# ANNUAL REPORT 2014

CROWN VAN GELDER N.V.

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*Crown Van Gelder's theme at the Hunkeler Innovation Days 2015 is 'Silk Around The World'.*
*Crown Letsgo (Bright) Silk is being promoted with among others live printed sample material.*
*Crown Van Gelder sells this high-quality paper for inkjet printers worldwide.*

# COMPANY INTRODUCTION

## COMPANY PROFILE

Based in Velsen, the Netherlands, Crown Van Gelder N.V. is a specialty paper manufacturer active in niche markets with around 280 staff and two paper machines. Its products – paper on reels – range from 40 g/m$^2$ to 260 g/m$^2$ and are mainly distributed in Western Europe. The company is listed on Euronext Amsterdam (ISIN number: NL0000345452), and registered with the Chamber of Commerce under number 34059938.

The strengths of Crown Van Gelder:

- a firm position as a niche manufacturer with a broad product range and an excellent reputation on a market to which first-class products for specific applications are key;
- a loyal customer base inspired by a customer-oriented attitude;
- innovative products, thanks to close cooperation with customers and technology partners;
- a flexible manufacturing process in which quality, close mutual cooperation, and an attractive work environment are a given;
- a strategic location in the heart of Western Europe with efficient transport connections;
- strong focus on the sustainability of our processes and products;
- transparent communication about plans and results.

## VISION

Playing on its core strengths of customer-oriented service, innovativeness and operational flexibility, Crown Van Gelder wishes to specifically profile itself as a specialty supplier in niche markets of high-quality woodfree uncoated and single-coated paper. Crown Van Gelder's goal is to contribute to creating value for its customers and shareholders whilst continuing to be attractive to its employees. The safety of its staff and managing the environmental impact of its activities are core foundations of the company. Corporate social responsibility is Crown Van Gelder's top priority.

Our 'Focus 2016' strategy concentrates on the following priorities:
- commercial focus on high-speed inkjet, label, and special packaging;
- increase in production efficiency;
- investment in sustainable employability;
- strategic partnerships with other market parties.

## KEY FIGURES

| *EUR x 1,000* | *2014* | *2013* | *2012* | *2011* | *2010* |
|---|---|---|---|---|---|
| Revenue | 162,513 | 159,418 | 166,868 | 162,292 | 160,882 |
| Operating result[1] | 3,369 | (8,418) | 658 | (5,217) | (2,830) |
| Net result[2] | 3,102 | (13,047) | (24,260) | 4,272 | (12,909) |
| Depreciation | 3,735 | 4,732 | 6,113 | 6,248 | 8,225 |
| Capital expenditure | 3,071 | 6,469 | 4,948 | 3,782 | 5,091 |
| Sales (ton) | 207,100 | 206,600 | 216,200 | 203,100 | 208,800 |
| Production (ton) | 208,000 | 205,700 | 215,000 | 203,900 | 207,700 |
| Number of employees (average) | 280 | 286 | 282 | 292 | 309 |
| Number of depository receipts (year-end) | 4,356,005 | 4,356,005 | 4,356,005 | 4,356,005 | 4,356,005 |

*[1] The operating results for 2010, 2011, 2012 and 2013 are excluding non-recurring items.*
*[2] The net result in this overview is the net annual result that is available to Crown Van Gelder's shareholders, as stated in the consolidated income statement.*

### STATUS OF 'FOCUS 2016' GOALS

| *Description* | *2016 Goal* | *2014* | *2013* | *2012* | *2011* | *2010* |
|---|---|---|---|---|---|---|
| Focus product sales (ton) | 138,000 | 103,200 | 82,500 | 78,000 | - | - |
| Complaints per 1,000 ton | 1.8 | 2.6 | 2.5 | 2.3 | 2.5 | 2.7 |
| Production (ton) | 235,000 | 208,000 | 205,700 | 215,000 | 203,900 | 207,700 |
| ROCE | > 10% | 8.7 | (19.1) | 1.0 | (6.7) | (3.2) |
| Absence due to illness | < 4% | 4.0 | 4.6 | 5.2 | 6.7 | 4.1 |
| Absence due to industrial accidents | max. 3 | 1 | 0 | 1 | 5 | 3 |
| Energy Efficiency Index[1] | 85 | 91.7 | 93.2 | 90.8 | 91.7 | 91.6 |

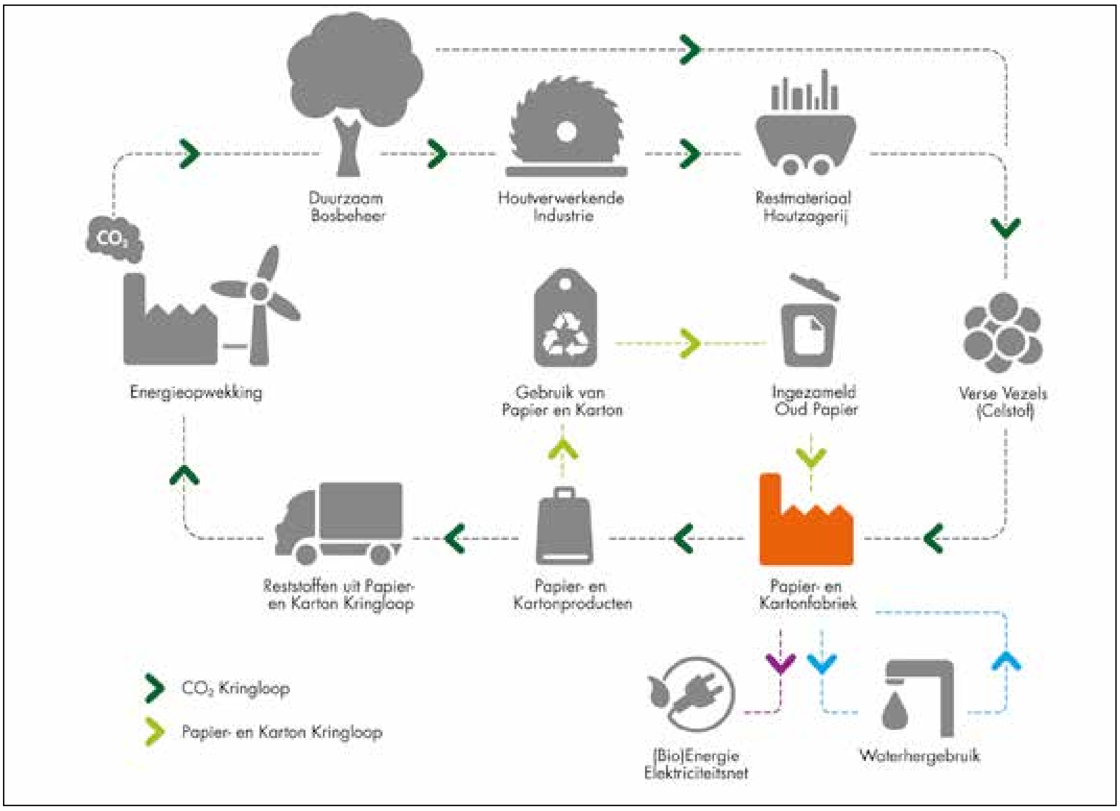
*[1] The index reported here only regards internal processes, excluding supply chain measures.*

### ABOUT THE ANNUAL REPORT

Sustainability is an integral part of the strategy and daily management of Crown Van Gelder. This should also be reflected in the external reporting, so the company took the decision in 2013 to combine the sustainability report and the financial report in a single report based on the International Integrated Reporting Council's (IIRC) framework. This report will also inform its stakeholders about the progress Crown Van Gelder has made in respect of the goals set in 'Focus 2016'. The scope of the report covers the company's operating activities and the sourcing of its raw materials. The reporting year ran from 1 January to 31 December 2014.

## CORE ACTIVITIES

### Business Process




The paper industry is uniquely placed: worldwide, it is the largest industry that manufactures a fully recyclable product that is also based on natural and renewable raw materials. Of the materials used to manufacture Crown Van Gelder's paper, 99% are biobased: pulp sourced from sustainably managed forests, starch, natural pigments and surface water. Only a few auxiliary materials, colouring agents and glues are not biobased; natural gas is used as an energy source in the manufacturing process. Recycled paper is not used in the manufacturing process because of its customers' requirements and given that Crown Van Gelder manufactures high-quality paper specialities.

### Certifications

By certifying its management system, Crown Van Gelder wants to demonstrate to its stakeholders that the operating processes are firmly embedded in the organisation. Crown Van Gelder is an industry leader:

| | |
|---|---|
| 1994 | Quality Management System (ISO 9001) |
| 1997 | Environmental Management System (ISO 14001) |
| 2005 | Occupational Health and Safety Management System (OSHAS 18001) |
| 2005 | FSC® Chain of Custody (Sustainable Forest Management) |
| 2005 | PEFC™ Chain of Custody (Forest Management) |
| 2012 | Energy Management System (ISO 50001) |

An Ecolabel certificate has also been awarded to various products in the range Crown Van Gelder supplies.

Because food safety is a key topic in the packaging industry, Crown Van Gelder implemented an ISO 22000-compliant food safety management system in 2014; certification is expected to take place in the course of 2015.

The formal description of the management systems lays down the duties and responsibilities in the area of corporate social responsibility. The Chief Executive Officer is ultimately responsible for the policy conducted and the results achieved in the area of corporate social responsibility. The operations manager is the board of management's representative with regard to quality assurance, environmental and energy issues, and sustainable forest management, while the HR manager is responsible for occupational health and safety matters. The Chief Financial Officer is responsible for coordinating the management systems.

## STAKEHOLDERS AND SUPPLY CHAIN RESPONSIBILITY

Crown Van Gelder maintains close contacts with stakeholders. Sustainability Facts & Figures (see www.cvg.nl) contains an overview of its stakeholders and how Crown Van Gelder interacts with them. The materiality matrix shows the topics to which stakeholders want Crown Van Gelder to devote attention.

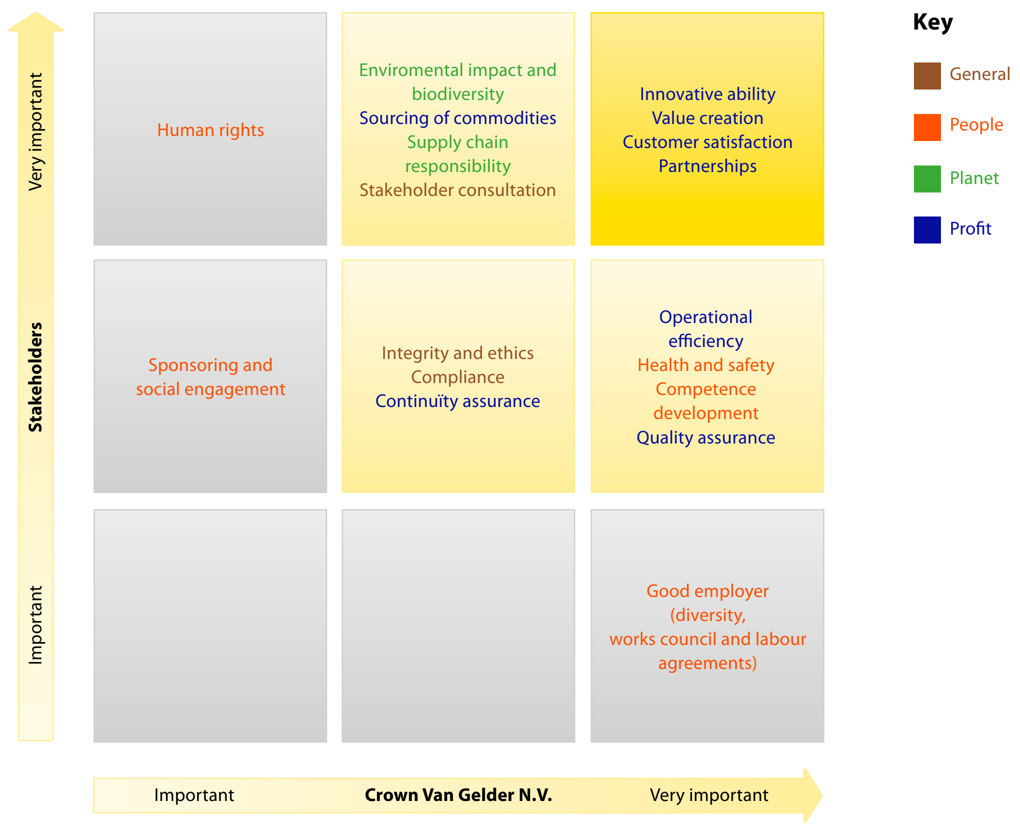
### Investor relations

Crown Van Gelder attaches great importance to maintaining good relationships with existing and potential depository receipt holders. The company organises meetings twice a year with analysts. In addition, Crown Van Gelder also meets with investors and investors' groups, all of whom are welcome to visit its facilities. The company's website frequently features reports on the latest developments and recent press releases.

### Materiality analysis

The materiality matrix is based on a risk assessment, the prioritising of corporate social responsibility (CSR) issues and the dialogue with the company's stakeholders. The annual risk assessment, which is performed by the Management Board in consultation with the management team, identifies the most significant risks and the measures to be taken. The section on risk management in this annual report explains the risks that could have a substantial impact on the company's financial position. In order to identify significant CSR issues, Crown Van Gelder has applied the methods in the framework of the ISO 26000 self-declaration, which are described in the NPR 9026:2011 standard. The materiality matrix identifies the most significant CSR issues that Crown Van Gelder addresses in its report from the Management Board.

**Materiality matrix**




**Supply chain responsibility**

In developing and producing paper grades, Crown Van Gelder imposes a requirement that the paper be reusable in the supply chain as recycled paper, a raw material. The company also imposes sustainability requirements on its suppliers. The periodic supplier evaluations are based on Crown Van Gelder's suppliers code of conduct. If a supplier fails to comply with these requirements, the company reaches agreements with the supplier to implement the necessary improvements.

Human rights and sustainability are top priorities for Crown Van Gelder. Because the end product is constituted primarily of pulp and this is the only raw material which is acquired mostly from sources outside Europe, all of the pulp must be FSC® certified. This requirement ensures that all of the pulp is sourced from sustainably managed forests. It prevents illegal logging and supports the traditions and/or civil rights of indigenous communities and employees and their economic development. It also safeguards the biodiversity of the forests.

Crown Van Gelder holds a continuous dialogue with its customers and suppliers in order to effect improvements in the supply chain. The pulp is transported mostly on inland waterways from the ports of Rotterdam, Vlissingen, and Antwerp, which has reduced road transport in recent years. The finished product – paper on reels – is mostly transported by road. Most products destined for Italy are transported by train.

From left to right: Theo Philippa, Emile Bakker, Miklas Dronkers (CEO),
Jacques van den Hoven (Chairman), Han Wagter, Henk van Houtum, Henk van der Zwaag (CFO)

# DIRECTORS OF THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

## THE SUPERVISORY BOARD

**Emile Bakker (1947)**
Appointed in 2008, reappointed in 2012, current term until 2016

| | |
|---|---|
| *Nationality:* | Dutch |
| *Position:* | Former Investment Director Antea Participaties B.V. |
| *Supervisory positions:* | Member Supervisory Board Boval B.V. |
| | Member Supervisory Board Felison Assuradeuren N.V. |
| *Other positions:* | Board member Stichting Preferente Aandelen Batenburg Techniek N.V. |
| | Board member Stichting Prioriteit Antea Participaties |

**Henk van Houtum (1953)**
Appointed in 2012, current term until 2016

| | |
|---|---|
| *Nationality:* | Dutch |
| *Position:* | Former Director Strategy and Innovation at Van Houtum B.V. |
| *Supervisory positions:* | Chairman Supervisory Board Van Houtum B.V. |
| | Member Supervisory Board AWVN |
| *Other positions:* | Chairman Royal VNP |
| | Board member CEPI |
| | Board member VNO-NCW |

**Jacques van den Hoven, Chairman (1952)**
Appointed in 2012, current term until 2016

| | |
|---|---|
| *Nationality:* | Dutch |
| *Position:* | Self-employed company advisor |
| *Supervisory positions:* | Chairman Supervisory Board Van Raak Staal Holding B.V. |
| | Member Supervisory Board Noordbrabants Museum |
| *Other positions:* | Chairman Stichting Wetenschappelijk Onderzoek en Opleidingen in de Vastgoedkunde |

**Theo Philippa (1955)**
Appointed in 2012, current term until 2016

| | |
|---|---|
| *Nationality:* | Dutch |
| *Position:* | Self-employed company advisor |
| *Supervisory positions:* | Member Audit Committee of Crown Van Gelder N.V. |
| | Member Supervisory Board DPW Van Stolk Holding B.V. |
| | Member Supervisory Board Net Display Systems B.V. |

**Han Wagter (1949)**
Appointed in 2007, reappointed in 2011, current term until 2015

| | |
|---|---|
| *Nationality:* | Dutch |
| *Position:* | Former CFO Royal Wessanen N.V. |
| *Supervisory positions:* | Chairman Audit Committee of Crown Van Gelder N.V. |

## THE MANAGEMENT BOARD

**Miklas Dronkers (1966)**
Appointed in 2009, reappointed in 2013

| | |
|---|---|
| *Nationality:* | Dutch |
| *Position:* | CEO Crown Van Gelder N.V. |
| *Other positions:* | Board member Royal VNP |
| | Board member VEMW |
| | Board member Stichting Techniekcampus Techport |
| | Chairman Environment Committee Royal VNP |
| | Member Environment Committee CEPI |
| | Member Advisory Board Havenfestival IJmuiden |
| *Stockholding Crown Van Gelder:* | 145 depository receipts |

**Henk van der Zwaag (1962)**
Appointed in 2013

| | |
|---|---|
| *Nationality:* | Dutch |
| *Position:* | CFO Crown Van Gelder N.V. |
| *Other positions:* | Board member Stichting Pensioenfonds De Eendragt |
| *Stockholding Crown Van Gelder:* | 1,000 depository receipts |

The members of the Supervisory Board do not hold shares or depository receipts of shares in the company.
The members of the Supervisory Board and the Management Board do not hold options on shares or on depository receipts of shares in the company.

## SUMMARY

**Results for 2014**

Crown Van Gelder achieved a net profit of EUR 3.1 million in 2014. In 2013, the company had suffered a substantial net loss of EUR 8 million, excluding non-recurring items, and a net loss of EUR 13 million, including an impairment charge. Measures taken by the management to improve the commercial and operational performance clearly showed their impact. The return to profitable operations in 2014 was supported by improved market conditions, a strong increase in focus products sales and lower pulp and energy prices.

Total sales remained virtually stable, at approximately 207,000 ton. In 2014, Crown Van Gelder's market performance was favourably influenced by a more positive market sentiment, particularly during the traditionally stronger market in the first half of the year. The second half of 2014 was relatively good in comparison to the two previous years, when the paper market suffered a strong setback. The order volume on the European market for woodfree uncoated paper was up 1% in comparison to 2013.

The most important spearhead of the 'Focus 2016' strategy is the ambitious growth target set for focus products sales, specifically, paper sold on the three niche markets of high-speed inkjet, label, and special packaging. In 2014, sales of these products rose by 25%, or 50% of total sales (2013: 40%), which is in line with the 'Focus 2016' growth target.

**Costs of raw materials and energy**

The financial results for 2014 were positively affected by lower pulp and energy prices. Particularly in the first half of 2014, Crown Van Gelder was able to profit from lower pulp prices when new production capacity for short-fibre pulp in South America was introduced and pulp availability increased. On balance, the average price Crown Van Gelder paid for pulp in 2014 was down 6% in comparison to the previous year. The corresponding cost decrease amounted to EUR 4 million.

After being confronted with a sharp increase in the price of natural gas in 2013, the company decided not to enter into any long-term natural gas price agreements, in anticipation of possibly lower gas prices. Natural gas prices fell substantially in the first half of 2014, largely due to the mild weather and large natural gas stocks in Europe. In July 2014, geopolitical tensions started negatively affecting natural gas prices, which is why Crown Van Gelder decided to enter into price agreements for the rest of the year, albeit at substantially higher forward prices. On balance, Crown Van Gelder's natural gas costs in 2014 were down nearly EUR 4 million in comparison to 2013.

**'Focus 2016' strategy**

Since 2006, Crown Van Gelder has developed a broad product range thanks to its New Business Development (NBD) programme. The 'Focus 2016' strategy, which was implemented in early 2013, builds on its core strengths – customer-oriented service, innovativeness and operational flexibility – and concentrates on the following four priorities:

- Commercial focus on high-speed inkjet, label, and special packaging; these products offer customers higher added value and an attractive margin.
- Increase in production efficiency. By continuing to improve the processes, Crown Van Gelder

achieves a higher net production rate at lower cost while simultaneously improving its environmental performance.

- Investment in sustainable employability. The company continues to invest in its staff's training, health and safety, reaping the benefits of keeping its staff fit and committed to the company.
- Partnerships with other market parties. Whenever possible, Crown Van Gelder enters into partnerships with companies that complement its strategic, technological or commercial abilities.

**Financial position**

In 2014, capital expenditure amounted to EUR 3.1 million, somewhat less than depreciation costs of EUR 3.7 million. Capital expenditure was solely related to necessary replacement investments in machinery and equipment. Measures to reduce the amount of working capital resulted in a decrease of EUR 9.1 million in working capital in 2014. Together with the profit generated in 2014, the net debt position of EUR 10 million at the end of 2013 was converted into a net cash position of EUR 3.8 million at year-end 2014, and no requirements to employ the overdraft facility at the end of 2014. The solvency ratio improved at year-end 2014 to 64% (year-end 2013: 56%).

**Prospects for 2015**

The financial results in 2014 were positively affected by better market conditions, lower pulp and energy prices, and a sharp increase in focus products sales. In early 2015, the economic forecast and market prospects as a whole are less favourable than they were in 2014.

Despite prevailing economic uncertainties, the company's goal for sales and production volumes in 2015 is between 215,000 and 220,000 ton. In this respect, Crown Van Gelder will continue to focus on growth in the high-speed inkjet, label, and special packaging niches. In 2015, Crown Van Gelder will strive to sell an additional 20,000 ton of these niche products, in accordance with the strategic targets laid down in 'Focus 2016'. The development of Crown Van Gelder's results in 2015 will depend on the general economic prospects in Europe, the demand for paper, especially for focus products, EUR/USD exchange rate developments, pulp and gas price developments and the magnitude of selling price increases to counter higher costs levels. Although the ultimate impact of all these factors is yet uncertain Crown Van Gelder expects, based on current insights, a positive net result in 2015.

## RESULTS 2014

**Results**

In 2014 revenue increased by more than EUR 4 million to EUR 162 million. Sales amounted to 207,100 ton in 2014, a slight increase in comparison to 2013, when the company sold 206,600 ton. The production volume amounted to 208,000 ton in 2014, an increase of 2,300 ton in comparison to 2013.

Operating profit, excluding non-recurring items, came to EUR 3.4 million in 2014, up EUR 11.8 million on the operating loss of EUR 8.4 million (excluding non-recurring items) reported in 2013.

Crown Van Gelder supplied 89.4 GWh of electricity to the public grid, generating EUR 4.1 million in revenues (2013: 77.9 GWh and EUR 3.9 million).

Improvement projects were started at the end of 2013 with the goal of both permanently improving the stability of the machine park, anticipating the decreasing size of customer orders and reducing the change-over times between paper grades. Through this approach, Crown Van Gelder will be able to increase the total production volume of its paper machines to 235,000 ton per year by 2016. The improvement programme, which was still characterised by a project-by-project approach in the first half of 2014, transitioned to a continuous improvement organisation in the second half of 2014, with the responsibility being shared at management team and shop floor level. The improvement measures are expected to increase efficiency further and thus contribute to more sustainable business operations, lower costs, and better performance.

