

2019

ANNUAL REPORT

INTEGRATED SOLUTIONS
FOR A CLEAN ENVIRONMENT





PROFILE

The Hamon Group is a global player in the field of engineering and contracting (engineering, construction and project management).

Its activities lie at the heart of the environmental protection.

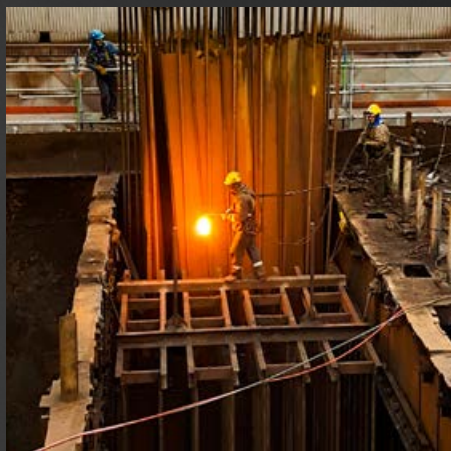
Hamon designs, manufactures, installs and maintains equipment, developing and using the best technologies available.

In this way, Hamon contributes towards improving energy efficiency and reducing the environmental impact of its customers: electric power plants and industries.

Whatever the location and the installation (cooling systems, air pollution control systems, heat recovery systems), Hamon always puts forward sustainable and socially responsible solutions.



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MISSION, VISION, VALUES



OUR VISION

To provide our customers with the best technologies, products and services at competitive prices.

Hamon aims at offering sustainable solutions for every sector of industry, ensuring and developing a relationship of trust with its customers and stakeholders so as to promote long-term growth. We are committed to achieving the highest level of excellence, integrity and professionalism.

OUR MISSION

- **To develop new technologies and to design, install and provide aftermarket services** for efficient installations for cooling systems, air pollution control systems, heat recovery systems and chimneys.
- **To fulfil our commitments** and create added value.
- **To improve the performance** of our customers in the sectors of electricity generation, refineries and other heavy industries, such as glass, steel and chemicals.
- **To carry out all our projects** on time and within budget, in accordance with the customer's specifications.
- **To provide high-quality services** in all our areas of activity, ensuring the satisfaction and development of our staff and protection of the environment, while offering our shareholders confidence and profitability.

OUR VALUES

- **Integrity** – We attach great importance to fairness and ethics, a mark of success in business.
- **Respect for the individual, the customer, the environment and diversity.** We respect the Universal Declaration of Human Rights and aim to maintain quality relationships with others; we integrate cultural diversity into our working relations with our partners, teams and local communities; we hold respect for the environment at the heart of our activities.
- **Focus on the customer** – We aim to achieve customer satisfaction. We recognize that they are the key to our success; we commit to listen to them and respond positively to their needs.
- **Flexibility** – We value responsiveness towards our customers and among ourselves; we adapt flexibly to new situations and priorities.
- **Team spirit** – We value collaboration and a sense of partnership, sharing information and commitment between parties. We explore new ways of developing and improving our activity by adopting a proactive team spirit attitude geared to constant development. We dare to ask for support, delegate, set priorities and focus our efforts where needed.
- **Excellence** – We seek to achieve and maintain the highest levels of excellence and professionalism among our staff and in the products and services we provide to our customers while keeping our sights set on our targets and responsibilities.





OPERATING STRATEGY

THREE REGIONS, ONE DYNAMIC

As of 2017, a new matrix- and region-based organizational structure of the Group was introduced with the creation of three separate regions: EMEA, ASIA, AMERICAS.

In line with 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 centralization enables feedback which is essential for the constant improvement of processes and products.

Moreover, the cross-border approach enables easier communication, fast decision-making, greater standardization of working methods, better control and optimal responsiveness, adapted to the requirements of the markets on which Hamon operates.

The role of the subsidiaries nevertheless remains fully relevant and is central to exchanges with end users and local service providers because Hamon remains convinced that one of the keys to the success of a project is proximity with the customer.

SUPPLY CHAIN UNDER CONTROL

Perfect management of the supply chain is essential for the successful implementation of the Group's projects, particularly when these projects involve several countries or emerging countries. The various stages involved in a project are usually complex and require genuine expertise: assembly dates, schedules for site deliveries, logistics and production aspects, purchasing from suppliers, quality control, administrative constraints, etc.

In 2018, the Group put in place the 'Hamon Global Supply Chain' structure which functions as a network for worldwide supplies at the service of the purchasing managers in the Group's three business units. It aims to develop a sustainable supply chain in partnership with 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.

AN EFFICIENT AFTERMARKET SERVICE

One of the essential aspects of bringing industry into line with the principles of sustainable development is the improvement of equipment performance, whether by saving energy or cutting emissions. Once supplied, the appliances have to be regularly maintained, overhauled and subsequently modernized if they are to remain fully efficient. Backed up by its expertise in its fields of activities and its knowledge of the regulations in force, the Hamon Group has developed an efficient aftermarket service (customer service), aiming to become a key player for its customers. The activity includes inspections, monitoring, breakdown assistance, spare parts supply, maintenance work and the renovation of large-scale installations. This work is carried out on installations which may or may not have been designed by Hamon.

Over the years, Hamon has noted that customers appreciate the experience and expertise of its staff who check the processes and ensure that performance is optimal.

The construction of new installations, combined with an efficient aftermarket, enables Hamon to control the entire lifecycle of cooling or air quality infrastructures and to suggest helpful interventions, creating a balance between investment expenditure and operating costs for the customer.

From a broader perspective, aftermarket enables Hamon to be less dependent on large-scale investment projects and to access a wider market. In mature markets, the liberalization of the energy market and the consolidation of industry are prompting key players to prolong the useful life of existing installations. The energy transition and the urgent need to tackle the problem of climate change are creating uncertainty as to which technology should be preferred and at the same time providing opportunities for upgrading existing installations.

HAMON IN THE WORLD

In 2019, Hamon employed on average 1,226 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 key figures at the beginning of this annual report.

27

COUNTRIES

51

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

4

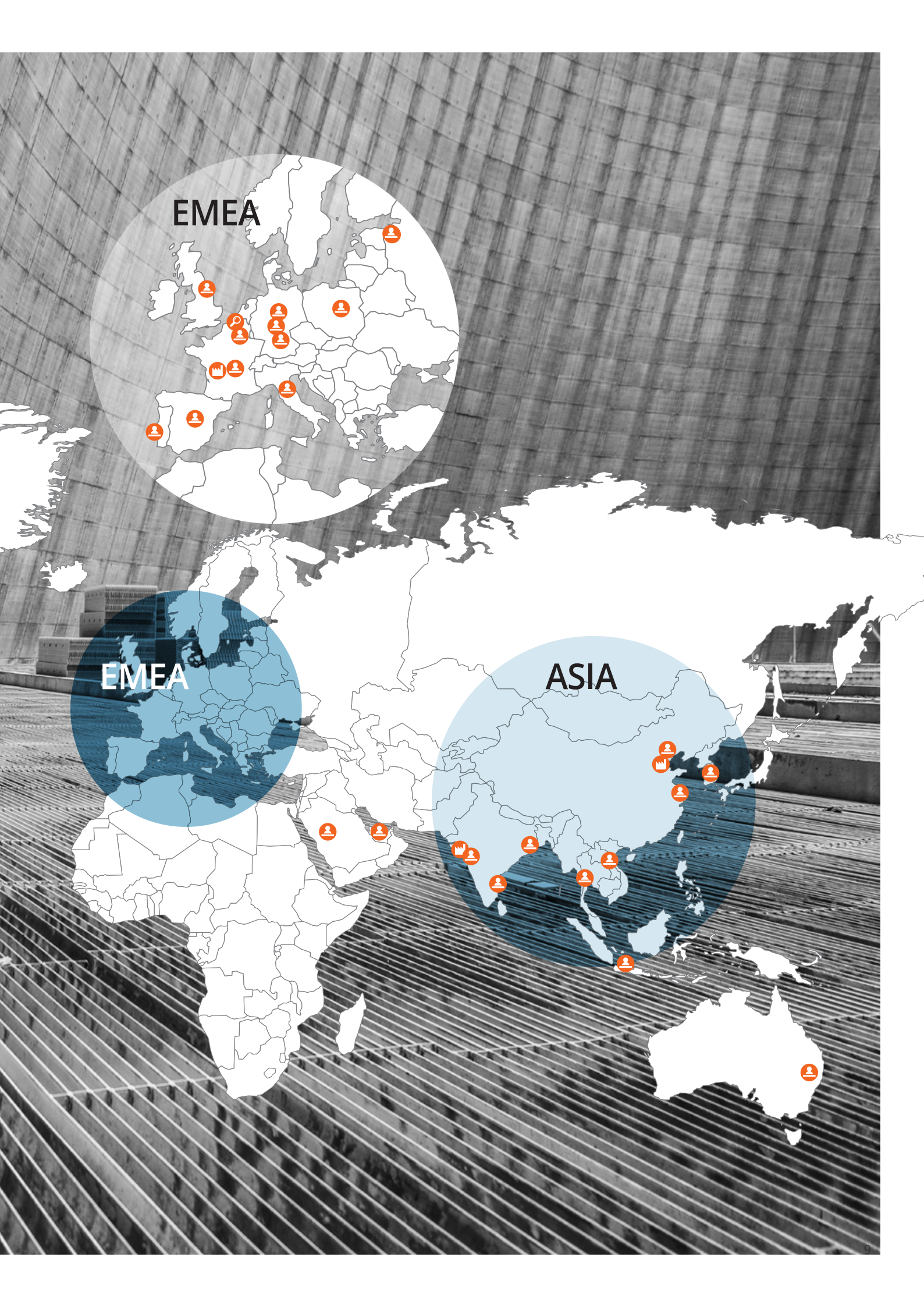
PLANTS

1

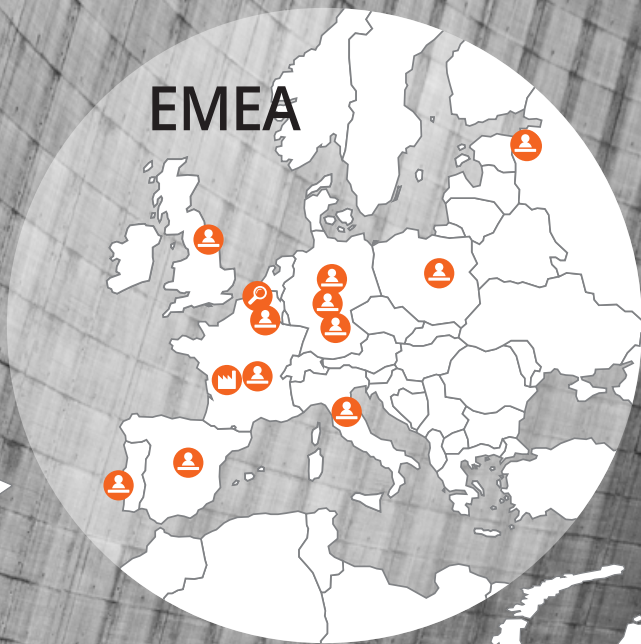
RESEARCH &
DEVELOPMENT CENTRE

AMERICAS

 Office  Plant  R&D Centre



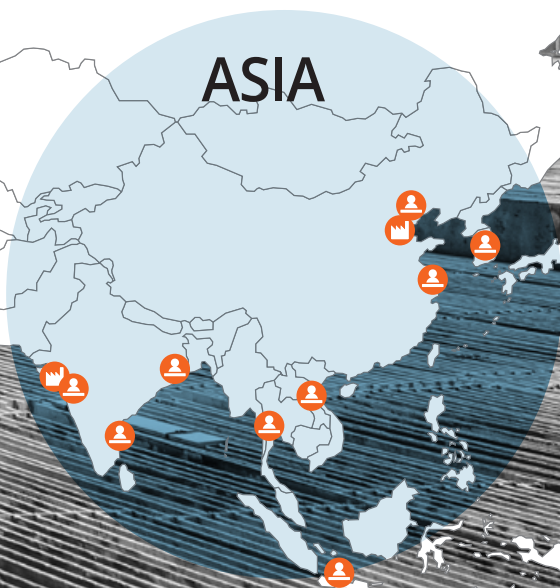
EMEA



EMEA



ASIA



MESSAGE FROM THE CHAIRMAN OF THE BOARD AND THE CEO



Dear shareholders,
Dear readers,

Although the results at the end of 2019 were mixed in operational terms, from a financial point of view the Group finalized its refinancing in December with a positive impact on the results. The Group recorded a net result, Group share, very close to break-even point (EUR -0.2 million), compared with a loss of EUR 25.5 million in 2018.

In operational terms, the turnover was below the 2018 level (-11.4%). This weak turnover may be attributed on the one hand to the small number of orders booked in the final quarter of 2018 and at the beginning of 2019 and on the other to delays in the progress made on projects. As a result, despite a good margin and a fall in our overheads, the Group was not able to maintain the EBITDA level recorded in 2018.

In commercial terms, the number of new orders booked has improved, with an increase of 5.6% in volume and a positive trend in the margin compared with 2018. This increase in the margin is due to the evolution of the mix, where the share of small projects (less than EUR 10 million) and the Customer Service activity accounts for 75% of the volume of new orders compared with 70% in 2018. In addition, the level of new orders booked in the last quarter of 2019 was very good, amounting to EUR 120 million (compared with EUR 45 million in 2018) and this positive trend was confirmed at the start of 2020.

In financial terms, the key element of the financial year was the agreement concluded with our bondholders, our banks and other creditors. This agreement includes a substantial reduction in our bond debt, the transformation of part the debts into subordinated debts and an extension of the due date of all our debts until 2025.

This enabled us to stabilize our financial situation and attain a greatly improved net debt-to-equity ratio. This agreement was vital for the success of our operational transformation and to ensure our future growth, especially among our larger customers.

In organizational terms, we continued our efforts as regards integration, streamlining and optimization among our product lines and our geographic clusters. This enabled us to further reduce the costs of our structure while improving our overall organizational efficiency.

With our strengthened financial situation and an organization in line with the needs of the market, we believe that the first phase of our transformation is coming to an end. However, there are still many projects within the company, some of which are underway while others have yet to be started, intended to ensure the continued improvement of our competitiveness and keep the operating risks under control.

Numerous uncertainties remain. In the short term, the impact of coronavirus on activities has yet to be determined. In the longer term, the development of market conditions, mainly in the energy sector, which still accounted for 50% of our orders in 2019, could prompt the Group to redirect its strategy and its position. The management will keep an eye on these uncertainties and define any strategy adjustments that need to be made, preparing over the coming months for the 2020-2025 phase of our transformation.

These circumstances make this the ideal time to hand over the baton. This second phase in the transformation will from now on be directed by Fabrice Orban (formerly of John Cockerill), who took over from Bernard Goblet on 1 March 2020 as CEO of the group. Bernard will continue to work with us for several months to ensure a smooth, efficient transition.

The Board of Directors and all the Group's staff join us in warmly thanking Bernard Goblet and his team who have done an exemplary job throughout the past three years in an extremely challenging internal and external context.

Today, thanks to the efforts of all our staff across the world who work hard every day to make the difference for our customers, the Group again has everything it needs to write a new page in our history with confidence and serenity.

Philippe BODSON
*Chairman of the
Board of Directors*

Fabrice ORBAN
CEO

KEY FIGURES

in EUR million	2019	2018
RATIOS		
REBITDA / revenue	-0.6%	1.4%
ROCE ⁽¹⁾	-1.7%	4.4%
Net financial debt / equity ⁽²⁾	2.9	3.7
Enterprise value / EBITDA ⁽³⁾	-44.1	22.3
DATA PER SHARE (IN EUR/SHARE)		
Group share of net result	-0.02	-2.68
Net result from continued operations	-0.02	-1.63
Equity (excluding non-controlling interests)	2.5	1.9
Gross dividend	0.00	0.00
P/E (share price as at 31.12) ⁽⁴⁾	NR	NR
Average number of outstanding shares	10,657,761	9,550,641
Number of outstanding shares as at 31.12	10,657,761	10,657,761
Market capitalization as at 31.12 (EUR million)	13.3	35.2
Closing share price as at 31.12	1.25	3.30
Year average closing share price	2.814	4.91
NEW ORDER BOOKINGS	344	326
ORDER BOOK (as at 31 December)	354	339
INCOME STATEMENT		
Revenue	305.9	345.1
REBITDA ⁽⁵⁾	-1.9	4.9
EBIT (result before interest and tax)	-16.8	-3.7
Result before tax from continued operations	1.0	-14.5
Net result from continued operations	0.2	-15.3
Net result from discontinued operations	0.0	-9.9
Group share of net result	-0.2	-25.5
Cash flow ⁽⁶⁾	12.1	-23.8

in EUR million	2019	2018
BALANCE SHEET		
Non-current assets	91.6	72.8
Cash and cash equivalents	30.7	34.8
Other current assets	202.7	204.8
Total assets	325.0	312.4
Equity ⁽⁷⁾	27.2	21.0
of which non-controlling interests	0.4	0.5
Financial liabilities (current and non-current)	108.3	112.5
Other non-current liabilities	6.3	13.0
Current liabilities (excl. financial liabilities)	183.2	165.9
Total liabilities and equity	325.0	312.4
Working capital requirement ⁽⁸⁾	19.5	38.9
Net financial debts ⁽⁹⁾	77.6	77.7
Capital employed ⁽¹⁰⁾	111.1	111.7
Average workforce	981	967
Investments in associated companies and joint ventures	5.6	2.9

(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.

THE YEAR IN BRIEF



- Net result, equity holders of the company, of EUR -0.2 million in 2019, compared with a loss of EUR 25.5 million at the end of 2018;
- Signing of the global refinancing of the Group with its main creditors, enabling Hamon to secure its sources of financing until January 2025;
- Reinforcement of the Group's financial structure following the refinancing: improved ratio of senior net debt to equity and quasi-equity from 3.7x to 1.8x;
- Bookings of EUR 344 million, 5.6% higher than 2018, of which EUR 120 million in the fourth quarter;
- EBITDA before restructuring costs and other income and charges of EUR -1.94 million, compared with EUR 4.95 million in 2018;
- Return to positive operating profitability in the second half of 2019, with an EBITDA before restructuring costs and other income and charges of EUR 1.13 million.

REFINANCING

In the second half of 2019, the Hamon Group signed a global refinancing agreement comprising the following elements:

- Conversion of a part of the letters of credit line into a revolving line for EUR 14 million to bring it to EUR 56 million. This additional credit line will make it possible to refinance bank loans granted to subsidiaries at a lower cost;
- Conversion of 50% of the latter into a subordinated loan for EUR 28 million divided between EUR 14 million for the Group's banks and EUR 14 million for Sogepa. The interest rate is fixed at 5.5% of which 3.5% will be paid at maturity;
- Extension of the maturity of the bond loan to January 2025, with a 40% reduction of the amount to be repaid (EUR 22 million) and the annual coupon;
- Extension of the maturity of the syndicated loan for the revolving line and the letters of credit line remaining to January 2025.

This agreement enabled Hamon to strengthen its balance sheet structure and to perpetuate its main sources of financing for five additional years. This restructuring will enable the Group to continue to implement the transformation plan it initiated in 2017.

COMMERCIAL ACTIVITY

Despite the highly competitive markets, the Group ended 2019 with a level of orders increased by 5.6% to reach EUR 344 million. The uncertainties about the refinancing of the Group, concluded last August, weighed on Hamon's ability to sign agreements for larger projects in the first nine months of the year. Bookings accelerated in the fourth quarter to reach EUR 120 million, compared with an average of EUR 75 million in the first three quarters.

The customer service activity accounted for 25% of the bookings in 2019. The Group continues to strengthen its organization on this specific segment which offers shorter execution cycles, for a better control of risks and working capital requirements. As regards customer service, the Group is also continuing to develop its spare parts offer.

PROGRESS OF PROJECTS

Revenue was down by 11.4% compared with 2018. This is explained by the delay in the progress of certain projects, which will be caught up by 2020, and by the relative weakness of bookings in the first nine months of 2019.

Sales connected to the customer service activities hit EUR 75 million in 2019, i.e. 24.5% of turnover. The share of these activities in the consolidated turnover continues to increase, in line with the objectives of the transformation plan (+3.3% compared with 2018).

The activity continues to be well distributed between the different regions worldwide, with increasing importance of Asia which still is the market that offers the greatest potential for growth. The Americas Region remained stable, while the importance of the EMEA Region decreased by 8.2%.

OPERATIONAL RESULT

The EBITDA before restructuring costs and other income and charges amounts to EUR-1.94 million, compared with EUR 4.95 million in 2018. This can be explained by the decrease in revenue on the one hand, and by the deterioration of the margin due to the execution of certain contracts on the other. The operational performance nonetheless improved from the second half of the year and resulted in a positive EBITDA of EUR 1.13 million, thanks in particular to a better level of activities (EUR 171.98 million, compared with EUR 133.95 million in the first half).

NET RESULT

Hamon closed 2019 with a net result, equity holders of the company, of EUR -0.2 million, compared with a loss of EUR 25.5 million in 2018 (including a charge of EUR 9.9 million related to discontinued operations). The refinancing of the bond loan, which includes a EUR 22 million waiver of receivables, contributed positively to the net result of the Group amounting to EUR 28.6 million. The net result was also impacted by an increase in non-recurring charges.

BALANCE SHEET

The Group pursued its strategy of strengthening its financial structure through its refinancing. Its equity increased by 30% to EUR 27.2 million on 31 December 2019, mainly thanks to the valuation at market value of the syndicated loan that was refinanced in 2019, in accordance with IFRS 9.

The Group's net financial debt decreased slightly by 0.2%. Part of the Group's debt was moreover converted into a subordinated loan at the end of 2019 for an amount of EUR 10.1 million. This amount will be gradually increased to EUR 28 million in the course of 2020 as the refinancing agreement of debts contracted by certain subsidiaries takes place. The ratio of senior net financial debt to equity and subordinated debts improved from 3.7x in 2018 to 1.8x in 2019.

OUTLOOK

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

REVIEW OF 2019

1. COMMERCIAL ACTIVITIES

BOOKINGS (MEUR)

EUR million	2019	2018
AMER	93	91
ASIA	100	68
EMEA	161	176
Eliminations/other	-11	-9
Total	344	326

ORDER BOOK (MEUR)

EUR million	2019	2018
AMER	85	60
ASIA	135	107
EMEA	149	181
Eliminations/other	-15	-9
Total	354	339

For continued operations, new orders for the financial year up to 31 December 2019 increased by 5.6% to EUR 344 million.

As in 2018, orders with a sales price of more than EUR 10 million were limited to five projects and now make up no more than 25% of total orders.

The order book is improving with projects that show improved margins. The reduction in the EMEA Region is explained by the change in the profile of the projects, which are smaller in size, with shorter lead times requiring less anticipation on the part of customers on the one hand, and by the expiry of framework contracts which will only be renewed in 2020 on the other.

2. CONSOLIDATED INCOME STATEMENT

In EUR thousands	2019	2018
Revenue	305.9	345.1
Gross profit	45.4	55.1
EBITDA before restructuring costs and other income / (expenses)	(1.9)	4.9
<i>EBITDA before restructuring costs and other income / expenses / Revenue</i>	<i>-0.6%</i>	<i>1.4%</i>
Operating profit before restructuring costs and other income / (expenses)	(10.6)	(0.3)
Non-recurring items	(6.2)	(3.4)
Operating profit (EBIT)	(16.8)	(3.7)
Financial result	15.0	(10.2)
Share of the net result of associates and joint ventures	2.7	(0.5)
Result before tax (continued operations)	1.0	(14.5)
Income taxes	(0.7)	(0.8)
Net result from continued operations	0.2	(15.3)
Net result of discontinued operations	-	(9.9)
Net results	0.2	(25.3)
Equity holders of the company	(0.2)	(25.5)

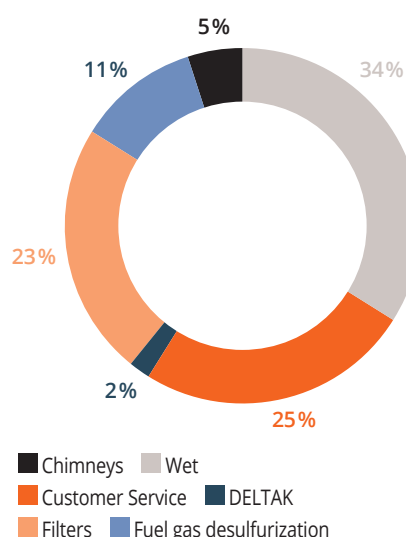
Revenue was down by 11.4% compared with 2018. This is explained by the delays in the execution of certain projects, which will be caught up in 2020, and by the relative weakness of bookings in the first nine months of 2019.

