Annual Report 2013

Cover picture: fan-assisted natural draft cooling tower built by Hamon for the Vattenfall power plant in Moorburg (Germany)

Annual Report 2013

PART 1

General presentation of the Group

Storage silos for a flue gas treatment system installed by Hamon in a waste incinerator in Honk Kong

KEY FIGURES

in EUR million	2013	2012 (11)	2011 (11)	2010	2009
RATIOS					
EBITDA / revenue	3,8%	3,6%	5,4%	8,1%	11,3%
ROCE (1)	13,9%	11,5%	14,8%	25,3%	59,5%
Net financial debt / equity (2)	85%	61%	45%	15%	(12%)
Enterprise value / EBITDA (3)	8,7	8,3	7,5	7,6	4,4
DATA PER SHARE (in EUR / share)					
Group's share in net result for the year	(0,78)	(0,36)	0,39	1,62	2,42
Net result from continued operations	(0,94)	(0,23)	0,57	1,83	2,54
Equity (excl. Non-controlling interests)	8,85	9,94	11,01	11,07	9,00
Gross dividend	0,00	0,00	0,25	0,60	0,60
P/E (share price on 31.12 (4)	NR	NR	25,8	14,7	10,8
Average number of outstanding shares	7 189 772	7 191 472	7 191 472	7 191 472	7 191 472
Number of outstanding shares on 31.12	7 185 214	7 191 472	7 191 472	7 191 472	7 191 472
Number of issued shares on 31.12	7 191 472	7 191 472	7 191 472	7 191 472	7 191 472
Market capitalization on 31.12 (EUR million)	108,4	84,5	105,4	193,2	197,0
Share closing price on 31.12	15,08	11,75	14,65	26,87	27,40
Year average share closing price	14,43	14,58	24,14	28,00	23,76

in EUR million	2013	2012 (11)	2011 (11)	2010	2009
NEW ORDER BOOKINGS	**678,3**	**461,7**	**500,0**	**449,7**	**301,5**
BACKLOG (as of 31 December)	**748,2**	**621,4**	**629,3**	**490,3**	**339,2**
INCOME STATEMENT					
Revenue	525,8	474,4	378,9	345,5	379,8
EBITDA (5)	19,7	17,0	20,4	28,1	42,8
EBIT (result before interest & tax)	9,7	9,2	11,8	26,1	38,8
Result before tax (continued operations)	(1,1)	2,5	5,4	20,9	31,6
Net result from continued operations	(6,8)	(1,7)	4,1	13,2	18,3
Net result of discontinued operations	(0,4)	0,0	(0,1)	(0,0)	(0,2)
Group's share in net result for the year	(5,6)	(2,6)	2,8	11,6	17,4
Cash flow (6)	9,5	5,4	2,8	(2,7)	47,2
BALANCE SHEET					
Non-current assets	137,3	138,8	136,7	110,5	88,4
Current available-for-sale financial assets	0,0	0,0	0,0	0,0	0,0
Cash and cash equivalents	120,1	83,9	83,2	68,1	83,3
Other current assets	258,8	249,0	181,0	158,3	135,2
Total assets	**516,2**	**471,7**	**400,9**	**336,9**	**306,9**
Equity (7)	68,1	79,7	87,0	86,1	65,8
of which non-controlling interests	4,5	8,2	7,9	6,5	1,1
Financial liabilities (current & non-current)	178,1	132,5	122,5	81,0	75,1
Non-current provisions	6,0	6,0	5,1	4,5	5,0
Other non-current liabilities	10,2	13,5	6,0	7,6	9,3
Current liabilities (excl. Financial liabilities)	253,8	240,0	180,3	157,7	151,7
Total equity and liabilities	**516,2**	**471,7**	**400,9**	**336,9**	**306,9**
Net working capital (8)	5,0	9,0	0,7	0,6	(16,4)
Net financial debts (9)	58,0	48,6	39,3	12,9	(8,2)
Capital employed (10)	141,9	147,8	137,4	111,1	72,0
Average staff number (yearly average)	1 843	1 664	1 435	1 221	1 140

(1) EBITDA / capital employed
(2) Net financial debts / equity (incl. Non-controlling interests)
(3) Enterprise value = 31.12 market capitalization + non-controlling interests + net financial debts - investment in associates
(4) Share price on 31.12 / net result from continued operations (per share)
(5) EBITDA = operating profit before depreciation, amortization and non-recurring items
(6) Cash flow = net cash from operations after restructuring
(7) Equity including non-controlling interest
(8) Current assets (excluding Cash & cash equivalents) - non-financial current liabilities (continued operations only)
(9) Financial liabilities - Cash & cash equivalents
(10) Non-current assets + net working capital + current net available-for-sale financial assets
(11) Some 2011 and 2012 figures have been restated; see note 6 in part 3 - Financial statements for more explanation

> “ Hamon’s philosophy is to develop innovative and highly performing products, alone or with specialized partners ”.

DISCUSSION WITH FRANCIS LAMBILLIOTTE, CEO

In a continuingly difficult economic climate in 2013, but one that nevertheless showed encouraging signs of recovery, was the Hamon Group’s performance up to expectations ?

Yes, we are in line with the market trend: the Hamon Group recorded significant new order levels in 2013, a real sign of recovery as much in Europe and the U.S. as in the Far East and the Middle East. New order bookings in 2013 reached an all-time high and the order backlog at the end of December was just as excellent. In our business, we work with a long-term perspective, so this good performance will only impact the figures in the quarters to come, which means that 2013 may be less exceptional than hoped.

Was the order backlog at the end of 2013 as satisfactory as that in 2012, which came to EUR 621,4 million ?

It was more satisfactory than on 31 December 2012 as, at the end of 2013, we had an order backlog of nearly EUR 750 million ... an all-time high for the Group ! Results in terms of sales, new order bookings and order backlog were higher than in 2012 thanks to new order bookings that were fairly evenly distributed around the globe.

What were the highlights for 2013 for each Business Unit (BU)?

This across-the-board high order intake in 2013 extended to nearly all of Hamon’s business units. For Cooling Systems, Hamon received a large order in Poland for the construction of the natural draft cooling tower with flue gas injection for the Kozienice plant. Another major reference for the Group was in China where Hamon received orders for air-cooled condensers for two power plants of 2 x 660 MW each – certainly worthy of mention – along with three times two natural draft cooling towers for which our Group is supplying the internal parts.
As for the Process Heat Exchangers BU, Hamon booked its first major order for an LNG liquefaction terminal.
As concerns Air Pollution Control, Hamon won an EDF order to upgrade several electrostatic precipitators for the coal-fired power plants in Le Havre and Cordemais

in France. Orders in this field are on the rise, particularly in Poland (Kozienice) and Vietnam. At the end of the year, Hamon signed a contract for one of the biggest fabric filters in the world for a power plant in Indonesia, in partnership with our Chinese subsidiary. In the U.S., Hamon signed a big contract for a coal-fired power plant based on the ReACT™ process, developed in partnership with Japan Power. It will be delivered between now and 2016, using the highly innovative activated coke technology. The Chinese subsidiary DGE/TS achieved a good result in the second half year for fabric filters for export.
The Chimneys market was fairly quiet. Hamon Custodis mainly carried out upgrade work on existing chimneys. Also of note is the ongoing construction of the concrete shells for two cooling towers for the Vogtle nuclear power plant in Georgia, U.S.

Is Asia still the main driver behind Hamon's growth ?

While Europe and the U.S. are still major markets for the upgrade and improvement of existing power plants, emerging countries will be playing a key role in the Group's growth with the construction of a number of new power plants and factories. That is why Hamon is continuing to invest in the Middle East and the ASEAN countries. We are recruiting the right people in these countries to support our business and we are expanding our business activities and manufacturing sites in China and India, as well as our general sales, delivery and project management services in the Asian region in which we operate. We are currently increasing our teams in Korea and India in order to better cope with the increase in business in these offices.

Increased pressure from our Asian competitors and therefore the pressure on margins remain high: how is the Hamon Group responding to this ?

We are responding with various approaches and through a continuous process. Firstly, by offering products that are new (to stand out from the competition), but also more efficient and more profitable for our customers. Secondly, by improving our costs through design-to-cost, which involves developing a new design at the lowest cost. Lastly, having a worldwide procurement base, bigger volumes and in-depth knowledge of the best suppliers around the world is another way of dealing with this pressure on margins.

In 2013, Hamon joined the United Nations Global Compact (*). Being a corporate citizen is therefore a key commitment for Hamon at all levels of the Company. How are you achieving this?

Hamon strives to follow the ten principles laid down by the United Nations on the issues of human rights, working conditions, the environment and corruption.
We are achieving this through appropriate measures, by overseeing and supporting the application of these ten criteria across our subsidiaries. The goal is to demonstrate corporate social responsibility toward all of our stakeholders while meeting the business needs of our customers.
It is a social and business approach.

The construction of new thermal power plants is a declining sector in developed countries. How will Hamon anticipate this turning point in the years to come ?

Renewable energy is now a major sector in Europe and even in some emerging countries. In the West, some traditional power plants have been shut down. This phenomenon is even more significant in the U.S. where coal-fired plants (50% of its power plants) have either been shut down or, for the more efficient ones, modernized. The switch from coal to gas is an opportunity for Hamon, which is developing heat recovery system solutions, particularly with its company Deltak, and its cooling systems. In Germany, following the gradual move away from nuclear energy, new highly efficient and clean thermal power plants are being and will be constructed. This new type of power plant will appear over the next ten years, including in emerging countries, which will represent new potential for the Group.

In 2012, the Hamon Group's workforce increased by 16 %. What about in 2013 ?

Due to our continuous business growth in Asia, we increased our workforce both for manufacturing – particularly in China and India – and for our engineering and contracting business activities in the rest of Asia. However, in Europe and the U.S., the number of employees remained stable. Overall, in 2013, jobs in the Group rose by 11 % in relation to 2012, thanks to our active presence in growth markets. Hamon employs close to 2 000 staff worldwide, a figure that does not include the fitters and builders recruited on sites for short periods.

(*) The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labor standards, the environment and anti-corruption. For further details, see the Corporate Social Responsibility chapter.

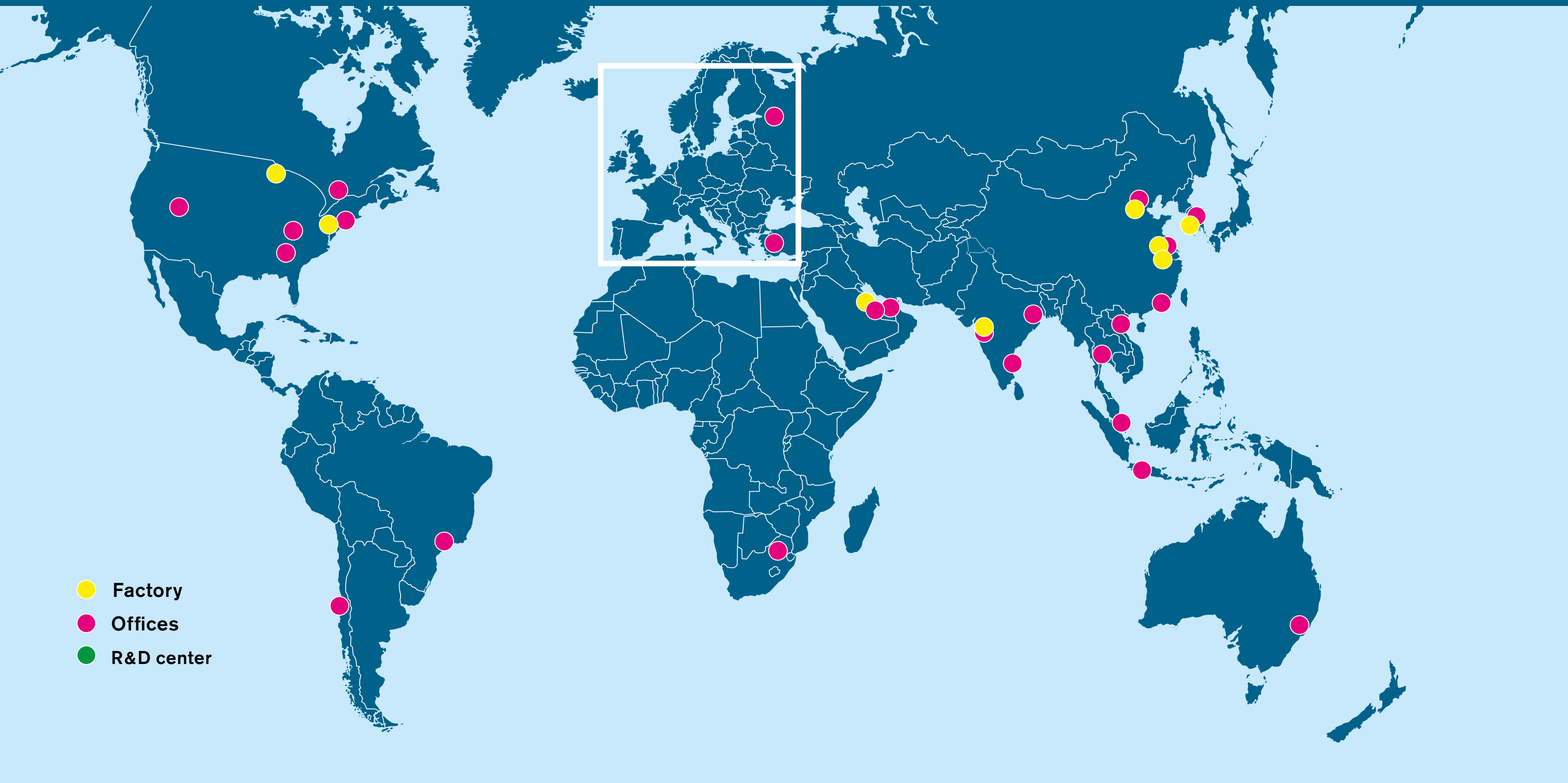
At the end of 2012, you seemed fairly optimistic about 2013. What are the prospects for 2014 ?

In 2014, we will benefit from the ambitious work undertaken over the last five years, in other words, the development of new products and the move into new regions around the world. We have opened up or further developed new regions such as India, China, the ASEAN countries, Russia, and the Black Sea countries, where we are recording good performance. In 2014 we will reap the rewards of these efforts, with a rising turnover and sufficient volumes to absorb the costs and investments made in recent years. So we are reasonably optimistic about 2014.

What will be the main challenges ?

Successfully and proactively delivering on our record order backlog, pursuing our international growth while ensuring that we have skilled people in emerging countries, and maintaining our strong position in countries where we already have a firm footing. Another challenge will be developing our network and focusing R&D development on high-potential, value-added products in niche markets. All this should start to bear profit for the Hamon Group between 2014 and 2016; increasing our profitability is still one of our major goals.

Hamon in the world



GROUP PROFILE

Hamon is one of the leaders in its niche markets related to energy and environmental protection.

Positioning

Hamon, an international engineering, procurement and contracting company (EPC), is positioned as one of the world leaders, both for equipment and aftermarket sales and service in the following niche markets:

- Cooling systems
- Air Pollution Control systems
- Heat Recovery systems (and Steam Generators)
- Process Heat Exchangers
- Industrial chimneys

The services offered to customers include design, manufacture of certain key components, project management, on-site installation (including civil works in some cases), start-up and aftermarket service.

The main targeted customers are:

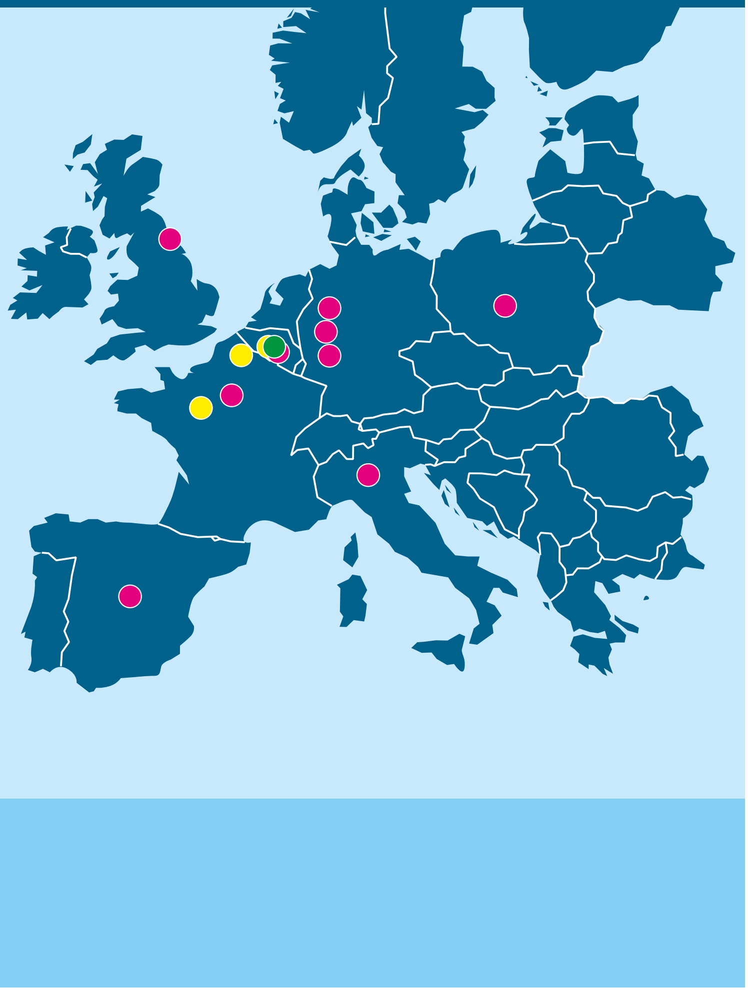
- Electric power plants
- Oil, gas and petrochemical industries
- Other heavy industries including steel, cement, minerals, glass and waste incineration.

Besides end users, Hamon also sells its products and services to large engineering firms (Engineering, Procurement and Construction).
Hamon offers its customers, at competitive prices, innovative systems using the latest technology and that effectively respond to their needs, while practicing strict cost control.

Vision

To be the leading provider of technology and equipment, enabling our customers to produce cleaner energy and to operate while maintaining air quality.

Hamon in Europe



Mission

- Develop new technologies, conceive, design, install and provide aftermarket services for key components of our installations: cooling systems, process heat exchangers, air pollution control systems, heat recovery systems and chimneys.
- Improve our customers' performance in the energy, oil and gas sectors and other heavy industries, such as steel, glass, cement and chemicals.
- Execute all our projects on time, within budget and in accordance with customers specifications.
- Provide quality service within all of our activities, while ensuring the satisfaction and development of our staff and protection of the environment while offering our shareholders a return at least equal to the market rate of others in our sector.

Values

1. Professionalism

Hamon attaches great importance to the innovation and performance of the services and products it provides its customers.

2. Respect for the individual

Hamon respects the Universal Declaration of Human Rights and aims to foster a positive relationship with its teams.

3. Respect for the environment

Hamon holds the protection of the environment at the heart of its operations and services.

4. Respect for cultural diversity

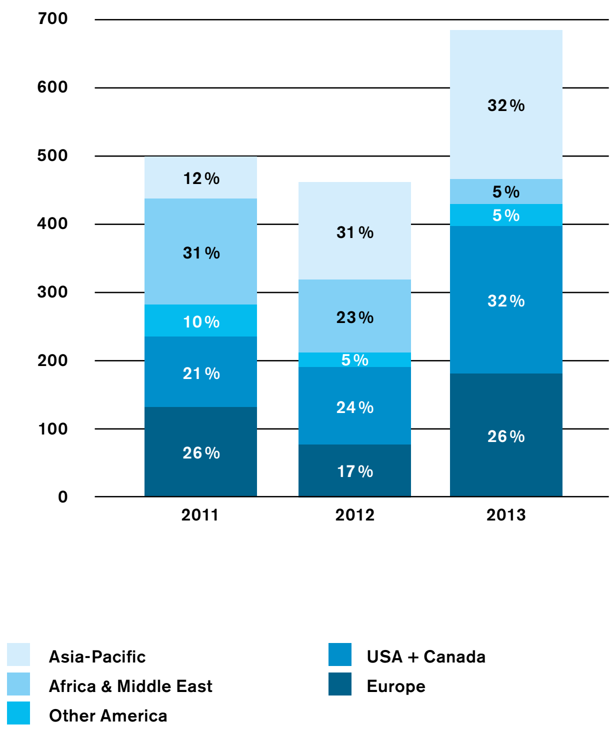
Throughout the world, Hamon promotes cultural diversity in its working relationships with its partners, teams and local communities.

Our presence in the world

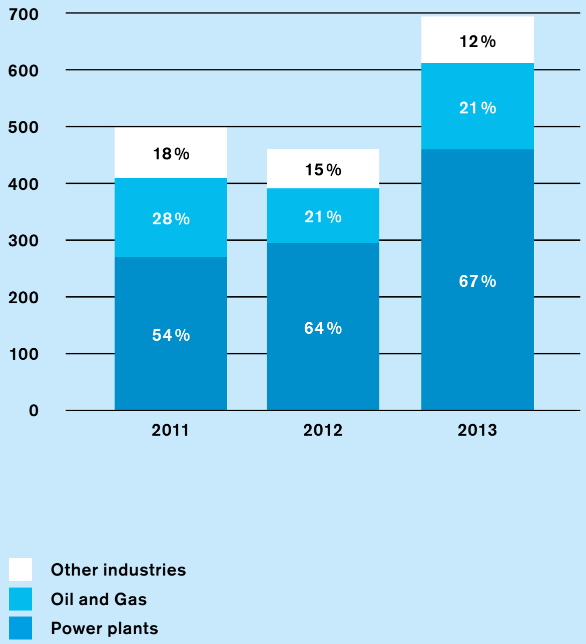
In 2013, Hamon employed 1,843 people in 25 countries and on five continents across the world. Note that among these countries, none appear on the list of fragile states / territories identified by the World Bank. Moreover, Hamon employs several hundred people under fixed-term contracts for installation projects (most notably on new job sites). In 2013, the Group achieved a consolidated turnover of EUR 526 million. See the other key figures presented in the first pages of this annual report.

Hamon shares have been listed on the Euronext stock exchange of Brussels, since 1997.

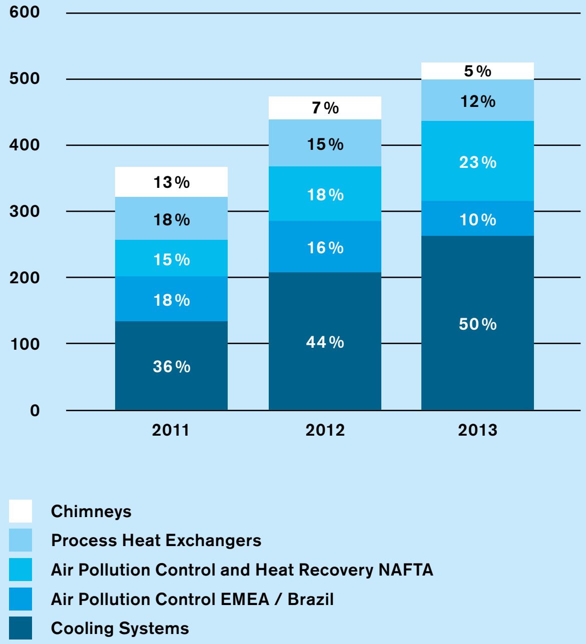
Breakdown of new order bookings by region



New order bookings per industry, in EUR million.



Breakdown of revenue per business unit, in EUR million.



EVOLUTION OF OUR MARKETS

Overall, our markets remained quite good in 2013, but with differences from region to region and a strong demand in emerging countries.

Major Markets for Hamon

The major end users of Hamon equipment are producers of electricity, followed by the oil and gas industries, as shown in the graph above. These are followed by other heavy industries, such as steel, non-ferrous metals, waste incineration, cement and chemicals.
For a breakdown of distribution by geographical area, see the previous section on the Group profile. We notice that in 2013, there was a re-balancing (in terms of new order bookings) between our traditional markets (Europe, USA and Canada) and emerging countries. Our traditional markets represented again more than 50 % of our bookings, whereas in absolute figures, the bookings from emerging countries kept on growing.
It is worth noting that new orders are divided between new installations and aftermarket service.
Hamon's main activities are cooling systems and air pollution control, as shown in the graph above.

Markets remained strong in 2013

Overall our markets remained strong in 2013, with variations between regions and some fluctuation by segment.

The recovery in the world's economy has been slow to materialize. Its growth in 2013 was slightly below that of 2012, at a little over 2 %, and below forecast. This falling growth affected many countries, including the U.S., which saw 1,8 % growth against 2,2 % in 2012.
Growth remained anemic in Europe at 0,3 % as in 2012. However, it remained high in Asia, at around 5 %, and 7,7 % in China, which continued to drive the world's economy. The planned decrease in the injection of dollars into the U.S. economy (quantitative easing) had a major, negative impact on some emerging countries at the end of 2013, such as India, Turkey and Indonesia, particularly on their currencies and financial markets. This had a negative impact on opportunities for financing investment projects in these countries.

If we look at the major engineering groups (EPC), we can see that their new order bookings remained high, even though they dropped somewhat in relation to 2012. Korea's EPC companies remained very aggressive and kept up strong pressure on prices. It seems, however, that some of these EPC companies' results suffered greatly from the signing of low-yield contracts in recent years.

As regards **power plants**, we can see the following trends:

- Coal remained the main source of primary energy in many emerging countries (China, India, Indonesia, etc.) and many coal-fired power plants are still being constructed in these countries. However, increasingly fewer large coal-fired power plants are being built in developed countries (the U.S. and Western Europe) due to their environmental impact and, in the U.S., due to the low price of shale gas. In the U.S., many coal-fired power plants have either been shut down or converted into gas-fired power plants. In Germany, EON and RWE decided to gradually close 15,000 MW of old coal- and gas-fired power plants, but they still have a few construction projects for new, ultra-efficient and cleaner coal-fired power plants.
- Gas-fired power plants are expected to increase in the future as, for example, backup plants to cover the unpredictable fluctuation in renewable energy production (wind and photovoltaic power). Nevertheless, the low use of these power plants can render their profitability uncertain and their financing problematic.
- The nuclear sector appears to be starting to recover after the Fukushima accident at the start of 2011. As such, in 2013, the UK approved the construction of a new nuclear power plant (Hinkley Point C). Other plants are also under construction or in the pipeline in a number of emerging countries, such as China, India and the Middle East. Japan may also bring certain nuclear reactors back on line.
- Renewable energies are continuing to gain ground, including in countries such as China, which has decided to take major steps to combat atmospheric pollution. In Germany, wind and solar power accounted for 23 % of the country's electricity production in 2012 and should reach 35 % by 2020.

Overall, year by year, we are seeing significant changes in energy policies in certain countries around the globe. As Hamon operates in a number of sectors (coal, gas and nuclear), sector changes – and the investments they require – are fairly beneficial to the Group.
At geographical level, we can see that the market for **new** power plant construction has remained strong and on the rise in Asia (particularly in the Middle East and Far East). This market is weaker in Europe and North America; however, the market for the upgrade of **existing** plants is more significant in these regions and relatively stable.

Concerning the **oil and gas sector**, certain trends continued:

- Crude oil prices remained high and relatively stable in 2013, at around USD 110 per barrel (Brent), which is conducive to new investments.
- The share of Asian countries is growing, both in terms of consumption and refining, with a number of refineries under construction in these countries, while the closure of refineries seems unavoidable in Europe.
- For gas, extremely high prices in Asia favored the spot market and the construction of LNG liquefaction factories. In the U.S., some gas terminals planned for the import of LNG have been converted for the liquefaction and export of shale gas.

Overall, the oil, gas and petrochemical markets continued to offer high potential.

Some **heavy industries** were strongly influenced by sometimes significant variations in energy prices between regions. For instance, electricity and gas are much cheaper in the U.S. than in Europe or Asia (due to the abundance of shale gas). As a consequence, many energy-intensive industries have chosen to locate their new investments more in the U.S. and less in Europe.

Overall, the uncertainties and fluctuations prevailing in the energy markets and in various heavy industries (along with sometimes unclear and unpredictable government policies) are prompting some customers to delay their investment projects.
Interest rates were very low in 2013, which should help project financing.

As concerns the cost of raw materials used to produce our products (steel, aluminum, plastic, etc.), prices remained relatively stable in 2013, or even down slightly for some metals, which means that the cost of materials for a given unit remained, in principle, relatively stable.

Finally, as concerns currencies, the average exchange rate of the U.S. dollar dropped slightly against the EUR in 2013 (1,328 USD/EUR, against 1,292 USD/EUR in 2012). This means that the value of projects in USD, when converted into EUR, is slightly lower than it was a year previously due to the drop in the dollar.

Students from the University of Liège (Belgium) visiting our Umbergaon factory (India)

CORPORATE SOCIAL RESPONSIBILITY

INTRODUCTION

Since 2010, Hamon has formalized and further positioned its activities regarding sustainable development. The Hamon approach seeks to analyze, measure and accept its share of social responsibility towards the society. To achieve this, Hamon has decided to be guided by **ISO 26000** international guidelines related to Corporate Social Responsibility, adopted by almost one hundred countries in November 2010. The objective is to align Hamon's compliance strategy in respect of the principles and domains of action provided by these guidelines.

The main aspects covered by ISO 26000 are:

- Organizational governance;
- Human rights;
- Labor practices;
- Environment;
- Fair operating practices;
- Consumer issues;
- Community involvement and local development.

As recommended by ISO 26000, Hamon has also decided to base its approach on the methodology developed by the **Global Reporting Initiative** (GRI) in order to measure and account for its performance in Corporate Social Responsibility. The aim of the GRI, an international body based in Amsterdam, is to provide all organizations of any size, geographic location or sector with a reliable, credible and standardized framework for reporting on sustainable development, following the example of the IAS/IFRS standards in the financial sector.

The GRI methodology consists of three main categories of information:

- Strategy and profile;
- Management approach and commitments;
- Performance indicators.

The standardized GRI correspondence grid, reproduced at the end of this report, enables readers to find the information they are looking for using a standard and unique list.

The performance indicators set out by the GRI cover six main areas:

- Economic performance (much detailed in other parts of this annual report);
- Environmental performance;
- Social performance in work relations;
- Social performance in relation to human rights;
- Society performance and relationship with the community;
- Performance in relation to the transparency of product information (less relevant for Hamon as it does not sell consumer goods).

It should be mentioned that in 2013, GRI established new reporting guidelines (G4), which will have to be used from fiscal year 2014 at the latest. For this fiscal year 2013, Hamon has decided to stick to the G3 guidelines.

The GRI offers a progressive approach with different levels of application. For this fourth year of reporting on this basis, **Hamon has met the objectives of Level C of the GRI** ("self-declared"). For more information on GRI, see www.globalreporting.org

Throughout this annual report, we seek to inform our stakeholders, in the most transparent way possible, of our performance and the measures we are implementing to improve. The perimeter used for each of the performance indicators is detailed in the section "Report Parameters" at the end of this document.

There has been an important novelty this year: since September 2013, Hamon has decided to adhere to the **United Nations Global Compact (UNGC)** and to its ten principles and to become an Associated Member. For more details on the UNGC and its ten principles, see http://www.unglobalcompact.org

The adhesion to the UNGC requires to issue an annual report on the progress made on these ten principles, through a Communication On Progress (COP). There are two reporting levels; Hamon has decided to start with the "GC Active" level.

This chapter constitutes our Communication On Progress on these ten principles. It is also available (via our annual report) on the UNGC website and on the GRI website.

1. STATEMENT OF HAMON'S CONTINUED SUPPORT FOR THE UN GLOBAL COMPACT

"I am pleased to confirm that, as of September 2013, Hamon supports the ten principles of the United Nations Global Compact in the field of human rights, working conditions, the environment and the fight against corruption. This first Communication On Progress outlines the concrete measures taken by the Group to further align our strategy, culture and day-to-day operations with these ten principles. We are also committed to sharing this information with our stakeholders and promoting the Global Compact and its ten principles."

Francis Lambilliotte
CEO of the Hamon Group
31 January 2014.

2. DESCRIPTION OF PRACTICAL ACTIONS

Below are the strategies, guidelines and procedures that Hamon introduced in 2013, or intends to gradually introduce, concerning the four major themes of the Global Compact, along with the practical actions taken to implement the ten principles of the Global Compact within our Group.

2.1. Human rights

The various entities of the Hamon Group should:

Principle N°1 : support and respect the protection of internationally proclaimed human rights;
Principle N°2 : make sure they are not complicit in human rights abuses.

Hamon is committed to respecting and ensuring that all of its employees and partners respect human rights in their business relationships.

Hamon has not yet established a formal, Group-wide code of conduct that explicitly mentions human rights. This is planned for 2014. Nevertheless, through a questionnaire sent to the Group's main subsidiaries at the end of each financial year (see Report Parameters at the end of the document), it seeks to raise awareness among its subsidiaries on human rights and ensure that they have fully respected these rights during the past financial year. In 2013, a new item was added to the questionnaire aimed at also raising awareness among our suppliers concerning respect for human rights.

2.2. Working conditions

The various entities of the Hamon Group should uphold:

Principle N°3: *the freedom of association and the effective recognition of the right to collective bargaining;*
Principle N°4: *the elimination of all forms of forced and compulsory labor;*
Principle N°5: *the effective abolition of child labor;*
Principle N°6: *the elimination of discrimination in respect of employment and occupation.*

Hamon seeks to offer all of its employees good working conditions, whether in our offices and factories, on business trips or out on site. In particular, Hamon aims to ensure that:

- Its staff benefit from the liberty of association, the opportunity to make their views known to their local management team and the possibility of negotiating with them on areas concerning working conditions (given that these rights are sometimes more limited by legislation in force in some countries).
- There is no forced or compulsory labor, and no children working within our Group (with the exception of young people seeking to legally undertake an internship as part of their studies or a short-term student job).
- There is no job or career discrimination within the Group, whether on the grounds of gender, race, religion or nationality.

