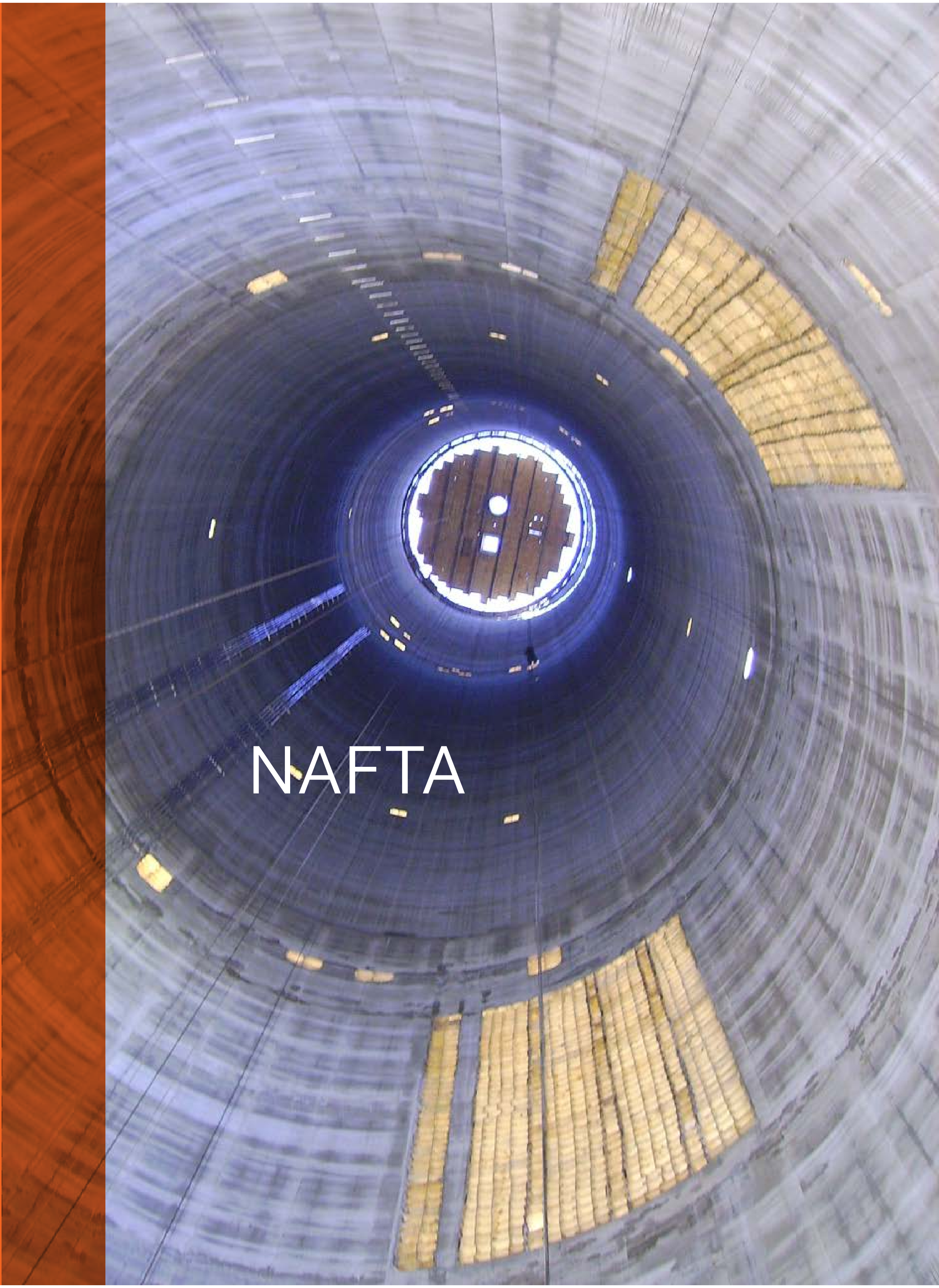
The development on the Asian market will benefit fully from the new organization of the Group by Regions, enabling a more immediate approach to the market for the products portfolio as a whole.

The company is firmly anchored in the energy sectors and will intensify its actions in petrochemical and heavy industry, where new opportunities are appearing. The reinforcement of Hamon's aftermarket service is also expected to have a positive impact on profitability.

Relying on its centre of excellence in Engineering in India and its new 'Sourcing' and 'Supply Chain' organization, the Asia region can approach the market with a significant competitive advantage.

Demand for the company's products and technologies remains strong in India, Vietnam and Indonesia. The Group is confident in the many projects in the pipelines which are expected to develop favourably in 2018.





NAFTA

The Hamon Group offers its customers in North America a wide range of products. The systems designed by Hamon help electricity companies and heavy industries to control and limit their impact on the environment, in particular by means of air pollution control processes, heat recovery and chimneys. In addition to supplying new equipment, Hamon offers its customers aftermarket services for existing installations, as well as maintenance and improvement services.

REDUCING THE IMPACT ON THE ENVIRONMENT

The BU is currently active, through the products it offers, in three fields:

Air pollution control:

- Elimination of flue gases using electrostatic precipitators and fabric filters;
- Wet gas scrubbing, an Exxon-Mobil process used for the combined elimination of sulphur (deSOx), nitrogen oxides (deNOx) and particles in chemicals and process plants;
- ReACT™ process used to capture SOx, NOx, particles, mercury and acid gases simultaneously with minimal use of water;
- U2A: a process used to transform urea into ammonia ('U2A'), a reagent used in the treatment by selective catalytic reduction of NOx in flue gases.

Heat recovery:

- Heat recovery systems including recuperators, economizers and gas-to-gas exchangers;
- Heat recovery steam generators (HRSG) that enable combined cycle power plants to achieve very high efficiency levels;
- Other types of special boilers for specific industrial applications.

Chimneys:

- Concrete industrial chimneys that can be up to 300 metres high;
- Steel stacks;
- Concrete silos.

The North American entities also operate in cooling systems (wet and dry). The figures relating to these activities are included in the results of the Cooling Systems BU.

Moreover, the BU also provides aftermarket services linked to the above product ranges.

PRESERVING AIR QUALITY

The NAFTA BU makes its contribution to society in the three fields in which it operates.

The Air Pollution Control systems offered by Hamon help drastically reduce the amounts of dust, acid gases and other pollutants released into the atmosphere by fossil fuel power plants and other heavy industries, greatly benefiting the people living nearby.

The heat recovery systems offer industrial customers the opportunity to limit their energy consumption by recovering the heat carried by some fluids. Smaller amounts of fuel burnt means fewer greenhouse gases released into the atmosphere.

Chimneys provide a better dispersion of flue gases released into the atmosphere by heavy industry, to avoid exposing local people to poor air quality when atmospheric conditions are unfavourable. Chimneys have become an integral part of air pollution control systems, particularly in desulfurization systems (FGD).

REVIEW OF THE YEAR 2017

The NAFTA region recovered in 2017, recording positive operating results after a disappointing performance in 2016. However, bookings were lower than the previous year due to difficult market conditions and delays built up on certain key projects. The backlog is lower than at the end of 2016.

EBITDA improved significantly compared with 2016 (even excluding TTC), despite a difficult market. This positive development is related to a better implementation of certain projects with high margins. The increase in EBITDA may also be attributed to the reduction in overheads introduced to maintain the competitiveness of the BU in the region. The management continues to keep overheads under control in order to ensure its long-term profitability.

AMERICAS REGION - PROSPECTS FOR 2018

The Americas Region ended 2017 on a very positive note. The signing of a major electrostatic precipitator repair project as well as new orders booked in the fourth quarter provided a boost to enter 2018 with confidence.

Many opportunities are arising for all the product lines in numerous industries, headed by energy and refineries. The paper industry, fertilizers, the mining industry and metallurgy are also following this trend.

Although coal-fired power stations have always been the primary market for air pollution control, the low price of natural gas has led to the closure of many plants. Refineries with a catalytic cracking unit are therefore becoming Hamon's main target.

Energy recovery presents many opportunities in small power stations, combining heat production and electricity generation. Hamon has the potential to make its mark in this field. Refineries with a catalytic cracking unit are also a market for energy recovery, enabling Hamon to reinforce its range for this type of applications.

Bitumous sand in Alberta (Canada) has suffered because of the low price of oil over the past few years. The stabilization of prices could revive the air pollution control and energy recovery markets.

The aftermarket opportunities are expected to increase thanks to renewed attention in respect of customers.

KEY FIGURES

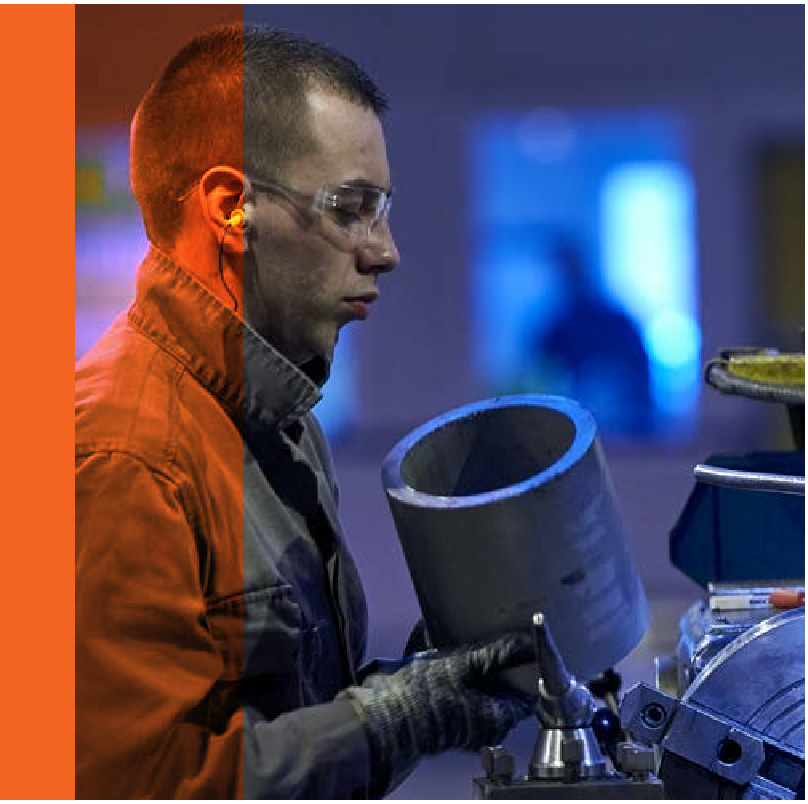
EUR million	2017	2016
Bookings	65.9	112.9
Backlog	63.2	102.6
Revenue	80.4	103.2
EBITDA	3.3	(2.6)
EBITDA/Revenue	4.1%	-2.5%
Average workforce	217	297

A RESPONSIBLE COMPANY

Hamon seeks to integrate a 'sustainable development' approach into all its business activities. This consists of analyzing, measuring and limiting the impact of its activities in order to take its share of responsibility to society. Hamon also takes care to act in line with its values, based on respect for the individual and on ethics.

In its daily activities, the Group is careful to behave as a responsible company, keeping an eye on its environmental footprint. Whether with regard to its production processes or the systems and products offered to its customers, Hamon ensures that it adopts environmentally friendly reflexes.

Innovation, Research & Development and a spirit of performance lie at the heart of its strategy. Attention is focused in particular on the staff so as to promote well-being at work, the development of personal potential, safety and training.



CULTIVATING TALENTS

Hamon pays particular attention to its staff in the broadest sense: employees, trainees, consultants, temporary workers, etc. who work for the Group;

More specifically, the strategy regarding the recruitment of new talent in the Group is in line with its 'Think globally, act locally' ethos. While Hamon's markets are growing on a global scale, its employees show creativity and openness to other cultures to enable continuous improvement and promote change while respecting local values and regulations. Hamon recruits highly qualified men and women with a sense of responsibility and offers them the opportunity to develop in their career within the Group. Hamon seeks to recruit local talent who are experts in their respective fields with strong problem-solving skills and a focus on customers.

The ongoing qualification and training of its employees are essential elements for the development of Hamon.

The staff lies at the heart of the company's success. Their versatility and competence are constantly assessed. In addition to formal training, employees receive daily 'on-the-job' coaching. In the Hamon 'multi-department' culture of work and project management, employees use their own specific skills and knowledge. They also learn from other team members. During the annual performance appraisals, employees are encouraged to define their own training needs so that each individual can be offered a specific training programme and everyone can be helped to develop within the Group.

The year 2017 was marked by a new boost in terms of human resources. The staff were encouraged, in a spirit of dialogue, to highlight their function in the company and define the role that they would like to fulfil in the future within the Group. For 2018, Hamon is planning to develop concrete actions linked to these proposals. In addition, a platform entitled 'Hamon Talent' is being developed by IT so that all staff in the Group can interact with the company, within the context of their skills profile. Finally, a psycho-social risk analysis is being carried out by an external consultant so that the company management can draw up an optimal strategy for health and well-being at work.

SALARIED STAFF

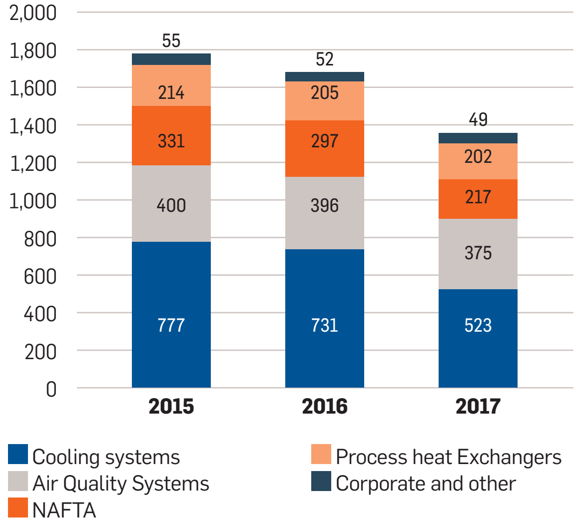
As at December 2016 and 31 December 2017, the staff as a whole (in the broad sense) could be broken down as follows by type of contract:

Staff by type of contract	31/12/2016		31/12/2017	
	Individuals	% total	Individuals	% total
Employment contract (or similar)	1,603	96,97%	1,214	94%
Consultants, temporary staff or trainees	50	3,03%	77	6%
Total	**1,653**	**100%**	**1,291**	**100%**

Note: Workforce figures calculated on the basis of the number of people, not in terms of full-time equivalents.

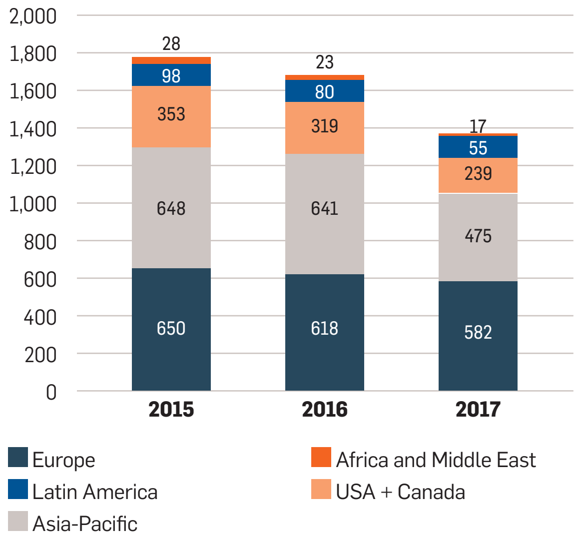
Hamon also employs several hundred local temporary workers, mainly on its building sites, who are not included above because they constantly fluctuate in number. Broken down into zones of operation in all four corners of the world, these sites usually only last a few months. The following analysis refers only to those with an employment contract or similar (a total of 1,603 people at the end of 2016 and 1,214 as at 31 December 2017).

DEVELOPMENT OF THE AVERAGE NUMBER OF EMPLOYEES PER BUSINESS UNIT



We note that in 2017 average staff numbers continued to decline compared with the previous year, falling from 1,681 people at Group level in 2016 to 1,367 people at the end of 2017. This trend may be seen in all the Business Units, mainly further to the staff reduction measures taken as part of the cost-cutting programme.

DEVELOPMENT OF THE AVERAGE NUMBER OF EMPLOYEES PER REGION



The workforce per region also fell in each region in 2017 for the reasons given above.

SAFETY FIRST

The health and safety of our employees in their workplaces remain a priority, whether on building sites, in plants or in our offices.

The Group takes account of risk prevention from the design phase to the dismantling of equipment. Hamon takes care to share good practices with the various units in the Group and to involve every level of the hierarchy in the 'safety' process.

Many awareness actions are taken among workers, particularly as regards training and complying with safety regulations. The risk on the road is also taken into account. The asbestos issue is a particular focus of attention among specialized teams. The social partners are involved in the analysis of health and safety at work indicators. A close partnership has been formed with the occupational health doctor and the health teams. Finally, the comments made by site teams regarding prevention and ongoing improvement of the contingency plans are taken into account.

Communication is a key element to ensure that everyone supports this process. Specific guides clearly setting out the major risks and means of prevention related to Hamon's activities are circulated among the teams in the Group.

UNITED NATIONS GLOBAL COMPACT

Hamon is a signatory to the UN Global Compact and has been an associate participant since 2013. As such, the Group seeks to ensure compliance with the ten principles of the Global Compact. The process will be re-examined in 2018 in the context of the new regional structure of the Group.

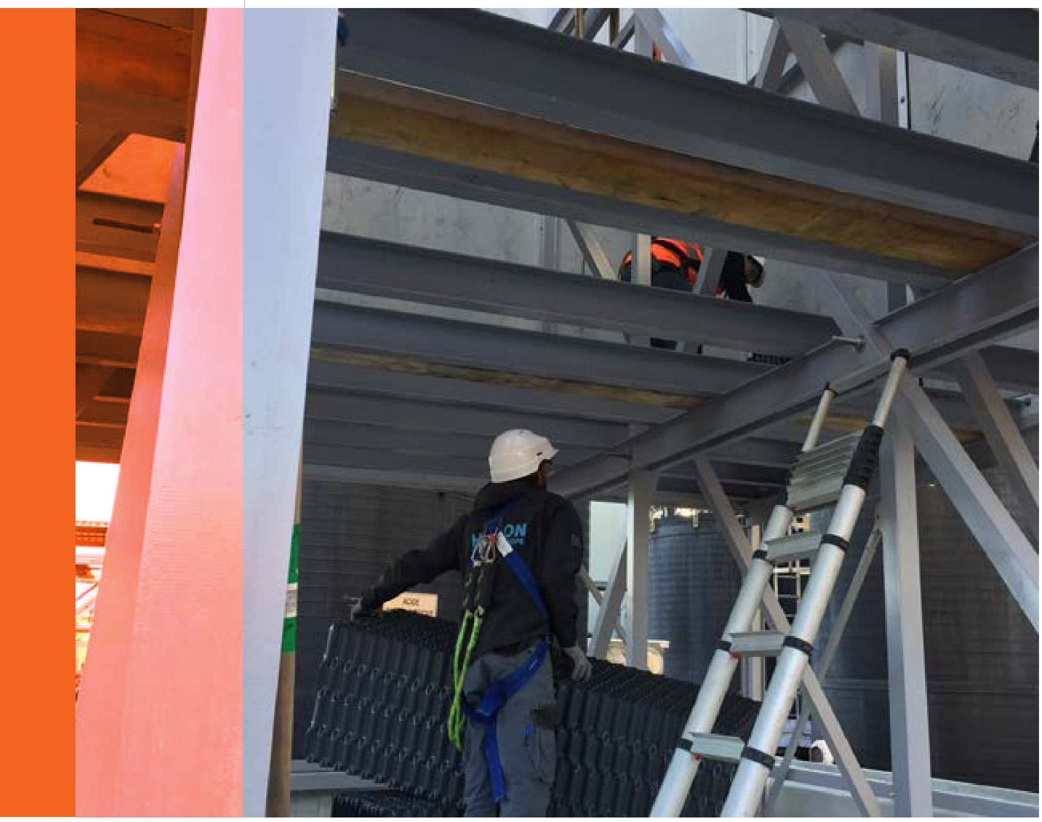
CODE OF ETHICS

Hamon drew up a Code of Ethics in 2009. This Code is regularly improved and was most recently updated in September 2017 in close collaboration with an external stakeholder.

The Code consists of various chapters covering in particular respect for human rights, the fight against corruption and conflicts of interest.

The aim is to comply with the principles of the Universal Declaration of Human Rights, conventions on the protection of workers and the OECD guidelines for multinational companies.

It has been translated into various languages and shared with all the Group's subsidiaries, which distribute it to their employees. It is available on the Group's internal communication network. The directors of Hamon & Cie and members of the Executive Committee also have a copy. In many of the subsidiaries, all newly recruited staff are given a copy along with the working regulations.



Internal training courses are organized to ensure that all Hamon staff are aware of its importance.

This Code is available on the Hamon website, www.hamon.com and can be obtained simply upon request.

HUMAN RIGHTS

Hamon takes care to respect human rights and ensure that they are respected by all its employees and its partners in their working relations. Hamon promotes ethics in all circumstances.

Hamon is particularly vigilant in ensuring that children are not involved in labour, whether internally, in emerging countries, or externally when suppliers operate in certain countries, in particular where plants producing components are located.

As regards suppliers, Hamon subsidiaries include several clauses in their general terms and conditions of purchase relating to respect for the social regulations in force and the ban on child labour.

New suppliers or recurrent suppliers of a significant size are assessed by means of a qualifying questionnaire and are regularly audited.

Hamon also rules out all forms of forced or obligatory labour and remains vigilant on these points in all the geographic zones where the Group operates, especially at its plants in emerging countries.

Hamon takes care to increase awareness of the issue of child labour and forced labour not only among its own suppliers but also those involved upstream of its supply chain.

Based on the report made by the subsidiaries of the Group, no complaints were filed in 2017 concerning impacts on human rights examined or settled through the official complaint settlement bodies.

Hamon will be sure to establish precise performance indicators in this respect during the 2018 financial year.

FIGHT AGAINST CORRUPTION

The fight against corruption is included in the Code of Ethics referred to above.

Hamon aims to manage its affairs transparently and ethically. It adopts a zero tolerance policy towards corruption. Training courses are organized for staff to draw their attention to this point.

GUNSAN'S NEW CDS SYSTEM

Hamon Korea has successfully passed the performance test for the new CDS system installed at Gunsan, in the combined cycle power plant run by the company Hanwha. This is the first CDS (circulation dry scrubber) desulfurization installation in Korea.

THE PROJECT

The project involved building a combined cycle unit in the national Gunjang industrial complex consisting of a fluidized bed boiler with a capacity of 450 t/h of steam and a 99 Mw condensation turbine with the associated auxiliary equipment.

In order to meet the stringent emission requirements, a desulfurization unit processing SO_2 and dust was designed for optimal performance, from the constant minimum to the maximum load.

THE CHALLENGE

As Korea imports virtually all its fossil fuel requirements, power station efficiency is crucial for the country's economy. Moreover, power station emissions are subject to very stringent regulations.

Although the investment cost of a CDS sulfurization system is slightly higher than a conventional system, this choice proved to be more judicious compared with other existing technologies thanks to the significant savings made due to its clearly lower operating cost.

This complex contract was completed within a short period of sixteen months.

THE SOLUTION

This solution is particularly suitable for fluidized bed boilers as they involve primary desulfurization by the addition of calcium, which enables the CDS system to act as a polishing unit by using the CaO from the boiler inside the absorber of the desulfurization unit. Thanks to this principle, the volume of the lime additive required is kept to a minimum. Moreover, thanks to the addition of a fabric filter, emissions are kept below 5 mg/Nm³.

Hamon will be sure to establish precise performance indicators in this respect during the 2018 financial year.

REDUCING THE ENVIRONMENTAL FOOTPRINT

Environmental protection lies at the heart of Hamon's business. Thanks to increasingly efficient heat exchange and flue gas treatment systems, the Group helps its customers to reduce the environment footprint of their activities.

The Group takes measures to improve performance and reduce the environmental impact of its systems and products: energy consumption, noise emissions, visual impact, water consumption, impact of waste at the end of the life cycle.

Hamon also offers its customers mechanisms to attenuate noise pollution (engine noise, falling water). Moreover, the Group installs reservoirs beneath the electrostatic precipitator transformers to collect the oil in the event of a leak. Other measures recommended by Hamon include the bonding of exchange surfaces to prevent the diffusion of adhesive fumes and contamination of the soil as well as the creation of devices to reduce energy consumption (electric engines, etc.).

Moreover, Hamon takes care to limit the environmental impact of its plants. In addition to aspects related to the consumption of energy and water, certain measures have been taken, in particular with regard to recycling the cooling water in certain machines.
The implementation of a programme for the management of hazardous substances and the installation of an efficient water cooling system also help reduce the environmental footprint of the group's activities.

The total energy consumption of Hamon's plants has fallen by just over 26% since 2015. This reduction is due to the fall in the volume of activity at the Group's plants and the improvement of their energy efficiency.

The Group abides by the ISO 900 (Quality), ISO 14001 (Environment) and OHSAS 18001 (Health and Safety) standards. Not all its subsidiaries are certified in accordance with these standards. At the end of 2016, six of them (out of 28 in the reporting scope) had obtained ISO 14001 certification.

Hamon does not serve on any governance body, participate in projects or committees or provide any substantial financing beyond simple contributions to national or international lobbying associations or organizations, with the exception of the following two subsidiaries:

- Hamon Thermal Europe (France), one of the active members of the Bureau National des Plastiques et de la Plasturgie (BNPP - Plastics and plasturgy standardization bureau), which contributed towards the drafting of the French standards on plastic products. It is also an active and influential member (for instance as regards certain projects or committees) of the organizations Eurovent, Uniclima, SYRTA (Syndicat du Retrait et du Traitement de l'Amiante) and AIFEN (Association des Industriels Français Exportateurs du Nucléaire);
- Hamon Thermal Europe (Belgium) is an active and influential member of the CTI (Cooling Tower Institute).

It is not Hamon's policy to have its non-financial report verified by an independent external body.

Hamon will be sure to establish precise performance indicators in this respect during the 2018 financial year.

DAY-BY-DAY PERFORMANCE

Hamon's equipment is used by its customers in complex industrial processes: electric power plants, refineries, steelworks, cement works, etc. It accounts for only a small percentage of the total investment made to build these plants. Nevertheless, should one of our installations break down, this could result in the shutdown of the plant and a significant loss of earnings.

For this reason, the reliability and safety of our equipment are vital for Hamon. The Group continuously seeks to improve its equipment thanks in particular to ever more accurate design and the use of powerful tools and software. Moreover, Hamon applies very stringent quality control during the design phase, when purchasing components from suppliers, manufacturing in the plant, assembly at the site and during commissioning and acceptance tests. At the end of 2016, 24 of the 28 Hamon subsidiaries included in the reporting scope were ISO 9001 certified. Some subsidiaries also have other forms of quality certification (ASME 'U' and 'S', etc). Finally, the Group takes particular care to train staff who use the equipment as well as possible and to provide them with detailed user and maintenance manuals.

Hamon's installations have a life span of 20 to 30 years or even longer. They are usually fitted in plants or power plants that have even longer life cycles.

INNOVATION, THE DRIVING FORCE BEHIND DEVELOPMENT

Innovation and research & development are vital for the long-term future of the Group's activities. Hamon invests in the constant improvement of its products and services and in developing new products and services.

This enables Hamon to maintain and develop its technological expertise and meets its customers' requirements to an ever greater extent. In practical terms, R&D is managed by and focused in skills centres per product line within the Group. Research is carried out for each of the product lines to maximize the reduction in pollution, bearing in mind the development of environmental standards, to reduce the costs of materials used thanks to efficient installation design, in particular by perfecting new software programs to refine the design in various subsidiaries and to reduce the surface area occupied by installations and develop installation test systems.

The Group has an R&D centre dedicated to cooling systems attached to the Electrabel power plant in Drogenbos (Belgium). This centre carries out many developments and tests, in particular on new types of exchange surface. Dry cooling system studies are also carried out in China.

In 2017, the budget allocated to R&D was similar to that of previous years, at around 0.8% of the consolidated revenue. Certain technological licensing agreements have also been concluded, such as that signed for the ReACT™ technology a few years ago.

STATEMENT OF CORPORATE GOVERNANCE

I. ADMINISTRATIVE BODY, EXECUTIVE MANAGEMENT AND GOVERNANCE

1. GENERAL CONSIDERATIONS

Hamon has adopted the 2009 Belgian Code of Corporate Governance as its reference, in accordance with the provisions of the act of 6 April 2010 intended to reinforce corporate governance in listed companies and the Royal Decree of 6 June 2010 on the designation of the corporate governance code to be followed by listed companies. This code is available for consultation on the website of the Corporate Governance Commission, www.corporategovernancecommittee.be.

The Hamon Corporate Governance Charter sets out in detail the governance structure of the company as well as the related policies and procedures. This Charter is published on the company website, www.hamon.com, and can also be consulted simply upon request at the head office of the company.

This Statement of Corporate Governance provides information about corporate governance events that occurred in the last financial period.

The Shareholders' agreement signed on 18 December 2016 between Sopal and Sogepa and amended on 25 December 2017 to better reflect the development of the respective holdings of Sogepa and Sopal sets out the Hamon governance structure in the context of the capital increases carried out in December 2016/ January 2017 and February 2018, under the terms of which Sogepa and Sopal/Frabelco (companies linked to Francis Lambilliotte) currently hold 51.21% and 14.34% respectively of the capital of Hamon & Cie.

2. DEROGATIONS FROM THE BELGIAN CODE OF CORPORATE GOVERNANCE 2009

Hamon departed from the following provisions of the Code in 2017:

Principle 4.6: Two directors (the Chairman and the former CEO) were appointed for a period of five years, whereas the Code recommends a four-year term. Baron Philippe Bodson, beginning his third mandate as an independent director, was appointed by the general meeting on 28 April 2015 for five years, which will enable him to complete the maximum period of 12 years authorized by Article 526ter 2° of the Company Code for an independent director. The mandate of Mr Francis Lambilliotte was set at five years in order to bring it into line with the duration of the mandate of Chairman of the Board.

Principle 4.11: The most recent assessment of the Board dates back to 2013. The Code states that an assessment should take place every two or three years. Given the changes made as regards the governance of the company in January 2017 and then in February 2018 further to the capital increases, the company felt that the time was not right for this assessment. The matter will, however, be discussed at a future meeting of the Board of Directors.

Principle 5.3/1: A single independent director has a seat on the Appointment and Remuneration Committee, whereas the Code of Governance recommends that most of the members of this Committee should be independent, non-executive directors. This was modified by the amendment of 25 December 2017 to the Shareholders' agreement of 18 December 2016.

3. GOVERNANCE STRUCTURE

Hamon is governed by a Board of Directors which, in accordance with Articles 14 ff. of the articles of association, has extensive powers. The Board of Directors is a collegial body whose actions must be presented in an annual report to the general meeting.

In June 2005, the Board of Directors set up, from among its own members, specialized committees that assist it with certain specific functions: an Audit Committee, an Appointment and Remuneration Committee (the Appointment Committee and the Remuneration Committee having been merged since 2017) and a Strategic Committee since January 2017. The composition of the Audit Committee and the Appointment and Remuneration Committee was reviewed by the amendment of 25 December 2017 to the Shareholders' agreement.