The decrease in activity and the deterioration in the margin level on certain contracts weighed on the EBITDA before restructuring costs and other income and charges, which is negative at EUR -1.94 million, compared with EUR 4.95 million in 2018. The operational performance improved nonetheless as of the second half of the year, resulting in a positive EBITDA of EUR 1.13 million.

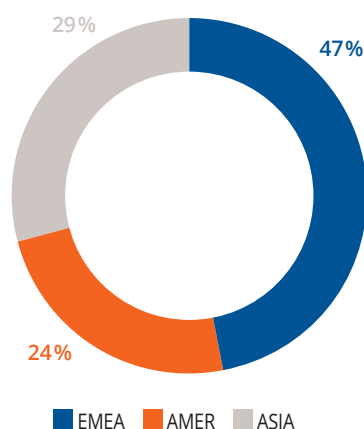
Non-recurring items mainly correspond to restructuring costs and a goodwill impairment for the EMEA and Asia regions.

The net financial income amounted to EUR 15.04 million. This is explained by the positive result relating to the refinancing of the bond loan for EUR 28.6 million (of which EUR 22 million related to the reduction of repayment at maturity), while the interest charges on the debt were up following the consolidation of an Indian entity and the application of IFRS 16 as of 1 January 2019. In 2018, the net financial charges were EUR -10.24 million.

ORDERS BY PRODUCT CATEGORY



ORDERS BY PROJECT LOCATION



The improvement in the share of net result of associates was due to the change in the consolidation method following the acquisition of control of an entity in India, as well as the capital gain from the sale of a building by a subsidiary accounted for using the equity method.

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

3. CONSOLIDATED BALANCE SHEET

in EUR thousands	2019	2018
ASSETS		
Deferred tax assets	5.2	7.8
Other non-current assets	86.4	65.0
Inventory and work in progress (assets)	87.5	63.4
Trade and other receivables	109.2	135.4
Cash and cash equivalents	30.7	34.8
Other current assets	5.9	6.1
Total assets	325.0	312.4
EQUITY	27.2	21.0
LIABILITIES		
Deferred tax liabilities	0.6	2.7
Subordinated loan	10.1	0.0
Non-current financial liabilities	58.5	81.6
Other non-current liabilities	5.7	10.4
Current financial liabilities	39.7	30.9
Work in progress (liability)	57.0	61.9
Trade and other payables	116.4	93.2
Other current liabilities	9.8	10.9
Total liabilities	297.8	291.5
Total equity and liabilities	325.0	312.4
Working capital requirement	19.5	38.9
Net debt	77.6	77.7

The Group's net debt amounts to EUR 77.5 million, slightly down compared with 2018. This change includes non-cash elements, such as the first application of IFRS 16 in 2019 (EUR +14.1 million), the first consolidation of an Indian entity (EUR +6.4 million), the impact of the refinancing of the bond loan (EUR -22 million recorded in the income statement) and the revaluation of the refinanced debt following the application of IFRS 9 (EUR -13.36 million, of which EUR -6.6 million related to the bond loan and recorded in the income

statement, and EUR -6.8 million related to the refinancing of the syndicated loan and recorded directly in equity). In addition to these non-cash items, the change in net debt is explained by the change in the cash position and other borrowings.

The Group's working capital requirement decreased substantially compared with 2018 to EUR 19.45 million compared with EUR 38.9 million at the end of 2018. This is explained by a decrease in customer invoices and advances paid to suppliers and by an increase in the amount of outstanding invoices with the latter.

POST-CLOSING EVENTS

The coronavirus epidemic in early 2020 and the impact of measures taken to contain the virus could affect our financial performance in 2020 and the measurement of certain assets and liabilities. In particular, our Customer Service activity, which depends on our ability to access our customers' sites, may be faced with temporary delays in implementing projects in our order book as well as a time lag in new orders during the confinement period in force in some of the Group's markets. Temporary unemployment measures have been taken or are being examined in order to minimize the impact on Hamon's operating profitability. For larger projects, the Group is working continuously to secure the most critical components in its supply chain and to safeguard its engineering capacities in a scenario characterized by confinement and home working. Moreover, Hamon is in constant contact with the customers whose projects may be affected by the pandemic in order to find solutions to limit the effects on the schedule while safeguarding the interest of all parties. The geographic diversification of the activities of the Group, which is exposed to markets that are at different stages of the pandemic, should make it possible to smooth out the effects of coronavirus on its global financial performance. Despite these elements, Hamon may have to record potential adjustments in its financial statements in 2020. Based on the facts known to date, the Group currently has no knowledge of the financial repercussions which this pandemic could have on the assumption of continuity as described in Note 3.1 on page 64.

The Board of Directors has authorized the launch of a sale-and-leaseback programme on certain properties owned by the Group, notably in Germany, France and the United States. The amounts raised will enable the Group to strengthen its operating cash position. In January 2020, Sogepa supported this programme by granting Hamon a bridge loan of EUR 6 million which will be reimbursed upon finalization of the sale-and-leaseback operations.

KEY EVENTS 2019

01•19

A FIRST IN PAKISTAN

Hamon is contributing towards the development of the electric infrastructure in Pakistan by designing cooling towers for the 2 x 660 W power plant in Jamshoro, the country's first high-performance power plant.

03•19

NATURAL DRAFT COOLING TOWERS

Hamon China was given the task of providing two natural draft cooling towers as part of the Heyuan 2 project for the extension of the power plant with a capacity of 2 x 1000 MW. These towers, equipped with ducts, stand 200 metres tall. The order for a metal natural draft cooling tower, for the Nizhnekamsk 495 MW combined cycle power plant in Tatarstan, Russia, was placed to Hamon. The shell of this tower is made exclusively of steel.

02•19

DISTRICT COOLING IN BANGKOK

Bangkok International Airport opted in favour of District Cooling, a technology widely used in the Gulf countries to supply cold water and operate air-conditioning systems in buildings such as offices, airports, factories or residential areas. Hamon, via its subsidiary HAMON-B.GRIMM, was asked to provide a cooling tower for terminal SAT 1. This tower has a plume abating system, which is essential in this type of environment.

05•19

AMBITIOUS PROJECT IN CHOOZ

Customer Service – Energy at Hamon Thermal Europe France, which specializes in natural draft cooling towers, completed one of the biggest projects of the last thirty years at the Chooz power plant in France. This project was extremely well prepared by the teams with the support of the Arrou plant. During the 55 days that the project lasted, the teams supervised 180 to 200 people on site, working in three shifts, six days a week, over 300 delivery trucks and around thirty construction machines in a highly secured environment.

TRADE FAIRS AND CONFERENCES

Hamon took part in the Power-Gen trade fairs (Africa, Asia, United States, Europe), which focus in particular on sustainability and digitalization.

Hamon teams also took part in conferences, notably in Asia with MEC 14 and the Vietnam Power Development Summit. Hamon presented emission reduction solutions.

In the United States, Hamon Deltak was present at the Campus Energy and Idea, on the theme of District Heating & Cooling. It presented its heat recovery technologies.



09•19

NEW OPPORTUNITIES FOR HAMON INDONESIA

Indonesia has changed its emission regulations. Power plant operators will have to equip their installations with desulfurization systems within three years. Forty-five power plants are thought to be concerned by this, opening up some fine opportunities for Hamon. With this in mind, Hamon Indonesia asked the local operator PLN to take part in a training seminar on this subject.



FLUE GAS TREATMENT IN CHINA

Backed up by its experience in this field in France, Hamon received the order from Suez Water Treatment, a branch of Suez Group in China, to build two new flue gas treatment lines in its incineration plant in Shanghai.

INAUGURATION OF VINH TAN 4 IN VIETNAM

Vinh Tan 4, located in the province of Binh Thuan in Vietnam, is one of the largest power plants in southeast Asia (6,224 MW). On 21 September, EVN (Electricity of Vietnam) inaugurated the four power plants after two years of operation. Hamon was able to celebrate the success of the performance of the electrostatic precipitators with an emissions level significantly lower than that stipulated. Moreover, the installation of this equipment was completed three months ahead of schedule.

12•19

REFINANCING

The refinancing of the Group was completed in late December.

11•19

WIDE LOAD IN THE MIDWEST

Hamon Deltak designed, built and supplied an FGC cooler intended for a catalytic cracking unit at a Midwest refinery.

The equipment design is unique and specific to Deltak. The manufacturing process was particularly fast and was completed three weeks ahead of schedule. The wide load, weighing 100 tonnes, crossed six states and travelled around 3,000 kilometres.



10•19

NEW ELECTROSTATIC PRECIPITATORS

After a year spent developing and testing, Hamon launched its new line of standard electrostatic precipitators. This range stands out by offering a lead time, price and ease of assembly adapted to all common industrial applications.

PRODUCTS

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

COOLING SYSTEMS

Hamon provides to industries such as power plants, chemical, refinery and downstream petrochemical plants, steel mills, paper industry, sugar mills, zinc smelters and other metallurgical plants installations, 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 power plants, engineering companies and industries.

WET COOLING SYSTEMS

Cooling towers yield excellent performance levels by maximizing the use made of ambient humidity. Only a small percentage of the water evaporates and the heat dissipated is minimal, which is why it cannot be recovered.

They are used to cool down all kinds of water (from fresh water to treated wastewater and even acidic solutions). The more the water supplied is cooled, the better the yield from the process concerned will be.

Moreover, these towers can also be equipped with a plume abating system which makes it possible, in particular, to avoid the optical effect of the steam given off.

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.



EMISSION REDUCTION SYSTEMS

Hamon offers a range of integrated products and services that enable industries to limit the environmental footprint of their processes. These flue gas treatment 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, seawater systems

DeNOx and heavy metals control

Controlling emissions is a complex business. Anticipating the technological risks calls for know-how, great experience and an in-depth knowledge of customers' processes as well as a command of the regulations in force. Hamon's portfolio includes 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 types 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

Hamon makes intensive use of CFD (computer fluid dynamics) in its various product lines to simulate actual operating conditions. This enables our staff to anticipate problems resulting from taking account solely of standard benchmarks and thus make operating predictions that are close to reality.

REGIONS



EMEA
ASIA
AMERICAS

Owing to the essentially international nature of its activities, Hamon has always attached a great deal of importance to local integration, considered to be a major asset for the growth and success of its activity.

Founded in Europe (France and Belgium) in the early 20th century, Hamon quickly established a worldwide network of subsidiaries to support the development of its activity on an international scale.

From the start of the 1960s, the Group created its first base in the United States before establishing subsidiaries there.

During the 1970s and 1980s, Asia became a leading market with the establishment of agencies and then subsidiaries in Korea, Japan, Thailand, China and India.

Today Hamon operates in 27 countries throughout the world, including the Middle East, Australia and Latin America.

Hamon is active in three regions: EMEA, ASIA and AMERICAS, gathering together local subsidiaries.



EMEA

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).



Orders booked in EMEA were marked by the wish among industries to reduce their impact on the environment. Major contracts for the upgrading of electrostatic precipitators and fabric filters were concluded for installations in various fields, including energy and metallurgy, mainly in France, Italy and Kosovo.

The order for a flue gas treatment unit for a waste recovery plant in France was booked, confirming the trend for this type of product that began in 2018.

The orders for cooling systems reflect the wide range of areas of application, size and type of supply, bearing witness to Hamon's ability to master the various facets of the problems faced by industry.

Although lower than in 2018, the level of orders booked in the EMEA Region is satisfactory, bearing in mind that, unlike in 2018, few projects located in Asia were booked. The geographic distribution within Europe is also more uniform, confirming the competitiveness of the solutions offered by Hamon on the European market as a whole.

With many medium-sized projects, the risk profile of the order book is improving significantly.

The REBITDA was negative in 2019 despite an increase in turnover. This can be explained by several factors: additional costs passed on this year in a project booked in 2011, additional costs generated by the failure of an assembly subcontractor on a project in Mexico carried out from Belgium and quality issues with ongoing projects in England and France.

The quality of the order book makes it possible to envisage a much better performance in 2020.

KEY FIGURES

EUR million	2019	2018
Orders booked	161.5	176.2
Order book	148.5	180.7
Revenue	161.4	133.1
REBITDA	-5.3	2.5
REBITDA/Revenue	-3.3%	1.9%
Average workforce	371	344

HIGH-PERFORMANCE FABRIC FILTER IN DUISBURG

Global warming, which is a major focus of concern, sometimes overshadows other topics, which are also essential, linked to the protection of the environment. Now more than ever, the particulate matters given off by sintering units in steelworks are the focus of research and the industry makes drastic efforts to reduce their impact. ThyssenKrupp has invested over EUR 100 million to upgrade its Duisburg unit, including the construction of a third fabric filter entrusted to Hamon. This new filter, which will be installed at the exit of the plant, will be operational in the spring of 2020.

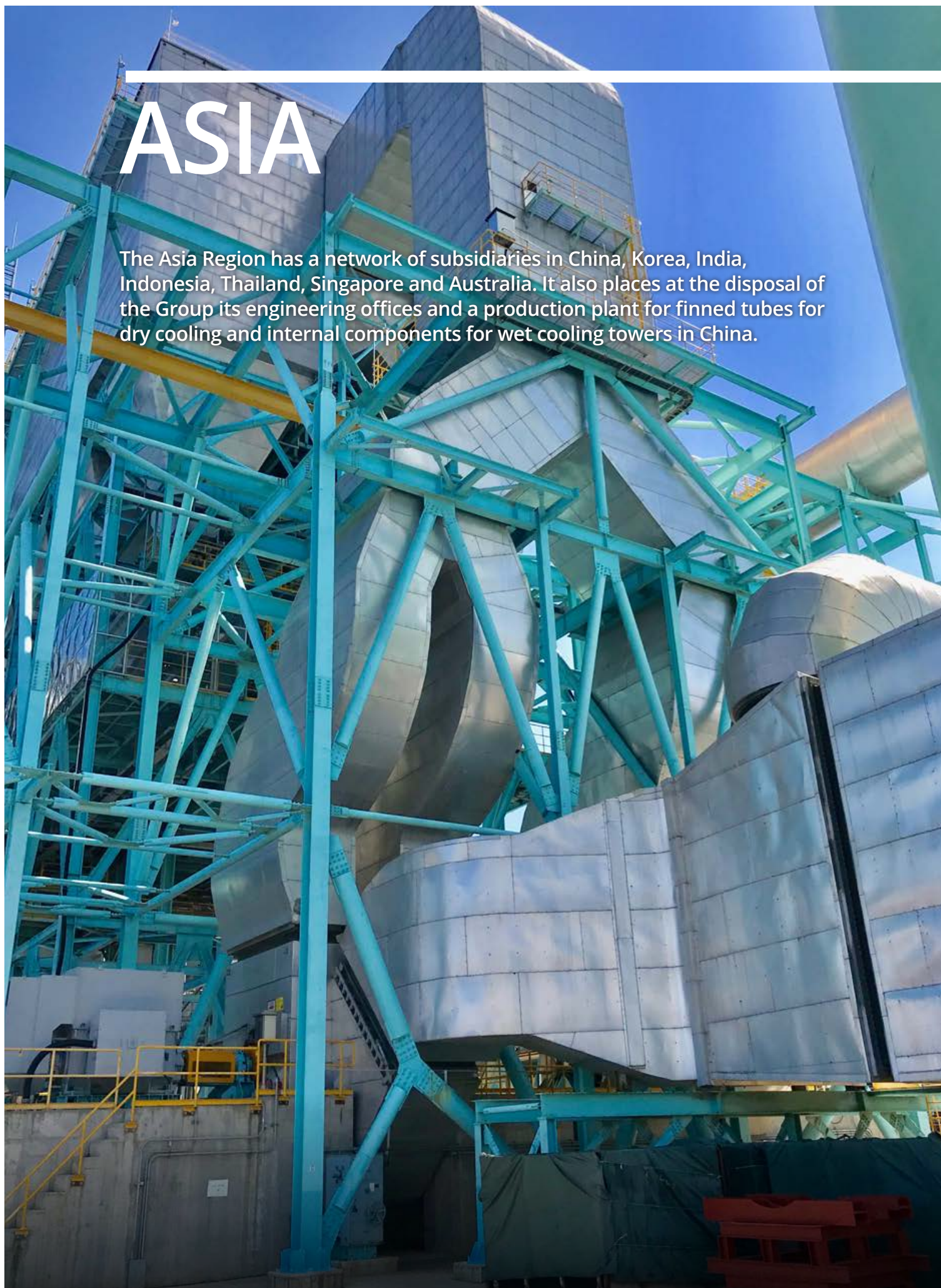
The North Duisburg plant therefore now has three sintering lines. The first fabric filter was installed for the smallest line in 2011; a second was brought into operation in 2017.

For this third line, Hamon has installed one of the world's largest and most efficient fabric filters, linked to this type of application. This installation is one of the Group's most efficient products intended to improve air quality. When sintering takes place, the iron ore is mixed with coke and lime heated to 1,200 degrees. This combustion inevitably creates dust, most of which is first caught by electrostatic precipitators before being filtered more finely by fabric filters.

Adding fabric filter systems is therefore particularly advantageous, specifically in environmental terms, as it makes it possible to catch 99.9% of the fine particles. This is a substantial improvement for the Duisburg region and the Ruhr in general.

ASIA

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.



Hamon recorded encouraging results in India in 2019, both as regards cooling towers, with very large orders for refineries in Rajasthan and Assam, and for wet gas scrubbers.

Contracts for new natural draft towers were also entrusted to Hamon in China and in Pakistan via a Chinese customer.

Emissions control remains a focus of attention throughout Asia, especially in China where the Group received its first order for a flue gas treatment unit for an incinerator.

Orders booked in Asia recovered to the 2017 level, thanks mainly to improved activity in India and in Korea as well as orders for natural draft towers in China.

Several major contracts were successfully completed and generated higher margins, resulting in an improved EBITDA.

On the whole, the Asian market remains less dynamic than expected, with the exception of India, where Hamon booked some good orders in the refinery sector, in cooling and in AQS.

The Indian market was nonetheless disappointing in the medium-sized power plant sector, which is proving slow to take off.

Developments in environmental regulations should have a positive impact on the AQS market, particularly in Malaysia, Taiwan and Korea.

Thanks to its presence in India and southeast Asia, Hamon is ready to meet the demand for future projects.

KEY FIGURES

EUR million	2019	2018
Orders booked	99.8	68.4
Order book	135.3	106.8
Revenue	80.8	106.9
REBITDA	5.6	1.7
REBITDA/Revenue	7.0%	1.6%
Average workforce	424	372

ZERO EMISSION TARGET IN JAVA

Coal remains one of the main sources of energy in the world. In the emerging countries, it is essential to put forward economically viable solutions and meet the requirements to limit emissions of SO_x, particles and mercury with a view to improving sustainability.

The 2,000 MW power plant in Batang is the largest project of this type in southeast Asia, intended to supply 13 million people with electricity. It is part of the overall plan to increase the capacity of the Indonesian network by 35,000 MW. The project was designed to respond to the increasing demand for energy in Indonesia, while limiting the emissions levels to a greater extent than the official requirements. Having analysed the available technologies, the customer decided in favour of a low-pressure filter manufactured by Hamon which has numerous references in this field.

The installation, comprising two fabric filters, will be fully operational in 2020 with an emissions value close to zero, i.e. almost total dedusting.

A 3D design and a CFD simulation of the fabric filters were necessary to guarantee the emissions level in all the power plant's operating conditions. A unique mixer was developed to improve dust and heat distribution, before entering each individual chamber of the fabric filter. Interactions between the mixer and the flue gas flow were taken into account when designing and implementing the project.

AMERICAS

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 steam generators, the Americas Region also has its own industrial chimneys activity comprising the design and construction of large concrete structures.



The chimneys and air pollution control activities represent a significant volume of customer service business which has been slightly eclipsed by a very large order for the renovation of an electrostatic precipitator for a steelworks.

New contracts, in particular for a tower for a new combined cycle power plant and an electrostatic precipitator for a fertilizer plant, were also concluded.

The region posted a slight improvement in orders booked. Although the heat recovery activity (Deltak) was unable to reach the levels forecast, orders booked for Air Quality Systems (AQS) compensated for this shortfall. The Chimneys line also performed strongly as it continues to maintain and demolish existing sites as well as refocusing on the construction of very tall structures for other applications.

Eighty per cent of the projects are located in the United States and Canada. Nevertheless, high-tech projects were also concluded for South Africa and India during 2019, building on the Group's strategy of using its sales forces in Asia-EMEA to penetrate the market outside the United States more effectively.

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

The renovation of existing installations activity, including Customer Service, particularly in AQS, in the Americas Region is well positioned and accounted for 60% of the orders in 2019.

The implementation of projects in the region remains satisfactory, but the level of the Deltak order book at the start of the year was insufficient to generate enough sales to break even.

KEY FIGURES

EUR million	2019	2018
Orders booked	93.4	90.6
Order book	84.8	60.2
Revenue	64.22	104.9
REBITDA	-2.9	2.5
REBITDA/Revenue	-4.5%	2.4%
Average workforce	152	193

LOW EMISSIONS ON A MASSACHUSETTS CAMPUS

Despite the sometimes harsh climate, the northeastern United States are home to a large number of the country's most prestigious universities. One of these is the Massachusetts Institute of Technology (MIT), in Cambridge, where the campus covers 68 hectares. Founded in 1861, the MIT is renowned for its research and for the education it provides in physical sciences, engineering and more recently biology, economic sciences, linguistics and other subjects.

In 2014, the MIT began work on the renovation of its Central Services unit. The project enables the institute to fulfil its commitment to reduce its greenhouse gas emissions. The company Bond Brothers was chosen as the main contractor to manage the construction of the new power plant which is to supply electricity, heating and cold water to over a hundred MIT buildings. The expansion of the power plant will make it possible to increase the electricity generation capacity, improve the autonomy of the campus and support future research.

Hamon Deltak, which enjoys an excellent reputation with Bond Brothers, was brought into the project thanks to its expertise in the fields of the environment and heat recovery.

Hamon Deltak supplied two recovery boilers for the power plant, making it possible to provide additional heat for the campus. All the steam generated by the recovery boilers is to be used for this purpose. Hamon Deltak thus fulfilled all the requirements relating to the ecological aspects of the project, which is why it was awarded the contract.

One of the challenges was to model the boiler for a building that did not yet exist and that was designed at the same time as the boiler. This necessitated multiple back and forths between the respective design offices. Moreover, the construction site itself did not have any storage space. Deliveries of all the elements therefore had to be made on a just-in-time basis. Given the size of the construction space, all the elements had to be taken to the centre of the building using a crane.

Hamon's expertise and its customized approach enabled it to meet this interesting environmental challenge.

A RESPONSIBLE COMPANY



Hamon believes that good corporate governance serves the long-term interests of the shareholders, strengthens the Board of Directors and the management and bolsters public confidence in the company.

Corporate governance principles enable the Hamon management to take fair and ethical decisions and to influence the way in which the employees go about their daily work, opening up the way to sustainable growth, creating value for customers.

The Hamon Code of Ethics reflects the fundamental values of the Group.

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, but without abiding by all the constraints.

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 developed by the GRI 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.

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.

Hamon meets certain requirements developed by the GRI; the determination of performance indicators is sometimes lacking. Hamon uses a questionnaire sent to the majority of its subsidiaries selected on the basis of a materiality criterion of at least ten employees. 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 2019, 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 2019, seven subsidiaries (out of the 24 in the scope analysed) had obtained ISO 14001 certification (Environment), six had obtained OHSAS 18001 certification (Safety) and 16 had obtained ISO 9001 certification (Quality). The Group is also preparing for the transition to ISO 45001 (replacing OHSAS 18001) for 2020. NFXC 46 101 is a standard French certification that is mandatory for the treatment of asbestos in France. Five of the Group's subsidiaries are VCA/SCC certified (Safety Certificate for Contractors) for petrochemicals.

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), 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, Uniclimate, 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).

A RESPONSIBLE EMPLOYER

Hamon strives to be a responsible employer, placing its employees at the centre of its corporate strategy. To do this, it has created a workplace founded on the Hamon values, that is a place which:



- Promotes diversity and encourages performance and innovation, promises equal opportunities for all and creates conditions in which everyone can express their full potential at work;
- Encourages employee participation in the decision-making process and permits them to take risks;
- Promotes a mix of generations at work;
- Favours a work-life balance and takes care of workers' health.

Maintaining sustainable and responsible practices, promoting social exchanges and improving working conditions are priorities for Hamon: an ongoing, established social dialogue is essential to ensure communication within the Group.

Hamon undertakes to uphold the right to freedom of association and collective negotiation. Communication between workers and management and social dialogue form the basis for the stability needed to implement the strategy for the development of the Group's activities. Each Hamon entity communicates regularly with the staff or their representatives.