On 31 December 2014, the company's market value was lower than its net asset value. In line with IAS 36.12d, an annual impairment test was carried out. Given the outcome of the test, there was no need for an impairment write-down nor a reversal. In 2013 the outcome of the test had been reason for the company to recognise a pre-tax impairment loss of EUR 5 million. Please refer to the financial statements in this Annual Report 2014 for more detailed information (see page 61).

**Market developments**

The order volume on the European market for woodfree uncoated paper was down 1% in comparison to 2013. Within this market, Crown Van Gelder is active in the paper on reels sales segment. The order volume in the paper on reels segment of the related market for woodfree coated paper declined, however. This reinforces the tendency of woodfree coated paper manufacturers to explore opportunities in the uncoated paper market. For Crown Van Gelder, this translated into pressure on the market for standard graphic papers. This effect was magnified by the elimination of Russia as a potential market, due to the devaluation of the ruble.

Total sales rose slightly to 207,100 ton (2013: 206,600 ton). In 2014, Crown Van Gelder's market performance was favourably influenced by a more positive market sentiment, particularly the traditionally stronger market in the first half of the year. The second half of 2014 was relatively good in comparison to the two previous years, when the paper market suffered a strong setback. The total export volume outside Europe in 2014 was lower than in the previous year. At year-end 2014, 18,300 ton of finished products were in stock, somewhat higher than year-end 2013 (17,600 ton).

The sale of focus products rose by 25% to 103,200 ton. Focus products accounted for 50% of total sales, in comparison with 40% the previous year. Using a market approach that involves more intensive dialogue with the end-user, and sometimes with wholesalers and agents, made an important contribution to this increase.

In the high-speed inkjet market a lasting positive trend can be observed. The graphics industry transition from conventional techniques such as laser and offset printing to inkjet printing is continuing. With its wide product range and know-how, Crown Van Gelder is viewed as a market leader in the rapidly growing world of high-speed inkjet paper. This market leadership is based on processes for product and market development: Letsgo discover, Letsgo develop and Letsgo launch.

As a result of the persistent economic recession, the demand for self-adhesive labels dropped, as a result of which label products sales were under pressure this year. There is beginning to be interest in high-speed inkjet possibilities for label applications, such as personalising printed labels for marketing campaigns. It is currently difficult to predict how fast this interest will grow.

The market for special, white packaging papers grew sharply, partly as a result of the significant increase in online sales. Crown Van Gelder's activity in this segment relates to liners for solid cardboard, flexible packaging, and paper shopping bags. In 2014 a significant increase in sales was achieved.

The present economic situation and customer insolvency may negatively impact Crown Van Gelder's performance. In 2014, as in the two previous years, only a few minor outstanding claims were written off as bad debts.

**Pulp prices**

The market developments relating to short-fibre pulp (BHKP) are especially relevant for Crown Van Gelder's products. In anticipation of the increase in production capacity, pulp prices were already under pressure during the second half of 2013. When increased production capacity became a reality on the market in the first half of 2014, short-fibre pulp prices dropped even further. At the end of 2013, the price per ton stood at USD 770, dropping to USD 724 by the end of September, after which it recovered when short-fibre capacity in Europe was shut down. The recovery in the fourth quarter brought prices up to USD 742 by the end of 2014. The difference in price between short- and long-fibre pulp then fell to USD 189, down from the peak of USD 208 in September. The price of BHKP in EUR went from EUR 564 to a low of EUR 542 at the end of July, to EUR 608 at the end of December 2014, EUR 44 higher than a year before as a result of the stronger USD.

There was no strong increase in production capacity of long-fibre pulp (NBSK) and the price per ton rose from USD 906 to USD 931 at year-end 2014. The increased capacity, which is focused on the Chinese market, as well as cheaper short-fibre pulp substitutes, checked the increases of NBSK to some extent. In EUR, the NBSK price rose from EUR 656 to 763 at the end of 2014 as a result of the rapid appreciation of the USD in the second half of 2014. On average, NSBK prices (expressed in USD) in 2014 increased by 2.8% in comparison with 2013. The increase in the value of the USD increased average NSBK prices in EUR by 16%.

**Earnings per share and profit appropriation**

The net profit for 2014 amounted to EUR 0.71 per depository receipt (2013: loss of EUR 3.00 including non-recurring items, and a net loss of EUR 1.86 excluding non-recurring items). With the Supervisory Board's approval, the Management Board proposes distributing a cash dividend to depository receipt holders of EUR 0.35 per depository receipt (2013: no dividend distributed). The dividend proposal is based, among other things, on the net profit Crown Van Gelder achieved in 2014, as well as on the significant improvement in the financial position. Depository receipt holders should note that the dividend distributed prior to the settlement date of the offer is part of Andlinger & Company's offer.

**Financing**

Crown Van Gelder took the steps necessary to strengthen its market position and safeguard its financial position in a volatile business environment. Although the company's commercial and operating strategy is solid, it must be kept in mind that market conditions will continue to be volatile. In order to mitigate the pressure on cash flow and results, the company has taken extra measures to improve sales, increase efficiency, and decrease costs, investments, and working capital.

In 2014, capital expenditure amounted to EUR 3.1 million, somewhat less than depreciation costs of EUR 3.7 million. Capital expenditure was solely related to necessary replacement investments in machinery and equipment. In 2013, capital expediture was higher at EUR 6.5 million, most of which was spent on the periodic revamp of the combined heat and power plant.

Measures to reduce working capital by focusing on stock levels and payment terms resulted in a decrease of EUR 9.1 million in working capital in 2014. On balance, the net debt position of EUR 10 million at year-end 2013 was converted into a net cash position of EUR 3.8 million at year-end 2014, and no requirements to employ the overdraft facility. The solvency ratio improved at year-end 2014 to 64% (year-end 2013: 56%).

## STRATEGY

In February 2013, the 'Focus 2016' strategy was presented, which details Crown Van Gelder's plans and ambitions for the 2013-2016 period. The market for paper used in graphics applications reflects the consequences of the digitisation of society. The permanent shift from hard copy to soft copy has been accelerated by the recent recession. Crown Van Gelder wants to profile itself as a specialty supplier that focuses on three niches. To accomplish this, the focus is on niches that do not attract the industry's major players, niches in which Crown Van Gelder can best use its flexibility and convenient location in Western Europe to its advantage. Distinctive niche products will spur growth and create value for customers, employees and depository receipt holders. The company will continue to build on its core strengths: customer-oriented service, innovativeness and operational flexibility. The 'Focus 2016' strategy concentrates on the following four priorities:

- Commercial focus on high-speed inkjet, label, and special packaging. These products offer customers higher added value and an attractive margin. The target for 2016 is to achieve growth in these focus products of 60,000 ton in comparison to 2012.

- Increase in production efficiency. By continuing to improve its processes, Crown Van Gelder achieves a higher net production rate (235,000 ton in 2016) at lower cost while simultaneously improving its environmental performance.

- Investment in sustainable employability. The company continues to invest in its staff's training, health and safety, reaping the benefits of keeping its staff fit and committed to the company.

- Partnerships with other market parties. Whenever possible, Crown Van Gelder enters into partnerships with companies that complement its strategic, technological or commercial abilities.

The sales department has been transformed into a goal-oriented sales organisation that can rapidly meet the needs of the niche markets where the company wants to grow. To this end and where possible, Crown Van Gelder will meet its goals faster by working together with strategic partners, including wholesalers, specialised agents and OEMs. The geographic structure was converted into a market-driven structure that sharpens the focus and adds depth to the expertise of the specialised expertise of the sales team. The company has also invested in commercial strength by appointing extra sales and production managers and integrating the internal sales and scheduling organisations into the sales department.

# REPORT OF THE MANAGEMENT BOARD

A good return on capital employed in the business contributes to the continuity of that business and is thus vital to all of Crown Van Gelder's stakeholders. The result achieved in 2014 is nearing the target rate of return (ROCE of at least 10%) that has been formulated in 'Focus 2016'. This achievement is largely attributable to the efforts Crown Van Gelder has made in recent years to enrich its product portfolio.

Crown Van Gelder's dividend policy assumes a 50% dividend pay-out; the dividend will be paid in cash. Dividend payments will depend on the need to fund replacement assets (free cash flow), keeping in mind the company's continuity and its credit limit.

In February 2014, against a backdrop of improving economic conditions and Crown Van Gelder's stronger business profile as a niche player in its focus areas, the search for a partner was resumed. The goal was to explore alternatives for accelerating the return to the desired level of profitability and strengthening Crown Van Gelder's market position for the long term. This search led Andlinger & Company to announce a public offer for Crown Van Gelder on 10 October 2014, which offer the management and supervisory directors have recommended the shareholders and depository receipt holders to accept.

## PROSPECTS FOR 2015

The general economic and market outlook in Europe at the start of 2015 seems to be less positive compared to last year. The outlook is affected by uncertainties regarding the future of the monetary union, deflationary pressure, geopolitical tensions and its impact on economic growth perspectives. Crown Van Gelder's order book is currently at a sufficient level to keep production capacity fully utilised. Despite the prevailing economic uncertainties, the company's goal is to increase sales and production volumes in 2015 to a level between 215,000 and 220,000 ton. Crown Van Gelder will continue to focus on growth in the high-speed inkjet, label, and packaging niches and aims at 20,000 ton of extra sales in these types of products in 2015, in line with the 'Focus 2016' strategic ambitions.

For 2015, capital expenditure is expected to amount to approximately EUR 5 million.

In 2015, contrary to 2014, no substantial new pulp capacity will come on stream. Based on the supply and demand developments a further gradual increase in pulp prices (mainly traded in USD) is anticipated in the first half of 2015. With the strong appreciation of the USD compared to the EUR (nearly 20% up since mid 2014) and EUR/USD currency hedges having expired at the end of 2014, Crown Van Gelder is now facing strong cost increases in pulp in EUR terms.

In recent months, gas prices showed high volatility. Gas forward prices for 2015 are currently slightly above the average 2014 price levels. Based on expert views, gas prices are expected to remain under pressure during the course of 2015, mainly due to high gas storage levels and increasing Liquefied Natural Gas supplies in Europe and low oil prices. Crown Van Gelder is closely monitoring gas price developments and has decided to keep gas prices merely floating.

The development of Crown Van Gelder's results in 2015 will depend on the general economic prospects in Europe, the demand for paper, especially for focus products, EUR/USD exchange rate developments, pulp and gas price developments and the magnitude of selling price increases to counter higher costs levels. Although the ultimate impact of all these factors is yet uncertain, Crown Van Gelder expects, based on current insights, a positive net result in 2015.

## CORPORATE SOCIAL RESPONSIBILITY

Crown Van Gelder believes corporate social responsibility (CSR) reporting contributes to enhancing its profile as a transparent company, where sustainability is an integral part of the strategy and daily management. Both the CSR reporting and the information on the website are based on the G3.1 guidelines of the Global Reporting Initiative.

The condensed report on 2013 was reviewed against the Transparency Benchmark for Corporate Social Responsibility (CSR) Reporting at the request of the Dutch Ministry of Economic Affairs, Agriculture and Innovation. Crown Van Gelder ranks 73rd out of nearly 409 Dutch companies involved in the review. This effectively puts the company in sixth place in the league table for the manufacturing industry.

### Client satisfaction

The focus on customer service and service levels continues to be an area for improvement. The number of complaints remained virtually the same in 2014, namely 2.6 complaints per 1,000 ton of product sold (2013: 2.5). In order to further improve customer satisfaction this is a standard topic during customer visits. Insights gathered during these meetings allow Crown Van Gelder to give even more attention to those issues considered by our customers as important.

### Environment and energy

Improving energy efficiency in the production process is one of Crown Van Gelder's key performance indicators. The company uses a vast amount of steam and electricity in the production process. This energy is generated in its own combined heat and power plant, resulting in a high energy yield. The company strives for optimal production using a minimum amount of energy.

By signing the MEE Agreement (Multi-Year Energy-Efficiency Agreement for ETS Companies) Crown Van Gelder committed itself to a joint industry effort to improve its energy efficiency by 2% per year and wants to achieve this by including process- and supply chain-efficiency measures in the EEP (Energy Efficiency Plan). The energy efficiency, however, is affected by the economic conditions in which Crown Van Gelder is obliged to operate.

The EEI (Energy Efficiency Index of the internal processes) was 91.7 (reference year 2005 = 100) in 2014, 1.5 percent better (lower) than in 2013 as a consequence of: a higher production volume, milder outside temperatures in the heating season and the implementation of several energy-saving measures, such as turning off a continuously operating vacuum pump that uses a great deal of electricity.

At the end of 2012 Crown Van Gelder was granted a new water permit that imposes somewhat stricter discharge requirements. Several improvements had already been made to the waste water treatment plant in 2013 to satisfy discharge requirements. In 2014, stable microbiology ensured that the waste water was purified better than it had been in 2013, reducing the waste water contamination tax by 12% in comparison with 2013. Various parameters regarding the waste water are analysed by the company's laboratory on a daily basis.

All of the pulp Crown Van Gelder uses is sourced from sustainably managed forests. In 2014, 97% of the pulp used came with an FSC® or PEFC™ chain-of-custody certificate (2013: 80%); 55% of the products sold came with an FSC® or PEFC™ chain-of-custody certificate (2013: 44%).

Crown Van Gelder sets great store by maintaining good relationships with regulatory authorities. The company has implemented a procedure that is intended to ensure that Crown Van Gelder is updated quarterly on statutory and regulatory changes so that timely measures can be taken to ensure the continuous compliance with the applicable laws and regulations. In 2015, there will be submitted an application to the North Sea Canal Area Environmental Service (*Omgevingsdienst Noordzeekanaalgebied*) for a new spatial development and planning permit. Preparations for this application began in September 2014.

**Research and development**

Product development at Crown Van Gelder is divided into three focus areas: high-speed inkjet, label, and special packaging. Each focus area has its own development team staffed by people with backgrounds in marketing, sales, or technology. They work together to develop the technology and markets of new products that can generate added value for customers.

In 2013, the Simulation Energy Efficiency Drying Process project was started as part of the Netherlands Paper Industry Energy Transition Plan. The modelling of the heat flows in the drying process (first phase of the project) was completed in 2014, and various possibilities for saving energy were assessed and included in an action plan. After the modelling is developed further and validated, a new series of measurements will become available in 2015.

**Workforce**

Crown Van Gelder is known as an attractive employer of a diverse group of employees who feel sufficiently challenged to pursue their personal development, and the company wants to continue this tradition.

A continuous improvement programme was started at Crown Van Gelder in 2013, with the objective being to make the work processes more efficient and more uniform while allowing the staff to best utilise their individual strengths. The staff is extremely dedicated to the continuous improvement programme. The various improvement teams and project groups are staffed by colleagues who identified the most important issues requiring improvement. The added value of everyone's contribution to the OEE (Overall Equipment Effectiveness) and the 'first time right' principle is the main subject of the programme. 5S (workplace organisation method) and SOPs (standard operating procedures) are terms that are now familiar terms within Crown Van Gelder.

The average staff complement in 2014 was 280 employees (273.5 FTEs). Absence due to illness dropped from 4.6% in 2013 to 4.0% in 2014. Years have been spent working on a plan-based system of absence reduction based on the principle of identifying what the person in question *can* do. Offering that person alternative work ensures that the employee stays connected both to work and to his or her colleagues.

In 2014, employees were offered the opportunity to participate in periodic medical examinations. 66% of our staff availed themselves of this opportunity. Thorough hearing tests were also offered to the staff.

Crown Van Gelder staff tend to remain with the company for a long time. In 2014, 19 employees celebrated their 25th anniversary, and one celebrated his 40th anniversary.

Crown Van Gelder also offers opportunities to people with skills deficits to enter the job market. In 2014, four legally disabled young people entered Crown Van Gelder's employ, bringing the total number of legally disabled employees up to six. This experience has shown just how involved and knowledgeable the new colleagues are.

**Safety**

In 2014 there was one accident that resulted in absenteeism (2013: 0), which ended a period of 793 days without industrial accidents. The number of accidents with no resulting absenteeism rose to 32 (2013: 26). In 2014, toolbox meetings were held on various safety issues: working with sharp objects, using cut-resistant gloves, legionella and safety during maintenance stops. The points for attention in 2015 will be reducing accidents resulting in injuries, providing incentives for reporting unsafe situations, promoting 5S, and the switching system for locking out steam valves.

**Training**

For many years, Crown Van Gelder's motto has been 'Paper mill = learning factory', and has striven to educate its staff. This increases the quality of the work they do and their satisfaction with the jobs they hold, and ensures long-term employability. In 2014 more than 69% of the staff took a training or course, with an average study load of approximately 65 hours per person. Crown Van Gelder is a certified training provider for more than ten fields of study.

**Terms and conditions of employment**

On 19 November 2013, the company and labour unions entered into a new collective agreement for a one-year term beginning on 1 January 2014. The collective agreement stipulated that there would be no permanent pay rises in 2014 and that employees would receive a one-off performance-linked gross payment of 1% of their annual salary. Given that the 2014 result met this condition, employees will receive a one-off payment. On 2 December 2014, the company and labour unions entered into a new collective agreement for a one-year term beginning on 1 January 2015. The collective agreement stipulates that a 2% permanent pay rise will be granted in 2015. In connection with statutory amendments, the collective agreement also stipulates agreements on such issues as pensions as of 1 January 2015, unemployment benefit reparations, informal care, and sustainable employability.

**Employee participation**

Employee participation is an important part of the CSR policy and encourages staff dedication to the company. The Works Council handled ten requests for formal opinions and consent. The organisation rate at Crown Van Gelder was 49% in 2014. Labour organisations and the Works Council are closely involved with the progress on the continuous improvement programme.

**Paper Week**
Paper is the most natural piece of high tech. Crown Van Gelder participated in the first national edition of Paper Week (12-18 May 2014), an initiative of the Royal Netherlands Paper and Board Association (VNP). Making sure the paper industry is well-known and has a positive image is good for the labour market and the supply chain partners, as well as for society as a whole. Crown Van Gelder will be participating in Paper Week again in June 2015, when students from various fields of study will be given tours of the paper mill.

**War Child**
Crown Van Gelder has supported War Child Nederland since 2012 by supplying free paper for their fundraising efforts.

**IJmond Bereikbaar**
At the end of 2014, Crown Van Gelder became a corporate sponsor of Goed op Weg, an IJmond Bereikbaar campaign to promote bicycling. The goal of IJmond Bereikbaar is to keep the region actually accessible, partly in light of the planned nine-month closure of the Velsertunnel in 2016. In addition to keeping the IJmond available, the campaign is also intended to improve air quality and promote employee health. By the end of 2014, 70 employees had registered to participate.

## RISK MANAGEMENT

**Sensitivity analysis**
Key factors affecting Crown Van Gelder's financial performance include selling prices, production and sales volumes, pulp prices, the EUR/USD exchange rate, and gas prices.

The impact of a 10% increase or decrease in these factors on the company's operating result (based on the 2014 financial statements):

| | *EUR millions* |
|---|---|
| Selling prices of paper | 16 / (16) |
| Production and sales volumes | 4 / (4) |
| Pulp prices | (7) / 7 |
| EUR/USD exchange rate | 5 / (5) |
| Gas prices | (2) / 2 |

**Introduction**
Crown Van Gelder regards risk management as a systematic and proactive way of identifying and prioritising risks and opportunities. By continually identifying risks which pose a threat to the company's targets, timely action can be taken to limit or, indeed, eliminate the impact of those risks. It is equally important to identify opportunities at an early stage and put them to effective use. Risk management also includes reviewing existing controls put in place to minimise the risks identified. These controls are documented in the internal risk management and control system and the QHSE (Quality, Health & Safety, and Environmental) management system.

Doing business inherently involves taking risks. In taking those risks, the company is guided by the sustainable nature of the business. Risk management and control are both elements of the company's corporate governance system. This calls for a proper balance between business acumen and risk control.

The objectives and policies of financial risk management and the use of financial instruments are disclosed in note 27 (see pages 77-83) of the financial statements.

**Activities in 2014**

In 2014 Crown Van Gelder re-identified and assessed the financial, operational, strategic, compliance and disaster risks affecting all of its major business processes, implementing measures where necessary.

Crown Van Gelder also reviewed the most relevant risk management strategies in 2014. These reviews were conducted during internal audits (18 sessions), external audits (interim audits ISO 9001, ISO 14001, OHSAS 18001, ISO 50001, FSC® and PEFCTM), and internal inspections. The internal and external audit and review findings were recorded, reported to and, where necessary, discussed with the Management Board, the Audit Committee and the Supervisory Board.

**Strategic risks**

Strategic risks are those associated with the business environment, the nature and size of the company's business, and the positioning of business activities on the paper market. The company responds actively to risks and opportunities as they arise, and considers this response to be part of its normal business operations.

The continuously changing paper market, current economic climate, strong fluctuations in commodity and energy prices, and other events have affected the company's performance.

Developments on the sales markets and those affecting customers may influence production capacity usage and hence adversely affect the funding of fixed costs.

Crown Van Gelder regularly develops scenarios to assess the potential impact of these developments on its operations, identifies measures which can be taken to mitigate their impact, and establishes an overall approach to dealing with these developments.

The paper industry is a global market with strong regional players. Crown Van Gelder is aware of these market developments and trends, and of its position on the geographical sales markets. Digitisation has become a major market trend affecting the paper industry. Over the last few years, paper has increasingly been replaced by digital applications. This has particularly affected European demand for graphic paper grades, which make up a substantial part of Crown Van Gelder's sales volume. In this respect, the company will continue to focus intensively on developing and marketing new products in order to further strengthen its position as a niche player and to maintain and improve its market position.

REPORT OF
THE MANAGEMENT BOARD

Based on the commercial strategy detailed in 'Focus 2016', and with an eye towards increasing the commercial strength, the commercial department was restructured in 2014. This will enable Crown Van Gelder to profile itself more prominently and focus more intensively on the profitable niches within the high-speed inkjet (digital), label, and special packaging paper markets. Crown Van Gelder is devoting a great deal of attention to expanding its commercial and technological network in order to accelerate the market and product development and sales growth of its focus products in the coming years.

In 2012, in order to bolster Crown Van Gelder's market position over the long term as well, the company actively sought out partnership opportunities with other market players. The search did not result in any concrete partnership opportunities. The active search for a strategic or financial partner was resumed in early 2014. On 28 January 2015, Andlinger & Company launched a public offer on Crown Van Gelder. In line with their fiduciary duties, the Supervisory and Management Boards closely analysed the proposed offer. After carefully weighing and assessing the company, its strategy, and alternative scenarios, and after holding intensive meetings with Andlinger, the Management and Supervisory Boards concluded that the proposed offer was in the best interests of the company and all of its stakeholders.

Crown Van Gelder keeps abreast of technological developments by maintaining contacts with the Netherlands Paper and Board Knowledge Centre, suppliers of paper machines, and manufacturers of copier and printer systems, and regularly attends seminars to be informed of the latest market surveys and developments. The company's assets comprise a state-of-the-art fleet of machinery, and the investment programmes are designed to apply the latest available technology to the internal processes.

**Operating risks**
Commodity prices – pulp and energy prices, in particular – are major cost items. Most of the company's key non-integrated competitors are facing the same challenges.