The Board of Directors has entrusted the operational management of the company to a Managing Director who is not a director and who is assisted in his task by the members of the Executive Committee, the composition of which was also reviewed in June 2017. The company has not set up a Management Board within the meaning of Article 524bis of the Company Code.

Hamon was previously organized in operational Business Units. A new operating structure has been put in place, which is matrix- and region-based. Three regions have been created: EMEA, ASIA and AMERICAS. However, for practical bookkeeping reasons, this annual report still reflects the structure per Business Unit, without the Process Heat Exchangers division which has been put up for sale.

Besides, the general shareholders' meeting exercises the extensive powers assigned to it by law and by the articles of association.

The working methods of the various bodies referred to above are laid down in the Corporate Governance Charter, which is available on the Hamon website.

4. BOARD OF DIRECTORS

Hamon is governed by a Board of Directors which has the authority to carry out all the deeds necessary or useful for the fulfilment of the company purpose, with the exception of those deeds specifically reserved by law or the articles of association for the general meeting.

More specifically, the Board of Directors is charged with:

(i) defining the general policy direction of the company and its subsidiaries

(ii) taking decisions on all major strategic, financial and operational issues in the company and

(iii) dealing with all other matters reserved for the Board of Directors under Belgian law.

The articles of association state that the decisions of the Board of Directors are taken by a simple majority of votes and that in the event of a tied vote, the director chairing the Board meeting has the casting vote.

Within certain limits, the Board of Directors has the authority to delegate special and limited powers to the General Manager and to other members of the management team.

I. APPOINTMENT - COMPOSITION

The members of the Board of Directors are appointed by the general shareholders' meeting. If it becomes necessary to replace one of the directors, the new director is chosen from among the candidates presented by the shareholder having proposed the outgoing director.

Directors whose term of office expires remain in position until such time as the general meeting has approved a replacement. The general meeting has the power to dismiss a director at any time. Moreover, outgoing directors are eligible for re-election subject to the application of Article 526ter of the Company Code which stipulates that independent directors may not be appointed for more than three consecutive terms and that the total duration of their appointment may not exceed twelve years. No age limit is set on the mandate of directors.

The amendment to the Shareholders' agreement of 25 December 2017 states that the Board of Directors of the company will consist of eight (8) members, chosen as follows:

- two (2) directors will be appointed at the proposal of Sopal ('A Director')
- two (2) directors will be appointed at the proposal of Sogepa ('B Director')
- four (4) directors will be independent directors within the meaning of Article 526ter of the Company Code, presented on the recommendation of the Appointment and Remuneration Committee.

As regards diversity, it is stipulated that a Director B and an independent director will have to be or to be represented by a woman in order to fulfil the requirement laid down in Article 518bis of the Company Code. In application of this article, the Hamon Board of Directors should consist of three women out of the eight directors required as at 1 January 2019. Currently, Sogepa is represented by a woman, Valérie Potier.

The required percentage of women in the Audit and the Appointment and Remuneration Committee is respected.

As a result of the reduction in the number of directors on the Board, Mr Martin Gonzalez del Vall and Ms Aline Lambilliotte will submit their resignations at the new general meeting on 24 April 2018.

A proposal will also be put to this general meeting to rule on the renewal of the mandates of Sogepa and Mr Bernard Lambilliotte, which are drawing to an end.

The Board of Directors consists also of two vice-chairman (the Vice-Chairmen, individually the Vice-Chairman), one (1) of whom is chosen from among the A Directors and one (1) from among the B Directors. In the absence of the Chairman, the Vice-Chairman chosen from among the B Directors will chair the board meeting.

Sogepa will continue to represent the interests of the Walloon Region on the Board of Directors. Sogepa will thus act on its own behalf and on behalf of the Walloon Region.

A proposal is to be put to the general meeting of 24 April 2018 to modify Article 14 of the Hamon & Cie articles of association accordingly.

As at 6 March 2018, the composition of the Hamon Board of Directors was as follows:

Name	Position	Start/Renewal of mandate	End of mandate
Baron Philippe Bodson*	Chairman, independent director	28.04.2015	28.04.2020
Francis Lambilliotte	Vice-Chairman	28.04.2015	28.04.2020
Renaud Witmeur	Director	24.01.2017	23.04.2019
Laurent Levaux*	Director	24.04.2017	27.04.2021
Sogepa SA représentée par Mme Valérie Potier	Director	26.04.2016	24.04.2018
Bernard Lambilliotte	Director	22.04.2014	24.04.2018
Aline Lambilliotte	Director	28.04.2015	23.04.2019
Baron Philippe Vlerick *	Independent director	28.04.2015	23.04.2019
Martin Gonzalez del Valle	Independent director	25.04.2017	28.04.2020
Alexandre Grosjean*	Independent director	26.04.2016	28.04.2020

** Independent directors*

Baron Philippe Bodson, Chairman of the Hamon Board of Directors and independent director since May 2008, is a civil engineer (ULg) and holds an MBA (INSEAD - Fontainebleau - France). After having held executive positions in a number of companies (Glaverbel, Tractebel and others) and served as president of the FEB, Baron Bodson is currently chairman of the Board of Directors of Exmar and Floridienne and the investment firm Be Capital. He also sits on the board of Cobepa.

Francis Lambilliotte, Vice-Chairman of the Board, joined the company after having worked at Cobepa for several years. He was CEO of Hamon from 1987 until 31 December 2016. He is a commercial engineer (Solvay Business School).

Renaud Witmeur, director, graduated in law from the ULB (Free University of Brussels) and also holds a master's degree in public law and public governance from the ULB. He has served as Chairman of the Executive Committee of Sogepa SA since 2013. Prior to that, having practised at the bar of Brussels for seven years, Mr Witmeur held the position of head of office in various ministries (including the Minister-President of the Walloon Region, the federal Ministry of the Economy and the federal Ministry of Social Affairs and Public Health). He also holds directorships in ST'ART Investment Fund for Creative Industries, the NLMK Europe steel group, ARCEO Engineering and the IT company Xperthis. He was chairman of the Board of Directors of Brugmann University Hospital from 2007 to 2013.

Laurent Levaux, independent director, graduated in applied economics from the Catholic University of Louvain and holds an MBA from the University of Chicago in the USA. Having turned around and run an SME in the Liège region, he continued his career at McKinsey from 1985 to 1994. He was then CEO of the CMI group for eight years, then CEO of ABX Logistics for six years. He has been Chairman of Aviapartner since

2008. Mr Levaux also holds directorships at BPost, Proximus and Groupe Herstal and is Chairman of the Board of Directors at Investsud.

Valérie Potier was appointed as director representing Sogepa by the general meeting of 28 April 2015. She therefore represents the interests of the Walloon Region on the Board. She has a degree in Commercial Sciences from HEC Liège (General and International Management with financial options) and has worked as a financial analyst at SWIFT and then as a manager at Ernst & Young, company auditors. She joined Sogepa in 2011 as a consultant. She has also headed the Finance, Budget and Accounting department. She is currently a senior consultant. Ms Potier was appointed as a director at the proposal of Sogepa in accordance with the terms of the Shareholders' Convention of 8 October 2014 concluded between Sopal and the Walloon Region and in the presence of the company.

Bernard Lambilliotte, director, is a commercial engineer (Solvay Business School) and holds an MBA (INSEAD-Fontainebleau-France). He is currently Chief Investment Officer at Ecofin, an investment fund (based in London), which he founded. He is also a director of Kapitol S.A. He previously held various financial positions at Pictet & Cie, Swiss Bank Corporation and Drexel Burnham Lambert. Bernard Lambilliotte is the brother of Francis Lambilliotte.

Aline Lambilliotte was appointed as a director at the general meeting of 28 April 2015. She has a degree in Economic Sciences from the ULB as well as a Master of Arts in Corporate Communication from the City University of New York. Her professional experience lies mainly in project management and editorial work. She is a director of Air Industrie Thermique and Esindus. Aline Lambilliotte is the daughter of Francis Lambilliotte.

Baron Philippe Vlerick, independent director since 6 December 2011, holds a Bachelor's degree in Philosophy, a law degree and a Master's degree in management from the Vlerick School of Management as well as an MBA (Indiana University, Bloomington-USA). Baron Vlerick, who heads the Vlerick Group (Uco, B.I.C. Carpets, Vlerick Vastgoed, etc.) is the chairman of Pentahold, vice-chairman of the Boards of Directors of KBC Groep, Spector Photo Group and Corelio and a director of several companies, including Besix Group, Etex and Exmar.

Martin Gonzalez del Valle, independent director since June 2005. He is co-founder and partner of Realza Capital, one of the largest private equity firms in Spain. Prior to that, for twelve years he worked in the private equity sector as a partner and CFO of Investindustrial in Spain and as Senior Director and member of the Executive Committee of Mercapital. He was previously general manager of Crédit Agricole Indosuez in Madrid and held various positions in capital goods and sanitary goods companies.

He is chairman of the Board of Directors of Esindus (non-executive mandate) and director of the listed Spanish company Iberpapel SA. He has a law degree from the University of Madrid and holds an MBA (Insead-Fontainebleau-France).

Alexandre Grosjean was appointed by the extraordinary general meeting of 7 October 2015 further to the resignation of Mr Jean Hamon as an independent director. He is a commercial engineer (Solvay Business School). He has worked in the banking sector since the start of his career, with various institutions: Kredietbank, Crédit Lyonnais, Duménil-Lebblé, Caisse Privée Banque, where he was a member of the Management Committee and a director and finally ING, where he was a Consultant, Private and Corporate banking (family business). He is currently Senior Adviser in the Intuitae Group. He is also chairman and CEO of the Galeries Royales Saint- Hubert, director and member of the Audit Committee of N.V SCR-Sibelco and a director of various companies, including Immoklaar, Floriges and others.

II. CHAIRMAN/VICE-CHAIRMAN

In accordance with the Shareholders' Convention of 18 December 2016, the Chairman of the Board of Directors is chosen from among the independent directors.

The aforementioned Shareholders' Convention states that for the next three years, the Chairman of the Board of Directors will be Mr Philippe Bodson.

The additional clause of 25 December 2018 to the aforementioned Shareholders' Convention stipulates that the Board will comprise two Vice-Chairmen chosen respectively from among the A and B directors. The two Vice-Chairmen are Renaud Witmeur (B director/Sogepa) and Francis Lambilliotte (A director/Sopal).

III. ACTIVITIES

The Board of Directors met six times in 2017 and held three board meetings by telephone.

The main subjects discussed were:

(i) the approval of the results of the Group, forecast results and annual budgets;

(ii) the monitoring of business and the financial situation of the Group and some of its subsidiaries;

(iii) the situation of the Process Heat Exchangers Business Unit;

(iv) the bank refinancing of the Group; and

(v) the capital increase in the company.

All the directors attended the meetings, with the exception of (i) Renaud Witmeur, excused on 2 March and 27 December, (ii) Philippe Vlerick, excused on 24 October, 14 November and 27 December, (iii) Laurence Levaux, excused on 25 April and 3 October and Sogepa (Valérie Potier), excused on 3 November, 13 and 27 December 2017.

5. COMMITTEES

In June 2005, the Board of Directors set up, from among its own members, specialized committees that assist it with certain specific functions: an Audit Committee, a Remuneration Committee and an Appointment Committee.

A Strategic Committee was created by the Shareholders' agreement of 18 December 2016. Its task will be to clarify for the Board of Directors (i) the potential and developments regarding the markets, the products and the position of the competition, (ii) the validity of the industrial hypotheses used as a basis for the financial forecasts and (iii) the Group's products/markets strategy.

I. AUDIT COMMITTEE

Composition

The amendment of 25 December 2017 to the aforementioned Shareholders' agreement states that the Audit Committee will comprise four directors, divided up as follows: one Director A (Sopal), one Director B (Sogepa), one independent director and the Chairman; as regards the latter, the Convention states that an independent director will chair the meetings of the Audit Committee. The Chairmanship of the Audit Committee will rotate among the independent directors every three years. Mr Philippe Vlerick will therefore chair the meetings of the Audit Committee for the three years following the signing of the Shareholders' agreement of 18 December 2016.

As of 6 March, the composition of the Committee is as follows:

Members of the Audit Committee	Fonction
Baron Philippe Vlerick*	Chairman
Baron Philippe Bodson */ Laurent Levaux *	Member
Francis Lambilliotte (A)	Member
Sogepa represented by Ms Valérie Potier (B)	Member

** Independent directors*

Activities

This Committee has the task, in particular, of reporting to the Board on relations with the Group's statutory auditor, risk analysis, compliance with the harmonization of accounting rules and the consolidation of the Hamon Group, budget follow-up and the validity of the hypotheses adopted.

The Audit Committee, comprising Philippe Vlerick, Philippe Bodson, Francis Lambilliotte, Laurent Levaux and Valérie Potier (composition prior to 1 January 2018), met four times during the 2017 financial year, together with the auditor.

The main subjects discussed in the Audit Committee were:

(i) the closing of the accounts as at 31 December 2016;

(ii) the closing of the accounts as at 30 June 2017;

(iii) the analysis of the impairment tests on the book value of some assets;

(iv) the appointment of a new statutory auditor for the Group.

All the members attended the Audit Committee meetings.

II. APPOINTMENT AND REMUNERATION COMMITTEE

Composition

Since 24 January 2017, the Remuneration Committee and the Appointment Committee have met as a single committee in accordance with the Shareholders' agreement of 18 December 2016.

The amendment of 25 December 2017 to the Shareholders' agreement states that the Appointment and Remuneration Committee will henceforth consist of three members, including (i) a Director B (Sogepa), (ii) an independent director, (iii) the Chairman, who is a director proposed by Sogepa.

Mr Renaud Witmeur will acts as Chairman.

Members of the Appointment and Remuneration	Fonction
Renaud Witmeur	Chairman
Baron Philippe Bodson *	Member
Sogepa represented by Ms Valérie Potier (B)	Member

** Independent director*

Activities

The Appointment and Remuneration Committee meets at least twice a year and as often as the situation requires.

This Committee is in charge, in particular, of validating candidates for N, N-1 and N-2 positions, validating salary principles and procedures and setting the remuneration for members of the Executive Committee and the General Manager.

The Appointment and Remuneration Committee comprising Messrs Renaud Witmeur, Philippe Bodson, Francis Lambilliotte and Sogepa, represented by Ms Valérie Potier (composition prior to 1 January 2018) met four times in 2017. All the members attended.

The main subjects discussed were:

(i) the remuneration package for the members of the Executive Committee and senior management;

(ii) the adoption of the remuneration report submitted to the general meeting on 25 April 2017;

(iii) the appointment of new directors;

(iv) the composition of the specialized Committees and the Executive Committee.

III. STRATEGIC COMMITTEE

The aforementioned Shareholders' Convention established a Strategic Committee made up of five members in order to ensure a balance between the reference shareholders of the company on the one hand and the independent directors on the other, including (i) one Sopal representative, (ii) one Sogepa representative, (iii) two independent directors, one appointed at the proposal of Sopal and one at the proposal of Sogepa and (iv) the Chairman of the Board of Directors.

The Strategic Committee is chaired by Mr Francis Lambilliotte and meets at least three times a year and as often as the situation requires.

Members of the Strategic Committee	Fonction
Francis Lambilliotte	Chairman
Baron Philippe Bodson *	Member
Renaud Witmeur	Member
Martin Gonzalez del Valle *	Member
Laurent Levaux *	Member

** Independent directors*

The Strategic Committee will be responsible, in particular, for keeping the Board of Directors informed on the following points:

(i) the potential and developments as regards the markets, products and the position of the competition;

(ii) the validity of the industrial hypotheses used as a basis for financial forecasts; and

(iii) the Group's products/markets strategy.

The Strategic Committee does not have any management assessment competence. It met three times in 2017, mainly to discuss the issue of the future of the Process Heat Exchangers Business Unit.

6. EXECUTIVE COMMITTEE AND DAY-TO-DAY MANAGEMENT

Since 1 July 2017, the composition of this Committee has been as follows:

Bernard Goblet	General Manager
Marc d'Udekem	Sales Director
Alexandre Catalao	Director of Operations
Christian Leclercq	Financial Director of the Group

The aforementioned Shareholders' agreement created the position of General Manager, whom the Board of Directors has entrusted with the day-to-day management of the company. The General Manager is assisted in his task by the members of the Executive Committee. The company has not set up a Management Committee within the meaning of Article 524bis of the Company Code.

The Executive Committee has been chaired by the General Manager since 1 January 2017 and meets at least once a month and as often as is necessary. In addition to the missions especially delegated to him by the Board of Directors, the General Manager will be in charge, alongside the Financial Director, of ensuring the follow-up of the implementation of the ERP and the cost-cutting aspects of the optimization programme in line with the schedule set.

The Executive Committee is in charge of all the operational management and may put forward any proposal that it may deem useful to the Board of Directors. It will also seek to promote diversity within the Committee.

7. REMUNERATION REPORT

In accordance with Article 526quater of the Company Code, the Remuneration Committee prepared a remuneration report in compliance with Article 96 of the Company Code.

I. PROCEDURE

The Remuneration Committee, in consultation with the CEO of the time, called upon the services of an external Human Resources consultant specializing in this field so as to (i) draw up a policy on the remuneration of the directors and members of the Executive Committee and (ii) set the individual remuneration of the above persons. This consultant reported to the Remuneration Committee on market practices in the Group's sectors of activity for companies of comparable size, both in Belgium and abroad, bearing in mind in particular the international composition of the Group's Executive Committee. Market practices are reviewed regularly and discussed each time in the Remuneration Committee, which may decide to revise certain elements.

II. REMUNERATION AND BENEFITS FOR THE ADMINISTRATIVE AND MANAGEMENT BODIES

1. Remuneration of the directors

All the directorships are remunerated.

The remuneration of the non-executive directors consists of both a fixed amount and an attendance fee per meeting at which they are present. The non-executive directors do not benefit from options on shares or a bonus linked to the results of the company.

The fees paid to non-executive directors were last revised at the general meeting of 25 April 2017 which decided to allocate, effective as of 1 January 2018, a remuneration (fixed sum and attendance fee) to the directors for the performance of their duties of a maximum total amount of EUR 500,000 per year (to be indexed annually on the basis of the level of the consumer prices index of January 2017). The Board of Directors is responsible for determining the distribution of this overall amount among its members every year.

The Chairman of the Board of Directors receives a higher annual fixed amount in consideration of his advice and experience. The amendment of 25 December 2017 to the Shareholders' agreement signed on 18 December 2016 between Sogepa and Sopal International SA stated that a fixed sum would also be paid to the Vice-Chairmans of the Board as of 2018.

In 2017, no remuneration relating to the 2016 financial year was paid to the directors, given the difficult financial situation of the Group.

As regards the remuneration of the directors relating to the 2017 financial year, the Board of Directors again decided not to pay fees to the directors, given the cost-cutting efforts put in place at every level in the context of the Group transformation plan. The only remuneration paid was EUR 80,000 to Francis Lambilliotte in application of the Shareholders' agreement of 18 December 2016.

2. Remuneration of the General Manager

The remuneration of Mr Bernard Goblet, General Manager, consists of a fixed sum of EUR 550,000/year which covers all the pension and other components of the remuneration (benefits in kind/health insurance/death benefit, disability/guaranteed income/company car), excluding variable remuneration. The General Manager will not receive any variable remuneration relating to the 2017 financial year. The agreement concluded with the General Manager provides for severance pay of three months' salary.

3. Remuneration of Executive Committee members

The remuneration of Executive Committee members consists of a fixed sum and a variable amount.

The fixed sum is in line with international market practices for the various functions concerned.

The purpose of the variable remuneration is to assure Executive Committee members that they are paid based on the performance of the Group on the one hand and their personal performance on the other. The variable remuneration is therefore related to the results of the Business Units and the Group and to the achievement of personal goals; the percentage of the variable amount compared to the fixed remuneration depends on the importance of the function in terms of its contribution to the results of the Business Units and the Group.

Individual performances are subject to an annual assessment by the General Manager, who takes into account the extent to which the mutually agreed objectives, set the previous year, have been met. This analysis of the performance of Executive Committee members and senior management is discussed in the Appointment and Remuneration Committee.

The remuneration and other benefits granted to Executive Committee members (apart from the General Manager) in 2017 were as follows (figures in EUR):

Basic remuneration	1,473,735
Variable remuneration	0 (*)
Pension (defined contribution)	426,896
Other remuneration components (benefits in kind/health insurance, death benefit/disability allowance/ guaranteed income/company car)	155,142

Note: These figures represent the total company costs (including social security charges).

** As specified for the General Manager, the members of the Executive Committee will not receive any variable remuneration relating to the 2017 financial year.*

Furthermore, no agreement providing for severance payment has to be submitted for the approval of the general meeting of 24 April 2018.

4. Total remuneration of senior management

In 2017, the total amount of remunerations and benefits in kind allocated to the General Manager and members of the Executive Committee of the company further to their positions in the company, its subsidiaries and its associated companies amounted to EUR 2,605,768.

For more details, see note 44 to the consolidated accounts.

8. SHAREHOLDING BODY, SHAREHOLDERS' PACTS AND TRANSACTIONS WITH RELATED PARTIES

The shareholding structure of the company is given in the section on Relations with our shareholders below.

The Shareholders' agreement concluded on 18 December 2016 between Sogepa and Sopal International SA deals with certain points concerning the governance and management of the company and the ownership and transfer of shares in the company held by Sopal, the Walloon Region and Sogepa. This Shareholders' agreement was amended on 25 December 2017 by an additional clause making a number of modifications to the composition of the Board and the specialized Committees in order to better reflect the new structure of the shareholding body further to the capital increase of February 2018. In addition, the temporary non-transferability of shares by Sopal and Sogepa no longer applies, but any transfer of shares by one of these parties is subject, until 30 June 2019, to a pre-emptive right.

Moreover, the parties to the Shareholders' agreement thus amended do not act in concert to the extent that under the terms of the Shareholders' agreement it may not be considered that the parties to this convention have concluded an agreement concerning the concerted exercising of their voting rights with a view to pursuing a lasting, common policy in respect of the company, as required by the applicable legislation on acting in concert.

As regards transactions with the related parties, please refer to note 41, Related Parties, of the company's 2017 annual report.

9. AUDITOR

I. IN CHARGE OF MONITORING ACCOUNTS

The company accounts and consolidated accounts for the financial year ended on 31 December 2017 were audited by EY Ernst & Young, Reviseurs d'Entreprises, SCCRL, De Kleetlaan 2, 1831 Diegem, represented by Mr Vincent Etienne, partner, acting on behalf of an SPRL (private limited company), who issued a report without reservations.

The auditor's mandate was granted by the general meeting of 25 April 2017 for three years, until the forthcoming general meeting of 28 April 2020.

II. REMUNERATION OF THE AUDITOR

The fees received by the auditor and its network (E&Y) for the 2017 financial year for the entire consolidated scope of the Group amounted to EUR 749,852.

10. APPROPRIATION OF THE RESULT

The company did not pay a dividend for the 2016 financial year and will not pay a dividend for the 2017 financial year.

11. CODE OF CONDUCT

The Group has drawn up a Code of Ethics for all its employees covering various aspects including (i) compliance with the legal provisions on insider trading, (ii) prevention of conflicts of interest with the Group, (iii) observance of confidentiality in the exercising of their functions, (iv) correct and proper conduct in the management of business, (v) the fight against corruption, (vi) respect for human rights.

This Code aims to increase awareness among employees regarding the need to respect a code of conduct when fulfilling their professional duties and ensure that all staff members carry out their activities ethically and in compliance with the regulations in force. The Code reflects the Group's determination to maintain a relationship of trust and professionalism with all its stakeholders.

This Code of Ethics was updated in September 2017 and is available on the company website, http://www.hamon.com/en/corporate/about-us/corporate-social-responsibility/

The Corporate Governance Charter published on the Hamon website includes a section specifically on insider trading.

12. CONFLICTS OF INTEREST

The procedures on conflicts of interest laid down in Articles 523 and 524 of the Company Code were applied for the granting by Sogepa of a loan of EUR 25 million to the company in the context of the senior credit to the extent that this was a transaction involving Sogepa, a company potentially related to Hamon within the meaning of Article 11 of the Company Code.

13. COMPLIANCE WITH THE RULES ON MARKET ABUSE

The Board of Directors has drawn up a set of rules governing transactions and the public disclosure of transactions involving shares in the company, derivatives or other financial instruments linked to them. The transaction regulations specify which information concerning these transactions must be disclosed to the market. The transaction regulations are laid down in the Corporate Governance Charter which can be found on the Hamon website.

14. ELEMENTS LIKELY TO IMPACT ON ANY PUBLIC TAKEOVER BID

Article 5bis of the Hamon & Cie articles of association states that the Board of Directors is authorized to increase the company capital once or on several occasions up to the sum of EUR 2,157,441.60.

The current available balance of the authorized capital amounts to EUR 1,358,653.5, taking account of the use made in 2015 and 2016 as part of the capital increases undertaken by means of the authorized capital. This authorization is limited to five years; it can be renewed once or on several occasions for a maximum period of five years each time, by the general meeting. Capital increases decided upon further to this authorization may be effected in cash or in kind, or by the incorporation of available or unavailable reserves or share premiums, with or without the creation of new shares, whether preferential or not, with or without voting rights and with or without subscription rights. This authorization was renewed by the ordinary general meeting of 22 April 2014 for a period of five years, i.e. until the general meeting of 23 April 2019.

In the context of the authorization granted to it by the articles of association, the Board may decide to issue bonds, subscription rights or option rights, just as it may also cancel or limit the preferential rights of existing shareholders in the interests of the company and in accordance with the legal conditions, including in favour of one or more specific individuals or members of staff of the company or related companies.

The extraordinary general meeting of Hamon & Cie also expressly authorized the Board of Directors, in the event of a public takeover bid for the shares of the company, to increase the capital by contributions in kind or in cash, limiting or cancelling, if need be, the preferential rights of shareholders, including those in favour of one or more specific individuals.

The extraordinary general meeting of 25 April 2017 renewed this authorization for a three-year period until the general meeting of 25 April 2020.

The Hamon & Cie articles of association also stipulate that the company is authorized to buy its own shares on the stock market without necessarily making an offer of acquisition to shareholders. The Board of Directors is authorized to dispose of company shares through the stock market or in any other way in the cases provided for by law without the prior authorization of the general meeting. The Board is also authorized by the extraordinary general meeting to acquire or dispose of company shares to avoid any serious or imminent damage to the company, in accordance with the law. The extraordinary general meeting of 25 April 2017 renewed this authorization for a three-year period until the general meeting of 25 April 2020.

II. INTERNAL AUDITING AND RISK MANAGEMENT SYSTEMS IN THE COMPANY

1. INTRODUCTION

The law of 6 April 2010 on strengthening corporate governance stipulates, in the context of the implementation of a European directive, that the statement of corporate governance must contain a description of the main characteristics of the internal auditing and risk management systems of the company as part of the process of preparing financial information.

In compliance with the provisions of the Code, the elements relating to risks other than those associated with the process of drawing up financial statements are also described.

At the proposal of the Audit Committee, the Hamon Board of Directors approved the use as an initial reference of the proposal drafted by the working group set up by the Corporate Governance Commission of the Federation of Belgian Businesses, the FEB, made up of representatives of listed companies, the Institut des Réviseurs d'Entreprises, and the Institute of Internal Auditors Belgium (IIANel).

Moreover, the Board of Directors requested the Audit Committee to report to it every six months on the implementation of this reference framework and improvements to be made to it.

Hamon has organized its internal auditing and risk management by defining the audit environment (general framework), identifying and classifying the main risks to which it is exposed, analyzing its level of control of these risks and organizing an 'audit of the audit'. The company also focuses particular attention on the reliability of the reporting and financial communication process.

2. THE AUDIT ENVIRONMENT

1. ROLES AND VALUES OF THE COMPANY

i. A Sustainable Development Charter – included in our 2009 annual report – sets out the basis on which Hamon intends to develop its business, with respect for the environment, human rights, the local communities among which it operates and its staff. It fosters values such as professionalism, corporate culture, cultural diversity, team spirit and a 'do it right the first time' approach. See also the Vision, Mission and Values sections in the Group Profile part of this report.

ii. A Corporate Governance Charter – available for consultation on the website – has been drawn up and validated by the Board of Directors. This charter clearly defines the role of the various management bodies, their working method and their composition. It should be remembered that Hamon has a Board of Directors and specialized committees: an Audit

Committee, a Remuneration Committee and an Appointment Committee, while the day-to-day management is undertaken by the General Manager, assisted by an executive committee.

iii. A Code of Ethics, drawn up for the attention of all employees, as described in Section 9. Code of Conduct on page 32.

2. RISK CULTURE

Hamon adopts a cautious approach. The company manages large-scale projects in various fields of activity, integrating innovative systems that boast cutting-edge technology and effectively meet its customers' needs, while applying stringent cost control. The projects undergo an in-depth risk analysis right from the quote preparation phase to ensure that they will continue to create value in the long term.

3. CLEAR MISSIONS

i. Since 2017, the Hamon structure has been organized along geographic lines, with three main Regions: EMEA (Europe, Middle East, Africa), Americas (North and Latin America) and Asia, which have a very clear responsibility in terms of product portfolio and as regards organization and results.

ii. The internal organization is set out in charts and each employee has a description of his or her role and of the procedures for delegating authority.

iii. The Group also provides support functions for the Regions through the Finance, Legal, IT, Control Management, Treasury and Human Resources departments of the parent company.

iv. Control functions:

- Compliance is undertaken by the Secretary General.
- The CFO is responsible for organizing risk management and directly supervises the Controlling Team, which is in charge of the Group management control.
- The Director of Operations is responsible for monitoring the industrial risks.

4. COMPETENT TEAMS

i. Directors:

The directors are selected for their experience and have the necessary skills and qualifications to fulfil their responsibilities, in particular with regard to technology, finance, accounting, investment and remuneration policy.

ii. Management and staff:

Hamon staff undergo recruitment processes in line with the profiles sought and benefit from appropriate training, in accordance with the job descriptions.

3. RISK ANALYSIS

The Group faces a series of risks associated with its activities and the extent and types of markets on which it operates. Hamon regularly performs an audit to identify and evaluate its risks. The Executive Committee meets with the General Manager to assess any special business risks. The risks that the company has to deal with are mapped out. A formal action plan is drawn up for risks for which the control level is deemed to be inadequate. The implementation of this action plan is monitored by the Audit Committee.

The main risks are as follows:

1. STRATEGIC RISKS

i. Risks linked to the economic and market environment.

ii. Competitive risks.

iii. Uncertainties related to new environmental regulations and the time of their entry into force (impacts mainly on Air Pollution Control activities).

iv. Risks linked to acquisitions, partnerships and activities abroad.

2. RISKS ASSOCIATED WITH THE GROUP'S ACTIVITIES

i. Customer risks: dependency on certain customers and customer credit risks.

ii. Supplier risks: this may include unsatisfactory products which do not meet the specifications or delays in delivery.

iii. Technical risks relating to the design or proper implementation of certain projects.

iv. Risks linked to guarantees given on projects.

v. Risks linked to the environment, for example on Hamon customers' sites or in its plants.

vi. Industrial risks (accidents), human risks or those linked to occupational diseases.

vii. Risks related to raw material prices.

