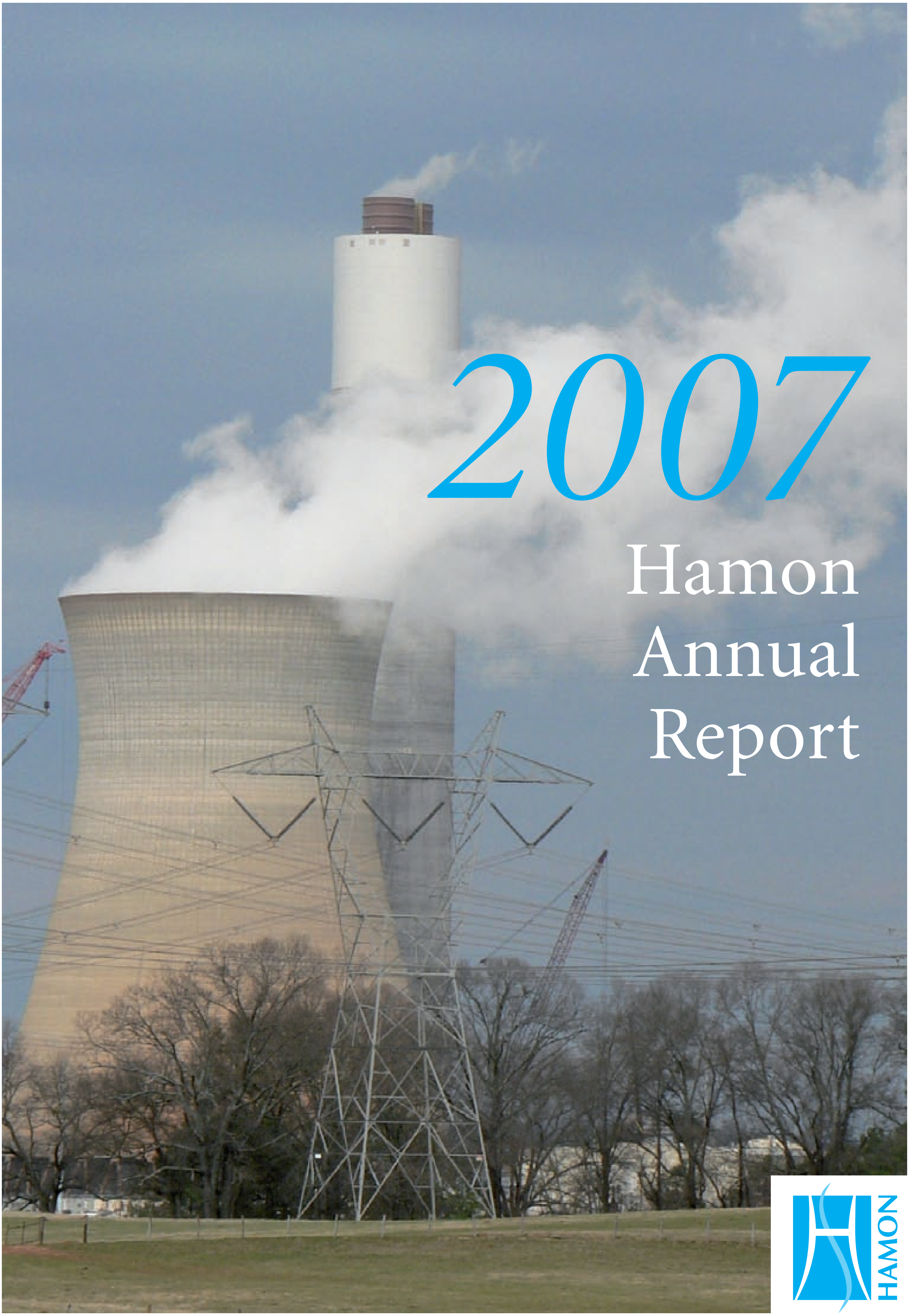
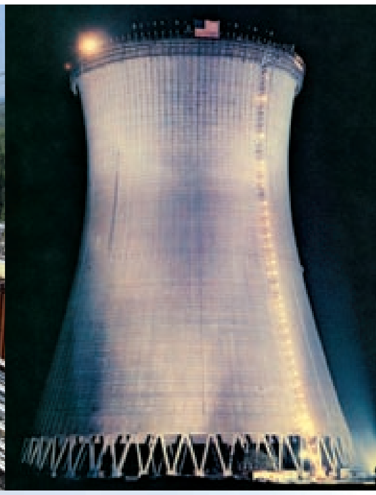
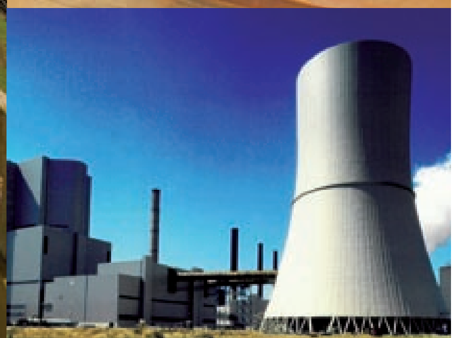


2007
Hamon Annual Report

HAMON







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Plume-abated cooling towers installed by Hamon in Spain

Part 1

General presentation of the Group

Key figures

in EUR million	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004
INCOME STATEMENT				
Revenue	432.6	354.4	283.7	194.4
EBITDA (1)	47.6	36.2	26.1	11.2
EBIT (operating profit after restructuring costs)	44.7	32.4	20.5	1.1
Net result from continued operations	19.6	14.9	22.9	(3.5)
Net result of discontinued operations	(1.2)	(1.8)	(15.7)	(15.3)
Group's share in net result for the year	18.3	13.0	7.1	(18.8)
Cash flow (2)	21.3	13.9	2.5	(6.1)
BALANCE SHEET				
Non-current assets	57.0	59.9	66.4	55.2
Non-current assets held for sale and current available-for-sale financial assets	0.0	0.1	1.8	86.7
Cash and cash equivalents	35.7	24.4	20.0	12.7
Other current assets	142.2	127.9	111.3	73.6
Total assets	**234.8**	**212.4**	**199.5**	**228.2**
Equity (3)	34.4	19.1	(10.5)	(33.0)
of which minority interests	0.3	0.3	0.2	(0.0)
Borrowings (cur. & non-cur.; excl. sub. loan)	62.6	66.4	86.9	77.4
Subordinated loans	0.0	0.0	0.0	6.3
Non-current provisions	3.6	4.2	8.3	9.1
Other non-current liabilities	10.2	6.1	3.3	1.8
Non-current liabilities held for sale	0.0	0.0	0.0	82.7
Current liabilities (excl. borrowings)	124.0	116.5	111.5	84.0
Total equity and liabilities	**234.8**	**212.4**	**199.5**	**228.2**
Net working capital (4)	18.2	11.3	(0.2)	(10.4)
Net financial debts (5)	26.9	42.0	66.9	64.7
Capital employed = net assets (6)	75.1	71.4	68.0	48.8
Average staff number (yearly average)	**912**	**779**	**769**	**832**

(1) EBITDA = operating profit before depreciation, amortization and restructuring costs
(2) Cash flow = cash generated from operations after restructuring
(3) Including minority interest; after allocation of net result of the year
(4) Current assets (excluding Cash & equivalents) - non-financial current liabilities (continued operations only)
(5) Borrowings (excl. subordinated loans) - cash & equivalents
(6) Non-current assets + net working capital + non-current net assets & liabilities held for sale

in EUR million	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004
RATIOS				
EBIT / revenue	10.3%	9.1%	7.2%	0.5%
ROCE (7)	59.4%	45.4%	30.1%	2.2%
Debt / equity (8)	0.8	2.2	(6.4)	(2.0)
Enterprise value / EBITDA (9)	7.6	6.4	3.8	7.2
DATA PER SHARE (in EUR/share)				
Group's share in net result for the year	2.5	2.2	1.6	(7.0)
Net result from continued operations	2.7	2.5	5.1	(1.3)
Equity (excl. minority interests)	4.7	3.2	(2.4)	(12.2)
Gross dividend	0	0	0	0
P/E (share price on 31.12) (10)	17.2	10.6	1.1	non significant
Total weighted number of shares	7,191,472	5,948,680	4,458,340	2,703,579
Total number of shares on 31.12	7,191,472	7,191,472	5,874,310	2,703,579
Market capitalization on 31.12	336,129,401	190,574,008	34,364,714	11,084,674
Share price on 31.12	46.74	26.50	5.85	4.10
Annual mean share price	38.66	13.93	4.97	4.87

(7) EBIT / capital employed
(8) Net financial debts / equity (incl. minority interests)
(9) Enterprise value = 31.12 market capitalization + minority interests + net financial debt + subordinated loans - investment in associates
(10) Share price on 31.12 / net result from continued operations (per share)

Discussion with Francis Lambilliotte

A 'family' multi-national that is more than 100 years old and that keeps on getting better and better? Yes, it exists.

FRANCIS LAMBILLIOTTE, MANAGING DIRECTOR.

The forecasts for 2007 made by Francis Lambilliotte have in large part been met, as is demonstrated by the figures on the following pages, and which he confirms in this interview. And the strategies that he envisioned, both domestically and around the world have also been achieved. There is every chance therefore that when he says that 2008 will be a year of consolidation and that 2009 will be a 'bumper year', he will be right.

You told us that 2007 would be a successful year both in terms of sales and profit. Has this been the case?

Francis Lambilliotte – Yes indeed. We have reached record results with an historical net result of EUR 18.3 million, a more than 40% increase, whereas our sales have increased by 22% to reach EUR 433 million. Our profit margin on sales is up from 19.5% to 21.5% in one year. Our operating margin is up by 1.5 points, which allows me to claim a victory in the war that I have been fighting for the last 2 years, namely to have a recurrent EBIT of more than 10%, and an EBITDA of around 11%. We are delighted!

May we then conclude that your 5 operational units have well performed ?

F.L. – Globally: yes, particularly in North America where the Chimney and the Air Pollution Control units, including the heat recovery business, have seen a significant increase in their activities. Right now we are building 6 to 7 chimneys at the same time, and it's an on-going business! This growth can be explained by the new norms for pollution emissions that require all existing chimneys to be modified, or replaced. We have won an important market on which we are one of the two market leaders. Regarding gas scrubbing, we have introduced in the United States a new concept, the WGS+ which, on top of SOx removal, also eliminates NOx from the exhaust gases produced by oil refineries.
The business units Air Pollution Control Europe and Heat Exchangers are also growing well. They have been able to secure important and profitable orders in the international markets, e.g. in the Middle East.

Are the measures taken for the protection of the environment, and the concern for better productivity major factors in the growth of Hamon?

F.L. – Without a doubt. Almost 80% of our sales are with the large power producers and oil & gas companies which in Europe or in North America concentrate on just one thing: how to produce more and pollute less - or at the very least, not more. We are part of a group of suppliers helping them achieve these objectives. This is becoming a priority across the world, and as such we will be attacking other international markets like India, the Middle East and Asia in general.

Do you have anything else to report related to your business units?

F.L. – Two things. In Europe, Air Pollution Control has seen an increase in orders of 27%, while still maintaining an EBIT margin in double digits. This business unit has significantly progressed in the oil and power generation areas. As for the Heat Exchangers business, its activity has increased by 50%. This jump has been mainly due to our development in the Middle East, and more particularly Saudi Arabia, where we have just inaugurated a factory under a joint venture agreement. This new stage in our development has been particularly well received by our clients, who are very favorable to this regional presence.

So you have remained faithful to your policy of partnerships?

F.L. – More than ever. All the more so as this policy has become part of the culture of Hamon for more than 40 years now. We have a habit of establishing partnerships with local players in countries where we want to develop, and we are used to working with people of other cultures and different know-how. I think it is one of our great strengths. It speeds up the integration process, and promotes the sharing of knowledge, which in the end reduces our risk. Take the example of India. Today it is clear that this country is becoming a major player in the world economy. It seems essential therefore that we create partnerships in this country, not only for the way they open their territory to us, but also so that they choose us as partners the day they launch their own export drive around the world. In other words I would rather have them with us than against us!

And where are you as it relates to your leadership strategy for niche markets?

F.L. – We remain a real player in niche markets where we can show off products that have already proven their worth. It is part of the commercial approach of our development. These are markets with small volumes, but larger growth potential and profitability with technological barriers to entry. It is the case for the moment in India, where we have intensified our presence through a joint venture, and we will do the same in the Eastern European countries. I remind you though that we are still very well positioned and present in the developed countries of Europe and North America.
The other major thrust of our development relates to our product portfolio. By anticipating the needs of our clients, and by proposing innovative and high performance products we are able to maintain a lead on our competitors. I am convinced that altogether, when married with a strict control of the costs, we will stay one of the three main players in our sector.

So you have maintained a strict control on your overhead costs?

F.L. – Yes, and we continue to be vigilant. To be absolutely precise, and please allow me to emphasize this point, our business model (light and flexible structure with sub-contracting) and the culture of Hamon mean that when our sales increase by 25%, our EBIT increases by 40%! All that is the result of an improvement of the margins on the new executed projects and a strict control of overheads.

One question that everybody asks: will the economic situation in the United States and the forthcoming Presidential elections have an impact on your business?

F.L. – Well put it this way, industrial projects related to coal-fired power plants, which produce CO_2 , will go at a slower pace before the presidential elections and until the policy for the environment becomes clear. However, the refinery market remains very active in the United States. On the other hand, there will probably be some kind of recession in the United States, but as far as we can see – as it relates to our products and markets – it is pretty much centered on North America, and does not affect our American activities which consist of long-term equipment goods. So, to date, there is nothing that leads us to think there will be a slowdown in our international business.

One year ago, you were talking about recruiting younger talent. Where are you with this project?

F.L. – We are always recruiting. But we are also facing the same problem facing many other Western companies: young talented individuals are a rare resource.
That is one of the reasons we have hired a new Human Resources Director, on whom we rely to deepen our search and to better promote our attractiveness: dynamic training policy, attractive pay package, rapid career growth, and products and technology that are cutting edge. Moreover, we can offer our young talent an opening to the world that continues to grow. We have a lot to offer to young people who finish their studies and want to see the world.

What's your forecast for 2008?

F.L. – 2008 will be a year of consolidation of the implementation of the strategic initiatives taken in 2007; a continued search for talent; the improvement of our products and the development of our businesses in expanding markets. If I make the sum of these points and I see our newfound financial health, I believe we will get through this year with relative serenity and have a good harvest in 2009.

Hamon is already 100 years old, and yet it's still in the family. That is pretty rare …

F.L. – Yes. A more-than-100-years-old publicly quoted company with more and more new shareholders but where the principal shareholder is unchanged from the beginning is indeed quite rare. We are especially proud knowing that we have been there through good times and bad, and that we have come out stronger and fitter than before. For me, this newfound health is the springboard to our continued growth in very attractive niche markets in the future. There are still enormous opportunities out there, and it is made possible thanks to our 100 years of experience, to our complete range of products that meet the needs and concerns of our customers right now, and also thanks to the quality and the dynamism of our employees.

We were therefore particularly proud to celebrate our first 100 years this last summer, even though we were I admit a few years late, but that does not change anything to the story…

I am very happy with these historic results for Hamon in 2007. They show the considerable potential of the Company and its people.

I believe Hamon has a rosy future. It has the right technologies to deliver to sectors that are developing strongly.

As for me, after 21 years as Chairman, it is time to pass the baton to a younger person, who with the Managing Director can contribute to the further development of the Group.

I will of course keep an eye on activities as a member of the board.

JACQUES LAMBILLIOTTE,
CHAIRMAN OF THE BOARD.

Group Profile

Positioning and mission

Hamon, an international engineering and contracting company (EPC), positions itself as one of the world leaders, both for equipment and aftermarket sales and service in certain niche markets:

- Cooling systems
- Air Pollution Control systems
- Heat Exchangers
- Industrial chimneys.

The services offered to clients include design, manufacture of certain key components, management of projects, installation on site, start-up and aftermarket sales and service.

The main clients are principally:

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

The objective of Hamon is to offer its shareholders a return on investment that is at least comparable to other companies in its sector. The company offers its customers innovative systems that use the latest technology at competitive prices, and that effectively respond to their needs, all with strict cost control.

Apart from the satisfaction of its shareholders and clients, Hamon takes great care in assuring the satisfaction and development of its personnel and its partners, while at the same respecting the norms of sustainable development in each environment in which it operates.

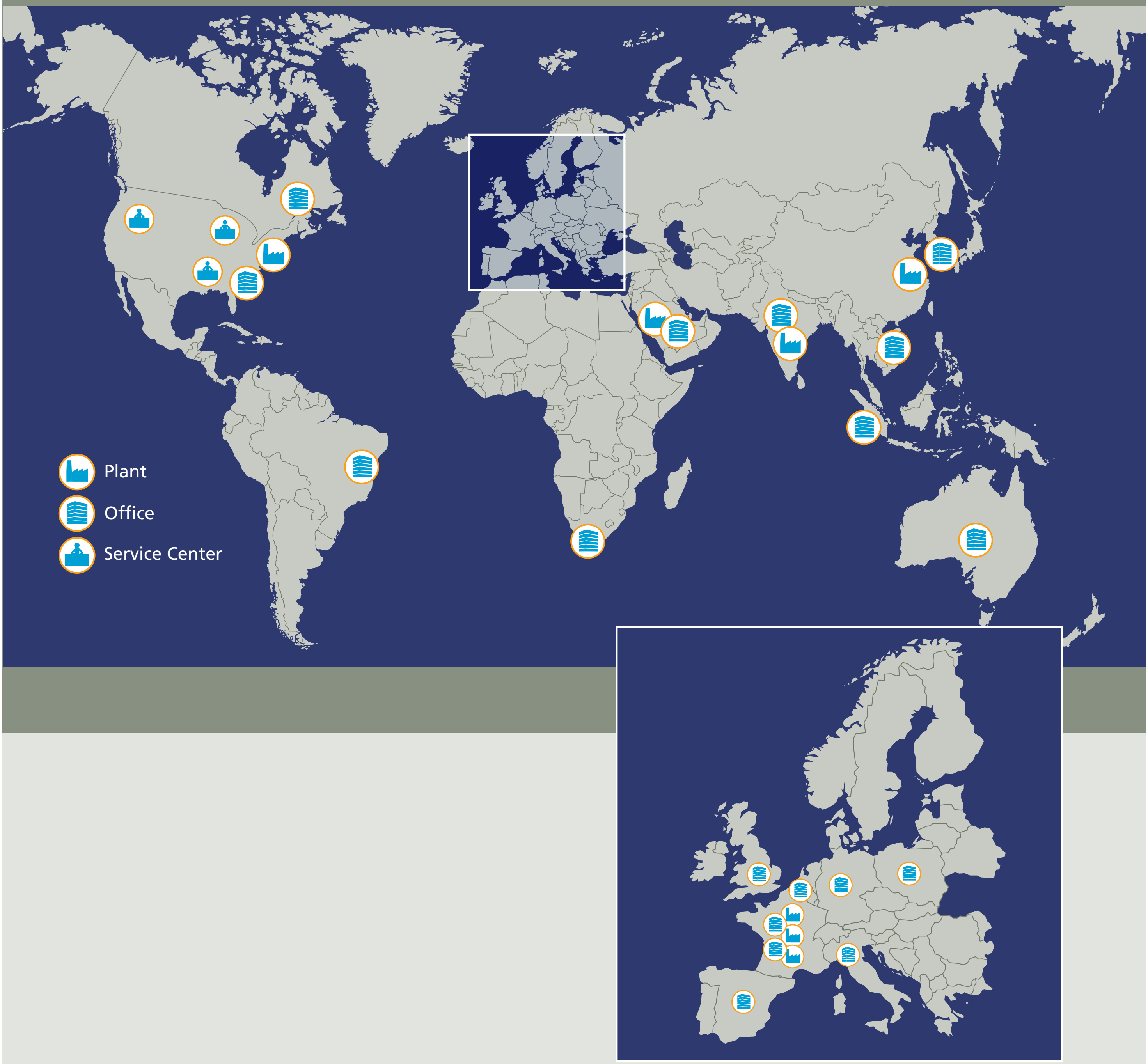
Our presence in the world

In 2007, Hamon employed 912 people in 20 countries and 5 continents of the world. Several hundred others are hired on limited duration contracts (most notably on building sites). The Group had sales of some 432.6 million Euro.

The other key figures are presented at the start of this annual report.

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

Hamon in the world



The main activities of our five business units

Group profile

COOLING SYSTEMS

International business unit

Businesses
Design, manufacturing, installation, start-up, aftermarket sales service.