Hamon has not yet established a formal, Group-wide code of conduct in this matter. It intends doing so in 2014. Nevertheless, through a questionnaire sent to the Group's main subsidiaries at the end of each financial year, it ensures that no children have been employed in the past financial year (and if a case arises, for example for an internship, it verifies the exact circumstances). Through this questionnaire, Hamon also measures the rate of occupational accidents and diseases and the rate of absenteeism. The Group analyses changes in these indicators and takes the necessary measures to ensure that these levels remain as low as possible.

Hamon also ensures that it raises the awareness of its suppliers on these issues, by asking them, via our standardized general purchasing conditions and audit procedures, the use of which is gradually becoming widespread within the Group, to comply with social regulations and not to employ children.

2.3. Environment

The various entities of the Hamon Group should:

Principle N°7: *support a precautionary approach to environmental challenges;*
Principle N°8: *undertake initiatives to promote greater environmental responsibility;*
Principle N°9: *encourage the development and diffusion of environmentally friendly technologies.*

Environmental protection is a key focus of our business. Through ever more efficient systems in heat exchange and air pollution control, Hamon seeks to help its customers reduce the impact of their operations on the environment, particularly through our Air Pollution Control business activities. In addition, Hamon is committed to taking measures to limit the environmental impact of its factories and systems operating at its customers' sites (noise, energy consumption, visual impact, etc.).

Hamon has not yet established a formal, Group-wide code of conduct in this matter. It intends doing so in 2014. Nevertheless, through a questionnaire sent to the Group's main subsidiaries at the end of each financial year, it measures the concrete steps taken to protect the environment and to limit our factories' energy and water consumption. The Group takes the necessary measures to ensure that this consumption (by unit of production) remains low.

Hamon also ensures that it raises the awareness of its suppliers on these issues, by asking them, via our standardized general purchasing conditions and audit procedures, the use of which is gradually becoming widespread within the Group, to comply with environmental regulations.

2.4. Fight against corruption

Principle N°10: *businesses should work against corruption in all its forms, including extortion and bribery.*

Hamon has zero tolerance to corruption. This is clearly set out in our Code of Ethics, drafted in 2009, and which includes a specific chapter on this issue. The code has gradually been distributed to all of the Group's subsidiaries. In some of these, all new employees are issued with the code along with the workplace regulations.

3. MEASUREMENT OF OUTCOMES AND INDICATORS

3.1. Human rights

In 2013, Hamon continued to promote ethics and respect for human rights in its business relations, and more particularly:

- Through its membership of the United Nations Global Compact.
- Through its commitment to comply with the Universal Declaration of Human Rights. In 2013, the 26 subsidiaries included in the scope outlined in the Report Parameters section complied with this declaration (where legislation in the respective countries allowed).
- Through its commitment not to employ children (the definition of the term "child" varies by country and sometimes by type of business). The sites identified as presenting the greatest risk concerning child labor are our factories in India (Umbergaon) and China (Jiaxing, Shanghai and Wuqing). Only one of the 26 subsidiaries in the reporting scope employed people aged under 18 in 2013: this was our French subsidiary Hamon Thermal Europe, which employed two trainees aged 16 and 17 for a one- to two-month internship. This type of internship is highly recommended for certain students as part of their training.

3.2. Working conditions (and other social responsibilities)

The men and women who contribute on a daily basis to the success of Hamon are our main resource. They deserve all our attention. This is why this section is mainly dedicated to our internal social responsibilities. To start, we will detail the composition of the Group's workforce.

3.2.1. Headcount

In 2013, the Group's average headcount was 1843 people, compared to 1664 in 2012, an increase of 179 people (+11 %). Added to this are the staff working on sites on the basis of fixed-term contracts; in 2013 these accounted for roughly 500 people on average (this figure fluctuates constantly).

The headcount increased toward the end of March, reaching a high of 1,917 people, and gradually dropped to 1,801 people on 31 December 2013. The main reason for this was the staff cut-backs carried out in the U.S. in the second quarter.

Average headcount by BU	2013	2012	2011
Cooling Systems	943	775	663
Process Heat Exchangers	233	221	218
Air Pollution Control EMEA/Bra	296	312	268
Air Pollution Control and Heat Recovery NAFTA	262	254	182
Chimneys	56	53	55
Corporate & others	53	49	49
Total	**1 843**	**1 664**	**1 435**

Notes:

1. These figures include the average headcount (annual average) of fully consolidated subsidiaries and subsidiaries consolidated proportionately on a pro rata basis of the capital held by Hamon. Some changes in scope of consolidation have occurred, the main one being the acquisition and therefore consolidation of Hamon Deltak as of 1 September 2011 (headcount of 140 in 2013).
2. These figures only include staff on open-ended contracts and long-term contracts. The figures for 2013 are based on the number of people and not on full-time equivalents; the difference for the twenty or so people working part-time (if counted as full-time equivalents) is roughly 10 people.
3. In addition to these figures, Hamon also employs a few hundred local temporary workers, mainly at its building sites, not included above. Located around the world, these projects generally only last a few months.

We can see that the main variation comes from the Cooling Systems BU (+168 people): this was primarily due to the headcount increase of 145 in our Chinese factory in Wuqing, which produces tube bundles for our air condensers.

Changes within our other BUs were distinctly smaller:

- An additional 12 people in the Process Heat Exchangers BU (increases in France and Korea, partly compensated by a reduction in Belgium).
- 16 fewer people in the Air Pollution Control EMEA / Brazil BU, a reduction that mainly affected Belgium.

Geographically, we can see the following changes:

Average headcount by region	2013	2012	2011
Europe	618	606	612
USA + Canada	338	325	249
Asia - Pacific	779	564	435
Africa & Middle East	51	98	77
Other America	57	71	62
Total	**1 843**	**1 664**	**1 435**

The workforce significantly increased in Asia (China), mainly due to the significant headcount increase at our Wuqing factory. It also significantly rose in Korea, due to the growth in our Air Pollution Control and Process Heat Exchangers businesses in this country.

The significant drop in Africa was due to the South African company J&C, which was removed from the scope of consolidation on 1 January 2013.

These figures illustrate the increasingly significant role played by the Asia-Pacific countries within the Group, at least in terms of workforce (42% in 2013, against 34% in 2012).

In total, the headcount on 31 December 2013 amounted to 1801 people, 1513 of which were men (84% of the total) and 288 women (16%).

3.2.2. New Talent Recruitment

The new talent recruitment strategy of Hamon is in line with our motto "Think globally, act locally". Whilst our markets are growing on a global scale, our employees must also have a global vision. They must be open to other cultures and show sufficient creative intelligence to enable continuous improvement and to promote change while respecting local values and regulations. Hamon recruits highly qualified men and women with leadership skills and a sense of responsibility as well as the potential to develop in their careers within the Group. Some of these employees are transferred to foreign or newer subsidiaries which have experienced significant growth in recent years. The number of these expatriates was relatively small and represented 0,4% of the total workforce of the Group and 10% of management staff in 2013. Hamon seeks to recruit local talent who are experts in their fields with strong competencies in terms of problem solving, while being oriented towards customers and business. In 2013, specific focus was placed on recruiting high-level managers to further boost our organization in the areas of project management and the effective delivery of contracts.

3.2.3. Training and career management

Hamon promotes the system of job rotation and the on-the-job apprenticeship system. These systems allow our employees to satisfy their desires in terms of career progression. In addition to in-house career opportunities, external courses are organized on the basis of individual needs. During the annual performance appraisals, employees are encouraged to define their own training needs, in order to be able to offer each individual a specific training program and allow everyone to develop within the Group. In the Hamon "Multi-department" culture of work and project management, employees use their own specific skills and knowledge, and also learn through other team members. In terms of formal training, Hamon's staff underwent more than 26,000 hours of training in 2013, representing an average of about 15 hours per year per person for the scope analyzed (see Report Parameters).

In 2013, Hamon specifically focused on the acquisition of multi-functional skills by its staff. This involved training engineers in the different techniques concerning dry cooling and wet cooling systems, which increased their level of versatility and skill within this business unit.

3.2.4. Health & Safety

The health and safety of our employees in their workplaces remains a priority, whether in factories, in our offices or on site. Construction sites present specific risks that are a day-to-day challenge. Hamon is continuing in its efforts to improve its performance in these areas.

This annual report includes, for the fourth time, charts illustrating the frequency rate and severity of accidents, and the rate of occupational diseases and absenteeism. Comparing the figures from 2013 with those of 2012 and 2011 is not always fully relevant, as the scope of consolidation has grown each year. The 26 main subsidiaries of the Group, each employing at least 15 people in 2013, were taken into account this year, against 25 subsidiaries in 2012 and 24 subsidiaries in 2011.
The figures for 2013 on a like-for-like basis with 2012 are the same unless stated otherwise (as the two entities added in 2013 did not have any accidents or occupational diseases). These 26 subsidiaries included in the scope in 2013 represented 97% of the total Group workforce. For more details on the reporting scope, see Report Parameters at the end of this annual report.

Members of staff included for each subsidiary in the reporting scope are the same as those taken into account in the calculation of the Group's workforce (see Headcount section).

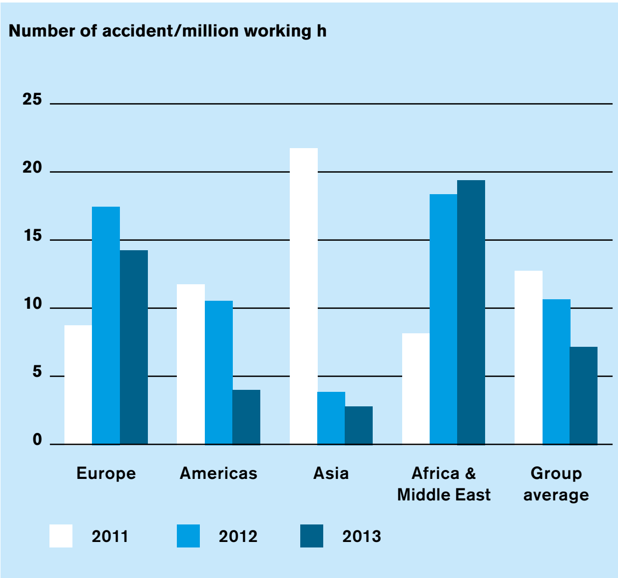
Frequency rate of occupational accidents by region (number of accidents/million working hours)

In total, there were 25 accidents in 2013, against 35 in 2012, representing a 28% decrease. None of these accidents were fatal. By region, we see:

- An improvement in Europe in 2013, as there had been several accidents in our Belgian factory in 2012. The majority of the accidents in 2013 involved our main French factory.

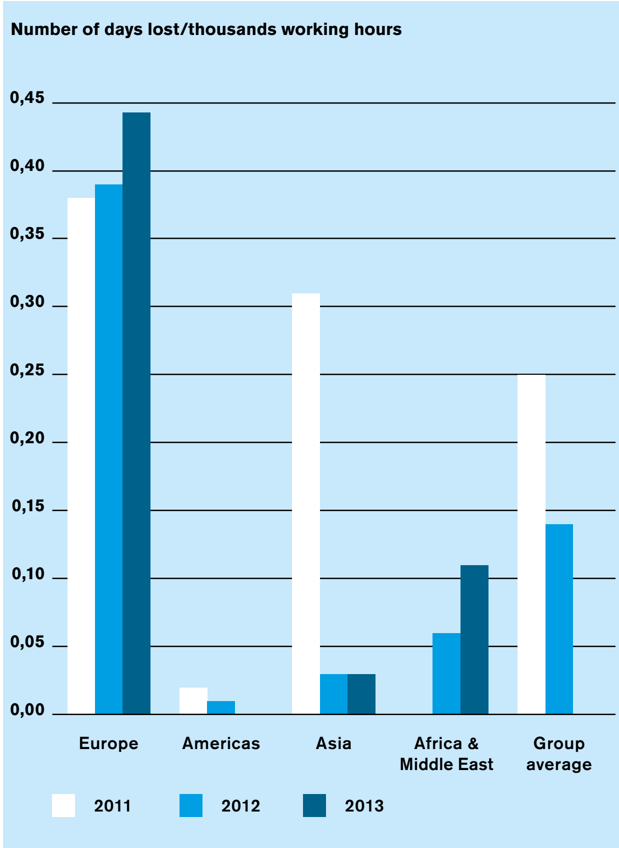
- A significant improvement in America and a slight improvement in Asia, already at a very low level in 2012.
- The unfortunately continued high accident rate in the Middle East (accidents in our Saudi Arabian factory).

Overall, the accident frequency rate decreased by 33 % in 2013, from 10,7 to 7,2 accidents per million hours worked, after having been significantly reduced in 2012. Note that for the indicators concerning occupational accidents and diseases and absenteeism (here and below), there may be differences in the criteria and measurement methods used by different countries (each country has its own social and labor regulations).

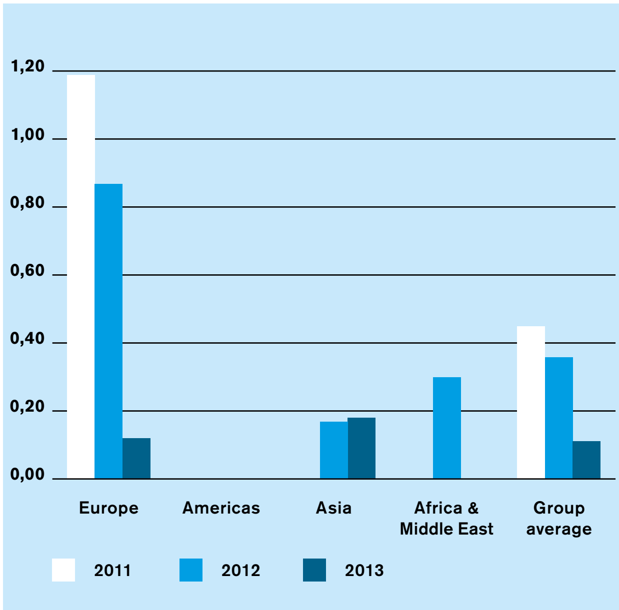


Severity rate of occupational accidents by region (number of days lost/thousands working hours)

A total of 527 working days were lost due to occupational accidents in 2013, against 454 in 2012, a 16 % increase. As the total number of working hours increased from 3,3 million to 3,5 million, the severity rate only rose slightly from 0,14 days lost/thousand hours to 0,15 days lost/thousand hours (an increase of 8%). The vast majority of these 527 days were lost in our factory in the north of France, which explains the high rate in Europe.



Occupational disease rate by region (number of days lost/thousand working hours)



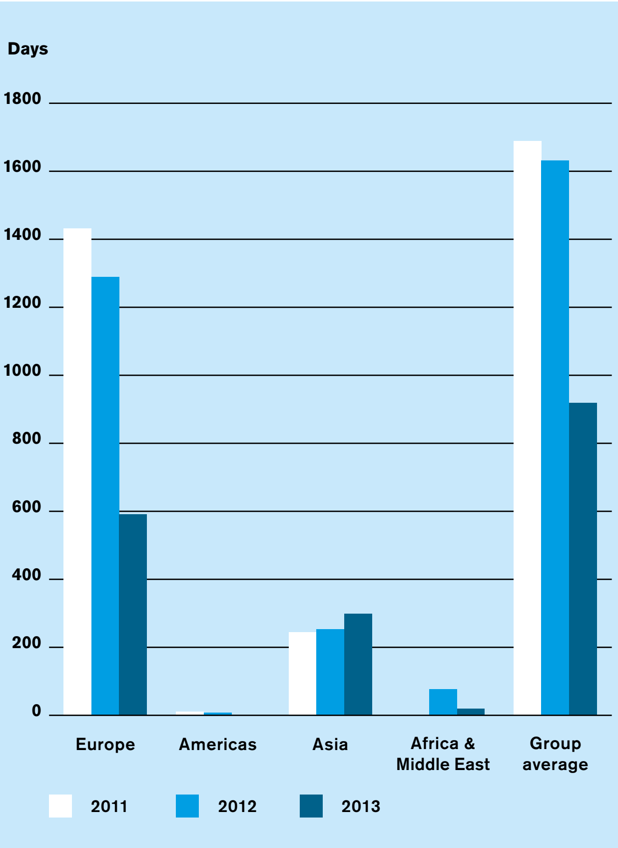
In 2013, 397 working days were lost due to occupational diseases (against 1179 in 2012), the majority (270 days) of them in Asia. This represents a sharp decrease of 66 % in relation to 2012. The improvement is particularly impressive in Europe with 127 days against 892 in 2012; however, the figure rose in Asia with 270 days against

222 in 2012. The average rate of occupational disease went down from 0,36 work days lost/thousand hours in 2012 to 0,11 in 2013, a decrease of nearly 70%. This figure is all the more outstanding given that 2012 had already seen a significant improvement on 2011.

Number of working days lost due to occupational accidents and diseases

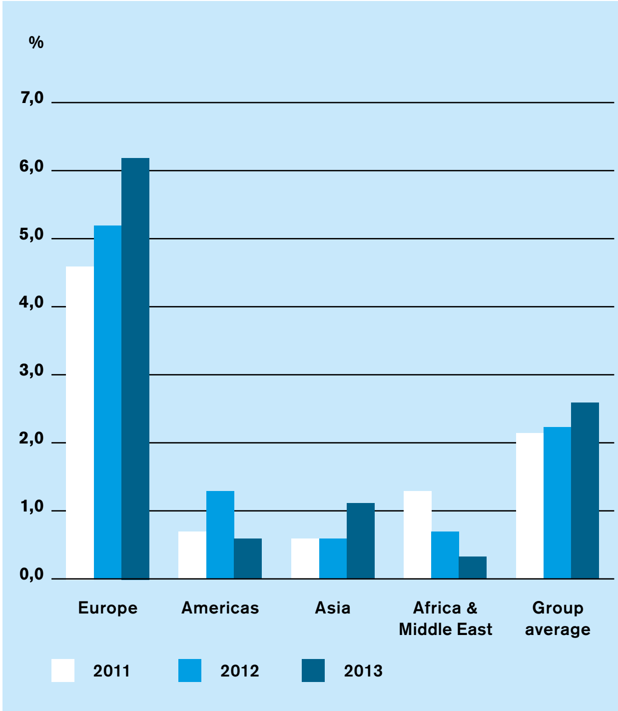
In 2013, the total number of days lost due to occupational accidents and diseases amounted to 923 days, compared with 1633 days in 2012. This represents an impressive decrease of 43%.

The vast majority of these days were lost in Europe (factory in the north of France in particular), and in India.



Rate of absenteeism

Absenteeism rose slightly in 2013 to around 2,6% against 2,2% in 2012. If we exclude the number of working days lost due to accidents or occupational diseases, the number of days lost for other reasons rose significantly from 7194 in 2012 to 10 203 days in 2013 (on a like-for-like basis with 2012: 9628 days in 2013). The vast majority of these days were lost in Europe which accounted for 7928 out of the 10 203 days, mainly in the factory in the north of France and the Belgian factory. It should be noted that this is, for the most part, due to the 14 people on long-term sick leave from these two factories, and who alone accounted for more than 3000 absent days. As the annual number of working days also increased in 2013, the rise in absenteeism came to +17%.



Note: absenteeism also includes accidents and occupational diseases (see exact definitions of Health & Safety data in the Report Parameters section).

We strive to achieve certification in the field of Health & Safety. Currently, six subsidiaries are certified in this field. Four are certified OHSAS 18001, one is certified SCC (SHE Checklist Contractor) and one has the Safety Committee Certification in the United States.

3.3. Environment

Since 2010, we have decided to measure certain parameters that seem most relevant to the Group's factories. In 2013, the eleven factories of the fully consolidated subsidiaries were analyzed. The scope of consolidation was slightly smaller in previous years. For more details, see the Report Parameters section.

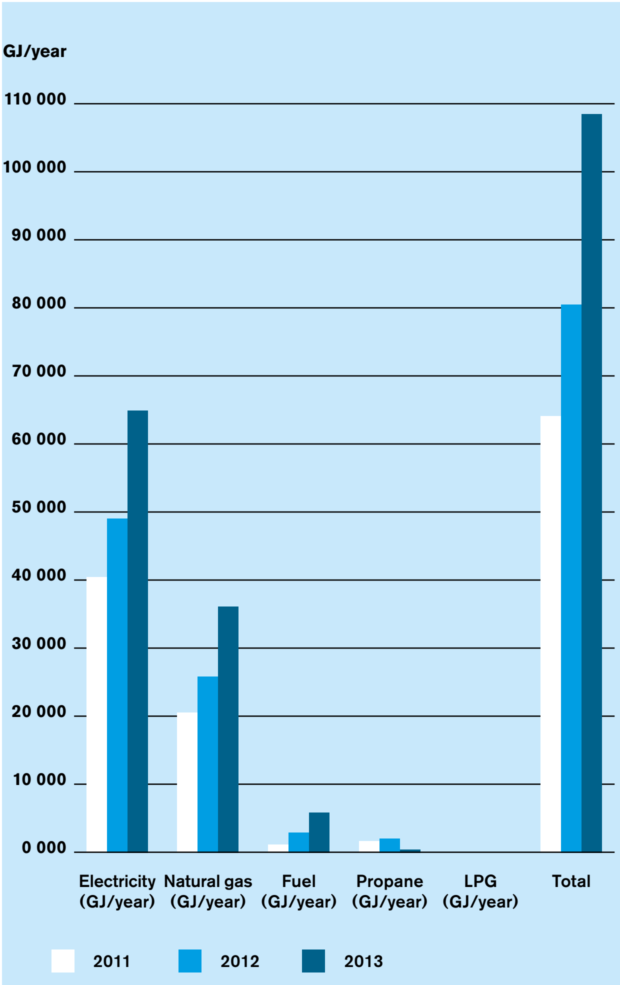
Direct energy consumption per source and electricity consumption (GJ/year)

On a like-for-like basis (the ten factories included in 2012 and in 2013), total energy consumption rose from 80 318 GJ in 2012 to 106 517 GJ in 2013. This significant 33% increase is mainly due to the 168% growth in our

Chinese factory where finned tube bundles for air-cooled condensers has risen sharply (to three production lines with three work shifts at the start of 2013).
If we look at this consumption in terms of the number of hours worked in our factories, this ratio also rose (from 48 MJ/hour to 64 MJ/hour, also a 33% increase).

This energy is mainly used in our production and manufacturing processes, for example:

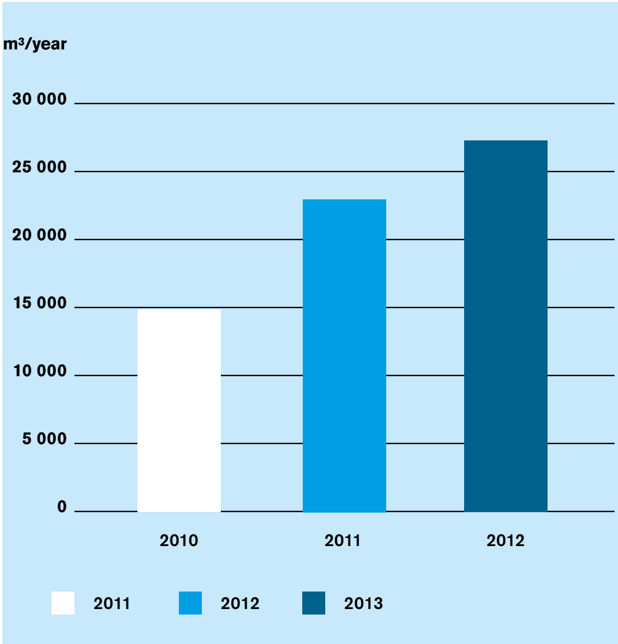
- Thermoforming of exchange surfaces and extrusion of certain components for cooling systems.
- Production of finned tube bundles for air condensers, of air coolers, of heat recovery boilers, etc.



Total volume of water withdrawn by source (m^3/year)

All water consumed in 2013 by the eleven factories and workshops in the reporting scope was tap water. Water is used mainly by the staff for sanitation but, in some cases, water is used to cool some production machines or for hydrostatic testing.

On a like-for-like basis (the 10 factories included in the scope in 2012 and in 2013), consumption rose from 23 068 m^3 in 2012 to 27 279 m^3 in 2013, representing an increase of 18%. This increase in consumption is due to the increase in production in our factories, especially in India (with the addition of a new production line for internal components), in France (Hamon D'Hondt) and in China (factory producing bundles for air-cooled condensers).



If we look at water consumption in terms of business volume (measured in number of work hours), we can see that hourly water consumption also rose from 13,8 l/hour in 2012 to 16,4 l/hour in 2013.

Several initiatives have been taken or are being pursued to mitigate the impact of our products and our factories on the environment. Here are some examples:

- For Cooling Systems:
  - Development of a special system of gluing to reduce the emission of volatile organic components (VOC).
  - Project to recycle old PVC exchange surfaces (“LIFE +” project).
  - Continued efforts to reduce power consumption, the noise level of our cooling systems and steam plumes.
  - Obtaining certification to be able to remove some old asbestos components in certain old towers at our customers' sites.
- For Process Heat Exchangers:
  - Cleaning surrounding areas (roads, car parks, etc.) to limit the risk of contaminating a lake and water table on the site of our French factory.
  - Reduction in the emission of styrene (at ACS), in collaboration with the CERTECH research center.
  - Close monitoring of waste emissions and energy and water consumption.

  - Replacement of the oil used in certain machines with a mix that has a less-significant impact on the environment in the event of a leak.
- For Air Pollution Control Systems:
  - Installation of drip basins to collect liquids in the event of leaks (for example oil from transformers of electrostatic precipitators).
  - Recycling of waste from the manufacture of filter bags.
  - Reduction of noise emissions and pollution in the Hamon Deltak factory in the U.S.
  - Reducing production of office waste and implementation of low-energy lighting (South Africa).

Generally speaking, our suppliers have also been more involved to ensure that they place greater focus on the environment.
Also of note is that three subsidiaries obtained ISO 14001 environmental certification in 2013.

3.4. Fight against corruption

To our knowledge, there were no cases of corruption in the Group in 2013.
It should also be noted that our accounts are audited by independent external auditors every year. One of the goals of these audits is to identify any fraudulent payments. No fraudulent payments or bribes were identified in 2013.

In 2013, Hamon & Cie distributed its Code of Ethics to the last few small companies that had not yet received it. This Code of Ethics is also available on our website at: www.hamon.com/en/corporate/about-us/corporate-social-responsibility/

3.5. Others (relations with our communities and awards)

Eager to be involved in the life of their local community, some of our subsidiaries make donations or sponsor sports or cultural associations. Sponsorships and donations made by the 26 main subsidiaries amounted to approximately EUR 58 thousand in 2013 and included:

- Sponsorship of the cultural event Europalia Inde, the Mont-St-Guibert Volleyball Club and an equestrian event in Belgium.
- Sponsorship of an equestrian event in France.
- Support of the United Nations Global Compact.

Hamon participated in the European Business Awards. It finished in a very respectable position:

- One of the ten Ruban d'Honneur winners in the Import/Export Award category.
- One of 100 Ruban d'Honneur winners out of more than 500 participants.

For more information on the European Business Awards, visit www.businessawardseurope.com

Inter BU meeting of some salespeople in Bangkok

The members of the Executive Committee; from left to right: Gerda Clocheret, Christian Leclercq, René Robert, Rodica Exner, Francis Lambilliotte, William Dillon, Philippe Delvaux, Michèle Vrebos

STATEMENT OF CORPORATE GOVERNANCE

I. CORPORATE GOVERNANCE

1. General Considerations

1.1 Reference code

Hamon adopted the **2009 Belgian Code of Corporate Governance** as a reference, in line with the provisions of (1) the 6 April 2010 law whose purpose is to reinforce corporate governance in listed companies and (2) the Royal Decree of 6 June 2010 related to the designation of the Corporate Governance Code to be followed by listed companies. This Code is available on the website of the Corporate Governance Committee www.corporategovernancecommittee.be

The Hamon **Corporate Governance Charter** describes in a detailed way the governance structure of our Company as well as policies and procedures related thereto. This Charter is available on our website www.hamon.com and is also available for review by simple request at the head office of the Company.

The present **Statement of corporate governance** gives information on the corporate governance events which took place in 2013.

1.2 Adherence to the 2009 Belgian Code of Corporate Governance

Hamon meets all the criteria of the Code, with the exception of the fact that the Audit Committee does not necessarily meet four times per year as recommended by the Code. Indeed, Hamon only publishes financial information twice a year, so the number of meetings of the Audit Committee is adapted accordingly.
The Committee meets to review the annual and half year accounts of the Group. The Committee meets more often if it deems it necessary.

2. Governance structure

Hamon is governed by a Board of Directors which, in accordance with Articles 14 and following of the articles of association, has extensive power. The Board

of Directors is a collegial body whose actions must be presented in an annual report to the Annual General shareholders Meeting.
The Managing Director communicates all the information relating to the business and finance of the Company that is required to ensure the smooth running of the Board of Directors.
The non-executive directors discuss in an analytical and constructive manner the strategy and the key policies put forward by the executive management and help to develop them. They then carry out a thorough evaluation of the performance of the executive management in meeting the agreed-upon objectives.

In June 2005 the Board of Directors established and took responsibility for specialized committees to help in some specific areas: Audit, Remuneration and Nomination Committees.

The Board of Directors has granted the day-to-day management of the Company to the Managing Director, who is assisted in his functions by the members of the Executive Committee. The Company has not set up a Management Committee within the meaning of Article 524 of the Company Code.

Hamon is divided into operational Business Units, each one being represented on the Executive Committee.

The General Shareholders Meeting exercises powers which are assigned to it by law and by the articles of association.

The working methods of the different aforementioned bodies are contained in the Corporate Governance Charter, available on Hamon's website.

The structure of the Company's shareholding is presented in the section "Relations with our shareholders and other stakeholders" below.

3. Board of Directors

3.1 Composition

3.1.1 Appointments

Article 14 of the articles of association stipulates that the Board of Directors must have at least five directors of which at least half must be non-executive and at least two must be independent. The Corporate Governance Charter goes further and stipulates that at least three directors must be independent.

The members of the Board of Directors are nominated at the Annual General Meeting of shareholders. If it becomes necessary to replace one of the directors, the new director will be chosen from candidates presented by the shareholder having proposed the outgoing director.

The directors whose term is at an end will stay in place until such time as the Annual General Meeting has approved a replacement. The Annual General Meeting has the power to dismiss a director at any time. Outgoing directors are re-eligible under the restriction of article 526 ter of the Company Code which stipulates that independent directors cannot be appointed for more than three consecutive terms and that the total duration of appointment cannot exceed twelve years. There is no age limit to be a director.

3.1.2 Composition

As of 31 December 2013, the Board of Directors is composed of eight members, seven of whom are non-executive directors and three are independent directors according to the definition of article 526 ter of the Company Code. Four of them have been proposed by Sopal International S.A. In accordance with the Company Code, the terms of the directors to be appointed or renewed at the next Annual General Shareholders Meeting will be limited to four years.

The mandates of the majority of the directors were renewed at the Annual General Meeting of 26 April 2011. Five mandates will expire on the date of the next Annual General Meeting of 22 April 2014: Jacques Lambilliotte, Jean Hamon, Bernard Lambilliotte, Martin Gonzalez del Valle and Sogepa, represented by Olivier Gutt.

Sogepa SA represents the interests of the Walloon Region on the Board of Directors.

Barons Philippe Bodson and Philippe Vlerick and Mr Martin Gonzalez del Valle are independent directors according to the above mentioned article 526 ter of the Company Code.

Name	Function	Start / renewal	End
Baron Philippe Bodson (*)	Chairman, Independent Director	26.04.11	28.04.15
Mr Jacques Lambilliotte (*)	Director	26.04.11	22.04.14
Mr Francis Lambilliotte	Managing Director	28.04.09	28.04.15
Mr Jean Hamon (*)	Director	26.04.11	22.04.14
Mr Bernard Lambilliotte (*)	Director	28.04.09	22.04.14
Mr Martin Gonzalez del Valle (*)	Independent Director	27.05.08	22.04.14
Sogepa SA represented by M. Olivier Gutt (*)	Director	26.04.11	22.04.14
Baron Philippe Vlerick (*)	Independent Director	06.12.11	28.04.15

(*) Non-executive director

- **Baron Philippe Bodson,** Chairman of the Board of Directors of Hamon & Cie, is an independent director since May 2008. He has an engineering degree (University of Liège) and holds an MBA (INSEAD - Fontainebleau - France). After having held executive positions in a number of companies (e.g. Glaverbel, Tractebel) and chairmanship of the FEB, Baron Bodson is currently chairman of the Board of Directors of Exmar, Floridienne and the investment management firm Be Capital. He also sits on the board of Cobepa.

- **Jacques Lambilliotte,** Director, was general manager, chairman of the board of directors and managing director of Laminoirs de Longtain from 1953 to 1983. He has a civil engineering degree.

- **Francis Lambilliotte,** Managing Director since 1987, joined the Company after having worked at Cobepa for several years. He is a commercial engineer (Solvay Business School).

- **Jean Hamon,** Director, was the director of the finance department of Hamon Paris from 1965 to 2000. He holds degrees in engineering and in mathematics.

- **Bernard Lambilliotte,** Director, is a commercial engineer (Solvay Business School) and holds an MBA (INSEAD-Fontainebleau- France). He is currently Chief Investment Officer at Ecofin, an investment management firm (based in London), which he founded. He is also director of Kapitol S.A. Previously, he held several finance positions at Pictet & Cie, Swiss Bank Corporation and Drexel Burnham Lambert.

