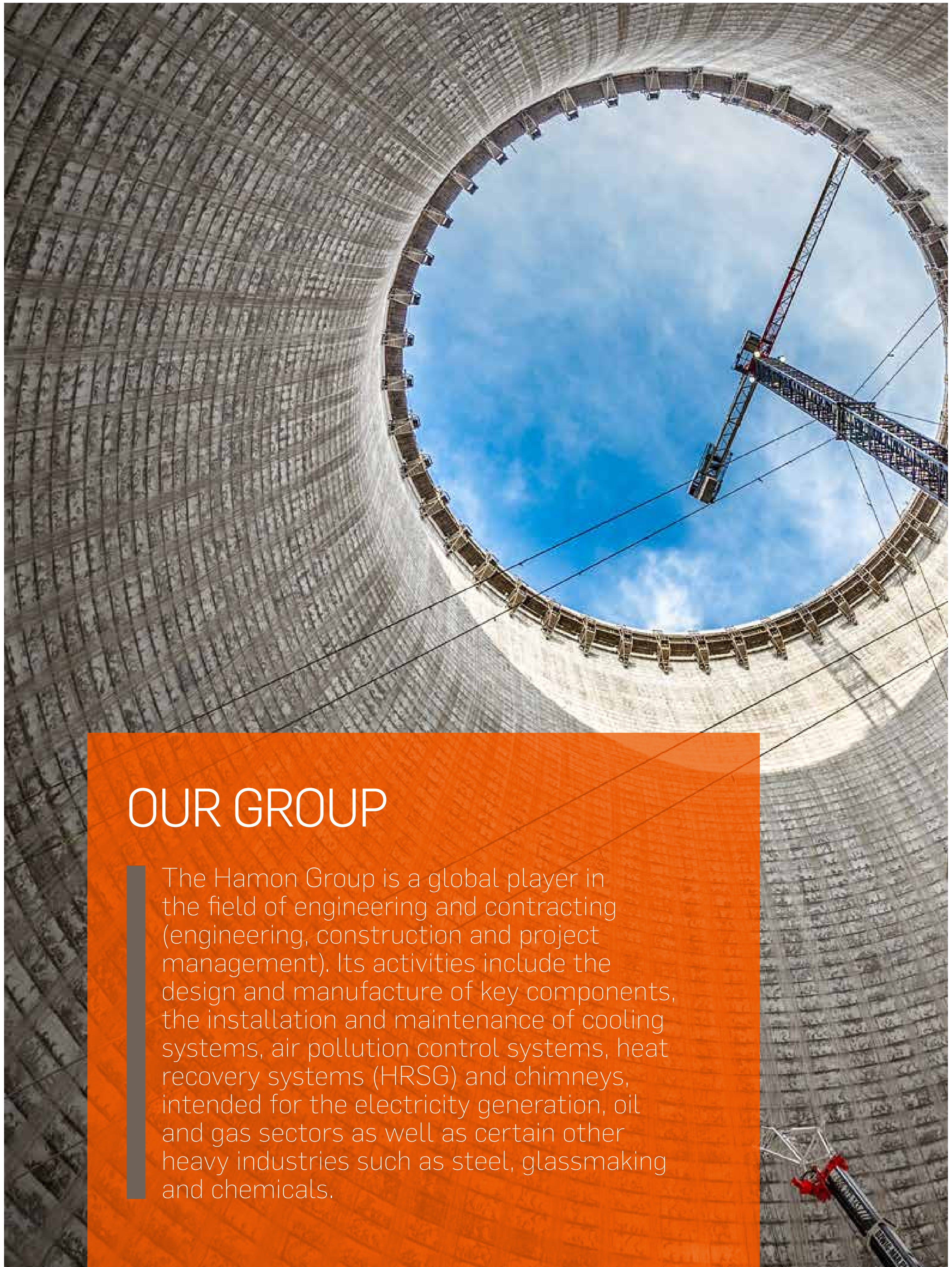
HAMON ANNUAL REPORT 2018

HAMON 2018
ANNUAL REPORT

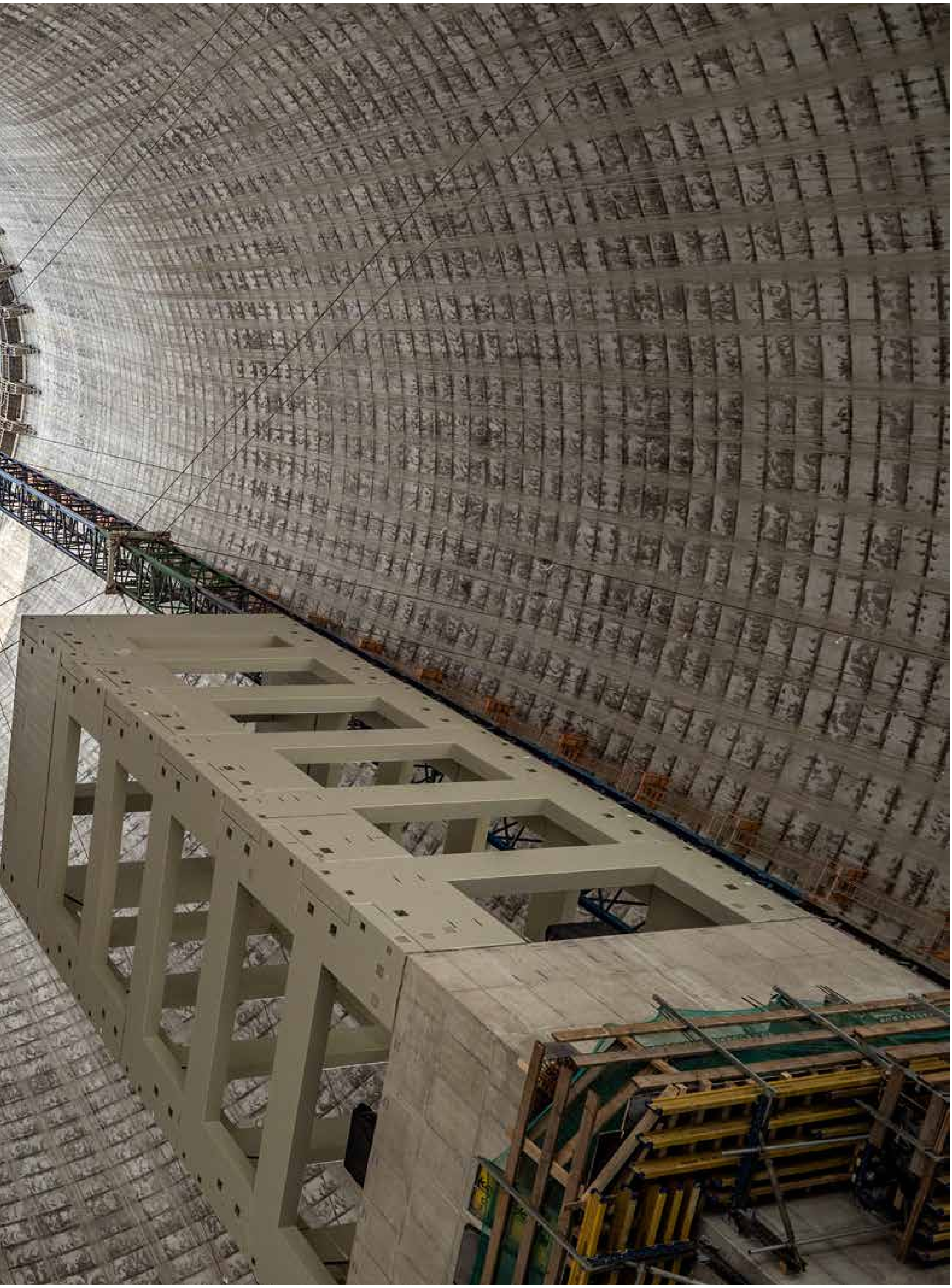
Integrated Solutions for a Clean Environment

HAMON



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 pollution control systems, 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.



PRODUCTS

CONTENTS

GROUP PROFILE

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

POSITIONING

Hamon, 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 services:

- 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 cutting-edge 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 services for efficient installations for cooling systems, heat exchangers, air pollution control systems, heat recovery systems and chimneys.
- To improve the performance of our customers 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 respects the Universal Declaration of Human Rights and aims to foster a positive relationship with its teams.

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 order 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 (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 very 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.

In terms of supply, the 'Hamon Global Supply Chain' was put in place in 2018. This functions as a network for worldwide supplies and for the purchasing managers in the Group's three business units. It aims to develop a sustainable supply chain in partnership with reliable, high-quality suppliers. Given its increased worldwide supply capacities, this structure plays a key role in cutting costs, optimizing the quality of purchases, innovation, productivity and reliability, while maintaining strict stock management. The goal is to achieve improved profitability for the Group and greater customer satisfaction.

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 entitled A responsible company).

Moreover, the Group intends to continue to develop its aftermarket service (customer service) on a more structured basis, with a view to becoming a key player.

This activity involves inspections, monitoring, breakdown assistance, spare parts supply, minor maintenance and the renovation of large-scale installations . This work is carried on installations which may or may not have been designed by Hamon. The Group's experience and expertise in the field of cooling towers and air treatment plants enables Hamon to carry out the regular maintenance required by such installations so as to ensure their performance and maintain their level of efficiency.

The construction of new installations, combined with an efficient aftermarket service, enables Hamon to control the entire lifecycle of cooling or air quality infrastructures.

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

27
COUNTRIES

51
CONSOLIDATED COMPANIES (INCLUDING REPRESENTATIVE OFFICES AND THREE COMPANIES CONSOLIDATED USING THE EQUITY METHOD)

4
PLANTS

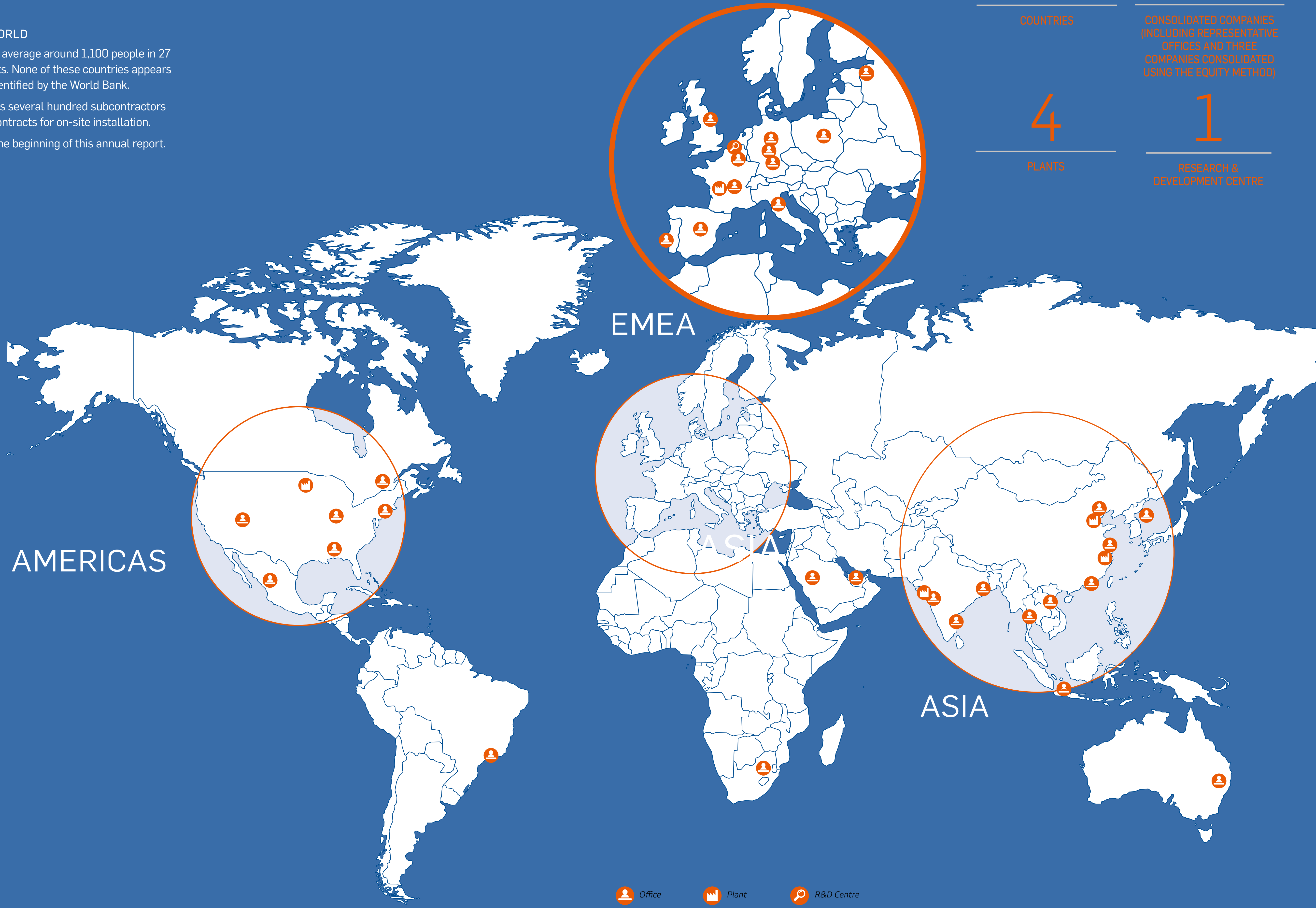
1
RESEARCH & DEVELOPMENT CENTRE

OUR PRESENCE IN THE WORLD

In 2018, Hamon employed on average around 1,100 people in 27 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.

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



KEY FIGURES (excluding PHE)

In EUR million	2018	2017
RATIOS		
REBITDA /revenue	1.4%	-4.7%
ROCE (1)	4.4%	-17.2%
Net financial debt / equity (2)	3.7	59.7
Enterprise value / EBITDA (3)	22.3	-7.3
DATA PER SHARE (IN EUR/SHARE)		
Group share of net result	-0.24	-0.99
Net result from continued operations	-0.15	1.14
Equity (excluding non-controlling interests)	0.2	0.1
Gross dividend	0.00	0.00
P/E (share price as at 31.12) (4)	NR	NR
Average number of outstanding shares	105,057,053	22,612,323
Number of outstanding shares as at 31.12	117,235,372	22,661,710
Number of shares issued as at 31.12	117,235,372	22,703,278
Market capitalization as at 31.12 (EUR million)	35.1	40.8
Share closing price as at 31.12	0.30	1.80
Year average share closing price	0.49	2.98
NEW ORDER BOOKINGS	**344**	**267**
ORDER BOOK (AS AT 31 DECEMBER)	**339**	**377**
INCOME STATEMENT		
Revenue	345.1	366.6
REBITDA (5)	4.9	-17.2
EBIT (result before interest and tax)	-3.7	-20.8
Result before tax from continued operations	-14.5	42.2
Net result from continued operations	-15.3	25.4
Net result from discontinued operations	-9.9	-48.0
Group share of net result	-25.5	-22.3
Cash flow (6)	-23.8	-60.8

In EUR million	2018	2017
BILAN		
BALANCE SHEET	72.8	76.3
Non-current assets	34.8	50.2
Cash and cash equivalents	204.8	238.8
Other current assets	**312.4**	**365.4**
Equity (7)	21.0	1.5
of which non-controlling interests	0.5	-0.7
Financial liabilities (current and non-current)	112.5	139.3
Non-current provisions	0.0	0.8
Other non-current liabilities	13.0	8.4
Current liabilities (excl. financial liabilities)	165.9	215.3
Total liabilities and equity	**312.4**	**365.4**
Working capital requirements (8)	38.9	23.5
Net financial debts (9)	77.7	89.1
Capital employed (10)	111.7	99.8
Average workforce (yearly)	967	1,194

(1) REBITDA / 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) REBITDA = earnings 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 CEO

“The efforts made are beginning to bear fruit.

Dear shareholders,

Dear readers,

For the Hamon Group, 2018 was marked above all by the accelerated deployment of our organizational and financial transformation. Over the past 12 months, substantial progress has been made regarding all the undertakings we entered into a year earlier in the context of the implementation of our transformation plan. Initiated in 2017 and covering three years, this plan had a twofold goal of returning to profitability and restoring our financial structure. A year later, the efforts made are beginning to bear fruit and we have reason to be pleased.

STRONG ADDED VALUE

In operational terms, the final closure of our Brazilian and South African subsidiaries and the divestment of PHE activities represent a decisive step forward in our transformation and reflect our determination to resize the Group as a whole in more profitable activities. Moreover, whereas large-scale contracts with a narrow margin once accounted for most of our order book, attention is now focused more on smaller projects with greater added value. This change of strategy prompts us to concentrate on engineering activities linked to customer service, aftermarket service and maintenance. The Group now aims to focus on contracts of up to EUR 10 million for three-quarters of its revenue. These measures encourage short implementation cycles and are considered essential to restore and consolidate our profitability.

Philippe Bodson, Chairman of the Board

Bernard Goblet, CEO

OPERATIONAL SYNERGIES

Refocusing on our core business also involves modifying our corporate culture so that from now on we will be working as a real group with a single supply chain promoting more standardization and operational synergies. Discontinuing our organization in the form of business units in favour of a geographic structure that is closer to the market is another measure taken in this direction, enabling greater responsiveness to our customers.

Thanks to these measures, we have already considerably reduced our expenditure, moving from a cost structure of EUR 145 million in 2016 to forecast operating costs of EUR 85 million in 2019, down over 40%. This reduction, combined with a bigger order book than last year despite a certain amount of ‘wait and see’ on the market, resulted in a positive REBITDA (excluding discontinued activities) of EUR 7.3 million in 2018, compared with a negative REBITDA (excluding discontinued activities) of EUR – 9.2 million in 2017.

NEW STRUCTURES

Although the net result remains negatively affected by the costs related to the restructuring of the Group, the new structure is now operational and most of the transformation process is behind us.

Our world presence, our command of our technology and our excellence in project implementation are all assets which we plan to capitalize on further to this operational transformation.

Now that we have an organization more adapted to the needs of the market that is better aligned to our more measured needs, we can look to the future of our financial structure with confidence; the initial results recorded here are encouraging. We are currently examining various scenarios with our shareholders and bankers with a view to the forthcoming reimbursement due dates.

In a context that remains difficult, we would like to acknowledge the patience and trust of our shareholders and the constructive role played by our financial stakeholders. We would like also to sincerely thank our staff throughout the world for their efforts day by day to make the difference for our customers.

KEY FACTS 2018

Electrostatic precipitators for a thermal power plant in Vietnam

1. IN BRIEF

- Transformation plan in line with expectations, namely: significant reduction in structural costs, completion of the sale of the Process Heat Exchanger (PHE) division and contract execution in line with budgets
- Orders up 29% compared with 2017 , reaching EUR 344 million
- REBITDA excluding discontinued operations (Brazil, South Africa, etc.) positive at EUR 7.3 million, compared with a negative REBITDA of EUR 9.2 million in 2017. Taking discontinued operations into account, REBITDA was EUR 5 million compared with a negative REBITDA of EUR 17.2 million in 2017.

TRANSFORMATION PLAN

This plan, launched in 2017 and spread over 3 years, envisages resizing the Group and making it profitable.

Major actions carried out in this context were:

- Focusing on Hamon's core business: sale of TTC, ACS, AIT, PHE, definitive cessation of activities connected with subsidiaries located in Brazil and South Africa
- Concentration on cooling, air quality control and heat recovery system product lines
- Focusing on smaller-sized projects, particularly customer service, in order to optimise margins and reduce financing risks and requirements
- Optimisation of synergies between our product lines and integration of low-cost countries (India) into our supply chain and engineering
- Improvement in project execution thanks to centralisation of purchasing and better control
- Reduction of almost 40% in Group structural costs compared with the situation in 2016

The Group is continuing its rationalisation efforts by developing additional synergies within and between countries.

COMMERCIAL ACTIVITY

Despite highly competitive markets, the Group was able to increase its order levels to EUR 344 million, an increase of 29% compared with 2017.

Sales connected with our customer service activities hit EUR 73.5 million in 2018, constituting 21% of turnover and making up 24% of new orders in 2018. The Group continues to put in place a dedicated structure to develop this promising market, the objective being to increase the share of this activity in our overall turnover. In conjunction with customer service, the Group is also further developing its offering in the area of spare parts.

Activity continues to be well distributed between the different regions of the world, with Asia, still the market offering the greatest potential for growth, and expected to increase in importance. The complete takeover of the joint venture in India, planned for 2019, will enhance our competitive position in this market.

REBITDA

REBITDA excluding discontinued operations (mainly South Africa and Brazil) was EUR 7.3 million, compared with a negative REBITDA of EUR 9.2 million in 2017. With discontinued operations included, this result comes to EUR 5 million compared with a negative REBITDA of EUR17.2 million in 2017.

Turnover was down due to discontinued operations (South Africa and Brazil). However, there was a marked improvement in the margin thanks to good project execution during 2018 and due to a reduction in structural costs.

