HAMON

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Part 1

General presentation of the Group

KEY FIGURES

in EUR million	2010	2009	2008	2007	2006
RATIOS					
EBIT / revenue	7,6%	10,2%	11,9%	10,0%	9,0%
ROCE (1)	23,5%	53,9%	63,0%	57,8%	44,8%
Debt / equity (2)	0,1	(0,1)	0,2	0,8	2,2
Enterprise value / REBITDA (3)	7,6	4,4	3,3	7,8	6,5
DATA PER SHARE (in EUR/share)					
Group's share in net result for the year	1,62	2,42	2,57	2,54	2,19
Net result from continued operations	1,83	2,54	2,87	2,72	2,50
Equity (excl. Non-controlling interests)	11,07	9,00	6,77	4,74	3,16
Gross dividend	0,60	0,60	0,57	0	0
P/E (share price on 31.12) (4)	14,7	10,8	6,8	17,2	10,6
Total weighted number of shares	7 191 472	7 191 472	7 191 472	7 191 472	5 948 680
Total number of shares on 31.12	7 191 472	7 191 472	7 191 472	7 191 472	7 191 472
Market capitalization on 31.12 (EUR million)	193,2	197,0	140,2	336,1	190,6
Share closing price on 31.12	26,87	27,40	19,50	46,74	26,50
Year average share closing price	28,00	23,76	29,79	38,66	13,93

in EUR million	2010	2009	2008	2007	2006
NEW ORDER BOOKINGS	449,7	301,5	469,5	435,0	422,3
INCOME STATEMENT					
Revenue	345,5	379,8	366,7	432,6	354,4
Recurrent EBITDA (5)	28,1	42,8	45,7	46,3	35,8
EBIT (operating profit after non-recurring items)	26,1	38,8	43,7	43,4	32,0
Net result from continued operations	13,2	18,3	20,7	19,6	14,9
Net result of discontinued operations	(0,0)	(0,2)	(1,8)	(1,2)	(1,8)
Group's share in net result for the year	11,6	17,4	18,5	18,3	13,0
Cash flow (6)	(1,5)	47,7	34,7	28,5	20,5
BALANCE SHEET					
Non-current assets	110,5	88,4	66,8	57,0	59,9
Available-for-sale financial assets	0,0	0,0	0,2	0,0	0,1
Cash and cash equivalents	68,1	83,3	59,1	35,7	24,4
Other current assets	158,3	135,2	159,5	142,2	127,9
Total assets	**336,9**	**306,9**	**285,6**	**234,8**	**212,4**
Equity (7)	86,1	65,8	49,4	34,4	19,1
of which non-controlling interests	6,5	1,1	0,7	0,3	0,3
Financial liabilities (current & non-current)	81,0	75,1	69,9	62,6	66,4
Non-current provisions	4,5	5,0	3,9	3,6	4,2
Other non-current liabilities	7,6	9,3	5,4	10,2	6,1
Current liabilities (excl. Financial liabilities)	157,7	151,7	157,1	124,0	116,5
Total equity and liabilities	**336,9**	**306,9**	**285,6**	**234,8**	**212,4**
Net working capital (8)	0,6	(16,4)	2,4	18,2	11,3
Net financial debts (9)	12,9	(8,2)	10,8	26,9	42,0
Capital employed (10)	111,1	72,0	69,4	75,1	71,4
Average staff number (yearly average)	1 221	1 140	1 015	912	779

(1) EBIT / capital employed
(2) Net financial debts / equity (incl. Non-controlling interests)
(3) Enterprise value = 31.12 market capitalization + non-controlling interests + net financial debts - investment in associates
(4) Share price on 31.12 / net result from continued operations (per share)
(5) REBITDA = operating profit before depreciation, amortization and non-recurring items
(6) Cash flow = net cash from operations after restructuring
(7) Including non-controlling interest
(8) Current assets (excluding Cash & cash equivalents) - non-financial current liabilities (continued operations only)
(9) Borrowings - Cash & cash equivalents
(10) Non-current assets + net working capital + net available-for-sale financial assets

DISCUSSION WITH FRANCIS LAMBILLIOTTE

“Keeping our international development on track, particularly in emerging markets, is our priority for 2011. We have the experience, innovative products, and competent men and women in our teams to consolidate or even enhance a major and lasting breakthrough in countries where we aim to become a leading company. The outlook is optimistic for our long-term growth and gives legitimacy to our services.”

Was 2010, as you anticipated at the end of 2009, a year of consolidation for the Hamon Group?

In some ways. Let me explain… The effects of the 2008/2009 financial crisis lasted longer than predicted, especially in Europe, and the upturn – that we hoped would come early in 2010 – was a long time coming. In this context, our results were not as good as predicted in terms of sales, with revenues showing a 9% decrease compared to 2009 and a slump in EBIT (- 33%). 2010 was therefore a lackluster year in terms of results. For the Group, convinced that the financial crisis is temporary and that the future starts here, our strategic decision was not to reduce the overheads or the most vital areas and to move our focus to emerging markets. This strategy was no doubt worthwhile as at the end of 2010 we took significantly large orders in these countries, particularly in India, Brazil and to a lesser extent in China, where we have strengthened our commercial presence.

Speaking of the order book, was it conclusive for all your markets and operational units?

Our order book at the end of 2010, worth 490 million euro, is at an historic high! We have strengthened our activities relating to cooling systems as well as to a lesser extent, air pollution control systems. If we take a quick overview of the international situation, we have been awarded an important contract for the construction of two natural draft cooling towers for the Plant Vogtle nuclear power station, located in Waynesboro, United States; this project marks the official return of Hamon to the market for cooling systems in North America. In South America, our subsidiary has enjoyed great commercial success with the signing of a contract for air finned coolers for a new petrochemical plant. In India, our cooling activities have the wind in their sails, with orders for cooling towers for three coal-fired and natural gas-powered plants for Reliance. Another significant contract is for a second nuclear plant in China and there are also turnkey projects underway in

Korea… These promising contracts enable us to approach the future with determination for the period 2011-2013!

India, China, Korea, Brazil… Will Hamon's growth be focused on emerging countries from now on?

This is a fact! Our results confirm it: Asia, for example, has increased from 14% to almost 30% of our total new order bookings in 2010. We will continue to apply our know-how to emerging countries, particularly by introducing new technologies, increasing our commercial presence and strengthening our local teams, while maintaining our market shares in Western countries.

R&D is another important development axis. Have you developed new products, processes or innovative techniques?

Our desire is to remain the leader in areas where Hamon excels and which have borne fruit. It is a challenge that we want to win, as it is an indication of future trends. We are investing a considerable amount of money in R&D. Hamon is currently number one in the world for wet cooling towers for electrical power plants and a leader in air pollution control systems and heat exchangers. In order to meet the innovation challenges, we have continued to invest in dry cooling in 2010: technological and commercial developments, new tools, efficient fabrication plants, etc. All the assets are in place to ensure our commercial success.

Has the establishment of a Sustainable Development Charter had a profound influence on the way you work?

Corporate Social Responsibility has become an essential part of the route to clean energy that we are constructing. In each of our units and subsidiaries, the men and women who make up our teams as well as our partners are involved in sustainable development activities. However, raising people's awareness on a daily basis, in their acts and their work methods, takes time and progresses slowly... Respect for the ethical code, standards relating to work, heath and the environment, their dissemination, measures of control at regular intervals and the resulting corrective actions go hand in hand with our sustainable development policy.

How do you communicate the connection between Hamon's activities and sustainable development?

We have always practiced sustainable development in our activities, without saying it explicitly and without really being conscious of it, no doubt. Now, we must say it, communicate it. This year we decided to implement the recent regulation ISO 26000 on Corporate Social Responsibility, which will be explained later in this report. We also incorporated the guidelines from the Global Reporting Initiative (GRI), an international body which has developed a standardized framework for reporting on sustainable development; we have also selected a series of performance indicators and quality standards for the management and dissemination of information. It is important that we explain in a transparent manner the way in which Hamon carries out its activities and share our vision of financial as well as non-financial matters. We also want to highlight Hamon's relationship with the environment, its social responsibility in relation to its employees, partners, local communities, respect for human rights, etc. At Hamon, we are keen to show that profitability, efficiency and social objectives are compatible.

Uncovering new talent is most likely an essential factor for the Group…

Managing human resources, particularly in emerging countries, has become a crucial issue. Developing local skills and constantly training people are central to our priorities in order to meet tomorrow's new challenges. The demand of companies in emerging countries looking for ever more qualified and motivated employees, in growing markets, is rapidly increasing. The recent boom in India is a good example. To adapt to this evolution, we will do everything possible to attract good employees, who share the same culture of professionalism, which is inherent in the Group. With this in mind, Hamon as an employer is committed to the principle of equal opportunities in the workplace.

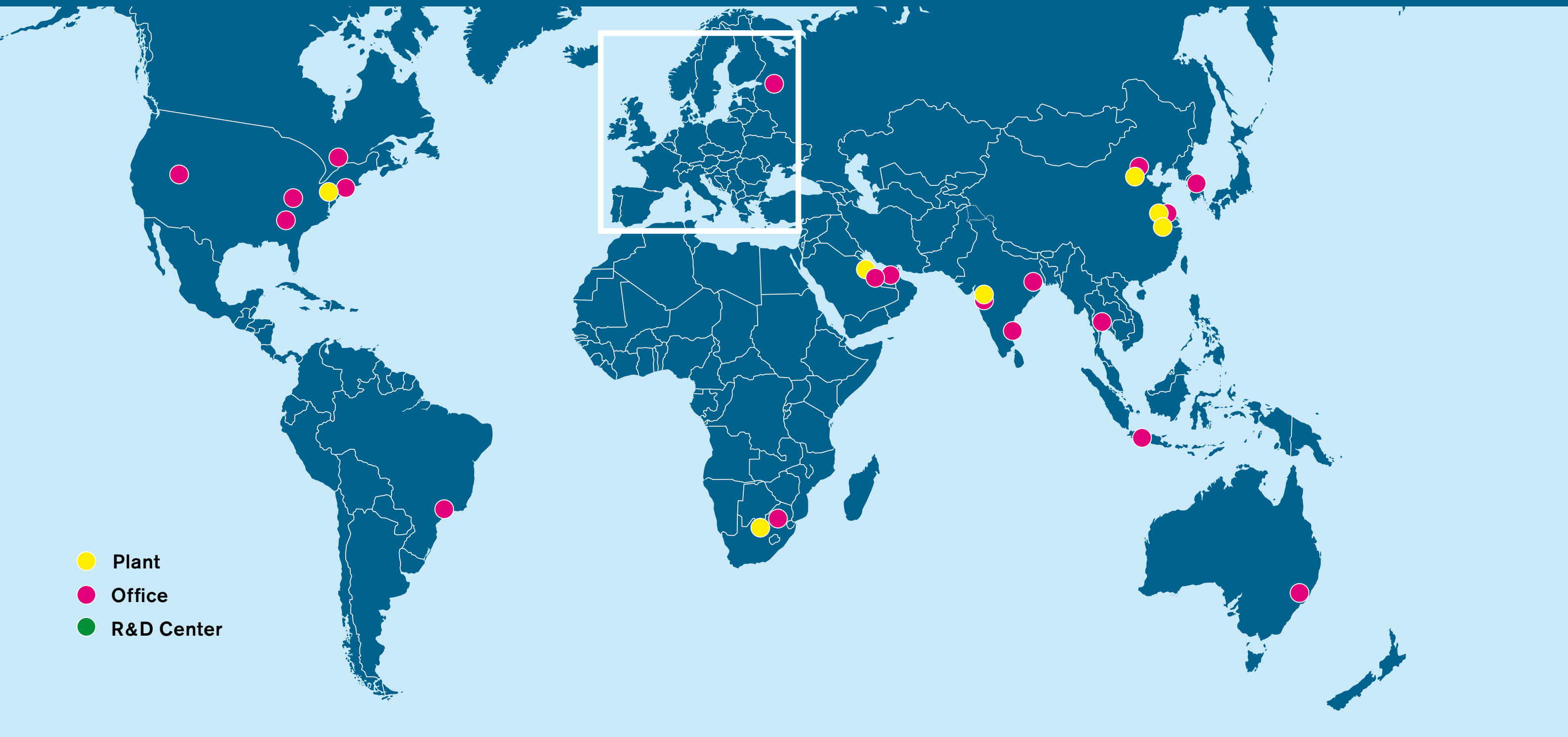
Is the message to your shareholders in 2011 one of optimism and confidence?

I will conclude by saying that 2010 was a year of transition. We have prepared for the future by applying our technological know-how and using or geographical diversity. In the last quarter of 2010 we were already reaping the fruits of this policy. When I travel, I sense that there is a huge potential for our products. We will therefore continue to invest in emerging countries with client partners hungry for technology and international experience. Keeping profitability on track is our priority for 2011. We have, I believe, the right commercial approach, innovative products and expertise to achieve a major breakthrough in countries where our ambition is to be a leading company.

What is the challenge for 2011?

In fast-growing national markets, local companies in emerging countries are riding an unprecedented wave of growth, enabling them to gain experience and standing. The challenge for 2011 is to be better than our local competitors and to win market shares in these countries – a challenge that does not scare us!

Hamon in the world



GROUP PROFILE

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

Positioning

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

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

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

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

Hamon offers its customers innovative systems that use the latest technology at competitive prices and that effectively respond to their needs, all within strict cost control.

Vision – Mission - Values

Vision

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

Hamon in Europe

Mission

- Develop new technologies, design, install and provide an after-sales service for key components of cooling systems, heat exchangers, air pollution control systems and chimneys.
- Improve our customers' performance in the energy, oil and gas sectors and other heavy industries, such as steel, glass, cement, etc.
- Execute all of our projects on time, within the given budget and in line with the customer's specifications.
- Provide a quality service for all of our activities, while ensuring the satisfaction and development of staff, respect for the environment and offering shareholders a return at least equal to the market rate.

Values

1. Professionalism

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

2. Respect for others

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

3. Respect for the environment

Environment protection is at the heart of Hamon's activities and services.

4. Respect for cultural diversity

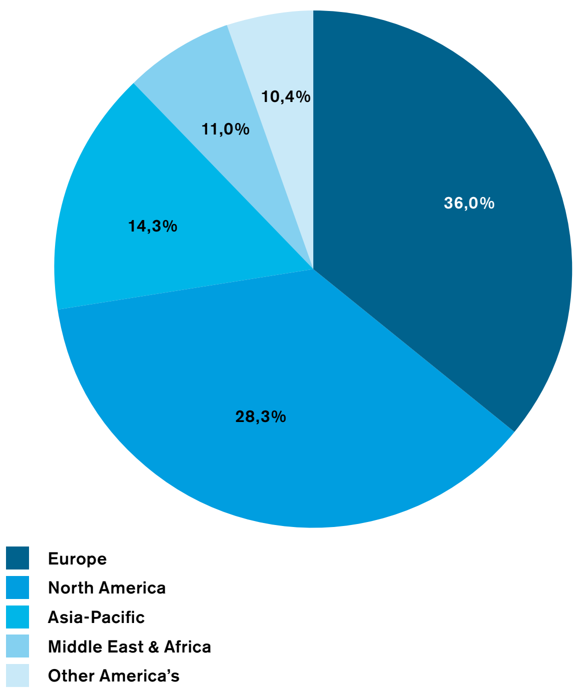
Hamon promotes cultural diversity in its working relationships with partners, teams and local communities all around the world.

Our presence in the world

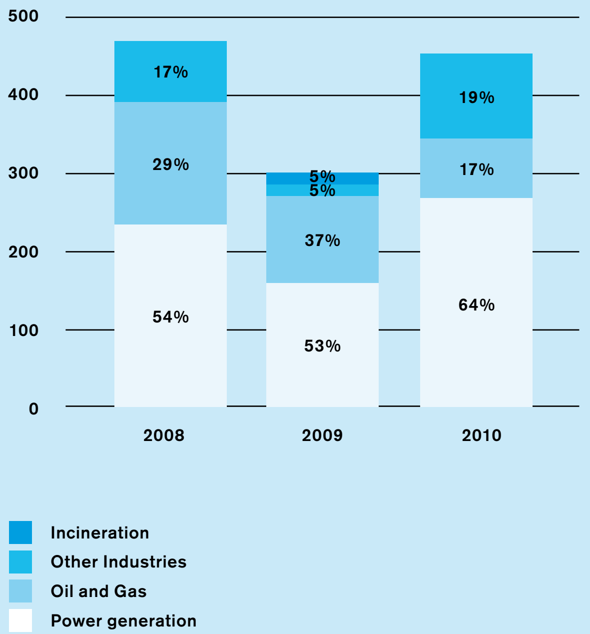
In 2010, Hamon employed 1 221 people in about 20 countries and on the five continents across the world. Let us mention that among these countries, none appears on the list of fragile states / territories published by the World Bank. Moreover, several hundred other people are hired on limited duration contracts (most notably on job sites). In 2010, the Group revenue amounted to EUR 346 million. See the other key figures presented in the first pages of this annual report.

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

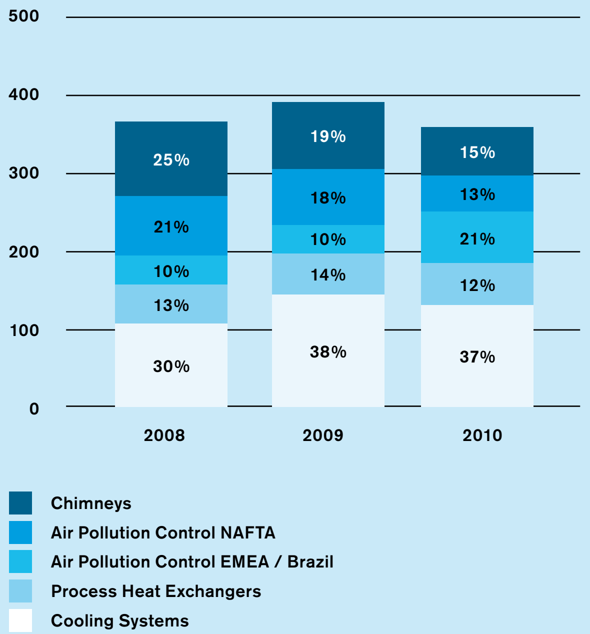
Sales breakdown by region (2010)



New order bookings by industry, in EUR million.



Breakdown of sales by business unit, in EUR million.



EVOLUTION OF OUR MARKETS

During the first three quarters of 2010, the markets in which Hamon operates experienced a slowdown and delays in the placement of orders, particularly in developed economies.

Major markets for Hamon

The main clients (end users) of the Hamon Group are producers of electricity, followed by the oil and gas industries, as shown in the graph above. These are followed by other heavy industries, such as steel, non-ferrous metals, household waste incineration, cement, chemicals, etc. It is worth noting that orders are split between new installations and after-sales service. For a breakdown by geographical area, see the previous section on the Group profile. We are observing that an increasing number of orders come from Asia and other emerging countries. As previously mentioned, Hamon's main activities are cooling systems and air pollution control, as shown in the graph above.

Markets affected by the general economic conditions in 2010, particularly in developed countries

After a downturn of approximately 2% in 2009, the global economy began to grow again in 2010, with a growth rate of almost 5% worldwide. This was weaker in developed countries (2% to 3%) and significantly higher in emerging economies, particularly South America and Asia (e.g. +10% in China, +9% in India). Developed countries (Europe in particular) were affected by the budget and financial crisis and many had to adopt measures to reduce their budget deficits. This led to a decline in investments in infrastructure (new power plants) and in spending on environmental protection. In some countries (including Germany and Belgium) the governments have increased the tax on electrical utilities. In addition, the consequences of the 2008-2009 crisis continue to have an impact on the funding of certain projects. In some developed countries we have seen a new slowdown in growth during the second half year of 2010.

Despite the economic recovery, new orders have been slow to materialize in our markets in 2010. Customers are cautious and take longer to decide on major investment projects. We should mention however than in this rather sluggish economy, Hamon made the best of a bad situation and took an increasing number of orders compared to 2009 (see Review of the year 2010). After a slight upturn during the second half year of 2009, our markets slowed down again in the first half year of 2010 ("double dip" scenario). Overall, during the first nine months of 2010 the major engineering companies saw their orders decrease by approximately 15% compared to the same period in 2009. The decrease is mostly the result of a reduction in the number of major projects. However, we experienced an increase during the second half year of 2010. In conclusion, the markets remain very volatile and their evolution is difficult to predict. We should also note that our markets generally react six to twelve months after the change in the economy. Lastly, it should be noted that in contrast to 2009, many major engineering companies started 2010 with a rather empty order book, which intensified the competition.

After-sale service is a lot less volatile and less affected by economic fluctuations. In developed countries, the market for the repairing of existing units is also relatively stable and significant in size.

We are noticing more and more that in developed economies, engineering companies are selling contracts for repair, replacement or improvement works for existing units, while in emerging countries it is often new units that are being built.

In terms of the market for **electrical power plants,** investments in new plants are at a low level in Europe (moderate in Germany) and in the United States, due to the stagnation of the demand for electricity. In some European countries, the development of renewable energy has more than offset the need for new production units. However, the development of renewable energy should slow down as a number of governments have reduced their funding and grants for this sector. Eventually, the development of smart grids should also reduce the needs of new large power plants. We should also point out that environmental pressures have also been detrimental to some construction projects for thermal power stations (especially coal-fired power stations in Germany). However, projects involving natural gas have not seen any impact as this fuel has a high-energy performance (combined cycles) and the gas supply has significantly increased in some regions (particularly in the United States: shale gas).

The United States is still affected by the absence of an energy policy and a clear regulatory framework, following the rejection of the "Energy Bill" by the American Congress. As the current government has lost its majority in the House of Representatives, nothing is likely to change before the end of 2012. However, the rapidly growing emerging economies have major plans for the construction of new electrical power stations, such as China (among others for nuclear power stations) and India.

Investments linked to the **oil, gas and petrochemical sectors** were boosted by the increase in the price of oil, which rose from USD 80 per barrel at the start of 2010 to approximately USD 90 at the start of 2011. Numerous projects are underway, particularly in emerging countries (e.g. Asia, Middle East, Brazil).

The trend is similar in **other heavy industries** (metals, cement, glass, etc.); the markets have been strong particularly in emerging countries, which have seen an increase in the prices of numerous raw materials and a high demand from China, among others, which had a positive influence on investments.

Lastly, we should also note that the U.S. dollar has risen against the Euro in 2010 (USD/EUR 1,325 against 1,394 on average in 2009), which effectively increases the numbers from the American market expressed in Euros. The price of the main raw materials (steel, aluminum, etc.) also increased in 2010, which consequently increased the unit price of each plant.

Hamon DGE team during the Hamon event organized at the Shanghai 2010 Exhibition

CORPORATE SOCIAL RESPONSIBILITY

I. INTRODUCTION

In 2010 and as announced in our previous report, Hamon has formalized and further focused its activities on a sustainable development-based ethos. Hamon's approach aims to analyze, measure and take its share of Corporate Social Responsibility. To this end it has decided to take inspiration from new international standard, ISO 26000 guidance for Corporate Social Responsibility, adopted by around 100 countries in November 2010. The objective is to align Hamon's strategy on compliance with the principles and fields of action contained in this guidance. The main subjects covered by ISO 26000 are:

- Organizational governance
- Human rights
- Labor practices
- The environment
- Fair operating practices
- Consumer issues
- Community involvement and development

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

The GRI methodology consists of three main elements:
- Strategy and profile
- Management approach and commitments
- Performance indicators

The standardized GRI correspondence grid reproduced at the end of this report enables readers to find the information they are looking for using a standard list. The performance indicators set out by the GRI cover six main areas:

- Economic performance (much detailed in other parts of this annual report)
- Environmental performance
- Social performance in relation to labor practices
- Social performance in relation to human rights
- Society performance and relationship with the community
- Performance in relation to the transparency of information on products

Launching a reporting process in accordance with the GRI's recommendations demands a substantial amount of work. This is why the GRI recommends that organizations improve their reporting over time, via different application levels. In this first year, Hamon has met the objectives of level C of the GRI (self-declared). For more information about the GRI, visit: www.globalreporting.org.

Through this annual report, we want to inform our stakeholders, in the most transparent way possible, of our performance and the measures we are gradually taking to improve. The parameters for each of the performance indicators are detailed in the section "Report parameters" at the end of this document. In order to match our actions with our words, Hamon is introducing action plans so that our performance improves, as well as internal control mechanisms to ensure that the subsidiary companies report on the indicators in an accurate and comprehensive manner. We also want to systematize our subsidiaries' external certification processes, be it in relation to quality (ISO 9001), health and safety (OHSAS 18001), or environment (ISO 14001).

As our economic performance has generally been discussed in other parts of this annual report, here is a summary of Hamon's position in terms of its responsibilities and performance in social and environmental areas.

II. SOCIAL RESPONSIBILITIES

The men and women who contribute on a daily basis to the success of Hamon are our main resource. They deserve all our attention. This is why we will dedicate this section mainly to our internal social responsibilities.

Headcount

The average Group headcount in 2010 was 1 221 employees, which is 81 people more than in 2009 (+7%). In addition to this figure are the temporary on-site workers; in 2010 this represented around 500 people on average (the number constantly fluctuates).

Average headcount per BU	2010	2009	2008
Cooling Systems	547	482	432
Process Heat Exchangers	161	174	170
Air Pollution Control EMEA/Brazil	220	172	112
Air Pollution Control NAFTA	124	147	175
Chimneys	53	56	63
Corporate & others	116	109	63
Total	1 221	1 140	1 015

- These figures include the staff from (1) fully consolidated subsidiaries and (2) subsidiaries consolidated by proportionate integration on a pro rata basis of the capital held by Hamon.
- These figures are based on full-time equivalents and only include staff on open-ended contracts.
- In addition to these figures, Hamon also employs a few hundred temporary workers (local labor), mainly at its erection sites. Located around the world, these projects generally last a few months. In 2010, approximately 500 people were employed to work at the sites.

In terms of business units, the main variations come from:

- Air Pollution Control EMEA/Brazil, which has seen a 28% increase in the number of staff, as a result of the acquisition of Enviroserv (Germany) in 2010, the global consolidation of Hamon's Chinese subsidiaries DGE and TS Filtration over 12 months in 2010 (compared to only six months in 2009), and the acquisition of J&C Engineering (South Africa) as of 1 October 2010.
- Cooling Systems, which has seen a 13% increase in the number of staff, as a result of the strong growth of our Indian JV, Hamon Shriram Cottrell, and of our subsidiary Hamon UK, as well as the development of our dry cooling activities, including the opening of a Chinese subsidiary Research-Cottrell Cooling (Tianjin), among others.
- On the other hand, our two North-American BUs have seen a reduction in their number of staff (5% in Chimneys and 16% in Air Pollution Control NAFTA), to compensate for their lower level of activity in 2010.
- The reduction in relation to the Process Heat Exchangers BU is a result of Brown Fintube France leaving the consolidation perimeter from 1 July 2010.

