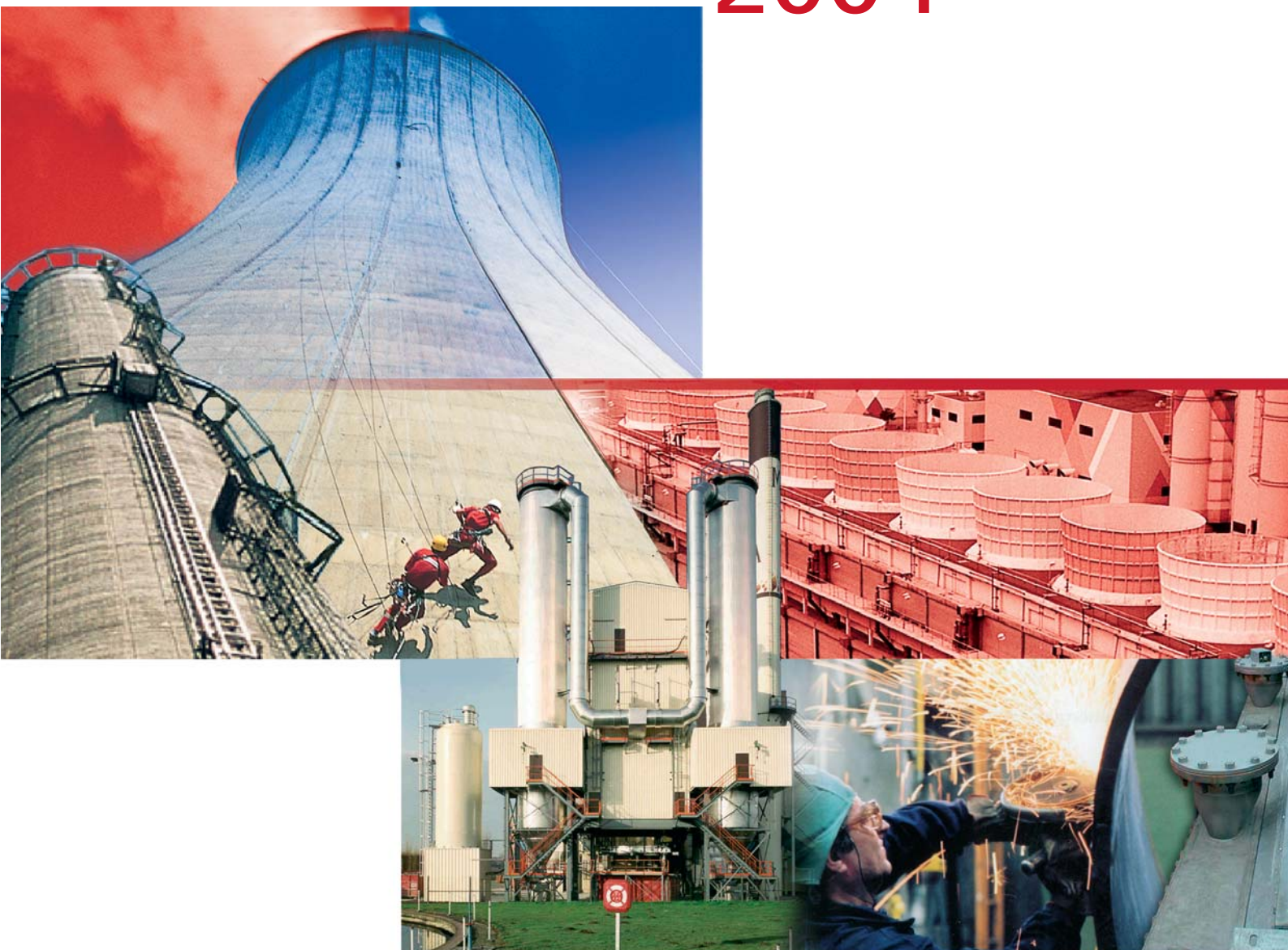


# HAMON

FINANCIAL REPORT **2004**



# Financial Report 2004

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## Consolidated balance sheet as of 31 December

*assets in EUR thousands*

Footnotes	2004	2003	2002
<b>Fixed assets</b>	<b>66 228</b>	<b>94 563</b>	<b>119 049</b>
VII I. Formation expenses	11 527	13 924	10 523
VIII II. Intangible assets	4 662	11 944	17 454
XII III. Consolidated goodwill	14 836	16 815	29 084
IX IV. Tangible assets	21 229	46 990	57 953
1. Land and buildings	5 160	11 407	18 946
2. Plant, machinery and equipment	6 765	21 599	24 607
3. Furniture and vehicles	1 178	1 944	3 484
4. Leasing and other similar rights	7 495	7 966	8 770
5. Other tangible assets	213	3 704	183
6. Assets under construction and advance payments	418	370	1 963
X V. Financial assets	13 974	4 890	4 035
A. Companies consolidated under equity method			
1. Shares	229	69	557
2. Amounts receivable	69	123	134
B. Other companies			
1. Participating interests and shares	12 846	3 714	2 268
2. Amounts receivable	830	984	1 076
<b>Current assets</b>	<b>146 698</b>	<b>268 321</b>	<b>495 235</b>
VI. Amounts receivable after one year	6 623	8 475	2 914
A. Trade receivables	567	1 768	1 678
B. Other receivables	6 056	6 707	1 236
VII. Stocks and contracts in progress	64 519	103 364	279 156
A. Stocks	5 402	44 778	71 005
B. Contracts in progress	59 117	58 586	208 151
VIII. Amounts receivable within one year	62 200	119 941	183 268
A. Trade receivables	51 125	97 854	150 719
B. Other receivables	11 075	22 087	32 549
IX. Investments	6 000	5 984	4 214
A. Own shares	0		2
B. Other investments and deposits	6 000	5 984	4 212
X. Cash at bank and in hands	5 868	27 469	19 569
XI. Deferred charges and accrued income	1 488	3 088	6 114
<b>TOTAL ASSETS</b>	<b>212 926</b>	<b>362 884</b>	<b>614 284</b>

## Consolidated balance sheet as of 31 December

### *Liabilities in EUR thousands*

Footnotes	2004	2003	2002
<b>Equity</b>	<b>(11 282)</b>	<b>8 911</b>	<b>22 636</b>
I. Capital	43 700	43 700	43 700
A. Issued capital	43 700	43 700	43 700
III. Revaluation surpluses	896	1 752	0
XI IV. Consolidated reserves	(51 153)	(32 411)	(20 443)
VI. Translation differences	(6 049)	(4 962)	(1 419)
VII. Investment grants	1 324	832	798
VIII. Minority interests	79	632	990
IX. Provisions, deferred taxes & contingent liabilities	11 645	24 639	33 451
A. Provisions for liabilities and charges	11 645	22 727	32 452
1. Pensions and similar obligations	1 798	8 236	22 566
2. Taxes	505	503	154
3. Major repairs and maintenance	113	109	0
4. Other liabilities and charges	9 229	13 879	9 732
B. Deferred taxes and contingent liabilities	0	1 912	999
XIII X. Amounts payable after one year	11 026	17 568	26 943
A. Financial debt			
1. Subordinated loans	6 250	5 000	5 000
2. Leasing and other similar rights	4 058	4 765	6 190
3. Credit institutions	269	6 250	10 443
4. Other loans	58	800	572
B. Trade payable	19	25	33
C. Advances received on contracts in progress	26	0	0
D. Other debts	346	728	4 705
XIII XI. Amounts payable within one year	200 406	308 299	525 432
A. Current portion of amounts payable after one year	1 438	2 581	5 815
B. Financial debt			
1. Credit institutions	71 486	110 409	130 615
2. Other loans	2 413	3 193	2 624
C. Trade payable			
1. Suppliers	44 407	99 313	152 589
2. Bills of exchange payable	2 675	1 274	13 527
D. Advances received on contracts in progress	59 064	59 619	190 897
E. Taxes, remunerations and social security			
1. Taxes	6 801	12 642	9 523
2. Remunerations and social security	9 288	14 805	15 450
F. Other debts	2 834	4 463	4 392
XII. Accrued charges and deferred income	1 052	2 835	4 832
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>212 926</b>	<b>362 884</b>	<b>614 284</b>