- **Martin Gonzalez del Valle,** independent Director since June 2005. He is a co-founder and partner of Realza Capital, one of the largest private equity firms in Spain. For 12 years he worked in the private equity sector as partner and CFO of Investindustrial Partners Spain and as senior director and member of the executive committee of Mercapital. He was deputy general manager of Crédit Agricole Indosuez in Madrid, and held several senior positions in household and sanitary goods companies. He is currently chairman of the board of directors of Esindus (non-executive function), and director of the listed Spanish company Iberpapel SA. He has a law degree from the University of Madrid and holds an MBA (Insead-Fontainebleau-France).

- **Olivier Gutt, representing Sogepa ;** Director since September 2011. He represents the interests of the Walloon Region within the Board. Mr Gutt is a lawyer, with a law degree from the ULB. He then studied further at Solvay Business School (for a post graduate degree in business), then returned to the bar where he practiced for six years. In 1980, he then decided to join the banking sector at the SNCI, where he remained for twelve years - including a stint in the cabinet of the Walloon Economy. In 1992, he returned to the bar with the firm Lallemand, before becoming a magistrate at the Commercial Court of Namur and Chairman of the Competition Council. Mr Gutt is Vice President of Sogepa which he joined it in 2002.

- **Baron Philippe Vlerick,** independent Director since 6 December 2011. He holds a Bachelor's degree in Philosophy, a Law degree, a Masters at the Vlerick School of Management and an MBA from Indiana University, Bloomington, United States. Baron Vlerick, who heads the Group Vlerick (Uco, BIC Carpets, Vlerick Vastgoed, etc..), is chairman of Pentahold, vice-chairman of the boards of directors of KBC Groep, Spector Photo Group and Corelio and is director of several companies including Besix Group, Etex and Exmar.

3.2 Activities

The Board of Directors met five times in 2013.

The main subjects discussed were:
(i) The approval of the results of the Group, the review of forecasts, annual budgets and the strategic business plan;
(ii) The monitoring of the business and the financial situation of the Group and some of its subsidiaries;
(iii) The review of some development and investment projects in the frame of the development strategy of the Group;
(iv) Amendments made to the syndicated credit agreement;
(v) The corporate bond issuance.

All Directors attended the five Board meetings, except:
- Bernard Lambilliotte, unable to attend on 21 February and 23 April;
- Jean Hamon, unable to attend on 27 May and 27 August;
- Philippe Vlerick, unable to attend on 27 May;
- Sogepa, represented by Olivier Gutt, unable to attend on 27 May.

4. Committees

Under its own responsibility, the Board of Directors set up an Audit Committee, a Remuneration Committee and an Appointment Committee in June 2005. The composition of these Committees was reviewed on 27 May 2008, when the new Chairman of the Board of Directors was appointed.

4.1 Audit Committee

4.1.1 Composition

Since 1 January 2011, the Audit Committee is composed of three non-executive directors, including two independent directors according to section 526 of the Company Code with expertise in auditing, as evidenced by the curriculum vitae listed above.

Members of the Audit Committee	Function
Baron Philippe Vlerick (*)	Chairman
Mr. Martin Gonzalez del Valle (*)	Member
Mr. Bernard Lambilliotte	Member

(*) Independent Directors

4.1.2 Activities

The Audit Committee met three times during the fiscal year 2013, together with the auditor.

The main subjects discussed at the Audit Committee were:
(i) The closing of the financial statements as of 31 December 2012;
(ii) The closing of the financial statements as of 30 June 2013;
(iii) The analysis of the Corporate Governance regulation;
(iv) Impairment tests on the book value of some assets.

All the Directors attended the Committee meetings, except Bernard Lambilliotte, who was unable to attend.

4.2 Remuneration Committee

Since 1 January 2011, the Remuneration Committee consists of a majority of independent directors according to the Company Code article 526 ter and one non-executive director.

Members of the Remuneration Committee	Function
Baron Philippe Bodson (*)	Chairman
Mr Jacques Lambilliotte	Member
Baron Philippe Vlerick (*)	Member

(*) Independent Directors

The members of the Remuneration Committee have the necessary expertise as far as remuneration is concerned, as can be clearly seen in their professional experience.

The Managing Director takes part in the Remuneration Committee meetings discussing the remuneration of the members of the Executive Committee and of the senior management.

The Remuneration Committee met once in 2013; all the members attended this meeting.

The main subjects discussed were:
(i) The remuneration package for the Executive Committee and the senior management;
(ii) The establishment of variable remuneration for the senior managers;
(iii) Contents of the Remuneration Report.

4.3 Nomination Committee

Since 1 January 2011, the Nomination Committee was made up of a majority of independent directors according to the Company Code article 526 ter and of one non-executive director:

Members of the Nomination Committee	Function
Baron Philippe Bodson (*)	Chairman
Mr Jacques Lambilliotte	Member
Mr Martin Gonzalez del Valle (*)	Member

(*) Independent Directors

The Nomination Committee met once in 2013 to discuss, among other things, the appointment of Christian Leclercq as Group CFO, replacing Bernard Van Diest. All members attended this meeting.

5. Executive Committee

The Board set up an Executive Committee to assist the Managing Director. This Committee is not a Management Committee in the sense of article 524 bis of the Company Code.

As of 31 December 2013, the members of the Committee were:

- **Francis Lambilliotte**
  Managing Director, Chairman of the Executive Committee
- **Rodica Exner**
  General Manager of the Cooling Systems BU;
  Vice Chairman of the Executive Committee
- **William Dillon**
  General Manager Americas
- **Philippe Delvaux**
  General Manager of the Air Pollution Control EMEA / Brazil BU
- **René Robert**
  General Manager of the Process Heat Exchangers BU
- **Christian Leclercq**
  Group Financial Director (i)
- **Michèle Vrebos**
  Group Legal Director and Secretary General
- **Gerda Clocheret**
  Group Human Resources Director

(i) Since 1st October 2013, in replacement of Mr Bernard Van Diest, who resigned to continue his career with another group.

The day-to-day management of the Company is handled by Mr Francis Lambilliotte, as Managing Director of the Group.

6. Remuneration Report

In accordance with the Company Code, article 526 quater, the Remuneration Committee prepared a Remuneration Report conforming to article 96 of the Company Code.

Procedure

The Remuneration Committee, in consultation with the CEO, called upon the services of an external consultant specialized in HR matters so as to (i) establish a policy relating to the remuneration of the Directors and members of the Hamon & Cie Executive Committee and (ii) to set the individual compensation of the abovementioned people. The consultant prepared a report to the Executive Committee on the market best practices in the different fields of the Group for companies of similar size both in Belgium and abroad, given the international character of the composition of the Executive Committee of the Group. Market practices are reviewed annually and each time discussed in the Committee, whose decisions could lead to the revision of certain elements.

There has been no significant change in the remuneration policy compared to last year. The compensation policy for the next two financial years should not be significantly different from the current policy.

Compensation and Benefits of the Directors and the Management

Compensation of Directors

All directorships are paid, except that of Managing Director Francis Lambilliotte, in accordance with the decision of the Annual General shareholders Meeting. The Managing Director receives remuneration in his capacity as CEO (see below).

The remuneration of the non-executive directors consists of both a fixed lump sum and an attendance fee per meeting to which they are present. The Chairman receives a higher annual lump sum for his advices and experience. The emoluments accruing to non-executive directors are subject to a proposal of the Board of Directors at the Annual General shareholders Meeting. They were last revised at the AGM of 27 April 2010, which decided to allocate, with effect from 1 January 2009, a remuneration (lump sum and attendance fees) to the directors for the performance of their duties of a maximum of EUR 240 000 per year (to be indexed on the retail price index every January against the level in January 2008), and to be divided up annually amongst its members by the Board of Directors.

In 2013, the remuneration of these mandates amounted to EUR 189 000.

The non-executive directors do not receive stock options or bonuses tied to the Company performances.

Gross remuneration and other perks to the non-executive directors

In EUR	As members of the Board of Directors	As members of the specialized Committees	Total
Baron Philippe Bodson	49 000	7 000	56 000
Jacques Lambilliotte	10 000	0	10 000
Bernard Lambilliotte	23 000	0	23 000
Jean Hamon	10 000	0	10 000
Martin Gonzalez del Valle	25 000	8 000	33 000
Sogepa	24 000	0	24 000
Baron Philippe Vlerick	24 000	9 000	33 000

Remuneration of the CEO

The remuneration of Mr Francis Lambilliotte, CEO, was made up as follows in 2013 (figures in EUR):

Gross fixed remuneration	919 000
Variable remuneration	941 000
Pension (defined contribution)	180 000
Other remuneration components (perks, health / life insurances, company car)	153 000

These figures represent the full company cost (including social security costs)

Moreover, an amount of EUR 614 000 was paid by Hamon Corporation in the USA, in the frame of a tax adjustment related to the previous years. This amount will be regularized for the future remuneration of the CEO.

The articles of association of Hamon & Cie foresee that it is possible to pay the managers of the Company a variable remuneration without applying the constraints under Article 520 ter al 2 of the Companies Code.

Furthermore, no agreement was entered into or extended with the CEO since 3 May 2010 providing any severance payment. No agreement shall therefore be submitted for approval at the next Annual General shareholders Meeting.

Remuneration of Executive Committee members

The remuneration of the Executive Committee members consists of a fixed sum and a variable amount.
The fixed sum corresponds to international market rates for the various functions involved. The purpose of the variable remuneration is to ensure Executive Committee members that they are paid based on the performance of the Group on the one hand and on their personal performance on the other. Variable compensation is related to the results of the Business Units and the Group and to the achievement of personal goals; the percentage of the variable amount in relation to the fixed compensation is a function of their contribution to the results of the BU and the Group. This percentage may be up to 200% of the fixed compensation for certain functions and in some countries. Individual performances are subject to an annual assessment by the Managing Director who takes into account how far the mutually agreed objectives, set the previous year, have been met. The performance of the Executive Committee members and senior staff is discussed by the Managing Director in the Remuneration Committee.

The remuneration and other benefits for the Executive Committee members (excluding Francis Lambilliotte) in 2013 were as follows (figures in EUR):

Gross fixed remuneration	2 151 000
Variable remuneration	1 455 000
Pension (defined contribution)	237 000
Other remuneration components (perks, health / life insurances, company car)	285 000

These figures represent the full company cost (including social security costs)

Bernard Van Diest, CFO, left the Company on 1st July and was replaced by Christian Leclercq from 1st October 2013.

The articles of association of Hamon & Cie provide for the payment to managers of the Company a variable remuneration without applying the constraints under Article 520 ter al 2 of the Companies Code.

Furthermore, no agreement providing severance payment has been presented and therefore this need not be approved by the Annual General shareholders Meeting on 22 April 2014.

Stock options

As part of the long-term incentives, the Executive Committee members and the Managing Director as well as other Belgian and foreign executives of the Group received stock options granted during the fiscal year 2008. The details of the 22,550 options to be exercised are shown in Note 31 of Part 3 - Financial Statements of this annual report. The option plan was submitted for approval to the Annual General shareholders Meeting on 27 May 2008. There have been no stock options awarded since then.

Total remuneration of the directors and the members of the Executive Committee

In 2013, the total remunerations and perks of the directors and members of the Executive Committee of the Company for their function within the Company, its subsidiaries or related companies, amounted to EUR 6 510 thousands. For more details, see note 42 of the consolidated financial statements.

7. Auditors

The Company accounts and consolidated accounts of the fiscal year ending on 31 December 2013 were audited by Deloitte, Reviseurs d'Entreprises, SC s.f.d. SCRL, Berkenlaan 8B, 1831 Diegem, represented by Mr. Pierre-Hugues Bonnefoy.

The term for the auditors was renewed at the AGM of 26 April 2011 for 3 years, till the next AGM of 22 April 2014.

8. Appropriation of profits

The Company paid no dividend for fiscal year 2012 and will not pay any dividend for fiscal year 2013.

The dividend policy aims to make a payout of around 33 % to 50 % of the result of the year; it is felt that this will correctly remunerate shareholders while retaining the required funds necessary for the continued growth of the Group.

9. Code of ethics

The Group has developed a Code of Ethics for all its employees covering various aspects including (i) compliance with insider trading laws, (ii) prevention of conflicts of interest with the Group, (iii) respect of confidentiality as part of the exercise of their function, (iv)correct and proper conduct in the management of the business and (v) fight against corruption.

This Code aims to educate employees to the need to respect a code of good behavior when exercising their professional duties and ensure that all staff members carry out their activities with respect to the ethical and legal laws of each country. This Code reflects the determination of the Group to maintain a relationship of trust and professionalism with all its stakeholders. This Code of Ethics is available on our website – see http://www.hamon.com/en/corporate/about-us/corporate-social-responsibility/

The Corporate Governance Charter published on the Hamon website has a specific section relating to insider trading.

10. Conflicts of Interest

The procedure of Article 523 of the Companies Code concerning conflicts of interest has not been implemented in the course of 2013.

11. Compliance with the rules on market abuses

The Board of Directors has prepared a set of rules regarding transactions and publicity around such transactions on the Company shares or derivative instruments or other financial instruments related to these shares. The transaction rules specify which information related to such transactions must be disclosed to the market. The transaction rules are described in the Corporate Governance Charter.

12. Important aspects in case of a public offer of purchase

Article 5 bis of the articles of association of Hamon & Cie states that the Board of Directors is authorized to increase the capital once (or several times) up to EUR 2 157 441,60. This authorization is limited to 5 years; it can however be renewed once or several times for a further 5 years, by the Annual General Meeting. The increase in capital as authorized, whether made in kind or in cash, can be made by using available or unavailable reserves or share premium, with or without the creation of new shares, preferential or not, with or without voting rights, and with or without subscription rights. Authorization for a three-year duration was granted by the Ordinary General shareholders Meeting of 26 April 2011, until the next AGM of 22 April 2014.

Within the authorization given to it by the articles of association, the Board may decide to issue bonds, subscription rights, or the right to options just as it can also cancel or limit the preference rights of existing shareholders, if it is in the interest of the Company and within the legal framework to do so, including to the benefit of one or more persons or members of the Company's personnel, or related companies.

The Extraordinary General Shareholders Meeting of Hamon & Cie has also given clear authority to the Board of Directors, in case there is a public offer on the shares of the Company, to increase the capital either in nature or in kind, by limiting or canceling, as the case may be, the preference rights of shareholders including those favoring one or more particular persons. The Extraordinary General shareholders Meeting of 26 April 2011 renewed this authorization for a three-year duration, until the next AGM of 22 April 2014.

The articles of association of Hamon & Cie also provide that the Company is authorized to buy its own shares on the stock market without necessarily making an offer to shareholders. The Board of Directors is authorized to dispose of shares of the Company through the stock market or in any other way that is allowed by the law, without prior authorization of the Annual General Meeting. The Board is authorized within the law to acquire or dispose of shares in the Company to ward off any serious or imminent danger to the Company. The Extraordinary General shareholders Meeting of 26 April 2011 renewed this authorization for a three-year duration, until the next AGM of 22 April 2014.

Note that a shareholder agreement, signed in June 2005 by both Sopal International and the Walloon Region, represented by Sogepa, and amended on 28 August 2007 and on 22 July 2013, provides that the two groups mutually inform each other if there is intent to reduce or increase their participation in Hamon & Cie. The agreement also authorizes the existence of a pre-emptive right in favor of either of the two groups, and a right to buy in favor of Sogepa if Sopal International should decide to sell its shares. The agreement also provides for a put option for the Walloon Region and a call option in favor of Sopal International.

II. INTERNAL CONTROL AND COMPANY RISK MANAGEMENT SYSTEMS

1. Introduction

The law of 6 April 2010 on the strengthening of corporate governance provides, within the framework of the implementation of a European directive, that the declaration on corporate governance must contain **a description of the main characteristics of the internal control and risk management systems associated with the process of preparing financial information.** In compliance with the recommendations of the Code, the elements related to other risks than those associated with the process of preparing financial information are also subject to a description.

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

The Board of Directors has also asked the Audit Committee to report to it biannually on the implementation of this plan and on improvements to be made.

Hamon has established its internal control and Company's risk management by defining the environment in which it acts (the general framework), identifying and classifying the main risks associated with it, analyzing its level of control over these risks and setting up "control of the control" systems. The Company also focuses on the reliability of the reporting process and of the financial information.

2. The environment subject to control

1. The company's role and values

i. A Sustainable Development Charter – included in our 2009 annual report – covers the basis on which Hamon plans to develop its business, based on respect for the environment, human rights, local communities in 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 sections Vision, Mission and Values in the Group profile section of this report.

ii. A Corporate Governance Charter – available on the website – was drawn up and approved by the Board of Directors. This Charter clearly defines the different management bodies, their working methods and their composition. Hamon has a Board of Directors and specialized Committees: an Audit Committee, a Remuneration Committee and an Appointment Committee, whereas the daily management is handled by the CEO, assisted by an Executive Committee.

iii. A Code of Ethics, written for all the employees, is detailed in point 9 Code of ethics on page 32.

2. Risk culture

Hamon takes a prudent approach. The Company manages large projects in different fields of activity, providing innovative systems which boast cutting-edge technology and effectively meet customers' needs, together with strict cost control. From the bidding phase, projects undergo an in-depth risk analysis to ensure these projects will continue to add value in the long term.

3. Clear missions

i. The structure of Hamon is based on its Business Units (BUs), which have a clear role in terms of product portfolio, organization and results.
ii. The internal organization is set out in flow 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 BUs through different departments of the parent company – IT, Legal, Corporate Finance, Treasury and Human Resources.
iv. Control function:
   - Compliance is carried out by the Secretary General.
   - The CFO is responsible for risk management and directly supervises the Controlling Team, in charge of the management control of the Group.
   - The BU managers are responsible for monitoring the industrial risks.

4. Competent teams

i. Directors:
   They are appointed for their experience and have the necessary competencies and qualifications to undertake their responsibilities, in particular with regard to technology, finance, accounting, investment and remuneration policies.
ii. Management and employees:
   Hamon's employees undergo a recruitment process that is adapted to the profiles required. They also benefit from suitable training, in accordance with the job specifications.

3. Risk analysis

The Group is faced with a number of risks associated with its activities and the size and type of markets in which it operates. Hamon regularly performs an audit to identify and evaluate these risks. The Executive Committee meets with the Managing Director to assess any special business risk. The risks that the Company faces are mapped out. Those for which the control level has been deemed to be insufficient are subject to a formal action plan. The implementation of this action plan is monitored by the Audit Committee.

The main risks are as follows:

1. Strategic risks

i. Risks associated with the economic and market environment.
ii. Competitive risks.
iii. Uncertainties related to new environmental regulations and their time of entry into force (significant impact on Air Pollution Control activities).
iv. Risks related to acquisitions, partnerships, and activities abroad.

2. Risks associated with the Group's activities

i. Customer risks: dependency on a few customers and credit risks.
ii. Supplier risks; this may include unsatisfactory products, which do not meet the specifications of the contract, or delays in delivery.
iii. Technical risks, related to the design or smooth implementation of certain projects.
iv. Risks related to guarantees on projects.
v. Risks related to the environment, for example on Hamon's worksites or in its factories.
vi. Industrial risks (accidents), human risks, or those linked to occupational diseases.
vii. Risks related to financial markets (such as fluctuation in exchange rates or interest rates) and to raw material prices.

3. Support risks

i. Human resource risks, namely the Company's capacity to provide the necessary capabilities and resources to ensure the completion of projects.
ii. IT risks, related to the availability and safeguarding of IT facilities and data that are essential to the delivery of the Group's objectives.
iii. Risks related to disputes the Group is involved in, to the liquidation of Hamon Research Cottrell Italia, or to guarantees issued in the framework of asset disposals.
iv. Internal financial risks (within the Group), such as possible realization of deferred tax assets, possible impairment tests on the book value of some assets, liquidity risks or credit risks.

4. Control measures put in place

Hamon takes measures in order to manage risks in the best way, with a suitable risk management policy based on the nature of its activities:

i. Implementation of an adequate internal control process at the Group level.
ii. Analysis of technical, financial and execution risks, based on a check list that is tailored to the different Business Units; this analysis is a prerequisite for the provision of quotations to our customers and

is based on a system of delegation of authority.
iii. Monthly monitoring, through business meetings, of progress of different projects within the Group.
iv. Monthly and quarterly reporting on management, disputes and treasury.
v. Setting up of a robust management control system for the Group to monitor the progress of projects and activities in the Group and to issue a warning or an alert if there is a problem.
vi. Quarterly review by the Executive Committee of the state of the business, claims and risks.

In terms of covering monetary risks, Hamon has adopted a risk management policy for interest rates, exchange rates and counter party risks:

i. Interest rate risks: they are managed through the use of interest rate swaps (IRS) when the long-term rates exceed some limits set by the Group.
ii. Exchange rate risks: our positions in foreign currencies resulting from the execution of our construction contracts are covered by derivative instruments (forward exchange rate contracts, swaps, NDF) when they exceed the limits set by the Group.
iii. Counter party risks: short-term deposits and investments must comply with safety and liquidity criteria and only thereafter with return criteria.

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

5. Financial information and communication

The gathering of financial information is carried out as follows:

1. A planning highlights the tasks which have to be performed in the framework of the Company's monthly, quarterly, half-year and annual closings and those of its subsidiaries, as well as their deadlines. The Group has a check list of actions to be monitored by the financial department. In addition, each subsidiary draws up its own check list, enabling it to meet its specific needs.
2. Under the supervision of the financial managers at the subsidiaries, the local teams produce the books of accounts. The accounts are kept either using the ERP of the Group – JD Edwards – or, depending on the roll out program or the size of the subsidiary, using software packages purchased locally and subject to suitable support contracts, or for the smallest entities, through external providers. It should be noted that Hamon has a "disaster recovery" plan and a "business continuity" plan which have been validated by auditors in IT safety.
3. The Controlling Team of the subsidiary checks the accuracy of the figures and reports the data. The figures are checked using the following procedures:
   i. Consistency tests via comparisons with past figures or those contained in the budget;
   ii. Spot-checks of transactions and other checks depending on their materiality.
4. At the central level, the consolidation is performed with the help of a software package – SAFRAN – through which the input is submitted locally by the subsidiaries. The consolidation and reporting team prepares the accounts and uses random 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 Business Units for which it is responsible.
5. Communication with members of staff and different Hamon employees is adapted to the size of the Company. It is mainly based on different press releases and the sending of internal messages via email, business meetings or even verbal communications between management and staff. In 2013, the Group developed further its intranet, called IConnect and put in place in 2012.
6. To ensure rapid communication and the equal treatment of shareholders, Hamon publishes the agenda and the minutes of general shareholders meetings, half-year and annual financial results, press releases, articles of association, the Corporate Governance Charter and the annual report on its website.

6. Parties involved in the monitoring and evaluation of internal control

The quality of the internal control procedures is measured in the course of the fiscal year:

1. By the Group management control, in the framework of its quarterly reviews of each of the Business Units and regular audits carried out in the subsidiaries during which all the activities and key internal control measures relating to contracts are reviewed.
2. By the Audit Committee. During the fiscal year, the Audit Committee undertook a review of the half year closures and specific accounting treatments. It carried out a review of the disputes and asked all the questions it considered pertinent to the Auditor and the Group Controller or the Company top management.
3. By the Auditor, in the framework of his review of the half year and annual accounts. During the fiscal year, the Auditor set out his recommendations concerning the account keeping.
4. Occasionally by the Financial Service & Market Authority.
5. The Board of Directors oversees the execution of tasks of the Audit Committee, mainly through the

reporting undertaken by this Committee.
The Group's Management – with the agreement of the Audit Committee – does not believe it is necessary to create a specific internal audit function, given, on the one hand, Hamon's project-based work, and on the other hand, the management control procedures put in place to specifically cover these risks. If the nature and the size of the Group's activities should change, the management and the Audit Committee will re-examine the need to create an internal audit function.

III. RELATIONS WITH OUR SHAREHOLDERS AND OTHER STAKEHOLDERS

1. Shareholder relations

Hamon shares

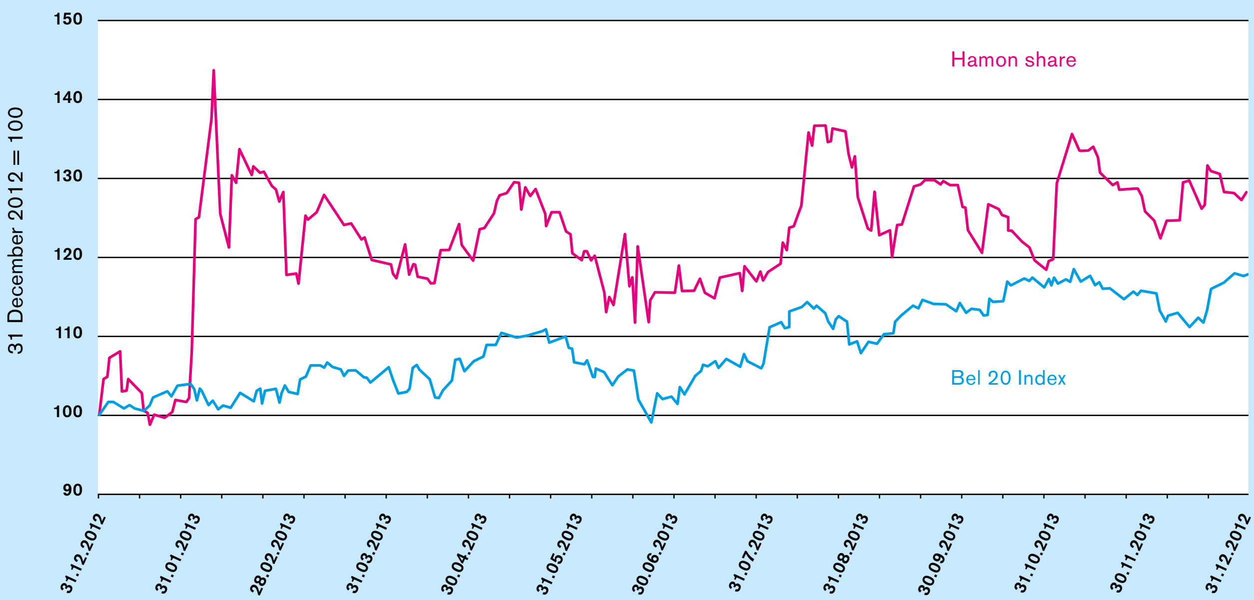
Hamon shares are listed on the regulated market Euronext Brussels, on the continuous market, in trading group C (ISIN code: BE 0003700144). The main data relating to Hamon shares are set out below:

in EUR / share	2013	2012	2011
Average closing price	14,43	14,58	24,14
Maximum closing price	16,92	18,85	29,54
Minimum closing price	11,61	8,31	14,60
Closing price on 31 December	15,08	11,75	14,65
Average daily trading volume (number shares / day)	6 310	3 163	2 456
Number of issued shares on 31 December	7 191 472	7 191 472	7 191 472
Number of outstanding shares on 31 December	7 185 214	7 191 472	7 191 472
Average number of outstanding shares	7 189 772	7 191 472	7 191 472
Market capitalization on 31 December (EUR million)	108,4	84,5	105,4

The number of outstanding shares on 31 December 2013 and the average number of outstanding shares decreased because of the implementation of a stock repurchase program in the frame of a liquidity contract (see further). The own shares held by the Company are not taken into account in the number of outstanding shares.

Hamon's share price went up by 28% in 2013, in a favorable stock market context. During the same period, the BEL 20 Index of Brussels Euronext went up by 18%.

Relative evolution of the Hamon share price and BEL 20 Index in 2013



In accordance with the law of 14 December 2005 on the abolition of bearer securities and the requirements contained under Article 96 of the law of 25 April 2007, the electronic form of Hamon shares was adopted by the Board of Directors at its meeting of 17 December 2007 and the Company's articles of association were subsequently amended. This process of de-materialization of shares began on 1st January 2008 and ended on 31 December 2013.

Since 1 January 2008, Hamon shares have been recorded either by an inscription in the Company's shareholder register or via a share account at a financial institution. This means that shareholders with physical shares who wish to participate in the Annual General Meeting of 22 April 2014 should convert their physical shares into electronic shares. Similarly, those who have physical shares should deposit their shares in a share account in order to get the dividend paid directly to their bank account.

Own share repurchase in the frame of a liquidity contract

Hamon put in place a liquidity contract with a financial firm, in the frame of the authorization which was granted to it by the Annual General shareholders Meeting of 28 April 2009. This contract stipulates that this institution can buy Hamon shares when their price goes below a given threshold and sell shares when their price goes above another threshold. 27 179 own shares were purchased between August and December 2013; 20 921 own shares were sold during the same period; in total there was thus a net purchase of 6 258 shares.

The granting of share options

There were no share options granted to employees in 2013.

Shareholding structure of Hamon & Cie

Under the terms of Article 9 of Hamon & Cie's (International) articles of association, as modified on 27 May 2008, shareholders whose shareholding is in excess of 2%, 3%, 4%, 5%, 7,5%, 10% and then every multiple of 5% thereafter, are required to inform the Company and the FSMA (Financial Services & Market Authority), in accordance with the legal requirements in this area.

Under the terms of the Royal Decree of 14 February 2008 relating to the communication on significant participation, Hamon has received the following notices of participation, which show the shareholding structure as at 31 December 2013:

Shareholder	31/12/13 Shares	31/12/13 in %	31/12/12 Shares	31/12/12 in %
Sopal International SA (1)	4 598 155	63,94%	4 598 155	63,94%
Esindus S.A.	303 506	4,22%	303 506	4,22%
Walloon Region, represented by the Société Wallonne de Gestion et de Participation SA (Sogepa)	100 000	1,39%	100 000	1,39%
Fortis Investment Management SA	175 106	2,43%	175 106	2,43%
Own shares held by the Company	6 258	0,09%	0	0,00%
Other public	2 008 447	27,93%	2 014 705	28,02%
Total	7 191 472	100%	7 191 472	100%

(1) acting in concert with the Walloon Region

36 000 warrants were also proposed in 2008, as part of the stock option plan.
Fortis Investment Management is an institutional investor which has purchased shares in Hamon for its investment funds.

Financial calendar

The statutory date of the Annual General shareholders Meeting was changed at the Extraordinary General Meeting of 27 May 2008; from this date on, it will take place on the fourth Tuesday of April.

Annual General shareholders Meeting of 2014	**22.04.2014**
Publication of the quarterly Trading Update Q1 2014	**22.04.2014**
Publication of the results of the 1st half year 2014	**29.08.2014**
Annual General shareholders Meeting of 2015	**28.04.2015**

Investor relations and financial information

Christian Leclercq, Group Financial Director
Telephone: +32 10 39.04.22
Fax: +32 10 39.04.16
Email: christian.leclercq@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 want them to be fully satisfied, as per our Corporate Governance Charter (see sections Vision, Mission and Values in the Group Profile section). We are always interested in hearing from them, be it via our sales people, our project managers, those working on-site, or day-to-day, via our participation in industry meetings, our website or our other means of communication. We pay particular attention to their pre-selection criteria in order to meet their demands as preferred suppliers: criteria relating to finance, quality, certification, health & safety, environment and ethics. We must be attentive to our customers in order to promote best practices across the whole value chain of our products and services, and by passing them on to our suppliers.

Our **employees** are the heart of our business. They represent our most valuable resource. It is thanks to their commitment, their know-how, their experience, and their professional and human values that Hamon derives added value. The chapter “Corporate Social Responsibility” in this report details our commitments in this area.

Our **suppliers** enhance our added value chain. Over time, we are building preferred relationships with some of these suppliers. We want to ensure a global sourcing for the whole Group. This strategy enables us to develop stable relationships with our suppliers around the world, by providing guaranteed quality at a competitive price. On an annual basis, we audit several suppliers. This is not just an audit in the strictest sense of the word; it is also the opportunity to exchange points of view and to have in-depth and constructive dialogues with these suppliers.

Lastly, the **financial community** helps us to achieve our development:

- Banks for our financial needs (bank loans and guarantees, and other commercial banking tools).
- Financial analysts who measure our performance. Several times per year, we organize analyst meetings to give them an overview of the Group’s evolution and to enable them to interact with us directly.
- Financial markets.

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

- Our staff can raise their comments with the personnel department, with the enterprise committees (for the largest subsidiaries), with senior managers or with the Compliance Officer.
- Other stakeholders can offer their comments via their contacts at Hamon, via our website www.hamon.com or via the contacts mentioned in the General Information section at the end of this report.

We would like to thank all our stakeholders for their active contribution to Hamon’s success in 2013.


Part of the Cooling Systems BU sales team
at the VGB exhibition

View of the new plant producing internal components for cooling towers in China

REVIEW OF THE YEAR 2013

Summary

Very successful commercial developments in most Business Units:

- Several big new orders for Wet and Dry cooling systems in China.
- First large contract booked for a LNG plant by Process Heat Exchangers BU.
- Record bookings for APC EMEA/Brazil BU, thanks to big contracts in Asia & Europe.
- First mega order in the US market for the ReACT™ technology.
- Deltak starting to benefit from the shale gas boom.

Backlog well above one year of revenue:

- Historically high backlog close to EUR 750 million thanks to record new orders of nearly EUR 680 million.

EBITDA at EUR 19,7 million vs. EUR 17,0 million in 2012. Result before tax of EUR -1,1 million and Net result at EUR-5,7 million (Group share).

- Sales growth + 11 % compared to 2012 but still below our expectations.
- The Group growth activities (i.e. mostly Dry Cooling and APC outside NAFTA) had a much lower negative impact on the Group's profitability than in 2012 (EBITDA of EUR -6,7 million compared to EUR -14,0 million in 2012).
- High tax rates in some countries like the USA and the prudent decision not to recognize Tax Assets in some loss-making subsidiaries lead to an excessive tax burden and a net loss of EUR -5,7 million (Group share).