Depending on the price of pulp expected in the short term, Crown Van Gelder may decide to reduce or increase its stocks of pulp. In 2014, the company was able to profit from broader pulp supplies that allowed it to agree better terms and conditions of supply. Crown Van Gelder is also actively striving to improve purchasing terms and achieve cost savings on the use of raw materials.

The company is also exposed to fluctuations in energy prices. Depending on the market and price developments expected by experts, it will determine when the energy prices will have to be fixed for all or part of the contractual term.

Each year, Crown Van Gelder must buy approximately half of its $CO_2$ emission allowances on the market in order to be able to satisfy its obligations under the EU Emissions Trading Scheme. The company also times its purchase of emission allowances based on experts' market and price expectations.

A breakdown of or problems in production or the company's combined heat and power plant could cause production processes to come to a standstill or give rise to quality issues. To prevent incidents, Crown Van Gelder has a preventive maintenance programme in place, has implemented a variety of control measures, and has ensured that critical processes and systems are periodically or continuously monitored. To analyse failures and problems, a standard method is used as a basis for introducing a variety of measures. To minimise the risks, there are service contracts in place with suppliers and implemented back-up and recovery procedures.

Quality complaints could lead to compensation claims or damage the company's reputation. The quality assurance procedures have led to a reduction in the number of complaints in recent years, and they will remain in place so as to improve Crown Van Gelder's performance even further.

Crown Van Gelder is a small player in the European paper industry and its future success depends, in part, on its ability to recruit and retain both specialist technical staff and talented managers in key positions. In 2013, Crown Van Gelder concluded a covenant with the Learn About Tech Careers Foundation (*Stichting Leer Werken in de Techniek*) in order to ensure a better influx of technical staff. Five core competencies have been identified to guide personnel management.

An in-house training programme for the paper machine process operators has been set up, according to the principles of competency-based education, which will enable them to obtain the nationally recognised Vapro certificate.

It is the company's policy to ensure the health and safety of its staff as well as any third parties directly or indirectly engaged in the company's business activities. Crown Van Gelder is also committed to supporting sustainable business operations and controlling their direct and indirect impact on the environment. Risk surveys and risk assessments of the operations are regularly conducted. Where necessary, appropriate measures are taken to ensure the health and safety of the staff and third parties, and mitigate the environmental impact of the operations.

An incident arising as a result of unsafe conduct could lead to the disruption of some of the activities for a certain period of time, putting the company at risk of suffering financial losses or harm to its reputation. An incident related to the environment could result in financial losses or reputational harm that could undermine the company's commercial position as a supplier of environmentally sound solutions. Complying with new regulations relating to environmental requirements, climate change and $CO_2$ emissions could end up entailing significant costs for the company.

**Financial risks**

Crown Van Gelder is exposed to a variety of financial risks. Due to the economic recession and developments on the financial markets, as well as the development of the company's results, the availability of financing and capital constitutes a major risk. Based on the current capital base, expected cash flows, and the continuous improvement programme intended to improve the sales and production results, increase efficiency, and keep costs, working capital, and capital expenditure under control, the Management Board believes that the company is in a good position to bear the financing risk.

The company is also exposed to exchange rate fluctuations. Because it sells part of its products in GBP, and procures a substantial portion of raw materials in USD, any decline of the GBP or strengthening of the USD against the EUR may have a negative impact on the operating performance. Crown Van Gelder partly hedges its exposure to USD and GBP currency fluctuations.

Since Crown Van Gelder operates in a niche market, it serves a small number of large customers, which may affect the revenue, profit, and working capital. As far as credit risk is concerned, the company prefers to do business with reputable and creditworthy parties. Existing and prospective customers are subject to credit checks on a regular basis. All receivables are closely monitored through internal procedures. Despite the extended cover provided under the credit risk insurance policy, any insolvency of the customers may adversely affect the financial performance.

**Compliance risks**

As the company faces rapidly changing laws and/or regulations on, among other things, financial reporting, health and safety and the environment, it increasingly runs the risk of failing to comply with laws and regulations. The departments responsible for compliance issues have put in place policy measures and procedures to keep track of and comply with legislative and regulatory changes.

Crown Van Gelder holds all permits necessary to conduct its operations and maintains close contact with the competent authorities. Environmental reports and external inspections (environmental and health & safety) have not led to any tightening of permit conditions.

**Disaster risks**

The company's production facilities and offices are located on the same site. Large-scale events within the organisation, such as fire and explosions, could damage the production facilities and combined heat and power plant and adversely affect the company's reputation and financial performance. The precautionary measures and inspections put in place meet the requirements of insurers and are in line with industry standards.

Crown Van Gelder is also aware of other external risks, such as terrorism and disasters in the direct vicinity of the premises. The measures and procedures designed to mitigate any damage arising from internal and external disasters are embedded in a business continuity plan (BCP). The BCP has been reviewed by the insurance broker and the COT (Institute for Safety, Security and Crisis Management).

To cover these various types of risk, such as credit risk, interruptions to the production process, liability, directors' liability, and transport, the company has taken out insurance from reputable insurers with a good rating.

## CORPORATE GOVERNANCE

**General**
Set forth below is a concise summary of the corporate governance structure of Crown Van Gelder. The summary does not purport to be complete and is qualified in its entirety by reference to the constitutional and organisational documents of the company and Stichting Administratiekantoor Crown Van Gelder (which are all published on the company's website) as well as to the relevant statutory provisions of Dutch law.

**The company's Management Board**
Crown Van Gelder is managed by its Management Board. The Management Board has the full responsibility for both the company's management and the longer term policy making and strategy, all under the supervision of the Supervisory Board. In fulfilling their duties, all members of the Management Board must serve the interests of the company and the enterprise connected therewith. The Management Board shall provide the Supervisory Board with all required information for the exercise of the duties of the Supervisory Board, in a timely manner. The Management Board consists of such number of members as resolved by the Supervisory Board, with a minimum of one member. As the company is subject to the (mandatory) Rules for Large Companies (*structuurregime*), the members of the Management Board are appointed and dismissed by the Supervisory Board. The remuneration and other conditions of appointment of each member of the Management Board are determined by the Supervisory Board, within the framework of the remuneration policy to be adopted from time to time by the General Meeting. Certain important decisions of the Management Board require the prior approval of the Supervisory Board. Other important resolutions of the Management Board are subject to the prior approval of the General Meeting. The internal organisation and procedures of the Management Board as well as some aspects of its relationship with, inter alia, the Supervisory Board, the General Meeting and the company's Works Council are laid down in the Management Board Regulations.

The Management Board consists of two directors:
- M. Dronkers (1966)
- H. van der Zwaag (1962)

Mr. Dronkers has been member of the Management Board since May 2009 and Mr. Van der Zwaag since June 2013.
The Management Board convenes every fortnight with the company's Management Team to discuss the current affairs of the business, sales and marketing plans, projects' status, operational, safety and health issues and efficiency.

**The company's Supervisory Board**
Crown Van Gelder has a Supervisory Board which, according to the Articles of Association, shall consist of at least three members. The task of the Supervisory Board is to supervise the management conducted by the Management Board and the general course of affairs in the company and the enterprise connected therewith. It further assists the Management Board by providing advice. In fulfilling their duties, all members of the Supervisory Board must serve the interests of the company and the enterprise connected therewith. The Management Board requires the prior approval of the Supervisory Board for certain important decisions laid down in the Dutch Civil Code and the

company's Articles of Association. The Supervisory Board from time to time draws up a profile (published on the company's website) regarding its desired composition and the knowledge and expertise that should be represented in the Supervisory Board. In principle, the members of the Supervisory Board are appointed by the General Meeting out of a nomination drawn up by the Supervisory Board. The General Meeting has the right to recommend persons for placement on the nomination while the company's Works Council has a reinforced right of recommendation for one out of each three candidate Supervisory Board members. The internal organisation and procedures of the Supervisory Board as well as some aspects of its relationship with, inter alia, the Management Board, the General Meeting and the company's Works Council are laid down in the Supervisory Board Regulations, which are published on the company's website.

The Supervisory Board consists of the following five members:
- H. Wagter (1949)
  Member of the Supervisory Board since April 2007
- E.J.L. Bakker (1947)
  Member of the Supervisory Board since April 2008
- T.A. Philippa (1955)
  Member of the Supervisory Board since May 2012
- H.P. van Houtum (1953)
  Member of the Supervisory Board since November 2012
- J.A.J.M. van den Hoven (1952)
  Chairman of the Supervisory Board since May 2013, member of the Supervisory Board since November 2012

All members of the Supervisory Board are independent pursuant to the criteria listed in best practice provision III.2.2 of the Dutch Corporate Governance Code (the Code) and, accordingly, the company has complied with best practice provision III.2.1 of the Code.
In 2014, the Supervisory Board met on 17 occasions with the Management Board and 4 times without. For the issues that were discussed and the functioning of the Supervisory Board, we refer to the report of the Supervisory Board.
The Supervisory Board has appointed an Audit Committee, which at the end of 2014 consisted of Supervisory Board members H. Wagter and T.A. Philippa, who were elected because of their financial expertise. The Audit Committee met two times in 2014. The Audit Committee has reported its deliberations and findings to the Supervisory Board. For the issues that were reported, we refer to the report of the Supervisory Board. The reports issued by the Audit Committee were discussed at the Supervisory Board's plenary meetings.
No other committees have been appointed by the Supervisory Board. Principle III.5 of the Code requires that in the event that the Supervisory Board comprises more than four members, a remuneration committee and a selection and appointment committee should be appointed. This Principle further provides that if the Supervisory Board decides not to appoint a remuneration committee and a selection and appointment committee, the range of duties of the relevant committees shall apply to the entire Supervisory Board. The company confirms that the entire range of duties of the relevant committees is carried out by the Supervisory Board of the company.

**Balanced distribution of board seats over men and women**
At the moment the seats of the Management Board and the Supervisory Board have not been evenly distributed over men and women. In accordance with section 2:166 of the Dutch Civil Code, the company will strive to achieve an evenly balanced composition of the Management Board and the Supervisory Board in respect of – *inter alia* – gender.

**The company's General Meeting**
The ultimate control of the company is vested in the General Meeting. The General Meeting consists of all holders of shares.
Shareholders and anyone who has a right of usufruct (*vruchtgebruik*) or pledge (*pand*) in respect of a share, is obliged to provide his address to the company.
Holders of shares as well as holders of depository receipts of shares issued by Stichting Administratiekantoor Crown Van Gelder have an unlimited right to attend meetings of the General Meeting, to address the meeting and to exercise (either by instruction, or by power of attorney) the voting rights on their shares (underlying their depository receipts, as the case may be). Unless otherwise prescribed by Dutch law or the Articles of Association, resolutions will be adopted by an absolute majority of the votes cast.
The General Meeting meets at least once a year. The last annual General Meeting of Shareholders took place on 15 May 2014.
Shareholders and holders of depository receipts issued by Stichting Administratiekantoor Crown Van Gelder are entitled to request that the Management Board or the Supervisory Board adds items to the agenda of the meeting. Such requests have to meet the conditions as defined in the company's Articles of Association.
Crown Van Gelder facilitates voting by proxy. Introduction and maintenance of electronic voting would involve a substantial effort for a company with the size of Crown Van Gelder and therefore this is not facilitated. Electronic voting will be introduced once a legal obligation has been introduced.
The main powers belonging to the competence of the General Meeting include the issuance of new shares and the designation of this authority to another corporate body, the adoption of the remuneration policy for the members of the Management Board, the appointment of the members of the Supervisory Board, the adoption of the financial statements, the allocation of profits and the amendment of the company's Articles of Association.

**The role of Stichting Administratiekantoor Crown Van Gelder**
Most of the Crown Van Gelder ordinary shares are held in trust and are administered by Stichting Administratiekantoor Crown Van Gelder (the Trust Office). The Trust Office issues depository receipts for those shares to individuals and institutions and these depository receipts are the Crown Van Gelder securities traded on Euronext Amsterdam. In exercising its voting rights on the shares held by it in trust, the Trust Office shall be guided primarily by the interests of the depository receipt holders. The interests of the company and other stakeholders are taken into account as well. The Trust Office's principal goal is to prevent a coincidental majority of shareholders in the General Meeting of Shareholders from controlling the decision-making process as a result of absenteeism. It so fosters the long-term interests of Crown Van Gelder and all of its stakeholders. The Trust Office complies with the requirements of Section 2:118a of the Dutch Civil Code as well as the requirements set out in the Code. Most of the latter requirements relate to the independence of the Board of the

Trust Office and the unlimited right of the holders of depository receipts to exercise the voting rights on the shares underlying their depository receipts. The rules governing the internal organisation of the Trust Office and the rights of and obligations resting with the Trust Office and the holders of depository receipts are laid down in the Trust Office's Articles of Association and Trust Conditions which are published on the company's website.

**The Dutch Corporate Governance Code**

Book 2 of the Dutch Civil Code in conjunction with Royal Decree nr. 747 of 23 December 2004 (as further extended by Royal Decree of 10 December 2009, Bulletin of Acts and Decrees 545) requires that companies like Crown Van Gelder indicate in their annual report to what extent they apply the principles and best practice provisions of the Code and explain to what extent and why certain principles and best practice provisions of the Code, if any, are not applied by the company. The Code can be found on www.commissiecorporategovernance.nl. Crown Van Gelder does not apply any other code of conduct or corporate governance practices other than pursuant to provisions of Dutch law. Crown Van Gelder complies with nearly all principles and best practice provisions of the Code. To the extent that Crown Van Gelder does not comply with the Code, this is explained in the paragraph below.

**Deviations from the Code**

- Best practice provision II.2.13 determines the requirements which the overview of the remuneration policy of the company needs to meet. As certain requirements on the relationship between the chosen performance criteria and the strategic objectives, such as the introduction of new products, are considered competition sensitive, this provision is only partly complied with.
- Best practice provision III.4.3 requires the appointment of a company secretary. In view of the (limited) size of the company and the diversity of tasks and duties, this seems to be an inefficient function. When necessary, the Supervisory Board hires the services of an external lawyer, who shall ensure that correct procedures are followed and that the Supervisory Board acts in accordance with its statutory obligations and its obligations under the Articles of Association. All other tasks are divided between Supervisory Board members.
- Best practice provision III.6.7 requires that a member of the Supervisory Board who, in case all Management Board seats are vacant (*ontstentenis*) or all Management Board members are unable to perform their duties (*belet*), is temporarily charged with the management of the company, shall resign as member of the Supervisory Board. Any such Supervisory Board member temporarily charged with the management shall not participate in the deliberations of the Supervisory Board. In order to safeguard the continuity of the constitution of the Supervisory Board of Crown Van Gelder and the performance of its duties and responsibilities, only if it is expected that the Supervisory Board member in question may be charged with the management for a longer period, he may be requested to resign as member of the Supervisory Board.
- Best practice provision IV.3.1 requires facilitating internet communication (webcasting) for the purpose of accessibility of the General Meetings of Shareholders, press conferences and analysts meetings. Introduction and maintenance of such facilities involve considerable efforts and expenses, which are substantial for a company with the size of Crown Van Gelder. Therefore, this requirement is only partly complied with. In 2007, the company started to webcast the analyst meetings, which are held twice a year. The other meetings are not webcasted yet. The Management Board monitors the general, technological and costs developments in this respect on a continuing basis and will take further steps, if it deems such necessary.

**Transactions**

- According to best practice provisions II.3.2, II.3.3 and II.3.4 a member of the Management Board shall immediately report any (potential) conflict of interest that is material to the company and/or to him, to the chairman of the Supervisory Board and to the other members of the Management Board. Such member of the Management Board should not participate in any discussion and decision-making with respect to the relevant transaction and such transaction should be entered into on arm's length conditions. During the financial year 2014 no such transactions have been reported; the Management Board confirms that these best practice provisions have been complied with.
- Further to best practice provisions III.6.1, III.6.2 and III.6.3 a member of the Supervisory Board shall immediately report any (potential) conflict of interest that is material to the company and/or to him, to the chairman of the Supervisory Board. Such member of the Supervisory Board should not participate in any discussion and decision-making with respect to the relevant transaction and such transaction should be entered into on arm's length conditions. During the financial year 2014 no such transactions have been reported; the Supervisory Board confirms that these best practice provisions have been complied with.
- Best practice provision III.6.4 requires that each transaction between the company and any person holding at least 10% of the issued share capital of the company shall be entered into on arm's length conditions. Furthermore, the decision to enter into such transaction which is material to the company and/or such person holding at least 10% of the issued share capital of the company requires the approval of the Supervisory Board and such transaction shall be reported in the company's annual report. The company confirms that during the financial year 2014 no such transactions have been reported and this best practice provision has been complied with.

**Protective Instruments**

Best practice provision IV.3.11 of the Code obliges Crown Van Gelder to provide in its Annual Report an overview of all existing and potential protective instruments against an unsolicited takeover, as well as an overview of the circumstances under which these instruments may be used. Previously, Stichting Continuïteit Crown Van Gelder had a call option right to subscribe for a number of new preference shares in the capital of the company with a total nominal amount equal to (at the highest) the total nominal amount of the issued and outstanding ordinary shares. In light of the measures to consolidate the (market) position of the company as contemplated at the beginning of 2014, Crown Van Gelder has considered it to be appropriate to terminate the sole (potential) protective instrument the company had in place. Accordingly, in conjunction with Stichting Continuïteit Crown Van Gelder, the call option right agreement between the company and Stichting Continuïteit Crown Van Gelder has been terminated and as per 1 June 2014, Crown Van Gelder no longer has a protective device in place.

Stichting Continuïteit Crown Van Gelder will be liquidated. The board of Stichting Continuïteit Crown Van Gelder adopted a resolution during its board meeting held on 21 October 2014 for the dissolution of Stichting Continuïteit Crown Van Gelder as per 21 October 2014. The liquidators of Stichting Continuïteit Crown Van Gelder are the following persons:

- J.H.J. Verburg (1944)
- R. Henstra (1946)
- M. Dronkers (1966)
- R.M. Davio (1951)

The minutes of the board meeting in which the dissolution was resolved, as well as the liquidation accounts of Stichting Continuïteit Crown Van Gelder and the plan of distribution (*plan van verdeling*) have been filed with the Dutch trade register, which filing was announced in a Dutch daily newspaper on 12 November 2014.

## INTERNAL RISK MANAGEMENT AND CONTROL SYSTEM REGARDING THE PROCESS OF FINANCIAL REPORTING

### Report on internal risk management and control system

The Management Board is responsible for the design and operational effectiveness of the company's internal risk management and control system and, in doing so, is supervised by the Supervisory Board. The internal risk management and control system has been tailored to reflect the nature and size of the company, and is in line with the relevant COSO ERM Guidelines (Committee of Sponsoring Organizations of the Treadway Commission) and ISO 31000 standards (Risk Management – Principles and Guidelines). Although a system of this kind can never provide absolute certainty, it has been designed to provide reasonable assurance regarding the effectiveness of controls put in place to manage the strategic, operational, financial, compliance, and disaster risks inherent to the company's business. For a description of these risks, we refer to the risk management section in the report of the Management Board.
In 2014, in tandem with this responsibility, the company assessed the risks involved in its primary processes and reviewed its existing and additional controls.
The internal controls over financial reporting are designed to provide reasonable, but no absolute, assurance regarding the reliability of management and financial reporting in accordance with IFRS.
The company's controls include procedures ensuring that:

- commitments and expenditures are appropriately authorised by the Management Board;
- records are maintained which accurately and fairly reflect transactions;
- any unauthorised acquisition, use or disposal of the company's assets that could have a material effect on the financial statements is detected on a timely basis;
- transactions are recorded as required to permit the preparation of financial statements.

During the financial year 2014, the company monitored the proper functioning of the above mentioned controls. Due to inherent limitations however, internal controls over financial reporting may not prevent or detect all misstatements. The risk management and control system in place provides reasonable assurance that the financial reporting of Crown Van Gelder does not contain any material inaccuracies. No material weaknesses were identified during the financial year 2014.
Based on the above, the Management Board is of the opinion that the internal risk management and control system provides a reasonable assurance that the financial reporting does not contain any errors of material importance and that the risk management and control system with regard to financial reporting risks worked properly in the financial year 2014. Looking ahead to 2015, the Management Board expects no significant changes.

## INFORMATION ON THE BASIS OF THE DECREE ARTICLE 10 TAKE OVER DIRECTIVE (BESLUIT ARTIKEL 10 OVERNAMERICHTLIJN)

This information reflects the situation as per 19 March 2015 to the extent known to the Management Board and the Supervisory Board. This information is qualified in its entirety by the constitutional and organisational documents of the company and Stichting Administratiekantoor Crown Van Gelder as well as by the other information provided by this Annual Report and the law.

### Capital structure

The company's authorised share capital consists of 1,500,000 ordinary shares and 1,500,000 preference shares with a par value of EUR 10 each. To each ordinary share and preference share is attached the right to cast one vote. The preference shares are entitled to a preferred dividend equal to the average of the twelve months EURIBOR increased with one and a half (1.5) per cent point of the paid-up part of their par value.

At 31 December 2014, 871,201 ordinary shares were issued and outstanding and no preference shares were issued and outstanding. As mentioned above, until 1 June 2014 Crown Van Gelder was protected against hostile takeovers by means of a call option right of Stichting Continuïteit Crown Van Gelder to subscribe for a number of new preference shares with a total nominal amount equal to (at the highest) the total nominal amount of the issued and outstanding ordinary shares. Such protective measure was terminated as per 1 June 2014.

### Restrictions on the transferability of shares/depository receipts of shares

The organisational documents of the company do not provide for any restriction on the transferability of shares or depository receipts of shares issued with the company's cooperation.

### Disclosures of qualifying holdings of depository receipts in the company

The following holders of depository receipts have given notice of qualifying holdings of shares in the company pursuant to article 5:38 of the Financial Supervision Act:*

| | |
|---|---|
| J.P. Visser | 10.01 % |
| Vereniging Beleggingsclub 't Stockpaert | 6.71 % |
| Navitas B.V. | 6.66 % |
| Stichting Administratiekantoor Arkelhave B.V. | 5.75 % |
| H.M. van Heijst | 4.59 % |
| G.M. Dekker | 4.44 % |

### Shares carrying special voting or governance rights

The organisational documents of the company do not provide for any class of shares to which special voting or other governance rights are attached.

### Control mechanism regarding employee stock options

The company has not granted stock option rights to employees.

* Pursuant to information obtained from the website of the Netherlands Authority of the Financial Markets (www.afm.nl) on 19 March 2015

**Restrictions on voting rights**

To each share is attached the right to cast one vote. No restrictions on the exercise of voting rights exist. The company has cooperated on the issuance of depository receipts of ordinary shares (in the proportion five depository receipts for one share) by Stichting Administratiekantoor Crown Van Gelder. The depository receipts are listed on Euronext Amsterdam. No voting rights are attached to depository receipts. However, Stichting Administratiekantoor Crown Van Gelder unconditionally grants voting power of attorney to depository receipt holders requesting the exercise of the voting power attached to the shares underlying their depository receipts.

**Agreements restricting the transferability of shares and/or the exercise of voting rights**

The company is not aware of any agreements restricting the transferability of (depository receipts of) shares or the exercise of voting rights attached to shares.

In light of the public offer by Valsen Invest B.V. for all issued securities in the capital of the company, which offer was made on 28 January 2015, certain major shareholders of the company entered into irrevocable undertakings with the offeror to tender their securities under the public offer and to vote in favour of certain matters regarding the public offer in the company's General Meeting. Such irrevocable undertakings, which were entered into in October 2014, also contain transfer restrictions regarding the securities held by these major shareholders.

