



# ANNUAL REPORT 2014

**STORK**

# STORK AT A GLANCE IN 2014



## INDUSTRIAL SERVICES

Revenue in 2014  
€ 1,327 million

## POWER SERVICES

Revenue in 2014  
€ 166 million



NUMBER OF FTE'S

Year-end 2014  
16,500

STORK











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## Note:

- Hereafter, Stork Technical Services HOLDCO B.V. will be referred to as 'Stork' or 'company' as the case may be.

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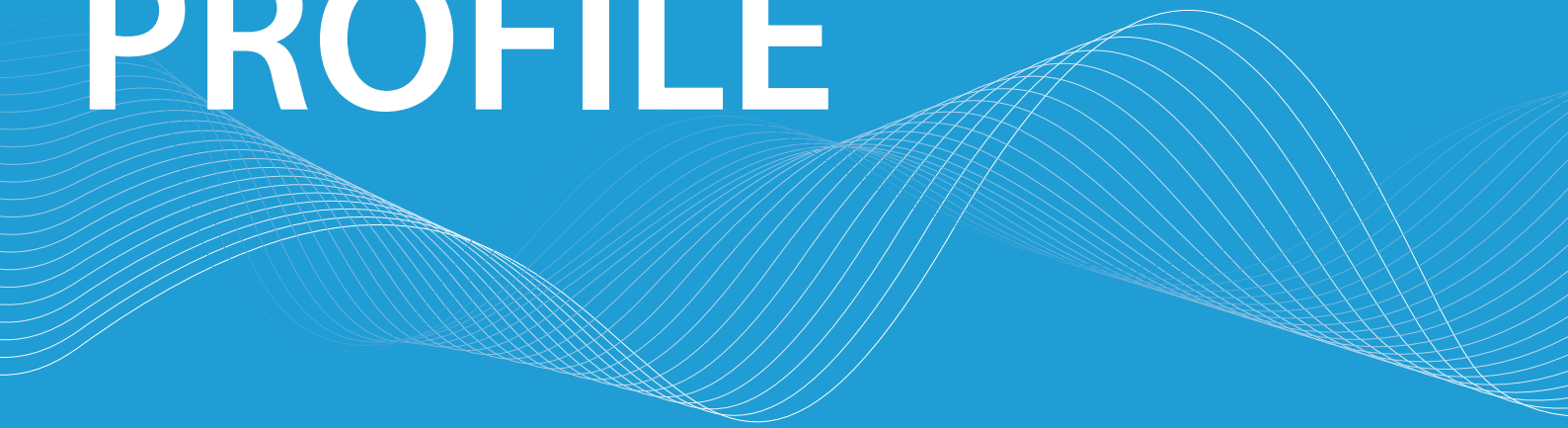








# COMPANY PROFILE



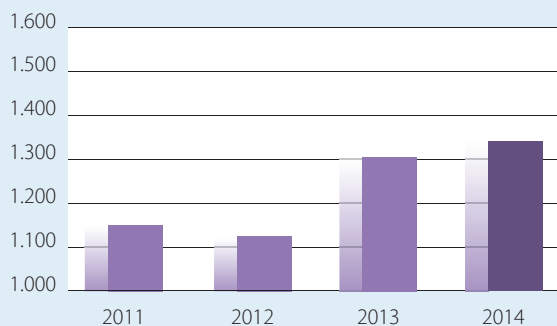
# HIGHLIGHTS

- Stork realized a solid recovery and performance improvement in 2014.
- Order book up 2.5% to EUR 1,337 million (2013: EUR 1,304 million).
- Healthy order intake and contract renewals in Colombia, Australia, the UK and the Netherlands.
- Revenue increase of 6.0% to EUR 1,492 million (2013: EUR 1,408 million). Organic growth 6.1%.
- Strong revenue growth in the Oil & Gas sector in Continental Europe, Colombia and Australia.
- Operational improvement programs and tight cost control have contributed structurally to overall performance.
- EBITDA increase of 17.8% to EUR 81.1 million (2013: EUR 68.8). Margin improved to 5.4% (2013: 4.9%).
- Operating result improved by EUR 35.3 million to EUR 26.1 million (2013: negative EUR 9.2 million).
- Operational improvement programs and tight cost control contributed structurally to overall performance. Non-recurring costs declined 73.9% to EUR 9.4 million.
- Cash from operations was a solid EUR 63.1 million (2013: EUR 54.3 million).
- Net debt of EUR 303 million (2013: EUR 280 million). Significant covenant headroom.

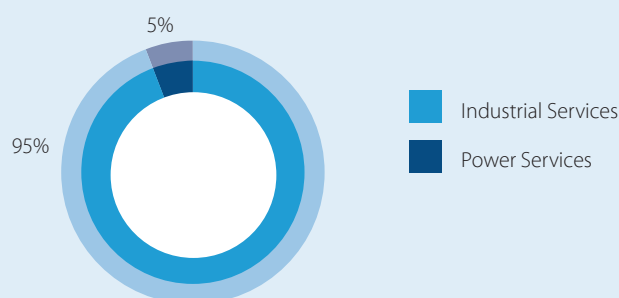
The most significant development in the Oil & Gas sector during 2014 was the strong drop in oil prices. This has a negative impact on investment decisions in the sector. However, our services and products are primarily associated with maintenance, modifications and assurance of asset integrity of production facilities. These services are less vulnerable to the oil price volatility since our expertise is needed during the full lifecycle of our customer's assets.

## KEY FINANCIAL DATA

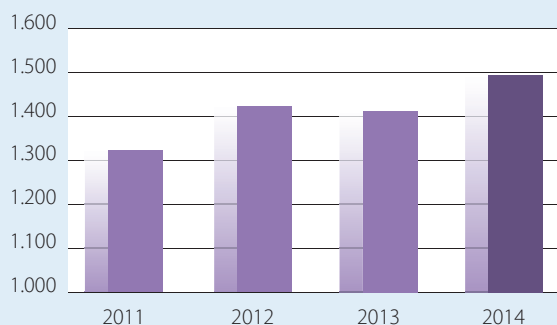
**Order book** (in EUR million)



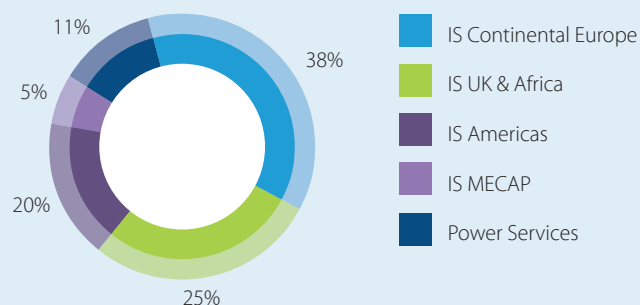
**2014 Order book by business**



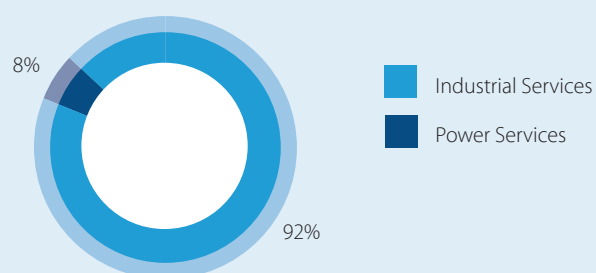
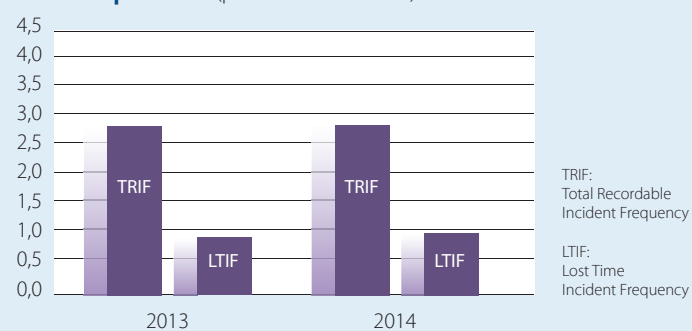
**Revenue** (in EUR million)



**2014 Revenue segmentation**





**EBITDA** (in EUR million)**2014 EBITDA by business****Number of employees** (at 31 December)**Incident Frequencies** (per million manhours)

# KEY FIGURES

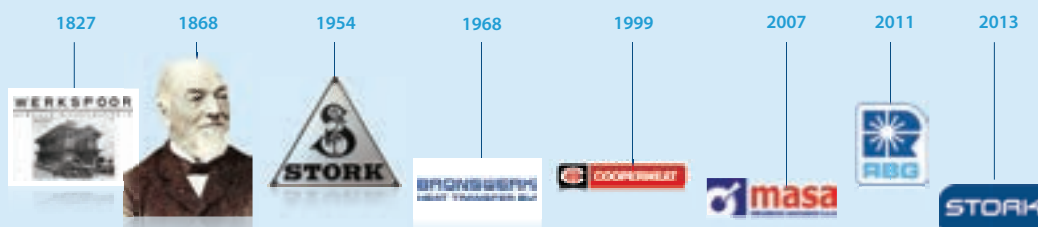
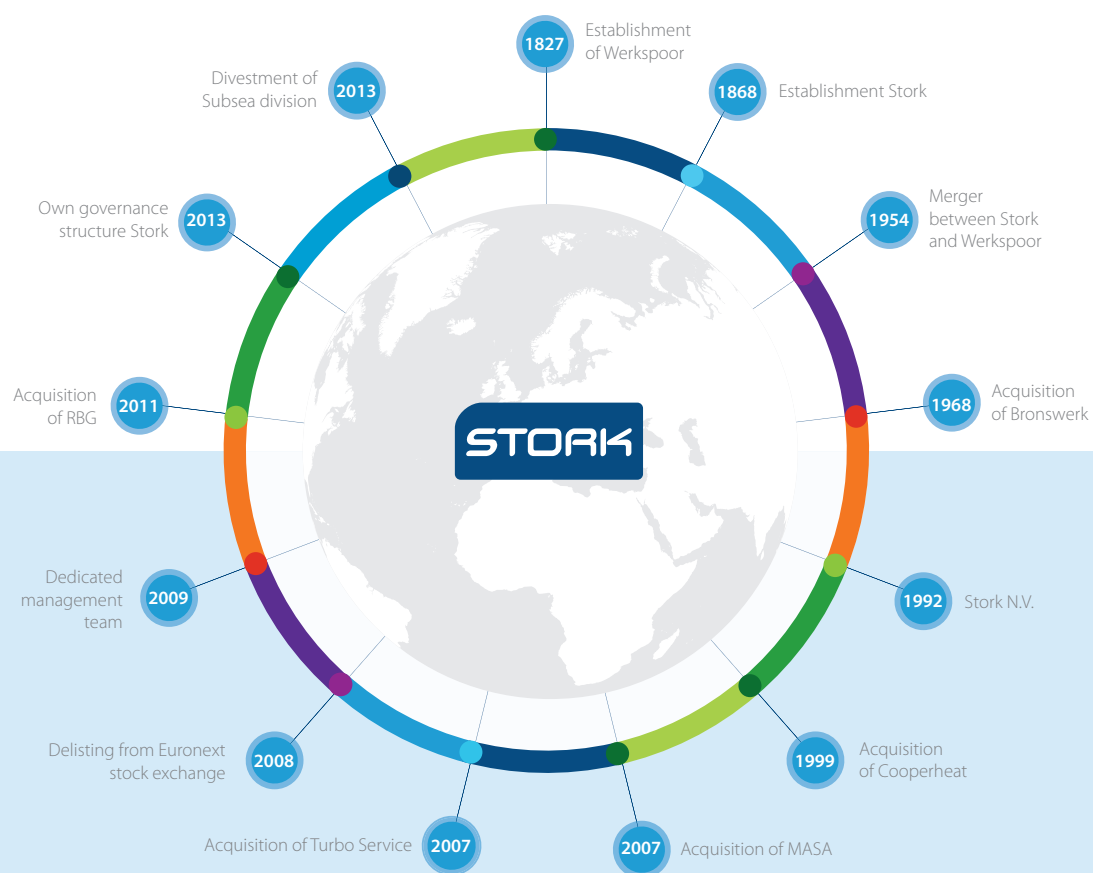
in EUR million unless stated otherwise	2014	2013 <sup>1</sup>
<b>Income statement</b>		
Revenue	1,492.3	1,407.8
EBITDA <sup>2</sup>	81.1	68.8
Non-recurring items	(9.4)	(36.1)
Operational result	26.1	(9.2)
Result for the year	(17.1)	(57.3)
<b>Cash flow from:</b>		
Operating activities	8.0	(8.6)
Investing activities	(26.8)	(14.2)
Financing activities	(24.9)	48.5
Total cash flow	(43.7)	25.7
<b>Statement of financial position</b>		
Total assets	1,119.7	1,145.7
Total equity	397.3	395.4
Net debt	303.3	279.7
Net operating working capital	36.1	28.7
Invested capital	700.6	675.1
<b>Ratios</b>		
EBITDA as % of revenue	5.4%	4.9%
Net operating working capital as % of revenue	2.1%	1.9%
Return on invested capital	5.2%	3.8%
Debt cover ratio	3.8	4.1
<b>Other data</b>		
Order book	1,336.9	1,303.9
Number of employees (at 31 December)	16,488	13,571
Lost time incident frequency	0.92	0.87
Total recordable incident frequency	2.74	2.79

<sup>1</sup> For comparison purposes all 2013 figures on pages 6-58 have been adjusted for the Subsea disposal.