Main events of the year 2013

February

Two major orders taken by the Air Pollution Control EMEA/Brazil BU for:

- The upgrade of two electrostatic precipitators for EDF (France);
- The construction of a wet desulfurization unit for Electricity Vietnam's O Mon 2 power plant.

May
First major order taken by the Process Heat Exchanger BU in the field of LNG for JGC, for Petronas' LNG terminal in Bintulu (Borneo, Malaysia).

July
Launch of a new production line for internal components for cooling towers in our Umbergaon factory in India.

August
Two major orders taken for the Kozienice 2 coal-fired power plant in Poland (1075 MW), through Hitachi Power Europe:
- A natural draft cooling tower with flue gas injection;
- Two electrostatic precipitators (which will be among the biggest ever built in Europe).

First mega-order taken for the ReACT™ treatment of multi-pollutant emissions for a power plant in the U.S.

The filter bag manufacturing lines of TS Filtration (China) moved to more appropriate premises in Shanghai.

Hamon Thermal & Environmental Technology (Jiaxing, China) manufacturing activities for internal components for cooling towers were also moved. The new factory is located in the business zone of Haiyan (Zhejiang province) where many suppliers for the Chinese nuclear industry are located.

Conclusion of a liquidity contract to repurchase shares.

September
Hamon joined the United Nations Global Compact and adopted its ten principles, and became an associate member of the Belgian section of the Global Compact.

October
The new CFO of the Group, Christian Leclercq, took up his new role.

November–December
Several subsidiaries in the Air Pollution Control EMEA/Brazil BU changed their name to incorporate (in a more standard way) Research-Cottrell in their name:
- Hamon Research-Cottrell SARL in France (formerly Hamon Environmental SARL)
- Hamon Research-Cottrell GmbH in Germany (formerly Hamon Environmental GmbH)
- Hamon Research-Cottrell (Shanghai) Co., Ltd in China (formerly Hamon DGE (Shanghai))
- Hamon Research-Cottrell (HK) Ltd in Hong Kong (formerly Hamon DGE (HK))

December 2013
Hamon sold its 60% stake in the company J&C Engineering in South Africa, following an agreement with our local partner. This company was removed from the scope of consolidation as of 1 January 2013.

A major order taken from Black & Veatch China for a fabric filter for a 1100 MW power plant in Java, Indonesia. This filter will be the largest in the world ever built for a coal-fired power plant.

During 2013
Start of activities to manufacture process heat exchangers in South Korea at our subsidiary Hamon BHI (Gunsan factory).
Acquisition of the share capital held by our local partner BHI in the subsidiary Hamon BHI (Korea), operating in the field of process heat exchangers. Transfer and integration of assets from this subsidiary to the subsidiary Hamon Korea and liquidation of the now-obsolete company Hamon BHI.

Overview of the main changes of the year 2013

1. Commercial activities

Group in EUR million	2013	2012
New order bookings	678,3	461,7
Backlog as of 31 December	748,2	621,4

With EUR 678,3 million of bookings, the Group registered in 2013 its best performance of the last ten years. Moreover, new orders were well spread across all Business Units except Chimneys which still has to operate in a limited and sporadic domestic market.
Traditional markets (i.e. Western economies) which recently represented less than fifty percent of our total bookings thanks to the success of our commercial developments in emerging markets, finally stood at 59 % in 2013 thanks to several major orders in the energy sector in the US and Europe. The backlog, at EUR 748,2 million, benefited from this very high level of bookings. New orders and backlog shown above exclude intersegment activities.

2. Consolidated income statement

in EUR million	2013	2012
Revenue	**525,8**	**474,4**
EBITDA	**19,7**	**17,0**
EBITDA/Revenue	**3,8 %**	**3,6 %**
Recurring EBIT	11,6	9,8
Non-recurring gains and losses	-1,9	-0,6
Operating profit (EBIT)	9,7	9,2
Net finance costs	-10,8	-6,8
Result before tax (continued operations)	-1,1	2,5
Income tax expenses	-5,7	-4,2
Net result from continued operations	-6,8	-1,7
Net result of discontinued operations	-0,4	0,0
Net result for the period	**-7,2**	**-1,7**
Share of the Group in the net result	-5,7	-2,6
Results in EUR per share		
Average number of outstanding shares	7 189 772	7 191 472
EBITDA per share	2,74	2,36
Earnings per Share (EPS)	-0,78	-0,36
EBITDA in % of revenue	3,8 %	3,6 %
EBIT in % of revenue	1,9 %	1,9 %
Result before tax (continued operation) in % revenue	-0,2 %	0,5 %
Net result for the year in % revenue	-1,4 %	-0,4 %

Revenue increase (+11 % compared to 2012) combined with a noticeable decrease of our Net operating expenses (thanks to higher volume and heavy workload) and a much lower cost of our Growth activities more than compensated the gross margins decrease (-2,4 %) linked to the constantly increasing share of large and/or turn-key contracts in our revenue.

All of those, together with a relatively stable impact of foreign currency exchange on trading activities (respectively EUR +0,3 million and EUR -0,4 million for the years 2013 and 2012) allowed the Group to increase its EBITDA by 16,1 % or EUR 2,7 million compared to last year.

However, higher non-recurring items, finance costs (mostly related to unrealized currency translation losses on inter-company loans) and an excessive tax burden did unfortunately not allow to end the year with a net profit.

More detailed explanations are available in the chapter Overview by Business Unit.

3. Consolidated balance sheet

in EUR million	31/12/13	31/12/12
Non-current assets	137,3	138,8
Current assets excl. cash	258,8	249,0
Cash & equivalent	120,1	83,9
Total assets	**516,2**	**471,7**
Equity	**68,1**	**79,7**
Group share	63,6	71,5
Non controlling interests	4,5	8,2
Non-current liabilities, ex. borrowings	16,2	19,5
Non-current borrowings	92,0	59,9
Current liabilities, excl. borrowings	253,8	240,0
Current borrowings	86,1	72,6
Total equity and liabilities	**516,2**	**471,7**
Net debt / (cash) position	58,0	48,6
Net working capital	5,0	9,0

The additional working capital needs requested by the growth of our activities in new markets and products were successfully financed through a nonrecourse receivable disposal programs. As a result, the net working capital decreased compared to last year despite those extra needs.

Equity, at EUR 68,1 million, was impacted both by the net loss of the year and the exchange rate fluctuations that reduced the reporting value in EUR of the assets and liabilities of our foreign operations (mainly USA).

Post balance sheet events

On 24 January 2014, Hamon completed the offering of EUR 55 million senior bonds quoted on Euronext Brussels and with a duration of six years.

Prospects

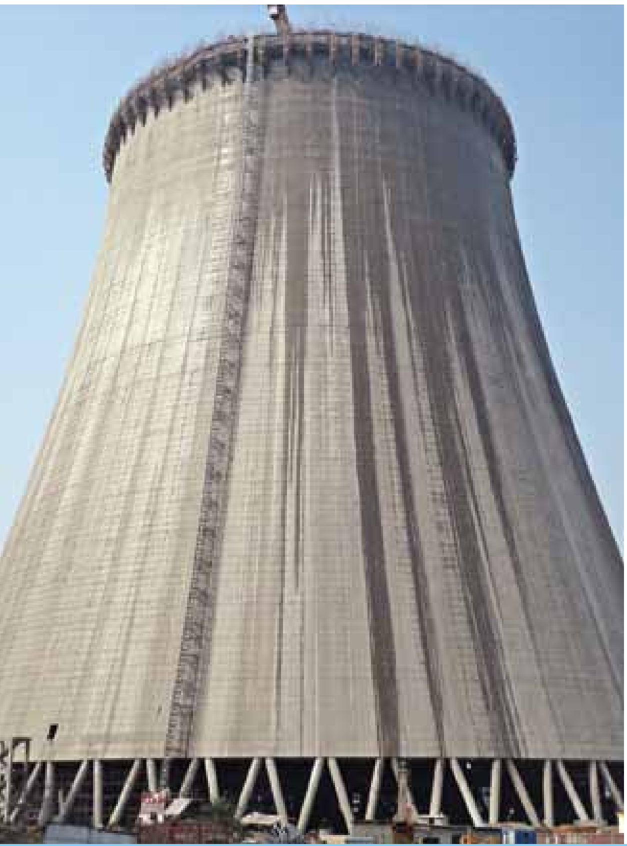
In view of the general economic environment, Hamon does not release any guidance on its future results. However the Group looks confidently at 2014 given its excellent backlog and its strong financial structure.

View of the new workshop producing filter bags in Shanghai, China

PART 2

Review by Business Unit

Construction of air-cooled condensers for the PP10 power plant in Saudi Arabia



From left to right
- Natural draft cooling tower under construction for the Koradi power plant (India)
- Mechanical draft cooling system built for the Izdemir power plant (Turkey)

COOLING SYSTEMS

The Cooling Systems business unit offers equipment and services intended to cool water through contact with air and to condense steam resulting from the production processes of power stations and heavy industry, most notably chemicals, petrochemicals, iron and steel, paper making, and sugar refining.

Dry cooling systems (air-cooled condensers and indirect systems) allow the condensation of the steam in closed circuits, without water consumption and without release of plume. They are therefore the solution to cooling problems in areas where water is scarce, for example in parts of continental China, South Africa or the Middle East.

Products and services

Hamon delivers technical solutions adapted to the needs and requirements of each of its customers: electric power plants, engineering companies and industries.

Evaporative (or wet) cooling systems are differentiated by:
- their method of air flow generation: natural draft in the case of a chimney or induced draft when fans are used;
- the kind of fluid to cool down: fresh water, sea water or acid solution;
- whether they include or not a system reducing or eliminating the visibility of the plume: so-called 'hybrid' or 'wet-dry' system.

Contribution to our society

For users which are producers of electricity, the social contribution of the cooling systems is to facilitate the production of more electricity for a given consumption of primary energy. If the cooling water is colder, then the output of the steam turbine is higher. If the cooling water is cooler by one degree Celsius then the output of electricity increases by about one percent. This means that for the same production of electricity, less primary energy (coal, gas, etc.) is consumed and therefore less CO_2 is released into the atmosphere. Moreover, the use of a cooling system (closed circuit) prevents the heating of sea or river water (used in open circuit) and the loss of marine life.

Organization

The center of excellence of this unit is located in Mont-St-Guibert (Belgium), its R & D center is located at Drogenbos (Belgium). This unit has offices in different countries: Australia, Bahrain, Brazil, China, France, Germany, Great Britain, India, Indonesia, Russia, South Africa, South Korea, Thailand, Turkey, UAE, U.S.A. and a network of agents.
Critical components are manufactured by factories of the Group based in China, France, India and United States.

Research and Development

In 2013, R&D programs of the business unit focused mainly on the continuous improvement of several detail items to improve the performances of our cooling systems even further.

Key figures

In EUR million	2013	2012
New order bookings	253,7	200,3
Revenue	262,3	208,6
Backlog on 31/12	341,6	355,6
EBITDA	2,6	4,9
EBITDA / revenue	1,0%	2,3%
Average headcount (1)	943	775

(1) Excluding temporary workers for on-site erection

2013 results

The new orders booked by the Cooling Systems in 2013 amounted to EUR 253,7 million, including inter alia:

- A turnkey contract for the construction of a Natural Draft Cooling Tower with gas injection in Poland;
- 3 contracts signed in China for the engineering and equipment of 6 Natural Draft Cooling Towers;
- 2 contracts for the construction of air-cooled condensers for two power plants of 2 x 660 MW each in China;
- Contracts signed with Korean EPCs for the construction of Mechanical Draft Cooling Towers in Korea and Central Asia;
- 2 contracts signed for the construction of air cooled condensers in the UK and Mexico;
- Multiple service contracts consolidating our position in customer service in Western Europe.

Thanks to this excellent commercial performance, the backlog end of 2013 still represents more than one year of activity.
Revenue, at EUR 262,3 million, confirms our market leader position and the growing trend in our bookings despite the global economic situation. This increase in revenue is mostly driven by the timely execution of our two major dry contracts in the Middle East.
The relaunch of the dry cooling activity starts to bear its fruits with an organization which is now stabilized, however the Business Unit EBITDA decreased compared to last year mainly due to a difficult economic situation in India (financial crisis, Rupee depreciation,…) and difficulties to manage export contracts with Korean EPCs.
The additional headcount is mostly explained by the development of our plant in China, which is fully loaded, and by site personnel for the execution of our big projects.

Prospects for 2014

The business unit's competitive position in large-scale systems is excellent. We anticipate that the development of several major projects in Africa and Asia and also in Europe and the U.S. will lead, in 2014, to decisions to purchase cooling systems. Despite active competition, we are therefore confident in pursuing growth in the business and in acquiring projects to build up a good order backlog for both wet cooling and dry cooling systems.

Air-cooled heat exchangers ready to leave our Jubail plant in Saudi Arabia

PROCESS HEAT EXCHANGERS

The Process Heat Exchangers business unit offers various systems intended to cool or heat, often at high pressure, liquids or gases, which are often corrosive, resulting mainly from chemical and petrochemical processes. It operates either directly with its industrial customers like Aramco, BASF, Exxon, Gazprom, GDF, Sabic, Shell, Total, etc. or indirectly via engineering companies of international renown like CBI, Daelim, Fluor, Foster Wheeler, Jacobs, Linde, Mitsubishi, Saipem, Samsung, Tecnicas Réunidas, Technip, etc.

Products and services

This unit delivers design, manufacturing and assistance with the assembly of thermal equipment – mainly air coolers, as well as FRP components (Fibre-Reinforced Plastic) like ducts for flue gas exhaust or acid-proof storage tanks. It also offers integrated aftermarket services including maintenance, rehabilitation and spare parts. It also manufactures some components for other business units, like finned tube bundles for hybrid cooling systems.

Contribution to our society

Process heat exchangers contribute to society by enabling oil and gas industries to run more effectively, by obtaining the right temperature for the fluids that they process. For example, in the compression streams of natural gas used for its liquefaction, the gas is heated during the adiabatic compression. Heat exchangers, located between the different compression stages, facilitate the gradual extraction of heat from the compression process. Without this, the liquefaction of the gas and its shipment in a liquefied form would be impossible. Our exchangers are therefore an essential link in the liquefaction process of the gas and therefore also in the diversification of the energy supply.

Organization

The Process Heat Exchangers business unit consists of one company established in France, one in Belgium as well as a joint venture in Saudi Arabia and a subsidiary in South Korea:

- Hamon D'Hondt, located near Valenciennes (France) represents the major part of the activities of this business unit. It is in charge of the design, marketing & promotion, manufacturing and aftermarket service of air coolers as well as the manufacturing of welded steel finned tubes.

- Hamon D'Hondt Middle East, a joint venture 40% owned by Hamon D'Hondt, is based in Jubail in Saudi Arabia. Hamon D'Hondt Middle East specializes in the manufacturing of air coolers for the Persian Gulf market.
- ACS Anti Corrosion Structure, located in Seneffe (Belgium). This subsidiary manufactures FRP components (Fibre-Reinforced Plastic) like ducts for flue gas exhaust or acid-proof storage tanks, both in its plant and on-site.
- Hamon Korea, whose Process Heat Exchangers division is focusing on air coolers for South Korean engineering companies active in South Korea and on the export market. This subsidiary is also active in Cooling Systems and in Air Pollution Control; it has a factory in Gusan (S. Korea), producing air coolers since early 2013.

Research & Development

The business unit (via Hamon D'Hondt) joined the STARS consortium which is piloting an R&D project aimed at developing a heat storage solution, a critical component for the deployment of CSP (Concentrated Solar Power) and crucial for the competitiveness of this solar process. The project is based on key stakeholders involved in the development of CSP in France: AREVA, the French Atomic Energy Commission, a manufacturer (Hamon D'Hondt) and three laboratories with well-established scientific expertise. This comprehensive and innovative project comprises an advance research phase to unlock the technological solutions followed by a production demonstration and study phase over four years.

Key figures

In EUR million	2013	2012
New order bookings	62,5	57,3
Revenue	66,2	74,4
Backlog on 31/12	44,0	49,3
EBITDA	2,7	3,7
EBITDA / revenue	4,1%	4,9%
Average headcount	233	221

2013 Results

New orders booked by the Process Heat Exchangers BU have improved even if the second half of the year was affected by longer lead times taken by most customers to finalize their decisions to order. The BU booked its first big new order in the LNG area.

Revenue has been slightly affected by the lower bookings of the second part of the year and by a longer execution of some contracts.

The closure of our JV in Korea and start-up of our own production facility in Korea led to costs that also substantially affected the Business Unit EBITDA margin.

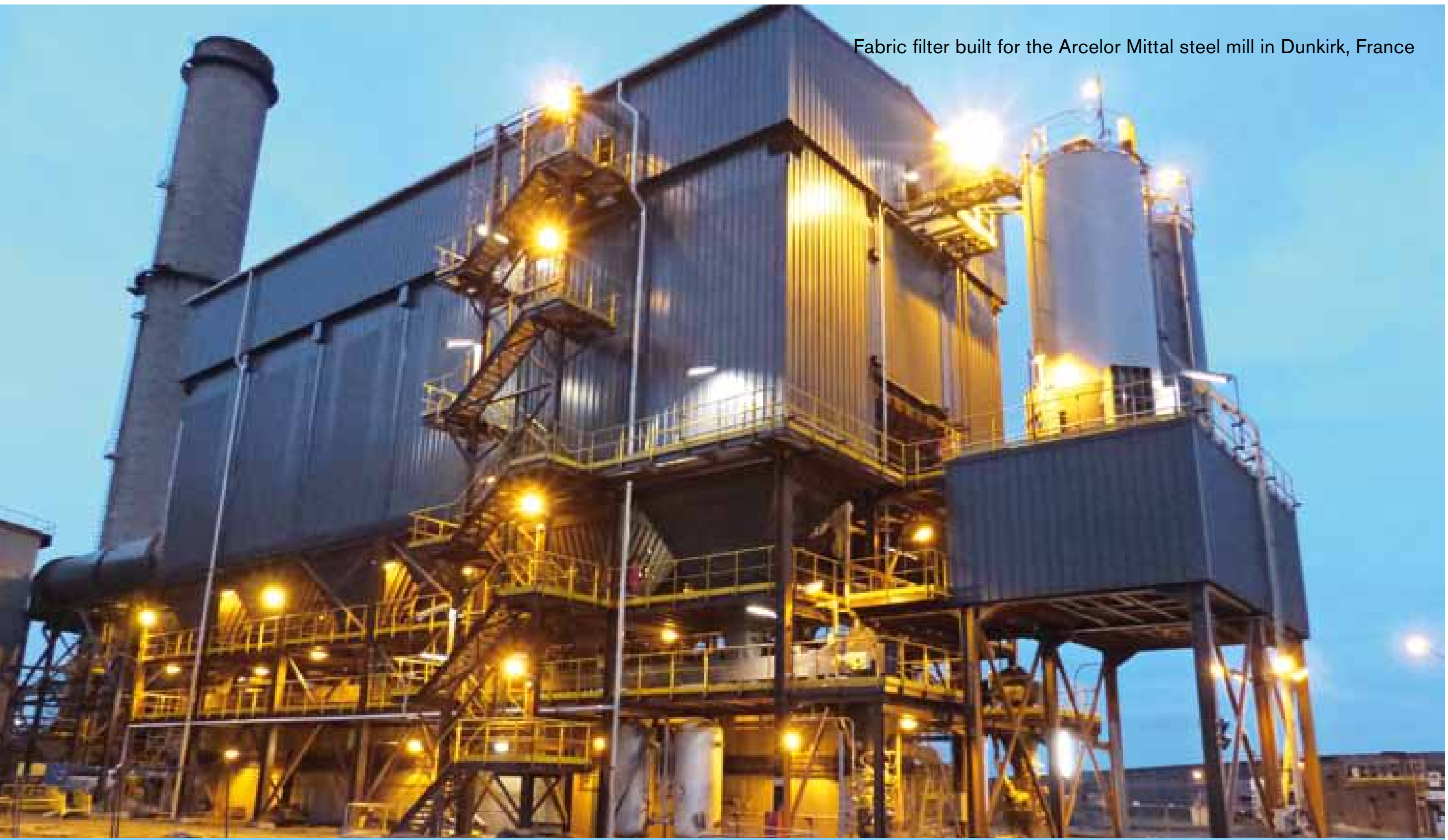
The headcount increase comes from the start-up of our own production plant in Korea.

Nevertheless, the gross profit and EBITDA margins remained at a good level when considering the difficult global economy.

Prospects for 2014

This business unit's activities will remain significant in 2014, mainly due to our worldwide geographical presence and due to the large amount of business in the gas sector in general.

Loading of FRP ducts manufactured by ACS (Belgium) for a project in Brazil



Fabric filter built for the Arcelor Mittal steel mill in Dunkirk, France

AIR POLLUTION CONTROL EMEA / BRAZIL

The objective of the Air Pollution Control EMEA/ Brazil business unit is to provide industries with the means to control the impact of their businesses on the environment. Other than providing an integrated service, this unit also designs, makes and installs air pollution control systems for different kinds of pollutants, thus ensuring strict conformity to the air protection regulations in force.

Products and services

The business unit offers, on its own or in partnership, turnkey solutions for the environmental problems faced by its customers.
The market is segmented between:

- power stations and thermal energy production in general;
- heavy industry such as iron and steel, cement, glassmaking and petrochemicals;
- biomass energy producers utilizing household, industrial and hospital wastes, water purification sludge as well as biomass.

The internationally renowned technologies that make up its product portfolio can be divided into two groups: one is a physical kind, de-dusting, while the other is physicochemical: neutralization of acid gases, deSOx, deNOx, elimination of heavy metals. The acquisition of new technologies has allowed Hamon to adapt and progressively complete its product range so that it can now deliver to every specific need in the market.

The BU activity is divided into two parts. On the one hand is the design and installation of new equipment for new plants or to retrofit existing ones; and on the other is aftermarket services including among other things maintenance and the supply of spare parts.
Air Pollution Control is a complex business. Mitigating the technological risks requires know-how and solid experience, as well as an excellent knowledge of the customers' processes. This is the case of Hamon Research-Cottrell, also known as Hamon Enviroserv.
The BU enjoys an excellent reputation in its target markets; energy, glassmaking, cement, waste-to-energy facilities, steel and the petrochemical industry.

Contribution to our society

The contribution to society of these Air Pollution Control systems is particularly real for the inhabitants of neighboring regions. They dramatically reduce the quantity of dust, acid gases and other pollutants released into the atmosphere by heavy industries.

Organization

Following the evolution of its markets and the move of its center of gravity to Asia these last few years, the business unit modified its organization end of 2011 and is continuing its development in its two main regions, Europe and Asia:

- Growing presence in Asia allows us to actively follow up various projects carried on by engineering firms (EPC), mainly from South Korea and China.
- This organization rests mainly on:
  - A sales and execution center in Hong Kong, Hamon Asia-Pacific.
  - An execution center in Shanghai (China), Hamon Research-Cottrell China.
  - An engineering and support service center in Chennai (India), Hamon Research-Cottrell India.
- The Chinese subsidiary hosts the center of excellence for fabric filters for industry.
- The Belgian and German subsidiaries host centers of excellence for the BU in the field of electrostatic precipitators and deSOx (with a specialization depending on the type of client: power plants and other industries).
- Other branches and subsidiaries are more focused on sales activities and the delivery of the projects (Brazil, France, Italy, South Africa).

Research and Development

The main R&D programs of the business unit focused on the following topics in 2013:

- Further development of mass & energy balance tools for wet & dry Flue Gas Desulfurization systems.
- Development of a simulation model to calculate of heat transfers in Circulating Fluidized Bed desulfurization systems.

Key figures

In EUR million	2013	2012
New order bookings	143,5	61,0
Revenue	52,3	78,7
Backlog on 31/12	152,7	63,2
EBITDA	-5,4	-8,0
EBITDA / revenue	-10,4%	-10,1%
Average headcount	296	312

2013 Results

As anticipated at mid-year, the booking level of the Business Unit has reached a record high level with an increase of 135 % compared to the previous year bookings. This has been achieved by:

- Major successes in our traditional markets in Europe where, although the market level is low, our share has been very high both in France, thanks to a major award from EDF, and in Eastern Europe where our Business Unit has been awarded one of the biggest Electrostatic Precipitators ("ESP") for a 1 050 MW Coal Fired Boiler in Poland.
- The increase of our presence in the promising Asian markets with the award of a large Fabric Filter for a Coal Fired Boiler.
- Diversification of the activities of our Chinese office into the ESP market with several contracts awarded in the domestic Oil & Gas market.
- Success with Korean EPC contractors for equipment to be supplied for an Oil fired Power Plant in Vietnam.

Although the bookings are at historically high level, the timing and schedule of execution of these projects did not allow much revenue recognition during the year. Combined with a low opening backlog, the total revenue of 2013 stayed at a level that did not generate enough contribution to cover our fixed costs. Nevertheless, the last quarter of 2013 has seen the return to profit of the Business Unit.

2014 Prospects

The prospects for 2014 are promising with a growing backlog at the start of the year, a good level of future new orders expected, increased visibility and a steadily improving image for expertise in Asia and Eastern Europe. Our focus will remain (and will be increased) in the "coal" countries in Asia, primarily in Vietnam, Indonesia, China and Malaysia and in Eastern Europe. This should help the business unit to return to profitability in 2014.

From left to right
- Skid for the conversion of ammonia into urea (U2A) for deNOx process, manufactured by TTC (USA)
- Heat recovery boiler manufactured by TTC (USA)

AIR POLLUTION CONTROL AND HEAT RECOVERY NAFTA

The business unit's objectives are to provide industry with the means to control and limit the environmental impact of its processes, while helping to reduce its energy consumption, e.g. through steam production for power generation. Tailor-made solutions are proposed to each customer, using leading- edge technologies. The business unit designs and supplies (and in some cases installs) Air Pollution Control systems and Heat Recovery systems. Those include heat recovery steam generators (HRSG) since the acquisition of Deltak.

Products and services

Products and services include:
- Systems for air pollution control: de-dusting, acid gas processing, removal of heavy metals (North America only).
- Heat Recovery systems, including Heat Recovery Steam Generators (HRSG) and Industrial Boilers.
- Aftermarket services that provide technical support to maintain and upgrade existing equipment.

The business unit currently markets nine main types of product:
1. De-dusting by means of electrostatic precipitators and fabric filters, including the industry-leading low-pressure pulsejet design.
2. Wet gas scrubbing (an "ExxonMobil" process), used by catalytic cracking plants; it is a deSOx and particulate removal system. It has been complemented by a deNOx process, with the combined offering called WGS+.
3. ReACT™ used for the simultaneous capture of SOx, NOx, particulates, mercury and acid mist gases with minimal use of water. This ReACT™ process (Regenerative Activated Coke Technology) is based on activated coke adsorption and also produces a saleable by-product stream from captured SOx.
4. Dry and semi-dry flue-gas desulphurization, used for desulfurizing the gases emitted by coal-fired and biomass-fired power stations.
5. U2A process to transform urea into ammonia, a difficult to handle reagent used in SCR deNOx systems.
6. Heat recovery systems including: recuperators, economizers, and gas-to-gas heat exchangers.

7. Heat Recovery Steam Generators (HRSG) which allow combined cycle power plants to achieve very high efficiencies.
8. Specialty Boilers for industrial applications.
9. Aftermarket services to upgrade and maintain existing equipment.

Contribution to our society

The contribution to the society of these units is the following:

- For APC units, the contribution is very perceptible for the inhabitants of the surrounding areas: these units drastically reduce the amounts of dust, acid gases and other pollutants released into the atmosphere by fossil power plants and other heavy industries.
- For heat recovery units, they allow customers to reduce their energy consumption by recovering the heat carried by some fluids; lower amounts of fuel burnt means less greenhouse effect gases released into the atmosphere.

Organization

The business unit consists of three subsidiaries:

- Hamon Research-Cottrell U.S. (HRCUS), specializing in the design and supply of new air pollution control units.
- Thermal Transfer Corporation (TTC), specializing in the manufacturing of heat recovery systems and electrodes for electrostatic precipitators.
- Hamon Deltak, specializing in the design and manufacturing of Heat Recovery Steam Generators and Industrial Boiler applications.

Research & Development

The Business Units continually invest in R&D to improve the thermal efficiencies, environmental emission reduction efficiencies and overall performance of its equipment.

Key figures

In EUR million	2013	2012
New order bookings	201,8	116,2
Revenue	123,2	83,7
Backlog on 31/12	189,3	121,2
EBITDA	15,2	9,4
EBITDA / revenue	12,4%	11,2%
Average headcount	262	254

2013 Results

The Business Unit continues to generate outstanding results despite the limited coal fired opportunities in the NAFTA region. Bookings increased more than seventy percent and EBITDA increased by over sixty percent when compared with 2012. Backlog is also at an all-time high.
Bookings include the first order for ReACT™ in the NAFTA region as well as orders for Heat Recovery Steam Generators, Recuperators, Industrial Boilers, ESP Upgrades and multiple after market services awards. The BU continues to produce strong EBITDA margins at 12,4 %.

Prospects for 2014

Prospects are good for 2014. The business unit started the year with a record order backlog and a number of bids in the pipeline for natural gas-fired power plants and other industrial projects.

A Hamon team is applying an expoxy coating on a 180-m tall chimney built for a power plant in Utah, USA

CHIMNEYS

This business unit offers systems designed to exhaust to the atmosphere flue gas generated by power plant boilers and other various industries such as municipal solid waste facilities, steel mills, pulp & paper facilities, cement plants and glass plants.
These systems include the chimney and its auxiliaries (linings, electrical systems, silencers and access provisions); they are custom designed and adapted to the customer's various needs and constraints.

Products and services

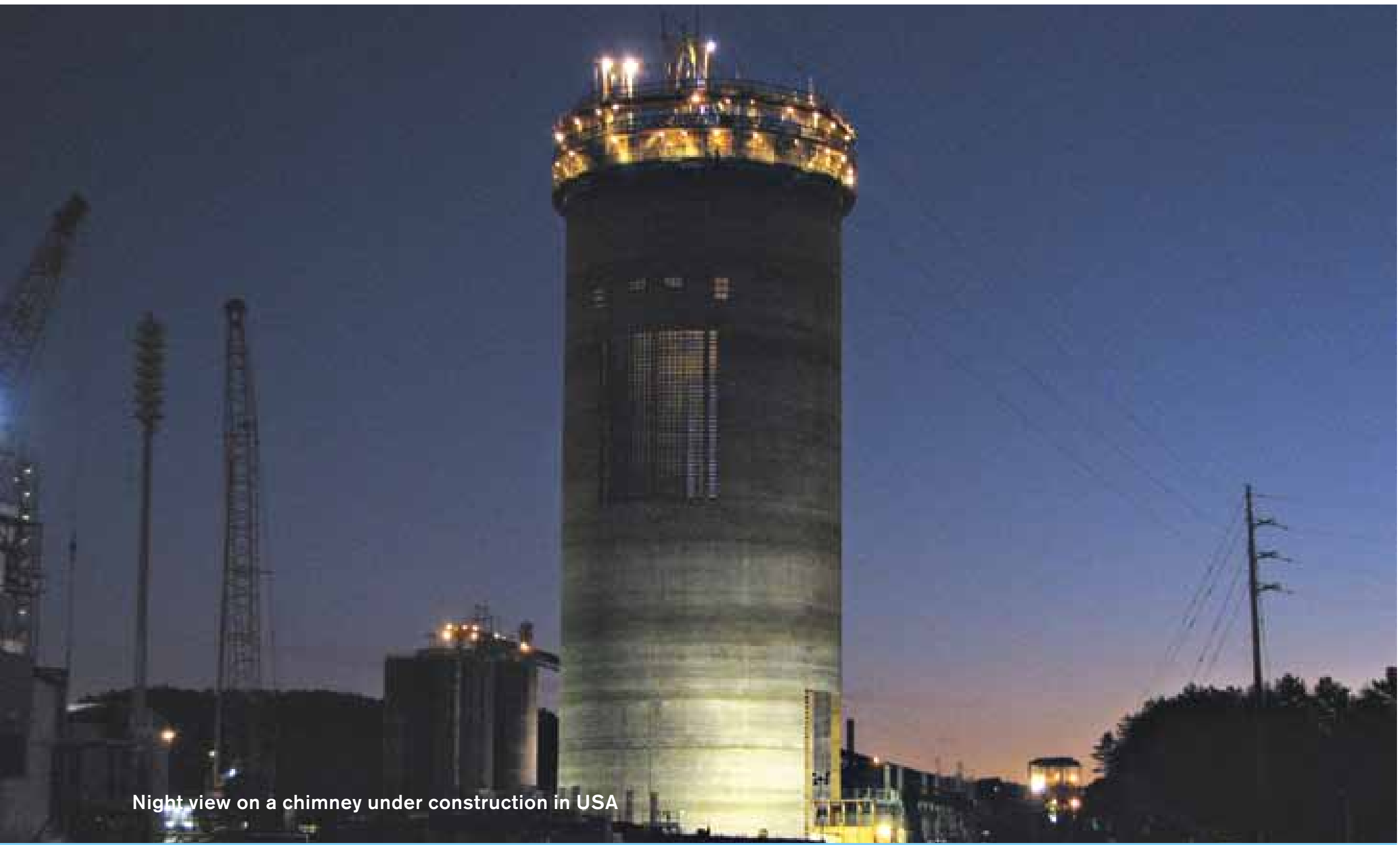
Hamon Custodis designs and constructs industrial chimneys, which can be more than 200 meters tall, and concrete silos. The chimney's shell is typically made of concrete; they include a flue liner which, depending on the nature of the waste gases, is fabricated of steel, brick, fibre-reinforced plastic or special alloys to resist corrosive gases.