**Appointment and dismissal of members of the Management Board and the Supervisory Board, amendment of the Articles of Association**

The company is by virtue of the law subject to the Rules for Large Companies (*structuurregime*). As a consequence, members of the Management Board are appointed and dismissed by the Supervisory Board. The members of the Supervisory Board are appointed by the General Meeting from a nomination drawn up by the Supervisory Board. The members of the Supervisory Board may on certain grounds mentioned in the law be dismissed by the Enterprise Chamber of the Amsterdam Court of Appeal. The General Meeting may resolve to revoke its trust in the Supervisory Board which, by virtue of the law, implies the dismissal of all Supervisory Board members. The General Meeting may resolve to amend the Articles of Association.

**The rights and powers of the Management Board, especially in relation to the issuance of shares and the repurchase of shares**

The Management Board has the general rights provided by the law to the management board of a public company that is subject to the Rules for Large Companies. The Management Board has been authorised by the General Meeting, subject to the approval of the Supervisory Board, to issue shares and grant rights to acquire shares. This authorisation includes the issuance of ordinary shares (and granting rights to acquire shares) up to 10% of the ordinary shares issued and outstanding on 15 May 2014 and the issuance of all preference shares included in the company's authorised share capital that have not (yet) been issued. This authority has been granted to the Management Board until the annual General Meeting of Shareholders in 2015.

The Management Board is entitled, subject to prior approval of the Supervisory Board, to effect the repurchase of own shares by the company. The General Meeting has granted such authorisation for a period of 18 months as of the date of the General Meeting of Shareholders of 15 May 2014. The repurchase price must be within the range of (at least) EUR 0.01 and at the highest, in case of a depository receipt of a share, the average price of a depository receipt on the Euronext Amsterdam during the ten trading days preceding the day of repurchase increased by 10%, and, in case of a share, five times such amount.

**Agreements subject to a change of control following a public offer**
The company is not a party to material agreements which are in any way subject to or effected by a change of control over the company following a public offer as referred to in article 5:70 of the Financial Supervision Act.

**Agreements with Management Board members or employees subject to a public offer**
The company is not a party to agreements providing for payments to Management Board members and/or employees in case of termination of their employment in connection with a public offer as referred to in article 5:70 of the Financial Supervision Act.

The information provided in this overview reflects the outcome of continuing discussions on the subject matters between all stakeholders in the company. The Management Board and the Supervisory Board deem the present situation in line with both the interests of the company and the prevailing practice in the Netherlands. The Management Board and the Supervisory Board will continue monitoring all relevant developments and if and when appropriate initiate changes on the topics dealt with in this overview.

Velsen, the Netherlands, 19 March 2015

| | |
|---|---|
| Miklas Dronkers | Henk van der Zwaag |
| Chief Executive Officer | Chief Financial Officer |

# REPORT OF THE SUPERVISORY BOARD

## INTRODUCTION AND PROFIT DISTRIBUTION

We hereby present Crown Van Gelder's financial statements for 2014, and recommend that the shareholders adopt the financial statements at their Annual General Meeting (AGM). The financial statements have been prepared by the Management Board and audited by PricewaterhouseCoopers Accountants N.V. (PwC). The unqualified audit opinion issued by PwC is included in the Annual Report under 'Other Information' (see pages 94-101).

The Supervisory Board has discussed the financial statements, which report a net profit of EUR 3.1 million, with the Management Board. The Management Board proposes to pay a cash dividend of EUR 0.35 per depository receipt out of the distributable reserves in accordance with Article 31.3 of the Articles of Association. The dividend proposal is supported by the Supervisory Board. The dividend proposal is based on the net profit, but also on the significant improvement of Crown Van Gelder's financial position in 2014. On 28 January 2015, Andlinger & Company launched a public offer on Crown Van Gelder. Depository receipt holders should note that the dividend distributed prior to the settlement date of the offer is part of Andlinger & Company's offer.

We recommend that the shareholders discharge the Management Board and Supervisory Board from liability for the management and supervision pursued in 2014.

## COMPOSITION AND OPERATING PROCEDURE OF THE SUPERVISORY BOARD

Details of the Supervisory Board's operating procedure and division of duties are stated in its Profile and Regulations. The Profile and Regulations are available for inspection at the company's offices and can also be accessed on the company's website (www.cvg.nl). The Supervisory Board's membership composition reflects the Profile and ensures broad expertise in areas relevant to the company. Newly appointed Supervisory Directors are offered an orientation programme to introduce them to specific aspects of the company at the financial, operational and strategic levels. The Supervisory Directors confirm that they can operate independently and be critical, both within the Supervisory Board and in their dealings with the Management Board. In its opinion, the Supervisory Board is in compliance with best practice III.2.1 as set out in the Dutch Corporate Governance Code ('the Code').

The composition of the Supervisory Board remained unchanged in 2014 and no re-appointments were made. According to the rotation schedule, Mr Wagter will resign as a Supervisory Director at the AGM in May 2015. Recruitment and selection of a successor have been suspended until further notice in connection with the public offer that has been made for Crown Van Gelder.

The Supervisory Board's job profile is used as a basis for selecting future candidates. In filling the vacancies on the Supervisory and Management Boards, the Supervisory Board continues to strive to strike a better balance between the number of men and women. The Supervisory Board is also pleased to note that women hold 40% of the positions on Crown Van Gelder's management team.

During the year under review, the Supervisory Board met seventeen times with the Management Board and four times without. In addition, the Supervisory Board Chairman regularly held informal talks with the Management Board. A Supervisory Board delegation also attended three Works Council meetings. These meetings provided an opportunity to share views on internal corporate affairs, operating results, developments on the various markets, safety in the workplace, and the company's strategy. The chairman of the Supervisory Board also met with the Works Council separately to discuss the proposed offer of Andlinger & Company in the context of the request for a formal opinion regarding the decision to transfer control of Crown Van Gelder's business.

Among the issues discussed internally by the Supervisory Board were the company's strategy, particularly the search for a strategic or financial partner, operational performance and results, business risks, particularly with regard to the company's financing, capital expenditure, implementation of investment plans, economic and financial developments and developments on the various procurement and sales markets and the opportunities and risks these represent for the company, the past and expected development of market demand for the products Crown Van Gelder sells and develops, production capacity use, progress on and further development and marketing of new products, commercial and technological partnerships, outcome of the Management Board's review of the structure and operation of the internal risk management and control systems, Management Board membership and remuneration, corporate image, management development, corporate governance, sustainability, and investor relations. In the field of corporate social responsibility, sustainability reports and other sustainability issues relevant to the company were discussed.

The Supervisory Board reviewed its own performance without the Management Board present. The review regarded the Supervisory Board's performance as a whole, as well as the performance of the Audit Committee and individual members. A checklist was used to prepare for the performance review. The composition of the Supervisory Board is broad and balanced. Its members possess all of the competencies needed for efficient supervision. The Supervisory Board's communication, including with the Management Board, is characterised as open and critical. The information needed is always made available in a timely and complete fashion. There are sufficient opportunities for asking questions and discussing issues. The performance of the Management Board was also discussed at the meeting, as was the degree to which the pre-agreed targets had been achieved. Meetings were held frequently in 2014 in connection with the development of Crown Van Gelder's results and the search for a strategic partner. The deliberations have not led to any change in the Profile or Regulations.

If a Supervisory Director is unable to attend more than two Supervisory Board meetings, this fact is stated. That was not the case in 2014.

The view of the Supervisory Board is that, given the company's transparent structure, no committees other than the Audit Committee need to be formed to carry out specific tasks. All activities and responsibilities of subcommittees (remuneration and appointment), as defined in the Code, have been entrusted to the Supervisory Board as a whole.

After the company was informed by Andlinger & Company in August 2014 that the latter wished to explore partnership possibilities, the Supervisory Board decided, after consulting the Management Board, to establish a Steering Committee in order to promote orderly decision-making on any proposed offer by Andlinger & Company and to avoid possible conflicts of interests. The Steering Committee comprised two members of the Management Board (Messrs Dronkers and Van der Zwaag) and the two members of the Supervisory Board who were appointed by the Supervisory Board for that purpose, Messrs Bakker and Philippa. The Steering Committee was charged with negotiating with Andlinger & Company on Crown Van Gelder's behalf while safeguarding the interests of everyone involved with Crown Van Gelder as much as possible. The Steering Committee advised the Supervisory and Management Boards during their decision-making regarding a potential offer by Andlinger & Company. In order for these decisions to be taken, the Steering Committee regularly met with the full Supervisory Board whenever developments made such meetings advisable.

The Supervisory Directors are paid a fixed remuneration for their activities, independent of the company's performance. Their remuneration includes no shares or options, and is set by the AGM. If any of the Supervisory Directors hold any Crown Van Gelder securities, these are held as a long-term investment.

The members of the Supervisory Board who sat on the Steering Committee dealing with the proposed offer by Andlinger & Company received an extra fee for the hours they spent on meetings and preparation. The extra fee is reported in the notes to the financial statements.

## AUDIT COMMITTEE

In 2014 the Audit Committee comprised Supervisory Board members Wagter (Chairman) and Philippa, who were elected for their financial expertise. In 2014 the Audit Committee met twice to discuss the 2013 financial statements and 2014 half-year results, and the interpretation of IFRS reporting standards, particularly those relating to the periodic impairment accounting that could have a considerable impact on Crown Van Gelder's financial position and performance. Other topics included the company's financing, risk profile, risk management, and credit portfolio risk exposure. The Audit Committee's reports were discussed at the Supervisory Board's plenary meetings. The Audit Committee consulted with the external auditors twice, without the Management Board attending.

Crown Van Gelder has no internal audit department. After conducting its annual review, the Audit Committee concluded that the company's structure and size did not justify an internal audit department. The Supervisory Board agreed with that recommendation.

## CORPORATE GOVERNANCE

Corporate governance was discussed with the shareholders at the AGM held in May 2014.

At the AGM, the Chairman of the Supervisory Board explained how the Management Board is remunerated. With effect from 2014, and in connection with a statutory amendment, Management Board remuneration will be a separate agenda item at the AGM.

In addition to general information on the company's corporate governance structure, the Chairman of the Supervisory Board explained the resolution passed by the Supervisory and Management

Boards to terminate the protection scheme – a call-option right on the part of Stichting Continuïteit to acquire preference shares – with effect from 1 June 2014.

The Management Board gave the AGM an explanation of the company's reserve and dividend policies.

The draft minutes of the May 2014 shareholders' meeting were posted for comments on the company's website for three months. After expiry of this period, the minutes were adopted by the Supervisory Board and the final versions published on the website.

In anticipation of the AGM, the Board of Stichting Administratiekantoor Crown Van Gelder (Trust Office) held a meeting with the holders of depository receipts in May 2014. The report of the meeting of depository receipt holders is also posted on the company's website.

The external auditor attended the Supervisory Board meeting at which the conclusions in the auditor's report with regard to the financial statements were discussed. The meetings with the auditors addressed the company's results and related matters, the impairment calculations, the new financing agreements with ABN AMRO, the risk statement, and the annual auditor's report.

The external auditor was present at the May 2014 AGM, at which an explanation was provided of the scope and most important elements of, and the materiality standard applied during, the audit PwC performed of the annual financial statements.

Once every year, the Management Board and Audit Committee report to the Supervisory Board on the manner in which their relationship with the external auditor has progressed, and once every four years they review the external auditor's performance. The 2014 financial year was the third one in which PwC audited the annual financial statements.

In 2010 the Supervisory Board amended the rules on insider trading, adding a list of companies which it considered to be inappropriate investments. The list is updated at least once a year. The rules have been published on the company's website.

In accordance with a resolution adopted by the AGM in 2005, the company's Articles of Association were amended and readopted on 13 July 2005. The Articles of Association can also be found on the website.

## REMUNERATION OF THE MANAGEMENT BOARD

**Remuneration policy**

The Management Board remuneration policy was adopted by the shareholders at the AGM in 2009 and is available on the company's website.

The existing remuneration policy takes into account the company's risk profiles, salary trends in the Netherlands and abroad, and corporate governance developments. The effect on remuneration ratios within the company were taken into consideration when establishing the total remuneration amount.

As announced in the Report of the Supervisory Board in last year's annual report and at the AGM in May 2014, the Supervisory Board engaged the Hay Group to periodically review the remuneration policy, taking recent societal trends into account. Instructions to review the remuneration proposal were issued by, and the review findings reported to, the Supervisory Board Chairman only.
The results of the review were incorporated into a revised remuneration policy which the Chairman of the Supervisory Board will explain and propose for adoption at the AGM in May 2015.

**Management Board remuneration 2014**

Under the current remuneration policy, Management Board remuneration comprises fixed and variable components. The Supervisory Board granted the CEO a pay rise of EUR 15,000 for 2014, raising his fixed remuneration to EUR 220,000. Mr Dronkers indicated in 2014 that he wished to waive this pay rise given the zero line agreed in the 2014 collective agreement that applies at Crown Van Gelder. Starting in 2014, the CFO's fixed remuneration was increased by EUR 20,000 to EUR 180,000. This increase was consistent with the agreements made with Mr Van der Zwaag when he was appointed as statutory director on 1 June 2013.

The amount of the variable component depends on the company's return on equity and its profit growth, as well as the degree to which long-term goals and specific commercial targets have been met. These include goals relating to strategic development, sales development, especially focus products sales growth, the implementation of measures to reinforce our financial position, and safety. These goals constitute trade secrets and are thus not made public. The payment of variable remuneration depends on whether these targets are achieved. The Supervisory Board ascertains that the variable pay item is structured in such a way as not to encourage risk taking that conflicts with sound business practice. The variable component may never exceed 45% of the fixed component.

Based on the return achieved in 2014, the company's performance, and the results achieved with regard to specific commercial targets, the variable remuneration for 2014 for both managing directors reached the maximum level of 45% of the fixed remuneration. Please see the financial statements for 2014 (as included on pages 76-77 of the 2014 Annual Report) for more details.

## INTERNAL CORPORATE AFFAIRS

In 2014, consultations were held between the Supervisory Board and Management Board to discuss the development of the company's operating result and financial position, production and sales development, particularly with regard to focus products, capacity utilisation, and the investment programme, partly in light of the setbacks the company suffered in 2013. The Supervisory Board notes that the management lost no time in implementing remedial measures, the effects of which can be seen in the substantial improvement of the company's performance and financing ratio. The company's policy continues to prioritise devoting attention to marketing focus products with clear market potential and higher added value. The Supervisory Board notes that permanent changes will continue to pressure the total demand for paper in Europe. This will require the company to demonstrate a high degree of awareness and flexibility, while also being results-driven and strictly controlling operating costs.

## COMPANY STRATEGY

The company's strategy is set out in 'Focus 2016'. The company will continue to build on its core strengths, particularly its customer-oriented service and operational flexibility. The company's commercial strategy will focus on three core areas (high-speed inkjet, label, and special packaging) to better distinguish its business and activities from those of its competitors in these markets. In 2014 important steps have been taken to achieve the strategic goals that the management has set for the period up to 2016.

The Supervisory Board notes that these changes in the commercial strategy and the strengthening of the sales organisation have made both internal and external contributions to a stronger commercial focus, and have more clearly profiled the company as a supplier of high-quality products on the various markets. The company has further expanded its network of both business and technology partners in 2014, and these networks offer good prospects for further growth in profitable niches.

In the spring of 2014, against the backdrop of improving economic prospects in 2014 and a stronger corporate profile as a niche player in its focus areas, Crown Van Gelder resumed the search for a strategic or financial partner. The Supervisory Board was actively involved in this process. The renewed search for a partner was prompted by the desire on the part of the managing and supervisory directors to strengthen Crown Van Gelder's market position, to accelerate the return to the desired level of profitability, and to promote long-term prospects for the company's operations in Velsen.

On 10 October 2014, Andlinger & Company and Crown Van Gelder issued a joint press release announcing their (conditional) agreement on a proposed public offer. In line with their fiduciary duties, the Supervisory and Management Boards closely analysed the proposed offer. After carefully weighing and assessing the company, its strategy, alternative scenarios, and intensive meetings with Andlinger & Company, and after obtaining both financial and legal advice, the managing and supervisory directors concluded that the proposed offer is in the best interests of the company and all of its stakeholders, including its shareholders and depository receipt holders. The non-financial agreements made with Andlinger & Company have also given the managing and supervisory directors the comfort that the interests of all of the company's stakeholders will be sufficiently protected. The Supervisory and Management Boards unanimously endorsed the proposed offer and recommend that it should be accepted by Crown Van Gelder's shareholders and depository receipt holders. The offer memorandum was published on 28 January 2015. The acceptance period will run until 27 March 2015 (not counting any extension possibilities). An EGM (Extraordinary General Meeting) will be held on 19 March 2015, where Andlinger & Company's offer will be explained to shareholders and depository receipt holders.

## FINAL NOTE

The Supervisory Board is pleased to report that the company achieved a satisfactory operating profit in 2014, after suffering a significant operating loss in 2013. Since last year, the company has taken the steps necessary to defend and, where possible, strengthen its market position, while at the same time safeguarding its financial position under continuously changing economic conditions. The strategy laid down in 'Focus 2016' has proven to be the correct one for Crown Van Gelder, and in 2014 the company laid a solid foundation for achieving its targets in the coming period. In 2015, Crown Van Gelder will continue to focus on increasing growth in the core areas of high-speed inkjet, label, and special packaging, which provide a higher added value for both the customer and the company than the more traditional graphics products. In addition, with the introduction of the continuous improvement organisation at the end of 2014, extra attention will be devoted in 2015 to another spearhead of the company's strategy, that being improving the operating performance and efficiency. Andlinger & Company's public offer for Crown Van Gelder is consistent with the company's strategic goal of entering into a strategic partnership with a company that can help strengthening the market position and improving the operating performance of Crown Van Gelder.

Velsen, the Netherlands, 19 March 2015

The Supervisory Board:
Jacques van den Hoven, Chairman
Emile Bakker
Henk van Houtum
Theo Philippa
Han Wagter

# FINANCIAL STATEMENTS 2014

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*(Before profit appropriation)*

| *EUR x 1,000* | *Note* | *31 December 2014* | | *31 December 2013** | |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | (1) | 14,076 | | 14,312 | |
| Intangible assets | (2) | 157 | | 502 | |
| Investment in associate | (3) | 515 | | 1,229 | |
| Deferred tax assets | (4) | 4,318 | | 5,130 | |
| Other assets | (5) | 1,947 | | 2,056 | |
| | | | **21,013** | | **23,229** |
| **Current assets** | | | | | |
| Inventories | (6) | 20,796 | | 23,055 | |
| Trade and other receivables | (7) | 13,961 | | 15,953 | |
| Derivative financial instruments | (15) | 95 | | - | |
| Cash and cash equivalents | (8) | 3,808 | | 181 | |
| | | | **38,660** | | **39,189** |
| **Total assets** | | | **59,673** | | **62,418** |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to owners of the parent** | | | | | |
| Subscribed and paid-up capital | (9,10) | 8,712 | | 8,712 | |
| Retained earnings | (10) | 26,191 | | 39,238 | |
| Other reserves | (11) | - | | (35) | |
| Result for the year | (10) | 3,102 | | (13,047) | |
| | | | **38,005** | | **34,868** |
| **Non-controlling interests** | (10) | | **55** | | **42** |
| **Total group equity** | | | **38,060** | | **34,910** |
| **Non-current liabilities** | | | | | |
| Tax accrual | (12) | | 2,054 | | 2,477 |
| **Current liabilities** | | | | | |
| Interest-bearing liabilities | (13) | - | | 9,909 | |
| Trade creditors | (14) | 13,163 | | 9,399 | |
| Taxation and social security contributions | | 142 | | 431 | |
| Derivative financial instruments | (15) | - | | 83 | |
| Other short-term liabilities | (16) | 6,254 | | 5,209 | |
| | | | **19,559** | | **25,031** |
| **Total liabilities** | | | **21,613** | | **27,508** |
| **Total equity and liabilities** | | | **59,673** | | **62,418** |

** The comparative figures for 'Intangible assets' and 'Trade and other receivables' are presented in accordance with the new classification. Reference is made to accounting policies in the notes.*

# CONSOLIDATED INCOME STATEMENT

| *EUR x 1,000* | *Note* | | *2014* | | *2013** |
|---|---|---|---|---|---|
| **Revenue** | (17) | | **162,513** | | **159,418** |
| Distribution costs | | (9,941) | | (9,453) | |
| Raw materials, consumables and energy | (18) | (109,237) | | (116,889) | |
| Change in inventories of finished goods | (19) | 213 | | (634) | |
| Employee benefits costs | (20) | (21,930) | | (21,601) | |
| Depreciation and amortisation | (21) | (3,735) | | (4,732) | |
| Other expenses | (22) | (14,514) | | (14,527) | |
| Total operating expenses | | | (159,144) | | (167,836) |
| **Operating result before impairment** | | | **3,369** | | **(8,418)** |
| Impairment on Property, plant and equipment | (1) | | - | | (5,000) |
| **Operating result after impairment** | | | **3,369** | | **(13,418)** |
| Finance income | | - | | 1 | |
| Finance costs | | (126) | | (342) | |
| Net finance costs | (28) | | (126) | | (341) |
| Share of after tax result of associate | | | 296 | | 325 |
| **Result before tax** | | | **3,539** | | **(13,434)** |
| Income tax | (23) | | (391) | | 422 |
| **Result for the year** | | | **3,148** | | **(13,012)** |
| Result for the year attributable to: | | | | | |
| Owners of the parent | | | 3,102 | | (13,047) |
| Non-controlling interests | | | 46 | | 35 |
| **Result for the year** | | | **3,148** | | **(13,012)** |
| Basic earnings (in EUR) per depository receipt of share | (24) | | 0.71 | | (3.00) |
| Diluted earnings (in EUR) per depository receipt of share | (24) | | 0.71 | | (3.00) |

** The comparative figures for 'Revenue' and 'Distribution costs' are presented in accordance with the new classification. Reference is made to accounting policies in the notes.*

| *EUR x 1,000* | *Note* | | *2014* | | *2013* |
|---|---|---|---|---|---|
| **Result for the year** | | | **3,148** | | **(13,012)** |
| **Other comprehensive income / (loss)** | | | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | | | |
| Net gains / (losses) on cash flow hedges | (11) | 47 | | (47) | |
| Income tax effect | | (12) | | 12 | |
| **Other comprehensive income / (loss) for the year, net of tax** | | | **35** | | **(35)** |
| **Total comprehensive income / (loss) for the year, net of tax** | | | **3,183** | | **(13,047)** |
| Total comprehensive income for the year attributable to: | | | | | |
| Owners of the parent | | | 3,137 | | (13,082) |
| Non-controlling interests | | | 46 | | 35 |
| **Total comprehensive income / (loss) for the year, net of tax** | | | **3,183** | | **(13,047)** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

| *EUR x 1,000* | | *2014* | | *2013** |
|---|---|---|---|---|
| **Cash flow from Operating activities** | | | | |
| Operating result after impairment on Property, plant and equipment | | 3,369 | | (13,418) |
| *Adjustments for:* | | | | |
| Impairment on Property, plant and equipment | - | | 5,000 | |
| Depreciation and amortisation | 3,735 | | 4,732 | |
| | | 3,735 | | 9,732 |
| *Movements in working capital:* | | | | |
| Trade and other receivables | 1,992 | | (2,108) | |
| Inventories | 2,259 | | 8,632 | |
| Trade creditors | 3,764 | | (1,095) | |
| Other items | 1,069 | | 380 | |
| | | 9,084 | | 5,809 |
| | | 16,188 | | 2,123 |
| Interest paid | (206) | | (287) | |
| Interest received | - | | 1 | |
| Income taxes paid | - | | - | |
| | | (206) | | (286) |
| Net cash flow from / (used in) operating activities | | **15,982** | | **1,837** |
| **Cash flow from Investing activities** | | | | |
| Investments in Property, plant and equipment | (3,071) | | (6,469) | |
| Investments in Intangible assets | (368) | | (250) | |
| Disposals of Property, plant and equipment | 16 | | 15 | |
| Dividends received | 1,010 | | 450 | |
| Net cash flow from / (used in) investing activities | | **(2,413)** | | **(6,254)** |
| **Cash flow from Financing activities** | | | | |
| Dividends paid | (33) | | (36) | |
| Interest-bearing liabilities | (9,909) | | 4,373 | |
| **Net cash flow from / (used in) financing activities** | | **(9,942)** | | **4,337** |
| **Increase / (decrease) in cash and cash equivalents** | | **3,627** | | **(80)** |
| **Cash and cash equivalents at 1 January** | | **181** | | **261** |
| **Cash and cash equivalents at 31 December** | | **3,808** | | **181** |