<sup>2</sup> All references to EBITDA on pages 6-58 reflect operational result before depreciation, amortisation and non-recurring items.



# HISTORY



# PRODUCTS & SERVICES

## DELIVERING BENEFITS

With its 16,500 employees worldwide, Stork offers services and products associated with maintenance, modifications, and assurance of asset integrity of production facilities, focused on delivering technical support that spans the asset lifecycles of our customers' operations.

Stork delivers benefits by:

- Improving safety
- Optimizing asset performance
- Increasing efficiency
- Extending asset lifetime
- Maximizing return on investment
- Minimizing downtime
- Reducing emissions

## OFFERING THE COMPLETE SCOPE

### Mechanical & Piping

Covering the full technical spectrum from generic to highly specialized mechanical work through in-house capabilities in all mechanical areas from machining and bolting to piping, from valve and pump services to heat treatment, reinstallation, commissioning or replacement.

### Electrical & Instrumentation

Delivering complete electrical and automation projects from design to maintenance, including failure mode effect and analysis. This includes electrical services, instrumentation & controls services, building services and E&I integrity services.

### Inspection & Integrity

Stork's integrated Assess, Inspect and Repair (AIR) approach enables customers to manage risks and integrity throughout the complete asset lifecycle. The programs assure operators that their assets can operate efficiently and safely at all times. Services include: advanced inspection, testing and certification, caisson inspection, cathodic protection.

### Asset Management Solutions

Helping clients to manage asset performance through consultation and maintenance improvement initiatives, geared towards license to operate and risk management, asset performance and cost control. Project & turnaround

management, asset performance optimization, relocation and decommissioning projects are managed by a team of Stork specialists from advice to execution.

### Equipment Rental & Sales

Delivering solutions in the field of industrial equipment, including project based concepts with temporary light and power installations, tools, equipment, people, safety inspections and complete site facilities for shutdowns and turnarounds. Stork also delivers experts in the areas of welding, training and certification.

### Fabric Maintenance

With a proven track record of over 30 years, Stork is one of the most experienced and multi-disciplined providers of fabric maintenance. Services include coating and insulation, special access systems, construction support, passive fire protection and energy resourcing.

### Power Services & Products

From steam turbines, gearboxes, burners and deaerators, Stork's heritage is still visible today through its specialized solutions for rotating, electrical and process equipment markets. We combine high-quality product engineering and services with unrivalled quality and efficiency.



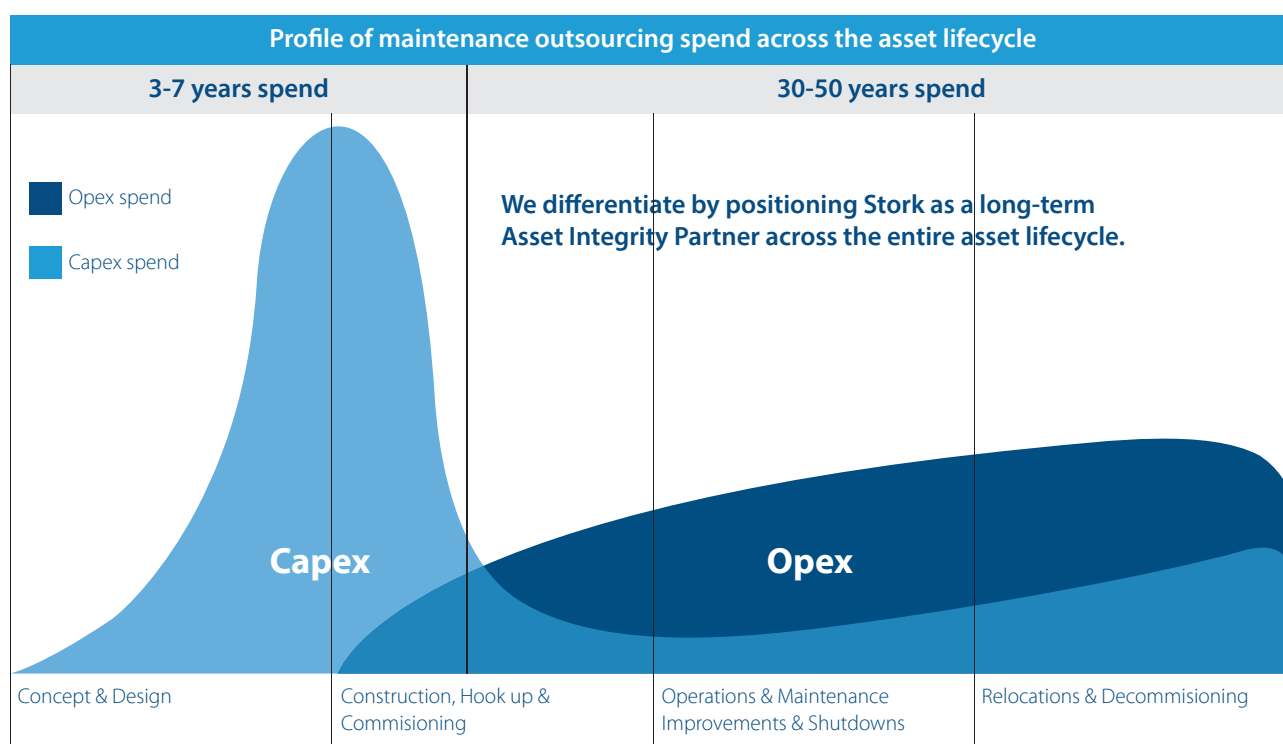
Stork's products and services for every phase of an asset's lifecycle



## MARKET PROFILES

### Outsourcing expenditure across the asset lifecycle

Stork operates in healthy long-term markets serving tier-one clients. As an independent integrated-service supplier, Stork adds value in every stage of the asset lifecycle.



### Business resilience in volatile markets

Being focused on activities, primarily in the field of maintenance, modifications and asset integrity, Stork services its customers in the operational expenditures (Opex) outsourcing phase. A significant share of the business is covered by long-term contracts (up to 5 years) with proven high renewal rates of 90 percent. This illustrates the added value of an integrated service portfolio with innovative solutions that optimizes customers' operational efficiency. The operational efficiency we deliver to our customers translates in high renewal rates of 90% on existing contracts. The resilience of our business is also assured by our spread across geographies and industries, with a strong presence in promising growth regions Latin America, Australia and the Middle East.

Stork's conservatively values its order book. We include only secured assignments in the next two years, providing a clear indication of future revenues of which more than 60 percent is related to orders in the upcoming 12 months.

**Long-term key market drivers**

Market fundamentals remain robust, in particular in the Oil & Gas sector in the Middle East, Latin America and Australia:

OIL & GAS OFFSHORE	OIL & GAS DOWNSTREAM	CHEMICAL	POWER
<p>Growth in installed base in Africa, the Middle East, Australia and Latin America.</p> <p>Safety and environmental regulations drive maintenance expenditure.</p> <p>Potential delay in maintenance expenditure in the UK and Norway.</p>	<p>Growth maintenance expenditure in LNG in Australia.</p> <p>Refining capacity expansion in the Middle East and Latin America driving increased maintenance expenditure.</p> <p>Steady growth in storage and transportation.</p>	<p>Benelux will remain weak.</p> <p>Installed base growing outside Europe.</p> <p>Integrated new builds (refining &amp; chemical) in the Middle East and Asia.</p> <p>Expansion in the US as result of low shale gas prices.</p> <p>Increased outsourcing in less mature markets.</p>	<p>Growth of installed base in Middle East and emerging markets.</p> <p>Growth of renewables and distributed power.</p> <p>Decommissioning opportunities in nuclear energy sector.</p>
Growing (Global) >3%	Growing (Global) >3%	Growing (Global) Moderate (Benelux)	Growing (Global) Limited (Benelux)

**INNOVATION & KNOWLEDGE TRANSFER**

To unlock market potential and proactively respond to (future) customer needs in every region that Stork operates in, investments were made this year to create a robust program of innovation and knowledge transfer. The establishment of the Stork Innovation Network will be a key enabler to enhance the sharing of challenges, ideas and knowledge related to Stork's products and services across regions.

In addition to capitalizing on the innovative strength of its 16,500 employees, Stork also works closely with its customers, suppliers, universities and technical institutions. This enables Stork to identify (future) solutions and thereby build upon a successful track record of award-winning innovative solutions like Stork's Hot Bolt Clamp, the Extended Reach Breathing Apparatus (ERBAS), Seatooth CP, Advanced Online Desanding (AOD) and Smart Valve Diagnostics.

**Training and consultancy**

Knowledge transfer is not limited to the internal perimeters of Stork. Stork houses a group of asset management specialists who are endorsed trainers by the Institute of Asset Management. As part of their asset management solutions portfolio, they share and transfer leading knowledge in areas such as: the domains of ISO 55000, asset performance management, compliance and lean maintenance management.

A recent example is the 10-day Asset Integrity Management training for Oil & Gas, which was provided to 25 key officers of the Chinese National Offshore Oil Corporation (CNOOC) via a combination of theoretical classroom sessions and field visits.

## Award-winning innovations

INDUSTRY AWARDS 2014	CATEGORY	STORK INNOVATIONS
SPE Offshore Achievement Awards	Health, Safety & Environment	ERBAS
E-Reps Forum 2014	Green Technology Award	AOD
British Chambers of Commerce	Excellence in Innovation	ERBAS, Hot Bolt Clamp, Seatooth CP
OCA Challenge Awards	Safety Innovation	ERBAS



Stork's award-winning Extended Reach Breathing Apparatus System (ERBAS) is a major safety improvement for deep confined space operations, such as platform legs and FPSO tanks. Due to the travelling distance, within a confined space inside these locations, conventional breathing systems cannot supply sufficient air to escape in an emergency. ERBAS is compact and easy to deploy inside confined spaces. It improves the cylinder change out method by refilling the cylinder, in less than 20 seconds and in one simple connection, whilst still being worn by the operative as opposed to traditional methods. The refill stations contain a failsafe of 6 cylinders.



# STRATEGY

## VISION

Stork aspires to be the leading global provider of knowledge-based asset integrity services focusing on the Oil & Gas, Chemical and Power sectors.

## MISSION

Stork helps customers to reduce risk, assure safety and improve asset performance. We aim to enhance our customers' profits through innovative services and solutions during the lifecycle of the asset.

## CORE ACTIVITIES

Stork offers services and products associated with maintenance, modifications and assurance of asset integrity (MMI) of production facilities. We are focused on delivering technical support that spans the asset lifecycles of our customers' operations.

Advanced Crawler Camera System for pipe and caisson integrity inspections



## COMPANY STRATEGY 2015 - 2017

BUILDING BLOCKS	STRATEGIC PRIORITIES	ACHIEVEMENTS IN 2014
END MARKETS	Focus on MMI segment in onshore and offshore Oil & Gas production (primarily mid and down stream), Chemical and Power sectors in the Benelux.	Exposure Oil & Gas sector increased to 68% (2013: 62%). MMI related share of total revenue is 74%.
CUSTOMERS	Super majors, National Oil Companies (NOC), Independents (selective), Large EPCs.	Strong order intake: <ul style="list-style-type: none"> <li>• Major wins with key customers</li> <li>• Contract renewal rate &gt;90%</li> <li>• Revenue Top 25 customers 62% (2013: 55%)</li> </ul>
POSITIONING	Build strong local relationships. Follow the customer internationally.	Significant contract wins: <ul style="list-style-type: none"> <li>• DSM Sulpha, Sitech (NL)</li> <li>• Wheatstone (Aus)</li> <li>• Apache (UK)</li> <li>• Cartagena refinery (CO)</li> <li>• Ocesa (CO)</li> <li>• Barrancabermeja refinery (CO)</li> </ul>
SERVICES & TECHNOLOGY	Replicate service capability from mature regions to growth regions. Drive innovation and knowledge transfer.	New innovations: <ul style="list-style-type: none"> <li>• Hot Bolt Clamp</li> <li>• ERBAS</li> <li>• Advanced Online Desanding</li> <li>• Seatooth CP</li> <li>• Smart Valve Diagnostics</li> </ul> Knowledge exported: <ul style="list-style-type: none"> <li>• Turnarounds</li> <li>• Bolting &amp; Torquing</li> </ul>
GEOGRAPHIES	Expand in growth markets. Consolidate in mature markets.	Expansion in Colombia, Peru and Australia.
OPERATIONAL EXCELLENCE	Focus on strong project execution.  Continuous cost efficiency drive to meet customers' expectations.	Restructuring program with €15 million annualized cost savings executed ahead of plan and at lower costs.  Successful execution of the Norg gas storage expansion program (NL) and the turnaround at the Barrancabermeja refinery (CO).