Hamon strives to ensure fair representation for employees in all the major countries in which it operates.

By implementing its One Hamon philosophy, the Group is building an approach based on new forms of work the organization comprising various flexible work formulas (teleworking, part time, flexible working hours, etc.) which respect the work-life balance.



At the end of 2019, the Group officially introduced teleworking in six countries. Seventy per cent of its employees in these countries now engage in teleworking. Hamon employees also benefit from other working models, including part-time work and parental leave.

CODE OF ETHICS

Hamon has a Code of Ethics which lays down the rules and guidelines to ensure that all the companies and employees in the Group share the same understanding of standards in terms of compliance and ethics.

This Code covers various subjects, including specific rules on conflicts of interest, transactions, monitoring sensitive information and document storage. This Code is available for consultation on the Hamon website, www.hamon.com.

The Hamon Group is issuing a new Code of Ethics in 2020 that includes additional topics which have gained importance in the past few years. These include in particular health and safety at work, the protection and responsible use of data (GDPR), social media and the prevention of discrimination and harassment. The content and presentation of this Code have also been revisited to make it more accessible and user-friendly. The Code is available in all the Group's working languages and online training is to be provided to promote understanding and implementation of the Code in all the Group's entities during the second quarter.

The Code of Ethics includes a new alert procedure enabling all stakeholders (employees, commercial partners, etc.) to share their concerns and/or report any practice, act or behaviour which they

deem to be inappropriate. These alerts can be issued within the entity concerned or forwarded directly to the Group's Compliance Manager and/or CHRO.

A special e-mail address has been created (complianceofficer@hamon.com) to receive alerts without any restrictions.

The Hamon Group examines all the alerts received in order to respond adequately: intervention by the appropriate people, immediate implementation of corrective and/or precautionary measures, inquiries, etc. The alerts are dealt with by means of a strictly independent process that involves the main stakeholders if necessary.

The identity of the individuals behind the alert is processed confidentially and no elements that could reveal their identity may be disclosed without their consent, unless this is required by the courts.

In addition, Hamon does not tolerate any reprisals against anyone who may report real or suspected improper behaviour in good faith and/or may have contributed to establishing facts confirming such behaviour by providing proof.

HUMAN RIGHTS AND ACTIVITIES OF THE COMPANY

As a responsible company that observes strict standards in terms of ethics and professional values, Hamon undertakes to operate in line at least with all the national laws in force. It applies the best possible working conditions when national regulations are not up to the standard of its requirements in terms of health and safety.

Hamon abides by the main guidelines of the United Nations as regards companies and human rights as well as the basic conventions of the ILO (International Labour Organization). In addition, it takes care to respect human rights as set out in the Universal Declaration of Human Rights in the various regions of the world where the Group is active.

Hamon is particularly vigilant in ensuring that children are not involved in labour, whether in subsidiaries established in emerging countries 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 Group operates.

Hamon takes care to increase awareness of child and forced labour both among its own suppliers and those involved upstream in its supply chain. As regards suppliers, the Group Supply Chain process submits them to a rigorous qualification process which refers to the Code of Ethics and to the 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.

No grievances arose regarding abuse or the violation of human rights in the way Hamon manages its activities in 2019, as can be seen from the lack of complaints made in this respect in the reports prepared by the subsidiaries as part of the questionnaire referred to above. Hamon considers this to be a performance indicator.

FIGHT AGAINST CORRUPTION

Hamon 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. Failure to respect this principle would give rise to immediate sanctions, with instant dismissal if this should be the case.

No cases of corruption were reported in 2019.

DONATIONS

Some of the Group's subsidiaries make donations to local associations. It is not the Group's policy to make systematic donations or engage in sponsoring.

CULTIVATING TALENTS

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 talents 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.

The performance management process has been launched for 2020, guaranteeing that all employees have defined individual goals. The Group Human Resources department will continue to develop its HR Information system, Hamon Talent, during 2020.

The Group HR department is planning to relaunch its career website on a global scale and to implement a programme for new employees designed to reinforce their integration and increase their loyalty.

Hamon undertakes to review the main staff remuneration schemes as well as the main terms and conditions, including health insurance and the other key social benefits to guarantee that its staff feel valued and respected.

All employees who leave Hamon are invited to take part in an exit interview and their comments are used to adopt corrective measures.



As at 31 December, the staff as a whole – calculated on the basis of full-time equivalents since 2018 - could be broken down as follows by type of contract:

Situation as at 31 December	31/12/2019		31/12/2018*	
	Individuals	% total	Individuals	% total
Employment contract (or similar)	948.99	78.03	877.80	75.35
Consultants, temporary staff or trainees	267.26	21.97	214.10	24.65
Total	1,216.25	100.0%	1,091.90	100.0%

* In 2019, the figures take account of the subsidiaries HCS (Hamon Cooling Systems, India) and HBPT (Hamon Blue Portugal) which were not included in the consolidation scope in 2018.

The number of people employed at Hamon rose by 79 in 2019. This increase corresponds to the inclusion of staff from subsidiaries newly integrated into the consolidation scope, that is the company Hamon Cooling Systems (HCS) in India and Hamon Blue Portugal (HBPT) in Portugal. These legal entities have been wholly owned by the Group since 2019. The increase in the number of employees is, however, reduced by a negative staff turnover (the Group recorded more departures than arrivals).

The proportion of employment contracts/ consultants, temporary workers and trainees fell slightly.

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 Operating Strategy section above, since 2018 Hamon has been developing its 'Customer Service' activity, that is its aftermarket activity. In this context, it is strengthening its teams by recruiting technical consultants and engineers trained to inspect installations, draw up quotes and implement various aftermarket 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.

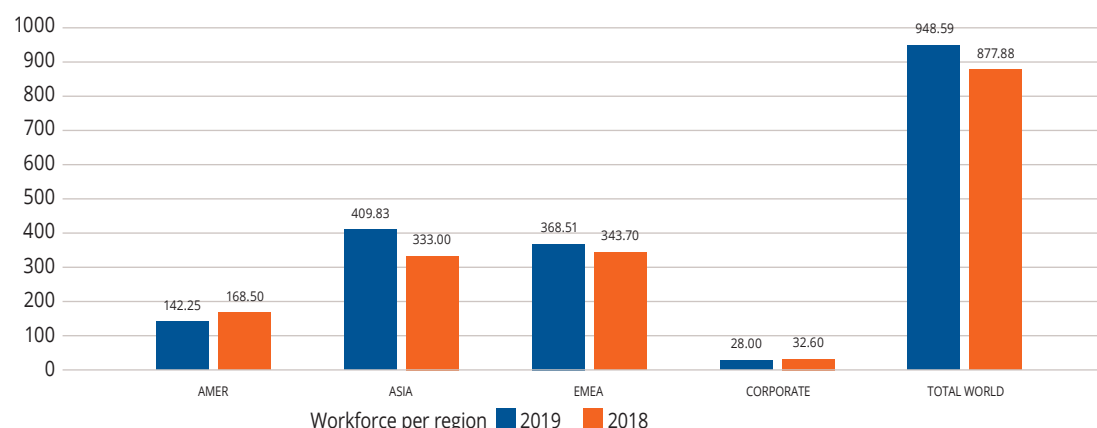
In the following graphs, only those with an employment contract or similar are taken into account.

Generally speaking, the workforce fell primarily in the AMER Region and at Headquarters in Belgium (CORPORATE) further to restructuring measures.

The workforce in the ASIA Region increased in 2019 as Hamon Cooling Systems, the Indian subsidiary, was added to the consolidation scope.

The EMEA Region saw a slight rise in staff numbers in 2019, mainly for its subsidiaries in Poland and Great Britain further to the development of the Customer Services activities explained above and also following the integration of the new subsidiary Hamon Blue Portugal into the consolidation scope.

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



* Note: In the 2018 annual report, the average staff numbers for 2018 were used, rather than the staff numbers per gender as at 31/12/2018. In the 2019 report, the staff numbers per gender were adjusted per head and per full-time equivalent as at 31/12/2018 in order to be able to make a comparative analysis between 2018 and 2019.

DIVERSITY

Diversity and inclusion are important driving forces to cultivate talent and innovation to attract and retain the best talents and enable Hamon to remain an appreciated employer on the market. The Hamon Group has drawn up a diversity and inclusion policy (D&I) and has made ambitious commitments to launch initiatives in this field. The Group's senior management act as defenders of these commitments and are determined to help the Group to:

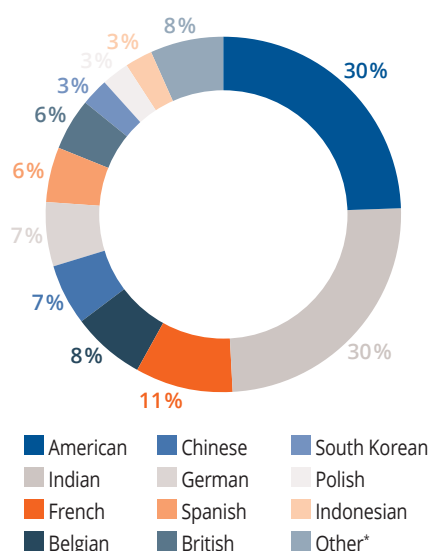
Achieve a balance between men and women at all levels of the organization;

Increase awareness of disabilities;

Maintain a dynamic approach to the inclusion of the LGBT community;

Give senior executives a role as defenders of D&I.

CULTURAL DIVERSITY



* Other nationalities (less than 2% each): Australian, Bosnian, Brazilian, Canadian, Czech, Dutch, Hungarian, Irish, Italian, Lebanese, Luxembourg, Mauritian, Mexican, Filipino, Portuguese, Russian, Saudi, Singaporean, Slovakian, South African, Syrian, Thai, Tunisian, Venezuelan, Vietnamese.



At the end of 2019, the number of female staff had increased slightly from 173 to 184 people, but to a lesser extent than male staff, who increased in number from 712 to 780. Consequently, the percentage of women in the workforce did not increase significantly, but rather fell slightly from 19% in 2018 to 18.70% in 2019.

In order to take up the challenges of tomorrow, Hamon aims to introduce and foster an environmental culture that values diversity and inclusion to the benefit of all its employees.

The Hamon staff must reflect the global diversity of the context on which the company operates. Its middle management and senior executives have a central role to play in achieving this objective.

Hamon is convinced that the management of diversity and inclusion is essential to cultivate talent and innovation within its organization, enabling it to remain a leading player on the market.

TRAINING

The challenges linked to the Hamon's business activities and the evolution 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.

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

Workforce	Number of employees (head)	Number of employees in FTE per gender in 2019	Breakdown in % (2019)	Number of employees (head)	Number of employees in FTE per gender in 2018	Breakdown in % (2018)
	2019			2018		
Men	780	771.18	81.30%	712	707.31	80.58%
Women	184	177.41	18.70%	173	170.50	19%
Total	964	948.59	100.00%	885	877.81	100.00%

Note: In the 2018 annual report, the average staff numbers for 2019 per gender were given and not as at 31/12/2018. In the 2019 report, the staff numbers per gender were adjusted per head and per FTE as at 31/12/2018.

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 2019, Hamon staff followed 5.28 hours of training per year and per person, which is significantly down on previous years. The fall may be attributed to the difficult situation that Hamon continued to experience in 2019, a year when staff focused on sales and project implementation as well as cash management, thus reducing availability for training programmes.

Hamon is committed to increasing staff training opportunities in 2020.

HEALTH AND SAFETY

The health and safety of Hamon's employees at 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 or workshops 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 2019, six subsidiaries held this certification and five were VCA/SCC** certified or the equivalent.

In total, 14 accidents occurred in 2019, none of which was fatal.

The diagrams below show the frequency and severity of the accidents as well as the rates of occupational illnesses and absenteeism.

These figures only concern staff listed as employees of the Group (i.e. not consultants or temporary staff). Hamon does not have this information for contractors working on building sites.

Hamon has not implemented a global health and safety action plan at Group level. However, many of the entities in the Group have a local action plan.

The frequency of accidents was 7.84 accidents/million h in 2019.

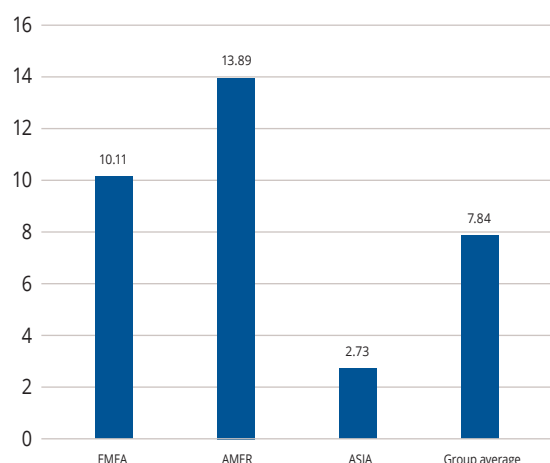
Occupational accidents may be broken down as follows with seven accidents out of 14 for EMEA – which therefore recorded 50% of the accidents that occurred, five for the Americas Region and two for the Asia Region. In total, 416 working days were lost due to industrial accidents in 2019. The degree of severity was 0.23.

These figures only concern staff listed as employees of the Group (i.e. not consultants or temporary staff) for the 24 subsidiaries (including four plants).

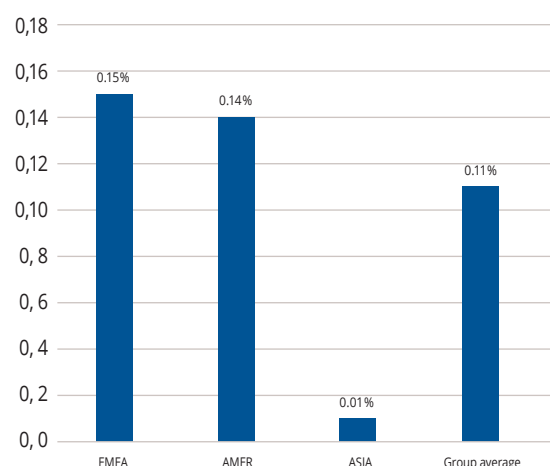
However, this scope covers 93% of the total average workforce, with an average workforce of 898.40 out of a total of 973.96 in the consolidated entities of the Group.



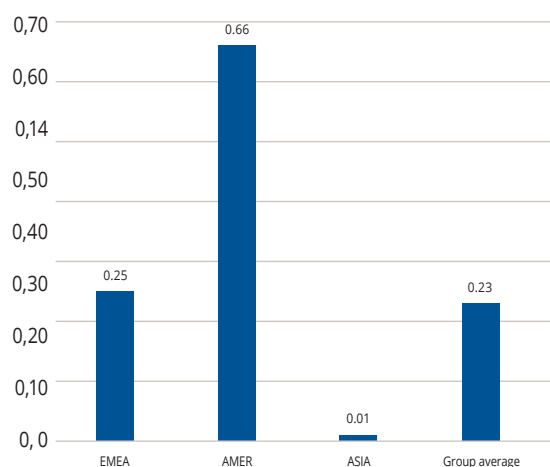
FREQUENCY OF OCCUPATIONAL ACCIDENTS PER REGION (NUMBER ACCIDENTS/MILLION HOURS OF WORK)



PROPORTION OF DAYS' WORK LOST DUE TO OCCUPATIONAL ACCIDENTS OR ILLNESSES PER REGION



SEVERITY OF OCCUPATIONAL ACCIDENTS PER REGION (NUMBER OF DAYS LOST/THOUSAND HOURS OF WORK)



RESPECT FOR THE ENVIRONMENT

Hamon also pays attention to its ecological footprint. 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 and therefore constitute risks that have to be reduced. In addition to carbon emissions and water and paper consumption, this includes the following factors:

- 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 and which therefore 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. For instance, Hamon suggests that its customers have devices installed that can reduce 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 gluing of exchange surfaces in confined spaces to prevent the diffusion of 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.

Moreover, Hamon undertakes to put in place an environmental reporting process to measure and reduce the environmental impact of its commercial activities. From 2020, the Group will therefore collect information on its business travel, its company vehicle fleet and its consumption of paper, as well as on the corresponding CO₂ emissions.

Hamon aims to reduce its greenhouse gas emissions in the three sectors where this is possible:

- Sector 1: emissions resulting from fuel used on Hamon sites and by its company vehicles;
- Sector 2: emissions resulting from the energy purchased, mainly electricity used by Hamon buildings;
- Sector 3: emissions resulting from business travel and paper consumption.

Managing Hamon's environmental footprint must therefore contribute towards improving operational eco-efficiency, in particular by reducing energy, fuel, travel, paper and water costs.

Thanks to this strategy, Hamon contributes to achieving United Nations SDG No 12: 'Ensure sustainable consumption and production patterns'.

Suppliers and customers are also one of the Group's concerns when responding as well as possible to the needs and expectations of every individual and developing a spirit of improvement and performance while complying with environmental constraints.

FACTORIES

Hamon takes care to limit the environmental impact of its plants. They use a large quantity of energy (natural gas, electricity, fuel oil, 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 (brazing 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.

In 2019, Hamon was again able to provide information on the total energy consumption of the Group's plants, of which there were four as at 31 December 2019: Hamon Deltak in Minneapolis, which is a workshop, HTT in Tianjin in China, HCS Umbergaon in India and HTEF Arrou in France. Actions to reduce consumption are taken at the initiative of the individual plants. Measurements of their energy consumption were analysed via the questionnaire referred to earlier.

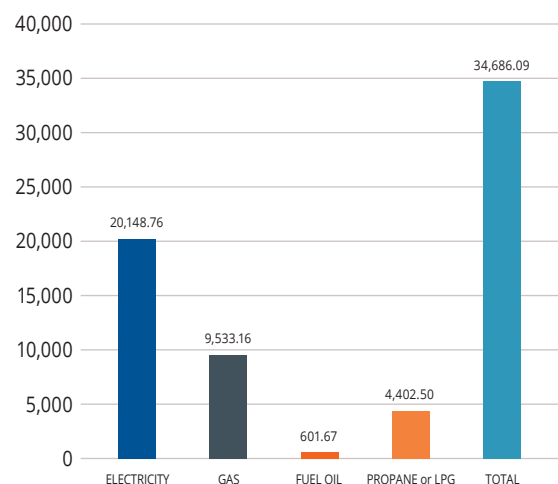
Hamon also increases awareness among its suppliers by means of qualification questionnaires and audits, as well as asking them to abide by the environmental regulations in force.

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.

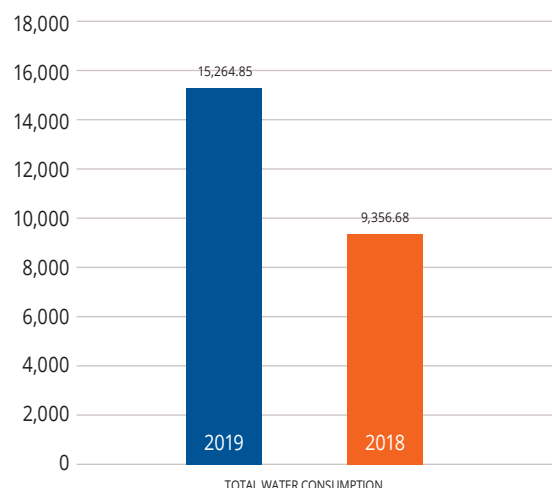


ENERGY CONSUMPTION PER SOURCE IN 2019, IN GJ/YEAR



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.

TOTAL MAINS WATER CONSUMPTION IN M³/YEAR



However, the comparison between 2018 and 2019 is not entirely relevant. It incorrectly indicates an increase in the consumption of mains water in 2019. However, the scope in 2019 altered compared with that of 2018: the Hamon d'Hondt Korea plant (HDHK), a former subsidiary of Hamon d'Hondt, is no longer included in the consolidation. On the other hand, the Hamon Cooling Systems plant (HCS) in India joined the consolidation scope in 2019. The company HCS India alone uses 10,000 m³ of mains water and accounted for 2/3 of the consumption for 2019.

We can, however, provide a comparison by separating out the total water consumption for the three plants which were within the scope in 2018 and 2019 (i.e. Hamon Thermal in France (HTEF), Hamon Deltak in the United States and Hamon Thermal Tianjin (HTT) in China) and note a fall in the volume of water used in real terms from 7,795.68 m³ in 2018 to 5,264.84 m³, that is a total reduction of over 32%. Most of this variation is due to the variation in the size and number of the projects.

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. They account 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.

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 lifespan 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 end 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, compile 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

Innovation, research & development are also a key element in the development of the Group to maintain its position on the market in its niche and develop where demand is detected.

The constant improvement of the Group's basic products and services and the development of new products are in line with the Sustainable Development Programme 2030 adopted by the United Nations in 2015. The 2030 goals, linked specifically to action on the climate and water management, are the main driving force behind the development of products offered by Hamon and intended to improve quality of life for everyone.

A team of expert professionals dedicated to the individual technologies of the product range available has been appointed to ensure a structured approach with a view to constant improvement. 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) adjacent 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 construction of pilot units and new product testing in our R&D centre, the Group uses a highly sophisticated IT tool: CFD (Computational Fluid Dynamics). The interactive use of CFD enables us to create life-size models of equipment and thereby optimize our products. We continue to invest in new modules to obtain results and very short deadlines despite the increasing complexity of simulations.

Hamon also enters into partnership or licensing agreements to expand its range of technological products and market advanced technologies.

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

As in 2018, the Group's investment in R&D represented around 1% of the 2019 revenue.

DATA CONFIDENTIALITY

The Hamon Group applies a data confidentiality policy with the following objectives:

- To ensure that the Hamon entities properly protect the personal and sensitive data of customers and other people that they have obtained in the context of their commercial activities.
- To reduce the risk that the Hamon entities infringe the laws in force concerning confidentiality and data protection (European Union General Data Protection Regulation – GDPR).

Hamon has set up a 'Data Confidentiality' team at Group level and appointed a DPO (Data Protection Officer) whose task is to ensure that personal and sensitive data are protected throughout the Group.

In addition to its data confidentiality policy, Hamon has developed cybersecurity capacities. Security is an essential component for every company. Social unrest, terrorism, disruptive technologies, unforeseeable natural disasters and the improper use of information are part of real life. If a crisis arises, the Hamon Group must remain operational in order to protect the data of its customers and its staff, its reputation and its assets.

In a context where cybercriminals are using increasingly sophisticated means, data piracy, identity theft and the reselling of sensitive information are now daily threats. Hamon is developing and strengthening its capacities to protect itself against these threats, detect them and respond to them. All Hamon staff form an integral part of the Group's security strategy and play a leading role in it.



STATEMENT OF CORPORATE GOVERNANCE

I. ADMINISTRATIVE BODY, EXECUTIVE MANAGEMENT AND GOVERNANCE

1. GENERAL CONSIDERATIONS

Hamon declares that in 2019 it adopted the Belgian Code of Corporate Governance 2020 (opt in), replacing that of 2009, as its reference, in accordance with the provisions of Article 3: 6 § 2, 1° of the Companies and Associations Code and Article 1 of the Royal Decree of 12 May 2019 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 2020

Hamon departed from the following provisions of the Code in 2019:

- Principle 5.6: Baron Philippe Bodson, in his third term of office as independent director, was appointed by the general meeting on 28 April 2015 for five years, whereas the Code recommends a period of four years. This would enable him to complete the maximum period of 12 years authorized for an independent director by Article 7: 187 of the Companies and Associations Code and by the Belgian Code of Corporate Governance 2020. A proposal to reappoint Baron Philippe Bodson will be put to the general meeting even though he has reached the maximum period of 12 years.
- Principles 4.17 and 4.19: 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.

- Principle 4.14: No independent internal audit is carried out at Hamon. This situation is temporary and is expected to be rectified as part of a forthcoming internal reorganization.

3. GOVERNANCE STRUCTURE

Hamon has opted for a monistic governance structure. Hamon is therefore governed by a Board of Directors which, in accordance with Articles 14 ff. of the articles of association, has the power to carry out all acts necessary or useful for the achievement of the company purpose, with the exception of those reserved by law for the general meeting.

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, and an Appointment and Remuneration Committee. The Strategic Committee set up in January 2017 was disbanded on 23 April 2019 as its existence was no longer justified given that strategy is discussed within the Board.

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 December 2019 following the resignation of the Financial Director and in March 2020 following the resignation of the CEO.

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 acts necessary or useful for the fulfilment of the company purpose, with the exception of those acts 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 7: 87 of the Companies and Associations 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.

As of 23 April 2019, the Hamon Board of Directors has comprised seven members, including two women, thus complying with the provisions of Article 7:86 of the Companies and Associations Code.