The design and construction of these chimneys require specialized expertise, equipment, labor, and other resources that only a few companies possess. These barriers of entry create a competitive advantage for our business unit. Hamon Custodis also has a complete aftermarket team which provides to its regional customers some services to repair and maintain their chimneys and silos.

The competences of this BU are also used for the construction of the concrete shell of natural draft cooling towers in North America.

Contribution to our society

The contribution of these tall chimneys to society is to provide better dispersion of flue gases (produced by heavy industries) into the atmosphere, to preclude exposing the adjacent community to poor air quality when atmospheric conditions are unfavorable.
Chimneys have become an integral part of air pollution control systems, in particular flue gas desulphurization (FGD) systems.


Night view on a chimney under construction in USA

Organization

This BU is active in North America only; its center of excellence, Hamon Custodis, is based in New Jersey, USA. Moreover, the BU operates through regional offices strategically located in the contiguous United States and Canada, which offer aftermarket sales and services (i.e. maintenance and repair). The market segments in which the business unit is involved consist mainly of end-users, in large part fossil fuel power generating stations.

Key figures

In EUR million	2013	2012
New order bookings	16,8	26,9
Revenue	33,4	36,5
Backlog on 31/12	40,0	58,8
EBITDA	2,3	4,8
EBIT DA / revenue	6,9%	13,2%
Average headcount	56	53

2013 Results

Despite the fact that the market for new chimneys remains in a state of flux, this Business Unit continues to produce good results. Also, its strategic regional presence results in a steady flow of aftermarket business. In addition to chimneys, the Business Unit is currently erecting two natural draft cooling towers at the Vogtle Nuclear Power Plant.

Prospects for 2014

The volume of activity should benefit from projects in the backlog at the beginning of 2014, including the construction of the concrete structure for the cooling towers at the Power Plant Vogtle.

Air-cooled heat exchangers produced by our new Korean factory in Gusan
before assembly of their finned tube bundles and shipment by boat

PART 3

Financial statements

FINANCIAL STATEMENTS - TABLE OF CONTENT

1. Consolidated income statement

in EUR '000'	Note	2013	2012 (1)	2011 (1)
Revenue	8	525 784	474 408	378 949
Cost of sales		(453 706)	(397 766)	(308 378)
Gross profit		**72 078**	**76 642**	**70 571**
Sales & marketing costs	9	(13 690)	(13 283)	(13 584)
General & administrative costs	9	(45 536)	(52 688)	(41 824)
Research & development costs	9	(1 772)	(1 663)	(1 306)
Other operating income / (expenses)	10	529	792	66
Operating profit before non-recurring items (REBIT)		**11 609**	**9 800**	**13 923**
Restructuring costs	11	(1 231)	(1 123)	(885)
Impact of Changes in consolidation scope	11	(236)	-	(798)
Impairment / reversal of impairment on non-current assets	11	-	-	(1 377)
Other non-recurring items	11	(410)	561	969
Operating profit (EBIT)		**9 732**	**9 238**	**11 833**
Interest income	12	710	574	579
Interest charges	12	(11 557)	(7 338)	(7 035)
Result before tax		**(1 115)**	**2 474**	**5 377**
Income taxes	13	(5 664)	(4 153)	(1 297)
Net result from continued operations		**(6 779)**	**(1 679)**	**4 080**
Net result of discontinued operations		(386)	-	(88)
Net result		**(7 165)**	**(1 679)**	**3 992**
Equity holders of the company		(5 625)	(2 585)	2 816
Non controlling interests		(1 540)	906	1 226
Earnings per share	15			
Continued and discontinued operations				
Basic earnings per share (EUR)		(0,78)	(0,36)	0,39
Diluted earnings per share (EUR)		(0,78)	(0,36)	0,39
Based on their strike price, the stock options granted to Group employees have no dilutive impact at period(s) end.				
Continued operations				
Basic earnings per share (EUR)		(0,73)	(0,36)	0,40
Diluted earnings per share (EUR)		(0,73)	(0,36)	0,40

(1) Restated to reflect the retrospective application of IAS19 (revised 2011)

2. Consolidated statement of comprehensive income

in EUR '000'	2013	2012 (1)	2011 (1)
Net result	**(7 165)**	**(1 679)**	**3 992**
Other comprehensive income			
Items that may be reclassified subsequently to result			
Reclassification of previously recognized changes in fair value of available-for-sale assets to net result	-	(1 133)	(1 158)
Change in fair value of hedging instruments	420	(1 177)	-
Changes in currency translation reserve	(4 283)	(2 502)	878
Items that may not be reclassified subsequently to result			
Actuarial gains/loss on defined benefit plans	346	(249)	21
Other comprehensive income, net of taxes	**(3 517)**	**(5 061)**	**(259)**
Comprehensive income	**(10 682)**	**(6 740)**	**3 733**
Equity holders of the company	(7 732)	(6 783)	3 314
Non controlling interests	(2 950)	43	419

(1) Restated to reflect the retrospective application of IAS19 (revised 2011)

3. Consolidated balance sheet

in EUR '000'	Note	31/12/13	31/12/12 (1)	31/12/11 (1)
ASSETS				
Non-current assets				
Intangible assets	19	22 627	21 957	22 034
Goodwill	20	48 973	53 219	54 707
Property, plant & equipment	21	43 313	43 548	40 092
Deferred tax assets	23	16 339	14 973	13 511
Available-for-sale financial assets	22	2 633	2 351	3 900
Trade and other receivables	26	2 988	2 724	2 431
Derivative financial assets	34	407	-	-
		137 280	**138 772**	**136 675**
Current assets				
Inventories	24	13 228	15 895	15 006
Amount due from customers for contract work	25	104 402	83 831	64 566
Trade and other receivables	26	131 243	141 781	93 302
Derivative financial assets	34	714	31	27
Cash and cash equivalents	27	120 133	83 925	83 227
Current tax assets		9 188	7 414	8 101
Available-for-sale financial assets	22	1	6	6
		378 909	**332 883**	**264 235**
Total assets		**516 189**	**471 655**	**400 910**
EQUITY	29			
Share capital		1 892	1 892	1 892
Reserves		12 902	15 102	19 301
Retained earnings		48 850	54 475	57 993
Equity attributable to the equity holders of the company		63 644	71 469	79 186
Non controlling interests		4 475	8 234	7 863
Total equity		**68 119**	**79 703**	**87 049**
LIABILITIES				
Non-current liabilities				
Financial liabilities	32	91 966	59 866	71 923
Provisions for pensions	30	5 206	5 370	4 506
Provisions for other liabilities and charges	29	792	676	571
Deferred tax liabilities	23	5 207	4 232	1 964
Other non-current liabilities		4 968	9 231	4 001
		108 139	**79 375**	**82 965**
Current liabilities				
Financial liabilities	32	86 137	72 616	50 596
Amount due to customers for contract work	25	95 474	105 485	71 618
Trade and other payables	33	144 918	126 934	94 139
Current tax liabilities		7 946	1 220	6 369
Derivative financial liabilities	34	578	207	671
Provisions for other liabilities and charges	29	4 878	6 115	7 503
		339 931	**312 577**	**230 896**
Total liabilities		**448 070**	**391 952**	**313 861**
Total equity and liabilities		**516 189**	**471 655**	**400 910**

(1) Restated to reflect the retrospective application of IAS19 (revised 2011)

4. Consolidated cash flow statement

in EUR '000'	Note	2013	2012	2011
Cash flows from operating activities	16			
Cash received from customers		576 846	448 906	351 471
Cash paid to suppliers and employees		(563 452)	(432 800)	(340 477)
Cash generated from operations before taxes		**13 394**	**16 106**	**10 994**
Other financial expenses and income (paid)/received		1 351	(1 937)	(951)
Income taxes paid		(3 515)	(7 768)	(6 457)
Other cash received/(paid)		-	-	-
Net cash from operating activities		11 230	6 401	3 586
Restructuring costs		(1 701)	(1 018)	(743)
Net cash from operations after restructuring		**9 529**	**5 383**	**2 843**
Cash flows from investing activities	17			
Dividends received		172	310	358
Proceeds on disposal of subsidiaries (net of cash disposed)		-	-	-
Proceeds on disposal of PP&E		982	1 268	60
Proceeds/(Purchase) of available for sale financial assets		401	1 331	1 197
Acquisition of Subsidiaries (net of cash acquired)	14	-	-	(19 507)
Acquisition of PP&E		(6 926)	(8 482)	(4 982)
Disposal/(purchase) of other intangible assets		(3 337)	(1 316)	(988)
Capitalized development costs		(1 611)	(1 804)	(2 394)
Net cash from investing activities		**(10 319)**	**(8 693)**	**(26 256)**
Cash flows from financing activities	18			
Dividends paid to shareholders		(4)	(996)	(3 123)
Dividends paid to non controlling interests		(29)	(251)	(130)
Proceeds from issuance of shares to non controlling interests		832	581	1 028
Interest received		682	545	477
Interest paid		(6 207)	(5 626)	(4 196)
Proceeds from new bank borrowings		55 239	21 707	47 107
Repayment of borrowings		(8 479)	(11 106)	(2 666)
Net cash from financing activities		**42 034**	**4 854**	**38 497**
Other cash flow mouvements				
Other variations from discontinued operations		(386)		(88)
Other net cash flows		**(386)**	**-**	**(88)**
Net variation of cash and cash equivalents		**40 858**	**1 544**	**14 996**
Cash and cash equivalents at beginning of period		83 925	83 227	68 077
Impact of translation differences		(4 650)	(846)	154
Cash and cash equivalents at end of period		120 133	83 925	83 227
Net variation of cash and cash equivalents		40 858	1 544	14 996

5. Consolidated statement of changes in equity

in EUR '000'	Share capital	Legal reserve	Share premium	Retained earnings	Own shares	AFS reserve	Share-based payments	Hedging reserve	Defined benefit pension plans	Currency translation reserves	Equity - Attribuable to equity holders of the parent	Non controlling Interests	Total equity
Balance at 1 January 2011 after restatement	**1 892**	**671**	**14 550**	**58 519**	**-**	**2 275**	**108**	**(16)**	**(405)**	**1 601**	**79 195**	**6 473**	**85 669**
Comprehensive income				2 843		(1 148)			(18)	1 637	3 314	419	3 733
Capital increases										-	-	1 028	1 028
Dividends paid to shareholders				(3 380)							(3 380)	(44)	(3 424)
Change in share based payments reserve							45				45	-	45
Other movements				12				16		(16)	12	(14)	(2)
Balance at 31 December 2011 (1)	**1 892**	**671**	**14 550**	**57 993**	**-**	**1 127**	**153**	**-**	**(422)**	**3 222**	**79 186**	**7 863**	**87 049**
Balance at 1 January 2012 (1)	**1 892**	**671**	**14 550**	**57 993**	**-**	**1 127**	**153**	**-**	**(422)**	**3 222**	**79 186**	**7 863**	**87 049**
Comprehensive income				(2 584)		(1 123)		(1 177)	(274)	(1 625)	(6 783)	43	(6 740)
Capital increases									-		-	581	581
Dividends paid to shareholders				(935)							(935)	(251)	(1 186)
Other movements				1				-		-	1	(2)	(1)
Balance at 31 December 2012 (1)	**1 892**	**671**	**14 550**	**54 475**		**4**	**153**	**(1 177)**	**(696)**	**1 597**	**71 469**	**8 234**	**79 703**
Balance at 1 January 2013 (1)	**1 892**	**671**	**14 550**	**54 475**		**4**	**153**	**(1 177)**	**(696)**	**1 597**	**71 469**	**8 234**	**79 703**
Comprehensive income				(5 625)		-		420	346	(2 873)	(7 732)	(2 950)	(10 682)
Capital increases											-	834	834
Dividends paid to shareholders											-	(29)	(29)
Scope exit												(1 670)	(1 670)
Other movements					(92)			-		(2)	(93)	55	(38)
Balance at 31 December 2013 (1)	**1 892**	**671**	**14 550**	**48 850**	**(92)**	**4**	**153**	**(757)**	**(350)**	**(1 278)**	**63 644**	**4 475**	**68 119**

(1) Restated to reflect the retrospective application of IAS19 (revised 2011)

6. Notes to the consolidated financial statements

1. GENERAL INFORMATION

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

The principal activities of Hamon and the various subsidiaries of the Group 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 1 January and closes on the 31 December of each year.
The Company was founded on 31 December 1927 for an unlimited period.

The Company registration number is 0402.960.467.

2. DECLARATION OF COMPLIANCE AND RESPONSIBILITY

The consolidated financial statements were approved by the Board of Directors on 19 February 2014.

We declare that to our knowledge:

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

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

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

19 February 2014.
Francis Lambilliotte, Managing Director
Christian Leclercq, CFO

3. PRINCIPAL ACCOUNTING STANDARDS

3.1 Principal accounting standards

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

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

3.1.1 Standards and Interpretations that became applicable in 2013

This year, the Group has adopted the following standards, interpretations and amendments for accounting years beginning on 1 January 2013:

- IFRS 13 *Fair Value Measurement* (applicable for annual periods beginning on or after 1 January 2013)
- IAS 19 (revised 2011) *Employee Benefits* (applicable for annual periods beginning on or after 1 January 2013)

The main change coming from the application of IAS 19 (revised 2011) is the elimination of the corridor approach and, therefore, the recognition of actuarial gains and losses of defined benefit pension plans in other comprehensive income (equity).

IAS 19 (revised 2011) also requires a retrospective application. Accordingly, comparative figures (years 2012 and 2011) of the Group consolidated financial statements have been restated as if IAS 19 (revised 2011) had always applied.

The following tables summarize the impact of the retrospective application of IAS 19 (revised 2011) on the consolidated income statement and balance sheet of the Group.

Consolidated income statement

in EUR '000'	2012 Published	Impact	2012 restated	2011 Published	Impact	2011 restated
Gross profit	**76 642**	**-**	**76 642**	**70 571**	**-**	**70 571**
Sales & marketing costs	(13 283)	-	(13 283)	(13 584)	-	(13 584)
General & administrative costs	(52 588)	(100)	(52 688)	(41 783)	(41)	(41 824)
Research & development costs	(1 663)	-	(1 663)	(1 306)	-	(1 306)
Other operating income / (expenses)	789	3	792	62	4	66
Operating profit before non-recurring items (REBIT)	**9 897**	**(97)**	**9 800**	**13 960**	**(37)**	**13 923**
Non-recurring items	(562)	-	(562)	(2 090)	-	(2 090)
Operating profit (EBIT)	**9 335**	**(97)**	**9 238**	**11 870**	**(37)**	**11 833**
Interest income	574	-	574	579	-	579
Interest charges	(7 338)	-	(7 338)	(7 035)	-	(7 035)
Result before tax	**2 571**	**(97)**	**2 474**	**5 414**	**(37)**	**5 377**
Income taxes	(4 172)	19	(4 153)	(1 309)	12	(1 297)
Net result from continued operations	**(1 601)**	**(78)**	**(1 679)**	**4 105**	**(25)**	**4 080**
Net result of discontinued operations	-	-	-	(88)	-	(88)
Net result	**(1 601)**	**(78)**	**(1 679)**	**4 017**	**(25)**	**3 992**
Equity holders of the company	(2 525)	(60)	(2 585)	2 829	(13)	2 816
Non controlling interests	924	(18)	906	1 188	38	1 226

Consolidated balance sheet

in EUR '000'	31/12/12 published	Impact	31/12/12 restated	31/12/11 published	Impact	31/12/11 restated	01/01/11 restated
Assets							
Non-current assets	138 357	415	138 772	136 443	232	136 675	110 744
Out of which deferred tax assets	14 558	415	14 973	13 279	232	13 511	8 642
Current assets	332 883	-	332 883	264 235	-	264 235	226 344
Total assets	**471 240**	**415**	**471 655**	**400 678**	**232**	**400 910**	**337 088**
Equity							
Equity attributable to the equity holders of the company	72 212	(743)	71 469	79 595	(409)	79 186	79 133
Non controlling interests	8 291	(57)	8 234	7 927	(64)	7 863	6 536
Total equity	**80 503**	**(800)**	**79 703**	**87 522**	**(473)**	**87 049**	**85 669**
Liabilities							
Non-current liabilities	78 160	1 215	79 375	82 260	705	82 965	74 529
Out of which provisions for pensions	4 155	1 215	5 370	3 801	705	4 506	4 222
Current liabilities	312 577	-	312 577	230 896	-	230 896	176 890
Total liabilities	390 737	1 215	391 952	313 156	705	313 861	251 419
Total equity and liabilities	**471 240**	**415**	**471 655**	**400 678**	**232**	**400 910**	**337 088**

3.1.2 Early application of standards and interpretations

The Group has decided not to anticipate the application of standards and interpretations.

At the approval date of the financial statements, the following interpretations were published but not yet applicable:

- IFRS 9 *Financial Instruments and subsequent amendments* (not yet endorsed in EU)
- IFRS 10 *Consolidated Financial Statements* (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 11 *Joint Arrangements* (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 12 *Disclosures of Interests in Other Entities* (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 14 *Regulatory Deferral Accounts* (applicable for annual periods beginning on or after 1 January 2016)
- IAS 27 *Separate Financial Statements* (applicable for annual periods beginning on or after 1 January 2014)
- IAS 28 *Investments in Associates and Joint Ventures* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 19 *Employee Benefits – Employee Contributions* (applicable for annual periods beginning on or after 1 July 2014, but not yet endorsed in EU)
- Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 36 – *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Asset* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 39 – *Financial Instruments – Novation of Derivatives and Continuation of Hedge Accounting* (applicable for annual periods beginning on or after 1 January 2014)
- IFRIC 21 – *Levies* (applicable for annual periods beginning on or after 1 January 2014, but not yet endorsed in EU)

Adoption of these new standards and interpretations in subsequent years should not cause any material impact on the consolidated financial statements.

The financial statements also include the information prescribed by the 4th and the 7th European directive.

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 on their re-evaluation at the closing date are recognized in the Income statement in the "Other operating income/(expenses)"; and in finance costs for gains/losses related to the financial debt.

The assets and liabilities of the Group activities whose working currency is not the Euro are converted into Euros 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 gains and losses are accounted for as a distinct component of the equity. At the time of the disposal of an activity whose working 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 adjustments of the fair value resulting from the acquisition of an activity whose working 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 include the financial statements of all subsidiaries, joint ventures consolidated according to the proportionate method and associated companies accounted for using the equity method. The consolidated financial statements are prepared using uniform accounting policies for transactions and events occurring in similar circumstances. All intra-group balances and transactions including income, dividends and expenses are eliminated in the consolidation.

3.3.1 Subsidiaries

Subsidiaries are companies that are directly or indirectly controlled. Control is deemed to exist as soon as the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity but as well as soon as it has the power to govern the entity's financial and operating policies in order to obtain benefits from its activities. Consolidation of the subsidiary companies starts as of the moment when Hamon controls the entity until the date on which that control ceases.

3.3.2 Joint Ventures

Entities for which the Group contractually shares control with one or more co-contractor(s) qualify as joint ventures. Contractual agreements of this kind ensure that strategic financial and operating decisions require the unanimous consent of all the co-contractors. Proportional consolidation of the jointly controlled entities starts as of the moment joint control is established until the date on which it ceases.

3.3.3 Associated Companies

Associated companies are the entities over which Hamon exerts a significant influence by taking part in the entity's decisions, without holding control or joint control. The significant influence is deemed to exist as soon as the parent owns, directly or indirectly through subsidiaries, more than twenty percent of the voting power of an entity. Consolidation of the associated companies is accounted for using the equity method until the date on which the significant influence ceases.

3.3.4 Business combinations

Business combinations carried out prior to 1 January 2010 have been accounted for in accordance with IFRS 3 prior to the revision effective 1 January 2010. In accordance with IFRS 3 revised, these business combinations have not been restated.

The Group applies the purchase method as defined in IFRS 3 revised, which consists in recognizing the identifiable assets acquired and liabilities assumed at their fair value at the acquisition date, as well as any non-controlling interest in the acquiree.

Changes introduced by this new standard led the Group to create an "Impact of changes in consolidation scope" line in the income statement which is presented as a non-recurring item.

3.3.5 Put options on non-controlling interests

Other non-current liabilities include, amongst others, put options granted by the Group to non-controlling interests. As no specific guidance is provided by IFRS, the Group has adopted the following accounting treatment for these commitments:

- payments of dividends to non-controlling interests result in a decrease of the other non-current liability;
- in the consolidated income statement, controlling interests are allocated their share in income.
- In the consolidated balance sheet, the share in income allocated to non-controlling interests increases the other non-current liability.

In the case of a fixed-price put, the liability corresponds to the present value of the strike price.

In the case of a fair value or variable-price put, the liability is measured based on estimates of the fair value at the consolidated balance sheet date or contractual conditions applicable to the exercise price based on the latest available information.

3.4 Balance Sheet Elements

3.4.1 Intangible Assets

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

Patents, Trademarks and Similar Rights

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

Development Costs

In-house development costs are capitalized as intangible assets only if all following conditions are met:

- An identifiable asset has been created (such as software and new processes);
- It is probable that the asset will generate future economic benefits;
- The asset's development costs can be measured reliably.

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

Other internally generated intangible assets

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

Goodwill

Recognition of goodwill

Application of IFRS 3 revised as of 1 January 2010, leads the Group to separately identify business combinations carried out before and after this date.

a. Business combinations carried out prior to 1 January 2010

Goodwill recognized during a business combination is accounted for as an asset, being the excess of the cost of a business combination over the Group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities recognized.

The initial accounting for business combinations is not restated.

Any adjustments to the consideration transferred in these business combinations changes their initial accounting and leads to a matching adjustment to goodwill.

b. Business combinations carried out after 1 January 2010

Goodwill is measured as the excess of the aggregate of:
1. the consideration transferred;
2. the amount of any non-controlling interests in the acquiree; and
3. in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree;

over the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

Goodwill recognized on the acquisition date is not subsequently adjusted.

Measurement of goodwill

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

At the time of the sale of a subsidiary or a jointly controlled entity, the relevant goodwill is included in the determination of the result of the sale. Goodwill on associated companies is presented under 'Investments In Associated Companies'.

3.4.2 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 the initial accounting, 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 financial 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 live
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 re-valued amount after their initial recognition.

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 of 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.

3.4.3 Lease Agreements

Capital Leases

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

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

Operating Leases

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

3.4.4 Financial Assets and Liabilities

Financial assets or liabilities are recognized on the balance sheet at the date of the transaction, which corresponds to the date on which the entity contractually commits to buy or sell an asset.

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 (designated by the entity or classified as held for trading);
- 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 income statement.
- investments in equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured by an alternative pricing method are evaluated at cost.
- loans and receivables, held-to-maturity Investments and other financial liabilities are measured at amortized cost using the effective interest rate method, except for fixed term/time deposits, which are valued at cost.

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

Trade and Other Receivables (Payables)

Receivables and payables are recognized using the amortized cost method i.e. the discounted value of the receivable. Based on a thorough and detailed review of the receivables and their specific risk of non-recoverability; appropriate impairment losses are recognized in case of expected default of payments.

Cash and Cash Equivalents

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

Equity Instruments

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

Loans & borrowings

Loans and borrowings are initially recognized at fair value, plus or minus transaction costs. They are subsequently measured at amortized cost using the effective interest method. Any subsequent change in value between the fair value and the settlement value (including the redemption premium to be received or paid) is recognized in the income statement over the period of the borrowing (effective interest rate method). The borrowing issuance costs related to mixed facilities including debt and bank guarantee lines agreement are prorated between the different lines and presented in deduction of the financial liabilities on the balance sheet.

Amounts borrowed as part of the “Credit Revolving Facility” are accounted for under ‘Non-current Financial Liabilities’ when the maturity of those borrowing are above one year and the Group has the possibility to roll-over them at its discretion.

Derivative Financial Instruments

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

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

a. Derivatives qualifying for cash flow hedge
   The effective portion of changes in the fair value of derivatives 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.

   Hedges of 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 los 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.

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

3.4.5 Stock options

Share options are measured at their fair value at the date of grant. This fair value is assessed using the Black & Scholes option pricing model and is expensed on a straight-line basis over the vesting period of these rights, taking into account an estimate of the number of options that will eventually vest.

3.4.6 Inventory

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

3.4.7 Post-employment and other long term employee benefits

Post-employment benefits are classified in 2 categories: defined benefit plans and defined contribution plans.

Defined Contribution Plans

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

Defined Benefit Plans

For defined benefit plans, the amount recognized in the balance sheet as a net liability (asset) corresponds to the difference between the present value of future obligations and the fair value of the plan assets.
If the calculation of the net obligation gives rise to a surplus for the Group, the asset recognized for this surplus is limited to the present value of any future plan refunds or any reduction in future contributions to the plan.

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

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

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

Other long-term employee benefits

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

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

3.4.8 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. 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.

3.5 Income Statement Elements

3.5.1 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.

3.5.2 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.

3.5.3 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 and;
- other non-recurring items such as gains/losses on the sale of available-for-sale financial assets.

3.5.4 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.

3.5.5 Income Taxes

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

The current tax is the amount of income tax payable/recoverable in respect of the taxable profit/loss for a period.
Current income taxes for current and prior periods are calculated based on the tax rates that have been enacted by the balance sheet date as well as adjustments related to previous periods.

Reforms to French business taxes were enacted on 31 December 2009 and apply as from 1 January 2010. The new tax, the CET ("Contribution Economique Territoriale"), has two components: the CFE ("Cotisation Foncière des Entreprises") and the CVAE ("Cotisation sur la Valeur Ajoutée des Entreprises"). The second component is determined by applying a rate to the amount of value added generated by the business during the year.

Given that the CVAE component is calculated as the amount by which certain revenues exceed certain expenses, the Group regards the CVAE component as meeting the definition of income taxes specified in IAS 12§2 - Taxes which are based on taxable profits – and has classified all amounts accounted for in the French subsidiaries of the Group as from 2010 under the line 'Income taxes' in the income statement.
This decision is compliant with French practices.

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

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

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

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

3.5.6 Discontinued Business

A discontinued operation is a portion of an entity that either is being or has been sold or disposed by the Group.

This portion of entity represents a significant separate major line of business or geographical area of operations and can be distinguished on the operational field and for the communication of financial information.

Besides general information detailing discontinued operations, the financial statements disclose the amounts of assets and liabilities, the profit or loss and the tax charge as well as the net cash flows attributable to the operating, investing, and financing activities of discontinued operations.

Assets classified in discontinued operations or held for sale are measured at the lower of their carrying amount and their fair value less costs to sell. They are not depreciated anymore but they are considered for impairment upon any indication of a decrease of their net realizable value.

3.5.7 Borrowing costs

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

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

4. KEY ASSUMPTIONS AND ESTIMATES

Within the framework of preparation of its consolidated financial statements, the Group must, on certain occasions, formulate assumptions and/or carry out estimates affecting the balance sheet and/or the income statement. Management bases its estimates on its previous experience and formulates certain assumptions that seem reasonable taking into account the circumstances. However, despite the prudence with which these assumptions and estimates are determined, 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 are used in:
- the assessment of impairment losses/write-offs on current and non-current assets;
- the estimate of the result and percentage of completion of construction contracts in progress;
- the assessment of the residual lifetime of tangible and intangible fixed assets except for the goodwill;
- the provisions for pensions, restructuring and potential litigations; and
- the assessment of the recoverability of the deferred tax assets.

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

Impairment test of goodwill

The Group performs an impairment test on goodwill of all its cash generating units at least once a year. This exercise requires the management to use assumptions, estimates and variation ranges (EBITA multiples, levels of bookings, growth rate, …) coming from internal as well as external sources.

Further details are provided in note 20.

Construction contracts – expected profit and percentage of completion estimate

As explained in the accounting standards (see page 72), 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 miscellaneous expenses still to be ordered;
- exchange rate to be used for purchase orders (from customers and/or suppliers) in foreign currencies; and
- the risk of penalties charged by customer(s) in case of delay or lower than contractually guaranteed performance.

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

Deferred tax assets

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

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

More details can be found in note 23.

5. CONSOLIDATED ENTITIES

The following table mentions the list of subsidiaries owned by the Group as of 31 December 2013, 2012 and 2011.

Subsidiary	Country	% Group interest		
		2013	2012	2011
1. SUBSIDIARIES CONSOLIDATED BY FULL INTEGRATION METHOD				
Hamon & Cie (International) SA	**Belgium**		**Parent company**	
Hamon & Cie (International) Finance SCS	Belgium	100%	100%	100%
Hamon Thermal Europe SA	Belgium	100%	100%	100%
Hamon Research-Cottrell SA	Belgium	100%	100%	100%
ACS Anti Corrosion Structure SA	Belgium	100%	100%	100%
Compagnie Financière Hamon S.A.	France	99,1%	99,1%	99,1%
Hamon Thermal Europe (France) S.A.	France	99,1%	99,1%	99,1%
Hamon D'Hondt S.A.	France	99,1%	99,1%	99,1%
Hamon Research-Cottrell S.A.R.L.	France	99,1%	99%	100%
Hacom Energiesparsysteme GmbH	Germany	100%	100%	100%
Hamon Thermal Germany GmbH	Germany	100%	100%	100%
Hamon Research-Cottrell GmbH	Germany	100%	100%	100%
Hamon Enviroserv GmbH	Germany	100%	100%	100%
Hamon UK Ltd.	Great Britain	100%	100%	100%
Hamon Dormant Co. Ltd	Great Britain	100%	100%	100%
Heat Transfer Ré Services S.A.	Luxembourg	0%	100%	100%
Hamon (Nederland) B.V.	Netherlands	100%	100%	100%
Hamon Polska Sp.Zo.O	Poland	100%	100%	100%
Hamon Esindus Latinoamerica SL	Spain	50%	50%	50,0%
Hamon Research-Cottrell do Brazil	Brazil	100%	100%	100%
Hamon Do Brazil Ltda.	Brazil	100%	100%	100%
Hamon Custodis Cottrell (Canada) Inc.	Canada	100%	100%	100%
Hamon Esindus Latinoamerica Limitada	Chile	50%	50%	50,0%
Hamon Esindus Latinoamerica SA de CV	Mexico	50%	50%	50,0%
Hamon Corporation	United States	100%	100%	100%
Hamon Custodis Inc.	United States	100%	100%	100%
Hamon Deltak Inc.	United States	100%	100%	100%
Hamon Research-Cottrell Inc.	United States	100%	100%	100%
Thermal Transfer Corporation	United States	100%	100%	100%
Research-Cottrell Cooling Inc.	United States	100%	100%	100%
Hamon Holdings Corporation	United States	100%	100%	100%
Hamon (South Africa) (Pty) Ltd.	South Africa	74%	74%	74%
Hamon J&C Engineering (Pty) Ltd	South Africa	0,0%	44,4%	44%
Hamon Australia (Pty) Ltd.	Australia	100%	100%	100%
Hamon Thermal (Tianjin) Co., Ltd	China	100%	100%	100%
Hamon Research-Cottrell (Shanghai) Co., Ltd	China	60%	60%	60%
TS Filtration Environmental Protection Products (Shanghai) Co., Ltd	China	60%	60%	60%
Hamon Thermal & Environmental Technology (Jiaxing) Co. Ltd	China	65,9%	65,9%	65,9%
Hamon Trading (Jiaxing) Co.,Ltd.	China	62,8%	62,8%	62,8%
Hamon Asia-Pacific Ltd	China (Hong Kong)	100%	100%	100%
Hamon Research-Cottrell (HK) Ltd.	China (Hong Kong)	60%	60%	60%
Hamon Shriram Cottrell PVT Ltd	India	50%	50%	50%
Hamon India PVT Ltd.	India	100%	100%	100%
Hamon Research-Cottrell India PVT Ltd.	India	100%	100%	100%

Subsidiary	Country	% Group interest		
		2013	2012	2011
1. SUBSIDIARIES CONSOLIDATED BY FULL INTEGRATION METHOD				
P.T. Hamon Indonesia	Indonesia	89,7%	89,7%	89,7%
Hamon Korea Co Ltd.	South Korea	89,7%	89,7%	89,7%
Hamon Korea Youngnam Ltd.	South Korea	45,8%	45,8%	45,8%
Hamon BHI Co. Ltd	South Korea	0,0%	49,6%	49,6%
Hamon Malaysia SDN. BHD.	Malaysia	100%	100%	100%
Hamon - B.Grimm Ltd.	Thailand	49,2%	49,2%	49,2%
Hamon Termal ve Çevre Sistemleri Sanayi ve Ticaret A.	Turkey	99,6%	99,6%	99,6%
2. SUBSIDIARIES CONSOLIDATED BY PROPORTIONAL INTEGRATION				
Hamon D'Hondt Middle East Company Ltd	Saudi Arabia	39,64%	39,64%	39,64%
Hamon Cooling Towers Company FZCo	United Arab Emirates	50%	50%	50%