# REPORT OF THE CEO



# CEO STATEMENT

**In 2014 we realized a strong recovery of our results. Our improved performance became visible from the first quarter onwards benefitting from the risk management initiatives and operational efficiency measures, taken in 2013. The healthy order book, which we have built over the years, delivered a solid revenue growth. Performance continued to improve throughout 2014 gaining momentum as the year progressed, resulting in 6% revenue growth and 17.8% increase in EBITDA. An achievement that we can be proud of and a strong foundation for our controlled growth ambition going forward. It is our aim to deliver sustainable and predictable results, without compromising on safety and quality.**

During the past year, we were able to further expand our position in the Oil & Gas sector where the demand for our services continued to grow. We have built an impressive customer portfolio over time with major contract wins in the year as a result. The most significant development in the Oil & Gas sector during 2014 was the strong drop in oil prices. This has a negative impact on investment decisions in the sector. However, our services and products are primarily associated with maintenance, modifications, and assuring the integrity of existing production facilities. These services are less vulnerable to the oil price volatility since our expertise is needed during the full lifecycle of our customer's assets. Going into 2015, our order book in the Oil & Gas sector remains strong and healthy.

Safety is our most important core value and has continued to be our

number one priority in 2014. It is our aim to do everything we possibly can to protect our employees, ensuring that we exceed our customers' requirements and expectations in this area. Our call to action has been captured in Stork's new HSSEQ vision statement: REACH Beyond Zero. This three-year road map will serve as our platform to further align the corporate strategy with regional requirements, to enhance individual responsibility and influence behavior to drive our performance in 2015 and beyond.

In 2014, we strengthened the connection between our regional presence and our portfolio of products and services. This will enable us to better serve our customers locally, by sharing and transferring knowledge and expertise within the company. To structure the way we share know-how across the regions, we have set up the Stork Innovation Network. This network identifies innovative solutions and shares these among regions. We also continued to stimulate effective teamwork. By operating as One Team we will make optimal use of the expertise and resources that are available within Stork.

In the year under review, we initiated and implemented a number of global improvement programs to further increase our commercial effectiveness and operational efficiency, reduce costs and tighten our project management and risk control systems. The ultimate aim of these global improvement programs is to optimize efficiency and productivity at customers. It provides the necessary framework for controlled growth going forward.

As a service provider, we regard our employees as our most important asset and I would like to take this opportunity to sincerely thank our employees for their commitment and dedication to the company during the past year. Together we have established a strong foundation for the coming years. This enables us to operate successfully in a demanding business environment. I would also like to thank our customers for the confidence that they have placed in our company. I look forward to continuing our cooperation in 2015 and I am confident that we will continue to deliver top quality services in the coming years.

Production facilities require ongoing maintenance and modifications during the full lifecycle. Tightening HSE regulations require our customers to continuously monitor and upgrade the integrity of their assets. With services primarily supporting these activities, our business is relatively resilient to volatility in oil prices. Our order book is solid and we will continue to deliver operational and cost efficiencies to our customers. In 2015 we will successfully continue our path of controlled growth offering value adding services to our customers worldwide.



**Arnold Steenbakker**  
CEO Stork and Chairman of the Board of Management










# REPORT OF THE BOARD OF MANAGEMENT

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# MARKETS AND BUSINESS SUMMARY

## MARKET SUMMARY

The strong drop in oil prices in the second half of the year has led to uncertainty in the Oil & Gas industry. This has impacted, in particular, new capital expenditure for Oil & Gas projects; however, it has also caused some slowdown in maintenance spending in certain regions like the UK offshore market. Stork's activities are mostly Opex related services (maintenance, modifications, and assurance of the integrity of production facilities) that are less cyclical and not directly affected by the volatility in oil prices.

Furthermore, Stork is in an excellent position to capitalize on the significant investments in the Oil & Gas sector in recent years as we have a strong presence in promising growth regions such as Latin America, Australia and the Middle East.

We are shifting our focus more and more towards the Oil & Gas sector and towards growth regions in order to sustain the growth of our business whilst maintaining market share in mature markets. With our comprehensive range of services and our ability to offer these services ourselves as an asset integrity partner, we will increasingly be able to operate as a full stream comprehensive service provider to our customers. We support this with our excellent HSSEQ programs. Stork's commitment to safety enables our customers to comply to more strict Health & Safety requirements.

Developments in the Chemical and Power sectors remain challenging. High energy costs have affected the competitiveness of the Western European Chemical sector with reduced investment levels and a drive for efficiency improvements as a consequence.

Towards the end of the year, we were able to observe some signs of improvements in the Chemical sector, which was confirmed by two large maintenance contracts awarded to Stork.

In the conventional Power generation sector in the Benelux and Germany, the contraction in maintenance expenditure is continuing.

## BUSINESS SUMMARY

Last year was a year of stabilization and operational improvement for Stork. The roll out of the improvement programs, initiated in 2013, contributed to a more robust performance in 2014. We maintained a solid order pipeline in all our key markets resulting in significant project wins and the development of a strong order book throughout the year.

We realized solid organic revenue growth in the Oil & Gas sector in 2014, which is also reflected in the increase of the share of Oil & Gas revenue to 68% (2013: 62%) of total revenue. This growth was realized mainly in Colombia, Australia and in the Netherlands whilst the UK was affected by weaker market conditions. Revenues in the Chemical and Power sector were impacted by the continued adverse market conditions in these sectors in the Netherlands, Belgium and Germany. This had a negative impact in particular on the Power Services business, resulting in lower volumes. However, margins in the Power Services business did improve which enabled us to stabilize the performance in this sector.

Our results improved significantly driven by solid revenue growth, the project and risk management improvement programs and the positive effects of the restructuring initiatives.



**Stork's Board of Management**

Arnold Steenbakker, CEO  
Pim Oomens, CFO



# FINANCIAL PERFORMANCE

## RESULTS

in EUR million	2014	2013 <sup>1</sup>
Order book	1,336.9	1,303.9
Revenue	1,492.3	1,407.8
Gross profit <sup>2</sup>	183.9	184.9
EBITDA	81.1	68.8
Non-recurring items	(9.4)	(36.1)
Depreciation and amortization	(45.6)	(41.9)
Operational result	26.1	(9.2)

<sup>1</sup> For comparison purposes all 2013 figures have been adjusted for the Subsea disposal.

<sup>2</sup> Excluding non-recurring items, 2013 adjusted for comparison purposes.

### Order book

The majority of our order book consists of long-term maintenance and modifications related contracts. Contract duration is usually for an initial term of three to five years and contracts are generally renewed. Stork conservatively values its order book. The size and duration of these contracts provide a clear indication of our future revenues. The order book continued to develop positively with a number of large project wins and contract renewals in the Oil & Gas sector in our growth countries Colombia and Australia. In the Dutch Chemical sector, we recorded a number of important projects wins and our order book remained solid in the UK. The quality of the Power Services order book and pipeline confirms the stabilization of performance.

Despite the turmoil in the Oil & Gas markets due to the oil price volatility, we maintained a solid order pipeline in all of our key markets which translated into a full-year order intake of EUR 1,484 million (2013: EUR 1,744 million). Our order book of EUR 1,337 million at 31 December 2014 (2013: EUR 1,304 million) reflects the expected revenue from confirmed orders for the coming two years.

### Revenue

Driven by the strong performance in the Oil & Gas sector in Colombia, Australia and the Netherlands, revenue rose by 6.0% from EUR 1,408 million to EUR 1,492 million. Due to the strong focus on growth in the Oil & Gas sector in our growth regions, the relative share of Oil & Gas revenue showed continued healthy growth. Activity levels in the UK were affected by weaker market circumstances following the declining oil price. We also wound down our

operations in the Caspian region. Revenue of our Power Services business remained under pressure but the quality of the revenue improved, resulting in higher margins and an improved risk profile. Organic growth (revenue growth excluding the effect of movements in foreign currency conversion rates and the effect of investments and divestments) amounted to 6.1%. Although we generated approximately 54% of our revenue outside the Eurozone, the fluctuations of non-euro currencies (especially the British Pound and Colombian Peso) were negligible.

### Gross profit

Gross profit (excluding non-recurring items) of EUR 183.9 million (2013: EUR 184.9 million) was slightly below last year. In the Industrial Services business in Continental Europe margins remained stable. In the Americas the strong organic growth was well balanced with the margin strategy. However, adverse mix effects with reduced volumes in higher margin specialist services in the weaker UK market, lower sales and rental activities and unwinding the Caspian business impacted our gross profit margin. On the other hand, margins did develop positively in Power Services. Overall the gross profit margin declined from 13.1% in 2013 to 12.3% in 2014.

### EBITDA

Supported by volume growth in Continental Europe, Colombia and Australia, well-controlled overhead costs, the benefits of well executed restructuring programs and improved project risk control systems, we improved our performance in each consecutive quarter of 2014. EBITDA increased by EUR 12.3 million to EUR 81.1 million (2013: EUR 68.8 million). Industrial Services EBITDA increased by 8.5% to EUR 92.8 million. The margin of 7.0% realized in 2014 was slightly ahead of last year's 6.9%. The focus on margin and risk instead of volume resulted in a margin recovery for our Power Services business from 4.0% in 2013 to 5.1% in 2014, which confirms the stabilizing performance.

### Non-recurring items

Non-recurring costs decreased substantially to EUR 9.4 million (2013: EUR 36.1 million) and were largely related to the execution of the indirect cost restructuring program in Continental Europe and at Head Office, which we had already committed to in 2013. Additional restructuring measures were implemented in the Caspian Region and in the rental activities in Continental Europe.

### Depreciation and amortization

Depreciation and amortization increased to EUR 45.6 million (2013: EUR 41.9 million) partly as a consequence of an increasing value of financial lease contracts.

in EUR million	2014	2013 <sup>1</sup>
Operational result	26.1	(9.2)
Net finance expense	(47.0)	(45.5)
Share of profit (loss) of associates	2.3	(0.2)
Income tax	1.5	(2.4)
Result for the year	(17.1)	(57.3)
<b>Attributable to:</b>		
Equity holders of the company	(20.3)	(57.5)
Non-controlling interest	3.2	0.2

<sup>1</sup> For comparison purposes all 2013 figures have been adjusted for the Subsea disposal.

### Operational result

The strong operational result increase of EUR 35.3 million to EUR 26.1 million (2013: negative EUR 9.2 million) reflects the improved operational performance and the substantial reduction of non-recurring costs.

### Net finance expenses

Net finance expenses increased to EUR 47.0 million in 2014 (2013: EUR 45.5 million) due to an approximately 5% higher average net debt level including financial lease contracts. Net finance expenses are mainly related to the interest charges on the EUR 272.5 million Senior Secured Notes, the EUR 110 million syndicated Revolving Credit facility

and the stand-alone finance facilities in Colombia (EUR 71.6 million at the end of 2014).

### Share of profit (loss) of associates

In Colombia, it is common to cooperate large contracts together with partners in consortia. We have a controlling position in two major consortia. These are fully consolidated and the result of the non-controlling partners is recognized as a non-controlling interest. One of the consortia in Colombia in which we have a minority position is accounted for as an associate with Stork's share in the net profit being EUR 2.2 million.

### Income tax

A tax income of EUR 1.5 million was realized in 2014 compared to a tax expense of EUR 2.4 million in 2013. Despite the negative profit before tax of EUR 18.6 million (2013: negative EUR 54.9 million) we have recognized tax expenses in those countries where profits were realized. However, these tax expenses were more than offset by tax income following the recognition of losses carried forward that are expected to be realized in the coming year(s) and the deferred tax income on the amortization of intangible fixed assets related to previous acquisitions.

### Result for the year

Although the strong improvement in operational performance could not fully offset the structurally high finance expenses, the net result for the year improved substantially to a loss of EUR 17.1 million (2013: a loss of EUR 57.3 million).

## MANAGEMENT TEAM



**Arnold Steenbakker**  
CEO and Chairman  
Board of Management



**Pim Oomens**  
CFO and Member  
Board of Management



**Ron Scheepers**  
Industrial Services  
Continental Europe



**Erik-Jan Bijvank**  
Industrial Services  
UK & Africa



**Jorge Estrada**  
Industrial Services  
Americas

## CASH FLOW

in EUR million	2014	2013 <sup>1</sup>
Result before tax	(18.6)	(54.9)
Depreciation and amortization	45.6	41.9
Working capital movement	1.4	34.3
Other non-cash items	34.7	33.0
Cash from operations	63.1	54.3
Interest paid	(42.5)	(47.5)
Tax paid	(12.6)	(15.4)
Net cash from operating activities	8.0	(8.6)
Net cash from investing activities	(26.8)	(14.2)
Net cash flow from operating and investing activities	(18.8)	(22.8)
Share premium	6.5	-
Non-cash movements net debt	(11.3)	1.6
Decrease / (increase) in debt	(23.6)	(21.2)
Net debt this period	303.3	279.7
Net debt last period	279.7	257.1

<sup>1</sup> For comparison purposes all 2013 figures have been adjusted for the Subsea disposal.

Higher EBITDA performance and lower non-recurring costs are reflected in a solid cash flow from operations of EUR 63.1 million (2013: EUR 54.3 million), which, in line with the seasonality of our business, was largely realized towards the end of the year. Due to the continued focus on working capital performance, a low Net Operating

Working Capital level of EUR 36.1 million (2013: EUR 28.7 million) could be maintained. Net Operating Working Capital as a percentage of the last three months' annualized revenues amounted to 2.1% as of December 2014 (2013: 1.9%). Strict management of trade receivables resulted in a further decrease of debtor days from 46 to 38 days and a reduction of EUR 8.6 million to EUR 38.3 million of overdue debtors. Supplier payment terms were further improved during the year. Trade creditors declined slightly to EUR 120.3 million (2013: EUR 125.0 million) at year-end due to large payments at year-end to (sub)contractors in line with customer receipts and strong growth in regions with shorter supplier payment terms.