These different variations in the Business Units explain the net increase in the number of staff working for the Group.

Average headcount per region	2010	2009	2008
Europe	674	647	560
North America	192	209	241
Australia & Asia	275	214	173
Africa	31	24	22
Others Americas	49	46	19
Total	**1 221**	**1 140**	**1 015**

In terms of regions, the number of staff has mainly increased in:

- Asia (+29%), due to the developments at Hamon Shriram Cottrell, the opening of Research-Cottrell Cooling (Tianjin) and the consolidation over a 12-month period of Hamon DGE and TS Filtration
- In Africa (+30%), due to the acquisition of J&C Engineering.

These figures illustrate Hamon's strategy to further develop our operations outside of Europe and North America, which has been underway for a few years.

Average headcount per category	2010	2009	2008
Management	48	46	39
Employees	709	652	582
Workers	464	442	394
Total	**1 221**	**1 140**	**1 015**

Lastly, if we examine the categories of employees, we can see that the increase has mainly affected employees, and to a lesser extent workers.
As at 31 December 2010, the total number of staff (open-ended contracts) came to 1 215 people, comprising 988 men and 227 women.

Recruitment

Hamon prides itself on recruiting high-caliber employees. In each country where we operate, our policy is aimed at recruiting local personnel. We also have a very small number of expatriate executives in relatively new subsidiaries or those that have grown significantly over recent years. The aim is to support their development and to promote Hamon's experience and best practices. The number of expatriates is marginal – it represents approximately 0,5% of total employees in the Group and approximately 6,5% of employees in management positions.

Training

An important factor in contributing to the development of our staff and to their satisfaction is to give each employee the training that he or she needs. Through different programs we have provided more than 13 000 hours of training in 2010, which is 14 hour/year per person for the considered perimeter (see Report parameters). In addition to this formal training (covering health and safety, the use of our new ERP tool which is gradually being implemented, technical training sessions, etc), our employees are also given more informal training, which is a kind of mentoring or tuition specific to their role and based on different projects they are involved in.

Healthy and safety

The health and safety of our staff in the work place continues to be a priority, be it in factories, offices or on-site. On-site work presents specific risks that are difficult to fully overcome. Hamon is adopting measures to improve the situation.

For more information, see the section detailing the key performance indicators for Health and safety and Environment in the annexures.

We are also working towards OHSAS 18001 certification for health and safety. At present, four subsidiaries have attained OHSAS 18001 certification, one is SCC certified ("SHE Checklist Contractor") and one is NOSA certified in South Africa (out of the 19 main subsidiaries considered). The process is underway in other subsidiaries.

It is also of note that our American subsidiary Hamon Custodis was given an award for excellence (Certificate of Achievement for Construction Safety Excellence) from its customer Southern Company for projects carried out in 2010. Hamon Research-Cottrell USA also received an award in 2010, the "Lifetime Achievement Award" from the American Lung Association, for its great contribution to improving the air quality in the United States.

Ethics

Founded on respect for values and with family traditions having contributed to its history and development, Hamon continues to promote its code of ethics at the

Workers installing the electrodes of an ESP in an Eskom power plant, South Africa

heart of its working relations. In this regard, 2010 was marked by several specific initiatives:

- Commitment to respect the Universal Declaration of Human Rights. In January 2011, the 19 subsidiaries included in the parameter in the section “Report parameters” comply with this Declaration (in so far as the legislation in place in the respective countries allows them to).
- Commitment to not employ children (the definition of the term child depends on the country and sometimes the type of activity). The areas identified as presenting the biggest risks concerning child labor are our factories in India (Umbergaon) and in China (Jiaxing, Shanghai and Wuqing from 2011). For Hamon, in early 2011, none of the 19 subsidiaries included employed people under the age of 18.
- Distribution of the Hamon Code of Ethics to all of our managers and employees. A summary of this Code is available on our website: www.hamon.com.

Over time these commitments are gradually incorporated into the Group’s working methods and shared with all Hamon’s subsidiaries. We also want to establish adequate internal control measures. It should be noted that within the framework of a sustainable procurement policy, we are working to ensure that our commitments are passed on to our suppliers. Therefore, through our general purchasing conditions, we ask that they respect the social regulations in force and do not employ children.

Other initiatives carried out in 2010

Among a number of initiatives carried out in 2010 was an extensive staff satisfaction survey in the United States. The results of the survey were analyzed in detail in order to address the main concerns and to devise appropriate action plans. The main points that came to light are:

- Hamon U.S. is recognized as a reputable employer; it pays its staff well and clearly defines and communicates its strategy and responsibilities.
- Areas for improvement are the training and management of individual performances; the management is working to address this.

Other projects also underway among some subsidiaries of the Group include:

- An analysis of the competitiveness of our pay packages in comparison to the market practices.
- Classification of roles.

☐ Hamon Shriram Cottrell managers and stand at the Power Gen India exhibition

- Improvement of our systems for annual performance reviews.

These projects will continue to be developed in 2011.

Community relations - donations

In their relationships with local communities, some of our subsidiaries have made donations in 2010, in order to support sporting, cultural or charitable organizations. The donations made by the main subsidiaries (1) of the Hamon Group came to EUR 54 thousand. This includes:

- A donation to the Henry Ford Museum (USA);
- A donation to the Louvain-la-Neuve Volley Ball Club (Belgium);
- A donation to the Heart of Hope project (USA).

(1) The Group's 19 main subsidiaries considered in the Corporate Social Responsibilities section (see Report Parameters)

III. ENVIRONMENTAL RESPONSIBILITIES

Our priorities for protecting the environment are as follows:

- To reduce the environmental impact of our activities, particularly that of our factories;
- To continue to develop new, even more efficient products to enable our customers to reduce the impact of their operations on the environment (this particularly concerns our Air Pollution Control activities);
- To reduce the impact of our installations on the environment (e.g. noise and visual pollution, plume from our natural draft cooling towers, etc.).

Regarding the first point, our activities affect the environment in a number of ways:

- Energy consumption (and consequently, direct and indirect greenhouse gas emissions).
- Consumption of other natural resources such as steel, aluminum, concrete, plastic, etc.
- Water consumption
- Solid and liquid waste

For more information, see the section detailing the key performance indicators for Health and safety and environment in the annexures.

Some initiatives have been implemented to reduce the impact of our units and our factories on the environment:

- Cooling systems: reduction of noise, steam plume, electrical consumption, water consumption (introduction of air-cooled condensers), visual impact (fan-assisted natural draft cooling towers), use of recycled plastic for exchange surfaces, use of heat-sealing for sheets instead of glue, waste recycling.
- Process Heat Exchangers: oil recovery system to protect tubes and adequate storage to prevent any contamination; implementation of a closed circuit cooling water system for high frequency welding machines to reduce water consumption.
- Air Pollution Control systems: reduction of electrical consumption, noise, recycling of off cuts or waste, recycling of used fuel from factories.
- Chimneys: noise reduction.

Lastly, we should point out that we have established an environmental certification program for our main entities. Early in 2011, one subsidiary was awarded ISO 14001 certification and one was awarded SCC certification ("SHE Checklist Contractors") out of the 19 included in the perimeter of our analysis.

We encourage our suppliers to incorporate our environmental objectives. This is why we ask them, via our general purchasing conditions, to commit to respecting all the environmental regulations in force.

Members of the Executive Committee; from left to right: Bernard Vuylsteke, Bernard Van Diest, René Robert, Rodica Exner, Francis Lambilliotte, William Dillon, Philippe Delvaux, Michèle Vrebos

STATEMENT OF CORPORATE GOVERNANCE

I. CORPORATE GOVERNANCE

1. General Considerations

1.1 Reference code

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

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

The present **Statement of corporate governance** gives information on the corporate governance events which took place in 2010.

1.2 Derogation to the 2009 Belgian Code of Corporate Governance

Hamon derogates to the following sections of the Code, as of 31 December 2010:

- The duration of the mandates of three directors, renewed in 2008, is of six years. Every new mandate or mandate renewal will be for a maximum duration of four years from now on.
- Half of the members of the Audit, Remuneration and Appointment Committees were independent directors as of 31 December 2010. As from 1st January 2011, these Committees are staffed with a majority of independent directors following the resignation of Sogepa from these Committees.
- During the fiscal year 2010, the Audit Committee met three times to analyze the annual and half-year

financial statements of the Group and the regulations in terms of corporate governance. In accordance with the Code requirements, the Audit Committee will meet four times per year from 2011 if needed.

- Regarding the remunerations and perks of the directors and members of the Executive Committee, Hamon has decided not to anticipate on the provisions of the 6 April 2010 law given the fact that they will become effective from the next fiscal year only. Hamon will comply with the abovementioned law by then.
- There is no formal assessment procedure for the Board of Directors and the specialized Committees. The Board will put it in place during the year 2011 and will disclose its characteristics in the annual report related to the fiscal year 2011.

2. Governance structure

Hamon is governed by a Board of Directors which, in accordance with Article 14 of the Articles of Association, has extensive power. The Board of Directors is a collegial body whose actions must be presented in the annual report to the general shareholders meeting.

The executive directors communicate all the information relating to the business and finance of the Company that is required to ensure the smooth running of the Board of Directors.

The non-executive directors discuss in an analytical and constructive manner the strategy and the key policies put forward by the executive management and help to develop them. They then carry out a thorough evaluation of the performance of the executive management in meeting the agreed objectives.

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

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

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

The general shareholders meeting exercises powers which are assigned to it by law and the articles of association. The working methods of the different aforementioned bodies are contained in the Corporate Governance Charter; the Charter is available on Hamon's website.

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

3. Board of Directors

3.1 Composition

3.1.1 Appointments

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

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

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

3.1.2 Composition

Currently, the Board of Directors is composed of eight members, seven of whom are non-executive directors, and three are independent directors according to the definition of article 526 ter of the Company Code. Four of them are proposed by Sopal International S.A.

The mandates of the majority of them were renewed at the Annual General Meeting of 27 May 2008.
Five mandates will expire at the next Annual General Shareholders Meeting on 26 April 2011. In accordance with the Company Code, the mandates of the directors appointed or renewed by the next Annual General Shareholders Meeting will be for a maximum duration of four years.

Baron Philippe Bodson, Messrs Pierre Meyers and Martin Gonzalez del Valle are independent directors according to the abovementioned article 526 ter of the Company Code.

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

Name	Position	Start	End
Baron Philippe Bodson	Chairman, Independent Director	27.05.08	26.04.11
Mr. Jacques Lambilliotte	Honorary Chairman, Director	27.05.08	26.04.11
Mr. Francis Lambilliotte(1)	Managing Director	28.04.09	28.04.15
Mr. Jean Hamon	Director	27.05.08	26.04.11
Mr. Bernard Lambilliotte	Director	28.04.09	22.04.14
Sogepa SA represented by			
Ms. Sabine Colson	Director	27.05.08	26.04.11
Mr. Pierre Meyers	Independent Director	27.05.08	26.04.11
Mr. Martin Gonzalez del Valle	Independent Director	27.05.08	22.04.14

(1) Executive director (the other directors are non-executive).

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

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

Jacques Lambilliotte
Director, was the Managing Director, Chairman of the Board of Directors and Managing Director of Laminoirs de Longtain from 1953 to 1983. He has an engineering degree.

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

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

Sabine Colson, representing Sogepa
Director since June 2005. She has a degree in business and finance (HEC). She held several positions at PriceWaterhouseCoopers in Luxembourg and in Brussels from September 1990 to the end of June 1996. She was an advisor to Sogepa from July 1996 to December 2010 and as such has held a number of positions as observer and director for companies having their registered office in the Walloon Region. Since 1 January 2011, she has acted as General Adviser of SRIW Environnement.

Pierre Meyers
Independent Director since June 2005, he his currently the managing director of Euremis Holding, a company holding 81% of the capital of CMI, and director of various companies including CMI, CHRYSOS, AURIS FINANCE, INTEGRALE, Herstal Group (FN), AEIP and AGM. He was financial director and a member of the Executive Committee of Cockerill Sambre and then Usinor (1994-2000), and financial director at Herstal Group (FN) (1979-1993). He has a degree in business administration and holds a CRB Graduate Fellow diploma from Harvard University.

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

3.2 Functioning

The Board of Directors met five times in 2010. The main subjects discussed were:

- the approval of the results of the Group, the reviews of forecasts, annual budgets and the strategic business plan,
- the monitoring of the business and the financial situation of the Group and some of its subsidiaries,
- the review of some development and investment projects in the frame of the development strategy of the Group,
- the overview of the new regulation related to corporate governance and the approval of the changes made to the Corporate Governance Charter.

All the directors attended every board meeting, except Mr. Bernard Lambilliotte who could not attend the 27 April 2010 board meeting.

4. Committees

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

The mandates of some members of these Committees expire this year; they will be renewed in function of the renewal of the mandates of these members of the Board of Directors.

4.1 Audit Committee

During the fiscal year 2010, the four members of the Audit Committee were non-executive directors; out of them two are independent directors.

Members of the Audit Committee	Function	End of term
Sogepa SA represented by Ms. Sabine Colson	Chairman	26.04.11
Mr. Pierre Meyers (*)	Member	26.04.11
Mr. Martin Gonzalez del Valle (*)	Member	26.04.11
Mr. Bernard Lambilliotte	Member	22.04.14

(*) independent director

As from 1st January 2011, the members of the Audit Committee are:

Members of the Audit Committee	Function	End of term
Mr. Pierre Meyers (*)	Chairman	26.04.11
Mr. Martin Gonzalez del Valle (*)	Member	26.04.11
Mr. Bernard Lambilliotte	Member	22.04.14

(*) independent director

The Audit Committee met three times during the fiscal year 2010, together with the auditor.

The subjects discussed by the Audit Committee referred to:
- the closing of the financial statements as of 31 December 2009;
- the closing of the financial statements as of 30 June 2010;
- the analysis of the new Corporate Governance regulation.

Sabine Colson and Pierre Meyers attended all the meetings of the Audit Committee; Martin Gonzalez del Valle could not attend the 22 February meeting; Bernard Lambilliotte did not attend any meeting.

4.2 Remuneration Committee

During the fiscal year 2010, the four members of the Remuneration Committee were all non-executive directors; out of them two are independent directors.

Members of the Remuneration Committee	Function	End of term
Baron Philippe Bodson (*)	Chairman	26.04.11
Mr. Jacques Lambilliotte	Member	26.04.11
Sogepa SA represented by Ms. Sabine Colson	Member	26.04.11
Mr. Pierre Meyers (*)	Member	26.04.11

(*) independent director

As from 1st January 2011, the three members of the Remuneration Committee are non-executive directors; out of them at least two are independent directors:

Members of the Remuneration Committee	Function	End of term
Baron Philippe Bodson (*)	Chairman	26.04.11
M. Jacques Lambilliotte	Member	26.04.11
M. Pierre Meyers (*)	Member	26.04.11

(*) independent director

The members of the Remuneration Committee have the required expertise in terms of remuneration policy as shown by their curriculum vitae given hereabove.

The Managing Director attends the meetings of the Remuneration Committee which are related to the remuneration of the members of the Executive Committee and other top managers.

The Remuneration Committee met three times in 2010, all its members attended every meeting.

The subjects discussed by the Remuneration Committee were mainly:

- remuneration package for the members of the Executive Committee and other top managers;
- complementary pension plan in some countries;
- fixing of the top managers variable remunerations;
- content of the remuneration report;
- remuneration package for William Dillon, the new U.S. CEO.

4.3 Appointment Committee

During the fiscal year 2010, the four members of the Appointment Committee were all non-executive directors; out of them two are independent directors.

Members of the Appointment Committee	Function	End of term
Baron Philippe Bodson (*)	Chairman	26.04.11
Mr. Jacques Lambilliotte	Member	26.04.11
Sogepa SA represented by Ms. Sabine Colson	Member	26.04.11
Mr. Martin Gonzalez del Valle (*)	Member	22.04.14

(*) independent director

As from 1st January 2011, the three members of the Appointment Committee are non-executive directors; out of them at least two are independent directors:

Members of the Appointment Committee	Function	End of term
Baron Philippe Bodson (*)	Chairman	26.04.11
M. Jacques Lambilliotte	Member	26.04.11
M. Martin Gonzalez del Valle (*)	Member	22.04.14

(*) independent director

There was no meeting of the Appointment Committee in 2010.

5. Executive Committee

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 are the following as of today:

- Francis Lambilliotte
  Managing Director, Chairman of the Executive Committee
- Rodica Exner
  General Manager of the Cooling Systems BU; Vice Chairman of the Executive Committee
- William Dillon
  General Manager Americas
- Philippe Delvaux
  General Manager of the Air Pollution Control EMEA / Brazil BU
- René Robert
  General Manager of the Process Heat Exchangers BU
- Bernard Van Diest
  Group Financial Director

- Michèle Vrebos
  Group Legal Director and Secretary General
- Bernard Vuylsteke
  Group Human Resources Director
- Aart Nobel
  Advisor to the Chairman

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

6. Remuneration report

In accordance with the recommendations of the 2009 Corporate Governance code, the Remuneration Committee has established a remuneration report as follows:

"Procedure

The procedure adopted by the Remuneration Committee, in consultation with the CEO, (i) to remunerate the directors and members of the Hamon & Cie Executive Committee and (ii) to fix the individual remuneration of the abovementioned people, was to appoint an external HR consultant specialized in this area. This consultant prepared a report to the Executive Committee on the going market rates in the areas of the Group for companies of similar sizes both in Belgium and abroad, given the international character of the composition of the Executive Committee of the Group.
Market practice is reviewed annually and each time discussed in the Committee, decisions from which could lead to the revision of certain elements.

Remuneration policies

The remuneration of non-executive directors is subject to a proposal by the Board of Directors to the Annual General Meeting of shareholders. It was reviewed during the Annual General Meeting of 27 April 2010 for the last time.
The remuneration of directors equates to a fixed sum and a variable amount per meeting in which they are present. The Chairman also receives a higher annual lump sum in compensation for his advice and experience. The directors, except the Managing Director, did not receive any stock options. The mandate of the Managing Director, regarding this function stricto sensu, is exercised free of charge.

The remuneration of the members of the Executive Committee is made up of a fixed sum and a variable amount.
The fixed sum corresponds to the international market practices for the various functions involved.
The purpose of the variable remuneration is to ensure Executive Committee members are paid according to the Group's performance on the one hand and their individual performance on the other hand. Variable remuneration is linked to the results of the Business Units and the Group and the achievement of personal goals; the percentage representing the variable compensation depends on the degree of importance and the contribution made by that function to the results of the Business Units and the Group. This percentage can amount up to 200% of the fixed remuneration.

The individual performance of the concerned persons is subject to an annual appraisal by the Managing Director who takes into account how far the objectives mutually agreed during the previous year with the Board of Directors have been met.
This performance analysis of the members of the Executive Committee and top managers is then discussed by the Managing Director with the Remuneration Committee.

Among the long-term incentives, the members of the Executive Committee and the Managing Director received stock options during the year 2008. Details of the 22 500 options, attributed in 2008, can be found in note 33 of the 2010 annual report (Part 3. Financial statements). There was no allocation of stock options in 2009 or in 2010. The stock option plan was submitted to the approval of the Annual General Meeting of the Company on 27 May 2008.

There was no important change to the remunerations compared to the previous fiscal year.

For the Remuneration Committee, the Chairman."

As mentioned hereabove, this report will comply with the legal requirements in this area as soon as they become applicable, namely from the fiscal year 2011.

7. Remuneration and perks of the Board of Directors and Executive Committee

7.1. Directors' Remuneration

All the directors are remunerated for their directorship with the exception of Francis Lambilliotte, in accordance with the decision of the General Shareholders Meeting.
In 2010, the directors remuneration amounted to EUR 240 000.
The Annual General Meeting of 27 April 2010 had decided to allocate, with effect from 1st January 2009 onwards, a remuneration (lump sum + per meeting) for the directors, for their functions as directors, of up to a maximum of EUR 240 000 per year (to be indexed on

the retail price index every January against the level in January 2008), to be divided up annually amongst its members by the Board of Directors. The non-executive directors are not entitled to any stock option plan nor to any bonus linked to the results of the Group.

7.2. Remuneration of the members of the Executive Committee

On top of their fixed remuneration, the members of the Executive Committee got a variable remuneration for the year 2010. This remuneration was given to them according to criteria based on (i) the Group results, (ii) the performances of their business units and (iii) personal objectives agreed upon with the Managing Director.

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

In 2010, the total remunerations and perks of the directors and members of the Executive Committee of the Company for their function within the Company, its subsidiaries or related companies, amounted to EUR 6,899 million. For more details, see note 44 of the consolidated financial statements.

8. Auditors

The Company accounts and consolidated accounts of the fiscal year ending on 31 December 2010 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 by the Annual General Meeting of 27 May 2008 expires during the next Annual General Meeting of 26 April 2011. The Board will propose to the Annual General Meeting to renew the mandate of the auditor for three years. From that moment, the auditor will be represented by Mr. Pierre-Hugues Bonnefoy. Indeed, Mr. Laurent Boxus, who was representing the auditor, has reached the limit of six years recommended by the Auditor Institute in relation with some aspects of the auditor independence.

9. Appropriation of profits

On 9 September 2010, the Company paid an advance dividend for the results of 2010 of EUR 0,25 per share. The Board of Directors proposes to the 26 April 2011 General Shareholders Meeting to distribute a complement to this dividend of EUR 0,35 per share for the result of 2010, payable on 10 May 2011. The total dividend for the fiscal year 2010 will amount to EUR 0,60 per share.

The dividend policy aims to make a payout of around 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.

10. Code of good behavior

The Group has developed a Code of Ethics for all its employees covering various aspects including (i) compliance with the law on insider trading, (ii) the prevention of conflicts of interest with the Group, (iii) respect of confidentiality as part of the exercise of their function, (iv) correct and proper conduct in the management of the business.
This Code aims to educate employees to the need to respect a code of good behavior when exercising their professional duties and ensure that all staff members carry out their activities with respect to the ethical and legal laws of each country. This Code reflects the determination of the Group to maintain a relationship of trust and professionalism with all its stakeholders.

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

11. Conflicts of interest

The procedure of article 523 of the Company Code related to conflicts of interest has been activated twice during the fiscal year 2010, on the one hand for the sale by Hamon & Cie of its subsidiary Brown Fintube France SA to AIT and on the other hand for the creation of a joint venture between Hamon & Cie and Esindus. These elements are described in the Hamon & Cie management report.

The Board has not been informed of any other conflict of interest apart from those abovementioned and related to article 523.

12. Compliance with the rules on market abuses

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

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

Article 5 of the articles of association of Hamon & Cie states that the Board of Directors is authorized to increase the capital one (or more times) up to EUR 2 157 441,60. This authorization is limited to 5 years; it can however be renewed once or several times for a further 5 years, by the Annual General Meeting. The increase in capital as 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 voting rights, and with or without subscription rights.

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 to the benefit of one or more persons or members of the Company's personnel, or related companies.
The Extraordinary General Shareholders Meeting of Hamon & Cie has also given clear authority to the Board of Directors, in case there is a public offer on the shares of the Company, to increase the capital either in nature or in kind, by limiting or canceling, as the case may be, the preference rights of shareholders including those favoring one or more particular persons.

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

II. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS ASSOCIATED WITH THE PROCESS OF DRAWING UP FINANCIAL INFORMATION

1. Introduction

The law of 6 April 2010 on the strengthening of corporate governance provides, within the framework of the transposition of a European directive, that the declaration on corporate governance must contain a description of the main characteristics of the internal control and risk management systems associated with the process of drawing up financial information.

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

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

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

2. The environment subject to control

The company's role and values

- A Sustainable Development Charter – included in our annual Report – covers the axes on which Hamon aims to develop its business, based on respect for the environment, human rights, the local communities in which it operates and its staff. It fosters values such as professionalism, corporate culture, cultural diversity, team spirit and a "do it right the first time" approach. See also the section Vision – Mission – Values in the Group profile section of this report.

- A Corporate Governance Charter – available on the website – was drawn up and approved by the Board of Directors. This Charter clearly defines the different management bodies, their working methods and their composition.

- A Code of Ethics, written for all the employees, is detailed in point 10 on page 28.

Risk culture

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

Clear missions

- The structure of Hamon is based on its BUs, which have a clear role in terms of product portfolio, organization and results.
- The internal organization is set out in flow charts and each employee has a description of his or her role and of the procedures for delegating authority.
- The Group also provides support functions for the BUs through different departments – IT, Legal, Corporate Finance, Treasury and Human Resources – of the parent company.
- Measures of control: Compliance is carried out by the Secretary General. The CFO is responsible for risk management and directly supervises the Controlling Team, which has management control of the Group. The BU managers are responsible for monitoring the industrial risks.

Competent teams

- The directors: they were appointed for their experience and have the necessary competencies and qualifications to undertake their responsibilities, in particular with regard to technology, finance, accounting, investment and remuneration policies.
- Management and employees: Hamon's employees underwent a recruitment process that was adapted to the profiles required. They also benefit from suitable training, in accordance with the job specifications.

3. Risk analysis

The Group is faced with a number of risks associated with its activities and the size and type of markets in which it operates. Hamon regularly performs an audit to identify and evaluate these risks. The most recent took place on 10 December 2010. The risks that the Company faces were mapped out. Those for which the control level has been deemed to be insufficient will be subject to a formal action plan. The implementation of this action plan will be monitored by the Audit Committee.

The main risks are as follows:

Strategic risks

- Risks associated with the economic, contractual, commercial and market environment.
- Uncertainties related to new environmental regulations and their time of entry into force (significant impact on Air Pollution Control activities).
- Risks related to acquisitions, partnerships, and activities in emerging countries, including political risks.

Risks associated with the Group's activities

- Supplier risks; this may include unsatisfactory products, which do not meet the specifications of the contract, or delays in delivery.
- Technical risks, related to the design or smooth implementation of certain projects.
- Risks related to guarantees on projects undertaken.
- Risks related to the environment, for example on Hamon's worksites or in its factories.
- Industrial risks (accidents), human risks, or those linked to occupational illnesses.
- Monetary risks, such as fluctuation in the exchange rate of the U.S. dollar.

Internal risks

- Human resources risks, namely the Company's capacity to provide the necessary capabilities and resources to ensure the completion of projects.
- IT risks, related to the availability and safeguarding of IT facilities and data that are essential to the delivery of the Group's objectives.
- Risks related to disputes the Group is involved in,

to the liquidation of Hamon Research Cottrell Italia, or to guarantees issued in the framework of assets disposal.