3. FINANCIAL RISKS

i. Interest rate risks.

ii. Exchange risks.

iii. Liquidity risks.

iv. Risks linked to financing concerning the risk inherent in the concomitant due date of the bond loan of EUR 55 million and the credit facility of EUR 302 million, on 30 January 2020.

v. Risks linked to the impact of the indebtedness of the company on its operational flexibility.

vi. Risks of failure to fulfil financial covenants.

4. SUPPORT RISKS

i. Human resources risks, that is the company's capacity to provide the skills and resources necessary for the fulfilment of its contracts.

ii. IT risks linked to the availability and safeguarding of IT facilities and data required to achieve the Group's objectives.

iii. Risks relating to disputes in which the Group is involved or guarantees given in the framework of asset disposals.

iv. Internal financial risks such as the possibilities of using deferred tax losses, impairments (impairment test) to be recorded on the book value of certain assets, liquidity risks or credit risks.

4. CONTROL MEASURES PUT IN PLACE

Hamon takes steps to keep control of these risks as well as possible by means of an adequate risk management policy based on it project activities:

i. Implementation of an adequate internal control framework at Group level.

ii. Analysis of technical, financial and implementation risks based on a check list that is tailored to the different Regions; this analysis is undertaken prior to submitting quotes to our customers and is based on a system of delegation of authority.

iii. Monthly follow-up through business meetings of the progress of various Group projects.

iv. Monthly and quarterly reporting on management, disputes and the cash position.

v. Strong management control system for the Group to supervise the progress of projects and activities within the Group and guard against or issue warnings should a problem arise.

vi. Quarterly review by the Executive Committee of the state of business, disputes and risks.

As regards covering monetary risks, Hamon has put in place a risk management policy for interest rates, exchange rates and counter party risks:

i. Interest rate risks: these are managed by using interest rate swaps (IRS) when the long rates exceed certain limits set by the Group.

ii. Exchange risks: the positions in foreign currencies resulting from the fulfilment of our construction contracts are covered by derivatives (forward exchange rate contracts, swaps, NDF) when they exceed the limits set by the Group.

iii. Counter party risks: cash deposits and investments must comply with certain safety and liquidity criteria and only then with return criteria.

The monetary risk management policy is set by the financial management of the Group and reviewed on a regular basis.

5. FINANCIAL INFORMATION AND COMMUNICATION

The process of gathering financial information is organized as follows:

1. A schedule is drawn up of the tasks that have to be carried out as part of the company's monthly, quarterly, half-year and annual closings and those of its subsidiaries, along with their deadlines. The Group has a check list of actions to be followed by the financial department. In addition, each subsidiary has drawn up its own check list to enable it to meet these needs.
2. The local teams produce the accounting figures under the supervision of the financial managers at the subsidiaries. The books are kept either by the Group ERP – JD Edwards - or, depending on the roll-out programme or the size of the subsidiary, using software programs purchased locally and backed up by appropriate support contracts, or for the smallest entities, by external service providers. It should be noted that Hamon has developed a 'disaster recovery' plan and a 'business continuity' plan, the steps of which have been validated by IT security auditors.
3. The Controlling team of the subsidiary checks the validity of the figures and produces the reports. The figures are checked using the following procedures:

i. consistency tests by means of comparisons with past or budget figures;

ii. spot checks on transactions and depending on their materiality.

4. At central level, the consolidation is carried out using a software package - SAFRAN - in which the input is undertaken locally by the subsidiaries. The consolidation and reporting team prepares the consolidated figures and uses spot checks and consistency tests to verify the basic financial information. This central Controlling team takes an active part, at least twice a year, in the business reviews of each of the subsidiaries of the Regions for which it is responsible.
5. Communication with members of staff and various Hamon employees is adapted to the size of the company. It is based mainly on the different press releases, the Group's intranet and sending internal memos by e-mail, business meetings or verbal communication between management and staff.
6. To ensure rapid communication and the equal treatment of shareholders, Hamon publishes the agenda and the minutes of general meetings, half-year and annual financial results, press releases, the articles of association, the Corporate Governance Charter and the annual report on its website.

6. PARTIES INVOLVED IN THE SUPERVISION AND EVALUATION OF THE INTERNAL AUDIT

The quality of the internal audit is assessed during the course of the financial year:

1. by means of the Group management control, as part of its quarterly reviews of each Region and regular audits carried out at the subsidiaries during which all the activities and key internal checks relating to contracts are reviewed.
2. by internal auditing, which carries out several internal auditing missions at subsidiaries every year. The subsidiaries and processes audited are chosen at the start of the year on the basis of potential risks identified. This choice is discussed and validated with the Audit Committee. A specific and detailed report is drawn up on each mission and passed on to the Audit Committee, the external auditors, the local management and the Group. Twice a year, internal auditing presents the conclusions of its work to the Audit Committee and the general management of the Group. Internal audit also ensures the proper circulation and use of best practices and procedures in the subsidiaries audited.
   No internal audit missions were carried out in 2017 as the position was temporarily vacant and the Audit Committee decided to focus its attention on drafting internal auditing procedures in order to enable a more efficient internal audit in the future.
3. by the Audit Committee. During the financial year, the Audit Committee undertook a review of the half-year closures and specific accounting treatments. It reviewed the disputes and put all the questions it deemed relevant to the Auditor and the Group Controller or to the senior management in the company.
4. by the Auditor as part of his review of the half-year and annual accounts. During the financial year, the Auditor put forward recommendations concerning the keeping of the financial statements.
5. occasionally by the Financial Services & Market Authority.
6. The Board of Directors oversees the fulfilment of the tasks of the Audit Committee, mainly by means of the reports submitted to it by this Committee.

III. RELATIONS WITH OUR SHAREHOLDERS AND OTHER STAKEHOLDERS

1. RELATIONS WITH OUR SHAREHOLDERS

Hamon shares

Hamon shares are listed on the regulated Euronext Brussels regulated market, on the continuous market, in trading group C (ISIN code: BE 0003700144). The main data relating to Hamon shares are summarized below:

in EUR/share	2017	2016
Average closing price	2,983	5,09
Maximum closing price (11/1/2017)	4,298	7,85
Minimum closing price (18/12/2017)	1,702	3,50
Closing price as at 31 December 2017	1,80	3,54
Average trading volume (number shares/day)	6.396	4.952
Total number of shares issued as at 31 December	22.703.278	21.274.563
Total number of outstanding shares as at 31 December	22.661.710	21.250.600
Average number of outstanding shares	22.612.323	10.877.836
Stock market capitalization as at 31 December (EUR million)	40,8	75,3

The own stock repurchase programme put in place as part of a liquidity contract in 2013 is still in force. Own shares held are not taken into account in the number of outstanding shares. A total of 48,945 shares were purchased and 31,340 shares were sold in 2017, resulting in a net purchase of 17,605 shares.

The Hamon share price fell by 49% in 2017, whereas the BEL20 rose by 10.3%.

Capital increases

Hamon carried out a major capital increase in early 2018 by means of an offer for public subscription open to existing shareholders, which therefore included a preferential right from 26 January 2018 to 9 February 2018.

Sogepa subscribed the sum of EUR 25 million, three banks in the banking consortium (transferees of subscription rights of Sogepa and Sopal) the sum of EUR 8.3 million, Sopal/Frabelco the sum of EUR 4.2 million and the public the sum of EUR 9,384,099. This resulted in a capital increase of EUR 47,266,017.

94,532,094 new shares were created at the time of this transaction and the holdings of Sogepa/Walloon Region and Sopal/Frabelco increased to 51.21% and 14.34% respectively.

This capital increase enabled the Group to raise liquidity in order to reimburse part of the bank debt, improve the financing of its operating activities and its cash situation and finance its cost-cutting plan. It is part of a large-scale restructuring operation, also intended to reduce the level of indebtedness (cf. also post balance sheet events, page 13).

For more details of the offer for public subscription, please refer to the prospectus dated 23 January 2018 published on this occasion and available on the Hamon website.

Composition of the Hamon & Cie shareholding body

Under the terms of Article 9 of the Hamon & Cie (International) articles of association, as amended

on 27 May 2008, shareholders whose stake exceeds 2%, 3%, 4%, 5%, 7.5%, 10% and thereafter every multiple of 5% are required to inform the company and the FSMA (Financial Services & Market Authority) of this in accordance with the legal provisions on this matter.

In accordance with the terms of the Royal Decree of 14 February 2008 on the public disclosure of major shareholdings, Hamon & Cie has received notification of the following holdings, which indicate the composition of the shareholding body as at 16 February 2018:

Shareholder	16/2/2018 Shares	16/2/2018 in %	31/12/2017 Shares	31/12/2017 in %	31/12/2016 Shares	31/12/2016 in %
Sopal International SA	16,806,769	* 14. 34%	8,744,248	38.52%	8,740,344	41.08%
Sogepa (on its own behalf and on behalf of the Walloon Region)	60,040,906	***51.21%	10,040,902	**44.22%	10,040,902	47.20%
Esindus SA	303,506	0.26%	303,506	1.34%	303,506	1.43%
Own shares held by the company	31,400	0.03%	41,568	0.18%	23,963	0.11%
Other public	22,689,005	19.35%	3,573,054	15.74%	2,165,848	10.18%
Banks	17,363,826	14.81%	0	0	0	0
Total	**117,235,312**	**100%**	**22,703,278**	**100%**	**21,274,563**	**100%**

** Sopal: 9,226,665 shares (7.87%) and Frabelco: 7,580,004 shares (6.47%)*
*** Sogepa on its own behalf: 9,031,811 shares (39.78%) and on behalf of the Walloon Region: 1,009,091 shares (4.44%)*
**** Sogepa on its own behalf: 59,031,815 shares (50.35%) and on behalf of the Walloon Region: 1,009,091 (0.86%)*

Financial calendar

The general meeting of shareholders is scheduled in the articles of association to take place on the fourth Tuesday in April.

General shareholders' meeting 2018	24.04.2018
Publication of quarterly review Q1 2018	24.04.2018
Publication of first half-year results 2018	04.09.2018
General shareholders' meeting 2019	23.04.2019

Relations with investors and financial communication

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All financial information, including annual reports and press releases, is also available on our website: www.hamon.com.

2. RELATIONS WITH OUR OTHER STAKEHOLDERS

Our development depends on our customers. We do our utmost to ensure that they are fully satisfied, as stated in our Corporate Governance Charter (see Vision, Mission and Values sections in the Group Profile part).

We are always eager to listen to them, be it via our sales staff, our project managers, those working on site or on a day-to-day basis through our participation in industry meetings, our website or other means of communication.

We pay particular attention to their pre-selection criteria in order to meet their requirements for preferred suppliers: criteria relating to economic aspects, quality, certification, health, safety, the environment and ethics.

We seek to listen to them so as to promote efficient practices across the entire value chain of our products and services and in particular by passing them on to our suppliers.

Our employees are at the core of our performance. They represent our most valuable resource. It is from their commitment, their know-how, their experience, their professional and human values that Hamon derives all its added value. The 'Corporate Social Responsibility' part of this report gives details of our commitments in this area.

Our suppliers enhance our added value chain. Over time, we build up preferential relations with some of these suppliers. We want to ensure global sourcing for the Group. This strategy enables us to develop stable relationships with our suppliers around the world with a guarantee of quality at competitive prices.

We audit several suppliers on an annual basis.

In addition to an audit in the strict sense of the term, this also provides an opportunity to exchange points of view and to hold detailed and constructive talks with them.

Lastly, the financial community helps us to develop:

- the banks for our financial needs (loans and guarantees as well as other commercial banking tools).
- financial analysts who assess our performance. Several times a year, we organize analyst meetings to present the Group's development and enable them to interact with us directly.
- the financial markets.

Hamon is aware that the contribution of each stakeholder adds to its success and performance. Establishing a permanent dialogue in order to improve our understanding of their expectations is the first step towards assuming our corporate social responsibility. For this reason, we welcome comments, wishes and other contributions from all our stakeholders:

- from our staff: via the personnel department, the works councils (for the larger subsidiaries), the line management or the Compliance Officer.
- from our other stakeholders: via their contacts at Hamon, our website, www.hamon.com, or their contacts indicated in the General Information section at the end of this report.

Hamon would like to thank all its stakeholders for their confidence during 2017.

FINANCIAL
STATEMENTS

1. CONSOLIDATED INCOME STATEMENT

in EUR '000'	Note	2017	2016 restated [a]
Revenue	8	366,646	394,374
Cost of sales		(330,462)	(343,332)
Gross profit		**36,184**	**51,042**
Sales & marketing costs	9	(14,354)	(14,578)
General & administrative costs	9	(42,582)	(51,995)
Research & development costs	9	(2,096)	(2,016)
Other operating income / (expenses)	10	(894)	(7,316)
Operating profit before non-recurring items (REBIT)		**(23,742)**	**(24,863)**
Restructuring costs	11	(5,717)	(3,304)
Other non-recurring items	11	8,681	(2,350)
Operating profit (EBIT)		**(20,778)**	**(30,517)**
Interest income	12	87,099	108
Interest charges	12	(14,892)	(11,775)
Share of the profit (loss) of associates & joint-ventures	42	(9,226)	(4,585)
Result before tax		**42,203**	**(46,769)**
Income taxes	13	(16,811)	(3,071)
Net result from continued operations		**25,392**	**(49,840)**
Net result of discontinued operations	43	(48,020)	(13,133)
Net result		**(22,628)**	**(62,973)**
Equity holders of the company		(22,313)	(62,593)
Non controlling interests		(315)	(380)
EARNINGS PER SHARE	15		
Continued and discontinued operations			
Basic earnings per share (EUR)		(0.99)	(5.75)
Diluted earnings per share (EUR)		(0.99)	(5.75)
Continued operations			
Basic earnings per share (EUR)		1.14	(4.55)
Diluted earnings per share (EUR)		1.14	(4.55)
Discontinued operations			
Basic earnings per share (EUR)		(2.12)	(1.21)
Diluted earnings per share (EUR)		(2.12)	(1.21)

(a) Some comparative figures above do not tie to 2016 Annual Report following the reclassifications related to the discontinued operations (PHE). Complementary informations are included in Note 3.19 and Note 43.

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR '000'	2017	2016
Net result	**(22,628)**	**(62,973)**
Other comprehensive income		**-**
Items that may be reclassified subsequently to result	**(6,117)**	**1,571**
Other	(46)	(38)
Change in fair value of available-for-sale assets	-	-
Reclassification of previously recognized changes in fair value of available-for-sale assets to net result	(247)	-
Change in fair value of hedging instruments	94	463
Changes in currency translation reserve	(5,918)	1,146
Items that may not be reclassified subsequently to result	**907**	**176**
Actuarial gains/loss on defined benefit plan	907	176
Other comprehensive income, net of taxes	**(5,210)**	**1,747**
Comprehensive income	**(27,838)**	**(61,226)**
Equity holders of the company	(27,179)	(60,820)
Non controlling interests	(659)	(406)

3. CONSOLIDATED BALANCE SHEET

in EUR '000'	Note	31/12/2017	31/12/2016
ASSETS			
Non-current assets			
Intangible assets	19	16,948	22,808
Goodwill	20	28,985	43,239
Property, plant & equipment	21	15,863	28,427
Investment in associates & joint-ventures	42	3,535	8,552
Deferred tax assets	23	9,090	20,524
Available-for-sale financial assets	22	189	1,714
Trade and other receivables	26	1,713	9,406
		76,323	**134,670**
Current assets			
Inventories	24	6,485	8,388
Amount due from customers for contract work	25	62,521	111,051
Trade and other receivables	26	149,569	152,765
Derivative financial assets	34	3,273	6,531
Cash and cash equivalents	27	50,246	46,898
Current tax assets		5,952	11,589
Available-for-sale financial assets	43	10,995	20,683
		289,041	**357,905**
Total assets		**365,364**	**492,575**
EQUITY			
Capital	28	4,215	3,955
Reserves		81,100	84,356
Retained earnings		(83,118)	(59,410)
Equity attributable to the equity holders of the company		**2,197**	**28,901**
Non controlling interests		**(704)**	**(191)**
Total equity		**1,493**	**28,710**
LIABILITIES			
Non-current liabilities			
Financial liabilities	32	73,956	153,701
Provisions for pensions	30	2,851	5,275
Other non-current provisions	29	801	631
Deferred tax liabilities	23	3,971	5,099
Other non-current liabilities		1,622	2,121
		83,201	**166,827**
Current liabilities			
Financial liabilities	32	65,348	33,753
Amount due to customers for contract work	25	79,239	105,310
Trade and other payables	33	105,231	134,042
Current tax liabilities		8,947	2,061
Derivative financial liabilities	34	2,418	11,598
Other current provisions	29	3,491	3,204
Current liabilities held for sale	43	15,996	7,070
		280,670	**297,038**
Total liabilities		**363,871**	**463,865**
Total equity and liabilities		**365,364**	**492,575**

4. CONSOLIDATED CASH FLOW STATEMENT

in EUR '000'	Note	2017	2016
Cash flows from operating activities	16		
Cash received from customers		540,972	664,803
Cash paid to suppliers and employees		(601,058)	(736,623)
Cash generated from operations before taxes		**(60,086)**	**(71,820)**
Other financial expenses		(4,122)	(3,578)
Income taxes		4,380	842
Other cash received / (paid)		(828)	(473)
Net cash from operating activities before restructuring		**(60,656)**	**(75,029)**
Restructuring costs		(3,843)	(3,575)
Net cash from operations		**(64,499)**	**(78,604)**
Cash flows from investing activities	17		
Dividends received		60	241
Proceeds on disposal of PP&E		2,864	489
Proceeds from sale of subsidaries net of cash transfered		34,939	-
Capital increase of a subsidiary without impact on the share held		(24)	(1,488)
Acquisition of PP&E		(3,101)	(3,919)
Purchase of other intangible assets		(680)	(1,114)
Capitalized development costs		(419)	(995)
Net cash from investing activities		**33,639**	**(6,786)**
Cash flows from financing activities	18		
Dividends paid to non controlling interests		-	(401)
Capital Increase		4,996	38,484
Transactions with non controlling interests without impact on control in the subsidiary		-	(1,666)
Interest received		151	104
Interest paid		(9,278)	(7,056)
Proceeds from new bank borrowings		42,011	8,813
Repayment of borrowings		(118)	(15,230)
Net cash from financing activities		**37,762**	**23,048**
Other cash flow movements			
Other variations from discontinued operations		(2,228)	-
Scope change		1,459	-
Other net cash flows		**(769)**	**-**
Net variation of cash and cash equivalents		**6,133**	**(62,342)**
Cash and cash equivalents at beginning of period		46,898	109,337
Impact of translation differences		(2,789)	(97)
Cash and cash equivalents at end of period		50,246	46,898
Net variation of cash and cash equivalents		6,137	(62,342)

5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR '000'	Share capital	Legal reserve	Share premium	Retained earnings	Own shares	AFS reserve	Share-based payments	Hedging reserve	Defined benefit pension plans	Currency translation reserves	Equity - Attribuable to equity holders of the parent	Non controlling Interests	Total equity
Balance at 1 January 2016	**2,555**	**671**	**48,458**	**(452)**	**(200)**	**4**	**153**	**(595)**	**(442)**	**(2,325)**	**47,825**	**4,168**	**51,993**
Result for the period				(62,593)							(62,593)	(380)	(62,973)
Other comprehensive income					(38)			463	176	1,170	1,772	(26)	1,747
Total comprehensive income	**-**	**-**	**-**	**(62,593)**	**(38)**	**-**	**-**	**463**	**176**	**1,170**	**(60,820)**	**(406)**	**(61,226)**
Capital increase	1,400		37,084								38,484	-	38,484
Dividends paid to shareholders				-							-	(401)	(401)
Other movements				3,635				-		(223)	3,412	(3,552)	(140)
Balance at 31 December 2016	**3,955**	**671**	**85,542**	**(59,410)**	**(238)**	**4**	**153**	**(132)**	**(266)**	**(1,378)**	**28,901**	**(191)**	**28,710**
Balance at 1 January 2017	**3,955**	**671**	**85,542**	**(59,410)**	**(238)**	**4**	**153**	**(132)**	**(266)**	**(1,378)**	**28,901**	**(191)**	**28,710**
Result for the period				(22,313)							(22,313)	(315)	(22,628)
Other comprehensive income					(46)	(247)		94	907	(5,574)	(4,866)	(344)	(5,210)
Total comprehensive income	**-**	**-**	**-**	**(22,313)**	**(46)**	**(247)**	**-**	**94**	**907**	**(5,574)**	**(27,179)**	**(659)**	**(27,838)**
Capital increases	260		4,737								4,997	-	4,997
Acquisition of non-controlling interests				(955)							(955)	(131)	(1,086)
Scope exit										(3,290)	(3,290)		(3,290)
Other movements				(440)						163	(277)	277	-
Balance at 31 December 2017	**4,215**	**671**	**90,279**	**(83,118)**	**(284)**	**(243)**	**153**	**(38)**	**641**	**(10,079)**	**2,197**	**(704)**	**1,493**

6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Hamon & Cie (International) sa (hereafter called 'Hamon' or 'the Company') is a limited liability company under Belgian law. Its registered office is Axisparc, rue Emile Francqui 2, B-1435 Mont-St-Guibert, Belgium; telephone: 32 10 39 04 00.

The main activities of Hamon and its various subsidiaries are described in the first part of this annual report.

The legislation governing the activities of Hamon & Cie (International) is Belgian law or the law of the countries in which its subsidiaries are established. The country of origin of the Company is Belgium.

The Company's financial year begins on the 1st of January and closes on the 31st of December of each year. The Company was founded on 31 December 1927 for an unlimited period.

The Company registration number is 0402.960.467.

2. DECLARATION OF COMPLIANCE AND RESPONSIBILITY

The consolidated financial statements were approved by the Board of Directors on 20 March 2018.

We declare that to our knowledge:

The consolidated financial statements have been prepared according to the International Financial Reporting Standards (IFRS) as approved by the European Union.

The financial statements are a fair view of the assets, the financial situation and the results of the Group.

The Management report is a fair review of the ongoing business, the results and the situation of the Group and it includes a description of the principle risks and uncertainties which the Group is facing.

20 march 2018.

Bernard Goblet
General Manager

Christian Leclercq
CFO

3. PRINCIPAL ACCOUNTING STANDARDS

3.1. PRINCIPAL ACCOUNTING STANDARDS

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards.

They have been prepared on basis of the historical cost convention except for some financial instruments measured at fair value in conformity with IAS 39. The financial statements are presented in thousands of Euros, rounded to the nearest thousand.

Justification of the principle of going concern

The financial statements have been prepared on a going concern basis. As of today, taking into account the Group's financial restructuring in December 2017, its business plan and the transformation plan, the Board of Directors believes that it is appropriate to maintain the principle of continuity in the preparation of the financial statements.

The results for the 2017 financial year are described in the annual report. In this respect, the following elements should be noted:

The turnover amounts to EUR 366.6 million excluding PHE. While the revenue generated on long-term contracts is largely based on the backlog at the beginning of the year, it is also influenced to a considerable extent by the level (and partial execution) of new bookings. In this respect, and in a difficult environment in terms of Group financing, bookings in 2017 amounted to only EUR 278.8 million (excluding PHE).

EBITDA (before non-recurring items) represents a loss of EUR -17.2 million, which is mainly due to the deterioration of the level of margin related to the execution of certain contracts and the negative results of the subsidiaries in Brazil and in South Africa (EUR -5 million in 2017). Given their closure in 2018, they will no longer have a major impact in the future.

On the basis of the business plan adopted by the Board of Directors, a write-down of EUR 10 million has been recorded on the goodwill of AQS. Note 20 describes more broadly the assumptions underlying this impairment and the sensitivity of these assumptions in accordance with IFRS.

As of December 31, 2017, shareholders' equity amounted to EUR 1.5 million. It does not yet reflect the capital increase of February 2018 (EUR 47.3 million). The decrease in net debt to EUR 89.1 million as of December 31, 2017 (EUR 140.6 million as of December 31, 2016) is mainly due to the decrease in the Senior Credit (EUR 86.9 million) partially offset by an increase of short-term debt.

In this context, the continuity of Hamon depends on its ability to regain a positive EBITDA level which relies on an increase of bookings and on the success of the measures taken as part of the transformation plan. It also depends on the Group's ability to secure long-term financing. The Board of Directors believes that the going-concrern is appropriate for the following reasons:

In December 2017, Hamon achieved a major financial restructuring whereby the syndicated credit facility was reduced by EUR 86.9 million and a capital increase was decided. In February 2018, the capital increase more than met the Group's expectations as subscriptions amounted to EUR 47.3 million compared to a minimum amount of EUR 38.7 million included in the business plan, ie an additional cash injection of EUR 8.6 million.

Taking into account the other provisions of the agreement with the participating banks, the fresh money contribution for Hamon amounts to EUR 42.1 million. The 12-month cash flow projections indicate that this contribution makes it possible to finance the Group's restructuring plan while maintaining a level of cash sufficient to finance its activities. These projections also indicate that the working capital reduction could have a positive impact on net debt at the end of 2018.

The covenants of the syndicated credit facility, calculated on 12 rolling months, were set on the basis of a minimum amount of (i) sales of EUR 280 million and (ii) EBITDA (before non-recurring items) of respectively EUR 7, 10.5 and 14 million as of December 31, 2018, June 30, 2019 and December 31, 2019. The first covenant test is scheduled for December 31, 2018. The agreement includes the possibility for Hamon to remedy a possible breach of covenant through a capital increase or a convertible loan. The Group may also request a waiver from the Banking Syndicate.

As part of the financial restructuring summarized above, the business plan of Hamon approved during the Board of October 14, 2017 was accepted by the Banking Syndicate. The business plan is based in particular on (i) a turnover (and thus bookings) of approximately EUR 400 million for continued business and (ii) an organization resized to this level of yearly turnover. The business plan indicates that, at this level of bookings and turnover, Hamon should return to a positive EBITDA from 2018 and a positive net result in 2019. Besides, the 2018 EBITDA level included in the business plan makes it possible to meet the covenant as of December 31, 2018.

The Group's transformation plan is well advanced and in line with expectations. The total benefit of the plans launched in 2016 and 2017 is expected to reach EUR 24 million in 2019. In addition to the measures initiated at the end of 2016 (savings of EUR 9 million expected in 2017), a serie of actions were decided to gradually reduce structural costs. The savings expected from this additional plan will increase from EUR 4 million in 2017 to EUR 14 million in 2018 to totalize savings of EUR 15 million in 2019.

As a reminder, the transformation plan included the disposal of TTC, AIT and Jacir, which were finalized in 2017. The closure of subsidiaries in Brazil and South Africa will be finalized in 2018.

The process of selling the Process Heat Exchangers BU is underway, with firm offers expected by the end of March 2018. Given the classification of this BU in discontinued operations, neither its negative results until its disposal nor the sale outcome according to the offered sale price, will affect the 2018 EBITDA (main covenant).

The Group is also pursuing its efforts to develop synergies resulting from its new regional organization and the optimization of its supply chain process. The aim is to achieve an additional cost reduction of EUR 10 million with full effect by the end of 2020 at the latest.

The Board of Directors is aware that the 2018 result is very sensitive to the level of bookings and to the improvement of the margin rate and that there is a real risk that the objectives included in the business plan for 2018 for these 2 key indicators are not achieved, which would have a significant impact on turnover, EBITDA and therefore compliance with covenants. The Board is confident, however, that the announcement of the successful financial restructuring will have a positive impact on 2018 bookings, which will partially contribute to 2018 and fully to 2019 sales. In addition, the Board considers that the commercial efforts to develop the “Customer Service” activity should quickly show their effects including an improvement of the margin rate.

The Board of Directors is also aware of the maturity of the Senior Credit Facility and of the Senior Bond in January 2020. The Board is confident in the Group's ability to replace, if necessary, these 2 sources of funding or extend their maturity if the business plan is achieved.

As a result of all these elements, the Management and the Board of Directors of Hamon are confident that the business plan will be achieved, allowing Hamon to return to a positive EBITDA by 2018 and to regain profitability by 2019. In addition, the Group's capacity to cover its cash requirements is supported by the outcome of the capital increase of February 2018.

Standards and interpretations applicable for the annual period beginning on 1 January 2017

The accounting principles used to prepare the financial statements at 31 December 2017 are consistent with those used for the financial statements at 31 December 2016, with the exception of the normative changes described below.

- Amendments to IAS 7 Statement of Cash Flows - Initiative about information to provide, effective as of 1 January 2017
- Amendments to IAS 12 Income Taxes - Recognition of deferred tax assets for unrealized losses, effective as of 1 January 2017
- Annual improvements - 2014-2016, effective as of 1 January 2017

These amendments have no significant impact on the Group's consolidated financial statements except for the reconciliation between net financial debt and cash flow from financing activities (amendment to IAS 7), which is presented in Note 32.

Standards and interpretations applicable in 2018 and not anticipated by the Group

The standards and interpretations that were published but not yet effective at the date of publication of the Group's financial statements are described below. The Group intends to apply these standards and interpretations, as appropriate, when they become applicable.

- **IFRS 9 Financial Instruments.**
Date of entry into force: 1 January 2018

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 consolidates the three aspects of the project regarding recognition of financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 will be effective for accounting periods beginning on or after 1 January 2018. Except for hedge accounting, retrospective application is required, but comparative information is not required. With respect to hedge accounting, obligations are generally applied prospectively, with some limited exceptions. The Group will apply the new standard on the required effective date and will not restate comparative information. Overall, the analyzes were completed at the end of 2017 but some information still needs to be gathered to refine the estimates. This work will be finalized during the first months of 2018.

- **IFRS 15 Revenue from Contracts with Customers, Including Amendments to IFRS 15.**
Effective Date of IFRS 15 and Clarifications to IFRS 15: 1 January 2018

IFRS 15 establishes a five-step model to recognize revenue from contracts with customers. Under IFRS 15, revenue is recognized for the amount of financial compensation an entity expects to be entitled to in exchange for goods or services transferred to a customer. The new revenue standard will replace all current revenue recognition provisions under IFRS. A retrospective application is required for fiscal years beginning on or after 1 January 2018.

The working group set up to anticipate and prepare the implementation of IFRS 15 in the Group is finalizing its analyzes and does not anticipate any significant restatements.

- **IFRS 16 Leases.**
Date of entry into force: 1 January 2019

IFRS 16 replaces IAS 17, IFRIC 4, SIC-15 et SIC-27. IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single model in the balance sheet in a manner similar to leasing according to IAS 17. The standard provides two accounting exemptions for lessees, leases for low-value assets (ie, personal computers) and short-term leases (ie, leases of less than twelve months). At the starting date of the lease, the lessee recognizes a liability representing lease payments (ie debt for rent) and an asset representing the right to use the underlying asset (ie, a right to use the asset) for the duration of the lease period.

Lessees are required to recognize interest charges on the debt and the amortization of the standby asset separately. Lessees will now have to re-measure debt for rent as a result of certain events (such as a change in lease period, changes in future lease payments related to an index or a rate to determine such payments). The revaluation of the debt will generally be accounted for as an adjustment of the asset for the right of use.