The mandates of two independent directors, Baron Philippe Bodson and Alexandre Grosjean, expire at the next general meeting. A proposal will be put to this meeting to renew the mandates of both independent directors for a period of four years.

Baron Philippe Bodson and Mr Alexandre Grosjean satisfy the definition of independent director as laid down in Article 7: 87 of the Companies and Associations Code as they do not have any relationship with the company or a major shareholder of the company which is likely to endanger their independence.



Moreover, Mr Alexandre Grosjean meets all the criteria stipulated in the Corporate Governance Code 2020 (provision 3.5). Baron Philippe Bodson also meets all these criteria except for one, that of the maximum duration, set at 12 years for non-executive directors. However, the Board of Directors is of the opinion that, notwithstanding the failure to abide by this provision, Baron Philippe Bodson will continue to display independence both as regards the company and its major shareholders, as he has always done throughout his previous three terms of office.

The Board of Directors has a vice-chairman (the Vice-Chairman), Renaud Witmeur.

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 31 December 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
Renaud Witmeur	Vice-Chairman	23.04.2019	25.04.2023
Laurent Levaux*	Independent director	24.04.2017	27.04.2021
Sogepa SA, represented by Ms Valérie Potier	Director	24.04.2018	26.04.2022
Bernard Lambilliotte	Director	24.04.2018	26.04.2022
Alexandre Grosjean*	Independent director	26.04.2016	28.04.2020
Aline Lambilliotte **	Director	23.04.2019	25 .04.2023

* Independent directors

** Aline Lambilliotte was reappointed by the general meeting of 23 April 2019, replacing her father, Francis Lambilliotte, outgoing. Initially appointed in 2015, she resigned at the general meeting of 24 April 2018 at the same time as Martin Gonzales del Valle further to the shareholders' convention concluded between Sogepa and Sopal at the end of 2017.

Mr Francis Lambilliotte resigned from his director's mandate at the general meeting of 23 April 2019. He was replaced by his daughter, Aline Lambilliotte. Baron Philippe Vlerick, independent director since 6 December 2011, did not wish to renew his mandate, which expired at the general meeting on 23 April 2019.

Baron Philippe Bodson, Chairman of the 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.

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) 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.

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 Sogepa 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-Lebbé, 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 was appointed as a director at the general meeting of 28 April 2015. Having resigned at the general meeting of 24 April 2018, she was reappointed at the general meeting of 23 April 2019 to replace her father, outgoing director Francis Lambilliotte. 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.

II. CHAIRMAN/VICE-CHAIRMAN

The Chairman of the Board of Directors is chosen from among the independent directors, as required by the articles of association.

Baron Philippe Bodson is currently the Chairman of the Board of Directors of Hamon & Cie.

Mr Renaud Witmeur is the Vice-Chairman.

III. ACTIVITIES

The Board of Directors met six times in 2019 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 follow-up of the Group transformation process and the cost-cutting plan introduced in 2016/2017;

(iv) the overall refinancing of the Group (syndicated loan and bond loan).

All the directors attended the meetings, with the exception of (i) Laurent Levaux, excused on 28 February, 19 March and 13 November and (ii) Sogepa represented by Valérie Potier, excused on 19 March, and (iii) Renaud Witmeur, excused on 19 March, 12 July, 13 November and 12 December 2019.

Aline Lambilliotte, appointed on 23 April 2019, did not attend the Board meeting on 28 February 2019.

Francis Lambilliotte did not attend the Board meeting on 28 February 2019. He then resigned as a director.

Baron Philippe Vlerick attended the Board meeting on 28 February 2019; the last Board meeting before the non-renewal of his mandate.

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. Formerly chaired by Baron Philippe Vlerick until the non-renewal of his mandate at the general meeting of 23 April 2019, it is now chaired by Mr Alexandre Grosjean.

Since 23 April 2019, the composition of the Committee has been as follows:

Members of the Audit Committee	Position
Alexandre Grosjean *	Chairman
Philippe Bodson*	Member
Laurent Levaux *	Member
Bernard Lambilliotte	Member
Sogepa represented by Ms Valérie Potier	Member

** Independent directors.
Baron Philippe Vlerick sat on this committee as Chairman until 23 April 2019.*

Activities

The Audit Committee met twice during the 2019 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 2018;
- (ii) the closing of the accounts as at 30 June 2019;

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

(iv) the overall refinancing of the Group.

All the members attended the Audit Committee meetings.

II. APPOINTMENT AND REMUNERATION COMMITTEE

Composition

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

This committee is chaired by Mr Renaud Witmeur.

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

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 met twice in 2019 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 23 April 2019;
- (ii) the new composition of the Board/renewal of directors' mandates;
- (iii) the new composition of the specialized committees;
- (iv) the composition of the Executive Committee further to the resignation of Christian Leclercq, financial director.

III. STRATEGIC COMMITTEE

The Strategic Committee no longer met in 2019. It was dissolved further to a decision of the Board of Directors on 23 April 2019.

6. EXECUTIVE COMMITTEE AND DAY-TO-DAY MANAGEMENT

Since 31 December 2019, the composition of this Committee has been as follows:

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

* Bernard Goblet has been replaced by Fabrice Orban since 1 March 2020.

** Replacing Christian Leclercq, outgoing, as of 1 December 2019.

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 7: 107 of the Companies and Associations Code (formerly 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 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.

Mr Fabrice Orban was appointed CEO on 1 March 2020, replacing Bernard Goblet, outgoing.

7. REMUNERATION REPORT

In accordance with Article 7: 100 of the Companies and Association Code (formerly Article 526quarter of the Companies Code), the Remuneration Committee prepared a remuneration report in compliance with Article 3: 6 of the Companies and Associations Code (formerly Article 96 of the Companies Code).

I. PROCEDURE

The Hamon remuneration policy aims to ensure remuneration for the Executive Committee and other staff members in line with their contribution to the Hamon long-term development goals.

The remuneration structure has been developed in accordance with the following principles:

- Competitiveness on the respective markets so as to attract, retain and motivate the talents needed to implement the Group's growth and performance strategy
- Variable remuneration directly linked to the achievement of the Group's strategic objectives and individual performances
- Coherence and balance of remuneration between costs and added value.

The Human Resources department receives regular studies on the international market prepared by the firm Willis Towers Watson, which has an international reputation in this field. Hamon aims to adopt a median position on the market to determine the amounts of salaries and benefits granted to its employees and executives. The amount of these remunerations is therefore in line with market practices for similar positions.

The Remuneration and Appointment Committee is not planning to make any major changes to the remuneration policy applied for staff of the Hamon Group in the next two years.

II. REMUNERATION AND BENEFITS FOR THE ADMINISTRATIVE AND MANAGEMENT BODIES

1. REMUNERATION OF THE DIRECTORS

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 cost to the company 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 paid to the Vice-Chairman of the Board as of 2018.

In 2019, the directors received their remuneration relating to the current financial year. This amounted to a total of EUR 206,000, covering their participation in the Board meetings and any specialized committees.

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*
Laurent Levaux	17,500	3,000	20,500
Sogepa represented by Valérie Potier	20,500	6,000	26,500
Alexandre Grosjean	22,000	1,500	23,500
Bernard Lambilliotte	22,000	1,500	23,500
Aline Lambilliotte**	16,500		16,500**
Philippe Vlerick***	4,000	1,500	5,500***

* Fixed annual rate that also covers participation in specialized committees. This amount is paid directly to Sogepa SA.

** Since her participation in the Board as of 23 April 2019.

*** Fixed rate corresponding to the number of Board meetings which the person concerned attended prior to the non-renewal of his mandate in April 2019.

2. REMUNERATION OF THE CEO

The remuneration of Mr Bernard Goblet, CEO, outgoing as of 1 March 2020, consisted of a fixed sum of EUR 550,000/year which covered all the pension and other components of the remuneration (benefits in kind/health insurance/death benefit, disability/guaranteed income/company car), excluding variable remuneration.

In the context of an agreement reached by common consent, Mr Goblet did not receive severance pay as his departure was voluntary. Nor did he receive a bonus during 2019.

The gross individual remuneration, on an annual basis, of VOLENTES SRL, represented by France Orban, the new CEO in charge of day-to-day management, who took up his position on 1 March 2020, is set at a fixed amount of EUR 372,000 for the first three years. It covers the pension and other components of the remuneration (benefits in kind/health insurance, death benefit, disability, etc.), excluding business expenses.

A signing bonus of EUR 60,000 was granted on 30 March 2020.

A variable remuneration is also planned, based on the goals defined by the Board of Directors and limited to 30% of the fixed gross remuneration.

The severance pay of the CEO (if the contract is breached without reason by Hamon), amounts to three months' prior notice (or equivalent compensatory indemnity) in the event of a breach within the first 12 months and six months' prior notice (or equivalent compensatory indemnity) after 12 months, in both cases increased by an amount equal to one year's fixed remuneration.

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 2019 were as follows (figures in EUR):

Basic remuneration	955,366.13
Variable remuneration*	0
Pension (defined contribution)	101,952.17
Other remuneration components (benefits in kind/health insurance, death benefit/disability allowance/guaranteed income/company car)	112,523.97

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 2019 financial year.*

They take account of two months for Quentin Biart, the new CFO, as well as the payment of the annual holiday bonuses for 2020 of Christian Leclercq, which partly explains the increase compared with 2018.

Furthermore, no agreement providing for severance pay has to be submitted for the approval of the general meeting of 28 April 2020.

4. TOTAL REMUNERATION OF SENIOR MANAGEMENT

In 2019, 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 1,719,842.27.

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, settles the representation on the Board on the one hand and the ownership and transfer of shares in the company held by Sopal, the Walloon Region and Sogepa on the other.

There is no temporary non-transferability of shares by Sopal and Sogepa, but any transfer of shares by one of these parties was 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 2019 were audited by EY Ernst & Young, Reviseurs d'Entreprises, SCCRL, De Kleetlaan 2, 1831 Diegem, represented by Mr Vincent Etienne, company auditor, 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. A proposal will be put to this general meeting to renew this mandate for a period of three years.

I. REMUNERATION OF THE AUDITOR

The fees received by the auditor and his network (E&Y) for the 2019 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 2018 financial year and will not pay a dividend for the 2019 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 is currently being updated and is available on the company website, see hamon.com/about/ethics.

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 laid down in Article 7: 97 of the Companies and Associations Code (formerly Article 524 of the Companies Code) was implemented in July 2019 in the context of the bank refinancing. Sogepa, which holds 51 % of the shares in Hamon & Cie, had a conflict of interests resulting (i) from the conversion of the revolving credit line granted to Hamon as a subordinated loan and ii) modifications made to the conditions governing the revolving credit.

In application of Article 7: 97 of the Companies and Associations Code and having requested the expert advice of BDO Réviseurs d'Entreprises SCRL, represented by Félix Fank, the Committee of independent directors came to the conclusion that the aforementioned planned transaction was in line with the Group's strategy to reinforce its equity and its financial structure and that the conditions under which this transaction was being considered were not likely to adversely affect the company and were not improper.

The conflicts of interest procedure was also applied in January 2020 when a bridge loan of EUR 6 million was granted to Hamon & Cie by Sogepa. The Committee of independent directors was asked to consider the conflict of interests existing between Sogepa and Hamon as a result of this

loan, given that Sogepa, acting as lender, also holds 51 % of the shares in Hamon, controls the group and is a member of the Board of Hamon & Cie. In fact, given that Sogepa is a company linked to Hamon, Article 7:97 §2 of the Companies and Associations Code applied.

In application of Article 7: 97 of the Companies and Associations Code and having requested the expert advice of BDO Réviseurs d'Entreprises SCRL, represented by Félix Fank, the Committee of independent directors came to the conclusion that in the light in particular of the results at the end of 2019, the aforementioned planned transaction was in line with the Group's strategy to continue its activities and therefore deal with its financial commitments and that the conditions under which this transaction was being considered were not likely to adversely affect the company and were not improper.

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 such 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 general meeting of 23 April 2019 renewed the authorization granted to the Board to carry out capital increases for five years by means of the authorized capital, until the general meeting of 23 April 2024.

Moreover, the authorized capital now amounts to EUR 35,170,611.60, corresponding to the amount of the company capital resulting from the capital increases effected in 2017 and 2018.

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 held on 23 April 2019 also renewed the authorization granted to 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. This authorization was renewed for a period of three years until the general meeting of 26 April 2022.

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 23 April 2019 renewed this authorization for a three-year period until the general meeting of 26 April 2022.

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 (IIBel).

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, analysing 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

I. 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'.

II. 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.

III. 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.

IV. COMPETENT TEAMS

1. 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.

2. 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:

I. 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.

II. 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.



III. 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 syndicated loan, 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.

IV. 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 context 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 its 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 2020 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	2019*	2018
Average closing price	2.814	0.487
Maximum closing price	4.400	1.750
Minimum closing price	1.210	0.280
Closing price as at 31 December	1.250	0.300
Average trading volume (number shares/day)	4,659	58,281
Total number of shares issued as at 31 December	10,657,761	117,235,372
Total number of outstanding shares as at 31 December	10,657,761	117,235,372
Average number of outstanding shares	10,657,761	105,057,053
Stock market capitalization as at 31 December (EUR million)	13.222	35.170

* The price of Hamon shares fell by 49.37% in 2019 whereas the BEL20 fell by 18.46% in 2019.

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

Capital increase

Hamon did not carry out a capital increase in 2019.

Reverse stock split *

The extraordinary general meeting of Hamon held on 23 April 2019 authorized the Board of Directors to carry out a reverse stock split. The Board took the decision on 19 June 2019 to carry out a reverse stock split at a ratio of 1 new share for 11 existing shares, effective as of 25 November 2019.

This operation was justified by the very high number of shares. As a result, the total number of Hamon shares (the denominator) now stands at 10,657,761.

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 received two shareholding notifications in 2019 (in February and in June 2019), indicating the composition of the shareholding body as at 31 December 2019.

Sopal and Frabelco, affiliated companies, dematerialized and sold 567,820 shares during the course of 2019, which were the subject of declarations by senior management available for consultation on the FSMA website.

Shareholder	31/12/2019* Securities	31/12/2019 in %	31/12/2018 Securities	31/12/2018 in %
Sopal International SA/Frabelco**	1,064,556	9.99%	15,544,830	13.26%
Sogepa (on its own behalf and on behalf of the Walloon Region)	5,458,264	51.21%	60,040,906	51.21%
Own shares held by the company	0		0	
Other public	2,272,594	21.32%	24,285,810	20.72%
Banks	1,862,347	17.47%	17,363,826	14.81%
Total	10,657,761	100%	117,235,372	100%

* After reverse stock split of 25 September 2019.

** Sopal: 481,565 (4.52%) and Frabelco: 582,991 shares (5.80%).

Shareholding body after the reverse stock split of 25 September 2019

Shareholder	Number of shares	% capital
Sogepa (on its own behalf and on behalf of the Walloon Region)	5,458,264	51.21 %
Sopal International SA	481,565	4.52 %
Frabelco SA	582,991	5.47 %
BNP Paribas Fortis	577,674	5.42 %
ING Bank	846,379	7.94 %
KBC Bank	438,294	4.11 %
Other public	2,272,594	21.32 %
Total	10,657,761	100 %

Shareholding body before the reverse stock split of 25 September 2019

Shareholder	Number of shares	% capital
Sogepa (on its own behalf and on behalf of the Walloon Region)	60,040,906	51.21 %
Sopal International SA	5,297,222	4.52 %
Frabelco SA	6,412,902	5.47 %
BNP Paribas Fortis	6,354,420	5.42 %
ING Bank	9,310,172	7.94 %
KBC Bank	4,821,234	4.11 %
Other public	24,998,516	21.32 %
Total	117,235,372	100 %

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 2020	28.04.2020
Publication of quarterly review Q1 2020	28.04.2020
Publication of first half-year results 2020	10.09.2020
General shareholders' meeting 2021	27.04.2021

Relations with investors and financial communication

Quentin Biart, Group Financial Director

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E-mail: quentin.biart@hamon.com

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 'Responsible Company' section 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 2019.



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1. CONSOLIDATED INCOME STATEMENT

in EUR '000'	Note	2019	2018
Revenue	8	305,924	345,127
Cost of sales		(260,516)	(290,028)
Gross profit		45,408	55,099
Sales & marketing costs	9	(12,482)	(12,714)
General & administrative costs	9	(44,680)	(42,041)
Research & development costs	9	(733)	(769)
Other operating income / (expenses)	10	1,858	105
Operating profit before restructuring costs and other income / (expenses)		(10,628)	(321)
Restructuring costs	11	(3,217)	(3,954)
Other income / (expenses)	11	(2,960)	538
Operating profit (EBIT)		(16,805)	(3,736)
Interest income	12	29,577	1,530
Interest charges	12	(14,534)	(11,773)
Share of the profit / (loss) of associates & joint-ventures	42	2,717	(541)
Result before tax		956	(14,519)
Income taxes	13	(728)	(826)
Net result from continued operations		228	(15,345)
Net result of discontinued operations	43	-	(9,941)
Net result		228	(25,287)
Equity holders of the company		(196)	(25,550)
Non-controlling interests		423	263
EARNINGS PER SHARE (*)	15		
Continued and discontinued operations			
Basic earnings per share (EUR)		(0.02)	(2.68)
Diluted earnings per share (EUR)		(0.02)	(2.68)
Continued operations			
Basic earnings per share (EUR)		(0.02)	(1.63)
Diluted earnings per share (EUR)		(0.02)	(1.63)
Discontinued operations			
Basic earnings per share (EUR)		-	(1.04)
Diluted earnings per share (EUR)		-	(1.04)

(*) According to the decision of the General Meeting of shareholders of 23 April 2019, the Board of Directors of Hamon & Cie has decided to implement a share consolidation with respect of all outstanding shares of the Company by means of a reverse stock split in the proportion of one new share for 11 existing shares. In order to ensure comparability between 2018 and 2019, the average number of shares for 2018 was divided by 11 and consequently, the comparative earnings per share were modified.

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR '000'	2019	2018
Net result	228	(25,287)
Other comprehensive income		
Items that may be reclassified subsequently to result	1,206	1,469
Others	-	56
Reclassification of previously recognized changes in fair value of FVOCI financial assets to net result	(11)	(87)
Change in fair value of hedging instruments	48	-
Changes in currency translation reserve	1,169	1,500
Items that may not be reclassified subsequently to result	5,132	(158)
Actuarial gains/loss on defined benefit plan	57	(158)
Change in fair value of financial liabilities (*)	5,075	-
Other comprehensive income, net of taxes	6,338	1,312
Comprehensive income	6,566	(23,975)
Equity holders of the company	6,111	(24,311)
Non-controlling interests	455	336

(*) The change in fair value of financial liabilities corresponds to IFRS9 application related to the refinancing of the syndicated loan.

3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in EUR '000'	Note	31/12/2019	31/12/2018
ASSETS			
Non-current assets			
Intangible assets	19	16,042	16,854
Goodwill	20	34,362	30,029
Property, plant & equipment	21	29,288	12,324
Investment in associates & joint-ventures	42	5,563	2,927
Deferred tax assets	23	5,236	7,839
FVOCI financial assets	22	203	189
Trade and other receivables	26	929	2,646
		91,622	72,807
Current assets			
Inventories	24	5,046	4,484
Amount due from customers for contract work	25	82,499	58,869
Trade and other receivables	26	109,218	135,397
Derivative financial assets	34	499	329
Cash and cash equivalents	27	30,728	34,782
Current tax assets		5,438	5,753
Other current assets		1	-
		233,427	239,615
Total assets		325,049	312,421
EQUITY			
Share capital	28	31,385	31,385
Share premium		109,186	109,186
Reserves		(113,728)	(120,152)
Equity attributable to the equity holders of the company		26,843	20,419
Non-controlling interests		364	548
Total equity		27,207	20,967
LIABILITIES			
Non-current liabilities			
Subordinated loan	32	10,079	-
Financial liabilities	32	58,526	81,635
Provisions for pensions	30	3,095	2,902
Other non-current provisions	29	40	-
Deferred tax liabilities	23	598	2,686
Other non-current liabilities		2,589	7,458
		74,926	94,681
Current liabilities			
Financial liabilities	32	39,667	30,878
Amount due to customers for contract work	25	57,046	61,854
Trade and other payables	33	116,447	93,165
Current tax liabilities		3,613	3,694
Derivative financial liabilities	34	340	272
Other current provisions	29	918	1,160
Other current liabilities		4,886	5,750
		222,916	196,773
Total liabilities		297,842	291,454
Total equity and liabilities		325,049	312,421

4. CONSOLIDATED CASH FLOW STATEMENT

in EUR '000'	Note	2019	2018
Operating Cash Flow	16		
Net result		228	(25,287)
Net result of discontinued operations		-	9,941
Income taxes		728	826
Share of the profit / (loss) of associates & joint-ventures		(2,717)	541
Interest income and charges		(15,043)	10,242
Operating profit (EBIT)		(16,805)	(3,736)
Adjustments for non-cash transactions		10,103	4,462
Change in working capital		19,397	(19,748)
Cash Flow from Operations		12,695	(19,022)
Operating Cash flow from discontinued activities		-	931
Interest received		80	118
Income taxes paid		(713)	(5,790)
Operating Cash Flow		12,062	(23,763)
Investing Cash Flow	17		
Acquisitions of intangible assets and PP&E		(3,762)	(2,983)
Acquisitions of subsidiaries (net of cash acquired)		248	(1,004)
Sale of intangible assets and PP&E		108	1,999
Sale of subsidiaries		(5,000)	-
Dividends received		78	-
Investing Cash flow from discontinued activities		-	(977)
Investing Cash Flow		(8,327)	(2,964)
Financing Cash Flow	18		
New borrowings		9,167	11,795
Repayment of borrowings		(1,549)	(37,224)
Repayment of lease liability		(4,031)	-
Interest paid		(6,918)	(6,352)
Other finance charge		(3,756)	(3,198)
Capital increase		38	46,077
Dividends paid		(480)	(2)
Acquisition of minority interest		(777)	-
Financing Cash flow from discontinued activities		-	(1,827)
Financing Cash Flow		(8,308)	9,269
Net variation of cash and cash equivalents		(4,573)	(17,459)
Cash and cash equivalents at the beginning of the period		34,782	50,246
Impact of currency translations and other non-cash items		518	122
Others (exclusively cash flow from discontinued activities)		-	1,873
Cash and cash equivalents at the end of the period		30,728	34,782
Net variation of cash and cash equivalents		(4,573)	(17,459)

5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR '000'	Capital	Legal reserve	Share premium	Retained earnings	Own shares	Fair value financial liabilities	Other reserve	Hedging reserve	Defined benefit pension plan	Currency translation reserve	Equity attributable to equity holders of the parent	Non-controlling interests	Total Equity
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 of 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 of non-controlling interest				(491)							(491)	20	(471)
Scope entry												-	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
Balance at 1 January 2019	31,385	671	109,186	(110,735)	(228)	(330)	153	(38)	463	(10,127)	20,419	548	20,967
Result of the period				(196)							(196)	423	228
Other comprehensive income						5,075	(11)	48	57	1,137	6,307	32	6,338
Total comprehensive income				(196)	-	5,075	(11)	48	57	1,137	6,111	455	6,566
Capital increase												-	38
Dividend paid to shareholders												-	(480)
Acquisition of non-controlling interest												-	-
Other movements				313		330	(330)				313	(196)	117
Balance at 31 December 2019	31,385	671	109,186	(110,618)	(228)	5,075	(188)	10	540	(8,990)	26,843	364	27,207

(*) Change in accounting method related to the 1st application of IFRS15 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

NOTE 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.

NOTE 2 DECLARATION OF COMPLIANCE AND RESPONSIBILITY

The consolidated financial statements were approved by the Board of Directors on 26th March 2020.

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 2019.

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.

26th March 2020.

Fabrice Orban
General Manager

Quentin Biart
CFO

NOTE 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

Based on the activity for the year 2019 and the outlook for 2020, the Board of Directors considers that it is justified to maintain the principle of going concern for the preparation of the financial statements.

Achievements of 2019

Revenue amounts to EUR 305.9 million. A large part of the revenue results from the progress of long-term contracts existing in our backlog at the beginning of the year, the rest from the level of new bookings in the beginning of the new year. In 2019, the new bookings amounted to EUR 344 million, 5.6% higher than 2018, but lower than the budget of EUR 400 million, due to the market conditions on the one hand, and on the other hand from the uncertainty,

during the first semester, related to the refinancing of the Group. It should be noted that new bookings in the last quarter reached EUR 120 million, compared to an average of EUR 75 million for each of the first 3 quarters, and that the expected contribution margin on new bookings received in 2019 is in line with the 2020 budget.