Interest paid included a full year's payment of the 11% interest on the EUR 272.5 million Senior Secured Notes (2013 included almost 15 months). Tax payments of EUR 12.6 million (2013: EUR 15.4 million) are substantially higher than the tax expense reported in the Profit and Loss account. This is mainly a consequence of the tax system in Colombia where income tax is prepaid based on revenue. This was too high in relation to the income tax payable based on realized profits. The difference can only be collected in the following year.

Net cash used in investing activities amounted to EUR 26.8 million in 2014 compared to EUR 14.2 million in 2013. Excluding the impact of the Subsea divestment in 2013, net cash used in investing activities remained constant at a level of approximately EUR 26 million. Capital expenditure was concentrated in the Industrial Services growth regions the Americas and MECAP and in the more capital intensive Power Services and rental activities. We received a capital contribution of EUR 6.5 million in cash from our shareholders in the first quarter of 2014.



**Sandeep Sharma**  
Corporate Control



**Patric Jansen**  
Secretary of the Board,  
Corporate Legal &  
Compliance



**Ronan Mooney**  
Corporate Development



**Carla Rodenburg**  
Corporate Sales &  
Marketing



**Igor Vermeulen**  
Corporate Human  
Resources



Net cash outflow in the year was EUR 12.3 million. Combined with the recognition of financial lease contracts of EUR 10.2 million and exchange rate differences of EUR 1.1 million, this resulted in a net debt increase of EUR 23.6 million in 2014.

#### **Net debt and liquidity**

Net debt at year-end amounted to EUR 303.3 million, which represents an increase of EUR 23.6 million compared to EUR 279.7 million at year-end 2013. The company operated solidly with significant covenant headroom. At year-end, the debt cover ratio (net debt/ last twelve months EBITDA) was 3.8x, which is well below the covenant of 5.75x. Stork's main sources of financing are the EUR 272.5 million Senior Secured Notes, the multi-currency EUR 110 million committed syndicated revolving credit facility and in Colombia EUR 71.6 million local finance facilities, of which EUR 9.4 million is related to financial lease commitments. The Notes and the syndicated facility will both mature in 2017. The financing facility provides Stork with sufficient headroom and flexibility to facilitate both the capital expenditure and seasonal working capital requirements and is a solid base for future growth.

Available liquidity amounted to EUR 125.5 million at year-end, of which EUR 37.8 million is related to standalone banking facilities for our operations in Colombia.

The remaining EUR 87.7 million is available for the entire Group and consists for EUR 13.1 million of cash and bank balances and for EUR 74.6 million of undrawn bank facilities. Liquidity improved during the year due to a strong reduction of EUR 9.9 million to EUR 14.4 million in issued bank guarantees under the syndicated bank facilities by offering alternatives, such as company guarantees and surety bonds.

## **OUTLOOK**

With the majority of our activities in maintenance, modifications and assurance of asset integrity services, our business is relatively resilient to volatility in oil prices. Our order book is solid and geographically well diversified. Furthermore we will continue to deliver operational and cost efficiencies to our customers. We are confident that our path of controlled growth offering value adding services to our customers worldwide will be reflected in a stable and sustainable development of revenues and result in 2015.

# BUSINESS REVIEW

Stork is organized in two businesses:

- Industrial Services (previously Core Services)
- Power Services (previously Solutions)

Industrial Services offers knowledge-based services and products associated with maintenance, modifications and assurance of asset integrity of production facilities. We are focused on delivering technical support that spans the asset lifecycles of our customers operations in the Oil & Gas, Chemical and Power sectors in targeted geographies. The asset integrity services that we provide enable our customers to maintain the performance of their assets, while meeting high health and safety requirements. The focus is on creating added value by optimizing the total cost of ownership. The Industrial Services business is organized in four divisions:

- Continental Europe
- UK & Africa
- Americas
- Middle East, Caspian and Asia Pacific (MECAP)

In Continental Europe services include mechanical & piping, electrical & instrumentation, asset management services and as of 2014 equipment rental. In the UK the focus is on fabric maintenance and specialty services and in MECAP on integrity & inspection and electrical & instrumentation. Core capabilities in the Americas are in the field of mechanical & piping, electrical & instrumentation and asset management services.

The Power Services business, which is active in Continental Europe, North America, MECAP and the UK, provides specialist equipment, engineering services and field services for the power generation and other industries. Its key activities span the area of manufacturing, (re)engineering, modifying, repairing and overhauling equipment and machinery. Power Services offers a broad range of products, from gearboxes to turbo blading and deaerators, combined with service and support in the following key areas:

- Gears & Services
- Turbo Machinery Services
- Turbine Components
- Thermal Equipment Services
- Electric Equipment Services

Revenue in EUR million <sup>1</sup>	2014	2013 <sup>2</sup>	Change
Industrial Services	1,326.7	1,239.8	7.0%
- Continental Europe	569.0	541.9	5.0%
- UK & Africa	377.7	367.8	2.7%
- Americas	302.6	244.4	23.8%
- MECAP	77.4	85.7	-9.7%
Power Services	165.6	168.0	-1.4%
<b>Total</b>	<b>1,492.3</b>	<b>1,407.8</b>	<b>6.0%</b>

- <sup>1</sup> As of 2014, third party revenues. 2013 revenues are adjusted accordingly.  
<sup>2</sup> For comparison purposes all 2013 figures have been adjusted for the Subsea disposal.

EBITDA in EUR million <sup>1</sup>	2014	2013 <sup>2</sup>	Change
Industrial Services	92.8	85.6	8.5%
Power Services	8.5	6.7	26.1%
Other <sup>3</sup>	(20.2)	(23.5)	-13.8%
<b>Total</b>	<b>81.1</b>	<b>68.8</b>	<b>17.8%</b>

- <sup>1</sup> To improve transparency a number of cost items has been reclassified between Other and Divisions. 2013 has been adjusted accordingly.  
<sup>2</sup> For comparison purposes all 2013 figures have been adjusted for the Subsea disposal.  
<sup>3</sup> Other includes head office.

EBITDA margin in %	2014	2013
Industrial Services	7.0%	6.9%
Power Services	5.1%	4.0%
<b>Total</b>	<b>5.4%</b>	<b>4.9%</b>

# INDUSTRIAL SERVICES CONTINENTAL EUROPE

## Business Performance

Revenue of Industrial Services Continental Europe (ISCE) increased 5% to EUR 569 million, driven by solid growth in contracts and projects in the Oil & Gas and Chemical sector in the Netherlands. In the northern Netherlands we successfully completed the expansion of a gas storage capacity project. Our competitiveness improved following the execution of restructuring initiatives and a more customer-oriented sales approach in a market that remains challenging. Customers are increasingly focusing on operational excellence and cost efficiency.

## Strategic Wins

Important contract wins include the five plus five-years ONEGas contract extension with Shell for maintenance of southern North Sea platforms. At the Chemelot site in the Netherlands we renewed a major contract for maintenance with Sitech and we will offer the mechanical & piping and E&I services for the new DSM ammonium sulphate plant. We were awarded the installation of the electrical systems for another offshore deck for Heerema and the expansion of a LNG storage facility in Vlissingen. In Belgium, Stork won a prefabrication contract for preventive measures to deal with unusually high river water levels for a

nuclear power plant. These projects contribute to the improved performance of the Belgium pipe shop.

## Markets

2014 was marked by a slow regional economic recovery and a significant decline in oil and gas prices. As the majority of the order book consists of maintenance and modifications related contracts, there is less exposure to these price developments. Investments in storage capacity for specialties and LNG as well as compliance-related investments were expanding. The Chemical sector is still focusing on







## Continental Europe

production chain efficiency but is now also showing signs of recovery. The energy sector remains challenging.

### Safety Performance

Our REACH safety program is recognized and appreciated by our customers. Customers again commended Stork's safety performance last year, resulting in the

"Best European Safety Performance" award from SABIC for delivering four years of service without a recordable incident on site. Stork also received a bonus for the safe execution of a maintenance stop, which was donated to two local charities. Stork's REACH Annual Safety Awards Ceremony in the Netherlands was marked by high-quality submissions and the number of nominees and

winners from ISCE. Despite improving safety statistics throughout 2014, we did, unfortunately, suffer a few serious incidents at the end of the year. We will increase attention for last minute risk assessments and visible safety leadership on site. Our goal remains to get every employee home safely at the end of every day.

in EUR million unless stated otherwise	2014	2013	Change
Revenue	569	542	5.0%
Organic growth	5.0%	5.1%	
Number of employees (year-end)	2,990	3,086	-3.1%



# INDUSTRIAL SERVICES UK & AFRICA

## Business Performance

Revenue in the UK & Africa division increased by 2.7% to EUR 378 million in 2014 despite the challenging market dynamics in the North Sea area. Cost pressure across the industry has slightly depressed results; however, this has been mitigated by continued close control of indirect costs and overheads throughout the year. The UK & Africa order book remains solid, benefitting from significant contract extensions and new contracts wins during the year.

## Strategic Wins

The UK business extended its long-term relationships with a number of

strategic accounts, as well as winning new contracts. Significant fabric maintenance contracts were signed with Statoil for the Mariner field and with Apache for the Forties field. The focus on marketing specialist services resulted in interesting project wins and double-digit growth of caisson integrity inspection and composite repair product offerings. Stork established a local office in Stavanger to serve our Norwegian customers.

## Market Developments

The falling prices of Brent Crude in 2014 has resulted in uncertainty in the Oil & Gas industry. Short-term investments are now being reviewed

by the operators, with capital spending for projects seeing a double-digit reduction. A number of operators face challenges with the production efficiency of their North Sea assets. Resulting in some project deferrals and price erosion. The long-term prognosis for the North Sea market is still positive, as tax allowances have boosted investment in oil and gas production while existing oil reserves will keep production active for at least the next decades.

## Safety Performance

During 2014, the UK & Africa division continued with the roll-out of REACH







## UK & Africa

to our workforce and we took time out to recognize some notable safety successes at our regional REACH Annual Safety Awards Ceremony in September. Our regional innovations, developed for the offshore market, are all geared to optimize safety, quality, cost efficiency and productivity. Various industry awards honoured our contribution towards improvements

in health, safety and the offshore environment. Sharing best safety practises proves to be of value as 2014 was a challenging year in which both Lost Time Incident Frequency (LTIF) and Total Recordable Incident Frequency (TRIF) targets were exceeded. We experienced a number of high-potential incidents: more than half of the recordable injuries occurred while undertaking

routine tasks. This prompted us to conduct a safety-perception survey in December. The results from this survey should provide valuable insights into our current safety culture and essential input for our 2015 improvement planning.

in EUR million unless stated otherwise	2014	2013	Change
Revenue	378	368	2.7%
Organic growth	-2.5%	7.0%	
Number of employees (year-end)	3,129	3,100	0.9%





# INDUSTRIAL SERVICES AMERICAS

## Business Performance

The Americas division achieved a strong revenue growth of 23.8%, increasing revenue to EUR 303 million. 2014 was also a year in which the execution of important contracts and projects contributed to an extremely strong performance in Colombia based on a solid order book. We realized a pipeline maintenance contract in the south of Colombia and in Barrancabermeja we executed a major turnaround for an Ecopetrol refinery. In Trinidad and Tobago revenue recovered significantly after a weak 2013. Efforts to streamline processes and control overhead improved margin performance in the

division. We consolidated our presence in the USA by centralizing the coordination of our operations in Houston. Celebrating the 30-year anniversary of MASA made 2014 an organizational milestone in Colombia as well.

## Strategic Wins

We closed a major O&M-contract extension for 5 years with HOCOL, continuing a partnership of over 30 years. The preservation contract with Refinería de Cartagena demonstrates the integration of new services in Colombia supported by Stork Asset Management Consultancy. At the end of 2014 we won a large construction,

operation and maintenance contract for 3 new power-generation centers with Ocesa in Colombia. In Trinidad, we secured a 3-year agreement with BP for onshore & offshore services.

## Market Developments

The Oil & Gas sector drives growth for the Americas division, servicing the offshore market with inspection, fabric maintenance and modifications. We provide construction and turnaround services in the (mainly Colombian) downstream area while operations and maintenance services are provided in the upstream and midstream sectors in Colombia, US Gulf of Mexico and Trinidad & Tobago.



We acquired the remaining 25% interest in Stork's Asset Management Solutions organization to fully integrate consultancy into our portfolio: a real differentiator helping customers to extend asset lifecycles and increase productivity needs.