Products/Services
- Wet cooling systems (made-to-measure or standard)
- Hybrid cooling systems
- Aftermarket sales services: maintenance, rehabilitation, spare parts, performance improvement

Customers
- Power stations
- Industries

Organization
One business unit of international scope and dimension

2007 Highlights
- EUR 103 million in revenue
- 24% of the Group's revenue
- Average headcount 2007: 417 people
- Continuous growth in the new and rehabilitation markets
- Dynamic markets, principally in Europe, Middle East and Asia
- One of the world leaders in humid and hybrid systems
- Opening of a joint venture in India

2008 Prospects and Objectives
- Increase sales in Europe, Middle East and Asia
- Simplify structure
- Increase the operating margin rates

HEAT EXCHANGERS

International business unit

Businesses
- Design, manufacturing, assistance with assembly, aftermarket sales services

Products/Services
- Air coolers
- Hair-pin heat exchangers
- Tank heaters, suction heaters, line heaters
- Finned tubes
- Aftermarket sales-services: maintenance and spare parts

Customers
- Oil & Gas industries
- Petrochemical and chemical industries

Organization
- One business unit based in France, plus a production joint venture in Saudi Arabia

2007 Highlights
- EUR 40 million in revenue: +31% versus 2006
- 9% of the Group's revenue
- Average headcount 2007: 163 people
- An important player in air coolers
- Main geographic markets; Europe, Middle East, North Africa and the former USSR
- Buoyant market thanks to the high price of oil and gas and to the development of the related industries
- Creation of a joint venture in Saudi Arabia, for the production and commercialization of air coolers and start-up of production

2008 Prospects and Objectives
Improvement in results, thanks to strong markets and the excellence of the technical and commercial teams of the BU

AIR POLLUTION CONTROL

Businesses

Design, manufacturing, installation, start-up, aftermarket sales services

Products / services

- Dust extractors: electrostatic precipitators, fabric filters, cyclones
- Gas scrubbers (wet and dry): deSOx, deNOx, etc.
- Economizers, heat recovery, waste heat boilers (USA)
- Aftermarket sales services: maintenance, rehabilitation, spare parts

Customers

- Power plants
- Refineries and petrochemical
- Household waste incineration units
- Industries in general

Organization

- Two Business units: Europe and USA
- Indian JV active in APC since 2007

Business unit Europe

2007 Highlights

- EUR 57 million in revenue: +44% versus 2006
- 13% of the Group's revenue
- Average headcount 2007: 59 people
- Development of export activities (Middle-East,…)

2008 Prospects and Objectives

- Continued growth in Europe and abroad: Middle-East, North Africa…

Business unit USA

2007 Highlights

- EUR 151 million in revenue: +42% versus 2006
- 35% of the Group's revenue
- Average headcount 2007: 182 people
- Business outside the USA e.g. in Mexico, Canada, Brazil
- Buoyant markets and leadership of Hamon Research Cottrell in de-dusting and in gas scrubbing for the petrochemical industry (up strongly thanks to the ExxonMobil process)
- Granting of a license to the Indian joint venture Hamon Shriram Cottrell for the development of air pollution control activities in India

2008 Prospects and Objectives

- U.S. market uncertain until the Presidential elections
- Growth in India, Canada, Mexico and Brazil

CHIMNEYS

Businesses

Design, site management, construction, aftermarket sales service, demolition

Products / services

- Concrete chimneys
- Aftermarket sales service: emission control, maintenance, repair

Customers

- Power plants
- Industries

Organization

- One business unit based in North America

Business Unit – North America

2007 Highlights

- EUR 83 million in revenue: +36% versus 2006
- 19% of the Group's revenue
- Average headcount: 64 people
- One of the leaders in the North American market
- Strong activity, following large orders for new chimneys taken since end of 2004

2008 Prospects and Objectives

- Maintain sales and results at a high level, thanks to a strong order book, whose delivery and execution is spread out over several years as well as the dynamic market for the USA (stimulated by gas effluent treatment projects)
- Improve operating margins

Evolution of our markets

As the following chart indicates, the products and services of the Hamon Group, subdivided by the type of market, are equally interesting to electricity producers and the petrochemical and other heavy industry. For the last few years, the business units have been aiming to diversify their client base. However, the two principal sectors in 2007 still remain electricity producers, with 49% of orders, followed by the Oil & Gas industry, with 37%.

In 2007, new installations represented 84% of orders, while aftermarket sales business was 16% of the total.

The split of revenue by business unit, illustrated by the next chart, gives the relative proportion of revenue for each BU in the consolidated revenue numbers.

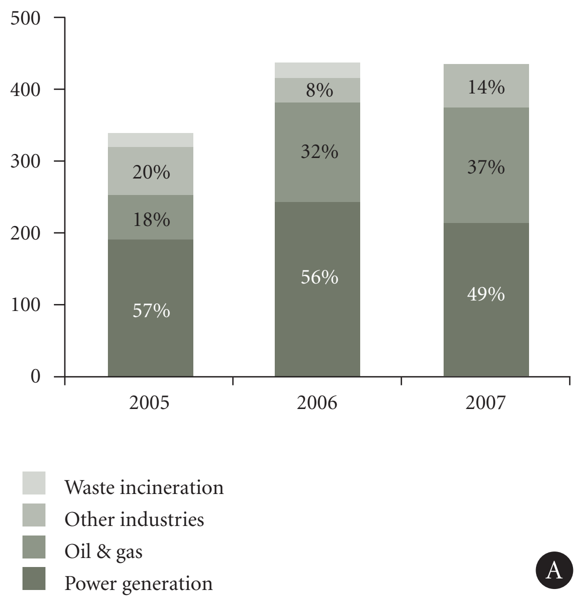
It should be noted that, at a constant USD/EUR exchange rate versus 2006, our 2007 revenue would have been EUR 20 million higher.

The market for power generation: sustained growth throughout the world stimulated by the growing demand for electricity.

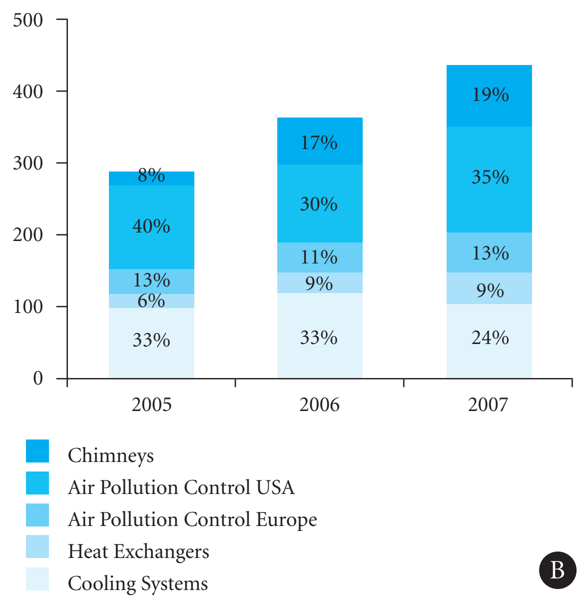
In Western Europe – France, Benelux, Great Britain and Germany – electric power plants are somewhat old, and as a consequence the market is one of refurbishment. Following the decision by Germany to close its nuclear power plants by 2019, there has been a major program to build new power plants, financed by national and foreign investors. Elsewhere the growth in Eastern and Southern Europe, including Italy and Spain, has stimulated refurbishment and the construction of new electric power plants.

In the United States, after the backlash of the Enron affair and the low market activity period of 2002 and 2003, investments returned to normal levels these last few years. The age of the power plants in the United States, particularly those using coal, as well as the tighter

Bookings by industry, in EUR million



Revenue breakdown by BU, in EUR million



emission norms, have generated considerable demand for air pollution control systems and for chimneys. Electric power generators are again building new plants or going for complete upgrades, often on old sites. The US market may well however have slower investments in 2008, due in part to the uncertainties surrounding environmental policies following the November 2008 presidential election. The financial crisis, which broke during the summer of 2007, could also impact certain investment projects, but nothing is evident thus far.

In Asia, China and India are the most dynamic markets, and demand for construction of new electric power plants is very strong. Other countries, like South Korea, Taiwan and Thailand are also developing rapidly.

The Middle East is also enjoying a period of high growth of power consumption, linked to the continued growth of industrial, commercial and private consumption. This explains the construction of several electric power plants.

The Oil & Gas market: growth stimulated by the high price of oil

The world market continues to grow, supported by the high price of oil, natural gas and petroleum gas. As a result, Oil & Gas companies continue to invest massively, especially in the Middle East but also in Europe, America, North Africa and Asia.

Investments in new liquefied natural gas (LNG) factories and the fabrication of fuel from gas (Gas to Liquid, GTL) are also very important, particularly in the Middle East. New refineries are also under construction there.

As far as Europe is concerned, investments are strong in low sulfur fuel production. Several factories for the development of biofuels are under construction in Europe, due to the high price of fuel and the drive towards renewable sources of energy.

In the United States, there have been major investments in refinery capacity following the shortfall therein, as well as investments to put in conformity air pollution control systems. The demand for oil products remains high, despite the increase in price of these products.

Main events of the year 2007

February 2007

- Signing of agreement for a joint venture with the Indian company Shriram EPC. Set up from the subsidiary Hamon Thermopack Engineers and named Hamon Shriram Cottrell, this joint venture aims to develop the cooling tower and air pollution control business in India. 50% of the capital is in the hands of the Hamon Group, and 50% in the hands of the Shriram EPC Company, following the purchase of 26% of the capital of Hamon Thermopack Engineers previously held by other Indian partners.
- Completion of the first refinancing of the Group bank debt (term sheet of mid-2006).
- Passing of the Hamon shares quotation from the fixed to the continual Eurolist market at Euronext Brussels. This change resulted in an increase of the volume of shares exchanged and of the number of daily transactions of the shares.

April 2007

- The Hamon stock becomes part of the Bel Small index on the Euronext Brussels. This move makes it considerably more visible.

May 2007

- Increase of the Hamon share 'free float', now more than 30% of its capital. This increase follows the exercising by its main shareholder Sopal of an option to buy 919,517 shares from the Walloon Region. Sopal later sold 615,000 shares to institutional investors. The Walloon Region, through Sogepa, is still a shareholder and a member of the board, thus accompanying Hamon in its development. This increase in the number of 'free float' shares gives considerably more liquidity to the Hamon share.

June 2007

- The Executive board is strengthened with 4 new members: Michèle Vrebos (Legal Director) and Bernard Vuylsteke (Human Resources Director) have been recruited from outside the company, while Rodica Exner (Cooling Systems) and Philippe Delvaux (Air Pollution Control Europe) were already part of the Group. Thanks to these new members, the Executive Committee has both functional staff and operation members representing the main activities of the Group, and there is now a 30% female representation.
- Celebration of 100 years of the Hamon Group.

August 2007

Incorporation of the joint venture Hamon D'Hondt Middle East in Saudi Arabia. It will produce and sell air coolers in the Persian Gulf region. Based in Jubail, this company has been created with two Saudi partners: Abdullah A.M. Al-Khodari Sons Co., a building company, and the Saudi Arabian Development Company, an engineering and project management company.

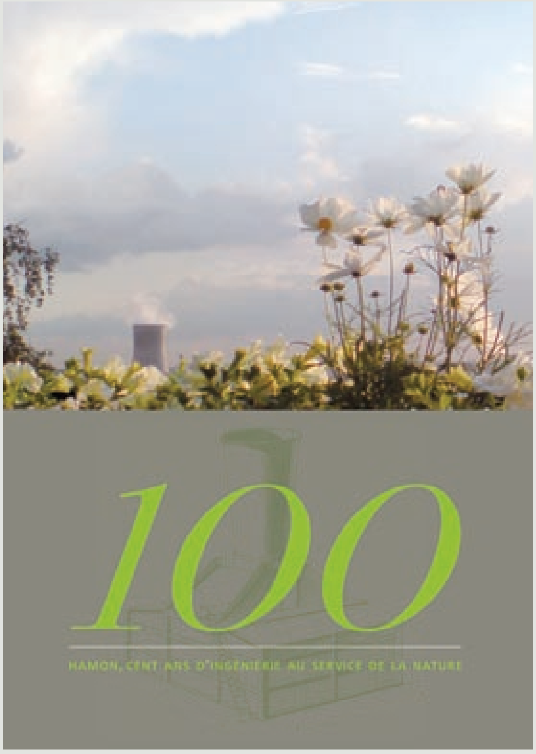
With the technological resources of Hamon D'Hondt, one of the world leaders in air coolers, the new factory is the largest of its kind in Saudi Arabia. Its products are widely used in the oil, gas and petrochemical industries.

December 2007

Hamon signed two new senior debt agreements that replace the financial debt agreement put in place in February 2007:

- A 'Senior' debt agreement of 145 million Euro over three years, of which 100 million Euro is a bank guarantee.
- A 'Senior Subordinated' debt agreement for 30 million Euro over four years, that may be prepaid.

These agreements allow, everything else being equal, a reduction of the cost of borrowing by half which reflects an improvement of the credit rating of Hamon. This operation was finalized despite the turbulence in the financial markets during the last quarter of 2007.



Celebration of 100 years of Hamon, June 2007

Inauguration of the new Hamon D'Hondt Middle East heat exchanger plant in Saudi Arabia

The Group's human resources

In 2007, the Human Resources department of the Group concentrated on the recruitment of new staff members and on the development of a strategy meeting the Group's needs.

As in the two previous years, an important effort has been made in recruiting. Globally, the average number of people increased by 17% in one year, a percentage that accurately reflects the strong growth in our activities. It was in Asia where the growth has been the most spectacular, 38%. This can be explained by the heavy recruiting by the factory in China, opened in 2006. In Europe and the USA, where the centers of core competence for the Group are located, growth in staff was respectively 15% and 18%.

Workers on construction site

Average headcount per region	2007	2006	2005
Europe	534	463	473
North America	249	211	201
Australia & Asia	112	81	65
Africa	17	24	30
Total	912	779	769

The increases have occurred across all the business units, and can be detailed as follows:

Cooling systems	+17%
Heat Exchangers	+12%
Air Pollution Control Europe	+18%
Air Pollution Control USA	+18%
Chimneys	+18%

Average headcount per BU	2007	2006	2005
Cooling Systems	417	357	341
Heat Exchangers	163	145	160
Air Pollution Control Europe	59	50	48
Air Pollution Control USA	182	155	152
Chimneys	64	54	48
Corporate	27	18	20
Total	912	779	769

Notes:
1. These numbers take into account the staff of the subsidiaries consolidated by full integration method and the proportional numbers for subsidiaries consolidated by proportional integration, and this on a pro rata basis of capital held by Hamon.
2. The numbers are based on full time equivalents and only include staff on an open-ended contract.
3. Hamon also employs a number of temporary workers not included in the above tables, primarily for its worksite projects. These projects usually last a few months and are scattered worldwide.

Management meeting of the Cooling Systems BU in Mont-St-Guibert

Our recruitment especially targeted the reinforcement of our team of "professionals", mainly engineers and other connected competences. These are the profiles that we most need to deliver our numerous projects. In parallel to this, we have also hired specifically talented people to help us deliver the strategy of the Group, and also anticipate the retirement of certain personnel, most notably by assuring the transfer of knowledge from one generation to the next.

Average headcount per category	2007	2006	2005
Management	39	39	38
Employees	511	468	456
Workers	362	272	275
Total	912	779	769

Thanks to a well-established company culture and a low rotation rate – only 2.5% leave voluntarily within the "professionals" category - our recruitment has focused on acquiring new competences. Despite this positive outlook, the identification and retention of our personnel remained a challenge in 2007, and will be for the years to come. Taking this into account, we have created a series of actions (end 2007/beginning 2008) and have started the implementation of recruitment-related initiatives. Most notably: the launch of a Human Resources section on our Internet site, participation at several University campus job days, and the creation of a series of internships for students in their last year of University.

Work on a cooling tower in France

Relations with our shareholders

The hamon share

in EUR / share	2007	2006
Mean list price	38.66	13.93
Maximum list price	49.04	26.90
Minimum list price	25.10	5.32
List price on 31.12	46.74	26.50
Average daily trading volume (number shares / day)	10,100	3,737
Total number of shares on 31 December	7,191,472	7,191,472
Mean total number of shares	7,191,472	5,948,680
Market capitalization on 31 December (EUR million)	336.1	190.6

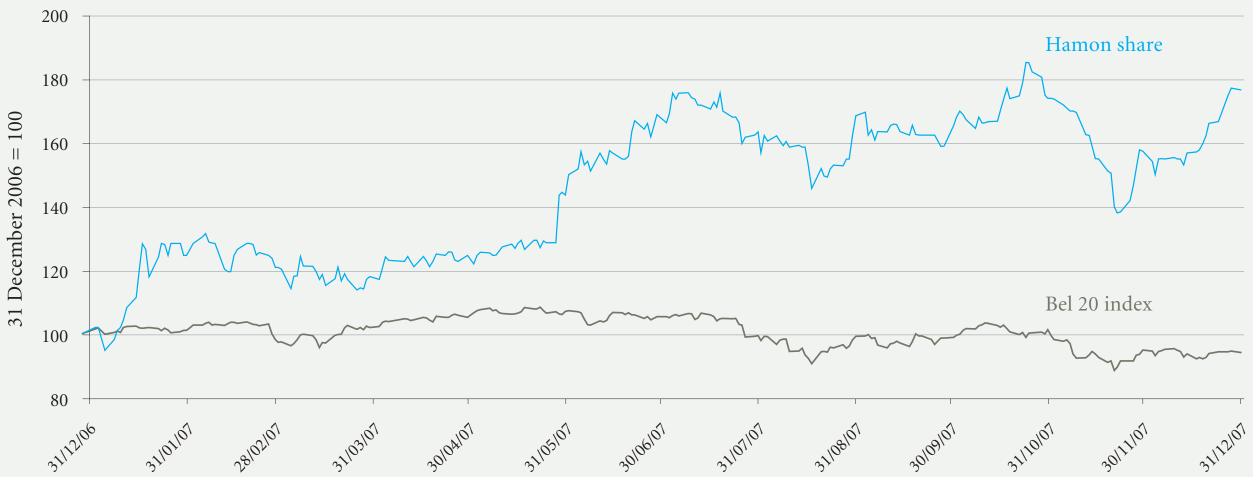
The Hamon shares, listed on the Eurolist by Euronext Brussels, the Brussels stock exchange, were among the best performers in 2007: +76.4% in one year, and this despite a poor overall performance of the Belgian stock exchange in 2007.

Hamon shares have been listed on the continuous market (group A1) of Eurolist by Euronext Brussels since 21 February 2007. Previously, Hamon shares were listed on the double fixing market (group A5). This transition to continuous quoting illustrates the significant progress made by Hamon shares since the summer of 2006, as well as the increased liquidity of the shares following the capital increase of November 2006.

From the 2 April 2007, Hamon shares became part of the Bel Small Index.

The shares have also benefited from an increase in liquidity, following the increase in "free float" shares to 30.3% of capital when Sopal, the principal shareholder of Hamon, exercised its option to purchase 919,517 shares from the Walloon region. Sopal then sold 615,000 shares back to institutional investors.

Relative evolution of BEL 20 index and Hamon share price in 2007



In compliance with the law of 14 December 2005 on the suppression of bearer shares and article 96 of the law of 25 April 2007 containing various requirements, and by derogation of the article 558 of the Company Code, the non-material form of the Hamon shares was adopted by the board of directors at its meeting of the 17 December 2007, and the articles of association of the company modified in consequence. From the 1st January 2008, the Hamon share is represented either by named inscription in the shareholder register of the company or via the inscription on a share account with a financial institution. It means that those shareholders with physical shares who wish to participate in the next Annual General Meeting (27 May 2008) should convert their physical shares into non-material shares. Equally, owners of physical shares should deposit their shares on a share account in order to receive the payment of a dividend directly into their bank account.

Hamon's shareholder structure as at 31.12.2007

Pursuant to the act of 2 March 1989, Articles 1 to 4, concerning the publicizing of large stakes in listed firms and regulating public offers to purchase, the first applicable threshold is fixed at 3% (Article 9 of the Articles of Association). The next thresholds are multiples of 5%.

Pursuant to this act, Hamon received the following declarations of stakes, which indicate the composition of its shareholder structure on 31 December 2007.

Financial Calendar

2008 Annual General Meeting:	27 May 2008
Publication of the results for the first half of 2008	28 August 2008
Publication of 2008 results	26 February 2009
2009 Annual General Meeting	28 April 2009 [1]

[1] The modification of the calendar for general meetings is subject to approval by the Annual General meeting of 27 May 2008.

Relations with investors and financial communication

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Shareholder	31/12/07 Shares	31/12/07 in %	31/12/06 in %	31/12/05 in %
Sopal International SA	4,402,911	61.2%	57.1%	65.9%
Walloon Region. represented by the Société Wallonne de Gestion et de Participation SA	300,000	4.2%	17.0%	20.8%
Esindus S.A. (Spanish company)	303,506	4.2%	4.2%	4.2%
Public	2,185,055	30.4%	21.7%	9.1%
Total	7,191,472	100%	100%	100%

Management report

2007 is a new record year for Hamon, with:

- A historical net result of EUR 18.3 million, a +40% increase
- Revenue increasing by +22%
- EBIT increasing by +38%

1. Consolidated income statement

in EUR million	variation 07 vs. 06	2007	2006
Revenue	+22%	432.6	354.4
EBITDA		47.6	36.2
Operating profit before restructuring costs		44.7	32.8
Restructuring costs		0.0	-0.4
Operating profit after restructuring costs (EBIT)	+38%	44,7	32,4
EBIT/Revenue		*10,3%*	*9,1%*
Finance costs		- 11.1	-7.6
Share of the profit (loss) of associates		0.0	0.4
Result before tax (continued operations)		33.6	25.2
Income tax expenses		-14.0	-10.4
Net result from continued operations		19.6	14.9
Net result of discontinued operations		-1.2	-1.8
Net result for the year	+40%	18.4	13.1
Share of the Group in the net result	+41%	18.3	13.0
Results in EUR per share			
Average number of shares	+21%	7,191,472	5,948,680
EBITDA per share	+9%	6.61	6.09
Earnings per Share (EPS)	+16%	2.54	2.19

n.r. = non relevant

The Hamon Group continued its favourable progress in 2007, on strong demand for its products. This situation drove a revenue increase of +22%, and also thanks to strict cost control and to constant focus on good project execution, to an increase of the last-12-month EBIT margin to 10.3% of revenue, a new record level. It should be noted that, at a constant USD/EUR exchange rate versus 2006, our 2007 revenue would have been EUR 20 million higher and our 2007 EBIT would have been EUR 3 million higher.

Every business unit (except the Cooling systems unit, which shows a delay) showed a strong progress, especially the Air Pollution Control USA unit which increased its sales by 42% and its EBIT by 58% versus 2006, whereas the Heat exchangers, Air pollution control Europe and

Chimney units also progressed significantly. For a more detailed analysis by business unit, refer to the second part of this annual report, dedicated to the BU's.

Finance costs rose following the interest rate increase in 2007 (both the margins of the former debt and the base rates) and the accounting of EUR 2 million of debt issue costs booked during the refinancing in February 2007 and written off following the debt refinancing of December 2007.

The effective tax rate remained high at 41.6%. The Group should be able, during the next few years, to progressively benefit from its tax losses carried forward, of which EUR 9.4 million have been accounted for and EUR 23 million have not been accounted for. Additionally, the signature of the new Belgian – U.S. treaty preventing double taxation allows since 2008 to transfer without withholding tax the benefits made in the United States; these withholding taxes represented EUR 0.8 million in 2007.

The net result of discontinued operations mainly relates to Entech in the United States.

The share of the Group in the net result amounted to EUR 18.3 million versus EUR 13.0 million in 2006, or a +40% increase. The earning per share increased by +16% despite the dilution consequent to the December 2006 capital increase.

2. Consolidated balance sheet

in EUR million	variation 07 vs. 06	31/12/2007	31/12/2006
Non-current assets		57.0	59.9
Current assets excl. cash		142.2	128.0
Cash & equivalent		35.6	24.4
Total assets		234.8	212.3
Equity (incl. minorities)	+80%	34.4	19.1
Non-current liabilities, excl. borrowings		13.9	10.3
Non-current borrowings		50.5	3.5
Current liabilities, excl. borrowings		124.0	116.5
Current borrowings		12.0	62.9
Total equity and liabilities		234.8	212.3
Net financial debt	-36%	26.9	42.0
Net working capital (continued operations)	+60%	18.2	11.3

The Hamon Group balance sheet continues to improve; equity increased by +80% versus December 2006, to reach EUR 34.4 million.