- Possible realization of deferred tax assets.

- Reductions of value (impairment test) on the book value of certain assets.

4. Control measures put in place

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

- Implementation of an adequate internal control process at the Group level.

- Analysis of technical, financial and execution risks, based on a check list that is tailored to the different Business Units; this analysis is a preliminary condition for the provision of quotations to our customers and is based on a system of delegation of power.

- Monthly monitoring, through business meetings, of the progress of the different projects within the Group.

- Monthly and quarterly reporting on management, disputes and treasury.

- Setting up of a robust control system for the Group to monitor the progress of projects and activities in the Group and issues a warning or an alert if there is a mistake.

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

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

- Interest rate risks: they are managed through the use of interest rate swaps (IRS) when the long-term rates exceed some limits set by the Group.

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

- Counter party risks: short-term deposits and investments must comply with safety and liquidity criteria and only thereafter with return criteria.

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

5. Financial information and communication

The gathering of financial information is carried out as follows:

- Reverse planning highlights the tasks which have to be performed in the framework of the Company's monthly, quarterly, half-year and annual closures and those of its subsidiaries, as well as their deadlines. The Group has a check list of actions to be monitored by the financial department, while each subsidiary draws up its own check list, enabling it to meet its specific needs.

- Under the supervision of the financial managers at the subsidiaries, the local teams produce the books of accounts. The accounts are kept either using the ERP of the Group – JD Edwards – or, depending on the roll out program or the size of the subsidiary, using software packages purchased locally and subject to suitable support contracts, or for the smallest entities, through external providers. It should be noted that Hamon has a “disaster recovery” and a “business continuity” plan which have been validated by auditors in IT safety.

- The Controlling Team of the subsidiary checks the accuracy of the figures and makes the reporting. The figures are checked using the following procedures:

  - Coherence tests via comparisons with past figures or those contained in the budget;

  - Spot-checks of transactions and other checks depending on their materiality.

- At central level, the consolidation is performed with the help of a software package – SAFRAN – through which the input is submitted locally by the subsidiaries. The consolidation and reporting team prepares the accounts and uses random checks and coherence tests to verify the basic financial information. This central Controlling Team takes an active part, at least twice a year, in the business reviews of each of the subsidiaries of the Business Units for which it is responsible.

- Communication with the members of staff and different Hamon employees is adapted to the size of the Company. It is mainly based on different press releases and the sending of internal messages via email, business meetings or even verbal communications between the management and the staff.

- To ensure rapid communication and the equal treatment of shareholders, Hamon publishes the agenda and the minutes of general shareholders meetings, half-year and annual financial results, press releases, articles of association, the Corporate Governance Charter and the annual report, on its website.

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

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

- By the Group's control management, in the framework of its quarterly reviews of each of the Business Units and regular audits carried out in the subsidiaries during which all the activities and key internal control measures relating to contracts are reviewed.

- By the Audit Committee. During the fiscal year, the Audit Committee undertook a review of the half year closures and specific accounting treatments. It carried out a review of the disputes and asked all the questions it considered pertinent to the Auditor and the Group Controller or the Company top management.

- By the Auditor, in the framework of his review of the half year and annual accounts. During the fiscal year, the Statutory Auditor set out his recommendations concerning the account keeping.

- Occasionally by the Commission bancaire, financière et des assurances.

- The Board of Directors oversees the execution of tasks of the Audit Committee, mainly through the reporting undertaken by the Committee.

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

III. RELATIONS WITH OUR SHAREHOLDERS AND OTHER STAKEHOLDERS

1. Shareholder relations

Hamon shares

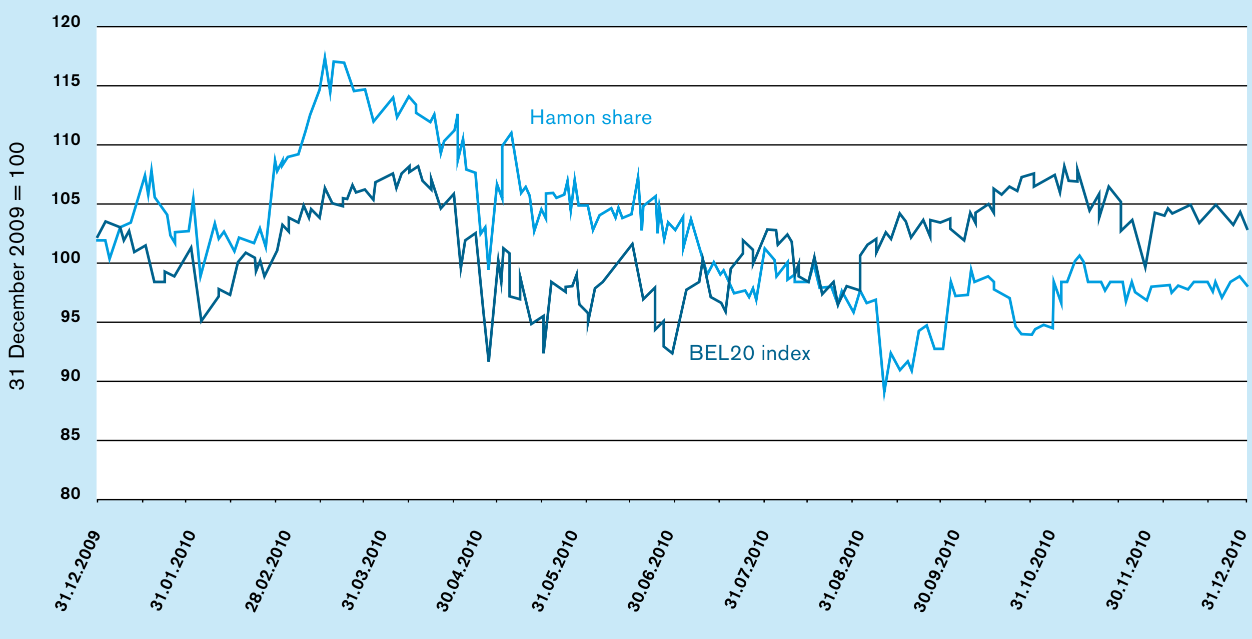
Hamon shares are listed on the regulated market Euronext Brussels, on a continuous market, in trading group A1. The main data relating to Hamon shares are set out below:

in EUR/share	2010	2009	2008
Average closing price	28,00	23,76	29,79
Maximum closing price	32,07	29,50	46,74
Minimum closing price	24,56	17,41	15,85
Closing price on 31 December	26,87	27,40	19,50
Average daily trading volume (number shares / day)	3 087	4 777	4 879
Total number of shares on 31 December	7 191 472	7 191 472	7 191 472
Mean total number of shares	7 191 472	7 191 472	7 191 472
Average market capitalization during the year (EUR million)	201,4	170,9	214,2

Hamon's share price fell slightly in 2010, by -1,9%, while the BEL 20 index climbed modestly by 2,7% over the same period. However, the average price of Hamon shares (average annual closing price) rose by 18% in 2010 compared to 2009.

As illustrated in the graph, from the lowest point early in September 2010, Hamon's share price has noticeably risen (+9,4%), while over the last four months of 2010 the BEL 20 index has not. This trend is confirmed in the first few months of 2011.

Evolution of the Hamon share price relative to the BEL20 index



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

Since 1 January 2008, Hamon shares have been recorded either by an inscription in the Company's shareholder register or via a share account at a financial institution. This means that shareholders with physical shares who wish to participate in the next Annual General Meeting (26 April 2011) should convert their physical shares into dematerialized shares. Additionally, those who have physical shares should deposit their shares in a share account in order to receive a dividend directly in their bank account.

The granting of share options

There were no share options granted to the employees in 2010.

Shareholding structure of Hamon & Cie

Under the terms of Article 9 of Hamon & Cie's (International) articles of association, as modified on 27 May 2008, shareholders whose shares are in excess of 2%, 3%, 4%, 5%, 7,5%, 10% and then every multiple of 5% thereafter, are required to inform the Company and the banking, finance and insurance Commission, in accordance with the legal requirements.

Under the terms of the Royal Decree of 14 February 2008 relating to the communication on significant participation, Hamon has received the following notices of participation, which show the shareholding structure as at 31 December 2010:

Shareholder	31/12/2010 Shares	31/12/2010 in %	31/12/2009 Shares	31/12/2009 in %
Sopal International SA (1)	4 598 155	63,94%	4 548 155	63,24%
Esindus S.A.	303 506	4,22%	303 506	4,22%
Walloon Region, represented by the Société Wallonne de Gestion et de Participation SA	100 000	1,39%	150 000	2,09%
Fortis Investment Management SA	175 106	2,43%	175 106	2,43%
Baillie Gifford & Co	148 469	2,06%	148 469	2,06%
Kempen Capital Management NV	144 415	2,01%	0	0%
Other public	1 721 821	23,94%	1 866 236	25,95%
Total	**7 191 472**	**100%**	**7 191 472**	**100%**

(1) acting in concert with the Walloon Region

36 000 warrants were also issued in 2008, as part of the stock options plan. On 16 August 2010 Sopal International acquired 50 000 shares in Hamon from Sopega, by the exercise of a purchase option on 30 June 2010, in accordance with the shareholders agreement of June 2005, amended in 2007. This sale did not affect the free float shares.

Fortis Investment Management, Baillie Gifford and Kempen Capital Management are institutional investors who have purchased shares in Hamon for their investment funds.

Financial calendar

The statutory date of the annual general shareholders meeting was changed at the extraordinary general meeting of 27 May 2008; from this date on, it will take place on the fourth Tuesday of April

Annual general shareholders meeting of 2011	**26.04.2011**
Publication of the quarterly Trading Update T1 2011	**26.04.2011**
Publication of the results of the 1st half year 2011	**31.08.2011**
Annual general shareholders meeting of 2012	**24.04.2012**

Investor relations and financial information

Bernard Van Diest, Group Financial Director
Telephone: +32 10 39.04.22
Fax: +32 10 39.04.16
Email: bernard.vandiest@hamon.com

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

2. Relations with our other stakeholders

Our development depends on our **customers**. We want them to be fully satisfied, as per our Corporate Governance Charter (see section Vision, Mission and Values in the Group Profile section). We are always interested in hearing from them, be it via our sales people, our project managers, those working on-site, or day-to-day, via our participation in sectoral meetings, our website or our other means of communication. We pay particular attention to their pre-selection criteria in order to meet their demands as privileged suppliers: criteria relating to finance, quality, certification, heath, safety, and the environment.

We must be attentive to our customers in order to promote their effective practices across the whole value chain of our products and services, by passing them on to our suppliers.

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

Our **suppliers** feed our added value chain. Over time, we are building privileged relationships with some of these suppliers. We want to ensure a global sourcing for the whole Group. This strategy enables us to develop stable relationships with our suppliers around the world, by providing guaranteed quality at a competitive price.

On an annual basis, we organize audits of several suppliers. As well as an audit in the strictest sense of the word, it is the opportunity to exchange points of view and to have an in-depth and constructive dialogue with these suppliers.

Lastly, the **financial community** helps us to achieve growth:

- banks for our financial needs (bank loans and guarantees, and other commercial banking tools)
- financial analysts who measure our performance. Several times a year, we organize meetings in order to give them an overview of the Group's evolution and enable them to interact directly with us.

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

- Our staff can raise their comments with the personnel department, enterprise committee (for the largest subsidiaries), senior members of staff or the Compliance Officer, for example.

- Other stakeholders can offer their comments via their contacts at Hamon, our website www.hamon.com or via the contacts mentioned in the General Information section at the end of this report.

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

Construction of the Research-Cottrell Cooling (Tianjin) factory in China

REVIEW OF THE YEAR 2010

Rebound in new order bookings and backlog representing close to 18 months of revenue

- New orders at EUR 449,7 million
- Backlog at EUR 490,3 million

Full year consolidated profit of EUR 13,2 million (EUR 11,7 million Group share)

- EBIT margin at 7,6% of revenue, because of decreased volume.
- Sharp decrease in net finance costs thanks to the Group's improved financial position, its December 2009 refinancing and lower interest rates.
- Reduction of average tax rate due thanks to implementation of effective tax management.

Continuous build up for the future

- Restart of the Dry Cooling activities with strong R&D and commercial developments, which have negatively impacted the Business Unit EBIT.
- Extension of the Heat Exchangers – Air Finned Coolers – to the Korean EPC market through a joint venture with BHI and disposal of non-core BFT French activities.
- Take over control of our Indian joint venture to be able to realize the full potential of this buoying market.
- Development of the APC network in Central Europe, China, Brazil and development of the Product Portfolio through acquisition (Enviroserv), licensing and R&D.
- Using the Chimneys expertise to execute natural draft cooling towers.
- Strong presence in emerging markets is pushing our bookings upwards.

Strong balance sheet structure

- Equity position at EUR 86,1 million.
- Net debt at EUR 12,9 million.
- Net working capital at EUR 0,6 million, under continuous monitoring.

Final dividend (unchanged) of EUR 0,60 per share

- Advance payment on dividend has been paid on 9 September 2010 for EUR 0,25 per share.
- Final dividend to be paid on 10 May 2011 for EUR 0,35 per share.

Main events of the year 2010

February

The Shaw group awards to Hamon an order amounting to USD 95 million to build two natural draft cooling towers for Plant Vogtle in Waynesboro, GA, USA.
This order concerns the nuclear power units 3 and 4 of Plant Vogtle which will be the first one to be built in the United States in more than 30 years. This illustrates the successful reentry of Hamon on the North American cooling market.

April

Hamon acquires 100% of Enviroserv GmbH, located in Essen, Germany. Enviroserv is a technological leader in Air Pollution Control (APC), particularly in flue gas desulfurization.
Enviroserv is active in Germany and in Eastern Europe mainly. Its main markets are thermal power plants and heavy industries. This acquisition will create significant value for the Hamon's APC activities, among others thanks to the good product and process complementarity.

June

Hamon creates a new subsidiary in China, Research-Cottrell Cooling (Tianjin) Co. Ltd. The main purpose of this company is to develop our dry cooling activities in China, including the manufacturing of finned tube bundles in its new plant. It also has offices in Beijing for its technical and commercial activities.

Hamon sells its subsidiary Brown Fintube France to the French company Air Industrie Thermique (AIT). Brown Fintube France did not belong to the core business of Hamon's business unit "Process Heat Exchangers". The transaction price is paid in cash for a part and in AIT shares for another part.

July

Hamon and the South Korean company BHI create a joint venture in Korea, named Hamon D'Hondt BHI. This JV will be active in air finned coolers for the Oil & Gas industries. It will focus on the South Korean market and will sell to South Korean engineering & contractors (EPC) for the export market. These EPC companies have seen a sharp growth of their activities these last few years.

August

Hamon Thermal Europe opens a branch in Saint Petersburg (Russia) to develop the cooling activities of the Group there.

October

Hamon acquires 60% of the South African company J&C Engineering, based near Johannesburg. J&C Engineering is a well-known player in Air Pollution Control, more specifically in electrostatic precipitators. The teaming up of our subsidiary Hamon South Africa with Hamon J&C Engineering should allow developing our APC activities in South Africa significantly, thanks to excellent complementarities and a mass effect.

November - December

Booking of a large order for cooling systems for several coal-fired and gas-fired units for Reliance in India.
This order includes the engineering, the supply and the construction of FRP cooling systems which will be the largest in the world.

From top to bottom:

- **Signature of the J&C Engineering acquisition agreements (South Africa)**
- **Dinner organised by Hamon during the Shanghai 2010 Exhibition**

Overview of the main changes of the year

1. Commercial activities

Group in EUR million	2010	2009
New order bookings	449,7	301,5
Backlog at closing date	490,3	339,2

Bookings totaled EUR 449,7 million for 2010, a high figure compared to previous years and a sign of the successes of the Group in re-entering the US wet cooling markets, emerging markets and also of increased activity during the second part of the year in the APC and Chimneys markets.

The backlog, at EUR 490,3 million, is at a new height and represents close to 18 months of revenues.

New orders and backlog shown above exclude inter-segment activities.

2. Summarized consolidated income statement

in EUR million	2010	2009
Revenue	345,5	379,8
REBITDA	28,1	42,8
Operating profit before non-recurring items (REBIT)	23,5	39,2
Non-recurring gains and losses	2,6	-0,4
Operating profit (EBIT)	**26,1**	**38,8**
EBIT/Revenue	**7,6%**	**10,2%**
Net finance costs	-5,2	-7,2
Result before tax (continued operations)	20,9	31,6
Income tax expenses	-7,7	-13,3
Net result from continued operations	13,2	18,3
Net result of discontinued operations	0,0	-0,2
Net result for the period	13,2	18,0
Share of the Group in the net result	11,7	17,4
Results in EUR per share		
Average number of shares	7 191 472	7 191 472
REBITDA per share	3,91	5,95
Earnings per Share (EPS)	**1,62**	**2,42**

Sales decreased by 9% compared to 2009 while gross margin was maintained at a similar level of around 23%.

The decrease in volume and the increase in operating expenses committed as a result of the expected volume growth and extended perimeter had a scissor effect on the REBIT margin which decreased to 7% of sales. REBIT was also impacted by impairment losses of EUR 0,9 million on contracts with Austrian Energy (AE&E) following the bankruptcy proceedings of this customer and exchange losses EUR 0,3 million (2009: exchange gains of EUR 1,4 million).

Non-recurring gains and losses include the gain on disposal of BFT for EUR 1,8 million, impairment losses on goodwill and available for sales of EUR 1,3 million and a EUR 2,3 million gain on the acquisition of the control of our Indian activities Hamon Shriram Cottrell.

Detailed explanations of the activities during this year are available in the analysis by BU section.

Hamon has benefitted from its refinancing end 2009 and from lower interest rates to significantly reduce its interest costs compared to previous years.

The effective tax rate has decreased from 42% to 37%. Hamon has benefited from tax credits obtained as a result of our R&D activities in the USA and France. Additionally, the various deferred tax assets have been reviewed in the light of up-to-date business plans and resulted in a net recognition of deferred tax assets for EUR 1,7 million.

3. Summarized consolidated balance sheet

Consolidated balance sheet in EUR million	31/12/2010	31/12/2009
Non-current assets	110,5	88,4
Current assets excl. cash	158,3	135,3
Cash & equivalent	68,1	83,3
Total assets	**336,9**	**306,9**
Equity	86,1	65,8
Group share	79,6	64,7
Non-controlling interests	6,5	1,1
Non-current liabilities, ex. borrowings	12,1	14,3
Non-current borrowings	62,4	57,4
Current liabilities, excl. borrowings	157,7	151,7
Current borrowings	18,5	17,6
Total equity and liabilities	**336,9**	**306,9**
Net debt / (cash) position	12,9	-8,2
Net working capital	0,6	-16,4

The Hamon Group balance sheet structure keeps on improving with equity in excess of EUR 86 million.

The net debt position at EUR 12,9 million reflects good control on working capital. Hamon wants to keep operating at low working capital, knowing however that the nature of its business, with significant individual payments, can generate significant swings from one day to the other.

Non-current assets increase primarily because of the exchange rate effect on the assets located outside of the Euro zone, acquisitions of subsidiaries and operating capex.

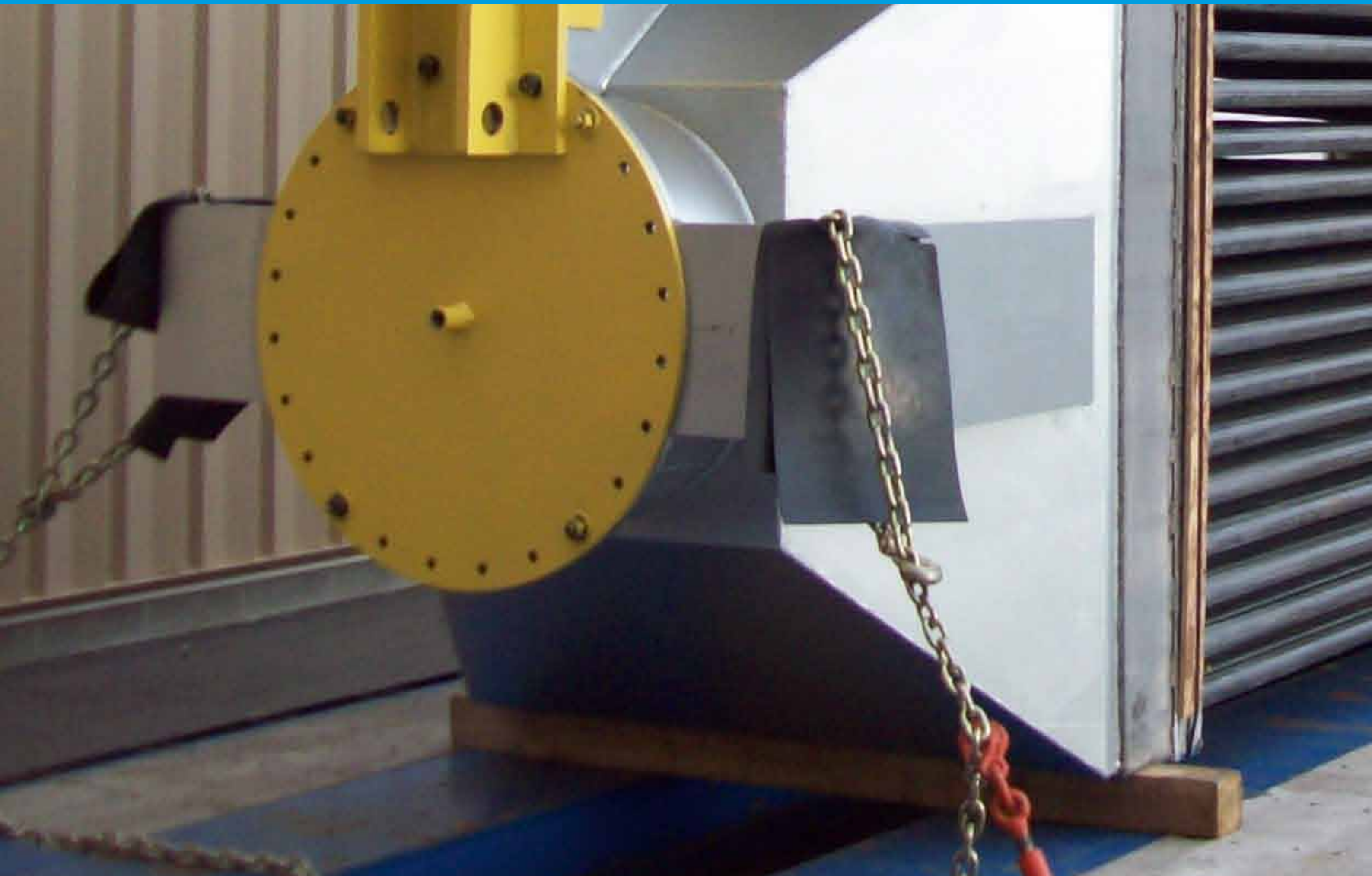
Events after the balance sheet date

None.

Prospects

In view of the general economic environment, Hamon does not release any guidance on its future results. However the Group looks confidently at 2011 given its excellent backlog and its strong financial structure.

Part 2



Review by Business Unit

The exhaust gas duct is put in place inside of a natural draft cooling tower in Germany

Air cooled condenser built by Research-Cottrell in Turkey

COOLING SYSTEMS

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

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.

The evaporative cooling systems are differentiated by their method of air flow generation: natural draft in the case of a chimney or induced draft when fans are used and whether they include or not a system reducing or eliminating the visibility of the plume: so-called ‘hybrid’ or ‘wet-dry’ or ‘humid-dry’ system. Dry cooling systems (air cooled condensers or indirect systems) allow the cooling of the steam in closed circuits, without water consumption and without release of plume. They are therefore the solution to cooling problems in areas where water is scarce, for example in parts of continental China, South Africa or the Middle East.

Contribution to our society

For users which are producers of electricity, the social contribution of the cooling systems is to facilitate the production of more electricity for a given consumption of primary energy. If the cooling water from the cooling system is two degrees Celsius colder, the output of a steam turbine increases by approximately 0,6%, which corresponds to an increase of more than one percent in the electricity output. For a same production of electricity, it allows to consume less primary energy (coal, gas, etc.) and therefore to release less CO_2 into the atmosphere.

In other cases, the use of a cooling system (closed circuit) prevents the heating of sea or river water (used in open circuit) and the loss of marine life.

Organization

The business unit's center of expertise is located in Mont-St-Guibert (Belgium), while its R&D center is situated near Drogenbos (Belgium). The unit has offices in several countries: Australia, Bahrain, Brazil, China, England, France, Germany, India, Indonesia, Russia, South Africa, South Korea, Thailand, United Arab Emirates, United States of America as well as a network of independent agents.

Key components are manufactured in factories of the Group in France, India and China as well as in the United States of America.

Research & development

In 2010, the main R&D programs of the business unit were in the following areas:

- Development of new thermal exchange surfaces (wet cooling).
- Development of new software and of a new kind of finned tube for air cooled condensers.
- Thermal optimization of finned tubes sold under the CTEC ™ brand name (dry cooling).

Key figures

in EUR million	2010	2009
New order bookings	263,0	110,1
Revenue	128,5	143,8
Backlog on 31/12	268,0	104,3
EBIT	9,2	12,5
EBIT / revenue	7,2%	8,7%
Average headcount (1)	547	482

(1) excluding temporary workers for on-site construction

2010 results

The new orders booked by the Cooling systems in 2010 amount to EUR 263,0 million, including, amongst the biggest ones:

- the construction of 2 natural draft cooling towers for the nuclear power plant Vogtle in the USA;
- 3 contracts signed with Reliance Power in India, covering the engineering, supply and erection of FRP cooling towers, the biggest FRP cooling systems in the world;
- the construction of a 800 MW dry/wet fan-assisted natural draft cooling tower (first tower of this type in the world) in Hamburg-Moorburg coal-fired power plant (a Vattenfall Germany plant);
- the engineering and supply of a natural draft cooling tower for a second nuclear power plant in China;
- the refurbishment of a natural draft cooling tower in the Far East;
- the supply of concrete cells for the extension of a refinery in Asia;
- new cooling towers awarded by RWE Power and Basell Polyolefine in Germany;
- the revamping and improvement of the performances of natural draft cooling towers for EDF, France.

Thanks to its good commercial performance, the backlog of the business unit is at its highest level ever.

Revenue, at EUR 128,5 million, is lower than last year due to the timing of execution of our contracts.

EBIT is impacted by EUR 3,9 million because of the higher operating costs linked to the re-launch of our Dry activities worldwide. Excluding that effect, the EBIT margin would have been in line with the one of the previous year.