6. EXCHANGE RATES USED BY THE GROUP

Exchange rates for 1 EUR		Period-end rate			Average rate		
		2013	2012	2011	2013	2012	2011
UAE Dirham	AED	5,0650	4,8456	4,7524	4,8737	4,7392	5,1364
Australian Dollar	AUD	1,5423	1,2712	1,2723	1,3833	1,2447	1,3452
Brazilian Real	BRL	3,2576	2,7036	2,4159	2,8723	2,5188	2,3297
Canadian Dollar	CAD	1,4671	1,3137	1,3215	1,3712	1,2909	1,3810
Chilean Peso (100)	CLP	7,2349	6,3220	6,7340	6,0268	5,7930	6,7340
Chinese Yuan	CNY	8,3491	8,3299	8,1588	8,1872	8,1531	9,0577
Pound Sterling	GBP	0,8337	0,8161	0,8353	0,8497	0,8127	0,8723
Hong-Kong Dollar	HKD	10,6933	10,2260	10,0510	10,3098	10,0223	10,9099
Indonesian Rupiah (100)	IDR	167,6478	127,1397	117,3147	139,0754	121,0652	122,9806
Indian Rupee	INR	85,3660	72,5600	68,7130	77,9761	68,8599	65,1794
South Korean Won (100)	KRW	14,5093	14,0623	14,9869	14,5620	14,5186	15,4588
Mexican Peso	MXN	18,0731	17,1845	18,0512	17,1032	16,9884	17,3591
Malaysian Ringgit	MYR	4,5221	4,0347	4,1055	4,2053	3,9819	4,2750
Polish Zloty	PLN	4,1543	4,0740	4,4580	4,2088	4,1837	4,1179
Saudi Riyal	SAR	5,1723	4,9481	4,8521	4,9762	4,8389	5,2446
Thai Baht	THB	45,1780	40,3470	40,9910	40,8990	40,0839	42,7377
Turkish Lira	TRY	2,9605	2,3551	2,4432	2,5428	2,3184	2,3398
U.S. Dollar	USD	1,3747	1,3194	1,2939	1,3284	1,2921	1,4018
South African Rand	ZAR	14,5660	11,1727	10,4830	12,8804	10,5513	10,0760

7. INFORMATION BY SEGMENT

The Group is organized in five Business Units: Cooling Systems, Process Heat Exchangers, Air Pollution Control EMEA/Brazil, Air Pollution Control and Heat Recovery NAFTA and Chimneys. Additional Business Unit information is presented in the first part of this annual report. The results of a segment and its assets and liabilities include all the elements that are directly attributable to it as well as the elements of the income, expenses, assets and liabilities that can reasonably be allocated to a segment. Segment profit represents the profit earned by each segment after allocation of central administration costs and directors' salaries, share of profits of associates and investment revenues, to the extent that they can be allocated to a segment, but before finance costs. This is the measure regularly presented to the chief operating decision maker for the purposes of resources allocation and assessment of segment performances. The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 6.

in EUR '000'	Cooling systems	Process heat exchangers	Air pollution control EMEA/Brazil	APC & HR NAFTA	Chimneys	Non allocated	Elimination	Total
For the period ended 31 December 2011								
Revenue third party	136 024	67 470	69 497	58 285	47 331	342	-	378 949
Inter-segment revenue	568	2 229	10	93	332	-	(3 232)	-
Total revenue	136 592	69 699	69 507	58 378	47 663	342	(3 232)	378 949
Operating profit before non-recurring items (REBIT)	3 421	2 824	(8 610)	8 413	7 118	757		13 923
Non-recurring items	(306)	(59)	(497)	(798)	-	(430)		(2 090)
Operating profit (EBIT)	3 115	2 765	(9 107)	7 615	7 118	327		11 833
EBITDA	**5 934**	**3 856**	**(7 895)**	**9 501**	**7 455**	**1 519**		**20 370**
Interest income						579		579
Interest charges						(7 035)		(7 035)
Result before tax								**5 377**
Income taxes						(1 297)		(1 297)
Net result from continued operations								**4 080**

in EUR '000'	Cooling systems	Process heat exchangers	Air pollution control EMEA/Brazil	APC & HR NAFTA	Chimneys	Non allocated	Elimination	Total
For the period ended 31 December 2012								
Revenue third party	207 741	70 703	78 184	83 658	34 239	(117)	-	474 408
Inter-segment revenue	841	3 708	544	2	2 249	-	(7 344)	-
Total revenue	208 582	74 411	78 728	83 660	36 488	(117)	(7 344)	474 408
Operating profit before non-recurring items (REBIT)	1 868	2 701	(8 699)	8 012	4 491	1 426		9 800
Non-recurring items	1 012	(15)	(283)	248	-	(1 523)		(562)
Operating profit (EBIT)	2 880	2 686	(8 982)	8 260	4 491	(97)		9 238
EBITDA	**4 864**	**3 658**	**(7 979)**	**9 371**	**4 806**	**2 265**		**16 986**
Interest income						574		574
Interest charges						(7 338)		(7 338)
Result before tax								**2 474**
Income taxes						(4 153)		(4 153)
Net result from continued operations								**(1 679)**

in EUR '000'	Cooling systems	Process heat exchangers	Air pollution control EMEA/Brazil	APC & HR NAFTA	Chimneys	Non allocated	Elimination	Total
For the period ended 31 December 2013								
Revenue third party	261 519	63 879	51 631	123 249	25 422	84	-	525 784
Inter-segment revenue	739	2 274	620	-	7 981	-	(11 614)	-
Total revenue	262 258	66 153	52 251	123 249	33 403	84	(11 614)	525 784
Operating profit before non-recurring items (REBIT)	(1 028)	1 681	(6 088)	13 751	2 019	1 275		11 609
Non-recurring items	(1 015)	21	(558)	(2)	4	(328)		(1 877)
Operating profit (EBIT)	(2 043)	1 701	(6 645)	13 749	2 023	947		9 732
EBITDA	**2 615**	**2 683**	**(5 410)**	**15 237**	**2 304**	**2 295**		**19 723**
Interest income						710		710
Interest charges						(11 557)		(11 557)
Result before tax								**(1 115)**
Income taxes						(5 664)		(5 664)
Net result from continued operations								**(6 779)**

Other elements of the income statement

in EUR '000'	Cooling systems	Process heat exchangers	Air pollution control EMEA/Brazil	APC & HR NAFTA	Chimneys	Non allocated	Total
For the period ended 31 December 2011							
Depreciation and amortization	(2 513)	(1 032)	(715)	(1 088)	(337)	(762)	(6 447)
Impairment of goodwill	-	-	-	-	-	-	-
(Impairment) / reversal of impairment on inventory	9	53	-	-	-	-	62
(Impairment) / reversal of impairment on trade receivables	37	178	-	-	-	(495)	(280)
(Increase) / decrease in provisions	(629)	(44)	(115)	(205)	(1 339)	(4)	(2 336)
For the periodr ended 31 December 2012							
Depreciation and amortization	(2 996)	(957)	(720)	(1 359)	(315)	(839)	(7 186)
Impairment of goodwill	-	-	-	-	-	-	-
(Impairment) / reversal of impairment on inventory	(32)	226	-	(248)	-	-	(54)
(Impairment) / reversal of impairment on trade receivables	6	(900)	(1)	-	-	-	(895)
(Increase) / decrease in provisions	(67)	-	(233)	587	137	(1 264)	(840)
For the periodr ended 31 December 2013							
Depreciation and amortization	(3 643)	(1 002)	(678)	(1 486)	(285)	(1 020)	(8 114)
Impairment of goodwill	-	-	-	-	-	-	-
(Impairment) / reversal of impairment on inventory	2	(43)	-	241	-	-	200
(Impairment) / reversal of impairment on trade receivables	(395)	(449)	(35)	-	-	-	(879)
(Increase) / decrease in provisions	(222)	-	(414)	(320)	1 019	-	63

Balance sheet information

in EUR '000'	Cooling systems	Process heat exchangers	Air pollution control EMEA/Brésil	APC&HR NAFTA	Chimneys	Non allocated	Total
As of 31 december 2011							
Total assets	105 312	53 716	69 723	55 191	4 036	112 932	400 910
Total liabilities	87 849	14 053	34 174	23 112	15 903	138 770	313 861
Capital expenditures	5 603	644	1 053	54	45	916	8 315
As of 31 december 2012							
Total assets	143 246	83 918	71 361	55 159	3 360	114 611	471 655
Total liabilities	134 689	27 348	44 826	25 372	12 599	147 118	391 952
Capital expenditures	8 220	1 102	927	230	55	1 238	11 772
As of 31 december 2013							
Total assets	151 716	92 177	61 712	48 941	4 125	157 518	516 189
Total liabilities	126 000	30 721	39 372	39 895	6 714	205 368	448 070
Capital expenditures	5 917	3 191	913	329	127	1 931	12 408

All assets and liabilities (except for cash and cash equivalent, financial debts and current/deferred tax assets and liabilities) are allocated to reportable segments.

The analysis of Group's revenue per type of activities is detailed in note 8. The split of revenue and non-current assets by regions and/or countries is as follows:

in EUR '000'	2013	2012	2011
Revenue			
Belgium	5 968	8 248	7 715
France	35 913	26 003	39 405
Germany	39 125	36 890	27 258
Great Britain	14 404	13 164	7 458
Other Europe (incl. Russia)	28 872	30 333	36 184
Total Europe	**124 282**	**114 638**	**118 020**
Canada	7 737	3 994	5 658
USA	142 396	110 429	95 800
Total USA + Canada	**150 133**	**114 423**	**101 458**
Brazil	12 326	28 370	24 948
Mexico	1 481	13 929	2 358
Venezuela	11 522	1 910	-
Other Latin America	6 511	10 808	9 782
Total Latin America	**31 841**	**55 018**	**37 088**
Saudi Arabia	90 468	32 465	21 929
South Africa	10 195	10 976	6 882
Other Middle East & Africa	31 541	33 952	23 606
Total Middle East & Africa	**132 204**	**77 393**	**52 417**
China (incl. Hong Kong)	30 425	17 670	12 416
India	19 426	32 276	35 341
South Korea	9 666	24 068	6 061
Thailand	4 786	11 697	4 800
Other Asia-Pacific	23 023	27 225	11 348
Total Asia-Pacific	**87 325**	**112 936**	**69 965**
Total world	**525 784**	**474 408**	**378 949**
Non current assets (*)			
Belgium	18 928	19 246	19 068
Brazil	9 670	11 683	13 111
China	15 764	14 545	13 904
South Korea	5 160	5 509	5 731

(*) Excluding financial and deferred tax assets

Non current assets (*)	2013	2012	2011
United States	34 090	37 296	36 996
France	14 567	13 560	13 204
India	7 087	7 285	5 682
Others	9 647	9 600	9 137
Total	**114 913**	**118 724**	**116 833**

(*) Excluding financial and deferred tax assets

The largest customer of the Group in 2013 is a Saudi customer that represents 11,4 % of the Group's total revenue.

8. REVENUE

Group's revenue (excluding discontinued operations) increased by respectively 11% and 39% compared to 2012 and 2011.

This achievement mainly comes from the strong performance of the Cooling Systems (+26% compared to 2012 thanks to the rise of our Dry Cooling activities) and Air Pollution Control and Heat Recovery NAFTA Business Units (47% increase compared to last year). The decrease of the US dollar exchange rate had an impact limited to EUR -5,0 million or less than one percent of the Group total revenue.

The breakdown by type of activities is as follows:

in EUR '000'	2013	2012	2011
Construction contracts & manufacturing	516 246	463 498	373 199
Spare parts & services	8 103	10 441	5 503
Royalties	1 435	469	247
Total	**525 784**	**474 408**	**378 949**

9. OPERATING EXPENSES

in EUR '000'	2013	2012	2011
Gross remuneration	*82 766*	*82 937*	*66 699*
Employer's contribution for social security	*12 502*	*12 386*	*11 284*
Other personnel costsl	*2 964*	*2 625*	*2 661*
Charges/costs of the personnel	98 232	97 948	80 603
Depreciation & amortization	8 114	7 186	6 447
Other operating expenses	43 649	41 462	31 502
Total gross operating expenses	**149 995**	**146 596**	**118 552**
Costs allocation (1)	(88 997)	(78 962)	(61 879)
Total net operating expenses	**60 998**	**67 634**	**56 714**
Sale & marketing costs	13 690	13 283	13 584
General & administrative costs	45 536	52 688	41 824
Research & development costs	1 772	1 663	1 306
Total net operating expenses	**60 998**	**67 634**	**56 714**
Average Headcount	1 843	1 664	1 435

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

After the sharp increase registered in 2012, the gross operating expenses of the Group only grew by slightly more than 2 % in 2013; well below our revenue growth (+11% compared to 2012).

Furthermore, the higher workload of our staff resulted in a strong growth (EUR +10 million or 13% compared to last year) of allocations on proposals, contracts and development projects. Net operating expenses are therefore sensibly lower than in 2012 (-10% or EUR 6,6 million).

10. OTHER OPERATING INCOME/(EXPENSES)

The operating income and expenses are broken down as follows:

in EUR '000'	2013	2012	2011
Dividends and other financial income	172	460	358
Profit/(loss) on disposals of assets	94	699	17
Exchange differences, net	282	(442)	(643)
(Impairment)/reversal of impairment of current assets	(932)	(592)	212
Other misc. operating income/(expenses)	914	667	122
Total	**529**	**792**	**66**

The net other operating income and expenses are relatively stable compared to 2012.

The other revenue are mostly insurance income and sub-letting of installations (office spaces and machines).

11. NON-RECURRING INCOME/(EXPENSES)

in EUR '000'	2013	2012	2011
Restructuring costs	**(1 231)**	**(1 123)**	**(885)**
Loss of control of HJC (South Africa)	*(236)*		
Acquisition costs of Deltak			*(798)*
Impact of Changes in consolidation scope	**(236)**	**-**	**(798)**
Impairment / reversal of impairment on non-current assets	**-**	**-**	**(1 377)**
Gain/(loss) on disposal of AFS	*-*	*1 016*	*809*
Other	*(410)*	*(455)*	*160*
Other non-recurring items	**(410)**	**561**	**969**
Total	**(1 877)**	**(562)**	**(2 090)**

Contrary to the years 2012 and 2011, the Group did not benefit from the profit of the sale of available-for-sale financial assets in 2013. Net non-recurring expenses are therefore higher than last year.

The cost of EUR 236 thousand is the net loss on the disposal of our 60% stake previously held in the company Hamon J&C Engineering (Pty) Ltd (South Africa). Additional information regarding this transaction is available in notes 14 and 22.

12. NET FINANCE COSTS

The detail of net finance costs is as follows:

in EUR '000'	2013	2012	2011
Interest charges	(6 022)	(5 110)	(4 914)
Costs related to anticipated reimbursement			(194)
Other borrowing costs	(5 535)	(2 228)	(1 927)
Finance costs	**(11 557)**	**(7 338)**	**(7 035)**
Interest income	710	574	579
Interest income	**710**	**574**	**579**
Total	**(10 847)**	**(6 763)**	**(6 456)**

Interest charges on the debt of the Group have increased in 2013 compared to 2012, mainly due to the increase of the gross average debt over the year but also to the slight increase of short term interest rates. This caption also includes the cost of carry coming from the setting-up of Interest Rate Swaps and Cross Currency IRS (see note 36) and the pre-financing interests on factoring operations without recourse.

The section "Other borrowing costs" includes, amongst other, the amortization of setting-up costs, excluding interest charges, of the syndicated credit facilities signed on 17 December 2009 and 4 July 2011, commitment fees remunerating the unused part of syndicated credit as well as the utilization fees on the borrowings contracted under the "revolver" credit line of the last syndicated credit.
Utilization fees are higher in 2013 as the average gross debt over the year was greater than the one of previous periods. This section also includes unrealized exchange losses of EUR 2 461 thousand on long term intercompany loans denominated in foreign currencies. This charge constitute the main source of variation compared to last year.

The average cost of the debt, at 3,24%, is lower than in 2012 and 2011 (respectively 3,31% and 4,30%) despite the slight increase of short term interest rates. Indeed, with unchanged notional value of its Interest Rate Swaps (IRS) and Cross Currency IRS and an increase of its average gross debt in 2013, the cost of carry weighted less than last year on the average cost of the debt).
If the amortized refinancing costs of the credit lines are included in the analysis, the average cost of the debt is 3,74% in 2013 (3,92% and 5,46% for the years 2012 and 2011).

Interest income increased slightly in 2013.
The low return rates reflect the prudent management followed by Hamon in its investments in a low interest rate environment.

13. INCOME TAX EXPENSES

in EUR '000'	2013		2012		2011	
Components of tax (expense)/income	**(5 664)**		**(4 153)**		**(1 296)**	
Related to current year	(5 590)		(4 874)		(2 789)	
Related to past year(s)	(74)		721		1 493	
Current tax	**(6 529)**		**(3 241)**		**(7 185)**	
Related to current year	(6 508)		(3 407)		(7 408)	
Related to past year(s)	(21)		166		223	
Deferred tax	**865**		**(912)**		**5 889**	
Related to current year	918		(1 467)		4 619	
Related to past year(s)	(53)		555		1 270	
Reconciliation of Group income tax charge						
Result before tax	(1 115)		2 474		5 377	
Share of the profit (loss) of associates	-		-		-	
Result before tax and before share of the profit (loss) of associates	**(1 115)**		**2 474**		**5 377**	
Domestic income tax rate	33,99%		33,99%		33,99%	
Group theoretical income tax charge	**379**	**33,99%**	**(841)**	**-33,99%**	**(1 828)**	-33,99%
Utilisation of tax losses not previously recognised	275	24,66%	460	17,89%	414	7,65%
Effect of different tax rates of subsidiaries operating in other juridictions	(1 630)	-146,19%	(823)	-33,27%	(453)	-8,43%
Withholding tax on intra group dividend distribiution	-	0,00%	(24)	-0,93%	-	0,00%
Deferred tax assets not recognised	(4 342)	-389,42%	(4 106)	-159,70%	(1 353)	-24,99%
Transactions exempt from taxes	-	0,00%	335	13,03%	198	3,66%
CVAE (*)	(447)	-40,09%	(421)	-16,37%	(437)	-8,07%
R&D tax credits	175	15,70%	546	21,24%	670	12,37%
Other movements	-	0,00%	-	0,00%	-	0,00%
Income tax expense related to current year	**(5 590)**	**-501,35%**	**(4 874)**	**-197,01%**	**(2 789)**	**-51,87%**

(*) Tax on added value of companies

The non-recognition of differed tax assets for an amount of EUR 4 342 thousand combined with an higher than the average tax rate (close to 40%) in the US, where the Group realized most of its profits in 2013, weighed heavily on the income tax expenses of the year.

The income tax rate of the Group in 2013 is therefore non-representative (501%) and could not be compensated, even partially, by R&D tax credits and the utilization of tax losses not previously recognized during the past periods.

14. CHANGES OF SCOPE

The consolidation scope of the Group has been changed as follows during the year 2013:

Hamon J&C Engineering (Pty) Ltd (South Africa)

During the first semester of 2013, Hamon and the minority shareholders of Hamon J&C (Pty) Ltd (South Africa) put an end to their cooperation. Hamon relinquished all its management and Directors positions in the company and signed an agreement giving both parties a certain time frame to agree on a price for the resale of our 60% stake held in the company. Due to the loss of control of the company, it was deconsolidated, with effect on January 1st 2013, and its net value transferred in available-for-sale financial assets. Our stake in the company was finally sold during the last quarter of 2013.

Hamon BHI Co. Ltd (South Korea)

The shares of the non-controlling interests in Hamon BHI Co. Ltd (South Korea) have been purchased by Hamon Korea Co. Ltd, with effect on January 1st 2013, so that the Group then held directly or indirectly 100% of the shares of the company. Further to this transaction, the net assets of Hamon BHI have been transferred to Hamon Korea during the second quarter and the company put in liquidation (finalized in October 2013).

Heat Transfer Ré Services S.A. (Luxembourg)

This company, already inactive for quite a few years, was liquidated during the year 2013.

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 ordinary shares during the fiscal year:

in EUR '000'	2013	2012	2011
Net result (equity holders of the Company)	(5 625)	(2 585)	2 816
Weighted average number of oustanding ordinary shares during the year	7 189 772	7 191 472	7 191 472
Basic earnings per share (EUR/share)	(0,78)	(0,36)	0,39

The weighted average number of shares is calculated based on the numbers in note 28. The basic earnings per share are identical to the diluted earnings per shares. Indeed, given their strike price, the stock options granted to Group employees have no diluting impact as of 31 December 2011, 2012 and 2013 (see note 31).

Continued operations

The basic earnings per share coming from the continued operations is calculated by dividing the net result coming from the continued operations of the year attributable to the equity holders of the Company by the weighted average number of ordinary shares in circulation during the fiscal year.

Discontinued operations

The basic and diluted earnings per share for the discontinued operations amounted to EUR -0,05 per share on 31 December 2013 (EUR -0,00 and EUR -0,02 per share on the 31 December 2012 and 2011), calculated on the basis of the net result of the discontinued operations of EUR -386 thousand in 2013 (EUR -0 and EUR -88 thousand in 2012 and 2011) and of the denominators detailed above.

16. CASH FLOW FROM OPERATING ACTIVITIES

Despite the increase in revenue, the cash generated from operations, at EUR 13,4 million, remained fairly stable compared to the two previous periods. Please note that the project execution cycles on the one hand and the typology of in-progress orders during a year on the other hand may have a significant impact on the cash flow. The change in “product mix” of Hamon to large export business and/or including civil engineering and erection works also have a swelling effect on the working capital.

As mentioned under note 26, Hamon has implemented a program to sell without recourse trade receivables for respectively EUR 59,5 million, EUR 30,0 million and EUR 15,9 million as of 31 December 2013, 2012 and 2011. The cash flow from operating activities mentioned here above takes those programs into account.

17. CASH FLOW FROM INVESTING ACTIVITIES

Net cash flow from investing activities amounts to EUR -10,3 million in 2013, above last year (EUR -8,7 million). The investments of the year are mainly related to:

- the sale proceeds of a warehouse in South Korea;
- the sale proceeds of Hamon J&C (South Africa);
- the major investments in Research and Development and in I.T. (network; M.I.S.; technical softwares, …);
- the development of our cooling tower parts production capabilities in India and in China as well as the reorganization of our filer bags (for Fabric Filters) production line in China;
- the investments for recurring replacements.

18. CASH FLOW FROM FINANCING ACTIVITIES

The cash flow from financing activities amounts to EUR 42,0 million in 2013.

“Proceeds from new bank borrowings”, at EUR 55,2 million, mainly come from draw-downs (EUR 30,4 million) on our syndicated credit facility, the issue of treasury bills (EUR 16,5 million), increased local financings in Brazil and South Korea and a new finance lease in France (see note 32).

“Repayment of borrowings” of EUR -8,5 million mainly result from the reimbursement of COFACE pre-financings in France (EUR -6,9 million), local financings in India (EUR -0,7 million), some overdraft facilities as well as the gradual repayment of finance leases (EUR -0,5 million)

“Dividends paid to shareholders” is non-significant for 2013 as the Group did not distribute any advance dividend for the year 2013 and didn’t pay any dividend for the 2012 period.

We invite you to consult note 12 for the information on interests received and paid during the year 2013.

19. INTANGIBLE ASSETS

in EUR '000'	Patents and trade marks	Development costs	Total
As of 31 December 2010			
Cost	13 257	9 304	22 561
Accumulated amortization and impairment	(8 612)	(4 628)	(13 240)
Net carrying amount	**4 645**	**4 676**	**9 321**
For the year ended 31 December 2011			
Exchange difference	154	288	442
Additions	988	2 393	3 381
Amortization charge for the year	(1 101)	(1 310)	(2 411)
Entry / changes in consolidation scope	5 314	5 987	11 301
Net carrying amount at closing date	**10 000**	**12 034**	**22 034**
As of 31 December 2011			
Cost	19 713	17 972	37 685
Accumulated amortization and impairment	(9 713)	(5 938)	(15 651)
Net carrying amount	**10 000**	**12 034**	**22 034**
For the year ended 31 December 2012			
Exchange difference	(127)	(167)	(294)
Additions	1 316	1 912	3 228
Amortization charge for the year	(859)	(2 152)	(3 011)
Net carrying amount at closing date	**10 330**	**11 627**	**21 957**
As of 31 December 2012			
Cost	20 902	19 717	40 619
Accumulated amortization and impairment	(10 572)	(8 090)	(18 662)
Net carrying amount	**10 330**	**11 627**	**21 957**
For the year ended 31 December 2013			
Exchange difference	(238)	(327)	(565)
Additions	3 358	1 611	4 969
Amortization charge for the year	(1 238)	(2 500)	(3 738)
Derecognized on disposal of a subsidiary	(31)	-	(31)
Transferred from an account to another	36	-	36
Net carrying amount at closing date	**12 216**	**10 411**	**22 627**
As of 31 December 2013			
Cost	24 026	21 001	45 027
Accumulated amortization and impairment	(11 810)	(10 590)	(22 400)
Net carrying amount	**12 216**	**10 411**	**22 627**

Except for trademarks acquired through the acquisition of Deltak, all intangible assets have a finite utility period on which the assets are amortized. The amortization charge is included under "General & administration costs".

Deltak trademarks (EUR 5 165 thousand as of 31 December 2013) have a utility period that is not limited in time and the Group intends to keep them in use in the future. Impairment tests on Deltak trademarks are made together with impairment tests on goodwill (see note 20).

Patents and trademarks are mainly composed of Deltak trademark, patents and licence agreements acquired together with Enviroserv in 2010 as well as softwares and the name "Clean Flow".

The development costs include on the one hand, use rights on the softwares obtained through the Deltak acquisition and, on the other hand, the capitalized internal development costs, mainly related to developments made in order to remain at the forefront of technology in cooling systems.

20. GOODWILL

in EUR '000'	
As of 31 December 2010	
Cost	50 649
Accumulated impairment losses	(1 531)
Net carrying amount	**49 118**
For the year ended 31 December 2011	
Exchange difference	(779)
Entry / changes in consolidation scope	6 368
Net carrying amount at closing date	**54 707**
As of 31 December 2011	
Cost	56 238
Accumulated impairment losses	(1 531)
Net carrying amount	**54 707**
For the year ended 31 December 2012	
Exchange difference	(1 897)
Entry / changes in consolidation scope	409
Net carrying amount at closing date	**53 219**
As of 31 December 2012	
Cost	54 750
Accumulated impairment losses	(1 531)
Net carrying amount	**53 219**
For the year ended 31 December 2013	
Exchange difference	(2 959)
Entry / changes in consolidation scope	(1 287)
Net carrying amount at closing date	**48 973**
As of 31 December 2013	
Cost	50 504
Accumulated impairment losses	(1 531)
Net carrying amount	**48 973**

Besides exchange differences, the only movement of 2013 is related to the deconsolidation and disposal of our stake in Hamon J&C (see notes 14 and 22 for more details of this transaction).

The Group annually performs an impairment test of goodwill in conformity with the accounting principles detailed under note 6.

The Hamon Group considers that the CGUs correspond to the segments described under note 7. Indeed, the segments constitute operational entities, integrated on a management, commercial, operational and technological level, the allocation of resources between business and legal entities being generally decided on the basis of operational optimization criteria's. ACS, previously reviewed separately, is now profitable and fully integrated within the Process Heat Exchangers CGU and therefore no more subject to an individual review.

The recoverable value of cash generating units was determined, for CGUs that include a significant goodwill compared to generated EBITDA, on the basis of the value in use and for the others on the basis of their fair value decreased by the sale expenses related to those cash generating units.

The following table includes on the one hand, the goodwill and on the other hand, the method used in order to perform impairment tests:

in EUR '000'	2013	Value in use	Fair value less costs to sell	2012
Cooling Systems	6 145		x	6 650
PHE	*851*			*851*
ACS	*892*			*892*
Process Heat Exchangers	1 743	x		1 743
Air Pollution Control EMEA/Brazil	29 529	x		32 842
Air Pollution Control & Heat Recovery NAFTA	11 205		x	11 615
Chimneys	351		x	369
Total	**48 973**			**53 219**

In the absence of signed transactions or data coming from an organized market, fair value less costs to sell is estimated based on the best information available to reflect the amount that an entity could obtain from the sale of an asset from a transaction in the conditions of normal competition. Hamon estimates those values based on statistics of M&A transactions of comparable companies, derived from multiples on EBITDA, multiples most generally used by investors or strategic acquirers.

Fitch Ratings has published a report (U.S. Leveraged Finance Multiple EV-aluator) on 9 September 2011 providing those EBITDA's multiples on the 12 last months per industry. Constant watch of the market and of transactions that took place since the issuance of this report did not indicate any significant variation of multiples used. Taking into account size and liquidity criteria's, Hamon has retained for its activities a range of multiple between 4,5 and 6, that is in the lower part of the presented ranges. The management consider that those multiples are representative of the expected change in future profits. This multiple is applied to actual EBITDA's as they are derived from management accounts of the Group, reviewed by the Board of Directors. Those values are thereafter compared to CGU values in consolidation, eventually corrected to take into account values of non-operational assets or liabilities that are not reflected in the EBITDA's. The entire tests that are performed using this method show an absence of impairment risk on the targeted CGU's. A fluctuation of a factor of 0,5 reduces the coverage but not below 1,25 for any concerned CGU.

The value in use has been obtained by applying the DCF method to 3-year business plans prepared together with the budgets during the 3rd quarter 2013. Those business plans are mainly based on the backlogs of the CGU and the lists of the expected bookings for the following years determined based on ongoing proposals and projects in preparation with our regular customers. After the projection period, Hamon uses a growth rate of 1,5%, being half the rate retained by the AIE for its investment perspectives in the energy sector. There is no significant discrepancy in the expected growth rate of the CGU. The WACC retained is 10,5% (before taxes: 11%), based on the analyst reports that follow Hamon. Given the geographical and commercial dispersion within every CGU, the WACC used is identical for all entities reviewed. Sensitivity analysis are performed on booking levels (-15%), growth rate (-1%) and WACC (+ 1%). In every case, the tests performed showed that impairment risks were unlikely.

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 2010						
Acquisition cost	25 241	5 241	33 793	1 484	2 469	68 228
Accumulated depreciation	(6 550)	(3 749)	(22 639)	(987)	-	(33 925)
Net carrying amount	**18 691**	**1 492**	**11 154**	**497**	**2 469**	**34 303**
For the year ended 31 December 2011						
Exchange difference	85	(16)	174	2	(24)	221
Additions	1 585	589	2 017	29	636	4 856
Disposals	-	(1)	(5)	(35)	(7)	(48)
Depreciation charge for the year	(1 352)	(457)	(2 034)	(193)	-	(4 036)
Entry / changes in consolidation scope	2 881	95	1 815	-	5	4 796
Transferred from an account to another	(2)	19	1 796	(3)	(1 810)	-
Net carrying amount at closing date	**21 888**	**1 721**	**14 917**	**297**	**1 269**	**40 092**
As of 31 December 2011						
Acquisition cost	31 884	6 796	43 226	1 082	1 269	84 257
Accumulated depreciation	(9 996)	(5 075)	(28 309)	(785)	-	(44 165)
Net carrying amount	**21 888**	**1 721**	**14 917**	**297**	**1 269**	**40 092**
For the year ended 31 December 2012						
Exchange difference	108	(40)	(307)	5	(96)	(330)
Additions	258	593	5 205	19	2 454	8 529
Disposals	(554)	3	(13)	-	(5)	(569)
Depreciation charge for the year	(1 102)	(466)	(2 556)	(50)	-	(4 174)
Transferred from an account to another	(48)	5	56	-	(13)	-
Net carrying amount at closing date	**20 550**	**1 816**	**17 302**	**271**	**3 609**	**43 548**
As of 31 December 2012						
Acquisition cost	29 499	5 440	39 361	1 103	3 607	79 010
Accumulated depreciation	(8 949)	(3 624)	(22 059)	(832)	2	(35 462)
Net carrying amount	**20 550**	**1 816**	**17 302**	**271**	**3 609**	**43 548**
For the year ended 31 December 2013						
Exchange difference	(591)	(138)	(730)	(7)	(191)	(1 657)
Additions	759	654	4 157	323	1 547	7 440
Disposals	(905)	(298)	(127)	-	(24)	(1 354)
Depreciation charge for the year	(996)	(429)	(2 863)	(88)	-	(4 376)
Derecognized on disposal of a subsidiary	(4)	(124)	(159)	(0)	-	(287)
Net carrying amount at closing date	**18 813**	**1 481**	**17 580**	**499**	**4 941**	**43 313**
As of 31 December 2013						
Acquisition cost	28 758	5 534	42 502	1 419	4 939	83 151
Accumulated depreciation	(9 945)	(4 053)	(24 922)	(920)	2	(39 838)
Net carrying amount	**18 813**	**1 481**	**17 580**	**499**	**4 941**	**43 313**

The amount included under 'Land and buildings' includes a net amount of EUR 6 482 thousand for assets under finance lease on 31 December 2013 (EUR 8 846 thousand and EUR 7 180 thousand respectively on 31 December 2012 and 2011).

The amount included under the 'Plant, machinery and equipment' heading includes an amount of EUR 430 thousand for assets under finance lease on 31 December 2013 (EUR 495 thousand on 31 December 2012 and EUR 559 thousand on 31 December 2011).

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

in EUR '000'	Non-current	Current
For the year ended 31 December 2011		
Balance at opening date	6 625	7
Disposals	(1 545)	-
Transfer from one caption to another	1	(1)
Impairment charge	(1 175)	-
Exchange difference	(6)	-
Balance at closing date	**3 900**	**6**
For the year ended 31 December 2012		
Balance at opening date	3 900	6
Additions	-	178
Disposals	(1 616)	(178)
Exchange difference	67	-
Balance at closing date	**2 351**	**6**
For the year ended 31 December 2013		
Balance at opening date	2 351	6
Additions	313	-
Disposals	(1 505)	(5)
Transfer from one caption to another	1 505	-
Exchange difference	(31)	-
Balance at closing date	**2 633**	**1**

Non-current available-for-sale financial assets are investments in companies in which the Group holds no notable influence.

The only significant movement of the period is related to the disposal, during the last quarter of 2013, of the stake held by the Group in the company Hamon J&C (see note 14).

Otherwise, Hamon owns also some available-for-sale financial assets at their fair value.