The accounting treatment in the lessor's accounts under IFRS 16 is broadly unchanged from the current treatment in accordance with IAS 17. Lessors should continue to classify leases using the same classification principles as in IAS 17 and distinguish between two types of leases: finance lease and lease. IFRS 16 also requires lessees and lessors to provide more in-depth information than under IAS 17.

IFRS 16 will be effective for accounting periods beginning on or after 1 January 2019. Earlier application is permitted but only if the entity is already applying IFRS 15. The lessee may choose to apply the standard using either a full retrospective approach or a modified retrospective approach. The transitional provisions of the standard allow for certain optional simplification measures. In 2018, the Group will continue to assess the potential impact of IFRS 16 on its financial statements.

- **Amendments to IFRS 9 Financial Instruments - Prepayment Provisions Providing for Negative Compensation.**
Date of entry into force: 1 January 2019.
- **Amendments to IFRS 2 Share-based payment - Classification and valuation of share-based payment transactions.**
Date of entry into force: 1 January 2018
- **IFRS 17 Insurance contracts.**
Date of entry into force: 1 January 2021
- **Amendments to IAS 28 Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures.**
Date of entry into force: 1 January 2019
- **Amendments to IAS 40 Investment Property - Transfers of Investment Property.**
Date of entry into force: 1 January 2018
- **IFRIC 22 Foreign Currency Transactions and Anticipated Consideration.**
Date of entry into force: 1 January 2018
- **IFRIC 23 Uncertainty with respect to tax treatments.**
Date of entry into force: 1 January 2019
- **Annual Improvements to IFRS Cycle (2014-2016).**
Date of entry into force: 1 January 2018
- **Annual Improvements to IFRS Cycle (2015-2017).**
Date of entry into force: 1 January 2019.

3.2. CONVERSION OF FOREIGN CURRENCIES OPERATIONS

Foreign currency transactions (i.e. in a currency other than the functional currency of the entity) are recorded at the spot exchange rate on the date of the transaction. At each closing date, monetary assets and liabilities denominated in foreign currencies are translated using the closing rate. Gains and losses arising from the settlement of foreign currency monetary items or from their revaluation at the closing date are recognized in the Income statement in “Other operating income / (expenses)” and in finance costs for gains / losses related to the financial debt.

The assets and liabilities of the subsidiaries whose functional currency is not the Euro are converted into Euro at the financial year’s closing rate. Income and charges are converted at the average rate of the period except if the exchange rates have been subject to major fluctuations. Resulting exchange rate gains and losses are accounted for as a distinct component of the equity. At the disposal of an activity whose functional currency is not the Euro, the accumulated deferred exchange gains and losses recorded under the ‘Translation reserve’ heading are reversed in the income statement.

Goodwill and other fair value adjustments resulting from the acquisition of an activity whose functional currency is not the Euro are treated as assets and liabilities of the activity and posted in accordance with the preceding paragraph.

3.3. CONSOLIDATION PRINCIPLES

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee;
- has the ability to use its power to affect its returns.

The Company re-assesses whether or not it controls an investor if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investor, it has power over the investor when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investor unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not its voting rights are sufficient to exercise control, including:

- the size of the Company’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements;
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

If Hamon does not hold the majority of voting rights in an investee, the Group may still exercise control when it holds rights that are sufficient to confer control because it has the practical ability to unilaterally direct the relevant activities of the issuing entity.

Consolidation of a subsidiary begins when Hamon obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit and loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full as part of the consolidation.

Changes in the Group’s ownership interests in existing subsidiaries

Changes in the Group’s ownership in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions.

The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified / permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the time control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investor but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or implicit obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investor becomes an associate or a joint venture. Upon acquisition of the investment in an associate or joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investor is recognized as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value on that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39.

The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a portion of interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit and loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or joint venture but the Group continues to use the equity method, the Group reclassifies to profit and loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit and loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture unrelated to the Group.

3.4. INTANGIBLE ASSETS

Intangible assets are recognized if it is probable that the future economic benefits attributable to the assets will flow to the Group and if their costs can be measured reliably. After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortization and impairments.

Patents, Trademarks and Similar Rights

Patents and trademarks with a finite life are initially measured at cost and are amortized on a straight-line basis over the shorter of their useful lives or their contractual period. Patents and trademarks with an indefinite life are subject to an annual impairment test.

Developement cost

The Group's internal development costs are capitalized as intangible assets only if the following six criteria are met: a) technical feasibility required to complete the development project, b) Hamon's intention to complete the project, c) ability of the Group to use this intangible asset, d) demonstration of the probability of future economic benefits attached to the asset, e) availability of technical, financial and other resources to complete the project and f) reliable valuation of development expenditure.

The development phase starts when the new products, processes or software programs ('Identifiable Asset') are defined. The objective is to develop an Identifiable Asset which fulfils the customers' technical and qualitative requirements or ensures that the customers' requirements are met at a minimum cost for the Company. The development activities are based on the outcome of industrial research or existing knowhow and they must be generating profit. This condition is reviewed each year in order to assess the project's profitability potential. Development costs are amortized over a maximum period of 5 (five) years. When the above recognition criteria is not met, the development expenditure is charged to expenses.

Other internally generated intangible assets

Except for development costs meeting the above conditions, costs linked to any other internally generated intangible element such as brands, customer lists, goodwill or research costs are charged to expenses and are not capitalized.

Goodwill

Recognition of goodwill

Goodwill is measured as the excess of the total of:

1. the consideration transferred;
2. the amount of any minority interest in the acquired business;
3. in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree over the net of the acquisition-date fair values of the identifiable assets acquired and liabilities assumed.

Goodwill recognized on the acquisition date is not subsequently adjusted.

Measurement of goodwill

Goodwill is not depreciated but is tested for impairment at least once a year. Any impairment loss is charged to the income statement. An impairment loss on goodwill cannot be reversed subsequently.

When selling a subsidiary or jointly controlled entity, the relevant goodwill is part of the result of the sale. Goodwill on associated companies is presented under 'Investments In Associated Companies'.

3.5. TANGIBLE ASSETS

An item of property, plant and equipment is recognized as a tangible asset if it is probable that the future economic benefits attributable to the asset will flow to the Group and if their costs can be measured reliably.

After their initial recognition, all tangible assets are stated at cost less the accumulated depreciation and impairment losses. The cost includes all the costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the intended manner.

Repair and maintenance costs and other subsequent expenditure linked to an asset are charged as expenses in the income statement of the year during which they are incurred.

The depreciable amount of an asset is allocated systematically over its useful life using the straight-line method. The depreciation of an asset begins when it is available for use. The estimated useful lives of the most significant elements of tangible assets are as follows:

Description	Useful life
Land	No depreciation
Administrative buildings	33 years
Industrial buildings	33 years
Machines	10 years
EDP equipment	4 years
Other equipment	10 years
Leasehold Improvements	10 years
Tools	4 years
Furniture	10 years
Vehicles	4 years

Depreciation charges are posted to operating expenses by reference to the function of the underlying assets (cost of sales, selling & marketing expenses, general and administration costs, research and development costs).

Gains or losses arising from the sale or disposal of tangible assets are determined as the difference between the sale proceeds and the carrying amount of the asset and are charged to the income statement under 'Other Operating Income / (Expenses)'.

The Group has elected to use the cost model for the measurement of property, plant and equipment. Therefore items of property plant and equipment may not be carried at a revalued amount after their initial recognition.

3.6. IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

Except for intangible assets in progress that are tested for impairment annually, tangible and intangible assets are subject to an impairment test only when there is an indication that their carrying amount exceeds their recoverable amount.

If an asset does not generate cash flows independently of those other assets, the Group makes an estimate of the recoverable value of the Cash Generating Unit to which the asset belongs. The recoverable value is the highest of either the fair value less costs to sell or the value in use. If the recoverable value of an asset (cash generating unit) is lower than its carrying amount, an impairment loss is immediately recognized as an expense in the income statement either in "Other Operating Expenses" or in impairment loss on non-current assets.

When an impairment is reversed at a later date, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable value, without however being higher than the carrying amount which would have been determined if no impairment had been recognized for this asset (cash generating unit) during previous periods.

3.7. LEASE

Finance Leases

A lease is classified as a finance lease if it substantially transfers the entire risks and rewards incidental to ownership to the lessee. The other lease agreements are classified as operating leases.

At the commencement of the lease term, the Group recognizes finance leases as assets and liabilities on its balance sheet at amounts equal to the lower of fair value of the leased property or the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability is posted in the obligations under finance leases. The minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to obtain a constant periodic interest rate on the outstanding balance of the liability. Leased assets are depreciated over their estimated useful life consistently with the method applicable to similar depreciable assets owned by the Group.

Operating leases

Lease agreements that do not substantially transfer the entire risks and rewards incidental to ownership to the lessee are classified as operating leases. The lease payments are recognized as an expense on a straight-line basis over the period of the rental agreement.

3.8. FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are recognized on the balance sheet when Hamon becomes a party to the contractual provisions of the financial instrument.

When a financial asset or financial liability is recognized initially, it is measured at its fair value plus (in case of financial asset) or minus (in case of financial liability) transaction costs except for financial assets at fair value through income statement.

Fair value is defined as the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction. Fair value of a financial liability will be for instance, the cash received from the lenders when the liability is issued.

There are four categories of financial assets:

- Financial assets at fair value through profit or loss include held-for-trading assets (financial assets acquired primarily for the purpose of short-term resale) and financial instruments designated as fair valued through profit or loss as of initial recognition;
- Held-to-maturity investments;
- Loans and receivables;
- Available-for-sale financial assets.

There are two categories of financial liabilities:

- Financial liabilities at fair value through profit or loss;
- Other financial liabilities measured at amortized cost.

Subsequently:

- the fair value changes in financial assets and liabilities at fair value through profit or loss are recognized through the income statement.
- the fair value changes in available for sale assets are recognized directly in the equity until the asset is sold or is identified as impaired. Then the cumulative gain / loss that had been recognized in equity shall be removed and recognized in the income statement.
- investments in equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured by an alternative pricing method are evaluated at cost.
- loans and receivables, held-to-maturity Investments and other financial liabilities are measured at amortized cost using the effective interest rate method, except for fixed term/time deposits, which are valued at cost.

The effective interest rate is the rate that exactly discounts estimated future net cash settlements or receipts through the expected life of the financial asset or liability to its net carrying amount.

Trade and Other Receivables (Payables)

Receivables and payables are recognized using the amortized cost method i.e. the discounted value of the receivable. Based on a thorough and detailed review of the receivables and their specific risk of no–recoverability; appropriate impairment losses are recognized in case of expected default of payments.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits together with short-term, highly liquid investments, that are readily convertible into a known amount of cash, that have a maturity of three months or less, and that are subject to an insignificant risk of change in value. These elements are taken into the Balance Sheet at their nominal value. Bank overdrafts are included in the current financial liabilities.

Equity Instruments

Any contract that exhibits a residual interest in the assets of an entity after deducting all of its liabilities is an equity instrument. Equity instruments issued by the Company are measured at their fair value net of issuance costs.

Loans & borrowings

Loans and borrowings are initially recognized at fair value, plus or minus transaction costs. They are subsequently measured at amortized cost using the effective interest method. Any subsequent change in value between the fair value and the settlement value (including the redemption premium to be received or paid) is recognized in the income statement over the period of the borrowing (effective interest rate method). The borrowing issuance costs related to mixed facilities including debt and bank guarantee lines agreement are prorated between the different lines and presented in deduction of the financial liabilities on the balance sheet. Those costs are amortized on the duration of the borrowing. Regularly the revolving facility is completely utilized. Amounts borrowed as part of the "Credit Revolving Facility" are accounted for under 'Non-current Financial Liabilities' when the maturity of those borrowing are above one year and the Group has the possibility to roll-over them at its discretion.

Derivative Financial Instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate risks arising from financing activities and foreign exchange rate risks arising from operational activities (cash flow hedges). The Group's policy is not to enter into speculative transactions nor issue or hold financial instruments for negotiation purposes.

Derivative financial instruments are initially recognized at their fair value and are subsequently revaluated to their fair value at each reporting date.

a) Derivatives qualifying for cash flow hedge

The effective portion of changes in the fair value of derivative financial instruments qualifying as cash flow hedges are immediately deferred in equity. Gains or losses relating to the ineffective portion are recognized in the income statement.

When the forecast transaction that is hedged results in the recognition of a non-financial asset or liability, then the gains or losses previously deferred in the equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When the forecast transaction that is hedged results in the recognition of a financial asset or liability, then the gains or losses previously deferred in the equity are recycled in the income statement in the periods when the hedged item is recognized in the income statement. However if it is likely that part of or the whole cumulative result posted in equity will not be offset in the future period(s), the (portion of the) result unlikely to be offset is recognized in the income statement.

b) Derivatives which do not qualify for hedging

The changes of fair value of derivative financial instruments that do not qualify for hedge accounting are immediately recognized in the income statement.

c) Derivatives qualifying for accounting treatment through the work in progress account (WIP)

If a derivative financial instrument hedges variations in cash flow relating to a recognized liability, a firm commitment or an expected transaction in the frame of a contract (mainly forward purchases of raw materials, or foreign exchange purchases or sales), a documentation of the cash flow hedge relationship as described in section a) here above will not be prepared. Any gain or loss resulting from the derivative financial instrument is recognized in the income statement as a financial income or expense.

These instruments are however submitted to a test of efficiency based on the same methodology as utilized for hedge accounting.

The effective part of any gain or loss on the financial instrument is recognized as a cost of the contract and is deferred into a work in progress account (WIP). This element is however not considered for determining the percentage of completion of the contract.

d) Derivatives qualifying for net investment hedge in foreign operations

Derivatives financial instruments hedging net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss. Gain and loss on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss in the same way as exchange differences relating to the foreign operation.

3.9. INVENTORY

Inventory is carried at the balance sheet at the lower of cost and net realizable value. The cost of inventory includes the cost of purchase of direct materials, the cost of conversion (including manufacturing costs) and other costs incurred in bringing the inventory to their present location and condition. The cost of interchangeable inventory items is determined using the weighted average cost method. The net realizable value is the estimated selling price less the estimated costs of completion and the estimated distribution, selling and marketing costs.

3.10. POST-EMPLOYMENT AND OTHER LONG TERM EMPLOYEE BENEFITS

Post-employment benefits are classified in two categories: defined benefit plans and defined contribution plans.

Defined Contribution Plans

Contributions paid for defined contribution plans are recognized as expenses when employees have rendered the services giving rights to those contributions.

The Group Hamon offers defined contribution pension plans with a minimum return guaranteed to the Belgian affiliates. Therefore those plans are defined benefit plans and have been reclassified as such in this annual report.

For more details, please refer to Note 30.

Defined Benefit Plans

For defined benefit plans, the amount recognized in the balance sheet as a net liability (asset) corresponds to the difference between the present value of future obligations and the fair value of the plan assets.

If the calculation of the net obligation gives rise to a surplus for the Group, the asset recognized for this surplus is limited to the present value of any future plan refunds or any reduction in future contributions to the plan.

Cost of defined benefits include cost of services and net interest on the net liability (asset) recognized in net results (respectively in cost of goods sold distribution and marketing expenses, general and administration expenses and R&D expenses for the cost of services, and as financial expenses (income) for the net interests), as well as the revaluations of the net liability (asset) recognized in other comprehensive income.

The present value of the obligation and the costs of services are determined by using the “projected unit credit method” and actuarial valuations are performed at the end of each reporting period.

The actuarial calculation method implies the use of actuarial assumptions by the Group, involving the discount rate, evolution of wages, employee turnover and mortality tables. These actuarial assumptions correspond to the best estimations of the variables that will determine the final cost of post-employment benefits. The discount rate reflects the rate of return on high quality corporate bonds with a term equal to the estimated duration of the post-employment benefits obligations.

Other long-term employee benefits

The accounting treatment of other long-term employee benefits is similar to the accounting treatment for post-employment benefits, except for the fact that revaluations of the net liability (asset) are accounted for in the income statement.

The actuarial calculations of post-employment obligations and other long-term employee benefits are performed by independent actuaries.

3.11. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions are recognized if and only if the Group has a present obligation (legal or constructive) arising from a past event, which will probably result in an outgoing payment for which the amount can be reliably estimated.

Provisions for guarantee are recognized upon delivery of the product, on basis of the best estimate of the expenditure necessary for the extinction of the Group’s obligation. Those provisions take into account the specific risks related to the contract, the market, the technical constrains and results from an agreement between technical, business and financial managers.

Provisions for restructuring are recognized only after the Group has adopted a detailed formal plan that has been publicly announced to the parties involved before the closing date.

Provisions are measured at their present value where the effect of the time value of money is material.

3.12. INCOME

Income is recognized when it is probable that the future economic benefits attributable to a transaction will flow to the Group and if its amount can be measured reliably.

Revenues are measured at the fair value of the counterpart received or to be received and represent amounts to be received following the supply of goods or the rendering of services in the course of the ordinary activities of the Group.

- Sales revenues are recognized once the delivery has been made and when the transfer of the risks and benefits has been completed.
- Construction contracts revenues are recognized in accordance with the Group’s accounting policies relating to construction contracts (see below).
- Interest revenue are computed based on the time passed, the outstanding liability and the effective interest rate, which is the rate that exactly discounts future cash flows through the expected life of the financial asset to its net carrying amount.
- Dividends are recognized when the shareholder’s right to receive the payment is established.

3.13. CONSTRUCTION CONTRACTS

When the outcome of a construction contract can be estimated reliably, the contract's revenues and costs are recognized in proportion to the stage of completion of the contract activity at the closing date. The contract stage of completion is determined by dividing the actual costs incurred at closing date by the total expected costs to complete the contract.

When the outcome of a construction contract cannot be estimated reliably, the revenue is recognized only to the extent that the contract costs incurred are expected to be recoverable. The costs of the contract are recognized in the income statement during the period in which they are incurred.

An expected loss on a construction contract is immediately recognized as an expense as soon as such loss is probable.

Contract revenues include the initial agreed amount of the contract, the agreed change orders as well as forecasted incentive payments and forecasted claims only if it is probable that the incentives / claims will be accepted and if their amounts can be measured reliably.

Contract costs include the direct costs attributable to the contracts and the costs relating to the general contracting activity to the extent that they can reasonably be allocated to the contract. Tender costs are included in contract costs only if they can be identified separately and measured reliably, and if it is probable that the contract will be obtained.

The amounts included under the 'Amounts Due From Customers For Contract Work' correspond to the costs incurred plus the margin (less the losses) recognized on contracts in excess of the advances billed to the customers for contracts for which this difference is positive. While the amounts included under the 'Amounts Due To Customers For Contract Work' correspond to the advances billed to the customers in excess of the costs incurred plus the margin (less the losses) recognized on contracts for other contracts.

3.14. OPERATING PROFIT BEFORE NON-RECURRING ITEMS (REBIT)

The operating profit before non-recurring items is a management result allowing a better understanding of the recurring performance of the Group by excluding unusual or infrequent items.

For the Group, those items are:

- restructuring costs;
- net impairment losses on non-current assets;
- changes in consolidation scope;
- other non-recurring items such as gains / losses on the sale of available-for-sale financial assets.

3.15. GOVERNMENT GRANTS

Government grants related to staff costs are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis.

Government grants related to tangible assets are presented in deduction of the property, plant and equipment's carrying amounts. These grants are recognized as income over the life of the depreciable assets.

Repayable government grant are transferred to financial liabilities.

3.16. INCOME TAXES

Income taxes include both current and deferred taxes. They are recognized in the income statement except if they relate to elements recognized directly in equity, in which case they are posted to equity.

The current tax is the amount of income tax payable / recoverable in respect of the taxable profit/loss for a period.

Current income taxes for current and prior periods are calculated based on the tax rates that have been enacted by the balance sheet date as well as adjustments related to previous periods.

Deferred taxes originate from temporary differences i.e. differences between the carrying amounts of assets and liabilities in the balance sheet and their tax base. Deferred taxes are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities related to financial assets in subsidiaries are not recognized, since the Group does not expect that the timing difference will be reversed in the foreseeable future.

Deferred tax assets are recognized for the deductible temporary differences as well for the carry forward of unused tax losses and credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the unused tax losses and credits could be utilized.

The carrying value of the deferred tax assets is reviewed at each closing date. They are impaired when it becomes unlikely that the deferred tax assets will be utilized against future taxable profits.

3.17. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

A non-current asset or group of assets should be classified as "assets held for sale" on the balance sheet if its carrying amount is recovered principally through a sale rather than through its continuing use. The non-current asset or group of assets held for sale must be available for immediate sale in its present condition, subject only to the usual and customary conditions in connection with the sale of such assets, and the sale must be highly probable.

Before being classified as "assets held for sale", the non-current assets or assets and liabilities of the group of assets are valued according to the standards applicable to them.

Following their classification in the "assets held for sale" category, the non-current asset or the group of assets are valued at the lowest of their net book value and their fair value less costs of disposal. An impairment loss being recognized if applicable. The reclassification of a non-current asset as held for sale or held for trade entails the interruption of the depreciation for that asset.

The net result for a group of assets held for sale must be presented on a separate line in the income statement (as discontinued operations), for the current year and the comparative periods presented, provided that this group of assets:

- Represents a line of business or a major and distinct geographic area;
- Or is part of a single, coordinated plan to dispose of a line of business or a separate and distinct geographic area;
- Or is a subsidiary acquired exclusively for resale.

Transactions between companies held for sale or treated as discontinued operations and other consolidated companies are eliminated.

3.18. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.19. RESTATEMENT OF COMPARATIVE INFORMATION

The table below shows the impact of the classification of PHE as discontinued operations (Note 43) on the 2016 income statement.

in EUR '000'	2016 published	Discontinued operations (1)	2016 restated
Sales	436,555	42,181	394,374
Cost of sales	(381,391)	(38,059)	(343,332)
Gross profit	**55,164**	**4,122**	**51,042**
Sales & marketing costs	(17,512)	(2,934)	(14,578)
General & administrative costs	(57,153)	(5,158)	(51,995)
Research & development costs	(2,639)	(623)	(2,016)
Other operating income / (expenses)	(11,411)	(4,095)	(7,316)
Operating profit before non-recurring items (REBIT)	**(33,551)**	**(8,688)**	**(24,863)**
Restructuring costs	(3,892)	(588)	(3,304)
Other non-recurring items	(3,290)	(940)	(2,350)
Operating profit (EBIT)	**(40,733)**	**(10,216)**	**(30,517)**
Interest income	108	-	108
Interest charges	(11,964)	(189)	(11,775)
Share of the profit (loss) of associates & joint-ventures	(5,306)	(721)	(4,585)
Result before tax	**(57,895)**	**(11,126)**	**(46,769)**
Income taxes	(5,078)	(2,007)	(3,071)
Net result from continued operations	**(62,973)**	**(13,133)**	**(49,840)**
Net result of discontinued operations	-	13,133	(13,133)
Net result	**(62,973)**	**-**	**(62,973)**
Equity holders of the company	(62,593)	-	(62,593)
Non controlling interests	(380)	-	(380)

(1) Relates to the discontinued operations of the PHE Business Unit (Note 43)

4. KEY ASSUMPTIONS AND ESTIMATES

Within the framework of preparation of its consolidated financial statements, the Group must, on certain occasions, formulate assumptions and/or carry out estimates affecting the balance sheet and/or the income statement. Management bases its estimates on its previous experience and formulates certain assumptions that seem reasonable taking into account the circumstances. However, despite the prudence with which these assumptions and estimates are made, the general economic environment, unpredictable exogenous events or the execution of contracts may lead to significant differences between estimates and actual results.

Accounting estimates and their key assumptions are reexamined regularly and the effects of their revisions are reflected in the financial statements of the corresponding period.

Estimates and / or assumptions are used in:

- the assessment of impairment losses / write-offs on current and non-current assets;
- in the estimate of the result and percentage of completion of construction contracts in progress;
- in the assessment of the residual lifetime of tangible and intangible fixed assets except for goodwill;
- in the provisions for pensions, restructuring and potential litigations;
- in the assessment of the recoverability of deferred tax assets.

Critical assumptions and accounting estimates which could cause a material adjustment to the carrying amount of assets and / or liabilities within the next financials period(s) are listed below.

IMPAIRMENT OF GOODWILL

The Group performs an impairment test on goodwill of all its cash generating units at least once a year. For this exercise, the management uses assumptions, estimates and variation ranges (EBITDA multiples, levels of bookings, growth rate, ...) coming from internal as well as external sources. Further details are provided in Note 20.

CONSTRUCTION CONTRACTS – EXPECTED PROFIT AND PERCENTAGE OF COMPLETION ESTIMATE

As explained in the accounting standards (see item 3.13), both the percentage of completion and the final expected profit (or loss) of construction contracts in progress at any given closing date depend on a reliable estimate of the costs still to incur to finish those contracts.

Estimates must therefore be made, at each closing date, for:

- the time to be spent by employees (and sometimes subcontractors) to finish the contracts;
- the cost of material, equipment and other;
- exchange rate to be used for purchase orders (from customers and / or suppliers) in foreign currencies;
- the risk of penalties charged by customer(s) in case of delay or lower than contractually guaranteed performance.

Direct costs are allocated to the contracts and indirect costs are allocated based on timesheets.

The total expected costs of contracts can therefore vary, sometimes significantly, from one closing to another depending on the stage of completion and complexity of the contracts.

DEFERRED TAX ASSETS

Deferred tax assets are recognized by the Group for deductible temporary differences and unused tax losses only if it is probable that sufficient future taxable profits will be available to use them within a given time limit.

The value of those assets is regularly reviewed by the management and requires the use of estimates, including future expected profit of the entities where such assets are recognized.

More details can be found in Note 23.

5. CONSOLIDATED ENTITIES

The following table mentions the list of subsidiaries owned by the Group as of 31 December 2017 and 2016. The changes of scope are detailed in Note 14.

Subsidiary	Country	% Group interest 2017	2016
1. Subsidiaries consolidated by full integration method			
Hamon & Cie (International) SA	Belgium	Parent company	
Hamon Thermal Europe SA	Belgium	100%	100%
Hamon Research-Cottrell SA	Belgium	100%	100%
ACS Anti Corrosion Structure SA	Belgium	100%	100%
Compagnie Financière Hamon S.A.	France	99.95%	99.95%
Hamon Thermal Europe (France) S.A.	France	99.95%	99.95%
Hamon D'Hondt S.A. (*)	France	99.95%	99.95%
Hamon Research-Cottrell S.A.R.L.	France	99.95%	99.95%
Hacom Energiesparsysteme GmbH	Germany	100%	100%
Hamon Thermal Germany GmbH	Germany	100%	100%
Hamon Research-Cottrell GmbH	Germany	100%	100%
Hamon Enviroserv GmbH	Germany	100%	100%
Hamon UK Ltd.	Great Britain	100%	100%
Hamon Dormant Co. Ltd	Great Britain	100%	100%
Hamon (Nederland) B.V.	Netherlands	100%	100%
Hamon Environmental Polska Sp. z o.o.	Poland	100%	-
Hamon Polska Sp. z.o.o.	Poland	100%	100%
Hamon ETP Rus LLC (*)	Russia	50.97%	50.97%
Hamon Esindus Latinoamerica SL	Spain	69.45%	69.45%
Hamon Research-Cottrell do Brazil	Brazil	100%	100%
Hamon Do Brazil Ltda.	Brazil	100%	100%
Hamon Custodis Cottrell (Canada) Inc.	Canada	100%	100%
Hamon Esindus Latinoamerica Limitada	Chile	69.45%	69.45%
Hamon Esindus Latinoamerica SA de CV	Mexico	69.45%	69.45%
Hamon Corporation	United States	100%	100%
Hamon Custodis Inc.	United States	100%	100%
Hamon Deltak Inc.	United States	100%	100%
Hamon Research-Cottrell Inc.	United States	100%	100%
Thermal Transfer Corporation	United States	-	100%
Research-Cottrell Cooling Inc.	United States	100%	100%
Hamon Holdings Corporation	United States	100%	100%
Hamon (South Africa) (Pty) Ltd.	South Africa	74%	74%
Hamon Australia (Pty) Ltd.	Australia	100%	100%
Hamon Thermal (Tianjin) Co., Ltd	China	100%	100%
Hamon Research-Cottrell (Shanghai) Co., Ltd	China	80%	80%
TS Filtration Environmental Protection Products (Shanghai) Co., Ltd	China	80%	80%
Hamon Thermal & Environmental Technology (Jiaxing) Co., Ltd	China	99.95%	69.8%
Hamon Trading (Jiaxing) Co.,Ltd.	China	100%	69.7%
Hamon Asia-Pacific Ltd	China (Hong Kong)	100%	100%
Hamon Research-Cottrell (HK) Ltd.	China (Hong Kong)	80%	80%
Hamon India PVT Ltd.	India	100%	100%
Hamon Research-Cottrell India PVT Ltd.	India	100%	100%
P.T. Hamon Indonesia	Indonesia	99.6%	99.6%
Hamon Korea Co Ltd.	South Korea	99.6%	99.6%
Hamon Korea Youngnam Ltd.	South Korea	50.8%	50.8%
Hamon D'Hondt Korea Co. Ltd. (*)	South Korea	99.95%	-
Hamon Malaysia SDN. BHD.	Malaysia	100%	100%
Hamon - B.Grimm Ltd.	Thailand	49.2%	49.2%
Hamon Termal ve Çevre Sistemleri Sanayi ve Ticaret A.Ş.	Turkey	99.6%	99.6%
Hamon Vietnam company LTD.	Vietnam	80%	-

(*) Subsidiaries of the Process Heat Exchanger ("PHE") business unit, classified in Assets held for sale and discontinued operations

Subsidiary	Country	% Group interest	
		2017	2016
2. Subsidiaries consolidated by equity method			
Esindus SA	Spain	38.89%	38.89%
Hamon D'Hondt Middle East Company Ltd (*)	Saudi Arabia	39.6%	39.6%
Hamon Shriram Cottrell PVT Ltd	India	50%	50%
ETP LLC (*)	Russia	24.98%	24.98%
Hamon Cooling Towers Company FZCo	United Arab Emirates	50%	50%

(*) Entities included in the Process Heat Exchanger ("PHE") business unit, classified as Assets held for sale and discontinued operations

6. EXCHANGE RATES USED BY THE GROUP

Exchange rates for 1 EUR		Period-end rate		Average rate	
		2017	2016	2017	2016
UAE Dirham	AED	4.4050	3.8434	4.1511	4.0654
Australian Dollar	AUD	1.5346	1.4596	1.4764	1.4865
Brazilian Real	BRL	3.9729	3.4384	3.6208	3.8560
Canadian Dollar	CAD	1.5039	1.4188	1.4690	1.4628
Chilean Peso (100)	CLP	7.3783	7.0947	7.3461	6.8702
Chinese Yuan	CNY	7.8044	7.3202	7.6355	7.3307
Pound Sterling	GBP	0.8872	0.8562	0.8744	0.8176
Hong-Kong Dollar	HKD	9.3720	8.1751	8.8135	8.5736
Indonesian Rupiah (100)	IDR	162.3912	141.7343	151.4739	147.1459
Indian Rupee	INR	76.6055	71.5935	73.5790	74.2179
South Korean Won (100)	KRW	12.7961	12.6936	12.7492	12.8039
Mexican Peso	MXN	23.6612	21.7719	21.3497	20.5627
Malaysian Ringgit	MYR	4.8536	4.7287	4.8551	4.5624
Polish Zloty	PLN	4.1770	4.4103	4.2525	4.3683
Saudi Riyal	SAR	4.4974	3.9237	4.2386	4.1521
Russian Ruble	RUB	69.3920	64.3000	65.9674	73.9919
Thai Baht	THB	39.1210	37.7260	38.2984	38.9257
Turkish Lira	TRY	4.5464	3.7072	4.1079	3.3205
U.S. Dollar	USD	1.1993	1.0541	1.1310	1.1046
Dong Vietnamien (100)	VND	268.9430	231.8939	253.3479	243.2312
South African Rand	ZAR	14.8054	14.4570	15.0489	16.2329

7. INFORMATION BY SEGMENT

In accordance with IFRS 8 "Operating segments", information by operating segment is derived from the internal organization of the Group's activities.