The business unit maintains a high level of R&D activities to keep and strengthen its position as technology leader in the market.

Prospects for 2011

The business unit activities should remain at a good level during 2011 thanks to its high backlog, with the Dry cooling developments coming as an add up.

From left to right:
- Workers inspecting air cooler flange welding
- Stud being welded on pipes

PROCESS HEAT EXCHANGERS

The Process 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, Gazprom, GDF, Sabic, Shell and Total, or indirectly via engineering companies of international renown like Fluor, Foster Wheeler, Jacobs, Mitsubishi, Saipem, Tecnicas Réunidas, Technip, Linde, CBI, SNC Lavalin, ...

Products and services

This unit delivers design, manufacturing and assistance with the assembly of thermal equipment – mainly air coolers, as well as FRP components like ducts for flue gas exhaust or acid-proof storage tanks. It also offers integrated aftermarket sales services including maintenance, rehabilitation and the sale of spare parts.

Contribution to our society

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

Organization

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

- Hamon D'Hondt, located near Valenciennes (France) represents the major part of the activities of this business unit. It is in charge of the design, marketing & promotion, manufacturing, and after-sales service of air coolers as well as the manufacturing of welded steel finned tubes. Hamon D'Hondt also owns 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.
- ACS Anti Corrosion Structure, located in Seneffe (Belgium). This subsidiary manufactures FRP components (Fiberglass Reinforced Polyester) like ducts for flue gas exhaust or acid-proof storage tanks, both in its plant and on-site. This subsidiary was integrated to this business unit end of 2010.
- Hamon D'Hondt BHI, the new joint venture created mid-2010 with the Korean company BHI. It will focus on aircoolers for South Korean engineering companies active in South Korea and on the export market.

Let us mention that Brown Fintube France, which was part of this business unit, was sold end of June 2010 (see section Review of the year 2010).

Key figures

in EUR million	2010	2009
New order bookings	43,1	55,6
Revenue	41,9	54,4
Backlog on 31/12	50,7	38,4
EBIT	2,9	5,3
EBIT / revenue	6,9%	9,7%
Average headcount	161	174

Note: the 2010 figures include BFT only till 30 June, date at which it was sold.

2010 results

New bookings and sales reflect lower material cost passed through to customers and slow pace of capex of the Oil & Gas companies during the first half year of 2010.

Among the main new orders let us mention the one for seven air coolers in Brazil, for the Itaborai new petrochemical plant. Hamon D'Hondt steps into the Brazilian market; this market offers very promising prospects thanks to the important development of its oil& gas and petrochemical industries.

The creation of the joint venture with BHI (South Korea) should allow Hamon to benefit from the successes of the Korean EPC contractors in the Gulf markets.

Good performance in projects management generated an EBIT of EUR 2,9 million. This EBIT excludes the profit on the disposal of BFT, reported under the unallocated segment, but includes the result from operations of BFT up to 30 June 2010.

With effect on 31 December 2010, ACS, a small manufacturing activity based in Seneffe (Belgium) has been incorporated in the Process Heat Exchangers BU (previously unallocated).

Prospects for 2011

The activities of this business unit should remain at a good level in 2011 thanks to its well filled backlog as of end 2010, to its strong commercial activities early 2011 and to its developments in Korea.

From left to right:
- Flue gas desulphurization unit installed in a power plant by our new German subsidiary Enviroserv
- Flue gas treatment unit built for the Mulhouse waste incineration unit (France)

AIR POLLUTION CONTROL EMEA / BRAZIL

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

Products and services

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

The market is segmented between:
- power stations and energy production in general;
- heavy industry such as iron and steel, cement, glassmaking and petrochemicals;
- biomass energy producers utilizing household, industrial and hospital wastes, 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 physico-chemical: neutralization of acid gases, deSOx, deNOx, elimination of heavy metals. The acquisition of new technologies has allowed Hamon to adapt and progressively complete its product range so that it can now deliver to every specific need in the market.

The BU activity is divided into two parts. On the one hand is the design and installation of new equipment for new plants or to retrofit existing ones; and on the other is after-sales services including among other things maintenance and the supply of spare parts.

Air Pollution Control is a complex business. Mitigating the technological risks requires know-how and solid experience, as well as an excellent knowledge of the customers' processes. This is the case of Hamon

Research-Cottrell, also known as Hamon Environmental. The BU enjoys an excellent reputation in its target markets; energy, glassmaking, cement, waste-to-energy facilities, steel and the petrochemical industry. Hamon is one of the leaders in Western Europe in upgrading waste incinerators to present air quality standards.

Contribution to our society

The contribution to society of the air pollution control facilities is particularly real for the inhabitants of neighboring regions. They dramatically reduce the quantity of dust, acid gases and other pollutants released into the atmosphere by heavy industries.

Organization

The business unit kept going with its development in 2010, with the acquisitions of Enviroserv (Germany) and J&C Engineering (South Africa). For more details, please refer to the section Review of the year 2010.

The business unit covers the entire world outside North America, the latter region being under the responsibility of the North American business unit (see following pages).
This BU has subsidiaries located in Belgium, France, Germany, India, China, Brazil, South Africa and South Korea, also with a branch in Italy, plus a network of agents.

Research & development

The main R&D programs on which the business unit was active in 2010 were the following:

- Development of a software to make plans for electrostatic precipitators in a more automated way.
- Optimization of electrostatic precipitators sizing.
- Improvement of the desulfurization process based on seawater.
- Optimization of circulating fluidized bed (CFB) process for waste incineration.

Key figures

in EUR million	2010	2009
New order bookings	65,2	67,3
Revenue	71,9	39,1
Backlog on 31/12	90,0	85,6
EBIT	0,9	0,0
EBIT / revenue	1,2%	-0,1%
Average headcount	220	172

2010 results

Bookings in 2010, at EUR 65,2 million, include mainly contracts in Brazil, Spain, China and France.

Revenue, at EUR 71,9 million, is significantly higher as a result of the first positive developments of the Business Unit on its new markets in Germany, Eastern Europe, China, South Africa and Brazil. Excellent prospects on these markets bode well for the future of these investments.

Nevertheless, the increase in revenue in 2010 was not high enough to compensate for the increasing overhead costs due to the development strategy described hereabove.
Additional average headcount is coming from the acquisitions made during 2009 and 2010 and from the investments being made in establishing a team responsible for Central & Eastern Europe and China.

Prospects for 2011

The prospects remain good for this business unit in 2011. It should benefit from the investments made these last few years in high growth markets (India, Brazil, China, South Africa, etc.).

From left to right:
- Wet gas scrubber built in a U.S. refinery
- Heat recuperator built by TTC (USA)

AIR POLLUTION CONTROL NAFTA

The business unit's objectives are to provide industry with the means to control and limit the environmental impact of its processes, while helping to reduce its energy consumption. Tailor-made solutions are proposed to each customer, using leading- edge technologies. The business unit designs and supplies (and in some cases installs) Air Pollution Control systems and provides strong aftermarket service. Products supplied are designed to control various types of air pollutants in accordance with the stringent environmental regulations in the NAFTA region. The business unit also designs and supplies heat recovery systems.

Products and services

Air pollution control technologies are divided into two groups:
- Physical – de-dusting
- Chemical – neutralization of acid gases, deSOx, deNOx, and elimination of heavy metals.

The business unit presently markets seven main air pollution control technologies:
1. De-dusting by means of electrostatic precipitators.
2. De-dusting by means of fabric filters, including the industry-leading low-pressure pulsejet design.
3. Wet gas scrubbing (an "ExxonMobil" process), used in the petrochemical industry; it is a deSOx and particulate removal system for gases emitted by catalytic cracking plants. It has been complemented by a deNOx process, with the combined offering called WGS+.
4. Dry flue-gas desulphurization (a "Marsulex" process), used for desulfurizing the gases emitted by coal-fired and biomass-fired power stations.
5. U2A process to transform urea into ammonia, a difficult to handle reagent used in SCR deNOx systems.
6. SNCR DeNOx systems (Exxon Mobil process) used for the capture of NOx.
7. ReACT (J-Power EnTech process) used for the simultaneous capture of SOx, NOx, particulates and mercury without any use of water.

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

Contribution to our society

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

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

Organization

The business unit consists of three subsidiaries:

- Hamon Research-Cottrell U.S. (HRCUS), specializing in the design and supply of new air pollution control units and Heat Transfer Fluid systems (HTF) for solar steam generation systems (SSGS) on solar thermal power plants.
- Hamon Custodis Cottrell Canada, supporting both HRCUS and Hamon Custodis activities in Canada.
- Thermal Transfer Corporation (TTC), specializing in the manufacturing of heat recovery systems, electrodes for electrostatic precipitators and finned tube bundles for Air Cooled Steam Condensers. TTC also serves as a logistics base for HRCUS.

Research & development

The main R&D programs on which the business unit worked in 2010 are the following:

- Solar Steam-Generating Systems (SSG): HRCUS has continued to develop complete HTF systems to accept hot oil originating in a solar field. This development includes all expansion and storage systems, oil purification or ullage systems as well as associated controls. Current development is for 50 to 125 MW units.
- ReACT™ Multipollutant Control System. HRCUS adapted this process, licensed by J-Power Entech to HRCUS, to suit the US market including standardization of key components.

Key figures

in EUR million	2010	2009
New order bookings	41,2	34,4
Revenue	46,4	68,0
Backlog on 31/12	27,5	30,8
EBIT	8,0	11,7
EBIT / revenue	17,3%	17,2%
Average headcount	124	147

2010 results

Strong 4th quarter bookings overcame the recession-induced stagnant market in the first part of the year 2010. Full year bookings increased by approximately 20% from 2009 levels. With the advent of stricter emission standards the NAFTA air pollution control market began to show signs of recovery. The Business Unit has been awarded limited notices to proceed on projects that are expected to yield bookings of over EUR 20 million in the first half of 2011.

Revenue fell, due to the timing of new orders which impacted EBIT, but close attention to staffing and project execution maintained the EBIT percentage from year to year. A strict monitoring of headcounts and an outstanding project execution allowed maintaining the EBIT margin at a very high level (17%) from year to year.

Outlook for 2011

It is difficult to make forecasts for this business unit. Like in 2010, it might be penalized by a lack of clear energy policy and regulation in the United States. However the existing coal-fired power plants must be maintained, via some refurbishing of equipment, which is good for Hamon.

2

From left to right:

Successive steps installing the exhaust gas duct elbow for a chimney in the USA (pictures 1, 2 and 3)

CHIMNEYS

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

Products and services

Hamon Custodis designs and constructs tall chimneys; they can be more than 200 meters tall. The shell is typically made in concrete, they include a flue liner, which depending on the nature of the waste gases, are fabricated of steel, brick, fiberglass-reinforced plastic and special alloys or linings to handle corrosive gases.

The design and construction of high chimneys require 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 competitors in this market in the US. Hamon Custodis also has a complete aftermarket team which provides regional customer service to the repair and maintenance markets.

Contribution to our society

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

Key figures

in EUR million	2010	2009
New order bookings	68,3	19,7
Revenue	51,6	72,8
Backlog on 31/12	83,9	62,0
EBIT	8,5	12,7
EBIT / revenue	16,4%	17,4 %
Average headcount	53	56

2010 Results

Chimneys continued their record of strong performance. Orders were up substantially for new chimneys and aftermarket. The Business Unit also booked an intercompany subcontract for the civil construction work on the cooling towers for the Vogtle Nuclear Power Plant. Synergies between these subsidiaries helped maintain the excellent EBIT rate.

Revenue fell versus the prior year due to the timing of new orders and the long-term nature of the cooling tower subcontract. Close control of overheads and strong project execution helped maintain the EBIT rate at close to the previous year's record level.

Outlook for 2011

The prospects are good for the year 2011, as the business unit starts the year with a well filled backlog.

Organization

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 three regional offices strategically located in the contiguous United States, which offer mainly aftermarket sales services (maintenance and repair).
The market segments in which the business unit is involved consist mainly of end-users, in large part fossil fuel power generating stations.

Research & Development

Hamon Custodis continues to be an innovator in design and construction methods for tall concrete chimneys and has recently developed a new methodology and applied for a patent that will streamline the placement of concrete during the erection of tall structures like chimneys.

Part 3

Financial Statements

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1. Consolidated income statement

in EUR '000'	Note	2010	2009	2008
Revenue	8	345 533	379 777	366 679
Cost of sales		(264 706)	(289 976)	(279 240)
Gross profit		**80 827**	**89 801**	**87 439**
Sales & marketing costs	9	(10 499)	(10 776)	(8 697)
General & administrative costs	9	(43 870)	(39 922)	(34 018)
Research & development costs	9	(1 705)	(817)	(663)
Other operating income / (expenses)	10	(1 210)	905	(1 094)
Operating profit before non-recurring items (REBIT)		**23 543**	**39 191**	**42 967**
Restructuring costs	11	(308)	(390)	(132)
Impact of Changes in consolidation scope	11	4 055		828
Impairment / reversal of impairment on non-current assets	11	(1 173)		
Other non-recurring items	11	-	(16)	56
Operating profit (EBIT)		**26 117**	**38 785**	**43 719**
Interest income	12	332	323	1 255
Interest charges	12	(5 561)	(7 521)	(9 904)
Result before tax		**20 888**	**31 587**	**35 070**
Income taxes	13	(7 709)	(13 332)	(14 411)
Net result from continued operations		**13 179**	**18 255**	**20 659**
Net result of discontinued operations	14	(22)	(243)	(1 788)
Net result		**13 157**	**18 012**	**18 871**
Equity holders of the Company		11 631	17 369	18 505
Non controlling interests		1 526	643	366
Earnings per share	16			
Continued and discontinued operations				
Basic earnings per share (EUR)		1,62	2,42	2,57
Diluted earnings per share (EUR)		1,62	2,42	2,57
Based on their strike price, the stock options granted to Group employees have no dilutive impact at period(s) end.				
Continued operations				
Basic earnings per share (EUR)		1,62	2,45	2,82
Diluted earnings per share (EUR)		1,62	2,45	2,82

2. Consolidated statement of comprehensive income

in EUR '000'	2010	2009	2008
Net result	**13 157**	**18 012**	**18 871**
Change in fair value of available-for-sale financial assets	2 029	294	(26)
Change in fair value of hedging instruments	0	711	(693)
Changes in currency translation reserve	7 118	572	(1 162)
Comprehensive income	**22 304**	**19 589**	**16 990**
Equity holders of the Company	19 901	18 980	16 734
Non controlling interests	2 403	609	256

3. Consolidated balance sheet

in EUR '000'	Note	31/12/10	31/12/09	31/12/08
ASSETS				
Non-current assets				
Intangible assets	21	9 321	5 176	3 832
Goodwill	22	49 118	41 647	29 589
Property, plant & equipment	23	34 303	30 231	23 374
Deferred tax assets	25	8 410	6 170	5 975
Available-for-sale financial assets	24	6 625	2 416	1 383
Trade and other receivables	28	2 735	2 756	2 602
Derivative financial assets	36	-	-	-
		110 512	**88 396**	**66 755**
Current assets				
Inventories	26	14 181	9 695	8 892
Amount due from customers for contract work	27	33 247	32 526	37 877
Trade and other receivables	28	103 544	88 176	108 583
Derivative financial assets	36	94	444	434
Cash and cash equivalents	29	68 077	83 253	59 089
Current tax assets		7 194	4 407	3 756
Available-for-sale financial assets	24	7	5	244
		226 344	**218 506**	**218 875**
Total assets		**336 856**	**306 902**	**285 630**
EQUITY	30			
Share capital		1 892	1 892	1 892
Reserves		19 189	10 874	9 200
Retained earnings		58 519	51 922	37 566
Equity attributable to the equity holders of the Company		**79 600**	**64 688**	**48 658**
Non controlling interests		**6 538**	**1 115**	**711**
Total equity		**86 138**	**65 803**	**49 369**
LIABILITIES				
Non-current liabilities				
Financial liabilities	34	61 737	57 447	40 252
Provisions for pensions	32	3 521	2 938	2 603
Provisions for other liabilities and charges	31	931	2 093	1 280
Deferred tax liabilities	25	3 183	2 523	3 273
Other non-current liabilities		4 456	6 786	2 146
		73 828	**71 787**	**49 554**
Current liabilities				
Financial liabilities	34	19 216	17 618	29 606
Amount due to customers for contract work	27	58 182	64 230	69 403
Trade and other payables	35	89 728	75 459	79 788
Current tax liabilities		4 192	6 352	2 817
Derivative financial liabilities	36	34	59	1 597
Provisions for other liabilities and charges	31	5 538	5 594	3 496
		176 890	**169 312**	**186 707**
Total liabilities		**250 718**	**241 099**	**236 261**
Total equity and liabilities		**336 856**	**306 902**	**285 630**

4. Consolidated cash flow Statement

in EUR '000'	Note	2010	2009	2008
Cash flows from operating activities	17			
Cash received from customers		332 273	392 784	426 820
Cash paid to suppliers and employees		(321 231)	(333 510)	(374 953)
Cash generated from operations before taxes		**11 042**	**59 274**	**51 867**
Other financial expenses and income (paid)/received		(394)	(591)	(325)
Income taxes paid		(12 678)	(11 249)	(17 214)
Other cash received / (paid)		-	(71)	-
Net cash from operating activities		**(2 030)**	**47 363**	**34 328**
Restructuring costs		(678)	(176)	(302)
Net cash from operations after restructuring		**(2 708)**	**47 187**	**34 026**
Cash flows from investing activities	18			
Dividends received		194	79	43
Proceeds on disposal of subsidiaries (net of cash disposed)		1 825	-	-
Proceeds on disposal of PP&E		416	123	587
Proceeds/(Purchase) of available for sale financial assets		(975)	(437)	1 032
Acquisition of Subsidiaries (net of cash acquired)	15	(4 961)	(3 154)	(1 528)
Acquisition of PP&E		(5 816)	(9 104)	(3 362)
Disposal/(purchase) of other intangible assets		(844)	(970)	(2 152)
Capitalized development costs		(2 937)	(1 298)	(548)
Net cash from investing activities		**(13 098)**	**(14 761)**	**(5 928)**
Cash flows from financing activities	19			
Dividends paid to shareholders		(5 171)	(2 117)	(2 130)
Dividends paid to non controlling interests		(223)	(12)	(5)
Proceeds from issuance of shares to non controlling interests		516	55	198
Interest received		305	322	1 489
Interest paid		(3 969)	(5 304)	(6 448)
Proceeds from new bank borrowings		11 158	67 574	24 386
Repayment of borrowings		(7 644)	(67 800)	(22 586)
Net cash from financing activities		**(5 028)**	**(7 282)**	**(5 096)**
Other cash flow mouvements				
Other variations from discontinued operations	14,20	(22)	(242)	(441)
Other net cash flows		**(22)**	**(242)**	**(441)**
Net variation of cash and cash equivalents		**(20 856)**	**24 902**	**22 561**
Cash and cash equivalents at beginning of period		83 253	59 089	35 658
Impact of translation differences		5 680	(738)	870
Cash and cash equivalents at end of period		68 077	83 253	59 089
Net variation of cash and cash equivalents		(20 856)	24 902	22 561

5. Consolidated statement of changes in equity

in EUR '000'	Share capital	Legal reserve	Share premium	Retained earnings	AFS reserve	Share-based payments	Hedging reserve	Currency translation reserves	Equity Attributable to equity holders of the parent	Non controlling interests	Total equity
Balance at 1 January 2008	**1 892**	**671**	**18 858**	**16 906**	**-**	**-**	**(18)**	**(4 215)**	**34 094**	**268**	**34 362**
Capital increases									-		-
Comprehensive income				18 505	(26)		(674)	(1 071)	16 734	256	16 990
Dividends paid to shareholders				(2 157)					(2 157)	(5)	(2 162)
Recognition of share-based payments						(17)			(17)		(17)
Other movements			(4 308)	4 312					4	192	196
Balance at 31 December 2008	**1 892**	**671**	**14 550**	**37 566**	**(26)**	**(17)**	**(692)**	**(5 286)**	**48 658**	**711**	**49 369**
Balance at 1 January 2009	**1 892**	**671**	**14 550**	**37 566**	**(26)**	**(17)**	**(692)**	**(5 286)**	**48 658**	**711**	**49 369**
Capital increases											
Comprehensive income				17 369	291		693	627	18 980	609	19 589
Dividends paid to shareholders				(3 021)					(3 021)	(12)	(3 033)
Change in share based payments reserve						63			63		63
Other movements				8		17	(17)		8	(193)	(185
Balance at 31 December 2009	**1 892**	**671**	**14 550**	**51 922**	**265**	**63**	**(16)**	**(4 659)**	**64 688**	**1 115**	**65 803**
Balance at 1 January 2010	**1 892**	**671**	**14 550**	**51 922**	**265**	**63**	**(16)**	**(4 659)**	**64 688**	**1 115**	**65 803**
Capital increases										516	516
Comprehensive income				11 631	2 010			6 260	19 901	2 403	22 304
Dividends paid to shareholders				(5 034)					(5 034)	(223)	(5 257)
Change in share based payments reserve						45			45		45
Other movements										2 727	2 727
Balance at 31 December 2010	**1 892**	**671**	**14 550**	**58 519**	**2 275**	**108**	**(16)**	**1 601**	**79 600**	**6 538**	**86 138**

The line « Other movements » in non controlling interests of EUR 2.727 thousand mostly (EUR 2.708 thousand) comes from the changes in consolidation scope of HSC and J&C.

6. Notes to the consolidated financial statements

1. GENERAL INFORMATION

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

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

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

The Company's financial year begins on the 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.

2. DECLARATION OF COMPLIANCE AND RESPONSIBILITY

The consolidated financial statements were approved by the Board of Directors on 28 February 2011.

We declare that to our knowledge:

- The consolidated financial statements have been prepared according to the International Financial Reporting Standards (IFRS) as approved by the European Union.
- The financial statements are an accurate view of the assets, the financial situation and results of the Group.
- The Management report is an accurate review of the ongoing business, the results and the situation of the Group and it includes a description of the main risks and uncertainties which the Group is facing.

28 February 2011.
Francis Lambilliotte, Managing Director
Bernard Van Diest, CFO

3. PRINCIPAL ACCOUNTING STANDARDS

Principal accounting standards

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

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

Standards and Interpretations that became applicable in 2010

This year, the Group has adopted new interpretations and amendments to the following Standards applicable for accounting years beginning on 1st January 2010:

- 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 period beginning on 1 January 2010).
- Improvements to IFRS (2008-2009) (normally applicable for the annual period beginning on 1 January 2010).
- Amendment to IFRS 2 *Share-based Payment* (applicable for the annual period beginning on 1 January 2010).
- Amendment to IAS 27 *Consolidated and Separate Financial Statements* (revised in 2008) (applicable for the annual period beginning on 1 January 2010).
- Amendments to IAS 39 *Financial Instruments:* Recognition and Measurement – Eligible Hedged Items (applicable for the annual period beginning on 1 January 2010).
- IFRIC 12 *Service Concession Arrangements* (applicable for the annual period beginning on 1 January 2010).
- IFRIC 15 *Agreements for the construction of real estate* (applicable for the annual period beginning on 1 January 2010).
- IFRIC 16 *Hedge of a net investment in a foreign operation* (applicable for the annual period beginning on 1 January 2010).
- IFRIC 17 *Distribution of Non-cash Assets to Owners* (applicable for the annual period beginning on 1 January 2010).
- IFRIC 18 *Transfers of Assets from Customers* (applicable for the annual period beginning on 1 January 2010).

Except for IFRS 3 revised (see notes 11 and 15), the adoption of those new standards and interpretations did not cause any material impact on the consolidated financial statements.

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

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

- IFRS 9 *Financial Instruments* (applicable for the annual period beginning on 1 January 2013).
- Improvements to IFRS (2009-2010) (normally applicable for the annual period beginning on 1 January 2011).
- Amendment to IFRS 7 *Financial Instruments:* Disclosures – Derecognition (applicable for the annual period beginning on 1 January 2012).
- Amendment to IAS 12 *Income Taxes – Deferred Tax:* Recovery of Underlying Assets (applicable for the annual period beginning on 1 January 2012).
- Amendment to IAS 24 *Related Party Disclosures* (applicable for the annual period beginning on 1 January 2011). This Standard supersedes IAS 24 Related Party Disclosures as issued in 2003.
- Amendments to IAS 32 *Financial Instruments: Presentation* – Classification of Rights Issues (applicable for the annual period beginning on 1 January 2011).
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (applicable for the annual period beginning on 1 January 2011).
- Amendment to IFRIC *14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement* (applicable for the annual period beginning on 1 January 2011).

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

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

Conversion of Foreign Currencies Operations

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

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

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

Consolidation Principles

The consolidated financial statements include the financial statements of all subsidiaries; joint ventures consolidated according to the proportionate method and associated companies accounted for using the equity method. The consolidated financial statements are prepared using uniform accounting policies for transactions and events occurring in similar circumstances. All intra-group balances and transactions including income, dividends and expenses are eliminated in the consolidation.

Subsidiaries

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

Joint Ventures

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

Associated Companies

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

Business combinations and changes in ownership interests

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

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

The main changes that have an impact on the Group's consolidated financial statements are as follows:

- costs related to acquisitions of controlling interests are expensed;
- in the event of a business combination achieved in stages, previously held equity interest in the acquiree is re-measured at its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss;
- for each business combination, any non-controlling interest in the acquiree is measured either at fair value or at the proportionate share of the acquiree's identifiable net assets. Previously, only the latter option was authorized. The Group will determine on a case-by-case basis which option it will apply to recognize non-controlling interests;
- transactions (purchases or sales) of non-controlling interests that do not result in a change of control are recognized as transactions between shareholders. Consequently, any difference between the fair value of consideration paid or received and the carrying amount corresponding to the non-controlling interest is recognized directly in equity;

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

Put options on non controlling interests

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

- when the put option is initially granted, the present value of the strike price is recognized as a non-current liability, with a corresponding increase of goodwill;
- at each balance sheet date, the amount of the non-current liability is revised and any changes in the amount are recorded with a corresponding adjustment to goodwill;
- payments of dividends to non controlling interests result in an increase in goodwill;
- in the consolidated income statement, non-controlling interests are allocated their share in income. In the consolidated balance sheet, the share in income allocated to non controlling interests increases the other non-current liability.

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

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

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 knowhow and are generating profit. This condition is reviewed each year in order to determine the project's profitability potential. Development costs are amortized over a maximum period of 5 (five) years. When the above recognition criteria are not met, the development expenditure is charged to expenses.