23. DEFERRED TAX

Deferred taxes per category in EUR '000'	Assets			Liabilities		
	31/12/13	31/12/12	31/12/11	31/12/13	31/12/12	31/12/11
Temporary differences						
Intangible assets and goodwill	-	-	151	(2 745)	(2 502)	(1 503)
Property, plant & equipment	71	100	62	(857)	(921)	(271)
Construction contracts	2 000	1 916	971	(3 744)	(3 380)	(2 979)
Provisions	1 354	1 348	1 118	(541)	(530)	(608)
Finance lease contracts	-	-	-	(815)	(851)	(875)
Others	973	894	2 252	(481)	(420)	(653)
Total temporary differences	**4 398**	**4 258**	**4 554**	**(9 183)**	**(8 604)**	**(6 889)**
Tax losses and other tax credits	15 917	15 087	13 882			
Total deferred tax assets/liabilities	**20 315**	**19 345**	**18 436**	**(9 183)**	**(8 604)**	**(6 889)**
Compensation of assets and liabilities per tax entity	(3 976)	(4 372)	(4 925)	3 976	4 372	4 925
Total, net	**16 339**	**14 973**	**13 511**	**(5 207)**	**(4 232)**	**(1 964)**

Table of variation of deferred taxes in EUR '000'	2013	2012	2011
Net deferred taxes as of 1st January	10 741	11 547	5 459
Deferred tax income / (expense)	865	(912)	5 889
Exchange difference	(404)	(32)	211
Others	(70)	138	(12)
Net deferred taxes as of 31st December	**11 132**	**10 741**	**11 547**

Deferred tax assets are recognized only if their use is probable, that is to say if sufficient taxable benefit is expected in future years. For this review, the Group considers a maximum period of 5 years that takes into account expected future profits and income tax effects for the entities reviewed. Almost all recognized deferred tax assets are not limited in time.

The Group did not recognize deferred tax assets for a total amount of EUR 37 404 thousand as of 31 December 2013 (respectively EUR 33 337 thousand and EUR 29 691 thousand on 31 December 2012 and 2011) and will review this situation during future financial periods according to the profitability of the various tax entities.

24. INVENTORIES

in EUR '000'	31/12/13	31/12/12	31/12/11
Raw materials & consumables	8 286	9 447	8 899
Inventories and WIP - not related to construction contracts	746	2 249	1 903
Finished goods	4 196	4 199	4 204
Total	**13 228**	**15 895**	**15 006**

As of 31 December 2013, write-offs accounted for on inventories amounted to EUR 859 thousand (respectively EUR 1 063 thousand and EUR 1 016 thousand as of 31 December 2012 and 2011).

The net book value of the pledged inventories amounts to EUR 992 thousand, EUR 924 thousand and EUR 603 thousand for the three last periods.

25. CONSTRUCTION CONTRACTS

in EUR '000'	31/12/13	31/12/12	31/12/11
Contract costs incurred and recognised profits	728 769	652 884	549 873
Progress billings	(719 841)	(674 538)	(556 925)
Total	**8 928**	**(21 654)**	**(7 052)**
Amount due from customers for contract work	104 402	83 831	64 566
Amount due to customers for contract work	(95 474)	(105 485)	(71 618)
Total	**8 928**	**(21 654)**	**(7 052)**

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

Retentions held by our customers on progress billings and which, in conformity with contractual conditions, will be paid to Hamon on the final acceptance of considered projects, stand at EUR 6 647 thousand as of 31 December 2013 (respectively EUR 5 919 thousand and EUR 5 715 thousand on 31 December 2012 and 2011).

26. TRADE AND OTHER RECEIVABLES

in EUR '000'	31/12/13	31/12/12	31/12/11
Trade receivables	95 594	102 182	68 365
Less: impairment of doubtful receivables	(3 829)	(2 553)	(2 833)
Trade receivables - net	**91 765**	**99 629**	**65 532**
Retentions	3 647	5 919	5 715
Prepayments	9 555	14 045	8 995
Cash deposits and guarantees paid	1 175	857	699
Receivables on related parties	3 852	3 005	2 866
Other receivables	24 237	21 050	11 926
Total	**134 231**	**144 505**	**95 733**
Non-current Trade and other receivables			
Receivables on related parties	369	-	-
Cash deposits and guarantees paid	1 095	828	630
Other non-current receivables	1 524	1 896	1 801
Less: non-current receivables	**(2 988)**	**(2 724)**	**(2 431)**
Trade and other receivables - current	**131 243**	**141 781**	**93 302**

On 31 December 2013, the amount of receivables assigned without recourse to financial organizations and that are deducted from the section 'Trade receivables' according to criteria included in IAS 39 is EUR 59 495 thousand (EUR 30 000 thousand in 2012 and 15 948 thousand in 2011).

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

27. CASH AND CASH EQUIVALENTS

in EUR '000'	31/12/13	31/12/12	31/12/11
Credit Institutions	116 501	79 656	77 673
Cash in hand	78	76	143
Short term cash deposits	3 554	4 193	5 411
Cash and cash equivalents	**120 133**	**83 925**	**83 227**

On 31 December 2013, the amount of cash and cash equivalents that the Group cannot dispose of freely stands at EUR 3 948 thousand (2012: EUR 3 597 thousand, 2011: EUR 3 440 thousand).

Hamon has modified its policy of cash investment and now favors, given the decrease of the risks on the banks, investments towards credit institutions.

28. SHARE CAPITAL

The share capital and number of shares stand as follows:

Par value per share	31/12/13	31/12/12	31/12/11
Number of issued shares as of closing date	7 191 472	7 191 472	7 191 472
Share capital (in EUR)	2 157 442	2 157 442	2 157 442
Par value (in EUR/share)	0,30	0,30	0,30

Shareholdership

On 31 December 2013, the share capital amounts to EUR 2 157 442 made up of 7 191 472 shares with no stated value. Further to the implementation of a liquidity contract in 2013 with the help of a financial institution, the Group held a total of 6 258 shares of the Company as of December 31st 2013.

Shareholders	Shares 31/12/13	%	Shares 31/12/12
Sopal International S.A.	4 598 155	63,9%	4 598 155
Esindus S.A.	303 506	4,2%	303 506
Walloon Region, represented by the Société Wallonne de Gestion et de Participation S.A.	100 000	1,4%	100 000
Fortis Investment Management S.A.	175 106	2,4%	175 106
Own shares held by the Company	6 258	0,1%	0
Other public	2 008 447	28,0%	2 014 705
Total	**7 191 472**	**100,0%**	**7 191 472**

Dividends

The Group has, for the three previous periods, paid the following dividends:

Dividende par action	Advance	Supplement	Total
Year 2011	0,12	0,13	0,25
Year 2012	0,00	0,00	0,00
Year 2013	0,00	0,00	0,00

29. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

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

'Provisions for restructuring' relate to entities located in Belgium, the related cash-out being spread out in time.

The main movement during the year is related to the decrease of provisions for warranty due to the expiration of the warranty period of several contracts in the United States.

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

in EUR '000'	Restructuring	Warranty	Losses on contracts	Other provisions	Total
Balance as of 1st January 2011	**365**	**3 986**	**284**	**1 834**	**6 469**
Additions	329	2 143	289	357	3 118
Reversals	(187)	(440)	-	(159)	(786)
Use of provision	-	(588)	(37)	(263)	(888)
Exchange difference	-	227	(12)	(54)	161
Other movements	-	12	(1)	(11)	-
Balance as of 31 December 2011	**507**	**5 340**	**523**	**1 704**	**8 074**
Additions	754	892	45	245	1 936
Reversals	(20)	(1 557)	(28)	(1)	(1 606)
Use of provision	(629)	(797)	-	(11)	(1 437)
Exchange difference	-	(130)	(5)	(41)	(176)
Balance as of 31 December 2012	**612**	**3 748**	**535**	**1 896**	**6 791**
Additions	263	1 079	685	225	2 252
Reversals	(44)	(1 805)	(12)	(454)	(2 315)
Use of provision	(689)	(24)	-	-	(713)
Exchange difference	-	(229)	(37)	(79)	(345)
Balance as of 31 December 2013	**142**	**2 769**	**1 171**	**1 588**	**5 670**
Of which non-current provisions	142	242	211	197	792
Of which current provisions	-	2 527	960	1 391	4 878

30. PROVISIONS FOR PENSIONS

The net obligations for employee benefits amounted to EUR 5 204 thousand at the end of 2013. They are primarily made up of post-employment benefits in line with local practices.

Employee benefits

in EUR '000'	Provision pension plan	Provision retirement lumpsum	Other long term benefit	TOTAL
Total obligations	5 338	66	36	5 440
Fair value of plan assets	(1 218)			(1 218)
Net obligation as at 1 January 2011	**4 120**	**66**	**36**	**4 222**
Of which defined benefit plan net obligation	**4 120**	**66**		**4 186**
Additions	697	11	5	713
Uses (-)	(186)	(10)	-	(196)
Currency translation differences	(25)	-	1	(24)
Actuarial remeasurement	(38)	-	-	(38)
Total obligations	5 786	67	42	5 895
Fair value of plan assets	(1 390)			(1 390)
Net obligation as at 31 December 2011	**4 396**	**67**	**42**	**4 505**
Of which defined benefit plan net obligation	**4 396**	**67**		**4 463**
Additions	769	14	33	816
Uses (-)	(223)	(5)	-	(228)
Currency translation differences	40	-	-	40
Actuarial remeasurement	419	-	-	419
Total obligations	6 791	76	75	6 942
Fair value of plan assets	(1 574)			(1 574)
Net obligation as at 31 December 2012	**5 217**	**76**	**75**	**5 368**
Of which defined benefit plan net obligation	**5 217**	**76**		**5 293**
Additions	724	6	1	731
Uses (-)	(298)	(6)	-	(304)
Currency translation differences	(106)	-	(12)	(118)
Actuarial remeasurement	(325)	-	-	(325)
Total obligations	6 786	76	64	6 926
Fair value of plan assets	(1 722)			(1 722)
Net obligation as at 31 December 2013	**5 064**	**76**	**64**	**5 204**
Of which short term provisions	58	-	-	58
Of which defined benefit plan net obligation	**5 064**	**76**	**-**	**5 140**

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

Defined contribution plans

The retirement plans based on defined contributions are plans for which the organization pays determined contributions to a separate entity in accordance with the plan provisions. The Group has no obligation beyond these contribution payments.
The contributions paid for these plans amounted respectively to EUR 795 thousand in 2013, EUR 809 thousand in 2012 and EUR 948 thousand in 2011. These plans are primarily offered by Belgian, British and South African companies within the Hamon Group. At present, based on its own analysis, the Group considers that reserves held by insurance companies for its Belgian defined contribution plans are sufficient to meet their obligations of minimum return as enforced by the law. Those plans are therefore considered as defined contribution plans and no other obligation has been acted in the financial statements.

Defined benefit plans

With the adoption of IAS19 (revised 2011), net obligations of defined benefit plans for the previous years have been restated. Amounts presented here below for the years 2011 and 2012 therefore differ from the ones given in last year annual report. Restatement of last years consolidated financial statements is detailed in note 6. The main change coming from the application of IAS 19 (revised 2011) is the elimination of the "corridor approach" and, therefore, the recognition of actuarial gains and losses in other comprehensive income (equity).

Characteristics of defined benefits plans

The defined benefit plans require the accounting for the net obligations of the Company towards its employees in its financial statements. The net obligations of those plans and their variations are determined by an actuarial calculation using the "projected unit credit method".

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 2013, there wasn't any new plan or modification / liquidation of existing plan(s) within the Group.

These benefits are granted by some Belgian, German, French, Indian, Indonesian and Korean companies. France alone represents more than half the total of such obligations in the Group.

"Retirement benefit" plans, representing 98,5% of the total obligations for defined benefit plans, provide for the payment of a capital (or annuity) to employees, at the time of their retirement, which is equal to a given number of months of salary at that date. More than 85% of those commitments are compulsory, due to domestic agreements applicable in the countries where those entities are operating, and are managed directly by the Hamon entities. The balance is managed by qualifying third party insurance companies.

"Incentive or profit sharing" plans, representing the remaining 1,5% obligations for defined benefit plans, provide for the payment of seniority allowances to employees in accordance with local practices.

Funding of defined benefit plans

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

Funding status **in EUR '000'**	**31/12/13**	**31/12/12**	**31/12/11**
Funded plans - PV of defined benefit obligations	2 364	2 230	1 722
Fair value of plan assets	(1 722)	(1 574)	(1 390)
Deficit/(surplus) of funded plans	**642**	**656**	**332**
Unfunded plans - PV of defined benefit obligations	4 498	4 637	4 131
Effect of the asset ceiling	-	-	-
Other	-	-	-
Net liability / (asset) in the balance sheet	**5 140**	**5 293**	**4 463**

The assets of the funded plans are exclusively “qualifying insurance contracts” that have evolved as such during the last three years:

Change in plan assets **in EUR ‘000’**	**31/12/13**	**31/12/12**	**31/12/11**
Fair value of plan assets at beginning of period	**1 574**	**1 390**	**1 218**
Interest income on plan assets	48	62	59
Return on plan assets exc. Interest income	27	7	(9)
Employer contributions	168	153	160
Employee contributions	29	28	31
Administration expenses paid from plan assets	(9)	(9)	(9)
Benefits paid	(94)	(38)	(41)
Others	(21)	(19)	(19)
Fair value of plan assets at end of period	**1 722**	**1 574**	**1 390**

Net expense

The amounts accounted for these plans for the last three years are the following:

in EUR ‘000’	**31/12/13**	**31/12/12**	**31/12/11**
Service Cost			
Current Service Cost	665	499	411
Past service cost	(209)	(7)	38
(Gain)/loss from settlement	-	-	-
Actuarial (gains)/losses on costs	(3)	5	1
Net interest expense	194	208	197
Administration costs exc. Mgt of plan assets	10	9	9
Defined benefit costs recognised in P&L	**657**	**714**	**656**
Return on plan assets exc. interest income on plan assets	(27)	(7)	9
Actuarial (gains)/losses arising from:			
Changes in demographic assumptions	(1)	(31)	(93)
Changes in financial assumptions	(409)	484	3
Experience adjustments	111	(27)	42
Changes in the effect of the asset ceiling (exc. Interest)	-	-	-
Others	-	-	-
Remeasurement of DB Cost recognized in OCI	**(326)**	**419**	**(39)**
Total Defined Benefit Cost	**331**	**1 133**	**617**

The net expense is recorded under ‘Cost of sales’, ‘General and Administration’ costs and ‘Financial Expenses’ while the revaluations are recorded in other comprehensive income.

The net cost has slightly decreased, compared to last year, thanks to a gain on past service cost of EUR 209 thousand related to the departure of several employees (this gain is therefore not coming from a modification of the plans).

This year, changes in financial assumptions result in an actuarial gain of EUR 409 thousand while they had triggered a loss of EUR 484 thousand in 2012.

Change in obligations

Movements of gross obligations for the last three years were as follows:

in EUR '000'	31/12/13	31/12/12	31/12/11
Defined Benefit Obligation at beginning of period	**6 867**	**5 853**	**5 404**
Current Service Cost	665	499	411
Interest cost	242	270	256
Actuarial (gains)/losses arising from:			
Changes in demographic assumptions	(1)	(31)	(93)
Changes in financial assumptions	(409)	490	3
Experience adjustments	109	(28)	43
Past Service Cost	(209)	(6)	38
Employee Contributions	29	28	31
Benefits paid	(304)	(228)	(196)
Others	(21)	(20)	(19)
Currency translation difference	(106)	40	(25)
Defined Benefit Obligation at end of period	**6 862**	**6 867**	**5 853**

Gross obligations remained stable compared to last year as increases noted in some affiliates were compensated by decreases in others. Main factors relating to positive variations were either a higher number of employees covered by the plans or salary increases while negative variations were linked to the use of higher discount rates.

The number of employees covered by the plans in 2013 amounted to 687 (of which 27 were inactive) in comparison to 647 (of which 26 were inactive) in 2012 and 544 (of which 28 were inactive) in 2011. The increase of employees covered by the plans in 2012 was mostly due to our Korean subsidiary.

Actuarial assumptions

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

in EUR '000'	31/12/13	31/12/12	31/12/11
EURO zone			
Discount rate	3,20 - 3,50%	3,00-3,60%	3,30-4,90%
Expected future salary increase rate	2,00-3,00%	2,50-3,00%	2,50-3,00%
Underlying Inflation rate	2,00%	2,00%	2,00%
Average assumed retirement age (years)	62-65	62-65	62-65
ASPAC zone			
Discount rate	3,81-9,16%	3,17-8,18%	3,81-8,67%
Expected future salary increase rate	7,00-8,47%	7,00-9,00%	7,00-10,00%
Underlying Inflation rate	2,50%	3,00%	3,00%
Average assumed retirement age (years)	55-65	55-60	55-60

The interest rates used to discount the obligations have increased marginally this year, both in the EURO and Asia-Pacific area, following market rates.
Those rates are based on AA corporate bonds whose maturity match the duration of the Group commitments. Mortality tables used are standard tables generally accepted in the countries where those benefits are offered.

Sensitivity analysis

Our sensitivity analysis on the Group obligations shows that the actuarial assumptions taken have a direct effect on their valuation.

in EUR '000'	31/12/13	Impact	in %
Discount Rate plus 0,5%	6 566	(296)	-4,3%
Discount Rate less 0,5%	7 182	320	4,7%
Expected salary increase plus 0,5%	7 179	317	4,6%
Expected salary increase less 0,5%	6 565	(297)	-4,3%

A variation of +/- 0,5% of the discount rate or of the salary increase rate has an impact of less than 5% on the value of the gross obligations.

The assets of the funded plans are 100% made of qualifying insurance contracts and are therefore held by entities with no direct or indirect link with the Group. The average maturity of the main defined benefit plans is between 15 and 20 years.

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 details of these plans are as follows:

Stock option plans granted by the company

Plan	Beneficiaries	Grant date	Grant date	Exercise Price	Exercise Periods	Outstanding options at 31/12/13	31/12/12	31/12/11
ESOP 2008 (B+G)	Belgium and Germany	27/05/08	26/05/15	33,58	From 2012 to 2015, from 15 March till 31 May and from 15 September to 15 November	17 050	17 050	17 050
ESOP 2008 (F)	France	6/10/08	26/05/15	29,71	In 2012 from 6 October to 15 November; from 2013 to 2015 from 15 March to 31 May and from 15 September to 15 November	5 500	5 500	5 500
Total						**22 550**	**22 550**	**22 550**

Each option is a right to buy a Hamon share at the price and dates indicated. This right can only be exercised if the beneficiary is still working for the Group at the date of the exercise period. The American management of the Group benefit from 'Phantom stock options' under the same conditions as the French Management. These phantom options are thus a plan of which the settlement is made through payment and not shares.

Stock Option Plan

	2013		2012	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Number of stock options as of 1st January	22 550	32,64	22 550	32,64
Stock options granted	0	0,00	0	0,00
Forfeitures of rights & options expired	0	0,00	0	0,00
Stock options exercised	0	0,00	0	0,00
Stock options expired	0	0,00	0	0,00
Number of stock options as of 31 December	22 550	32,64	22 550	32,64
Stock options exercisable as of 31 December	0	0,00	0	0,00

Volatility is based on historical volatilities on 50 and 500 days.
Taking into account the exercise price and the charges of the initial values accounted for in income statement, the stock option plan represents a cost of EUR 0 thousand (EUR 0 thousand in 2012 and EUR 29 thousand in 2011) calculated according to the Black & Scholes model.

32. FINANCIAL LIABILITIES

Detail of financial liabilities in EUR '000'	31/12/13	31/12/12	31/12/11
Bank borrowings	111 374	83 417	80 312
Bank overdrafts	7 752	9 557	1 215
Sub-total bank borrowings	**119 126**	**92 974**	**81 527**
Obligations under finance lease	3 914	3 266	3 778
Treasury notes	52 415	35 906	32 263
Other financial commitments	2 648	336	4 951
Sub-total other borrowings	**58 977**	**39 508**	**40 992**
Total	**178 103**	**132 482**	**122 519**
Of which:			
Current (due for settlement within the year)	**86 137**	**72 616**	**50 596**
Amount due for settlement in the 2nd year	615	2 381	609
Amount due for settlement in the 3rd year	90 034	222	359
Amount due for settlement in the 4th year	0	56 017	8 917
Amount due for settlement in the 5th year and after	1 317	1 246	62 038
Sub-total non-current	**91 966**	**59 866**	**71 923**
Total	**178 103**	**132 482**	**122 519**
Of which:			
Borrowings due for settlement within the year in			
EUR	60 388	54 683	33 670
USD	2 609	179	171
Others	23 140	17 754	16 755
Non-current borrowings in			
EUR	90 166	55 154	65 070
USD	497	708	905
Others	1 303	4 004	5 948
Total	**178 103**	**132 482**	**122 519**

Group bank borrowings as of 31 December 2013 (EUR 119 126 thousand) are mainly related to the syndicated credit facility of 4 July 2011 (EUR 87 437 thousand).

The facility still offers advantageous conditions for financing margins. The "revolver" credit lines and bank guarantees have a maturity ending in 2016, with a single bullet repayment for the "revolver" credit part. As of 31 December 2013, the Group had the ability to proceed to a new bank disintermediation on its debt, other than the one already implemented thanks to the Belgian treasury notes program, and to increase the bank guarantee line for the cancelled amount of the "revolver" credit line. This disintermediation took place in January 2014 with a bond issue pari passu with the syndicated credit facility of 4 July 2011 (see note 45).

No guarantee has been granted to the bank syndicate. Otherwise, the agreement includes the standard securities and undertakings linked to:

- the absence of pledges on assets to the profit of third parties by any guarantor subsidiary;
- the absence of major investment and divestment;
- the disclosure of regular financial information;
- non-occurrence of 'MAC' – material adverse changes or elements with a significant negative influence;
- the limitation of payment of dividends to 50% or 33% of the distributable profit depending upon the ratio Net Debt/EBITDA.

The syndicated credit facility requires the compliance with the following ratios: Net Debt/EBITDA, EBITDA/Net Cash Interest Payable, Total Debt/Book Equity and limits the amount of capital expenditures.

All those ratios are achieved by the Group. The financing margins of the "revolver" credit line vary between 1,1% and 2,5% depending on the Net Debt/EBITDA ratio.

The Belgian treasury notes program signed on 30 August 2010 with two dealers remains a real success among investors. The treasury notes amounted to EUR 52 415 thousand as of 31 December 2013.

The average cost of the debt was 3,24% for 2013, (3,31% for 2012) or 3,74% (3,92% in 2012) if the amortized refinancing costs of the credit lines are included in the analysis.

The debt of the Hamon Group, with the exception of leasing debts and treasury notes, uses variable interest rate references.

33. TRADE AND OTHER PAYABLES

in EUR '000'	31/12/13	31/12/12	31/12/11
Trade payables	104 903	90 032	56 924
Amounts due to related parties	2 268	2 179	2 602
Other advances received	2 768	3 887	4 210
Social security and other payables	13 421	14 209	15 600
Other (non income) tax payable	11 827	10 344	6 803
Other current liabilities	6 905	3 869	4 618
Accruals and deferred income	2 826	2 414	3 382
Total	**144 918**	**126 934**	**94 139**

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

34. DERIVATIVE INSTRUMENTS

Derivative financial instruments designated as "cash flow hedge" and "net investment hedge"

In EUR '000'		Notional or Contractual amount 31/12/13	31/12/12	31/12/11	Fair Value 31/12/13	31/12/12	31/12/11
Cash flow hedge							
Forward currency contracts sales	Assets		3 107			31	
	Liabilities			7 497			(368)
Forward currency contracts purchases	Assets						
	Liabilities						
Interests rate swaps		31 424	31 424		(757)	(1 177)	
Net investment hedge							
Cross currency swaps		11 424	11 424		407	(87)	
Total fair values					**(350)**	**(1 233)**	**(368)**

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

As of 31 December 2013, there wasn't any forward currency contracts qualifying as 'cash flow hedge'.

During the first half of 2012, the Hamon Group concluded several hedging contracts with a maturity of 5 years, interest rate swaps (IRS) in Euro and Cross Currency IRS (CCIRS) "fixed USD against floating EUR".

These last ones can be considered as synthetic transactions composed of a IRS in paying Euro on a fixed leg and a "fixed against fixed" CCIRS – paying on the USD leg and receiving on the EUR leg.

IRS (including those considered as components of synthetic transactions) pay on the fixed legs a rate of 1,335% and receive the 3-month EURIBOR. They are considered as effective hedges against fluctuations in interest rates of existing bank debts. The "fixed against fixed" CCIRS cover a portion of our net investment in the USA.

As of 31 December 2013, IRS (including those considered as components of synthetic transactions) of a notional amount of EUR 31 424 thousand and CCIRS of a total notional amount of EUR 11 424 thousand qualify respectively as cash flow hedge and net investment hedge and have fair values of respectively EUR -757 thousand and EUR 407 thousand.

Derivative financial instruments designated as "held for trading"

In EUR '000'		Notional or Contractual amount 31/12/13	31/12/12	31/12/11	Fair Value 31/12/13	31/12/12	31/12/11
Forward currency contracts sales	Assets	36 460			714		
	Liabilities	10 659	40 024	17 150	(86)	(139)	(296)
Forward currency contracts purchases	Assets			594			27
	Liabilities	22 423	19 764	778	(482)	(69)	(6)
under "Unrealized exchange gains"					714		27
under "Unrealized exchange losses"					(568)	(207)	(303)
Fair values recognized in the income statement					**147**	**(207)**	**(276)**

Forward currency contracts used to hedge the transactional risks on currencies are accounted 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.

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

35. FINANCIAL INSTRUMENTS

Financial assets and liabilities

In EUR '000'	31/12/13	31/12/12	31/12/11	Hierarchy of fair values
Financial Assets				
Cash and cash equivalents	120 133	83 925	83 227	
Available-for-sale financial assets	2 634	2 357	3 906	Level 3
Loans and receivables	117 706	129 532	86 942	
Derivative financial assets	1 121	31	27	Level 2
Total	**241 594**	**215 845**	**174 102**	
Financial Liabilities				
Borrowings at amortized cost	178 103	132 482	122 519	
Other payables	120 900	107 690	71 914	
Derivative financial liabilities	1 325	1 471	670	Level 2
Total	**300 328**	**241 643**	**195 104**	

In order to show the importance of data used for the valuations of fair values, the Group classifies these valuations according to the following hierarchy:

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The book values presented do not differ from the fair values of financial assets and liabilities if they have been calculated using the principles described elsewhere or if they do not differ from the evaluation at amortized cost for current receivable, current debts and borrowings bearing a variable interest.
Financial assets are mostly current. Their fair value thus does not differ from their book value. Their book value already takes into account possible provisions when the collection seems compromised.

Available-for-sale financial assets are made of investments in various small companies not quoted on the stock market and valued at their acquisition value. Their fair value is higher than their acquisition value but given the fact that the impact is minimal, no correction has been accounted for.

Non-current financial liabilities were evaluated at amortized cost; which is net of transaction costs. Borrowings principally include the renegotiated debt at the end of the year for which the fair value is comparable to the value in the accounts. "Other payables" are mainly trade payables for which the fair value does not differ from the book value due to its current nature.

Derivative financial assets and liabilities only include forward currency contracts. These last ones are included in this note on the asset and liability sides for their notional amount corrected by their fair value at the asset and liability side depending whether they are positive or negative.

The market value of the IRS and CCIRS is given by banks. The fair value of forward currency contracts is determined by an internal model using market datas.

36. RISK MANAGEMENT POLICIES

a) 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 its business. Foreign exchange risks can be defined as the risk of fluctuation in fair values of future cash flows due to the fluctuations in foreign currencies. The most significant foreign exchange risks of the Group are related to transactions in US dollars and English pounds.

b) Conversion impacts for subsidiaries located outside of the Euro zone

Many entities are located outside the Euro zone. The accounts of those entities are converted into Euro in order to be incorporated in the consolidated accounts of the Group. The effects of the fluctuations in foreign currencies on the conversion of net assets of those entities are recognized in the consolidated equity of the Group. For the calculation of the exposure to foreign exchange risks, the assumption has been made that the investments in the operational entities located outside the Euro zone are permanent and the reinvestment in these entities is continuous.

c) 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 after consolidation decides (if necessary) to hedge the net consolidated exposures with adequate financial instruments, in particular forward currency contracts.

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

	31/12/13				31/12/12				31/12/11			
In EUR '000'	USD	GBP	Other currencies	TOTAL	USD	GBP	Other currencies	TOTAL	USD	GBP	Other currencies	TOTAL
financial assets	79 991	2 613	6 416	89 020	100 671	3 302	8 297	112 270	18 199	1 865	7 545	27 609
financial liabilities	(10 653)	(198)	(11 219)	(22 070)	(37 000)	(248)	(2 375)	(39 623)	(6 286)	(104)	(2 644)	(9 034)
Gross balance sheet exposure	**69 338**	**2 415**	**(4 803)**	**66 950**	**63 671**	**3 054**	**5 922**	**72 647**	**11 913**	**1 761**	**4 901**	**18 575**
Gross exposure from firm commitments	8 860	(132)	(15 765)	(7 037)	72 125	(687)	(722)	70 716	84 008	-	607	84 615
Derivative financial instruments	(29 014)	(621)	-	(29 635)	(46 063)	315	(3 139)	(48 887)	(16 295)	(309)	(6 723)	(23 327)
Net exposure	**49 184**	**1 662**	**(20 568)**	**30 278**	**89 733**	**2 682**	**2 061**	**94 476**	**79 626**	**1 452**	**(1 215)**	**79 863**

+ for incoming flow / ( ) for outgoing flow

As explained here above, the amount of net exposure to US dollar in 2013 has decreased compared to 2012 as a significant share of its opening backlog in USD was executed in 2013. Some of them are however still included in the backlog while others are already on the balance sheet as trade receivables (financial assets). The Group is currently well covered for these USD contracts exposure. Most of the net USD exposure at year-end comes from an inter-company loan in USD located in the parent company of the Group (which is a EUR company).

The main part of the derivatives that hedges the foreign exchange rate on US dollar are forward contracts (see note 35).

In EUR '000'	31/12/13	31/12/12	31/12/11
Sensitivity to market rates			
% variation EUR	10 %	10 %	10 %
Impact on current year P&L	6 695	7 265	1 858
Impact on future cash flows	3 028	9 448	7 986

Compared to its closing rate, an appreciation/depreciation of the Euro of 10% against all currencies used by the Group would result in a positive/negative impact of EUR 6 695 thousand on the income statement of the current year and EUR 3 028 thousand on future financial flows after hedging. This calculation refers to balance sheet items only.

The impact of the EUR/USD exchange rate fluctuations on the 2013 results of the Group amounted to EUR -5 023 thousand on the revenue and to EUR -495 thousand on REBIT.

d) Management of interest rate risk

Interest rate risk comes from the exposure of the Group to the fluctuations of interest rates and their possible impact on the financing cost. Most of the cost of the Group debt is based on EURIBOR-3 months.
It is the policy of the Group to limit its exposure to the interest rates volatility by using financial instruments which swap a variable interest rate into a fixed rate, in particular interest rate Swaps (IRS).

During the first half of 2012, Hamon Group concluded several hedging contracts with a maturity of 5 years, interest rate swaps (IRS) in Euro and Cross Currency IRS (CCIRS) "fixed USD against floating EUR" (see note 34). These hedging contracts were still in place as of 31 December 2013.
The following table shows the debts of the Group (excluding refinancing costs) with a fixed interest rate and those with a variable interest rate:

In EUR '000'	31/12/13		31/12/12		31/12/11	
	Average rate	Principal	Average rate	Principal	Average rate	Principal
Fixed Rate						
Financial liabilities	6,50%	680	6,50%	887	10,94%	5 620
Variable Rate						
Financial liabilities	3,23%	177 423	3,29%	131 595	3,98%	118 030
	3,24%	**178 103**	**3,31%**	**132 482**	**4,30%**	**123 650**

Calculation of the market interest rate sensitivity is based on a hypothetical variation of 10 basis points on the reference market interest rate (comparable with the variation of the EURIBOR- 3 month over the year 2013).

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 177 thousand.

In EUR '000'	2013	2012	2011
Sensitivity to market rate			
bp change	10	115	60
Impact on P&L	177	1 513	708
IRS hedging effect	(31)	(361)	
Net Profit or (loss)	146	1 152	708

The impact on the currency translation reserve is non significant.

The finance costs of the Group are presented as follows (for more detail, see note 12):

In EUR '000'	31/12/13	31/12/12	31/12/11
Interest on loans and bank overdrafts	(5 920)	(4 983)	(4 776)
Interest on finance leases	(102)	(127)	(138)
Total interest expenses	**(6 022)**	**(5 110)**	**(4 914)**
Costs related to anticipated reimbursement			(194)
Credit facilities transaction costs (amortized cost treatment under IFRS)	(1 036)	(952)	(1 131)
Other financing costs	(4 499)	(1 276)	(796)
Total other finance costs	**(5 535)**	**(2 228)**	**(2 121)**
TOTAL	**(11 557)**	**(7 338)**	**(7 035)**

Financial assets as well as trade payables of the Group do not generate important financial income or expense due to the historically low interest rates.

e) Management of credit risk

Due to its construction activities, the Group is exposed to credit risks. However, credit risk is lesser than the one of more traditional constructions companies, as the credit rating of most of the Group customers is very high since they are mainly large international Engineering & Contracting (EPC) groups or energy producers.

The customer risk occurs in the accounts as the non-payment by a customer which could lead to a write-off of the underlying receivable. When a receivable becomes doubtful, following suspension of payment or bankruptcy of a customer, the Group books a provision for doubtful receivable. If, thereafter, the receivable becomes uncollectible, a corresponding write-off is accounted for.

The Group does not have 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 is a Chinese customer which accounts for 4,85% 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 particular measures for customers located in countries where the risk is significant. As credit risk solutions, the Group can, among others, request the payment prior to delivery, irrevocable and confirmed (by our banks) letters of credits 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. They include the trade receivables and other receivables of the Group, with the exception of the non-financial receivables like tax assets.
The amounts presented in the following table are the gross values of the receivables before any write-off for doubtful receivables.