As a result of the transformation plan, of the sales process ongoing for the PHE Business Unit and its reclassification as "assets held for sale" described in Note 43, the reported Business Units are now the following:

- Cooling Systems;
- Air Quality Systems;
- NAFTA.

Additional information on the Business Units is presented at the beginning of the annual report.

The operational decision maker for the Business Units is the Executive Committee.

The Executive Committee evaluates the performance of these Business Units based on the elements of their result that are directly attributable to them. Management assesses the performance of these segments based on their revenue, operating income (which includes the allocation of corporate costs to all Business Units) and their EBITDA. EBITDA is defined as current operating income plus current operating depreciation and amortization. This is the measure regularly used to decide on resource allocation and performance evaluation.

The results of the ACS subsidiary, historically presented in the PHE Business Unit, as well as the cost of the brands, make up the EBITDA of the "Unallocated" items. We also find in this column: interest income, interest charges, share of profit of associates and income tax.

The impact on EBITDA included in the elimination column is related to the classification of PHE as discontinued operations, ie the impact of transactions between PHE and the rest of the Group.

As assets and liabilities are not specifically reported to the Executive Committee, they are not presented by segment.

The information provided in the tables below is presented according to the same accounting principles as those used for the Group's consolidated financial statements.

in EUR '000'	Cooling Systems	Air Quality Systems	NAFTA	Non allocated	Elimina-tion	Total	PHE	Total inc. PHE
For the period ended 31 December 2016								
Revenue third party	192,931	103,103	98,251	89		394,374	42,181	436,555
Inter-segment revenue	2,275	65	11,290	1,068	(14,698)	-	-	-
Total revenue	195,206	103,168	109,541	1,157	(14,698)	394,374	42,181	436,555
Operating profit before non-recurring items (REBIT)	(14,285)	(1,683)	(4,204)	(725)	(3,966)	(24,863)	(8,688)	(33,551)
Non-recurring items	(2,885)	(440)	33	(2,362)	-	(5,654)	(1,528)	(7,182)
Operating profit (EBIT)	(17,170)	(2,123)	(4,171)	(3,087)	(3,966)	(30,517)	(10,216)	(40,733)
EBITDA	**(10,998)**	**(736)**	**(2,555)**	**921**	**(3,966)**	**(17,334)**	**(7,068)**	**(24,402)**
Interest income				108	-	108	0	108
Interest charges				(11,775)	-	(11,775)	(188)	(11,963)
Share of the profit/(loss) of associates				(4,585)	-	(4,585)	(721)	(5,306)
Result before tax				**-**	**-**	**(46,769)**	**(11,127)**	**(57,895)**
Income taxes				(3,071)	-	(3,071)	(2,007)	(5,078)
Net result from continued operations				**-**	**-**	**(49,840)**	**(13,134)**	**(62,973)**
For the period ended 31 December 2017								
Revenue third party	176,101	109,411	81,092	42	-	366,646		
Inter-segment revenue	2,067	12	8,412	3,972	(14,463)	-		
Total revenue	178,168	109,423	89,504	4,014	(14,463)	366,646		
Operating profit before non-recurring items (REBIT)	(8,610)	(14,463)	2,264	242	(3,175)	(23,742)		
Non-recurring items	(2,724)	(11,588)	(1,381)	18,657	-	2,964		
Operating profit (EBIT)	(11,334)	(26,051)	883	18,899	(3,175)	(20,778)		
EBITDA	**(5,583)**	**(13,604)**	**3,332**	**1,855**	**(3,175)**	**(17,175)**		
Interest income				87,099		87,099		
Interest charges				(14,892)		(14,892)		
Share of the profit/(loss) of associates				(9,226)		(9,226)		
Result before tax						**42,203**		
Income taxes				(16,811)		(16,811)		
Net result from continued operations						**25,392**		

The breakdown of Group revenue by type of activity is shown in Note 8.

The breakdown of sales and non-current assets by region and / or main countries is as follows:

Sales - in EUR '000'	2017	2016 restated
Belgium	11,935	4,888
France	27,325	33,004
Poland	16,170	7,262
Great Britain	15,830	11,714
Other Europe (incl. Russia)	26,883	18,446
Total Europe	**98,143**	**75,314**
Canada	4,790	-1,224
USA	84,919	112,068
Total USA + Canada	**89,709**	**110,844**
Brazil	17,913	12,031
Mexico	11,132	13,974
Dominican Republic	3,046	18,186
Other Latin America	150	356
Total Latin America	**32,241**	**44,547**
Saudi Arabia	8,990	32,919
Algeria	12,434	8,086
Egypt	8,037	16,179
Other Middle East & Africa	17,351	14,232
Total Middle East & Africa	**46,812**	**71,416**
China (incl. Hong Kong)	30,410	37,819
India	12,078	9,823
South Korea	26,230	12,866
Indonesia	11,212	8,628
Other Asia-Pacific	19,811	23,117
Total Asia-Pacific	**99,741**	**92,253**
Total world	**366,646**	**394,374**

Non current assets*- in EUR '000'	31/12/2017	31/12/2016
Belgium	8,542	14,978
Brazil	7,679	8,967
China (incl. Hong Kong)	13,913	16,694
South Korea	711	2,834
United States	22,378	28,713
France	4,739	14,676
India	223	287
Others	3,611	7,325
Total	**61,796**	**94,474**

(*) Non-current assets include goodwill, intangible assets and property, plant and equipment

The change in non-current assets is mainly due to the classification of PHE as assets held for sale (France - Notes 19, 21, 26 and 43), the evolution of Goodwill (Europe - Note 20) and the evolution of the USD (USA).

8. REVENUE

Group's revenue (excluding discontinued operations) decreased by 7%. Revenue decreases due to a globally lower level of bookings and on hold projects or delayed start-up for a number of contracts.

The breakdown by type of activity is as follows:

in EUR '000'	2017	2016 restated
Cooling Systems	178,168	195,206
Air Quality Systems	122,328	140,478
Energy recovery	39,649	44,580
Chimney	36,739	27,651
Elimination	(10,238)	(13,541)
Total	**366,646**	**394,374**

9. OPERATING EXPENSES

in EUR '000'	2017	2016 restated
Gross remuneration	*63,821*	*82,358*
Employer's contribution for social security	*8,983*	*10,216*
Other personnel costs	*2,828*	*4,184*
Charges/costs of the personnel	75,632	96,758
Depreciation & amortization	6,568	7,547
Other operating expenses	30,632	32,448
Total gross operating expenses	**112,832**	**136,753**
Costs allocation (1)	(53,800)	(68,164)
Total net operating expenses	**59,032**	**68,589**
Sale & marketing costs	14,354	14,578
General & administrative costs	42,582	51,995
Research & development costs	2,096	2,016
Total net operating expenses	**59,032**	**68,589**
Average Headcount	**1,194**	**1,511**

(1) Cost of time spent by employees on development projects, proposals and customer contracts

Net operating costs decrease by 14% compared to 2016. This decrease is mainly explained by the restructuring related to the cost saving plan. The latter had a significant impact on gross overheads. On the other hand, the lower activity level had a negative impact on cost allocation.

The headcount reduction is in line with the cost saving plan.

10. OTHER OPERATING INCOMES AND EXPENSES

The other operating income and expenses are broken down as follows:

in EUR '000'	2017	2016 restated
Dividends and other financial income	60	241
Profit/(loss) on disposals of assets	190	(160)
Exchange differences, net	(965)	1,342
(Impairment)/reversal of impairment of current assets	(935)	(10,373)
Other misc. operating income/(expenses)	756	1,634
Total	**(894)**	**(7,316)**

Impairment of current assets relates mainly to trade receivable write-offs.

Other miscellaneous operating income includes the rebilling to subsidiaries of operating expenses that are booked by subsidiaries as project costs (and therefore included in the gross margin).

11. NON-RECURRING INCOME (EXPENSES)

in EUR '000'	2017	2016 restated
Restructuring costs	**(5,717)**	**(3,304)**
Other non-recurring items	**8,681**	**(2,350)**
Total	**2,964**	**(5,654)**

Restructuring costs amount to a total of EUR 5,717 thousand. They are distributed among several entities of the Group and therefore do not correspond to the restructuring of a specific entity. They mainly relate to severance payments.

The other non-recurring items are as follows:

Other non-recurring items

Impairment on goodwill in EMEA (mainly AQS)	(10,000)
Capital gain related to the disposal of TTC	20,101
Capital gain related to the disposal of shares held in AIT and JACIR	541
Other non-recurring costs	(1,961)
	8,681

12. NET FINANCE COSTS

The detail of net finance costs is as follows:

in EUR '000'	2017	2016 restated
Interest charges	(8,830)	(6,674)
Amortized cost treatment	(1,272)	(3,793)
Total interest charges	**(10,102)**	**(10,467)**
Other borrowing costs	(4,791)	(1,308)
Factoring costs	(83)	(53)
FX forward swap points	(1,517)	-
Other finance costs	(3,191)	(1,255)
Finance costs	**(14,892)**	**(11,775)**
Interest income	**87,099**	**108**
Total	**72,207**	**(11,667)**

Interest charges on the Group debt increased versus 2016 following the increase of the average margin level on the syndicated credit facility and a less attractive financing mix than in 2016. They also include the cost of carry coming from the setup of Interest Rate Swaps and Cross Currency IRS (that matured in the first half of 2017, see Note 35) and the pre-financing interests on factoring transactions with partial recourse that were implemented in 2017.

The average cost of debt is 4.11% for 2017, compared to 3.14% in 2016. The increase is mainly due to the increase in the level of interest margins on the syndicated credit facility, as well as a less favorable financing mix.

The "Amortized cost treatment" consists in the amortization of setup and review costs of the Senior Facilities Agreements signed on 17 December 2009 and 4 July 2011 and of the bonds with a fixed rate at 5.50% issued in 2014. The increase in 2017 is related to the review of the facility agreement carried out in July 2016. Those costs were immediately recognized in the income statement (EUR 2,686 thousand) since a second review of the facility was conducted in December 2016.

Amongst other, the section "Other borrowing costs" includes:

- factoring charges
- a non-recurring charge of EUR 1,517 thousand related to specific currency hedging instruments on some ongoing projects (swap points on foreign currency forward sales)
- other financial costs including revaluations of inter-company loans, commitment fees remunerating the bank pool for the unused portion of the loan, user fees on loans contracted under the "revolver" credit line as well as foreign exchange gains and losses on certain transactions between Group companies previously classified in other operating expenses but better placed in financial items.

Interest income is mainly explained by the waiver of EUR 86,943 thousand granted by the bank consortium as part of the Group's financial restructuring. For more information, please refer to Note 32.

13. INCOME TAX

in EUR '000'	2017		2016 restated	
Components of tax (expense)/income	**(16,811)**		**(3,071)**	
Related to current year	(9,160)		3,809	
Related to past years	(7,652)		(6,880)	
Current tax	**(5,755)**		**2,381**	
Related to current year	(5,198)		2,622	
Related to past years	(557)		(241)	
Deferred tax	**(11,056)**		**(5,451)**	
Related to timing differences	(3,961)		1,187	
Related to the change of tax rate	(1,571)		-	
Related to reversal/ (impairment) on deferred tax assets	(5,524)		(6,638)	
Related to past years	-		-	
Reconciliation of Group income tax charge				
Result before tax of continued activities	42,203		(46,769)	
Share of the profit (loss) of joint ventures	(9,226)		(4,585)	
Result before tax and before share of the profit (loss) of joint ventures of continued activities	**51,429**		**(42,184)**	
Domestic income tax rate	33.99%		33.99%	
Group theoretical income tax charge	**(17,481)**	**-33.99%**	**14,338**	**-33.99%**
Utilisation of tax losses not previously recognised	20,120	39.1%	(32)	0.1%
Tax related to past years	(557)	-1.1%	(242)	0.6%
Impact of tax rate change on deferred taxes	(1,571)	-3.1%	-	-0.0%
Recovery/ (impairment) of tax credit	1,473	2.9%	(1,546)	3.7%
Impact of tax rate difference between Belgium and other juridictions	454	0.9%	(718)	1.7%
Permanent differences (goodwill & intangibles)	(3,831)	-7.4%	-	-0.0%
Deferred tax assets not recognised	(15,309)	-29.8%	(14,672)	34.8%
CVAE [1]	(221)	-0.4%	(309)	0.7%
R&D tax credits	112	0.2%	110	-0.3%
Income tax revenue/(expense)	**(16,811)**	**-32.7%**	**(3,071)**	**7.3%**

(1) CVAE = "Contribution sur la Valeur Ajoutée des Entreprises"

The tax expenses of the Group are significantly impacted by the variation of the deferred tax assets (see Note 23) and by the tax payable on the capital gain linked to the disposal of TTC.

The current income tax comes from the reimbursement of tax credits in the United States and in France.

The utilization of tax losses not previously recognized is mainly related to the financial gain linked to the debt write-off (EUR 86.9 million) in 2 subsidiaries (Hamon & Cie and CFH) for which past tax losses had not been fully recognized in deferred tax assets.

14. CHANGES OF SCOPE

The changes of scope are as follows:

- creation of Hamon Environmental Polska Sp. z o.o. (100%),
- creation of Hamon Vietnam company Ltd. (80%),
- creation of Hamon D'Hondt Korea Co. Ltd. (99.95%) through the integration of the assets and liabilities of the PHE division of Hamon Korea Co Ltd.
- sale of Thermal Transfer Corporation (100%) subsidiary,
- sale of the financial assets held in the french companies Air Industrie Thermique (AIT) and JACIR.

15. EARNINGS PER SHARE

CONTINUED AND DISCONTINUED OPERATIONS

The basic earnings per share coming from the continued and discontinued operations are calculated by dividing the net result for the year attributable to the equity holders of the Company by the weighted average number of outstanding shares during the fiscal year:

in EUR '000'	2017	2016
Net result (equity holders of the Company)	(22,313)	(62,593)
Weighted average number of ordinary shares during the year	22,612,323	10,877,836
Basic earnings per share and Diluted earnings per share (EUR/share)	(0.99)	(5.75)

There is no difference between basic earnings per share and diluted earnings per share. On the one hand, the shares issued in January 2017 and February 2018 for respectively 1,428,715 shares and 95,532,094 shares should not be included in the calculation of diluted earnings per share but should be part of the basic earnings per share for the year in which they were issued. On the other hand, there is no stock option plan in place (Note 31).

Taking into account the Hamon shares owned by Esindus SA, the average number of shares outstanding is 22,308,817 and the basic result per share is -1.00 EUR / share.

CONTINUED OPERATIONS

Basic earnings per share from continued operations amounts to EUR +1.14 / share (EUR -4.55 / share in 2016). It is calculated by dividing net income from continued operations for the year attributable to shareholders by the weighted average number of shares outstanding during the year.

DISCONTINUED OPERATIONS

Basic earnings per share for discontinued operations amounted to -2.12 EUR / share as of December 31, 2017 (-1.21 EUR / share as of December 31, 2016). It is calculated on the basis of net income from discontinued operations of EUR -48,020 thousand in 2017 (EUR -13,133 thousand in 2016) and the denominators detailed above.

16. CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operations, at EUR -64.5 million, improved compared to 2016 (EUR -78.6 million).

The year 2017 was impacted by the change in the factoring program no longer allowing the deconsolidation of sold receivables, the reduction of the accounts payable balance due at the end of 2016 and cleared in 2017, the less favorable payment terms and the negative position of certain contracts during this period.

The Group benefited from tax refunds in the US and France.

Restructuring costs amounting to EUR 3.8 million were paid in 2017. They mainly relate to severance benefits.

17. CASH FLOW FROM INVESTING ACTIVITIES

The net cash flow from investments for 2017 is EUR 33.6 million. The investments and divestments of the year mainly concern:

- the sale of Thermal Transfer Corporation, and the shares in AIT and Jacir;
- investments in development;
- investments in IT (network, management tools, softwares,...);
- investments for maintenance.

18. CASH FLOW FROM FINANCING ACTIVITIES

The cash inflow from financing activities reached EUR 37.8 million in 2017.

It is mainly driven by the capital increase of Hamon & Cie (International) S.A. (see Note 28) that generated a cash inflow of EUR 4.9 million.

The item "Proceeds from new bank borrowings" (EUR 42 million) comes from the use of the revolving line of the senior facility, commercial paper issued and the factoring program with partial recourse.

The Group decided to pay no dividend for 2017 financial year and paid no dividend for the 2016 financial year.

Please refer to Note 12 for the interests received and paid during the year 2017.

19. INTANGIBLE ASSETS

in EUR '000'	Patents and trade marks	Development costs	Total
As of 31 December 2015			
Cost	28,100	26,520	54,620
Accumulated amortization and impairment	(14,955)	(15,264)	(30,219)
Net carrying amount	**13,145**	**11,256**	**24,401**
For the year ended 31 December 2016			
Exchange difference	229	245	474
Additions	1,170	995	2,165
Amortization charge for the year	(1,795)	(2,144)	(3,939)
Transferred from an account to another	(3)	-	(3)
Net carrying amount at closing date	**12,714**	**10,094**	**22,808**
As of 31 December 2016			
Cost	29,463	27,502	56,965
Accumulated amortization and impairment	(16,749)	(17,408)	(34,158)
Net carrying amount	**12,714**	**10,094**	**22,808**
For the year ended 31 December 2017			
Exchange difference	(848)	(759)	(1,607)
Additions	1,380	419	1,799
Disposals	(505)	(801)	(1,306)
Amortization charge for the year	(1,551)	(1,634)	(3,185)
Transferred from an account to another (assets held for sale)	(255)	(1,306)	(1,561)
Net carrying amount at closing date	**10,935**	**6,013**	**16,948**
As of 31 December 2017			
Cost	31,305	21,646	52,951
Accumulated amortization and impairment	(20,370)	(15,633)	(36,003)
Net carrying amount	**10,935**	**6,013**	**16,948**

Except for trademarks acquired through the acquisition of Deltak in 2011, all intangible assets have a finite utility period during which the assets are amortized.

Deltak trademarks (EUR 5,920 thousand on 31 December 2017 against 6,736 thousand on 31 December 2016 because of the foreign exchange impact) have a utility period that is not limited in time and the Group intends to keep them in use in the future. Impairment tests on Deltak trademarks are performed together with impairment tests on goodwill (see Note 20).

The amortization charge is included in 'General & Administration costs'.

During 2017, Hamon pursued the implementation of its ERP with a strict control on costs. Those costs are shown in the category "Patents and Trademarks".

Development costs (mainly in Belgium and in the United States) are an integral part of the activity of some entities, allowing Hamon to increase the value of its assets. Those costs are the outcome of the Group Research and Development program.

Half of the intangible assets are held by the American entities and are therefore strongly impacted by the USD/ EUR exchange rate fluctuation.

In 2017, the transfers between accounts relate to the net carrying amount of PHE's assets that was impaired and classified as assets held for sale (see Note 43).

20. GOODWILL

in EUR '000'	2017	2016
Gross carrying amount as of 1 January	51,854	49,980
Accumulated amortization and impairment as of 1 January	(8,616)	(1,531)
Net carrying amount of goodwill as of 1 January	**43,238**	**48,449**
Foreign Currency Translation	(4,254)	1,874
Impairments	(10,000)	(1,743)
Transfer to "assets held for sale"		(5,341)
Gross carrying amount as of 31 December	47,601	51,854
Accumulated amortization and impairment as of 31 December	(18,616)	(8,616)
Net carrying amount of goodwill as of 31 December	**28,985**	**43,239**

GOODWILL IMPAIRMENT TESTING PERFORMED FOR 31 DECEMBER 2017

The transformation and savings plan launched in 2017 will have a significant impact on the internal organization of the Group and on the way in which the performance of the operations (constituting the CGUs) will be monitored and evaluated in the future. As of January 1, 2018, Group operations will be organized by region.

Following this reorganization, the Group developed its business plan and budget based on the new regional structure. As a result, the goodwill impairment test was performed on this basis. The business plan and cash flow forecasts were only prepared using the new regional structure and no detailed information was available according to the old business units (CGUs).

The Group performed the 2017 depreciation test in December 2017, but in order to compare the estimated recoverable values of the different regions, it had to reallocate the book value (including goodwill) of the CGUs. The reallocation is based on the geographical location (EMEA, America and Asia) of the legal entities in which the goodwill was initially recognized. Subsequently, the Group performed an impairment test based on regional CGUs. Then, the impairments obtained were allocated to their respective business units.

?pas compris la demande

The impairment tests carried out on 31 December 2017 resulted in a write-down of EUR 10,000 thousands for the EMEA region, as follows:

	EMEA	America	Asia	Total
Goodwill as of 31.12.2017 (before impairment)	13,468	15,252	10,265	38,985
Impairment	(10,000)			(10,000)
Goodwill as of 31.12.2017 (after impairment)	3,468	15,252	10,265	28,985

GOODWILL IMPAIRMENT TESTING BY REGION

CGU: EMEA

The recoverable amount of the EMEA CGU as of December 31, 2017 is determined based on a value in use calculation using three-year cash flow projections (based on EBITDA of the business plan) with 0% growth rate after the projection period and a WACC of 11%. The other assumptions used (concerning capital expenditures and working capital) are also in line with the business plan approved by the Board of Directors. As the estimated value in use is lower than the carrying amount of the EMEA CGU, the Group recognized a write-down of the goodwill of EUR 10,000 thousands for the current year.

CGU: America

The recoverable amount of the AMER CGU as of December 31, 2017 is determined based on a value in use calculation using three-year cash flow projections (based on EBITDA of the business plan) with 0% growth rate after the projection period and a WACC of 11%. The other assumptions used (concerning capital expenditures and working capital) are also in line with the business plan approved by the Board of Directors. As the estimated value in use is higher than the carrying amount of the AMER CGU, the Group concluded that no impairment was required.

CGU: Asia

The recoverable amount of the ASIA CGU as of December 31, 2017 is determined based on a value in use calculation using three-year cash flow projections (based on EBITDA of the business plan) with 0% growth rate after the projection period and a WACC of 11%. The other assumptions used (concerning capital expenditures and working capital) are also in line with the business plan approved by the Board of Directors. As the estimated value in use is higher than the carrying amount of the ASIA CGU, the Group concluded that no impairment was required.

The Group performed sensitivity analysis that revealed by how much the carrying amount of the EMEA and America CGUs would have exceeded the estimated recoverable amount in case of change in the key assumptions:

	EMEA	America	Total
WACC at 12% (instead of 11%)	(3,441)	(2,751)	(6,192)
EBITDA/ revenue: -1%	(9,240)	(8,338)	(17,578)
Revenue: 85% of the BP revenue	(6,962)	(5,429)	(12,391)

As the sensitivity analysis concluded that no reasonable changes in the assumptions would change its impairment conclusions, Asia was excluded from the above table.

Analysis of 2016 goodwill

For the years 2016 and earlier, the Group considered that its Cash Generating Units (CGUs) corresponded to its business units which included entities integrated on a managerial, commercial, operational and technological level. As a result, goodwill was allocated and tested for impairment in the following operating CGUs: cooling systems, process heat exchangers, air quality systems and NAFTA.

The variations in 2016 were due to foreign exchange impacts (Brazilian Real mainly) as well as writedown on the PHE CGU (EUR 1,700 thousand) and on the NAFTA CGU (EUR 5,400 thousand). The writedown on NAFTA CGU was explained by the reclassification of the assets & liabilities of the affiliate Thermal Transfer Corporation (TTC) as available-for-sale assets, including a share of TTC in the NAFTA goodwill based on the fair value of TTC compared to the full CGU value.

The recoverable value of the CGUs were tested through the value in use methodology in 2016. The following table includes both goodwill as well as the method used to perform impairment tests:

in EUR '000'	Goodwill as of 31/12/2016	Value in use	Goodwill as of 31/12/2015
Cooling systems	4,120	v	3,997
Process Heat Exchangers	0	v	1,743
Air Quality Systems	29,790	v	28,501
NAFTA	9,329	v	14,208
Total	**43,239**		**48,449**

The value in use was obtained by applying the DCF method to the business plans prepared in December 2016 for the capital increase. These business plans were mainly based on the budget approved by the Board for the first year of the plan and for the following years, on:

- the expected new orders (price & margin)
- the P&L impact of the backlog and of the future bookings
- the overheads and the allocation of a part of them to the projects
- the financial costs
- the taxes.

After the projection period, the Group used a growth rate of 1%. The WACC retained was 9%, based on the analyst reports that follow Hamon (WACC before taxes: 10.3%). Sensitivity analyses were performed on booking levels (-15%), growth rate (-1%) and WACC (+1,5%). In each case, the tests performed showed that impairment risks were unlikely.

Assumptions	2016	2015
Multiple	7	7
WACC	9.0%	9.0%
Growth rate	1.0%	1.0%

The WACC of 2016 was based on the same risk-free rate as in 2015.

21. PROPERTY, PLANT & EQUIPMENT

in EUR '000'	Land and buildings	Furniture and vehicles	Plant, machinery and equipment	Other tangible assets	Assets under construction and advance payments	Total
As of 31 December 2015						
Cost	26,653	6,145	50,150	1,833	2,210	86,992
Accumulated depreciation	(12,128)	(4,877)	(31,968)	(1,262)	2	(50,233)
Net carrying amount	**14,525**	**1,268**	**18,182**	**571**	**2,212**	**36,759**
For the year ended 31 December 2016						
Exchange difference	(20)	10	(68)	8	(6)	(76)
Additions	270	335	2,508	13	839	3,965
Disposals	(64)	(15)	(426)	-	(165)	(670)
Depreciation charge for the year	(1,033)	(413)	(3,684)	(98)	-	(5,228)
Entry / changes in consolidation scope	-	-	-	-	-	-
Transferred from an account to another	(3,717)	(62)	(2,495)	-	(49)	(6,323)
Net carrying amount at closing date	**9,961**	**1,123**	**14,017**	**494**	**2,831**	**28,427**
As of 31 December 2016						
Cost	23,122	6,413	49,669	1,854	2,829	83,888
Accumulated depreciation	(13,161)	(5,290)	(35,652)	(1,360)	2	(55,461)
Net carrying amount	**9,961**	**1,123**	**14,017**	**494**	**2,831**	**28,427**
For the year ended 31 December 2017						
Exchange difference	(444)	(75)	(634)	(11)	(3)	(1,167)
Additions	792	248	1,763	82	961	3,846
Disposals	(7)	(22)	(770)	(33)	(644)	(1,476)
Depreciation charge for the year	(561)	(319)	(2,411)	(92)	-	(3,383)
Entry / changes in consolidation scope	-	-	-	-	-	-
Transferred from an account to another (assets held for sale)	(3,186)	(98)	(4,201)	(52)	(2,846)	(10,383)
Net carrying amount at closing date	**6,555**	**857**	**7,764**	**388**	**299**	**15,863**
As of 31 December 2017						
Cost	13,307	4,246	32,690	1,864	299	52,406
Accumulated depreciation	(6,752)	(3,389)	(24,926)	(1,476)	-	(36,543)
Net carrying amount	**6,555**	**857**	**7,764**	**388**	**299**	**15,863**
Assets under leasing	**1,973**	**-**	**236**	**-**	**-**	**2,209**

In 2017, the transfers between accounts mainly relate to the impairment and reclassification of the net carrying amount of the tangible assets of PHE in assets held for sale (see Note 43).

Hamon rents plants, machinery and equipment under lease contracts. The value of leased assets in "land and buildings" amounted to EUR 1,973 thousand as at 31 December 2017 (EUR 2,032 thousand as at 31 December 2016) while in "plants, machinery and equipment", it amounted to EUR 236 thousands of as at 31 December 2017 (EUR 266 thousand as at 31 December 2016).

In 2017, the Group acquired tangible assets for EUR 3,846 thousand mainly composed of additions in machinery and equipment.

Investments were made at different levels to acquire new equipment (EUR 214 thousand) and machinery (EUR 1,470 thousand). Those include the acquisition of a lifting platform by a French subsidiary for EUR 625 thousand.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

in EUR '000'	Non current
For the year ended 31 December 2016	
Balance at opening date	**2,181**
Additions	-
Disposals	(474)
Other variations	-
Exchange difference	7
Balance at closing date	**1,714**
For the year ended 31 December 2017	
Balance at opening date	**1,714**
Additions	-
Disposals	(1,512)
Other variations	-
Exchange difference	(14)
Balance at closing date	**189**

In 2017, the shares held in AIT and JACIR were sold.

23. DEFERRED TAXES

Deferred taxes by category	Assets		Liabilities	
in EUR '000'	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Temporary differences				
Intangible assets	10	2	(1,631)	(3,104)
Property, plant & equipment	45	69	(67)	(692)
Construction contracts	588	369	(3,503)	(4,375)
Provisions	608	846	(120)	(837)
Other	1,076	1,994	(1,069)	(1,304)
Total temporary differences	**2,327**	**3,280**	**(6,390)**	**(10,312)**
Tax losses and other tax credits	9,182	22,457		
Total deferred tax assets/liabilities	**11,509**	**25,737**	**(6,390)**	**(10,312)**
Compensation of assets and liabilities per tax entity	(2,419)	(5,213)	2,419	5,213
Total, net	**9,090**	**20,524**	**(3,971)**	**(5,099)**

Table of variation of deferred taxes	Assets	
in EUR '000'	31/12/2017	31/12/2016
Net deferred taxes as of 1st January	**15,425**	**21,722**
Deferred tax income / (expense)	(11,056)	(5,451)
Exchange difference	264	(59)
Other	486	(787)
Net deferred taxes as of 31st December	**5,119**	**15,425**

Deferred tax assets are recognized only if their realization is probable that is to say if sufficient taxable benefit is expected in future years. For this review, the Group considers a maximum period of five years that takes into account expected future profits and income tax effects for the entities reviewed. Almost all recognized deferred tax assets are not limited in time.

Based on the latest results and business plans, the management reviewed the forecasts underlying the deferred taxes assets for all affiliates. Deferred tax assets on past year losses were used in Belgium in 2017 following the debt write off. The changed Belgian legislation regarding the allocation of tax losses has impacted the amount of deferred tax that can be recognized. The combination of those 2 elements resulted in a decrease of the deferred tax assets for EUR 11 million.