The debt refinancings which took place on mid-February 2007 and at the end of December 2007 changed the debt repayment term ; today non-current borrowings represent most of the Group financial debt.

The net financial debt, amounting to EUR 26.9 million, decreased by -36% thanks to the operating cash flow. It only represents 57% of EBITDA (based on the last 12 months) and 78% of equity; these ratios are constantly improving.

The EUR 7 million increase in net working capital in 2007 is due to the strong growth in volume of activities of the Group.

Management report

3. Research and Development

In 2007, the R&D activities of Hamon focused on the following areas:

- Development of new exchange surfaces for the cooling systems
- Noise attenuation (cooling systems)
- Higher product performances at lower cost, thanks to a reengineering program (better use of materials)
- The development in partnership of a new wet gas scrubbing process allowing to remove NOx (on top of SOx)

Hamon is also negotiating to obtain new licenses in air pollution control.

4. Risk management policy

The Group is confronted with a series of risks coming from its activities, the extent and the kinds of markets in which it operates. The main risks are the following (non-exhaustive list):

- Risks related to the economic, regulatory, competitive and market environment.
- Uncertainties relating to the new environmental regulations and their periods of entry into force (impact on the air pollution control activities mainly).
- Risks related to partners and to activities in emerging countries, including the political risks.
- Supplier risks; this can be products of insufficient quality, which do not meet the specifications, or delivery delays.
- Monetary risks, such as fluctuations of the US dollar exchange rate.
- Technical risks, related to the design or implementation of some projects.
- Risks related to guarantees given on executed projects.
- Risks related to the environment, e.g. on Hamon's customers sites, or in our plants.
- Industrial (accidents) or human risks, or risks related to professional diseases.
- Risks related to litigations in which the Group is involved, to the liquidation of Hamon Research Cottrell Italia, or to guarantees given for asset disposals.
- Financial risks: possibility to realise the deferred tax assets; possible impairment tests on the value of some assets; delay in the repayment schedule of some debts as negotiated with the creditors, etc.

Hamon takes measures to control these risks through an active risk management policy.

As far as the covering of monetary risks is concerned, Hamon uses interest rate swaps on about half of its financial debt (variable rates have been swapped against fixed rates). Hamon also covers on a discretionary basis its positions or risks related to the U.S. dollar. For more detail, refer to note 29 in the Financial part.

For the projects, Hamon mainly uses bank guarantees issued in the context of construction contracts, or parent company guarantee letters.

For more information on risk management, see note 31 in the Financial report.

5. Recent events and prospects for 2008

The new Hamon D'Hondt Middle East plant in Jubail, Saudi Arabia, was officially inaugurated on 14 January 2008.

At the end of March 2008, Hamon took a stake in the Belgian company Xylowatt, confirming its interest in renewable energies. Xylowatt is a leader in the development of combined heat & power units through the gasification of biomass.

The Group is confident that its development will continue, due to its very good results in constant growth, to its backlog amounting to EUR 280 million on 31 December 2007 and to the strength of its markets which remain strong, whether for power plants, for oil & gas or for other heavy industries. The year 2008 will be dedicated to the consolidation of the Group joint ventures in the Middle East and in India and to the continuation of its developments on all its markets.

During the first two months of 2008, the new order bookings amounted to EUR 127 million (versus EUR 133 million for January and February 2007). During these two months, Hamon also received letters of intent and options amounting to EUR 16 million. The new order booking target for the first half of 2008 is higher than new order bookings of the first half year 2007 (they amounted to EUR 273 million).

Hamon foresees that the operating margin should remain at least equal to 10% in 2008; the net result should increase by at least 20%. The Group foresees to again pay dividends, with an anticipated dividend of 0.30 EUR per share payable in September 2008. The balance would be paid in May 2009.

6. Miscellaneous

For the elements which could have an incidence in case of a public offer on the Hamon shares, see the Corporate governance part further in this annual report.

Construction of fabric filters for a power plant in the United States

Part 2

Overview by Business Unit

Mechanical draft cooling tower in Germany

Cooling Systems

The Cooling System business unit offers associated equipment and services intended to cool the water used in power stations and heavy industry processes most notably chemicals, petrochemicals, iron and steel, paper making, and sugar refining.

Products and Services

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

Wet cooling systems can be described according to their functioning, by natural draft or by mechanical draft, and whether they include a plume-abated system or not; this design is called "hybrid" or "wet-dry" cooling.

These wet cooling systems are either proposed as a standard model designed for variable capacities, or are custom designed at the customer's request.

The cooling systems market is subdivided into two sub-segments: new and after-sales service, which includes the sale of spare parts, repair, rehabilitation, and thermal performance improvement.

Hamon is responsible for the marketing, engineering, manufacturing of certain components, assembling, project management, and after-sales service of wet and plume-abated systems everywhere in the world, except for those in North America. There, its projects are limited to export projects, where the final user is located outside North America.

Organization

The business unit's centers of expertise are located in Brussels and Paris. In addition to a network of independent agents, it has subsidiary companies located in various countries: Germany, England, South Africa, South Korea, India, Thailand, Indonesia, Australia, China. Certain components are manufactured in three factories belonging to the Group, installed in France, India and most recently China, since 2006.

Important Events in 2007

After several relatively calm years, the market for natural draft cooling towers has grown considerably in 2007. A number of projects are in the study phase or being delivered, notably in Germany, Eastern Europe and Asia, where there is a resurgence of large coal-fired units and new nuclear power installations planned.

At the beginning of 2007, Hamon formed a new joint venture in India, named Hamon Shriram Cottrell. For more information, see the section Main events of the year 2007.

In 2007, Hamon continued the further integration of various activities of different cooling system subsidiaries. This will allow a better coordination of these activities on a world scale, to get more synergies in technical, financial and HR areas and as a consequence to further benefit from growing markets. This initiative also allows the engineering offices spread around the world to spread their workload, and thereby to increase their productivity. It has the added advantage of added responsibility to delocalized offices for the engineering detail work and purchasing.

Natural draft cooling tower with flue gas injection, Germany

Erection of a natural draft cooling tower in Lagisza, Poland

Key figures

in EUR million	2007	2006	2005
New order bookings	130.5	137.9	109.0
Revenue	102.6	118.1	95.7
EBIT	4.4	6.4	7.3
EBIT / revenue	4.3%	5.4%	7.7%
Average headcount	417	357	341

Results 2007

The new order bookings, slightly lower in 2007, do not take into account a signed option for the sale of cooling towers for an amount of 13 million Euro.

A few of the orders taken in 2007:

- A new hybrid cooling system for a RWE power plant in Great Britain;
- The replacement of exchange surfaces in a natural draft cooling tower in Great Britain;
- The construction of two new natural draft cooling towers for a RWE power plant in Germany;
- the replacement of exchange surfaces in several natural draft cooling towers for EDF power plants in France.

Revenue is lower due to the timing of the orders in 2007. A large part of the orders took place in the second half of the year, and therefore only contribute in a moderate way to the revenue numbers of 2007. This is due to a delay in the decision process with some clients.

The operating profit (EBIT) is lower, due to the lower levels of sales and the increase in the overhead costs in anticipation of an increase in activities in 2008.

Prospects for 2008 - 2009

The markets should stay buoyant in 2008 and 2009, both for power plants and the Oil & Gas industry, as well as other heavy industries. The electricity generators and the industries are still investing around the world, as much in the construction of new production units as in the renovation of existing installations. Several projects for natural draft cooling towers should be in the pipeline in the years to come, following the decision by several countries including Great Britain, Eastern Europe and Asia to construct new electricity power plants, both nuclear and coal powered.

Faced with this demand, Hamon has decided to reinforce its competences in amongst other things civil engineering, design and follow-up of on-site erection. Hamon will also pursue the integration of different entities within the business unit.

Plume-abated cooling towers of Plana del Vent, Spain

Production of air cooler bundles in the new plant in Saudi Arabia

Heat Exchangers

The Heat Exchangers business unit offers various systems intended to cool or heat, often at high pressure, more or less corrosive liquids or gases resulting mainly from petrochemical processes. It operates either directly with its industrial clients like Aramco, BASF, ExxonMobil, Gasco, Shell, Tereos and Total, or indirectly via engineering companies of international renown like Bechtel, Foster Wheeler, Jacobs, Mitsubishi, Saipem and Technip.

Products and Services

This unit delivers design, manufacturing and assistance with the assembly of thermal equipment – mainly air coolers, but also hair-pin tubular heat exchangers, heaters, welded steel finned tubes, and other heat exchangers. It also offers integrated aftermarket sales services including maintenance, rehabilitation and the sale of spare parts.

Organization

The Heat Exchangers business consists of two companies established in France, as well as a joint venture in Saudi Arabia.

- Hamon D'Hondt, which represents the major part of this operational unit: design, marketing and promotion, manufacturing, and after-sales service of air coolers as well as the manufacturing of welded steel finned tubes. Hamon D'Hondt also has 40% of a joint venture in Jubail in Saudi Arabia, Hamon D'Hondt Middle East, specializing in the manufacturing of air coolers for the Persian Gulf market.
- Brown Fintube France: design, sale, manufacturing of hair-pin heat exchangers and line and suction tank heaters. Brown Fintube France is one of the leaders in this market in Europe.

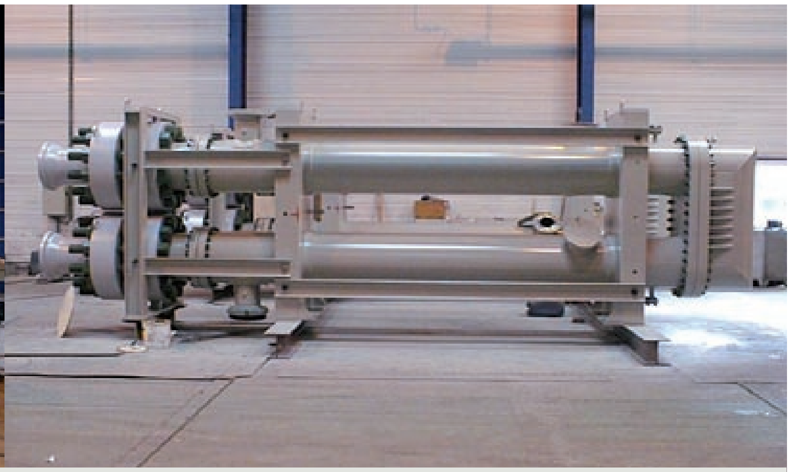
Important Events in 2007

An important event in 2007 was the start-up of the new joint venture in Saudi Arabia, Hamon D'Hondt Middle East. For more information, see the section Main events of the year 2007.

Elsewhere, the manufacturing activities of Brown Fintube France have moved to a larger building in Thonon-Les-Bains, which also allows it to produce larger heat exchangers.

General view of a refinery and its air coolers

Air cooler ready for shipment



Hair-pin heat exchanger

Key figures

in EUR million	2007	2006	2005
New order bookings	53.0	35.4	29.1
Revenue	39.8	30.4	17.8
EBIT	2.4	1.1	-3.7
EBIT / revenue	6.1%	3.7%	-20.7%
Average headcount	163	145	160

Results 2007

The excellent commercial results of the business unit (orders up by 50%) are directly attributable to the dynamism of its team, the buoyant Oil & Gas industry, as well as the first orders taken by the joint venture in Saudi Arabia. These orders are in first instance booked by Hamon, which then sub-contracts a part of the manufacture and assembly to the joint venture.

A few of the large orders taken for air coolers in 2007 were related to:

- a natural gas compression site in Algeria
- a desulphurization unit in Spain
- a refinery in Saudi Arabia
- a petrochemical factory in France

Revenue is also up (+31%). The operating profit (EBIT) has increased strongly, thanks to the volume effect and an increased operating margin (6.1% against 3.7% in 2006), thanks to the concentration on air coolers and to the restructuring done in 2005.

Prospects for 2008 - 2009

The markets should stay active in 2008 and 2009, especially with the price of oil and gas so high. This should be the case in different parts of the world, including the Middle East, North Africa, the ex-USSR, Europe and the Far East. The Oil & Gas industry will need to make new investments to maintain its levels of output. The refineries are also investing for the future, most notably to be able to produce fuel with a lower sulphur content and to be able to handle heavier oil needing a more complex treatment.

From 2008, the new factory in Saudi Arabia should also be completely on stream. New investments are also foreseen in the factory at Valenciennes (France), in order to increase its production capacity.

Air cooler installed in a gas complex in Sakhaline, Russia

Gas scrubber and electrostatic precipitator for the Filago waste incineration plant, Italy

Air Pollution Control Europe

The objective of the Air Pollution Control Europe 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 a 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 energy production in general;
- heavy industry such as iron and steel, cement, glassmaking and petrochemicals;
- biomass energy producers utilizing household, industrial and hospital waste, and water purification sludge.

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 a physico-chemical kind – neutralization of acid gases, deSOx, deNOx, elimination of heavy metals. The acquisition of new technologies has allowed to adapt and progressively complete our range of products and services so that we can now deliver to every specific need in the market.

The BU activity is divided into two parts. On the one hand, the design and installation of new equipment for new plants or to retrofit existing ones, and on the other, after-sales services including amongst 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 Environmental. The BU enjoys an excellent reputation in its target markets; energy, glassmaking, cement, the use of waste for energy purposes, steel and the petrochemical industry.

Additionally Hamon is one of the leaders in Western Europe in the market of bringing waste incinerators up to standard.

Organization

The activity is divided into two companies:

- In Belgium, Hamon Research-Cottrell S.A.
- Its subsidiary company in France, Hamon Environmental Sarl.

The Belgian subsidiary also operates a branch office in Italy and has a subsidiary in Germany to develop the Italian, German and South East and Eastern markets. The Belgian and French companies are principally active in the European markets as well as export, notably North Africa and the Middle East.

Electrostatic precipitator installed in an oil refinery, Antwerp, Belgium

Flue gas treatment, Senon waste incineration plant, France

Key figures

in EUR million	2007	2006	2005
New order bookings	48.7	38.4	24.6
Revenue	56.9	39.5	36.2
EBIT	6.2	3.4	1.1
EBIT / revenue	10.8%	8.7%	2.9%
Average headcount	59	50	48

Results 2007

This business unit had a successful year in 2007, with orders up by 27%. This is principally due to large orders received for electrostatic precipitators from the Oil & Gas industry, retrofitting projects in the iron and steel industries, and for export projects.

A few of the orders taken in 2007:

- two electrostatic precipitator installations for refineries in France;
- a retrofit electrostatic precipitator for a steel mill in Belgium;
- a flue gas treatment system for a biofuel factory in Belgium;
- a flue gas treatment system for a waste incineration plant in France;
- an electrostatic precipitator for a refinery in Hungary.

A major part of the new orders were recorded in the 1st half. As a consequence, these orders had an important impact on revenue, up by 44% in 2007.

The operating profit (EBIT) reached a record level at 6.2 million Euro, with an operating margin of 11%. This was possible because the projects were extremely well executed, allowing the recuperation of provisions made for the projects up front.

2007 also saw important developments for the Belgian subsidiary, including the enlargement of its offices. New personnel were hired to take charge of new markets, notably in the Middle East and Eastern Europe.

Prospects for 2008 - 2009

Business should continue to be good for 2008 and 2009, in Europe, Africa and Asia. The fact that many sites still need to conform to environmental norms, in Eastern Europe, North Africa and the Middle East, means that demand remains strong for our products.

Demand should stay particularly strong in certain niche markets on which the business unit is focused: power generation and oil & gas. It is expected that the unit will also profit from its increased presence in fast growing emerging markets.

Fabric filter for a power plant in the Rockies, USA

Air Pollution Control USA

This business unit's objectives are to provide industries with the means of controlling the environmental impact of their processes, and to help them to reduce their energy consumption. This entity designs, installs and ensures the after-sales service of Air Pollution Control systems, adapted to the various kinds of pollutants, in order to ensure a strict compliance with the environmental regulations in each country. Another activity is Heat Recovery.

Products and services

The air pollution control technologies are divided into two groups: one is of a physical kind – de-dusting – the other is of a chemical kind - neutralization of acid gases, deSOx, deNOx, elimination of heavy metals, etc. The range of Air Pollution Control technologies has been adapted to meet the various market segment needs, thanks to many acquisitions and to the development of its own new technologies.
The activity portfolio of this business unit includes technologies tested and accepted by industrialists of international renown.

Today, this business unit markets five technologies adapted to meet the various needs - present and future - of the industries:

1. De-dusting by means of electrostatic precipitators.
2. De-dusting by means of fabric filters.
3. Wet gas scrubbing (an "ExxonMobil" process), used in the petrochemical industry; it is a deSOx and particulate removal system for gases emitted by the catalytic cracking plants. It has recently been completed by a deNOx process, with the combined offering called WGS+.
4. Dry gas scrubbing (a "Marsulex" process), used for desulphurizing the gases emitted by coal- and biomass-fired power stations.
5. A process to transform urea into ammonia, a difficult-to-handle reagent used in SCR deNOx systems.

The activities are subdivided into two parts. On the one hand, the design and installation of new equipment (on new plants or on existing plants so as to bring them up to standard) and on the other hand, after-sales service including amongst 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, which for a century has benefited from a solid reputation in its target markets, which are power stations, the petrochemical industry, the glass industry, the cement industry, the waste-to-energy facilities and the iron and steel industry.

The Heat Recovery product line includes recuperators, economizers, gas-to-gas heat exchangers, etc.

Organization

The Business Unit consists of three main subsidiaries and a network of licensees:

- Hamon Research-Cottrell U.S. (HRC US), specializing in the design and installation of new air pollution control units;
- Hamon Custodis Cottrell Canada;
- Thermal Transfer Corporation (TTC), specializing in the manufacturing of heat recovery systems and electrodes for electrostatic precipitators. TTC also serves as a logistics base for HRCUS.

Among the licensees of HRCUS are the Brazilian company Hamon Research-Cottrell do Brazil and since 2007 the Indian joint venture Hamon Shriram Cottrell.

Unloading of a scrubber for a refinery in the USA

Fabric filter for a power plant in Virginia, USA

3 electrostatic precipitators for a Mexican power plant

Key figures

in USD million	2007	2006	2005
New order bookings	152.5	170.1	173.4
Revenue	206.9	133.4	141.3
EBIT	38.6	22.4	16.7
EBIT / revenue	18.6%	16.8%	11.8%
Average headcount	182	155	152

2007 results

The 2007 results (in Euro) were penalized by an 8% decline of the average USD/EUR exchange rate in 2007 versus 2006.

New order bookings declined in 2007; besides the dollar effect, this is also due to the cancellation of a large new order in Canada (USD 14 million) and to letters of intent (not taken into account in the 2007 figures) amounting to USD 39 million. Those letters of intent were converted into firm orders in the beginning of 2008.

Note that large new orders booked for Brazil in 2006 were finally executed by our Brazilian licensee, whose results are not included in our consolidation perimeter.

Among the main now orders booked in 2007, the following are worth noting:

- a wet gas scrubber (ExxonMobil process) for a refinery in the Eastern part of the USA
- an electrostatic precipitator for a power station in Eastern USA
- a wet gas scrubber for a refinery in the Southern USA
- a fabric filter for a power station in the Rockies, USA
- a heat recuperator sold by TTC to an Egyptian company for the production of directly reduced iron.

Revenue increased sharply (+42% in Euro); the increase is coming mainly from the oil sector.

The operating margin, already very high in 2006, increased still further in 2007 (to 18.6%), thanks to a very tight overhead cost control and to the business model, consisting of outsourcing a large part of the project execution, with a global sourcing policy. This allows the U.S. business unit to remain highly competitive in its niches.

Prospects for 2008 - 2009

In the power generation segment, the air pollution control market may face a slight slowdown in the United States in 2008, due to uncertainties related to the presidential elections and to the environmental policy which will be put in place by the new administration beginning 2009. Some projects related to new coal-fired power plants have already been delayed, due to growing concerns related to CO_2 emissions. However, the refineries and petrochemical segments should remain very active. The U.S. business unit should remain very profitable, thanks to its high competitiveness.

Chimneys

This business unit offers complete systems, designed to evacuate flue gas generated by power plant boilers and other various industries (incinerators, steel mills, pulp & paper facilities, cement factories, glass factories, etc.). These systems include the chimney and its auxiliaries (linings, silencers and intermediate elements), and are designed and adapted to the customer's various needs and constraints.

Products and services

This business unit designs very tall chimneys (often over 200 meters) made from various materials – mainly concrete - including a flue liner depending on the nature of the waste gases: steel, brick, fiberglass reinforced plastic and special alloys in the event of corrosive gases.

The design and installation of high chimneys require a specialized expertise, equipment, labor, and other resources that only a few companies possess, creating a competitive advantage for Hamon. These barriers to market entry explain the limited number of players involved in this market in US.

A commercial organization supported by regional centers of competence

In North America, Hamon is active in the chimney market through its subsidiary companies Hamon Custodis, based in the United States, and Hamon Custodis Cottrell Canada, located in Ontario, Canada. Moreover, Hamon Custodis operates four regional offices strategically located in the contiguous United States, which offer mainly after-sales services (maintenance and repair.) The market segments in which the business unit is involved consist mainly of end-users. They consist in large part of coal-fired power stations and to a lesser extent petrochemicals and the incineration of household waste, as well as other industrial applications.

Concrete chimney for a power plant in Southern USA

Upper platform of a slip form

Erection of a concrete chimney in USA (detail of lower part)

Key figures

in USD million	2007	2006	2005
New order bookings	125.7	113.0	44.9
Revenue	114.0	76.7	27.2
EBIT	6.7	3.3	-0.5
EBIT / revenue	5.9%	4.3%	-1.9%
Average headcount	64	54	48

2007 results

The business unit benefitted from a sustained market in North America and booked a large volume of new orders for chimneys in the United States and in Canada.

Revenue rose significantly (+36% in Euro) thanks to the high level of backlog at the beginning of 2007, due to important new orders booked the previous years and whose execution is spread over several years. An increased efficiency in project execution also contributed.

Thanks to the volume effect, the operating profit (EBIT) is also rising sharply, both in absolute figure and in percentage of revenue (5.9% in 2007 versus 4.3% in 2006). During the second half year of 2007, the EBIT margin increased to 8.2%.