NET RESULT FROM DISCONTINUED OPERATIONS

This item includes the results from the PHE division, which was sold in December 2018. The loss of EUR 10 million includes the final costs relating to the sale.

NET RESULT

Despite a major improvement in REBITDA, the Group ended the year with a loss of EUR 25.3 million due, among other things, to the costs of restructuring, amounting to EUR 3.9 million, and costs relating to the sale of PHE.

BALANCE SHEET

The balance sheet was significantly strengthened by a reduction in debt of EUR 87 million in December 2017 and a capital increase of EUR 46.1 million completed in February 2018.

Discussions with the different partners are due to start shortly to refinance existing debt under optimal conditions.

OUTLOOK

Hamon is not providing any guidance as to its future results.

Silos and chimneys in the United States

2. MAIN DEVELOPMENTS IN 2018

2.1. COMMERCIAL ACTIVITIES

Bookibgs (in EUR million)	2018	2017
AMER	91	82
ASIA	68	100
EMEA	176	101
Eliminations/other	(9)	(16)
Subtotal - continued activities	326	267
Hamon Shiram Cottrell (JV-Inde)	18	
Total	**344**	**267**

Backlog (EUR millions)	2018	2017
AMER	60	81
ASIA	107	163
EMEA	181	147
Eliminations/other	(9)	(14)
Total (continued activities)	**339**	**377**

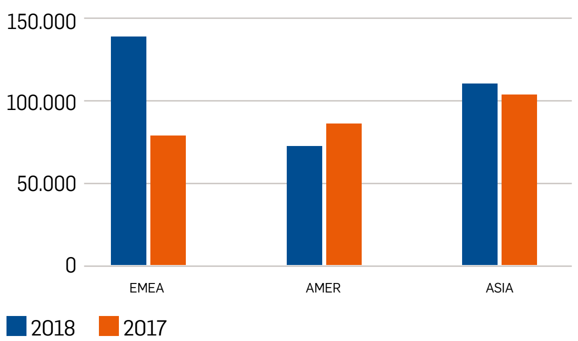
With continued activities, new orders for the financial year up to 31 December 2018 were up, totalling EUR 326 million. If HSC, the joint venture in India due to be consolidated in 2019, is included, this amount increases to EUR 344 million.

Orders with a sales price of more than EUR 10 million now make up no more than 31% of total orders and are represented by 5 projects.

In 2017, new orders were almost balanced between the three regions. This year, Europe stood out and accounted for 53% of total orders in 2018.

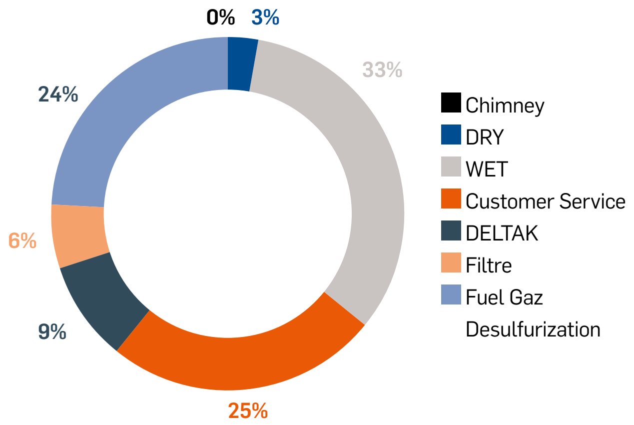
The order book totalled EUR 339 million in 2018, slightly lower than expectations, the result of fewer new orders in Q4 and significant progress in certain major projects.

ORDERS BY PROJECT LOCATION



Significant growth can be seen in orders in the EMEA region.

BOOKINGS BY PRODUCT CATEGORY



2.2. CONSOLIDATED PROFIT AND LOSS ACCOUNT

(EUR millions)	2018	2017
Revenue	345,1	366,6
Gross margin	55,1	36,2
EBITDA	4,9	-17,2
EBITDA/revenue	*+1,4%*	*-4,7%*
Current operating result	-0,3	-23,7
Non-recurring elements	-3,4	3,0
Operating results (EBIT)	-3,7	-20,8
Net financial charges	-10,2	72,2
Group share of net result of associated companies	-0,5	-9,2
Result before tax (continued operations)	**-14,5**	**42,2**
Income tax	-0,8	-16,8
Net result from continued operations	-15,3	25,4
Net result from discontinued operations	-9,9	-48,0
Net result	**-25,3**	**-22,6**
Group share of net result	-25,5	-22,3

The reduction in turnover recorded over 2018 was mainly the result of the discontinuation of our activities in South Africa and Brazil. For continued activities, there was a slight 1.6% increase in turnover compared with 2017.

The gross margin significantly improved in 2018 as a result of good project execution.

The increase in REBITDA, by an amount of EUR 22.1 million compared with 2017, resulted from an improvement in the gross margin combined with a reduction in overheads further to the implementation of a cost-cutting programme.

Non-recurring elements mainly correspond to restructuring costs.

Net financial expenses came to EUR 10.2 million. In 2017, the Group benefited from a EUR 87 million write-down in bank debt.

The improvement in the share of net income of associated companies was due to an improvement in results recorded by these companies as well as a EUR 7.1 million impairment recorded in 2017.

Tax expenses were relatively low due to the taxable base and the tax losses carried forward.

The PHE division was sold at the end of 2018. Net profit from discontinued operations includes the final costs relating to this sale.

2.3. CONSOLIDATED BALANCE SHEET

(EUR millions)	31/12/2018	31/12/2017
ASSETS		
Deferred tax assets	7.8	9.1
Other non-current assets	65.0	67.2
Stocks and contracts in progress (assets)	63.4	69.0
Customers and other debtors	135.4	149.6
Cash and cash equivalents	34.8	50.2
Other current assets	6.1	20.2
Total assets	**312.4**	**365.4**
EQUITY	**21.0**	**1.5**
LIABILITIES		
Deferred tax liabilities	2.7	4.0
Non-current financial liabilities	81.6	74.0
Other non-current liabilities	10.4	5.3
Current financial liabilities	30.9	65.3
Contracts in progress (liabilities)	61.9	80.7
Suppliers and other creditors	93.2	105.2
Other current liabilities	10.9	29.4
Total liabilities	**291.5**	**363.9**
Total liabilities and equity	**312.4**	**365.4**
Working capital requirements	**38.9**	**23.5**
Net debt	**77.7**	**89.1**

As at 31 December 2018, following the sale of the PHE division, the balance sheet no longer includes the assets and liabilities of the division which were stated under "Other current assets" and "Other current liabilities".

Shareholders' equity, at EUR 21 million, benefited from the capital increase of EUR 46.1 million in February 2018 but was also impacted by the negative net result for the financial year.

Changes in the working capital requirement were due to the combined effect of a reduction in trade debts and the marked increase in works in progress (payment of significant advances in Asia at the end of 2017), partially offset by the reduction in trade receivables.

Net debt totalled EUR 77.7 million compared with EUR 89.1 million at the end of 2017.

3. POST-CLOSING EVENTS

No events after the balance sheet date were recorded.

~~Usine Deltak aux États-Unis~~

KEY EVENTS 2018

MARCH

THYSSENKRUPP CHOOSES HAMON

The ThyssenKrupp group chose Hamon Enviroserv to supply the desulfurization unit for the sintering line at its production plant in Schwelgern, Germany. This semi-dry CDS process will treat a flow of 850,000 Nm³/h.

APRIL

HSC MEILLEUR CONTRACTANT

A new 'supercritical' power plant, the first of its kind in Vietnam, is under construction on the Song Hau site. Hamon technology was chosen for the desulfurization of this coal-fired plant with a capacity of 2 x 600 MW that needs to attain minimum efficiency of 89%.

JUNE

HSC BEST CONTRACTOR

Hamon Shriram Cottrell was named best contractor by its customer BPCL for the Kochi project. At its height, almost 170 of the Group's staff were working on this 14-month cooling tower contract, which included the construction of the concrete structure. The same month, HSC signed three major contracts for cooling towers in the fertilizer sector.

SEPTEMBER

Natural draft towers – Pingshan I China

HAMON CHINA: A 210-METRE TOWER

Following on from the successful Pingshan I project, Hamon Thermal Tianjin (HTT) obtained the order for phase II. This 1,350-MW coal-fired power plant will be the most powerful ever built. The cooling tower will be 174 metres in diameter and 210 metres in height.

PERFORMANCE AND SAFETY

Hamon UK is finalizing the design, supply and construction of three new cooling towers for a data centre in Belgium. The company received the 'Safety Performance Award' for this project, as well as the 'Commercial Management Award' (in November) for the way in which the mission was handled.

AN EXCEPTIONAL FABRIC FILTER PROJECT

Hamon China began construction of the second fabric filter at the Central Java electric power plant in Indonesia (capacity: 2 x 1,000 MW), one of the largest in the country. This is the largest fabric filter project ever undertaken by Hamon.

CHENNAI AT THE HEART OF ONE HAMON PROJECT

The Supply Chain group, one of the spearheads of One Hamon, where work began two years ago, brought together representatives of the three Regions and nine companies in Chennai. The team was able to demonstrate its efficiency in optimizing resources and service for the operations and commercial departments.

Inauguration of the cooling tower in Kochi, India

OCTOBER

PARTNERSHIP WITH VEOLIA WATER TECHNOLOGIES

A partnership agreement has been signed between Veolia Water Technologies and Hamon to combine the mutual expertise of the two companies so that they can develop an integrated approach in the cooling towers sector.

HAMON ACQUIRES 50% OF SCOPE 37

Hamon has acquired 50% of the shares in the French company Scope 37, which provides temporary staff specialized in maintenance on nuclear sites in France and in related sectors. This acquisition bolsters the cooperation which began with this company 30 years ago and confirms the Group's strategy of intensifying its development in customer service and maintenance.

INAUGURATION OF THE BHARAT COOLING TOWER

The cooling tower of the Bharat Petroleum Corporation Ltd, built by Hamon in Kochi, India, was inaugurated by the Bharat Chairman and Director, Mr Rajkumar. This project involved the engineering, construction and commissioning of an induced mechanical draft tower, including the ancillary systems such as the pipelines, electrical equipment, instrumentation, water treatment and lateral filters.

DECEMBER

DISPOSAL OF HAMON D'HONDT AND ITS SUBSIDIARIES

Hamon marked a major new stage in its transformation plan with the transfer of its Process Heat Exchangers (PHE) division to the Germany group Ingenieurburö R. Grossman GmbH & Co. KG (Grossman Group). This group, which undertakes engineering, supply and construction projects, provides total, turnkey solutions for its customers, mainly in the fields of water treatment, gas and energy.

Hamon stand at Pollutec

MAXIMUM VISIBILITY FOR HAMON

As it does every year, Hamon took part in various trade fairs and conferences, including Pollutec in Lyon, the European environmental trade show, which attracted many visitors who were particularly interested in the Group's customized solutions. The company was present, in particular, at the following:

- Cooling Technology Institute
- International Power Summit
- Petrochemical Refining Congress
- SOx Nox India
- Vietnam Power Summit
- Power Gen International and Power Gen Asia

PRODUCTS

The Hamon group develops an integrated range of equipment and services for electric power plants and industry.

COOLING SYSTEMS

Hamon supplies electric power plants and industries, in particular the chemicals, petrochemicals, iron and steel industries as well as paper manufacturers and sugar refining plants, with equipment and related services designed to cool water or condense the steam produced by their processes.

The Group offers two types of technical solutions adapted to the needs of electricity producers, engineering companies and industries.

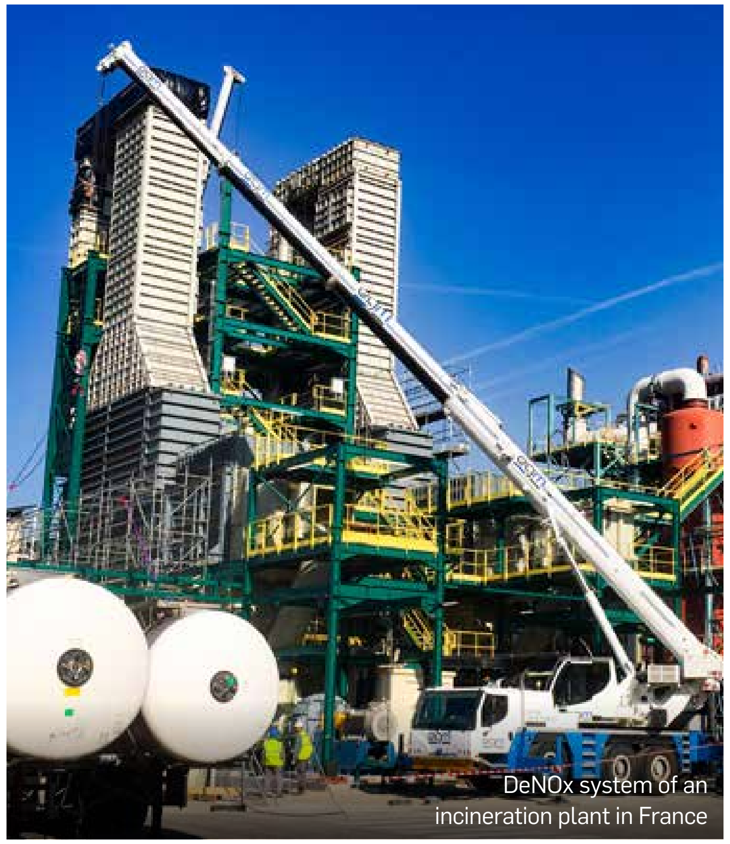
Air-cooling towers

Air-cooling towers work by evaporating part of the water flow using different means of generating air flow (natural draft in the case of hyperboloid towers 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. These towers 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.


Shell of a natural draft tower for a thermal power plant in Poland


DeNOx system of an incineration plant in France

FLUE GAS TREATMENT SYSTEMS

Hamon offers a range of integrated products and services that enable industries to limit the environmental footprint of their processes. These flue gas purification systems are adapted to different kinds of pollutants, thereby ensuring strict compliance with the environmental protection regulations in force.

The flue gas treatment systems provided by Hamon can be divided into three main categories:

De-dusting

- •electrostatic precipitators
- fabric filters
- hybrid filters

Desulfurization

- Dry, wet, salt water systems

Denitrification and the elimination of heavy metals

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. Hamon's portfolio include the commercial names Hamon Research-Cottrell and Hamon Enviroserv, benefiting from adequate expertise and enjoying an excellent reputation on its target markets.

HEAT RECOVERY

Hamon offers electric power plants and industries equipment enabling them to recover the heat given off by their production processes.

Hamon provides two type of heat recovery boilers:

- Heat recovery steam generators (HRSG) for
  - combined cycle power plants
  - CHP plants
- Special boilers for specific industrial applications
  - Refinery
  - FCCU (Fluid Catalytic Cracker Unit)
  - Coke calcination
  - Sulphur recovery
  - Chemical processes
  - Incineration


Heat recovery steam generator in the United States

Induced draft tower in the United States

REGIONS

ONE HAMON

Hamon was previously organized in Business Units linked to its products. A new matrix- and region-based organizational structure of the Group was introduced in 2017 with the creation of three separate regions: EMEA, ASIA, AMERICAS

In the context of the 'ONE HAMON' strategy, the Group is now run as a single entity in operational terms in order to create synergies and cut costs. All the operating units in the Group throughout the world therefore now report directly to the members of the Executive Committee. This cross-border approach enables easier communication, fast decision-making, greater standardization of working methods, better control and better responsiveness, adapted to the requirements of the markets on which Hamon operates.

EMEA

Assembling a filter for steel plant in Poland

The EMEA Region has offices in Belgium, Germany, France, Italy, the United Kingdom, Poland, Russia, Saudi Arabia and the Emirates. As well as managing all the Hamon activities linked to this geographic area, it is also in charge of centres of excellence for de-dusting, desulfurization and cooling with the R&D centre located in Drogenbos (Belgium).

The Cooling Systems product line saw intensive activity in wet towers including new projects as well as major overhauls, although dry cooling opportunities were few and far between.

The Flue Gas Treatment activity is in charge of a major project in the iron and steel sector in Germany. Thanks to its expertise, Hamon is a leading player in emissions treatment programmes at waste recovery plants in France. More stringent emissions standards are forcing players in this field to modernize their installations.

Aftermarket activity continues to progress in both cooling and flue gas treatment systems. Alongside the traditional sectors such as the maintenance of large natural draft towers and the energy sector in general, industry is increasingly calling upon Hamon's expertise. The policy of increasing the teams in this field is bearing fruit.

The announcement of Brexit prompted a slowdown on the market in the United Kingdom. The renewal of sanctions against Iran led to the cancellation of a number of projects.

2019 is expected to offer attractive opportunities for dry cooling once again. The new MARS air-cooled condenser (Modula ACC Riser Supported) provides flexibility and modularity that improve the competitiveness of our company on certain markets.

Many flue gas treatment projects are also expected to come to fruition. Incineration projects are to be awarded and installations in Eastern Europe have to be made compliant.

The EMEA region had a very good year in terms of orders booked, recording an amount of EUR 176.2 million. This good figure confirms that the Group is once again competitive on the EMEA market.

With a large number of medium-sized projects, the risk profile of the order book is substantially improving.

In 2018, the REBITDA returned to positive owing in particular to the finalization of contracts that were recorded in the order book at the end of 2017, the fulfilment of medium-sized projects and the increase in the number of customer service projects which generate higher margins than large-scale projects.

The positive effect of the reorganization of the Region and the advantages of sharing resources between the various product lines make it possible to maintain a good level of activity in an Operations Department that is now centralized, creating better efficiency and profitability.

The increase in the order book provides a good basis for 2019.

KEY FIGURES

EUR million	2018	2017
Orders booked	176.2	101.1
Order book Revenue	180.7	146.9
Chiffre d'affaires	133.1	146.0
REBITDA	2.5	(10.7)
REBITDA/Revenue	1.9%	-7.3%
Average workforce	344	375

ASIA


Construction of an electrostatic precipitator

The Asia Region has a network of subsidiaries in China, Korea, India, Indonesia, Thailand, Singapore and Australia. It also places at the disposal of the Group its engineering offices and a production plant for finned tubes for dry cooling and internal components for wet cooling towers in China.

While Asia remains the driving force of world economic development, this is a complex market with varied realities. Hamon Asia reflects this heterogeneous aspect.

In India, as well as two complementary engineering offices in Channai and Mumbai, Hamon has a components plant for wet cooling towers intended for the local market. This makes the entity largely autonomous for both cooling and flue gas treatment, from design to construction.

In China, Hamon is present in Shanghai and in Beijing, where the commercial and engineering centres are located.

The development of the customer service activity remains one of the main thrusts of the regional strategy.

KEY FIGURES

EUR million	2018	2017
Orders booked	68.4	100.5
Order book	106.8	162.9
Revenue	106.9	104.8
REBITDA	1.7	(3.4)
REBITDA/Revenue	1.6%	-3.2%
Average workforce	372	455

Orders booked in Asia reached EUR 68.4 million in 2018, down 32% compared with the previous year. This fall may be attributed mainly to the decline in activity in India and Korea.

The progress made on a number of major contracts generated increased revenue and explains the fall in the order book.

It is important to stress that some Asian countries are involved in both the sales phase and the implementation of projects signed in Europe and America. In 2018, an order worth EUR 45 million was recorded in Europe but had been negotiated in Asia.

Generally speaking, the Asian market was less dynamic than expected. The Air Quality Systems market is, however, expected to develop favourably further to new environmental regulations, especially in Malaysia, Taiwan and Korea.

The Indian market is very active in the desulfurization of combustible gases. Backed up by its presence in India, Hamon aims to be well positioned to respond to the demand for small-scale projects.

In Vietnam, the construction of new coal-fired power plants over the next few years should offer fine opportunities for the Group.


Induced draft cooling tower for a geothermal power plant in Indonesia.

AMERICAS

Heat recovery steam generator in the United States

The Hamon Group offers its customers in North America a wide range of products. In addition to cooling systems, air pollution control systems and heat recovery generators, the Americas Region also has its own industrial chimneys activity comprising the design and construction of large concrete structures.

Hamon manufacturers three types of chimneys: concrete industrial chimneys that may be up to 300 metres in height, steel stacks and concrete silos.

Hamon America is also the centre of excellence for flue gas treatment systems such as:

- wet electrostatic precipitators;
- wet gas scrubbing using the Exxon-Mobil process for the combined elimination of sulphur (SOX), nitrogen oxides (NOx) and particles from flue gases in chemicals and process plants;
- the ReACT™ process used to capture SOx, NOx, particles, mercury and acid fumes simultaneously with minimum water consumption;
- U2A (Urea to Ammoniac), a process that transforms urea into ammoniac, a reactive used in processing NOx in gaseous effluents by selective catalytic reduction.

Hamon Deltak is the centre of excellence for heat recovery with an engineering office and a plant in Minnesota.

Heat recovery offers new opportunities with the CHP plants for which Hamon has technology with high added value, enabling the company to rise to the ranks of the major players.