Detail per country of deferred tax assets

in EUR '000'	31/12/2017	31/12/2016
Belgium	4,609	12,936
France	1,687	2,801
Germany	2,081	2,344
Korea	2	757
China	-	453
Others	711	1,233
Total	**9,090**	**20,524**

	Justification about past losses	Justification about future profits
Belgium	Receivables write-off Operating losses due to development of new product lines	Reinvoicing of costs to affiliates Cost saving plans New bookings Mature products
Germany	Operating losses due to development of new product lines	Mature products Level of activity
France	Operating losses	Restructuring

24. INVENTORY

in EUR '000'	31/12/2017	31/12/2016
Raw materials & consumables	4,586	6,632
Inventory and WIP - not related to construction contracts	82	164
Finished goods	1,817	1,592
Total	**6,485**	**8,388**

On 31 December 2017, write-offs accounted for on inventories amounted to EUR 572 thousand (versus EUR 1,185 thousand on 31 December 2016).

25. CONSTRUCTION CONTRACTS

in EUR '000'	31/12/2017	31/12/2016
Amount due from customers for contract work	62,521	111,051
Amount due to customers for contract work	(79,239)	(105,310)
Total	**(16,718)**	**5,741**

Contracts in progress, i.e. those for which the guarantee period has not started yet, are maintained on the balance sheet. The variation of both costs incurred and down payments billed to customers are linked to the timing of the acceptance of the orders by our customers rather than the growth of our activities.

The variation of the work in progress is the consequence of the ordinary cycle of the billing process on some contracts. Unlike last year, the 2017 billing has been higher than the actual costs incurred on the projects.

26. TRADE AND OTHER RECEIVABLES

in EUR '000'	31/12/2017	31/12/2016
Trade receivables	121,428	125,044
Impairment of doubtful receivables	(12,208)	(16,676)
Trade receivables - net	**109,220**	**108,368**
Retentions	4,742	5,468
Prepayments	17,759	21,260
Cash deposits and guarantees paid	1,068	1,548
Receivables on related parties	10,264	14,836
Other receivables	8,229	10,692
Total	**151,282**	**162,172**
Non-current trade and other receivables		
Receivables on related parties	430	5
Cash deposits and guarantees paid	1,012	1,512
Other non-current receivables	271	7,889
Less: non-current receivables	**(1,713)**	**(9,406)**
Trade and other receivables - current	**149,569**	**152,766**

As of 31 December 2017, EUR 5,9 million of trade receivables were sold (EUR 22 million in 2016) without recourse to financial institutions and are deducted from the section 'Trade receivables' according to the IAS 39 criteria.

To mitigate the credit risk exposure, Hamon contracts credit insurance policies.

Local practices sometimes require that customers retain a percentage on payments (called retention) until the final acceptance of the contract. This percentage is generally limited to 10%.

The receivables on related parties include receivables with joint-ventures of the Group.

The other non-current receivables in 2016 included a loan to a joint-venture within the PHE business unit. This receivable has been reclassified in assets held for sale in 2017.

27. CASH AND CASH EQUIVALENTS

in EUR '000'	31/12/2017	31/12/2016
Credit Institutions	47,186	42,155
Cash in hand	45	34
Short term cash deposits	3,016	4,708
Cash and cash equivalents	**50,246**	**46,898**

As of 31 December 2017, the restricted cash amounted to 1,068 EUR thousand (versus EUR 2,622 thousand in 2016).

28. REGISTERED CAPITAL

Details of the capital and number of shares are as follows:

Pair value per share	31/12/2017	31/12/2016
Number of shares issued on the closing date	22,703,278	21,274,563
Value of issued capital (in EUR)	6,810,983.40	6,382,369
Par value (in EUR/share)	0.30	0.30

Hamon & Cie undertook two capital increases in 2016. In January 2017, the public also subscribed the sum of EUR 5,164,805 (including the issue premium) to this capital increase. The capital increase took place on 20 January 2017. It resulted in the creation of 1,428,715 new shares, taking the respective holdings of Sopal International SA and Sogepa to 38.52% and 44.23%.

SHAREHOLDING

As of 31 December 2017, the registered capital of Hamon & Cie amounted to EUR 6,810,983.40, represented by 22,703,278 shares without indication of nominal value. Following the conclusion of a liquidity contract with a financial institution in 2013, Hamon & co held 40,625 own shares as of 31 December 2017.

Shareholder	Shares 31/12/2017	%	Shares 31/12/2016	%
Sopal International SA	8,744,248	38.52%	8,740,344	41.1%
Esindus SA	303,506	1.34%	303,506	1.4%
Sogepa (on own account and on behalf of the Walloon Region)	10,040,902	*44.23%	10,040,902	47.2%
Own shares held by the Company	41,568	0.18%	23,963	0.1%
Other public	3,573,054	15.74%	2,165,848	10.2%
Total	**22,703,278**	**100%**	**21,274,563**	**100.0%**

** Sogepa on its omn account: 9,031,811 shares (39.78%) and on behalf of the Walloon Region: 1,009,091 shares (4.44%)*

DIVIDEND

The Group has not paid dividends since 2012.

29. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

in EUR '000'	Restructuring	Warranty	Losses on contracts	Other provisions	Total
Balance as of 31 December 2015	**274**	**1,992**	**644**	**618**	**3,528**
Additions	561	519	400	508	1,988
Reversals	(224)	(814)	-	(127)	(1,165)
Use of provision	(20)	(594)	-	(105)	(719)
Exchange difference	3	20	14	-	37
Other movements	-	-	-	-	-
Autres mouvements	-	(205)	-	372	167
Balance as of 31 December 2016	**594**	**918**	**1,058**	**1,266**	**3,836**
Additions	2,633	414	-	289	3,336
Reversals	(16)	(140)	(480)	(499)	(1,135)
Use of provision	(727)	(19)	(129)	-	(875)
Exchange difference	3	(123)	(5)	-	(125)
Entry / changes in consolidation scope	-	14	-	-	14
Other movements	(465)	(38)	2	(257)	(758)
Balance as of 31 December 2017	**2,022**	**1,026**	**446**	**799**	**4,293**
Of which non-current provisions	333	-	-	468	801
Of which current provisions	1,689	1,026	446	331	3,492

Provisions for restructuring, warranty, losses on contracts and others are accounted for and estimated on the basis of the probability of future cash-out payments as well as historical information based on facts and circumstances known at the closing date. The actual charge may differ from the amounts accounted for.

The Board of Directors considers that these amounts are the best current estimate and that the Group will not bear any additional charge.

30. PROVISIONS FOR POST-EMPLOYMENT BENEFITS

The net obligation for employee benefits amounted to EUR 2,851 thousand at year end 2017. Post employment benefits are primarily made up of retirement benefit plans and obligations in line with local practices.

in EUR '000'	Provision retirement benefits	Provision jubilees	Other long term benefits	Total
Total obligations	17,588	83	114	17,785
Fair value of plan assets	(12,318)	-	-	(12,318)
Net obligation as at 1 January 2016	5,270	83	114	5,467
of which defined benefit plan net obligation	5,270	83	-	5,353
Total obligations	21,371	84	123	21,578
Fair value of plan assets	(16,304)	-	-	(16,304)
Net obligation as at 31 December 2016	5,067	84	123	5,274
of which defined benefit plan net obligation	5,067	84	-	5,151
Total obligations	18,099	59	138	18,296
Fair value of plan assets	(15,445)	-	-	(15,445)
Net obligation as at 31 December 2017	2,654	59	138	2,851
of which defined benefit plan net obligation	2,654	59	-	2,713

The post-employment benefit obligations of PHE (EUR 1,468 thousand) have been reclassified in liabilities held for sale following the decision of the Group to put the business unit on sale.

The post-employment benefits are categorized as either defined benefit plans or defined contribution plans.

DEFINED BENEFIT PLANS

Characteristics of defined benefit plans

The defined benefit plans require the recognition of the net liability of the Company towards its employees in its financial statements. The net liability of those plans and its variations are determined by an annual actuarial calculation made according to the "Projected Unit Credit Method" by external actuaries.

Defined benefit plans granted by the Group are either funded plans with third party insurance companies or unfunded benefits granted directly by the Company in accordance with local practices. During the year 2017, there has not been any new plan within the Group. The Belgian defined contribution pension plans for which the law guarantees a minimum return have been reclassified in defined benefit plans since 2015 because of this guarantee. Please refer to the following paragraph for more details.

The defined benefits are granted by some Belgian, German, French, Indian, Indonesian and Korean companies of the Group. French entities account for more than half the total of the net obligations in the Group.

- "Retirement benefit" plans, representing more than 93% of the net obligation for defined benefit plans, foresee the payment of a capital (or annuity) to the employees, at the time of their retirement, which is equal to a given number of months of salary at that date. More than 89% of those net obligations are compulsory, due to domestic practices applicable in the countries where those entities are operating, and are managed directly by the Hamon entities. The remaining ones are managed by qualifying third party insurance companies.
- "Incentive or profit sharing" plans, representing less than 2% of the net liability for defined benefit plans, provide for the payment of seniority allowances to employees in accordance with local practices.

Belgian pension plans subject to minimum guaranteed rates of return

The Group Hamon offers defined contribution pension plans funded through group insurances to the employees of its Belgian affiliates with a minimum return guaranteed by law. The contributions to these plans amount to minimum 8.5% of the salary, partly paid by the employer and partly by the employee.

As a consequence of the law of 18 December 2015, minimum returns guaranteed by the employers are as follows:

- For the contributions paid as from 1 January 2016, a new variable return based on OLO rates comprised between 1.75% and 3.75%. The rate is currently set to 1.75%.
- For the contributions paid until end December 2015, the previously applicable legal returns of 3.75% on employee contributions and 3.25% on employer contributions continue to apply until retirement date of the participants.

The insurance companies managing these plans for the Group also guarantee a minimum return on the reserves as well as on future contributions for some portions of the plans. They have evolved as follows: 4.75% until 1998; 3.25% from 1999 till 2012 and between 0.50% and 2.25% since 2013. They are currently set between 0.50% and 1.50%. The assets of these plans are entirely managed by external insurance companies said "qualifying third party" which do not have any link with the Group.

The average maturity of theses Belgian plans is between 12 and 15 years as at 31 December 2017.

In view of the minimum legal returns guaranteed, those plans qualify as Defined Benefit plans. Indeed they induce a financial risk for the Group during periods of declining market interest rates when the returns guaranteed by the insurance companies are lower than the minimum legal returns, which is currently the case. In this case, the intervention of the insurance company is limited and the Group shall fund the balance between the return delivered by the insurance company and the legal return.

Since 2016, a complete actuarial calculation has been performed for these plans by external actuaries according to the "Projected Unit Credit Method". In the computation of the obligation, the highest between the legally guaranteed minimum reserves projected at the minimum return guaranteed by the law and the accrued reserves has been taken into account. The fair value of the insurance contracts has been computed as the net present value of the accrued reserves (according to the IAS 19.115).

The data of these plans have been completely integrated in the tables of the defined benefit plans as from 31 December 2016 (balance sheet and income statement). At year-end 2017, the net surplus for these plans amounted to EUR 116 thousand.

Funding of defined benefit plans

The funding of defined benefit pension plans in the Group is as follows:

in EUR '000'	31/12/2017	31/12/2016
Funded plans - PV of defined benefit obligations	15,464	16,727
Fair value of plan assets	(15,445)	(16,304)
Deficit/(surplus) of funded plans	**19**	**423**
Unfunded plans - PV of defined benefit obligations	2,694	4,728
Net liability arising from DBO	**2,713**	**5,151**

The decrease of the net liability of the group (in particular for unfunded plans) is due to the reclassification of the obligations of PHE (EUR 1,468 thousand) in liabilities held for sale and to the slight decrease of the headcount in a few subsidiaries.

The assets of the funded plans are exclusively made up of "qualifying third party insurance contracts". They are held by companies which do not have any link with the Group.

They have evolved as follows for the past 2 years:

in EUR '000'	31/12/2017	31/12/2016
Fair value of plan assets at beginning of period	**16,304**	**12,318**
Interest income on plan assets	201	269
Return on plan assets exc. Interest income	511	2,755
Employer contributions	1,109	1,146
Employee contributions	149	171
Administration expenses paid from plan assets	(9)	-
Benefits paid	(2,723)	(204)
Others	(97)	(151)
Fair value of plan assets at end of period	**15,445**	**16,304**

The evolution of the plan assets is due to important benefit payments following some retirements in 2017 and to a significant decrease of the other revenues.

Net Defined Benefit Costs

The amounts recognised in the Group income for these plans for 2017 and 2016 are as follows:

in EUR '000'	31/12/2017			31/12/2016 restated		
	Total	Discon-tinued Business	Continued Business	Total	Discon-tinued Business	Continued Business
Service Cost						
Current Service Cost	1,586	178	1,408	1,600	163	1,437
Past service cost	-	-	-	-	-	-
(Gain)/loss from settlement/plan reductions	(397)	(194)	(203)	-	-	-
Actuarial (gains)/losses on costs	2	-	2	(1)	(4)	3
Net interest expense	100	27	73	124	35	89
Administration costs exc. Mgt of plan assets	9	-	9	10	-	10
Defined benefit costs recognized in P&L	**1,300**	**11**	**1,289**	**1,733**	**194**	**1,539**
Return on plan assets exc. Interest income on plan assets	(511)	-	(511)	(2,755)	-	(2,755)
Actuarial (gains)/losses on DBO arising from:						
changes in demographic assumptions	88	-	88	(67)	-	(67)
changes in financial assumptions	(263)	-	(263)	1,629	-	1,629
experience adjustments	(424)	-	(424)	785	-	785
Remeasurement of DB Cost recognized in OCI	**(1,110)**	**-**	**(1,110)**	**(408)**	**-**	**(408)**
Total Defined Benefit Cost	**190**	**11**	**179**	**1,325**	**194**	**1,131**

The amounts recognized in the 2016 profit & loss have been restated compared to last year annual report because of the reclassification of the results of the business unit PHE in discontinued business.

The defined benefit costs are recorded under 'Cost of sales', 'General and Administration' costs, 'Financial Expenses' and result of discontinued business while the remeasurement of the benefits (actuarial gains and losses) are recognized in the Other Comprehensive Income.

The defined benefit costs recognized in the Profit & Loss have significantly decreased, compared to 2016, mainly because of reductions of the plans in the French subsidiaries (following a significant reduction of the headcount). The reductions led to a gain of EUR 397 thousand.

The remeasurement of the obligations have generated significant gains leading to an income of EUR 1,110 thousand in 2017 against EUR 408 thousand in 2016 in the Other Comprehensive Income. In particular, the changes in financial assumptions and the experience adjustments have generated actuarial gains amounting to EUR 263 and 424 thousand this year against losses of EUR 1,629 and 785 thousand last year. These actuarial gains offset the significant decrease of the other revenues of the plan assets (EUR 551 in 2017 against EUR 2,755 thousand in 2016).

Following these modifications, a total cost of EUR 190 thousand has been recognized in the Group Income Statement in 2017 versus EUR 1,325 thousand in 2016.

The expected contributions and benefit payments for 2018 amount to EUR 962 thousand (excluding PHE).

Change in obligations

The obligations have evolved as follows during the past 2 years:

in EUR '000'	31/12/2017	31/12/2016
Defined Benefit Obligation at beginning of period	**21,455**	**17,671**
Current Service Cost	1,586	1,600
Interest cost	301	393
Actuarial (gains)/losses arising from:		
changes in demographic assumptions	88	(67)
changes in financial assumptions	(263)	1,633
experience adjustments	(424)	780
(Gains)/losses arising from settlements/plan reductions	(397)	-
Employee Contributions	149	171
Benefits paid	(2,723)	(614)
Others	(93)	(140)
Currency translation difference	(53)	28
Reclassification in Liabilities held for sale	(1,468)	-
Defined Benefit Obligation at end of period	**18,158**	**21,455**

Gross obligations have decreased compared to last year mainly because of the reclassification of the obligations of the PHE business unit in liabilities held for sale, current year actuarial gains (vs losses last year) and a significant amount of benefits paid following retirements in 2017.

The number of employees covered by the Defined Benefit plans amounted to 737 in 2017 (of which 145 are inactive) in comparison to 744 in 2016 (of which 130 are inactive). The evolution is due to a decrease of the headcount in France partially offset by an increase of the headcount in India.

Actuarial assumptions

Main actuarial assumptions used for the valuation of the obligations and their movements are within the ranges shown below.

EURO zone	31/12/2017	31/12/2016
Discount rate	1.3-1.8%	1.2-1.6%
Expected future salary increase rate	1.75-3%	1.75-3%
Underlying Inflation rate	1.75-2%	1.75-2%
Average assumed retirement age (years)	62-67	62-67

APAC zone	31/12/2017	31/12/2016
Discount rate	2.90-8.5%	2.41-8.5%
Expected future salary increase rate	3.5-10%	3.5-10%
Underlying Inflation rate	1%	1%
Average assumed retirement age (years)	55-65	60-65

The interest rates used to discount the obligations have slightly increased in 2017 in the EURO zone following the evolution of the market rates. They are exclusively based on AA corporate bonds.

In the ASPAC zone, the discount rates are based on:

- AA corporate bond rates in Korea (2.90% against 2.41% in 2016) representing 21% of the total net group liability where the higher rate is due to the evolution of the market rate.
- Government bond rates in India and Indonesia, because the AA corporate bond market is not deep enough in those countries (respective rates of 7.46% and 8.5% for less than 17% of the total net group liability).

Mortality tables used are standard tables generally accepted in the countries where those benefits are offered.

The average maturity of the main defined benefit plans is between 5 and 15 years.

Sensitivity analysis

Our sensitivity analysis on the Group post-employment liability shows that the actuarial assumptions taken have a direct effect on their valuation.

in EUR '000'	Impact	in %
Discount Rate +0,5%	(990)	-5.5%
Discount Rate -0,5%	1,210	6.7%
Expected salary increase +0,5%	257	1.4%
Expected salary increase -0,5%	(237)	-1.3%
Expected life expectancy plus +1 an	(45)	-0.2%
Expected life expectancy plus - an	45	0.2%

As displayed on the table above, a variation of +/- 0.5% of the discount rate or of the salary increase rate or of the expected life expectancy of +/-1 year has an impact of less than 7% on the value of the gross liability

DEFINED CONTRIBUTION PLANS AND OTHER SIMILAR BENEFITS

The retirement plans based on defined contributions and similar benefits are plans for which the Group pays determined contributions to a separate entity according to the plan rules. These benefits may include hospitalization, illness, life/death insurances granted to the personnel. The Group has no obligation beyond these contribution payments amounting to EUR 632 thousand in 2017. These plans and similar benefits are primarily offered by Belgian, British and South African companies within the Hamon Group.

31. SHARE-BASED COMPENSATION (STOCK OPTIONS)

The Board of Directors, with the approval of the Extraordinary General shareholders Meeting of 27 May 2008, decided to grant a stock option plan to managers of the Group (around 40 persons) with the goal of focusing them on the long-term development of the Group. The plan lasted 7 years and ended in May 2015. No other plan took place since then.

32. FINANCIAL LIABILITIES

in EUR '000'	31/12/2017	31/12/2016
Bank borrowings	49,225	114,367
Bank overdrafts	3,797	3,876
Sub-total bank borrowings	**53,022**	**118,243**
Obligations under finance lease	2,533	2,304
Treasury notes	19,994	11,907
Other financial commitments	63,755	55,000
Sub-total other borrowings	**86,282**	**69,211**
Total	**139,304**	**187,454**
Of which:		
Current (due for settlement within the year)	**65,347**	**33,753**
Amount due for settlement in the 2nd year	430	546
Amount due for settlement in the 3rd year	72,532	361
Amount due for settlement in the 4th year	221	152,021
Amount due for settlement in the 5th year and after	773	773
Sub-total non-current:	**73,957**	**153,701**
Total	**139,304**	**187,454**
Of which:		
Borrowings due for settlement within the year in		
EUR	37,985	16,216
USD	6,795	7,092
Others	20,568	10,445
Non-current borrowings in		
EUR	73,913	153,537
USD	0	0
Others	43	165
	139,304	**187,454**

The total commitments in capital and interest for the borrowings are as follows:

in EUR '000'	31/12/2017	31/12/2016
Current (due for settlement within the year)	**3,113**	**3,257**
Amount due for settlement in the 2nd year	3,066	3,068
Amount due for settlement in the 3rd year	298	3,068
Amount due for settlement in the 4th year	41	300
Amount due for settlement in the 5th year and after	22	41
Sub-total non-current:	**3,428**	**6,477**
Total	**6,541**	**9,734**

AMOUNTS DUE FOR FINANCIAL DEBTS

in EUR '000'	31/12/2017	31/12/2016
Sub total current (due for settlement within the year)	**68,514**	**37,010**
Amount due for settlement in the 2nd year	3,496	3,614
Amount due for settlement in the 3rd year	72,831	3,429
Amount due for settlement in the 4th year	262	152,321
Amount due for settlement in the 5th year and after	796	815
Sub-total non-current:	**77,385**	**160,178**
Total	**145,898**	**197,188**
Less: future interest commitments	(6,594)	(9,734)
Borrowings	**139,304**	**187,454**

As of 31 December 2017, the Group borrowing (EUR 139,304 thousand) is mainly composed of the senior bonds issued on 30 January 2014 due in 2020 with a fixed rate of 5.50% (EUR 55,000 thousand); revolving credits on the Senior Facilities Agreement renewed in 2017 and maturing on 30 January 2020 (for EUR 21,811 thousand); commercial papers maturing within the year for EUR 19,994 thousand and the factoring program with partial recourse set up in 2017 (EUR 8,755 thousand).

The Group has renewed its Senior Facilities Agreement on 29 December 2017. The bank pool has agreed a debt write off of EUR 86,943 thousand and Sogepa became a partner of the Senior Facilities Agreement.

The revolver credit facility of the Agreement amounted to EUR 25,557 thousand as of 31 December 2017 of which EUR 21,811 thousand were in use.

The following covenants have been agreed:

- the consolidated EBITDA of the Group (excluding PHE, South Africa and Brazil) will not be below:
  - EUR 7 million for the 12 month period before 31 December 2018;
  - EUR 10.5 million for the 12 month period before 30 June 2019;
  - EUR 14 million for the 12 month period before 31 December 2019.
- the Revenue of the Group will not be below EUR 280 million for the 12 month period before 31 December 2018, 30 June 2019 and 31 December 2019; and:
- the total capital expenditure of the group will not exceed (x) EUR 20 million per accounting year and (y) EUR 45 million for the period starting on 28 December 2016 till the reimbursement date of the Facilities as per the Senior Facility Agreement, i.e. on 30 January 2020.

Other commitments have been agreed by the partners in the revised version of the Senior Facilities Agreement dated 29 December 2017. More details are available in Note 47 (subsequent events).

The average cost of the debt amounts to 4.11% for the year 2017. The increase vs last year is explained in Note 12.

Except for the senior bonds issued on 30 January 2014, the debt of the Hamon Group bears a floating interest rate.

in EUR '000'	01/01/2017	Cashflows	New leasings	Forex	Debt waiver	31/12/2017
Current bank borrowing	21,412	15,851	-	(1,247)	-	36,016
Non-current bank borrowing	96,830	7,119	-	-	(86,943)	17,006
Bond	55,000	-	-	-	-	55,000
Commercial papers	11,907	8,087	-	-	-	19,994
Obligations under finance lease	2,304	(141)	371	(1)	-	2,533
Other financial debts	-	8,755	-	-	-	8,755
Total	**187,454**	**39,670**	**371**	**(1,249)**	**(86,943)**	**139,304**

33. TRADE AND OTHER PAYABLES

in EUR '000'	31/12/2017	31/12/2016
Trade payables	74,139	102,991
Amounts due to related parties	1,347	728
Other advances received	4,704	4,026
Social security and other payables	7,094	10,935
Other (non income) tax payable	8,527	6,811
Other current liabilities	5,204	1,173
Accruals and deferred income	4,216	7,378
Total	**105,231**	**134,042**

Companies of the Group receive on average between 30 to 60 days of credit from their suppliers.

Trade payable amounts to EUR 105,231 thousand at year end 2017. The decrease is mainly due to the decrease of the trade payable linked to the lower level of activity.

"Accruals and deferred income" include amongst others the charge of the subordinated bond paid annually.

34. DERIVATIVE INSTRUMENTS

in EUR '000'	Fair value 31/12/2017	Fair value 31/12/2016
Derivative financial instruments		
Current assets	3,273	6,531
Current liabilities	(2,418)	(11,598)
Assets held for sale	142	-
Total fair values	**997**	**(5,067)**
Derivative financial instruments		
Economic hedges	1,352	(5,871)
Held for trading	(355)	804
Total fair values	**997**	**(5,067)**

Derivative financial instruments designated as "cash flow hedge", "economic hedge" and "net investment hedge"		Notional or Contractual amount		Fair Value	
in EUR '000'		31/12/2017	31/12/2016	31/12/2017	31/12/2016
Economic hedges					
Forward currency contracts sales	Assets	48,068	26,103	1,004	195
	Liabilities	3,258	77,795	(82)	(3,728)
Forward currency contracts purchases	Assets	19,664	21,628	551	735
	Liabilities	5,554	3,880	(121)	(129)
Cash flow hedges					
Interests rate swaps		-	31,424	-	(132)
Net investment hedges					
Forward currency contracts sales	Assets				
	Liabilities				
Cross currency swaps		-	11,424	-	(2,812)
Total fair values				**1,352**	**(5,871)**
Fair values recognized:					
- in the work in progress account				1,352	(2,928)
- in the reserves in Equity				-	(2,943)

The part of profit or loss on the hedging instrument that qualifies as an effective cash flow hedge is booked directly in equity under the hedging reserves (i.e. for the IRS). The part of profit or loss on hedging instrument that qualifies as an effective net investment hedge is booked directly in equity under the currency translation reserves. The gain or loss relating to the ineffective portion is recognized in the income statement.

The part of profit or loss on the hedging instrument that qualifies as an effective economic hedge is booked in the work in progress account, for more details see "Principal accounting standards" section 3.8, under "Derivative financial instruments". In 2017, the amounts neutralized in the income statement resulting from these effective hedges amounted to EUR 50,5 thousand. The gain or loss relating to the ineffective portion is recognized in the income statement.

As of 31 December 2017, some forward currency contracts (equivalent EUR 51,326 thousand selling and EUR 25,218 thousand buying) were qualifying as 'economic hedge' with fair values booked in the work in progress account. This amount is down compared to 2016 due to the lower level of activity on the one hand, and the decrease in the amount of contracts denominated in USD on the other hand.

For the purpose of this note, the fair values posted as financial assets on the balance sheet (Derivative financial assets) were netted with the fair values posted as financial liabilities (Derivative financial liabilities) as they relate to inter-company transactions that are eliminated for consolidation at Group level.

Interest Rate Swaps (IRS) in Euro and Cross Currencies IRS (CCIRS) "fixed USD vs. floating EUR" concluded in 2012 have matured in the course of 2017 and will therefore no longer impact the Group's equity.

Derivative financial instruments designated as "held for trading"		Notional or Contractual amount		Fair Value	
in EUR '000'		31/12/2017	31/12/2016	31/12/2017	31/12/2016
Forward currency contracts sales	Assets	1,127	38,575	7	368
	Liabilities	958	2,799	(10)	(53)
Forward currency contracts purchases	Assets	4,961	43,813	83	599
	Liabilities	18,893	11,577	(435)	(110)
Fair values recognized in the balance sheet				(355)	804
under "Unrealized exchange gains"				90	967
under "Unrealized exchange losses"				(445)	(163)
Fair values recognized in the income statement				(355)	804

Some forward currency contracts are used to hedge transactional risks on currencies and are accounted for as if they were held for trading.

However, such forward currency contracts are only used to hedge existing transactions and commitments, and are therefore not speculative by nature.

Most of them are foreign currency swaps transacted to manage intra-group factoring transactions at the end of the year.

The fair values have been directly recognized in the income statement in unrealized exchange gains or losses.

35. FINANCIAL ASSETS AND LIABILITIES

in EUR '000'	31/12/2017		31/12/2016		
	Book value	Fair value	Book value	Fair value	Hierarchy of fair values
Financial Assets					
Cash and cash equivalents	50,246	50,246	46,898	46,898	Niveau 2
Available-for-sale financial assets	189	189	1,778	1,778	Niveau 3
Loans and receivables (Note 36)	141,825	141,825	152,753	152,753	Niveau 2
Derivative financial assets	3,273	3,273	6,531	6,531	Niveau 2
	195,533	195,533	207,960	207,960	
Financial Liabilities					
Borrowings at amortized cost	84,304	84,304	132,454	132,454	Niveau 2
Senior bonds	55,000	26,675	55,000	48,125	Niveau 1
Other payables (*)	86,784	86,784	111,900	111,900	Niveau 2
Derivative financial liabilities	2,418	2,418	11,598	11,598	Niveau 2
	228,506	200,181	310,952	304,077	

(*) Other payables reported at EUR 86,784 thousand in 2017 differ from the amount reported under "Trade and other payables" in the balance sheet as non-financial debts such as taxes and other wages due have been withdrawn

In order to show the importance of data used for the valuations of fair values, the Group classifies these valuations according to the following levels:

- Level 1: fair value measurements are derived from quoted prices (unadjusted) in active markets for similar assets or liabilities;
- Level 2: fair value measurements are derived from inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets are mostly current. Therefore their fair value does not differ from their book value. Their book value already takes into account possible impairments when their recoverability is not certain.

A part of the financial liabilities were evaluated at amortized cost, which is net of transaction costs. Borrowings mainly include bank debt at the end of the year for which the fair value is equal to its book value. The senior pari passu bonds at fixed rate 5.50% are quoted on Euronext Brussels under ISIN BE0002210764 and symbol HAM20. Consequently, their market fair value differs from their book value. The mid-rate as of 31 December 2017 is at 48.50 (87.50 as of 31 December 2016) on the Thomson Reuters Eikon platform. "Other payables" are mainly trade payables for which the fair value does not differ from the book value due to their short term nature.

36. RISK MANAGEMENT POLICY

MANAGEMENT OF FOREIGN EXCHANGE RISK

Operations and international transactions of the Group, and in particular the construction contracts carried out in various countries, create exposures to foreign exchange risks in the day-to-day management of the business. The foreign exchange risk can be defined as the risk of fluctuation of the fair values of the future cash flows due to the variations of the foreign currencies exchange rates. The most significant foreign exchange risk of the Group is related to the group transactions in US dollars.

CONVERSION IMPACT FOR SUBSIDIARIES LOCATED OUTSIDE OF THE EURO ZONE

Many entities are located outside the Euro zone. The financial statements of those entities are converted in Euros in order to be incorporated in the consolidated accounts of the Group. The effects of foreign currency exchange rate fluctuations on the conversion of net assets of those entities are recognized in the consolidated equity of the Group. When assessing the exposure to foreign exchange risks, the assumption is that the investments in the operational entities located outside the Euro zone are permanent and the reinvestment in these entities is continuous.