Prospects for 2008 - 2009

As has been the case during the last few years, the chimney market should remain strong in 2008 and into 2009 (construction of new chimneys and retrofit). The performances of this business unit should therefore remain solid in 2008, thanks, among others factors, to the importance of its backlog at the beginning of the year, the booking of several large new orders beginning of 2008, and the continued experience of its project teams.

Upper platform of sliding scaffolding used in the construction of a chimney

Part 3
Corporate Governance

Corporate governance

1. General Considerations

Consistent with the recommendations of the Belgian Corporate Governance Code, known as the 'Lippens Code', the Board of Directors has adopted a Corporate Governance Charter, published on our web site www.hamon.com. It is also free to be viewed at the head office of the Company. The information that follows includes several elements of the Charter, mainly the principles of corporate governance that took place in 2007.

2. Board of Directors

Composition

The composition of the Board of Directors is determined in accordance with Article 14 of the Articles of Association and the shareholder agreement signed with the Walloon Region on the 8 June 2005, and amended on the 28 August 2007. The members of the Board of Directors are nominated at the Annual General Meeting of shareholders. Their term is for a duration of no more than six years. At present, the Board is composed of seven members, four of whom are non-executive directors and two are independent directors. Sopal nominates four of them. If it becomes necessary to replace one of the directors, the new director will be chosen amongst candidates presented by the shareholder having proposed the outgoing director. The directors whose mandate is at an end will stay in place until such time as the General Assembly has foreseen a replacement. The General Assembly has the power to revoke a directorship at any time. Note too, that outgoing directors are re-electable and no age limit is foreseen for the exercise of a mandate.

Amongst these, Pierre Meyers and Martin Gonzalez del Valle are named as independent directors. They meet the requirement of independence foreseen in article 524 of the Company Code as well as the 'Lippens Code'.

Sogepa SA, represented by Mrs. Sabine Colson, represents the interests of the Walloon Region on the board of directors.

The terms of office of Mrs. Sabine Colson and Messrs Jacques Lambilliotte, Jean Hamon, Pierre Meyers and Martin Gonzalez del Valle are to expire at the next General Meeting scheduled for the 27 May 2008.

Main subjects discussed by the Board of Directors during 2007

The Board of Directors met eleven times in 2007. The main subjects discussed were the monitoring of business, the financial situation of the company, a review of the investment projects, the restructuring of financial debt as signed on 21 December 2007, the dematerialization of shares, the forecast of results, annual budgets, the strategic plan and the approval of results.

Directors' Remuneration

All the directors are remunerated for their directorship with the exception of Francis Lambilliotte, in accordance with the decision of the General Meeting. In 2007, the total remuneration of the non-executive directors amounted to EUR 82,000.

The Board of Directors is currently composed of the following seven members:

Name	Position	Start	End
Mr. Jacques Lambilliotte	Chairman	30.05.06	27.05.08
Mr. Francis Lambilliotte	Managing Director	25.05.04	26.05.09
Mr. Jean Hamon	Director	30.05.06	27.05.08
Mr. Bernard Lambilliotte	Director	25.05.04	26.05.09
Sogepa SA represented by Mrs. Sabine Colson	Director	13.06.05	27.05.08
Mr. Pierre Meyers	Independent Director	13.06.05	27.05.08
Mr. Martin Gonzalez del Valle	Independent Director	13.06.05	27.05.08

Committees

In accordance with the recommendations of the Corporate Governance Code, the Board of Directors has set up Audit, Remuneration and Appointment committees in June 2005.

The members are as follows:

Name	Audit Committee	Appointment Committee	Remuneration Committee	End of term
Mr. Jacques Lambilliotte		Chairman	Chairman	27.05.08
Mr. Bernard Lambilliotte	Member			26.05.09
Sogepa SA represented by Mrs. Sabine Colson	Chairman	Member	Member	27.05.08
Mr. Pierre Meyers	Member	Member	Member	27.05.08
Mr. Martin Gonzalez del Valle	Member	Member		27.05.08

The terms of office of Mr. Jacques Lambilliotte, of Sogepa SA represented by Mrs. Sabine Colson, of Mr. Pierre Meyers and of Mr. Martin Gonzalez del Valle in their respective committees are due to expire at the next General Meeting, scheduled for 27th May 2008.

The Audit Committee, made up of four non-executive directors, of which two are independent, met five times in 2007. It discussed subjects relating to half-year and annual accounts, internal audit, the trustworthiness of financial information delivered by the Company as well as the responsibility of directors and officers in matters relating to fraud and to the identification of the main risks of fraud.

The Remuneration Committee, made up of three non-executive directors and the Appointment Committee, made up of four non-executive directors of which two are independent directors, met together five times in 2007. The following subjects were discussed: the appointment of new management members, the new composition of Executive Committee, the policy of variable remuneration, the study of competitiveness of remuneration and the development of a new pension plan for management members.

The members of the Audit Committee, the Remuneration Committee and the Appointment Committee receive 1000 Euro per meeting for attendance.

Corporate governance

3. Management Bodies

The Company has not set up any management board as outlined in the article 524 of the Company Code. The Board of Directors has appointed an Executive Committee most notably to assist the Managing Director in his functions. The members of the Executive Committee have no office, and are nominated for an indeterminate period of time.

The composition of the Executive Committee was modified in 2007 following the hiring of two external people, and the nomination of two operational executives. On the 31 December 2007, the Executive Committee was made up as follows:

Francis Lambilliotte,
Managing Director, Chairman of the Executive Committee

Aart Nobel,
General Manager Americas,
Vice President of the Executive Committee

Philippe Delvaux,
General Manager of the Air Pollution Control Europe BU

Rodica Exner,
General Manager of the Cooling Systems BU

Bernard Van Diest,
Group Financial Director

Michèle Vrebos,
Group Legal Director

Bernard Vuylsteke,
Group Human Resources Director

The Executive Committee also continues to enjoy the experience of two invited members:

Jean Gilbert,
Honorary Vice Chairman of the Executive Committee

Thierry Tondreau,
Group Secretary General and Administrative Director

Mr. Francis Lambilliotte, as the Company's Managing Director, performs the day-to-day management function.

Remuneration and benefits of Board of Directors and Executive Committee

In 2007, the total amount of remunerations and benefits in kind allocated to the Company's directors and to the members of the Executive Committee for their work in the Company and its subsidiaries amounted to 5.877 million Euro. For more detailed information, please see note 37 on the consolidated accounts.

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

The articles of association of Hamon & Cie foresee an authorized capital of up to 12.5 million Euro, in the frame of which the Board of Directors may increase the capital either in kind or with cash. 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 decided by this authorization, 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 a right to vote, and with or without subscription right.

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 and including one or more persons or members of the Company's personnel, or a linked company.

The Annual General Meeting of Hamon & Cie has also given clear authority to the Board of Directors to increase, in case there is a public offer on the shares of the Company, 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 articles of association of Hamon & Cie also foresee that the company is authorized to buy its own share on the stock market without necessarily making an offer to shareholders. The Board is authorized to dispose of shares of the company through the stock market or in any other way that is foreseen by the law, without prior authorization of the Annual General Meeting.
The Board is authorized to acquire or dispose of shares in the company to ward off any serious or imminent danger to the company, as is possible within the law.

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

5. Auditors

The Company accounts and consolidated accounts ending 31 December 2007 were audited by Deloitte, Reviseurs d'Entreprises, SC s.f.d. SCRL, Berkenlaan 8B, 1831 Diegem, represented by Mr. Laurent Boxus.

The appointment of the auditor for a term of three years was approved by the Annual General Meeting of 31 May 2005.

The Board of Directors proposes to renew the appointment of the auditor Deloitte Reviseurs d'Entreprises for a period of three years.

6. Appropriation of profits

The company plans to again carry forward the profits of this year and foresees a dividend from the financial period of 2008. The dividend policy aims to make a pay out of 25% of the result of the year, which it is felt will correctly remunerate shareholders while still keeping the required funds necessary for continued growth within the Group.

Part 4

Hamon Group IFRS financial statements for the year ended on 31 December 2007

Table of content

I. Consolidated financial statements

CONSOLIDATED INCOME STATEMENT

in EUR '000'	Note	2007	2006	2005
Revenue	1	432,648	354,423	283,681
Cost of sales		(339,799)	(285,260)	(232,376)
Gross profit	**2**	**92,849**	**69,163**	**51,305**
Sale & marketing costs		(9,872)	(8,677)	(9,477)
General & administrative costs	4	(35,147)	(24,772)	(25,544)
Research & development costs		(580)	(700)	(473)
Other operating income / (expenses)	3	(2,573)	(2,175)	6,422
Operating profit before restructuring costs	4	**44,677**	**32,839**	**22,233**
Restructuring costs	5	(8)	(441)	(1,747)
Operating profit (EBIT)		**44,669**	**32,398**	**20,486**
Finance costs	6	(11,126)	(7,600)	(5,295)
Share of the profit (loss) of associates	17	(0)	407	325
Result before tax		**33,543**	**25,205**	**15,516**
Income taxes	7	(13,952)	(10,351)	7,381
Net result from continued operations		**19,591**	**14,854**	**22,897**
Net result of discontinued operations	8	(1,246)	(1,754)	(15,662)
Net result for the year		**18,345**	**13,100**	**7,235**
Equity holders of the company		18,258	13,021	7,058
Minority interest		87	79	177
Earnings per share	9			
Continued and discontinued operations				
Basic earnings per share (EUR)		2.54	2.19	1.58
Diluted earnings per share (EUR)		2.54	2.19	1.58
Continued operations				
Basic earnings per share (EUR)		2.71	2.48	5.10
Diluted earnings per share (EUR)		2.71	2.48	5.10

CONSOLIDATED BALANCE SHEET

in EUR '000'	Note	31/12/2007	31/12/2006	31/12/2005
ASSETS				
Non-current assets				
Intangible assets	14	1,240	1,757	3,087
Goodwill	15	17,317	17,701	18,166
Property, plant & equipment	16	19,079	19,309	20,963
Investment in associates	17	681	884	1,556
Deferred tax assets	19	9,364	11,542	13,882
Available-for-sale financial assets	18	1,001	1,070	575
Trade and other receivables	22	8,292	7,645	8,154
		56,974	**59,908**	**66,383**
Current assets				
Inventories	20	6,296	6,676	4,336
Amount due from customers for contract work	21	44,090	26,509	28,712
Trade and other receivables	22	88,254	91,853	74,255
Cash and cash equivalents	23	35,658	24,442	20,022
Other current assets		2,295	2,597	1,522
Current tax assets		1,217	225	2,458
Available-for-sale financial assets	18	9	141	1,794
Non-current assets held for sale	8	-	-	-
		177,819	**152,443**	**133,099**
Total assets		**234,793**	**212,351**	**199,482**
EQUITY (Equity attributable to the equity holders of the company)				
Share capital	24	1,892	1,892	1,513
Reserves		15,296	18,152	2,099
Retained earnings		16,906	(1,262)	(14,321)
Minority interest		268	278	237
Total equity		**34,362**	**19,060**	**(10,472)**
LIABILITIES				
Non-current liabilities				
Financial liabilities	27	50,509	3,520	6,837
Provisions for pensions	25	2,284	2,212	2,103
Provisions for other liabilities and charges	26	1,355	1,981	6,166
Deferred tax liabilities	19	7,183	2,570	2,188
Other non-current liabilities		3,052	3,557	1,080
		64,383	**13,840**	**18,374**
Current liabilities				
Financial liabilities	27	12,055	62,928	80,072
Amount due to customers for contract work	21	30,106	32,013	19,176
Trade and other payables	28	82,756	74,251	79,329
Current tax liabilities		7,509	8,666	9,324
Provisions for other liabilities and charges	26	3,622	1,593	3,679
Non-current liabilities held for sale	8	-	-	-
		136,048	**179,451**	**191,580**
Total liabilities		**200,431**	**193,291**	**209,954**
Total equity and liabilities		**234,793**	**212,351**	**199,482**

I. Consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT

in EUR '000'	Note	2007	2006	2005
Cash flows from operating activities	10			
Cash receipts from customers		381,664	324,992	308,172
Cash paid to suppliers and employees		(339,846)	(296,226)	(297,278)
Cash generated from operations before interests and taxes		**41,818**	**28,766**	**10,894**
Interest paid		(7,142)	(6,572)	(3,942)
Other expenses and financial income (paid)/received		(4,153)	(2,059)	417
Income taxes paid		(8,556)	(5,139)	(2,525)
Non operating cash items		(341)	-	(240)
Net cash from operating activities		**21,626**	**14,996**	**4,604**
Restructuring costs		(297)	(1,110)	(2,092)
Cash generated from operations after restructuring		**21,329**	**13,886**	**2,512**
Cash flows from investing activities	11			
Interest received		1,282	464	317
Dividends received		34	-	119
Proceeds on disposal of subsidiary/branch		259	-	-
Proceeds on disposal of PP&E		416	197	142
Proceeds/(Purchase) of investments held for trading		(324)	390	(356)
Acquisition of PP&E		(3,402)	(3,523)	(1,125)
Increase/(decrease) of government grants		-	(47)	-
Disposal/(purchase) of intangible assets		(194)	(54)	(111)
Expenditure on R&D		(740)	(426)	(769)
Net cash used in investing activities		**(2,669)**	**(2,999)**	**(1,783)**
Cash flows from financing activities	12			
Dividends paid to minorities		-	-	(19)
Proceeds from issuance of shares		-	19,194	5,821
New bank borrowings		129,075	15,841	3,541
Reimbursement of bank borrowings		(131,558)	(35,606)	(1,250)
Net cash from financing activities		**(2,483)**	**(571)**	**8,093**
Cash flows from other activities	13			
Other variations from discontinued activities		(2,746)	(4,330)	(2,854)
Net cash used in other activities		**(2,746)**	**(4,330)**	**(2,854)**
Net increase in cash and cash equivalents		**13,431**	**5,986**	**5,968**
Cash and cash equivalents at beginning of period		24,442	20,022	12,709
Impact of translation differences		(2,215)	(1,566)	1,345
Cash and cash equivalents at end of period		35,658	24,442	20,022
Net increase in cash and cash equivalents		13,431	5,986	5,968

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR '000'	Share capital	Legal reserve	Share Premium	Retained earnings	Change in fair value	Translation reserves	Equity attributable to equity holders of the parent	Minority interest	Total equity
Balance at 1 January 2005	**43,630**	**671**	**191**	**(76,456)**		**(984)**	**(32,948)**	**(10)**	**(32,958)**
Capital increases	12,969		(148)				12,821		12,821
Capital decrease	(55,086)			55,086			-		-
Exchange differences						2,369	2,369	70	2,439
Profit or loss of the period				7,058			7,058	177	7,235
Other movements				(9)			(9)		(9)
Balance at 31 December 2005	**1,513**	**671**	**43**	**(14,321)**		**1,385**	**(10,709)**	**237**	**(10,472)**
Balance at 1 January 2006	**1,513**	**671**	**43**	**(14,321)**		**1,385**	**(10,709)**	**237**	**(10,472)**
Capital increases	379		18,815				19,194		19,194
Exchange differences						(2,762)	(2,762)	(19)	(2,781)
Profit or loss of the period				13,021			13,021	79	13,100
Other movements				38			38	(19)	19
Balance at 31 December 2006	**1,892**	**671**	**18,858**	**(1,262)**		**(1,377)**	**18,782**	**278**	**19,060**
Balance at 1 January 2007	**1,892**	**671**	**18,858**	**(1,262)**		**(1,377)**	**18,782**	**278**	**19,060**
Capital increases							-		-
Exchange differences						(2,838)	(2,838)	(11)	(2,849)
Profit or loss of the period				18,258			18,258	87	18,345
Other movements				(90)	(18)		(108)	(86)	(194)
Balance at 31 December 2007	**1,892**	**671**	**18,858**	**16,906**	**(18)**	**(4,215)**	**34,094**	**268**	**34,362**

The reader is invited to look at note 24 explaining the details of the 2006 capital increase whose impact is presented above.

II. General information

Hamon & Cie (International) (hereafter called "Hamon" or "the Company") is a limited liability company under Belgian law. Its registered office is in Axisparc, rue Emile Francqui 2, 1435 Mont-St-Guibert, Belgium; telephone: 32-10-39.04.00. The principal activities of Hamon and the various subsidiary companies 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 subsidiary companies are established. The country of origin of the Company is Belgium.

The Company's financial year begins on the 1st 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

III. Declaration of compliance – Basis for establishing the financial statements

The consolidated financial statements are presented in accordance with the international standards for financial information (IFRS - International Financial Reporting Standards) as approved in the European Union.

The financial statements were approved by the Board of Directors on the 4 March 2008.

IV. Principal accounting methods

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 available-for-sale financial assets that are valued at fair value. The financial statements are presented in thousands of euro, rounded to the nearest thousand.

Standards and Interpretations that became applicable in 2007

As from this year, the group has adopted the IFRS 7 "Financial Instruments: Disclosures", applicable for accounting years beginning on or after 1 January 2007 as well as the related amendments to IAS 1 "Presentation of Financial Statements - Amendment - Capital Disclosures". The application of IFRS 7 and the amendments to IAS 1 on the financial statements have extended the disclosure on the Group's financial instruments.

Four interpretations published by the "International Financial Reporting Interpretations Committee" became applicable in 2007. They are the following:

- IFRIC 7 Applying the Restatement Approach under IAS 29 -Financial Reporting in Hyperinflationary Economies

- IFRIC 8 Scope of IFRS 2

- IFRIC 9 Reassessement of Embedded Derivatives; and

- IFRIC 10 Interim Financial Reporting and Impairment

The adoption of those interpretations has not caused any modifications in the accounting policies of the group.

Early application of standards and interpretations

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

At the certification date of the 31 December 2007 financial statements, the following interpretations were published but not yet applicable:

- Amendment to IFRS 2 – Vesting Conditions and Cancellations (applicable for annual periods beginning on or after 1 January 2009).

- Amendments to IAS 32: Financial Instruments: disclosure and IAS 1 Presentation of Financial Statements – puttable financial instruments and obligations due to a liquidation (applicable for annual periods beginning on or after 1 January 2009).

- IFRS 3 Business Combinations (revised in 2008) (applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009).

- IFRS 8 Operating Segments (applicable for accounting years beginning on or after 1 January 2009)

- IAS 23 Borrowing Costs (revised in 2007) (applicable for accounting years beginning on or after 1 January 2009)

- IAS 27 Consolidated and Separate Financial Statements revised in 2008 (applicable for annual periods beginning on or after 1 July 2009).

- IFRIC 11 IFRS 2 Group and Treasury share Transactions (applicable for accounting years beginning on or after 1 March 2007)

- IFRIC 12 Service Concession Arrangements (applicable for accounting years beginning on or after 1 January 2008)

IV. Principal accounting methods

- IFRIC 13 Customer Loyalty Programmes (applicable for accounting years beginning on or after 1 July 2008)

- IFRIC 14 - IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction (applicable for accounting years beginning on or after 1 January 2008).

The application of these new standards and interpretations should have no material impact on the consolidated financial statements.

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

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 at 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 operational income / (expenses)".

The assets and liabilities of the Group activities whose working currency are not the Euro are converted into Euro at the financial year's closing rate. Income and expenses are converted at the average rate of the period except if the exchange rates have been prey to major fluctuations. Resulting exchange gains and losses are posted 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 appearing under the "Foreign Exchange Reserve" heading are posted in the Income Statement.

The 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.

Consolidation Principles

The consolidated financial statements include the financial statements of all the subsidiary companies; the financial investments in joint ventures are 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 intragroup balances and transactions including income, dividends and expenses are eliminated in the consolidation.

Subsidiary Companies

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

Joint Ventures

The entities for which the Group contractually shares the 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. The proportional consolidation of the jointly controlled entities starts as from the moment the joint control is established until the date on which it ceases.

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 supposed to exist as soon as the parent owns, directly or indirectly through subsidiaries, more than twenty percent of the voting power of an entity. The consolidation of the associated companies is accounted for using the equity method until the date on which the significant influence ceases.

Business Combinations
When the Group acquires an entity or a company, the identifiable assets, liabilities and contingent liabilities of the acquired company are measured initially at their fair value at the acquisition date. The surplus of the acquisition cost of the business combination over the share of the net fair values of the identifiable assets, liabilities and contingent liabilities is posted as goodwill. If, after reassessment of the cost of the combination as well as the value of the acquiree's identifiable assets, liabilities and contingent liabilities, the goodwill is negative, the difference is immediately recognized in the income statement.

The minority interests reflect the share of the minority shareholders in the fair value of the assets, liabilities and contingent liabilities in the financial statements.

Balance Sheet Elements

Intangible Assets
Intangible assets are recognized 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 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 are initially measured at cost and are amortized on a straight-line basis over the shorter of their useful lives or their contractual period.

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; and
- 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 know-how and are generating profit. This condition is reviewed each year in order to determine the projects' 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 are charged to expenses and are not capitalized.

IV. Principal accounting methods

Goodwill

Goodwill represents the excess of the cost of the business combination on the Group's share of interest in the net fair value, at the acquisition date, of the identifiable assets, liabilities and contingent liabilities of a subsidiary company, an associated company or a jointly controlled entity.

The goodwill acquired in a business combination is recognized as an asset and is to be tested for impairment at least once a year. Any impairment loss is charged to the Income Statement. An impairment loss posted on goodwill cannot be reversed at a later date.

At the time of the sale of a subsidiary company 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".

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 manner intended by management. Borrowing costs are not included in the cost of the asset.

Any 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:

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

The 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 sales 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 estimation of the recoverable value of the cash-generating unit to which the asset belongs. The recoverable value is the highest value between the fair value less costs to sell and the value in use. If the recoverable value of an asset (cash flow generating unit) is lower than its carrying amount, the carrying amount of the assets (cash flow generating unit) is reduced to its recoverable value. An impairment loss is immediately recognized in the Income Statement.

When an impairment is reversed at a later date, the carrying amount of the asset (cash flow 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 flow generating unit).

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. 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 fair value of the leased property or, if lower, 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. Subsequently, during the lease period, 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.

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, which are directly linked to its acquisition or its insurance (except for financial assets at fair value through profit or loss).

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. The fair value of a financial liability will be for example the cash received from lenders when the liability was 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

IV. Principal accounting methods

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 till 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 profit or loss.
- 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 recognized 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)
Trade receivables (Payables) are recognized using the amortized cost method i.e. the discounted value of the receivable (payable). Appropriate impairment losses are recognized on receivables 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 (net of transaction costs) 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 arrangement fees related to mixed facilities including credit and bank guarantee lines are prorated between the different lines and globally presented in deduction of the financial liabilities on the balance sheet.