## Consolidated income statement as of 31 December in EUR thousands

Footnotes	2004	2003	2002
<b>I. Operating revenues</b>	<b>213 117</b>	<b>394 312</b>	<b>625 959</b>
XIV A. Turnover	193 390	498 426	592 207
B. Increase (decrease) in contracts in progress	14 317	(111 306)	22 126
C. Own work capitalised	381	3 372	4 642
D. Other operating revenues	5 029	3 820	6 984
<b>II. Operating expenses (-)</b>	<b>211 651</b>	<b>414 001</b>	<b>619 778</b>
A. Cost of materials			
1. Purchases	132 860	241 230	379 008
2. Increase (decrease) in stocks	1 377	(2 028)	1 361
B. Services and other goods	24 265	52 972	74 361
XIV,B C. Remuneration, social security and pension costs	47 526	100 678	145 469
D. Depreciation and write-offs of fixed assets	7 787	13 516	14 754
E. Increase (decrease) in amounts written off on stocks, contracts in progress and trade receivable	593	2 261	(5)
F. Increase (decrease) in provisions for liabilities and charges	(5 285)	(1 305)	(533)
G. Other operating expenses	3 211	7 875	5 917
H. Operating expenses capitalised as restructuring costs	(683)	(1 198)	(554)
<b>Operating income before goodwill amortisation</b>	<b>1 466</b>	<b>(19 689)</b>	<b>6 181</b>
I. Amortisation of consolidation goodwill	(1 233)	(1 293)	(2 357)
<b>III. Operating income</b>	<b>233</b>	<b>(20 982)</b>	<b>3 824</b>
<b>IV. Financial income</b>	<b>2 341</b>	<b>7 698</b>	<b>5 455</b>
A. Income from financial fixed assets	77	816	332
B. Income from current assets	120	79	443
C. Other financial income	2 144	6 803	4 680
<b>V. Financial expenses (-)</b>	<b>8 790</b>	<b>20 168</b>	<b>19 969</b>
A. Interest and other debt expenses	5 299	10 109	11 916
C. Increase (decrease) in amounts written off current assets other than II. E	0	4	0
D. Other financial expenses	3 491	10 055	8 053
<b>VI. Net operating income before taxes</b>	<b>(6 216)</b>	<b>(33 452)</b>	<b>(10 690)</b>

Footnotes	2004	2003	2002
<b>VII. Extraordinary income</b>	<b>1 720</b>	<b>51 186</b>	<b>4 582</b>
A. Depreciation write-backs	61	0	14
C. Adjustments to amounts written off financial fixed assets	145	0	0
D. Adjustments to provisions for extraordinary liabilities and charges	0	86	203
E. Gain on disposal of fixed assets	159	41 228	3 686
F. Other extraordinary income	1 355	9 872	679
<b>VIII. Extraordinary expenses (-)</b>	<b>11 861</b>	<b>29 068</b>	<b>19 350</b>
A. Extraordinary depreciation and write-offs of fixed assets	-	0	246
B. Extraordinary amounts written off on goodwill	648	0	2 692
C. Amounts written off financial fixed assets	4 690	7 937	190
D. Provisions for extraordinary liabilities and charges	(5 192)	8 893	1 480
E. Loss on disposal of fixed assets	190	1 335	58
F. Other extraordinary expenses	12 568	17 879	14 684
G. Extraordinary expenses, capitalised as restructuring costs	(1 043)	(6 976)	0
<b>IX. Net income before taxes</b>	<b>(16 357)</b>	<b>(11 334)</b>	<b>(25 458)</b>
<b>X. Deferred taxes</b>	<b>282</b>	<b>51</b>	<b>892</b>
<b>XI. Income taxes</b>	<b>988</b>	<b>1 174</b>	<b>790</b>
A. Current taxes (+) (-)	990	1 174	947
B. Adjustments to income taxes	(2)	0	(157)
<b>XII. Net consolidated income for the year</b>	<b>(17 063)</b>	<b>(12 457)</b>	<b>(25 356)</b>
<b>XIII. Income of non consolidated companies</b>	<b>(3 442)</b>	<b>70</b>	<b>(1 035)</b>
<b>XIV. Net income</b>	<b>(20 505)</b>	<b>(12 387)</b>	<b>(26 391)</b>
A. Share of minority interests	(1)	(349)	(7)
B. Share of the Group	(20 504)	(12 038)	(26 384)

## Cash flow statement as of 31 December in EUR thousands

	2004	2003	2002
I. Operating cash flow before net working capital changes	7 222	(10 627)	20 486
A. Operating result	232	(20 982)	3 824
B. Depreciation and amortisation	9 020	14 809	20 035
C. Operating expenses capitalised	(683)	(1 198)	0
D. Other financial income (expenses)	(1 347)	(3 256)	(3 373)
II. Changes in net working capital, net of acquisitions effect	(4 881)	38 100	27 418
A. Decrease (increase) in stocks	(226)	23 399	(20 300)
B. Decrease (increase) in contracts in progress	4 709	15 872	25 525
C. Decrease (increase) in trade and other receivables	15 454	38 408	15 034
D. Increase (decrease) in trade and other payables	(20 735)	(38 297)	9 517
E. Increase (decrease) in provisions	(4 083)	(1 282)	(2 358)
III. Cash flow generated from operations	2 341	27 473	47 904
IV. Cash flow used by operations	(6 203)	(9 424)	(11 971)
A. Income taxes	(1 101)	(210)	(830)
B. Interests paid	(5 299)	(10 109)	(11 916)
C. Interests received	197	895	775
V. Cash flow before extraordinary items	(3 862)	18 049	35 933
VI. Extraordinary items	(11 213)	(8 007)	(14 005)
VII. Net cash flow from operating activities	(15 075)	10 042	21 928
VIII. Cash flow from investing & divesting activities	(558)	27 734	(7 740)
A. Capital expenditure	(3 227)	(10 369)	(16 592)
B. Proceeds from sale of fixed assets	2 669	38 103	8 852
C. Acquisition of subsidiaries (excl. cash)	0	0	0
IX. Cash flow from financing activities	(2 558)	(28 104)	(11 866)
A. Capital increase	0	0	0
B. Dividend	0	0	0
C. Translation differences	(564)	121	(1 188)
D. Proceeds from investment grants	492	34	(11)
E. Proceeds from subordinated loan	1 250	0	5 000
F. Proceeds from long term borrowings	(1 503)	(8 624)	(957)
G. Proceeds from short term borrowings	(2 234)	(19 637)	(14 710)
H. Own share acquisition	0	2	0
X. Net increase (decrease) in cash & cash equivalent	(18 191)	9 672	2 322
XI. Cash and cash equivalent at the beginning of the period*	30 059	23 781	21 459
XII. Cash and cash equivalent at the end of the period	11 868	33 453	23 781

\* based on pro forma excluding FBM and HRCI beginning 2004

# Comments on the consolidated financial statements

*The 2004 consolidated Balance Sheet, Income Statement and Cash Flow statement call for the following comments (the comparisons are with the figures published in 2003).*

## I. Balance Sheet

### Formation Expenses

The Formation Expenses item essentially includes the reorganisation costs, the expenses of our subsidiary companies' capital increases and the reorganisation costs of 2001 to 2003, the impact of which being felt mainly in the major subsidiary companies of the Cooling Systems activity.

No significant movement was recorded during the fiscal year (FY) 2004. The main part of the costs envisaged for the reorganisation plans started at the beginning of the year were enacted in the 2003 accounts.

### Intangible Fixed Assets

The Intangible Fixed Assets item includes the undepreciated costs of creating new industrial products and processes, acquiring patents and licences, and developing IT tools.

The strong reduction recorded in FY 2004 (down by EUR 11.9 million to EUR 4.7 million) came primarily from the deconsolidation of the Italian subsidiary companies (EUR 3.8 million), the disposal of AIT in France (EUR 1.9 million) and from a 2004 depreciation higher than the new investments.

### Consolidation Goodwill

Apart from the absorption of some extraordinary depreciation in HRCI's consolidation goodwill and the normal depreciation, the "Consolidation Goodwill" item remained stable.

### Tangible Fixed Assets

The "Tangible Fixed Assets" item decreased significantly, following the deconsolidation of Italy (EUR 24.3 million of which EUR 21.9 million for FBM, which has a large pool of industrial buildings and machines). Furthermore, the Group strongly limited its investments in 2004.

### Financial Assets

The "Financial Assets" item increased significantly, following the deconsolidation of FBM.

### Net Working Capital

The net working capital decreased by EUR 18 million versus end of 2003:

- > Reduction of receivables by EUR 60 million
- > Reduction of Stocks & Contracts In Progress by EUR 39 million
- > Reduction of trade payables by EUR 54 million
- > Advance Payments remained stable: Hamon has succeeded in obtaining more favourable terms of payment (with equal perimeters)
- > Reduction of Taxes, remuneration and social security debts by EUR 11 million
- > Reduction of Provisions and deferred taxes by EUR 13 million.