Other internally generated intangible assets

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

Goodwill

Recognition of goodwill

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

a. Business combinations carried out prior to 1 January 2010

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

b. Events/transactions occurring after 1 January 2010 concerning business combinations carried out prior to 1 January 2010

The initial accounting for business combinations is not restated.
Any adjustments to the consideration transferred in these business combinations changes their initial accounting and leads to a matching adjustment to goodwill.

c. Business combinations carried out after 1 January 2010

Goodwill is measured as the excess of the aggregate of:
(i) the consideration transferred;
(ii) the amount of any non-controlling interests in the acquiree; and
(iii) in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree;
over the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed. Goodwill recognized on the acquisition date is not subsequently adjusted.

Measurement of goodwill

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

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

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

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

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

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

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

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

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

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

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

If an asset does not generate cash flows independently of those of other assets, the Group makes an estimate of the recoverable value of the cash-generating unit to which the asset belongs. The recoverable value is the highest 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, an impairment loss is immediately recognized as an expense 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) during previous periods.

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

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

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

Financial Assets and Liabilities

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

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

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

There are four categories of financial assets:

- Financial assets at fair value through profit or loss (designated by the entity or classified as held for trading);
- Held-to-maturity investments;
- Loans and receivables;
- Available-for-sale financial assets.

There are two categories of financial liabilities:

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

Subsequently,

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

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

Trade and Other Receivables (Payables)

Receivables and payables are recognized using the amortized cost method i.e. the discounted value of the receivable. 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 and the settlement value (including the redemption premium to be received or paid) is recognized in the income statement over the period of the borrowing (effective interest rate method). The borrowing issuance costs related to mixed facilities including debt and bank guarantee lines agreement are prorated between the different lines and presented in deduction of the financial liabilities on the balance sheet.

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

Derivative Financial Instruments

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

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

a) Derivatives qualifying for cash flow hedge

The effective portion of changes in the fair value of derivatives qualifying as cash flow hedges are immediately deferred in equity. 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. However if it is likely that a portion or the whole cumulative loss posted in equity will not be offset in the future periods, the (portion of the) loss unlikely to be offset 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.

Stock options

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

Inventory

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

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, sale and marketing costs or general and administrative costs, research and development costs, while the interest costs and the expected return on the plan assets are charged to the 'other financial charges'.

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

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

Revenues are measured at the fair value of the counter-part 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 dividing the actual costs incurred at closing date by the total expected costs to complete the contract.

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

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

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

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

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

Operating profit before non-recurring items (REBIT)

The operating profit before non-recurring items (new indicator in the income statement) is a management result allowing a better understanding of the recurring performance of the Group by excluding unusual or infrequent items.

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

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.

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

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

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

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

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

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

Discontinued Business

A discontinued operation is a portion of an entity that either is being or has been sold or disposed by the Group.
This portion of the entity represents a significant separate major line of business or geographical area of operations and can be distinguished on the operational field and for the communication of financial information.

Besides general information detailing 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 realizable value.

Borrowing costs

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

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

4. KEY ASSUMPTIONS AND ESTIMATES

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

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

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

Accounting estimates and their key assumptions are reexamined 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.

5. CONSOLIDATED ENTITIES

As of 31 December 2010, the Group has the following subsidiaries:

Subsidiary	Country	% Group interest 2010	% Group interest 2009
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	99,98%	99,98%
ACS Anti Corrosion Structure SA	Belgium	100%	80,11%
Compagnie Financière Hamon S.A.	France	99,10%	99,10%
Hamon Thermal Europe (France) S.A.	France	99,10%	99,10%
Hamon D'Hondt S.A.	France	99,10%	99,10%
Hamon Environmental S.A.R.L.	France	99,98%	99,98%
Hacom Energiesparsysteme GmbH	Germany	100%	100%
Hamon Thermal Germany GmbH	Germany	100%	100%
Hamon Environmental GmbH	Germany	100%	100%
Hamon Enviroserv GmbH	Germany	100%	-
Hamon Polska Sp.Zo.O	Poland	100%	100%
Hamon UK Ltd.	Great Britain	100%	100%
Hamon Dormant Co. Ltd	Great Britain	100%	100%
Hamon (Nederland) B.V.	Netherlands	100%	100%
Heat Transfer Ré Services S.A.	Luxemburg	100%	100%
Hamon Corporation	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%
Research-Cottrell Cooling Inc.	United States	100%	100%
Research-Cottrell Dry Cooling Inc.	United States	100%	100%
Hamon Holdings Corporation	United States	100%	-
Hamon Custodis Cottrell (Canada) Inc.	Canada	100%	100%
Hamon Australia (Pty) Ltd.	Australia	100%	100%
Hamon (South Africa) (Pty) Ltd.	South Africa	70%	70%
Hamon J&C Engineering (Pty) Ltd	South Africa	42,0%	-
Hamon Korea Co Ltd.	South Korea	89,73%	89,73%
Hamon Korea Youngnam Ltd.	South Korea	45,76%	45,76%
Hamon D'Hondt BHI Co. Ltd	South Korea	49,6%	-
Hamon - B.Grimm Ltd.	Thailand	49,20%	49,20%
Hamon Shriram Cottrell PVT Ltd	India	50%	-
Hamon India PVT Ltd.	India	100%	100%
P.T. Hamon Indonesia	Indonesia	89,73%	89,73%
Hamon Malaysia SDN. BHD.	Malaysia	100%	100%
Hamon Asia-Pacific Ltd	Hong Kong	100%	-
Hamon DGE (HK) Ltd.	Hong Kong	60%	60%
Research-Cottrell Cooling (Tianjin) Co. Ltd	China	100%	-
Hamon DGE (Shanghai) Co., Ltd	China	60%	60%
TS Filtration Environmental Protection Products (Shanghai) Co. Ltd	China	60%	60%
Hamon Thermal & Environmental Technology (Jiaxing) Co. Ltd	China	65,9%	65,9%
Hamon Trading (Jiaxing) Co.,Ltd.	China	62,8%	62,8%
Hamon Research-Cottrell do Brazil	Brazil	100%	100%
Hamon Do Brazil Ltda.	Brazil	100%	100%

Subsidiary	Country	% Group interest 2010	% Group interest 2009
2. SUBSIDIARIES CONSOLIDATED BY PROPORTIONAL INTEGRATION			
Hamon Shriram Cottrell PVT Ltd	India	-	50%
Hamon D'Hondt Middle East Company Ltd	Saudi Arabia	39,64%	39,64%
Hamon Cooling Towers Company FZCo	United Arab Emirates	50%	50%

6. EXCHANGE RATES USED BY THE GROUP

Exchange rates for 1 EUR		Period-end rate			Average rate		
		2010	2009	2008	2010	2009	2008
UAE Dirham	AED	4,9075	5,2849	5,1057	4,8692	5,1230	5,4172
Australian Dollar	AUD	1,3136	1,6008	2,0274	1,4514	1,7834	1,7342
Brazilian Real	BRL	2,2177	2,5113	3,2436	2,3336	2,7876	2,6366
Canadian Dollar	CAD	1,3322	1,5128	1,6998	1,3723	1,5897	1,5581
Chinese Yuan	CNY	8,8220	9,8350	9,4956	8,9757	9,5229	10,2787
Pound Sterling	GBP	0,8608	0,8881	0,9525	0,8576	0,8927	0,7934
Hong-Kong Dollar	HKD	10,3856	11,1709	10,7858	10,2962	10,8073	11,5200
Indonesian Rupiah (100)	IDR	120,0214	136,2613	152,3912	120,5061	145,1034	141,7556
Indian Rupee	INR	59,7580	67,0400	67,7232	60,5824	67,1449	63,7679
South Korean Won (100)	KRW	14,9906	16,6697	18,3913	15,3614	17,7722	16,0640
Malaysian Ringgit	MYR	4,0950	4,9326	4,8048	4,2739	4,9050	4,9106
Polish Zloty	PLZ	3,9750	4,1045	4,1535	4,0047	4,3490	3,5018
Saudi Riyal	SAR	5,0108	5,3897	5,2170	4,9716	5,2310	5,5326
Thai Baht	THB	40,1700	47,9860	48,2850	42,1378	47,8563	48,6770
U.S. Dollar	USD	1,3362	1,4406	1,3917	1,3254	1,3943	1,4604
South African Rand	ZAR	8,8625	10,6660	13,0667	9,7243	11,6207	11,9545

7. INFORMATION BY SEGMENT

The Group is organized in five Business Units: Cooling Systems, Process Heat Exchangers, Air Pollution Control EMEA/Brazil, Air Pollution Control NAFTA and Chimneys. Additional Business Unit information is presented in the first part of this annual report.

The results of a segment and its assets and liabilities include all the elements that are directly attributable to it as well as the elements of the income, expenses, assets and liabilities that can reasonably be allocated to a segment. Segment profit represents the profit earned by each segment after allocation of central administration costs and management salaries, share of profits of associates and investment revenues, to the extent that they can be allocated to a segment, but before finance costs. This is the measure regularly presented to the chief operating decision maker for the purposes of resources allocation and assessment of segment performances.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

in EUR '000'	Cooling Systems	Process Heat Exchangers	All Pollution Control EMEA/Brazil	Air Pollution Control NAFTA	Chimneys	Non allocated	Elimination	Total
For the period ended 31 December 2008								
Revenue third party	109 312	48 758	37 493	76 709	91 461	2 946	-	366 679
Inter-segment revenue	47	114	150	50	-	930	(1 291)	-
Total revenue	109 359	48 872	37 643	76 759	91 461	3 876	(1 291)	366 679
Operating profit before non-recurring items (REBIT)	9 601	4 731	3 096	17 135	9 144	(740)	-	42 967
Non-recurring items	51	(127)	-	-	-	828	-	752
Operating profit (EBIT)	9 652	4 604	3 096	17 135	9 144	88	-	43 719
Interest income						1 255	-	1 255
Interest charges						(9 904)	-	(9 904)
Result before tax								**35 070**
Income taxes						(14 411)		(14 411)
Net result from continued operations								**20 659**

in EUR '000'	Cooling Systems	Process Heat Exchangers	All Pollution Control EMEA/Brazil	Air Pollution Control NAFTA	Chimneys	Non allocated	Elimination	Total
For the period ended 31 December 2009								
Revenue third party	143 434	53 306	39 024	67 873	72 771	3 369	-	379 777
Inter-segment revenue	391	1 121	104	175	16	734	(2 541)	-
Total revenue	143 825	54 427	39 128	68 048	72 787	4 103	(2 541)	379 777
Operating profit before non-recurring items (REBIT)	12 514	5 322	(29)	11 731	12 697	(3 044)		39 191
Non-recurring items	(37)	(23)	-	-	-	(346)		(406)
Operating profit (EBIT)	12 477	5 299	(29)	11 731	12 697	(3 390)		38 785
Interest income						323		323
Interest charges						(7 521)		(7 521)
Result before tax								**31 587**
Income taxes						(13 332)		(13 332)
Net result from continued operations								**18 255**

in EUR '000'	Cooling Systems	Process Heat Exchangers	All Pollution Control EMEA/Brazil	Air Pollution Control NAFTA	Chimneys	Non allocated	Elimination	Total
For the period ended 31 December 2010								
Revenue third party	128 096	41 919	71 917	45 135	51 576	6 890	-	345 533
Inter-segment revenue	446	-	-	1 311	6	607	(2 370)	-
Total revenue	128 542	41 919	71 917	46 446	51 582	7 497	(2 370)	345 533
Operating profit before non-recurring items (REBIT)	7 370	3 064	865	8 021	8 485	(4 262)		23 543
Non-recurring items	1 873	(188)	-	-	-	889		2 574
Operating profit (EBIT)	9 243	2 876	865	8 021	8 485	(3 373)		26 117
Interest income						332		332
Interest charges						(5 561)		(5 561)
Result before tax								**20 888**
IIncome taxes						(7 709)		(7 709)
Net result from continued operations								**13 179**

Other elements of the income statement

in EUR '000'	Cooling Systems	Process Heat Exchangers	All Pollution Control EMEA/Brazil	Air Pollution Control NAFTA	Chimneys	Non allocated	Total
For the period ended 31 December 2008							
Depreciation and amortization	(596)	(827)	(109)	(345)	(322)	(544)	(2 743)
Impairment of goodwill	-	-	-	-	-	-	-
(Impairment) / reversal of impairment on inventory	14	(159)	(6)	-	-	-	(151)
(Impairment) / reversal of impairment on trade receivables	347	(14)	(101)	(33)	-	-	199
(Increase) / decrease in provisions	128	(79)	(258)	(658)	(178)	476	(569)
For the period ended 31 December 2009							
Depreciation and amortization	(998)	(827)	(180)	(386)	(356)	(867)	(3 614)
Impairment of goodwill	-	-	-	-	-	-	-
(Impairment) / reversal of impairment on inventory	(4)	9	2	-	-	-	7
(Impairment) / reversal of impairment on trade receivables	(83)	15	(490)	(15)	-	-	(573)
(Increase) / decrease in provisions	(347)	(231)	(737)	2	(1 445)	(557)	(3 315)
For the period ended 31 December 2010							
Depreciation and amortization	(1 459)	(1 092)	(381)	(627)	(317)	(696)	(4 572)
Impairment of goodwill	-	-	-	-	-	(892)	(892)
(Impairment) / reversal of impairment on inventory	-	(14)	-	-	-	-	(14)
(Impairment) / reversal of impairment on trade receivables	(323)	(200)	-	-	-	(567)	(1 090)
(Increase) / decrease in provisions	486	160	325	400	(1 360)	-	11

Balance sheet information

in EUR '000'	Cooling Systems	Process Heat Exchangers	All Pollution Control EMEA/Brazil	Air Pollution Control NAFTA	Chimneys	Non allocated	Total
As of 31 December 2008							
Assets	40 975	22 433	37 318	34 536	17 224	133 144	285 630
Investments in associates	-	-	-	-	-	-	-
Total assets	**40 975**	**22 433**	**37 318**	**34 536**	**17 224**	**133 144**	**285 630**
Total liabilities	**59 620**	**14 142**	**21 234**	**26 040**	**30 574**	**84 651**	**236 261**
Capital expenditures	3 508	899	200	272	217	966	6 062
As of 31 December 2009							
Assets	43 281	32 928	41 389	22 044	4 499	162 761	306 902
Investments in associates	-	-	-	-	-	-	-
Total assets	**43 281**	**32 928**	**41 389**	**22 044**	**4 499**	**162 761**	**306 902**
Total liabilities	**52 141**	**18 230**	**33 136**	**20 115**	**23 061**	**94 416**	**241 099**
Capital expenditures	5 264	1 424	302	3 654	125	1 358	12 127
As of 31 December 2010							
Assets	47 586	38 724	59 560	24 960	10 278	155 748	336 856
Investments in associates	-	-	-	-	-	-	-
Total assets	**47 586**	**38 724**	**59 560**	**24 960**	**10 278**	**155 748**	**336 856**
Total liabilities	**59 130**	**19 359**	**40 651**	**16 077**	**21 292**	**94 209**	**250 718**
Capital expenditures	5 228	1 979	896	724	719	850	10 396

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

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

in EUR '000'	2010	2009	2008
Revenues			
Belgium	7 518	6 056	10 733
Germany	21 428	16 040	15 168
Saudi Arabia	6 148	7 309	11 101
Brazil	19 305	3 422	7 958
China	5 215	10 298	11 120
South Korea	6 837	6 134	9 789
United Arab Emirates	5 735	5 243	7 504
United States	89 796	138 672	164 650
France	36 473	42 008	49 115
India	16 264	5 638	5 859
United Kingdom	12 567	34 775	9 832
Russia	21 779	7 683	-
Others	96 468	96 499	63 849
Total	**345 533**	**379 777**	**366 678**
Non current assets (*)			
Belgium	18 448	16 836	15 199
Brazil	14 281	12 558	10 447
China	12 898	10 315	309
South Korea	5 862	4 910	1 598
United States	13 869	12 243	10 585
France	13 282	14 288	13 880
India	5 103	1 474	1 332
Others	8 999	4 430	3 445
Total	**92 742**	**77 054**	**56 795**

(*) Excluding financial and deferred tax assets

8. REVENUE

Group's revenue (excluding discontinued operations) has decreased by 9% compared to 2009 (-6% compared to 2008); the growth of our activities in emerging countries (36% in 2010 compared to 27% in 2009) has not been able to fully compensate the temporary decrease of our traditional markets (Europe and NAFTA).

The long term nature of several contracts in our opening backlog and the timing of orders booked during the year have also contributed to this situation. The improvement of the US dollar parity has contributed to EUR 4,8 million of the revenue.
The breakdown by type of activities is as follows:

in EUR '000'	2010	2009	2008
Construction contracts	324 482	348 528	347 229
Manufacturing	13 110	21 375	11 048
Spare parts	3 815	4 956	4 476
Services	3 615	4 433	3 735
Royalties	511	485	191
Total	**345 533**	**379 777**	**366 679**

9. OPERATING EXPENSES

in EUR '000'	2010	2009	2008
Gross renumeration	*65 208*	*55 596*	*51 131*
Employer's contribution for social security	*10 598*	*11 964*	*10 826*
Other personnel costs	*2 002*	*1 960*	*2 127*
Charges/costs of the personnel	77 808	69 520	64 084
Depreciation & amortization	4 572	3 614	2 743
Other operating expenses	29 920	26 571	26 030
Total gross operating expenses	**112 300**	**99 705**	**92 857**
Costs allocation (1)	(56 226)	(48 190)	(49 479)
Total net operating expenses	**56 074**	**51 515**	**43 378**
Sales & marketing costs	10 499	10 776	8 697
General & administrative costs	43 870	39 922	34 018
Research & development costs	1 705	817	663
Total net operating expenses	**56 074**	**51 515**	**43 378**
Average Headcount	1 221	1 140	1 015

(1) Costs of time spent by employes on development projects and customer contracts

The increase in gross operating expenses of the Group is mainly due to the following factors:

- changes in consolidation scope of the Group: + EUR 3,0 million;
- the appreciation of the US dollar in 2010: + EUR 1,4 million;
- the significant development of our activities in air-cooled condensers;
- the international development of our activities in air pollution control (China, India, Brazil, Central and Eastern Europe);
- and commitments taken to cope with the expected growth of the Group activities.

The growth of allocations (+17% compared to 2009) on proposals, contract and development projects (mainly for the Cooling Systems BU) has not been able to fully compensate this increase. As a result, total net operating expenses are almost 9% higher than in 2009.

10. OTHER OPERATING INCOME (EXPENSES)

The operating income and expenses are broken down as follows:

in EUR '000'	2010	2009	2008
Dividends and financial income	194	79	61
Profit/(loss) on disposals of assets	115	(223)	227
Exchange differences, net	(327)	1 445	(1 506)
Impairment of current assets	(1 104)	(478)	(406)
Other miscellaneous operating income (expenses)	(88)	82	530
Total	**(1 210)**	**905**	**(1 094)**

As explained under page 68 of note 3, the presentation of the other operating income and expenses has been modified in order to increase the readability and presentation of the income statement.

The main variations compared to 2009 come from:

- the (negative) variation of exchange differences;
- the increase of impairment of current assets mostly due to the bankruptcy of Austrian Energy (EUR 0,9 million).

Other miscellaneous operating income and expenses mainly include, on one hand, insurance products and sub-letting of installations and on the other hand, banking charges and fees not directly attributable to construction contracts.

11. NON-RECURRING INCOME (EXPENSES)

in EUR '000'	2010	2009	2008
Restructuring costs	(308)	(390)	(132)
Sale of BFT (France)	*1 781*		
Acquisition of the control of HSC (India)	*2 274*		
Sale of shares of GEI (India)			*828*
Impact of Changes in consolidation scope	4 055	-	828
Impairment loss on goodwill	*(892)*		
(Impairment) / reversal of impairment on other non-current assets	*(281)*		
Impairment / reversal of impairment on non-current assets	(1 173)	-	-
Other non-recurring items	-	(16)	56
Total	**2 574**	**(406)**	**752**

Restructuring costs, amounting to EUR 308 thousand, are stable compared to 2009.

The income of EUR 4 055 thousand related to the change in consolidation scope comes from the sale of Brown Fintube (France) in June and the take over control of our Indian subsidiary Hamon Shriram Cottrell. For more information on those transactions, refer to note 15 related to changes of scope.

As a reminder, the gain of EUR 828 thousand, accounted for in 2008, was relating to the capital gain on the sale of 2 500 000 out of the 2 995 000 shares (or an ownership of 20,8%) the Group owned in GEI Industrial Systems Ltd.

The impairment on goodwill is related to our Belgian subsidiary ACS (see note 22).

Other impairment charges (EUR 281 thousand) consist in two adjustments accounted for on non controlling interests owned by the Group and classified in "Available-for-sale financial assets"

12. NET FINANCE COSTS

The detail of net finance costs is as follows:

in EUR '000'	2010	2009	2008
Interest charges	(3 909)	(5 232)	(6 523)
Costs related to anticipated reimbursement	-	(690)	
Other borrowing costs	(1 652)	(1 599)	(3 381)
Finance costs	**(5 561)**	**(7 521)**	**(9 904)**
Interest income	332	323	1 255
Interest income	**332**	**323**	**1 255**
Total	**(5 229)**	**(7 198)**	**(8 649)**

Interest charges on the debt of the Group have been reduced in 2010 (EUR 3 909 thousand) compared to 2009 (EUR 5 232 thousand) thanks to our new syndicated credit facility signed at the end of 2009 and the strong decrease of interest rates during the first semester. We were able to benefit from this decrease of short term rates on the entire average amount of the debt in 2010 as we did not have any interest rate swap (IRS).

The section "Other borrowing costs" includes, among other, the amortization of refinancing costs of our new syndicated credit facility signed on 17 December 2009 for EUR 942 thousand and commitment fees for EUR 283 thousand.

The average cost of the debt was 4,68% for 2010, (6,92% for 2009) or 5,77% (8,67% in 2009) if the amortized refinancing costs of the credit lines are included in the analysis.

Interest incomes in 2010 are stable versus those obtained in 2009.

13. INCOME TAX

in EUR '000'	2010		2009		2008	
Components of tax (expense)/income	(7 709)		(13 332)		(14 411)	
Current tax	**(8 904)**		**(14 036)**		**(15 769)**	
Related to current year	(8 790)		(13 787)		(15 010)	
Related to past years	(114)		(249)		(759)	
Deferred tax	**1 194**		**704**		**1 358**	
Related to current year	1 424		998		1 358	
Related to past years	(229)		(294)		-	
Reconciliation of Group income tax charge						
Result before tax	20 888		31 587		35 070	
Share of the profit (loss) of associates	-		-		-	
Result before tax and before share of the profit (loss) of associates	**20 888**		**31 587**		**35 070**	
Domestic income tax rate		33,99%		33,99%		33,99%
Group theoretical income tax charge	**(7 100)**	**-33,99%**	**(10 736)**	**-33,99%**	**(11 920)**	**-33,99%**
Utilisation of tax losses not previously recognised	324	1,55%		0,00%		0,00%
Effect of different tax rates of subsidiaries operating in other juridictions	(182)	-0,87%	(1 032)	-3,27%	(904)	-2,58%
Withholding tax on intra group dividend distribuition	(19)	-0,09%	-	0,00%	-	0,00%
Deferred tax assets not recognised	(1 669)	-7,99%	(2 484)	-7,86%	(1 459)	-4,16%
Transactions exempt from taxes	1 361	6,52%		0,00%	281	0,80%
CVAE (*)	(488)	-2,34%		0,00%		0,00%
R&D tax credits	407	1,95%		0,00%		0,00%
Other movements	(0)	0,00%	1 463	4,63%	350	1,00%
Income tax expense related to current year	**(7 366)**	**-35,26%**	**(12 789)**	**-40,49%**	**(13 652)**	**-38,93%**

(*) Income tax expense related to current year

Thanks to the implementation of an active tax management policy, the Group income tax rate for 2010, amounting to 35,3%, dropped compared to the previous period (40,5% in 2009).

This good performance mainly comes from:

- tax credits obtained for R&D activities in France and in the United States;
- the reduction of the average tax rate on the profit of our US activities from 39,0% to 36,4%;
- the reduction of losses realized by subsidiaries with no corresponding recognition of deferred tax assets;
- untaxed capital gains on the sale of BFT and the take over control of HSC;
- all of this is partly compensated by the classification as current taxes of the CVAE accounted for in 2010 for the Group's French subsidiaries.

14. DISCONTINUED OPERATIONS

The results of discontinued operations are as follows:

in EUR '000'	2010	2009	2008
Miscellaneous expenses FBM & HRCI			(47)
Dry & Wet NAFTA cooling activities sold to SPX	(22)	(15)	(1 715)
Others		(228)	(26)
Total	**(22)**	**(243)**	**(1 788)**

As a reminder, the costs supported by the Group on discontinued operations during the last years consisted for the most part of:

- various costs coming from the sale at the end of 2005 of our Italian subsidiary FBM to KNM Group Berhad and the liquidation, at the beginning of 2005, of the remaining Italian activities carried out through one subsidiary – Hamon Research Cottrell Italia Srl;
- cost of the transactional agreement concluded between Hamon and SPX in December 2008 regarding the Holdback Transaction of EUR 5 million related to the sale, in December 2003, of the global Dry and Wet NAFTA Cooling activities;
- post disposal costs of Air Industrie Thermique-Loreatt.

The impact of discontinued activities on the result and on the cash flow of the Group amounts, for the 2010 financial year, to EUR -22 thousand (EUR -242 thousand and EUR -441 thousand for the 2009 and 2008 financial years) (see note 20).

As of 31 December 2010, 2009 and 2008, assets and liabilities of discontinued activities amount to zero.

15. CHANGES OF SCOPE

Acquisition of control of subsidiaries

in EUR '000'	HSC(*)	J&C(*)	Enviroserv	2010
Non-current assets	**1 196**	**230**	**1 595**	**3 021**
Property, Plant & Equipment	1 000	230	59	1 288
Intangible assets	0	0	1 488	1 488
Other non-current assets	196	0	48	244
Current assets	**5 410**	**1 013**	**1 550**	**7 973**
Trade and Other Receivables	4 702	785	919	6 406
Cash and Cash Equivalents	264	184	575	1 022
Other Current Assets	445	44	56	545
Non-current liabilities	**452**	**0**	**451**	**904**
Deferred Tax Liabilities	95	0	451	546
Other non-current liabilities	357	0	0	357
Current Liabilities	**4 845**	**512**	**1 478**	**6 835**
Trade and Other payable	2 777	453	1 115	4 345
Other current liabilities	2 068	58	363	2 490
Net assets acquired	**1 308**	**731**	**1 216**	**3 255**
Group's share in net assets acquired	0	307	1 216	1 523
Goodwill	2 274	958	1 647	4 879
Purchase price	*-2 274*	*-1 265*	*-2 862*	*-6 401*
Deferred Payment	*0*	*0*	*0*	*0*
Revaluation of interests previously held	*2 274*	*0*	*0*	*2 274*
Purchase price in cash	0	-1 265	-2 862	-4 127
Net cash & cash equivalents acquired	264	184	575	1 023
Net cash outflow	**264**	**-1 081**	**-2 287**	**-3 104**

(*) The Group has chosen to measure non-controlling interests of its business combination at their proportionate interests in the net identifiable assets of those companies

On 1 April 2010, Hamon acquired 100% of Enviroserv GmbH (a German company located in Essen) that is a technological leader in air pollution control, particularly in desulphurization (FGD) such as Circulating Fluidized Bed (CFB), Wet/limestone and Seawater FGD technologies. Enviroserv is mostly active in Germany and Central Europe. Its main markets are fossil-fuel power plants and other heavy industries.