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 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. The gain or loss relating to the ineffective portion is recognized immediately 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.

When the forecast transaction that is hedged does not result in the recognition of an 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.

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 posted in the Income Statement.

Inventory

Inventory is carried at the lower of cost and net realisable 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 realisable value is the estimated selling price less the estimated costs of completion and the estimated costs to make the sale.

Pensions and other Employee Benefits

In accordance with the local legislation and practices, the Group's subsidiaries subscribe to post-employment defined contribution or defined benefit plans.

Defined Contribution Plans

Contributions that are payable for defined contribution plans in exchange for services rendered by employees during the period are charged to the income statement as incurred.

Defined Benefit Plans

For defined benefit plans, the amount recognized in the balance sheet is the present value of the defined benefit obligation, as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and reduced by the fair value of plan assets at the balance sheet date. If the calculation of the balance sheet amount as set out above results in an asset, the amount recognized should be limited to the net total of unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

In the Income Statement, the current service cost, the past service cost and the amortization of actuarial gains/losses are posted as cost of sales, distribution and marketing expenses or general and administrative costs, research and development expenses, while the interest costs and the expected return on the plan assets are charged to the "finance costs".

IV. Principal accounting methods

The present value of the defined benefit obligation is determined using the Projected Unit Credit Method. The discount rate is determined annually by reference to market yields at the balance sheet date on high quality corporate bonds with a term similar to the weighted average payment term of the obligation.

Actuarial gains/losses resulting from the effects of the differences between the previous actuarial assumptions and the actuals and from the effects of the changes in actuarial assumptions are calculated separately for each "defined benefit plan". When the accumulated actuarial gains/losses exceed 10% of the greater of the defined benefit obligation or the fair value of the plan assets (corridor), the portion in excess is recognized in the income statement through its amortization over the average remaining working lives of the employees.

Past service costs due to changes in benefits under the plan are amortized on a straight-line basis over the average period until the amended benefits become vested.

Early Retirement Plan
Early retirement plans are treated as post-employment defined benefit plans.

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 the sale 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.

Income Statement Elements

Income
An income is recognized when it is probable that the future economic benefits attributable to the transaction will accrue 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 revenue are recognized once the delivery has been made and when the transfer of the risks and benefits has been completed.
- Construction revenue are recognized in accordance with the Group's accounting methods 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.

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 reference to the contract's components (engineering & design, supply and erection).

Group subsidiaries may recognise the result of minor contracts following the completed contract method.

When the outcome of a construction contract cannot be estimated reliably, the revenue is recognized only to the extent that contract costs incurred are expected to be recoverable while contract costs are expensed as incurred.

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

The contract revenue include the initial agreed amount of the contract, the agreed variation orders as well as the forecasted incentive payments and the forecasted claims only when the incentive/claim are accepted and when their amount can be measured reliably.

The 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 (indirect costs). The tender costs are included in the 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.

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.

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 the 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 or substantively enacted by the balance sheet date.

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.

IV. Principal accounting methods

Deferred tax liabilities related to goodwill and business combinations 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.

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 entity represents a significant separate major line of business or geographical area of operations; it can be distinguished from an operational point of view as well as for financial communication.

Besides general information detailing the discontinued operations, financial statements disclose the amounts of assets and liabilities, and 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 realisable value.

V. Key assumptions and estimates

Within the framework of the preparation of its consolidated financial statements, the Group must, on certain occasions, formulate assumptions and/or carry out estimates affecting the balance sheet entries and/or the income statement.

Management bases its estimates on its previous experience and formulates certain assumptions which seem reasonable taking into account the circumstances. The real results can differ from these estimates.

The estimates are used in the assessment of losses in value/reductions in value on current and non-current assets, in the estimate of the result and the degree of progress of the construction contracts in progress, in the assessment of the residual lifespan of the tangible fixed and intangible assets except for the goodwill, in the provisions for pensions, reorganizations and potential litigations as well as in the assessment of the recoverable character of the deferred tax assets.

The accounting estimates and their key assumptions are re-examined regularly and the effects of their revisions are reflected in the financial statements in the corresponding period.

When such assumptions and estimates have been made, they are explained in the notes relating to the elements to which they refer.

VI. Subsidiary companies

As of 31 December 2007, the Group has the following subsidiaries:

Subsidiary	Country	% Group interest	% Group control
1. Subsidiaries consolidated by full integration method			
Hamon & Cie (International) SA	Belgium	Parent company	Parent company
Hamon Thermal Europe SA	Belgium	100%	100%
Hamon Research-Cottrell SA	Belgium	99.95%	100%
Compagnie Financière Hamon S.A.	France	99.10%	100%
Hamon Thermal Europe (France) S.A.	France	99.10%	100%
Hamon D'Hondt S.A.	France	99.10%	100%
Brown Fintube France S.A.	France	99.10%	100%
Hamon Environmental S.A.R.L.	France	99.95%	100%
Hacom Energiesparsysteme GmbH	Germany	100%	100%
Hamon Thermal Germany GmbH	Germany	100%	100%
Hamon Polska Sp.Zo.O	Poland	100%	100%
Hamon UK Ltd.	Great Britain	100%	100%
Hamon Dry Cooling Ltd	Great Britain	100%	100%
Hamon (Nederland) B.V.	Netherlands	100%	100%
Heat Transfer Ré Services S.A.	Luxemburg	100%	100%
Hamon Corporation Inc.	United States	100%	100%
Hamon Cooling Towers Inc.	United States	100%	100%
Hamon Custodis Inc.	United States	100%	100%
Hamon Research-Cottrell Inc.	United States	100%	100%
Thermal Transfer Corporation	United States	100%	100%
Hamon Custodis Cottrell (Canada) Inc.	Canada	100%	100%
Hamon Australia Pty Ltd.	Australia	100%	100%
Hamon (South Africa) Pty Ltd.	South Africa	70%	100%
Hamon Korea Co Ltd.	South Korea	89.73%	90%
Hamon Korea Youngnam Ltd.	South Korea	45.76%	100%
Hamon - B.Grimm Ltd.	Thailand	49.20%	49.2%
Hamon India PVT Ltd.	India	100%	100%
Hamon Malaysia SDN. BHD.	Malaysia	100%	100%
Hamon Thermal & Environmental Technology (Jiaxing) Co. Ltd	China	70.0%	100%
Hamon Do Brazil Ltda.	Brazil	100%	100%
2. Subsidiaries consolidated by proportional integration			
Hamon Shriram Cottrell PVT Ltd (1)	India	50%	50%
Hamon D'Hondt Middle East Company Ltd (1)	Saudi Arabia	39.63%	40%
Hamon Cooling Towers Company (1)	United Arab Emirates	50%	50%

(1) modified in 2007 (see management report)

VII. Exchange rates used by the Group

Exchange rates for 1 EUR		Year-end exchange rate			Average exchange rate		
		2007	2006	2005	2007	2006	2005
UAE Dirham	AED	5.4057	4.8431	4.3325	5.0448	4.6344	4 .5802
Australian Dollar	AUD	1.6757	1.6730	1.6080	1.6377	1.6696	1.6328
Brazilian Real	BRL	2.6189	2.8154	2.7549	2.6596	2.7528	3.0302
Canadian Dollar	CAD	1.4449	1.5345	1.3779	1.4691	1.4240	1.5410
Chinese Yuan	CNY	10.7524	10.2922	9.5192	10.4306	10.0477	10.2187
Pound Sterling	GBP	0.7334	0.6738	0.6871	0.6841	0.6823	0.6843
Indian Rupee	INR	58.0155	58.3635	53.0916	56.6725	57.1972	54.8851
South Korean Won (100)	KRW	13.7796	12.2634	11.9235	12.7410	12.0193	12.7724
Malaysian Ringgit	MYR	4.8682	4.6522	4.4582	4.7125	4.6200	4.7221
Polish Zloty	PLZ	3.5935	3.8293	3.8423	3.7857	3.9012	4.0293
Saudi riyal	SAR	5.5190	4.9453	4.4238	5.1454	4.7321	4.6769
Thai Baht	THB	43.8000	47.6693	48.3616	45.9905	47.7735	50.1722
U.S. Dollar	USD	1.4721	1.3187	1.1796	1.3728	1.2591	1.2470
South African Rand	ZAR	10.0298	9.2975	7.4813	9.6407	8.5623	7.8811

VIII. Information by segment

The Group presents information relating to its branches of activity and its geographical sectors. The first level of segment information reflects the organization of the Group's activities. The selected segments correspond to Business Units, as defined below.

The Group is organized into five Business Units: Cooling Systems, Heat Exchangers, Air Pollution Control Europe, Air Pollution Control USA, and Chimneys. Additional Business Unit information is presented in the first part of this annual report.

The second level of segment information is based on the geographical location of the customers, i.e. Europe, Canada and the United States of America, other Americas, Middle East & Africa, and the Asia-Pacific Area; whereas the assets and the investments are included according to their own localities.

The results of a segment, and its assets and liabilities, include all the elements that are directly ascribable to it as well as the headings that can reasonably be allocated to a sector.

Information by segment

First level – branches of activity

Income statement

in EUR '000'	Cooling Systems	Heat Exchangers	Air Pollution Control Europe	Air Pollution Control USA	Chimneys	Non allocated	Elimination	Total
For the year ended 31 December 2005								
External sales	95,456	17,749	36,185	113,277	20,781	233		283,681
Inter-segment sales	224	17		16	1,033		(1,290)	-
Total revenue	95,680	17,766	36,185	113,293	21,814	233	(1,290)	283,681
Operating profit before restructuring costs	7,542	(2,278)	1,051	13,455	(418)	2,881		22,233
Restructuring costs	(206)	(1,404)		(87)		(50)		(1,747)
Operating profit (EBIT)	7,336	(3,682)	1,051	13,368	(418)	2,831		20,486
Finance costs						(5,295)		(5,295)
Share of the profit/(loss) of associates		386		(61)				325
Result before tax								**15,516**
Income tax expenses						7,381		7,381
Net result from continued operations								**22,897**

in EUR '000'	Cooling Systems	Heat Exchangers	Air Pollution Control Europe	Air Pollution Control USA	Chimneys	Non allocated	Elimination	Total
For the year ended 31 December 2006								
External sales	117,856	30,248	39,490	105,865	60,947	17	-	354,423
Inter-segment sales	194	147	-	49	-	-	(390)	-
Total revenue	118,050	30,395	39,490	105,914	60,947	17	(390)	354,423
Operating profit before restructuring costs	6,845	1,165	3,427	17,760	2,622	1,020	-	32,839
Restructuring costs	(474)	(34)	-	67	-	-	-	(441)
Operating profit (EBIT)	6,371	1,131	3,427	17,827	2,622	1,020	-	32,398
Finance costs						(7,600)		(7,600)
Share of the profit/(loss) of associates	-	407	-	-	-	-	-	407
Result before tax								**25,205**
Income tax expenses						(10,351)		(10,351)
Net result from continued operations								**14,854**

in EUR '000'	Cooling Systems	Heat Exchangers	Air Pollution Control Europe	Air Pollution Control USA	Chimneys	Non allocated	Elimination	Total
For the year ended 31 December 2007								
External sales	102,342	39,742	56,873	150,604	83,077	10	-	432,648
Inter-segment sales	303	108	-	95	-	-	(506)	-
Total revenue	102,645	39,850	56,873	150,699	83,077	10	(506)	432,648
Operating profit before restructuring costs	4,384	2,447	6,157	28,105	4,865	(1,281)	-	44,677
Restructuring costs	(5)	-	-	-	-	(3)	-	(8)
Operating profit (EBIT)	4,379	2,447	6,157	28,105	4,865	(1,284)	-	44,669
Finance costs						(11,126)		(11,126)
Share of the profit/(loss) of associates	-	-	-	-	-	-	-	-
Result before tax								**33,543**
Income tax expenses						(13,952)		(13,952)
Net result from continued operations								**19,591**

VIII. Information by segment

Other elements of the income statement

in EUR '000'	Cooling Systems	Heat Exchangers	Air Pollution Control Europe	Air Pollution Control USA	Chimneys	Non allocated	Total
For the year ended 31 December 2005							
Depreciation and amortization	(999)	(700)	(52)	(1,138)	(171)	(817)	(3,877)
Impairment of goodwill							-
Impairment of inventory and WIP	38	(62)		(27)		(240)	(291)
Impairment of trade receivables	(486)	62	144	7		(646)	(919)
(Increase) / decrease in provisions	939	(348)	40	(131)	435	(29)	906
For the year ended 31 December 2006							
Depreciation and amortization	(1,074)	(771)	(59)	(565)	(194)	(720)	(3,383)
Impairment of goodwill	-	-	-	-	-	-	-
Impairment of inventory and WIP	1	(238)	-	121	-	-	(116)
Impairment of trade receivables	798	(345)	-	32	140	360	985
(Increase) / decrease in provisions	204	(53)	(58)	386	-	(245)	234
For the year ended 31 December 2007							
Depreciation and amortization	(823)	(769)	(53)	(375)	(293)	(565)	(2,878)
Impairment of goodwill	-	-	-	-	-	-	-
Impairment of inventory and WIP	(13)	(240)	-	23	-	-	(230)
Impairment of trade receivables	(320)	(305)	505	(792)	-	-	(912)
(Increase) / decrease in provisions	(2,206)	(72)	-	(780)	-	607	(2,451)

Balance sheet information

in EUR '000'	Cooling Systems	Heat Exchangers	Air Pollution Control Europe	Air Pollution Control USA	Chimneys	Non allocated	Total
As of 31 December 2005							
Assets	70,316	19,762	21,804	56,887	3,651	25,506	197,926
Investments in associates	-	1,376	1,004	(914)	-	90	1,556
Total assets	**70,316**	**21,138**	**22,808**	**55,973**	**3,651**	**25,596**	**199,482**
Total liabilities	**61,610**	**16,760**	**17,848**	**31,330**	**3,889**	**78,517**	**209,954**
Capital expenditures	439	406	83	291	194	135	1,548
As of 31 December 2006							
Assets	77,828	22,631	22,863	46,674	16,708	24,763	211,467
Investments in associates	-	1,677	-	(883)	-	90	884
Total assets	**77,828**	**24,308**	**22,863**	**45,791**	**16,708**	**24,853**	**212,351**
Total liabilities	**51,462**	**17,665**	**14,486**	**36,590**	**12,151**	**60,937**	**193,291**
Capital expenditures	1,463	292	55	246	1,122	604	3,782
As of 31 December 2007							
Assets	79,434	25,441	29,286	46,219	15,729	38,003	234,112
Investments in associates	-	1,686	-	(1,005)	-	-	681
Total assets	**79,434**	**27,127**	**29,286**	**45,214**	**15,729**	**38,003**	**234,793**
Total liabilities	**54,471**	**18,381**	**17,847**	**22,145**	**8,846**	**78,741**	**200,431**
Capital expenditures	1,628	1,166	78	208	241	696	4,017

VIII. Information by segment

Information by segment

Second level – geographical segment

in EUR '000'	2007	2007 in %	2006	2006 in %	2005	2005 in %
Revenue						
Europe	138,717	32.1%	126,904	35.8%	125,324	44.2%
USA and Canada	226,841	52.4%	156,337	44.1%	130,642	46.1%
Other Americas	5,748	1.3%	11,504	3.3%	4,800	1.7%
Middle-East and Africa	30,178	7.0%	14,649	4.1%	4,898	1.7%
Asia - Pacific	31,164	7.2%	45,029	12.7%	18,017	6.4%
	432,648	**100.0%**	**354,423**	**100.0%**	**283,681**	**100.0%**
Total assets						
Europe	129,798	55.3%	117,354	55.2%	115,964	58.1%
Americas	88,906	37.8%	76,637	36.1%	69,590	34.9%
Middle-East and Africa	2,070	0.9%	1,420	0.7%	865	0.4%
Asia - Pacific	14,019	6.0%	16,940	8.0%	13,063	6.5%
	234,793	**100.0%**	**212,351**	**100.0%**	**199,482**	**100.0%**
Capital expenditures						
Europe	2,768	68.9%	1,307	35.3%	808	52.2%
Americas	633	15.8%	1,517	40.9%	499	32.2%
Middle-East and Africa	11	0.3%	29	0.8%	32	2.1%
Asia - Pacific	605	15.0%	852	23.0%	209	13.5%
	4,017	**100.0%**	**3,705**	**100.0%**	**1,548**	**100.0%**

IX. Notes to the financial statements

COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

1. Revenue

Revenue from continuing operations of the Group continued to grow very favorably during the year 2007. Turnover is up by 22% in relation to the previous period (and up 53% compared to 2005). Results are presented as follows:

in EUR '000'	2007	2006	2005
Construction contracts	414,939	334,245	267,503
Manufacturing	10,875	10,101	10,263
Spares	5,181	6,569	3,288
Services	1,442	3,135	2,278
Royalties	211	373	349
Total	**432,648**	**354,423**	**283,681**

2. Gross profit

Gross profit of the Group continued to grow, and in 2007 reached EUR 92.8 million, compared to EUR 69.2 million in 2006, and EUR 51.3 million in 2005.

It amounts to 21.5% of the revenue, an increase of 2 points over 2006 (19.5%) and 3.4 points compared to 2005 (18.1%).

3. Other operating income (expenses)

Other operating income and expenses are broken down as follows:

in EUR '000'	2007	2006	2005
Dividends and financial income	1,358	511	470
Profit/(loss) on disposal of assets	(103)	(1,128)	(38)
Profit on bank debt renegotiating		-	3,511
Exchange differences, net	(623)	(451)	871
Other operating income	513	793	2,125
Various operations on related parties	171	138	315
Impairment of current assets	(1,162)	(804)	(17)
Closing of "Fire Protection" product line in South Africa	(1,501)		
Other operating expenses	(1,226)	(1,234)	(815)
Total	**(2,573)**	**(2,175)**	**6,422**

Early in 2007, the Group decided to exit its non-core activities in South Africa, specifically in the Fire Protection product line (industrial and commercial fire protection installations, as well as sprinkler installations).
An agreement was reached with a local company to take over the assets and contracts of these activities.
The costs relative to this cessation of activities are EUR 1,501 thousand in 2007.

The other operational expenses mainly include insurance products and the sub-leasing of installations.

Other operating expenses include mainly expenses and banking charges not directly ascribable to construction contracts and expenses relating to the transfer without repayment of trade receivable.

4. Operating profit before restructuring costs

Operating profit before restructuring costs (EUR 44.7 million) showed strong growth compared to the two previous years; +36% compared to 2006, and +101% compared to 2005. This performance was achieved in spite of a sizeable increase of the Group net SG&A (+10 million compared to 2006) made necessary to cope with the strong volume growth but also to support future strategic developments. Most of this increase comes from personnel costs (+7.5 million compared to 2006).

5. Restructuring costs

Except for a minimal amount in 2007 (EUR 8 thousand), the cost for the reorganization of different sectors were recognized and charged to the previous year's income. These were EUR 441 thousand in 2006, and EUR 1,747 thousand in 2005.

6. Finance costs

Details of finance costs are as follows:

in EUR '000'	2007	2006	2005
Interest charges	(7,142)	(6,637)	(5,273)
Costs related to anticipated reimbursement	(1,985)		
Other borrowing costs	(1,999)	(963)	(22)
Total	**(11,126)**	**(7,600)**	**(5,295)**

IX. Notes to the financial statements

Interest costs increased in 2007 (EUR 7,142 thousand) compared to 2006 (EUR 6,637 thousand). This is the result of an increase in EUR short term interest rates on the one hand and on the other the negotiation in February 2007 of new senior credit agreements and mezzanine financing that were used to refinance the debt from the previous banking pool. The margins associated with this refinancing were higher than the previous ones (see note 27).

“Other borrowing costs” include the EUR 983 thousand of amortization of financing costs incurred in 2007, other than interest, of the credit agreement signed in February 2007 according to the amortized cost treatment method, as stipulated by IFRS. EUR 1,985 thousand of these same costs and commissions not yet amortized were also charged back to income statement following the subsequent refinancing of these same debts in December 2007.

The average cost of the debt is 10.42% in 2007 or 14.75% (8.7% in 2006) if one incorporates in the analysis the amortization of the costs of putting these credit agreements in place.

7. Income tax

in EUR ‘000’	2007	2006
Components of tax (expense)/income	**(13,952)**	**(10,351)**
Current tax	**(7,148)**	**(7,694)**
Related to current year	(8,088)	(7,372)
Related to past years	940	(322)
Deferred tax	**(6,804)**	**(2,657)**
Related to current year	(7,504)	(2,657)
Related to past years	700	

	2007		2006	
Reconciliation of Group income tax charge				
Result before tax	33,543		25,205	
Share of the profit (loss) of associates			(407)	
Result before tax and before share of the profit (loss) of associates	**33,543**		**24,798**	
Domestic income tax rate	33.99%		33.99%	
Group theoretical income tax charge	**(11,401)**	**-33.99%**	**(8,429)**	**-33.99%**
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,630)	-4.86%	(922)	-3.72%
Withholding tax on intra group dividend distribution	(805)	-2.40%		
Impact of deferred tax assets not recognized	(2,117)	-11.43%	(1,489)	-6.00%
Other movements	361	6.19%	811	3.27%
Income tax expense related to current year	**(15,592)**	**-46.48%**	**(10,029)**	**-40.44%**

The income tax rate for the Group is 46.5%. This has been pushed higher due to the high rate of tax in the United States (40.5%) where the Group makes a large part of its profits, and also at the holding company whose statutory profit is mostly coming from dividends (not taxable) but also supports high interest charges.

8. Discontinued operations

In 2002, the Hamon Group decided to sell the activities of its Heat Exchange business unit in Italy, consisting mainly of its Italian subsidiary FBM. This process was finally completed on 31 December 2005 with the signing of a sale agreement for the shares of FBM with KNM Group Berhad ("KNM") for a price of EUR 1,750 thousand. The sale was finalized on 12 April 2006.

The balance of the Italian activities, cooling systems, air pollution control and chimneys, operated within a subsidiary called Hamon Research Cottrell Italia Srl ("HRCI"). After the sale of the Dry cooling activities end of 2003 and the discontinuation of the chimney activities in Europe, HRCI no longer had a place in the Hamon structure and was put into liquidation at the beginning of 2005. The results of HRCI for 2004 to 2007 (including the impact of the guarantees previously given by the Group in favor of this subsidiary company) are shown under the heading "Net results of discontinued operations".