These variations were mainly due to the departure of FBM and Hamon Research Cottrell Italy from the consolidated companies' perimeter.

### Short term Investments and Cash at Bank and in Hand

This item posted a significant fall: from EUR 33.5 million at the end of 2003 to EUR 11.9 million at the end of 2004. This item included at the end of 2003 the proceeds of the disposal of part of the "Cooling" activities, which was used in 2004 for:

- > Financing the variation in the net working capital
- > Financing the reorganisation plans
- > A return to a better management of supplier payment terms
- > A partial repayment of the Group's credit lines, as agreed during the December 2003 disposal.

### Financial Debts

The debt to credit institutions decreased by approximately EUR 45 million (but only EUR 1.5 with identical perimeters). The net financial debt (= financial debt excluding the subordinated loans minus short term investments and cash) decreased by EUR 27 million.

This debt reduction resulted mainly from:

- > The deconsolidation of the Italian subsidiary companies (EUR -43.4 million)
- > A partial repayment of the Group's credit lines, as agreed during the December disposal.

### Provisions

Provisions for Liabilities & Charges decreased by EUR 11.1 million. This reduction was mainly due to the deconsolidation of the Italian subsidiary companies (EUR 7.9 million of provisions at the end of 2003) and to the use of most of the reorganisation provisions recorded in the accounts of the preceding financial

year. In addition, the provisions include EUR 4 million which represent the negative share of the equity of Hamon Research Cottrell Italy following its adoption of the equity method.

### Equity

Equity went from EUR 8.9 million in 2003 (excluding third parties) to EUR -11.3 million in 2004.

This reduction was mainly due to:

- > The loss of EUR 20.5 million (Group share of the consolidated result, impacting the consolidated reserves);
- > The variation of translation differences of EUR 1.1 million, mainly due to the effect of the exchange rate of the American dollar.

Subscribed Capital remained unchanged at EUR 43.7 million.

## II. Income Statement .....

The Operating Revenues amount to EUR 213 million in 2004, down 46% in relation to 2003 (but up 3% with an identical perimeter).

The sales of all of the Business Units (BU) of Hamon's core business were stable or rising: The Cooling Systems BU saw its sales increasing by EUR 12 million (+18%) and the U.S. Air Pollution Control BU saw its sales increasing slightly (+2%) despite the new fall of the dollar (-9% versus 2003).

The reduction of the operating revenues therefore came exclusively from the deconsolidation of the Italian subsidiary companies (EUR 122 million for the year 2003) and from the impact of the sale, at the end of 2003, of part of the Cooling activities (EUR 70 million for the year 2003).

The operating profit excluding depreciation (EBITDA) amounted to EUR 9.3 million in 2004, against EUR -6.2 million in 2003 (EUR -13.5 million with identical perimeters). This significant recovery was due in particular to:

- > The strong reduction of operating expenses following the various reorganisation plans started at the beginning of 2004.
- > A better performance of all of the BU's and, in particular, the US Air Pollution Control BU, up EUR 11.9 million versus the preceding year, despite an unfavourable US dollar exchange rate trend.

Depreciation was significantly lower, from EUR 13.5 million in 2003 to EUR 7.8 million in 2004; that was mainly due to the deconsolidation of the Italian

companies (EUR 4.2 million in 2003) and to the end of depreciation on Formation Expenses activated before 2000.

The Net operating income before taxes amounted to EUR -6.2 million in 2004, versus EUR -33.5 million in 2003.

The Extraordinary Result amounted to EUR -10.1 million and came primarily from expenses incurred on discontinued activities and write-down of credits to the deconsolidated Italian companies.

The Group share of the net result amounted to a loss of EUR 20.5 million, against a loss of EUR 12.0 million in 2003 (EUR 54.1 million with identical perimeters).

## III. Cash flow statement .....

The operating cash flow before net working capital changes was positive in 2004 (EUR +7 million, against EUR -11 million in 2003). This improvement illustrates the improvement of the Group's profitability.

Compared to the pro forma at the end of 2003, the net working capital increased by EUR 5 million in 2004, thanks to the more normal supplier payment terms and to the slight increase in the volume of activity.

The sum of these two elements gave a positive cash flow generated from the operations (EUR +2 million), from which the cash flow used by the operations then has to be deducted: EUR 6 million for taxes and net interest.

The cash flow was negatively impacted by extraordinary items (EUR -11 million), mainly due to the major reorganisation expenses.

The net cash flow coming from the investment and disinvestment activities was weak (EUR -0.6 million).

All of these cash flows, namely EUR -16 million, were financed by the increase in the subordinated loan (EUR 1.25 million) and by the cash accumulated at the end of 2003 following the sale of assets in December 2003.

## Consolidation criteria and perimeter as of 31 December 2004

### *List of consolidated companies*

The consolidated financial statements include the financial statements of all the subsidiary companies of significance and which the Group directly or indirectly controls; these are included in the Group accounts by the full integration method.

The associated companies over which Hamon & Cie (International) S.A. has notable direct or indirect influence are included in the group accounts by the equity method.

All of the transactions carried out between companies as well as the intra-Group accounts have been eliminated in the consolidated financial statements.

Companies	VAT number	Country	% Group interest
<b>A) Affiliates consolidated by full consolidation method</b>			
Hamon & Cie (International) S.A.	BE 402 960 467	Belgium	Parent company
Hamon Thermal Europe S.A.	BE 425 256 215	Belgium	100 %
Hamon Research-Cottrell S.A.	BE 401 881 292	Belgium	99.95 %
Compagnie Financière Hamon S.A.	FR 87 562 079 038	France	99.10 %
Hamon Thermal Europe (France) S.A.	FR 19 331 693 507	France	99.10 %
Comelec S.A.R.L.		France	99.10 %
Hamon D'Hondt S.A.	FR 28 602 014 565	France	99.10 %
Biraghi S.A.	FR 78 333 107 948	France	99.10 %
Brown Fintube France S.A.	FR 45 796 680 023	France	99.10 %
Hamon Environmental S.A.R.L.	FR 47 818 005 023	France	99.95 %
Hacom Energiesparsysteme GmbH	DE 124 081 186	Germany	100 %
Hamon Thermal Germany GmbH	DE 811 173 195	Germany	100 %
Hamon Polska Sp.Zo.O	PL 677 204 1982	Poland	99.10 %
Hamon UK Ltd.	GB 241 182 102	Great-Britain	100 %
Hamon Dry Cooling Ltd	GB 552 006 285	Great-Britain	100 %
Hamon (Nederland) B.V.	NL 83 60 248/B01	the Netherlands	100 %
Heat Transfer Ré Services S.A.		Luxembourg	100 %
Hamon Corporation Inc.		United States	100 %
Hamon Cooling Towers Inc.		United States	100 %
American Tower Plastics Inc.		United States	100 %
Hamon Custodis Inc. <sup>1</sup>		United States	100 %
Hamon Research-Cottrell Inc.		United States	100 %
Thermal Transfer Corporation		United States	100 %
Hamon Power Services Inc.		United States	100 %
Hamon Australia Pty Ltd.		Australia	100 %
Hamon (South Africa) Pty Ltd.		South Africa	100 %
Hamon Korea Co Ltd.		Korea	89.73 %
Hamon Korea Youngnam Ltd.		Korea	45.76 %
Hamon - B.Grimm Ltd.		Thailand	49.20 %
Hamon India PVT Ltd.		India	100 %
Hamon Thermopack Engineers PVT Ltd		India	74 %
Hamon Malaysia SDN. BHD.		Malaysia	100 %
Hamon Do Brazil Ltda.		Brazil	100 %

(1) Including Hamon Custodis Cottrell Canada Inc , a 100% subsidiary

Companies	V.A.T.	Country	Reason for exclusion <sup>(3)</sup>	% Group Interest
<b>B) Affiliates consolidated by equity method</b>				
Hamon Research-Cottrell Italia Srl	IT 117 086 10 156	Italy	L	100 %
GEI Hamon Industries Ltd.		India		29.73 %
Hamon Research-Cottrell do Brazil		Brazil		45 %
<b>C) Affiliates - not consolidated</b>				
Sonoxide Sprl	BE 463 226 369	Belgium	A	70 %
Undatim Ultrasonics S.A.	BE 452 671 581	Belgium	A	70 %
Air Industrie Thermique - Loreatt S.A.	FR 55 410 112 296	France	A	30 %
Hamon Custodis UK Ltd	GB 609 069 041	Great-Britain	E	100 %
Hamon Research-Cottrell Deutschland GmbH	DE 121 969 645	Germany	E	100 %
FBM Hudson Italiana SpA <sup>(2)</sup>	IT 025 700 90 163	Italy	C	93.93 %
Hamon Environmental Italia Srl		Italy	A	99.95 %
Hamon Thermal Italia Srl		Italy	A	100 %
Mariani Battista Srl		Italy	A	100 %
Hamon Research-Cottrell Poland Sp.Zo.O	PL 954 001 6475	Poland	E	100 %
P.T. Hamon Indonesia		Indonesia	A	100 %
Mariani Battista (Thailand) Co Ltd		Thailand	L	48 %
Mariani Battista de Venezuela CA		Venezuela	L	49 %
Mariani Battista Arabia Ltd.		Saudi Arabia	L	49 %
Hamon Thermal Equipment (Shanxi) Co Ltd		China	E	90 %
Hamon Philippines Inc		Philippines	E	100 %
Hamon Thermal (Singapore) PTE Ltd		Singapore	E	100 %
Hamon Grey Ltd.		Australia	E	75 %

(2) Holds 100% of FBM Icross (Italy) and 50% of FBM KNM FZCo (Jebel Ali).