FOREIGN EXCHANGE RISK ON FINANCIAL ASSETS AND LIABILITIES

The Group uses different strategies to reduce its foreign exchange rate risk exposure, in particular:

- By trying to match its sale and purchases commitments in the same currencies;
- By strictly limiting the invoicing in currencies different from the functional currency of the entity;
- By reporting the foreign exchange rate risk exposures to the Corporate department, which decides (if necessary) to hedge the net exposures with adequate financial instruments, in particular forward currency contracts.

The following table presents the consolidated financial assets and liabilities in currencies other than their functional currency for all the subsidiaries of the Group as well as firm commitments in other currencies (contracts to be invoiced, signed orders) and finally, forward currency contracts issued to reduce the exposure to these currencies:

in EUR '000'	31/12/2017				31/12/2016			
	USD	GBP	Other currencies	Total	USD	GBP	Other currencies	Total
thereof financial assets	96,484	1,236	22,542	120,262	139,278	1,245	18,633	159,156
thereof financial liabilities	(87,752)	(0)	(27,422)	(115,175)	(75,068)	(58)	(8,464)	(83,590)
Gross balance sheet exposure	**8,732**	**1,235**	**(4,880)**	**5,087**	**64,210**	**1,187**	**10,169**	**75,566**
Gross exposure from firm commitments	109,143	(77)	(30,713)	78,352	115,702	(109)	20,508	136,102
Derivative financial instruments	(24,109)	(1,127)	14,595	(10,641)	(44,071)	-	(1,740)	(45,810)
Net exposure	**93,766**	**31**	**(20,998)**	**72,799**	**135,841**	**1,078**	**28,937**	**165,857**

The amount of net exposure in USD as of 31 December 2017 decreased versus 2016 due to lower USD denominated assets, reduced backlog and expected purchases in USD, and the evolution of the exchange rate over the year in question.

Most derivatives hedging the foreign exchange rate on US dollar are FX forward contracts.

Sensitivity to market rates	31/12/2017	31/12/2016
% variation EUR	10%	10%
Impact on current year P&L	509	7,557
Impact on future cash flows	7,280	16,586
CCIRS impact on the Equity	-	1,294

A 10% appreciation / depreciation of the Euro versus its year end rate against all currencies used by the Group would result in a negative / positive impact of EUR 509 thousand on the income statement of the current year and EUR 7,280 thousand on future financial flows after hedging.

MANAGEMENT OF INTEREST RATE RISK

The interest rate risk derives from the exposure of the Group to fluctuations in interest rates and their possible impact on the financing costs. Most of the cost of the Group debt is based on the EURIBOR-3 month. The policy of the Group consists in hedging its exposure to interest rates volatility by using financial instruments swapping a variable interest rate into a fixed rate, namely Interest Rate Swaps (IRS).

Although the main part of the financing costs is based on EURIBOR-3 month, the issuance of senior bonds at fixed rate 5.50% in 2014 has significantly changed the fixed / floating mix and contributes to mitigating the exposure to the volatility of the short term interest rates.

The following table details the debts of the Group (excluding refinancing costs) bearing a fixed and a variable interest rate:

Sensitivity to interest rate	31/12/2017		**31/12/2016**	
in EUR '000'	Average rate	Principal	**Average rate**	**Principal**
Fixed Rate				
Financial liabilities Variable Rate	5.50%	55,000	5.50%	55,000
Financial liabilities				
Fixed Rate	3.20%	84,304	2.16%	132,454
	4.11%	**139,304**	**3.14%**	**187,454**

The calculation of the sensitivity to the market interest rate is based on a hypothetical variation of 10 basis points of the reference market interest rate.

Sensitivity to market rates	31/12/2017	**31/12/2016**
Basis Point change	10	10
Impact on P&L	84	132
IRS hedging effect	-	(31)
Net Profit or (loss)	**84**	**101**

In the event of an increase or decrease of the market interest rates by 10 basis points, the gross impact on income would be EUR 84 thousand.

MANAGEMENT OF CREDIT RISK

Due to its construction activities, the Group is exposed to credit risks. However, the credit risk is less important than in more traditional constructions companies since the credit rating of most Hamon customers is high as they are mainly large international Engineering, Procurement & Construction (EPC) groups or energy producers.

The customer risk is recognized in the accounts when a payment default by a customer leads to the impairment of the underlying receivable. When a receivable becomes doubtful, following default of payment or bankruptcy of a customer, the Group books an impairment. If, thereafter, the receivable becomes unrecoverable, a corresponding write off is accounted for.

The Group does not have a significant concentration of credit risk since this risk is distributed over a large number of customers and counterparts around the world.

The most important customer accounts for less than 7% of the total trade receivables.

When finalizing important contracts, the finance department carries out a credit analysis of the customer based on credit reports obtained from external companies.

According to the financial risk profile of the customer, the Group will decide whether or not to cover its credit risk. Moreover, the Group takes measures for customers located in countries where the risk is significant. To manage the credit risk, the Group may, among others, request the payment prior to delivery, irrevocable and confirmed (by our banks) letters of credit as well as credit insurance policies covering the residual risks (political, embargo...) and the risks of unfair calls on the bank guarantees.

The following table presents an analysis of the financial receivables of the Group before any impairment. They include the trade receivables and other receivables of the Group, with the exception of the non-financial receivables like tax assets. This explains the difference with the amount reported in Note 26.

in EUR '000'	Total	Due > 3 months	Due 2-3 months	Due 1-2 months	Current	Not due
As of 31 Decembre 2017	141,825	41,814	199	9,529	38,313	51,970
As of 31 Decembre 2016	152,753	33,609	5,053	3,998	38,110	71,983

Payment terms with our customers are usually between 30 and 60 days.

Trade receivables for which the payment terms have been renegotiated are not significant.

The Group has a credit-insurance policy which covers the major part of its receivables on debtors in non-OECD countries, and can also be used on a case by case basis on some debtors in the OECD zone for contracts where our contractual delivery obligations (in light of the selected Incoterms) cause an exposure to non-OECD risks.

Provisions for doubtful receivables have evolved as follows during the last two years.

in EUR '000'	31/12/2017	31/12/2016
Balance at beginning of the year	**(16,676)**	**(2,467)**
Amounts impaired during the year	(1,488)	(14,275)
Amounts recovered during the year	553	81
Other (forex, transfer to assets held for sale...)	5,403	(15)
Balance at end of the year	**(12,208)**	**(16,676)**
Net impairment on receivable in P&L	(935)	(14,194)

LIQUIDITY RISK MANAGEMENT

The Group liquidity risk is related to the capacity of the Group to respect its obligations with regard to its financial liabilities.

in EUR '000'	31/12/2017	31/12/2016
Cash and cash equivalents	50,246	46,898
Total liquidity	**50,246**	**46,898**
Short term financial debt & current portion of long term financial debt	(65,348)	(33,753)
Long term financial debt	(73,956)	(153,701)
Total financial debt	**(139,304)**	**(187,454)**
Net liquidity	**(89,058)**	**(140,556)**

The Group uses its revolving credit facility in order to address possible short term treasury needs (see Note 32).

The following table presents the contractual due dates of the consolidated liabilities of the Group:

in EUR '000'	Total	Due before 6 months	Due 6 -12 months	Due 1 - 2 years	Due 2 - 5 years	Due over 5 years
Treasury notes	19,994	19,994	-	-	-	-
Loans from Banks	53,058	36	34,762	-	18,260	-
Obligations under finance leases	2,732	345	291	428	1,009	659
Other financial liabilities	70,062	3,025	8,755	3,025	55,257	-
Trade and other Payables	86,784	85,876	839	69	-	-
Derivative financial liabilities	(856)	-	(856)	-	-	-
	231,114	**109,276**	**43,791**	**3,521**	**74,526**	**659**

The treasury notes are issued with a very short maturity.

Most of the bank loans are linked to the revolving credit facility maturing in 2020 that was renewed this year.

The other financial liabilities relate to the EUR 55,000 thousand senior bonds issued in 2014 and maturing in 2020 and to the factoring program with partial recourse set up in 2017.

The "Trade and other payables" amounting to EUR 86,784 thousand at year end 2017 differ from the amount reported on the balance sheet under this caption since non-financial liabilities such as taxes or salaries due are not included in the table above.

CAPITAL RISK MANAGEMENT

The group managers its capital to ensure its operating continuity while optimizing the debt / equity ratio. The Group's objective is to have sufficient flexibility to finance the operating costs and capital requirements of a diversified international engineering group. The Group's overall strategy remains unchanged compared to 2016.

The capital structure includes debt (which includes borrowings presented in note 32), cash & cash equivalents and equity (which includes issued capital, reserves and undistributed results, presented in note 28).

The Board of Directors regularly reviews the capital structure to assess the cost of capital and the risks associated with each category and this in order to balance the overall capital structure.

37. PLEDGES ON THE GROUP ASSETS

The renewal of the Senior Facilities Agreement dated 4 July 2011 foresees the pledge of some assets for the benefit of the bank members of the facility pooling including:

- The shares of some group companies as well as
- The trade receivables and financial assets (cash in bank) of some group companies.

The following table shows the evolution of the pledges on the Group's assets:

in EUR '000'	31/12/2017	31/12/2016
Trade Receivables third parties	50,915	18,534
Trade Receivables intercompany	67,385	73,539
Financial Investment	276,487	289,544
Financial Assets	12,949	11,528
Total	**407,736**	**393,146**

The group companies subject to the pledge of their trade receivables and financial assets are the following:

- Hamon & Compagnie S.A.
- Hamon Thermal Europe SA
- Hamon Research Cottrell SA
- Compagnie Financière Hamon SA
- Hamon UK Limited
- Hamon Thermal Germany GMBH
- Hamon Thermal Europe France SA
- Hamon D'Hondt SA
- Hamon Research Cottrell SARL

The shares pledged in the frame of the Senior Facility Agreement are the ones of the following entities:

- Hamon Thermal Europe SA
- Hamon Research Cottrell SA
- Compagnie Financière Hamon SA
- Hamon Corporation Inc.
- Hamon Asia Pacific Limited
- Hamon UK Limited
- Hamon Thermal Germany GMBH
- Hamon Thermal Europe France SA
- Hamon D'Hondt SA
- Hamon Holdings Corporation Inc.
- Hamon Research Cottrell SARL
- Hamon Research Cottrell GMBH
- Hamon Enviroserv GMBH
- Hamon Korea Ltd
- Research Cottrell Cooling Inc.
- Hamon Deltak Inc.
- Hamon Research Cottrell Inc.
- Hamon Custodis Inc.

Please note that following the consolidation rules, the shares and the intercompany trade receivables disclosed in the table above are eliminated in the consolidated accounts.

38. FINANCE AND OPERATING LEASE AGREEMENTS

FINANCE LEASE AGREEMENTS

The main finance lease contracts are related to land and buildings in Belgium and France. They are denominated in Euro.

Less significant leases are in place for vehicles and office equipment.

The commitments of the Group in terms of finance lease for the years to come can be summarized as follows:

in EUR '000'	Minimum lease payments		Present value of minimum lease payments	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Amounts due for finance leases				
within one year	636	478	583	433
in the second to fifth years inclusive	1,437	1,227	1,313	1,098
after more than 5 years	659	815	637	773
Sub-total	**2,732**	**2,520**	**2,533**	**2,304**
Less: future finance charges	(199)	(215)	N/A	N/A
Present value of lease obligations	**2,533**	**2,305**	**2,533**	**2,304**
Less: Amounts due for settlement within one year			(583)	(433)
Non-current finance leases debts			**1,950**	**1,871**

The average lease term for the obligations on finance lease is 5.36 years. The average weighted interest rate is 2.06%. The fair value of these finance leases is close to its nominal value.

OPERATING LEASE AGREEMENTS

The commitments taken by the Group for operating leases for future years are as follows:

in EUR '000'	31/12/2017	31/12/2016 restated
Minimum lease payments under operating leases recognized as an expense during the year	4,945	6,557
Minimum lease payments due for operating leases		
within one year	3,903	4,719
in the second to fifth years inclusive	9,797	14,006
after more than five years	279	3,446
Total	**13,979**	**22,171**

Operating leases mostly relate to offices and to a lesser extent, vehicles, machines and office equipment.

39. COMMITMENTS

As part of its business, the Group is often required to issue guarantees in favor of customers for the reimbursement of advance payments, the correct execution of contracts or obligations related to technical guarantees.

Some of these commitments require bank guarantees, insurance bonds or documentary credits / import standby letters of credit issued on the Group credit lines:

in EUR '000'	31/12/2017	31/12/2016
Documentary credit / SBLC import	4,192	6,874
Bank guarantees	227,698	242,632
Insurance bonds	25,041	34,494
Total	**256,932**	**284,000**

The volume of bank guarantees issued is closely linked to the Group activity.

The line available for letters of credit and bank guarantees are located under the Senior Facilities Agreement and amounts to EUR 260,100 thousand at 2017 year end versus EUR 267,500 thousand at 2016 year end. The line was reduced to an amount corresponding to the one available on the share of certain banks of the syndicated credit facility, in accordance with the agreement with the syndicated credit facility of 29 December 2017. Furthermore, it will be gradually reduced to EUR 211,000 thousand as and when the bank guarantees that existed before the amendment of 29 December 2017 (that is EUR 235,000 thousand) will come to maturity. This reduction will take more than two years, and a mechanism is planned to allow the Group to have sufficient reserves to ensure the smooth continuity of its operations. As of 31 December 2017, the Group had EUR 25,000 thousand for issuing new guarantees under this mechanism.

Moreover, the Group also has at its disposal a "U.S. bonding" line of USD 100,000 thousand which was used for EUR 25,041 thousand this year versus EUR 34,494 thousand in 2016.

The Group has also endorsed commitments relating to companies sold in 2005 (FBM), bankrupted (HRCI) or associated companies (OHL and BFT) as follows:

in EUR '000'	31/12/2017	31/12/2016
Commitment of good project execution	182	182
Bank guarantees	48	48
Total	**229**	**229**

The commitments for which payment is likely are recorded as liabilities.

40. CONTINGENT LIABILITIES

No new significant litigation occurred in 2017. The only outstanding litigations are as follows:

ASBESTOS

The Group is involved in various proceedings for physical injuries related to asbestos. These relate to a period prior to the acquisition of the assets of Research Cottrell, Inc. by the Group in 1998. Asbestos is not used in the operations of Hamon in the USA. In the acquisition agreements of 1998, the seller committed itself to compensate the Group for all damage sustained because of such proceedings. The costs of these proceedings are, until now, exclusively handled by the seller. Insofar as these proceedings go back to a period prior to the acquisition of the US subsidiaries by the Group and taking into account the compensation clause, Hamon's management thinks that these do not present risks of significant liability for the Group.

One can not exclude that the Group might face asbestos risk, as any industrial company in this sector. All possible preventive measures to reduce this risk are taken by the Group.

OTHER LITIGATIONS

The nature of the Group's activities leads to filing / receiving complaints about / from our suppliers and our customers. The complaints are covered by specific provisions from the moment that payouts are probable and where their amount can be reliably estimated. The Group believes that these complaints will not have a significant impact on Hamon's financial situation.

There was no administrative, judicial or arbitration proceedings (including the proceedings that Hamon knew about, which is pending or which the Group would be threatened with) or which could have significant effects on the financial position or the profitability of Hamon or the Group.

FSMA

In August 2014, when the half-year results were published, Hamon announced the exceptional restatement of an accounting error in its French subsidiary Hamon D'Hondt. This error resulted from a misapplication of the evaluation rules of the Work in progress during the last financial years. It should be noted that the restatement was revalued in February 2015. This had an impact on the Group's results but did not affect the cash position. At the level of shareholders' equity at the end of 2013, the cumulative impact of this error amounted to EUR 45 million and at the 2013 net profit level, the impact was - EUR 11 million. In this context Hamon decided to proceed with a capital increase, which resulted in the issue of new shares.

As part of its task of monitoring the financial sector, the FSMA has informed Hamon that it is examining a file containing serious indications, on its part, of possible breaches of the provisions described below. The FSMA indicates that it has noted the indications of such breaches when the above-mentioned half-yearly press release of 28 August 2014 was published, in which Hamon announced the restatement of this accounting error.

The clues relate to possible breaches of the following legal and regulatory provisions: (i) section 10, § 1 (former), of the act of 2 August 2002 on the supervision of the financial sector and financial services (such as amended), which requires an issuer to make any privileged information directly relevant to the issuer immediately public, but also authorizes the issuer, under its own responsibility, to postpone the publication of privileged information when it considers that such publication is likely to prejudice its legitimate interests, provided that such postponement does not mislead the market and that the issuer is able to ensure the confidentiality of that information; (ii) section 25, § 1, 4°, of the act of 2 August 2002 on the supervision of the financial sector and financial services, which prohibits the "dissemination of information (...) which gives or is likely to give false or misleading indications on financial instruments' and (iii) section 5 of the Royal Decree of 14 November 2007 on the obligations of issuers of financial instruments admitted to trading on a regulated market, which imposes on issuers "to make available to the public all the information that is necessary for the transparency, integrity and proper functioning of the markets. The given information is accurate, truthful and enables shareholders and the public to appreciate the influence of the information on the issuer's situation, business and results. "Pursuant to section 36, §2, of the act of 2 August 2002 on the supervision of the financial sector and services, the FSMA may, when it finds an infringement of the provisions of the act of 2 August 2002 and of its execution orders, impose on the liable person an administrative fine of between EUR 2,500 and 2,500,000. Hamon considers that it has complied with all the legal requirements in the context of the communication relating to the restatement of this accounting error. On 19 December 2017, the Company received the provisional findings of the FSMA auditor dated 14 December 2017. The proceeding continues.

41. RELATED PARTIES

See Note 28 for detailed structure of the shareholders of the Group.

The transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated from the consolidated accounts and are not considered in this note.

Details of the transactions between the Company and the other related parties are detailed below:

Income statement as of 31/12/2016	**Purchases**				**Revenues**			
in EUR '000'	**of goods**	**of services**	**lease of assets**	**management fees**	**Goods**	**Services**	**Royalties**	**Capital gains**
Controlling shareholder and other entities directly and indirectly controlled by the controlling shareholder	-	-	-	-	-	-	-	-
Other shareholders with significant influence	-	(720)	-	-	193	-	-	-
Associates	(938)	-	-	-	4,056	-	-	-
Other related parties	-	-	-	-	21	-	-	-

Balance sheet as of 31/12/2016				
in EUR '000'	**Non-current assets**	**Current assets**	**Non-current liabilities**	**Current liabilities**
Controlling shareholder and other entities directly and indirectly controlled by the controlling shareholder	-	-	-	-
Other shareholders with significant influence	275	984	-	-
Associates	-	15,359	-	2,298
Other related parties	164	28	-	152

Income statement as of 31/12/2017	**Purchases**				**Revenues**				**Financial**		
in EUR '000'	**of goods**	**of services**	**lease of assets**	**management fees**	**Goods**	**Services**	**Royalties**	**Capital gains**	**Expenses**	**Income**	**Dividends**
Controlling shareholder and other entities directly and indirectly controlled by the controlling shareholder	-	-	-	-	-	-	-	-	-	-	-
Other shareholders with significant influence	-	-	-	-	94	19	-	-	-	-	-
Associates	(301)	-	-	-	33,408	-	38	-	-	25	-
Other related parties	(337)	-	-	-		-	-	-	-	1	-

Balance sheet as of 31/12/2017

in EUR '000'	**Non-current assets**	**Current assets**	**Non-current liabilities**	**Current liabilities**
Controlling shareholder and other entities directly and indirectly controlled by the controlling shareholder	-	-	-	43
Other shareholders with significant influence	-	48	-	-
Associates	283	4,297	-	1,272
Other related parties	147	36	-	37

42. MINORITY SHARES AND JOINT-VENTURES

A/ Information about material joint-ventures

At 31 December 2016 financial statements of Hamon include two material joint-ventures:

- Hamon Shriram Cottrell PVT Ltd owned at 50% by the Group in 2017 & 2016.
- Esindus SA acquired in 2015 and owned at 39%.

Hereunder the IFRS financial statements of the joint-ventures:

Hamon Shriram Cottrell PVT Ltd.

in EUR '000'	31/12/2017	31/12/2016
Non-current assets	4,302	5,214
Cash	268	148
Other current assets	14,715	18,482
Non-current liabilities	659	-
Current liabilities	20,074	14,451
Current debts	0	8,956
Equity	(1,448)	437
Revenue	6,166	7,428
Cost of sales	(5,993)	(8,723)
Other costs (incl. depreciation)	(2,182)	(5,484)
Financial costs	(1,059)	(1,991)
Net result	**(3,069)**	**(8,770)**
Net assets	(1,448)	437
% of ownership	50%	50%
Goodwill (incl. currency impact)	283	2,004
Carrying amount of the Group's interest	(441)	2,222
Equity method net result	**(3,255)**	**(255)**

No dividend has been distributed in 2017 & 2016.

The Indian market is still challenging. The management took measures to reduce overheads and therefore reduce losses.

Esindus SA

in EUR '000'	31/12/2017	31/12/2016
Non-current assets	7,513	9,823
Cash	2,853	950
Other current assets	20,182	23,951
Non-current liabilities	34	280
Non-current debts	1,782	3,103
Current liabilities	12,233	11,559
Current debts	3,925	4,988
Equity	12,574	14,794
Revenue	24,876	22,907
Cost of sales	(21,157)	(15,687)
Other costs (incl. depreciation)	(6,583)	(7,154)
Financial costs	867	(484)
Taxes	532	(209)
Net result	**(1,465)**	**(627)**
Net assets	12,574	14,794
% ownership	39%	39%
Impairment	(1,528)	-
Goodwill (incl. currency impact)	-	3,884
Carrying amount of the Group's interest	3,363	9,638
Equity method net result	**(5,982)**	**(4,385)**

No dividend has been distributed since the acquisition. The purchase price allocation on assets & liabilities (fair value) has been booked in 2016. An impairment was recorded in 2017 to adjust the value of our investment to the fair value of invested capital.

B / Information about non-material joint-ventures

in EUR '000'	31/12/2017	31/12/2016
Carrying amount of the Group's interests	613	652
Equity method net results	**11**	**55**

It covers the Group's investment in the joint-venture Hamon Cooling Towers Company FZCo (United Arab Emirates) for EUR 579 thousand and EUR 34 thousand related to other investments.

2016 also included the equity method companies of PHE.

C/ Information about material subsidiaries with minority shares

The Group financial statements at 31 December 2017 include a subsidiary with material minority shares – Hamon Research Cottrell (HK) Ltd (owned at 80% in 2017 and 2016).

This company is part of Hamon Group since 2009 and its activities include engineering, design, procurement and project management of AQS contracts for the Asian market.

Hamon Research-Cottrell (HK) Ltd.

in EUR '000'	31/12/2017	31/12/2016
Non-current assets	173	333
Current assets	4,000	5,446
Non-current liabilities	-	-
Current liabilities	4,877	4,631
Equity	(686)	1,146
Group share	(549)	917
Third party share	(137)	229
Revenue	3,816	2,364
Cost of sales	(4,005)	(1,901)
Other costs	(1,546)	(1,300)
Financial costs	(57)	(41)
Net result	**(1,793)**	**(877)**
Group share	(1,435)	(702)
Third party share	(359)	(175)
Cash flow from operations	956	(166)
Cash flow from investment activities	0	-
Cash flow from financing activities	(89)	-
Others	(1,106)	(220)
Net variation of cash	**(148)**	**(386)**

No dividend was distributed by this entity in 2017 and 2016.

43. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets held for sale and discontinued operations are as follows

in EUR '000'

For the period ending 31st of December 2016	
Opening balance	**55**
Disposed during the year	(62)
Transfer between accounts	20,691
Remeasurement to fair value less cost to sell	-
Currency translation	-
Closing balance	**20,683**
For the period ending 31st of December 2017	
Opening balance	**20,683**
Disposed during the year	(19,937)
Transfer between accounts	21,991
Remeasurement to fair value less cost to sell	(10,995)
Currency translation	(746)
Closing balance	**10,996**

Liabilities associated with assets held for sale and discontinued operations

in EUR '000'

For the period ending 31st of December 2016	
Opening balance	**-**
Disposed during the year	-
Transfer between accounts	7,070
Remeasurement to fair value less cost to sell	-
Currency translation	-
Closing balance	**7,070**
For the period ending 31st of December 2017	
Opening balance	**7,070**
Disposed during the year	(7,070)
Transfer between accounts	10,996
Remeasurement to fair value less cost to sell	5,000
Currency translation	0
Closing balance	**15,996**

During 2017, as part of the Group's transformation plan, a serie of measures were taken to restructure the Group. These measures include the sale of the Process Heat Exchanger ("PHE") business unit, which comprises 100% of the shares of Hamon D'Hondt SA (France) and its subsidiaries Hamon D'Hondt Korea Co Ltd (100% - Korea), Hamon ETP LLC (51% - Russia) and Hamon D'Hondt Middle East Company Ltd. (40% - Saudi Arabia).

As of December 31, 2017, the PHE business unit was classified as a group held for sale and as a discontinued operation. The fair value less cost to sell was estimated using an evaluation technique and classified at level 3 of the fair value hierarchy. As such, the PHE business unit is no longer presented in the segment note. The results of this activity for 2017 and 2016 are presented on the following page.

Sale of Thermal Transfer Corporation

On March 31st 2017, Thermal Transfer Corporation ("TTC") was sold to Wabtec Corporation for EUR 29 934 thousand generating a capital gain of EUR 20.1 million (Note 11). The assets and liabilities of this business (belonging to the NAFTA business unit) had been classified as assets held for sale in 2016 and had been presented as such in the Annual Report 2016.

Income statement of discontinued business in EUR '000'	2017	2016
Revenue	54,399	42,181
Cost of sale	(58,421)	(38,059)
Gross profit	**(4,022)**	**4,122**
Operational and non-recurring income and expenses	(30,146)	(14,339)
Financial charges	(103)	(188)
Share of the result of joint ventures	(1,022)	(720)
Impairment loss on remeasurement to fair value less costs to sell	(15,995)	0
Profit before tax of discontinued business	**(51,289)**	**(11,125)**
Tax charge related to the activity of the period	(3,268)	(2,008)
Tax charge related to the impairment	-	-
Profit after tax of discontinued business	**(48,020)**	**(13,133)**

Balance sheet of discontinued business in EUR '000'	2017
Non-current assets	363
Debtors	23,927
Cash	2,127
Investments in joint-ventures	(4,426)
Remeasurement to fair value less costs to sell	(10,995)
Assets held for sale	**10,996**
Creditors	8,921
Financial liabilities	2,075
Other liabilities assotiated with assets held for sale	5,000
Liabilities assotiated with assets held for sale	**15,996**

Summarized cash flow statement of discontinued business in EUR '000'	2017
Cash flow from operations	(16,959)
Cash flow from investment activities	(1,499)
Cash flow from financing activities	4,435
Net cash flow	**(14,023)**

Net loss of discontinued business in EUR '000'	2017	2016
Earnings per share	(2.12)	(1.21)

Joint-ventures and associates included in discontinued business in EUR '000'	2017	2016
Equity method net result	(1,022)	(720)
Carrying amount of the Group's interests	(4,426)	(3,968)

Depreciation of non-current assets

Immediately before the classification of PHE as a discontinued operation, the recoverable amount of its tangible assets was estimated. An impairment loss of EUR 22,7 million was accounted for to adjust the carrying amount of non-current assets to their fair value. This impairment was recorded in non-recurring charges prior to the classification of PHE as discontinued business.

44. MANAGEMENT COMPENSATION

The table below details the remuneration (cumulative and including charges) of the members of the Executive Committee, who should be regarded as the 'key executives' in the sense of the IAS 24 definition. The Executive Committee included 6 members in 2016 and 4 members in 2017.

in EUR '000'	31/12/2017	31/12/2016
Short term benefits	155	385
Fixed remuneration	2,024	3,098
Variable remuneration	0	0
Subtotal	**2,179**	**3,484**
Long term benefits	427	522
Total	**2,606**	**4,006**

Furthermore, the total remuneration granted to the non-executive directors during the year 2017 amounted to EUR 451 thousand (EUR 277 thousand last year). This remuneration is subject to the approval of the Annual General shareholders Meeting.

There was no profit sharing allocation and the Company has not made any loans to the directors. The directors have also not made any unusual transactions with the Company.

45. STAFF

Charges and costs of the personnel are presented under Note 9. The split of Group headcount by business segment is as follows:

Average headcount by Bu	2017	2016
Cooling Systems	523	731
Air Quality Systems	375	396
NAFTA	217	297
Corporate & others	79	87
Total	**1,194**	**1,511**
Process Heat Exchangers	173	170
Total (incl. Process Heat Exchangers)	**1,367**	**1,681**

The decrease of headcount is due to the costs saving plan at Group level.

46. EVENTS AFTER BALANCE SHEED DATE

As previously announced, Hamon made a major capital increase early 2018 through a public offering open to existing shareholders, with preferential right, from 26 January 2018 to 9 February 2018.

Sogepa subscribed for EUR 25 million, three banks of the Bank consortium (assignees of Sogepa and Sopal subscription rights) for EUR 8.7 million, Sopal / Frabelco for EUR 4.2 million and the public for EUR 9.4 million. This resulted in a capital increase of EUR 47,266,017.

The capital increase was part of a broad framework of operations to restructure Hamon's equity and overall debt. It was coupled to a renegotiation of the Senior Credit terms, including a debt waiver of approximately EUR 86.9 million, a first test of the financial covenants at 31 December 2018, and the conclusion of a new EUR 25 million loan from Sogepa.

The restructuring is an important step in the Group's vast transformation and savings plan initiated in 2017. This plan leads the Group to focus on activities at the core of its business, such as the engineering of water cooling systems, air quality control and heat recovery systems for industrial customers. This global restructuring gives Hamon the financial backing the Group needs to finance the major changes on which the transformation plan is based in order to better serve the customers of its international network.

47. AUDITOR'S FEES

For the entire Group, the fees paid to the auditor and its network (EY) amount to EUR 829,652 for 2017. They are broken down as follows:

en EUR	Exercice 2017	Exercice 2016
Fees linked to audit of financial statements	749,652	873,458
Tax assistance missions	80,000	26,000
Other assistance	-	394,000
Total	**829,652**	**1,293,458**

The fees paid in 2016 regard the former auditor and its network (Deloitte).