### Safety Performance

In 2014, the division increased the number of man hours worked by 6

million while reducing the number of incidents by 25%. Initiatives, such as "0 es mas", have aided us to safeguard our employees as well to support the communities in which we operate. Specifically on corporate social responsibility, we donated EUR 6,000 to the 'Mueve tu Mundo' charity in Colombia that supports victims of landmines. We partnered with Friends of the Blood Bank of Trinidad &

Tobago. A team of runners (including Stork employees) in the Miami Marathon raised USD 42,000 for Formula Sonrisas, helping children who are confronted with violence and drugs. We partnered with the Houston Food Bank to volunteer. Stork's 'Plan Padrino' coaching program in Colombia won the Ecopetrol CSR award.

in EUR million unless stated otherwise	2014	2013	Change
Revenue	303	244	23.8%
Organic growth	31.0%	18.9%	
Number of employees (year-end)	8,267	5,505	50.2%





# INDUSTRIAL SERVICES MECAP

## Business Performance

The Industrial Services division in the Middle East, Caspian and Asia Pacific (MECAP) reported an overall revenue decline of 9.7% during 2014 to EUR 77 million. Our Caspian region business suffered from the loss of a fabric maintenance contract in Azerbaijan. As a result, we are now in the process of winding down the business in this area. However, the Middle East operations contributed well despite flat revenues. In Australia revenue increased by 56.3%. Our asset integrity services booked a solid performance in Malaysia whilst market conditions were weak in New Zealand.

## Strategic Wins

With support from our office in Aberdeen, on-site bolt tensioning and machining services were introduced at the Gorgon LNG Expansion Project, which is a flag ship project in Australia. We also secured an award for the Wheatstone LNG Expansion Project in northwestern Australia, continuing the strong relationship with CB&I Constructors. The APLNG Project working with major EPC, Bechtel in Gladstone, Queensland, continues to perform well. Further project wins were secured in Australia which supported a strong order book. In 2014, we were awarded a 5-year contract to provide quality services to

KNPC in Kuwait which extends our portfolio in this region. A strong order intake during 2014 and the growth strategy for 2015 to 2017 will result in an increase in market share and an improvement of our performance in the Middle East.

## Market Developments

We continue to benefit from the EUR 130 billion capital expenditure in the LNG development export sector. It is Australia's ambition to become the world's largest LNG exporter to the nearby Asian customers of China and Japan. Onshore (coal seam gas) and offshore field development and the construction of LNG processing plants





## MECAP

will support the market until 2018–2020 when an extensive operational expenditure requirement is scheduled to commence. Despite the comparatively low oil prices, expenditure in the Middle East on maintenance activities for ageing oil and gas assets (onshore and offshore) is expected to be maintained or to increase slightly. A considerable capital expenditure is planned for the region including new oil refineries and expansions and associated power plants which will support a comprehensive operational expenditure market.

**Safety**

MECAP continued its strong safety performance throughout 2014. The communication of REACH within the organization and to our customers continued to strengthen our HSSEQ activities. The safety recognition awards that we received in 2014 clearly reflect how much our safety culture is appreciated by our customers.

Our first regional REACH Annual Safety Awards event in Perth was supported and celebrated by our employees, our customers and by industry leaders. A number of our customers received presentations by Stork on REACH to learn about this program afterwards.

in EUR million unless stated otherwise	2014	2013	Change
Revenue	77	86	-9.7%
Organic growth	-6.8%	-11.8%	
Number of employees (year-end)	880	683	28.8%



# POWER SERVICES

## Business Performance

In 2014, revenue decline bottomed out by -1.4% to EUR 166 million (2013: EUR 168 million) and performance improved markedly. Sales increased as a result of the stronger focus on the conversion rate of bids-to-order. Despite challenging market conditions in the power sector in specifically Europe, EBITDA recovered to EUR 8.5 million (2013: EUR 6.7 million), driven by operational efficiency improvements and better utilization rates in the Electric Equipment and Turbo Machinery Components activities.

The start of the relocation of Stork Thermeq to a new facility in Hengelo marks an important milestone in the continuation of burners and deaerator equipment manufacturing in the Netherlands.

## Strategic Wins

The order book at year-end improved compared to the previous year. Across Europe, all operating units improved their strategic positions. Important projects are centred around new products, maintenance, modifications and overhauls as recently delivered for RWE in Germany after the shutdown of the Weisweiler power plant.

Outside of Europe, the Stork Oryx JV in Qatar won its first orders. The contract with Qatar Shell for the overhaul of equipment at the Pearl GTL plant gave the new joint venture the base load to commence operations.

## Market Developments

With tight budgets for maintenance and repair, the power market remains challenging. Uncertainty continues to play an important role which has led to a decrease in the number and volume of projects in the short term. This has resulted in fierce price competition in the area of service and maintenance.







## Power Services

However, other markets have shown some small improvements although pricing remains the decisive factor here as well. These developments will cause the backlog of maintenance and repair to build up, opening up opportunities in the mid-to-long term.

### Safety Performance

Safety, together with quality, is becoming more and more a core value within the hearts and minds of the employees of Power Services. Together with clients, Power Services employees are improving HSSEQ, not only within the workplaces of Stork, but also that of clients. The amount of client recognitions and leading

indicators is growing as the lagging incident frequency rates are lowering.

The amount of nominated and rewarded Reach Awards at the Global REACH ceremony proves that Power Services is heading in the right direction. Taking that step beyond zero.

in EUR million unless stated otherwise	2014	2013	Change
Revenue	166	168	-1.4%
Organic growth	-1.3%	-6.6%	
Number of employees (year-end)	1,154	1,120	3.0%





# HSSEQ

## Focus on safety

Stork employees work in challenging and often hazardous conditions at customer locations around the globe. Central to this is working in accordance with the highest safety standards at all times with the aim of ensuring that every single employee gets home safely at the end of each day and every shift. Safety is a core value which underpins all Stork's activities worldwide. Active engagement with employees, customers and stakeholders helps provide a sustainable and safe working environment and a proactive safety culture.



## REACH Awards

A clear focus on safety, along with health, security, the environment and quality (HSSEQ), is central to Stork's development and success. In September, Stork held its first regional REACH Annual Safety Awards ceremonies with events taking place in the Netherlands, the UK, Trinidad & Tobago and Australia. The awards recognized Stork employees and teams who had delivered an exceptional safety performance in line with the values of the company's REACH safety program during 2014 in their region. Two global awards were presented for an outstanding team and individual; the 'Safety Leadership' award went to David Murray from the UK & Africa region, and the SABIC Account Team won the 'Best Team of the Year' accolade.

## Driving HSSEQ performance further

Stork took the first step in revitalizing its approach to HSSEQ in October as the next phase of its global REACH program was validated by the company's management team. The concept 'REACH Beyond Zero' was agreed upon as Stork's HSSEQ vision statement to encourage and

engage everyone to think and do more and to reach further in order to improve our HSSEQ performance together.

## REACH Beyond Zero

To drive deep and sustainable change, this vision is underpinned by a solid foundation. The REACH Beyond Zero three-year road map was developed and validated for launch in 2015. It was developed in response to a worldwide in-depth HSSEQ performance analysis. It provides clear direction and focus to align and support employees in the collective drive to constantly think and do more for safety improvement. Stork's activities are now focused on the areas of greatest need to address current challenges and to enhance its strengths. REACH Beyond Zero will be launched in 2015 as a global platform to build, communicate and measure the HSSEQ culture with the aim of driving continual improvement at all levels. REACH Beyond Zero focuses on five value-driven behavior which drive HSSEQ performance through:

- Visibility
- Authenticity
- Leadership
- Understanding
- Engagement

REACH Beyond Zero reaches beyond lagging safety indicators by focusing on leading indicators and a more holistic approach to encompass health, security and the environment. It provides a mechanism for benchmarking our performance in a meaningful way, on the basis that: if you can't measure performance you can't improve it. REACH Beyond Zero will drive value for our customers by:

- Improving HSSEQ performance on their assets
- Engaging with and challenging their HSSEQ culture
- Transparent HSSEQ reporting
- Sharing information, lessons learned and alerts
- Leading topical debate, discussion and knowledge-sharing

## Incident Frequencies

At the end of 2014, Stork's global Lost Time Injury Frequency (LTIF) rate was 0.92 for 2014 (2013: 0.87) and the Total Recordable Incident Frequency (TRIF) rate was 2.74 (2013: 2.79). When benchmarked against the global industry standards, this constitutes a top quartile performance.

# HUMAN RESOURCES

At Stork we are a people business. To deliver our services we need to attract, develop, inspire and retain the best people and teams to deliver on our business goals. To support this we have built and strengthened our regional HR organizations as part of our delivery model, staying close to our customers and supporting the business where we operate.

## Human Capital Development

Our focus in 2014 was on human capital development. We have developed a comprehensive method to identify and assess the available talent within Stork, i.e. the Employee Potential Review (EPR) and Succession Planning (SP), with which we aim to establish a common language and approach that will ultimately deliver a healthy bench strength for Stork at all levels in the organization. In this context, bench strength refers to the competence and number of employees ready to fill vacant leadership and other positions.

In April 2014, we started with the global Top 50 employees of Stork and we have continued to build towards October 2014 at which point in time we established an Employee Potential Review (EPR) for the Top 200 positions in Stork. We also developed a Succession Plan for the same target group per region and/or business. Furthermore, we focused on identifying our potentials and their development areas as well as starting with the action plan going forward. 2015 will be about the next step in our approach to establishing a global internal vacancy process geared towards our goal to establish a healthy internal and inter-regional appointment and promotion ratio for our Top 200 employees and we will also continue to focus on improving our bench strength.

## Stork Leadership Program for Top 50 and Top 200

In 2014, Stork developed the Stork Leadership Program for Stork's Top 50 employees. This comprehensive in-house program is aimed at enhancing the management's knowledge and skills, building relationships in the spirit of One Team, as well as building on their experience as leaders of a truly international company. A combination of lecturing and action learning, one-to-one coaching and a personal development plan including business challenges and input from a 360-degree assessment form the basis of this program. Program delivery for the Top 50 will start in 2015 and development of a similar program for the Top 200 employees is also on the agenda for 2015 with delivery scheduled in 2016.

## Stork's award-winning Graduate Program

Stork has already been running a very comprehensive graduate program for over 15 years. The high quality of our recruitment process, resulting in attracting the right graduates, the challenging local and international 6-month assignments at different levels of the company (from board of management to the grassroots of our operations), supported by personalized training and mentoring, has proven highly successful both internally and externally. This is also clearly reflected in the bronze medal that we were awarded for the category Traineeship Overall in 2014. A prize awarded to us by graduates from all major Dutch universities. Stork has won gold awards in the past with its graduate program and aims to reclaim its position by further improving this external and internal recognition.

## Global Induction Program

Based on the outcome of the Employee Engagement Survey, we have developed a Global Induction Program aimed at all of our staff in 2014, irrespective of the region, location or role within Stork. In this E-learning based Global Induction Program, we enable our (new) staff to become acquainted with our goals and values, our products and services and their performance and development within Stork. As we are active in various countries with several different languages, we have ensured availability in the major local languages both in E-learning and in printed matter. The second stage of the induction is to start building a local induction program based on the same platform and look and feel of the Global Induction Program per region in 2015.

## Performance management and personal development

Whereas 2014 was geared towards the full use of our performance and development cycle in Industrial Services Continental Europe and Power Services in the Netherlands, Stork's focus was also on the roll-out of the performance and development cycle for all management levels in our global organization with one set of policies, practises and regulations related to managing performance in connection with variable remuneration and development. In 2015, we will be focusing on the further international roll-out of our performance and development cycle and personal development practises to the broader employee base of our company.



### **Global job descriptions & job grading in Stork**

Stork has adopted an international standard for describing and grading roles, establishing the policy with regard to grading and using a database for storage and reference that is globally accessible throughout the company.

In 2014, Stork finalized the description and grading of the global standardized roles of which the results will be implemented in 2015. In addition, we also started a local program in 2014 that will describe the remaining local roles in the regions and/or locations within Stork, which will differ per region in terms of completion. The purpose of the implementation of job descriptions in Stork is to provide qualitative input to improve our hiring effectiveness, to provide a clear basis for our performance and development cycle and to establish an objective base for translation into pay levels. In the course of 2015, this will be followed by establishing salary structures based on

clear benchmarks with local and/or regional markets, per region and/or country (if applicable). This will also enable Stork to manage its employee base more effectively from a cost point of view.

### **Workforce**

At year-end, Stork employed 16,488 employees worldwide. A growth in number of 2,917 which is mainly due to a 50% increase of operational staff in the Americas region to 8,267 employees at year-end (2013: 5,505).



# RISK MANAGEMENT

Managing risks is an essential element of doing business. Accepting certain risks is a prerequisite for achieving operational and financial objectives. The objective of Stork's risk management and internal control framework is to identify and effectively manage risks to which the business is exposed. The risk management and internal control framework is considered to be in balance with our risk profile. Although such systems can never provide absolute assurance, these systems do contribute to a more effective and transparent organization. The adequacy and effectiveness of our framework is reviewed regularly.

## RISK RESPONSIBILITIES

The Board of Management, under the supervision of the Supervisory Board, has overall responsibility for the risk management and control framework within the company. The Board of Management regularly assesses the risk profile and risk control framework including system improvements and their implementations. Regional and functional management teams are responsible for managing performance as well as critical business risks and risk mitigating controls, within the guidelines set by the Board of Management. Risk management is an integral part of the business planning and review cycle. The company's Risk Policy is designed to provide reasonable assurance that objectives are met by integrating management control into the daily operations and regular management reporting. Material inadequacies are recorded, followed up and corrected. Furthermore, the independent auditor assesses the internal controls in connection with the financial reporting in as far as such an assessment is efficient for their financial statements audit approach.