In addition to its offices in New Jersey and Minnesota, Hamon America has a network of agents covering the United States and a subsidiary in Mexico.

Hamon America stands out thanks to its integrated offer for the fluid catalytic cracker units of refineries, comprising cooling, flue gas treatment and heat recovery.

The Region posted an improvement of over 10% in its orders compared with 2017.

This increase comes mainly from the Chimneys and Cooling Systems activities and to a lesser extent from Heat Recovery Systems.

As regards the latter, the major projects tend to be located outside the United States. The Group's new strategy consists of using the sales forces in Asia-EMEA to penetrate the market outside the United States more effectively.

There are few plans for new electric power plants in the United States and the competition is keen. However, new capacity equivalent to over 19.8 GW is expected to come into service by 2022.

This region also includes South America, whose contribution remains marginal but which has attractive development potential.

Hamon's customer service activity in the Americans region is well placed and accounted for 30% of orders in 2018. The aim is to continue to increase the share of this activity in the project mix. Good project implementation in the region in 2018 resulted in an increase in the REBITDA. The favourable outcome of the end of a major contract and additional agreements on existing contracts also contributed towards this improvement. The planned restructuring measures were implemented during the last quarter of 2018 and are expected to have their full effects in 2019.

KEY FIGURES

EUR million	2018	2017
Orders booked	90.6	82.3
Order book	60.2	81.3
Revenue	104.9	110.0
REBITDA	2.5	0.0
REBITDA/Revenue	2.4%	0%
Average workforce	193	215

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 assume 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.

NON-FINANCIAL REPORTING REFERENCE FRAMEWORK

The Group’s social responsibility reporting is based on the ISO 26000 international guidelines on the social responsibility of organizations, adopted by around a hundred countries in 2010.

The methodology used for this non-financial report in accordance with international standards is that developed by the GRI: Global Reporting Initiative. Like the IAS/IFRS standards in the financial field, the GRI, an international body based in the Netherlands, provides businesses with a reliable, standardized and credible operational framework within which to establish their non-financial reporting.

The methodology takes account of several types of information:

- General information, such as the strategy of the organization, its profile, the reporting scope, governance, etc.
- Information specific to the company and the sustainable development challenges facing its sectors: here the company explains its managerial approach, including any relevant performance indicators.

WE SUPPORT THE GLOBAL COMPACT

The reporting method developed by the GRI covers three categories of information:

- Economic performance (detailed in another section of this report);
- Environmental performance;
- Social performance such as employment and decent labour practices and respect for human rights.

The information provided in the context of this non-financial reporting is based on the replies received from the subsidiaries to a series of questions on the various subjects covered in the context of this report. For 2018, 24 subsidiaries in 12 countries on three continents (Americas, Europe and Asia) and four plants took part in the survey.

It is not Hamon’s policy to have its non-financial report verified by independent external bodies.

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 commitment implies the need to produce an annual report on the progress made by the companies regarding these ten principles (COP-Communication on Progress). This chapter constitutes the Group’s communication in this respect. It is also available on the Global Compact website and on the GRI website.

In addition to the GRI and the Global Compact, the Group abides by the ISO 26000 (Social Responsibility), ISO 9001 (Quality), ISO 14001 (Environment) and OHSAS 18001 (Health and Safety) standards. However, not all the subsidiaries in the Group are certified in accordance with these standards. At the end of 2018, seven subsidiaries (out of the 24 in the scope analyzed) had obtained ISO 14001 certification (Environment), six had obtained OHSAS 18001 certification (Safety) and 16 had obtained ISO 9001 certification (Quality).

Hamon team inaugurating the shell of a natural draft tower in Poland

Hamon does not serve on any of the governance bodies. Two of its subsidiaries are members of national or international associations:

- 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).

SOCIAL RESPONSIBILITY

In its daily activities, the Group strives to behave ethically in all aspects of its functioning and takes great care to respect human rights in the various regions of the world in which it operates.

Particular attention is paid to staff. The Group is keen to ensure their well-being at work, their safety and training, as well as offering each individual the opportunity to develop their potential.

Hamon also keeps an eye on its environmental footprint. With regard to its production processes and in the systems or products offered to its customers, Hamon takes care to adopt an environmentally friendly attitude.

Suppliers and customers are also among the Group’s concerns in order to meet the needs and expectations of each one as well as possible and develop a spirit of improvement and performance while respecting environmental constraints.

Finally, Innovation and Research & Development are another key element in the Group’s development.

CODE OF ETHICS

Hamon has a Code of Ethics which was last reviewed in 2017 and is currently undergoing further examination.

The Code covers various subjects, including respect for human rights, the fight against corruption and the issue of conflicts of interest.

Hamon aims 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.

The Code 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.

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 in subsidiaries established in emerging countries, especially those with plants in Asia, or among suppliers who operate in certain countries, in particular where plants producing components are located.

Hamon also rules out all forms of forced or compulsory labour and remains vigilant on these points in all the geographic zones in which the Groups operates.

As regards suppliers, the Group Supply Chain process submits them to a rigorous qualification process which refers to the Code of Ethics and to respect for social laws. Hamon also requires its suppliers to abide by its general terms and conditions of purchase which form an integral part of the contracts between the parties. Article 26 of these terms and conditions requires suppliers to abide by the principles of safety, the environment, sustainable development, human rights and the non-use of concealed or forced labour or child labour. Suppliers also undergo regular audits.

As regards both child labour and forced labour, Hamon takes care to increase awareness not only among its own suppliers, but also those involved upstream in its supply chain.

No complaints were filed in 2018 concerning abuse or the infringement of human rights in the way in which Hamon manages its activity, as is borne out by the lack of complaints made in this respect in the context of the reports drawn up by the subsidiaries at the Group's headquarters and in the context of the questionnaire referred to above. Hamon considers this to be a key performance indicator.

FIGHT AGAINST CORRUPTION

Hamon manages its affairs transparently and ethically. It adopts a zero-tolerance policy towards corruption. Integrity is one of the Group's core values. This is clearly indicated in its Code of Ethics, referred to above.

In2018, one case of corruption was detected during the contract review process in an Asian subsidiary. It involved the embezzlement of insignificant sums of money, but penalties were imposed without delay on the local manager, who was dismissed with immediate effect.

DONATIONS

Some of the Group's subsidiaries make donations to local associations. It is not the Group's policy to make systematic donations and no sponsoring actions were undertaken in 2018.

CULTIVATING TALENTS

Le personnel au sens large est au cœur du succès Our staff in the broad sense of the term lie at the heart of the Hamon group's success. Hamon pays particular attention to its executives, employees, trainees, consultants and temporary workers.

The strategy regarding the recruitment of new talent in the company is in line with its 'Think globally, act locally' ethos. While the markets on which Hamon operates are growing on a global scale, its employees have to 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. In addition, via its local human resources departments, Hamon seeks to recruit local talent who are experts in their respective fields with a focus on customer satisfaction.

In order to achieve the goals set out above, the Group Human Resources department focuses on talent management, career plans and succession as well as on performance assessment and management. A

computerization process is currently under way to facilitate the decision-making procedures and reduce implementation times.

In the autumn of 2018, Hamon introduced the possibility of teleworking in order to offer its staff greater flexibility. Finally, an external consultant was asked to conduct a psycho-social risk analysis so that the company management can draw up an optimal strategy on health and well-being at work.

As at 31 December, the staff as a whole could be broken down as follows by type of contract:

Situation as at 31 December	31/12/2017 *		31/12/2018 **	
	Individuals	% total	Individuals	% total
Employment contract (or similar)	1,180	80.16	877.80	80.39
Consultants, temporary staff or trainees	292	19.84	214.10	19.61
Total	**1,472**	**100.0%**	**1091.90**	**100.0%**

Note:
** Workforce figures calculated on the basis of the number of people, not in terms of full-time equivalents.*
*** Workforce figures calculated on the basis of full-time equivalents as of 2018.*

The number of people employed at Hamon fell by 381 in 2018. This may be explained by the implementation of the wide-ranging cost-cutting programme started in 2017, the reorganization of the Group, the creation of One Hamon and its new operating method, as well as by voluntary departures.

However, the proportion of employment contracts/consultants, temporary workers and trainees has remained virtually unchanged.

Hamon also employs several hundred local temporary workers, mainly on its building sites, who are not included above because they constantly fluctuate in number. They are scattered across its zones of operation in all four corners of the world and usually work here for just a few months.

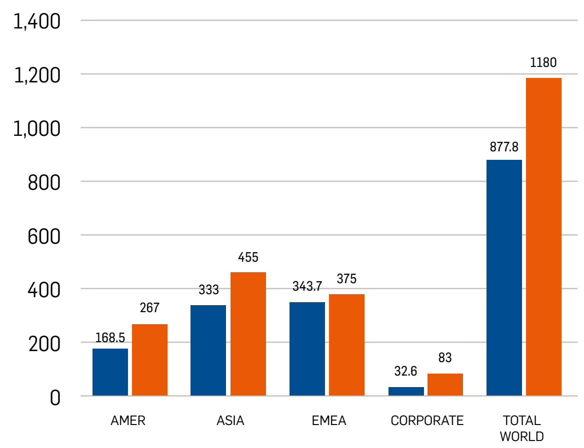
As explained in the section above on Activities of the Hamon Group, Hamon is planning to develop its 'Customer Service' activity and in this context, it is strengthening its teams by recruiting technical consultants and engineers trained to inspect installations, draw up quotes and implement various after-market service tasks. In some cases, the industrial site has to be closed down in order to carry out these projects, which involves optimal responsiveness on the part of all concerned. Working in existing installations or on brownfield sites requires flexibility and creative thinking.

Hamon has fully reorganized and restructured its supply system on a worldwide basis by creating the Hamon Global Supply Chain in order to optimize the entire purchasing process within the Group in the interests of quality, performance and cost reduction. Finally, Hamon is keen to strengthen its sales teams in order to be assured of recurrent revenue.

In the following graphs, only those with an employment contract or similar are taken into account.

DEVELOPMENT OF THE AVERAGE NUMBER OF EMPLOYEES PER REGION AS AT 31 DECEMBER

WORKFORCE PER REGION: 2018 – 2017



The table includes only the companies consolidated by global integration, not those consolidated using the equity method.

The analysis of the comparative development of the workforce by Region from one year to the next is, however, not entirely relevant given the reorganization of the Group and its Regions in 2018. For instance, Americas is the result of the merger of the USA, Canada and other Americas (previously presented separately). EMEA now encompasses Europe and the Middle East/Africa.

Generally speaking, however, the workforce fell primarily in Americas, in Asia and at Headquarters in Belgium (Corporate), for the various reasons set out above.

The Group's scope has declined compared with 2017 with the closure, in particular, of the companies in Brazil and in South -Africa, the transfer of the PHE Business Unit and the acquisition of Scope 37 and its parent company, MPA.

DEVELOPMENT IN THE NUMBER OF EMPLOYEES PER GENDER AS AT 31 DECEMBER

Workforce	Average number of employees per gender in 2018	Breakdown in % (2018)	Average number of employees per gender in 2017	Breakdown in % (2017)
Men	884	81.07%	967	81.95%
Women	207	18.93%	213	18.05%
Total	**1,091**	**100.00%**	**1,180**	**100.00%**

The number of female staff fell slightly as at 31 December 2018, from 213 to 207 people, but to a lesser extent than male staff. However, their percentage rose to 18.93% at the end of 2018, compared with 18.09% at the end of 2017.

TRAINING

The challenges linked to the Hamon's business activities and the development of the issues facing the company (the development of technological performance, environmental protection, increased international competition on its markets, etc.) call for the strengthening of skills among the Group's staff.

The ongoing qualification and training of staff are therefore elements that are essential to the development of Hamon.

In the culture of work and 'multi-department' project management within the Group, employees benefit daily from training in the field. They also train via the other members of the team and benefit from more theoretical training days or courses. The level of versatility and competence among staff is constantly assessed. During annual evaluations, the employees are encouraged to set out their own training needs so that each person can be offered an individual programme, enabling them to develop as well as possible within the Group.

In 2018, Hamon enabled its staff to follow approximately 14,442 hours of training, which represents an average of around 13.05 hours per year and per person and is down on previous years. These training courses cover matters such as the use of computing tools, health and safety, quality management, technical training, etc.

These figures concern the 24 subsidiaries of the Group that completed the questionnaire referred to earlier.

HEALTH AND SAFETY

The health and safety of Hamon's employees in their workplaces remain a priority, whether on building sites, in plants or at our offices. The sites harbour specific risks for the workers there, as do the four plants run by Hamon.

The Group takes account of risk prevention from the design phase to the dismantling of equipment. Hamon is careful 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 undertaken among workers, particularly through training on compliance 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.

Hamon also advises its main subsidiaries to obtain OHSAS 18001 certification. At the end of 2018, six subsidiaries held this certification and five are VCA** certified or the equivalent.

No fatal industrial accidents occurred in the Group in 2018. Calculations of absences caused by occupation accidents/illnesses are being drawn up within the Group in order to provide coherent worldwide measuring tools.

RESPECT FOR THE ENVIRONMENT

Environmental protection lies at the heart of Hamon's business as its products have a significant impact on the environment as soon as they are used by customers, such as:

- energy consumption (for example by the engines driving the ventilators to circulate cooling air;
- noise emissions (water falling in the cooling towers, engine noise, etc.)
- visual impact (structures which are sometimes very tall, which affect the landscape);
- water consumption and/or the issuing of a plume of steam (such as the evaporation cooling systems or wet flue gas treatment systems);
- the impact of waste at the end of the lifecycle, when dismantling a system or replacing certain components (for example, the collection plates in electrostatic precipitators).

The Group constantly strives to improve the performance of its systems and reduce their environmental impact, from the design stage and throughout the lifecycle of its products.

Hamon offers its customers mechanisms to attenuate the noise pollution referred to above. 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 in confined spaces 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.) or the development of increasingly

efficient heat exchange or flue gas treatment systems (reduction in visual impact, suppression of the plume, etc.). Implementing a hazardous material management programme also helps reduce the environmental footprint of the Group's activities.

PLANTS

Hamon also takes care to limit the environmental impact of its plants. They use a large quantity of energy (natural gas, electricity, fuel oi, etc.) which has an impact on the environment, for instance by emitting greenhouse gases. High-consumption activities include the thermoforming of exchange surfaces (produced for cooling towers) or heating furnaces (attaching fins to the tubes of air-cooled condensers). This is why the Group makes a point of measuring and minimizing its energy consumption per unit produced.

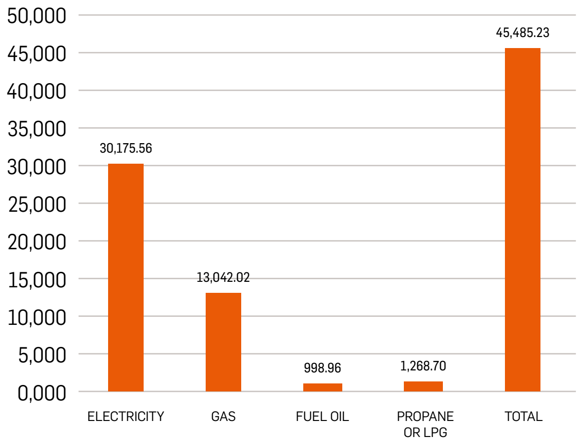
The Hamon plants also use a great deal of water, for example for utilities, for cooling certain machines or for hydrostatic tests. Water consumption (and the discharge of the resultant effluents) has an impact on the environment, hence the importance of reducing this, as well.

In addition to the importance attached to reducing the consumption of energy and water, certain measures have been taken, such as recycling the cooling water in certain machines, as well as the installation of an efficient water-cooling system.

The total energy consumption of Hamon's plants has fallen sharply since 2016. This reduction is due primarily to the improved energy efficiency of our plants and the reduction in the number of plants in the group. As at 31 December 2018, there were four such plants (Hamon Daltek in Minneapolis, HTT in Tianjin in China, HSC Umberagon in India and HTEF Arrou in France). The actions taken to reduce consumption are individual initiatives by the plants. The analysis of energy consumption measurements at the plants was undertaken via the questionnaire referred to earlier.

Hamon also increases awareness among its suppliers via qualification questionnaires and audits, as well as asking them to abide by the environmental regulations in force.

ENERGY CONSUMPTION PER SOURCE, IN GJ/YEAR



As it does for energy, Hamon measures the consumption of water at its plants through the annual questionnaire referred to above. Each plant puts in place measures on a case by case basis to reduce this consumption or its impact.

The water used is mains water. The level of consumption has also fallen sharply, from 42,041 m^3 in 2016 to 9,356 m^2 in 2018, for the same reasons as the reduction in the total consumption of energy explained above.

RELIABILITY - SAFETY - PERFORMANCE

The reliability and safety of equipment are also core concerns for the Group. 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. In the gas and oil sector, a leak in a heat exchanger could cause an explosion or a fire with serious consequences.

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. 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 stations that have even longer life cycles and in which certain pieces of equipment or components (including Hamon's) are sometimes replaced or renovated after several decades.

As Hamon has supplied thousands of systems all around the world over the past few decades, it is impossible to collect and compile this information on the reliability and safety of its equipment. This is why Hamon does not provide a performance measurement for this aspect.

The performance of equipment is very important for the Group's customers. This may be the water temperature at the outlet of cooling systems or the pollutant content at the outlet of air purification systems.

In certain cases, such as cooling towers, better equipment performance will have a direct economic benefit for the customer. For example, colder cooling water enables electricians to improve the thermodynamic output of their steam turbines and thus generate more electricity with the same quantity of primary energy.

When they are final users, customers take into account not only the investment cost of the systems purchased, but also the operating costs across their lifespan. Better performance therefore helps improve Hamon's competitiveness among its customers and ensure the long-term future of its business.

As for the reliability and safety of its equipment, Hamon is not in a position to collect and disclose this type of data. Two subsidiaries, one Belgian and one French, do, however, have a mechanism for assessing their systems by their customers (satisfaction measurement form).

INNOVATION

As can be seen from the above, Hamon invests in constantly improving the performance of its products and services as well as in new developments. Innovation and research & development are vital for the long-term future of the Group's activities.

Research & Development is managed by a team of expert professionals dedicated to the specific technologies used by Hamon. 'Key product' managers have been appointed to ensure a structured approach to the ongoing developments to be made in products in line with customers' needs. The teams work very closely with customers to identify the needs of tomorrow, mainly in the context of the digitalization of new products.

For cooling systems, the Group's R&D centre in Drogenbos (Belgium) attached to the Electrabel power plant offers Hamon the opportunity to carry out numerous tests and developments in the field of exchange surfaces, for instance.

As well as the R&D centre, the Group uses a highly sophisticated IT tool: Computational Fluid Dynamics, which makes it possible to optimize all the company's products. This tool is designed to conduct a simulation of any configuration immediately by identifying the key parameters with a very high percentage-based progression.

Hamon also enters into cooperation agreements with universities throughout the world to maintain its leadership position. This enables the Group to develop ideas with researchers, people with an excellent reputation in their field of research.

Finally, Hamon concludes partnership or licensing agreements, such as that signed for the ReACT technology a few years ago, with a view to expanding its range of technological products and marketing cutting-edge technologies.

The most relevant performance indicator is the ratio between investment in R&D and the Group's consolidated revenue.

The Group's investment in R&D represented around 1% of the 2018 revenue, the same figure as in 2017.

Replacing a module in an air-cooled condenser in Spain.

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.

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 Companies 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 issue will, however, be raised.
- 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.

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 to the general meeting in an annual report.

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 Board of Directors has entrusted the operational management of the company to a CEO 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 Companies Code.

For the rest, the general assembly of shareholders exercises the widest powers granted to it by the law and the articles of association.

The working method of the various bodies mentioned above is set out in the Corporate Governance Charter 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 CEO 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 Companies 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.

In application of Article 518bis of the Companies Code, as of 1 January 2019 the Hamon Board of Directors should include three women among the eight current directors. In the case in point, there is just one woman on the Board, Valérie Potier who represents Sogepa.

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

The mandates of Renaud Witmeur and Baron Philippe Vlerick expire at the next general meeting. A proposal will be put to this meeting to renew the mandate of Renaud Witmeur. However, the mandate of Philippe Vlerick cannot be renewed as Hamon does not respect the quota of three women on the Board on 1 January 2019. Article 518bis §4 of the Companies Code states that if the required minimum number of directors of a different sex than that of the other directors, set in §1 is not attained, the next director appointed must be of this sex, otherwise the appointment is invalid.

The Board of Directors consists of two vice-chairmen (the Vice-Chairmen, individually the Vice-Chairman).

Sogepa continues to represent the interests of the Walloon Region on the Board of Directors. Sogepa thus acts on its own behalf and on behalf of the Walloon Region.

As at 28 February 2019, 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	Vice-Chairman	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	26.04.2022
Bernard Lambilliotte	Director	22.04.2014	26.04.2022
Baron Philippe Vlerick *	Independent director	28.04.2015	23.04.2019
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.

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 represents Sogepa on the Hamon Board of Directors.