Monitoring of financial receivables In EUR '000'	TOTAL	Overdue >3 months	Overdue 2-3 months	Overdue 1-2 months	Current	Not due
As of 31 December 2013	130 175	8 469	2 658	12 187	74 893	31 968
As of 31 December 2012	129 532	12 587	4 063	6 435	43 124	63 324
As of 31 December 2011	86 942	10 587	1 487	4 390	43 728	26 750

Payment terms with our customers are usually between 30 and 60 days.

Trade receivables with terms that have been renegotiated are not significant. The Group does not hold guarantees or other forms of credit enhancement on its receivables.

Provisions for doubtful receivables have evolved as follows during the last three years:

In EUR '000'	31/12/13	31/12/12	31/12/11
Balance at beginning of the year	**(2 553)**	**(2 833)**	**(3 358)**
Amounts written off during the year	(989)	(901)	(497)
Amounts recovered during the year	110	6	217
Other (forex, transfer,...)	(397)	1 175	805
Balance at end of the year	**(3 829)**	**(2 553)**	**(2 833)**
Net impairment on receivable in P&L	(879)	(895)	(280)

f) Liquidity Risk Management

The Group liquidity risk is related to the capacity of the Group to respect its obligations with regard to its financial liabilities.

The Group remained in a net debt position at the end of 2013.

In EUR '000'	31/12/13	31/12/12	31/12/11
Cash and cash equivalent	120 133	83 925	83 227
Total liquidity	**120 133**	**83 925**	**83 227**
Short term financial debt & current portion of long term financial debt	(86 137)	(72 616)	(57 188)
Long term financial debt	(91 966)	(59 866)	(65 331)
Total financial debt	**(178 103)**	**(132 482)**	**(122 519)**
Net liquidity	**(57 970)**	**(48 557)**	**(39 292)**

The Group has a revolving credit line with its bank pool in order to address possible short term treasury needs (see note 32).

The following tables present the contractual due dates of the consolidated liabilities of the Group:

Liquidity Risk Management 31/12/13

In EUR '000'	TOTAL	Due before 6 months	Due 6 -12 months	Due 1 - 2 years	Due 2 - 5 years	Due over 5 years
Bonds and treasury notes	52 415	52 415	-	-	-	-
Loans from Banks	119 126	-	30 521	-	88 605	-
Obligations under finance leases	3 914	-	688	1 185	859	1 182
Other financial liabilities	2 648	-	2 513	-	-	135
Trade and other Payables	131 460	129 627	784	1 049	-	-
Derivative financial liabilities	204	-	204	-	-	-
Total	**309 767**	**182 042**	**34 710**	**2 234**	**89 464**	**1 317**

Liquidity Risk Management 31/12/12

In EUR '000'	TOTAL	Due before 6 months	Due 6 -12 months	Due 1 - 2 years	Due 2 - 5 years	Due over 5 years
Bonds and treasury notes	35 906	35 906	-	-	-	-
Loans from Banks	92 974	-	35 899	1 919	55 156	-
Obligations under finance leases	3 266	-	475	461	1 011	1 318
Other financial liabilities	336	-	336	-	-	-
Trade and other Payables	107 690	105 392	1 314	956	-	28
Derivative financial liabilities	1 471	-	1 471	-	-	-
Total	**241 643**	**141 298**	**39 495**	**3 336**	**56 167**	**1 346**

Liquidity Risk Management 31/12/11

In EUR '000'	TOTAL	Due before 6 months	Due 6 -12 months	Due 1 - 2 years	Due 2 - 5 years	Due over 5 years
Bonds and treasury notes	32 263	32 263	-	-	-	-
Loans from Banks	81 527	-	19 909	4 282	55 909	1 427
Obligations under finance leases	3 778	377	377	449	1 350	1 454
Other financial liabilities	4 951	-	4 491	205	255	-
Trade and other Payables	79 530	75 389	3 641	209	-	291
Derivative financial liabilities	671	-	671	-	-	-
Total	**202 720**	**107 800**	**29 089**	**5 145**	**57 514**	**3 172**

g) Capital-linked Risk Management

The Group manages its capital in order to ensure its going concern while optimizing the ratio debt/equity. The Group's objective is to have sufficient flexibility to fund operating costs and capital requirements of an international diversified engineering group. The Group's overall strategy remains unchanged compared to 2012.

The capital structure of the Group consists of debt, which includes the borrowings disclosed under note 32, cash and cash equivalents as well as equity which includes share capital, reserves and retained earnings, disclosed in notes 27 and 28.

The Board of Directors regularly reviews the capital structure. As part of this review, Directors evaluate the cost of capital and risks associated with each class of capital in order to balance the structure.

37. GUARANTEES ON THE GROUP'S ASSETS

The following table shows the Group's assets which have guarantees attached.

The guaranteed financial assets are principally restricted bank accounts located in Korea and current assets in India.

Guaranteed property, plant and equipment are mainly lands and buildings in Korea and in India as well as equipment necessary for the construction of cooling towers in India. Guarantees on inventories are also located in India.

Those guarantees are granted consecutively to the setup of credit and bank guarantees facilities with Indian and Korean banks, so outside the bank pool (see note 32), without any guarantee from the mother company of Hamon Group.

In EUR '000'	31/12/2013	31/12/2012	31/12/2011
Inventories	992	924	603
Property, plant & equipment	9 773	9 408	8 489
Financial Assets	20 390	25 087	24 922
Total	**31 156**	**35 420**	**34 014**

As a reminder, the syndicated credit facility signed on 4 July 2011 is not associated with any guarantee granted to the members of the bank syndicate (see note 32).

38. FINANCE AND OPERATING LEASE AGREEMENTS

Finance lease agreements

The main finance lease contracts are related to land and buildings in Belgium, France and North America. They are denominated in Euros and US dollars respectively. Particularly, the Group concluded in 2013 a new 5 years finance lease agreement in France for a partially transportable recycling installation of infill used in cooling towers. Less significant leases are in place for vehicles and office equipment.

The commitments of the Group in terms of finance lease for the years to come can be summarized as follows:

in EUR '000'	Minimum lease payments			Present value of minimum lease payments		
	31/12/13	31/12/12	31/12/11	31/12/13	31/12/12	31/12/11
Amounts due for finance leases						
within one year	793	584	632	688	470	494
in the second to fifth years inclusive	2 231	1 701	2 131	2 044	1 479	1 830
after more than 5 years	1 303	1 473	1 646	1 182	1 318	1 454
Sub-total	**4 327**	**3 758**	**4 409**	**3 914**	**3 267**	**3 778**
Less: future finance charges	(412)	(492)	(631)	N/A	N/A	N/A
Present value of lease obligations	**3 915**	**3 266**	**3 778**	**3 914**	**3 267**	**3 778**
Less: Amounts due for settlement within one year				(688)	(470)	(494)
Non-current finance leases debts				**3 226**	**2 797**	**3 284**

The average lease term for the obligations on finance lease is 6,84 years. The average weighted interest rate is 4,62%. The fair value of these finance leases is close to its nominal value.

Operating lease agreements

The commitments taken by the Group for operating leases for future years are as follows:

in EUR '000'	31/12/13	31/12/12	31/12/11
Minimum lease payments under operating leases recognized as an expense during the year	6 042	5 863	5 125
Minimum lease payments due for operating leases			
within one year	4 805	4 762	4 557
in the second to fifth years inclusive	11 643	9 301	9 735
after more than five years	564	1 663	1 300
Total	**17 012**	**15 726**	**15 592**

Operating leases mostly relate to offices and to a lesser extent, vehicles, machines and office equipment. The increase in commitments compared to last year is mainly explained by a new lease agreement in South Korea for a production facility for the Process Heat Exchangers BU.

39. COMMITMENTS

As part of its business, the Group is often required to issue guarantees in favor of customers for the reimbursement of advance payments, the correct execution of contracts or obligations of technical guarantees.

Some of these commitments require bank guarantees, insurance bonds or documentary credits/SBLC import issued on the Group credit lines:

in EUR '000'	31/12/13	31/12/12	31/12/11
Documentary credit / SBLC import	20 826	2 815	7 415
Bank guarantees	203 654	192 262	124 069
Insurance bonds	56 013	67 923	59 648
Total	**280 492**	**263 000**	**191 131**

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

The line available for letters of credit and bank guarantees under the syndicated credit line amounts to EUR 250 000 thousand. Moreover, the Group also has at its disposal a "U.S. bonds" line of USD 100 000 thousand (USD 50 000 thousand in 2012).

The Group is also using more and more SBLC Import (total of EUR 20 826 thousand at the end of 2013) in order to improve payment conditions with some of its suppliers.

The Group has also endorsed commitments relating to companies sold in 2005 (FBM), bankrupt (HRCI) or associated companies (OHL and BFT) as follows:

in EUR '000'	31/12/13	31/12/12	31/12/11
Commitment of good project execution	182	182	482
Comfort letters to banks	1 286	1 286	2 570
Comfort letters to suppliers			4 080
Bank guarantees	48	89	328
Total	**1 515**	**1 557**	**7 459**

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

40. CONTINGENT LIABILITIES

No new significant litigation occurred in 2013. The only outstanding litigations are as follows:

Bankruptcy of Hamon Research-Cottrell Italia (HRCI)

The General Assembly of HRCI decided to put this company into voluntary liquidation in April 2005. Hamon had already accrued for a significant amount in its 2004 accounts for this bankruptcy. In June 2005, the liquidator filed the books at the commercial court of Milan. An agreement was signed between Hamon and the bankruptcy administrator of HRCI in July 2008.

FBM Hudson Italiana

The Italian company FBM Hudson Italiana Spa, sold by Hamon Group in December 2005, has initiated proceedings against its former directors. FBM was dismissed and sentenced to pay legal expenses by the Court of Genoa. FBM appealed on the part of the judgment ordering the payment of damages and interests for reckless and vexatious procedure (EUR 100 thousand).

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, through now, exclusively handled by the seller. Insofar as these proceedings go back to a period prior to the acquisition of the US subsidiaries of 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.

Other litigations

The nature of the Group's activities leads us to file/receive 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 globally significant impact on Hamon's financial situation.

41. RELATED PARTIES

The ultimate mother company of the Group is Sopal International SA. 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 31/12/13

in EUR '000'	Purchases				Revenues		
	of goods	of services	lease of assets	management fees	goods	of services	royalties
Controlling shareholder and other entities directly and indirectly controlled by the controlling shareholder	-	70	-	-	293	-	-
Other shareholders with significant influence	-	-	-	4	481	-	152
Associates	-	158	-	-	331	31	-
Other related parties	-	-	-	-	-	-	-

BALANCE SHEET as of 31/12/13

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	275	850	-	693
Other shareholders with significant influence	-	2 178	-	229
Associates	-	-	-	-
Other related parties	94	455	170	1 345

Income statement as of 31/12/12

in EUR '000'

	Purchases of goods	Purchases of services	Purchases lease of assets	Purchases management fees	Revenues goods	Revenues of services	Revenues royalties
Controlling shareholder and other entities directly and indirectly controlled by the controlling shareholder	-	70	-	-	262	-	-
Other shareholders with significant influence	-	-	-	5	829	-	442
Associates	-	294	-	-	128	60	-
Other related parties	-	-	-	-	-	-	-

BALANCE SHEET as of 31/12/12

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	-	941	-	694
Other shareholders with significant influence	-	1 484	-	246
Associates	-	580	502	1 240
Other related parties	-	-	-	-

Income statement as of 31/12/11

in EUR '000'

	Purchases of goods	Purchases of services	Purchases lease of assets	Purchases management fees	Revenues goods	Revenues of services	Revenues royalties
Controlling shareholder and other entities directly and indirectly controlled by the controlling shareholder	2	70	-	-	270	-	
Other shareholders with significant influence	23	-	-	-	1 027	-	202
Associates	-	-	-	-	-	-	-
Other related parties	-	-	-	-	-	-	-

BALANCE SHEET as of 31/12/11 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	-	628	-	693
Other shareholders with significant influence	-	1 658	-	1 630
Associates	-	580	502	1 240
Other related parties		-		

During the last three years, no write-off was accounted for on receivables with the related parties. The other entities directly or indirectly controlled by the controlling shareholder are the following companies:

- Gefimco SA ;
- Cogim NV ;
- Promo Services (Belgium) SA.
- Cofragim

Relations with related parties mostly include commercial relations (purchase/sale of goods and services, payment of management fees to shareholders, office space rental). The Group has not issued any guarantee or off balance sheet commitment to related parties other than commitments towards associates, as described in note 32. The sales and purchase of goods with those related parties are made under the standard terms and conditions of the Group.

42. MANAGEMENT COMPENSATION

The table below details the remuneration (cumulative and including charges) of the Managing Director and the members of the Executive Committee, who should be regarded as the 'key executives' in the sense of the IAS 24 definition.

in EUR '000'	2013 (2)	2012 (1)	2011 (1)
Short term benefits	438	371	334
Fixed remuneration	3 070	3 128	2 952
Variable remuneration	2 396	2 283	2 436
Subtotal	**5 904**	**5 782**	**5 722**
Long term benefits	417	371	351
Total	**6 321**	**6 153**	**6 073**

(1) Full time quivalent of 8 persons in 2011 and 2012
(2) Full time quivalent of 7,75 persons in 2013

Moreover, an amount of EUR 614 000 was paid by Hamon Corporation in the USA, in the frame of a tax adjustment for Francis Lambilliotte related to the previous years. This amount will be regularized for the future remuneration of the CEO.

The total of gross emoluments granted to the non-executive directors during the year 2013 amounted to EUR 189 thousand (EUR 182 thousand and EUR 179 thousand during the two previous years).

These emoluments are 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 special or unusual transactions with the Company.

43. 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 per BU	2013	2012	2011
Cooling Systems	943	775	663
Process Heat Exchangers	233	221	218
APC EMEA/Brazil	296	312	268
APC & Heat Recovery NAFTA	262	254	182
Chimneys	56	53	55
Corporate & Others	53	49	49
Total	**1 843**	**1 664**	**1 435**

The main variation registered in 2013 comes from the Cooling Systems Business Unit as the staff of its air-cooled condensers production facility (China) increased by 145 persons to face the high production demands.

Average headcount of other Business Units remained stable.

44. SIGNIFICANT GRANTS AND STATE AIDS RECEIVED

Significant grants and State aids received in 2013 by the 26 main subsidiaries of the Group (considered in the part Corporate Social Responsibility – See part Report Parameters) amounted to EUR 406 thousand (respectively EUR 596 thousand and EUR 345 thousand in 2012 and 2011). They include:

- Research tax credits ("Crédit d'impôt recherche" - CIR) obtained by subsidiaries in France;
- A reduction of tax withheld on salaries for one Belgian subsidiary due to its R&D activities;
- A second installment of the European Union in the framework of the "Life+Project" for the valorization of plastic wastes, followed by our Arrou factory (France).

45. EVENTS AFTER THE BALANCE SHEET DATE

On January 24, Hamon completed the offering of EUR 55 million senior bonds due in 2020 and guaranteed by some of its subsidiaries. The offering was oversubscribed. The Bonds have been issued at 100 per cent of the par on 30 January 2014 and will be redeemed at par on 30 January 2020.

The proceeds of the offering will be used in full in partial prepayment and cancellation of the revolving credit facility of the 2011 facility agreement, allowing a corresponding increase of the bank guarantees facility in order to support the development of the Group's activities.

46. AUDITOR'S FEES

For the entire consolidated perimeter of the Group, the fees paid to the auditor and its network (Deloitte) for 2013 amounted to EUR 727 thousand and are broken down as follows:

in EUR	2013	2012
Fees linked to financial statements audit	694 478	751 344
Tax assistance missions	29 592	27 804
Other assistance	2 750	3 637
Total	**726 820**	**782 785**

Deloitte.

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www.deloitte.be

Hamon & Cie (International) SA

Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2013

To the shareholders

As required by law, we report to you on the statutory audit mandate which you have entrusted to us. This report includes our report on the consolidated financial statements as defined below together with our report on other legal and regulatory requirements.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Hamon & Cie (International) SA ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2013, 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 then ended, as well as the summary of principal accounting standards and other explanatory notes. The consolidated balance sheet shows total assets of 516.189 (000) EUR and the consolidated income statement shows a consolidated loss (group share) for the year then ended of 5.625 (000) EUR.

Responsibility of the board of directors for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the company's officials and the board of directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Deloitte.

Unqualified opinion

In our opinion, the consolidated financial statements of Hamon & Cie (International) SA give a true and fair view of the group's net equity and financial position as of 31 December 2013, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

In the framework of our mandate, our responsibility is to verify, for all significant aspects, the compliance with some legal and regulatory requirements. On this basis, we provide the following additional comment which does not modify the scope of our audit opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is, for all significant aspects, in agreement with the consolidated financial statements and is not in obvious contradiction with any information obtained in the context of our mandate.

Diegem, 2 March 2014

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Pierre-Hugues Bonnefoy

8. Statutory accounts of Hamon & Cie (International) SA

The statutory accounts of the parent company, Hamon & Cie (International) S.A., are presented below in a summarized form. The Management Report and statutory accounts of Hamon & Cie (International) S.A., as well as the Audit Report, will be filed at the National Bank of Belgium once approved by the Annual General shareholders Meeting of 22 April 2014, 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
B-1435 Mont-St-Guibert
Belgium.

The Auditor has issued an unqualified opinion on the 2013 annual accounts of Hamon & Cie (International) SA.

SUMMARIZED BALANCE SHEET AS OF 31 DECEMBER, AFTER APPROPRIATION

in EUR '000'	31/12/13	31/12/12	31/12/11
Fixed assets	**198 845**	**197 611**	**189 667**
I. Formation expenses	3 163	3 334	4 324
II. Intangible assets	2 303	2 039	1 659
III. Tangible assets	883	199	261
IV. Financial assets	192 496	192 039	183 423
Current assets	**81 094**	**55 230**	**45 730**
V. Amounts receivable after one year	520	678	722
VI. Stock and contracts in progress	0	0	0
VII. Amounts receivable within one year	78 065	53 945	44 374
VIII. Short term deposits	92	0	0
IX. Cash at bank and in hands	1 997	70	101
X. Deferred charges and accrued income	420	537	533
Total assets	**279 939**	**252 841**	**235 397**
Equity	**143 253**	**142 091**	**139 181**
I. Capital	2 157	2 157	2 157
II. Share premium account	15 360	15 360	15 360
IV. Reserves	11 661	11 569	11 569
V. Profit carried forward	114 075	113 005	110 095
Provisions and deferred taxes	**0**	**387**	**0**
Amounts payable	**136 686**	**110 363**	**96 216**
VIII. Amounts payable after more than one year	61 000	48 000	56 184
IX. Amounts payable within one year	75 232	62 211	39 424
X. Accrued charges and deferred income	454	152	608
Total liabilities and equity	**279 939**	**252 841**	**235 397**

SUMMARIZED INCOME STATEMENT AS OF 31 DECEMBER

in EUR '000'	2013	2012	2011
I. Operating revenues	**16 752**	**12 870**	**11 814**
A. Turnover	15 685	11 587	10 714
D. Other operating revenues	1 067	1 283	1 100
II. Operating expenses (-)	**13 050**	**12 015**	**11 495**
A. Cost of materials	0	0	0
B. Services and other goods	6 065	5 681	4 930
C. Remuneration, social security and pension costs	4 828	4 516	4 444
D. Depreciation and amortization	2 004	1 711	1 930
F. Increase (decrease) in provisions for liabilities & charges	0	0	0
G. Other operating expenses	153	107	191
III. Operating income	**3 702**	**855**	**319**
IV. Financial income	9 660	9 999	10 989
V. Financial expenses	(9 879)	(6 358)	(3 010)
VI. Net operating income before taxes	**3 483**	**4 496**	**8 298**
VII. Extraordinary income	0	1	1 965
VIII. Extraordinary expenses	(2 304)	(1 529)	(8 748)
IX. Net income before taxes	**1 179**	**2 968**	**1 515**
X. Income taxes	(16)	(58)	(1)
XI. Net income	**1 163**	**2 910**	**1 514**

ANNEXURES

Report Parameters

For the fourth consecutive year, our annual report contains a section on Corporate Social Responsibility, including some Key Performance Indicators recommended by the G3 guidelines of the GRI. This section provides more information on which basis this work was carried out.

Scope and frequency of the report

This annual report covers the 2013 fiscal year, namely the period from 1 January to 31 December 2013. By way of comparison, many of the tables provide the information for the previous fiscal year. This report is published on an annual basis. The previous report published was the 2012 annual report. Hamon's recent annual reports are available on our website, see www.hamon.com.

Entities included in the scope of analysis ("perimeter")

For financial information, see the list of consolidated entities in note 5 of the financial section.

For the section on Corporate Social Responsibility, the majority of the key indicators cover the Group's 26 main subsidiaries (subsidiaries with 2013 average headcount of at least 15 people), taken at 100 % and over the twelve months of the 2013 fiscal year. Together, these 26 subsidiaries represented 97% of the Group average headcount in 2013.

The perimeter used in 2012 was different; it included only 25 subsidiaries:

- One subsidiaries was added in 2013: Hamon Research-Cottrell GmbH (in Germany), following its important growth. The perimeter also includes an additional plant, i.e. the new Gunsan plant of Hamon Korea – Process Heat Exchanger division.
- No subsidiary was removed from the perimeter in 2013.

In the section on Environmental Responsibilities we cover the subsidiaries with the greatest impact on the environment, namely every subsidiary with a plant or a

Subsidiaries included in the perimeter (CSR)	Country	Kind	2012 Social report	2012 Environ-mental report	2013 Social report	2013 Environ-mental report
Hamon & Cie (International) SA	Belgium	Offices	x		x	
Hamon Thermal Europe SA	Belgium	Offices	x		x	
Hamon Research-Cottrell SA	Belgium	Offices	x		x	
ACS Anti Corrosion Structure SA	Belgium	Plant	x	x	x	x
Hamon Thermal Europe (France) SA	France	Offices + Plant	x	x	x	x
Hamon D'Hondt SA	France	Plant	x	x	x	x
Hamon Thermal Germany GmbH	Germany	Offices	x		x	
Hamon Enviroserv GmbH	Germany	Offices	x		x	
Hamon Research-Cottrell GmbH	Germany	Offices			x	
Hamon UK Ltd	UK	Offices	x		x	
Hamon do Brasil Ltda	Brazil	Offices	x		x	
Hamon Corporation	USA	Offices	x		x	
Hamon Custodis Inc.	USA	Offices	x		x	
Hamon Deltak Inc.	USA	Plant	x	x	x	x
Hamon Research-Cottrell Inc.	USA	Offices	x		x	
Thermal Transfer Corporation	USA	Plant	x	x	x	x
Hamon (South Africa) (Pty) Ltd	S. Africa	Offices	x		x	
Hamon D'Hondt Middle East Co. Ltd	Saudi Arabia	Plant	x	x	x	x
Hamon Research-Cottrell (Shanghai) Co. Ltd	China	Offices	x		x	
Hamon Thermal & Environmental Technology (Jiaxing) Co. Ltd	China	Plant	x	x	x	x
Hamon Thermal (Tianjin) Co. Ltd.	China	Offices + Plant	x	x	x	x
TS Filtration (Shanghai) Co. Ltd	China	Workshop	x	x	x	x
Hamon Korea Co. Ltd.	S. Korea	Offices + Plant	x		x	x
Hamon Research-Cottrell India Pvt Ltd	India	Offices	x		x	
Hamon Shriram Cottrell PVT Ltd	India	Offices + Plant	x	x	x	x
P.T. Hamon Indonesia	Indonesia	Offices	x		x	

x = included in the scope of analysis

workshop, i.e. a total of eleven factories and workshops. For more information, see the table above listing the subsidiaries included in 2012 and in 2013.

Changes to the scope of the report

Compared to the previous fiscal year, there was no change to the scope of financial consolidation in this report except the following:

- The subsidiary J&C Engineering (South Africa) was taken out from 1st January 2013.
- The subsidiary Hamon BHI Co. Ltd (South Korea) was taken out, after its assets were taken over by Hamon Korea.
- The subsidiary Heat transfer Ré Services (Luxemburg) was liquidated.
  (see notes 5 and 14 of the financial section).

Compilation of the report

The content of this report is based on:

- Legal requirements concerning financial information (IAS/IFRS standards), set by our auditors.
- The requirements of the Global Reporting Initiative (GRI), G3 guidelines, level C.
- The United Nations Global Compact reporting guidelines, for the Communication On Progress (COP).
- Relevance: information which is not relevant or does not have a significant impact on the Group is not included.
- The stakeholders to whom the report is addressed and their expectations, namely our customers, staff (current employees or applicants), suppliers, shareholders, banks, financial analysts.

The report also aims to present the information as clearly and transparently as possible.

Information on the key performance indicators

Some **social indicators** require detailed explanations:

Total headcount by job type

As noted in the section on Corporate Social Responsibilities, these figures are based on:

- Employees from (1) fully consolidated subsidiaries and (2) subsidiaries consolidated by proportional integration, on a pro rata basis of the capital held by Hamon.
- The number of people; it includes only staff on open-ended or long duration contracts. In the light of our extensive activities on worksites, the number of employees on short-term contracts constantly varies. In some cases, we use external temporary recruitment agencies.
- The average for the year. If a subsidiary is only consolidated for one part of the fiscal year, a pro rata amount is calculated (for example, if a subsidiary is only consolidated for six months, the average staff numbers for this entity over the six months will only be taken at 50%).

Rate of frequency of occupational accidents by region (number of accidents / million working hours)

The rate of frequency is the ratio between:

- The number of occupational accidents (fatal and non-fatal, including on the way to work).
- The number of effective hours of work (in million).

Rate of severity of occupational accidents by region (number of days lost / thousand working hours)

The rate of severity is the ratio between:

- The number of working days lost because of an occupational accident.
- The number of effective hours of work (in thousand).

The number of days lost are working days (not calendar days). The starting point for the calculation is the day of the occupational accident or disease.

Rate of occupational disease by region (number of days lost / thousand working hours)

The rate is the ratio between:

- The number of working days lost due to occupational diseases (depression, inhaling of toxic gases, etc.).
- Number of effective hours of work (in thousand).

Rate of absenteeism

This rate is the ratio between:

- The number of working days lost due to occupational accidents, occupational diseases and other illnesses (flu, etc.) or unexplained absences; maternity leaves and planned leaves such as holiday and statutory leave are not included. For some U.S. and Asian subsidiaries, the starting point is the day that exceeds the annual quota for sick leave (and holiday). If a person has already been on sick leave, it is the cumulated number of days already accrued for illness which is taken into account. The annual quota depends on each of the subsidiaries. If the number of days stays below that quota, the number of days indicated for absence or illness remains zero.
- The theoretical number of working days aside from statutory leave and holiday.

The other key indicators are more usual; therefore explanations are given hereunder only when necessary:

a) Economic indicators

- Direct economic value created and distributed: this includes the turnover, the gross margin, labor costs, financial fees paid to banks, paid taxes, dividends paid out to shareholders, retained profits, donations.
- Provisions for pensions with defined benefit plans: see detailed explanation in note 30 of the financial section, which covers this key indicator.
- Significant grants and public funding received.
- Local recruitment practices and proportion of managers hired locally.

b) Environmental indicators

- Direct energy consumption by primary energy source.
- Total volume of water withdrawn, by source.
- Initiatives to reduce the environmental impact of products and services.

c) Other social indicators

- Average number of hours of training per year.
- Activities identified as presenting a significant risk of accidents involving children and the measures taken.
- Total number of legal actions related to anti-competitive behavior, antitrust laws and monopolistic practices; outcome of these legal actions.

The GRI correspondence grid which follows shows where to find each of these key performance indicators in the annual report.

GRI correspondence grid

For our fourth annual report based on the Global Reporting Initiative (GRI) G3 guidelines, **we estimate that we reach a C level** (self-declared). Here is the correspondence grid allowing to find in this annual report the various sections covered by the GRI canvas.

Ref.	Indicator	Reported	Page
	PART I - PROFILE DISCLOSURE		
1	**Strategy and analysis**		
1.1	Statement from the most senior decision maker of the organization	Fully	8-10
2	**Organizational profile**		
2.1	Name of the organization	Fully	64
2.2	Primary brands, products, and/or services	Fully	46-55
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	Fully	12-13 ; 75
2.4	Location of organization's headquarters	Fully	64
2.5	Number and names of countries where the organization operates	Fully	12-13 ; 75
2.6	Nature of ownership and legal form	Fully	94 ; 64
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	Fully	12-13 ; 79
2.8	Scale of the reporting organization	Fully	7 ; 19-20
2.9	Significant changes during the reporting period regarding size, structure, or ownership	Fully	40-43
2.10	Awards received in the reporting period	Fully	24
3	**Report parameters**		
3.1	Reporting period for information provided	Fully	122
3.2	Date of most recent previous report	Fully	122
3.3	Reporting cycle	Fully	122
3.4	Contact point for questions regarding the report or its contents	Fully	129
3.5	Process for defining report content	Fully	123
3.6	Boundary of the report	Fully	122-123
3.7	State any specific limitations on the scope or boundary of the report	Fully	122-123
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	Fully	66-67
3.10	Explanation of the effect of any re-statements of information provided in earlier reports	Fully	97
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Fully	84
3.12	Table identifying the location of the Standard Disclosures in the report	Fully	125-126
4	**Governance, commitments, and engagement**		
4.1	Governance structure of the organization	Fully	26-33
4.2	Indicate whether the Chairman of the highest governance body is also an executive officer	Fully	28
4.3	Number of members of the board of directors who are independent and/or non-executive members.	Fully	28
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Fully	39
4.14	List of stakeholder groups engaged by the organization	Fully	36-39
4.15	Basis for identification and selection of stakeholders with whom to engage dialogue	Partly	38 ; 126

Ref.	indicators	Reported	Page
	PART III - PERFORMANCE INDICATORS		
	Economic indicators		
EC1	Direct economic value generated and distributed (including donations)	Fully	58-121 ; 24
EC3	Coverage of the organization's defined benefit plan obligations	Fully	96-100
EC4	Significant financial assistance received from government	Fully	117
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	Fully	20
	Environmental indicators		
EN3	Direct energy consumption by primary energy source (+ indirect power consumption)	Fully	23
EN8	Total water withdrawal by source	Fully	23-24
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Fully	24
	Social - Labor Practices and Decent Work		
LA1	Total workforce by employment type, employment contract, and region	Fully	19-20
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	Fully	20-23
LA10	Average hours of training per year per employee	Fully	20
	Social - Human rights		
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	Fully	19
	Social - Society		
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	Fully	126

Section 4.15 is partly reported because in 2013, Hamon has not yet established a formal process to select its key stakeholders and launch discussions with them (e.g. via discussion panels). Hamon has just identified the key stakeholders which seem the most important as groups. Nevertheless, the prioritization of the material aspects (in terms of sustainable development and corporate social responsibility) will be conducted early 2014. This will be done with panels including some staff members and some suppliers, as well as with a few customers. This will be conducted in the frame of the adoption of the GRI's G4 sustainability reporting guidelines; the G4 guidelines will be used for the 2014 annual report.

For section S 07: there has been no legal action against Hamon for anti-competitive behavior, anti-trust or monopoly practices in 2013.

Please note that our annual report also includes many pieces of information not listed in the GRI grid.

Part of the Hamon team at the Powergen exhibition in Vienna

Glossary

Air Cooler (or AFC): heat exchanger in which an often corrosive liquid or gas, under high pressure and high temperature, passes through special alloy finned tubes and is cooled by air from a ventilator. Used mainly in petrochemicals, and the Oil & Gas industry, but also in the cooling of auxiliaries, for example water in the steel industry.

APC: Air Pollution Control.

Bank Guarantees: guarantees given by a bank for a certain amount and over a fixed period, when contracts are made (sold) and executed. Principal categories: advance payment bond, performance bond, and warranty bond.

Cooling System when referred to in the context of power generation: in a traditional power plant generating electricity, water is heated and transformed into high pressure steam. 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 on 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.

deNOx: elimination of Nitrogen oxides, NOx in short form, from waste gases.

deSOx: elimination of Sulfur oxides, SOx in short form, from waste gases.

Dry cooling system or air-cooled steam condenser: used in the production of electricity, this system directly condenses steam at the exit of the steam turbine, in finned tube bundles cooled by the surrounding air.

EBIT: Earnings before interest and tax.

EBITDA: Earnings before interest, taxes, depreciation & amortization and non-recurring items.

EMEA: Europe, Middle East and Africa.

EPC (Engineering, Procurement and Construction): engineering firm.

ESP: Electrostatic Precipitator, an electrostatic filter that eliminates particles from the exhaust gases.

FRP: Fibre-Reinforced Plastic, used for example for exhaust gas ducts in chimneys.

GRI: Global Reporting Initiative: international body whose mission (at a worldwide level) is to provide to organizations of any size, any location and any area a reliable, credible and standardized framework for their reporting in sustainable development.

Group or Hamon Group: the name for Hamon and its subsidiaries in the sense of the Company Code, article 6, 2°.

Hamon: the name of the limited company (under Belgian law) Hamon & Cie (International) SA, with its head office at Axisparc, rues Emile Francis 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.

Hybrid cooling system: combination of a wet cooling system and finned tube bundles that slightly heat the saturated humid air, in order to reduce the steam plume.

IDDC (InDirect Dry Cooling): indirect dry cooling system, in which the cooling water is cooled down without any contact with air, thus with no water consumption.

NAFTA: North American Free Trade Agreement: territory which includes the United States of America, Canada and Mexico.

North America: the territory regrouping the United States of America, Canada and Mexico.

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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