The Supervisory Board's Audit Committee evaluates the adequacy of Stork's risk and control framework. No material control weaknesses were identified during 2014. After addressing weaknesses in the project risk assessment and control procedures in 2013, further project risk assessment and control procedures were implemented in 2014, starting with acquisition through to execution. The project risk assessment and control procedures will be formalized in a Stork Project Management Handbook explaining the mandatory processes, guidelines, roles and responsibilities for all Group entities.

## RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

An internal risk management and control framework is in place to ensure that risks are identified and managed and that objectives are met in compliance with applicable laws and regulations. This control framework is based on policy documents, manuals and procedures.

The main elements of the control framework are:

### Company objectives

Company objectives form the basis for the risk management and control framework. These are formulated and communicated to the organization by the Board of Management. All operating companies must operate in accordance with these objectives and must report deviations. The company objectives are reviewed at regular intervals and amended where necessary.

### Code of Business Principles

The Stork Code of Business Principles sets out a number of ethical values to which Stork subscribes. It is not all-encompassing but rather formulates minimum ethical standards which are to be interpreted within the framework of local laws and customs. The text of the Code of Business Principles is available on the company's intranet site.

### Anti-bribery and corruption policy

The anti-bribery and corruption policy states that Stork is committed to prevent, detect and ban bribery and corruption. Nothing justifies bribery and corruption. It sets out a number of rules to discourage bribery and corruption.

### Whistle-blower's procedure

The whistle-blower's procedure ensures that any alleged infringement of the existing policy and procedures may be reported without the person making the report suffering any negative consequences of his or her action. The text of the whistle-blower's procedure is available on the company's intranet site.

### Disclosure of price-sensitive information policy

Stork is not a publicly traded company; however, Stork has issued senior secured notes that are traded on the Luxembourg Stock Exchange. Any public financial disclosures made by Stork should be timely, accurate and



complete. The company has a policy on (the use) of inside information, in order to prevent its employees from intentionally or unintentionally communicating or misusing inside information and/or violating regulations on trading in financial instruments.

### **Organization structure**

In Stork, all internal tasks, responsibilities and authorizations are defined in the organizational structure. A uniform internal authorization system is in place and consists of individual authorization schedules which provide a clear insight into the limits of spending allowed per authorized individual employee. Compliance with this system is checked by means of regular reviews.

### **Planning and control cycle**

Strategic plans, budgets and forecasts are prepared at fixed times during the year for all entities of the Stork organization. Financial results and other key performance indicators are reviewed monthly. The performance is compared with the previous year and tested against the budgeted targets. Regular forecasts are submitted and their impact assessed. This planning and control cycle, which is based on financial and non-financial reporting, enables local management teams and the Board of Management to direct and control the operational activities in an efficient manner.

### **Corporate reporting manual**

The Corporate reporting manual contains a detailed description of the guidelines for management reporting and external financial reporting. This manual also includes a standard format of accounts to ensure consistent and uniform reporting. In addition to the Corporate reporting manual, there are several other manuals, relating to

aspects such as treasury, insurance and capital expenditure.

### **Health and Safety**

At Stork, safety is a core value. The company is fully committed to being a world leader in safety and to delivering complex projects to the highest safety standards assuring the health and safety of our own employees as well as of our customers' employees and assets. To help us realize this, we have developed and implemented our REACH safety program. This includes clearly defined Health and Safety policies which are mandatory for all Stork companies. The standards implemented by Stork meet national, international or industry standards as a minimum and often exceed the statutory minimum requirements. In 2014, a new three-year road map (REACH Beyond Zero) was developed which translates the value that we place on safety into actions and behavior which will further strengthen our Health and Safety performance. Reach Beyond Zero will be rolled out early 2015. The company has a Corporate HSSEQ organization which is responsible for developing and setting Health and Safety strategic direction and standards and for Health and Safety coaching and training as well as for monitoring our overall HSSEQ performance. Compliance with our Health and Safety standards is monitored by means of internal and external compliance audits. For further information about HSSEQ within Stork please refer to our HSSEQ section (see page 38).

### **Information management and security measures**

Governance structures for monitoring the functioning of IT systems and for tracking IT Projects are in place. Technical and infrastructural IT standards to enable information systems to communicate internally are rolled out globally. In 2014, several initiatives were started to further improve IT governance and strategy as well as IT processes and related operational controls. In Industrial Services Continental Europe, a program was started to simplify the SAP system in use and harmonize and integrate operational controls. In MECAP and the Americas, the implementation of new ERP systems were initiated. In the UK, various projects were delivered to improve operational work control through their local ERP system, and more work is being undertaken in 2015. For Power Services, the cost structure of the IT landscape was significantly reduced and opportunities for further optimization and consolidation are being reviewed. Progress has also been made on the infrastructure side. Most of the company

migrated successfully to Office 365, enabling secure working in the cloud and significant cost reductions. A project was started to renew the companies intranet and collaboration platform, and more and more storage will move to the cloud, reducing costs and dependency on inflexible data centers.

Furthermore, an IT security program was started, which will identify current risks and implement a new security framework to enable mobile and cloud services in a more flexible but also more secure way.

### **Tax**

Stork has an enforcement covenant with the Dutch tax authorities as part of the 'horizontal supervision' project initiated by the Dutch Ministry of Finance. This results in an intensive exchange of information and preliminary consultations on matters of potential material tax consequences. In the other jurisdictions in which Stork operates, the company pursues, where possible, a proactive tax policy in order to minimize any uncertainties regarding its tax positions. This also resulted in an Advanced Thin Capitalization Agreement in the UK defining the deductibility of interest expenses by our UK subsidiaries.

To ensure compliance with tax requirements, tax accounting procedures are operational and compliance with these procedures is closely monitored by the group tax department. A Tax Control Framework has been implemented in the Netherlands. This Tax Control Framework will be reviewed by the Tax authorities in the coming year(s).

### **Insurance**

Stork has a general insurance program in place to cover risks that may occur despite adequate risk control measures. The insurance department insures major operating risks with independent insurance companies. The insurance department works together with independent insurance brokers and providers of insurance-related services. The policies cover risks resulting from property damage and business interruption, marine cargo and mounting, third-party liability and a number of other specific risks.

### **Audit Committee**

The Audit Committee, which consists of three members of the Supervisory Board, independently monitors the process of risk management on the basis of the supervisory role of the Supervisory Board. The aspects on

which the Audit Committee focuses include the quality of internal and external reporting, the effectiveness of internal controls and the functioning of the independent auditor. The Audit Committee meets three times a year. The CFO, relevant financial officers and the independent auditor are invited to attend these meetings. For more information please refer to the Audit Committee section (see page 54) in this report.

### **Role of the independent auditor**

The independent auditor carries out the necessary activities in connection with the issuing of the Independent Auditor's report that accompanies the financial statements. The independent auditor focuses on the financial reporting, the accounting principles that have been applied and the adequacy of the internal controls to ensure that the financial statements are free of material misstatement. The audit report and management letter have been discussed with the Audit Committee and have been presented to the Supervisory Board.

### **Letter of Representation**

Each year, all operating company managing directors and financial directors sign a detailed statement with regard to financial reporting, internal controls and ethical principles. Any observations made in this statement are reported to and discussed with the Board of Management and the Audit Committee.

## **PRINCIPAL RISKS**

Stork delivers asset integrity services aimed at extending the lifetime of our customers' assets in operations that are located in mature and emerging global markets. These markets are exposed to varying degrees of risk and uncertainty some of which, if not identified and managed, could have a material impact on an individual operating company, but may not materially affect the Group as a whole. Under the explicit understanding that this is not an exhaustive summary, major risk factors such as strategic, operational and financial risks are described below.

## **STRATEGIC RISKS**

### **Geographic exposure**

Stork is dependent on the global Oil & Gas market and also has exposure to the Chemical and Power industry,



especially in the Benelux and Germany, and as such Stork is dependent on the development of these markets in the countries in which it operates. A major part of our business is concentrated in Europe and Australia where exposure to political, economic and legal risks is relatively low. The emerging economies in the Middle East, Asia and Latin America, where we realize approximately 30% (2013: 20%) of our revenue, are subject to greater risks and volatility than more mature markets. Our global presence enables us to mitigate some of the risks and cyclicity inherent in any single country.

### Oil & Gas market exposure

Activity levels in the global oil and gas markets are a major driver for Stork. The level of activity varies by country depending on factors including the oil price, general economic conditions, energy demand, availability of new energy sources, safety and environmental regulations, level of outsourcing, ageing of assets, the drive for improved efficiency and changing legislation. Stork's revenue is mainly (approximately 74%) related to the operating and maintenance expenditures of its customers as opposed to their capital expenditures, and therefore tends to be more resilient through economic cycles. Volatility of crude oil prices is an important factor for new construction, hook up and commissioning investment decisions in the Oil & Gas markets and will also affect the profitability of existing assets, especially at those locations with a higher cost base. The geographical spread of our activities with continued growth in emerging regions, the very large maintenance, modifications and assurance of asset integrity content in our revenue which is often based on long-term contracts and supported by long-term customer relationships and the increasing share of higher value added services that enable customers to reduce their total operating costs enables us to largely mitigate the challenges of short-term volatility in oil prices.

Approximately 68% of revenue is derived from the Oil & Gas market and 16% from the Chemical and Power industry. Stork's exposure to the Chemical and Power market is mainly concentrated in the Benelux and Germany, where overcapacity remains an issue resulting in a prudent investment climate at our key customers.

### Customer concentration

Stork serves primarily tier-one customers. Stork's twenty-five largest customers represented 62% of revenue in 2014 (2013: 55%). The other 38% of revenue was divided over a



wide customer base. It is company policy to limit inordinate dependency on individual clients. Relationships with key customers are regularly monitored at local and group levels.

## OPERATIONAL RISKS

### Project risks

The services that Stork performs for its customers takes place predominantly on a project basis under long-term contracts. Approximately 85% of the projects executed have a low to medium risk profile while the remaining 15% have predefined scopes that must be delivered at a fixed price and therefore have higher risk profiles. During the last two years, procedures were implemented for systematic risk analysis of higher risk projects to assess potential risks and identify risk mitigating measures from the tender phase to the execution phase. This will be formalized in a Stork Project Management Handbook explaining, for all Group entities, the mandatory processes, guidelines, roles and responsibilities, including those procedures for project risk management. Furthermore, new risk analytical tools have been implemented in order to quantify the inherent risks and complexity of contracts and project proposals and as such provide more transparency about project risk profiles.

In the proposal stage, the Risk Committee, consisting of the Board of Management, the Corporate Risk Officer and the Senior Vice President Sales, reviews and approves all projects with a high risk profile in excess of EUR 2.5 million and all other projects with a value in excess of EUR 5.0 million. Very large proposals are reviewed by the Supervisory Board as well.

During the execution phase, project control procedures are in place and risks and risk mitigation measures are discussed during regular monthly performance review sessions as well as in specific project control reviews. A thorough project risk management and control framework in combination with a disciplined way of working are prerequisites for our Controlled Growth program that aims at improving the revenues, added value and margins of our services by accepting more responsibility in projects and contracts.

### Salary and wage costs

As a technical service provider, Stork employs a large number of employees. To ensure flexibility in labor costs, part of the work is sub-contracted and flexible labor is also employed through agencies. Despite the partly flexible workforce, we are not always able to react immediately to fluctuations in demand.

In 2014, Stork spent EUR 597 million on salaries and subcontracting, which represents around 40% (2013: 40%) of revenue. Salaries and wages are generally negotiated on an annual basis. Contracts do not always allow Stork to charge cost fluctuations. We use our local market leadership to pass on structural increases. Historically, the company has been able to pass on the fluctuations in salaries and wages to its customers, albeit with a certain delay, which may lead to short-term impacts on the financial performance.

### Warranty and liability exposure

Stork operates and maintains complex installations which could be affected by errors or failures. This is particularly a risk with new or upgraded services as strict quality control procedures could fail to test for all possible conditions of use of these services. Stork has stringent development and

testing criteria and procedures for new services and products. In 2014, our warranty costs amounted to EUR 0.1 million, (2013: EUR 0.3 million). Insurance coverage mitigates the financial risks of warranty and liability.

## FINANCIAL RISKS

The main financial risks are described in this paragraph. Detailed descriptions and sensitivity analyses of these identified risks are disclosed in note 24 of the Group Financial Statements.

### Financing and liquidity

Stork's financing position is assessed regularly to ensure sufficient capital for financing seasonal working capital requirements as well as long-term growth. Stork's main sources of financing are the EUR 272.5 million senior secured notes, the multi-currency EUR 110 million committed revolving credit facility and the EUR 71.6 million of bank facilities in Colombia. The notes and the revolving credit facility will both mature in 2017. These financing facilities provide Stork with sufficient headroom and flexibility to facilitate the (seasonal) funding requirements and provide a solid base for future growth. Compliance with the financial covenants of the revolving credit facility is critical as non-compliance would result in a possible cancellation of the facility and drawn amounts might become due and payable immediately. At the end of the year, the company was well within the financial ratios agreed with its lenders, with a net debt level of EUR 303.3 million and a leverage ratio of 3.8. Liquidity is ensured at all times by maintaining sufficient cash on bank accounts and available committed credit facilities. At year-end, available liquidity amounted to EUR 125.5 million, of which EUR 37.8 million is related to standalone banking facilities for our operations in Colombia. The remaining EUR 87.7 million is available for the entire Group and consists for EUR 13.1 million of cash and bank balances and for EUR 74.6 million of undrawn bank facilities. During 2014, the available liquidity was positively influenced by reducing the amount of bank guarantees issued under the revolving credit facility by EUR 9.9 million to EUR 14.4 million.