48. ALTERNATIVE PERFORMANCE INDICATORS

Non recurring items

in EUR '000'	31/12/2017	31/12/2016
Restructuring costs	(5,717)	(3,304)
Other non recurring items	8,681	(2,349)
Non recurring items	**2,963**	**(5,653)**

EBITDA

in EUR '000'	31/12/2017	31/12/2016
EBIT	(20,778)	(30,517)
Non recurring items	(2,963)	5,653
Depreciation	6,568	7,547
EBITDA	**(17,173)**	**(17,317)**

Recurring EBIT

in EUR '000'	31/12/2017	31/12/2016
EBIT	(20,778)	(30,517)
Non recurring items	(2,963)	5,653
Recurring EBIT	**(23,742)**	**(24,863)**

Net finance costs

in EUR '000'	31/12/2017	31/12/2016
Interest expenses	(14,892)	(11,775)
Interest income	87,099	108
Net finance costs	**72,206**	**(11,667)**

Working Capital

in EUR '000'	31/12/2017	31/12/2016
Current assets	289,042	357,905
Cash & cash equivalents	(50,246)	(46,898)
Current liabilities	(280,670)	(297,038)
Financial liabilities	65,348	33,753
Working Capital	**23,473**	**47,722**

Other non current assets

in EUR '000'	31/12/2017	31/12/2016
Non current assets	76,323	134,671
Deferred tax assets	9,090	20,524
Other non current assets	**67,233**	**114,146**

Other current assets

in EUR '000'	31/12/2017	31/12/2016
Derivative financial assets	3,273	6,531
Current tax assets	5,952	11,589
Available for sale financial assets	10,996	20,683
Other current assets	**20,221**	**38,803**

Name	Definition	Purpose
New order bookings	New projects for which a contract or a letter of award has been signed between Hamon and the clients during a given period of time.	Give information on commercial activity during a given period of time.
Backlog	At a given date, remaining value of still active contracts with clients, corresponding to the difference between the total contract value and the revenue already recognized in P&L on these contracts.	Give information on (remaining part of) new orders that the Company still has to execute in the future.
Non-recurring gains and losses Comment: a study of the implementation of ESMA guidelines could involve some changes to the presentation of this indicator in the future Hamon Group disclosures.	Costs or revenue related to operating activities of the company, but with an exceptional and non-recurring aspect, such as restructuring costs, goodwill impairments or capital gains or losses on disposal of shares or subsidiaries.	Separate costs and revenue which are not part of the recurrent operational activity, hence allowing to analyze the performance of an activity without distorting this with these costs and revenue. This also allows to show and to explain these elements without mixing them up with various extraordinary costs and revenue. This also allows to calculate EBITDA as agreed in our financing agreements.
EBITDA	Earning Before Interest Taxes Depreciation and Amortization, i.e. operating profit excluding depreciation, amortization and non-recurring items.	This indicator shows the result generated by an activity independently from its financing (interest charges), its investments (depreciation & amortization), its tax burden and its non-recurring items.
Recurring EBIT	Operating profit before the non-recurring items.	This indicator shows an operating profit excluding the non-recurring items, allowing thus to analyze the performance of an activity without distorting it with these costs and revenue. It comes as a complement to EBITDA, including Depreciation & Amortization, including thus some investment elements.
Net finance costs	Sum of interest income and interest charges.	This indicator allows comparing the net interest charges to the net debt.
Working Capital	Sum of current assets (excluding Cash & cash equivalents) minus the sum of current liabilities (excluding financial liabilities).	This indicator shows the amount that a company must finance in order to cover the gap resulting from timing differences between cash outflows (expenses) and cash inflows (revenue) related to its activity.
Other non-current assets	Non-current assets minus non-current deferred tax assets.	This allows to single out Deferred taxes from other non-current assets. Deferred tax assets are an important item in our balance sheet and subject to fluctuations.
Other current assets	Sum of current derivative financial assets, current tax assets and available-for-sale financial assets.	Simplify the balance sheet presentation.

7. STATUTORY ACCOUNTS OF HAMON & CIE (INTERNATIONAL) SA

The statutory accounts of the parent company, Hamon & Cie (International) SA., are presented below in a summarized form. The Management Report and statutory accounts of Hamon & Cie (International) SA, as well as the Audit Report, will be filed at the National Bank of Belgium once approved at the Annual General shareholders Meeting of 24 April 2018, in accordance with Clauses 98, 100, 101 and 102 of the Companies Code published on 6 August 1999.

These reports are available, on request, at the Company's address:
Rue Emile Francqui 2,
1435 Mont-St-Guibert,
Belgium.

1. SUMMARIZED INCOME STATEMENT

in EUR '000'		31/12/2017	31/12/2016
I. Operating revenues		**20,706**	**23,322**
A.	Turnover	14,518	17,400
D.	Other operating revenues	6,189	5,922
II. Operating expenses (-)		**14,393**	**13,887**
A.	Cost of materials	-	-
B.	Services and other goods	7,173	7,929
C.	Remuneration, social security and pension costs	3,502	4,270
D.	Depreciation and amortization	1,740	1,405
E.	Impairment charge	890	-
F.	Increase (decrease) in provisions for liabilities & charges	(105)	105
G.	Other operating expenses	103	178
H.	Non-recurring charges	1,089	-
III. Operating income		**6,314**	**9,435**
IV.	**Financial income**	**101,762**	**20,135**
A.	Recurring financial income	21,613	20,135
B.	Non-recurring financial income	80,149	-
V.	**Financial charges**	**(218,084)**	**(81,810)**
A.	Recurring financial charges	(33,622)	(26,683)
B.	Non-recurring financial charges	(184,461)	(55,127)
VI. Net operating income before taxes		**(110,008)**	**(52,240)**
VII.	Extraordinary income	-	-
VIII.	Extraordinary expenses	-	(50)
IX. Net income before taxes		**(110,008)**	**(52,290)**
X.	Income taxes	(3)	(3)
XI. Net income		**(110,011)**	**(52,293)**

The company shows an operating result of EUR 6,314 thousand (EUR 9,435 thousand in 2016), a decrease due to the resizing of the Group and therefore reduced services to its subsidiaries.

The company reviews the book values of its investments each year. When these values are higher than the estimated market value, it recognizes writedowns on the carrying amount of these investments. Due to the strategic direction of the Group and in particular the sale of the Process Heat Exchangers division, the closure of activities in South Africa and Brazil and the expected evolution of the results of certain subsidiaries, write-downs of EUR 53.1 million in equity investments have been recognized, as well as a provision for liabilities and charges of EUR 9.1 million to cover commitments related to the interruption of activities in South Africa and Brazil. The company also assesses the ability of subsidiaries to repay intra-group financial claims. This exercise resulted in write-downs totaling EUR 122.2 million. These various expenses were included in non-recurring interest charges for an amount of EUR 184.5 million.

In addition to the positive impact of the EUR 80.1 million reduction in bank debt in non-recurring interest income, financial income mainly includes, interest on loans granted to subsidiaries, and positive exchange rate differences.

In addition to the impact of non-recurring interest charges for EUR 184.5 million, financial expenses include foreign exchange differences, the cost of the company's debt and bank guarantee fees relating to the activities of the subsidiaries.

The company closes the year with a negative result of EUR 110 million.

2. SUMMARIZED BALANCE SHEET

in EUR '000'		31/12/2017	31/12/2016
Fixed assets		**135,119**	**224,167**
I.	Formation expenses	5,285	5,698
II.	Intangible assets	3,568	3,513
III.	Tangible assets	343	455
IV.	Financial assets	125,923	214,501
Current assets		**90,690**	**150,487**
V.	Amounts receivable after one year	224	230
VII.	Amounts receivable within one year	89,089	149,410
VIII.	Short term deposits	75	238
IX.	Cash at bank and in hands	672	313
X.	Deferred charges and accrued income	630	296
Total assets		**225,808**	**374,654**
Equity		**35,268**	**140,114**
I.	Capital	6,811	6,382
II.	Share premium account	91,089	86,352
IV.	Reserves	11,853	11,807
V.	Profit carried forward	(74,484)	35,573
Provisions and deferred taxes		**9,464**	**105**
Amounts payable		**181,076**	**234,435**
VIII.	Amounts payable after more than one year	75,557	147,100
IX.	Amounts payable within one year	102,326	84,390
X.	Accrued charges and deferred income	3,193	2,945
Total liabilities and equity		**225,808**	**374,654**

Formation expenses mainly include costs relating to the EUR 55 million bond issue in 2014, the refinancing of the senior facilities and capital increases. Intangible assets mainly include development and ERP deployment costs.

The change on the financial assets account is mainly due to write-downs.

Long-term receivables, short-term receivables and other short-term debts vary depending on the cash position of the subsidiaries. The variations also come from the abovementioned write-downs. Amounts due from related parties are classified as long-term if they are intended to support these entities on the long run.

On the liabilities side, shareholders' equity amounts to EUR 35 million resulting from the combined effect of the negative result of the year and the capital increase of January 2017.

This figure does not yet include the last capital increase of EUR 47 million which took place in February 2018.

A provision of EUR 9.5 million has been set aside to cover closing costs for subsidiaries in Brazil and South Africa.

The short-term financial debt consists mainly of short-term commercial paper and intra-group loans. The long-term debt includes the bond issue of EUR 55 million issued in January 2014 as well as the revolving line of initially EUR 112.5 million reduced to EUR 25.5 million (whereof EUR 20.5 million in the accounts of the company) following the cancellation of EUR 87 million in December 2017 (whereof EUR 80 million in the financial statements of Hamon & Cie).

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Rapport du commissaire à l'assemblée générale de Hamon & Cie (International) SA pour l'exercice clos le 31 décembre 2017

Conformément aux dispositions légales et statutaires, nous vous faisons rapport dans le cadre de mandat de commissaire de Hamon & Cie (International) SA (« la Société ») et de ses filiales (conjointement « le Groupe »). Ce rapport inclut notre opinion sur le bilan consolidé au 31 décem 2017, le compte de résultats consolidé, l'état consolidé du résultat global, l'état consolidé des variations des capitaux propres et le tableau de financement consolidé de l'exercice clos le 31 dé 2017 ainsi que les annexes (formant ensemble « les Comptes Consolidés »), et inclut également r rapport sur d'autres obligations légales et réglementaires. Ces rapports constituent un ensemble sont inséparables.

Nous avons été nommés commissaire par l'assemblée générale du 24 avril 2017, conformément proposition du Conseil d'administration émise sur recommandation du Comité d'audit et sur présentation du Conseil d'entreprise. Notre mandat vient à échéance à la date de l'assemblée gé qui délibéra sur les comptes annuels au 31 décembre 2019. Nous avons effectué le contrôle léga Comptes Consolidés du Groupe pour la première fois en 2017.

Rapport sur l'audit des Comptes Consolidés

Opinion sans réserve

Nous avons procédé au contrôle légal des Comptes Consolidés de Hamon & Cie (International) SA, comprenant l'état de la situation financière consolidé au 31 décembre 2017, ainsi que le compte de résultats consolidé, l'état du résultat global consolidé, l'état consolidé des variations des capitaux propres et le tableau consolidé des flux de trésorerie pour l'exercice clos à cette date, ainsi que les annexes, dont le total de l'état de la situation financière consolidé s'élève à € 365.364 (000) et dont l'état du résultat consolidé se solde par une perte de l'exercice de € 22.628 (000).

À notre avis, les Comptes Consolidés du Groupe donnent une image fidèle du patrimoine et de la situation financière de l'ensemble consolidé au 31 décembre 2017, ainsi que de ses résultats consolidés et de ses flux de trésorerie consolidés pour l'exercice clos à cette date, établis conformément aux Normes Internationales d'Informations Financières telles qu'adoptées par l'Union Européenne ("IFRS") et aux dispositions légales et réglementaires applicables en Belgique.

Fondement de notre opinion sans rés

Nous avons effectué notre audit selon les n internationales d'audit (International Stand on Auditing - "ISA's"). Les responsabilités nous incombent en vertu de ces normes so amplement décrites dans la section "Nos responsabilités pour l'audit des Comptes Consolidés" de notre rapport.

Nous nous sommes conformés à toutes les exigences déontologiques qui sont pertiner pour notre audit des Comptes Consolidés e Belgique, y compris celles relatives à l'indépendance.

Nous avons obtenu de l'organe de gestion préposés de la Société, les explications et informations requises pour notre audit et n estimons que les éléments probants recuei suffisants et appropriés pour fonder notre opinion.

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Rapport du commissaire du 23 mars 2018 sur les Comptes Consolidés de Hamon & Cie (International) SA pour l'exercice clos le 31 décembre 2017 (suite)

Paragraphe d'observation sur la Note 3 "Justification du principe de continuité d'exploitation", décrivant le refinancement et la recapitalisation du Groupe ainsi que l'impact de la diminution des prises de commandes en 2017 qui indique qu'il subsiste une incertitude liée à la continuité d'exploitation telle que définie par ISA 570

Nous attirons l'attention sur la Note 3 des Comptes Consolidés, qui indique notamment que les capitaux propres du Groupe s'élèvent à € 1,5 millions, reflétant notamment un abandon de dettes de € 86,9 millions convenu en décembre 2017. La Note commente également les impacts de l'augmentation de capital de € 47,3 millions, événement subséquent à comptabiliser en février 2018. La Note décrit aussi les impacts de l'accord de refinancement sur les covenants. Enfin, la Note commente les hypothèses à la base du Business plan, en ce compris les prises de commandes, lesquelles supportent l'évaluation du principe de continuité par l'organe de gestion. La Note souligne que le Business plan est sensible au niveau des nouvelles commandes et à l'amélioration du taux de marge.

Ces événements ou situation, conjugués aux autres points exposés dans la Note 3, indiquent qu'il subsiste une incertitude susceptible de jeter un doute important sur la capacité de la Société à poursuivre son exploitation. Sans remettre en cause notre opinion sans réserve exprimée ci-dessus, l'identification de cette vraie incertitude requiert, selon l'ISA 570, l'ajout d'un paragraphe d'observation compte tenu des circonstances décrites à la Note 3.

Autre observation

Les comptes consolidés de Hamon & Cie (International) SA pour l'exercice clos le 31 décembre 2016 ont été audités par un autre commissaire qui a émis un opinion sans réserve le 22 mars 2017.

Points clés de l'audit

Les points clés de l'audit sont les points qui, selon notre jugement professionnel, ont été les plus importants lors de l'audit des Comptes Consolidés.

Les points clés de l'audit ont été traités dans le contexte de notre audit des Comptes Consolidés pris dans leur ensemble aux fins de l'élaboration de notre opinion sur ceux-ci et nous n'exprimons pas une opinion distincte sur ces points.

Goodwill et tests de dépréciation

Description du point clé

Au 31 décembre 2017, les Comptes Consolidés comprennent des goodwills pour un montant de € 29 millions.

Pour documenter la valeur de ces goodwills, le Groupe revoit la valeur recouvrable de ses Unités Génératrices de Trésorerie ("UGT") chaque année ou plus fréquemment si des indicateurs de dépréciations sont présents.

Le test de dépréciation implique la comparaison de la valeur d'utilité estimée de l'UGT à sa valeur recouvrable. Des informations complémentaires sont reprises à la Note 20 des Comptes Consolidés.

L'évaluation par le Groupe de la dépréciation du goodwill est un jugement qui requiert des estimations concernant les projections de flux de trésorerie futurs associés aux UGT, le coût moyen pondéré du capital ("CMPC ») et le taux de croissance des revenus et des coûts pour déterminer la valeur d'utilité des UGT.

Résumé des procédures d'audit

Nous avons, en autres, effectué les procédures suivantes:

- Tester l'exactitude du modèle de dépréciation pour évaluer si les processus sont correctement appliqués aux données reprises dans le modèle.
- Challenger chacune des hypothèses clés utilisées dans le test annuel de dépréciation. Ces hypothèses clés concernent le CMPC, les taux de croissance et les flux de trésorerie futurs.
- Impliquer nos spécialistes internes en matière de modèles de prévisions pour comparer ces hypothèses à d'autres données et pour évaluer la méthodologie utilisée et les données de base.
- Evaluer les résultats de la revue de la fiabilité des prévisions du Groupe effectuée par des experts internes et externes. Nous avons également évalué la compétence et l'objectivité des experts externes engagés par la direction.
- Evaluer l'analyse de sensibilité de la direction.
- Evaluer le caractère approprié et complet des informations reprises à la Note 20 des Comptes Consolidés conformément à l'IAS 36.

Reconnaissance des revenus

Description du point clé

Le Groupe applique la méthode de l'avancement pour déterminer la reconnaissance de ses revenus sur les contrats à long terme. Pour ces contrats, la direction doit estimer les coûts nécessaires à l'achèvement du contrat, lesquels sont utilisés pour mesurer l'avancement et la reconnaissance des revenus comme décrit à la Note 3.13 et 4.

Des jugements significatifs sont nécessaires pour estimer les coûts totaux des contrats et l'avancement. Dans le cadre de ses estimations et afin de déterminer l'avancement des contrats, la direction s'est appuyée sur l'expertise des gestionnaires de projets et aussi sur l'expérience de projets clôturés et les pratiques du secteur.

Nous estimons qu'il s'agit d'un point clé de l'audit compte tenu des jugements significatifs de la direction pour estimer l'avancement et les coûts totaux des contrats.

Résumé des procédures d'audit

Nous avons, en autres, effectué les procédures suivantes:

- Obtenir une compréhension du processus de reconnaissance des revenus.
- Revoir les composantes significatives des coûts et revenus totaux par contrat pour un échantillon de projets et challenger le caractère complet et l'exactitude des coûts totaux estimés par la direction en comparant les coûts totaux pour un échantillon de projets en cours avec des projets similaires clôturés.
- Pour un échantillon de projets, investiguer avec les gestionnaires de projets les évolutions et réaliser des analyses de risques quantitatives et qualitatives.
- Evaluer les estimations par la direction des coûts totaux par projet en comparant les coûts totaux initiaux et à date.
- Tracer les coûts actuels significatifs pour les contrats sélectionnés aux documents justificatifs afin de s'assurer que les coûts sont attribuables aux contrats testés.
- Vérifier l'exactitude mathématique du calcul de l'avancement.
- Obtenir les contrats signés pour documenter la valeur totale des contrats de notre échantillon, identifier les changements significatifs demandés par les clients et évaluer l'im sur les contrats.
- Réaliser des procédures de revue analy par comparaison des résultats par cont l'année précédente.
- Evaluer le caractère complet et appropr informations fournies dans les annexes Comptes Consolidés.

Actifs détenus en vue de la vente et Activités abandonnées

Description du point clé

Au cours de 2017, dans le cadre du plan d transformation, un série d'actions ont été pour réduire progressivement les coûts de structure, en ce compris la cession de la b unit Process Heat Exchanger ("PHE").

PHE étant un segment important, il qualifi conséquent, comme Groupe d'actifs. La d a reconnu les résultats 2017 de ce segme résultat des activités abandonnées. Les c comparatifs ont aussi été retraités pour ce segment.

Nous estimons que la classification et la présentation comme « Actifs détenus en v vente » et « Activités abandonnées » est u clé de l'audit compte tenu de exigences spécifiques des IFRS qui doivent être renc pour cette classification et l'impact de cet présentation au bilan et dans le compte de résultats.

Résumé des procédures d'audit

Nous avons, en autres, effectué les procéd suivantes:

- Evaluer si les critères liés à la comptabi comme « Actifs détenus en vue de la v (IFRS 5) étaient rencontrés dans le cad cession planifiée de la division PHE. N avons également évalué si PHE rencont critères pour être classés comme « Act abandonnées ».
- Evaluer si, à la date de clôture, la Socié engagée à vendre l'activité PHE et ava démarré de manière active le process vente.
- Evaluer la probabilité que l'activité PHE disponible pour une cession immédiate son état actuel et s'il est hautement pr que la cession aura bien lieu.

Building a better working world

Rapport du commissaire du 23 mars 2018 sur les Comptes Consolidés de Hamon & Cie (International) SA pour l'exercice clos le 31 décembre 2017 (suite)

- Apprécier l'évaluation de la direction de la valeur de marché moins coûts liés à la cession du Groupe d'actifs PHE
- Examiner si les chiffres comparatifs dans le compte de résultats consolidé pour les activités abandonnées de PHE étaient correctement représentés.
- Evaluer le caractère approprié et complet des informations reprises à la Note 43 des Comptes Consolidés conformément à l'IFRS 5.

Responsabilités de l'organe de gestion dans le cadre de l'établissement des Comptes Consolidés

L'organe de gestion est responsable de l'établissement des Comptes Consolidés donnant une image fidèle conformément aux IFRS et aux dispositions légales et réglementaires applicables en Belgique. Cette responsabilité comprend la mise en place d'un contrôle interne que l'organe de gestion estime nécessaire à l'établissement de Comptes Consolidés ne comportant pas d'anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs.

Dans le cadre de l'établissement des Comptes Consolidés, l'organe de gestion est chargé d'évaluer la capacité de la Société à poursuivre son exploitation et de fournir, le cas échéant, des informations relatives à la continuité d'exploitation et d'appliquer le principe comptable de continuité d'exploitation, sauf si l'organe de gestion a l'intention de mettre la Société en liquidation ou de cesser ses activités, ou s'il ne peut envisager une autre solution alternative réaliste.

Nos responsabilités pour l'audit des Comptes Consolidés

Nos objectifs sont d'obtenir l'assurance raisonnable que les Comptes Consolidés pris dans leur ensemble ne comportent pas d'anomalies significatives que celles-ci proviennent de fraudes ou résultent d'erreurs, et d'émettre un rapport du commissaire contenant notre opinion sur les Comptes Consolidés sur base de notre audit. L'assurance raisonnable correspond à un niveau élevé d'assurance, qui ne garantit toutefois pas qu'un audit effectué selon les normes ISA's permettra de toujours détecter toute anomalie significative lorsqu'elle existe. Des anomalies peuvent provenir de fraudes ou résulter d'erreurs et sont considérées comme significatives lorsqu'il est raisonnable de s'attendre à ce qu'elles puissent, individuellement ou en cumulé, influencer les décisions économiques que les utilisateurs des Comptes Consolidés prennent en se fondant sur ceux-ci.

Dans le cadre d'un audit réalisé selon les normes ISA's, nous exerçons notre jugement professionnel et nous faisons preuve d'esprit critique tout au long de l'audit. Nous effectuons également les procédures suivantes:

- L'identification et l'évaluation des risques que les Comptes Consolidés comportent des anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs, la définition et la mise en œuvre de procédures d'audit en réponse à ces risques et le recueil d'éléments probants suffisants et appropriés pour fonder notre opinion. Le risque de non-détection d'une anomalie significative provenant d'une fraude est plus élevé que celui d'une anomalie provenant d'une erreur, car la fraude peut impliquer la collusion, la falsification, les omissions volontaires, les fausses déclarations ou le contournement du contrôle interne;
- La prise de connaissance suffisante du contrôle interne pertinent pour l'audit afin de définir des procédures d'audit appropriées en la circonstance, mais non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne de la Société et du Groupe;
- L'appréciation du caractère approprié des règles d'évaluation retenues et du caractère raisonnable des estimations comptables faites par l'organe de gestion, de même que des informations fournies par l'organe de gestion les concernant;
- Conclure sur le caractère approprié de l'application par l'organe de gestion du principe comptable de continuité d'exploitation et, selon les éléments probants recueillis, quant à l'existence ou non d'une incertitude significative liée à des événements ou situations susceptibles de jeter un doute important sur la capacité de la Société ou du Groupe à poursuivre son exploitation. Si nous concluons à l'existence d'une incertitude significative, nous sommes tenus d'attirer l'attention des lecteurs de notre rapport du commissaire sur les informations fournies dans les Comptes Consolidés au sujet de cette incertitude ou, si ces informations ne sont pas adéquates, d'exprimer une opinion modifiée. Nos conclusions s'appuient sur les éléments probants obtenus jusqu'à la date de notre

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rapport du commissaire. Néanmoins, des événements ou des situations futures pourraient conduire la Société ou le Groupe à cesser son exploitation;

- Evaluer la présentation d'ensemble, la forme et le contenu des Comptes Consolidés, et apprécier si ces Comptes Consolidés reflètent les transactions et les événements sous-jacents d'une manière telle qu'ils en donnent une image fidèle.

Nous communiquons au Comité d'audit, constitué au sein de l'organe de gestion, notamment l'étendue et le calendrier prévus des travaux d'audit ainsi que les constatations importantes découlant de notre audit, y compris toute faiblesse significative dans le contrôle interne que nous avons identifiées au cours de notre audit.

Assumant l'entière responsabilité de notre opinion, nous sommes également responsables de la direction, de la supervision et de la réalisation de l'audit des filiales du Groupe. À ce titre, nous avons déterminé la nature et l'étendue des procédures d'audit à appliquer pour ces filiales du Groupe.

Nous fournissons également au Comité d'audit, constitué au sein de l'organe de gestion, une déclaration précisant que nous nous sommes conformés aux règles déontologiques pertinentes concernant l'indépendance, et nous leur communiquons, le cas échéant, toutes les relations et les autres facteurs qui peuvent raisonnablement être considérés comme susceptibles d'avoir une incidence sur notre indépendance ainsi que les éventuelles mesures de sauvegarde y relatives.

Parmi les points communiqués au Comité d'audit, constitué au sein de l'organe de gestion, nous déterminons les points qui ont été les plus importants lors de l'audit des Comptes Consolidés de la période en cours, qui sont de ce fait les points clés de l'audit. Nous décrivons ces points dans notre rapport du commissaire sauf si la loi ou la réglementation n'en interdit la publication.

Rapport sur d'autres obligations légales et réglementaires

Responsabilités de l'organe de gestion

L'organe de gestion est responsable de l'établissement et du contenu du rapport de gestion sur les Comptes Consolidés, de l'information non financière et des autres informations contenues dans le rapport annuel.

Responsabilités du Commissaire

Dans le cadre de notre mandat de commissaire et conformément à la norme belge complémentaire (Révisée) aux normes internationales d'audit (ISA's) applicables en Belgique, notre responsabilité est de vérifier, dans tous les aspects significatifs, le rapport de gestion sur les Comptes Consolidés, l'information non financière et les autres informations contenues dans le rapport annuel ainsi de faire rapport sur ces éléments.

Aspects concernant le rapport de gestion et des autres informations contenues dans le rapport annuel

A notre avis, après avoir effectué nos procédures spécifiques sur le rapport de gestion, le rapport de gestion sur les Comptes Consolidés concorde avec les Comptes Consolidés et a été établi conformément à l'article 119 du Code des sociétés.

Dans le cadre de notre audit des Comptes Consolidés, nous sommes également responsables d'examiner, sur la base des renseignements obtenus lors de l'audit, si le rapport de gestion sur les Comptes Consolidés (à savoir les sections Notre Groupe, Revue par business unit et Développement durable) et les autres informations contenues dans le rapport annuel, à savoir la section relative à la gouvernance d'entreprise, comportent une anomalie significative, à savoir une information substantiellement fausse ou autrement trompeuse. Sur la base de nos travaux, nous n'avons pas d'anomalie significative à vous communiquer. En outre, nous n'exprimons aucune assurance raisonnable sur le rapport de gestion ni les autres informations reprises dans le rapport annuel.

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L'information non financière requise par l'article 119, § 2 du Code des sociétés est reprise dans le rapport de gestion sur les Comptes Consolidés (voir section Développement durable). Pour l'établissement de cette information non financière, le Groupe ne s'est pas basé sur un cadre de référence européen ou international reconnu. Nous n'exprimons aucune assurance raisonnable sur des éléments individuels repris dans cette information non financière.

Mentions relatives à l'indépendance

Notre cabinet de révision et notre réseau n'a pas effectué de missions incompatibles avec le contrôle légal des Comptes consolidés et est resté indépendant vis-à-vis de la Société au cours de notre mandat.

Les honoraires pour les missions supplémentaires qui sont compatibles avec le contrôle légal des Comptes Consolidés visés à l'article 134 du Code des sociétés ont été correctement déclarés et ventilés dans les annexes aux Comptes Consolidés.

Autres mentions

Le présent rapport est conforme au contenu de notre rapport complémentaire destiné au Comité d'audit visé par l'article 11 du règlement (UE) n° 537/2014.

Diegem, le 23 mars 2018

Ernst & Young Réviseurs d'Entreprises SCCRL
Commissaire
Représentée par

Vincent Etienne
Associé*
*Agissant au nom d'une SPRL

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GLOSSARY

• AIR COOLER (OR AFC) •

Heat exchanger in which an often corrosive liquid or gas, under high pressure and high temperature, passes through special alloy finned tubes and is cooled by air from a ventilator. Used mainly in petrochemicals, and the Oil & Gas industry, but also in the cooling of auxiliaries, for example water in the steel industry.

• APC •

Air Pollution Control.

• AQS •

Air Quality Systems (similar to APC)

• BANK GUARANTEES •

Guarantees given by a bank for a certain amount and over a fixed period, when contracts are made (sold) and executed. Principal categories: advance payment bond, performance bond, and warranty bond.

• COOLING SYSTEM WHEN REFERRED TO IN THE CONTEXT OF POWER GENERATION •

In a traditional power plant generating electricity, water is heated and transformed into high pressure steam. Lis turns a steam turbine connected to an alternator, which converts mechanical energy to electrical energy. At the exit of the turbine, the steam is cooled on a surface condenser through indirect contact between the steam and cold water running through the cooling circuit. Lis water is then sent to a cooling system, before it is re-injected into the cooling circuit.

• COOLER •

Wet, dry or hybrid cooling system.

• DENOX •

Elimination of nitrogen oxides, NOx in short form, from waste gases.

• DESOX •

Elimination of sulphur oxides, SOx in short form, from waste gases.

• DRY COOLING SYSTEM OR AIR-COOLED STEAM CONDENSER •

used in the production of electricity, this system directly condenses steam at the exit of the steam turbine, in finned tube bundles cooled by the surrounding air.

• EBIT •

Earnings before interest and tax.

• EBITDA •

Earnings before interest, taxes, depreciation & amortization and non-recurring items.

• EMEA •

Europe, Middle East and Africa.

• EPC (ENGINEERING, PROCUREMENT AND CONSTRUCTION) •

Engineering firm.

• ESP •

Electrostatic Precipitator, an electrostatic filter that eliminates particles from the exhaust gases.

• FRP •

Fibre-Reinforced Plastic, used for example for exhaust gas ducts in chimneys.

• GROUP OR HAMON GROUP •

the name for Hamon and its subsidiaries in the sense of the Company Code, Article 6, 2°.

• HAMON •

the name of the limited company (under Belgian law) Hamon & Cie (International) SA, with its head office at Axisparc, rue Emile Francqui 2, 1435 Mont-St-Guibert, Belgium. Le Hamon trade mark and logo (as it appears on the back cover of this report) are protected in most countries in which Hamon is established.

• HRSG •

Heat Recovery Steam Generator, used in combined cycle power plants to generate steam from the hot gas turbine exhaust.

• HYBRID COOLING SYSTEM •

combination of a wet cooling system and finned tube bundles that slightly heat the saturated humid air, in order to reduce the steam plume.

• IDDC (INDIRECT DRY COOLING) •

indirect dry cooling system, in which the cooling water is cooled down without any contact with air, thus with no water consumption.

• NAFTA •

North American Free Trade Agreement: territory which includes the United States of America, Canada and Mexico.

• NORTH AMERICA •

the territory regrouping the United States of America, Canada and Mexico.

• BACKLOG •

refers to the residual value of Hamon's outstanding contracts on a given date, which is the result of the difference between the total value of customer contracts and the revenue already recognized in the results for these contracts.

• BOOKINGS •

refers to the new projects for which a contract or a letter of award has been signed between a Group entity and a customer during a given period.

• SNCR •

Selective Non Catalytic Reduction: NOx removal process in which reagents are injected and in which no catalyst is used (versus Selective Catalytic Reduction (SCR) processes in which catalysts are used to eliminate NOx).

• WET COOLING SYSTEM •

a system that cools water from 30-40° C to 20-30°

C. Le cooling occurs via direct contact between the water and surface streaming air, with evaporation of a part of the water.

GENERAL INFORMATION

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