Bernard Lambilliotte, director, is a commercial engineer (Solvay Business School) and holds an MBA (INSEAD-Fontainebleau-France). He is currently Chief Investment Officer of Elbe Financial Solutions, an investment consultancy firm (based in Luxembourg and Hamburg), which he founded. He previously held various financial positions at Pictet & Cie, Swiss Bank Corporation and Drexel Burnham Lambert. Bernard Lambilliotte is the brother 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.

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. He became Chairman of the Board of Directors of SOGEPAS in June 2018.

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). 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 Board 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 and Floriges.

Aline Lambilliotte and Martin Gonzalez del Valle presented their resignations at the general meeting of 24 April 2018.

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.

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 assistant 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).

II. CHAIRMAN/VICE-CHAIRMEN

The Chairman of the Board of Directors is chosen from among the independent directors. This position is held by Mr Philippe Bodson.

The two Vice-Chairmen are Renaud Witmeur and Francis Lambilliotte.

III. ACTIVITIES

The Board of Directors met seven times in 2018 and held two 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 sale of the Process Heat Exchangers Business Unit;

(iv) the follow-up of the Group transformation process and the cost-cutting plan introduced in 2016/2017;

(v) the acquisition of the company Scope 37.

All the directors attended the meetings, with the exception of (i) Philippe Vlerick, excused on 6 March and 8 August and (ii) Sogepa represented by Valérie Potier, excused on 8 August 2018.

Aline Lambilliotte and Martin Gonzalez de Valle attended the Board meetings on 6 and 20 March 2018.

Francis Lambilliotte attended the Board meetings on 6 and 20 March and 24 April 2018.

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.

I. AUDIT COMMITTEE

Composition

The Audit Committee is made up exclusively of non-executive directors and a majority of independent directors . It is chaired by Philippe Vlerick until the general meeting of 23 April 2019.

Since 6 March 2018, the composition of the Committee has been as follows:

Members of the Audit Committee	Position
Baron Philippe Vlerick*	Chairman
Laurent Levaux */ Philippe Bodson*	Member
Francis Lambilliotte	Member
Sogepa represented by Ms Valérie Potier Member	Member

** Independent directors*

Activities

The Audit Committee met eight times during the 2018 financial year. The auditor attended the meetings on the half-yearly and annual results.

The main subjects discussed in the Audit Committee were:

(i) the closing of the accounts as at 31 December 2017;

(ii) the closing of the accounts as at 30 June 2018;

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

(iv) the follow-up of the investigations in Korea and in China;

(v) the FSMA complaints that resulted in the transaction of 6 June 2018.

All the members attended the Audit Committee meetings with the exception of (i) Laurent Levaux on 31 January and 11 June 2018, (ii) Sogepa represented by Valérie Potier on 31 August 2018. The Chairman of the Board attended all the meetings of the Audit Committee with the exception of that on 26 February. Francis Lambilliotte took part in the Committee meetings on 31 January, 26 February, 20 March and 11 June 2018.

II. APPOINTMENT AND REMUNERATION COMMITTEE

Composition

Since 24 January 2017, the Remuneration Committee and the Appointment Committee have met as a single committee composed exclusively of non-executive directors.

This committee is chaired by Mr Renaud Witmeur.

Members of the Appointment and Remuneration Committee	Position
Renaud Witmeur	Chairman
Baron Philippe Bodson *	Member
Sogepa represented by Ms Valérie Potier	Member

** Independent director*

Activities

The Appointment and Remuneration Committee me twice in 2018 and the directors took part in all the meetings.

The main subjects covered were:

(i) the adoption of the remuneration report submitted to the general meeting of 24 April 2018;

(ii) the new composition of the Board/renewal of directors' mandates;

(iii) the composition of the specialized committees and the Executive Committee further to the resignation of the Sales Director, Marc d'Udekem;

(iv) remuneration of the directors and Vice-Chairmen of the Board.

III. STRATEGIC COMMITTEE

The Strategic Committee met once in 2018. All the directors attended with the exception of Martin Gonzalez del Valle. The operating strategy of the Hamon Group was discussed in the context of its reorganization into Regions.

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

** Independent directors*
*** Outgoing director as of the general meeting of 24 April 2018*

6. EXECUTIVE COMMITTEE AND DAY-TO-DAY MANAGEMENT

Since March 2018, the composition of this Committee has been as follows:

Bernard Goblet	CEO
Eric Binard*	Sales Director (CSO)
Alexandre Catalao	Director of Operations (COO)
Christian Leclercq	Financial Director (CFO)

** Replacing Marc d'Undeken, outgoing*

The Board of Directors entrusts the day-to-day management of the company to its Chief Executive Officer. He is assisted in his task by the members of the Executive Committee. The company has not set up a Management Board within the meaning of Article 524bis of the Companies Code.

The Executive Committee has been chaired by the CEO 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 CEO is 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 also seeks to promote diversity within the Committee.

7. REMUNERATION REPORT

In accordance with Article 526quater of the Companies Code, the Remuneration Committee prepared a remuneration report in compliance with Article 96 of the Companies 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. A fixed sum has also been be paid to the two Vice-Chairmen of the Board as of 2018.

In 2018, the directors received their remuneration relating to the current financial year. This amounted to a total of EUR 262,500.

In EUR	As a member of the Board of Directors	As a member of specialized Committees	Total
Philippe Bodson*	50,000		50,000*
Renaud Witmeur	40,000		40,000*
Francis Lambilliotte	20,000		20,000 *
Laurent Levaux	22,000	10,500	32,500
Philippe Vlerick	19,000	12,000	31,000
Sogepa represented by Valérie Potier	20,500	13, 500	34,000
Alexandre Grosjean	22,000		22,000
Bernard Lambilliotte	22,000		22,000
Martin Gonzalez del Valle **	5,500		5,500 **
Aline Lambilliotte **	5,500		5,500 **

** Fixed annual rate that also covers participation in specialized committees*
*** Fixed rate corresponding to the Board meetings which the persons concerned attended (6 and 20 March) prior to their resignation.*

2. Remuneration of the CEO

The remuneration of Mr Bernard Goblet, CEO, 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 agreement concluded with the CEO provides for severance pay equal to three months' salary.

The CEO did not receive a bonus during 2018.

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 Regions 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 Regions and the Group.

Individual performances are subject to an annual assessment by the CEO, 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 CEO) in 2018 were as follows (figures in EUR):

Basic remuneration	878,285
Variable remuneration	0 (*)
Pension (defined contribution)	77,409
Other remuneration components (benefits in kind/health insurance, death benefit/disability allowance/ guaranteed income/company car)	96,633

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

(*) The members of the Executive Committee did not receive a bonus during the 2018 financial year.

Furthermore, no agreement providing for severance payment has to be submitted for the approval of the general meeting of 23 April 2019.

4. Total remuneration of senior management

In 2018, the total amount of remunerations and benefits in kind allocated to the CEO 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 1,602,327.

For more details, please refer to 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.

A Shareholders' Convention between Sogepa and Sopal International, signed on 18 December 2016 and amended on 25 December 2017, deals in particular with the ownership and transfer of shares in the company held by Sopal, the Walloon Region and Sogepa.

There is no temporary non-transferability of shares by Sopal and Sogepa, but any transfer of shares by one of these parties is subject to a pre-emptive right until 30 June 2019. Moreover, the parties to the Shareholders' Convention thus amended do not act in concert to the extent that under the terms of the Shareholders' Convention 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 consolidated accounts.

9. AUDITOR

I. IN CHARGE OF MONITORING ACCOUNTS

The company accounts and consolidated accounts for the financial year closed on 31 December 2018 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.

I.I REMUNERATION OF THE AUDITOR

The fees received by the auditor and its network (E&Y) for the 2018 financial year for the entire consolidated scope of the Group are given in note 47.

10. APPROPRIATION OF THE RESULT

The company did not pay a dividend for the 2017 financial year and will not pay a dividend for the 2018 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 January 2018 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 procedure on conflicts of interest was not applied in 2018.

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

Authorized capital

Article 5 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.

This authorization is limited to five years; it can be renewed by the general meeting once or on several occasions for a maximum period of five years each time.

The Board of Directors will put a proposal to the general meeting of 23 April 2019 to renew the authorization granted to it by the general meeting of 22 April 2014 to carry out capital increases for five year by means of the authorized capital, which is approaching its expiry date.

Moreover, the Board will put a proposal to the same meeting to take the current amount of EUR 2,157,441.60 to EUR 35,170,611.60, which is the company capital resulting from the capital increases effected in 2017 and 2018. Article 603 of the Companies Code states that: “the articles of association may authorize the Board of Directors to increase the company capital on one or more occasions by a given amount which, for companies making or having made a public call for savings, may not be higher than the amount of said social capital”.

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.

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.

PURCHASING OWN SHARES

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 (IIABel).

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 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 CEO, assisted by an Executive Committee.

iii. A Code of Ethics, drawn up for the attention of all employees, as described in the section entitled ‘A responsible company’.

2. RISK CULTURE

Hamon adopts a cautious approach. The company manages large-scale projects in its 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 CEO 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 of the Group, 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 – SIGMA - 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. Code 2009 states that an independent internal auditing position must be put in place and that its resources and competence must be adapted to the nature, size and complexity of the company. If the company does not have an internal auditing position, the need to create one is assessed at least annually. The Group does not have a separate internal auditing position, contrary to that which is stipulated in the Code. However, the Audit Committee follows the (operational) risk management process very closely.
3. By the Audit Committee. During the financial year, the Audit Committee undertook a review of the half-year closures and specific accounting processing. It reviewed the disputes and put all the questions it deemed relevant to the Auditor and the Group Controller or to the senior management of 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 FSMA).
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 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	2018	2017
Average closing price	0.487	2.983
Maximum closing price	1.750	4.298
Minimum closing price	0.280	1.702
Closing price as at 31 December	0.300	1.80
Average trading volume (number shares/day)	58.281	6.396
Total number of shares issued as at 31 December 2018	117,235,372	22,703,278
Total number of outstanding shares as at 31 December 2018	117,235,372	22,661,710
Average number of outstanding shares	105,057,053	22,612,323
Stock market capitalization as at 31 December 2018 (EUR million)	35.170	40.8

A new own stock repurchase programme was put in place with another financial intermediary in early 2018, replacing the previous one.

The Hamon share price fell by 49.37% in 2018, whereas the BEL20 fell by 18.46%.

Capital increase

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.

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	31/12/2017 Securities	31/12/2017 in %	31/12/2018 Securities	31/12/2018 in %
Sopal International SA/Frabelco*	8,744,248	38.52%	15,544,830	13.26%
Sogepa (on its own behalf and on behalf of the Walloon Region)	10,040,902	**44.22%	60,040,906	***51.21%
Own shares held by the company	41,568	0.18%	0	
Other public	3,876,560	15.74%	24,285,810	20.72%
Banks	0	0	17,363,826	14.81%
Total	**22,703,278**	**100%**	**117,235,372**	**100%**

Sopal: 9,745,260 shares (7.46%) and Frabelco: 6,982,601 shares (5.96%)
*** 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%)*

Sopal and Frabelco dematerialized and sold 1,078,808 shares during 2018, which were the subject of statements from the manager that can be consulted on the FSMA website.

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 2019	23.04.2019
Publication of quarterly review Q1 2019	23.04.2019
Publication of first half-year results 2019	05.09.2019
General shareholders' meeting 2020	28.04.2020

Relations with investors and financial communication

Christian Leclercq, Group Financial Director

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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 as 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 reliable 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 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 2018.

Desulfurization system and fabric filters in the Dominican Republic

FINANCIAL **STATEMENTS**

1. CONSOLIDATED INCOME STATEMENT

in EUR '000'	Note	2018	2017
Revenue	8	345,127	366,646
Cost of sales		(290,028)	(330,462)
Gross profit		**55,099**	**36,184**
Sales & marketing costs	9	(12,714)	(14,354)
General & administrative costs	9	(42,041)	(42,582)
Research & development costs	9	(769)	(2,096)
Other operating income / (expenses)	10	105	(895)
Operating profit before adjusting items (REBIT)		**(321)**	**(23,742)**
Restructuring costs	11	(3,954)	(5,717)
Other non-recurring items	11	538	8,681
Operating profit (EBIT)		**(3,736)**	**(20,778)**
Interest income	12	1,530	87,099
Interest charges	12	(11,773)	(14,892)
Share of the profit (loss) of associates & joint-ventures	42	(541)	(9,226)
Result before tax		**(14,519)**	**42,203**
Income taxes	13	(826)	(16,811)
Net result from continued operations		**(15,345)**	**25,392**
Net result of discontinued operations	43	(9,941)	(48,020)
Net result		**(25,287)**	**(22,628)**
Equity holders of the company		(25,550)	(22,313)
Non-controlling interests		263	(315)
EARNINGS PER SHARE	15		
Continued and discontinued operations			
Basic earnings per share (EUR)		(0.24)	(0.99)
Diluted earnings per share (EUR)		(0.24)	(0.99)
Continued operations			
Basic earnings per share (EUR)		(0.15)	1.14
Diluted earnings per share (EUR)		(0.15)	1.14
Discontinued operations			
Basic earnings per share (EUR)		(0.09)	(2.12)
Diluted earnings per share (EUR)		(0.09)	(2.12)

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR '000'	2018	2017
Résultat net	**(25,287)**	**(22,628)**
Other comprehensive income		
Items that may be reclassified subsequently to result	**1,469**	**(6,116)**
Others	56	(46)
Reclassification of previously recognized changes in fair value of FVOCI financial assets to net result	(87)	(247)
Change in fair value of hedging instruments	-	94
Changes in currency translation reserve	1,500	(5,917)
Items that may not be reclassified subsequently to result	**(158)**	**907**
Actuarial gains/loss on defined benefit plan	(158)	907
Other comprehensive income, net of taxes	**1,312**	**(5,209)**
Comprehensive income	**(23,975)**	**(27,838)**
Equity holders of the company	(24,311)	(27,179)
Non-controlling interests	336	(659)

3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in EUR '000'	Note	31/12/2018	31/12/2017 (*)
ASSETS			
Non-current assets			
Intangible assets	19	16,854	16,948
Goodwill	20	30,029	28,985
Property, plant & equipment	21	12,324	15,863
Investment in associates & joint-ventures	42	2,927	3,535
Deferred tax assets	23	7,839	9,090
FVOCI financial assets	22	189	189
Trade and other receivables	26	2,646	1,713
		72,807	**76,323**
Current assets			
Inventories	24	4,484	6,485
Amount due from customers for contract work	25	58,869	62,521
Trade and other receivables	26	135,397	149,569
Derivative financial assets	34	329	3,273
Cash and cash equivalents	27	34,782	50,246
Current tax assets		5,753	5,952
Disposal groups held for sale	43	-	10,996
		239,615	**289,042**
Total assets		**312,421**	**365,364**
EQUITY			
Share capital	28	31,385	4,215
Share premium		109,186	90,279
Reserves		(120,152)	(92,297)
Equity attributable to the equity holders of the company		**20,419**	**2,197**
Non-controlling interests		**548**	**(704)**
Total equity		**20,967**	**1,493**
LIABILITIES			
Non-current liabilities			
Financial liabilities	32	81,635	73,956
Provisions for pensions	30	2,902	2,851
Other non-current provisions	29	-	801
Deferred tax liabilities	23	2,686	3,971
Other non-current liabilities		7,458	1,622
		94,681	**83,202**
Current liabilities			
Financial liabilities	32	30,878	65,348
Amount due to customers for contract work	25	61,854	80,711
Trade and other payables	33	93,165	105,231
Current tax liabilities		3,694	8,947
Derivative financial liabilities	34	272	2,418
Other current provisions	29	1,160	2,019
Other current liabilities		5,750	-
Liabilities associated with disposal groups held for sale	43	-	15,996
		196,773	**280,670**
Total liabilities		**291,454**	**363,871**
Total equity and liabilities		**312,421**	**365,364**

(*) The comparative information does not correspond to the 2017 Annual Report due to a reclassification of provision on construction contracts from the line "Other Current Provision" to the line "Amount due to customers for contract work".

4. CONSOLIDATED CASH FLOW STATEMENT

in EUR '000'	Note	2018	2017
Operating Cash Flow	16		
Net result		(25,287)	(22,628)
Net result of discontinued operations		9,941	48,020
Income taxes		826	16,811
Share of the profit (loss) of associates & joint-ventures		541	9,226
Interest income and charges		10,242	(72,207)
Operating profit (EBIT)		**(3,736)**	**(20,778)**
Adjustments for non-cash transactions		4,462	(321)
Change in working capital		(19,748)	(27,243)
Cash Flow from Operations		**(19,022)**	**(48,342)**
Operating Cash flow from discontinued activities		931	(16,959)
Interest received		118	151
Income taxes paid		(5,790)	4,380
Operating Cash Flow		**(23,763)**	**(60,770)**
Investing Cash Flow	17		
Acquisitions of intangible assets and PP&E		(2,983)	(2,847)
Acquisitions of subsidiaries (net of cash acquired)		(1,004)	(24)
Proceeds from sale of intangible assets and PP&E		1,999	1,592
Proceeds from sale of subsidiaries		-	35,606
Dividends received		-	60
Other		-	751
Investing Cash flow from discontinued activities		(977)	(1,499)
Investing Cash Flow		**(2,964)**	**33,639**
Financing Cash Flow	18		
New borrowings		11,795	37,576
Repayment of borrowings		(37,224)	(118)
Interest paid		(6,352)	(9,278)
Other finance charge		(3,198)	(4,343)
Capital increase		46,077	4,996
Dividends paid		(2)	-
Financing Cash flow from discontinued activities		(1,827)	4,435
Financing Cash Flow		**9,269**	**33,268**
Net variation of cash and cash equivalents		**(17,459)**	**6,137**
Cash and cash equivalents at the beginning of the period		50,246	46,898
Impact of currency translations and other non-cash items		122	(2,789)
Others (exclusively cash flow from discontinued activities)		1,873	-
Cash and cash equivalents at the end of the period		34,782	50,246
Net variation of cash and cash equivalents		(17,459)	6,137

5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR '000'	Share capital	Legal reserve	Share premium	Retained earnings	Own shares	AFS reserves	Share-based payments	Hedging reserves	Defined benefit pension plans	Currency translation reserves	Equity attributable to equity holders of the parent	Non-controlling interests	Total Equity
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 increase	260		4,737								4,997		4,997
Acquisition on 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**
Balance at 1 January 2018	**4,215**	**671**	**90,279**	**(83,118)**	**(284)**	**(243)**	**153**	**(38)**	**641**	**(10,079)**	**2,197**	**(704)**	**1,493**
Impact of change in accounting method (*)				(1,575)							(1,575)	(121)	(1,695)
Restated balance at 1 January 2018	**4,215**	**671**	**90,279**	**(84,693)**	**(284)**	**(243)**	**153**	**(38)**	**641**	**(10,079)**	**622**	**(825)**	**(203)**
Result for the period				(25,550)							(25,550)	263	(25,287)
Other comprehensive income					56	(87)			(158)	1,427	1,238	73	1,312
Total Comprehensive Income	**-**	**-**	**-**	**(25,550)**	**56**	**(87)**	**-**	**-**	**(158)**	**1,427**	**(24,311)**	**336**	**(23,975)**
Capital increase	27,170		18,906								46,077		46,077
Acquisition on non-controlling interests				(491)							(491)	20	(471)
Scope entry											-	671	671
Scope exit (**)										(1,476)	(1,476)	347	(1,129)
Other movements				(2)							(2)	(1)	(3)
Balance at 31 December 2018	**31,385**	**671**	**109,186**	**(110,735)**	**(228)**	**(330)**	**153**	**(38)**	**483**	**(10,127)**	**20,419**	**548**	**20,967**

(*) Change in accounting method related to the 1st application of IFRS 15 as of 1 January 2018
(**) Scope exit exclusively corresponds to the "PHE" division and to the recycling of its currency translation reserves

6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Hamon & Cie (International) SA (hereafter called 'Hamon', 'the Group' or 'the Company') is a limited liability company under Belgian law, listed on compartment C of Euronext Brussels. 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 19 March 2019.

We declare that to our knowledge:

In application of European Regulation 1606/2002 of 19 July 2002, the consolidated financial statements of the Hamon group are prepared in conformity with the IFRS (International Financial Reporting Standards) published by the IASB (International Accounting Standard Board), as adopted by the EU on the date of the closure of the accounts by the Board of Directors, which are applicable as at 31 December 2018.

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.

19 March 2019.

Bernard Goblet	**Christian Leclercq**
General Manager	CFO

3. PRINCIPAL ACCOUNTING STANDARDS

3.1. ACCOUNTING STANDARDS

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

They are prepared on the assumption that Hamon will continue to operate in the foreseeable future (see management's justification of the principle of going concern in more detail below), and they have been prepared on basis of the historical cost convention except for some financial instruments measured at fair value in conformity with IFRS9. The financial statements are presented in thousands of Euros, rounded to the nearest thousand.