(3) L : in liquidation

A : minor importance

E : negligible interest for faithful image

C : held with a view to its selling

In 2004, the consolidation perimeter was modified in the following way:

1. Deconsolidation and maintenance at the historical cost as of 01 January 2004 of FBM Hudson Italiana under the terms of article 107, Subparagraph 4. This company is up for sale.
2. Deconsolidation of Hamon Mariani Battista as of 01 January 2004 following its merger, at that date, with Hamon Research-Cottrell Italia.
3. Deconsolidation and putting into the equity method as of 01 January 2004 of Hamon Research-Cottrell Italia (including Hamon Mariani Battista) under the terms of article 109. This company was put into liquidation in April 2005.
4. Deconsolidation of AIT following the disposal of 70% of the shares in May 2004

Detailed information on the impact of Points 1, 2 and 3 is given in the Management Report, with Point 4 having only minor impact on the consolidated accounts.

## Accounting policies

### General .....

The consolidated accounts of Hamon & Cie (International) S.A ("the Group") were established in accordance with the provisions of the Royal Decree of 30 January 2001 relating to companies' annual and consolidated accounts.

The financial statements of the Group's subsidiary companies have been prepared in accordance with the evaluation rules of Hamon & Cie (International) S.A. However, the presentation of the subsidiary companies' accounts, in particular with regard to stocks and contracts in progress and provision movements, does not currently enable a presentation of these elements to be included in the income statement (variation of finished products, in the course of manufacture, contracts in progress, increase/decrease in provisions) which is in full conformity with the provisions of the Belgian accounting legislation.

These presentational differences are without impact either on the net situation or on the result.

### Conversion of the transactions, assets, liabilities, rights and commitments made out in foreign currencies and of the financial statements of the subsidiary companies made out in foreign currencies .....

Transactions concluded in foreign currencies have been converted into euro at the rates of exchange at the date of the transaction. At the end of the financial year, the assets, liabilities, rights and monetary commitments have been converted at the closure rate. The conversion gains and losses resulting from the application of this method, as well as the exchange differences that occurred, have been taken into the result.

The financial statements of the foreign subsidiary companies have been converted into euros according to the closure rate method.

Pursuant to this method, all the assets and liabilities have been converted at the closure rate, with the exception of the stockholders' equity and the financings intended durably to maintain the activity of a subsidiary company, which have been converted at the historical rate, while the charges and proceeds have been converted at the average rate of the year. The translation differences resulting from the application of this method have been included in the "Translation differences" heading under Equity.

### Formation expenses .....

Formation Expenses include the expenses of the capital increase and the loan issue, start-up costs relating to the investments as well as the reorganisation expenses. These charges are depreciated over a five-year period, with the exception of the loan issue expenses, which are depreciated over the life of the loan concerned. With regard to the reorganisation expenses, depreciation occurs only from the moment when the reorganisation starts to take effect.

### Intangible fixed assets .....

Intangible Fixed Assets include various expenses for research, prototype development, products, invention, process and know-how useful for the Group's future activity. These expenses are recorded as assets insofar as they do not exceed a prudent estimate of their value of use or future return for the Group.

Research & Development expenses are depreciated over the period of use or probable sale of the products or processes and at most over a period limited to five years.

### Concessions, patents, licences .....

Concessions, Patents, Licences include the capitalised expenses of the patents, licences and trademarks that are the property of the Group, as well as the acquisition value of the exploitation rights of patents, licences and trademarks belonging to third parties. These assets have been valued at their acquisition value and are depreciated over their economic lifespan.

### Consolidated goodwill .....

Consolidation variations, both positive and negative, have been identified between the acquisition cost of a company or a branch of activity and the restated value of its equity. Such restatement usually relates to the existence of unrecorded gains or losses on the acquired assets or liabilities. The variations are registered under the heading "Consolidated goodwill", either as assets or as liabilities.

The positive variations are the subject of an annual depreciation to be charged to the income statement over a 20-year period. The negative consolidation variations are not depreciated.

## Tangible fixed assets .....

Tangible Fixed Assets are valued at their acquisition value, which includes, in addition to the purchase price, the additional costs necessary for their use.

Interest costs are included in the acquisition value when the construction or the acquisition of the fixed asset extends over a long period.

The fixed assets excluded from operations or up for sale are included in "Other Tangible Fixed Assets".

Certain tangible fixed assets whose value presented an unquestionable and durable surplus in relation to their book value, justified by the profitability of the company, were re-valued in 1990. Furthermore, some machines belonging to a Group company were revalued in 2004 on the basis of their practical value.

The fixed assets held under capital leases are booked as assets, after deduction of depreciation or write-downs, cumulated, if such is the case, to the amount of the part of the staggered payments envisaged in the contract, representing the reconstitution in capital of the value of the asset that is the subject of the contract. The corresponding commitments are booked as liabilities and are valued each year of the fraction of the staggered payments relating to the later financial years, representing the reconstitution in capital of the value of the asset that is the subject of the contract.

Tangible Fixed Assets are subject to straight-line depreciation on the basis of their probable period of use, which are summarised below.

<b>Probable period of use (in years)</b>	
Land	x
Buildings	33
Plant, machinery and equipment:	
- Machines	10
- Equipements:	
- Data Processing	4
- Others	10
- Installations	10
- Tools	4
Furniture and Vehicles	
- Office furniture	10
- Vehicles	4

## Financial assets .....

The stakes held in companies on which the Group exerts notable influence are included under the heading "Companies consolidated under the Equity Method" and are valued at the value of the Group share of the equity of those companies. The other interests, stocks and shares, are valued at their acquisition cost and are the subject of write-downs in the event of durable depreciation.

The Amounts receivable included in Financial Fixed Assets are valued at their face value; they are subject to write-downs when their repayment at the due date is, in whole or in part, dubious or compromised.

## Stocks & contracts in progress .....

### A. Stocks

Raw materials, supplies and goods, are valued at their acquisition cost, which includes the purchase price and the incidental expenses on the basis of the weighted average price method.

Finished products and works in progress are valued at the complete production cost price, which includes, in addition to the direct manufacturing costs, a share of the indirect manufacturing costs determined on the basis of a normal level of activity.

Stocks are the subject of appropriate write-downs in the event of obsolescence, non-compliance with the required technical standards, or a realisation value lower than the acquisition value (acquisition price or cost price).

### B. Contracts in progress

Contracts In Progress are valued according to the percentage of completion method and include the complete cost price and a share of the gross surplus margin in the contract in relation to the cost price, determined in the light of the degree of completion at the moment when that surplus became reasonably certain. They also include proposal expenses insofar as it is reasonably certain that those expenses would be recoverable by order-taking that would materialise in the course of the following year.

Write-downs are recorded when the cost price, increased by the estimated amount of the costs remaining to be incurred, exceeds the net selling price at the closure date of the financial year or the price envisaged in the contract.

Because of the very nature of the Group's activities and the industrial manufacturing and construction sector, contractual provisions often give rise to recourse against the Group for various reasons, such as delivery delays or non-compliant technical performances, as well as the Group's complaints seeking to obtain price increases for changing the specifications or for delays ascribable to the other parties to the contract. The determination of the results on contracts in progress takes into account a prudent estimate of such asset or liability recourse. The outcome of these negotiations is difficult to estimate before they have been concluded; however, the Board of Directors believes that the results have been stated in the consolidated accounts prudently.