** The comparative figures for 'Investments in Intangible assets' and 'Other items' are restated for comparison purposes. This restatement relates to the new classification of emission allowances. Reference is made to accounting policies in the notes.*

| *EUR x 1,000* | *Attributable to Owners of Parent* | | | | | | |
|---|---|---|---|---|---|---|---|
| | *Subscribed and paid-up capital (note 9)* | *Retained earnings* | *Other reserves (note 11)* | *Result for the year* | *Total* | *Non-controlling interests* | *Total group equity* |
| **At 1 January 2013** | **8,712** | **63,498** | **-** | **(24,260)** | **47,950** | **43** | **47,993** |
| Result for the year | - | - | - | (13,047) | (13,047) | 35 | (13,012) |
| Other comprehensive income / (loss) | - | - | (35) | - | (35) | - | (35) |
| **Total comprehensive income / (loss)** | **-** | **-** | **(35)** | **(13,047)** | **(13,082)** | **35** | **(13,047)** |
| Result appropriation | - | (24,260) | - | 24,260 | - | - | - |
| Dividends non-controlling interests | - | - | - | - | - | (36) | (36) |
| **At 31 December 2013** | **8,712** | **39,238** | **(35)** | **(13,047)** | **34,868** | **42** | **34,910** |
| **At 1 January 2014** | **8,712** | **39,238** | **(35)** | **(13,047)** | **34,868** | **42** | **34,910** |
| Result for the year | - | - | - | 3,102 | 3,102 | 46 | 3,148 |
| Other comprehensive income / (loss) | - | - | 35 | - | 35 | - | 35 |
| **Total comprehensive income / (loss)** | **-** | **-** | **35** | **3,102** | **3,137** | **46** | **3,183** |
| Result appropriation | - | (13,047) | - | 13,047 | - | - | - |
| Dividends non-controlling interests | - | - | - | - | - | (33) | (33) |
| **At 31 December 2014** | **8,712** | **26,191** | **-** | **3,102** | **38,005** | **55** | **38,060** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## GENERAL INFORMATION

Crown Van Gelder N.V. is a public limited liability company with its registered office in the municipality of Velsen at Eendrachtsstraat 30, 1951 AZ, Velsen, The Netherlands. The company is a specialty paper manufacturer with around 280 staff. The company develops, produces and sells high-quality niche products in the woodfree uncoated and single-coated paper sectors. The product portfolio includes a market-leading product range of Crown Letsgo high-speed colour inkjet papers designed to print forms, statements, direct mail, brochures and books, paper products suited as food packaging materials, and a product portfolio for customised solutions for self-adhesive labels and base paper grades that are coated, metallised or extruded with a polyethylene coating. The company operates two paper machines. Crown Van Gelder N.V. is listed at the Official Market of Euronext Amsterdam N.V. (ISIN number: NL0000345452). The Chamber of Commerce registration number of the company is 34059938.

## STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and adopted by the EU. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements on pages 43-93 were authorised for issue by the Management Board and Supervisory Board on 19 March 2015 and are subject to adoption by the Annual General Meeting on 21 May 2015.

## BASIS OF PREPARATION

The consolidated financial statements of Crown Van Gelder N.V. have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The consolidated financial statements are presented in euros (EUR) and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the paragraph 'critical accounting estimates and assumptions'.

## PRESENTATION OF THE COMPANY PROFIT AND LOSS ACCOUNT

The company profit and loss account is prepared under the application of article 402 Book 2 of the Dutch Civil Code.

## ACCOUNTING POLICIES

### Changes

As from 2014, emission allowances which are purchased from other parties are classified as intangible assets instead of trade and other receivables. At year end 2013 emission allowances of EUR 0,1 million which were originally included in trade and other receivables, have been adjusted accordingly. The company has decided to change the classification as it better reflects the nature of the emission allowances and provides more relevant information on the entity's assets.

As from 2014 a part of sales related distribution expenses are classified as distribution expenses instead of offsetting against revenue. The comparative figures for 2013 have been adjusted accordingly (EUR 1.4 million). The company has decided to change the classification as it better reflects the nature of the part of sales related distribution expenses and provides more relevant information of the entity's revenue and distribution costs.

**Consolidation**

*Subsidiaries*
These companies are all entities over which Crown Van Gelder N.V. has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. During the reporting year these subsidiaries are:

| | |
|---|---|
| • Crown Van Gelder Energie B.V. (Velsen, The Netherlands) | 100% |
| • Inkoopcombinatie De Eendragt B.V. (Zaandam, The Netherlands) | 82% |

The subsidiaries are fully consolidated in the financial statements of Crown Van Gelder N.V. Intercompany transactions, balances and unrealised gains and losses on transactions between subsidiaries are fully eliminated. Non-controlling interests in group capital and group result are shown separately.

*Associates*
Associates are entities over which Crown Van Gelder N.V. has significant influence but no control over the financial and operating policies. Investments in associates are accounted for using the equity method of accounting.
Crown Van Gelder N.V. has a participating interest in:

| | |
|---|---|
| • International Forwarding Office B.V. (Zaandam, The Netherlands) | 50% |

**Cash flow statement**
The cash flow statement has been prepared according to the 'indirect method', based on the statement of financial position and income statement. The statement reconciles 'cash and cash equivalents' at different balance sheet dates.

**Foreign currencies**
The consolidated financial statements are presented in euros (EUR), which is the functional and presentation currency. This is also the currency of the primary economic environment in which the company operates. Assets and liabilities denominated in foreign currency are translated to EUR at the rate of exchange ruling at balance sheet date. Exchange differences, if any, are recognised in the income statement. Transactions in foreign currency are accounted for in the income statement at the exchange rates prevailing at the date of transaction.

**Property, plant and equipment**
Property, plant and equipment comprise mainly buildings, plant and machinery and other tangible fixed assets and are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Dismantling costs are not included as these are expected not to be of relevant size. Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

| | |
|---|---|
| • Buildings | 10 – 40 years |
| • Plant and machinery | 5 – 30 years |
| • Other tangible fixed assets | 3 – 6 years |

Where an item of Property, plant and equipment comprises major components having a different useful life, these components are accounted for as separate items of Property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

An item of Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses arising on derecognition of items of Property, plant and equipment are included in the income statement in the year the asset is derecognised.
The residual value, useful life and depreciation calculation of each item of Property, plant and equipment is reviewed at each balance sheet date and adjusted as appropriate.

The depreciation expense on Property, plant and equipment is recognised in the income statement in the expense category 'Depreciation and amortisation'.

**Intangible assets**

*Computer software*
Computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over the estimated (finite) useful life of these assets. The amortisation expense on intangible assets is recognised in the income statement in the expense category 'Depreciation and amortisation'.

*Greenhouse gas emissions*
The company receives free emission rights ($CO_2$ emission allowances) as a result of the European Union Emission Trading Scheme (EU ETS). The rights are received on an annual basis and, in return, the company is required to remit rights equal to its actual emissions. The company has adopted the net liability approach to the emission rights granted. Therefore, a provision is recognised only when actual emissions exceed the emission rights granted. The emission costs are recognised as energy costs (line item 'Raw materials, consumables and energy' in the consolidated income statement). Where emission rights are purchased from other parties, they are recorded at cost including available surplus from previous periods. Allowances are initially measured at cost and subsequently measured in accordance with the cost model.

**Investment in associate**
Associates, including those where the shareholding is 50%, are measured through the equity method. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The company assesses at the end of each reporting period whether there is objective evidence that the investment in associate requires impairment. The investment in associate is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the date of initial recognition of the investment (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the investment in associate that can be reliably estimated. If the investment in associate qualifies as impaired, it is measured at its impaired value; any write-offs are disclosed in a separate line item of the income statement.

**Impairment of non-financial assets**
Whenever there is an indication that assets may be impaired, an impairment test is performed. The company qualifies as one cash generating unit and therefore the impairment test is performed on the company as a whole. An impairment loss is recognised for the amount by which the carrying amount of the cash generating unit exceeds its recoverable amount.

The recoverable amount is the higher of fair value less costs to sell or the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the company's assets as a whole.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, an estimation is made of the asset's or cash-generating unit's recoverable amount. An impairment loss recognised in prior periods will be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

**Other assets**
Other assets include the capitalised amount of a lease contract with the Municipality of Velsen. The capitalised amount will be allocated to the income statement during the remaining contract period using the straight-line method.

**Inventories**
Inventories are stated at the lower of cost and net realisable value using the following approach:
- raw materials: purchase cost on a first-in, first-out basis; purchase costs incurred in bringing each product to its present location and condition;
- finished goods and work-in-progress: cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**Trade receivables**
Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

**Financial assets**

*Classification*
The company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

*Financial assets at fair value through profit or loss*
Financial assets at fair value through profit or loss are financial asssets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

*Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in

an active market. There are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

*Available-for-sale financial assets*
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

*Recognition and measurement*
Regular purchases and sales of financial assets are recognised on the trade date, the date on which the company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement in the period in which they arise.

**Offsetting financial instruments**
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company of the counterparty.

**Impairment of financial assets**
Crown Van Gelder assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset ('loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Examples of triggers, used for gathering objective evidence, are financial information from parties involved and / or information from business information agencies.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred discounted at the financial asset's original effective interest rate). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

**Derivative financial instruments**
Derivative financial instruments are carried at their fair value. Derivatives that are not designated or do not qualify for hedge accounting are measured at fair value through the income statement.

In the case of a derivative financial instrument being designated as a hedging instrument, the company documents the relationship between the hedging instrument and the hedged item as well as the company's risk management objectives and strategy for undertaking the hedge transaction. The company also documents its assessment, both at the conclusion of the hedge and on a periodical basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

Derivatives are classified as a non-current asset or liability if the remaining term of the derivatives is more than 12 months and as a current asset or liability if the remaining term of the derivatives is less than 12 months.

For the purpose of hedge accounting, hedges are classified as cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction.

The effective part of any gain or loss on re-measurement of the hedging instrument is recognised directly in other comprehensive income. The cumulative gain or loss recognised in other comprehensive income is transferred to the income statement at the time when the hedged transaction affects net profit or loss and is included in the same line item as the hedged transaction.

When a hedging instrument expires, is sold, or is no longer effective, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecasted transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

**Cash and cash equivalents**
Cash and cash equivalents comprise cash at banks and in hand.

**Current and Deferred income tax**
The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred income tax relates primarily to 1) future tax payable on temporary differences between the carrying amounts of assets for financial reporting purposes and for corporate income tax purposes and 2) carry forward of unused tax losses. The calculation of deferred income tax is based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses can be utilised.

The taxation shown in the income statement is based on the profit before tax, and calculations are based on prevailing tax rates and regulations.

**Share capital**
Share capital consists of ordinary shares and preference shares.

**Tax accrual**

The tax accrual consists of Dutch income tax facilities regarding environmental / energy investments in tangible fixed assets. In the past a percentage of these investments was deducted from income tax. These deducted amounts are accrued on the balance sheet as long term and will be released to the income statement during the remaining depreciation period of the tangible fixed assets using the straight-line method.

**Financial liabilities**

*Classification*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

*Measurement*

After initial recognition, interest-bearing loans and borrowings are subequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

*Trade payables*

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

*Derecognition*

A financial liability is derecognised when the obligation under the liability is decharged or cancelled or expires.

**Employee benefits**

*Pension plan*

The pension plan of the company characterises as a Collective Defined Contribution (CDC) plan. Under this pension plan the company pays fixed contributions to a privately administered pension insurance plan (by a third party called De Eendragt Pensioen N.V.) on a contractual basis. The company has no legal or constructive obligation to pay further contributions if the third party does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

*Profit sharing and bonus plans*
The company recognises a liability and an expense for profit sharing and bonuses, among others based on the collective labour agreement. The company recognises a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

**Revenue recognition**
Revenue is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer and the amount of revenue can be measured reliably, and includes total invoiced amounts, excluding VAT, less bonuses and payment discounts. Sales are recognised when the company has delivered products within the agreed delivery terms and there is no unfulfilled obligation that could affect the customer acceptance of the products.
Revenue of paper sales is revenue from selling high-quality specialty products in the woodfree uncoated and single-coated paper sector. Supplies of energy are revenues from energy supplies by Crown Van Gelder's power plant to the regional grid. Energy sales are recognised upon supply to the regional grid.

**Distribution costs**
Distribution costs are mainly freight costs (transport contracted out) and costs for export documents.

**Raw materials and consumables**
The costs of raw materials and consumables used are based on historic costs on a first-in, first-out basis.

**Operating lease**
Payments made under operating leases (mainly company cars, internal transport vehicles, printers and copiers) are recognised, on straight-line basis, in the income statement under line item 'other expenses'.

**Borrowing costs**
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**Finance income and expenses**
Finance income and expenses mainly consist of interest expenses relating to interest-bearing liabilities.

## DIVIDEND DISTRIBUTION

Dividend distribution to the Crown Van Gelder N.V. shareholders is recognised as a liability in the financial statements after approval of the dividend proposal by the company's shareholders.

## CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the process of applying the accounting policies, the management discussed judgements and assumptions that have the most significant effect on the amounts recognised in the financial statements. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgements and assumptions were made concerning mainly the following items:

**Property, plant and equipment**
When triggering events occur, the company tests whether Property, plant and equipment have suffered impairment, in accordance with the accounting policies. The recoverable amount of the cash-generating unit has been determined based on value-in-use calculations. These calculations require the use of estimates (note 1).

**Deferred tax assets**
Deferred tax assets are recognised to the extent that they are expected to be realised. At balance sheet date the company reviewed the expected realisation of the deferred tax assets based on internal calculations and forecasts. These calculations require the use of estimates (note 4).

## SEGMENT INFORMATION

Crown Van Gelder N.V. produces and sells woodfree uncoated paper on reels, which is a specific product / market segment within the paper industry. Crown Van Gelder N.V. does not operate in different business locations or business units. Therefore the company has no segmental differentiation in internal financial reporting.

## CAPITAL MANAGEMENT

For the purpose of the company's capital management, capital includes issued capital and all other equity reserves attributable to the owners of the parent. The company also has a credit facility under a factoring arrangement (note 13 'Interest-bearing liabilities').

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial convenants. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 2013.

## NEW ACCOUNTING STANDARDS

On a regular basis, the IASB issues new accounting standards, amendments and interpretations. In the financial year 2014, the following changes, subdivided into effective and not yet effective, have been reviewed and, if found applicable, have led to consequential changes to the accounting policies and other note disclosures:

**New and amended standards adopted by the company**
The following standards have been adopted by the company for the first time for the financial year beginning on 1 January 2014:

Amendments to IFRS 10 'Consolidated financial statements', 12 'Income taxes' and IAS 27 'Separate financial statements' on consolidation for investment entities. These amendments provide an exception to the consolidation requirements for entities that meet the definition of an investment entity under IFRS 10 'Consolidated financial statements' and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the company, since none of the entities qualifies to be an investment entity under IFRS 10.

Amendment to IAS 32, 'Financial instruments: Presentation', on offsetting financial assets and liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the company's financial position. We refer to note 27.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment effects presentation only and have no impact on the company's financial position or performance. We refer to note 1.

Amendment to IAS 39, 'Financial instruments: Recognition and measurement', on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 29 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The amendment has no impact on the company's financial position or performance.

IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides addition guidance to assist in the determination of control where this is difficult to assess. The adoption of the guidance has no significant effect on the financial results or financial position of the company.

IFRS 11, 'Joint arrangements', is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venturer has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The adoption has no significant effect on the financial results or financial position of the company.

IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard will affect disclosure only and therefore has no impact on the company's financial position or performance.

IAS 28, 'Investments in Associates and Joint Ventures'. As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The adoption has no significant effect on the financial results or financial position of the company.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what is the obligation event that gives rise to pay a levy and when should a liability be recognised. The company is currently not subjected to significant levies so the impact is not material.

**New standards and interpretations not yet adopted**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the company, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the existing guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial asets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39 The standard is effective for accounting periods beginning on or after 1 january 2018, with early adoption permitted. The company is yet to access IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customer', establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction contracts' and IFRIC 13 'Customer Loyalty Programmes'. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The company is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.

## PROPERTY, PLANT AND EQUIPMENT (1)

Movements in the value of Property, plant and equipment were as follows:

| *EUR x 1,000* | *Land and buildings* | *Plant and machinery* | *Other tangible fixed assets* | *Tangible fixed assets under construction* | *Total* |
|---|---|---|---|---|---|
| **Costs** | | | | | |
| At 1 January 2013 | 22,369 | 186,650 | 1,730 | 4,080 | 214,829 |
| Additions | - | - | - | 6,656 | 6,656 |
| Transfers | 219 | 10,095 | 2 | (10,316) | - |
| Disposals | (38) | (6,244) | (22) | - | (6,304) |
| **At 31 December 2013** | **22,550** | **190,501** | **1,710** | **420** | **215,181** |
| **Depreciation** | | | | | |
| At 1 January 2013 | 20,620 | 175,561 | 1,646 | - | 197,827 |
| Disposals | (38) | (6,244) | (22) | - | (6,304) |
| Depreciation for the year | 224 | 4,098 | 24 | - | 4,346 |
| Impairment | 342 | 4,645 | 13 | - | 5,000 |
| **At 31 December 2013** | **21,148** | **178,060** | **1,661** | **-** | **200,869** |
| **Book value at 1 January 2013** | **1,749** | **11,089** | **84** | **4,080** | **17,002** |
| **Book value at 31 December 2013** | **1,402** | **12,441** | **49** | **420** | **14,312** |
| **Costs** | | | | | |
| At 1 January 2014 | 22,550 | 190,501 | 1,710 | 420 | 215,181 |
| Additions | - | - | - | 3,132 | 3,132 |
| Transfers | 243 | 2,612 | 3 | (2,858) | - |
| Disposals | (717) | (5,365) | (822) | - | (6,904) |
| **At 31 December 2014** | **22,076** | **187,748** | **891** | **694** | **211,409** |
| **Depreciation** | | | | | |
| At 1 January 2014 | 21,148 | 178,060 | 1,661 | - | 200,869 |
| Disposals | (719) | (5,366) | (818) | - | (6,903) |
| Depreciation for the year | 200 | 3,152 | 15 | - | 3,367 |
| **At 31 December 2014** | **20,629** | **175,846** | **858** | **-** | **197,333** |
| **Book value at 1 January 2014** | **1,402** | **12,441** | **49** | **420** | **14,312** |
| **Book value at 31 December 2014** | **1,447** | **11,902** | **33** | **694** | **14,076** |

In 2013 the company recognised an impairment charge of EUR 5.0 million. The events and circumstances that led to the recognition of the impairment charge were the prolonged below-target return on capital employed.

As in previous years, in 2014 an impairment review was performed since the carrying amount of the net assets was higher than the market capitalisation of the entity (IAS 36.12.d). The recoverable amount is based on the value in use since this value is higher than the fair value less costs to sell and is assessed by considering Crown Van Gelder N.V. as one cash generating unit. The projected time period of future expected cash flows is from 2015 until 2023. Due to improved working capital components and improved financial forecasts the outcome of the impairment review leads to the conclusion that the recoverable amount of 'Property, plant and equipment' exceeds the book value as per balance sheet date 2014. However, considering the strong sensitivities of the overall value outcome to the relevant value drivers (see the table below), like expected profit margins, management concluded that the current excess of the recoverable amount over the book value is not necessarily sustainably large to warrant a reversal of the impairment of last year.

The company has based its cash flow projections on its business plans (among others the approved budget for 2015 and the company's strategic 'Focus 2016', which includes growth targets in value added products). Budget and longer term forecasts are among others based on reports from strategic consultancy and market research agencies regarding the general economic outlook, developments within the European paper industry, especially within the woodfree uncoated sector, and the pulp and energy market outlook. Furthermore, as in previous years, in its analysis and calculations management has used the expertise of an external valuator.

Main drivers in the cash flow projections (which are also outlined in the risk management paragraph of the Annual Report) to which the entity's recoverable amount is most sensitive are: (i) long-term developments of the pulp prices, (ii) gas prices, (iii) selling prices, (iv) production and sales volumes, (v) the WACC, and (vi) EBITDA per ton. Future expected cash flows were discounted at a pre-tax rate of 12.3% (2013: 11.3%). The discount rate represents the current market assessment of the risk specific to Crown Van Gelder N.V., and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The beta factors are evaluated annually based on publicly available market data. In determination of the recoverable amount the pulp price is considered to be the most relevant and volatile factor.

The cash flow value driver sensitivities, their impact on the recoverable amount in the 2014 impairment test and the corresponding impairment amount (in EUR) are as follows:

| *Value driver* | *Change in value driver* | *Increase in value driver* | *Decrease in value driver* |
|---|---|---|---|
| WACC | 50 bps | (2.8) million | 3.2 million |
| Pulp price | 1.0% | (8.1) million | 8.1 million |
| Gas price | 5.0% | (10.4) million | 10.4 million |
| Paper selling price | 0.5% | 7.6 million | (7.6) million |
| Sales volume | 2.0% | 7.7 million | (7.7) million |
| EBITDA | EUR 5 / ton | 10.9 million | (10.9) million |

Cash flow value driver developments are no isolated events and in practice cash flow drivers could also (partly) offset or reinforce each other.
The amount of capitalised borrowing costs during the year ended 31 December 2014 was nil (2013: nil).

None of the items of Property, plant and equipment are pledged as security for liabilities and none of the items are held under a finance lease construction. The company has reviewed the residual values and the remaining useful lives of the assets used for the purpose of depreciation calculations. The outcome did not result in an adjustment. The depreciation of the Property, plant and equipment is included in line item 'Depreciation and amortisation' in the consolidated income statement.

For the commitments concerning Property, plant and equipment we refer to note 25.