The EBITDA before restructuring costs and other income and expenses, is negative up to EUR -1.94 million, lower than the 2019 budget mainly due to the drop in revenue and the deterioration in the level of margin linked the execution of certain contracts.

On the basis of the business plan approved by the Board of Directors, impairment charges of EUR 2.5 million have been recorded on the goodwill of the EMEA and Asia regions. In accordance with IFRS, the note 20 describes more broadly the assumptions underlying these impairments as well as the sensitivity of the results to these assumptions.

Despite these developments, the net result attributable to the equity holders of the company amounted to EUR -0.2 million, benefiting in particular from the impact of EUR 28.6 million following the refinancing of the bond loan.

Refinancing

The Group has secured its main sources of financing for 5 years, until January 2025 and has improved its financial structure, mainly thanks to the reduction of 40% (EUR 22 million) in the amount repayable at maturity of the bond loan, the conversion of part of the syndicated loan into a subordinated loan up to a maximum of EUR 28 million (of which EUR 10.1 million has already been converted at 31st December 2019) as well as the measurement at market value of the debt refinanced in 2019, in accordance with IFRS9.

In application of the principles of IFRS9, the analysis of the contractual arrangements and of the refinancing context indicates that the interest rates applicable to the refinanced debts were not a reflection of the market conditions which would be applied to Hamon by new lenders. The valuation on this basis had the effect of reducing the book value of financial debts with a positive impact recorded in the income statement for the bond loan and directly in equity for syndicated loan (see note 32).

On this basis, the «Net financial debt / adjusted equity» ratio is as follows:

in EUR million	31/12/2019	31/12/2018
Non-current financial debt	58.5	81.6
Current financial debt	39.7	30.9
Cash	(30.7)	(34.8)
Net financial debt	67.5	77.7
Subordinated loan	10.1	-
Equity	27.2	21.0
Adjusted equity	37.3	21.0
"Net financial debt / adjusted equity" ratio	1.8	3.7

Equity adjusted for the subordinated loan increased by 78% following the impact of subordination and the application of IFRS9. Given these developments, the "Net financial debt / adjusted equity" ratio evolved positively from 3,7x in 2018 to 1.8x in 2019.

The Board of Directors is convinced that the strengthening of the Group's financial structure will allow to participate again, with chances of success, in tenders for longer-term orders.

New covenants

New covenants have been negotiated with banking partners, calculated on a rolling 12-month basis, every 6 months, from 30th June 2020 and until 31st December 2024 as follows:

- minimum sales amount gradually increasing from EUR 241 million at 30th June 2020 to EUR 342.7 million at 31st December 2024;
- minimum EBITDA before restructuring costs and other income and expenses, progressively increasing from EUR 8 million at 30th June 2020 to EUR 20.5 million at 31st December 2024.

Given the results of the second half 2019 of EUR 1.13 million, there is uncertainty as to the compliance with the short-term covenants. In this respect, it should be noted that Hamon must realize its 2020 budget in order to meet the covenant in terms of EBITDA on 30th June and 31st December 2020. Otherwise, the contractual arrangements foresee that Hamon has the possibility to remedy a possible breach of the covenant by means of a capital increase or a subordinated loan. It can also request a waiver from the banking syndicate.

Outlook 2020

The key parameters of the budget process include estimates of revenue, margin rates, as well as salary and overhead costs.

Given the characteristics of our long-term contract activities, revenue largely depends on the conversion of the backlog at the start of the year as well as the new bookings for the year, being heard that those carried out in the second half impact to a lower extent the revenue of the year. Experience has shown that the backlog and new bookings conversion rates can be used to estimate revenue. Margin rates are known at the level of the backlog and estimated for new bookings.

As of 31st December 2019, the Group's backlog amounts to EUR 353.6 million, up 4.5% compared to the end of December 2018 due to new bookings in the last quarter of 2019.

The budget approved for 2020 by the Board of Directors is based on new bookings in 2020 of EUR 392 million (345 million in 2019) and a level of margin which should generate sufficient cash flow to allow the Group to finance its operations.

The Board of Directors is aware that the 2020 results will depend on the level of new bookings, their timing as well as the good progress in the execution of projects. Despite a good trend in new bookings, there is a real uncertainty as to the achievement of this objective, which would have a significant impact on revenue, EBITDA before restructuring costs and other income and expenses, compliance of covenants and operating cash flow.

Cash and liquidity risk

The Board of Directors is aware that the Group's going concern is linked to the evolution of its cash flow. The latter results from a controlled management of its working capital and in particular possible delays in receipts, inherent in Hamon's activities.

The cash flow projections for the year 2020 are based on a set of data including (i) the expected cash flows on the projects included in the backlog as of 31st December 2019 as well as on the new bookings budgeted for 2020, (ii) cash out linked to salary and overhead costs, (iii) expected changes in working capital level as well as (iv) specific operations making it possible to optimize the Group's cash position, which remains highly decentralized and therefore not fully available in the very short term.

Experience has shown that cash flow projections are always sensitive to expected changes in working capital as well as to the actual achievement of the budget. The Group's cash flow for 2020 therefore strongly depends on its ability to reach the level of booking and margins provided for in the 2020 budget. As for the management and the execution of projects, which define the amount of our billing and our margins, the new management will do everything to minimize the difficulties that the Group may have experienced in the past. Despite these uncertainties, the Board of Directors considers that the Group will be able to manage the short-term liquidity problems that may arise. To deal with ad hoc cash flow problems, the Group cannot count on new liquidity contributions or on unused credit lines which are dedicated to ongoing refinancing operations. The Group will therefore continue to manage its treasury with the greatest attention.

Like all companies, Hamon will also face uncertainties related to the changing macroeconomic situation, world markets and the economic slowdown that could result from the current health crisis (see note 46). However, these risks and uncertainties do not tarnish the confidence of the Board of Directors.

3.1.2. Standards and interpretations applicable for the annual period beginning on 1st January 2019

The accounting principles used to prepare the financial statements at 31 December 2019 are consistent with those used for the financial statements at 31 December 2018, with the exception of the normative changes described below.

- IFRS16 Lease contracts

IFRS16 replaces IAS17, IFRIC4, SIC-15 and SIC-27. IFRS16 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 IAS17. The standard provides two accounting exemptions for lessees, leases for low-value assets (i.e., personal computers) and short-term leases (i.e., leases of less than twelve months). At the starting date of the lease, the lessee recognizes a liability representing lease payments (i.e., debt for rent) and an asset representing the right to use the underlying asset (i.e., 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 applies standard IFRS16 as of 1st 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. Note 38 provides more information on the impact of this standard on the Group's annual accounts. In addition, the valuation methods relating to leases have been modified (note 3.7).

- IFRIC Interpretation 23 uncertainty over income tax treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately

- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

In addition, several standards have been modified at various points effective 1st January 2019. These changes include the prepayment clauses providing for a negative compensation (modification of IFRS9), the investments in associates and joint ventures (modification of IAS28), annual improvements to IFRS 2015-2017 cycle (modification of IFRS3, IFRS11, IAS12 and IAS23) and the modification, reduction or liquidation of a plan (modification of IAS 19). None of these changes have a significant effect on the Group's consolidated financial statements.

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.

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.

3.3.1. 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.

3.3.2. 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 IFRS 9.

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.

3.4.1. 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.

3.4.2. Development 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.

3.4.3. 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.

3.4.5. Goodwill

Recognition of goodwill

Goodwill is measured as the excess of the total of:

- the consideration transferred;
- the amount of any minority interest in the acquired business;
- 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.

3.4.6. 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 CONTRACTS

Following the adoption of IFRS16 Leases, the accounting policies for leases have been revised. The Group leases various properties, equipment and cars and the rental contracts are typically made for a fixed, short or long term period. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease contracts do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use

asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease liability includes the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate.

There are no leases for which it is expected that the Group would need to pay a residual value guarantee or a certain amount to exercise a purchase option whereby it is reasonable certain that the Group will exercise this option or any penalties for terminating the lease in case the lease term reflects that the Group will exercise this option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs (except for the leases already existing at transition date), and
- restoration costs.

Right-of-use assets are presented as part of property, plant and equipment and the lease liability as part of financial liabilities in the consolidated statement of financial position. All lease payments that are due within 12 months are classified as current liabilities. All lease payments that are due at least 12 months after the balance sheet date are classified as non-current liabilities.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low value assets comprise mainly IT-equipment (laptops, tablets, mobile phones, PC's) and small items of office equipment and furniture.

There are no material lease contracts whereby the Group is lessor.

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.

3.8.1. 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.

3.8.2. 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.

3.8.3. 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.

3.8.4. 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.

3.8.5. 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.

3.10.1. 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.

3.10.2. 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.

3.10.3. 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 constraints 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.

NOTE 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 financial 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.

NOTE 5 CONSOLIDATED ENTITIES

The following table mentions the list of subsidiaries owned by the Group as of 31st December 2019 and 2018. The changes in scope are detailed in Note 14.

Subsidiary	Country	% of interest	
		2019	2018
Subsidiaries consolidated by full integration method			
Hamon & Cie (International) SA	Belgium	Holding 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 SA	France	99.95%	99.95%
Hamon Thermal Europe (France) SA	France	99.95%	99.95%
MPA SAS (*)	France	49.93%	49.93%
Scope 37 SAS (*)	France	49.98%	49.98%
Hamon Research-Cottrell SAR.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%
Hamon (Nederland) BV	Netherlands	100%	100%
Hamon Environmental Polska Sp. z o.o.	Poland	100%	100%
Hamon Polska Sp. z.o.o.	Poland	100%	100%
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%
Hamon Australia (Pty) Ltd.	Australia	100%	100%
Hamon Thermal (Tianjin) Co., Ltd	China	100%	100%
Hamon Research-Cottrell (Shanghai) Co., Ltd	China	89.6%	80%
TS Filtration Environmental Protection Products (Shanghai) Co., Ltd	China	89.6%	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)	89.6%	80%
Hamon India PVT Ltd.	India	100%	100%
Hamon Research-Cottrell India PVT Ltd.	India	100%	100%
Hamon Cooling Systems PVT Ltd (précédemment Hamon Shriram Cottrell)	India	98%	50%
P.T. Hamon Indonesia	Indonesia	100%	100%
Hamon Korea Co Ltd.	South Korea	100%	100%
Hamon Korea Youngnam Ltd.	South Korea	66.8%	60.5%
Hamon Malaysia SDN. BHD.	Malaysia	100%	100%
Hamon B.Grimm Ltd. (*)	Thailand	49%	48.97%
Hamon Termal ve Çevre Sistemleri Sanayi ve Ticaret A.Ş.	Turkey	99.6%	99.6%
Hamon Vietnam company LTD.	Vietnam	89.6%	80%
Subsidiaries consolidated by equity method			
Esindus SA	Spain	38.89%	38.89%
Hamon Cooling Towers Company FZCo	United Arab Emirates	50%	50%

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

NOTE 6 EXCHANGE RATES USED BY THE GROUP

Exchange rate for 1 EUR		Closing rate		Average rate	
		2019	2018	2019	2018
UAE Dirham	AED	4.1224	4.2054	4.1114	4.3410
Australian Dollar	AUD	1.5995	1.6220	1.6108	1.5795
Brazilian Real	BRL	4.5157	4.4440	4.4117	4.3097
Canadian Dollar	CAD	1.4598	1.5605	1.4857	1.5305
Chilean Peso (100)	CLP	8.4348	7.9657	7.8725	7.5500
Chinese Yuan	CNY	7.8205	7.8751	7.7348	7.8127
Pound Sterling	GBP	0.8508	0.8945	0.8777	0.8856
Hong-Kong Dollar	HKD	8.7473	8.9675	8.7736	9.2606
Indonesian Rupiah (100)	IDR	155.9561	164.9999	158.3780	167.7790
Indian Rupee	INR	80.1870	79.7298	78.8348	80.4956
South Korean Won (100)	KRW	12.9628	12.7793	13.0529	12.9605
Mexican Peso	MXN	21.2202	22.4921	22.0750	22.7013
Malaysian Ringgit	MYR	4.5953	4.7317	4.6379	4.7627
Polish Zloty	PLN	4.2568	4.3014	4.2973	4.2632
Saudi Riyal	SAR	4.2085	4.2950	4.1984	4.4328
Russian Ruble	RUB	69.9563	79.7153	72.4718	73.7410
Thai Baht	THB	33.4150	37.0520	34.7738	38.1379
Turkish Lira	TRY	6.6843	6.0588	6.3576	5.6205
U.S. Dollar	USD	1.1234	1.1450	1.1196	1.1816
Vietnamese Dong (100)	VND	260.0713	261.3464	259.9949	267.1340
South African Rand	ZAR	15.7773	16.4594	16.1717	15.5477

NOTE 7 INFORMATION BY SEGMENT

In accordance with IFRS8 “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 ; and
- Asie.

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 the operating profit before restructuring costs and other income and expenses 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 stopped 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, i.e. the impact of transactions between PHE and the rest of the Group.

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

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

in EUR '000'	America	Asia	EMEA	Non-allocated	Elimination	Total
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 restructuring costs and other income and expenses	1,384	699	585	(3,926)	936	(321)
Restructuring costs and other income and expenses	(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)
For the period ended 31 December 2019						
Revenue third party	64,221	80,632	160,439	631	-	305,924
Inter-segment revenue	-	173	932	-	(1,105)	-
Revenue	64,221	80,805	161,372	631	(1,105)	305,924
Operating profit before restructuring costs and other income and expenses	(4,643)	3,298	(7,801)	(1,484)	2	(10,628)
Restructuring costs and other income and expenses	(663)	(2,430)	(3,818)	736	(2)	(6,177)
Operating profit (EBIT)	(5,306)	868	(11,619)	(748)	-	(16,805)
Depreciation	(1,740)	(2,324)	(2,549)	(2,073)	-	(8,686)
REBITDA	(2,903)	5,622	(5,252)	589	2	(1,942)
Interest income				29,577		29,577
Interest charges				(14,534)		(14,534)
Share of the profit (loss) of associates & joint-ventures				2,717		2,717
Result before tax						956
Income taxes				(728)		(728)
Net result from continued operations						228

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'	2019	2018
Belgium	8,404	6,964
France	41,646	29,930
Poland	7,039	21,434
Great Britain	11,312	13,302
Other Europe (incl. Russia)	38,555	21,912
Total Europe	106,856	93,542
Canada	6,597	10,668
United States	64,788	65,404
Total United States & Canada	71,384	76,072
Brazil	1,123	1,800
Mexico	1,334	18,696
Other Latin America	172	0
Total Latin America	2,629	20,496
Saudi Arabia	4,736	4,903
Algeria	319	3,638
Egypt	470	2,485
Other Middle East & Africa	11,828	9,909
Total Middle East & Africa	17,353	20,934
China (incl. Hong Kong)	8,457	40,729
India	13,280	4,568
South Korea	7,181	12,480
Indonesia	12,411	33,374
Other Asia-Pacific	66,372	42,932
Total Asia-Pacific	107,701	134,082
Total World	305,924	345,127

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

in EUR '000'	2019	2018
Belgium	10,655	8,183
Brazil	6,670	6,778
China (incl. Hong Kong)	12,166	12,085
South Korea	870	653
United States	25,928	22,692
France	6,246	5,245
India	12,192	143
Others	4,965	3,428
Total World	79,691	59,206

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

NOTE 8 REVENUE

The breakdown by type of activity is as follows:

in EUR '000'	2019	2018
Dry Cooling Systems	20,624	57,475
Wet Cooling Systems	90,432	94,498
Customer Service	74,991	73,328
Deltak	25,046	33,329
Air Filtration Systems	27,987	48,653
FGD	65,246	24,842
Chimney	1,597	12,989
Others	-	13
Total	305,924	345,127

Group's revenue decreased by 11% compared to 2018 and amounted to EUR 305.9 million (compared to EUR 345.1 million in 2018). The decrease is mainly due to the delay in the progress of certain projects, which will be caught up in 2020, and by the relative weakness of new bookings in the first 9 months of 2019.

Revenue from our after-sales activities reached EUR 75 million, or 24.5% of Group's revenue. The relative share of these activities continues to grow (+3.3% compared to 2018), in accordance with the objectives of the transformation plan.

NOTE 9 OPERATING EXPENSES

in EUR '000'	2019	2018
<i>Gross remuneration</i>	51,500	55,522
<i>Employer's contribution for social security</i>	6,179	6,454
<i>Other personnel costs</i>	7,861	9,002
Charges/costs of the personnel	65,540	70,977
Depreciation & amortization	8,686	5,269
Other operating expenses	20,067	23,759
Total gross operating expenses	94,293	100,006
Cost allocation ⁽¹⁾	(36,399)	(44,481)
Total net operating expenses	57,895	55,525
Sale & marketing costs	12,482	12,714
General & administrative costs	44,680	42,041
Research & development costs	733	769
Total net operating expenses	57,895	55,525
Average Headcount	981	967

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

Net operating expenses, of EUR 57.9 million, increased by 4% compared to 2018 despite a decrease in gross operating expenses of 6% (EUR 5.7 million less). This is mainly due to the lower cost allocation due to the lower activity volume than in 2018.

The headcount evolution compared to 2018 was impacted by the acquisition in April 2019 of the Indian joint venture Hamon Cooling Systems, which has an average headcount of 84 people. This subsidiary was formerly known as Hamon Shriram Cottrell and was consolidated using the equity method.

NOTE 10 OTHER OPERATING INCOMES AND EXPENSES

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

in EUR '000'	2019	2018
Net fair value gain/(loss) on foreign exchange derivatives	(248)	(253)
Net exchange differences	529	(577)
Net impairment of current assets	278	610
Other misc. operating income/(expenses)	1,299	324
Total	1,858	105

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

Other miscellaneous operating income and expenses are mainly composed of the rebilling of certain operating costs not linked to projects.

NOTE 11 RESTRUCTURING COSTS AND OTHER INCOME / (EXPENSES)

in EUR '000'	2019	2018
Restructuring cost	(3,217)	(3,954)
Net impairment of non-current assets	(2,739)	-
Gain/(loss) on disposal of non-current assets	41	(54)
Other income / (expenses)	(261)	593
Total	(6,177)	(3,415)

Restructuring costs represent a total of EUR 3.2 million which are spread over several Group entities. They mainly relate to severance payments.

The net impairment of non-current assets mainly relates to goodwill for EUR 2.5 million, of which EUR 1.5 million for EMEA and EUR 1 million for Asia.

NOTE 12 NET FINANCE COSTS

The detail of net finance costs is as follows:

in EUR '000'	2019	2018
Interest charges	(7,993)	(6,352)
Amortized cost treatment	(1,971)	(1,824)
Total interest charges	(9,964)	(8,177)
Other borrowing costs	(4,570)	(3,596)
Factoring costs	(472)	(29)
FX forward swap points	(808)	(1,012)
Other finance costs	(3,289)	(2,556)
Interest expense	(14,534)	(11,773)
Interest income	29,577	1,530
Total	15,043	(10,242)

Interest charges on the Group's debt increased compared to 2018, mainly due to:

- interest charges of EUR 0.9 million recognized on the lease liability following the application of IFRS16 on 1st January 2019.
- interest charges of EUR 0.7 million recognized on the debt of the Indian joint venture Hamon Cooling Systems which was acquired in April 2019. This subsidiary was formerly known as Hamon Shriram Cottrell and was consolidated using the equity method.

These additional debts with an higher average cost for the Group, as well as the 40% reduction in the nominal repayment amount of the bond loan (from EUR 55 million to EUR 33 million - see note 32) lead to an increase in the average cost of the Group's debt that reaches 6.07% in 2019 compared to 5.21% in 2018.

The "Amortized cost treatment" consists in the amortization of setup and review costs of the Senior Facilities Agreements signed on 17th December 2009 and 4th July 2011 and of the bond loan with a fixed rate at 5.50% issued on 30th January 2014.

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

- factoring charges
- a charge of EUR 0.8 million 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.

Interest income mainly includes the reduction of EUR 22 million in the nominal repayment amount of the bond loan decided on 22nd August 2019 at the General Meeting of Bondholders as well as the fair value revaluation of the same loan for EUR 6.6 million. For more details on these transactions, we invite you to refer to note 32.

NOTE 13 INCOME TAX

in EUR '000'	2019		2018	
Components of tax (expense)/income	(728)		(826)	
Related to current year	(181)		(1,417)	
Related to past years	(547)		591	
Current tax	(2,291)		(788)	
Related to current year	(1,745)		(1,379)	
Related to past years	(547)		591	
Deferred tax	1,563		(38)	
Related to timing differences	7,910		(43)	
Related to the change of tax rate	-		(284)	
Related to reversal/(impairment) on deferred tax assets	(6,347)		289	
Reconciliation of Group income tax charge				
Result before tax continued activities	956		(14,519)	
Share of the profit/(loss) of Joint Ventures	2,717		(541)	
Result before tax of continued activities and before share of the profit/(loss) of Joint Ventures	(1,762)		(13,978)	
Tax rate of the parent company	30%		30%	
Group theoretical income tax charge	521	30%	4,135	30%
Utilisation of tax losses not previously recognised	2,943	167%	2,428	17.4%
Tax related to past years	(547)	(31%)	591	4.2%
Effect of change in tax rate on deferred taxes	-	-	(284)	(2.0%)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(11)	(0.6%)	(1,027)	(7.3%)
Permanent differences (goodwill & intangibles)	(1,103)	(63%)	267	1.9%
Impairment/(reversal) on deferred tax assets	(654)	(37%)	289	2.1%
Deferred tax assets not recognised	(5,673)	(322%)	(7,602)	(54%)
Transactions without tax impact	4,164	236%	-	-
Local tax	(358)	(20%)	-	-
R&D tax credits	-	-	46	0.3%
Other	(10)	(0.6%)	332	2.4%
Income tax income/(expense)	(728)	(41%)	(826)	(5.9%)

In 2019, the Group's tax expense, which amounted to EUR 0.7 million, was impacted by the current tax expense relating to past years for EUR 0.5 million.

The deferred tax income of EUR 1.6 million is mainly explained by the recognition of deferred tax assets

relating to temporary differences and recoverable tax losses of EUR 7.9 million, mainly in the United States and in EMEA offset by impairments recorded in Belgium and Germany for a total amount of EUR 6.3 million.

NOTE 14 CHANGES IN SCOPE

The following changes have occurred in the scope:

- In April 2019, the Group finalized the acquisition of 98% of its Indian joint venture Hamon Cooling Systems. This subsidiary was formerly known as Hamon Shriram Cottrell and was consolidated using the equity method. Hamon Cooling Systems is a company active in cooling systems in India. The acquisition was made against a symbolic payment of EUR 1 thousand. At the date of acquisition, the book value of the integrated net assets being negative at EUR -6.5 million, a goodwill of EUR 6.5 million was recognized.
- In accordance with the contractual arrangements in place with its local partner, the Group acquired an additional 9.6% of the shares in its subsidiary Hamon Research Cottrell Hong Kong and now holds 89.6% of the shares in this subsidiary. During 2020, it is agreed that the Group will acquire the remaining 10.4%.
- The subsidiaries Hamon South Africa (Pty) Ltd and Hamon Dormant UK Co. Ltd were liquidated in 2019.

NOTE 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'	2019	2018
Net result (equity holders of the Company)	(196)	(25,550)
Weighted average number of ordinary shares during the year	10,657,761	9,550,641
Basic earnings per share and Diluted earnings per share (EUR/share)	(0.02)	(2.68)

According to the decision of the General Meeting of shareholders of 23rd April 2019, the Board of Directors of Hamon & Cie has decided to implement a share consolidation with respect of all outstanding shares of the Company by means of a reverse stock split in the proportion of one new share for 11 existing shares. The last trading day of the old share took place on Friday 20th September 2019 and the reverse stock split was effective on Monday 23rd September 2019. In order to ensure comparability between the 2018 and 2019 financial years, the weighted average number of ordinary shares for 2018 was divided by 11 to go from 105,057,053 to 9,550,641 shares. Basic earnings per share and diluted earnings per share for 2018 went from EUR -0.24 to EUR -2.68 / share.

There is no difference between basic earnings per share and diluted earnings per share.

CONTINUED OPERATIONS

Basic earnings per share from continued operations amounts to EUR -0.02 / share (EUR -1.63 / share in 2018). 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 0.00 / share as of 31 December 2019 (EUR -1.04 / share as of 31 December 2018). It is calculated on the basis of net income from discontinued operations of EUR 0 thousand in 2019 (EUR -9.941 thousand in 2018) and the denominators detailed above.

NOTE 16 CASH FLOW FROM OPERATING ACTIVITIES

Operating cash flow, at EUR 12.1 million, improved compared to 2018 (EUR -23.8 million) despite a lower operating profit. This is mainly due to the change in working capital which improved significantly in 2019 to EUR 19.4 million (EUR -19.7 million in 2018).