Deferred losses also give rise to the recognition of deferred tax credits, but their amount is taken into account in compliance with the rules of prudence insofar as there is a sufficient degree of certainty as to their being recovered.

## Receivables and Payables .....

Receivables and Payables are recorded at their face value. The amounts receivable are subject to write-downs when their repayment is, in whole or in part, uncertain or compromised.

## Provisions for liabilities and charges .....

The provisions for pensions, early retirement and similar obligations have been recorded based on rules and regulations in force in the various countries in which the Group is active.

Provisions for other liabilities and charges are maintained to cover the Group's obligations resulting from:

- > Technical warranties
- > Litigation in progress
- > The reorganisation of certain activities
- > Subsidiary company liquidation, this provision being valued on the basis of the negative equity of the subsidiary company in question supplemented by an estimate of possible additional provisions

Provisions for technical warranties are calculated on a statistical basis for the Group as a whole.

## Taxation .....

Current taxes are accounted for in accordance with the tax provisions in force in each country. Deferred taxes are calculated on the whole of the consolidation reprocessing and adjustment at the applicable rates in each country concerned.

# Notes to the consolidated financial statements

## footnotes VII and VIII in EUR thousands

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### VII. Statement of formation expenses

Net carrying value at the end of the preceding period	13 924
Movements of the period:	
New expenses incurred	1 076
Depreciation	(2 844)
Translation differences	(5)
Others	(625)
Net carrying value at the end of the period	11 527
Of which: formation and capital increase expenses	1 032
restructuring expenses	10 495

### VIII. Statement of intangible assets

	R&D costs	Concessions, patents, licences etc.	Goodwill	Advance payments	TOTAL
<b>a) Acquisition costs</b>					
As at the end of the preceding period	9 639	13 137	1 935	0	24 711
Movements of the period:					
Acquisitions, including fixed assets, own production	293	147	0	0	441
Sales and disposal	(668)	(196)	0	0	(864)
Transfers from one heading to another	0	0	0	0	0
Translation differences	(22)	(159)	0	0	(180)
Other movements	(5 094)	(2 737)	(1 935)	0	(9 766)
At the end of the period	4 149	10 192	0	0	14 342
<b>b) Depreciation and amounts written down</b>					
As at the end of the preceding period	4 894	7 873	0	0	12 767
Movements of the period:					
Recorded	779	1 133	0	0	1 912
Written back as superfluous	0	0	0	0	0
Acquired from third parties	0	0	0	0	0
Written down after sales and disposals	(668)	(207)	0	0	(875)
Transfers from one heading to another	0	0	0	0	0
Translation differences	(11)	(43)	0	0	(54)
Other movements	(1 967)	(2 104)	0	0	(4 070)
At the end of the period	3 027	6 652	0	0	9 680
Net carrying value at the end of the period (a-b)	1 122	3 540	0	0	4 662

## Notes to the consolidated financial statements

### *footnote IX in EUR thousands*

IX. Statement of tangible assets	Land & buildings	Plant, machinery & equipment	Furniture & vehicles	Leasing & other similar rights	Other tangible assets	Assets under construction & advanced payments	TOTAL
<b>a) Acquisition costs</b>							
<b>As at the end of the preceding period</b>	<b>16 676</b>	<b>49 543</b>	<b>8 143</b>	<b>9 698</b>	<b>2 409</b>	<b>429</b>	<b>86 898</b>
Movements of the period:							
Acquisitions, including fixed assets, own production	773	521	401	0	6	102	1 803
Sales and disposal	(572)	(3 954)	(635)	(75)	0	(171)	(5 407)
Transfers from one heading to another	(153)	(1 006)	0	0	140	1 020	0
Translation differences	(97)	(362)	(123)	(185)	(1)	(1)	(770)
Other movements	(7 296)	(23 357)	(2 419)	0	(2 050)	(0)	(35 122)
<b>At the end of the period</b>	<b>9 330</b>	<b>21 385</b>	<b>5 367</b>	<b>9 437</b>	<b>504</b>	<b>1 379</b>	<b>47 403</b>
<b>b) Reevaluation surpluses</b>							
<b>As at the end of the preceding period</b>	<b>0</b>	<b>98</b>	<b>0</b>	<b>0</b>	<b>1 752</b>	<b>0</b>	<b>1 850</b>
Movements of the period:							
Recorded	0	904	0	0	0	0	904
Acquisitions from third parties	0	0	0	0	0	0	0
Sales and disposal	0	0	0	0	0	0	0
Transfers from one heading to another	0	0	0	0	0	0	0
Translation differences	0	(6)	0	0	0	0	(6)
Other movements	0	0	0	0	(1 752)	0	(1 752)
<b>At the end of the period</b>	<b>0</b>	<b>996</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>996</b>
<b>c) Depreciations and amounts written down</b>							
<b>As at the end of the preceding period</b>	<b>5 269</b>	<b>28 041</b>	<b>6 199</b>	<b>1 732</b>	<b>457</b>	<b>59</b>	<b>41 757</b>
Movements of the period:							
Recorded	461	1 628	613	307	21	1	3 031
Written back as superfluous	0	0	(2)	0	0	(58)	(61)
Acquired from third parties	0	0	0	0	0	0	0
Written down after sales and disposals	(267)	(3 731)	(615)	(75)	0	0	(4 688)
Transfers from one heading to another	(70)	(956)	0	0	67	958	0
Translation differences	(27)	(124)	(98)	(21)	(1)	0	(270)
Other movements	(1 196)	(9 243)	(1 907)	0	(255)	0	(12 602)
<b>At the end of the period</b>	<b>4 170</b>	<b>15 616</b>	<b>4 190</b>	<b>1 943</b>	<b>290</b>	<b>960</b>	<b>27 169</b>
<b>d) Net carrying value at the end of the period (a+b-c)</b>							
	<b>5 160</b>	<b>6 765</b>	<b>1 178</b>	<b>7 495</b>	<b>213</b>	<b>418</b>	<b>21 229</b>

## Notes to the consolidated financial statements

### footnote X in EUR thousands

X. A. Statement of financial fixed assets – Shares	Companies consolidated by equity method	Other companies
a) Acquisition costs		
As at the end of the preceding period	69	3 920
Movements of the period:		
Acquisitions	0	1 284
Sales and disposal	0	(1 514)
Transfers from one heading to another	0	9 493
Translation differences	(31)	32
<b>At the end of the period</b>	<b>38</b>	<b>13 215</b>
c) Amounts written down		
As at the end of the preceding period		206
Movements of the period:		
Recorded		306
Written back as superfluous		(145)
Acquired from third parties		0
Written down after sales and disposals		0
Transfers from one heading to another		2
Translation differences		0
<b>At the end of the period</b>		<b>369</b>
e) Movements in the capital and reserves of the companies consolidated by equity method		
Share in the result for the financial period	(3 443)	
Other movements in the capital & reserves	3 634	
<b>At the end of the period</b>	<b>191</b>	
<b>Net carrying value at the end of the period (a -c + e)</b>	<b>229</b>	<b>12 846</b>
<b>B. Statement of financial fixed assets - Amounts receivable</b>		
	Companies consolidated by equity method	other companies
Net carrying value at the end of the preceding period	123	984
Movements of the period:		
Additions	0	4 733
Reimbursements	0	(478)
Amounts written down	0	(4 384)
Translation differences	0	21
Others	(55)	(46)
<b>Net carrying value at the end of the period</b>	<b>69</b>	<b>830</b>

## Notes to the consolidated financial statements

### *footnotes XI, XII and XIII in EUR thousands*

#### XI. Statement of consolidated reserves

Net carrying value at the end of the preceding period	(32 411)
Movements of the period:	
Share of the Group in the consolidated income	(20 505)
Dividends	0
Other movements	11
Revaluation surpluses on deconsolidated companies	1 752
<b>Consolidated reserves at the end of the period</b>	<b>(51 153)</b>

#### XII. Statement of consolidation differences and differences resulting from equity method

	Positive consolidation differences Global integration	Positive consolidation differences Equity method	TOTAL
Net carrying value at the end of the preceding period	16 137	678	16 815
Movements of the period:			
Arising from an increase of the percentage held	0	0	0
Arising from a decrease of the percentage held	0	0	0
Write-downs	(1 072)	(808)	(1 880)
Other modifications	(2 205)	2 106	(99)
<b>Net carrying value at the end of the period</b>	<b>12 860</b>	<b>1 976</b>	<b>14 836</b>

#### XIII. A. Statement of amounts payable - Analysis of amounts originally payable after one year according to their residual term