### Foreign currencies

Stork operates internationally and uses the Euro as its reporting currency. In 2014, approximately 54% (2013: 54%) of revenue was denominated in currencies other



than the Euro. The translation risk of non-euro results to the Euro is the most significant currency risk. In particular, currency fluctuations of the Pound Sterling and the Colombian Peso could materially affect the company's results. Translation risks are not hedged but are minimized to the extent possible by using natural hedges. Stork has defined clear policies regarding transactional foreign exchange exposures. To limit the short-term impact of currency fluctuations, transactional exchange risks are hedged by forward currency transactions when the exposure is above specific thresholds.

### Interest rates

Interest exposure is related to the EUR 272.5 million senior secured notes and drawn amounts under the EUR 110 million committed revolving credit facility and the EUR 71.6 million (denominated in COP) facilities in Colombia. Stork pays a fixed interest rate of 11.0% on the notes and variable interest rates on the other facilities based on interbank offered rates plus margin. The margin on the revolving credit facility is determined quarterly based on the reported debt cover ratio and was 4% during 2014. Our independent auditor performs certain agreed upon procedures on the covenant calculations at year-end. The independent auditor uses the audited figures as the basis for the procedures performed. As Stork is only partly exposed to interest rate fluctuations due to the fixed interest rate on the notes, this exposure to changes in interest rates is not hedged to a fixed rate basis.

### Credit risks

Stork has strict procedures regarding credit and payment terms, which include credit limits, approval procedures, continuous monitoring of the credit exposure, collection procedures in case of delays, and requesting prepayment

for larger orders. The majority of our customers are large multinationals with a reliable payment history. Credit risks are not hedged by means of credit insurance or credit derivatives. In 2014, impairment charges for doubtful debts amounted to EUR 1.0 million (2013: EUR 2.5 million) representing less than 0.1% of revenue. On the balance sheet date, 10.7% of trade receivables were more than 30 days overdue compared to 10.6% in 2013.

### Pensions

Stork operates several pension plans in accordance with local regulations and conditions. The majority of these plans are in the Netherlands. In October 2011, the Dutch Stork operating companies, the Stichting Pensioenfonds Stork and the industry pension fund Stichting Pensioenfonds voor de Metalelektro (PME) reached an agreement on the transfer of all pension commitments and most of the early retirement commitments from Stichting Pensioenfonds Stork to PME as of 1 January 2012. This multi-employer plan administered by PME is accounted for as a defined contribution plan. The total cost for the Dutch Stork operating companies as a result of the agreements concluded in 2011 amounted to EUR 52.4 million on a discounted basis. In 2011-2014, an amount of EUR 48.6 million was paid to Stichting Pensioenfonds Stork and PME. The remaining amount of EUR 6.2 million is included in the employee benefits liability and is payable in 2015.

After the transfer, the only remaining liability of the Dutch Stork operating companies relates to the contribution of the annual pension premiums and the early retirement plans, which were not transferred to the PME, consisting of early retirement rights granted in the past in excess of the basic rights as defined in the Central Labor Agreement of the Dutch metal industry. This early retirement scheme has been closed since 2012. The remaining discounted value of the early retirement liability of EUR 10.6 million is included in the employee benefits liability and is payable in the years 2015-2020. The only remaining defined benefit plans are in Belgium and Germany.

Please see note 23 (see page 91) of the Group Financial Statements for further information.





# CORPORATE GOVERNANCE

## COMPANY & LEGAL GROUP STRUCTURE

Stork is a limited liability company according to Dutch Law, with its corporate seat in Amsterdam, the Netherlands. Stork applies the two-tier board regime. The company is managed by a Board of Management, consisting of two members, under supervision of a Supervisory Board. The Board of Management requires Supervisory Board approval for certain important decisions. Approval of the General Meeting of Shareholders is necessary for important changes in the identity or character of the company or the business.

The shares in Stork are held indirectly by funds managed by Arle Capital Partners, Eyir Invest and (former) management. London Acquisition Luxco S.a.r.l. is the ultimate parent company of Stork. The main 100% owned subsidiaries and subsidiaries with a non-controlling interest are disclosed in note 41 (see page 105).

There were no significant changes in the governance structure during 2014.

## COMPLIANCE WITH THE DUTCH CORPORATE GOVERNANCE CODE

As Stork is not a listed company, the Dutch Corporate Governance Code ('Code') is not applicable to Stork. However, Stork has decided to pursue voluntary compliance with the Code to the extent possible and appropriate and compatible with the control and corporate structure of the Company and in the interest of its stakeholders. The vast majority of principles and best practices of the Code have been incorporated in the company's Articles of Association, the Supervisory Board Regulations and the Board of Management Regulations. Stork thus endorses the importance of good corporate governance. The main deviations from the Best Practices of the Code are the following:

- Response time to shareholders, Supervisory Board notification in the case of an acquisition bid; principles in respect of the (General Meeting of) Shareholders and information provision/logistics regarding the General meeting (Best Practice II.1.9-11 and IV). These best practice provisions are not applicable due to the fact that the company is not a listed company.

- Remuneration of individual members of the Board of Management and other important provisions in their employment contracts are not published (Best Practice II 2.12-15).
- Several Supervisory Board members are not independent (Best Practice III.2.1). Further reference is made to the composition of the Supervisory Board and the Report of the Supervisory Board.
- For practical purposes, the Remuneration Committee and the Selection and Appointment Committee have been combined into the Remuneration Committee. (Best Practice III.5).
- Stork does not apply certain sections and or provisions of the Code that are not applicable to Stork because of the nature of its organization and business.

## BOARD OF MANAGEMENT

The Board of Management of Stork is responsible for the management of Stork, which also means that it is responsible for executing strategy, achieving the company's targets and managing the risks inherent to the business activities. The Board of Management is guided by the interests of Stork as a whole, taking into consideration the relevant interests of all of Stork's stakeholders. The Board of Management is responsible for complying with all relevant laws and regulations. In accordance with the Articles of Association, the Board of Management and the Supervisory Board regulations, a number of important resolutions of the Board of Management must be submitted to the Supervisory Board for prior approval, this includes in any case (but not limited to):

- the operational and financial objectives;
- the adoption of the annual budget;
- the strategy designed to achieve these objectives;
- any high risk and/or major transactions and/or projects beyond a certain threshold;
- mergers, acquisitions and partnerships of a strategic and long-term nature.

The composition of the Board of Management for the year under review is as follows:

- A. Steenbakker (CEO and Chairman of the Board of Management, as of 1 July 2013)
- W.H.J.C.M. Oomens (CFO and Member of the Board of Management, as of 11 February 2013)

## SUPERVISORY BOARD

The Supervisory Board of the company was instituted at the Group level of Stork Technical Services Group B.V. The Supervisory Board has, inter alia, the task of supervising the general course of affairs of Stork and the business connected with it and therefore bears supervising responsibility for Stork and its subsidiaries. The Supervisory Board has appointed two committees: the Audit Committee, which comprises two Supervisory Board members, and the Remuneration Committee, which comprises three Supervisory Board members. The topics covered in the Report of the Supervisory Board include the activities of the Supervisory Board and its committees during the year under review. The current composition of the Supervisory Board is as follows:

- H.Th.E.M. Rottinghuis (Chairman)
- T.M.G. Corrin (Vice Chairman)
- F.J. Abad
- Th. Magnússon
- Ph.P.F.C. Houben
- U. della Sala

The composition of the Supervisory Board was subject to changes in the year under review. Reference is made to the Report of the Supervisory Board (see page 52)

### Composition of the Supervisory Board

Supervisory Board Members	Succeeded by	Year of Birth	Appointed	Appointed until/resigned on
H.Th.E.M. Rottinghuis (Chairman)	-	26 January 1956	December 2012	December 2016
N.I. Stoesser (Vice Chairman)	-	6 July 1974	December 2012	October 2014
-	F.J. Abad	30 March 1962	October 2014	October 2018
Th. Magnússon	-	15 May 1949	December 2013	December 2017
T.M.G. Corrin	-	2 April 1969	October 2013	October 2017
C.J. van den Driest	-	22 November 1947	December 2012	March 2014
-	U. della Sala	4 April 1948	March 2014	March 2018
Ph.P.F.C. Houben	-	9 June 1950	December 2012	December 2016

**Composition of the Remuneration Committee**

Utrecht, 19 March 2015

Members	Appointed
N.I. Stoesser (Chairman)	January 2013 (resigned October 2014)
T.M.G. Corrin (Chairman)	March 2014
H.Th.E.M. Rottinghuis	January 2013
C.J. van den Driest	January 2013 (resigned March 2014)
U. della Sala	March 2014
Ph.P.F.C. Houben	March 2014

**A. Steenbakker**, CEO and Chairman of the Board of Management**W.H.J.C.M. Oomens** CFO and Member of the Board of Management**Composition of the Audit Committee**

Members	Appointed
N.I. Stoesser (Chairman)	January 2013 (resigned October 2014)
T.M.G. Corrin (Chairman)	August 2014
H.Th.E.M. Rottinghuis	January 2013
U. della Sala	October 2014

**CONSULTATIONS WITH THE GROUP WORKS COUNCIL**

The Board of Management works together closely with the Central Works Council in the Netherlands, which meets formally every two months. The Executive Vice President Human Resources was present at all formal meetings with the Central Works Council as the representative of the Board of Management. The Chief Executive Officer and the Chief Financial Officer attended the meetings to provide an update on the current (financial) performance and strategic development of Stork. In addition, once every two months, regular meetings were held between the Chairman, Vice Chairman and Secretary of the Central Works Council with the Executive Vice President Human Resources. The Central Works Council, the trade unions and Stork agreed to several important measures for Stork in 2014.





# REPORT OF THE SUPERVISORY BOARD

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# REPORT OF THE SUPERVISORY BOARD



Supervisory Board March 2014, from left to right: T.M.G. Corrin; Th. Magnússon; H.Th.E.M. Rottinghuis (Chairman); Ph.P.F.C. Houben; F.J. Abad; U. della Sala.

The Financial Statements, as prepared by the Board of Management, were audited by the external Auditor, KPMG Accountants N.V. ('KPMG') and submitted to the shareholder for adoption.

The Financial Statements, the External Auditor's Report and the proposal of the Board of Management on the appropriation of the result were provided to all members of the Supervisory Board in good time.

The Audit Committee discussed the Financial Statements and the independent auditor's report. In addition, The Audit Committee discussed the report from KPMG and its findings relating to the evaluation of the company's accounting procedures and system of internal control necessary within the scope of the audit. The auditor considers the internal controls relevant for preparations and fair presentation of the financial statements. The audit also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. The auditor expressed that the audit evidence obtained is sufficient and appropriate to provide the basis for their audit opinion.

The Supervisory Board undertook a detailed review of the Financial Statements and the Independent Auditor's Report (see page 107), and discussed this in the plenary session of the Supervisory Board meeting of 19 March

2015 with the Board of Management in the presence of KPMG. KPMG has issued the External Auditor's Report with an unqualified opinion.

After consultation with the Board of Management, we propose not to distribute any dividends this year and to charge the net loss attributable to the stakeholders of EUR 20.3 million to the reserves. We advise the shareholder to adopt these Financial Statements.

## GENERAL

The year 2014 was characterized by a strong recovery of the results, confirming the upward trend started in the second half of the previous year. The robust performance of the company was maintained throughout the year and was sustained by awards for major long-term maintenance contracts as well as major projects, which led to a good and solid overall result. The market circumstances that the company operates in have improved in several of our businesses, while other parts of our business still faced challenging market conditions and corresponding pressure on margins. The order book is healthy, costs were tightly controlled, operational processes were revised and improvements implemented to strengthen control of operational risks, resulting in a substantial reduction of non-recurring expense items and solid results. The reorganization program (mainly resulting in a decrease in indirect costs) as adopted by the Board of Management in 2013 was executed successfully in 2014 with savings realized ahead of plan. In the second part of 2014, dropping oil prices resulted in uncertainty in the Oil & Gas sector. However, the maintenance, modification and asset integrity market is less vulnerable to the drop in oil prices. Although, in some businesses the first signals of a decrease in investments in the Oil & Gas sector are noticeable, creating uncertainty. The Supervisory Board expresses its confidence that the Board of Management will execute the plans made in 2014 properly, which will contribute to controlled growth. The Supervisory Board is confident that the Board of Management has created the conditions and has implemented the right controls to ensure that the company is in a good position to deliver on its objectives for the future despite challenging market circumstances.

In this report, the Supervisory Board renders account with regard to its supervisory role in accordance with the Articles of Association, the Supervisory Board Regulations,



the law and other applicable regulations, and explains how it has fulfilled its duties, task and responsibilities.