## INTANGIBLE ASSETS (2)

Movements in the value of intangible assets were as follows:

| *EUR x 1,000* | *Emission allowances* | *Software* | *Software under construction* | *Total* |
|---|---|---|---|---|
| **Costs** | | | | |
| At 1 January 2013 | - | 2,580 | - | 2,580 |
| Additions (acquired) | 250 | - | - | 250 |
| Consumption of emission allowances | (155) | - | - | (155) |
| **At 31 December 2013** | **95** | **2,580** | **-** | **2,675** |
| **Amortisation** | | | | |
| At 1 January 2013 | - | 1,772 | - | 1,772 |
| Amortisation for the year | - | 401 | - | 401 |
| **At 31 December 2013** | **-** | **2,173** | **-** | **2,173** |
| **Book value at 1 January 2013** | **-** | **808** | **-** | **808** |
| **Book value at 31 December 2013** | **95** | **407** | **-** | **502** |
| **Costs** | | | | |
| At 1 January 2014 | 95 | 2,580 | - | 2,675 |
| Disposals | - | (9) | - | (9) |
| Additions (acquired) | 362 | - | 65 | 427 |
| Consumption of emission allowances | (389) | - | - | (389) |
| **At 31 December 2014** | **68** | **2,571** | **65** | **2,704** |
| **Amortisation** | | | | |
| At 1 January 2014 | - | 2,173 | - | 2,173 |
| Disposals | - | (9) | - | (9) |
| Amortisation for the year | - | 383 | - | 383 |
| **At 31 December 2014** | **-** | **2,547** | **-** | **2,547** |
| **Book value at 1 January 2014** | **95** | **407** | **-** | **502** |
| **Book value at 31 December 2014** | **68** | **24** | **65** | **157** |

The intangible assets comprise emission allowances and computer software. Computer software has been assessed as having a finite useful life and is amortised under the straight-line method over a period of 3 to 6 years.
For the year 2014, Crown Van Gelder was allocated 62,716 $CO_2$ allowances (2013: 63,824 $CO_2$ allowances). In 2014 total $CO_2$ emissions of Crown Van Gelder amounted to around 147,000 ton (2013: 142,000 ton). The in 2014 purchased and unused $CO_2$ allowances of EUR 0.1 million consists of approximately 12,200 ton $CO_2$ allowances at 31 December 2014 (2013: EUR 0.1 million of 20,900 ton $CO_2$ allowances).

The amortisation of the intangible assets is included in line item 'Depreciation and amortisation' in the consolidated income statement.

The consumption of emission allowances is included in line item 'Raw materials, consumables and energy' in the consolidated income statement.

## INVESTMENT IN ASSOCIATE (3)

Movements in the investment in associate can be detailed as follows:

| *EUR x 1,000* | *2014* | *2013* |
|---|---|---|
| At 1 January | 1,229 | 1,354 |
| Share of result | 296 | 325 |
| Dividends received | (1,010) | (450) |
| **At 31 December** | **515** | **1,229** |

Crown Van Gelder N.V. has a 50% interest in International Forwarding Office B.V. (Zaandam, The Netherlands). This company operates as a freight broker. The following table illustrates its summarised financial information:

| *EUR x 1,000* | *Assets* | *Liabilities* | *Revenue* | *Profit/(loss)* | *% Interest held* |
|---|---|---|---|---|---|
| **2014** | | | | | |
| International Forwarding Office B.V. | 2,091 | 1,147 | 1,963 | 695 | 50 |
| **2013** | | | | | |
| International Forwarding Office B.V. | 3,458 | 1,189 | 1,936 | 540 | 50 |

## DEFERRED TAX ASSETS (4)

The deferred tax assets relate to the following:

| *EUR x 1,000* | | *2014* | | *2013* |
|---|---|---|---|---|
| Deferred tax assets | | | | |
| Property, plant and equipment | 863 | | 3,119 | |
| Derivative in effective hedge | - | | 12 | |
| | | 863 | | 3,131 |
| Tax losses available for offset against future taxable profits | | 3,455 | | 1,999 |
| **At 31 December** | | **4,318** | | **5,130** |

As at 31 December 2014 the company has tax losses of EUR 42.5 million. EUR 1.2 million of this amount is available for carry forward until 2017, EUR 28.3 million is available for carry forward until 2019, EUR 7.2 million is available for carry forward until 2022, the remaining amount of EUR 5.8 million is available for carry forward until 2023.

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. Based on internal calculations with respect to expected taxable profits in the next years (until the years the available tax losses will expire and to the extent that realisation is expected) the company recognised an amount of 3.5 million related to tax losses carry forward on the balance sheet. No deferred tax asset is recognised for EUR 28.7 million of the EUR 42.5 million available tax losses. Cumulative tax losses increased in 2014 due to higher fiscal depreciation of Property, plant and equipment in comparison with depreciation for financial reporting purposes.

Management considers it to be prudent, based on the high volatility in raw material, energy and sales markets and its impact on Crown Van Gelder's results, combined with adverse results in the years preceding 2014, to only value the deferred tax asset at EUR 4.3 million. In this respect, reference is made to IAS 12.35 which states that an entity recognises a deferred tax asset arising from unused tax losses or tax credits only to the extent there is convincing other evidence that sufficient taxable profit will be available.

The aforementioned internal calculations are based on the same assumptions as used in the impairment review mentioned in note 1. If expected taxable profits would adversely deviate by 10% from the current internal calculations, this would not result in an additional impairment on the deferred tax asset.

As at 31 December 2013 the company had tax losses of EUR 36.7 million. EUR 1.2 million of this amount was available for carry forward until 2017, EUR 28.3 million was available for carry forward until 2019, the remaining amount of EUR 7.2 million was available for carry forward until 2022.

Based on internal calculations at the end of 2013 with respect to expected taxable profits in the years after balance sheet date (until the years the available tax losses will expire) the company recognised an amount of EUR 2.0 million related to tax losses carry forward on the balance sheet. Due to lower expected future taxable profits at the end of 2013 and related expected expiration of carry forward tax losses no deferred tax asset was recognised for EUR 28.7 million of the EUR 36.7 million available tax losses.

Deferred tax assets have been valued at expected future tax rates (25.0%) and are estimated to be primarily longer than one year.

The movement in deferred tax assets during the year is as follows:

| *EUR x 1,000* | *Property, plant and equipment* | *Derivatives* | *Tax losses* | *Total* |
|---|---|---|---|---|
| **At 1 January 2013** | **2,729** | | **2,390** | **5,119** |
| (Charged) / credited to income statement | 390 | - | (390) | - |
| (Charged) / credited to other comprehensive income | - | 12 | - | 12 |
| **At 31 December 2013** | **3,119** | **12** | **1,999** | **5,130** |
| (Charged) / credited to income statement | (2,256) | - | 1,456 | (800) |
| (Charged) / credited to other comprehensive income | - | (12) | - | (12) |
| **At 31 December 2014** | **863** | **-** | **3,455** | **4,318** |

# NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Movements in income tax charged or credited to other comprehensive income were as follows:

| *EUR x 1,000* | *2014* | *2013* |
|---|---|---|
| Movements charged or credited directly to other comprehensive income | | |
| Cash flow hedging | (12) | 12 |
| **Total** | **(12)** | **12** |

## OTHER ASSETS (5)

Other assets consist of the capitalised amount of a lease contract with the Municipality of Velsen. In 1982 the company entered into a 50-year lease contract relating to the site and existing buildings. In 1996, the 37 remaining payments for the years up to and including 2032 were redeemed. The capitalised amount will be allocated to the income statement during the remaining contract period using the straight-line method.

Movements in the other assets can be detailed as follows:

| *EUR x 1,000* | *2014* | *2013* |
|---|---|---|
| At 1 January | 2,056 | 2,165 |
| Allocated to the income statement | (109) | (109) |
| **At 31 December** | **1,947** | **2,056** |

The allocation is included in line item 'Other expenses' in the consolidated income statement.

## INVENTORIES (6)

Inventories can be detailed as follows:

| *EUR x 1,000* | *2014* | *2013* |
|---|---|---|
| Raw materials | 5,049 | 7,128 |
| Other materials | 4,647 | 5,040 |
| Finished goods | 11,100 | 10,887 |
| **At 31 December** | **20,796** | **23,055** |

## TRADE AND OTHER RECEIVABLES (7)

Trade and other receivables can be detailed as follows:

| *EUR x 1,000* | *2014* | *2013* |
|---|---|---|
| Trade receivables | 13,230 | 15,249 |
| Other receivables | 478 | 418 |
| Accrued income and prepayments | 253 | 286 |
| **At 31 December** | **13,961** | **15,953** |

## TRADE RECEIVABLES

Trade receivables are non-interest bearing and are generally on 8-90 days' terms. In the trade receivables an allowance is included for doubtful debts.

As at 31 December 2014, trade receivables at nominal value of EUR 520,000 (2013: EUR 600,000) were impaired and fully provided for.
The carrying amounts of the trade receivables are denominated in the following currencies:

| *x 1,000* | *2014* | *2013* |
|---|---|---|
| EUR | 10,643 | 13,381 |
| GBP | 1,747 | 1,121 |
| USD | 482 | 938 |
| SEK | 287 | - |
| CHF | - | 68 |

The carrying amounts of trade receivables, excluding the provision, for impairment best represent the maximum exposure to credit risk.

Movements in the provision for impairment of trade receivables were as follows:

| *EUR x 1,000* | *2014* | *2013* |
|---|---|---|
| At 1 January | 600 | 431 |
| Charge for the year | 90 | 301 |
| Utilised | (25) | - |
| Unused amounts reversed | (145) | (132) |
| **At 31 December** | **520** | **600** |

In determining the recoverability of a trade receivable, the company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. By actively monitoring the financial condition of our trade receivables, using renowned third party credit rate assessment specialists and arranging insurance for outstanding debt, the company believes that there is no further credit provision required in excess of the allowance for doubtful debt.

Included in the company's trade receivable balance are debtors which are past due at the reporting date for which the company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The company does not hold any collateral over these balances.

As at 31 December, the analysis of trade receivables that were not impaired is as follows:

| *EUR x 1,000* | *Total* | *Neither past due nor impaired* | *<30 days* | *30-60 days* | *60-90 days* | 90-120 days | >120 days |
|---|---|---|---|---|---|---|---|
| 2014 | **13,230** | 10,526 | 2,674 | 29 | 1 | - | - |
| 2013 | **15,249** | 12,206 | 2,860 | 128 | 41 | 14 | - |

The amounts of trade receivables shown above are mainly to receive from customers with which the company has long lasting relationships and who have a history of timely payment.

### CASH AND CASH EQUIVALENTS (8)

Cash and cash equivalents can be detailed as follows:

| *EUR x 1,000* | *2014* | *2013* |
|---|---|---|
| Cash at bank and in hand | 3,808 | 181 |
| **At 31 December** | **3,808** | **181** |

Cash at bank earns interest at floating rates based on daily bank deposit and the daily interest rate. There were no deposits during the financial year and all cash and cash equivalents are payable on demand. At balance sheet date 2014 an amount of EUR 20,000 relates to non-controlling interests (2013: EUR 15,000).

### SUBSCRIBED AND PAID-UP CAPITAL (9)

The authorised capital can be detailed as follows:

| *Number of shares (thousands)* | *2014* | *2013* |
|---|---|---|
| Ordinary shares of EUR 10 each | 1,500 | 1,500 |
| Preference shares of EUR 10 each | 1,500 | 1,500 |
| **Number of shares at 31 December** | **3,000** | **3,000** |

**Issued and fully paid-up capital**

| *Number of shares (thousands)* | *2014* | *2013* |
|---|---|---|
| Ordinary shares | 871.2 | 871.2 |
| Preference shares | - | - |
| **At 31 December** | **871.2** | **871.2** |

The ratio between ordinary shares and depository receipts (as mentioned in the earnings per share note 24) is 1:5.

## EQUITY (10)

| EUR x 1,000 | Attributable to Owners of Parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | *Subscribed and paid-up capital (note 9)* | *Retained earnings* | *Other reserves (note 11)* | *Result for the year* | *Total* | *Non-controlling interests* | *Total group equity* |
| **At 1 January 2013** | **8,712** | **63,498** | **-** | **(24,260)** | **47,950** | **43** | **47,993** |
| Result for the year | - | - | - | (13,047) | (13,047) | 35 | (13,012) |
| Other comprehensive income / (loss) | - | - | (35) | - | (35) | - | (35) |
| **Total comprehensive Income / (loss)** | **-** | **-** | **(35)** | **(13,047)** | **(13,082)** | **35** | **(13,047)** |
| Result appropriation | - | (24,260) | - | 24,260 | - | - | - |
| Dividends non-controlling interests | - | - | - | - | - | (36) | (36) |
| **At 31 December 2013** | **8,712** | **39,238** | **(35)** | **(13,047)** | **34,868** | **42** | **34,910** |
| Result for the year | - | - | - | 3,102 | 3,102 | 46 | 3,148 |
| Other comprehensive income / (loss) | - | - | 35 | - | 35 | - | 35 |
| **Total comprehensive Income / (loss)** | **-** | **-** | **35** | **3,102** | **3,137** | **46** | **3,183** |
| Result appropriation | - | (13,047) | - | 13,047 | - | - | - |
| Dividends non-controlling interests | - | - | - | - | - | (33) | (33) |
| **At 31 December 2014** | **8,712** | **26,191** | **-** | **3,102** | **38,005** | **55** | **38,060** |

## OTHER RESERVES (11)

| *EUR x 1,000* | *Cash flow hedge reserve* |
|---|---|
| **At 1 January 2013** | - |
| **Movements in 2013** | |
| Net gains / (losses) on cash flow hedges | |
| Charge for the year | (47) |
| Income tax effect | 12 |
| **At 31 December 2013** | **(35)** |
| **Movements in 2014** | |
| Net gains / (losses) on cash flow hedges | |
| Charge for the year | 47 |
| Income tax effect | (12) |
| **At 31 December 2014** | - |

### Nature and purpose of the other reserves

*Cash flow hedge reserve*
The cash flow hedge reserve at the beginning and the end of 2013 comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments where the hedged transactions have not yet occurred at that balance sheet date. Reference is made to note 27.

## TAX ACCRUAL (12)

The tax accrual relates to the following:

| *EUR x 1,000* | *2014* | *2013* |
|---|---|---|
| Tax accrual | | |
| EIA tax allowance | 2,054 | 2,477 |
| **At 31 December** | **2,054** | **2,477** |

The tax accrual at 31 December 2014 comprises an amount of EUR 2.1 million for the EIA tax allowance. EUR 0.4 million of this amount can be classified as short-term. The EIA tax allowance is classified as a tax accrual which means that the allowance reduces the tax rate. This amount will be released to the income statement during the expected useful life of the assets involved.

Movements in income tax credited to the income statement were as follows:

| *EUR x 1,000* | *2014* | *2013* |
|---|---|---|
| Movements credited to the income statement | | |
| EIA tax allowance | 423 | 422 |
| **Total** | **423** | **422** |

## INTEREST-BEARING LIABILITIES (13)

As per 13 February 2014 the company entered into a new financing arrangement. The prior credit facility has been replaced by a factoring arrangement. Under the factoring agreement an amount up to EUR 20 million can be utilised against an interest rate of 1 month Euribor plus 265 bps. The arrangement contains terms and conditions and a collateral package (including security over trade receivables, finished goods inventory and pulp inventory) customary for these type of contracts. Capital expenditure and working capital requirements can be fully financed through this credit facility.

At the end of 2014 there were no requirements to employ the credit facility.

At 31 december 2013 the company had credit facilities at its disposal up to EUR 35 million. These credit facilities are secured by inventories (pulp and finished goods; note 6) and accounts receivables (note 7). The interest concerning the facilities consists of a basic interest rate (EURIBOR), plus an average mark-up of approximately 2%.

At the end of 2013 an amount of EUR 9.9 million of these credit facilities was used.

## TRADE CREDITORS (14)

Trade creditors are non-interest-bearing and normally settled within a maximum of 60 days.

## DERIVATIVE FINANCIAL INSTRUMENTS (15)

| | *2014* | | *2013* | |
|---|---|---|---|---|
| | *Assets* | *Liabilities* | *Assets* | *Liabilities* |
| Commodity contracts – cash flow hedges | - | - | - | 47 |
| Forward foreign exchange contracts – fair value through profit or loss | 95 | - | - | 36 |
| **Total** | **95** | **-** | **-** | **83** |

At 31 December 2014, the company held no commodity contracts (2013: one) and eight forward exchange contracts (2013: ten). Reference is made to note 27.

## OTHER SHORT-TERM LIABILITIES (16)

Other short-term liabilities are non-interest-bearing and normally settled within a maximum of 12 months.

# NOTES TO THE CONSOLIDATED INCOME STATEMENT

## REVENUE (17)

Revenue can be detailed as follows:

| *EUR x 1,000* | *2014* | *2013* |
|---|---|---|
| Revenue of paper sales | 158,448 | 155,553 |
| Supply of energy | 4,065 | 3,865 |
| **Total** | **162,513** | **159,418** |

The geographical distribution of paper sales and revenue in 2014 and 2013 were as follows:

| *In %* | *Sales of paper* | | *Total revenue* | |
|---|---|---|---|---|
| | *2014* | *2013* | *2014* | *2013* |
| Benelux | 22 | 23 | 26 | 27 |
| Germany | 19 | 22 | 18 | 21 |
| United Kingdom | 15 | 12 | 15 | 12 |
| France | 13 | 13 | 13 | 14 |
| Italy | 11 | 8 | 12 | 8 |
| Other European countries | 8 | 7 | 8 | 7 |
| Other countries | 12 | 15 | 8 | 11 |
| **Total** | **100** | **100** | **100** | **100** |

## COSTS OF RAW MATERIALS, CONSUMABLES AND ENERGY (18)

The costs of raw materials, consumables and energy can be detailed as follows:

| *EUR x 1,000* | *2014* | *2013* |
|---|---|---|
| Raw materials and consumables | 88,030 | 92,046 |
| Water | 499 | 488 |
| Packaging | 2,243 | 2,302 |
| Energy | 18,465 | 22,053 |
| **Total** | **109,237** | **116,889** |

## CHANGE IN INVENTORIES OF FINISHED GOODS (19)

The movement in inventories of finished goods can be detailed as follows:

| *EUR x 1,000* | *2014* | *2013* |
|---|---|---|
| Finished goods at 1 January | 10,887 | 11,521 |
| Finished goods at 31 December | 11,100 | 10,887 |
| **Total** | **213** | **(634)** |

## EMPLOYEE BENEFITS COSTS (20)

The employee benefits costs can be detailed as follows:

| *EUR x 1,000* | *2014* | *2013* |
|---|---|---|
| Wages and salaries | 15,565 | 15,008 |
| Social security contributions | 2,048 | 2,045 |
| Other staff costs | 2,379 | 2,537 |
| Pension expense | 1,938 | 2,011 |
| **Total** | **21,930** | **21,601** |

The average number of employees in 2014 was 280 (2013: 286).

## DEPRECIATION AND AMORTISATION (21)

The depreciation and amortisation can be detailed as follows:

| *EUR x 1,000* | *2014* | *2013* |
|---|---|---|
| Depreciation property, plant and equipment | 3,352 | 4,331 |
| Amortisation intangible assets | 383 | 401 |
| **Total** | **3,735** | **4,732** |

# NOTES TO THE CONSOLIDATED INCOME STATEMENT

## OTHER EXPENSES (22)

Other expenses can be detailed as follows:

| *EUR x 1,000* | *2014* | *2013* |
|---|---:|---:|
| Maintenance costs | 6,137 | 6,232 |
| Machinery related expenses | 1,744 | 2,003 |
| Warehouse expenses | 811 | 884 |
| Leasing expenses | 363 | 327 |
| Other operating expenses | 5,459 | 5,081 |
| **Total** | **14,514** | **14,527** |

**Research & development**
The company is taking part in several projects relevant to the Dutch paper industry as a whole (e.g. energy saving, reduction in $CO_2$ emission levels). These projects are largely funded and sponsored by the Dutch government and third parties. The company incurs only minimal net costs as a result.

## INCOME TAX (23)

The income tax can be detailed as follows:

| *EUR x 1,000* | *2014* | | *2013* | |
|---|---:|---:|---:|---:|
| *Current tax* | | | | |
| Current year tax (income) / expense | - | | - | |
| | | - | | - |
| *Movements in deferred tax* | | | | |
| Carry forward tax losses | (1,456) | | 390 | |
| Tangible assets | 2,256 | | (390) | |
| Cash flow hedge | 12 | | - | |
| | | 812 | | - |
| EIA tax allowance | | (421) | | (422) |
| **Total** | | **391** | | **(422)** |

Reconciliation of the tax-rate with the effective tax rate can be detailed as follows:

| *In % and EUR x 1,000* | | *2014* | | *2013* |
|---|---|---|---|---|
| Result on ordinary activities before taxation | | 3,539 | | (13,438) |
| Less share of result of associate | | (296) | | (325) |
| Accounting result before tax | | 3,243 | | (13,763) |
| | *In %* | | *In %* | |
| Statutory income tax rate | 25.0 | 807 | 25.0 | (3,441) |
| Non-deductible expenses for tax purposes | - | 7 | - | 8 |
| Reduction through tax allowances | (13.0) | (423) | 3.1 | (422) |
| Non-recognition of DTA on current year tax losses | - | - | (25.0) | 3,433 |
| **Total effective tax rate** | **12.0** | **391** | **3.1** | **(422)** |

## EARNINGS PER DEPOSITORY RECEIPT OF SHARE (24)

Basic earnings per depository receipt of share are calculated by dividing the result attributable to equity holders of the parent by the weighted average number of depository receipts of shares during the period.

The following reflects the calculation of the basic earnings per share:

| | *2014* | *2013* |
|---|---|---|
| Result for the year attributable to owners of the parent (EUR x 1,000) | 3,102 | (13,047) |
| Dividends distributed to owners (EUR x 1,000) | - | - |
| Weighted average number of depository receipts of shares (thousands) | 4,356 | 4,356 |
| Basic earnings per depository receipt of share (EUR) | 0.71 | (3.00) |
| Diluted earnings per depository receipt of share (EUR) | 0.71 | (3.00) |
| Dividends distributed to owners per depository receipt of share (EUR) | - | - |

There is no potential dilution of earnings per depository receipt of share.

## COMMITMENTS AND CONTINGENCIES (25)

**Leasing**

In 1982 the company entered into a 50-year lease contract relating to the site and existing buildings with the Municipality of Velsen. Reference is made to note 5.

Further, the company has entered into commercial leases on company cars, internal transport vehicles, printers and copiers. Future minimum rentals payable under non-cancellable operating lease as at 31 December are as follows:

| EUR x 1,000 | 2014 | 2013 |
|---|---|---|
| Within one year | 614 | 500 |
| Between one and five years | 1,489 | 1,241 |
| Longer than five years | 111 | 82 |
| **Total** | **2,214** | **1,823** |

**Capital expenditure commitments**
At 31 December 2014, Crown Van Gelder had commitments amounting to EUR 0.6 million (2013: 0.5 million).

**Guarantees**
There were no bank guarantees issued at the balance sheet date (2013: nil).

**Declaration of liability**
Crown Van Gelder N.V. has provided a declaration of liability, as referred to in Article 403, Book 2, of the Dutch Civil Code, for the debts of its subsidiary Crown Van Gelder Energie B.V.

**Forward transactions**
Reference is made to note 27.

**Fiscal unity**
Crown Van Gelder N.V. forms a fiscal unity with Crown Van Gelder Energie B.V. for both income tax and value added tax purposes.

## RELATED PARTY TRANSACTIONS (26)

**Related parties**
Crown Van Gelder N.V. has related party transactions with International Forwarding Office B.V. (IFO). IFO operates as a freight broker.

Crown Van Gelder N.V. pays IFO on a commission fee per ton basis. The following table provides the total amount of transactions, which have been entered into with related parties:

| EUR x 1,000 | 2014 | 2013 |
|---|---|---|
| Outstanding balances as per year-end | 487 | 367 |
| Commission fees during the year | 189 | 176 |

The sales to and purchases from related parties are made at normal market prices. Outstanding balances at year-end are unsecured and the settlements occur in cash. There have been no guarantees provided or received for any related party receivables or payables.