The results of the discontinued operations are as follows:

in EUR '000'	2007	2006	2005
FBM net result for the year		-	(14,062)
Result of FBM disposal		-	1,830
HRCI net result for the year (incl. Group commitments)		-	(848)
Miscellaneous expenses FBM & HRCI	(46)	(288)	-
Entech (USA)	(865)	(664)	(264)
Dry & Wet NAFTA cooling activities sold to SPX	(6)	(654)	(1,087)
Rothemuhle		(15)	(977)
Others	(329)	(133)	(254)
Total	**(1,246)**	**(1,754)**	**(15,662)**

The "Others" entry relates primarily to various expenses incurred following the sale of Air Industry Thermique Loreatt.

The results of the discontinued operations can be summarized as follows:

in EUR '000'	FBM	HRCI	Others	Total
For the year ended 31 December 2005				
Revenue	21,499	-	813	22,312
Result before tax	(14,062)	(848)	(2,582)	(17,492)
Income tax expenses				-
Net result	**(14,062)**	**(848)**	**(2,582)**	**(17,492)**
For the year ended 31 December 2006				
Revenue			-	-
Result before tax			(1,754)	(1,754)
Income tax expenses				-
Net result	**-**	**-**	**(1,754)**	**(1,754)**
For the year ended 31 December 2007				
Revenue				-
Result before tax			(1,246)	(1,246)
Income tax expenses				-
Net result	**-**	**-**	**(1,246)**	**(1,246)**

The impact of the discontinued operations on the cash flow of the Group amounts to EUR -2,746 thousand for fiscal year 2007 (EUR -4,330 thousand and EUR -2,854 thousand for the years 2006 and 2005 respectively) (see note 13).

At the 31 December 2007, 2006 and 2005, assets and liabilities of the discontinued activities are zero.

IX. Notes to the financial statements

9. Earnings per share

Continued and discontinued operations
The basic earnings per share coming from the continued and discontinued operations is calculated by dividing the net result for the year ascribable to the ordinary shareholders by the weighted average number of average shares in circulation during the fiscal year.

in EUR '000' or in EUR / share	2007	2006	2005
Net result for the year (equity holders of the company)	18,258	13,021	7,058
Weighted average number of ordinary shares during the year	7,191,472	5,948,680	4,458,340
Earnings per share (EUR/share)	2.54	2.19	1.58

The weighted average number of shares is calculated on the basis of the figures found in note 24.

The basic earnings per share are identical to the diluted earnings per share given the absence of potentially diluting ordinary shares in circulation.

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

in EUR '000' or in EUR / share	2007	2006	2005
Net result for the year (equity holders of the company)	18,258	13,021	7,058
Net result of discontinued operations	(1,246)	(1,754)	(15,662)
Net result from continued operations (equity holders of the company)	19,504	14,775	22,720
Weighted average number of ordinary shares during the year	7,191,472	5,948,680	4,458,340
Earnings per share from continued operations (EUR/share)	2.71	2.48	5.10

Discontinued operations
The basic and diluted earnings per share for the discontinued operations amounted to EUR -0.17 per share on the 31 December 2007 (EUR -0.29 and EUR -3.52 per share on the 31 December 2006 and 2005 respectively), calculated on the basis of the net result of the discontinued operations of EUR -1,246 thousand in 2007 (EUR -1,754 thousand and EUR -15,662 thousand in 2006 and 2005), and of the denominators detailed above.

COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

The net positive increase in cash flow for the year 2007 is significantly improved compared to the two previous periods: EUR 13,431 thousand against EUR 5,986 thousand and EUR 5,968 thousand in 2006 and 2005 respectively.

10. Cash flow from operating activities

Cash generated from operations (after restructuring costs) improved by EUR 7,443 thousand compared to 2006. This improvement comes essentially from the increase in revenue (22% increase), from the improved gross margin (21.5% vs 19.5%) and a return to normal payment terms with our principal suppliers.

The increase of financial costs is due to the cost of the refinancing in February 2007 (see notes 6 and 27).

The increase in taxes paid by the company comes essentially from the US operations where there are no longer any tax losses.

11. Cash flow from investing activities

The net flow of investment cash was EUR -2,669 thousand in 2007. The slight decrease versus the previous year (EUR -2,999 thousand) comes from the increase in interest received by the Group thanks to its improved net cash position (see note 23).

Other than the investments required for replacement, the principal investments in tangible assets this period has been the purchase of machines that will increase the production capacity of the factories for the Cooling system and Heat Exchange business units, the cost of refurbishing the offices in France and the United States as well as the cost of acquiring offices for our joint venture in India.

12. Cash flow from financing activities

Cash flow from financing activities was EUR -2,483 thousand in 2007. “New bank borrowings” of EUR 129,075 thousand comes from the use in February 2007 of senior credit agreements and mezzanine facilities signed with a banking pool on 22 December 2006 for EUR 62,341 thousand and the use in December 2007 of new senior credit agreements signed with a new banking pool on 21 December 2007 for EUR 60,770 thousand (see note 27).

“Repayment of bank borrowing” of EUR -131,558 thousand results principally from the use in February 2007 of senior credit agreement and mezzanine facility to reimburse the debt from a previous line of credit for EUR 63,036 thousand and the use in December 2007 of the latest senior and subordinated credit agreement to reimburse debt under the senior and mezzanine lines of credit from 22 December 2006 for EUR 60,268 thousand. The Group has also repaid EUR 7,500 thousand of the senior credit agreements signed on 22 December 2006 from its own cash flow according to scheduled repayment and in part ahead of the deadline date, and has repaid the remaining at the end of December.

13. Cash flow from discontinued activities

Expenditures for discontinued activities in 2007 were lower than the previous period and amount to EUR 2,746 thousand. They relate principally to expenses incurred to exit the “fire protection” activity in South Africa and to the shut down of Entech in the United Sates (see note 8).

IX. Notes to the financial statements

COMMENTS ON THE CONSOLIDATED BALANCE SHEET

14. Intangible assets

in EUR '000'	Patents and trademarks	Development costs	Total
As of 31 December 2005			
Cost	10,188	3,550	13,738
Accumulated amortization and impairment	(8,199)	(2,452)	(10,651)
Net carrying amount	**1,989**	**1,098**	**3,087**
For the year ended 31 December 2006			
Exchange difference	(97)	(310)	(407)
Additions	58	201	259
Disposals	-	-	-
Amortization charge for the year	(755)	(427)	(1,182)
Transferred from an account to another	-	-	-
Net carrying amount at closing date	**1,195**	**562**	**1,757**
As of 31 December 2006			
Cost	8,387	4,366	12,752
Accumulated amortization and impairment	(7,192)	(3,804)	(10,995)
Net carrying amount	**1,195**	**562**	**1,757**
For the year ended 31 December 2007			
Exchange difference	(57)	(234)	(290)
Additions	213	401	615
Disposals	(162)	-	(162)
Amortization charge for the year	(438)	(241)	(679)
Transferred from an account to another	-	-	-
Net carrying amount at closing date	**751**	**489**	**1,240**
As of 31 December 2007			
Cost	7,883	4,205	12,088
Accumulated amortization and impairment	(7,132)	(3,716)	(10,848)
Net carrying amount	**751**	**489**	**1,240**

All intangible assets have a finite utility period against which the asset is amortized. The amortization charge is included under the heading "General and administrative costs".

Patents and trademarks mainly include software licences.

15. Goodwill

in EUR '000'

As of 1 January 2006	
Cost	18,805
Accumulated amortization and impairment	(639)
Net carrying amount	**18,166**
For the year ended 31 December 2006	
Exchange difference	(465)
Net carrying amount at closing date	**17,701**
As of 1 January 2007	
Cost	18,340
Accumulated amortization and impairment	(639)
Net carrying amount	**17,701**
For the year ended 31 December 2007	
Exchange difference	(384)
Additions	-
Impairment charge	-
Net carrying amount at closing date	**17,317**
As of 31 December 2007	
Cost	17,956
Accumulated amortization and impairment	(639)
Net carrying amount	**17,317**

The Group carries out an annual goodwill impairment test in accordance with the accounting policies presented under Section IV. The recoverable value of the cash-flow generating units has been determined on the basis of their fair value decreased by the sale expenses of the relevant cash-flow generating units.

The fair value of the cash-flow generating units is estimated on the basis of:

- The current and future EBITDA as derived from the Group's budgets, approved by the Board of Directors
- The usual market multiples for similar activities
- Corrections due to non-operating assets or liabilities of which the value is not reflected by the EBITDA.

The market multiples were researched by referring to a number of other quoted companies in the sector and compared with recent transactions, mainly in the American markets. This analysis has confirmed the prudent nature of the adopted multiples.

The fair value obtained was then compared with the evaluated activity's net book value (including goodwill). On the basis of the tests carried out, no decrease of the value of the Group's goodwill was considered to be necessary in 2007.

At 31 December 2007, the allocation of the net book value of the goodwill between the cash-flow generating units was detailed as follows:

in EUR '000'	2007	2006	2005
Cooling systems	5,016	5,005	5,093
Heat exchangers	851	851	851
Air Pollution Control Europe	7,168	7,168	7,168
Air Pollution Control USA	3,952	4,316	4,650
Chimneys	330	361	404
Total	**17,317**	**17,701**	**18,166**

IX. Notes to the financial statements

16. Property, Plant and Equipment

in EUR '000'	Land and buildings	Furniture and vehicules	Plant, machinery and equipment	Other tangible assets	Assets under construction and advance payments	Total
As of 31 December 2005						
Cost	18,103	6,005	21,660	466	1,312	47,546
Accumulated depreciation	(6,695)	(3,835)	(14,908)	(182)	(963)	(26,583)
Net carrying amount	**11,408**	**2,170**	**6,752**	**284**	**349**	**20,963**
For the year ended 31 December 2006						
Exchange difference	(398)	(54)	(271)	(3)	(10)	(736)
Additions	592	530	1 675	633	93	3,523
Disposals	(18)	(849)	(1,245)	(128)	-	(2,240)
Depreciation charge for the year	(693)	(419)	(1,002)	(85)	(2)	(2,201)
Transferred from an account to another	(9)	(146)	132	48	(25)	
Net carrying amount at closing date	**10,882**	**1,232**	**6,041**	**749**	**405**	**19,309**
As of 31 December 2006						
Cost	18,202	4,709	19,842	1,001	410	44,164
Accumulated depreciation	(7,320)	(3,477)	(13,801)	(252)	(5)	(24,855)
Net carrying amount	**10,882**	**1,232**	**6,041**	**749**	**405**	**19,309**
For the year ended 31 December 2007						
Exchange difference	(443)	(54)	(220)	(2)	(8)	(727)
Additions	383	675	1,914	181	249	3,402
Disposals	(23)	(33)	(256)	-	(233)	(544)
Depreciation charge for the year	(625)	(400)	(1,044)	(130)	-	(2,199)
Exit from consolidation scope	(95)	(20)	(47)	-	-	(162)
Transferred from an account to another	-	-	4	-	(4)	-
Net carrying amount at closing date	**10,079**	**1,400**	**6,392**	**798**	**410**	**19,079**
As of 31 December 2007						
Cost	17,267	4,559	18,753	1,171	409	42,159
Accumulated depreciation	(7,188)	(3,159)	(12,361)	(373)	1	(23,080)
Net carrying amount	**10,079**	**1,400**	**6,392**	**798**	**410**	**19,079**

The amount included under the "Land and Buildings" heading includes a net amount of EUR 5,334 thousand for assets acquired by means of finance lease as at 31 December 2007 (EUR 5,774 thousand on 31 December 2006).

The exit from consolidation scope is related to the changes made in our Indian business, notably the creation of a joint venture (change to proportional integration).

17. Investment in associates

in EUR '000'	31/12/07	31/12/06
Balance as at beginning date	884	1,556
Additions		-
Sales		(669)
Share of the profit (loss) of associates		407
Transfer from one caption to another		(335)
Other variations		(4)
Exchange difference	(203)	(71)
Balance as at closing date	**681**	**884**
Cost of investment in associates	1,764	2,290
Share of post-acquisition profit, net of dividend received	(1,083)	(1,406)
Balance as at closing date	**681**	**884**

Investments in associates principally include GEI Industrial Systems Ltd (known in the past as GEI Hamon industrie Ltd) (India) (GHI) held at 20.8% (23% on 31 December 2006) and Hamon Research Cottrell Do Brasil (Brazil) (HRCBRA) held at 45%.

The reduced percentage reflects dilution in Hamon's Share following issue of 1,255,000 new shares in 2006 and bought by the Indian shareholders in 2007.

HRCBRA presents a negative consolidation value that exceeds the commitments from the Group in the company. Consequently, Hamon did not account for EUR 1,720 thousand representing the share of the Group in the negative HRCBRA result for 2007 (EUR 420 thousand for 2006).

The financial information of these two associated companies is summarized as follows (at 100%):

in EUR '000'	31/12/07	31/12/06
Total assets	28,815	24,046
Total liabilities	25,884	19,833
Net assets	2,931	4,213
Group's share of associates' net asset	(899)	344

in EUR '000'	2007	2006
Revenue	47,263	24,798
Net result for the year	(2,467)	(119)
Equity holders of the company	(1,428)	(233)
HRCBRA non recognized loss	1,701	420
GEI non recognized profit	(273)	
Gain related to GHI value increase		220
Group's share of associates' net result for the year	0	407

There are no restrictions that prevent these companies from transferring funds (such as dividends) to the Group.

The amount of Group commitments with respect to the associated companies increased to EUR 1,948 thousand at 31 December 2007 (EUR 1,533 thousand as at 31 December 2006). This amount is included in the commitments presented in note 34.

IX. Notes to the financial statements

18. Available-for-sale financial assets

in EUR '000'	Non-current	Current
For the year ended as of 31 December 2006		
Balance as at opening date	575	1,794
Additions	315	-
Disposals	-	(1,750)
Transfer from one caption to another	335	-
Impairment charge	-	-
Reversals of impairment charge	-	-
Other variations	(97)	97
Exchange difference	(58)	-
Balance as at closing date	**1,070**	**141**
For the year ended as of 31 December 2007		
Balance as at opening date	1,070	141
Additions	132	14
Disposals	(84)	(146)
Transfer from one caption to another	-	-
Impairment charge	-	-
Reversals of impairment charge	-	-
Other variations	(115)	
Exchange difference	(2)	-
Balance as at closing date	**1,001**	**9**

The "Available-for-sale financial assets" include investments in companies in which the Group does not have a notable influence.

19. Deferred tax assets

	Assets			Liabilities		
in EUR '000'	31/12/07	31/12/06	31/12/05	31/12/07	31/12/06	31/12/05
Temporary differences						
Intangible assets and goodwill	-	102	88	(456)	(278)	(185)
Property, plant & equipment	-	8		(776)	(2,393)	(2,301)
Construction contracts	47	915	46	(6,854)	(1,124)	(1,079)
Provisions	1,240	93	69	(214)	(514)	(709)
Finance lease contracts	104	452	756	(895)		
Miscellaneous liabilities		1,027				
Others	1,123	160	247	(284)	(652)	(544)
Total temporary differences	**2,514**	**2,757**	**1,206**	**(9,479)**	**(4,961)**	**(4,818)**
Tax losses and other tax credits	**9,146**	**11,176**	**15,306**			
Total deferred tax assets/liabilities	**11,660**	**13,933**	**16,512**	**(9,479)**	**(4,961)**	**(4,818)**
Compensation of assets and liabilities per tax entity	(2,296)	(2,391)	(2,630)	2,296	2,391	2,630
Total, net	**9,364**	**11,542**	**13,882**	**(7,183)**	**(2,570)**	**(2,188)**

Table of variation of deferred taxes

in EUR '000'	2007	2006	2005
Net deferred taxes as of 1 January	8,972	11,694	1,929
Income tax (expense)/income	(6,804)	(2,657)	9,463
Exchange difference	17	(4)	240
Others	(4)	(61)	62
Net deferred taxes as of 31 December	**2,181**	**8,972**	**11,694**

in EUR '000'	31/12/07	31/12/06	31/12/05
Amount of temporary deductible differences, tax losses and unused tax credits on which no deferred tax asset has been accounted for	22,902	20,818	19,329

Deferred tax assets are recognized only if their use is probable, i.e. if sufficient taxable profit is expected in future years. These assets were recorded after extensive review of the Business Plans for the next five years by the Board of Directors. It is believed that there is a high probability these amounts would be used due to the positive markets in which the Group is involved, the Group's strong performance in those markets and the growing profitability of its operations.

The Group did not recognize deferred tax assets for an amount of EUR 24,618 thousand as at 31 December 2007 (EUR 20,818 thousand and EUR 19,329 thousand on 31 December 2006 and 2005 respectively) and will review this situation during later financial years according to the profitability trends of the various tax entities.

No deferred tax has been posted on timing differences arising from financial holdings of subsidiary and associated companies due to uncertainty as to whether the date on which the difference will be reversed can be controlled, or the probability that the timing difference will not be reversed in the foreseeable future. Account has been taken in this appreciation of the ratification at the end of 2007 of a non-double taxation income tax treaty between Belgium and the United States that among other things eliminates tax withholding on dividend payments.

20. Inventories

in EUR '000'	31/12/07	31/12/06	31/12/05
Raw materials & consumables	2,577	2,815	2,049
Inventories and work-in-progress - not related to construction	1,879	1,643	1,091
Finished goods	1,840	2,218	1,196
Total	**6,296**	**6,676**	**4,336**

At 31 December 2007, the balance of inventory reserves amounted to EUR 905 thousand (EUR 554 thousand and EUR 416 thousand on 31 December 2006 and 2005 respectively). Write-downs amounting to EUR 230 thousand were posted in 2007 (EUR 116 thousand and EUR 291 thousand in 2006 and 2005 respectively).

At 31 December 2007, the book value of pledged inventories amounted to EUR 0 thousand (EUR 4,258 thousand and EUR 2,597 thousand on 31 December 2006 and 2005 respectively).

IX. Notes to the financial statements

21. Amount due for contract work

in EUR '000'	31/12/07	31/12/06	31/12/05
Contract costs incurred plus recognized profits (less recognized losses to date)	364,684	175,809	170,874
Less: progress billings	(350,700)	(181,313)	(161,338)
Total	**13,984**	**(5,504)**	**9,536**
Amount due from customers for contract work	44,090	26,509	28,712
Amount due to customers for contract work	(30,106)	(32,013)	(19,176)
Total	**13,984**	**(5,504)**	**9,536**

The above amounts are for current contracts, i.e. those where the guarantee period has not yet started. The increase, as it relates to costs incurred and the advances invoiced to clients, is directly linked to the growth of our activities.

Retention held by our customers in accordance with the contractual terms, which will be paid to Hamon at the time of the final acceptance of the projects, amounted to EUR 656 thousand at 31 December 2007 (EUR 174 thousand and EUR 688 thousand at 31 December 2006 and 2005 respectively).

At 31 December 2007, an amount of EUR 1,580 thousand (EUR 956 thousand and EUR 2,187 thousand on 31 December 2006 and 2005) included under the heading "Amount due from customers for contract work" relates to contracts that will only be completed after 31 December 2008.

22. Trade and other receivables

in EUR '000'	31/12/07	31/12/06	31/12/05
Trade receivables	69,807	74,115	66,212
less: impairment of receivables	(2,883)	(2,120)	(3,498)
Trade receivables - net	**66,924**	**71,995**	**62,714**
Retentions	656	174	688
Prepayments	3,079	3,146	156
Cash deposits and guarantees paid	726	1,597	1,696
Receivables on related parties	7,836	8,293	5,239
Other receivables	17,325	14,293	11,916
Subtotal	**96,546**	**99,498**	**82,409**
Trade and other receivables - non-current:			
Receivables on related parties	412	-	38
Cash deposits and guarantees paid	726	1,597	1,696
Other non current receivables	7,154	6,048	6,420
less: non-current portion	**(8,292)**	**(7,645)**	**(8,154)**
Trade and other receivables - current	**88,254**	**91,853**	**74,255**

The "Other non-current receivables" item mainly includes an amount receivable of EUR 5,000 thousand on the SPX Corporation relating to the sale of part of our activities in 2003 as well as various credits not directly related to construction contracts.

As at 31 December 2007, receivables for an approximate amount of EUR 3,916 thousand (EUR 6,800 thousand as at 31 December 2006) were transferred without recourse to financial organizations and have been deducted from Trade receivables.

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

23. Cash and cash equivalents

in EUR '000'	31/12/07	31/12/06	31/12/05
Credit Institutions	8,022	14,153	14,127
Cash in hand	1,482	150	17
Fixed Income Securities	24,382		
Short term cash deposits	1,772	10,139	5,878
Cash and cash equivalents	**35,658**	**24,442**	**20,022**

As at 31 December 2007, the amount of cash and cash equivalent that the Group could not dispose of freely amounted to EUR 3,664 thousand compared to EUR 3,094 thousand on 31 December 2006 and EUR 4,920 thousand on 31 December 2005.

The amount of EUR 24,832 thousand relates to daily positions in Money Market Funds investing in US Treasury Securities with a maximum maturity in 365 days.

24. Share Capital

The share capital and number of shares are presented as follows:

	2007	2006	2005
Number of shares as of 31 December	7,191,472	7,191,472	5,874,310
Share capital (in EUR)	2,157,442	2,157,442	1,762,293
Face value per share (in EUR/share)	0.30	0.30	0.30

Shareholdership:

Shareholder	Shares 31/12/07	% 31/12/07	% 31/12/06	% 31/12/05
Sopal International SA	4,402,911	61.2%	57.1%	65.9%
Walloon Region, represented by the Société Wallonne de Gestion et de Participation S.A.	300,000	4.2%	17.0%	20.8%
Esindus S.A. (Spanish company)	303,506	4.2%	4.2%	4.2%
Public	2,185,055	30.4%	21.7%	9.1%
Total	**7,191,472**	**100%**	**100%**	**100%**

On the 31 December 2007, the share capital amounted to 2,157,442 EUR represented by 7,191,472 shares with no stated value. The Group holds none of its own shares.