3.1.1. JUSTIFICATION OF THE PRINCIPLE OF GOING CONCERN

The financial statements were prepared on the basis of the principle of continuity. To date and taking into account the financial restructuring of the Group in December 2017, the capital increase in 2018, the business plan, the transformation plan and activity in 2018, the Board of Directors believes that it is still appropriate to maintain the principle of continuity when drawing up the financial statements.

Hamon's continuity depends on its ability to ensure its financing. It should be remembered that the bond issue of EUR 55 million and the syndicated loan (revolving loan and letters of credit) mature in January 2020.

In the context of the syndicated loan, the covenants, calculated over 12 rolling months, were fixed on the basis of a minimum amount (i) of sales of EUR 280 million and (ii) an REBITDA (before non-recurring elements, discontinued activities and the transfer of the Process Heat Exchanger Business Unit) of EUR 7, EUR 10,5 and EUR 14 million respectively as at 31 December 2018, 30 June 2019 and 31 December 2019. The agreement also provides for the possibility for Hamon to remedy any failure as regards the covenant by means of a capital increase or a convertible loan. The Group can also request a waiver from the bank syndicate.

Bearing in mind the results recorded in 2018 and the outlook for 2019, the Board of Directors believes that the application of the principle of continuity is appropriate.

Achievements of 2018

In 2018, despite competitive markets and lower order bookings than expected, the Group recorded an REBITDA of EUR 7,3 million, up EUR 16 million and higher than the bank covenant which applied for the first time on 31 December 2018. This result was achieved thanks to excellent order fulfilment and a reduction in overheads.

In 2018, the Group also took the measures included in its transformation plan, in particular the shutdown of the activities of its subsidiaries in Brazil and South Africa, as well as the transfer of the Process Heat Exchangers Business Unit in December 2018. In this respect, it should be noted that the Group's debts in the context of this transfer are covered by an unused credit line.

As at 31 December 2018, the net financial debt amounted to EUR 78 million, down over EUR 11 million compared with 2017, despite an increase in working capital linked to the fulfilment of orders.

Outlook for 2019

The 2019 budget is based in particular on (i) orders amounting to EUR 400 million (EUR 326 million in 2018) and (ii) the continuation of the transformation plan and the achievement of the planned savings.

It should be noted that the year 2019 will benefit de facto from approximately EUR 18 million in additional orders booked by the joint venture in India which will be fully consolidated in 2019, contributing towards achieving the Group's goal.

In addition to the Group's capacity to fulfil the orders expected in 2019 and to transform the order book at the end of 2018 into sales, the result will also depend on the proper fulfilment of projects and the achievement of the planned savings.

The Board of Directors is aware that the 2019 result is sensitive to the level of orders booked and that there is a real risk that this target will not be achieved, which would have a significant impact on the revenue, the REBITDA and consequently fulfilment of the covenants.

As regards the cash-flow forecasts until 31 December 2019, these are based in particular on the elements in the 2019 budget. These forecasts show that the Group will have the liquid assets necessary to finance its operations. These forecasts are also sensitive to the achievement of the REBITDA indicated in the 2019 budget and variations in the working capital, in particular variations linked to the fulfilment of projects which are, by their very nature, more sensitive in the monthly cash flow forecasts.

There is no indication at the moment that it will not be capable of passing the subsequent covenant tests.

As was pointed out above, the syndicated loan and the bond issue mature in January 2020. In the context of this refinancing, the Board of Directors confirms that discussions have started and several scenarios are being examined with the various partners of the Hamon Group.

So far, the Board of Directors is unfortunately not in a position to provide more details of the scenarios envisaged, given the discussions that are currently ongoing. The Board of Directors is, however, confident that these discussions will result in an agreement in 2019 that will again ensure the Group of long-term financing, for the following reasons:

- The Group respected its covenants as at 31 December 2018.
- The transformation plan is being carried out in line with expectations.
- The Group is not requesting any increase in the credit lines.
- It is in the interests of all the partners to enable the Group to implement the transformation plan.
- The market conditions hold out the hope of reasonable financing conditions.

Like all companies, Hamon will have to cope with the risks linked to the development of the macro-economic situation, world markets and any constraints imposed upon it for example in the context of trade sanctions. These inherent risks, which could impact on the refinancing method and the timing of discussions, nevertheless do not impair the confidence of the Board of Directors.

3.1.2. Standards and interpretations applicable for the annual period beginning on 1 January 2018

The accounting principles used to prepare the financial statements at 31 December 2018 are consistent with those used for the financial statements at 31 December 2017, with the exception of the normative changes described below.

- **IFRS 9 Financial Instruments**

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 1st January 2018.

As regards hedge accounting, Hamon has decided to use the permitted option and not to adopt 'IFRS 9' for its hedge accounting positions, but to continue to apply the 'IAS 39' provisions. Consequently, the Group has not booked any impact relating to hedge accounting.

For classification and assessment and for depreciation, the Group has finalized its impact assessment. Overall, there is no significant impact on the financial situation or on the equity of the Group. During the analysis, the Group assessed the following information:

- Classification and assessment of debt instruments: the provisions of IFRS 9 regarding the classification and assessment of financial assets are based on the company's management model and the contractual characteristics of the financial assets. The Group has reviewed the characteristics, in particular regarding remuneration, of its financial assets. The conclusion was that all the Group's financial assets respected the Solely Payment of Principal and Interests (SSPI) principle as defined by IFRS 9. The financial assets booked at the amortized cost in accordance with IAS 39 did not, therefore, undergo any change in accounting method when IFRS 9 was first applied.
- Classification and assessment of equity instruments: The Group also reviewed its portfolio of equity instruments, comprising mainly non-consolidated equity securities, in order to determine the assessment method for each security (either fair value through result or fair value through equity). The securities in the portfolio as at 1 January 2018 were very largely assessed at the fair value through equity.
- Amortization of financial assets: The standard has also brought about changes in the terms of amortization of the Group's financial assets, as IFRS 9 imposes a model that is now based on expected losses. An analysis of the portfolios of customers and other debtors and the net amounts receivable for construction contracts was carried out. The Group opted for the simplified method to measure amortization relating to its customers and other debtors. An examination of the history of losses noted on these receivables

did not reveal any significant amounts. The credit risk linked to net amounts receivable for construction contracts was measured in accordance with the provisions of the complete IFRS 9 model. No significant increase in the credit risk was identified. Consequently, the Group did not record any significant additional amortization in its equity upon opening. In order to estimate the risk of non-recovery of the Group's financial assets, an analysis of the losses noted over the financial period will be carried out annually in order to make any necessary adjustments to the amortization rates.

- **IFRS 15 Revenue from Contracts with Customers**

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 internal analysis carried out showed that only non-incremental costs (more commonly known as 'supply costs') have to be processed differently. As of the 2018 financial year, these will no longer be recorded as assets under 'work in progress' and will therefore remain in the income statement.

In order to take this change into account, it has been decided, in accordance with standard IFRS 15, to re-process this impact via the reserves at the opening of the financial year. The total impact amounts to EUR 1,7 million.

3.1.3. 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 16 Lease contracts. Date of entry into force: 1 January 2019**

IFRS 16 replaces IAS 17, IFRIC 4, SIC-15 and 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 Statement of financial position 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 Group will apply standard IFRS 16 as of 1 January 2019. In accordance with various options available for the first application, the Group has opted for the modified retrospective transition approach which consists of recognizing the following on the date of the first application:

- on the one hand, the lease liability amounting to the value of the remaining rental payments actualized at the rate on the transition date;
- and on the other hand, the asset in terms of the right of use for an amount equal to the lease liability, adjusted to the amount of the rents paid in advance or to be paid.

In accordance with the modified retrospective approach, no comparative reprocessing of the financial statements will be undertaken.

Data collection and the quantitative analysis of impacts on the financial statements of the Group are currently being finalized. The Group believes that the first application of the IFRS 16 standard would lead to the recognition as at 1 January 2019 of a financial debt of around EUR 15 million. The Group does not anticipate any significant impact on the net result linked to the application of IFRS 16.

- **Amendments to IFRS 9 Financial Instruments - Prepayment Provisions Providing for Negative Compensation. Date of entry into force: 1st January 2019.**
- **Amendments to IAS 28 Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures. Date of entry into force: 1st January 2019**
- **IFRIC 22 Foreign Currency Transactions and Anticipated Consideration. Date of entry into force: 1st January 2018**
- **IFRIC 23 Uncertainty with respect to tax treatments. Date of entry into force: 1st January 2019**
- **Annual Improvements to IFRS Cycle (2015-2017).Date of entry into force: 1st 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 Statement of financial position 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 Statement of financial position 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 Statement of financial position 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 Statement of financial position. 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 Statement of financial position 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 Statement of financial position 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 Statement of financial position 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 Statement of financial position 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 Statement of financial position 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 Statement of financial position 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.

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 Statement of financial position 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.

4.1. 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 (business plan, REBITDA level, levels of bookings, growth rate, change in working capital, WACC…) coming from internal as well as external sources. Further details are provided in Note 20.

4.2. 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 sub-contractors) 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.

4.3. 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 31st December 2018 and 2017. The changes in scope are detailed in Note 14.

Subsidiary	Country	% of interest	
		2018	2017
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%
MPA SAS (*)	France	49.93%	-
Scope 37 SAS (*)	France	49.98%	-
Hamon D'Hondt S.A.	France	-	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%	100%
Hamon Polska Sp. z.o.o.	Poland	100%	100%
Hamon ETP Rus LLC	Russia	-	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%
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	100%	100%
Hamon Trading (Jiaxing) Co.,Ltd.	China	100%	100%
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	South Korea	100%	99.6%
Hamon Korea Co Ltd.	South Korea	100%	99.6%
Hamon Korea Youngnam Ltd.	South Korea	60.5%	50.8%
Hamon D'Hondt Korea Co. Ltd.	South Korea	-	99.95%
Hamon Malaysia SDN. BHD.	Malaysia	100%	100%
Hamon B.Grimm Ltd. (*)	Thailand	48.97%	49.2%
Hamon Termal ve Çevre Sistemleri Sanayi ve Ticaret A.Ş.	Turkey	99.6%	99.6%
Hamon Vietnam company LTD.	Vietnam	80%	80%

(*) The Group consolidates those subsidiaries by full integration method as the Group considers having de facto control on them.

Subsidiary	Country	% of interest	
		2018	2017
2. Subsidiaries consolidated by equity method			
Esindus SA	Spain	38.89%	38.89%
Hamon D'Hondt Middle East Company Ltd	Saudi Arabia	-	39.6%
Hamon Shriram Cottrell PVT Ltd	India	50%	50%
ETP LLC	Russia	-	24.98%
Hamon Cooling Towers Company FZCo	United Arab Emirates	50%	50%

6. EXCHANGE RATES USED BY THE GROUP

Exchange rate for 1 EUR		Closing rate		Average rate	
		2018	2017	2018	2017
UAE Dirham	AED	4.2054	4.4050	4.3410	4.1511
Australian Dollar	AUD	1.6220	1.5346	1.5795	1.4764
Brazilian Real	BRL	4.4440	3.9729	4.3097	3.6208
Canadian Dollar	CAD	1.5605	1.5039	1.5305	1.4690
Chilean Peso (100)	CLP	7.9657	7.3783	7.5500	7.3461
Chinese Yuan	CNY	7.8751	7.8044	7.8127	7.6355
Pound Sterling	GBP	0.8945	0.8872	0.8856	0.8744
Hong-Kong Dollar	HKD	8.9675	9.3720	9.2606	8.8135
Indonesian Rupiah (100)	IDR	164.9999	162.3912	167.7790	151.4739
Indian Rupee	INR	79.7298	76.6055	80.4956	73.5790
South Korean Won (100)	KRW	12.7793	12.7961	12.9605	12.7492
Mexican Peso	MXN	22.4921	23.6612	22.7013	21.3497
Malaysian Ringgit	MYR	4.7317	4.8536	4.7627	4.8551
Polish Zloty	PLN	4.3014	4.1770	4.2632	4.2525
Saudi Riyal	SAR	4.2950	4.4974	4.4328	4.2386
Russian Ruble	RUB	79.7153	69.3920	73.7410	65.9674
Thai Baht	THB	37.0520	39.1210	38.1379	38.2984
Turkish Lira	TRY	6.0588	4.5464	5.6205	4.1079
U.S. Dollar	USD	1.1450	1.1993	1.1816	1.1310
Dong Vietnamien (100)	VND	261.3464	268.9430	267.1340	253.3479
South African Rand	ZAR	16.4594	14.8054	15.5477	15.0489

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 launched in 2017, the internal organization of the Group and the way the performance is monitored has been significantly impacted. Hamon reports now its performance by Region instead of Business Units. The reported segments (Regions) are now the following:

- EMEA;
- America;
- Asia.

The operational decision maker for the Regions is the Executive Committee.

The Executive Committee evaluates the performance of these Regions 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 Regions) and their REBITDA. REBITDA 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 subsidiary ACS and the discontinued activities in Brazil and South Africa, as well as the cost of the brands, make up the REBITDA of the "Non-allocated" items. We also find in this column: interest income, interest charges, share of profit of associates and income tax.

The impact on REBITDA 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.

Les actifs et passifs ne faisant pas l'objet d'une information spécifique auprès du Comité exécutif, ceux-ci ne sont pas présentés par secteur.

Les informations communiquées dans les tableaux ci-après sont présentées selon les mêmes principes comptables que ceux utilisés pour les états consolidés du Groupe.

in EUR '000'	America	Asia	EMEA	Non-allocated	Elim-ination	Total
For the period ended 31 December 2017						
Revenue third party	109,555	85,804	142,017	29,269	-	366,646
Inter-segment revenue	487	19,001	4,017	4,542	(28,047)	-
Revenue	110,042	104,806	146,035	33,811	(28,047)	366,646
Operating profit before adjusting items (REBIT)	(1,200)	(4,818)	(12,838)	(4,886)	-	(23,742)
Non-recurring items	18,355	(578)	(13,706)	(1,106)	-	2,964
Operating profit (EBIT)	17,155	(5,396)	(26,544)	(5,992)	-	(20,778)
Depreciation	(1,203)	(1,388)	(2,183)	(1,793)	-	(6,567)
REBITDA	**3**	**(3,430)**	**(10,655)**	**(3,092)**	**-**	**(17,175)**
Interest income				87,099		87,099
Interest charges				(14,892)		(14,892)
Share of the profit (loss) of associates & joint-ventures				(9,226)		(9,226)
Result before tax						**42,203**
Income taxes				(16,811)		(16,811)
Net result from continued operations						**25,392**
For the period ended 31 December 2018						
Revenue third party	104,943	105,743	131,758	2,683	-	345,127
Inter-segment revenue	-	1,139	1,302	-	(2,441)	-
Revenue	104,943	106,882	133,060	2,683	(2,441)	345,127
Operating profit before adjusting items (REBIT)	1,384	699	585	(3,926)	936	(321)
Non-recurring items	(1,210)	(436)	(577)	(256)	(936)	(3,415)
Operating profit (EBIT)	174	263	9	(4,182)	-	(3,736)
Depreciation	(1,132)	(978)	(1,920)	(1,240)	-	(5,269)
REBITDA	**2,516**	**1,677**	**2,505**	**(2,686)**	**936**	**4,949**
Interest income				1,530		1,530
Interest charges				(11,773)		(11,773)
Share of the profit (loss) of associates & joint-ventures				(541)		(541)
Result before tax						**(14,519)**
Income taxes				(826)		(826)
Net result from continued operations						**(15,345)**

The breakdown of Group revenue by type of activity is shown in Note 8. The breakdown of revenue by region and / or main countries (on the basis of the client's location) is as follows:

in EUR '000'	2018	2017
Belgium	6,964	11,935
France	29,930	27,325
Poland	21,434	16,170
Great Britain	13,302	15,830
Other Europe (incl. Russia)	21,912	26,883
Total Europe	**93,542**	**98,143**
Canada	10,668	4,790
United States	65,404	84,919
Total United States & Canada	**76,072**	**89,709**
Brazil	1,800	17,913
Mexico	18,696	11,132
Other Latin America	0	3,196
Total Latin America	**20,496**	**32,241**
Saudi Arabia	4,903	8,990
Algeria	3,638	12,434
Egypt	2,485	8,037
Other Middle East & Africa	9,909	17,351
Total Middle East & Africa	**20,934**	**46,812**
China (incl. Hong Kong)	40,729	30,410
India	4,568	12,078
South Korea	12,480	26,230
Indonesia	33,374	11,212
Other Asia-Pacific	42,932	19,811
Total Asia-Pacific	**134,082**	**99,741**
Total World	**345,127**	**366,646**

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

in EUR '000'	2018	2017
Belgium	8,183	8,542
Brazil	6,778	7,679
China (incl. Hong Kong)	12,085	13,913
South Korea	653	711
United States	22,692	22,378
France	5,245	4,739
India	143	223
Others	3,428	3,611
Total World	**59,206**	**61,796**

Non-current assets reported in the above table correspond to goodwill, tangible and intangible assets as reported in the statement of financial position.

8. REVENUE

Group's revenue decreased by 6%. The decrease is due to the discontinued activities in Brazil and South Africa.

The breakdown by type of activity is as follows:

in EUR '000'	2018	2017
Dry Cooling Systems	57,475	73,811
Wet Cooling Systems	94,498	106,107
Customer Service	73,328	33,439
Deltak	33,329	33,593
Air Filtration Systems	48,653	59,171
FGD	24,842	30,024
Chimney	12,989	30,501
Others	13	-
Total	**345,127**	**366,646**

9. OPERATING EXPENSES

in EUR '000'	2018	2017
Gross remuneration	*55,522*	*63,821*
Employer's contribution for social security	*6,454*	*8,983*
Other personnel costs	*9,002*	*2,828*
Charges/costs of the personnel	70,977	75,632
Depreciation & amortization	5,269	6,568
Other operating expenses	23,759	30,632
Total gross operating expenses	**100,006**	**112,832**
Cost allocation(1)	(44,481)	(53,800)
Total net operating expenses	**55,525**	**59,032**
Sale & marketing costs	12,714	14,354
General & administrative costs	42,041	42,582
Research & development costs	769	2,096
Total net operating expenses	**55,525**	**59,032**
Average Headcount	**967**	**1,194**

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

Net operating expenses decrease by 6% compared to 2017. This decrease is mainly explained by the reduction of the gross operating expenses (-11%) further to restructuring related to the cost saving plan. This effect has partially been offset by a lower cost allocation.

The headcount evolution follows the same logic.

10. OTHER OPERATING INCOMES AND EXPENSES

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

in EUR '000'	2018	2017
Net fair value gain/(loss) on foreign exchange derivatives	(253)	60
Gain/(loss) on disposal of current assets	-	190
Net exchange differences	(577)	(965)
(Impairment)/reversal of impairment of current assets	610	(935)
Other misc. operating income/(expenses)	324	756
Total	**105**	**(894)**

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'	2018	2017
Restructuring cost	(3,954)	(5,717)
Impairment of non-current assets	-	(10,000)
Gain/(loss) on disposal of non-current assets	(54)	20,642
Other non-recurring costs	593	(1,961)
Total	**(3,415)**	**2,964**

Restructuring costs amount to a total of EUR 3.954 thousand. They are distributed among several entities of the Group. They mainly relate to severance payments.

In 2017, an impairment on the EMEA goodwill of EUR 10.000 thousand and a gain on disposal of the entity Thermal Transfer Corporation (TTC) of EUR 20.101 thousand were recorded.

12. NET FINANCE COSTS

The detail of net finance costs is as follows:

in EUR '000'	2018	2017
Interest charges	(6,352)	(8,830)
Amortized cost treatment	(1,824)	(1,272)
Total interest charges	**(8,177)**	**(10,102)**
Other borrowing costs	(3,596)	(4,791)
Factoring costs	(29)	(83)
FX forward swap points	(1,012)	(1,517)
Other finance costs	(2,556)	(3,191)
Finance costs	**(11,773)**	**(14,892)**
Interest income	**1,530**	**87,099**
Total	**(10,242)**	**72,206**

Interest charges on the Group debt decreased versus 2017 following the waiver of EUR 86.943 thousand granted by the bank consortium in December 2017 (accounted for as interest income in 2017). They also includes the pre-financing interests on factoring transactions with partial recourse that were implemented in 2017.

The average cost of debt is 5.21% for 2018, compared to 4.11% in 2017. The increase is mainly due to the relative increase in the level of interest on the bond compared to the total.

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 on 30 January 2014.

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

- factoring charges
- a non-recurring charge of EUR 1.012 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 Consortium 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.