Adjustments for non-cash impact transactions amounted to EUR 10.1 million compared to EUR 4.5 million in 2018, mainly

due to depreciation, higher than 2018 following the application of IFRS16 as of 1st January 2019 and the impairment of non-current assets (Goodwill EMEA and Asia).

Income tax paid during the year amounted to EUR 0.7 million, while in 2018 the Group had paid a total of EUR 5.8 million, mainly in the United States.

Non-cash transactions:

in EUR '000'	2019	2018
Depreciations	8,686	5,269
Impairment of non-current assets	2,497	0
Gain/(loss) on disposal of non-current assets	(41)	54
Impairment of current assets	171	(728)
Unrealized exchange Gain/(loss) and other non-cash finance charge	190	1,938
Change in provisions and provision for pension	(317)	(1,832)
Others	(1,084)	(239)
Non-cash transactions	10,103	4,462

NOTE 17 CASH FLOW FROM INVESTING ACTIVITIES

The net cash flow from investments for 2019 is EUR -8.3 million (EUR -3 million in 2018). The investments and divestments of the year mainly concern:

- the acquisition of the joint venture Hamon Cooling Systems in India
- the payment of commitments related to the sale of the "PHE" division for EUR 5 million
- investments in IT (network, management tools, software,...) and investments for maintenance.

NOTE 18 CASH FLOW FROM FINANCING ACTIVITIES

Financing cash flow was EUR -8.3 million in 2019 (EUR -9.3 million in 2018). It mainly results from the interest charge paid (EUR -6.9 million), other financial charges paid (EUR -3.8 million), the reimbursement of the lease liability, essentially composed of debts booked following the application of IFRS16 as of 1st January 2019 (EUR -4 million) and the buyout of minority interests in the Hamon Research Cottrell

Hong Kong subsidiary (EUR -0.8 million), partially offset by the net increase in borrowings up to EUR 7.6 million.

It should be noted that in 2018, the Group had carried out a capital increase of EUR 46.1 million and had made a net loan repayment of 25.4 million.

The Group will not pay a dividend for the 2019 financial year.

NOTE 19 INTANGIBLE ASSETS

in EUR '000'	Patents and trade marks	Development costs	Total
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
For the year ended 31 December 2019			
Exchange difference	122	66	188
Additions	1,415	449	1,865
Disposals	(17)	-	(17)
Amortization and impairment charge for the year	(1,762)	(1,085)	(2,847)
Net carrying amount at closing date	11,570	4,472	16,042
As of 31 December 2019			
Cost	34,809	22,023	56,832
Accumulated amortization and impairment	(23,240)	(17,551)	(40,790)
Net carrying amount	11,570	4,472	16,042

Except for trademarks acquired through the acquisition of Deltak in 2011, all intangible assets have a finite useful life on the basis of which the asset is amortized. The Deltak trademarks (EUR 6.3 million as of December 31, 2019 compared to EUR 6.2 million the previous year due to the currency impact) have a useful life which is not limited in time and the Group intends to maintain its use in the future. The impairment tests on Deltak trademarks are carried out in conjunction with the goodwill impairment tests (see note 20).

During 2019, 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.

NOTE 20 GOODWILL

in EUR '000'	2019	2018
Gross carrying amount as of 1 January	48,828	47,601
Accumulated amortization and impairment as of 1 January	(18,799)	(18,616)
Net carrying amount as of 1 January	30,029	28,985
Foreign Currency Translation	280	208
Acquisitions	6,550	836
Impairment	(2,497)	-
Gross carrying amount as of 31 December	55,669	48,828
Accumulated amortization and impairment as of 31 December	(21,307)	(18,799)
Net carrying amount as of 31 December	34,362	30,029

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.

In 2019, the goodwill increased compared to 2018 due to foreign exchange differences as well as an acquisition. The Group has indeed acquired 98% of its Indian joint venture Hamon Cooling Systems (previously called Hamon Shriram Cottrell and consolidated using the equity method) against a symbolic payment of EUR 1 thousand. At the date of acquisition, the book value of the integrated net assets being negative at EUR -6.5 million, a goodwill of EUR 6.5 million was recognized. In addition, the impairment tests carried out resulted in a total impairment charge of EUR 2.5 million, including EUR 1.5 million for the EMEA CGU and EUR 1 million for the Asia CGU. In 2018, no impairment was recorded.

The breakdown of the goodwill by Region is the following:

in EUR '000'	2019	2018
EMEA	2,809	4,303
America	15,147	15,011
Asia	16,405	10,715
Net carrying amount as of 31 December	34,362	30,029

GOODWILL IMPAIRMENT TESTING BY REGION

CGU: EMEA

The recoverable amount of the EMEA CGU as of 31 December 2019 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 10%. The other assumptions used (concerning capital expenditures and working capital) are also in line with the business plan approved by the Board of Directors. The results of the depreciation test showed that an impairment of EUR 1.5 million was required.

CGU: 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 10%. 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.

CGU: Asia

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 10%. The other assumptions used (concerning capital expenditures and working capital) are also in line with the business plan approved by the Board of Directors. The results of the depreciation test showed that an impairment of EUR 1 million was required.

The key assumptions used are the following:

Key assumptions	2019	2018
WACC	10%	11%
Growth rate	0%	0%

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

	EMEA	America	Asia
WACC at 10.5% (instead of 10%)	-	(971)	(1,383)
REBITDA / Revenue: -1%	(5,568)	(8,871)	(9,815)
Revenue: 90% of the business plan Revenue	(7,371)	(14,522)	(8,141)

NOTE 21 PROPERTY, PLANT & EQUIPMENT

in EUR '000'	Land and buildings	Furniture and vehicles	Plant, machinery and equipment	Other tangible assets	Assets under construction and advance payments	Total
As of 31 December 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
For the year ended 31 December 2019						
Exchange difference	22	15	16	-	2	54
Application of IFRS16	10,699	933	259	73	-	11,964
Acquisitions	4,196	945	2,467	206	33	7,846
Disposals	(1,394)	(20)	(29)	-	-	(1,442)
Depreciation charge for the year	(2,492)	(737)	(2,492)	(117)	-	(5,839)
Transferred from an account to another	1,225	46	3,163	-	(54)	4,380
Net carrying amount at closing date	18,054	1,798	8,790	512	134	29,288
As of 31 December 2019						
Cost	27,053	5,048	36,839	2,087	134	71,160
Accumulated depreciation	(8,999)	(3,249)	(28,049)	(1,575)	-	(41,812)
Net carrying amount	18,054	1,798	8,790	512	134	29,288
Assets under leasing	12,582	1,160	1,036	239	-	15,016

Following the application of IFRS16 on 1st January 2019, the Group has recognized under "Property, plant and equipment" a right-of-use of assets under lease contracts of EUR 12 million. In addition, the Group acquired tangible fixed assets in 2019 for EUR 7.8 million (EUR 0.9 million in 2018). The share relating to the right-of-use of assets under lease contracts in the total acquisitions represents EUR 5.9 million and relates mainly to the renewal of building leases in Asia and the signing of a new office lease in Belgium. The rest of the acquisitions relate to recurring replacements.

The disposals amounted to EUR 1.4 million and correspond mainly to the termination of the office lease in Belgium.

As of December 31, 2019, Hamon rents property, plant and equipment under several operational and financial leasing contracts. The book value of these assets amounts to EUR 15 million (EUR 1.7 million at December 31, 2018). The increase results from the application of IFRS16 on January 1, 2019.

NOTE 22 FVOCI FINANCIAL ASSETS

in EUR '000'

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

For the year ended 31 December 2019

Balance at opening date	189
Disposals	-
Transferred from an account to another	16
Exchange difference	(3)
Balance at closing date	203

NOTE 23 DEFERRED TAXES

The perspectives of recovering deferred tax assets are reviewed annually per tax entity and, if appropriate, deferred tax assets may no longer be recognized. These perspectives of recovering deferred tax assets are analyzed on the basis

of a tax plan indicating the projected tax base level.

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

Source of deferred tax asset and liabilities:

Deferred taxes by category in EUR '000'	Assets		Liabilities	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Temporary differences				
Intangible assets	-	-	(2,471)	(2,805)
Property, plant & equipment	35	74	(221)	(431)
Construction contracts	306	277	(2,837)	(1,798)
Provisions	701	902	(1,333)	(425)
Financial liabilities	-	-	(3,329)	-
Others	1,513	984	(15)	(56)
Total temporary differences	2,555	2,237	(10,205)	(5,514)
Tax losses and other tax credits	12,288	8,430	-	-
Total deferred tax assets/liabilities	14,843	10,667	(10,205)	(5,514)
Compensation of assets and liabilities per tax entity	(9,607)	(2,828)	9,607	2,828
Total net	5,236	7,839	(598)	(2,686)

Changes in deferred taxes:

in EUR '000'	2019	2018
Net deferred taxes as of 1st January	5,153	5,119
Deferred tax income / (expense)	1,564	(38)
Exchange difference	(35)	78
Others	(2,046)	(6)
Net deferred taxes as of 31st December	4,637	5,153

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

As at 31 December 2019, these net deferred tax, down EUR 0.5 million compared with the previous financial year, amounted for Hamon & Cie (International) SA, the Compagnie Financière Hamon (France) and the German scope respectively to EUR 1.8 million, EUR 2.3 million and EUR 0.7 million. The recovery plans cover the period until 2024 for the three scopes.

Detail per country of the net deferred tax:

in EUR '000'	31/12/2019	31/12/2018
Belgium	1,835	3,927
France	2,317	843
Germany	731	2,148
United States	152	(1,612)
Others	(397)	(152)
Total	4,638	5,153

NOTE 24 INVENTORY

in EUR '000'	31/12/2019	31/12/2018
Raw materials & consumables	4,032	2,993
Inventories and WIP - not related to construction contracts	-	-
Finished goods	1,014	1,492
Total	5,046	4,484

On 31 December 2019, write-offs accounted for on inventories amounted to EUR 1 million (EUR 0.7 million on 31 December 2018).

NOTE 25 CONSTRUCTION CONTRACTS

in EUR '000'	31/12/2019	31/12/2018
Amount due from customers for contract work	82,499	58,869
Amount due to customers for contract work	(57,046)	(61,854)
Total	25,453	(2,985)

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 evolution 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 lower than the actual costs incurred on the projects.

NOTE 26 TRADE AND OTHER RECEIVABLES

in EUR '000'	31/12/2019	31/12/2018
Trade receivables	88,220	98,433
Impairment of doubtful receivables	(14,856)	(10,051)
Trade receivables - net	73,364	88,382
Retentions	6,076	3,791
Prepayments	12,491	23,950
Cash deposits and guarantees paid	952	1,000
Receivables on related parties	3,719	8,724
Other receivables	13,545	12,195
Total	110,147	138,043
Of which non-current Trade and other receivables		
Receivables on related parties	2	1,512
Cash deposits and guarantees paid	874	879
Other non-current receivables	53	255
Less: non-current receivables	(929)	(2,646)
Trade and other receivables - current	109,218	135,397

As of 31 December 2019, EUR 2.841 thousand of trade receivables were sold (EUR 5.345 thousand in 2018) without recourse to financial institutions and are deducted from the section 'Trade receivables' according to the IAS39 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.

The variation of the impairment of doubtful receivables is commented in note 36 – Management of credit risk.

NOTE 27 CASH AND CASH EQUIVALENTS

in EUR '000'	31/12/2019	31/12/2018
Credit Institutions	28,408	31,982
Cash in hand	41	60
Short term cash deposits	2,278	2,740
Cash and cash equivalents	30,728	34,782

As of 31 December 2019, the restricted cash amounted to EUR 2.438 thousand (EUR 954 thousand in 2018).

NOTE 28 CAPITAL SOCIAL

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	31/12/2019	31/12/2018
Number of issued shares as of closing date	10,657,761	10,657,761
Share capital (in EUR)	35,170,612	35,170,612
Par value (in EUR/share)	3.30	3.30

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.

According to the decision of the General Meeting of shareholders of 23rd April 2019, the Board of Directors of Hamon & Cie has decided to implement a share consolidation with respect of all outstanding shares of the Company by means of a reverse stock split in the proportion of one new share for 11 existing shares. The last trading day of the old share took

place on Friday 20th September 2019 and the reverse stock split was effective on Monday 23rd September 2019. In order to ensure comparability between the 2018 and 2019 financial years, the number of issued shares at 31st December 2018 was divided by 11 to go from 117.235.372 to 10.657.761 shares. Par value was modified from EUR 0.30 to EUR 3.30 / share.

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. In order to ensure comparability between the 2018 and 2019 financial years, the number of shares held by shareholder at 31st December 2018 was divided by 11 to go from 117.235.372 to 10.657.761 shares.

The Group does not hold any own share anymore.

Shareholder	Shares 31/12/2019	%	Shares 31/12/2018	%
Sopal International SA	1,064,556	10.0%	1,413,166	13.3%
Sogepa (on own account and on behalf of the Walloon Region)	5,458,263	51.2%	5,458,264	51.2%
Own shares held by the Company	0	-	0	-
The banks BNPPF, ING et KBC	1,862,347	17.5%	1,578,530	14.8%
Other public	2,272,595	21.3%	2,207,801	20.7%
Total	10,657,761	100%	10,657,761	100%

DIVIDEND

The Group has not paid dividends since 2012.

NOTE 29 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

in EUR '000'	Restructuring	Other provisions	Total
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
Additions	970	47	1,017
Reversals	-	-	-
Use of provision	(876)	(343)	(1,220)
Exchange difference	-	-	-
Other movements	-	-	-
Balance as of 31 December 2019	911	47	957
Of which non-current provisions	40	-	40
Of which current provisions	871	47	917

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.

NOTE 30 PROVISIONS FOR POST-EMPLOYMENT BENEFITS

The net obligation for employee benefits amounted to EUR 3,095 thousand at year end 2019 (EUR 2,902 thousand at year end 2018). 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	18,099	59	138	18,296
Fair value of plan assets	(15,445)			(15,445)
Net obligation as at 1 January 2018	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
Total obligations	18,336	45	148	18,529
Fair value of plan assets	(15,434)			(15,434)
Net obligation as at 31 December 2019	2,902	45	148	3,095
of which defined benefit plan net obligation	2,902	45	-	2,947

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 2019, there has not been any new plan within the Group. However, the acquisition of the Indian joint venture Hamon Cooling Systems, previously consolidated under equity method and now consolidated under full integration method, led to the recognition of its employee benefits.

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 French, German, Belgian, Korean, Indian and Indonesian companies of the Group. The French and Korean entities account for more than 60% of the total of the net obligation of the Group.

- "Retirement benefit" plans, representing more than 98% 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. Most 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 these Belgian plans is between 8 and 15 years as at 31 December 2019.

Because 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.

Funding of defined benefit plans

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

in EUR '000'	31/12/2019	31/12/2018
Funded plans - PV of defined benefit obligations	15,552	15,590
Fair value of plan assets	(15,434)	(15,434)
Deficit/(surplus) of funded plans	118	156
Unfunded plans - PV of defined benefit obligations	2,829	2,595
Net liability arising from DBO	2,947	2,751

The Group's net liability slightly increased compared to last year, mainly due to the entry in scope of the Indian subsidiary.

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 IAS19.115 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 2019, the net surplus for these plans amounted to EUR 63 thousand.

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'	31/12/2019	31/12/2018
Fair value of plan assets at beginning of period	15,435	15,445
Interest income on plan assets	267	204
Return on plan assets exc. Interest income	857	(612)
Employer contributions	914	1,081
Employee contributions	174	161
Administration expenses paid from plan assets	-	(10)
Benefits paid	(2,142)	(747)
Others	(70)	(87)
Fair value of plan assets at end of period	15,435	15,435

Net defined benefit costs

The amounts recognized in the consolidated income statement for these plans for 2019 and 2018 are as follows:

in EUR '000'	31/12/2019			31/12/2018		
	Total	Discontinued Business	Continued Business	Total	Discontinued Business	Continued Business
Service Cost						
Current Service Cost	899.0			1,093.0	163.0	930.0
Past service cost	-			-	-	-
(Gain)/loss from settlement/plan reductions	-			(177.0)	(164.0)	(13.0)
Actuarial (gains)/losses on costs	10.0			(94.0)	(4.0)	(90.0)
Net interest expense	78.0			85.0	24.0	61.0
Administration costs excl. Mgmt. of plan assets	-			10.0	-	10.0
Defined benefit costs recognized in P&L	987.0			917.0	19.0	898.0
Return on plan assets exc. Interest income on plan assets	(857.0)			612.0	-	612.0
Actuarial (gains)/losses on DBO arising from:	-			-	-	-
changes in demographic assumptions	-			(27.0)	-	(27.0)
changes in financial assumptions	1,134.0			(893.0)	(56.0)	(837.0)
experience adjustments	(581.0)			419.0	(40.0)	459.0
Remeasurement of DB Cost recognized in OCI	(104.0)			111.0	(96.0)	207.0
Total defined benefit cost	883.0			1,028.0	(77.0)	1,105.0

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 slightly increased compared to last year, which was lower mainly due to gain on liquidation booked in 2018.

On the other hand, the return on the Belgian plan assets as well as the experience adjustments have offset the actuarial

losses due to changes in financial assumptions. As a consequence, the Group recognized a small gain in OCI.

Following these evolutions, a cost amounting to EUR 883 thousand has been recognized for the Defined Benefits versus EUR 1.028 thousand last year.

The expected contributions and benefit payments for 2020 amount to EUR 893 thousand.

Change in obligations

Change in defined benefit obligations for the last two years were as follows:

in EUR '000'	31/12/2019	31/12/2018
Defined Benefit Obligation at beginning of period	18,185	18,158
Current Service Cost	899	917
Interest cost	344	265
Actuarial (gains)/losses arising from:		
changes in demographic assumptions	-	1
changes in financial assumptions	1,339	(881)
experience adjustments	(548)	413
Employee Contributions	174	161
Benefits paid	(2,142)	(747)
Others	(93)	(90)
Currency translation difference	5	(12)
Entry in scope	218	-
Defined Benefit Obligation at end of period	18,381	18,185

Gross obligations have slightly increased compared to last year. The entry in scope relates to the Indian subsidiary Hamon Cooling Systems, previously consolidated under the equity method, now fully consolidated following the acquisition. This had an impact on the Group's net obligations of EUR 218 thousand.

The number of employees included in the Defined Benefit plans amounted to 685 in 2019 (of which 176 are inactive) in comparison to 584 employees in 2018 (of which 159 were inactive). The increase is mainly driven by the entry in scope of the Indian subsidiary that has 83 active employees.

Actuarial assumptions

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

EURO zone	31/12/2019	31/12/2018
Discount rate	0.75-1.15%	1.3-1.92%
Expected future salary increase rate	0-3%	1.75-3%
Underlying Inflation rate	0-2%	1.75-2.00%
Average assumed retirement age (years)	62-67	62-67
APAC zone	31/12/2019	31/12/2018
Discount rate	2.13-7.5%	2.4-8.5%
Expected future salary increase rate	3.5-7.5%	3.5-7.5%
Underlying Inflation rate	0-1%	1%
Average assumed retirement age (years)	55-65	55-65

The interest rates used to discount the obligations in the EURO zone have decreased compared 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 (2.13% against 2.40% in 2018) representing 22% of the total net Group liability where the lower 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 6.87% and 7.5% for 23% of the total net Group liability).

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

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

Sensitivity Analysis

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

in EUR '000'	Impact	in %
Discount Rate plus 0.5%	(963)	-5.2%
Discount Rate less 0.5%	1.145	6.2%
Expected salary increase plus 0.5%	219	1.2%
Expected salary increase less 0.5%	(220)	-1.2%
Expected life expectancy plus 1 year	79	0.4%
Expected life expectancy less 1 year	(98)	-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 7% on the value of the gross liability.

DEFINED CONTRIBUTION PLANS AND OTHER SIMILAR BENEFITS

The retirement plans based on defined contributions and similar benefits are plans for which the Group pays

determined contributions to a separate entity according to the plan rules. These benefits may include hospitalization, illness, life/death insurances granted to the personnel. The Group has no obligation beyond these contribution payments amounting to EUR 181 thousand in 2019. These plans and similar benefits are primarily offered by Belgian, and British companies within the Hamon Group.

NOTE 31 SHARE-BASED COMPENSATION (STOCK OPTIONS)

The Board of Directors, with the approval of the Extraordinary General shareholders Meeting of 27 May 2008, decided to grant a stock option plan to managers of the Group (around 40 persons) with the goal of focusing them on the long-term development of the Group.

The plan lasted 7 years and ended in May 2015. No other plan took place since then.

NOTE 32 FINANCIAL LIABILITIES

in EUR '000'	31/12/2019	31/12/2018
Subordinated loan	10,079	-
Syndicated loan	17,993	24,912
Other bank borrowing	30,742	25,535
Bank overdrafts	4,297	1,006
Sub-total bank borrowings	63,111	51,453
Obligations under finance lease	1,564	1,945
Obligations under operating lease	13,904	-
Bond	28,881	55,000
Other financial debt	811	4,116
Sub-total other borrowings	45,160	61,060
Total	108,272	112,513
Of which:		
Current (due for settlement within the year)	39,667	30,878
Amount due for settlement in the 2 nd year	2,827	80,348
Amount due for settlement in the 3 rd year	1,945	385
Amount due for settlement in the 4 th year	1,766	265
Amount due for settlement in the 5 th year and after	62,066	637
Sub-total non-current:	68,604	81,635
Total	108,272	112,513
Of which:		
Borrowings due for settlement within the year in		
EUR	5,427	6,984
USD	410	-
Others	33,830	23,895
Non-current borrowings in		
EUR	62,790	81,635
USD	3,488	-
Others	2,327	-

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

in EUR '000'	31/12/2019	31/12/2018
Current (due for settlement within the year)	9,146	3,113
Amount due for settlement in the 2 nd year	6,966	295
Amount due for settlement in the 3 rd year	6,898	43
Amount due for settlement in the 4 th year	6,752	43
Amount due for settlement in the 5 th year and after	7,823	6
Sub-total non-current	28,439	387
Total interest commitments	37,584	3,499

AMOUNTS DUE FOR FINANCIAL DEBTS

in EUR '000'	31/12/2019	31/12/2018
Current (due for settlement within the year)	48,813	33,991
Amount due for settlement in the 2 nd year	9,793	80,643
Amount due for settlement in the 3 rd year	8,843	428
Amount due for settlement in the 4 th year	8,518	307
Amount due for settlement in the 5 th year and after	69,889	644
Sub-total non-current	97,043	82,022
Total	145,856	116,013
less: future interest commitments	(37,584)	(3,499)
Financial debt	108,272	112,513

The Group's financial debts as of 31st December 2019 amount to EUR 108.3 million. They mainly relate to the syndicated loan due on 30th January 2025 (EUR 28.1 million including EUR 10.1 million on the subordinated line), to the bond loan issued on 30th January 2014 (EUR 28.9 million), to the operating (EUR 13.9 million) and financial (EUR 1.6 million) lease liability, bank borrowing of entities located in India, Brazil, Korea and China (EUR 32.4 million) as well as the factoring program with partial recourse.

In 2019, the Group refinanced its bond loan and syndicated loan, both of which mature on 30th January 2020. Those refinancing had an impact on the evolution of financial liabilities.

Bond loan

In July 2019, Sogepa announced its intention to purchase bonds for a maximum amount of EUR 10 million, at a maximum price of 50% of the nominal, interest included. On 23rd July 2019, Sogepa acquired 38.7% of the bonds following this public offering.

At their general meeting of 22nd August 2019, the holders of the Hamon bond loan approved by the majority greater than 75% of the amount of the bonds present or represented the following resolutions:

- the extension of the maturity date of the bond loan from 30th January 2020 until 30th January 2025
- the reduction of the amount due on the maturity date (and upon early repayment) to 60% of the specified nominal value of the bond loan, i.e. from EUR 55 million to EUR 33 million
- the reduction of the bond loan interest rate to 3.3% per year from 30th January 2020 until 30th January 2025. Interest will continue to be calculated on the basis of the initial nominal value of the bond.

Syndicated loan

The syndicated loan was amended on 23rd December 2019. It now includes a new subordinated credit facility. The syndicated credit facility will be increased to EUR 55.9 million in 2020 of which EUR 35.4 million were used at 31st December 2019 (EUR 28.1 million at fair value of which EUR 10.1 million on the new subordinated credit facility). The unused portion of the credit facility at 31st December 2019 will be used to refinance bank loans granted to Group subsidiaries at a lower cost.