Amounts payable with a residual term of	No more than 1 year	Between 1 & 5 years	Over 5 years
<b>Financial debts</b>			
1. Subordinated loans	0	6 250	0
2. Leasing and other similar rights	734	2 318	1 740
3. Credit institutions	133	269	
4. Other loans	39	58	
Trade debt	0	19	
Advances received on contracts in progress		26	
Other amounts payable	532	346	
<b>Total</b>	<b>1 438</b>	<b>9 286</b>	<b>1 740</b>

#### B. Amounts payable, or the portion thereof, which are guaranteed by real guarantees given or irrevocably promised on the assets of the companies included in the consolidation scope

	2004	2003
Subordinated loans	0	0
Leasing and other similar rights	0	0
Credit institutions	0	6 756
<b>Total</b>	<b>0</b>	<b>6 756</b>

# Notes to the consolidated financial statements

## footnote XIV in EUR thousands

### XIV. Data on the income statement

<b>A.1. Consolidated turnover by business unit</b>	<b>2004</b>	<b>%</b>	<b>2003</b>	<b>%</b>
Cooling systems	74 888	38.7%	132 728	26.6%
Heat Exchangers - France	21 883	11.3%	34 541	6.9%
Heat exchangers - Italy	0	0.0%	82 512	16.6%
Air pollution control & heat recovery - Europe	11 878	6.1%	20 265	4.1%
Air pollution control & heat recovery - USA	62 442	32.3%	99 549	20.0%
Chimneys	22 105	11.4%	84 069	16.9%
Others	194	0.1%	44 763	9.0%
<b>Total</b>	<b>193 390</b>	<b>100%</b>	<b>498 426</b>	<b>100%</b>
<b>A.2. Consolidated turnover by region</b>	<b>2004</b>	<b>%</b>	<b>2003</b>	<b>%</b>
Benelux	8 037	4.2%	12 528	2.5%
France	42 746	22.1%	47 445	9.5%
Germany	12 825	6.6%	23 247	4.7%
Other European countries	14 990	7.8%	97 261	19.5%
Americas	86 104	44.5%	178 257	35.8%
Asia & Australia	20 005	10.3%	72 671	14.6%
Africa	6 419	3.3%	20 455	4.1%
Middle East	2 264	1.2%	46 562	9.3%
<b>Total</b>	<b>193 390</b>	<b>100%</b>	<b>498 426</b>	<b>100%</b>

### B. Data on personnel

	Companies consolidated by full consolidation		Companies consolidated by equity method	
	2004	2003	2004	2003
Average headcount and personnel expenses				
Average headcount (in units)	783	1 760	0	0
Workers	246	681	0	0
Employees	494	996	0	0
Management	43	83	0	0
Others	0	0	0	0
Average number of staff employed in Belgium	93	175	0	0
Personnel expenses				
Wage costs and social security contribution	46 831	98 220	0	0
Pension costs	696	2 457	0	0

### C. Split of extraordinary result

Sale of assets to SPX	0	41 476
Other assets disposal & deconsolidation	0	100
Liquidation Rothemühle	0	(7 828)
Charges of discontinued activities	(1 325)	(4 685)
Charges for restructuring	(8 908)	(13 921)
Activated expenses and use of provisions	6 503	6 976
Write off FBM	(4 384)	
Write off HRCI	(2 077)	
<b>Total</b>	<b>(10 191)</b>	<b>22 118</b>

### D. Income taxes

Recoverable tax losses (not taken into account yet in the deferred taxes calculation)	50 250	69 582
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## Notes to the consolidated financial statements

### *footnotes XV, XVI and XVII in EUR thousands*

#### XV. Rights and commitments not reflected in the balance sheet

A 1. Amount of personal guarantees, given or irrevocably promised by the enterprises included in the consolidation, as security for thirs parties debts or commitments	179 956
2. Amount of real guarantees, given or irrevocably promised by the entreprises included in the consolidation on their own assets, as security for debts and commitments - of enterprises included in the consolidation	
5. a) Rights from transactions: to exchange rates	
5. b) Commitments from transactions: to exchange rates	
B. Commitments related to technical guarantees, in respect of sales or services already provided Advance payment and performance guarantees towards third parties	99 702

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#### XVI. Relationship with associated companies and other companies in which the Group has a participating interest, which are not included in the consolidation

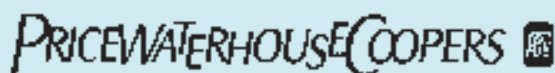
	Associated companies	Companies linked by participating interest
1. Financial fixed assets - Participating interests and shares	12 523	193
2. Amounts receivable	5 003	13
4. Amounts payable		
After one year	6 250	0
Within one year	3 580	0
6. Personal and real guarantees given or irrevocably promised, as security of debts or promised, as security of debts or commitments of affiliated companies	84 151	
7. Financial result		
Income from current assets	55	
Interest and other debt charges	536	
Other financial charges	0	

#### XVII. Remunerations granted to the directors and members of the executive committee of Hamon & Cie

The total amount of the remuneration granted (including the pension costs) to the directors of the consolidating company and to the members of the executive committee because of their responsibilities in the company and its subsidiaries, amounted to EUR 1.985 million in 2004.

# Auditor's report

## *on the consolidated accounts as of 31 December 2004*



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#### STATUTORY AUDITOR'S REPORT TO THE SHAREHOLDERS OF HAMON & CIE (INTERNATIONAL) S.A. ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

1. In accordance with legal and regulatory requirements, we are pleased to report to you on the performance of our audit engagement.
2. We have audited the consolidated financial statements as of and for the year ended 31 December 2004, which have been prepared under the responsibility of the board of directors and which show a balance sheet total of EUR 212,926 thousands and the group's share of the consolidated loss for the year of EUR 20,505 thousands. We have also examined the consolidated directors' report.

#### Refusal to certify, justified by a disclaimer of opinion and an adverse opinion on the consolidated financial statements

3. We conducted our audit in accordance with generally accepted auditing standards in Belgium, as issued by the Institut des Réviseurs d'Entreprises. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, taking into account the legal and regulatory requirements applicable to consolidated financial statements in Belgium.
4. In accordance with those standards, we considered the group's administrative and accounting organisation, as well as its internal control procedures. We have obtained all explanations and information required for our audit. We examined, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. We assessed the accounting principles used, the basis of consolidation and significant estimates made by the Group, as well as the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.
5. The group has suffered significant losses again this year, leading to a further deterioration in its solvability and liquidity. Several subsidiaries individually face an important liquidity crisis that jeopardises their ability to continue their activities. Despite this financial situation, the

consolidated financial statements have been prepared on the assumption that the Group is a going concern, and significant intangibles such as goodwill and capitalised reorganisation, restructuring and development costs aimed at improving future profitability have been maintained in the balance sheet. This presentation of the consolidated financial statements is only justified to the extent that, on the one hand, the Group's bankers, its other creditors and its customers continue to maintain their financial support, and that, on the other hand, the restructurings undertaken result in the generation of positive cash flows in the future. The board of directors justifies the application of the going concern assumption for preparing the consolidated financial statements on the basis of the return to operating profitability, the prospects offered by orders received, and a planned capital increase of EUR 13.0 to EUR 16.3 million, which is itself subject to the Group's bankers rescheduling debt repayments amounting to EUR 80.0 million. Information available to us at the date of our report is not sufficient to confirm these assumptions, so that a major uncertainty exists as to the Group's ability to continue its activities, as well as to the appropriateness of the valuation of the intangibles mentioned above in the consolidated financial statements.

6. As indicated in note II to the consolidated financial statements and in the directors' report, the subsidiary FBM Hudson Italiana SpA has been excluded from the consolidation as from 1 January 2004, on the grounds that it is being held for sale. Accordingly, the Group's investment in this subsidiary has been reported under financial fixed assets at its historical cost of EUR 9.4 million. However, throughout 2004 and up to the date of this report, the Group has continued to exercise control over the subsidiary, both legally and in substance, and to participate in its management, as reflected by the fact that the subsidiary was fully consolidated in the group's half-yearly financial information as of and for the period ended 30 June 2004. In addition, there is no tangible evidence to confirm that terms of sale have been approved and that the disposal is close to being finalised, or even to reasonably anticipate that the investment will be disposed of in the near future. We therefore believe that the subsidiary's exclusion from consolidation is not in accordance with the relevant accounting regulations. In summary, the effect on the consolidated financial statements of consolidating the subsidiary would have been as follows:

- Based on the numbers submitted by the subsidiary, its operating loss and its net loss for the year are EUR 7.0 million and EUR 3.2 million, respectively. On the same basis, its financial debt amounts to EUR 30.1 million.
- Based on the subsidiary's auditor's report, the amounts reported require adjustments that would increase the subsidiary's operating loss by EUR 3.9 million to EUR 10.9 million, and its net loss by EUR 6.8 million to EUR 10.0 million.
- In addition to the uncertainty with respect to the going concern assumption made for preparing the subsidiary's financial statements, the report from the subsidiary's auditor mentions uncertainties affecting amounts of approximately EUR 10 million, which could cause further deterioration in the financial data set forth above.