13. INCOME TAX

in EUR '000'	2018		2017	
Components of tax (expense)/income		**(826)**		**(16,812)**
Related to current year		(1,417)		(16,254)
Related to past years		591		(557)
Current tax		**(788)**		**(5,755)**
Related to current year		(1,379)		(5,198)
Related to past years		591		(557)
Deferred tax		**(38)**		**(11,056)**
Related to timing differences		(43)		(3,961)
Related to the change of tax rate		(284)		(1,571)
Related to reversal/(impairment) on deferred tax assets		289		(5,523)
Related to past years		-		-
Reconciliation of Group income tax charge				
Result before tax continued activities		(14,519)		42,203
Share of the profit/(loss) of Joint Ventures		(541)		(9,226)
Result before tax of continued activities and before share of the profit/(loss) of Joint Ventures		**(13,978)**		**51,429**
Tax rate of the parent company		29.58%		33.99%
Group theoretical income tax charge	**4,135**	**29.58%**	**(17,481)**	**33.99%**
Utilisation of tax losses not previously recognised	2,428	17.4%	20,120	(39.1%)
Tax related to past years	591	4.2%	(557)	1.1%
Effect of change in tax rate on deferred taxes	(284)	(2.0%)	(1,571)	3.1%
Repayment/(impairment) of tax credit	-	-	1,473	(2.9%)
Effect of different tax rates of subsidiaries operating in other juridictions	(1,027)	(7.3%)	454	(0.9%)
Permanent differences (goodwill & intangibles)	267	1.9%	(3,831)	7.4%
Impairment/(reversal) on deferred tax assets	289	2.1%	(5,523)	10.7%
Deferred tax assets not recognised	(7,602)	(54.4%)	(9,786)	19%
CVAE (1)	-	-	(221)	0.4%
R&D tax credits	46	0.3%	112	(0.2%)
Other movements	332	2.4%	-	-
Income tax income/(expense)	**(826)**	**(5.9%)**	**(16,812)**	**32.7%**

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

In 2017, the tax expenses of the Group were significantly impacted by the impairment of the deferred tax assets and by the tax payable on the capital gain linked to the disposal of TTC.

14. CHANGES OF SCOPE

The following changes have occurred in the scope:

- Acquisition of MPA SAS (49.93%) and its subsidiary Scope 37 SAS (49.98%). MPA SAS is a holding company with one main holding, i.e. Scope 37 SAS, a company which provides labour for nuclear power plant maintenance operations in France. The Group has acquired 50% of the French companies MPA SAS and Scope 37 SAS in return for payment of the sum of EUR 1,505 thousand. On the acquisition date, the accounting value of the integrated net asset amounted to EUR 669 thousand. Goodwill of EUR 836 has been booked in the accounts.
- Disposal of the PHE division and therefore of the company Hamon D'Hondt SA and its subsidiaries Hamon ETP Russia LLC, Hamon D'Hondt Korea Co Ltd, Hamon D'Hondt Middle East Co Ltd and ETP LLC.

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'	2018	2017
Net result (equity holders of the Company)	(25,550)	(22,313)
Weighted average number of ordinary shares during the year	105,057,053	22,612,323
Basic earnings per share and Diluted earnings per share (EUR/share)	(0.24)	(0.99)

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 104,753,547 and the basic result per share is EUR -0,24 / share.

CONTINUED OPERATIONS

Basic earnings per share from continued operations amounts to EUR -0,15 / share (EUR +1,14 / share in 2017). 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 EUR -0,09 / share as of 31 December 2018 (EUR -2,12 / share as of 31 December 2017). It is calculated on the basis of net income from discontinued operations of EUR -9.941 thousand in 2018 (EUR -48.020 thousand in 2017) and the denominators detailed above.

16. CASH FLOW FROM OPERATING ACTIVITIES

At EUR -23,8 million, the operating cash flow improved compared with 2017 (EUR -60,8 million). This is mainly due to the improvement in the operating result adjusted for elements with no impact on the cash situation, which went from EUR -21,1 million to EUR 0,7 million.

As in 2017 although to a lesser extent, the working capital requirement increased, having a negative effect on the operating cash flow. It should also be noted that 2017 was impacted by the operating cash flow from discontinued activities amounting to EUR -17 million (EUR 0,9 million in 2018).

The income tax paid during the financial year amounted to EUR 5,8 million, whereas in 2017, the Group had benefited from a refund of EUR 4,4 million, mainly in the United States and in France.

NON-CASH TRANSACTIONS

in EUR '000'	2018	2017
Depreciations	5,269	6,568
Impairment of non-current assets	0	10,000
Gain/(loss) on disposal of non-current assets	54	(20,642)
Impairment of current assets	(728)	2,016
Unrealized exchange Gain/(loss) and other non-cash finance charge	1,938	1,546
Change in provisions and provision for pension	(1,832)	492
Others	(239)	(300)
Non-cash transactions	**4,462**	**(321)**

17. CASH FLOW FROM INVESTING ACTIVITIES

The net cash flow from investments for 2018 is EUR -3 million (EUR 33,6 million in 2017). The investments and divestments of the year mainly concern:

- the acquisition of MPA SAS and Scope 37 SAS
- the sale of the plant of Jiaxing in China
- investments in IT (network, management tools, softwares,...) and investments for maintenance.

18. CASH FLOW FROM FINANCING ACTIVITIES

The cash inflow from financing activities reached EUR 9,3 million in 2018 (EUR 33,3 million in 2017).

It is mainly driven by the capital increase of Hamon & Cie (International) S.A. that generated a cash inflow of EUR 46,1 million offset by the net reimbursement of borrowings for EUR 25,4 million, the interest charge paid and other finance costs.

The Group will not pay any dividend for 2018 financial year and did not pay any dividend for the 2017 financial year.

19. INTANGIBLE ASSETS

in EUR '000'	Patents and trade marks	Development costs	Total
Au 31 décembre 2016			
Cost	29,463	27,502	56,965
Accumulated amortization and impairment	(16,750)	(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 and impairment charge for the year	(1,551)	(1,634)	(3,185)
Transferred from an account to another	(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**
For the year ended 31 December 2018			
Exchange difference	279	157	436
Additions	1,891	208	2,099
Disposals	8	(14)	(7)
Amortization and impairment charge for the year	(1,541)	(1,322)	(2,863)
Scope entries / change in scope	1	-	1
Transferred from an account to another	239	-	239
Net carrying amount at closing date	**11,812**	**5,042**	**16,854**
As of 31 December 2018			
Cost	33,375	21,429	54,804
Accumulated amortization and impairment	(21,562)	(16,387)	(37,950)
Net carrying amount	**11,812**	**5,042**	**16,854**

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 6.200 thousand on 31 December 2018 against 5.920 thousand on 31 December 2017 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).

During 2018, 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.

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

20. GOODWILL

in EUR '000'	2018	2017
Gross carrying amount as of 1 January	47,601	51,854
Accumulated amortization and impairment as of 1 January	(18,616)	(8,616)
Net carrying amount as of 1 January	**28,985**	**43,238**
Foreign Currency Translation	208	(4,254)
Acquisitions	836	-
Impairment	-	(10,000)
Gross carrying amount as of 31 December	48,828	47,601
Accumulated amortization and impairment as of 31 December	(18,799)	(18,616)
Net carrying amount as of 31 December	**30,029**	**28,985**

The transformation and savings plan launched in 2017 had a significant impact on the internal organization of the Group and on the way the performance of the operations (constituting the CGUs) is monitored and evaluated. Since then, Hamon reports its performance by Region instead of Business Units and developed its business plan and budget on the basis of the new regional structure. As a consequence, the goodwill impairment test has been performed on that basis.

As of 31 December 2018, the net carrying amount of the goodwill has increased compared to December 2017, due to currency translation effects and to a new acquisition. The Group acquired 50% in the French companies MPA SAS and Scope 37 SAS against a cash consideration of EUR 1.505 thousand. At the acquisition date, the carrying amount of the net asset acquired was EUR 669 thousand and as a consequence, a goodwill of EUR 836 thousand has been accounted for. The 2017 depreciation test led to an impairment of EUR 10.000 thousand for the EMEA CGU.

The breakdown of the goodwill by Region is the following:

in EUR '000'	2018	2017
EMEA	4,303	3,468
America	15,011	15,252
Asia	10,715	10,265
Net carrying amount as of 31 December	**30,029**	**28,985**

GOODWILL IMPAIRMENT TESTING BY REGION

UGT: EMEA

The recoverable amount of the EMEA CGU as of 31 December 2018 is determined based on a value in use calculation using three-year cash flow projections (based on REBITDA 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 EMEA CGU, the Group concluded that no impairment was required.

UGT: America

The recoverable amount of the EMEA CGU as of 31 December 2018 is determined based on a value in use calculation using three-year cash flow projections (based on REBITDA 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 EMEA CGU, the Group concluded that no impairment was required.

UGT: Asie

The recoverable amount of the EMEA CGU as of 31 December 2018 is determined based on a value in use calculation using three-year cash flow projections (based on REBITDA 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 EMEA CGU, the Group concluded that no impairment was required.

The key assumptions used are the following:

Key assumptions	2018	2017
WACC	11%	11%
Growth rate	0%	0%

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 10,1% (instead of 11%)	4,562	9,672	14,234
REBITDA/ Revenue: -1 %	(9,901)	(1,160)	(11,061)
Revenue: 85 % of the business plan Revenue	(4,965)	373	(4,592)

Asia CGU has been excluded from the above table since the sensitivity analysis concluded that none of the changes in the key assumptions would have led to different conclusion.

21. IMMOBILISATIONS CORPORELLES

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 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)
Acquisitions	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)
Transferred from an account to another	(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**
For the year ended 31 December 2018						
Exchange difference	125	(4)	68	3	1	194
Acquisitions	253	73	403	46	108	884
Disposals	(831)	(43)	(1,111)	(18)	-	(2,003)
Depreciation charge for the year	(300)	(244)	(1,761)	(78)	-	(2,383)
Scope entries / change in scope	-	7	2	-	-	9
Transferred from an account to another	(6)	(30)	40	10	(255)	(240)
Net carrying amount at closing date	**5,798**	**616**	**5,406**	**350**	**153**	**12,324**
As of 31 December 2018						
Cost	12,184	3,429	27,933	1,700	153	45,399
Accumulated depreciation	(6,386)	(2,812)	(22,526)	(1,350)	-	(33,075)
Net carrying amount	**5,798**	**616**	**5,406**	**350**	**153**	**12,324**
Assets under leasing	**1,700**	**-**	**-**	**-**	**-**	**1,700**

Hamon rents plants, machinery and equipment under lease contracts. The value of leased assets in "land and buildings" amounted to EUR 1.700 thousand as at 31 December 2018 (EUR 1.973 thousand as at 31 December 2017). The amount of EUR 236 thousand in "plants, machinery and equipment" as of 31 December 2017 correspond to assets in the discontinued subsidiaries ACS. As a consequence, the Group impaired those assets.

In 2018, the Group acquired tangible assets for EUR 884 thousand (EUR 3.846 thousand in 2017). The disposals amount to EUR 2.003 thousand and are mainly composed of the disposal of the Jiaxing plant in China.

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).

22. FVOCI FINANCIAL ASSETS

in EUR '000'	
For the year ended 31 December 2017	
Balance at opening date	**1,714**
Disposals	(1,512)
Transferred from an account to another	-
Exchange difference	(14)
Balance at closing date	**189**
For the year ended 31 December 2018	
Balance at opening date	**189**
Disposals	-
Transferred from an account to another	-
Exchange difference	-
Balance at closing date	**189**

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

23. DEFERRED TAXES

The prospects of recovering deferred tax assets are reviewed annually per tax entity and, if appropriate, deferred tax assets noted previously may no longer be recognized. These prospects of recovery are analyzed on the basis of a tax plan indicating the projected tax base level.

The tax base taken into account is that obtained over a period usually spanning five years.

Source of deferred tax asset and liabilities:

Deferred taxes by category :	Assets		Liabilities	
in EUR '000'	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Temporary differences				
Intangible assets	9	10	(1,978)	(1,631)
Property, plant & equipment	52	45	(431)	(67)
Construction contracts	299	588	(1,475)	(3,503)
Provisions	1,031	608	(0)	(120)
Others	810	1,076	(1,307)	(1,069)
Total temporary differences	2,202	2,327	(5,191)	(6,390)
Tax losses and other tax credits	8,142	9,182	-	-
Total deferred tax assets/liabilities	10,344	11,509	(5,191)	(6,390)
Compensation of assets and liabilities per tax entity	(2,505)	(2,419)	2,505	2,419
Total net	7,839	9,090	(2,686)	(3,971)

Changes in deferred taxes:

in EUR '000'	2018	2017
Net deferred taxes as of 1st January	5,119	15,425
Deferred tax income / (expense)	38	(11,056)
Exchange difference	(78)	264
Others	75	486
Net deferred taxes as of 31st December	5,153	5,119

The deferrable tax deficits included in the assets are located mainly at Hamon & Cie (International) SA, within the German scope and at the Compagnie Financière Hamon (France); the future profit outlook of these companies and the tax options put in place are the main elements that justify the inclusion in the assets of deferred taxes relating to these losses carried forward.

As at 31 December 2018, these deferred tax assets, down EUR 1,3 million compared with the previous financial year, amounted for Hamon & Cie (International) SA, the German scope and the Compagnie Financière Hamon (France) respectively to EUR 3,9 million, EUR 2,1 million and EUR 0,8 million. The recovery plans cover the period until 2023 for the three scopes.

Detail per country of the deferred tax asset:

in EUR '000'	31/12/2018	31/12/2017
Belgium	3,927	4,609
France	843	1,687
Germany	2,088	2,081
Others	982	713
Total	7,839	9,090

24. INVENTORY

in EUR '000'	31/12/2018	31/12/2017
Raw materials & consumables	2,993	4,586
Inventories and WIP - not related to construction contracts	-	82
Finished goods	1,492	1,817
Total	4,484	6,485

On 31 December 2018, write-offs accounted for on inventories amounted to EUR 738 thousand (EUR 572 thousand on 31 December 2017).

25. CONSTRUCTION CONTRACTS

in EUR '000'	31/12/2018	31/12/2017
Amount due from customers for contract work	58,869	62.521
Amount due to customers for contract work	(61,854)	(80.711)
Total	(2,985)	(18.190)

Contracts in progress are maintained on the Statement of financial position. 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 billing has been higher than the actual costs incurred on the projects.

26. TRADE AND OTHER RECEIVABLES

in EUR '000'	31/12/2018	31/12/2017
Trade receivables	104,607	121,428
Impairment of doubtful receivables	(10,051)	(12,208)
Trade receivables - net	**94,556**	**109,220**
Retentions	3,791	4,742
Prepayments	23,950	17,759
Cash deposits and guarantees paid	1,000	1,068
Receivables on related parties	7,185	10,264
Other receivables	7,560	8,229
Total	**138,043**	**151,282**
Of which non-current Trade and other receivables		
Receivables on related parties	1,558	430
Cash deposits and guarantees paid	879	1,012
Other non-current receivables	209	271
Less: non-current receivables	**(2,646)**	**(1,713)**
Trade and other receivables - current	135,397	149,569

As of 31 December 2018, EUR 5,3 million of trade receivables were sold (EUR 5,9 million in 2017) 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 from joint-ventures of the Group.

27. CASH AND CASH EQUIVALENTS

in EUR '000'	31/12/2018	31/12/2017
Credit Institutions	31,982	47,186
Cash in hand	60	45
Short term cash deposits	2,740	3,016
Cash and cash equivalents	**34,782**	**50,246**

As of 31 December 2018, the restricted cash amounted to 954 EUR thousand (EUR 1.068 thousand in 2017).

28. CAPITAL SOCIAL - OK

In the consolidated statement of financial position, external costs directly attributable to capital transactions are accounted for in deduction of equity. Other costs are accounted for the consolidated income statement. As a consequence, the statutory capital in the below table is different than in the consolidated statement of financial position.

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

Pair value per share	31/12/2018	31/12/2017
Number of issued shares as of closing date	117,235,372	22,703,278
Share capital (in EUR)	35,170,612	6,810,983
Par value (in EUR/share)	0.30	0.30

In 2018, Hamon & Cie undertook two capital increases, the first one on 15 February 2018 by Sogepa (50.000.004 new shares created) and the second one on 16 February 2018 by Sopal International SA, the banks BNPPF, ING et KBC (44.532.090 new shares created) and the public.

As a result of the creation of 94.532.094 new shares, the respective participations of Sopal International SA and Sogepa are now 13,3 % (2017 : 38,5%) and 51,2% (2017 : 44,2 %). The banks BNPPF, ING et KBC are now holding 14,8% of the shares of the Group.

SHAREHOLDING

As of 31 December 2018, the registered capital of Hamon & Cie amounted to EUR 35.170.612 represented by 117.235.372 shares without indication of nominal value. The group does not hold any own share anymore.

Shareholder	Shares 31/12/2018	%	Shares 31/12/2017	%
Sopal International SA	15,544,830	13.3%	8,744,248	38.5%
Sogepa (on own account and on behalf of the Walloon Region)	60,040,906	51.2%	10,040,902	44.2%
Own shares held by the Company	0	-	41,568	0.2%
The banks BNPPF, ING et KBC	17,363,826	14.8%	0	-
Other public	24,285,810	20.7%	3,876,560	17.1%
Total	**117,235,372**	**100%**	**22,703,278**	**100%**

DIVIDEND

The Group has not paid dividends since 2012.

29. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

in EUR '000'	Restructuring	Other provisions	Total
Balance as of 31 December 2016	**594**	**1,266**	**1,860**
Additions	2,633	289	2,922
Reversals	(16)	(499)	(515)
Use of provision	(727)	-	(727)
Exchange difference	3	-	3
Other movements	(465)	(257)	(722)
Balance as of 31 December 2017	**2,022**	**799**	**2,821**
Additions	1,243	268	1,511
Reversals	-	(643)	(643)
Use of provision	(2,435)	(82)	(2,517)
Exchange difference	(13)	(0)	(13)
Other movements	(1)	1	0
Balance as of 31 December 2018	**816**	**343**	**1,160**
Of which non-current provisions	-	-	-
Of which current provisions	816	343	1,160

Provisions for restructuring 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 2.902 thousand at year end 2018 (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	21,371	84	123	21,578
Fair value of plan assets	(16,304)			(16,304)
Net obligation as at 1 January 2017	**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
Total obligations	18,137	49	151	18,336
Fair value of plan assets	(15,434)			(15,434)
Net obligation as at 31 December 2018	**2,703**	**49**	**151**	**2,902**
of which defined benefit plan net obligation	2,703	49	-	2,751

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 2018, 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 paragraphs for more details.

The defined benefits are granted by some Belgian, German, French, Indian, Indonesian and Korean companies of the Group. French and Korean entities account for more than 70% of the total of the net obligation of 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 85% 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 8 and 15 years as at 31 December 2018.

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 based on the "Projected Unit Credit Method without future contribution" according to the IAS 19.115 as follows:

- Projection of the legally guaranteed minimum reserve at the minimum return guaranteed by the law till the retirement date and discounting of this amount with the discount rate used for the valuation (rate of high quality corporate bonds)
- The discounted net obligation is the maximum between this discounted projection and the projection of the accrued reserves at the technical rate discounted at the discount rate used for the valuation (rate of high quality corporate bonds)

The data of these plans have been completely integrated in the tables of the defined benefit plans as from 31 December 2016 (statement of financial position and income statement). At year-end 2018, the net surplus for these plans amounted to EUR 100 thousand.

Funding of defined benefit plans

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

in EUR '000'	31/12/2018	31/12/2017
Funded plans - PV of defined benefit obligations	15,590	15,464
Fair value of plan assets	(15,434)	(15,445)
Deficit/(surplus) of funded plans	**156**	**19**
Unfunded plans - PV of defined benefit obligations	2,595	2,694
Net liability arising from DBO	**2,751**	**2,713**

The net liability of the Group is in line with last year.

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'	31/12/2018	31/12/2017
Fair value of plan assets at beginning of period	**15,445**	**16,304**
Interest income on plan assets	204	201
Return on plan assets exc. Interest income	(612)	511
Employer contributions	1,081	1,109
Employee contributions	161	149
Administration expenses paid from plan assets	(10)	(9)
Benefits paid	(747)	(2,723)
Others	(87)	(97)
Fair value of plan assets at end of period	**15,435**	**15,445**

Net Defined Benefit Costs

The amounts recognised in the Group income for these plans for 2018 and 2017 are as follows:

in EUR '000'	31/12/2018			31/12/2017		
	Total	Discontinued Business	Continued Business	Total	Discontinued Business	Continued Business
Service Cost						
Current Service Cost	1,093	163	930	1,586	178	1,408
Past service cost	-	-	-	-	-	-
(Gain)/loss from settlement/plan reductions	(177)	(164)	(13)	(397)	(194)	(203)
Actuarial (gains)/losses on costs	(94)	(4)	(90)	2	-	2
Net interest expense	85	24	61	100	27	73
Administration costs excl. Mgmt. of plan assets	10	-	10	9	-	9
Defined benefit costs recognised in P&L	**917**	**19**	**898**	**1,300**	**11**	**1,289**
Return on plan assets exc. Interest income on plan assets	612	-	612	(511)	-	(511)
Actuarial (gains)/losses on DBO arising from:						
changes in demographic assumptions	(27)	-	(27)	88	-	88
changes in financial assumptions	(893)	(56)	(837)	(263)	-	(263)
experience adjustments	419	(40)	459	(424)	-	(424)
Remeasurement of DB Cost recognized in OCI	**111**	**(96)**	**207**	**(1,110)**	**-**	**(1,110)**
Total Defined Benefit Cost	**1,028**	**(77)**	**1,105**	**190**	**11**	**179**

The costs recognized in discontinued business include the costs for the business unit PHE reclassified last year in discontinued business because of the Group's intention to sell it, division that was finally sold end December 2018.