On 21 October 2010, Hamon acquired an ownership of 60% in J&C Engineering Pty Ltd, a South-African company active in air pollution control (mainly electrostatic precipitators). J&C is located near Johannesburg and sells its equipment to various heavy industries in South Africa and neighboring countries. Its activities include the sale, the design and the manufacture of several metallic components in its workshop, project management, construction on site, start-up and after-sales service.

The Group also acquired (effective as of 1 October 2010), the exclusive control of Hamon Shriram Cottrell (HSC) by purchasing from the local partner the shares necessary to obtain the majority of voting rights. Direct consequence of this acquisition of control, HSC, previously consolidated according to proportionate method, is since 1st October 2010, consolidated according to the global method.

In accordance with IFRS 3 revised, the Group has recognized in the income statement the gain related to the acquisition of control (EUR 2.274 thousand accounted for as 'impact of changes in consolidation scope'). IFRS 3 revised indeed states that in case of acquisition of control of a non controlling interest previously held, its book value is re-measured to fair value at the take over control date.

According to IFRS 3 revised, direct costs related to the acquisition of those companies, amounting to EUR 159 thousand, have been expensed in the income statement.

Since their acquisition of control, these entities have contributed EUR 6.931 thousand to the consolidated turnover of the Group and generated an EBIT of EUR 1.044 thousand.

The goodwill related to those acquisitions is primarily attributable, for Enviroserv, to expected synergies, to the increased penetration of the Central and Eastern Europe markets and to the know-how and advanced technologies, particularly in specific technologies of desulphurization; for J&C to the significant added value for our air pollution control activities in South-Africa, thanks to the good complementarities with our subsidiary Hamon South Africa and for HSC to the important share taken of the Indian cooling towers market.
Those goodwill have been provisionally allocated to the identifiable assets and liabilities without necessarily recognizing other assets, liabilities or eventual liabilities. This allocation is not final and is subject to revision during the course of the year.

Finally, Hamon has finalized its purchase price allocation on the acquisition of DGE and TS (China) in order to reflect the finalization of the cash compensation, the review of the contingent payment portion and the update of the value of the put option granted to the non controlling shareholders.

Sale/loss of control

Hamon has disposed with effect on 30 June 2010 of its shareholding in Brown Fintube France (BFT) to Air Industrie Thermique (AIT), a French related party. Hamon recorded a gain on disposal of EUR 1,781 million in "impact of change in consolidation scope". The consideration was received during the month of July 2010 partly in cash and for 44% (EUR 1,476 million) in the form of shares of AIT, that were issued to Hamon on 12 July 2010. The transaction was made with normal reps and warranties by both parties. In addition, the contract includes an agreement by which AIT would pay a minimum dividend during the next two years and, after such period, there are put and calls on the AIT shares received as consideration. Following this transaction, the ownership owned in AIT by the Group, classified under 'Available-For-Sales Financial Assets' increased from 10 to 19%.

16. EARNINGS PER SHARE

Continued and discontinued operations

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

in EUR '000'	2010	2009	2008
Net result (equity holders of the Company)	11 631	17 369	18 505
Weighted average number of ordinary shares during the year	7 191 472	7 191 472	7 191 472
Basic earnings per share (EUR/share)	1,62	2,42	2,57

The weighted average number of shares is calculated based on the numbers in note 30.
The basic earnings per share are identical to the diluted earnings per shares. Indeed, given their strike price, the stock options granted to Group employees have no diluting impact as of 31 December 2008, 2009 and 2010 (see note 33).

Continued operations

The basic earnings per share from continued operations is calculated by dividing the net result from the continued operations of the year attributable to the equity holders of the Company by the weighted average number of ordinary shares in circulation during the fiscal year. The number of shares representing the share capital has not changed during the three last years. It amounts to 7.191.472 shares.

Discontinued operations

Basic and diluted earnings per share for discontinued operations amounted to EUR 0,00 per share on 31 December 2010 (EUR -0,03 and EUR -0,25 per share on the 31 December 2009 and 2008), calculated on the basis of the net result of the discontinued operations of EUR -22 thousand in 2010 (EUR -243 thousand and EUR -1.788 thousand in 2009 and 2008) and of the denominators detailed above.

17. CASH FLOW FROM OPERATING ACTIVITIES

Cash generated from operations before taxes, at EUR 11.042 thousand is significantly lower than the last two periods. This situation mainly comes from the projects execution cycle.

18. CASH FLOW FROM INVESTING ACTIVITIES

Net cash flow from investments amounts to EUR -13.098 thousand. The investments of the year are mainly related to:

- the payment of the acquisition of Enviroserv (Germany) and J&C (South-Africa) and part of the balance due for the acquisition of DG Environmental and TS Filtration acquired in 2009 (see note 15);
- the payment of an available-for-sale financial asset in the company OHL Technologies (Germany);
- the sale proceeds from our subsidiary Brown Fintube France (received in July 2010);
- major investments in internal development projects;
- the development of our production capacity of air-cooled condensers in China;
- the acquisitions and/or leasehold improvements of buildings in Belgium, Korea, China and India following the strong increase of our activities in those countries; and
- the investments for recurring replacements.

19. CASH FLOW FROM FINANCING ACTIVITIES

The cash flow from financing activities amounts to EUR -5.028 thousand in 2010.

'Proceeds from new bank borrowings', at EUR 11.158 thousand mainly come from additional draw downs of our revolving credit facility (see note 34).

'Reimbursement of bank borrowings' of EUR 7.644 thousand result from the contractual reimbursement, in December 2010, of the first part of EUR 5.000 thousand of our term loan facility (see note 34).

'Dividend paid to shareholders' results from the payment, on 15 May 2010, of the final dividend for the year 2009 for EUR 3.236 thousand, or EUR 0,45 per share, and the payment, on 9 September 2010, of the advance dividend for the year 2010 of EUR 1.798 thousand, or EUR 0,25 per share.

We invite you to consult note 12 for the information on interests received and paid during the year 2010.

20. CASH FLOW FROM DISCONTINUED ACTIVITIES

Not significant in 2010 (EUR -22 thousand).

21. INTANGIBLE ASSETS

in EUR '000'	Patents and trade marks	Development costs	Total
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**
For the year ended 31 December 2008			
Exchange difference	21	137	158
Additions	2 152	548	2 700
Amortization charge for the year	(254)	(12)	(266)
Net carrying amount at closing date	**2 670**	**1 162**	**3 832**
As of 31 December 2008			
Cost	10 054	4 891	14 945
Accumulated amortization and impairment	(7 384)	(3 729)	(11 113)
Net carrying amount	**2 670**	**1 162**	**3 832**
For the year ended 31 December 2009			
Exchange difference	(5)	(89)	(94)
Additions	970	1 298	2 268
Amortization charge for the year	(477)	(353)	(830)
Net carrying amount at closing date	**3 158**	**2 018**	**5 176**
As of 31 December 2009			
Cost	10 991	6 099	17 090
Accumulated amortization and impairment	(7 833)	(4 081)	(11 914)
Net carrying amount	**3 158**	**2 018**	**5 176**
For the year ended 31 December 2010			
Exchange difference	24	195	219
Additions	844	2 937	3 781
Amortization charge for the year	(779)	(547)	(1 326)
Entry / changes in consolidation scope	1 415	73	1 488
Derecognized on disposal of a subsidiary	(17)	-	(17)
Net carrying amount at closing date	**4 645**	**4 676**	**9 321**
As of 31 December 2010			
Cost	13 257	9 304	22 561
Accumulated amortization and impairment	(8 612)	(4 628)	(13 240)
Net carrying amount	**4 645**	**4 676**	**9 321**

All intangible assets have a finite utility period on which the assets are amortized. The amortization charge is included either under "General & administration costs" or "Research & development costs".

The trademarks and licenses are predominantly composed of software licenses, the name 'Clean Flow' and also, since the acquisition of Enviroserv, of patents and license agreements for the intellectual property owned by this company.

22. GOODWILL

in EUR '000'	
As of 31 December 2007	
Cost	17 956
Accumulated amortization and impairment	(639)
Net carrying amount	17 317
For the year ended 31 December 2008	
Exchange difference	(231)
Entry / changes in consolidation scope	12 503
Net carrying amount at closing date	29 589
As of 31 December 2008	
Cost	30 228
Accumulated amortization and impairment	(639)
Net carrying amount	29 589
For the year ended 31 December 2009	
Exchange difference	2 576
Entry / changes in consolidation scope	9 482
Net carrying amount at closing date	41 647
As of 31 December 2009	
Cost	42 286
Accumulated amortization and impairment	(639)
Net carrying amount	41 647
For the year ended 31 December 2010	
Exchange difference	3 484
Impairment charge	(892)
Entry / changes in consolidation scope	4 879
Net carrying amount at closing date	49 118
As of 31 December 2010	
Cost	50 649
Accumulated amortization and impairment	(1 531)
Net carrying amount	49 118

During 2010, Hamon proceeded with the acquisition of Enviroserv GmbH and of J&C Engineering (Pty) (see note 15). The goodwill generated by these acquisitions of EUR 2.605 thousand, were allocated to the Cash Generating Unit (CGU) APC EMEA/Brazil.

Other movements of the heading "Entry / changes in consolidation scope" are related to 1. the update of purchase price of DGE and TS (China) in order to reflect the finalization of the cash compensation, the review of the contingent payment portion and the update of the value of the put option granted to the non controlling shareholders and 2. the goodwill generated on the acquisition of control of Hamon Shriram Cottrell Pvt Ltd (India) that has been allocated to the CGU Cooling Systems.

The balance of the goodwill generated on the acquisition of ACS (EUR 892 thousand) and previously not allocated, has been integrated, effective December 31 2010, to CGU Process Heat Exchangers.

The Group annually performs an impairment test of goodwill in conformity with the accounting principles under note 3. The recoverable value of cash generating units was determined on the basis of their fair value decreased by the sale expenses related to those cash generating units.

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

- Current and future EBITDAs as derived from the budgets of the Group, approved by the Board of Directors;
- Usual market multiples for similar activities;
- Corrections due to non-operational assets and liabilities of which the value is not reflected by the EBITDAs.

Market multiples were researched by referring to a number of other quoted companies in our sector and compared with recent transactions, principally on the American markets. This analysis confirmed the prudent nature of the adopted multiples. The fair value obtained was, thereafter, compared to the net book value, including goodwill, of the activity evaluated.

Moreover, assessments on basis of "discounted cash flows" have been carried out for the BU APC EMEA/Brazil (projection period: 3 years, growth rate: 3%, discount rate: 12%), BU APC NAFTA, BU Chimneys and on ACS.

Based of the tests carried out, an impairment loss (EUR 892 thousand) was deemed necessary on ACS goodwill. As its goodwill was not allocated when the impairment tests were performed, the impairment loss has not been charged to the goodwill of a Business Unit. No other impairment loss was deemed necessary in 2010.

On 31 December 2010 the allocation of the net book value of the goodwill between the cash generating units is as follows:

in EUR '000'	2010	2009	2008
Cooling Systems	7 324	4 798	4 543
Process Heat Exchangers	1 743	851	851
Air Pollution Control EMEA/Brazil	35 476	29 871	18 226
Air Pollution Control NAFTA	4 211	4 008	4 099
Chimneys	364	335	341
Others	0	1 784	1 529
Total	**49 118**	**41 647**	**29 589**

23. PROPERTY, PLANT & EQUIPMENT

in EUR '000'	Land and buildings	Furniture and vehicles	Plant, machinery and equipment	Other tangible assets	Assets under construction and advance	Total
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**
For the year ended 31 December 2008						
Exchange difference	(229)	(23)	65	(9)	(38)	(234)
Additions	900	418	1 432	104	508	3 362
Disposals	(135)	(19)	(68)	(2)	(24)	(248)
Depreciation charge for the year	(755)	(432)	(1 117)	(173)	-	(2 477)
Entry / changes in consolidation scope	2 738	116	629	149	260	3 892
Transferred from an account to another	17	-	266	-	(283)	-
Net carrying amount at closing date	**12 615**	**1 460**	**7 599**	**867**	**833**	**23 374**
As of 31 December 2008						
Cost	22 308	5 172	25 303	1 468	832	55 083
Accumulated depreciation	(9 693)	(3 712)	(17 704)	(601)	1	(31 709)
Net carrying amount	**12 615**	**1 460**	**7 599**	**867**	**833**	**23 374**
For the year ended 31 December 2009						
Exchange difference	188	37	(83)	7	3	152
Additions	5 333	329	3 807	35	355	9 859
Disposals	-	(56)	(77)	(3)	(399)	(535)
Depreciation charge for the year	(637)	(498)	(1 448)	(201)	-	(2 784)
Entry / changes in consolidation scope	-	37	128	-	-	165
Transferred from an account to another	30	-	466	-	(496)	-
Net carrying amount at closing date	**17 529**	**1 309**	**10 392**	**705**	**296**	**30 231**

in EUR '000'	Land and buildings	Furniture and vehicles	Plant, machinery and equipment	Other tangible assets	Assets under construction and advance	Total
As of 31 December 2009						
Cost	27 859	5 519	29 544	1 507	295	64 724
Accumulated depreciation	(10 330)	(4 210)	(19 152)	(802)	1	(34 493)
Net carrying amount	**17 529**	**1 309**	**10 392**	**705**	**296**	**30 231**
For the year ended 31 December 2010						
Exchange difference	1 013	106	427	8	21	1 575
Additions	1 336	514	2 499	33	2 178	6 560
Disposals	(177)	(50)	(652)	-	(45)	(924)
Depreciation charge for the year	(851)	(480)	(1 718)	(196)	(1)	(3 246)
Derecognized on disposal of a subsidiary	(902)	(40)	(144)	-	-	(1 086)
Entry / changes in consolidation scope	697	148	337	1	20	1 193
Transferred from an account to another	46	(5)	13	(54)	-	-
Net carrying amount at closing date	**18 691**	**1 492**	**11 154**	**497**	**2 469**	**34 303**
As of 31 December 2010						
Cost	25 241	5 241	33 793	1 484	2 469	68 228
Accumulated depreciation	(6 550)	(3 749)	(22 639)	(987)	-	(33 925)
Net carrying amount	**18 691**	**1 492**	**11 154**	**497**	**2 469**	**34 303**

The amount included under the 'Land and buildings' heading includes a net amount of EUR 7.418 thousand for assets under finance lease on 31 December 2010 (EUR 8.373 thousand on 31 December 2009).

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

in EUR '000'	Non-current	Current
For the year ended as of 31 December 2008		
Balance at opening date	1 001	9
Additions	669	-
Disposals	(113)	-
Transfer from one caption to another	-	263
Fair value adjustment	-	(26)
Exchange difference	(174)	(2)
Balance at closing date	**1 383**	**244**
For the year ended as of 31 December 2009		
Balance at opening date	1 383	244
Additions	560	-
Disposals	(138)	(2)
Transfer from one caption to another	237	(237)
Fair value adjustment	294	
Exchange difference	80	0
Balance at closing date	**2 416**	**5**

in EUR '000'	Non-current	Current
For the year ended 31 December 2010		
Balance at opening date	2 416	5
Additions	2 451	-
Impairment charge	(281)	-
Fair value adjustment	2 029	-
Other variations	-	1
Exchange difference	10	1
Balance at closing date	**6 625**	**7**

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

The increase during 2010 mainly comes from:

- the capital increase in Xylowatt, a Belgian company active in the design, manufacturing, sale and exploitation of gasification units of biomass;
- a non controlling interest of 19% in Ohl Technologies, acquired end of March 2010. Ohl is a manufacturer of heat exchangers for power plants (among other solar thermals) located in Lumburg, Germany;
- additional acquisition of non controlling interest in AIT following the disposal of BFT;
- and the revaluation of available-for-sale assets to their fair value.

25. DEFERRED TAXES

Deferred tax per category in EUR '000'	Assets 31/12/10	Assets 31/12/09	Assets 31/12/08	Liabilities 31/12/10	Liabilities 31/12/09	Liabilities 31/12/08
Temporary differences						
Intangible assets and goodwill	-	-	-	(1 457)	(921)	(751)
Property, plant & equipment	50	24	16	(182)	(209)	(387)
Construction contracts	969	529	439	(1 847)	(2 488)	(2 092)
Provisions	847	756	326	(431)	(360)	(269)
Finance lease contracts	-	18	56	(812)	(982)	(892)
Others	1 818	2 165	2 085	(301)	(244)	(1 294)
Total temporary differences	**3 684**	**3 492**	**2 922**	**(5 030)**	**(5 204)**	**(5 685)**
Tax losses and other tax credits	6 573	5 359	5 465			
Total deferred tax assets/liabilities	**10 257**	**8 851**	**8 387**	**(5 030)**	**(5 204)**	**(5 685)**
Compensation of assets and liabilities per tax entity	(1 847)	(2 681)	(2 412)	1 847	2 681	2 412
Total, net	**8 410**	**6 170**	**5 975**	**(3 183)**	**(2 523)**	**(3 273)**

Table of variation of deferred taxes in EUR '000'	2010	2009	2008
Net deferred taxes as of 1st January	3 647	2 702	2 181
Deferred tax income / (expense)	1 194	704	1 358
Exchange difference	269	191	(838)
Others	117	50	1
Net deferred taxes as of 31 December	**5 227**	**3 647**	**2 702**

Deferred tax assets are recognized only if their use is probable, that is to say if sufficient taxable benefit is expected in the future years. These assets are only recognized, after extensive review of the business plans for the next five years by the Board of Directors, if it can be considered 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.

Following this review, a net deferred tax asset of EUR 1.592 thousand, excluding currency translation effect, has been recognized in 2010 in the Group financial statements.

The Group did not recognize deferred tax assets for a total amount of EUR 28.752 thousand as of 31 December 2010 (respectively EUR 26.660 thousand and EUR 24.176 thousand on 31 December 2009 and 2008) and will review this situation during later financial years according to the profitability of the various tax entities. Those unrecognized deferred tax assets mainly come from tax losses carried forward for which the use is not limited in time.

26. INVENTORIES

in EUR '000'	31/12/10	31/12/09	31/12/08
Raw materials & consumables	5 820	4 347	4 191
Inventories and WIP - not related to construction contracts	3 036	2 805	2 330
Finished goods	5 325	2 543	2 371
Total	**14 181**	**9 695**	**8 892**

As of 31 December 2010, write-offs accounted for on stocks amounted to EUR 1.020 thousand (respectively EUR 1.045 thousand and EUR 1.056 thousand at 31 December 2009 and 2008).

The net book value of the pledged inventories amounts to EUR 310 thousand (null as of 31 December 2009 and 2008).

27. CONSTRUCTION CONTRACTS

in EUR '000'	31/12/10	31/12/09	31/12/08
Contract costs incurred and recognised profits (less recognised losses to date)	294 924	387 515	279 447
Progress billings	(319 859)	(419 219)	(310 973)
Total	**(24 935)**	**(31 704)**	**(31 526)**
Amount due from customers for contract work	33 247	32 526	37 877
Amount due to customers for contract work	(58 182)	(64 230)	(69 403)
Total	**(24 935)**	**(31 704)**	**(31 526)**

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

Retentions held by our customers on progress billings and which, in conformity with contractual conditions, will be paid to Hamon on the final acceptance of considered projects, stand at EUR 4.212 thousand as of 31 December 2010 (respectively EUR 1.295 thousand and EUR 1.390 thousand on 31 December 2009 and 2008).

28. TRADE AND OTHER RECEIVABLES

in EUR '000'	31/12/10	31/12/09	31/12/08
Trade receivables	85 213	76 571	89 461
less : impairment of doubtful receivables	(3 358)	(2 299)	(2 227)
Trade receivables - net	**81 855**	**74 272**	**87 234**
Retentions	4 212	1 295	1 390
Prepayments	6 556	2 574	3 649
Cash deposits and guarantees paid	767	845	560
Receivables on related parties	1 372	1 062	4 980
Other receivables	11 517	10 884	13 372
Total	**106 279**	**90 932**	**111 185**
Non-current Trade and other receivables			
Receivables on related parties	-	-	706
Cash deposits and guarantees paid	623	756	560
Other non-current receivables	2 112	2 000	1 336
Less: non-current receivables	**(2 735)**	**(2 756)**	**(2 602)**
Trade and other receivables - current	**103 544**	**88 176**	**108 583**

On 31 December 2010, the amount of receivables assigned without recourse to financial organizations and that are deducted from the section 'Trade receivables' is EUR 3.188 thousand (EUR 0 thousand on 31 December 2009).

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

29. CASH AND CASH EQUIVALENTS

in EUR '000'	31/12/10	31/12/09	31/12/08
Credit Institutions	25 740	34 920	16 078
Cash in hand	838	133	47
Fixed income securities	37 422	46 171	40 846
Short term cash deposits	4 077	2 029	2 118
Cash and cash equivalents	**68 077**	**83 253**	**59 089**

On 31 December 2010, the amount of cash and cash equivalents that the Group cannot dispose of freely stands at EUR 3.798 thousand against EUR 2.654 thousand on 31 December 2009 and EUR 2.931 on 31 December 2008.

Fixed income securities (EUR 37.422 thousand) are mostly composed of placements in two Money Market Funds invested in American Treasury bonds and guaranteed bonds of the US Department of Treasury. The sum placed in such funds as of 31 December 2009 was EUR 46.171 thousand.

30. SHARE CAPITAL

The share capital and number of shares stand as follows:

	31/12/10	31/12/09	31/12/08
Number of shares as of closing date	7 191 472	7 191 472	7 191 472
Share capital (in EUR)	2 157 442	2 157 442	2 157 442
Face value per share (in EUR/share)	0,30	0,30	0,30

Shareholders:

Shareholder	Shares 31/12/10	%
Sopal International SA	4 598 155	63,9%
Esindus S.A.	303 506	4,2%
Walloon Region, represented by the Société Wallonne de Gestion et de Participation S.A.	100 000	1,4%
Fortis Investment Management S.A.	175 106	2,4%
Baillie Gifford	148 469	2,1%
Kempen Capital Management	144 415	2,0%
Other public	1 721 821	24,0%
Total	**7 191 472**	**100%**

On 31 December 2010 the share capital amounts to EUR 2.157.442 made up of 7.191.472 shares with no stated value. None of the Company' shares are held by the Group.

Dividends:

On 9 September 2010, the Group paid and advance dividend of EUR 0,25 per share for the year 2010.

The Group proposes to distribute an additional dividend of EUR 0,35 per share, or a total of EUR 0,60 per share, for the year 2010 (to a similar level than 2009).

This supplement, pending approval by the Annual General Assembly of Shareholders on 26 April 2011, will be paid on 10 May 2011.

31. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

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

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

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

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

in EUR '000'	Restructuring	Warranty	Losses on contracts	Other provisions	Total
Balance as of 1st January 2008	**905**	**1 213**	**739**	**2 120**	**4 977**
Additions	-	864	299	94	1 257
Reversals	-	-	-	(905)	(905)
Use of provision	(170)	(70)	(23)	(898)	(1 161)
Exchange difference	-	97	24	(4)	117
Entry / changes in consolidation scope	-	-	367	124	491
Other movements	-	-	-	-	-
Balance as of 31 December 2008	**735**	**2 104**	**1 406**	**531**	**4 776**
Additions	400	1 948	932	1 130	4 410
Reversals	-	(707)	(151)	(237)	(1 095)
Use of provision	(186)	(203)	-	(176)	(565)
Exchange difference	-	(94)	95	160	161
Entry / changes in consolidation scope	-	-	-	-	-
Other movements	(226)	(30)	(688)	944	-
Balance as of 31 December 2009	**723**	**3 018**	**1 594**	**2 352**	**7 687**
Additions	-	1 793	56	231	2 080
Reversals	-	(580)	(731)	(780)	(2 091)
Use of provision	(371)	(705)	-	(806)	(1 882)
Exchange difference	-	231	37	160	428
Entry / changes in consolidation scope	-	129	-	118	247
Other movements	13	100	(672)	559	-
Balance as of 31 December 2010	**365**	**3 986**	**284**	**1 834**	**6 469**
Of which non-current provisions	255	326	85	265	931
Of which current provisions	110	3 660	199	1 569	5 538

32. PROVISIONS FOR PENSIONS

The provisions for pension benefits amount to EUR 3.521 thousand at the end of 2010. They are primarily made up of post-employment benefits in line with local practices.

Retirement and other long term Personnel Benefits

in EUR '000'	Provisions for pension plan	Provisions for retirement lump sum	Other long term benefits	TOTAL
As of 1st January 2008	**2 134**	**60**	**90**	**2 284**
Additions	458	13	9	480
Reversals	(3)	-	-	(3)
Utilization	(219)	(6)	(12)	(237)
Entry / changes in consolidation scope	297	-	-	297
Exchange difference	(189)	(1)	(28)	(218)
As of 31 December 2008	**2 478**	**66**	**59**	**2 603**
Additions	453	4	-	457
Reversals	-	-	(36)	(36)
Utilization	(117)	(7)	(4)	(128)
Entry / changes in consolidation scope	-	-	-	-
Exchange difference	35	-	7	42
As of 31 December 2009	**2 849**	**63**	**26**	**2 938**
Additions	737	10	4	751
Reversals	-	-	-	-
Utilization	(305)	(6)	1	(310)
Entry / changes in consolidation scope	121	-	-	121
Exchange difference	114	-	5	119
Disposals	(98)	-	-	(98)
As of 31 December 2010	**3 418**	**67**	**36**	**3 521**
Of which defined benefit plan obligation	**3 418**	**67**	**-**	**3 485**

Retirement Obligations

The post-employment benefits are categorized as either defined contribution plans or defined benefit plans. The retirement plans based on defined contributions are plans for which the organization pays determined contributions to a separate entity in accordance with the plan's provisions. The Group has no obligation beyond these contribution payments. The contributions paid for these plans amounted respectively to EUR 988 thousand in 2010, EUR 847 thousand in 2009 and EUR 696 thousand in 2008. These plans are primarily offered by Belgian, British and South African companies within the Hamon Group.