The change in the number of shares is as follows:

	2007	2006	2005
Number of shares as of 1 January	7,191,472	5,874,310	2,703,579
Number of shares issued (1st capital increase)	-	1,145,358 (1)	3,170,731
Number of shares issued (2nd capital increase)	-	171,804 (2)	-
Number of shares as of 31 December	7,191,472	7,191,472	5,874,310
Date of 1st capital increase		11-Dec-06	13-June-05
Date of 2nd capital increase		14-Dec-06	-
Weighted average number of ordinary shares during the year	7,191,472	5,948,680	4,458,340

(1) Parts A and B (2) Over-allotment option

In December 2006, the Group carried out a new capital increase of 20 million in two parts.

The expenses relating to the capital increase (EUR 826 thousand) have been deducted from the capital and share premium.

IX. Notes to the financial statements

25. Provisions for pensions

The provision for pensions for personnel amounted to EUR 2,284 thousand at the end of 2007. They are mainly made up of post-employment benefits in line with local practices.

in EUR '000'	Provisions for pension plan	Provisions for retirement lump sum	Other long term benefits	Total
As of 31 December 2005	**1,959**	**50**	**94**	**2,103**
Additions	222	-	7	229
Reversals (-)	(36)	(29)	-	(65)
Utilization (-)	(51)	-	(21)	(72)
Currency translation differences	(16)	-		(16)
Variation of plan assets	-	-	-	-
Disposals (-)				-
Others			33	33
As of 31 December 2006	**2,078**	**21**	**113**	**2,212**
Additions	383	39	15	437
Reversals (-)	-	-	-	-
Utilization (-)	(261)	-	(14)	(275)
Currency translation differences	(66)	-	(24)	(90)
As of 31 December 2007	**2,134**	**60**	**90**	**2,284**
of which current provisions				-
of which defined benefit plan net obligation	2,134	60	-	2,194

Retirement obligations
The post-employment benefit plans are categorized as defined contribution plans and defined benefit plans.

Defined contribution pension plans are plans for which the company pays determined contributions to a separate entity in accordance with the plan's provisions. Other than the payment of the contributions, there is no additional obligation for the Group. The contributions paid for these plans in 2007 amounted to EUR 496 thousand, and EUR 679 and 560 thousand in 2006 and 2005. These plans are mainly offered by the Hamon Group's Belgian, German, British and South African companies.

The defined benefit pension plans involve the inclusion in the accounts of the company's obligations to its staff. These plans are granted by the Belgian, French and Korean companies. The net obligations rising from these plans and their variations are the subject of an actuarial calculation that is annually reviewed. The amounts entered in the result for these plans amounted to:

in EUR '000'	31/12/07	31/12/06	31/12/05
Service cost: employer	264	131	104
Interest cost	167	91	81
Expected return on plan asset	(29)	-	-
Amortization of actuarial net losses/(gains)	19	-	(10)
Losses/(gains) on curtailments/ settlements	(169)	-	(236)
Net expense recognized - Defined benefit plans	**252**	**222**	**(61)**

The cost to the Company is posted in sales and marketing costs, general and administrative costs and financial charges.

This year is the first year of the amortization of actuarial losses (outside corridor).

The balance sheet amounts related to the defined pensions are presented as follows:

in EUR '000'	31/12/07	31/12/06	31/12/05
Funded plans - defined benefit obligations	895	842	842
Fair value of plan assets (-)	(753)	(595)	(595)
Deficit of funded plans	**142**	**247**	**247**
Unfunded plans - defined benefit obligations	2,460	2,428	1,959
Deficit	**2,602**	**2,675**	**2,206**
Unrecognized actuarial gain/ (losses)	(408)	(597)	(247)
Unrecognized past service cost	-	-	-
Amount not recognized as asset due to asset ceiling	-	-	-
Net liability/(asset) in the balance sheet	**2,194**	**2,078**	**1,959**
Liability recognized in the balance sheet	2,194	2,078	1,959
Asset recognized in the balance sheet (-)	-	-	-

The obligations are financed in part by the assets that have grown as follows during the year:

in EUR '000'	31/12/07	31/12/06	31/12/05
Fair value of plan assets at beginning of period	595	595	595
Actual return on plan assets	29	-	-
Actual Employer contributions	91	-	-
Actual Employee contributions	36	-	-
Acquisitions/(disposals)/ (settlements)	-	-	-
Actual Benefits paid	(32)	-	-
Others	34	-	-
Net amount at end of period	**753**	**595**	**595**

IX. Notes to the financial statements

The increase in the net obligations for the year 2007 is as follows:

in EUR '000'	31/12/07	31/12/06	31/12/05
Net amount at beginning of period	2,078	1,959	1,957
Net expense - defined benefit plan	252	222	(61)
Company contributions and direct benefit payments	(91)	(87)	(10)
Others	(45)	(16)	73
Net amount at end of period	**2,194**	**2,078**	**1,959**

The movement in the gross obligations during the year is as follows:

in EUR '000'	31/12/07	31/12/06	31/12/05
Defined Benefit Obligation at beginning of period	3,270	2,801	2,799
Service cost: employer	264	131	104
Interest cost	167	91	81
Actual employee Contribution	36	-	-
Curtailments/Settlements	(169)	(36)	(236)
Actuarial loss (gain)	(203)	350	(10)
Actual Benefits paid	(32)	(51)	(10)
Others	22	(16)	72
Defined Benefit Obligation at end of period	**3,355**	**3,270**	**2,801**

The variations in other charges/expenses are mainly due to the important charges to the actuarial loss and gain.

The actuarial assumptions used for the evaluation of the obligations and their movements give the following average rates:

	31/12/07	31/12/06	31/12/05
Discount rate	5.66%	4.78%	3.99%
Expected future salary increase rate	4.02%	3.68%	3.97%
Underlying Inflation rate	3.00%	2.05%	1.65%
Expected return rate on plan assets	5.00%	4.50%	4.50%

The level of interest used to discount the obligations has increased year on year in conjunction with the market rate.

The number of personnel covered by the plan has gone up to 354 against 349 in 2006, and 335 in 2005. The increase is due to the variations of the personnel within the companies concerned. All members of the personnel covered are active. The plans of the Group do not cover those members having left the company.

26. Provisions for other liabilities and charges

The provisions for restructuring, warranty, losses on contracts and others are posted and priced on the basis of an estimate of the probability of the future liquidity payouts as well as on historical data based on facts and circumstances known at the closing date. The actual charge may differ from the posted amounts.

The "provisions for restructuring" relate to entities located in Belgium, the related cash out being spread out in time.

The "other provisions" mainly relate to provisions relating to the transfer and shut down of our Italian activities, as well as a new provision for a claim related to the rent of an office building. The Board of Directors believes that this amount constitutes the best current estimate and that the Group will not have to bear any additional charge.

in EUR '000'	Restructurating	Warranty provision	Losses on contracts	Other provisions	Total
Balance as of 31 December 2005	**1,864**	**537**	**742**	**6,368**	**9,845**
Additions	236	354	-	98	688
Reversals	-	(134)	(40)	(747)	(922)
Utilization of provision	(906)	(19)	(87)	(4,961)	(5,973)
Exchange difference		(64)	-		(64)
Other movements		116	(63)	280	
Balance as of 31 December 2006	**1,194**	**790**	**552**	**1,038**	**3,574**
Additions	80	853	488	1,176	2,597
Reversals	(80)	(57)	(14)	(182)	(335)
Utilization of provision	(288)	(266)	(86)	(112)	(752)
Exchange difference		(107)	(1)		(108)
Other movements		0	(200)	200	-
Balance as of 31 December 2007	**906**	**1,213**	**739**	**2,120**	**4,977**
of which non-current liabilities	737	16	23	580	1,355
of which current liabilities	169	1,197	716	1,540	3,622
Total as of 31 December 2007	**906**	**1,213**	**739**	**2,120**	**4,977**

IX. Notes to the financial statements

27. Financial liabilities

in EUR '000'	31/12/07	31/12/06	31/12/05
Subordinated loans	-	-	-
Bank borrowings	58,385	60,082	65,809
Commitments to FBM banks	-	-	7,155
Bank overdrafts	1,001	985	6,454
Sub-total bank borrowings	**59,386**	**61,067**	**79,418**
Other financial commitments	399	1,850	3,192
Obligations under finance lease	2,779	3,531	4,299
Sub-total other borrowings	**3,178**	**5,381**	**7,491**
Total	**62,564**	**66,448**	**86,909**
Thereof:			
- Amount due for settlement within the year (current)	12,055	62,928	80,072
- Amount due for settlement in the 2nd year	9,784	637	3,522
- Amount due for settlement in the 3rd year	9,780	580	664
- Amount due for settlement in the 4th year	29,799	499	596
- Amount due for settlement in the 5th year and after	1,146	1,804	2,055
Sub-total non-current	50,509	3,520	6,837
Total	**62,564**	**66,448**	**86,909**

	31/12/07	31/12/06	31/12/05
Borrowings (in EUR 000) due for settlement within the year in			
EUR	5,087	58,363	72,936
USD	6,278	4,085	5,951
Others	690	480	1,185
Non-current borrowings (in EUR 000) in			
EUR	36,552	1,875	2,806
USD	13,667	1,628	4,031
Others	290	17	-

On the 22 December 2006, the Hamon Group signed two new financing agreements with a banking pool aimed at putting in place facilities up to EUR 70,000 thousand at variable cost and seniority.

These credit lines were used on the 16 February 2007 to refinance existing debt for the Hamon Group.

The Hamon Group also took advantage of the improved results to refinance this debt and signed with a new banking pool on the 21 December 2007 a new credit agreement.

The first use, and therefore the refinancing of the debt with the previous banking pool, occurred on the 28 December 2007 using new financing agreements for a total of EUR 75,000 thousand spread over three lines at variable cost and seniority.

in EUR '000'	Amount	Margin vs. EURIBOR	Maturities 1 year	2 years	3 years	4 years
Revolving line of credit	15,000	2.25%			15,000	
Term loan	30,000	2.00%	10,000	10,000	10,000	
Senior subordinated loan	30,000	6.00%				30,000
Total	**75,000**		**10,000**	**10,000**	**25,000**	**30,000**

These last financial agreements have a series of conditions that are more beneficial not just financially but also in covenants and securities.

The new financial agreements had the usual conditions, namely linked to:

- The setting up of securities on the shares held in the principal subsidiaries of the Group;
- No asset pledges to be given to outside parties;
- No major investment or divestiture;
- Supply of regular financial information;
- The non-occurrence of "MAC" – Material Adverse Changes – or elements with a significant negative influence;
- The limitation of a dividend to not more than 25% of distributable profit.

Hamon will ratify a change of control clause during the next general shareholders meeting.

The banking debts as of 31 December 2007 are principally with a banking pool (EUR 58,541 thousand). This amount comes from the amount borrowed from the banking pool EUR 60,701 thousand minus the costs of the borrowing EUR 2,160 thousand as defined in the accounting rules of the Group and explained in section IV of this report.

The borrowing costs are the result of costs incurred for the conclusion of credit agreements signed in February 2007 after depreciation and according to accounting rules of amortized cost under the IFRS and taken as a charge of 1,985 thousand in December following new financing. These costs of EUR 2,160 thousand had been supported with a revolving line of credit and have been included on the 31 December 2007 under this same accounting method as a new depreciation linked to the latest agreements made and dated the 21 December 2007 which included the same types of credit line and bank guarantees.

The average rate of interest for the debt in 2007 was 10.42% against 6.41% in 2006 and 5.69% in 2005. The average cost of the debt (including costs of refinancing) is 14.75% in 2007 (compared with 8.7% in 2006, and 6.2% in 2005).

The debt for the Hamon Group – with the exception of leasing debt – has a variable interest rate.

28. Trade and other payables

in EUR '000'	31/12/07	31/12/06	31/12/05
Trade payables	59,460	53,864	58,345
Amounts due to related parties	4,308	1,614	2,209
Other received advances	609	737	242
Social security and other payables	11,717	10,144	11,012
Other current liabilities	2,572	3,338	3,927
Accruals and deferred income	4,090	4,554	3,594
Total	**82,756**	**74,251**	**79,329**

The Hamon Group companies receive on average between 30 and 60 days of credit from their suppliers.

29. Derivative Instruments

Notional amounts

	31/12/07		31/12/06	
in EUR '000'	Assets	Liabilities	Assets	Liabilities
Foreign Currency Exchange Contracts	1,046	-		
Interest rate SWAP		35,000		
Options				
Embedded Derivatives				
Other				
Total	**1,046**	**35,000**	**-**	**-**

Valuation booked in equity

in EUR '000'	31/12/07	31/12/06
Balance at beginning of the year	-	-
Gain/(loss) recognized:		
Forward exchange contracts		
Interest rate SWAP	(18)	
Currency SWAP		
Hedges of net investment		
Transferred to P&L:		
Forward exchange contracts		
Interest rate SWAP		
Currency SWAP		
Transferred to carrying amount of hedged item:		
Forward exchange contracts		
Related income tax		
Balance at end of the year	**(18)**	**-**

The Hamon Group negotiated end of September 2007, two Interest Rate Swaps (IRS) for an amount of EUR 35,000 thousand that covers the debt noted in Euro until 22 September 2009. On the 31 December 2007, the debt in Euro amounts to EUR 41,639 thousand of which EUR 36,552 thousand is payable after more than one year (see note 27).

The fixed leg of the IRS has been negotiated at 4.44%. The floating leg of the IRS uses the same reference rate as the underlying debt already negotiated with the banking pool. The falling interest rate and the change to the IRS go hand in hand and are due every 3 months.

IX. Notes to the financial statements

The underlying debt is therefore fixed at 4.44% (plus the margin for the credit facilities) for the EUR 35,000 thousand.

The qualification of the cash flow change under the IFRS has been obtained for this IRS.

The changes of the fair value of the IRS (EUR -18 thousand on 31 December 2007) have been accounted for in equity as the coverage is perfectly adequate.

In the same way, the Group has covered sales made in US Dollars with exchange contracts made for sales of USD 1,540 thousand against KRW (EUR 1,046 thousand on the 31 December 2007). These contracts were made at the end of 2007 and have been valorized at their fair value in the accounts. The first contract in USD of 140 thousand expired on the 31 January 2008, the following for USD 280 thousand on the 29 February 2008 and finally the last one for USD 1,120 thousand will expire on 30 June 2008.

30. Financial instruments

Financial assets and liabilities

The following table presents the nominal amounts in the financial assets and liabilities of the accounts of the Group:

in EUR '000'	31/12/07	31/12/06
Financial Assets		
Cash and cash equivalents	35,658	24,442
Available-for-sale financial assets	1,010	1,211
Loans and receivables	91,622	95,277
Derivatives with a hedging relationship	36,046	-
	164,336	**120,930**
Financial Liabilities		
Borrowings at amortized cost	62,564	66,448
Other payables	64,308	59,453
Derivatives with a hedging relationship	36,046	-
	162,918	**125,901**

Fair value and book value

The fair values of the financial assets and liabilities are equivalent to the book values for the following reasons:

- The financial assets are mainly current. Their fair value thus does not differ from their book value. Their book value already takes into account the possible provisions when their covering seems compromised. The financial assets available for sale represent investments in various small companies not quoted on the stock exchange. They were evaluated at their acquisition value. Their fair value is believed to be higher than their value at acquisition but given the small impact, this has not been taken into account.
- Outstanding financial liabilities were evaluated at the amortized cost net of transaction costs. The loans principally include the debt renegotiated at the end of the year therefore the fair value is comparable with the value in the accounts. The other liabilities are mainly operating debts whereby the fair value does not differ from the book value due to its current nature.
  The financial instruments include SWAPS of interest rate and long-term contracts of exchange. The fair value of the SWAPS and the fixed exchange contracts was calculated on the basis of net present value of future financial change at the interest rate and exchange of the market over the lifespan of the financial instruments.

Portion of income statement related to financial instruments

in EUR '000'	31/12/07	31/12/06
Net gain/(loss) on:		
Loans & receivables	1,090	377
Net foreign exchange gain/(loss)	(623)	(451)
Impairment of trade & other receivables	(912)	985

As presented in the table above, the gains and losses on financial instruments include reductions in value, the gains or losses on foreign currency transactions, both realized and unrealized, and the possible non-effective part of the cover of interest rate (0 for this year), the effective part being accounted for in equity.

31. Risk management Policies

Management of exchange rate risk

The operations and the international transactions of the Group, and in particular the construction contracts carried out in remote countries expose it to exchange rate risk in the day-to-day management of its business. Exchange rate risk can be defined as fluctuation in the value of future cash flows due to different currencies. The most significant exchange rate risks of the group are those transactions in US dollars and English pounds.

The group uses different strategies to reduce this exchange rate risk exposure, in particular:

- By trying to match its sale and purchases commitments in similar currencies
- By limiting the invoices in currencies different from the operational currency of the Hamon entity
- By transferring exchange rate risk exposures to the Corporate office, thus consolidating and covering the net consolidated positions by the use of financial instruments when necessary, specifically for those fixed exchange contracts (mentioned below under "foreign exchange transactions") and/or loans made by the parent company.

The following table presents the consolidated financial assets and liabilities of all the subsidiary companies expressed in currencies other than their functional currency as well as confirmed commitments in other currencies (contracts to be invoiced, signed orders) and finally, long term exchange contracts that they have made to reduce their exposure to these currencies:

in EUR '000'	31/12/07	31/12/06
Sensitivity to market rates		
% variation EUR	10%	10%
Impact on current year P&L	124	69
Impact on future cash flows	217	88

An appreciation/depreciation of 10% of the EURO (corresponding roughly to the devaluation of USD compared to the EURO during 2007) compared to its rate at the end of the year for all the currencies used by the group would have caused a positive impact of EUR 124 thousand on income statement of the current year, and EUR 217 thousand on future financial flows after cover. This calculation refers to the balance sheet only.
The impact of the EUR/USD exchange rate fluctuations on the 2007 Group results is explained in the Management report (impact on revenue: EUR -20,000 thousand; impact on EBIT: EUR -3,000 thousand).

	31/12/07				31/12/06			
in EUR '000'	USD	GBP	Other currencies	**Total**	USD	GBP	Other currencies	**Total**
Gross balance sheet exposure	(5,174)	(586)	49	**(5,711)**	(900)	(90)	1,680	**690**
thereof financial assets	5,650	838	1,185	**7,673**	5,232	820	899	**6,951**
thereof financial liabilities	(10,824)	(1,424)	(1,136)	**(13,384)**	(6,132)	(910)	781	**(6,261)**
Gross exposure from firm commitments	2,630	-	(654)	**1,976**	(257)	(57)	501	**187**
Foreign exchange transactions	(1,046)	-	-	**(1,046)**	-	-	-	**-**
Net exposure	(3,590)	586	(605)	**(4,781)**	(1,157)	(147)	2,181	**877**

+ for incoming flow/ ( ) for outgoing flow

IX. Notes to the financial statements

Effects of conversion of subsidiaries outside of the EURO zone

Many companies within the Group are located outside the EURO zone. The accounts of these entities are converted into EURO so as to be able to include them in the accounts of the Group. The effects of the currency fluctuations on the conversion of net assets not accounted for in EURO are reflected in the consolidated position of the capital of the Group. For the calculation of the exposure to the exchange rates noted above, the assumption has been made that the investments in the operational entities not in EURO are permanent and the reinvestment in these entities is continuous.

Management of interest rate risk

Interest rate risk comes from the exposure of the Group to the fluctuations of the interest rate and their possible impact on cost of financing. The major part of the cost of the Group's debt is based on the EURIBOR-3 month. It is the policy of the Group to limit its exposure to the variability of the interest rates by using financial instruments which make it possible to convert this variable interest rate into a fixed rate, in particular interest rate SWAPS.

The following table shows the debts of the Group (excluding expenses incurred in organizing the debt) with a fixed interest rate and those with a variable rate:

	31/12/07		31/12/06	
in EUR '000'	Average rate	Principal	Average rate	Principal
Fixed Rate Instrument				
Financial liabilities	5.91%	2,789	7.51%	3,661
Variable Rate Instrument				
Financial liabilities	10.62%	61,935	6.35%	64,670
	10.42%	64,724	6.41%	68,331

	2007	2006
Sensitivity to market rate		
bp change	90	90
Impact on P&L	(570)	(656)
Hedging effect of SWAP	78	-
Net Profit or (loss)	(492)	(656)

SWAPs signed on 30/09/07; effect limited up to 4th quarter 2007.

The calculation of the market interest rate sensitivity is based on a hypothetical variation of 90 basis points from the reference rate of the market (comparable with the variation of the EURIBOR- 3M over the year 2007). In the event of an increase in the basis rate by 90 points, the gross negative impact on net income would rise to EUR 570 thousand partly compensated by the effects of the interest rate SWAPS. The net effect would therefore be only EUR 492 thousand compared to EUR 656 thousand in 2006. The SWAPS were entered into on September 30, 2007, their impact on cash flows is thus relatively limited in 2007 and non-existent in 2006.

The costs of financing of the Group is analyzed as follows (for more detail, see note 6):

in EUR '000'	31/12/07	31/12/06
Interest on bank overdrafts and loans	(6,960)	(6,407)
Interest on finance leases	(182)	(230)
Dividends		
Interest on notes	-	
Other interest expense		
Total interest expense	(7,142)	(6,637)
Loss/(gain) on derivatives hedging fair value	-	
(Gain)/loss on adjustment to hedged item	-	
Fair value gains on interest rate SWAP hedging cash flows	-	
Other finance costs	(3,984)	(963)
Total other finance costs	(3,984)	(963)
Total	**(11,126)**	**(7,600)**

The financial assets as well as the commercial debts of the Group have generated a negligible interest – in fact almost non-existent – except for the EUR 24,382 thousand of cash surplus of the American subsidiary companies at December 31, 2007 invested in a Money Market Fund during the year and generating an average income of approximately 4% per annum.

Management of credit risk

From its construction activities, the Group is exposed to credit risks. However, the financial quality of Hamon Group customers is very high since they are mainly large & international Engineering & Contracting (EPC) or energy production groups. Therefore, credit risk is less than that of more traditional constructions companies.

The customer risk materializes in the accounts since the non-payment by a customer could lead to a reduction in value of the receivable concerned. When the receivable becomes doubtful following the suspension of payment or with the bankruptcy of a customer, the Group makes a provision for doubtful account. If, thereafter, the receivable becomes uncollectible, the balance is written down to reflect the amount deemed appropriate.

The Group does not have significant concentration of credit risk since this risk is distributed over a significant number of customers and counterparts around the world. The most important customer is a financially very strong American customer and accounts for 6.3% of the total of commercial billings. The other customers do not have billings of more than 2.7% of the total.