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 mainly because of a significant reduction of the headcount in 2017 (plan reductions).

On the other hand, the remeasurements of the obligation have generated less gains than last year mainly because of the experience adjustments.

Following these evolutions, a cost amounting to EUR 1,055 thousand has been recognized for the Defined Benefits versus EUR 191 thousand last year.

The expected contributions and benefit payments for 2019 amount to EUR 885 thousand.

Change in obligations

Change in Defined Benefit Obligations for the last two years were as follows:

in EUR '000'	31/12/2018	31/12/2017
Defined Benefit Obligation at beginning of period	**18.158**	**21,455**
Current Service Cost	917	1,586
Interest cost	265	301
Actuarial (gains)/losses arising from:		
changes in demographic assumptions	1	88
changes in financial assumptions	(881)	(263)
experience adjustments	413	(424)
Past Service Cost		
(Gains)/losses arising from settlements	-	(397)
Employee Contributions	161	149
Benefits paid	(747)	(2,723)
Others	(90)	(93)
Currency translation difference	(12)	(53)
Reclassification in Discontinued Business	-	(1,468)
Defined Benefit Obligation at end of period	**18.185**	**18,158**

The reclassification into discontinued business in 2017 relates to the obligations of the business unit PHE as explained before.

Gross obligations are in line with last year.

The number of employees covered by the Defined Benefit plans amounted to 584 in 2018 (of which 159 are inactive) in comparison to 737 in 2017 (of which 145 are inactive) following the sale of the business unit PHE.

Actuarial assumptions

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

EURO zone	31/12/2018	31/12/2017
Discount rate	1.3-1.92%	1.3-1.8%
Expected future salary increase rate	1.75-3 %	1.75-3%
Underlying Inflation rate	1.75-2.00%	1.75-2.00%
Average assumed retirement age (years)	62-67	62-67

APAC zone	31/12/2018	31/12/2017
Discount rate	2.4-8.5%	2.9-8.5%
Expected future salary increase rate	3.5-7.5 %	3.5-10%
Underlying Inflation rate	1%	1%
Average assumed retirement age (years)	55-65	55-65

The interest rates used to discount the obligations in the EURO zone are close to last year ones 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 (2.40% against 2.90% in 2017) representing 22% 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 7.45% and 8.5% for less than 16% 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	en%
Discount Rate plus 0,5%	(670)	-3.7%
Discount Rate less 0,5%	852	4.7%
Expected salary increase plus 0,5%	109	0.6%
Expected salary increase less 0,5%	(102)	-0.6%
Expected life expectancy plus 1 year	68	0.4%
Expected life expectancy less 1 year	(82)	-0.5%

As displayed on the table above, a variation of +/- 0.5% of the discount rate or of the salary increase rate has an impact of less than 5% 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 155 thousand in 2018. 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 Extra-ordinary 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'	31/12/2018	31/12/2017
Bank borrowings	50,447	49,225
Bank overdrafts	1,006	3,797
Sub-total bank borrowings	**51,453**	**53,022**
Obligations under finance lease	1,945	2,533
Treasury notes	0	19,994
Other financial commitments	59,116	63,755
Sub-total other borrowings	**61,060**	**86,282**
Total	**112,513**	**139,304**
Of which:		
Current (due for settlement within the year)	**30,878**	**65,347**
Amount due for settlement in the 2nd year	80,348	430
Amount due for settlement in the 3rd year	385	72,532
Amount due for settlement in the 4th year	265	221
Amount due for settlement in the 5th year and after	637	773
Sub-total non-current:	**81,635**	**73,957**
Total	**112,513**	**139,304**
Of which:		
Borrowings due for settlement within the year in		
EUR	6,984	37,985
USD	-	6,795
Others	23,895	20,568
Non-current borrowings in		
EUR	81,635	73,913
USD	-	-
Others	-	43

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

in EUR '000'	31/12/2018	31/12/2017
Current (due for settlement within the year)	**3,113**	**3,113**
Amount due for settlement in the 2nd year	295	3,066
Amount due for settlement in the 3rd year	43	298
Amount due for settlement in the 4th year	43	41
Amount due for settlement in the 5th year and after	6	22
Sub-total non-current:	**387**	**3,428**
Total	**3,499**	**6,541**

AMOUNTS DUE FOR FINANCIAL DEBTS

in EUR '000'	31/12/2018	31/12/2017
Current (due for settlement within the year)	**33,991**	**68,514**
Amount due for settlement in the 2nd year	80,643	3,496
Amount due for settlement in the 3rd year	428	72,831
Amount due for settlement in the 4th year	307	262
Amount due for settlement in the 5th year and after	644	796
Sub-total non-current:	**82,022**	**77,385**
Total	**116,013**	**145,898**
less: future interest commitments	(3,499)	(6,594)
Borrowings	**112,513**	**139,304**

As of 31 December 2018, the Group borrowing (EUR 112.513 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 27.883 thousand) and the factoring program with partial recourse set up in 2017 (EUR 5.539 thousand).

The revolving line of the senior facilities amounted to EUR 41.875 thousand as of 31 December 2018 of which EUR 27.883 thousand were in use.

The following covenants have been agreed:

- the consolidated REBITDA of the Group (excluding PHE and the discontinued actrivities in 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 (a) EUR 20 million per accounting year and (b) 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.

The Group reached all the financial covenant in 2018.

The average cost of the debt amounts to 5,21 % for the year 2018. The increase vs last year is explained in Note 12.

Except for the senior bonds issued on 30 January 2014 maturing 2020, the debt of the Hamon Group bears a floating interest rate.

in EUR '000'	01/01/2018	Cashflows	New leasings	Forex	31/12/2018
Current bank borrowing	36,016	(8,652)	-	(823)	26,541
Non-current bank borrowing	17,006	7,906	-	-	24,912
Bond	55,000	-	-	-	55,000
Treasury notes	19,994	(19,994)	-	-	-
Obligations under finance lease	2,533	(590)	1	-	1,945
Other financial debts	8,755	(4,851)	-	212	4,116
Total	**139,304**	**(26,180)**	**1**	**(612)**	**112,513**

33. TRADE AND OTHER PAYABLES

in EUR '000'	31/12/2018	31/12/2017
Trade payables	72,229	74,139
Amounts due to related parties	1,832	1,347
Other advances received	1,008	4,704
Social security and other payables	6,913	7,094
Other (non income) tax payable	6,172	8,527
Other current liabilities	2,737	5,204
Accruals and deferred income	2,273	4,216
Total	**93,165**	**105,231**

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

Trade payable amounts to EUR 93.165 thousand at year end 2018. The decrease is mainly due to the combined decrease of the advances received, other tax payable and other current liabilities.

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

34. DERIVATIVE INSTRUMENTS

	Fair value	
in EUR '000'	31/12/2018	31/12/2017
Derivative financial instruments		
Current assets	329	3,273
Current liabilities	(272)	(2,418)
Assets held for sale	-	141
Total fair values	**57**	**997**
Derivative financial instruments		
Economic hedges	99	1,352
Held for trading	(42)	(355)
Total fair values	**57**	**997**

Derivative financial instruments designated as « cash flow hedge », « economic hedge » et « net investment hedge »		Notional or Contractual amount		Fair value	
in EUR '000'		31/12/2018	31/12/2017	31/12/2018	31/12/2017
Couvertures économiques					
Forward currency contracts sales	Assets	25,738	48,068	119	1.004
	Liabilities	185	3,258	(12)	(82)
Forward currency contracts purchases	Assets	1,121	19,664	9	551
	Liabilities	14,295	5,554	(17)	(121)
Total fair values				**99**	**1,352**
Fair values recognized:					
- in the work in progress account				99	1,352
- in the reserves in Equity				-	-

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". The gain or loss relating to the ineffective portion is recognized in the income statement.

As of 31 December 2018, some forward currency contracts (equivalent EUR 25.923 thousand selling and EUR 15.416 thousand buying) were qualifying as 'economic hedge' with fair values booked in the work in progress account. This amount is down compared to 2017 due to the decrease in the amount of contracts denominated in USD.

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

Derivative financial instruments designated as “held for trading”		Notional or Contractual amount		Fair value	
in EUR ‘000’		31/12/2018	31/12/2017	31/12/2018	31/12/2017
Forward currency contracts sales	Assets	1,720	1,127	56	7
	Liabilities	420	958	(20)	(10)
Forward currency contracts purchases	Assets	888	4,961	4	83
	Liabilities	7,058	18,893	(83)	(435)
Fair values recognized in the statement of financial position				**(42)**	**(355)**
under "Unrealized exchange gains"				61	90
under "Unrealized exchange losses"				(103)	(445)
Fair values recognized in the income statement				**(42)**	**(355)**

Some forward currency contracts are used to hedge transactional risks on currencies (such as loans between subsidiaries within the Group) 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.

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

35. FINANCIAL ASSETS AND LIABILITIES

in EUR ‘000’	31/12/2018		31/12/2017		
	Book value	Fair value	Book value	Fair value	Hierarchy of fair values
Financial Assets					
Cash and cash equivalents	34,782	34,782	50,246	50,246	Niveau 2
Available-for-sale financial assets	189	189	189	189	Niveau 3
Loans and receivables (Note 36)	127,851	127,851	141,825	141,825	Niveau 2
Derivative financial assets	329	329	3,273	3,273	Niveau 2
	163,152	**163,152**	**195,533**	**195,533**	
Financial Liabilities					
Borrowings at amortized cost	57,354	57,354	84,304	84,304	Niveau 2
Senior bonds	55,160	26,201	55,000	26,675	Niveau 1
Other payables	90,782	90,782	86,784	86,784	Niveau 2
Derivative financial liabilities	272	272	2,418	2,418	Niveau 2
	203,568	**174,609**	**228,506**	**200,181**	

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 47.50 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.

Le tableau suivant présente les actifs et passifs financiers consolidés de toutes les filiales exprimés dans d’autres devises que leur devise fonctionnelle ainsi que les engagements fermes dans ces autres devises (contrats à facturer, commandes signées) et enfin, les instruments financiers qu’elles ont conclus pour réduire leur exposition par rapport à ces devises :

in EUR ‘000’	31/12/2018				31/12/2017			
	USD	GBP	Other currencies	Total	USD	GBP	Other currencies	Total
thereof financial assets	105,062	1,109	12,663	118,834	96,484	1,235	22,542	120,262
thereof financial liabilities	(86,920)	(58)	(14,546)	(101,525)	(87,752)	-	(27,422)	(115,175)
Gross balance sheet exposure	**18,142**	**1,051**	**(1,883)**	**17,310**	**8,732**	**1,235**	**(4,880)**	**5,087**
Gross exposure from firm commitments	82,470	10	(15,317)	67,163	109,143	(77)	(30,713)	78,352
Derivative financial instruments	(11,072)	(648)	15,512	3,792	(24,109)	(1,127)	14,595	(10,641)
Net exposure	**89,540**	**413**	**(1,688)**	**88,264**	**93,766**	**31**	**(20,998)**	**72,799**

In absolute value, the amount of net exposure in other currencies as of 31 December 2018 decreased versus 2017 due to lower expected purchased in CNY for the AQS activity. The exposure in the other currencies is relatively stable over the year in question.

Most derivatives hedging the foreign exchange rate on US dollar are FX forward contracts whose maturity does not exceed 1 month.

Sensitivity to market rates	31/12/2018	31/12/2017
% variation of the EURO	10%	10%
Impact on current year P&L	1,731	509
Impact on future cash flows	8,826	7,280
Impact of CCIRS on equity	-	-

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 1.731 thousand on the income statement of the current year and EUR 8.826 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).

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:

Instruments financiers dérivés qualifiants	31/12/2018		31/12/2017	
in EUR '000'	**Average rate**	**Principal**	**Average rate**	**Principal**
Fixed Rate				
Financial liabilities	5.5%	55,000	5.5%	55,000
Variable Rate				
Financial liabilities	4.93%	57,513	3.2%	84,304
	5.21%	**112,513**	**4.11%**	**139,304**

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 rate	31/12/2018	31/12/2017
bp change	10%	10%
Impact on P&L	58	84
IRS hedging effect	-	-
Net Profit or (loss)	**58**	**84**

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 58 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 credit risk by entity is followed up on a monthly basis. A consolidated report of the evolution of this risk is prepared and presented to the Executive Committee.

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 over 3 months	Due 2-3 months	Due 1-2 months	Current	Not due
As of 31 December 2018	133,383	24,834	11,859	8,816	25,858	62,016
As of 31 December 2017	141,825	41,814	199	9,529	38,313	51,970

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 international commercial terms) cause an exposure to non-OECD risks.

Provisions for doubtful receivables have evolved as follows during the last two years.

in EUR '000'	31/12/2018	31/12/2017
Balance at beginning of the year	**(12,208)**	**(16,676)**
Amounts written off during the year	(570)	(1,488)
Amounts recovered during the year	1,408	553
Other (forex, transfer,...)	1,319	5,403
Balance at end of the year	**(10,051)**	**(12,208)**
Net impairment on receivable in P&L	839	(935)

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'	31/12/2018	31/12/2017
Cash and cash equivalents	34,782	50,246
Total liquidity	**34,782**	**50,246**
Short term financial debt & current portion of long term financial debt	(28,554)	(65,348)
Long term financial debt	(83,959)	(73,956)
Total financial debt	**(112,513)**	**(139,304)**
Net liquidity	**(77,731)**	**(89,058)**

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
Loans from Banks	49,870	23,953	-	25,918	-	-
Obligations under finance leases	1,945	190	191	277	786	501
Other financial liabilities	60,698	3,956	-	56,742	-	-
Trade and other Payables	107,556	76,107	20,991	6,720	2,255	1,483
Derivative financial liabilities	(57)	(57)	-	-	-	-
	220,012	**104,149**	**21,182**	**89,657**	**3,041**	**1,984**

Most of the bank borrowings are linked to the revolving credit facility maturing in 2020 and to the factoring program with partial recourse that were implemented in 2017.

The other financial liabilities relate to the EUR 55.000 thousand senior bonds issued in 2014 and maturing in 2020.

The "Trade and other payables" amounting to EUR 90.782 thousand at year end 2018 differ from the amount reported on the Statement of financial position 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 manages 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 will start soon discussions with its different partners to refinance the existing debt under the best conditions. For more information, refer to notes 32 and 46.

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'	31/12/2018	31/12/2017
Trade Receivables third parties	33,556	50,915
Trade Receivables intercompany	85,871	67,385
Financial Investment	264,791	276,487
Financial Assets	11,410	12,949
Total	**395,629**	**407,736**

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 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 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	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Amounts due for finance leases				
within one year	424	636	381	583
in the second to fifth years inclusive	1,191	1,437	1,063	1,313
after more than 5 years	508	659	501	637
Sub-total	**2,123**	**2,732**	**1,945**	**2,533**
Less: future finance charges	(178)	(199)	N/A	N/A
Present value of lease obligations	**1,945**	**2,533**	**1,945**	**2,533**
Less: Amounts due for settlement within one year			(381)	(583)
Non-current finance leases debts			**1,564**	**1,950**

The average lease term for the obligations on finance lease is 4,67 years. The average weighted interest rate is 2,13%. 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'	31/12/2018	31/12/2017 retraité
Minimum lease payments under operating leases recognized as an expense during the year	4,990	4,945
Minimum lease payments due for operating leases :	-	-
within one year	4,304	3,903
in the second to fifth years inclusive	9,555	9,797
after more than five years	3,559	279
Total	**17,417**	**13,979**

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'	31/12/2018	31/12/2017
Documentary credit / SBLC import	14,005	4,192
Bank guarantees	155,680	227,698
Insurance bonds	26,709	25,041
Total	**196,394**	**256,932**

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 229.808 thousand at 2018 year end versus EUR 260.100 thousand at 2017 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. As of 31 December 2018, the Group had EUR 47.500 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 26.709 thousand this year versus EUR 25.041 thousand in 2017.

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'	31/12/2018	31/12/2017
Commitment of good project execution	-	182
Bank guarantees	-	48
Total	**-**	**229**

The commitments for which payment is likely are recorded as liabilities.

40. CONTINGENT LIABILITIES

No new significant litigation occurred in 2018. 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 cannot 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 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 cannot 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.

FSMA

A transactional agreement was concluded between the FSMA and Hamon in June 2018, as published on the FSMA website; this concerns an old procedure launched by the FSMA on the conditions governing the publication of information relating to the exceptional processing of an accounting error in the subsidiary Hamon D'Hondt which occurred in August 2014.

This agreement concluded with the FSMA makes it possible to finally put an end to this old procedure. For more information about the factual elements of the procedure, please refer to the document published on the FSMA website.

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 31/12/18	Purchases				Revenues				Financial		
in EUR '000'	of goods	of services	lease of assets	management fees	of goods	of services	royalties	Capital gains	expense	income	dividends
Controlling shareholder and other entities directly and indirectly controlled by the controlling shareholder	-	-	-	-	-	-	-	-	-	-	-
Other shareholders with significant influence	-	-	-	-	-	-	-	-	-	-	-
Associates	-	-	-	-	879	48	-	-	(80)	-	-
Other related parties	(224)	-	-	-		-	-	-	-	2	-

Balance sheet as of 31/12/2018

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	-	-	(28,852)	(16)
Other shareholders with significant influence	-	-	-	-
Associates	1,506	7,067	-	(1,761)
Other related parties	53	118	-	(54)

Income statement as of 31/12/18	Purchases				Revenues				Financial		
in EUR '000'	**of goods**	**of services**	**lease of assets**	**management fees**	**of goods**	**of services**	**royalties**	**Capital gains**	**expense**	**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 31/12/2018				
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. INVESTMENT IN ASSOCIATES AND JOINT-VENTURES & MINORITY INTERESTS

A/ Information about material associates and joint-ventures

At 31 December 2018, financial statements of Hamon include the following material associates and joint-ventures:

in EUR '000'	31/12/2018	31/12/2017
Esindus SA – held at 38.89%	3,020	3,363
Hamon Shriram Cotrell Ltd – held at 50%	(836)	(441)
Hamon Cooling Towers Co – held at 50%	621	579
Investment in associates and joint ventures	**2,805**	**3,501**
Other investments	121	34
Total investment in associates and joint ventures	**2,927**	**3,535**

At 31 December 2018, the net carrying amount of the other investments in associates and joint-ventures amounts to EUR 121 thousand. The financial information related to those associates and joint-ventures are not material.

Hereunder the 2018 IFRS financial statements of the associates and joint-ventures:

Esindus SA

in EUR '000'	31/12/2018	31/12/2017
Non-current assets	787	1,525
Current assets	25,133	23,035
Non-current liabilities	(1,355)	(1,816)
Current liabilities	(17,216)	(14,512)
Equity	**7,350**	**8,231**
% of interest	39%	39%
Share held in equity	2,858	3,201
Goodwill (incl. currency impact)	162	162
Carrying amount of equity method	**3,020**	**3,363**
Revenue	30,731	24,876
Cost of sales	(23,235)	(19,047)
Administrative costs	(6,905)	(5,913)
Finance costs	(842)	(1,309)
Share of the profit (loss) of associates and joint ventures	(36)	(3)
Income taxes	(121)	17
Net result	**(407)**	**(1,380)**
% of interest	39%	39%
Share held in net result	(158)	(537)
Goodwill	-	(5,411)
Net result of equity method	**(158)**	**(5,948)**

Esindus SA was acquired in 2018 and is held at 39%. An interim dividend has been paid out in 2018. The purchase price allocation on assets and liabilities, at their fair value, was accounted for in 2016. An impairment was accounted for in 2017 to adjust the value of the investment to the fair value of the invested capital.

Hamon Shriram Cottrell Ltd:

in EUR '000'	31/12/2018	31/12/2017
Non-current assets	3,538	4,302
Current assets	15,047	14,984
Non-current liabilities	(1,229)	(659)
Current liabilities	(19,490)	(20,074)
Equity	**(2,135)**	**(1,448)**
% of interest	50%	50%
Share held in equity	(1,068)	(724)
Goodwill (incl. currency impact)	232	283
Carrying amount of equity method	**(836)**	**(441)**
Revenue	7,816	6,166
Cost of sales	(5,790)	(5,993)
Administrative costs	(1,300)	(2,182)
Finance costs	(1,518)	(1,059)
Net result	**(793)**	**(3,069)**
% of interest	50%	50%
Share held in net result	(397)	(1,534)
Goodwill	-	(1,721)
Net result of equity method	**(397)**	**(3,255)**

Hamon Shriram Cottrell Ltd is held at 50 % by the Group in 2018 and 2017. No dividend has been paid out in 2018 and 2017. The company undertook the necessary actions to refocus its commercial activity and reduce their G&A expenses. This led to a reduction of the loss in 2018.