The defined benefit plans require the accounting for the obligations of the Company towards its employees in its financial statements. These benefits are granted by some Belgian, German, French, Indian, Indonesian and Korean companies. The net obligations resulting from these plans and their changes are subject to a yearly actuarial review. The amounts accounted for in these plans are for the three last years as well as a forecast for the following year are:

in EUR '000'	31/12/10	31/12/09	31/12/08
Service cost: employer	381	266	236
Interest cost	237	224	213
Expected return on plan asset	(43)	(40)	(40)
Amortisation of actuarial net losses/(gains)	18	7	16
Past service cost recognised this year	154	-	42
Losses/(gains) on curtailments/settlements	-	-	-
Net expense recognised - Defined benefit plans	**747**	**457**	**467**

The cost is recorded under 'Cost of sales', 'General and Administration' costs and 'Financial Expenses'. It has significantly increased this year, mainly due to the past service costs of EUR 154 thousand for the German and

Indian plans. The increase of service costs is mainly linked to companies in Korea (proximity to the retirement age of key executives) and in India (personnel + 32% and effect of change in consolidation scope).

The balance sheet amounts for the defined benefit plans are as follows:

Funding Status in EUR '000'	31/12/10	31/12/09	31/12/08
Funded plans - defined benefit obligations	1 403	1 277	1 039
Fair value of plan assets	(1 218)	(1 031)	(898)
Deficit of funded plans	**185**	**246**	**141**
Unfunded plans - defined benefit obligations	3 971	3 308	2 789
Deficit	**4 156**	**3 554**	**2 930**
Unrecognised actuarial gain/(losses)	(521)	(642)	(386)
Unrecognised past service cost	(150)	-	-
Net liability/(asset) in the balance sheet	**3 485**	**2 912**	**2 544**
Liability recognised in the balance sheet	3 485	2 912	2 544
Asset recognised in the balance sheet	-	-	-

Un-recognized past service costs mainly come from the French subsidiary Hamon D'Hondt due to a change of the French Metallurgy Convention impacting the calculation of pension benefits.

The obligations are financed in part by assets that have evolved during the year as such:

Changes in plan assets in EUR '000'	2010	2009	2009
Fair value of plan assets at beginning of period	1 031	898	753
Actual return on plan assets	67	40	40
Actual Employer contributions	243	119	116
Actual Employee contributions	29	28	28
Actual Benefits paid	(148)	(57)	(41)
Others	(4)	3	2
Fair value of plan assets at end of period	**1 218**	**1 031**	**898**

The movement of net obligations in 2010 is as follows:

Change in net liability/asset in EUR '000'	2010	2009	2009
Net amount at beginning of period	2 912	2 544	2 194
Net expense - defined benefit plan	747	457	467
Company contributions and direct benefit payments	(311)	(124)	(225)
Changes in consolidation scope	23	-	8
Others	114	35	100
Net amount at end of period	**3 485**	**2 912**	**2 544**

The increase of the net obligation comes from the subsidiaries in India (EUR 230 thousand) and in Korea (EUR 176 thousand). The increase of the Indian provision comes from the change in consolidation scope as well as from the important increase of employees of this subsidiary (+32 %) compared to last year. The increase of Korean provision results from the significant decrease of discount rate compared to 2009, an important increase on salaries and the proximity of retirement age of some executives.

Pension provisions in the French subsidiaries have also increased due to the pension reform in France changing the minimum age for retirement.

Finally, the depreciation of EUR compared to all other currencies has also had a positive impact on the net consolidated amount of provisions denominated in local currencies.

The changes in gross obligations during the year are presented below:

in EUR '000'	2010	2009	2009
Defined Benefit Obligation at beginning of period	4 585	3 828	3 355
Service cost: employer	381	266	236
Interest cost	237	224	213
Actual employee Contribution	29	28	28
Plan Amendment	191	-	27
Acquisitions/(Disposals)	(25)	-	-
Actuarial loss (gain)	99	249	(69)
Actual Benefits paid	(311)	(124)	(225)
Others	188	114	263
Defined Benefit Obligation at end of period	**5 374**	**4 585**	**3 828**

The heading 'Plan amendment' mostly comes from an amendment in the French Metallurgy Convention impacting the calculation of pension benefits of Hamon D'Hondt for EUR 151 thousand. The actuarial loss of EUR 99 thousand in 2010 is composed of a loss of EUR 85 thousand coming from the evolution of rates used for the computation as well as a loss of EUR 14 thousand coming from the experience.
Finally, the important currency translation difference comes from the depreciation of the EUR this year.

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

Actuarial assumptions	2010	2009	2009
Discount rate	3,3-10%	5,31%	5,50%
Expected future salary increase rate	2,5-15%	3,73%	3,47%
Underlying inflation rate	2-7%	2,51%	3,00%
Expected return rate on plan assets	3,90%	4,15%	4,25%

The interest rates used to discount the obligations have slightly decreased this year compared to previous years following market rate fluctuations.

The number of employees covered by the plans in 2010 amounts to 503 (of which 10 are inactive) in comparison to 478 (of which 8 are inactive) in 2009 and 461 (of which 7 are inactive) in 2008. It has increased every year, mainly due to the headcount increase of our Indian subsidiary.

33. SHARE-BASED COMPENSATION (STOCK OPTIONS)

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

Stock option plans granted by the company

Plan	Beneficiaries	Grant date	End date	Exercise Price	Exercice Periods	Outstanding options at 31/12/2010	31/12/2009	31/12/2008
ESOP 2008 (B+G)	Belgium and Germany	27/05/08	26/05/15	33,58	From 2012 to 2015, from 15 March till 31 May and from 15 Sept. to 15 November	17 050	17 050	17 050
ESOP 2008 (F)	France	6/10/08	26/05/15	29,71	In 2012 from 6 October to 15 November; from 2013 to 2015 from 15 March to 31 May and from 15 September to 15 November	5 500	5 500	5 500
Total						**22 550**	**22 550**	**22 550**

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

Stock Option Plan

	2010		2009		2008	
	Number of share options	Average exercise price	Number of share options	Average exercise price	Number of share options	Average exercise price
Number of stock options as of 1st January	22 550	32,64	22 550	32,64	0	
Stock options granted	0	0,00	0	0,00	22 550	32,64
Forfeitures of rights & options expired	0	0,00	0	0,00	0	0,00
Stock options exercised	0	0,00	0	0,00	0	0,00
Stock options expired	0	0,00	0	0,00	0	0,00
Number of stock options as of 31 December	22 550	32,64	22 550	32,64	22 550	32,64
Stock options exercisable as of 31 December	0	0,00	0	0,00	0	0,00

Valuation of options granted during the year	2010		2009		2008	
	NILL	NILL	NILL	NILL	ESOP 2008 (B+G)	ESOP 2008 (F)
Number of stock options granted	-	-	-	-	17 050	5 500
Valuation model	-	-	-	-	Black & Scholes	
Assumed volatility (% pa)	-	-	-	-	50,00%	50,00%
Risk free interest rate (% pa)	-	-	-	-	2,27%	2,27%
Dividend yields	-	-	-	-	1,56%	1,56%
Rate of pre-vesting forfeiture (% pa)	-	-	-	-	0,00%	0,00%
Rate of post-vesting forfeiture (% pa)	-	-	-	-	0,00%	0,00%
Proportion who exercise given minimum gain achieved (% pa)	-	-	-	-	100,00%	100,00%
Fair Value per granted instrument at the Grant date (€)	**-**	**-**	-	-	**7,42**	**4,97**
Total fair value of the options granted (EUR thousands)	**-**	**-**	-	-	**127**	**27**
Total						**154**

Volatility is estimated on the basis of historical volatilities on 50 and 500 days.
The cumulative impact of the stock option plan represents a cost of EUR 45 thousand (EUR 63 thousand in 2009) calculated according to the Black & Scholes model and was charged to the income statement.

34. FINANCIAL LIABILITIES

Detail of financial liabilities in Eur '000'	31/12/10	31/12/09	31/12/08
Bank borrowings	72 856	65 873	62 105
Bank overdrafts	1 746	3 889	4 301
Sub-total bank borrowings	74 602	69 762	66 406
Obligations under finance lease	4 480	4 568	2 351
Treasury notes	1 000	-	-
Other financial commitments	871	735	1 101
Sub-total other borrowings	6 351	5 303	3 452
Total	**80 953**	**75 065**	**69 858**
Of which:			
sub-total current (due for settlement within the year)	19 216	17 618	29 606
Amount due for settlement in the 2nd year	4 401	5 613	10 014
Amount due for settlement in the 3rd year	54 374	5 085	28 378
Amount due for settlement in the 4th year	579	44 005	355
Amount due for settlement in the 5th year and after	2 383	2 744	1 505
Sub-total non-current:	61 737	57 447	40 252
Total	**80 953**	**75 065**	**69 858**
Borrowings due for settlement within the year in			
EUR	8 451	9 945	19 372
USD	155	135	7 631
Others	10 610	7 538	2 603
Non-current borrowings in			
EUR	60 249	56 135	30 638
USD	1 042	1 110	9 007
Others	446	202	607

Group bank borrowings as of 31 December 2010 (EUR 74 602) are mainly related to the syndicated credit facility of 17 December 2009 which stands as follows as of 31 December 2010:

in EUR '000'	Original amount	Available amount	Margin vs EURIBOR	Maturities 1 year	2 years	3 years
Revolving credit facility	55 000	55 000	2,15%			55 000
Term loan facility	20 000	15 000	1,90%	5 000	5 000	5 000
Total	**75 000**	**70 000**		**5 000**	**5 000**	**60 000**

At the signing date of this credit agreement, obtaining such credit lines with a maturity at 4 years was the result of an excellent negotiation with the bank syndicate compared to what was practiced at the time. The same can be said in terms of financing margins that to this day remain very competitive. Standard securities and undertakings have been granted to the bank syndicate as follow:

- The implementation of pledges on stock held in the main subsidiaries of the Group;
- The absence of pledges on assets to the profit of third parties;
- The absence of major investment and divestment;
- The disclosure of regular financial information;
- Non-occurrence of 'MAC' – material adverse changes or elements with a significant negative influence; and
- The limitation of payment of dividends to maximum 33% of the distributable profit.

Concerning financial covenants, this new syndicated credit facility (1) requires the compliance with the following ratios: Net Debt/EBITDA, Net Debt/Net Cash Interest Payable, Total Debt/Book Equity; a minimum contribution margin on new orders and (2) limits the amount of capital expenditures.

The financing margins are subject to an increase if the Net Debt/EBITDA ratio is above 1 or 1,5.

All those ratios are largely achieved by the Group.

A Belgian treasury notes program has been signed on 30 August 2010 with a first dealer. A second dealer joined him on 10 February 2011.

The average cost of the debt was 4,68% for 2010, (6,92% for 2009) or 5,77% (8,67% in 2009) if the amortized refinancing costs of the credit lines are included in the analysis.

The debt of the Hamon Group – with the exception of leasing debts – is using variable interest rate references.

35. TRADE AND OTHER PAYABLES

in EUR '000'	31/12/10	31/12/09	31/12/08
Trade payables	55 183	44 787	49 425
Amounts due to related parties	1 909	532	3 750
Other advances received	2 760	1 732	298
Social security and other payables	13 394	13 169	10 891
Other (non income) tax payable	10 389	8 467	8 017
Other current liabilities	2 530	3 046	2 124
Accruals and deferred income	3 563	3 726	5 282
Total	**89 728**	**75 459**	**79 788**

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

36. DERIVATIVE INSTRUMENTS

Derivative financial instruments designated as "cash flow hedge"

in EUR '000'		Notional or Contractual amount 31/12/10	31/12/09	31/12/08	Fair Value 31/12/10	31/12/09	31/12/08
Forward currency contracts sales	Assets	4 341	9 232	1 940	59	157	
	Liabilities	748			(11)		(241)
Forward currency contracts purchases	Assets						
	Liabilities						
Interests rate swaps				35 000			(470)
Options							
Embedded derivatives							
Total fair values					**48**	**157**	**(711)**
Fair values recognized in the hedging reserves in Equity					(16)	(16)	(692)

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

The Hamon Group had negotiated, at the end of September 2007, two interest rate swaps (IRS) for a total sum of EUR 35.000 thousand. Those IRS hedged our Euro debt until 22 September 2009.

As of 31 December 2010, the fair values of forward currency contracts designated as 'cash flow hedge' have positive and negative fair values amounting respectively to EUR 59 thousand and EUR -11 thousand. Those are hedges against the Korean Won (KRW) for a collection of USD 6.800 thousand (equivalent to EUR 5.089 thousand).

Derivative financial instruments designated as "held for trading"

in EUR '000'		Notional or Contractual amount 31/12/10	31/12/09	31/12/08	Fair Value 31/12/10	31/12/09	31/12/08
Forward currency contracts sales	Assets	240	2 461	21 669	34	287	422
	Liabilities	10 576			(23)		(694)
Forward currency contracts purchases	Assets	230	2 171	3 843	1		12
	Liabilities					(59)	(192)
Fair values recognized in the income statement							
under "Unrealized exchange gains"					35	287	434
under "Unrealized exchange losses"					(23)	(59)	(886)

Forward currency contracts used to hedge the transactional risks on currencies are accounted as if they were held for trading.

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

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

37. FINANCIAL INSTRUMENTS

Financial Assets and Liabilities

in EUR '000'	31/12/10	31/12/09	31/12/08	Hierarchy of fair values
Financial Assets				
Cash and cash equivalents	68 077	83 253	59 089	Niveau 1
Available-for-sale financial assets	6 632	2 421	1 627	Niveau 2
Loans and receivables	97 632	83 681	102 888	Niveau 2
Derivative financial assets	16 230	14 309	62 886	Niveau 1
	188 571	**183 664**	**226 490**	
Financial Liabilities				
Borrowings at amortized cost	80 953	75 065	69 858	Niveau 1
Other payables	66 551	56 569	58 181	Niveau 2
Derivative financial liabilities	16 101	13 924	64 049	Niveau 1
	163 605	**145 558**	**192 088**	

Fair value and book value

In order to show the importance of data's used for the valuations of fair values, the Group classifies these valuations according to a hierarchy that includes the following levels:

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

Financial assets are mostly current. Their fair value thus does not differ from their book value. Their book value already takes into account possible provisions when the collection seems compromised. Available-for-sale financial assets are made on the one hand, of our share in GEI, valued at stock market price on 31 December, and on the other hand of investments in various small companies not quoted on the stock market and valued at their acquisition value. Their fair value is higher than their acquisition value but given the fact that the impact is minimal, no correction has been accounted for.

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

Financial instruments indicated in the table include Interest Rate Swaps (IRS) in 2008, and forward currency contracts. These last ones are included in this note on the asset and liability sides for their notional amount corrected by their fair value at the asset and liability side depending whether they are positive or negative.

38. RISK MANAGEMENT POLICIES

Management of foreign exchange risk

Operations and international transactions of the Group, and in particular the construction contracts carried out in distant countries, are creating exposures to foreign exchange risks in the day-to-day management of its business. Foreign exchange risks can be defined as the risk of fluctuation in fair values of future cash flows due to the fluctuations in foreign currencies. The most significant foreign exchange risks of the Group are related to transactions in US dollars and English pounds.

Conversion impacts for subsidiaries located outside of the Euro zone

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

Foreign exchange risk on financial assets and liabilities

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

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

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

	31/12/10				31/12/09				31/12/08			
in EUR '000'	USD	GBP	Other currencies	TOTAL	USD	GBP	Other currencies	TOTAL	USD	GBP	Other currencies	TOTAL
Gross balance sheet exposure	45 961	6 615	1 958	**54 534**	414	121	1 152	**1 687**	(13 726)	1 217	4 233	**(8 276)**
thereof financial assets	56 855	6 775	**4 041**	**67 671**	5 744	515	2 202	**8 461**	6 672	2 829	5 338	**14 839**
thereof financial liabilities	(10 894)	(160)	(2 083)	**(13 137)**	(5 330)	(394)	(1 050)	**(6 774)**	(20 398)	(1 612)	(1 105)	**(23 115)**
Gross exposure from firm commitments	28 038	-	10 867	**38 905**	7 494	-	(838)	**6 656**	15 997	-	5 161	**21 158**
Derivative financial instruments	(7 531)	-	(8 604)	**(16 135)**	(10 540)	-	(1 021)	**(11 561)**	(14 532)	-	(5 234)	**(19 766)**
Net exposure	**66 468**	**6 615**	**4 221**	**77 304**	**(2 632)**	**121**	**(707)**	**(3 218)**	**(12 261)**	**1 217**	**4 160**	**(6 884)**

+ for incoming flow / ( ) for outgoing flow

The amount of financial assets in US dollar in 2010 has significantly increased compared to 2009 as the Group has made a legal reorganization in the United States.

The main part of the derivatives that hedges the foreign exchange rate on US dollar are forward contracts, designated as 'cash flow hedge' (see note 36).

in EUR '000'	31/12/10	31/12/09	31/12/08
Sensitivity to market rates			
% variation EUR	10%	10%	10%
Impact on current year P&L	5 453	169	828
Impact on future cash flows	7 730	17	812

Compared to its closing rate, an appreciation/depreciation of the Euro of 10% against all currencies used by the Group would result in a positive/negative impact of EUR 5.453 thousand (before income taxes) on the income statement of the current year and EUR 7.730 thousand on future financial flows after hedging. This calculation obviously refers to 31 December balance sheet items only.

The impact of the EUR/USD exchange rate fluctuations on the 2010 results of the Group is explained in "year 2010 review" (impact on revenues EUR +4.800 thousand and on EBIT EUR +800 thousand).

Management of interest rate risk

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

The Group follows very closely the evolution of interest rates in order to continue to benefit from low short term rates without taking inconsiderate risks.

The following table shows the debts of the Group (excluding refinancing costs) with a fixed interest rate and those with a variable interest rate:

	31/12/10		31/12/09		31/12/08	
in EUR '000'	Average rate	Principal	Average rate	Principal	Average rate	Principal
Fixed Rate Instrument						
Financial liabilities	7,02%	1 712	5,85%	2 137	6,82%	2 666
Variable Rate Instrument						
Financial liabilities	4,63%	80 893	6,95%	74 527	8,99%	70 247
	4,68%	82 605	6,92%	76 664	8,91%	72 913

in EUR '000'	2010	2009	2008
Sensitivity to market rate			
Change (in basis point)	30	220	180
Impact on P&L	243	1 640	1 190
IRS hedging effect			(774)
Net Profit or (loss)	243	1 640	416

Calculation of the markets interest rate sensitivity is based on a hypothetical variation of 30 basis points on the reference market interest rate (comparable with the variation of the EURIBOR- 3 month over the year 2010).

In the event of an increase or decrease of the market interest rates by 30 basis points, the gross impact on income would be EUR 243 thousand. The simulation done at the end of 2008 took into account interest rate swaps (see note 37).

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

in EUR '000'	31/12/10	31/12/09	31/12/08
Interest on loans and bank overdrafts	(3 720)	(5 048)	(6 384)
Interest on finance leases	(189)	(184)	(139)
TOTAL interest expenses	**(3 909)**	**(5 232)**	**(6 523)**
Costs related to anticipated reimbursement		(690)	
Credit facilities transaction costs (amortized cost treatment under IFRS)	(1 192)	(1 362)	(1 102)
Foreign exchange losses on management of US debts			(2 099)
Other financing costs	(460)	(237)	(180)
TOTAL other finance costs	**(1 652)**	**(2 289)**	**(3 381)**
Total	**(5 561)**	**(7 521)**	**(9 904)**

Financial assets as well as trade payables of the Group have generated negligible interest due to very low market interest rates.

Management of credit risk

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

Despite this positive situation, the Group has suffered from the bankruptcy of AE&E, resulting in a loss of EUR 909 thousand.

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

The Group does not have significant concentration of credit risk since this risk is distributed over a large number of customers and counterparts around the world. The most important customer is a financially very strong American customer and accounts for 5% of the total trade receivables. When finalizing important contracts, the finance department carries out a credit analysis of the customer based on credit reports obtained from external companies.

According to the financial risk profile of the customer, the Group will decide to cover or not its credit risk. Moreover, the Group takes particular measures for customers located in countries where the risk is significant. As credit risk solutions, the Group can, among others, requests the payment prior to delivery, irrevocable and confirmed (by our banks) letters of credits as well as credit insurance policies covering the residual risks (political, embargo...) and the risks of unfair calls on the bank guarantees.

The following table presents an analysis of the financial receivables of the Group. They include the trade receivables and other receivables of the Group, with the exception of the non-financial receivables like tax assets. The amounts presented in the following table are the gross values of the receivables before any write-off for doubtful receivables.

Monitoring of financial receivables

in EUR '000'	TOTAL	Due over 3 months	Due 2-3 months	Due 1-2 months	Current	Not due
As of 31 December 2010	97 632	8 940	3 083	8 972	44 171	32 465
As of 31 December 2009	83 681	10 627	2 317	6 029	34 929	29 779
As of 31 December 2008	103 801	14 429	3 399	7 506	45 375	33 092

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

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

Provisions for doubtful receivables have evolved, during the years 2010, 2009 and 2008, as follows

in EUR '000'	31/12/10	31/12/09	31/12/08
Balance at beginning of the year	(2 299)	(2 227)	(3 229)
Amounts written off during the year	(1 138)	(629)	(162)
Amounts recovered during the year	49	58	483
Other (forex, transfer,…)	30	499	681
Balance at end of the year	(3 358)	(2 299)	(2 227)
Net impairment on receivable in P&L	(1 090)	(573)	199

Liquidity Risk Management

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

in EUR '000'	31/12/10	31/12/09	31/12/08
Cash and cash equivalents	68 077	83 253	59 089
Total liquidity	68 077	83 253	59 089
Short term financial debt & current portion of long term financial debt	(19 216)	(17 618)	(29 606)
Long term financial debt	(61 737)	(57 447)	(40 252)
Total financial debt	(80 953)	(75 065)	(69 858)
Net liquidity	**(12 876)**	**8 188**	**(10 769)**

The Group has a revolving credit line with its bank pool in order to address possible short term treasury needs (see note 34). The following tables present the contractual due dates of the consolidated liabilities of the Group:

Liquidity Risk Management 31/12/10

in EUR '000'	TOTAL	Due before 6 months	De 6-12 months	Due 1-2 years	Due 2-5 years	Due over 5 years
Bonds and treasury notes	1 000	1 000	-	-	-	-
Loans from banks	74 602	-	12 985	4 282	55 909	1 427
Obligations under finance leases	4 480	406	330	440	1 367	1 937
Other financial liabilities	871	-	411	205	255	-
Trade and other Payables	66 551	64 387	2 080	73	10	-
Derivative financial liabilities	34	-	34	-	-	-
Total	**147 538**	**65 793**	**15 840**	**5 000**	**57 541**	**3 364**

Liquidity Risk Management 31/12/09

in EUR '000'	TOTAL	Due before 6 months	De 6-12 months	Due 1-2 years	Due 2-5 years	Due over 5 years
Bonds and treasury notes	-	-	-	-	-	-
Loans from banks	69 762	-	16 273	5 164	47 956	369
Obligations under finance leases	4 568	487	487	402	992	2 200
Other financial liabilities	735	-	371	47	142	175
Trade and other Payables	56 569	49 989	305	1 284	4 991	-
Instruments financiers dérivés	59	-	59	-	-	-
Total	**131 693**	**50 476**	**17 495**	**6 897**	**54 081**	**2 744**

Liquidity Risk Management 31/12/08

in EUR '000'	TOTAL	Due before 6 months	De 6-12 months	Due 1-2 years	Due 2-5 years	Due over 5 years
Bonds and treasury notes	-	-	-	-	-	-
Loans from banks	66 406	1 808	27 133	9 368	28 097	-
Obligations under finance leases	2 351	263	280	458	678	672
Other financial liabilities	1 101	-	122	188	336	456
Trade and other Payables	51 497	48 937	414	2 136	10	-
Instruments financiers dérivés	1 163	-	1 163	-	-	-
Total	**122 519**	**51 008**	**29 112**	**12 150**	**29 121**	**1 128**

39. GUARANTEES ON THE GROUP'S ASSETS

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

The guaranteed financial assets are principally restricted bank accounts and buildings located in Korea and several guarantees on the assets of our Indian subsidiary Hamon Shriram Cottrell. The Group now consolidates according to the global method, all guarantees provided to this subsidiary (see note 15).

in EUR '000'	31/12/10	31/12/09	31/12/08
Inventories	310	-	-
Intangible assets	-	-	-
Property, plant & equipment	7 753	6 023	979
Financial Assets	15 378	2 654	2 931
Total	**23 441**	**8 678**	**3 910**

In the framework of the new syndicated credit facility signed in December 2009, pledges on the shares held in the main subsidiaries of the Group have been granted to the bank syndicate, as for the previous credit facility (see note 35).

40. FINANCE AND OPERATING LEASE AGREEMENTS

Finance lease agreements

The main finance lease contracts relate to land and buildings in Belgium, France and North America and denominated respectively in Euros and US dollars. During the year 2010, Hamon has concluded additional “sales and lease back” agreements on machinery and equipment for an amount of EUR 649 million and for a length of 5 years.

Less significant leases are in place for vehicles and office equipment.

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

in EUR ‘000’	Minimum lease payments			Present value of minimum lease payments		
	31/12/10	31/12/09	31/12/08	31/12/10	31/12/09	31/12/08
Amounts due for finance leases						
within one year	898	926	641	736	974	543
in the second to fifth years inclusive	2 673	2 699	1 429	2 249	1 394	1 136
after more than 5 years	1 697	1 823	715	1 495	2 200	672
Sub-total	**5 268**	**5 448**	**2 785**	**4 480**	**4 568**	**2 351**
Less: future finance charges	(788)	(880)	(434)	N/A	N/A	N/A
Present value of lease obligations	**4 480**	**4 568**	**2 351**	**4 480**	**4 568**	**2 351**
Less: Amounts due for settlement within one year				(736)	(974)	(543)
Non-current finance leases debts				**3 744**	**3 594**	**1 808**

The average lease term for the obligations on finance lease is 9,1 years. The average interest rate is 6,14%. The fair value of these finance leases is close to its nominal value.