The Hamon Group can now convert the drawings on the revolver line into drawings on the subordinated line up to EUR 28 million. Any subordination on tranche A (for which the lender is Sogepa) will be accompanied by a subordination of an equal amount on tranche B (for which the lender is the banking syndicate). The terms and conditions applicable to the new subordinated line are for the most part identical to the terms of the revolver line except the applicable interest rate which increases annually from EURIBOR +5.5% per year in year 1 up to EURIBOR +5.99% in year 5. Part of the interest (EURIBOR +2%) on the subordinated line will be payable on the maturity date of each drawing, while the

remaining portion will be payable on the maturity date of the syndicated loan, i.e. on 30th January 2025. The interest rate on the classic revolver line remains 5.5%.

The following new financial covenants have been set as follows:

- The consolidated REBITDA* of the new Hamon Group (excluding "PHE" and stopped activities in Brazil and South Africa, as well as ACS) in the previous 12 months cannot be less than:
 - EUR 8 million on June 30, 2020;
 - EUR 11 million on December 31, 2020;
 - EUR 12.4 million on June 30, 2021;
 - EUR 14 million on December 31, 2021;
 - EUR 14.7 million on June 30, 2022;
 - EUR 17 million on December 31, 2022;
 - EUR 17.7 million on June 30, 2023;
 - EUR 18.5 million on December 31, 2023;
 - EUR 18.8 million on June 30, 2024;
 - EUR 20.5 million on December 31, 2024.
- The sales level of the new Hamon Group in the previous 12 months cannot be lower than:
 - EUR 241 million on June 30, 2020;
 - EUR 272.9 million on December 31, 2020;
 - EUR 278.4 million on June 30, 2021;
 - EUR 283.9 million on December 31, 2021;
 - EUR 288.5 million on June 30, 2022;
 - EUR 313.9 million on December 31, 2022;
 - EUR 316.2 million on June 30, 2023;
 - EUR 318.5 million on December 31, 2023;
 - EUR 319.9 million on June 30, 2024;
 - EUR 342.7 million on December 31, 2024
- The Group's investment expenses cannot exceed EUR 20 million per year and EUR 45 million during the period between December 23, 2019 and January 30, 2025
- If a covenant test is not satisfied, the Group can remedy it by investing a new capital contribution so that the sum of this investment and the consolidated REBITDA* or sales of the new Hamon Group are sufficient to pass the test. The investment must be made within 60 working days of publication of the accounts that do not pass the test and will be allocated on the last day of the previous period to satisfy the test for this particular period.

Impact of the refinancing on the measurement of financial liabilities

In application of the principles of IFRS9, the analysis of the contractual arrangements and of the refinancing context indicates that the interest rates applicable to the refinanced debts were not a reflection of the market conditions which would be applied to Hamon by new lenders. In this context,

* The REBITDA is defined as operating profit before restructuring costs and other income / (expenses) excluding depreciation and stopped activities in Brazil, South Africa and ACS.

the Group considered that the July 2019 public offering for bonds, which was accepted by 38.7% of bond holders, reflected the market value of the interest rate applicable to the debts of Hamon. This market value being observable, in accordance with IFRS9, the debts linked to the syndicated loan and the bond loan were measured at fair value based on the implicit rate of 11.16% resulting from the public offering for bonds dated in July 2019.

The fair value measurement of the syndicated loan resulted in a reduction of the book value of the debts by EUR 6.7 million. This impact, which results from the discounting at the rate of 11.16% of the future cash flows linked to these debts, is recorded as a deduction from debts and as an increase in equity taking into account that this refinancing was carried out by the Sogepa and the banking syndicate, all of which are shareholders of Hamon. This impact will be treated using the amortized cost method and therefore amortized as financial charges in addition to the interest payable according to the contractual arrangements.

Given these elements, the Group's financial debts changed as follows in 2019:

in EUR '000'	1 st January 2019	Cash flows	Transfer	Change in scope	Impact IFRS9 / IFRS16	Accrued interest and amortized cost	Forex	31 December 2019
Subordinated loan	-	-	13,046	-	(2,673)	(293)	-	10,079
Syndicated loan	24,912	8,498	(13,046)	-	(4,028)	1,657	-	17,993
Other bank borrowing	26,541	2,615	-	6,363	-	-	(479)	35,039
Bond loan	55,000	-	-	-	(28,615)	2,496	-	28,881
Lease liability	1,945	(4,031)	-	-	17,594	-	(39)	15,468
Other financial debts	4,116	(3,441)	-	181	-	-	(44)	811
Total	112,513	3,640	-	6,543	(17,722)	3,859	(563)	108,272

Following the acquisition of 98% of its Indian joint venture Hamon Cooling Systems and the change in the consolidation method, the Group's other bank borrowing and other financial debts increased by EUR 6.4 million and EUR 0.2 million respectively.

The measurement at fair value of the bond loan at the date of the General Meeting of bondholders having decided to modify this bond resulted in a reduction of the book value of this bond by EUR 28.6 million. This impact includes the 40% reduction in the redemption at maturity (i.e. EUR 22 million) as well as the effect of the discounting at the rate of 11.16% of the future cash flows linked to this loan (EUR 6.6 million). This impact is recorded as a deduction from the loan and as financial income. The impact of EUR 6.6 million will be treated using the amortized cost method in the future, and therefore amortized as financial charges in addition to the interest payable according to the contractual arrangements.

The average cost of debt was 6.07% for 2019, up from 2018 for the reasons explained in note 12.

With the exception of bond loan (reported under "Other financial obligations") and the lease liability, the debt of the Hamon Group bears variable interest.

The first application of IFRS16 on 1st January 2019 led to the recognition of operational rental debts for a total amount of EUR 17.6 million, of which EUR 12 million on 1st January 2019.

NOTE 33 TRADE AND OTHER PAYABLES

in EUR '000'	31/12/2019	31/12/2018
Trade payables	95,336	72,229
Amounts due to related parties	2,572	1,832
Other advances received	2,424	1,008
Social security and other payables	6,499	6,913
Other (non-income) tax payable	4,873	6,172
Other current liabilities	3,518	2,737
Accruals and deferred income	1,225	2,273
Total	116,447	93,165

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

Trade payable amounts to EUR 116.4 million at year end 2019. This increase of EUR 23.3 million is mainly due to the

increase in commercial debts linked to the timing of reception on two large projects in Germany.

The accruals and deferred income decreased following the reclassification of accrued interest from EUR 3 million to financial liabilities.

NOTE 34 DERIVATIVE INSTRUMENTS

in EUR '000'	Fair value	
	31/12/2019	31/12/2018
Derivative financial instruments		
Current assets	499	329
Current liabilities	(340)	(272)
Total fair values	159	57
Derivative financial instruments		
Economic hedges	218	99
Held for trading	(59)	(42)
Total fair values	159	57

Derivative financial instruments designated as "cash flow hedge", "economic hedge" and "net investment hedge"		Notional or Contractual amount		Fair value	
		31/12/2019	31/12/2018	31/12/2019	31/12/2018
in EUR '000'					
Economic hedges					
Forward currency contracts sales	Assets	22,562	25,738	195	119
	Liabilities	477	185	(21)	(12)
Forward currency contracts purchases	Assets	4,558	1,121	50	9
	Liabilities	526	14,295	(6)	(17)
Total fair values				218	99
Fair values recognized:					
- in the work in progress account				218	99
- 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 2019, some forward currency contracts (equivalent EUR 23.039 thousand selling and EUR 5.084 thousand buying) were qualifying as 'economic hedge' with fair values booked in the work in progress account. This amount is down compared to 2018 due to the unwinding of hedging contracts on certain major contracts.

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	
		31/12/2019	31/12/2018	31/12/2019	31/12/2018
in EUR '000'					
Forward currency contracts sales	Assets	1,813	1,720	9	56
	Liabilities	-	420	-	(20)
Forward currency contracts purchases	Assets	-	888	-	4
	Liabilities	6,493	7,058	(68)	(83)
Fair values recognized in the statement of financial position				(59)	(42)
under "Unrealized exchange gains"				9	61
under "Unrealized exchange losses"				(68)	(103)
Fair values recognized in the income statement				(59)	(42)

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.

NOTE 35 FINANCIAL ASSETS AND LIABILITIES

in EUR '000'	31/12/2019		31/12/2018		
	Book value	Fair value	Book value	Fair value	Hierarchy of fair values
Financial Assets					
Cash and cash equivalents	30,728	30,728	34,782	34,782	Level 2
Available-for-sale financial assets	203	203	189	189	Level 3
Loans and receivables (Note 36)	98,566	98,566	127,851	127,851	Level 2
Derivative financial assets	494	494	329	329	Level 2
	129,991	129,991	163,152	163,152	
Financial Liabilities					
Borrowings at amortized cost	79,026	79,026	57,354	57,354	Level 2
Senior bond loan	29,245	25,850	55,160	26,201	Level 1
Other payables	111,094	111,094	90,782	90,782	Level 2
Derivative financial liabilities	340	340	272	272	Level 2
	219,706	216,310	203,568	174,609	

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); and
- 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 measured at amortized cost, which is net of transaction costs. Non-current borrowings which mainly include the bank debt of the syndicated loan, at variable rate, as well as the bond loan were measured at their fair value in the financial statements to take into account the difference between the applied rate and the IRR at 11.16%, as explained in Note 32.

Fixed rate bond loan are listed on Euronext Brussels under ISIN BE0002210764 and symbol HAM20. There is therefore a fair market value which differs from the fair value shown in the accounts. The mid rate on 31st December 2019 was at 47.00 on the Thomson Reuters Eikon platform.

The other debts are mainly operating debts or current debts for which the fair value does not differ from the book value due to their short term nature.

NOTE 36 RISK MANAGEMENT POLICY

MANAGEMENT OF FOREIGN EXCHANGE RISK

Operations and international transactions of the Group, and in particular the construction contracts carried out in various countries, create exposures to foreign exchange risks in the day-to-day management of the business. The foreign exchange risk can be defined as the risk of fluctuation of the fair values of the future cash flows due to the variations of the foreign currencies exchange rates. The most significant foreign exchange risk of the Group is related to the Group transactions in US dollars.

CONVERSION IMPACT FOR SUBSIDIARIES LOCATED OUTSIDE OF THE EURO ZONE

Many entities are located outside the Euro zone. The financial statements of those entities are converted in Euros in order to be incorporated in the consolidated accounts of the Group. The effects of foreign currency exchange rate fluctuations on the conversion of net assets of those entities are recognized in the consolidated equity of the Group. When assessing the exposure to foreign exchange risks, the assumption is that the investments in the operational entities located outside the Euro zone are permanent and the reinvestment in these entities is continuous.

FOREIGN EXCHANGE RISK ON FINANCIAL ASSETS AND LIABILITIES

The Group uses different strategies to reduce its foreign exchange rate risk exposure, in particular:

- By trying to match its sale and purchases commitments in the same currencies;
- By strictly limiting the invoicing in currencies different from the functional currency of the entity;
- By reporting the foreign exchange rate risk exposures to the Corporate department, which decides (if necessary) to hedge the net exposures with adequate financial instruments, in particular forward currency contracts.

The following table presents the consolidated financial assets and liabilities in currencies other than their functional currency for all the subsidiaries of the Group as well as firm commitments in other currencies (contracts to be invoiced, signed bookings) and finally, forward currency contracts issued to reduce the exposure to these currencies:

in EUR '000'	31/12/2019					31/12/2018			
	USD	GBP	CNY	Other currencies	Total	USD	GBP	Other currencies	Total
thereof financial assets	98,555	1,339	570	12,126	112,590	105,062	1,109	12,663	118,834
thereof financial liabilities	(86,481)	(1,139)	(8,108)	(20,009)	(115,736)	(86,920)	(58)	(14,546)	(101,525)
Gross balance sheet exposure	12,074	200	(7,538)	(7,883)	(3,146)	18,142	1,051	(1,883)	17,310
Gross exposure from firm commitments	71,686	(126)	505	338	72,402	82,470	10	(15,317)	67,163
Derivative financial instruments	(16,823)	(1,098)	4,941	(295)	(13,275)	(11,072)	(648)	15,512	3,792
Net exposure	66,937	(1,024)	(2,092)	(7,840)	55,981	89,540	413	(1,688)	88,264

In absolute value, the amount of net exposure in other currencies as of 31 December 2019 decreased versus 2018.

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	31/12/2019	31/12/2018
% variation of the EURO	10%	10%
Impact on current year P&L	315	1.731
Impact on future results	5.615	8.826

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 0.3 million on the income statement of the current year and EUR 5.6 million 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 between 1 month and 1 year.

The issuance of senior bond loan 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:

Qualifying derivative financial instruments in EUR '000'	31/12/2019		31/12/2018	
	Average rate	Principal	Average rate	Principal
Fixed Rate				
Bond loan	3.30%	55,000	5.5%	55,000
Operating lease liability	6.21%	13,904	-	-
Variable Rate				
Financial liabilities	6.46%	74,683	4.93%	57,513
Nominal value of debt	6.07%	143,588	5.21%	112,513
Reduction of the amount to be reimbursed from the bond loan		(22,000)		
Fair value adjustment on the bond loan		(6,615)		
Fair value adjustment on the syndicated loan		(6,701)		
Fair value of debt		108,272		

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	31/12/2019	31/12/2018
bp change	10	10
Impact on P&L	75	58
IRS hedging effect	-	-
Net Profit or (loss)	75	58

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 75 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
At 31 December 2019	109,054	25,591	3,911	9,604	28,163	41,786
At 31 December 2018	133,383	24,834	11,859	8,816	25,858	62,016

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'	31/12/2019	31/12/2018
Balance at beginning of the year	(10,051)	(12,208)
Amounts written off during the year	(1,358)	(570)
Amounts recovered during the year	1,718	1,408
Other (forex, transfer,...)	(5,165)	1,319
Balance at end of the year	(14,856)	(10,051)
Net impairment on receivable in P&L	360	839

The amount of EUR 5.2 million included in the "Other" section corresponds to the entry into the consolidation scope of the

Indian subsidiary Hamon Cooling Systems.

LIQUIDITY RISK MANAGEMENT

The liquidity risk management is described in note 3.1.1. Justification of the going concern principle.

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'	31/12/2019	31/12/2018
Cash and cash equivalents	30,728	34,782
Total liquidity	30,728	34,782
Short term financial debt & current portion of long term financial debt	(39,667)	(28,554)
Long term financial debt	(68,604)	(83,959)
Total financial debt	(108,272)	(112,513)
Net liquidity	(77,544)	(77,731)

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 and subordinated loans	62,916	28,018	7,287	149	27,446	-
Obligations under finance leases	1,564	192	186	350	836	-
Operating lease liability	13,904	1,812	1,710	2,328	4,920	3,134
Other financial liabilities	26,919	-	446	-	26,472	-
Trade and other Payables	127,562	103,277	18,051	3,855	1,051	1,328
Derivative financial liabilities	(154)	(154)	-	-	-	-
Total	232,712	133,145	27,680	6,682	60,726	4,463

The majority of bank loans are linked to the credit line of the syndicated credit agreement including a subordinated part due in January 2025, local loans in India, Brazil, Korea and China and the factoring program with partial recourse.

The other financial debts represent the Group's bond loan concluded in 2014, the maturity of which has been extended until 2025.

The "Trade and other payables" amounting to EUR 127.6 million at year end 2019 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 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.

NOTE 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'	31/12/2019	31/12/2018
Trade Receivables third parties	22,897	33,556
Trade Receivables intercompany	50,368	85,871
Financial Investment	237,850	264,791
Financial Assets	6,390	11,410
Total	317,505	395,629

The Group companies subject to the pledge of their trade receivables and financial assets are the following:

- Hamon & Compagnie SA
- 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

- 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.
- Hamon Thermal Tianjin Co Ltd

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

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.

NOTE 38 LEASE CONTRACTS

The Group has lease contracts for land and buildings, installations, machines, vehicles and other equipment used in operations. Lease contracts for land and buildings generally have a duration of 3 to 15 years, while lease contracts for vehicles generally have rental durations of between 3 and 5 years. There are several leases that include extension and termination options and variable lease payments.

The Group also has certain lease contracts with a duration of 12 months or less and lease contracts for small, low-value office equipment. The Group applies the recognition exemptions for "short-term lease" and "lease of low-value assets" for these contracts.

Impact of the application of IFRS16 on 1st January 2019

- Impact on the consolidated statement of financial position on 1st January 2019:

In EUR thousands

Right of use leased assets - Tangible assets	11,958
Total assets	11,958
Lease liability - Non-current financial liabilities	(9,698)
Lease liability - Current financial liabilities	(2,260)
Total liabilities	(11,958)

- Nature of the right of use leased asset on 1st January 2019:

In EUR thousands

Land and buildings	10,693
Plant, machinery and equipment	259
Furnitures and vehicles	933
Other tangible assets	73
Total right of use leased assets	11,958

- Transition table between the operating lease commitments (off-balance sheet) and the lease liability:

In EUR thousands

Operating lease commitments as of 31 December 2018	17,417
Part of lease payment not related to rent (*)	(1,190)
Discounting difference	(2,646)
Short term lease contracts and low value contracts	(575)
Impact on expected contract end dates	(1,049)
Lease liability (Non-current and current) as of 1st January 2019	11,958

(*) Part of the operating lease commitments as of 31st December 2018 included, in addition to rents, rental charges applicable to rental contracts for land and buildings. As part of the IFRS16 analysis, these amounts were identified and excluded from the lease liability in accordance with IFRS16.

For the calculation of the lease liability as of 1st January 2019, the weighted average incremental financing rate used by the Group amounts to 5.83%.

Impact of the application of IFRS16 on current period

- Impact on the consolidated income statement on 31st December 2019 – increase / (decrease):

In EUR thousands

Depreciation and amortization included in general & administrative costs	3,201
Rent expense included in general & administrative costs	(3,670)
Operating profit (EBIT)	(469)
Interest charge	852
Net result (decrease)	382
Equity holder of the company	379
Non-controlling interests	3

In addition, expenses relating to short-term leases and leases of low-value assets amount to EUR 0.3 million and are included in general and administrative costs. These expenses relate mainly to IT assets and the rental of certain machines and vehicles of short duration.

- Impact on the consolidated cash flow statement on 31st December 2019 – increase / (decrease):

In EUR thousands

Operating cash flow	3,670
Investing cash flow	-
Financing cash flow	(3,670)
Net variation of cash and cash equivalents	-

- Impact on the consolidated statement of financial position (Tangible assets and non-current and current financial liabilities) between 1st January 2019 and 31st December 2019:

In EUR thousands	Land and buildings	Plant, machinery and equipment	Furnitures and vehicles	Other tangible assets	Total	Lease liability
As 1st January 2019	10,693	259	933	73	11,958	(11,958)
Additions	3,808	1,169	768	203	5,949	(5,949)
Disposals	(1,393)	16	(17)	-	(1,394)	1,415
Depreciation	(2,225)	(408)	(525)	(38)	(3,196)	-
Finance charge	-	-	-	-	-	(852)
Payments	-	-	-	-	-	3,650
At 31 December 2019	10,882	1,036	1,160	239	13,316	(13,693)

There is no significant impact on the consolidated statement of other comprehensive income nor on the earnings per share.

NOTE 39 COMMITMENT

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'	31/12/2019	31/12/2018
Documentary credit / SBLC import	14,053	14,005
Bank guarantees	185,766	155,680
Insurance bonds	2,477	26,709
Total	202,296	196,394

The volume of bank guarantees issued is closely linked to the Group activity.

The line available for bank guarantees located under the syndicated credit agreement will be gradually reduced in 2020 from EUR 216 million to EUR 181 million compared to 229 million at the end of 2018. Part of this reduction corresponds to a refinancing of guarantees which will give rise to a line transfer to banking facilities for EUR 20.5 million. This reduction is in accordance with the agreement with the banking syndicate of 23rd December 2019. As of 31st December

2019, the Group had an amount of EUR 21.224 thousand for the issuance of new guarantees under the syndicated loan.

In addition, the Group still has the "US bonds" facilities used up to EUR 2.477 thousand this year compared to EUR 26.709 thousand at the end of 2018.

Commitments, for which an outflow of resources without realistic recourse to the third party is probable, are recorded as liabilities.

NOTE 40 CONTINGENT LIABILITIES

A new dispute arose in 2019.

BOND LOAN

A new dispute arose in 2019 at Hamon & Cie. Legal action has been brought against Hamon & Cie by a small minority of bondholders who contest the decision taken by the general meeting of bondholders of 22nd August 2019 to (i) extend the due date of the loan at 30th January 2025, (ii) reduce the amount of the loan repayment at maturity and (iii) reduce the nominal amount of the interest rate.

Hamon disputes the legal merits of this action. Based on the opinion of its legal advisers, Hamon considers that the assembly was well qualified to take the contested decisions.

The main 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 nature of the Group's activities leads to filing / receiving complaints about / from our suppliers and our customers. The complaints are covered by specific provisions from the moment that payouts are probable and where their amount can be reliably estimated. The Group believes that these complaints will not have a significant impact on Hamon's financial situation.

There was no administrative, judicial or arbitration proceedings (including the proceedings that Hamon knew about, which is pending or which the Group would be threatened with) or which could have significant effects on the financial position or the profitability of Hamon or the Group.

NOTE 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 31/12/2019	Purchases				Revenues				Financial		
	of goods	of services	lease of assets	manage- ment fees	of goods	of services	royal- ties	Capital gains	ex- pense	income	divi- dends
Controlling shareholder and other entities directly and indirectly controlled by the controlling shareholder	-	-	-	-	-	-	-	-	(973)	11,079	-
Other shareholders with significant influence	-	-	-	-	-	-	-	-	-	-	-
Associates and joint ventures	-	-	-	-	1,808	-	-	-	-	-	-
Other related parties	(14)	-	-	-	42	-	-	-	-	-	-

Balance sheet as of 31/12/2019

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	-	-	(35,009)	(325)
Other shareholders with significant influence	-	-	-	-
Associates and joint ventures	-	3,324	-	(2,269)
Other related parties	2	393	-	(409)

Income statement as of 31/12/2018	Purchases				Revenues				Financial		
	of goods	of services	lease of assets	manage- ment fees	of goods	of services	royal- ties	Capital gains	ex- pense	income	divi- dends
Controlling shareholder and other entities directly and indirectly controlled by the controlling shareholder	-	-	-	-	-	-	-	-	(871)	-	-
Other shareholders with significant influence	-	-	-	-	-	-	-	-	-	-	-
Associates and joint ventures	-	-	-	-	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 and joint ventures	1,506	7,067	-	(1,761)
Other related parties	53	118	-	(54)

NOTE 42 INVESTMENT IN ASSOCIATES AND JOINT-VENTURES & MINORITY INTERESTS

A/ Information about material associates and joint-ventures

At 31 December 2019, financial statements of Hamon include the following material associates and joint-ventures:

in EUR '000'	31/12/2019	31/12/2018
Esindus SA – held at 38.89%	4,936	3,020
Hamon Shriram Cottrell Ltd – held at 50%	-	(836)
Hamon Cooling Towers Co – held at 50%	520	621
Investment in associates and joint ventures	5,457	2,805
Other investments	106	121
Total investment in associates and joint ventures	5,563	2,927

At 31 December 2019, the net carrying amount of the other investments in associates and joint-ventures amounts to EUR 0.1 million. The financial information related to those associates and joint-ventures are not material.

Hereunder the 2019 IFRS financial statements of the associates and joint-ventures:

Esindus SA:

in EUR '000'	31/12/2019	31/12/2018
Non-current assets	167	787
Current assets	24,652	25,133
Non-current liabilities	(9)	(1,355)
Current liabilities	(12,532)	(17,216)
Equity	12,278	7,350
% of interest	39%	39%
Share held in equity	4,775	2,858
Goodwill (incl. currency impact)	162	162
Carrying amount of equity method	4,936	3,020
Revenue	27,121	30,731
Cost of sales	(18,734)	(23,235)
Administrative costs	(6,144)	(6,905)
Gain on sale of non-current asset	4,279	-
Finance costs	(255)	(842)
Share of the profit (loss) of associates and joint ventures	(637)	(36)
Income taxes	(674)	(121)
Net result	4,955	(407)
% of interest	39%	39%
Share held in net result	1,927	(158)
Goodwill	-	-
Net result of equity method	1,927	(158)

Esindus SA was acquired in 2015 and is held at 39%. 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. An interim dividend was distributed in 2018. The net result of Esindus SA in 2019 amounted to EUR 5 million and is explained by the capital gain realized on the sale of an office building for EUR 4.3 million.

Hamon Shriram Cottrell Ltd:

In April 2019, the Group finalized the acquisition of 98% of its Indian joint venture Hamon Cooling Systems. This subsidiary was formerly known as Hamon Shriram Cottrell and was consolidated using the equity method.