The Group is finalizing the acquisition of the shares held by the partner in 2019.

Hamon Cooling Towers Co:

in EUR '000'	31/12/2018	31/12/2017
Non-current assets	41	41
Current assets	5,317	3,728
Non-current liabilities	-	-
Current liabilities	(4,116)	(2,611)
Equity	**1,242**	**1,158**
% of interest	50%	50%
Share held in equity	621	579
Carrying amount of equity method	**621**	**579**
Revenue	3,328	3,979
Cost of sales	(2,589)	(3,278)
Administrative costs	(711)	(679)
Net result	**28**	**22**
% of interest	50%	50%
Share held in net result	14	11
Net result of equity method	**14**	**11**

Hamon Cooling Towers Co is held at 50 % by the Group in 2018 and 2017. No dividend has been paid out in 2018 and 2017.

B/ Information about material subsidiaries with minority shares

The Group financial statements at 31 December 2018 include subsidiaries with minority shares, mainly

- Hamon Research Cottrell (HK) Ltd (owned at 80% in 2018 and 2017). 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.
- Scope 37 SAS (French company acquired in October 2018 and held at 50%). The main activity of the company is the provision of manpower dedicated to maintenance operations within nuclear power plants in France. The group consolidates Scope 37 by full integration because it considers having de facto control on this subsidiary due to some facts and circumstances, such as its 50% participation, the existence of an agreement to sell the remaining 50% and the fact that Hamon is one the main customer of Scope 37.

Hamon Research Cottrell HK Ltd

in EUR '000'	31/12/2018	31/12/2017
Non-current assets	118	193
Current assets	9,215	4,000
Non-current liabilities	-	0
Current liabilities	(9,514)	(4,877)
Equity	**(180)**	**(685)**
Group share	(144)	(548)
Third party share	(36)	(137)
Revenue	13,159	3,816
Cost of sales	(12,035)	(4,005)
Administrative costs	(521)	(1,364)
Finance costs	(84)	(57)
Income taxes	-	(183)
Net result	**518**	**(1,793)**
Group share	415	(1,435)
Third party share	104	(359)
Operating cash flow	261	956
Investing cash flow	(19)	-
Financing cash flow	(85)	(89)
Other	-	(1,106)
Net variation of cash	**157**	**(148)**

Scope 37 SAS

in EUR '000'	31/12/2018
Non-current assets	37
Current assets	2,879
Non-current liabilities	-
Current liabilities	(1,354)
Equity	**1.561**
Group share	781
Third party share	781
Revenue	2,339
Cost of sales	(2,013)
Administrative costs	(168)
Finance costs	-
Income taxes	(20)
Net result	**138**
Group share	69
Third party share	69
Operating cash flow	140
Investing cash flow	-
Financing cash flow	-
Net variation of cash	**140**

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 31 December 2017	
Opening balance	**20,683**
Disposed during the year (TTC)	(19,937)
Transfer between accounts	21,991
Remeasurement to fair value less cost to sell	(10,995)
Currency translation (TTC)	(746)
Closing balance	**10,996**
For the period ending 31 December 2018	
Opening balance	**10,996**
Disposed during the year	(10,996)
Transfer between accounts	-
Remeasurement to fair value less cost to sell	-
Currency translation	-
Closing balance	**-**

Liabilities associated with assets held for sale and discontinued operations:

in EUR '000'	
For the period ending 31 December 2017	
Opening balance	**7,070**
Disposed during the year (TTC)	(7,070)
Transfer between accounts	10,996
Remeasurement to fair value less cost to sell	5,000
Currency translation	-
Closing balance	**15,996**
For the period ending 31 December 2018	
Opening balance	**15,996**
Disposed during the year	(13,976)
Transfer between accounts	(11,500)
Remeasurement to fair value less cost to sell	9,480
Currency translation	-
Closing balance	**-**

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), ETP LLC (25% - Russia) and Hamon D'Hondt Middle East Company Ltd. (40% - Saudi Arabia).

As of 31 December 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.

As a reminder in 2017, Thermal Transfer Corporation (« TTC ») was sold to Wabtec Corporation for a cash consideration of EUR 29,9 million, generating a gain on disposal of EUR 20,1 million.

At 31 December 2018, « PHE » was sold and the last costs associated with the disposal were accounted for. The results of this activity for 2018 and 2017 are presented hereunder:

Income statement of discontinued business in EUR '000'	2018	2017
Revenue	22,361	54,399
Cost of sales	(21,105)	(58,421)
Gross profit	**1,256**	**(4,022)**
Operating and non-recurring income and expense	(823)	(30,146)
Financial charge	(600)	(103)
Share of the result of associates and joint ventures	(451)	(1,022)
Impairment loss on remeasurement to fair value less cost to sell	(9,480)	(15,995)
Profit before tax of discontinued business	**(10,097)**	**(51,288)**
Tax charge related to the activity of the period	156	3,268
Profit after tax of discontinued business	**(9,941)**	**(48,020)**

In 2017, 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.

The main categories of assets and liabilities of « PHE » classified as a group held for sale are the following, at 31 December 2017:

Statement of financial position of discontinued business in EUR '000'	2017
Non-current assets	363
Debtors	23,927
Cash	2,127
Investment in associates and joint ventures	(4,426)
Remeasurement to fair value less cost to sell	(10,995)
Assets held for sale	**10,996**
Creditors	8,921
Financial liabilities	2,075
Other liabilities associated with assets held for sale	5,000
Liabilities associated with assets held for sale	**15,996**

Summarized cash flow statement of discontinued business in EUR '000'	2018	2017
Operating cash flow	931	(16,959)
Investing cash flow	(977)	(1,499)
Financing cash flow	(1,827)	4,435
Net variation of cash	**(1,873)**	**(14,023)**

Net loss of discontinued business in EUR	2018	2017
Earnings per share	(0.09)	(2.12)

44. MANAGEMENT COMPENSATION

The table below details the remuneration (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 2017 and 4 members in 2018.

in EUR '000'	31/12/2018	31/12/2017
Fixed remuneration	1,428	2,024
Variable remuneration	-	-
Short term benefits	95	155
Sub-total	**1,523**	**2,179**
Long term benefits	77	427
Total	**1,600**	**2,606**

Furthermore, the total remuneration granted to the non-executive directors during the year 2018 amounted to EUR 263 thousand. 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 Region	2018	2017
America	193	215
Asia	372	455
EMEA	344	375
Corporate & Others	58	149
Total	**967**	**1,194**

The decrease of headcount is due to the costs saving plan at Group level.

46. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

No event after balance sheet date was noted.

47. AUDITOR'S FEES

For the entire Group, the fees paid to the auditor and its network (EY) amount to EUR 872.007 for 2018. They are broken down as follows:

in EUR	Exercice 2018	Exercice 2017
Fees linked to the audit of statutory and consolidated accounts performed by the auditor	727,287	749,400
Other services rendered by the auditor	65,220	148,860
Other services rendered by companies linked to the auditor	-	34,500
Tax assistance services rendered by companies linked to the auditor	79,500	50,000
	872,007	**982,760**

The other services rendered by the auditor mainly concerns the reports and analysis related to the Group refinancing of December 2017 and January 2018, as approved by the audit committee.

48. ALTERNATIVE PERFORMANCE INDICATORS

Non-recurring items

in EUR '000'	31/12/2018	31/12/2017
Restructuring costs	(3,954)	(5,717)
Other non-recurring items	538	8,681
Non-recurring items	**(3,415)**	**2,963**

REBITDA

in EUR '000'	31/12/2018	31/12/2017
Operating profit (EBIT)	(3,736)	(20,778)
Non-recurring items	3,415	(2,963)
Depreciation	5,269	6,568
REBITDA	**4,949**	**(17,173)**
REBITDA of discontinued activities (Brazil, South Africa and ACS)	(2,316)	(8,020)
REBITDA before discontinued activities	**7,264**	**(9,153)**

Recurring EBIT

in EUR '000'	31/12/2018	31/12/2017
Operating profit (EBIT)	(3,736)	(20,778)
Non-recurring items	3,415	(2,963)
Recurring operating profit (REBIT)	**(321)**	**(23,741)**

Net finance costs

in EUR '000'	31/12/2018	31/12/2017
Interest expenses	(11,773)	(14,892)
Interest income	1,530	87,099
Net finance cost	**(10,242)**	**72,206**

Working Capital

in EUR '000'	31/12/2018	31/12/2017
Current assets	239,615	289,041
Cash & cash equivalents	(34,782)	(50,246)
Current liabilities	(196,773)	(280,670)
Financial liabilities	30,878	65,348
Working Capital	**38,938**	**23,473**

Autres actifs non-courants

in EUR '000'	31/12/2018	31/12/2017
Non-current assets	72,807	76,323
Deferred tax assets	7,839	9,090
Other non-current assets	**64,968**	**67,233**

Other non-current assets

in EUR '000'	31/12/2018	31/12/2017
Derivative financial assets	329	3,273
Current tax assets	5,753	5,952
Available for sale financial assets	-	10,996
Other current assets	**6,082**	**20,221**

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.
REBITDA	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 operating profit (REBIT)	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 Statement of financial position and subject to fluctuations.
Other current assets	Sum of current derivative financial assets, current tax assets and available-for-sale financial assets.	Simplify the Statement of financial position 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 23 April 2019, 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. 1. STATUTORY INCOME STATEMENT

in EUR '000'		31/12/2018	31/12/2017
I. Operating revenues		**18,867**	**20,706**
A.	Turnover	13,442	14,518
B.	Other operating revenues	5,425	6,189
II. Operating expenses (-)		**15,525**	**14,393**
A.	Cost of sales	-	-
B.	Services and other goods	8,059	7,173
C.	Remuneration	3,826	3,502
D.	Depreciation and amortization	1,995	1,740
E.	Impairment charge	-	890
F.	Increase (decrease) in provisions for liabilities and charges	-	(105)
G.	Other operating expenses	67	103
H.	Non-recurring charges	1,578	1,089
III. Operating income		**3,342**	**6,314**
IV.	**Financial income**	**25,423**	**101,762**
A.	Recurring financial income	25,423	21,613
B.	Non-recurring financial income	-	80,149
V.	**Financial charge**	**(65,460)**	**(218,084)**
A.	Recurring financial charge	(28,425)	(33,622)
B.	Non-recurring financial charge	(37,035)	(184,461)
IX. Net operating income before tax		**(36,696)**	**(110,008)**
A.	Income taxes	(56)	(3)
X. Net income		**(36,752)**	**(110,011)**

The company shows an operating result of EUR 3,3 million (EUR 6,3 million in 2017), a decrease due to the resizing of the Group and therefore reduced services to its subsidiaries and to higher non-recurring operating charges.

The company reviews the book values of its investments each year. When these values are higher than the estimated market value, it recognizes write-downs on the carrying amount of these investments. Due to the expected evolution of the results of certain subsidiaries, write-downs of EUR 4,5 million (EUR 53,1 million in 2017) in equity investments have been recognized.

The company also assesses the ability of subsidiaries to repay intra-group financial claims. This exercise resulted in write-downs totaling EUR 7,5 million (EUR 122,2 million in 2017).

Provisions for liabilities and charges, amounting to EUR 22,4 million compared to EUR 9,5 million in 2017, are set to cover commitments related to the interruption of activities in South Africa and Brazil, as well as other risks related to subsidiaries of the Group.

Finally, the last costs associated with the definitive disposal of PHE were accounted for in 2018 for a total of EUR 11,5 million.

These various expenses, write-downs on equity investments and on intra-group financial claims, new provisions for liabilities and charges and the last cost associated with the disposal of PHE, were included in non-recurring interest charges for an amount of EUR 37 million.

Beside the impact of the non-recurring interest charges for EUR 37 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.

Financial income mainly includes, interest on loans granted to subsidiaries, and positive exchange rate differences.

The company closes the year with a negative result of EUR 36,8 million.

2. STATUTORY STATEMENT OF FINANCIAL POSITIONS

in EUR '000'		31/12/2018	31/12/2017
Fixed assets		**132,523**	**135,119**
I.	Formation expense	4,165	5,285
II.	Intangible assets	4,375	3,568
III.	Tangible assets	239	343
IV.	Financial assets	123,745	125,923
Current assets		**104,038**	**90,690**
V.	Amounts receivable after one year	202	224
VII.	Amounts receivable within one year	102,557	89,089
VIII.	Short term deposits	-	75
IX.	Cash at bank and in hands	758	672
X.	Deferred charges and accrued income	521	630
Total assets		**236,561**	**225,808**
Equity		**45,783**	**35,268**
I.	Capital	35,171	6,811
II.	Share premium	109,995	91,089
IV.	Reserves	11,569	11,853
V.	Retained earnings	(110,952)	(74,484)
Provisions and deferred taxes		**22,422**	**9,464**
Amounts payable		**168,356**	**181,076**
VIII.	Amounts payable after more than one year	87,627	75,557
IX.	Amounts payable within one year	77,706	102,326
X.	Accrued charges and deferred income	3,022	3,193
Total liabilities and equity		**236,561**	**225,808**

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 45,8 million, increasing by EUR 10,5 million resulting from the combined effect of the negative result of the year and the capital increase of February 2018.

A provision of EUR 22,4 million has been set aside to cover closing costs for subsidiaries in Brazil and South Africa, as well as other risks related to subsidiaries of the Group.

The short-term financial debt consists mainly of 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 amounting to EUR 26,9 million at 31 December 2018.

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Rapport du commissaire à l'assemblée générale de Hamon & Cie (International) SA pour l'exercice clos le 31 décembre 2018

Conformément aux dispositions légales et statutaires, nous vous faisons rapport dans le cadre de notre mandat de commissaire de la société Hamon & Cie (International) SA (« la Société ») et de ses filiales (conjointement « le Groupe »). Ce rapport inclut notre opinion sur l'état de la situation financière consolidé au 31 décembre 2018, 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 de l'exercice clos le 31 décembre 2018 ainsi que les annexes formant ensemble les « Comptes Consolidés », et inclut également notre rapport sur d'autres obligations légales et réglementaires. Ces rapports constituent un ensemble et sont inséparables.

Nous avons été nommés commissaire par l'assemblée générale du 24 avril 2017, conformément à la proposition de l'organe de gestion émise sur recommandation du comité d'audit et sur présentation du conseil d'entreprise. Notre mandat vient à l'échéance à la date de l'assemblée générale qui délibérera sur les Comptes Consolidés au 31 décembre 2019. Nous avons exercé le contrôle légal des Comptes Consolidés durant 2 exercices consécutifs.

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 2018, 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 et les annexes, dont le total l'état de la situation financière consolidé s'élève à € 312,421 (000) et dont l'état du résultat global consolidé se solde par une perte de l'exercice de € 25,287 (000).

A 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 2018, ainsi que de ses résultats consolidés et de ses flux de trésorerie consolidés pour l'exercice clos à cette date, 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 réserve

Nous avons effectué notre audit selon les normes internationales d'audit (International Standards on Auditing - « ISAs »). Les responsabilités qui nous incombent en vertu de ces normes sont plus amplement décrites dans la section « Nos responsabilités pour l'audit des Comptes Consolidés » du présent rapport.

Nous nous sommes conformés à toutes les exigences déontologiques qui sont pertinentes pour notre audit des Comptes Consolidés en Belgique, y compris celles relatives à l'indépendance.

Nous avons obtenu de l'organe de gestion et des préposés de la Société, les explications et informations requises pour notre audit et nous estimons que les éléments probants recueillis sont suffisants et appropriés pour fonder notre opinion.

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Rapport du commissaire du 22 mars 2019 sur les Comptes Consolidés de Hamon & Cie (International) SA pour l'exercice clos le 31 décembre 2018 (suite)

Paragraphe d'observation sur la Note 3 "Justification du principe de continuité d'exploitation" 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 "Justification du principe de continuité d'exploitation", qui indique que les covenants liés au crédit syndiqué ont été respectés au 31 décembre 2018, notamment au niveau du REBITDA (« Recurring Earnings Before Interests, Taxes, Amortization and Depreciation »). La Note commente également les perspectives 2019. Enfin, la Note décrit que les discussions viennent de commencer dans le cadre du refinancement du crédit syndiqué et de l'emprunt obligataire qui viennent à échéance en janvier 2020.

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 incertitude significative requiert, selon l'ISA 570, l'ajout d'un paragraphe d'observation compte tenu des circonstances décrites à la Note 3.

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 de la période en cours.

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 de l'audit

Au 31 décembre 2018, les Comptes Consolidés comprennent des goodwills pour un montant de € 30 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 mises en œuvre

- 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 la fiabilité des prévisions du Groupe par comparaison à des données historiques ainsi que par l'analyse de sensibilité des prévisions.
- 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 de l'audit

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

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direction pour estimer l'avancement et les coûts totaux des contrats.

Résumé des procédures d'audit mises en œuvre

- Obtenir une compréhension du processus de reconnaissance des revenus.
- Revoir les composantes significatives des coûts et revenus totaux par contrat pour un échantillon significatif 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 significatif de projets en cours avec des projets similaires clôturés.
- Pour les projets sélectionnés, 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'impact sur les contrats.
- Réaliser des procédures de revue analytique par comparaison des résultats par contrat avec l'année précédente.
- Evaluer le caractère complet et approprié des informations fournies dans les annexes aux Comptes Consolidés en concordance avec la norme IFRS 15.

Activités abandonnées

Description du point clé de l'audit

Au cours de 2017, dans le cadre du plan de transformation, un série d'actions ont été prises dont la cession de la business unit Process Heat Exchanger ("PHE"). Le 21 décembre 2018, PHE a été vendu à des investisseurs tiers. PHE étant un segment important, la direction a reconnu les résultats 2017 et de 2018 de ce segment en résultat des activités abandonnées. Nous estimons que la sortie de PHE du périmètre de consolidation est un point clé de l'audit compte tenu de exigences spécifiques des IFRS qui doivent être rencontrées pour cette classification et l'impact de cette présentation dans le compte de résultats.

Résumé des procédures d'audit mises en œuvre

- Analyser le contrat de cession et s'assurer que l'ensemble des clauses contractuelles ont été correctement reflétées dans les états financiers.
- Evaluer l'impact de la sortie du périmètre de consolidation de PHE sur les états financiers et le compte de résultats.
- 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 ainsi du 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, 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. L'assurance raisonnable correspond à un niveau élevé

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d'assurance, qui ne garantit toutefois pas qu'un audit effectué selon les normes ISAs 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 ISAs, 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 rapport du commissaire. Néanmoins, des événements ou des situations futures pourraient conduire la Société ou le Groupe à cesser son exploitation;
- évaluer 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.

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.

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Rapport du commissaire du 22 mars 2019 sur les Comptes Consolidés de Hamon & Cie (International) SA pour l'exercice clos le 31 décembre 2018 (suite)

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 la déclaration non financière annexée à celui-ci, 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 relatifs au rapport de gestion et aux autres informations contenues dans le rapport annuel

A notre avis, après avoir effectué nos procédures spécifiques sur le rapport gestion, le rapport de gestion concorde avec les Comptes Consolidés et ce rapport de gestion 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 et Revue par business unit) 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.

L'information non financière requise par l'article 119, § 2 du Code des sociétés est reprise dans la section Développement durable du rapport annuel. 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'ont pas effectué de missions incompatibles avec le contrôle légal des Comptes Consolidés et nous sommes restés indépendants 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 à l'article 11 du règlement (UE) n° 537/2014.

Diegem, le 22 mars 2019

Ernst & Young Réviseurs d'Entreprises SCRL
Commissaire
Représentée par

Vincent Etienne
Associé*
* Agissant au nom d'une SPRL

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GLOSSARY

• AQS •

Air Quality Systems or flue gas treatment

• BANK GUARANTEES •

guarantees given by a bank for a certain amount and over a fixed period, when contracts are sold and executed. Main categories: advance payment bond, performance bond, and warranty bond.

• COOLING SYSTEM IN THE CONTEXT OF POWER GENERATION •

in a traditional power plant generating electricity, water is heated and transformed into high pressure steam. This 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 in a surface condenser through indirect contact between the steam and cold water running through the cooling circuit. This 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, abbreviated to NOx, from waste gases.

• DeSOx •

elimination of sulphur oxides, abbreviated to SOx, 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.

• 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.

• FCCU (FLUID CATALYTIC CRACKER UNIT) •

Fluid catalytic cracking transforms mainly gasoil in a vacuum from the crude distillation unit into basic petrol and crude oil. It is used to break down the heaviest, most complex hydrocarbons into lighter products.

• 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 Companies 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. The 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.

• 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.

• ORDER BOOK •

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.

• ORDERS BOOKED •

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.

• REBITDA •

EBIT before depreciation & amortization and non-recurring elements.

• 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. The 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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• ANY COMMENT ON THIS ANNUAL REPORT? •

Please send comments to Michèle Vrebos
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• RESPONSIBLE PUBLISHERS •

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