**Transactions with other related parties**

The remuneration of the statutory directors (key management personnel) is set out in the table below.

| *EUR x 1,000* | *2014* | *2013* |
|---|---|---|
| Miklas Dronkers, Chief Executive Officer | | |
| Fixed remuneration | 205 | 205 |
| Variable remuneration | 92 | 12 |
| Pension costs | 54 | 35 |
| Fixed expense allowance | 4 | 4 |
| **Total** | **355** | **256** |

| *EUR x 1,000* | *2014* | *2013** |
|---|---|---|
| Henk van der Zwaag, Chief Financial Officer, appointed as per 1 June 2013 | | |
| Fixed remuneration | 180 | 93 |
| Variable remuneration | 81 | 7 |
| Pension costs | 47 | 17 |
| Fixed expense allowance | 4 | 2 |
| **Total** | **312** | **119** |

** 2013 relates to period 1 June – 31 December 2013*

A variable reward system is in force for the remuneration of the statutory directors, in which the variable remuneration is limited to 45% of the fixed yearly income. This variable income depends on the company's performance with respect to shareholders' equity and the extent to which certain specific objectives have been realised, and is determined at the discretion of the Supervisory Board. The Supervisory Board has reviewed the performance of the Management Board on specific targets.

Crown Van Gelder provides a competitive package of fringe benefits for its Management Board, in line with those applicable to other employees. These include items as accident insurance, a lease car, directors' and officers' liability insurance. No stock options have been offered to or are owned by the Management Board. There are no loans outstanding to the Management Board and no guarantees were given on behalf of the Management Board.

The crisis tax of 16%, only applicable for 2013, for the statutory directors amounts to EUR 10,800.

*Scenario analysis*

The scenario below provides an overview of the remuneration policy, which assigns a low score for the achievement of variable remuneration targets (15%), a medium score for the achievement of variable remuneration targets (30%) and a maximum score for the achievement of variable remuneration targets (45%).

# NOTES TO THE CONSOLIDATED INCOME STATEMENT

Remuneration CEO

| *Score for targets in 2014 (EUR)* | *Fixed* | *Variable* | *Total* |
|---|---|---|---|
| Low | 205.000 | 30.750 (15%) | 235.750 |
| Medium | 205.000 | 61.500 (30%) | 266.500 |
| High | 205.000 | 92.250 (45%) | 297.250 |

Remuneration CFO

| *Score for targets in 2014 (EUR)* | *Fixed* | *Variable* | *Total* |
|---|---|---|---|
| Low | 180.000 | 27.000 (15%) | 207.000 |
| Medium | 180.000 | 54.000 (30%) | 234.000 |
| High | 180.000 | 81.000 (45%) | 261.000 |

The remuneration of the members of the Supervisory Board is set out in the table below.

| *EUR x 1,000* | *2014* | *2013* |
|---|---|---|
| Jacques van den Hoven, Chairman as per 16 May 2013 | 29 | 29 |
| Berry Bemelmans, Chairman until 16 May 2013 | - | 15 |
| Emile Bakker | 22 | 22 |
| Henk van Houtum | 22 | 22 |
| Theo Philippa, Member Audit Committee | 22 | 22 |
| Han Wagter, Chairman Audit Committee | 25 | 25 |
| **Total** | **120** | **135** |

In addition to the annual remuneration for their membership of the Supervisory Board Mr Bakker and Mr Philippa received an additional remuneration of EUR 10.688 respectively EUR 11.250 for additional work they performed as members of the Steering Committee regarding Andlinger & Company's offer in 2014.

No stock options have been offered to the members of the Supervisory Board. There are no loans outstanding to the members of the Supervisory Board and no guarantees given on behalf of members of the Supervisory Board.

## FINANCIAL RISK MANAGEMENT (27)

**Objectives and policies**
The company uses foreign currency and commodity contracts as derivative financial instruments. The purpose is to manage the currency and pulp price risks arising from Crown Van Gelder's operations. It is the company's policy that no trading in financial instruments shall be undertaken. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. At year-end 2014, eight forward exchange contracts and no commodity forward contracts were outstanding (2013: ten contracts respectively one contract).

**Capital management**
Crown Van Gelder manages its capital to ensure sufficient working capital to finance its daily activities. This is accomplished by short term interest-bearing liabilities and supplier credit.

**Market risk**

*Foreign currency risk*
Crown Van Gelder has transactional currency exposures. Such exposure arises from purchases and sales in currencies other than the functional currency. Currency forward contracts in USD and GBP are used in order to hedge short-term currency risks relating to cash, accounts receivable and payable. For further disclosure on these derivatives through profit and loss, reference is made to paragraph 'Hedging activities'. The fair value of forward exchange contracts is their market price at balance sheet date.

The following table demonstrates the sensitivity of the current exposure on balance sheet date to a reasonably possible change in the USD and GBP rate, with all other variables held constant, of the company's result before tax.

| *EUR x 1,000* | *2014* | *2013* |
|---|---|---|
| **Impact of currency changes on result before tax** | | |
| Increase / (decrease) in USD rate | | |
| -5% | 214 | 27 |
| 5% | (214) | (27) |
| Increase / (decrease) in GBP rate | | |
| -5% | (151) | (97) |
| 5% | 151 | 97 |

Calculations are based on constant payment terms, geographical distribution of sales, sales volume and price levels.

Crown Van Gelder has evaluated the pre-tax impact of changes in currency on equity and found them to be equal to the profit and loss effect.

*Interest rate risk*
The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the company's finance cost (through the impact on floating rate borrowings).

| *EUR x 1,000* | *2014* | *2013* |
|---|---|---|
| Average outstanding balance | 840 | (11,167) |
| Finance costs | 126 | 342 |
| Average interest rate % | 3.32% | 3.06% |
| Increase / (decrease) in base points | | |
| (50) | 16 | 56 |
| (25) | 8 | 28 |
| 25 | (8) | (28) |
| 50 | (16) | (56) |

Due to a decrease in working capital in 2014 the average outstanding balance changed from an interest-bearing liability to a net cash position. Therefore the finance costs and the interest rate sensitivity decreased in comparison with 2013.

**Fair value**

Comparison between book value and fair value of financial assets and liabilities can be detailed as follows:

| *EUR x 1,000* | *Book value* | *Fair value* |
|---|---|---|
| **At 31 December 2014** | | |
| *Financial assets* | | |
| Trade and other receivables | 13,961 | 13,961 |
| Derivative financial instruments | 95 | 95 |
| Cash and cash equivalents | 3,808 | 3,808 |
| *Financial liabilities* | | |
| Trade and other payables | 19,559 | 19,559 |

| *EUR x 1,000* | *Book value* | *Fair value* |
|---|---|---|
| **At 31 December 2013** | | |
| *Financial assets* | | |
| Trade and other receivables | 15,953 | 15,953 |
| Cash and cash equivalents | 181 | 181 |
| *Financial liabilities* | | |
| Bank overdrafts | 9,909 | 9,909 |
| Trade and other payables | 15,039 | 15,039 |
| Derivative financial instruments | 83 | 83 |

In disclosing fair values, financial assets and liabilities are grouped into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. At Crown Van Gelder, these classes do not differ from the presentation as currently recorded on the statement of financial position.

The risk of a change in fair value, due to fluctuations in interest rate, of future cash flows relating to financial instruments, can be quantified with a sensitivity analysis. This signifies how the fair value of financial assets and liabilities is impacted due to a reasonable to be expected change in interest rate. The company has performed a sensitivity analysis and concluded that reasonable changes in interest rate do not significantly affect the fair value of any of the financial assets or liabilities.

**Hedging activities**

*Cash flow hedges*

At 31 December 2014, the company held no commodity forward contracts (2013: one).

The commodity contract at balance sheet date 2013 entails to financially hedge an amount of 12,000 ton of pulp at a certain price, with start date of February 2013 and an expiration date of January 2014. The costs to enter this commodity forward contract were nil. Its fair value is based on a quote by a renowned third party. The commodity forward contract was initially recognised as a cash flow hedge. By subsequent testing for effectiveness it was concluded to be an effective cash flow hedge. The calculated amount is recorded in 'Derivative financial instruments'.

At 31 December 2014 the company held eight forward exchange contracts.

| *Forward exchange contracts* | *Exchange rate* | *Expiration date* | *Fair value EUR x 1,000* |
|---|---|---|---|
| *Sell* | | | |
| GBP 250,000 | EUR/GBP 0.7961 | 7 January 2015 | (7) |
| GBP 250,000 | EUR/GBP 0.7962 | 14 January 2015 | (7) |
| GBP 250,000 | EUR/GBP 0.7963 | 21 January 2015 | (7) |
| GBP 250,000 | EUR/GBP 0.7964 | 28 January 2015 | (7) |
| *Buy* | | | |
| USD 1,000,000 | EUR/USD 1.2467 | 14 January 2015 | 21 |
| USD 1,500,000 | EUR/USD 1.2512 | 14 January 2015 | 36 |
| USD 1,500,000 | EUR/USD 1.2457 | 21 January 2015 | 30 |
| USD 1,500,000 | EUR/USD 1.2512 | 21 January 2014 | 36 |

At 31 December 2013 the company held ten forward exchange contracts.

| *Forward exchange contracts* | *Exchange rate* | *Expiration date* | *Fair value EUR x 1,000* |
|---|---|---|---|
| *Sell* | | | |
| GBP 250,000 | EUR/GBP 0.8339 | 3 January 2014 | (1) |
| GBP 250,000 | EUR/GBP 0.8339 | 10 January 2014 | (1) |
| GBP 250,000 | EUR/GBP 0.8303 | 17 January 2014 | 1 |
| GBP 250,000 | EUR/GBP 0.8304 | 24 January 2014 | 1 |
| GBP 250,000 | EUR/GBP 0.8306 | 31 January 2014 | 1 |
| GBP 250,000 | EUR/GBP 0.8450 | 7 February 2014 | (5) |
| GBP 250,000 | EUR/GBP 0.8451 | 14 February 2014 | (5) |
| *Buy* | | | |
| USD 2,000,000 | EUR/USD 1.3601 | 10 January 2014 | (18) |
| USD 2,000,000 | EUR/USD 1.3703 | 10 January 2014 | (7) |
| USD 2,000,000 | EUR/USD 1.3751 | 7 February 2014 | (2 |

Derivatives are classified as a non-current asset or liability if the remaining term of the derivatives is more than 12 months and as a current asset or liability if the remaining term of the derivatives is less than 12 months.

Net gain or loss on financial asset and liabilities at fair value through profit and loss can be summarized as follows:

| *EUR x 1,000* | *2014* | *2013* |
|---|---|---|
| Financial assets at fair value through profit and loss | 17 | 169 |
| Financial liabilities at fair value through profit and loss | - | - |
| **Total** | **17** | **169** |

This has been recognised in the income statement in the line 'Raw materials, consumables and energy'.

As at 31 December 2014, Crown Van Gelder held the following financial instruments measured at fair value:

**Financial instruments: Assets / (liabilities) measured at fair value**

| *EUR x 1,000* | *31 Dec 2014* | *Level 1* | *Level 2* | *Level 3* |
|---|---|---|---|---|
| Derivative in effective hedge | | | | |
| Commodity forward contract | - | - | - | - |
| Financial assets / (liabilities) at fair value through profit or loss | | | | |
| Foreign exchange contracts – non-hedged | 95 | - | 95 | - |
| **Total** | **95** | **-** | **95** | **-** |

During the reporting period ending 31 December 2014, there where no transfers between the levels of fair value measurements.

| *EUR x 1,000* | *31 Dec 2014* | *Level 1* | *Level 2* | *Level 3* |
|---|---|---|---|---|
| Derivative in effective hedge | | | | |
| Commodity forward contract | (47) | - | (47) | - |
| Financial assets / (liabilities) at fair value through profit or loss | | | | |
| Foreign exchange contracts – non-hedged | (36) | - | (36) | - |
| **Total** | **(83)** | **-** | **(83)** | **-** |

During the reporting period ending 31 December 2013, there where no transfers between the levels of fair value measurements.

**Fair value hierarchy**

Crown Van Gelder N.V. uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

*Financial instruments in level 2*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant input required to fair value an instrument is observable, the instrument is included in level 2.

The fair value of forward exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

**Reconciliation of fair value measurements of Level 2 financial instruments**

Crown Van Gelder N.V. carries a commodity forward contract classified as Level 2 within the fair value hierarchy.
A reconciliation of the beginning to the closing balances disclosing movements separately is disclosed hereafter:

| *EUR x 1,000* | *2014* | *2013* |
|---|---|---|
| At 1 January | - | 47 |
| Total gains / (losses) in other comprehensive income | - | (47) |
| **At 31 December** | - | - |

**Offsetting financial assets and financial liabilities**

At 31 December 2014 and 31 december 2013 no financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

| *EUR x 1,000* | *31 Dec 2014* | *Interest-bearing liabilities* | *Taxes and social security contributions* |
|---|---|---|---|
| Gross amounts of recognised financial liabilities | | - | 479 |
| Gross amounts of recognised financial assets set off in the balance sheet | | - | (337) |
| Net amounts of financial liabilities presented in the balance sheet | | - | 142 |

| *EUR x 1,000* | *31 Dec 2013* | *Interest-bearing liabilities* | *Taxes and social security contributions* |
|---|---|---|---|
| Gross amounts of recognised financial liabilities | | 11,752 | 456 |
| Gross amounts of recognised financial assets set off in the balance sheet | | (1,843) | 25 |
| Net amounts of financial liabilities presented in the balance sheet | | 9,909 | 431 |

For the financial assets and liabilities subject to contractually agreed master netting arrangements or similar arrangements above, each agreement between the company and the counterparty allows for net settlement of the relevant financial assets and liabilities.

**Credit risk management**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Crown Van Gelder is exposed to credit risk from its operating activities, primarily bank balances, (trade) receivables and derivative financial instruments.
The credit risk on balances with banks and derivative financial instruments is limited because the counterparties are banks and financial institutions with high credit ratings assigned by international credit rating agencies (the credit ratings of Moody's for these banks vary from Aa2 to A3). For credit risk related to receivables reference is made to note 7.

**Liquidity risk management**

The company manages liquidity risk by maintaining adequate credit facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities. The credit facilities from financial institutions are committed until further notice. The following table details the company's remaining contractual maturity for its financial liabilities.

| *EUR x 1,000* | *< 1 year* | *1 – 5 years* | *> 5 years* | *Total* |
|---|---|---|---|---|
| **2014** | | | | |
| Trade payables | 13,163 | - | - | 13,163 |
| Other short-term liabilities | 4,902 | - | - | 4,902 |
| **Total** | **18,065** | - | - | **18,065** |
| **2013** | | | | |
| Interest-bearing liabilities | 9,909 | - | - | 9,909 |
| Trade payables | 9,399 | - | - | 9,399 |
| Derivative financial instruments | 83 | - | - | 83 |
| Other short-term liabilities | 3,907 | - | - | 3,907 |
| **Total** | **23,298** | - | - | **23,298** |

Depending on both external developments and management decisions, both the outstanding credit facility and effective interest rate can fluctuate over time. Consequently, assessing the amount of interest due for the coming year is ambiguous.

## NET FINANCE INCOME AND COSTS (28)

### Finance income

| *EUR x 1,000* | *2014* | *2013* |
|---|---|---|
| Interest from outstanding cash and equivalents | - | - |
| Interest from non-related parties | - | 1 |
| | **-** | **1** |

### Finance costs

| *EUR x 1,000* | *2014* | *2013* |
|---|---|---|
| Interest on interest-bearing liabilities | 126 | 342 |

## COMPONENTS OF OTHER COMPREHENSIVE INCOME (29)

| *EUR x 1,000* | *2014* | *2013* |
|---|---|---|
| *Cash flow hedges* | | |
| Gains / (losses) arising during the year on commodity forward contract | 47 | (204) |
| Reclassification adjustment for gains included in the income statement | (12) | 169 |
| | **35** | **(35)** |

## EVENTS AFTER THE REPORTING PERIOD (30)

On 28 January 2015 Andlinger & Company CVBA ('Andlinger'), Valsen Invest B.V. and Crown Van Gelder released a joint press release regarding a recommended all-cash public offer for Crown Van Gelder by private investors represented by Andlinger. On the same date Andlinger has also publicised the Offer Memorandum. The acceptance period ends 27 March 2015.

The transaction highlights are:

- Recommended full public offer for Crown Van Gelder at an offer price of EUR 5.50 in cash per Depository Receipt and per Participation Right and EUR 27.50 in cash per Non-Listed Share. The offer price is cum dividend.
- The offer price represents a 31% premium to the closing Depository price as at 9 October 2014 and a premium of 33% to the average closing price of the 12 months period prior to and including that date.
- Andlinger and Crown Van Gelder have agreed to certain non-financial covenants, including on the following matters:
    - support of the current business strategy;
    - respecting existing employee rights, including pension rights;
    - Crown Van Gelder's head office will remain in Velsen, the Netherlands;
    - continuation of large company regime at the level of operations; and
    - future financing consistent with existing levels.
- Designation of an independent Supervisory Director, who shall monitor the interests of all of Crown Van Gelder's stakeholders and compliance with the non-financial covenants following the settlement of the Offer.
- Irrevocable undertakings have been obtained from certain of Crown Van Gelder's holders of Depository Receipts, representing 39,96% of the issued capital of the Company.
- The Management Board and Supervisory Board of Crown Van Gelder fully support and recommend the Offer.
- The Offeror intends to acquire 100% of the issued and outstanding shares in the capital of Crown Van Gelder or 100% of its assets following settlement of the Offer, if required, either by means of statutory buy-out proceedings (*uitkoopprocedure*) or by means of an alternative structure pursuant to which the Offeror acquires all assets and liabilities of Crown Van Gelder, including the Post-Settlement Triangular Merger, Sale and Cancellation (as defined below).
- The works council of Crown Van Gelder has rendered its positive advice in respect of the Offer and the Post-Settlement Triangular Merger, Sale and Cancellation.
- The acceptance Period starts on 29 January 2015 at 09:00 hours CET and ends on 27 March 2015 at 17.40 hours CET, unless extended.
- Crown Van Gelder shall convene an EGM to be held on 19 March 2015 to discuss the Offer and vote on resolutions relating to the Offer and the Triangular Merger or any other post-settlement measure, subject to the Offer being declared unconditional.

*(Before profit appropriation)*

| *EUR x 1,000* | *Note* | *31 December 2014* | | *31 December 2013** | |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Fixed assets** | | | | | |
| Intangible fixed assets | (I) | 157 | | 502 | |
| Tangible fixed assets | (II) | 11,352 | | 10,507 | |
| Financial fixed assets | (III) | 6,880 | | 8,505 | |
| | | | **18,389** | | **19,514** |
| **Current assets** | | | | | |
| Inventories | (IV) | 20,796 | | 23,055 | |
| Trade and other receivables | (V) | 14,783 | | 17,848 | |
| Derivative financial instruments | (XII) | 95 | | - | |
| Cash and cash equivalents | (VI) | 3,705 | | 97 | |
| | | | **39,379** | | **41,000** |
| **Total assets** | | | **57,768** | | **60,514** |
| **EQUITY AND LIABILITIES** | | | | | |
| **Shareholders' equity** | | | | | |
| Subscribed and paid-up capital | (VII,VIII) | 8,712 | | 8,712 | |
| Legal reserve | (VIII) | 429 | | 1,143 | |
| Retained earnings | (VIII) | 25,762 | | 38,095 | |
| Other reserve | (VIII) | - | | (35) | |
| Result for the year | (VIII) | 3,102 | | (13,047) | |
| **Total equity** | | | **38,005** | | **34,868** |
| **Tax accrual** | **(IX)** | | **2,054** | | **2,477** |
| **Short term liabilities** | | | | | |
| Interest-bearing liabilities | (X) | - | | 9,909 | |
| Trade creditors | (XI) | 11,352 | | 7,562 | |
| Taxation and social security contributions | | 114 | | 420 | |
| Derivative financial instruments | (XII) | - | | 83 | |
| Other short-term liabilities | (XIII) | 6,243 | | 5,195 | |
| | | | **17,709** | | **23,169** |
| **Total shareholders' equity and liabilities** | | | **57,768** | | **60,514** |

* The comparative figures for 'Intangible assets' and 'Trade and other receivables' are presented in accordance with the new classification. Reference is made to accounting policies in the notes.

| *EUR x 1,000* | *2014* | *2013* |
|---|---|---|
| Result from subsidiaries and associates | 306 | 278 |
| Other result | 2,796 | (13,325) |
| **Net result** | **3,102** | **(13,047)** |

# ACCOUNTING PRINCIPLES FOR THE COMPANY FINANCIAL STATEMENTS

## GENERAL INFORMATION

The company financial statements of Crown Van Gelder N.V. as presented are prepared in conformity with Part 9, Book 2 of the Dutch Civil Code. In accordance with subarticle 8 of article 362, Book 2 of the Dutch Civil Code, the company's financial statements are prepared based on the accounting principles of recognition, measurement and determination of profit, as applied in the consolidated financial statements. Reference is made to the accounting principles mentioned in the notes to the consolidated financial statements. Differences between the accounting principles for the consolidated financial statements and the company financial statements are separately disclosed in this paragraph.

## PRESENTATION OF THE COMPANY PROFIT AND LOSS ACCOUNT

The company profit and loss account is prepared under the application of article 402 Book 2 of the Dutch Civil Code.

## VALUATION

**Financial fixed assets**
Subsidiaries are stated at net asset value. Associates, including those where the shareholding is 50%, are stated through the equity method. With reference to subarticle 8 of article 362 Part 9 Book 2 of the Dutch Civil Code, subsidiaries are valued at net asset value based on the recognition and measurement principles that are applied in the consolidated financial statements. A legal reserve has been created for the accumulated profits to the extent that the company is not able to enforce the distribution of these profits.

## INTANGIBLE FIXED ASSETS (I)

Reference is made to note 2 of the notes to the consolidated statement of financial position.

## TANGIBLE FIXED ASSETS (II)

Movements in the tangible fixed assets were as follows:

| *EUR x 1,000* | *Land and buildings* | *Plant and machinery* | *Other tangible fixed assets* | *Tangible fixed assets under construction* | *Total* |
|---|---|---|---|---|---|
| **Costs** | | | | | |
| At 1 January 2013 | 22,369 | 160,626 | 1,678 | 4,080 | 188,753 |
| Additions | - | - | - | 1,567 | 1,567 |
| Transfers | 219 | 5,008 | - | (5,227) | - |
| Disposals | (38) | (2,450) | (22) | - | (2,510) |
| **At 31 December 2013** | **22,550** | **163,184** | **1,656** | **420** | **187,810** |
| **Depreciation** | | | | | |
| At 1 January 2013 | 20,620 | 151,465 | 1,607 | - | 173,692 |
| Disposals | (38) | (2,450) | (22) | - | (2,510) |
| Depreciation for the year | 224 | 2,294 | 19 | - | 2,537 |
| Impairment | 342 | 3,229 | 14 | - | 3,585 |
| **At 31 December 2013** | **21,148** | **154,537** | **1,618** | **-** | **177,304** |
| **Book value at 1 January 2013** | **1,749** | **9,161** | **71** | **4,080** | **15,061** |
| **Book value at 31 December 2013** | **1,402** | **8,647** | **38** | **420** | **10,507** |
| **Costs** | | | | | |
| At 1 January 2014 | 22,550 | 163,184 | 1,656 | 420 | 187,810 |
| Additions | - | - | - | 2,883 | 2,883 |
| Transfers | 243 | 2,366 | - | (2,609) | - |
| Disposals at cost | (717) | (5,210) | (803) | - | (6,730) |
| **At 31 December 2014** | **22,076** | **160,340** | **853** | **694** | **183,963** |
| **Depreciation** | | | | | |
| At 1 January 2014 | 21,148 | 154,537 | 1,618 | - | 177,304 |
| Disposals | (719) | (5,211) | (802) | - | (6,732) |
| Depreciation for the year | 200 | 1,829 | 11 | - | 2,040 |
| **At 31 December 2014** | **20,629** | **151,155** | **827** | **-** | **172,611** |
| **Book value at 1 January 2014** | **1,402** | **8,647** | **38** | **420** | **10,507** |
| **Book value at 31 December 2014** | **1,447** | **9,185** | **26** | **694** | **11,352** |

As the company's financial statements of Crown Van Gelder N.V. do not include the figures of Crown Van Gelder Energie B.V. the total amount of the impairment shown above is lower than the amount of EUR 5 million showed in note 1 of the consolidated financial statements.