At the time of the booking of important contracts, the finance department carries out a credit analysis of the customer on the basis of credit reports obtained from external companies. According to the financial quality of the customer, the Group will decide to cover or not its credit risk. Moreover, it takes particular measures for those customers located in countries where the risk is significant. As credit risk coverage solutions, the Group has in particular recourse to payment prior to delivery, to irrevocable letters of credit, (confirmed by our banks) as well as insurance policies covering the residual risks (political, embargo...) and risks of inappropriate use of 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 the provisions for doubtful debts.

In EUR '000' - 31/12/07	Total	Due over 3 months	Due 2- 3 months	Due 1-2 months	Current	Not due
Financial Receivables	94,851	9,055	2,243	5,616	41,580	36,357

In EUR '000' - 31/12/06	Total	Due over 3 months	Due 2- 3 months	Due 1-2 months	Current	Not due
Financial Receivables	97,397	5,189	2,067	5,038	44,285	40,818

The terms of customer payment is usually between 30 and 60 days.
Commercial receivables with terms that have been renegotiated are not significant. The Group does not hold guarantees linked to the receivables.
The amounts provisioned for bad debts have evolved during the course of the years 2007 and 2006 as follows:

in EUR '000'	31/12/07	31/12/06
Balance at beginning of the year	(2,120)	(3,524)
Amounts written off during the year	(1,474)	(665)
Amounts recovered during the year	562	1,406
Other (forex, transfer,…)	(197)	663
Balance at the end of the year	**(3,229)**	**(2,120)**
Net impairment on receivable in P&L	(912)	985

IX. Notes to the financial statements

Management of liquidity risk

Liquidity risk is linked to the ability of the Group to adhere to its obligations linked to its financial liabilities.

The net position of liquidity of the Group has grown positively during the course of 2007 and in particular due to the significant increase in operating cash flows.

As of December 31 2007, the Group also has at its disposal an unused revolving credit line with its bank pool amounting to EUR 14,286 thousand to face possible short-term needs.

Negotiation of new credit agreements in 2007 allowed the Group to spread its liquidity needs over a longer term. The following tables show the different contractual and consolidated liabilities of the Group:

in EUR '000'	31/12/07	31/12/06
Cash and cash equivalents	**35,658**	**24,442**
Total liquidity	**35,658**	**24,442**
Short term debt & current maturities of long term debt	(12,055)	(62,928)
Long term debt	(50,509)	(3,520)
Total debt	**(62,564)**	**(66,448)**
Net liquidity	**(26,906)**	**(42,006)**

In EUR '000' 31/12/07	Total	Due before 6 months	Due 6 -12 months	Due 1 - 2 years	Due 2 - 5 years	Due over 5 years
Notes and Bonds	-	-	-	-	-	-
Loans from Banks	59,386	1,165	10,383	9,280	38,558	-
Obligations under finance leases	2,779	245	262	301	1,177	794
Other non derivative financial liabilities	399	-	-	203	196	-
Trade and other Payables	64,308	60,032	1,105	1,450	1,721	-
Derivative financial liabilities	36,046	1,046	6,000	29,000	-	-
Total	**162,918**	**62,488**	**17,750**	**40,234**	**41,652**	**794**

In EUR '000' 31/12/06	Total	Due before 6 months	Due 6 -12 months	Due 1 - 2 years	Due 2 - 5 years	Due over 5 years
Notes and Bonds	-	-	-	-	-	-
Loans from Banks	61,067	12,637	48,430	-	-	-
Obligations under finance leases	3,531	285	297	393	1,501	1,055
Other non derivative financial liabilities	1,850	-	1,279	244	310	17
Trade and other Payables	59,452	46,727	9,168	50	3,504	3
Derivative financial liabilities	-	-	-	-	-	-
Total	**125,900**	**59,649**	**59,174**	**687**	**5,315**	**1,075**

32. Guarantees on the Group's assets

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

Financial assets given as guarantees are principally restricted use bank accounts.

	31/12/07	31/12/06
Inventories	-	4,258
Intangible assets	-	-
Property, plant & equipment	581	652
Financial Assets	4,009	3,439
Total	**4,590**	**8,349**

On top of pledges on inventories, in 2006 the banking pool had asked for guarantees on business goodwill and the commercial receivables of Hamon. These conditions were lifted in 2007 following renegotiation of the debt (see note 27).

33. Finance lease and simple rental commitments

Financial leasing agreements
The main financial leasing contracts relate to land and buildings in France and North America, noted here respectively in Euros and dollars. Less significant leases exist for vehicles and office equipment.

The commitments of the Group in terms of financial leasing for the years to come can be resumed as follows:

	Minimum lease payments			Present value of minimum lease payments		
in EUR '000'	31/12/07	31/12/06	31/12/05	31/12/07	31/12/06	31/12/05
Amounts due for finance leases						
within one year	646	764	792	506	581	561
in the second to fifth years inclusive	1,803	2,337	2,770	1,478	1,894	2,176
after 5 years	883	1,218	1,829	795	1,056	1,562
Subtotal	**3,332**	**4,319**	**5,391**	**2,779**	**3,531**	**4,299**
less: future finance charges	(553)	(788)	(1,092)	N/A	N/A	N/A
Present value of lease obligations	**2,779**	**3,531**	**4,299**	**2,779**	**3,531**	**4,299**
Less: Amounts due for settlement within 12 months				(506)	(581)	(561)
Amount due for settlement after 12 months				**2,273**	**2,950**	**3,738**

The average term for the obligations on financial leasing is 5.9 years. The average interest rate is 7.53%.

The fair value of these financial leases is close to their nominal value.

IX. Notes to the financial statements

Operating Leases
The commitments taken by the Group for operating leases for future years is as follows:

in EUR '000'	31/12/07	31/12/06	31/12/05
Minimum lease payments under operating leases recognized as an expense in the year	4,153	4,200	3,886
Minimum lease payments due for operating leases			
within one year	2,488	2,284	2,494
in the second to fifth years inclusive	8,451	6,547	6,050
after five years	881	1,829	2,600
Total	**11,820**	**10,660**	**11,144**

Operating leases mainly relate to offices and to a certain extent, vehicles, machines and office equipment.

34. Commitments

In the functioning of its business, the Group is required to give guarantees in favor of clients relative to the reimbursement of advance payments, to the correct execution of contracts and to obligations of technical guarantees.

Certain of these commitments require bank guarantees or performance and payment bonds to be provided by the Group.

in EUR '000'	31/12/07	31/12/06
Bank guarantees	48,717	34,249
Performance & Payment Bonds	6,245	6,572
Total	**54,962**	**40,821**

Outstanding bank guarantees increased through December 2007 as a result of the increased turnover of the Group because our activity is closely linked to the issuance of bank guarantees.

The line available for letters of credit and bank guarantees increased to EUR 100,000 thousand, coming from EUR 50,000 thousand with the previous bank pool in 2007. Moreover, the Group also has at its disposal a U.S. bond line amounting to USD 50,000 thousand.

Elsewhere, the Group has given its commitments vis-à-vis companies sold in 2005 (FBM), bankruptcies (HRCI)) or associated companies as follows:

in EUR '000'	31/12/07	31/12/06	31/12/05
Commitment of good project execution	10,634	24,206	31,003
Comfort letters to banks	2,110	3,025	9,036
Comfort letters to suppliers	4,080	4,080	4,080
Total	**16,824**	**31,311**	**44,119**

The commitments for which payment is probable are recorded as liabilities. The contractual end of commitments vis-à-vis the beneficiaries explains the reduction in 2006 and 2007.

35. Possible liabilities

The Company is involved in several issues of which the following are the most significant:

SPX

Hamon and SPX are engaged in several disputes related to the acquisition by SPX, at the end of the year 2003, of certain assets of the "Dry Cooling" business of Hamon as well as certain assets of the "Wet Cooling" business of Hamon in the NAFTA area.

These disputes have been given to an arbitration procedure that was initiated by Hamon in May 2005 in order to obtain the payment of a principal amount of EUR 5 million (to be increased with the interest) of the "transaction holdback" that SPX has failed to pay. Counterclaims have been lodged by SPX in the same matter. Hamon believes the arguments raised by SPX are completely unfounded and has strongly objected to them in the framework of the arbitration procedure, which is still going on.

The total amount of the transaction holdback, i.e. 5 million EUR, is recorded in non-current receivables in the consolidated balance sheet. Although the total amount of the disputes could be higher than EUR 5 million, the Board of Hamon is of the opinion, based on the information in its possession, that this amount can be kept and that no provision has to be made.

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 recorded a significant amount of this expense liquidation in its 2004 accounts. In June 2005, the liquidator lodged the books with the commercial court of Milan. Hamon estimates that this operation should not have a significant impact on its future accounts.

The company having repurchased the Italian company **FBM Hudson Italiana Spa** in December 2005 has initiated a conciliation procedure with Hamon in July 2007 according to the Sale Share Agreement. The purchaser claims to Hamon and its directors to the board of FBM Hudson Italiana Spa liability indemnities in the order of EUR 14 million. Hamon considers this complaint to be unfounded because (i) no prejudice was shown in the chief of the purchaser; (ii) the purchaser knew perfectly well the situation of FBM Hudson Italiana Spa following its extensive due diligence; (iii) Hamon did not give any form of guarantee on the accounts submitted to the purchaser, accounts that were approved by the purchaser post acquisition. The sales agreement foresees a cap on the possible compensations by Hamon of EUR 550 thousand. Hamon rejects any responsibility of the Company or of the directors who represented it.

Asbestos

The Group is involved in various proceedings for physical injuries related to asbestos. These litigations find their cause during a period prior to the acquisition by the Group in 1998 of the assets of Research Cottrell, Inc. Asbestos is not used in the operations of Hamon in the USA. In the acquisition agreements of 1998, the seller committed itself to compensating the Group for all damage sustained because of such proceedings. The costs of these proceedings are, until now, exclusively handled by the seller. Insofar as these proceedings go back to a period prior to the acquisition of the US subsidiaries 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 it is probable that they will give rise to payouts and where their amount can be reliably estimated. The Group believes that these complaints do not risk to have a significant impact on Hamon's financial situation.

IX. Notes to the financial statements

36. Related Parties

The Mother company of the Group is Sopal International SA. See note no. 24 on the detailed structure of the shareholding of the Group.

The transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated in the consolidated accounts and are not considered in this note.

The details of the transactions between the Company and the related parts are as follows:

Income statement as of 31/12/07

	Purchases				Revenue			Financial		
in EUR '000'	of goods	of services	lease of assets	management fees	goods	services	royalties	expenses	income	dividends
Controlling shareholder and other entities directly and indirectly controlled by the controlling shareholder	-	-	377	63	1,117	236		282		
Other shareholders with significant influence	-	-	-	50	454	-	211	-	-	-
Associates	20	-			1,112	129		-		
Other related parties					-					

Balance sheet as of 31/12/07

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	345	542	-	45
Other shareholders with significant influence	-	3,124	-	2,761
Associates	67	3,758	121	1,381
Other related parties		-		

Income statement as of 31/12/06

in EUR '000'	Purchases of goods	Purchases of services	Purchases lease of assets	Purchases management fees	Revenue goods	Revenue services	Revenue royalties	Financial expenses	Financial income	Financial dividends
Controlling shareholder and other entities directly and indirectly controlled by the controlling shareholder	293	139	529	63	458	241		204		
Other shareholders with significant influence	27	-	-	50	1,273	609	352	-	-	-
Associates	25	15			94	237		1		
Other related parties					595					

Balance sheet as of 31/12/06

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	303	411	9	396
Other shareholders with significant influence	-	2,215	5	1,066
Associates	61	3,462	84	988
Other related parties		100		

During the year 2007, write-downs totaling EUR 842 thousand were recorded against HRCBRA receivables (zero in 2006).

The other entities controlled by the shareholding directly or indirectly are as follows:
- Gefimco SA ;
- Cogim NV ;
- Promo Services (Belgium) SA ;

The other shareholders with significant influence are the Walloon Region and Esindus SA.

The relations with the related companies include:
- commercial relations (merchandise and remunerated services, payment of management fees to shareholders, renting office space); and
- financial commitments (payments of commissions on guarantees).

The Group has not made any guarantees or commitments relative to the related parties with the exception of commitments towards associated companies, see note 34.

The purchase and sale of goods to these related parties are made under the normal conditions applied within the Group.

IX. Notes to the financial statements

37. Manager compensation

We detail here in the following table the compensation (cumulative and including social charges) of the Managing Director, the directors and the management team, who should be regarded as the "main leaders", in the sense of the IAS 24 definition. These amounts include the social security charges born by the employer.

in EUR '000'	2007 [2]	2006 [1]	2005
Short term benefits			
Fixed remuneration	2,751	1,807	1,735
Variable remuneration	2,993	1,587	1,031
Subtotal	**5,744**	**3,394**	**2,766**
Long term benefits	133	85	83
Total	**5,877**	**3,479**	**2,849**

[1] In 2006, the Executive Committee was composed out of 5 members

[2] In 2007, the Executive Committee is composed out of 9 members, but on a yearly basis this corresponds to a pro-rated 8.3 full time equivalents

The total of gross emoluments paid to the non executive directors during this fiscal year amounts to EUR 82 thousand (EUR 104 thousand in the previous year). These emoluments have been granted in conformity to the agreements (in terms of global amount paid annually) made at the Annual General 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 transaction with the Company.

The director members of the special committees receive EUR 1000 for their presence at each meeting.

38. Staff

The charges and costs of the personnel is as follows:

in EUR '000'	2007	2007	2005
Remuneration and direct social benefits	46,342	40,031	37,800
Employer's contribution for social security	9,032	8,318	8,534
Other personnel costs	1,567	1,098	4,413
Total	**56,941**	**49,446**	**50,747**

The distribution of personnel within the Group by sector of activity is as follows:

Average numbers per BU	2007	2006	2005
Cooling Systems	417	357	341
Heat Exchangers	163	145	160
Air Pollution Control Europe	59	50	48
Air Pollution Control USA	182	155	152
Chimneys	64	54	48
Corporate	27	18	20
Total	**912**	**779**	**769**

The main variations are as follows:

- Hamon Thermal & Environmental Technology (Jiaxing), in China (Cooling Systems): +36 people, because the factory is fully functional in 2007, after its opening in the second half of 2006.
- Hamon Thermal UK (Cooling Systems): +35 people (mainly installers), thanks to the marked increase in business of activities in Great Britain.
- Thermal Transfer Corporation (Air Pollution Control USA): +21 people, due to a considerable growth in production.
- Hamon D'Hondt (Heat Exchangers, France): +15 people linked to the marked increase in activity, also linked to the opening of the factory in Saudi Arabia.

39. Events subsequent to the closing of the fiscal year

The main events which have happened since December 31, 2007 are:

On January 14, 2008 Hamon D'Hondt officially opened its Middle East factory in Jubail, Saudi Arabia

At the end of March 2008, Hamon took a stake in the Belgian company Xylowatt, confirming its interest in renewable energies. Xylowatt is among the leaders in the development of combined heat and power (CHP) units based on biomass gasification.

40. Auditor's fees

For the whole of the consolidated Group, the fees paid to the auditor and its network (Deloitte) for 2007 amounted to EUR 719,163 and are broken down as follows:

Fees related to financial statements auditing:	EUR 585,496
> Other auditing activities:	EUR 131,402
> Legal activities:	EUR 2,265

X. Auditor's report

HAMON & CIE (INTERNATIONAL) SA

STATUTORY AUDITOR'S REPORT TO THE SHAREHOLDERS' MEETING ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

Free translation from the original in French

To the shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the consolidated financial statements together with the required additional comment.

Unqualified audit opinion on the consolidated financial statements with explanatory paragraphs

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 ("EU") and with the legal and regulatory requirements applicable in Belgium. Those consolidated financial statements comprise the consolidated balance sheet as at 31 December 2007, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 234,793 (000) EUR and a consolidated profit (Group share) for the year then ended of 18,258 (000) EUR.

The financial statements of several significant entities included in the scope of consolidation which represent total assets of 17,234 (000) EUR and a total profit (Group share) of 1,567 (000) EUR have been audited by other auditors. Our opinion on the accompanying consolidated financial statements, insofar as it relates to the amounts contributed by those entities, is based upon the reports of those other auditors.

The Board of Directors of the Company is responsible for the preparation of the consolidated financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we have considered 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. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the Group and the presentation of the consolidated financial statements, taken as a whole. Finally, the Board of Directors and responsible officers of the Company have replied to all our requests for explanations and information.
We believe that the audit evidence we have obtained, together with the reports of other auditors on which we have relied, provide a reasonable basis for our opinion.

In our opinion, and based upon the reports of other auditors, the consolidated financial statements give a true and fair view of the Group's financial position as of 31 December 2007, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU and with the legal and regulatory requirements applicable in Belgium.

Without qualifying the opinion expressed in the preceding paragraph, we draw the attention to the following uncertainties:

- As mentioned in Note IX.19, the consolidated balance sheet as at 31 December 2007 includes deferred tax assets recorded on accumulated tax losses for a total amount of 9,146 (000) EUR (11,176 (000) EUR as at 31 December 2006). The realization of these assets will depend on the capacity of the Group to generate taxable profit in accordance with its forecasts;

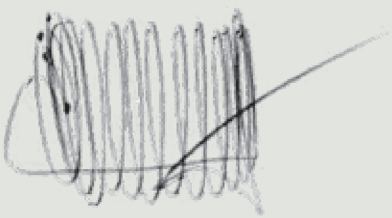
- As mentioned in Note IX.35, the consolidated balance sheet as at 31 December 2007 still includes under the caption "Trade and other receivables – non-current" a receivable of 5,000 (000) EUR resulting from the disposal in December 2003 of the dry cooling division of the Group to SPX Corp. The recoverability of this receivable depends on the outcome of the legal procedures currently in progress, which cannot be determined as of the date of this report.

Additional comment
The preparation and the assessment of the information that should be included in the Directors' report on the consolidated financial statements are the responsibility of the Board of Directors.
Our responsibility is to include in our report the following additional comment which does not change 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 and is in agreement with the consolidated financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the Group, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.

Brussels, 5 March 2008

The statutory auditor



DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Laurent Boxus

XI. Hamon & Cie (International) S.A. statutory accounts

Summarized balance sheet as of 31 december, after appropriation

The statutory accounts of the parent company, Hamon & Cie (International) S.A., are presented below in summary 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 Meeting of shareholders of 27 May 2008, 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:
2, Rue Emile Francqui, 1435 Mont-St-Guibert, Belgium.

The Auditor has certified, without qualification, the 2007 Annual Accounts of Hamon & Cie (International) S.A.

in EUR '000'	31/12/2007	31/12/2006	31/12/2005
Fixed assets	**69,244**	**69,131**	**73,450**
I. Formation expenses	4,798	917	758
II. Intangible assets	193	295	795
III. Tangible assets	824	653	166
IV. Financial assets	63,429	67,266	71,731
Current Assets	**15,503**	**13,391**	**13,425**
VI. Stock and orders currently underway	1,184		
VII. Amounts receivable after one year	14,148	11,532	12 994
VIII. Short term deposits	0	16	15
IX. Cash at bank and in hands	22	274	386
X. Deferred charges and accrued income	150	1,569	30
Total assets	**84,747**	**82,522**	**86,875**
Equity	**29,087**	**19,341**	**1,018**
I. Capital	2,157	2,158	1,762
II. Share premium account	19,668	19,668	43
IV. Reserves	11,569	11,569	11,570
V. Profit carried forward	(4,308)	(14,054)	(12,357)
Provisions and deferred taxes	**752**	**764**	**4,270**
Amounts payable	**54,908**	**62,417**	**81,587**
VIII. Amounts payable after one year	32,836	36	1,409
IX. Amounts payable within one year	21,563	62,190	79,812
X. Accrued charges and deferred income	509	191	366
Total liabilities and equity	**84,747**	**82,522**	**86,875**

SUMMARIZED INCOME STATEMENT AS OF 31 DECEMBER

in EUR '000'	2007	2006	2005
I. Operating revenues	**10,180**	**4,056**	**5,658**
A. Turnover	10,180	4,056	5,658
II. Operating expenses (-)	**10,733**	**6,106**	**6,055**
A. Cost of materials	1,317	17	64
B. Services and other goods	4,119	2,354	2,158
C. Remuneration, social security and pension costs	3,597	2,486	2,006
D. Depreciation and amortization	1,637	1,219	1,702
E. Decrease in amounts written off on stocks, contracts in progress and trade receivables	0	0	3
F. Increase (decrease) in provisions for liabilities & charges	(11)	(13)	42
G. Other operating expenses	74	43	80
III. Operating income	**(553)**	**(2,050)**	**(397)**
IV. Financial income	17,992	3,734	3,707
V. Financial expenses	(5,162)	(5,757)	(4,332)
VI. Net operating income, before taxes	**12,277**	**(4,073)**	**(1,022)**
VII. Extraordinary income	494	4,491	6,494
VIII. Extraordinary expenses	(2,221)	(2,115)	(17,829)
IX. Net income before taxes	**10,551**	**(1,697)**	**(12,357)**
X. Income taxes	(805)	0	(0)
XI. Net income	**9,746**	**(1,697)**	**(12,357)**

Glossary

Air Coolers: heat exchangers 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.

Bank Guarantees: guarantees given by the 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 electricity generation: in a traditional electricity generating power plant, water is heated and transformed in steam at high pressure. This turns a steam turbine connected to an alternator, which converts mechanical energy to alternating current electrical energy. At the exit of the turbine, the steam is cooled in a surface condenser thanks to the indirect contact between the steam and cold water running through a cooling circuit. This water is then sent to a cooling system, before it is re-injected into the cooling circuitry again.

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

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

Dry cooling system or air 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, and after any costs for restructuring.

EBITDA: Earnings before interest, taxes, depreciation and amortization. Operational results plus amortization and depreciation on the actives. (Operating Revenue - Operating Expenses + Other Revenue).

ESP: abbreviation of Electrostatic Precipitator, an electrostatic filter that eliminates particles from the waste gases.

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 of Hamon & Cie (International) SA, with its head office at Axisparc, rues Emile Francqui 2, 1435 Mont-St-Guibert.

Hybrid cooling system: combination of a wet cooling system and finned tube bundles that slightly heats the saturated and humid air, in order to limit the plumes of steam.

North America: the territory regrouping the United Sates of America, Canada and Mexico.

Wet cooling system: a system that cools the water from 30-40° C to 20-30° C. The cooling happens via direct contact between the water and the air on surface streaming, with evaporation of a part of the water.

General information

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