Operating lease agreements

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

in EUR ‘000’	31/12/10	31/12/09	31/12/08
Minimum lease payments under operating leases recognized as an expense during the year	4 551	3 793	3 831
Minimum lease payments due for operating leases			
within one year	4 613	2 914	2 885
in the second to fifth years inclusive	9 747	8 105	8 744
after more than five years	210	211	1 099
Total	**14 570**	**11 230**	**12 728**

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

The increase in commitments compared to last year is mainly explained by:
- the lease of a new building located next to the Group headquarter in Mont-Saint-Guibert for our Belgian Subsidiary Hamon Research Cottrell, representing a commitment of EUR 732 thousand;
- the roll over of a lease contract for the French subsidiary Hamon D'Hondt for a commitment of EUR 1.200 thousand as its finance lease agreement for the building was coming to an end;
- the lease commitments for new Chinese, German and South-African subsidiaries amounting to EUR 1 400;
- the depreciation of the Euro during the past year resulting in an increase of commitments taken in other currencies.

41. COMMITMENTS

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

Some of these commitments require bank guarantees or insurance bonds to be provided by the Group:

in EUR '000'	31/12/10	31/12/09	31/12/08
Documentary credit / SBLC import	3 370	-	-
Bank guarantees	89 291	91 942	69 843
Insurance bonds	39 851	35 843	2 479
Total	**132 512**	**127 786**	**72 328**

The total amount of outstanding bank guarantees is relatively stable as of 31 December 2010 compared to 31 December 2009. The volume of bank guarantees issued is logically closely linked to the Group activity.

The line available for letters of credit and bank guarantees under the syndicated credit line amounts to EUR 200.000 thousand. Moreover, the Group also has at its disposal a "U.S. bonds" line of USD 50.000 thousand.

The Group has also opened documentary credits and SBLC Import in order to improve payment conditions with some of its suppliers (total commitments for EUR 3.370 thousand as of 31 December 2010).

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

in EUR '000'	31/12/10	31/12/09	31/12/08
Commitment of good project execution	482	-	8 685
Comfort letters to banks	3 070	2 110	2 110
Comfort letters to suppliers	4 080	4 080	4 080
Total	**7 632**	**6 190**	**14 876**

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

42. CONTINGENT LIABILITIES

No new significant litigation occurred in 2010.

Bankruptcy of Hamon Research-Cottrell Italia (HRCI)

The General Assembly of HRCI decided to put this company into voluntary liquidation in April 2005. In June 2005, the liquidator filed the books at the commercial court of Milan. An agreement was signed between Hamon and the bankruptcy administrator of HRCI in July 2008.

FBM Hudson Italiana

The Italian company FBM Hudson Italiana Spa, sold by Hamon Group in December 2005, has initiated proceedings against its former directors. That company claimed indemnities for an amount of approximately EUR 14 million for an alleged overstatement of the net assets. Hamon considers this complaint to be unfounded because of the absence of any prejudice for the company and given the fact that the annual accounts of the company had been approved by the shareholders' meeting composed by the new shareholders of the company.

Asbestos

The Group is involved in various proceedings for physical injuries related to asbestos. These litigations relate to 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 compensate the Group for all damages 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 that payouts are probable and where their amount can be reliably estimated.

The Group believes that these complaints will not have globally a significant impact on Hamon's financial situation.

43. RELATED PARTIES

The ultimate mother company of the Group is Sopal International SA. See note 30 for detailed structure of the shareholders of the Group.

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

Details of the transactions between the Company and the other related parties are detailed below:

Income statement as of 31/12/10
in EUR '000'

	Purchases				Revenue			
	of goods	of services	lease of assets	management fees	of goods	of services	royalties	Capital gains
Controlling shareholder and other entities directly and indirectly controlled by the controlling shareholder	51	-	55	94	317	-	-	1 781
Other shareholders with significant influence	-	-	-	19	94	-	452	-
Associate	-	163	-	-	-	21	-	-
Other related parties	-	-	-	-	-	-	-	-

Balance sheet as of 31/12/10
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	-	654	-	893
Other shareholders with significant influence	-	410	-	470
Associates	-	687	119	1 239
Other related parties	-	-	-	-

Income statement as of 31/12/09
in EUR '000'

	Purchases				Revenue			
	of goods	of services	lease of assets	management fees	of goods	of services	royalties	Capital gains
Controlling shareholder and other entities directly and indirectly controlled by the controlling shareholder	99	-	82	75	710	8	-	-
Other shareholders with significant influence	5	-	-	10	50		350	-
Associates	-	36	-	-	-	25	-	-
Other related parties	-	-	-	-	-	-	-	-

Balance sheet as of 31/12/09
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	-	267	-	257
Other shareholders with significant influence	-	677	-	13
Associates	-	118	-	262
Other related parties	-	-	-	-

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

- Gefimco SA;
- Cogim NV;
- Promo Services (Belgium) SA;
- Cofragim;
- AIT;
- BFT – since 1 July 2010.

Relations with related parties mostly include commercial relations (purchase/sale of goods and services, payment of management fees to shareholders, office space rental).

The 2010 income statement include a capital gain of EUR 1.781 thousands made on the sale of BFT to AIT.

The Group has not issued any guarantees or off balance sheet commitments to related parties other than commitments towards associates, as described in note 34. The sales and purchase of goods with those related parties are made under the standard terms and conditions of the Group.

44. MANAGEMENT COMPENSATION

The table below details the remuneration (cumulative and including charges) of the Managing Director and the management team, who should be regarded as the 'key executives' in the sense of the IAS 24 definition (these amounts include the social security charges born by the employer).

in EUR '000'	2010 (3)	2009 (2)	2008 (1)
Short term benefits			
Fixed remuneration	3 477	3 051	3 006
Variable remuneration	2 842	3 150	2 954
Subtotal	**6 319**	**6 201**	**5 960**
Long term benefits	340	361	310
Total	**6 659**	**6 562**	**6 270**

(1) In July 2008, the Executive Committe was reduced to 8 members (retirement of Jean Gilbert); a 9th member joined it in December (René Robert); this corresponded to 8.6 full-time equvalents

(2) Full time quivalent of 8 persons in 2009

(3) Full time quivalent of 8,25 persons in 2010

The total of gross emoluments granted to the non executive directors during the year 2010 amounts to EUR 240 thousand (EUR 238 thousand during the previous year). These emoluments are dependant of the approval of the Annual General Assembly of Shareholders. There was no profit sharing allocation and the Company has not made any loans to the directors. The directors have also not made any special or unusual transactions with the Company.

45. STAFF

Charges and costs of the personnel are presented under note 9.

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

Average headcount per BU	2010	2009	2008
Cooling Systems	547	482	432
Process Heat Exchangers	161	174	170
Air Pollution Control EMEA/Brazil	220	172	112
Air Pollution Control NAFTA	124	147	175
Chimneys	53	56	63
Corporate & Others	116	109	63
Total	**1 221**	**1 140**	**1 015**

The main variations are coming from the following Business Units:

- Cooling Systems, following the increase of our site/field teams in England (+ 13 people), the strong growth of our activities in Asia (mainly in India) and the development of our Dry Cooling team in Europe and China.
- Process Heat Exchangers, due to the disposal of our subsidiary BFT at the end of June 2010.
- Air Pollution Control EMEA/Brazil, as a result of the acquisition of Enviroserv (Germany) and J&C (South Africa) in April and October 2010 (+30 people) and the consolidation of our activity in China for a full year (6 months in 2009).
- Air Pollution Control NAFTA mainly in TTC; consequence of the temporary slow down of our activities in North America.

46. SIGNIFICANT GRANTS AND STATE AIDS RECEIVED

Significant grants and State aids received by the main subsidiaries of the Group in 2010 amounts to EUR 883 thousands. They include:

- Research tax credits (“Crédit d’impôt recherche” - CIR) obtained in 2010 by subsidiaries in France and the United States; included in “income taxes’ in the income statement (note 13).
- A reduction of tax withheld on salaries for two subsidiaries due to their R&D activities, accounted for as a reduction of research & development costs.
- A financial aid from the Walloon Region in the start-up and operating costs (1st year) of a representative office of Hamon & Cie in Bahrain, allowing to reduce general and administrative costs.

47. EVENTS AFTER THE BALANCE SHEET DATE

Nihil

48. AUDITOR’S FEES

For the entire consolidated Group, the fees paid to the auditor and its network (Deloitte) for 2010 amounted to EUR 1 018 212 and are broken down as follows:

	EUR
■ Fees linked to financial statements audit:	820.150
■ Other certication missions:	7.500
■ Legal missions:	4.300
■ Tax assistance missions:	145.861
■ Other assistance:	40.401
	1.018.212

7. Statutory auditor's report on the consolidated financial statements for the year ended 31 December 2010 to the shareholders' meeting

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

We have audited the accompanying consolidated financial statements of Hamon & Cie (International) SA (the "company") and its subsidiaries (jointly the "group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. Those consolidated financial statements comprise the consolidated balance sheet as at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 336.856 (000) EUR and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 11.631 (000) EUR.

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 Réviseurs d'Entreprises/Instituut van de 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 company 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 provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as of 31 December 2010, 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.

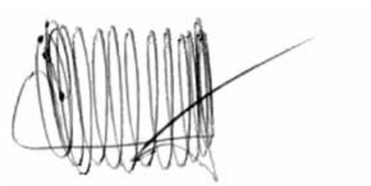
ADDITIONAL COMMENT

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.

Diegem, 1 March 2011
The statutory auditor



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

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

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 a summarized form. The Management Report and statutory accounts of Hamon & Cie (International) S.A., as well as the Audit Report, will be filed at the National Bank of Belgium once approved by the Annual General Meeting of shareholders of 26 April 2011, in accordance with Clauses 98, 100, 101 and 102 of the Companies Code published on 6 August 1999.

These reports are available, on request, at the Company's address:

Rue Emile Francqui 2
1435 Mont-St-Guibert
Belgium.

The Auditor has issued an unqualified opinion on the 2010 annual accounts of Hamon & Cie (International) SA.

in EUR '000'	31/12/10	31/12/09	31/12/08
Fixed assets	**190 266**	**95 131**	**91 173**
I. Formation expenses	2 826	3 931	3 587
II. Intangible assets	1 572	1 163	642
III. Tangible assets	375	517	678
IV. Financial assets	185 493	89 520	86 266
Current assets	**17 716**	**14 291**	**26 061**
VI. Stock and contracts in progress	0	0	3 542
VII. Amounts receivable within one year	17 407	13 546	21 990
VIII. Short term deposits	0	0	0
IX. Cash at bank and in hands	87	498	139
X. Deferred charges and accrued income	222	247	389
Total assets	**207 982**	**109 422**	**117 234**
Equity	**139 465**	**41 263**	**40 209**
I. Capital	2 157	2 157	2 157
II. Share premium account	15 360	15 360	15 360
IV. Reserves	11 569	11 569	11 569
V. Profit carried forward	110 378	12 176	11 122
Provisions and deferred taxes	**0**	**0**	**5**
Amounts payable	**68 517**	**68 159**	**77 020**
VIII. Amounts payable after more than one year	50 657	41 736	30 934
IX. Amounts payable within one year	17 738	26 197	45 644
X. Accrued charges and deferred income	122	226	442
Total liabilities and equity	**207 982**	**109 422**	**117 234**

SUMMARIZED INCOME STATEMENT AS OF 31 DECEMBER

in EUR '000'	2010	2009	2008
I. Operating revenues	**10 278**	**10 720**	**10 742**
A. Turnover	10 264	10 567	10 416
D. Other operating revenues	14	153	326
II. Operating expenses (-)	**11 538**	**10 476**	**9 881**
A. Cost of materials	0	0	522
B. Services and other goods	5 438	4 873	4 515
C. Remuneration, social security and pension costs	4 202	3 525	3 138
D. Depreciation and amortization	1 680	1 972	1 578
F. Increase (decrease) in provisions for liabilities & charges	0	(5)	(13)
G. Other operating expenses	218	111	141
III. Operating income	**(1 260)**	**244**	**861**
IV. Financial income	24 534	11 587	16 779
V. Financial expenses	(5 687)	(6 266)	(7 487)
VI. Net operating income before taxes	**17 587**	**5 565**	**10 153**
VII. Extraordinary income	87 905	2 900	4 929
VIII. Extraordinary expenses	(2 975)	(3 095)	(139)
IX. Net income before taxes	**102 517**	**5 370**	**15 221**
X. Income taxes	0	0	(0)
XI. Net income	**102 517**	**5 370**	**15 221**

ANNEXURES

Key performance indicators (Health & Safety and Environment)

Health and safety

For the first time, this issue of our annual report contains information on the frequency and severity of accidents, etc. In the absence of previous references, we have set out the parameters according to the geographical zones. The members of staff of the companies in the perimeter under examination (see Report parameters at the end of this annual report) are the same as those accounted for in the breakdown of staff numbers (see Staff section).

Frequency rates of occupational accidents by region in 2010 (no. accidents / million working hours)

In 2010, there was a total of 22 occupational accidents in the 17 subsidiaries examined, none of which were fatal. The high incidence rates in Europe and Africa were due to the fact that the subsidiaries examined are responsible for more industrial and worksite activities, where there is more risk of accidents.
The frequency rates of occupational accidents in 2010 were as follows:

- Europe: 17,8
- USA: 12,3
- Asia: 1,3
- Africa: 31,0
- Group average: 11,0

Rate of severity of occupational accidents by region in 2010 (no. days lost / thousand working hours)

The rates of severity of occupational accidents by region in 2010 were as follows:

- Europe: 0,31
- USA: 0
- Asia: 0
- Africa: 0
- Group average: 0,10

In total, 209 days of work were lost because of occupational accidents. The high figure in Europe is due, among other things, to one accident which involved 114 days of leave.

Rate of occupational illness by region in 2010 (no. days lost / thousand working hours)

The rates of occupational illnesses by region in 2010 were as follows:
- Europe: 0,73
- USA: 0
- Asia: 0
- Africa: 0
- Group average: 0,25

In total, 493 days of work were lost because of occupational illnesses, in our factory in the north of France. This is mainly due to the fact that some illnesses, such as muscular pains, are considered to be occupational illnesses, which would not necessarily be the case in other countries.

Number of days of work lost due to occupational accidents and illnesses in 2010

The number of days of work lost due to occupational accidents and illnesses in 2010 was as follows:
- Europe: 700
- USA: 1
- Asia: 1
- Africa: 0

In total, 702 days of work were lost because of occupational accidents and illnesses, the majority of which were in our European factories.

Rate of absenteeism in 2010

The rates of absenteeism in 2010 were:
- Europe: 5,7%
- USA: 1,6%
- Asia: 0%
- Africa: 0,8%
- Group average: 3,1%

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

In addition to the days lost due to occupational accidents and illnesses, 6 156 working days were lost due to other illnesses. The majority of these days (5 434) were lost in the European subsidiaries examined, due among others to several people on long-term sick leave.

The figure stands at zero in the Asian subsidiaries examined as the staff holidays include a certain quota for potential sick leave. Providing that this quota is not exceeded, the sick days are not included in the statistics, which means that the figures are not always comparable from one region to another.
We intend to improve the study of the causes of these accidents, illnesses, and absences and to take the necessary measures to reduce them.

Environment

As a first step, we decided to measure some of the parameters, which we consider to be the most pertinent for the seven (out of eight) factories and workshops of the Group that we analyzed (see the section Report parameters).

Direct energy consumption by source and electricity consumption in 2010

Energy consumption in 2010 was as follows:
- Electricity: 32 035 GJ/yr
- Natural gas: 15 653 GJ/yr
- Oil: 436 GJ/yr
- Propane: 146 GJ/yr
- Total: 48 270 GJ/yr

This energy was mainly used in our production processes: thermoforming of exchange surfaces and extruding of certain compounds for our cooling systems, etc.

Total volume of water extracted by source in 2010

The total volume of water extracted by source in 2010 was as follows:
- City water: 14 207 m^3
- Other sources: 0 m^3

Water is mainly used for purposes related to personal use; in some cases, water is also used to cool production machines.

At a later date, we aim to:
- Undertake a more in-depth analysis of consumption levels, to establish ratios for the volume of activity.
- Establish an internal benchmarking system to bring the performance levels of the less efficient sites in line with those of the better performing sites.
- Extend the list of performance indicators and the list of entities analyzed to include the main offices.

Report parameters

For the first year, our annual report contains a section on Corporate Social Responsibility, including some key performance indicators recommended by the G3 directives of the GRI. This section provides more information on which basis this work was carried out.

Scope and frequency of the report

This annual report covers the 2010 fiscal year, namely the period from 1 January to 31 December 2010. By way of comparison, many of the tables provide the information for the previous fiscal year. This report is published on an annual basis. The previous report published was the 2009 annual report. Hamon's recent annual reports are available on our website, see www.hamon.com.

Perimeter

For the section on Corporate Social Responsibility, the majority of the key indicators cover the Group's 19 main subsidiaries (based on the number of staff), taken at 100% and over the twelve months of the 2010 fiscal year. Together, these 19 subsidiaries represent 82% of the average workforce within the Group in 2010.
In the section on Environmental Responsibilities we cover the subsidiaries with the greatest impact on the environment, namely those with a factory or a workshop.
Seven factories and workshops are included, which is all those belonging to the Group with the exception of ACS in Belgium. It was not possible to source information from this subsidiary as it is undergoing some restructuring.
For more information, see the table below detailing the subsidiaries examined for each key indicator in the Corporate Social Responsibility section.
For financial information, see the list of consolidated entities in note 5 of the financial section.

Subsidiary included in the perimeter (CSR)	Country	Kind	Hours of training	Injury frequency rate	Injury gravity rate	Disease gravity rate	No of days lost	Absenteeism rate	Energy consumption (1)	Water consumption (1)	Ethics
Hamon & Cie (International) SA	Belgium	Offices	x	x	x	x	x	x			x
Hamon Custodis Inc.	USA	Offices	x	x	x	x	x	x			x
Hamon DGE (Shanghai) Co. Ltd	China	Offices	x	x	x	x	x	x			x
Hamon D'Hondt SA	France	Plant	x	x	x	x	x	x	x	x	x
Hamon Environmental GmbH	Germany	Offices	x	x	x	x	x	x			x
Hamon Enviroserv GmbH	Germany	Offices	x	x	x	x	x	x			x
Hamon J&C Engineering Pty Ltd	South Africa	Workshop	x	x	x	x	x	x	x	x	x
Hamon Research-Cottrell SA	Belgium	Offices	x	x	x	x	x	x			x
Hamon Research-Cottrell do Brasil	Brazil	Offices									x
Hamon Research-Cottrell Inc.	USA	Offices	x	x	x	x	x	x			x
Hamon (South Africa) (Pty) Ltd	South Africa	Offices	x	x	x	x	x	x			x
Hamon Thermal Europe SA	Belgium	Offices	x	x	x	x	x	x			x
Hamon Thermal Europe (France) SA	France	Offices + plant	x	x	x	x	x	x	x	x	x
Hamon Thermal Germany GmbH	Germany	Offices	x	x	x	x	x	x			x
Hamon Shriram Cottrell PVT Ltd	India	Offices + plant	x	x	x	x	x	x	x	x	x
Hamon Thermal & Environmental Technology (Jiaxing) Co. Ltd	China	Plant	x	x	x	x	x	x	x	x	x
Hamon UK Ltd	Great-Britain	Offices									x
TS Filtration (Shanghai) Co. Ltd	China	Workshop	x	x	x	x	x	x	x	x	x
Thermal Transfer Corporation	USA	Plant	x	x	x	x	x	x	x	x	x

x = included in the analyzed perimeter

(1) Plants and workshops only

Changes to the scope of the report

Compared to the previous fiscal year, there were some changes to the scope of financial consolidation in the report (see notes 5 and15 of the financial section). As the impact of these changes is limited, we do not have "pro forma" accounts for the previous fiscal years based on the same perimeter of consolidation as in 2010. It should also be pointed out that some entities which entered into or left the consolidation perimeter in 2010 are consolidated for only a part of the fiscal year 2010. For the entities added to the consolidation perimeter in 2010, their impact is detailed in note 15. Changes of scope.

Compilation of the report

The content of the report is based on:

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

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

Information on the key performance indicators

Total number of staff by job type

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

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

For the four key indicators which follow, see the perimeter used for each in the table provided earlier in this section.

Rate of frequency of occupational accidents by region in 2010 (no. accidents / million working hours)

The rate frequency is the ratio between:

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

Rate of severity of occupational accidents by region in 2010 (no. days lost / thousand working hours)

The rate of severity is the ratio between:

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

The number of days lost are working days (not calendar days).

The starting point for the calculation is the day of the sickness or occupational accident, except in some Asian subsidiaries where the starting point is the day that exceeds the annual quota for the sick leave (and holiday). If a person has already been on sick leave, it is the number of days already accrued for illness which is taken into account. The annual quota depends on each of the subsidiaries. This also applies to the two key indicators below.

Rate of occupational illness by region in 2010 (no. days lost / thousand working hours)

The rate is the ratio between:

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

Rate of absenteeism in 2010

This rate is the ratio between:

- The number of working days lost due to occupational accidents, occupational illnesses and other illnesses (flu, etc.) or unexplained absences; planned leaves such as holiday and statutory leave are not included.
- The theoretical number of working days aside from statutory leave and holiday.

Other key indicators

As the other key indicators used are more familiar, a short definition is given below only if necessary:

- Direct economic value created and distributed: this includes the turnover, the gross margin, labor costs, financial fees paid to banks, paid taxes, dividends paid out to shareholders, retained profits, donations.
- Provisions for pensions with defined benefit plans: see detailed explanation in note 32 of the financial section, which covers this key indicator.
- Significant grants and public funding received.

- Local recruitment practices and proportion of managers hired locally.
- Direct energy consumption by primary energy source.
- Total volume of water extracted, by source.
- Initiatives to reduce the environmental impact of products and services.
- Average number of hours of training per year.
- Activities identified as presenting a significant risk of accidents involving children and the measures taken.
- Total number of lawsuits related to anti-competitive behavior, violations of antitrust laws and monopolistic practices; results.

GRI correspondence grid

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

Ref.	Indicator	Reported	Page
	PART I - PROFILE DISCLOSURE		
1	**Strategy and analysis**		
1.1	Statement from the most senior decision-maker of the organization	Fully	8 to 11
2	**Organizational profile**		
2.1	Name of the organization	Fully	60
2.2	Primary brands, products, and/or services	Fully	42 to 51
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	Fully	12-13; 70
2.4	Location of organization's headquarters	Fully	60
2.5	Number and names of countries where the organization operates	Fully	12-13; 70
2.6	Nature of ownership and legal form	Fully	60; 89
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	Fully	12-13; 74
2.8	Scale of the reporting organization	Fully	7; 17-18
2.9	Significant changes during the reporting period regarding size, structure, or ownership	Fully	36 to 39
2.10	Awards received in the reporting period	Fully	18
3	**Report parameters**		
3.1	Reporting period for information provided	Fully	60; 116
3.2	Date of most recent previous report	Fully	116
3.3	Reporting cycle	Fully	116
3.4	Contact point for questions regarding the report or its contents	Fully	121
3.5	Process for defining report content	Fully	117
3.6	Boundary of the report	Fully	116; 70
3.7	State any specific limitations on the scope or boundary of the report	Fully	116-117
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	Fully	62
3.10	Explanation of the effect of any re-statements of information provided in earlier reports	Fully	117

Ref.	Indicator	Reported	Page
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Fully	79
3.12	Table identifying the location of the Standard Disclosures in the report	Fully	118-119
4	**Governance, commitments, and engagement**		
4.1	Governance structure of the organization	Fully	22 to 29
4.2	Indicate whether the Chairman of the highest governance body is also an executive officer	Fully	24
4.3	Number of members of the board of directors who are independent and/or non-executive members.	Fully	24
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Fully	35
4.14	List of stakeholder groups engaged by the organization	Fully	33 to 35
4.15	Basis for identification and selection of stakeholders with whom to engage dialogue	Partly	33 to 35
	PART III - PERFORMANCE INDICATORS		
	Economic indicators		
EC 1	Direct economic value generated and distributed	Fully	54 to 113; 20
EC 3	Coverage of the organization's defined benefit plan obligations	Fully	90 to 93
EC 4	Significant financial assistance received from government	Fully	109
EC 7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	Fully	18
	Environmental indicators		
EN 3	Direct energy consumption by primary energy source (+ indirect power consumption)	Fully	115
EN 8	Total water withdrawal by source	Fully	115
EN 26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Fully	21
	Social - Labor Practices and Decent Work		
LA 1	Total workforce by employment type, employment contract, and region	Fully	17-18
LA 7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	Fully	114-115
LA 10	Average hours of training per year per employee	Fully	18
	Social - Human rights		
HR 6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	Fully	19
	Social - Society		
SO 7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	Fully	Nihil

Section 4.15 is partly reported because Hamon has not established yet a formal process to select its key stakeholders and launch discussions with them (e.g. via discussion panels). Hamon has just identified the key stakeholders which seem the most important as groups.

For section S 07: there has been no legal action against Hamon for anti-competitive behavior, anti-trust or monopoly practices in 2010.

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

Glossary

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

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

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

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

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

Dry cooling system or air 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 non-recurring costs.

EBITDA:
Earnings before interest, taxes, depreciation and amortization.

EMEA:
Europe, Middle East and Africa.

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

FRP:
Fiberglass-Reinforced Polyester, used for example for exhaust gas ducts in chimneys.

GRI:
Global Reporting Initiative: international body whose mission (at worldwide level) is to provide to organizations of any size, any place and any area a reliable, credible and standardized framework for their reporting in sustainable development.

Group or Hamon Group:
The name for Hamon and its subsidiaries in the sense of the Company Code, article 6, 2°.

Hamon:
The name of the limited company (under Belgian law) Hamon & Cie (International) SA, with its head office at Axis Parc, rue Emile Francqui 2, 1435 Mont-St-Guibert, Belgium.

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

NAFTA:
North American Free Trade Agreement = territory regrouping the United States of America, Canada and Mexico.

North America:
The territory regrouping the United States 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

Hamon & Cie (International) S.A.
Axisparc, Rue Emile Francqui 2
B-1435 Mont-Saint-Guibert, Belgium
Telephone: + 32 10 39.04.00
Fax: + 32 10 39.04.01
E-mail: corporate@hamon.com
Website: www.hamon.com
VAT: BE 402.960.467
Company number: 0402.960.467

Relations with investors and financial communication
Bernard Van Diest, Group Financial Director
Telephone: + 32 10 39.04.22
Fax: + 32 10 39.04.16
E-mail bernard.vandiest@hamon.com

Any comment on this annual report ?
Please send them to Sebastien van Ypersele
Email: sebastien.vanypersele@hamon.com

Responsible editors
Francis Lambilliotte - Bernard Van Diest

Ce rapport annuel est également disponible en français.

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HAMON Rue Emile Francqui 2 B-1435 Mont-St-Guibert, Belgium T+ 32 10 39 04 00 F+ 32 10 39 04 01 corporate@hamon.com