## FINANCIAL FIXED ASSETS (III)

Financial fixed assets can be detailed as follows:

| *EUR x 1,000* | | *2014* | *2013* |
|---|---|---|---|
| Subsidiaries | (A) | 100 | 90 |
| Investment in associate | (B) | 515 | 1,229 |
| Other assets | (C) | 1,947 | 2,056 |
| Deferred tax asset | (D) | 4,318 | 5,130 |
| **Balance sheet at 31 December** | | **6,880** | **8,505** |

*(A) Subsidiaries*
Movements in the balance sheet value of the subsidiaries were as follows (EUR x 1,000):

| | |
|---|---|
| Balance sheet at 31 December 2013 | 90 |
| Net result subsidiaries | 10 |
| Dividends received | - |
| **Balance sheet at 31 December 2014** | **100** |

An overview of the subsidiaries is presented in the notes to the consolidated financial statements.

*(B) Investment in associate*
Reference is made to note 3 of the notes to the consolidated statement of financial position.
*(C) Other assets*
Reference is made to note 5 of the notes to the consolidated statement of financial position.
*(D) Deferred tax asset*
Reference is made to note 4 of the notes to the consolidated statement of financial position.

## INVENTORIES (IV)

Reference is made to note 6 of the notes to the consolidated statement of financial position.

## TRADE AND OTHER RECEIVABLES (V)

Trade and other receivables can be detailed as follows:

| *EUR x 1,000* | *2014* | *2013* |
|---|---|---|
| Trade receivables | 13,171 | 15,209 |
| Group companies | 1,242 | 2,293 |
| Taxation and social security contributions | - | - |
| Other receivables | 370 | 346 |
| **Balance sheet at 31 December** | **14,783** | **17,848** |

## CASH AND CASH EQUIVALENTS (VI)

Cash and cash equivalents can be detailed as follows:

| *EUR x 1,000* | *2014* | *2013* |
|---|---|---|
| Cash at bank and in hand | 3,705 | 97 |
| **Balance sheet at 31 December** | **3,705** | **97** |

There were no deposits during the financial year and all the cash and cash equivalents are payable on demand.

## SUBSCRIBED AND PAID-UP CAPITAL (VII)

Reference is made to note 9 of the notes to the consolidated statement of financial position.

# NOTES TO THE COMPANY BALANCE SHEET

## SHAREHOLDERS' EQUITY (VIII)

| *EUR x 1,000* | *Subscribed and paid-up capital* | *Legal reserves* | *Retained earnings* | *Other reserves (note 11)* | *Result for the year* | *Total equity* |
|---|---|---|---|---|---|---|
| **Balance sheet at 1 January 2013** | **8,712** | **1,268** | **62,230** | **-** | **(24,260)** | **47,950** |
| Result for the year | - | - | - | - | (13,047) | (13,047) |
| Other comprehensive income / (loss) | - | - | - | (35) | - | (35) |
| **Total recognised income and expense** | **-** | **-** | **-** | **(35)** | **(13,047)** | **(13,082)** |
| Result appropriation | - | - | (24,260) | - | 24,260 | - |
| Other movements | - | (125) | 125 | - | - | - |
| **Balance sheet at 31 December 2013** | **8,712** | **1,143** | **38,095** | **(35)** | **(13,047)** | **34,868** |
| Result for the year | - | - | - | - | 3,102 | 3,102 |
| Other comprehensive income / (loss) | - | - | - | 35 | - | 35 |
| **Total recognised income and expense** | **-** | **-** | **-** | **35** | **3,102** | **3,137** |
| Result appropriation | - | - | (13,047) | - | 13,047 | - |
| Other movements | - | (714) | 714 | - | - | - |
| **Balance sheet at 31 December 2014** | **8,712** | **429** | **25,762** | **-** | **3,102** | **38,005** |

**Nature and purpose of the reserves**

*Legal reserve*
The legal reserve has been created for the accumulated results to the extent that the company is not able to enforce the distribution of these results.

*Other reserve*
Reference is made to note 11 of the notes to the consolidated statement of financial position.

### TAX ACCRUAL (IX)

We refer to note 12 of the notes to the consolidated statement of financial position.

### INTEREST-BEARING LIABILITIES (X)

We refer to note 13 of the notes to the consolidated statement of financial position.

### TRADE CREDITORS (XI)

Trade creditors can be detailed as follows:

| *EUR x 1,000* | *2014* | *2013* |
|---|---|---|
| Trade creditors | 11,352 | 7,562 |
| **At 31 December** | **11,352** | **7,562** |

### DERIVATIVE FINANCIAL INSTRUMENTS (XII)

We refer to note 15 of the notes to the consolidated statement of financial position.

### OTHER SHORT-TERM LIABILITIES (XIII)

We refer to note 16 of the notes to the consolidated statement of financial position.

### DIRECTORS' REMUNERATION

We refer to note 26 of the notes to the consolidated statement of financial position.

### AUDITOR'S REMUNERATION

In accordance with article 382a of Part 9 of Book 2 of the Dutch Civil Code, the fees of our external auditor PricewaterhouseCoopers Accountants N.V. ('PwC') are disclosed below:

| *EUR x 1,000* | *2014* | *2013* |
|---|---|---|
| Audit of the financial statements | 99 | 91 |
| Other audit services | 36 | 3 |
| **Total** | **135** | **94** |

In 2014 and 2013 the audit of the financial statements consisted of the audit of the company's consolidated and stand-alone financial statements and a review on the company's consolidated interim financial statements. The 'other audit services' of 2014 consist among others of work performed by PwC regarding the Offer Memorandum dated 28 January 2015.

The fees listed above relate to the procedures applied to the company and its consolidated group entities by accounting firms and external auditors as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act ('Wet toezicht accountantsorganisaties – Wta'), including their tax services and advisory groups.

# *Independent auditor's report*

To: the Annual General Meeting and the Supervisory Board of Crown Van Gelder N.V.

## *Report on the financial statements 2014*

### *Our opinion*

In our opinion:

- the consolidated financial statements give a true and fair view of the financial position of Crown Van Gelder N.V. as at 31 December 2014 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements give a true and fair view of the financial position of Crown Van Gelder N.V. as at 31 December 2014 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

### *What we have audited*

We have audited the financial statements 2014 of Crown Van Gelder N.V., Velsen ('the company'). The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2014;
- the following statements for 2014: the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2014;
- the company profit and loss account for the year then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

## *The basis for our opinion*

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Crown Van Gelder N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

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

## *Our audit approach*

### *Overview*

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Management Board made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Management Board that may represent a risk of material misstatement due to fraud. When designing our audit we have taken into account the company's organisation (specialist paper manufacturer with two small subsidiaries), its business processes and economic factors and circumstances, such as the volatility of energy and pulp prices.


***Materiality***

- Overall materiality: € 500,000 which represents the average of the following two criteria:
  - the average of 5% of the absolute figures of result before tax excluding the effect of impairments over the last 3 years (2012, 2013 and 2014)
  - 0.5% of revenue

***Audit scope***

- We conducted all our audit work at the company in Velsen
- The company and its two subsidiaries were in scope for our group audit

***Key audit matters***

- Impairment testing on property, plant and equipment
- Valuation of deferred tax assets
- Public offer on depository receipts and shares of Crown Van Gelder N.V.

## *Materiality*

The scope of our audit is influenced by the application of materiality. Our audit opinion aims on providing reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | |
|---|---|
| ***Overall group materiality*** | € 500,000 (2013: € 500,000) |
| ***How we determined it*** | Based on the average of the following two criteria:<br>- the average of the absolute figures of 5% of result before tax excluding the effect of impairments over the last 3 years (2012, 2013 and 2014)<br>- 0.5% of revenue |
| ***Rationale for benchmark applied*** | As the company experienced highly volatile results over the past years mainly caused by impairments which we audited separately, we used a mix of the average of the absolute results before tax excluding impairments, and 0.5% of revenue as revenue is for stakeholders also viewed as a primary indicator of the performance of the company. |

We also take misstatements and/or possible misstatements into account that, in our judgment, are material for qualitative reasons.

We considered all misstatements identified during our audit above our threshold of € 50,000 (2013: € 50,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons. We agreed with the Supervisory Board that we would report to them any misstatements identified during our audit above € 100,000 (2013: € 100,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## *The scope of our group audit*

Crown Van Gelder N.V. is an operating company with its production facilities located in Velsen with two small subsidiaries. The financial information of the company and its subsidiaries is included in the consolidated financial statements of Crown Van Gelder N.V.

Considering our ultimate responsibility for the opinion on the company's financial statements we are responsible for the direction, supervision and performance of the audit. In this context, we have determined the nature and extent of the audit procedures for components of the company and its subsidiaries to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole.

The audit focused on Crown Van Gelder N.V. and included audit procedures on the subsidiaries Crown Van Gelder Energie B.V. and Inkoopcombinatie De Eendragt B.V. All audit work was performed by us.

By performing the procedures above, including the involvement of our specialists and experts in significant accounting areas relating to valuation and taxes, we have obtained sufficient and appropriate audit evidence regarding the financial information as a whole to provide a basis for our opinion on the consolidated financial statements.

## *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the Supervisory Board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

| ***Key audit matter*** | ***How our audit addressed the matter*** |
|---|---|
| ***Impairment testing on property, plant and equipment*** | |
| The company operates a paper production facility in Velsen. Brought about by the prolonged below-target return on capital employed, and the fact that the carrying amount of the net assets was higher than the market capitalisation of the company, the Management Board performed the annual impairment test with respect to its production assets amounting to € 14.1 million as at 31 December 2014. Based on the outcome of this impairment test, which resulted in sufficient headroom, the company has not recognised an impairment charge. This area was important to our audit due to the size of the production asset carrying value (24% of the balance sheet total as at 31 December 2014) as well as the judgment involved in the assessment of the recoverability of the invested amounts. This assessment requires the Management Board to make assumptions to be used in the underlying cash flow forecasts. The assumptions include expectations for sales and margin developments and overall market and economic conditions which have been disclosed in Note 1 of the financial statements.<br>In its analysis and calculations the Management Board has used the expertise of an external valuator. | Our audit procedures included, amongst others, evaluating and challenging the assumptions and methodologies used by the company, and also considered the independence, reputation and capabilities of its external valuator. We also used our valuation expert to assist us in our work. We especially challenged assumptions about sales growth rates, developments in raw material and gas prices, the timing of the forecasted recovery of overall market and economic conditions, the sustainability of the working capital improvement in 2014, the level of the WACC, and the takeover bid by Andlinger & Company CVBA. Furthermore, we focused on the adequacy of the disclosures on the assumptions and the outcome of the impairment test, and on the adequacy of the sensitivity analysis in the financial statements. The sensitivity analysis in Note 1 of the financial statements indicates that a minor change in assumptions can have a significant effect on the value of the production assets. The Management Board's conclusion on the impairment test and related disclosures are included in above-mentioned note in the financial statements. |

| Key audit matter | How our audit addressed the matter |
|---|---|
| ***Valuation of deferred tax assets*** | |
| The company has incurred tax losses of € 42.5 million as at 31 December 2014. The company has recognized the tax losses to the extent that the realisation of the related tax benefits through future taxable profits are probable. Based on internal calculations with respect to the expected taxable profits in future years the company has recognized a deferred tax asset of € 4.3 million. We refer to Note 4 of the financial statements. This area was important to our audit due to the amount of the tax losses as well as the judgment involved in management's assessment of the likelihood and magnitude of creating future taxable profits to offset the tax losses. This assessment requires the Management Board to make assumptions to be used in the forecasts of future taxable profits, including expectations for future sales and margin developments and overall market and economic conditions. | Our audit procedures included, amongst others, evaluating and challenging the assumptions and methodologies used by the company. When challenging assumptions we checked for consistency with the assumptions used in the impairment test as set out before. Furthermore we have considered tax related documentation. We used our tax expert to assist us in our audit work. We also focused on the adequacy of the disclosures as included in Note 4 of the financial statements. The Management Board's assessment and conclusion of the recoverability of the tax benefits and related disclosures are included in the above-mentioned note in the financial statements. |
| ***Public offer on depository receipts and shares of Crown Van Gelder N.V.*** | |
| On 10 October 2014 Crown Van Gelder N.V. announced that Andlinger & Company CVBA and Crown Van Gelder N.V. reached conditional agreement on a full cash offer for the outstanding shares of Crown Van Gelder N.V. On 28 January 2015 the offer memorandum was published setting out that Andlinger & Company CVBA and Crown Van Gelder N.V. had agreed to certain non-financial covenants, including support of the current business strategy, respecting existing employee rights and maintaining financing at existing levels. This area was important to our audit because of the possible impact of this on the future activities of the company including future cash flow levels, the ability of the company to continue its activities on a going concern basis as well as the need for additional disclosures in the financial statements in respect of this post balance sheet event. In addition the size of the public offer is taken into account in respect of the impairment tests of assets (Property, Plant and Equipment and Deferred Tax Asset). | Our audit procedures included, amongst others, reading the offer memorandum, the draft merger proposal and reading minutes of Management Board and Supervisory Board meetings. Furthermore, we focused on the adequacy of the disclosures as included in Note 30 of the financial statements. We also examined whether the report of the Management Board included relevant and consistent information as required by Part 9 of Book 2 of the Dutch Civil Code. In addition we discussed with the Management and Supervisory Board the plans of Andlinger & Company CVBA and how they could possibly impact the future activities of the company. |

### *Responsibilities of the Management Board and the Supervisory Board*

The Management Board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the report of the Management Board in accordance with Part 9 of Book 2 of the Dutch Civil Code, and for
- such internal control as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Management Board should prepare the financial statements using the going concern basis of accounting unless the Management Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

### *Our responsibilities for the audit of the financial statements*

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit has been performed with a high but not absolute level of assurance which makes it possible that we did not detect all errors and frauds.

A more detailed description of our responsibilities is set out in the appendix to our report.

## *Report on other legal and regulatory requirements*

### *Our report on the report of the Management Board and the other information*

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the report of the Management Board and other information):

- We have no deficiencies to report as a result of our examination whether the report of the Management Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the report of the Management Board, to the extent we can assess, is consistent with the financial statements.

## *Our appointment*

We were appointed as auditors of Crown Van Gelder N.V. by the shareholders at the Annual General Meeting held on 12 May 2011 and this has been renewed annually by the Annual General Meeting representing a total period of uninterrupted engagement appointment of 3 years.

Amsterdam, 19 March 2015
PricewaterhouseCoopers Accountants N.V.

Original has been signed by

Drs. R. Dekkers RA

## *Appendix to our auditor's report on the financial statements 2014 of Crown Van Gelder N.V.*

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

### *The auditor's responsibilities for the audit of the financial statements*

We have exercised professional judgment and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted among others things of:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Concluding on the appropriateness of the Management Board's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

## DIRECTORS' STATEMENT

The 2014 financial statements give a true and fair view of the assets, liabilities, financial position and results of Crown Van Gelder N.V. and the companies jointly included in the consolidation.
The 2014 directors' report gives a true and fair review of the situation on the balance sheet date, the developments during the financial year at Crown Van Gelder N.V. and its related companies whose details have been included in its 2014 financial statements. The 2014 Annual Report describes the principal risks which Crown Van Gelder N.V. is facing.

Velsen, 19 March 2015

**Management Board**

Miklas Dronkers, CEO
Henk van der Zwaag, CFO

**Supervisory Board**

Jacques van den Hoven, Chairman
Emile Bakker
Henk van Houtum
Theo Philippa
Han Wagter

## PROFIT APPROPRIATION

### Statutory Provisions

The principles applied in profit appropriation are stated in article 31 of the Articles of Association of Crown Van Gelder N.V. The principles can be summarised as follows:

From the distributable profit, first of all a dividend shall be paid on the preference shares.
The percentage to be paid is related to EURIBOR (Euro Interbank Offered Rate) increased with one and a half (1.5) per cent point, calculated over the paid-up amount of the nominal value and pro rata if these shares have been issued in the course of the financial year. If the profit for any financial year is insufficient to meet the aforementioned payment on preference shares, the deficit will be paid from the distributable part of the shareholders' equity. If this would also be insufficient, the remaining deficit will be paid from the profits earned in subsequent years.

From the profit remaining after the application of provisions as aforementioned, the Management Board will determine the amount of profit to be reserved and to be added to retained earnings. This decision is subject to approval of the Supervisory Board. The profits remaining thereafter shall be at the disposal of the General Meeting of Shareholders which decides on distribution or reservation.

If a loss has been suffered in any year, no dividend will be distributed for that year, apart from payments on preference shares from the distributable part of the shareholders' equity. Also in the following years, a distribution of profits can only take place after the loss has been compensated from the profits. However, on the recommendation of the Management Board, subject to approval of the Supervisory Board, the General Meeting of Shareholders may decide to make dividend payments from the distributable part of the shareholders' equity.

The Management Board may decide to distribute an interim dividend. The decision to that effect shall be subject to approval of the Supervisory Board.
The Management Board may decide that a distribution on ordinary shares will partly or entirely be made in shares in the company or depository receipts of share therefore. The resolution to that effect is subject to approval of the Supervisory Board.
On the recommendation of the Management Board and approval of the Supervisory Board, the General Meeting of Shareholders may decide to make payments to holders of ordinary shares from the distributable part of the shareholders' equity.

### Result Appropriation 2014

The Management Board proposes, with the approval of the Supervisory Board, to pay a cash dividend of EUR 0.35 from the net profit attributable to equity holders of the parent for the financial year 2014.

## REPORT 2014

Pursuant to article 10 of the conditions for the administration of ordinary shares of Crown Van Gelder N.V., dated 13 July 2005, we hereby report the following.

During the year under review three regular meetings of the Board of the Trust Office were held. Issues that amongst others have been discussed are the Annual Report 2013, the agenda for the Annual General Meeting of Shareholders (AGM), the semi-annual figures 2014 and the announcement of the public offer on Crown Van Gelder by Andlinger & Company.

The Trust Office was present at the AGM on 15 May 2014. The Trust Office had been granted voting proxies to and/or received voting instructions from 25 holders of depository receipts of shares, representing 22.3% of the total number of votes that could be cast at this meeting. The Trust Office itself was entitled to vote on shares representing 77.4% of the total number of votes that could be cast at the meeting. The Trust Office exercised these voting rights and supported acceptance of all proposals submitted to the AGM.

On 7 May 2014 the Trust Office held a meeting of holders of depository receipts of shares. The meeting was not attended by holders of depository receipts of shares. For further information on this meeting we refer to the minutes of this meeting on the website of Crown Van Gelder (www.cvg.nl).

The composition of the Board is as follows:

- Henk Koetzier (attorney at law), chairman and secretary
- Jacques van Exter (member of the board of Jacobs Godshuis Haarlem and a number of other charitable institutions, connected to the Europe India Institute of Nijenrode Business Universiteit and a member of the board of Stichting Administratiekantoor van aandelen Telegraaf Media Groep N.V.), member
- Kees Molenaar (member of the Supervisory Board of all officially listed investment funds of Delta Lloyd Asset Management, Aster-X-Europe fund and member of the Advisory Board of all quoted investment funds of Kempen Capital Management), member
- Wim Lammerts van Bueren (emeritus professor, chairman of a number of foundations, connected to Staal Bankiers and chairman of the board of Stichting Preferente aandelen Batenburg Techniek), member

The members receive a remuneration of EUR 3,000 per annum. The chairman receives a remuneration of EUR 3,500. The cost of activities of the Trust Office in 2014 amounted to EUR 15,125.

At 31 December 2014, the Trust Office held in administration ordinary shares Crown Van Gelder N.V. with a total nominal value of EUR 8,680,200 for which it had issued 4,340,100 depository receipts of shares with a nominal value of EUR 2 each.

## STICHTING ADMINISTRATIEKANTOOR CROWN VAN GELDER (TRUST OFFICE)

The administrator of the Trust Office, 'Administratiekantoor van het Algemeen Administratie- en Trustkantoor' (Amsterdam, The Netherlands) performs the activities involved in the day-to-day administration of the ordinary shares.

Velsen, 19 March 2015

Henk Koetzier, chairman
Jacques van Exter

Wim Lammerts van Bueren
Kees Molenaar

*For information:*
*Stichting Administratiekantoor Crown Van Gelder*
*P.O. Box 30*
*1950 AA Velsen*
*The Netherlands*

## DIVIDEND POLICY

The following dividend policy is applicable:
- pay-out ratio of 50% of net profit;
- pay-out of dividend in cash;
- dividend payments will partly depend on the need to fund replacement investments ('free cash flow'), keeping in mind the company's continuity and credit limit.

## KEY FIGURES

| *Per depository receipt of share of EUR 2 nominal value* | *2014* | *2013* | *2012* | *2011* | *2010* |
|---|---|---|---|---|---|
| Operating cash flow | 3.67 | 0.42 | 2.03 | 1.04 | 1.00 |
| Net result | 0.71 | (3.00) | (5.57) | 0.98 | (2.96) |
| Dividend[1] | 0.35 | - | - | - | - |
| Equity[2] | 8.74 | 8.01 | 11.02 | 16.63 | 16.55 |
| | | | | | |
| Highest closing price | 5.47 | 5.70 | 5.79 | 7.29 | 8.69 |
| Lowest closing price | 3.50 | 3.27 | 3.60 | 3.40 | 6.25 |
| Closing price at year-end | 5.30 | 3.67 | 5.55 | 3.60 | 7.25 |
| Pay-out ratio in % | 49 | - | - | - | - |
| Price/earnings ratio at year-end | 7.5 | undefined | undefined | 3.7 | undefined |
| Price/equity ratio in % | 61 | 46 | 50 | 22 | 44 |

*[1] Dividend 2014 is proposal to shareholders.*

*[2] Equity before appropriation of results.*

# ADDITIONAL INFORMATION FOR SHAREHOLDERS

## CALENDAR 2015

| | |
|---|---|
| • 13 February 2015 | Press release annual results 2014 |
| • 19 May 2015 | Trading update |
| • 21 May 2015 | Annual General Meeting of Shareholders |
| • 25 May 2015 | Ex-dividend listing |
| • 26 May 2015 | Record date |
| • 2 June 2015 | Dividend payment date |
| • 24 July 2015 | Press release half-year results 2015 |
| • 12 November 2015 | Trading update |

## INVESTOR RELATIONS

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Inside pages are printed on Crown Letsgo Bright Silk 115 g/$m^2$
on a Screen Truepress Jet 520HD high-speed inkjet printer

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