As a result, the true and fair view to be given by the consolidated financial statements is fundamentally affected by the exclusion of the subsidiary FBM Hudson Italiana SpA.

7. In breach of legal and regulatory requirements applicable in Belgium, income resulting from the forgiveness of a bank loan of EUR 2.0 million was recognised prematurely in the prior year's consolidated financial statements, the settlement agreement having been signed on 27 April 2004 and the related conditions having only been fulfilled during 2004. Although this error has no impact on consolidated equity as of 31 December 2004, this extraordinary income should have been included in the current year's result, which is therefore understated by EUR 2.0 million.

## Auditor's report

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8. Because of the fundamental uncertainty described in paragraph 5 of this report, we are not able to form an opinion as to whether the consolidated financial statements give a true and fair view of the Group's net worth and financial position as of 31 December 2004 or of its results for the year then ended. Furthermore, assuming that the Group is able to continue its activities, because of the effects on its results and financial position of the disagreement explained in paragraph 6 and of the qualification expressed in paragraph 7, the consolidated financial statements do not give a true and fair view of the Group's net worth and financial position as of 31 December 2004 and of its results for the year then ended, and the information presented in the notes to the financial statements is not adequate. The combined effects of this disagreement and this qualification indicate that the Group's consolidated operating and net losses for the year are understated by at least EUR 10.9 and EUR 8.0 million, respectively, without taking into account the possible effects of the unresolved uncertainties mentioned. In addition, financial debt of EUR 30.1 million has not been consolidated.
9. We also draw your attention to the directors' report, in which the board of directors presents its position on the following issues:
- Non-current receivables include an amount of EUR 5.0 million corresponding to the unpaid portion of the cost of acquisition of the activities of the Group's Dry division by SPX Corporation, a U.S. corporation. The buyer did not execute payment of half of this amount, which was due in 2004, calling upon the guarantees provided by the seller. The Group is vigorously disputing the arguments put forward by SPX Corporation to justify their non-payment of the amounts contractually due, and has filed a counter-claim and started an arbitration procedure. Collection of the receivable is dependent upon the outcome of this procedure, which is unknown as at the date of this report.
  - The subsidiary Hamon Research-Cottrell Italia Srl has been consolidated using the equity method, because it will not continue its activities. Its shareholders voted to wind up the subsidiary on 1 April 2005. The subsidiary's negative net assets (EUR 4.4 million) have been reported under provisions for risks and charges. The board of directors believes that the Group will not incur any additional loss in consideration of the outcome of the liquidation process, normally expected to occur in 2006.
  - A provision of EUR 1.0 million made in the prior year has been kept in the current year's consolidated financial statements to reflect the state of negotiations with the trustee and creditors of Hamon Rothemühle Cottrell GmbH, which still need to be finalised.

### Additional certifications and information

We supplement our report with the following certifications and information, which do not affect our refusal of opinion on the consolidated financial statements:

- The consolidated director's report includes the information required by law. It is consistent with the consolidated financial statements but should be read in relation to the uncertainties, disagreement and qualification expressed in the first part of this report.
- Because the board of directors only prepared the consolidated financial statements and the consolidated directors' report on 13 May, we were not in a position to issue our report within the deadlines prescribed by article 553 of the Companies' Code.
- Because of the disagreement and the qualification expressed in paragraphs 6 and 7 of the first part of this report, we are of the opinion that the consolidated financial statements have not been prepared in

compliance with legal and regulatory requirements applicable in Belgium. In addition, these financial statements have been prepared on the assumption that the Group is a going concern; however, considering the major uncertainty described in paragraph 5 of the first part of this report, we are unable to express an opinion on this assumption, which, if it does not materialise, will require that the valuation and classification of several balance sheet captions be adapted in order to comply with articles 125 and 28 § 2 of the Royal Decree of 30 January 2001.

- In the directors' report, the board of directors describes but does not quantify the major restatements expected from the preparation of the consolidated financial statements under International Financial Reporting Standards as from 2005.

Brussels, 20 May 2005

PricewaterhouseCoopers Réviseurs d'Entreprises  
Represented by



Robert Peirce  
Réviseur d'Entreprises

## Statutory accounts of Hamon & Cie (International) S.A. Summarised balance sheet as of 31 December, after appropriation

The statutory accounts of the parent company, Hamon & Cie (International) S.A., are shown below in summary form. The management report and the annual accounts of Hamon & Cie (International) S.A. and the auditor's report, in accordance with articles 98, 100, 101 and 102 of the Law on Trading Companies published on 6 August 1999, will be deposited at the Banque Nationale de Belgique after their approval by the General Shareholders meeting of 31 May 2005.

These reports are available, upon request, at the following address:  
50-58 Rue Capouillet, B-1060 Brussels, Belgium.

The auditor has issued an abstention report on the statutory accounts of Hamon & Cie (International) S.A.

in EUR thousands	2004	2003	2002
<b>Fixed assets</b>	<b>64 714</b>	<b>72 419</b>	<b>75 476</b>
I. Formation expenses	1 419	2 236	3 053
II. Intangible assets	1 846	3 008	3 936
III. Tangible assets	215	267	347
IV. Financial assets	61 234	66 909	68 140
<b>Current assets</b>	<b>28 634</b>	<b>27 515</b>	<b>37 913</b>
VII. Amounts receivable after one year	28 366	26 261	35 367
VIII. Short term deposits	15	15	15
IX. Cash at bank and in hands	97	1 112	2 138
X. Deferred charges and accrued income	156	127	393
<b>Total assets</b>	<b>93 348</b>	<b>99 935</b>	<b>113 389</b>
<b>Equity</b>	<b>374</b>	<b>14 796</b>	<b>30 383</b>
I. Capital	43 700	43 700	43 700
II. Share premium account	191	191	191
IV. Reserves	11 569	11 569	11 569
V. Profit carried forward	(55 086)	(40 664)	(25 078)
<b>Provisions and deferred taxes</b>	<b>44</b>	<b>0</b>	<b>0</b>
<b>Amounts payable</b>	<b>92 930</b>	<b>85 139</b>	<b>83 006</b>
VIII. Amounts payable after one year	7 643	5 000	7 859
IX. Amounts payable within one year	85 154	80 072	74 947
X. Accrued charges and deferred income	133	67	200
<b>Total liabilities and equity</b>	<b>93 348</b>	<b>99 935</b>	<b>113 389</b>

## Statutory accounts of Hamon & Cie (International) S.A.

### *Summarised income statement as of 31 December*

in EUR thousands	2004	2003	2002
<b>I. Operating revenues</b>	<b>4 765</b>	<b>6 411</b>	<b>8 835</b>
A. Turnover	4 765	6 160	8 035
C. Own work capitalised	0	0	379
D. Other operating revenues	0	251	421
<b>II. Operating expenses (-)</b>	<b>6 737</b>	<b>8 964</b>	<b>8 395</b>
A. Cost of materials	0	0	0
B. Services and other goods	2 932	4 411	4 061
C. Remuneration, social security and pension costs	1 984	2 663	2 550
D. Depreciation and amortisation	1 856	1 882	1 554
E. Decrease in amounts written off on stocks, contracts in progress and trade receivables	(92)	0	201
G. Other operating expenses	57	8	29
H. Operating expenses capitalised as restructuring costs	0	0	0
<b>III. Operating income</b>	<b>(1 972)</b>	<b>(2 553)</b>	<b>440</b>
IV. Financial income	3 991	2 866	4 034
V. Financial expenses	(4 201)	(5 064)	(4 586)
<b>VI. Net operating income before taxes</b>	<b>(2 182)</b>	<b>(4 751)</b>	<b>(112)</b>
VII. Extraordinary income	1 818	5 428	0
VIII. Extraordinary expenses	(14 057)	(16 263)	(24 965)
<b>IX. Net income before taxes</b>	<b>(14 421)</b>	<b>(15 586)</b>	<b>(25 077)</b>
X. Income taxes	0	0	0
<b>XI. Net income</b>	<b>(14 421)</b>	<b>(15 586)</b>	<b>(25 077)</b>

# Statutory accounts of Hamon & Cie (International) S.A.

*The mission of Hamon & Cie (International) S.A. consists primarily of defining the Group's strategy. The company also appoints the management of the various Group companies, and assists them in the fields of human resources, financial management, treasury, obtaining financings, establishing budgets, data processing and marketing.*

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## Comments .....