Hamon Cooling Towers Co:

in EUR '000'	31/12/2019	31/12/2018
Non-current assets	35	41
Current assets	4,217	5,317
Non-current liabilities	-	-
Current liabilities	(3,211)	(4,116)
Equity	1,041	1,242
% of interest	50%	50%
Share held in equity	520	621
Carrying amount of equity method	520	621
Revenue	4,963	3,328
Cost of sales	(3,937)	(2,589)
Administrative costs	(1,253)	(711)
Net result	(226)	28
% of interest	50%	50%
Share held in net result	(113)	14
Net result of equity method	(113)	14

Hamon Cooling Towers Co is held at 50% by the Group in 2019 and 2018. No dividend has been paid out in 2019 and 2018.

B/ Information about material subsidiaries with minority shares

The Group financial statements at 31st December 2019 include subsidiaries with minority shares, mainly:

- Hamon Research Cottrell (HK) Ltd (owned at 89.6% in 2019 and at 80% in 2018). 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'	31/12/2019	31/12/2018
Non-current assets	119	118
Current assets	3,522	9,215
Non-current liabilities	-	-
Current liabilities	(4,722)	(9,514)
Equity	(1,131)	(180)
Group share (89,6% in 2019 against 80% in 2018)	(1,014)	(144)
Third party share	(118)	(36)
Revenue	2,869	13,159
Cost of sales	(2,815)	(12,035)
Administrative costs	(927)	(521)
Finance costs	(70)	(84)
Income taxes	-	-
Net result	(944)	518
Group share (89,6% in 2019 against 80% in 2018)	(845)	415
Third party share	(98)	104
Operating cash flow	187	261
Investing cash flow	(1)	(19)
Financing cash flow	(71)	(85)
Other	-	-
Net variation of cash	114	157

Scope 37 SAS

in EUR '000'	31/12/2019	31/12/2018
Non-current assets	58	37
Current assets	3,756	2,879
Non-current liabilities	-	-
Current liabilities	(1,779)	(1,354)
Equity	2,035	1,561
Group share (50%)	1,017	781
Third party share	1,017	781
Revenue	14,235	2,339
Cost of sales	(12,155)	(2,013)
Administrative costs	(1,357)	(168)
Finance costs	-	-
Income taxes	(250)	(20)
Net result	473	138
Group share (50%)	237	69
Third party share	237	69
Operating cash flow	910	140
Investing cash flow	(28)	-
Financing cash flow	-	-
Net variation of cash	882	140

NOTE 43 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

During 2017, as part of the Group's transformation plan, a series of measures were taken to restructure the Group. These measures include the sale of the Process Heat Exchanger ("PHE") business unit, which comprises 100% of the shares of Hamon D'Hondt SA (France) and its subsidiaries Hamon D'Hondt Korea Co Ltd (100% - Korea), Hamon ETP LLC (51% - Russia) and Hamon D'Hondt Middle East Company Ltd. (40% - Saudi Arabia).

As of 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.

At 31 December 2018, « PHE » was sold and the last costs associated with the disposal were accounted for. As a consequence, there is no expected impact in the consolidated income statement for 2019. The results of this activity for 2018 are presented hereunder:

Income statement of discontinued business in EUR '000'	2018
Revenue	22,361
Cost of sales	(21,105)
Gross profit	1,256
Operating and non-recurring income and expense	(823)
Financial charge	(600)
Share of the result of associates and joint ventures	(451)
Impairment loss on remeasurement to fair value less cost to sell	(9,480)
Profit before tax of discontinued business	(10,097)
Tax charge related to the activity of the period	156
Profit after tax of discontinued business	(9,941)

NOTE 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 IAS24

definition. The Executive Committee included 4 members in 2019. The increase compared to 2018 is due to inflation and to the transition of CFO in the last quarter of 2019.

in EUR '000'	31/12/2019	31/12/2018
Fixed remuneration	1,505	1,428
Variable remuneration	-	-
Short term benefits	113	95
Sub-total	1,618	1,523
Long term benefits	102	77
Total	1,720	1,600

Furthermore, the total remuneration granted to the non-executive directors during the year 2019 amounted to EUR 209 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.

NOTE 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	2019	2018
America	152	193
Asia	424	372
EMEA	371	344
Corporate & Others	34	58
Total	981	967

The headcount evolution compared to 2018 was impacted by the acquisition in April 2019 of the Indian joint venture Hamon Cooling Systems, which has an average headcount

of 84 people. This subsidiary was formerly known as Hamon Shriram Cottrell and was consolidated using the equity method.

NOTE 46 EVENTS AFTER BALANCE SHEET DATE

The coronavirus epidemic in early 2020 and the impact of measures taken to contain the virus could affect our financial performance in 2020 and the measurement of certain assets and liabilities. In particular, our Customer Service activity, which depends on our ability to access our customers' sites, could be faced with temporary delays in the execution of projects in our backlog, as well as a delay in bookings, and this during the ongoing period of containment on some Group's markets. Temporary unemployment measures have been taken or are under consideration to minimize the impact on Hamon's operating profitability. For larger projects, the Group works continuously to secure the most critical components of its supply chain, and to preserve its engineering capabilities in a containment and homeworking scenario. In addition, Hamon is in constant contact with customers whose projects could be impacted by the epidemic, in order to find solutions that limit the effects on the execution schedule, while preserving the interests

of all parties. The geographic diversification of the Group's activities, which is exposed to markets at different stages of the epidemic, should enable it to smooth the effects of the coronavirus on its overall financial performance. Despite its elements, we may have to record potential adjustments in our accounts in 2020. Based on the facts known to date, we are currently unaware of the financial implications that this epidemic could have on the assumption of continuity as described in Note 3.1.

The Board of Directors has authorized the launch of a sale-and-leaseback program on certain properties owned by the Group, notably in Germany, France and the United States. The amounts raised will enable the Group to strengthen its operating cash position in order to be able to cope with any risk linked to the execution of its 2020 budget. In January 2020, Sogepa supported this program by granting to Hamon a bridge loan of EUR 6 million which will be reimbursed upon finalization of the sale-and-leaseback operations.

NOTE 47 AUDITOR'S FEES

For the entire Group, the fees paid to the auditor and its network (EY) amount to EUR 913 thousand for 2019. They are broken down as follows:

in EUR	Exercice 2019	Exercice 2018
Fees linked to the audit of statutory and consolidated accounts performed by the auditor	779,012	753,129
Other services rendered by the auditor	68,617	144,194
Other services rendered by companies linked to the auditor	-	-
Tax assistance services rendered by companies linked to the auditor	65,330	82,287
	912,959	979,609

The other services rendered by the auditor mainly concerns the reports and analysis related to the Group refinancing of 2019, as approved by the audit committee.

NOTE 48 ALTERNATIVE PERFORMANCE INDICATORS

Non-recurring items

in EUR '000'	31/12/2019	31/12/2018
Restructuring costs	(3,217)	(3,954)
Other income / (expenses)	(2,960)	538
Non-recurring items	(6,177)	(3,415)

EBITDA before restructuring costs and other income / (expenses)

in EUR '000'	31/12/2019	31/12/2018
Operating profit (EBIT)	(16,805)	(3,736)
Non-recurring items	6,177	3,415
Depreciation	8,686	5,269
EBITDA before restructuring costs and other income / (expenses)	(1,942)	4,949
EBITDA before restructuring costs and other income / (expenses) of stopped activities (Brazil, South Africa and ACS)	(467)	(2,316)
EBITDA before restructuring costs and other income / (expenses) before stopped activities	(1,475)	7,264

Operating profit before restructuring costs and other income / (expenses)

in EUR '000'	31/12/2019	31/12/2018
Operating profit (EBIT)	(16,805)	(3,736)
Non-recurring items	6,177	3,415
Operating profit before restructuring costs and other income / (expenses)	(10,628)	(321)

Net finance costs

in EUR '000'	31/12/2019	31/12/2018
Interest expenses	(14,534)	(11,773)
Interest income	29,577	1,530
Net finance cost	15,043	(10,242)

Working Capital

in EUR '000'	31/12/2019	31/12/2018
Current assets	233,423	239,615
Cash & cash equivalents	(30,728)	(34,782)
Current liabilities	(222,912)	(196,773)
Financial liabilities	39,667	30,878
Working Capital	19,450	38,938

Other non-current assets

in EUR '000'	31/12/2019	31/12/2018
Non-current assets	91,622	72,807
Deferred tax assets	5,236	7,839
Other non-current assets	86,386	64,968

Other current assets

in EUR '000'	31/12/2019	31/12/2018
Derivative financial assets	494	329
Current tax assets	5,438	5,753
Other current assets	5,932	6,082

Nom	Définition	Objectif
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 items Comment: a study of the implementation of ESMA guidelines could involve some changes to the presentation of this indicator in the future Hamon Group disclosures.	Costs or revenue related to operating activities of the company, but with an exceptional and non-recurring aspect, such as restructuring costs, goodwill impairments or capital gains or losses on disposal of shares or subsidiaries.	Separate costs and revenue which are not part of the recurrent operational activity, hence allowing to analyze the performance of an activity without distorting this with these costs and revenue. This also allows to show and to explain these elements without mixing them up with various extraordinary costs and revenue. This also allows to calculate EBITDA as agreed in our financing agreements.
EBITDA before restructuring costs and other income / (expenses)	Earning Before Interest Taxes Depreciation and Amortization, i.e. operating profit (EBIT) 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.
Operating profit before restructuring costs and other income / (expenses)	Operating profit (EBIT) 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. STATUTORY INCOME STATEMENT

in EUR '000'	31/12/2019	31/12/2018
I. Operating revenues	19,118	18,867
A. Revenues	14,429	13,442
D. Other operating revenues	4,690	5,425
II. Operating expenses (-)	17,548	15,525
A. Cost of sales	-	-
B. Services and other goods	9,570	8,059
C. Remuneration	4,043	3,826
D. Depreciation and amortization	2,227	1,995
E. Impairment charge	1,620	-
F. Increase (decrease) in provisions for liabilities and charges	-	-
G. Other operating expenses	88	67
H. Non-recurring charges	-	1,578
III. Operating income	1,570	3,342
IV. Financial income	61,119	25,423
A. Recurring financial income	39,119	25,423
B. Non-recurring financial income	22,000	-
V. Financial charge	(86,851)	(65,460)
A. Recurring financial charge	(42,417)	(28,425)
B. Non-recurring financial charge	(44,433)	(37,035)
IX. Net operating income before tax	(24,162)	(36,696)
A. Income taxes	-	(56)
X. Net income	(24,162)	(36,752)

The company shows a decrease in operating profit compared to 2018, at EUR 1.6 million compared to EUR 3.3 million a year earlier. Indeed, part of the increase in operating costs could not be redistributed to the subsidiaries. In addition, impairment losses on trade receivables of EUR 1.6 million were recorded in 2019 while non-recurring operating expenses of EUR 1.6 million impacted operating profit in 2018.

The company reviews the book values of its participations each year. When these values are higher than the estimated market value, it recognizes impairments on participations. Due to the expected development of the results of certain subsidiaries, impairment losses on participations for EUR 4.5 million have been recorded (EUR 4.5 million in 2018).

Similarly, the company assesses the subsidiaries' ability to reimburse intra-group financial receivables. This generated impairments on receivables or waivers of receivables for a total amount of EUR 43 million (EUR 7.5 million in 2018).

Provisions for risks and charges, established to cover commitments in connection with the cessation of activities in South Africa and Brazil as well as other risks linked to Group subsidiaries, fell from EUR 22.4 million in 2018 at EUR 18.6 million this year. The reduction in these provisions for risks and charges of EUR 3.8 million (increase of EUR 12.9 million in 2018) is the consequence of the liquidation of the subsidiary in South Africa and the recapitalization carried out in certain subsidiaries, in particular in the Belgian scope.

These various charges, namely the impairments on participations, the impairments on receivables, the waivers of receivables, as well as the movement of provisions for risks and charges have been included in non-recurring financial charges which amount to EUR 44.4 million (EUR 37 million in 2018).

In 2018, the company recorded the last costs relating to the sale of the Process Heat Exchanger ("PHE") division for an amount of EUR 11.5 million.

In addition to the impact of non-recurring financial charges for EUR 44.4 million, financial charges include exchange differences, the cost of the company's debt and bank guarantee fees relating to the activities of the subsidiaries.

Financial income mainly includes dividends received from subsidiaries, interest on loans granted to them as well as positive exchange differences.

Non-recurring financial income mainly includes the reduction of EUR 22 million in the nominal amount of the bond issue adopted on 22nd August 2019 at the General Meeting of Bondholders.

The company closes the year with a negative result of EUR 24.2 million (EUR 36.8 million in 2018).

2. STATUTORY STATEMENT OF FINANCIAL POSITIONS

in EUR '000'	31/12/2019	31/12/2018
Fixed assets	126,575	132,523
I. Formation expense	2,438	4,165
II. Intangible assets	4,464	4,375
III. Tangible assets	172	239
IV. Financial assets	119,501	123,745
Current assets	67,465	104,038
V. Amounts receivable after one year	-	202
VII. Amounts receivable within one year	65,633	102,557
VIII. Short term deposits	-	-
IX. Cash at bank and in hands	465	758
X. Deferred charges and accrued income	1,367	521
Total assets	194,040	236,561
Equity	21,621	45,783
I. Capital	35,171	35,171
II. Share premium	109,995	109,995
IV. Reserves	11,569	11,569
V. Retained earnings	(135,114)	(110,952)
Provisions and deferred taxes	18,639	22,422
Amounts payable	153,780	168,356
VIII. Amounts payable after more than one year	70,875	87,627
IX. Amounts payable within one year	79,834	77,706
X. Accrued charges and deferred income	3,071	3,022
Total liabilities and equity	194,040	236,561

The formation expenses mainly include costs relating to the refinancing of the bond loan and the syndicated loan carried out in 2019 as well as to the successive capital increases of 2018. All of the costs relating to the issue of the bond loan in 2014 as well as the previous refinancing of the syndicated loan were amortized in the income statement. Intangible assets mainly include the development and deployment costs of our ERP.

The change in the participations in the financial assets account is mainly due to impairment.

Long-term receivables, short-term receivables and other short-term debt items change according to the cash position of the subsidiaries. The variations also arise from the aforementioned impairments and waivers of receivables. Long-term receivables from affiliated companies intended to sustainably support these subsidiaries.

On the liabilities side, equity amounts to EUR 21.6 million, down EUR 24.2 million, resulting from the negative result for the year.

A provision of EUR 18.6 million has been established to cover the costs of closing the subsidiaries in Brazil as well as other risks related to Group subsidiaries. This provision decreased compared to 2018 due in particular to the liquidation of the subsidiary in South Africa and the recapitalization of a subsidiary in the Belgian scope.

Short-term financial debt mainly consists of short-term intra-group loans. As at 31st December 2019, the long-term debt includes the EUR 33 million bond loan as well as the syndicated loan amounting to EUR 35.4 million of which EUR 13 million are drawn on the subordinated line. This subordinated loan will be gradually increased to EUR 28 million in the course of 2020 as the refinancing of debts contracted by certain subsidiaries.

Independent auditor's report to the general meeting of Hamon & Cie (International) SA for the year ended 31 December 2019

As required by law and the Company's articles of association, we report to you as statutory auditor of Hamon & Cie (International) SA (the "Company") and its subsidiaries (together the "Group"). This report includes our opinion on Consolidated Statement of Financial Position as at 31 December 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in Equity and the consolidated cash flow statement for the year ended 31 December 2019 and the disclosures (all elements together the "Consolidated Financial Statements") as well as our report on other legal and regulatory requirements. These two reports are considered one report and are inseparable.

We have been appointed as statutory auditor by the shareholders' meeting of 24 April 2017, in accordance with the proposition by the Board of Directors following recommendation of the Audit Committee and following recommendation of the workers' council. Our mandate expires at the shareholders' meeting that will deliberate on the Consolidated Financial Statements for the year ending 31 December 2019. We performed the audit of the Consolidated Financial Statements of the Group during 3 consecutive years.

Report on the audit of the Consolidated Financial Statements

Unqualified opinion

We have audited the Consolidated Financial Statements of Hamon & Cie (International) SA, that comprise of Consolidated Statement of Financial Position on 31 December 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in Equity and the consolidated cash flow statement of the year and the disclosures, which show a consolidated balance sheet total of thousand € 325,049 and of which the consolidated income statement shows a profit for the year of thousand € 228.

In our opinion, the Consolidated Financial Statements give a true and fair view of the consolidated net equity and financial position as at 31 December 2019, and of its consolidated results for the year then ended, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and with applicable legal and regulatory requirements in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the Consolidated Financial Statements" section of our report.

We have complied with all ethical requirements that are relevant to our audit of the Consolidated Financial Statements in Belgium, including those with respect to independence.

We have obtained from the Board of Directors and the officials of the Company the explanations and information necessary for the performance of our audit and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter paragraph on Note 3 "Justification of the principle of going concern" that indicates that an uncertainty remains on the Company's ability to continue as a going concern.

We draw attention to Note 3.1.1 to the Consolidated Financial Statements "Justification of the principle of going concern" which indicates that the global refinancing of the Group was finalized in 2019 and secured until 2025. The Note also describes the 2020 outlook and the high sensitivity of cash flow forecasts. All these events and conditions and other matters as set forth in Note 3.1.1 together with Note 46 "Events after Balance Sheet Date" which describes among other things the impact of COVID 19 on the Group operations, indicate that an uncertainty remains that may cast significant doubt on the Company's ability to continue as a going concern. Without

modifying our unqualified opinion as stated above, the identified uncertainty is material and requires reporting as an emphasis matter under ISA 570 in the current circumstances described in Note 3.1.1 and Note 46.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current reporting period.

These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole and in forming our opinion thereon, and consequently we do not provide a separate opinion on these matters.

Goodwill and specific asset impairment

Description of the key audit matter

As at 31 December 2019, the Consolidated Financial Statements include goodwill for an amount of million 34.4 € (10.6% of the total balance sheet). To support the measurement of its Goodwill, the Group reviews the carrying amounts of its cash generating units annually or more frequently if impairment indicators are present. The impairment assessment involves a comparison of the estimated fair value of the CGU to its carrying amount.

Additional information is provided in Note 20 of the Consolidated Financial Statements. The Group's assessment of impairment of Goodwill is a judgmental process which requires estimates concerning the projected future cash flows associated with the Cash Generating Unit ("CGU"), the weighted average cost of capital ("WACC") and the growth rate of revenue and costs to be applied in determining the value in use.

Summary of the procedures performed

- ▶ Tested the accuracy of the underlying impairment model to assess whether the processes are properly applied to the input data.
- ▶ Challenged each of the key assumptions employed in the annual impairment test. These key assumptions include the WACC, the growth rates and projected cash flows.
- ▶ Involved our internal forecasts modelling specialists to assess and benchmark those

assumptions, and to assess the used methodology and constituent inputs.

- ▶ Evaluated the results of the assessment of the Group forecasting accuracy with historical information and management's sensitivity analyses.
- ▶ Assessed the appropriateness and completeness of the disclosures in accordance with IAS 36 as included in Note 20 of the Consolidated Financial Statements.

Revenue Recognition

Description of the key audit matter

The Group applies the percentage-of-completion ("POC") method in determining revenue recognition for its long-term contracts. For these contracts, management has to estimate the costs to complete the contract, which are used to measure the POC for the Group's recognition of contract revenue as described in the accounting policies note 3.13 and in note 4.2.

Significant judgements are used to estimate the total contract costs and the POC. In making these estimates, management has relied on the expertise of the Group's project managers to determine the progress of the contract and also on past experience of completed projects and industry practices. We have considered this to be a key audit matter as significant judgements are involved in estimating the POC and total contract costs.

Summary of the procedures performed

- ▶ Obtained an understanding of the revenue recognition process.
- ▶ Reviewed significant components of estimated total contract costs and revenues for a sample of projects and challenged the completeness and accuracy of total contract costs estimated by management by comparing the total contract costs for the sample of ongoing projects to similar completed projects.
- ▶ Held inquiries with local project managers, and performed qualitative and quantitative risk analysis on the sample of the projects.
- ▶ Evaluated management's estimations of total expected costs per project by comparing initial to actual total expected costs.

- ▶ Traced significant actual costs incurred for selected contracts to the relevant supporting documents to ensure that the costs are directly attributable to the contracts tested.
- ▶ Verified the mathematical correctness of the POC calculation.
- ▶ Obtained signed contracts to document the total value of contracts in our sample, identify significant change orders requested by customers and assess impact on contracts.
- ▶ Performed analytical review procedures by comparing results per contract with prior year.
- ▶ Assessed the completeness and appropriateness of information provided in the Consolidated Financial Statements in accordance with IFRS 15.

Responsibilities of the Board of Directors for the preparation of the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the Consolidated Financial Statements that give a true and fair view in accordance with IFRS and with applicable legal and regulatory requirements in Belgium and for such internal controls relevant to the preparation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of Consolidated Financial Statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, and provide, if applicable, information on matters impacting going concern. The Board of Directors should prepare the financial statements using the going concern basis of accounting, unless the Board of Directors either intends to liquidate the Company or to cease business operations, or has no realistic alternative but to do so.

Our responsibilities for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance whether the Consolidated Financial Statements are free from material misstatement, whether due to fraud or error, and to express an opinion on these Consolidated Financial Statements based on our audit. Reasonable assurance is a high level of assurance, but not a guarantee that an audit

conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and we maintain professional skepticism throughout the audit. We also perform the following tasks:

- ▶ identification and assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, the planning and execution of audit procedures to respond to these risks and obtain audit evidence which is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatements resulting from fraud is higher than when such misstatements result from errors, since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtaining insight in the system of internal controls that are relevant for the audit and with the objective to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluating the selected and applied accounting policies, and evaluating the reasonability of the accounting estimates and related disclosures made by the Board of Directors as well as the underlying information given by the Board of Directors;
- ▶ conclude on the appropriateness of the Board of Directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, whether or not a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures

are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going-concern;

- ▶ evaluating the overall presentation, structure and content of the Consolidated Financial Statements, and evaluating whether the Consolidated Financial Statements reflect a true and fair view of the underlying transactions and events.

We communicate with the Audit Committee within the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Because we are ultimately responsible for the opinion, we are also responsible for directing,

supervising and performing the audits of the subsidiaries. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities.

We provide the Audit Committee within the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee within the Board of Directors, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our report, unless the law or regulations prohibit this.

Report on other legal and regulatory requirements

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and the content of the Board of Directors' report on the Consolidated Financial Statements, the non-financial information attached to the Board of Directors' report, and other information included in the annual report.

Responsibilities of the auditor

In the context of our mandate and in accordance with the additional standard to the ISAs applicable in Belgium, it is our responsibility to verify, in all material respects, the Board of Directors' report on the Consolidated Financial Statements, the non-financial information attached to the Board of Directors' report, and other information included in the annual report, as well as to report on these matters.

Aspects relating to Board of Directors' report and other information included in the annual report

In our opinion, after carrying out specific procedures on the Board of Directors' report, the Board of Directors' report is consistent with the Consolidated Financial Statements and has been prepared in accordance with article 3:32 of the Code of companies and associations.

In the context of our audit of the Consolidated Financial Statements, we are also responsible to consider whether, based on the information that we became aware of during the performance of our audit, the Board of Directors' report and other information included in the annual report, contain any material inconsistencies or contains information that is inaccurate or otherwise misleading. In light of the work performed, there are no material inconsistencies to be reported. In addition, we do not provide any assurance regarding the Board of Directors' report and other information included in the annual report.

The non-financial information required by article 3:32, § 2, of the Code of companies and associations has been included in the Board of Directors' report on the Consolidated Financial Statements Section "A Responsible Company" of the annual report. The Company has based this non-financial information on a European or internationally recognized framework Global Reporting Initiative but does not comply with all requirements among others about the Key Performance Indicators. We do not express any form of reasonable assurance regarding the individual elements included in this non-financial information.

Independence matters

Our audit firm and our network have not performed any services that are not compatible with the audit of the Consolidated Financial Statements and have remained independent of the Company during the course of our mandate.

The fees related to additional services which are compatible with the audit of the Consolidated Financial Statements as referred to in article 3:65 of the Code of companies and associations were duly itemized and valued in the notes to the Consolidated Financial Statements.

Other communications

- This report is consistent with our supplementary declaration to the Audit Committee as specified in article 11 of the regulation (EU) nr. 537/2014.

Diegem, 3 Avril 2020

EY Bedrijfsrevisoren BV
Statutory auditor
Represented by



Vincent Etienne *
Partner
*Acting on behalf of a BV/SRL

20VE0059

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 Axis-parc, 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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Ce rapport annuel est également disponible en français.