### 1. Balance sheet

The total of the balance sheet as of 31 December 2004 amounted to EUR 93.3 million.

The formation expenses mainly represent the expenses authorised in the context of a study entrusted to outside consultants. This study mainly sought to reorganise the Cooling System activities of the Group, as well as its Administrative and Financial Departments. These expenses had already been recorded before 2002 and did not undergo any modifications in 2004. Depreciation is invoiced to the companies belonging to the Cooling System activities, which clearly improved their profitability thanks to the measures taken during that reorganisation. Formation Expenses decreased from EUR 2.2 million to EUR 1.4 million following the depreciation recorded in 2004.

Intangible Fixed Assets represent primarily the investments made by the company in IT tools. It was, amongst other things, the installation of an integrated software. Intangible Fixed Assets decreased from EUR 3.0 million to EUR 1.8 million following depreciation and the exit from certain investments that were invoiced to the subsidiary companies benefiting from those assets.

Financial Fixed Assets went from EUR 66.9 million to EUR 61.2 million, following the write-down on the stake held in Hamon Research Cottrell Italia and in write-off of credits for certain subsidiary companies.

Current Assets went from EUR 27.5 million to EUR 28.6 million. Those were influenced by the evolution of loans granted to the subsidiary companies, in particular in the context of cash pooling contracts.

Among the liabilities, the capital remained unchanged and amounted to EUR 43.7 million.

The long-term debts went from EUR 5.0 million to EUR 7.6 million. These debts consist mainly of the subordinated loan granted by the reference shareholder, SOPAL S.A., in an amount of EUR 6.25 million, of which EUR 1.25 million was granted at the end of 2004.

The short-term debts went from EUR 80.1 million to EUR 85.2 million, mainly following an increase in the

intercompany debts resulting from the cash pooling contract.

In the context of the liquidation of the German subsidiary company Hamon Rothemühle Cottrell Deutschland GMBH, the company is keeping a debt in its balance sheet which has been valued at EUR 1 million, and which takes into account the latest negotiations with the receiver of this subsidiary company.

### 2. Income statement

Operating revenues amounted to EUR 4.8 million against EUR 6.4 million in 2003. This fall resulted from the reduction in the services invoiced by the Group to its subsidiary companies. Indeed, the sale of certain assets to SPX de facto decreased the number of services rendered and therefore invoiced by Hamon & Cie. Moreover, the team devoted a great deal of time in the search for capital and to the process of selling assets. These activities were not invoiced to the subsidiary companies.

The company closed FY 2004 with an operating loss of EUR 2.0 million against an operating loss of EUR 2.6 million in 2003. This reduction of the loss is explained mainly by the reduced overheads – under the headings of Services & other Goods, and Remuneration. Depreciation amounted to EUR 1.9 million. They result from the annual depreciation charge of the reorganisation plans within the Cooling Systems activity.

Hamon & Cie recorded a net operating loss before taxes of EUR 2.2 million, a distinct improvement over 2003. This reduction in the current loss resulted from the rise of financial income coming from the subsidiary companies.

As for the extraordinary results, the company recorded some income coming from the positive conclusion of certain litigations. It also reinvoiced the costs recorded in the context of the sale of certain assets of the Cooling Systems activity to the companies that had benefited from the gain on this transaction.

Moreover, the Group Board of Directors has decided to write down certain assets for the benefit of Hamon

Research Cottrell Italia Srl. This activity was put into liquidation in April 2005. It was also decided to enact a write-off of receivables for the benefit of the Compagnie Financière Hamon SA, FBM Hudson Italiana Spa and Hamon Research Cottrell Italia Srl.

Following the accounting of these extraordinary elements, the loss for the financial year decreased and amounted to EUR 14.4 million against a loss of EUR 15.6 million in 2003.

### 3. Recent events

Among the significant events occurring after the closing date of the accounts that could significantly influence the accounts closed at 31 December 2004, we would mention:

- > Putting into liquidation the Italian company, Hamon Research Cottrell Italia Srl, for which a recapitalisation followed by depreciation of the holding was recorded in the accounts in 2004. The liquidation should conclude by the end of 2006 at the latest and should not generate any additional charges for the company.
- > The announcement of a recapitalisation of Hamon & Cie (International). The purpose of this recapitalisation will be the reinforcement of the net working capital. This will ensure the development of key activities that are enjoying considerable growth, and will improve the structure of the balance sheet and the financial ratios. This recapitalisation will be accomplished in two stages: a capital decrease in an amount of EUR 32.9 million, followed by a capital increase for a total of EUR 16.3 million:
  - EUR 13.0 million will constitute a contribution in kind;
  - EUR 3.3 million will constitute a contribution in cash.

This recapitalisation is conditional upon the agreement of the principal bankers to reschedule their loans over time.

### 4. Prospects for 2005

The first positive results of the reorganisations begun in 2004 were noted in 2004 in the results of many subsidiary companies involved in the Group's key activities. In 2005, these reorganisations will produce their full effects over 12 months, with reduced overheads and improved operational results.

The year 2005 has started well for our key activities, with a well-filled order book and orders taken for the first three months of 2005 ahead of the budget forecasts.

The Group is nevertheless continuing with the reorganisation of its activities, in particular in Italy, via the search for partnerships in the activities that are less strategic. Thus, it has been decided to sell some of them, in order to focus on activities with strong potential. This will enable better allocation of human and financial resources, the re-establishment of appropriate balance-sheet ratios, reduced financial expenses and sustained improvement of the financial revenues.

### Accounting policies .....

Despite the Group's being in deficit since 2001, which has led to a sizeable deferred loss in the balance sheet, the Board of Directors has justified the application of the continuity accounting rules by the return to operational profitability of the subsidiary companies, their excellent order books and the recapitalisation project.

### Statement of the share capital .....

#### 1. Issued capital

The issued capital as of 31 December 2004 amounted to EUR 43.7 million, represented by 2,703,579 shares without designation of face value, numbered from 1 to 2,703,579, and each one accounting for 1/2,703,579th of the issued capital and all fully paid up.

#### 2. Authorised capital

The Extraordinary Shareholders Meeting of 18 December 2000 authorised the Board of Directors to increase the authorised capital in one or more stages to the amount of EUR 12,394,676 for a five-year period.

#### 3. History of the share capital

No change occurred in terms of the share capital in 2004.

#### 4. Declaration

Pursuant to the Act of 02 March 1989, articles 1 to 4, relating to publicising major stakes in stock market listed companies and regulating take-over bids, the first applicable threshold is laid down at 3% (Article 9 of the company by-laws).

Pursuant to this law, we have received declarations of the following stakes in the shareholding that represents the capital of the company:

**Composition of the Shareholding as of 31 December 2004**

Shareholder	Number of Shares	% Capital
Sopal International S.A., Avenue des Celtes 10, B – 1040 Brussels	2,164,304	80.05%
Eco Services Capital <sup>(1)</sup> Tour Maine Montparnasse 33 Avenue du Maine F-75755 Paris Cedex 15	161,805	5.98%
<b>Total Number of Declared Shares</b>	<b>2,326,109</b>	<b>86.03%</b>
Shares Held By The General Public	377,470	13.97%
<b>Total Number of Shares</b>	<b>2,703,579</b>	<b>100.00%</b>

(1) Eco Services Capital purchased in 2004 the stake previously held by Euro-Environment Investment & Co

## Proposal to the general shareholders meeting of Hamon & Cie (International) S.A. of 31 May 2005

The company closed the year 2004 with a loss of EUR -14.421 thousands, against a loss of EUR -15.587 thousands in 2003.

The Board of Directors of Hamon & Cie (International) S.A. is not proposing to distribute a dividend.

The Board of Directors proposes to the general shareholders meeting to approve the accounts as of 31 December 2004, and to give its assent to the appropriation of the result.

<b>Appropriation of the 2004 result</b>	<b>(EUR thousand)</b>
> Result of FY 2004	(14 421)
> Result carried forward from FY 2003	(40 664)
> Withdrawal for reserves	0
> Loss to carry forward	(55 086)

## How to contact us ?

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### Financial Agenda .....

General Shareholders Meeting	31 May 2005
Publication of the results of the 1st half of 2005	End September 2005
Publication of the 2005 results	End March 2006
General Shareholders Meeting	30 May 2006

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Ce rapport financier est également disponible en français



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