The Supervisory Board has the task to supervise the policy of the Board of Management and the general course of affairs of the company and the business connected with it, by keeping the interest of all stakeholders in mind. The Supervisory Board supports the Board of Management with advice. It aims to play an active role, participating in the decision-making process and advising the Board of Management on key matters such as strategic processes, important operational decisions, organizational structure and senior management development.

## SUPERVISORY BOARD MEETINGS

The Supervisory Board is composed of six members (including the Chairman). Three of the Supervisory Board members are independent in the meaning of the Dutch Corporate Governance Code, and three qualify as dependent.

During the year under review, the Supervisory Board supervised the Board of Management's policy and the general conduct of affairs within Stork in six regular meetings in accordance with a preset schedule. The Audit Committee met three times and the Remuneration Committee met three times (including an additional meeting in December). All of the Supervisory Board meetings were attended by all members of the Supervisory Board with the exception of only three absences in the following meetings:

- 14 August 2014, due to conflicting appointments of the absent member,
- 30 October 2014, which the absent member joined by telephone,
- 18 December 2014 due to conflicting appointments of the absent member.

Furthermore, all meetings were attended by the Board of Management, the Company Secretary and an observer on behalf of one of the company's investors.

Two Supervisory Board members participated in several consultation meetings with the Central Works Council as well as several informal meetings. Further reference is

made to the Corporate Governance section (see page 47) in this regard.

One Supervisory Board meeting was spread over two days in August enabling the Supervisory Board to combine the meeting with two site visits at Sneek (NL), where the company has its turbo blading activities, and at a customer site in Norg (NL) where the company provides industrial services within the gas storage expansion program. At both sites, the local management presented a business review to the Supervisory Board and the Supervisory Board took a tour of the facilities on site.

In between meetings, there has also been contact between individual members of the Supervisory Board and members of the Board of Management. The Chairman of the Supervisory Board and the Chairman of the Board of Management held regular meetings by telephone and in person.

In each regular meeting, the Board of Management reported on current business developments and the chairmen of the Supervisory Board committees informed the plenum about the activities of the committees that they chair. Other key topics covered in the Supervisory Board meetings were furthermore:

- HSSEQ, with safety as the company's number one priority;
- The actual operational and financial state of affairs compared to the budget;
- Financing (covenants), liquidity and working capital;
- The budget for 2015;
- IT infrastructure;
- Sales excellence program;
- Capital expenditure (for the period ahead submitted for approval);
- Strategy and Market developments including competitor analysis;
- (The evaluation of possible) acquisitions, divestments, joint ventures, strategic alliances;
- Internal control, risk management and compliance matters;
- Major (risk) projects (update of current risk projects or approval of new major projects);
- organizational structure and the functioning and remuneration of the Board of Management as well as the group of senior managers reporting to the Board of Management;

- Relevant social aspects of business operations more specifically related to the reorganization;
- The Supervisory Board's composition and profile;
- The remuneration and targets of the Board of Management;
- The nomination of new candidates for the Supervisory Board to the Shareholder (see below);
- An update of any side activities of the Supervisory Board members (with respect to potential conflicting interests);
- The annual self-assessment and evaluation of the Supervisory Board and the Board of Management.

Almost all of the subjects covered were discussed on the basis of explanatory memoranda and/or presentations by the Board of Management. Furthermore, several members of the Management Team and Directors were invited in person to the Supervisory Board meetings to give a presentation in their area of responsibility. On numerous occasions outside the regular meetings the Supervisory Board had the opportunity to (informally) meet with senior management of the company.

## REMUNERATION COMMITTEE

The responsibilities of the Remuneration Committee, please refer to the Corporate Governance section (see page 47) for its composition, include:

- Determining the remuneration structure and policies, and assessing their cost, including pension arrangements for executives;
- Overseeing the operation of the company's short-term and long-term incentive plans as they relate to executives, including the approval of awards, setting of performance criteria and determining any vesting;
- Determining contractual notice periods and termination commitments and setting any retention and termination arrangements for executives.

The Remuneration Committee is committed to ensuring that the remuneration policy and practises reflect, to the extent practicable, corporate governance guidelines on executive remuneration.

The Remuneration Committee is supported by executives and members of senior management who regularly attend meetings to provide information as requested by the

Committee. These included Mr. A. Steenbakker, Chief Executive Officer of the Company, and Mr. I.J.H. Vermeulen Executive Vice President Human Resources of the company. The attendees mentioned above were not present when matters associated with their own remuneration were considered.

The Remuneration Committee convened four times during 2014. It fulfilled its responsibilities as set out in the terms of reference for the Remuneration Committee. Its duties included, in particular:

- Reviewing and determining base salary increases for 2014 for the executives;
- Reviewing and determining threshold and performance targets for 2014 and insofar as applicable for 2015;
- Reviewing actual performance in relation to these targets as well as determining the 2015 financial targets.

In the November 2014 meeting, the Committee reviewed and determined the severance payments for two executives, who were part of Stork's Management team.

## THE AUDIT COMMITTEE

The Audit Committee, please refer to the Corporate Governance section (see page 47), convened three times in 2014 to discuss the quarterly, half year and full year figures. The Audit Committee monitors the accounting as well as the functionality and effectiveness of the internal risk management and control system, in particular on project management. There were no material weaknesses identified in 2014. The Audit Committee is of the opinion that further substantial improvements have been made with respect to risk management and control. All meetings were attended by the Board of Management. The External Auditors were invited to each meeting to discuss their observations and give their professional opinion. Except for the meeting of 30 October 2014, all meetings were attended by the company's External Auditor. Other items on the agenda were inter alia:

- The quarterly results and financial statements;
- The findings of the External Auditors;
- The Management Letter and External Auditor's report;
- Press releases on subjects relating to finance and investors;
- Internal risk management and control;

- Capital expenditure;
- The tax position of the company and tax-related items;
- Legal proceedings and provisions;
- Regulatory and compliance issues;
- Appointment of an additional member of the Supervisory Board to the Audit Committee;
- The independence and rotation of the lead partner of the External Auditor.

There were no reasons to doubt the independence of the external auditor. The external auditor and the Audit Committee also discussed the rotation requirements for reasons of independency. In 2014 the leading partner of KPMG was succeeded in line with the rotation requirements.

In October 2014, Supervisory Board member Umberto della Sala was appointed as the third member of the Audit Committee.

A number of matters of (possible) non-compliance with (internal) laws and regulations were reported to the Audit Committee pursuant to internal compliance procedures. These matters have been thoroughly investigated and – where necessary- corrective measures have been taken. The cases reported do not expose the Company to material financial or reputational risk. One potential conflict of interest arose with respect to a member of the Supervisory Board, which was adequately disclosed and dealt with. There are no other conflicts of interests to be disclosed by the Board of Management or the Supervisory Board.

All minutes of the meetings of the Audit Committee were shared with all Supervisory Board members in a regular meeting of the Supervisory Board and the chairman of the Audit Committee explained in each subsequent meeting of the Supervisory Board what was discussed and resolved upon in the Audit Committee.

## SELF-ASSESSMENT AND PROFILE

The Supervisory Board and its committees conducted a self-assessment of their activities with respect to the year under review. This assessment was conducted by means of completing a comprehensive questionnaire, which was analyzed by a delegated Supervisory Board member and which was discussed in the closed session of the

Supervisory Board on 18 December 2014 together with an assessment of the functioning of the Board of Management. The completion of the questionnaires by the members of the Supervisory Board confirmed the consistency and the quality of the Supervisory Board's activities within the Supervisory Board as well as the good relationship with the Board of Management. Suggestions for further improvement will be taken up in 2015.

The Supervisory Board also reviewed and discussed the existing profile for the Supervisory Board members in connection with the appointment of two new supervisory board members (see below). In view of the envisaged vacancy for Supervisory Board member Carel van den Driest, a specific search was conducted for a candidate with project experience in the industry. The Supervisory Board's current size, composition and the range of experience and competencies of its members are appropriate in view of the nature and size of Stork.

The Supervisory Board strives for diversity, also in terms of gender and age, in seeking to achieve a desired balance in its composition. However, the appointment and reappointment of board members is restricted by the number of available candidates with the right competencies. The required expertise and experience of the candidates are decisive in this respect. Therefore, Stork does not strictly follow the recommendations of Book 2, Section 276, subsection 2 of the Dutch Civil Code regarding an explicit target on gender diversity and has not formulated explicit targets in that respect. As the Supervisory Board is well aware of the need to address the issue of gender diversity at the highest level, the Supervisory Board discussed a written request of the Ministry of Education, Culture and Science, Jet Bussemaker, to nominate females for a 'top women database' in its meeting of 27 January 2015, and what Stork can do internally to promote diversity.

## BOARD OF MANAGEMENT AND SUPERVISORY BOARD MEMBERS

There were no changes in the composition of the Board of Management in the year under review. The appraisal of the members of the Board of Management was conducted by the Chairman of the Supervisory Board and the Chairman of the Remuneration Committee.



In the year under review, the Supervisory Board was subject to a few changes in its composition. Carel van den Driest stepped down as of 20 March 2014. Umberto della Sala was appointed by the shareholder as of that date for a term of four years. Nils Stoesser stepped down as of October 2014 and was replaced by Javier Abad who was appointed 30 October 2014 for a term of four years. All of the Supervisory Board members who stepped down did so voluntarily. All appointments to the Supervisory Board were communicated in good time to the Central Works Council which did not exercise its right of recommendation, in accordance with the Articles of Association of the Company and the Dutch Civil Code.

The Supervisory Board would like to thank all the employees of the company for their contribution and continuing dedication in 2014 and expresses its gratitude to the Board of Management for its convincing and decisive leadership in the successful year 2014. The Supervisory Board would also like to thank our investors for continuing to support investments that enable the company to further enhance its capabilities for its customers in the years ahead.

## **ADOPTION OF THIS SUPERVISORY BOARD REPORT**

The Supervisory Board adopted this report in its meeting on 19 March 2015.

**On behalf of the Supervisory Board,**

### **Henk Rottinghuis**

Chairman of the Supervisory Board  
Utrecht, 19 March 2015

Composition of the Supervisory Board as of 19 March 2015:

- H.Th.E.M. Rottinghuis (Chairman)
- T.M.G. Corrin (Vice-Chairman)
- U. della Sala
- Th. Magnusson
- Ph.P.F.C. Houben
- F.J. Abad









# FINANCIAL STATEMENTS

## 2014

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## CONSOLIDATED INCOME STATEMENT

(in EUR million)	Note	2014	2013 <sup>1</sup>
Revenue	<b>4</b>	1,492.3	1,441.1
Cost of sales	5,6	(1,312.8)	(1,280.5)
<b>Gross profit</b>		<b>179.5</b>	<b>160.6</b>
Sales costs	5,6	(27.3)	(28.8)
General and administrative expenses	5,6	(126.1)	(141.1)
<b>Overhead expenses</b>		<b>(153.4)</b>	<b>(169.9)</b>
<b>Operational result</b>		<b>26.1</b>	<b>(9.3)</b>
Financial income	<b>9</b>	1.7	2.0
Financial expense	<b>10</b>	(48.7)	(47.5)
<b>Net finance expense</b>		<b>(47.0)</b>	<b>(45.5)</b>
Share of profit (loss) of associates	<b>14</b>	2.3	(0.2)
<b>Result before tax</b>		<b>(18.6)</b>	<b>(55.0)</b>
Income tax	<b>11</b>	1.5	(2.4)
<b>Result for the year</b>		<b>(17.1)</b>	<b>(57.4)</b>
<b>Attributable to</b>			
Equity holders of the company		(20.3)	(57.6)
Non-controlling interest	<b>25</b>	3.2	0.2
<b>Result for the year</b>		<b>(17.1)</b>	<b>(57.4)</b>

<sup>1</sup> A total amount of EUR 3.3 million has been adjusted from sales costs and general and administrative expenses to cost of sales for comparison purposes. This relates to production support costs.



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(in EUR million)	2014	2013
<b>Result for the year</b>	<b>(17.1)</b>	<b>(57.4)</b>
<b>Other comprehensive income (loss)</b>		
<b>Items that will never be reclassified to profit and loss</b>		
Actuarial gains and losses (net of tax)	(3.0)	-
<b>Items that are or may be reclassified to profit and loss</b>		
Foreign currency translation differences for foreign operations	16.3	(13.0)
<b>Other comprehensive income (loss) for the year (net of tax)</b>	<b>13.3</b>	<b>(13.0)</b>
<b>Total comprehensive income (loss) for the year</b>	<b>(3.8)</b>	<b>(70.4)</b>
<b>Total comprehensive income (loss) attributable to:</b>		
Equity holders of the company	(7.0)	(70.6)
Non-controlling interest	3.2	0.2
<b>Total comprehensive income (loss) for the year</b>	<b>(3.8)</b>	<b>(70.4)</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in EUR million)	Share capital	Share premium	Legal reserve	Retained earnings	Total equity attributable to equity holders of the company	Non-controlling interest	Total equity
<b>Balance as at 31 December 2012</b>	-	<b>511.1</b>	<b>6.5</b>	<b>(52.0)</b>	<b>465.6</b>	<b>(0.2)</b>	<b>465.4</b>
Result for the year	-	-	-	(57.6)	(57.6)	0.2	(57.4)
Other comprehensive income (loss) for the year	-	-	(13.0)	-	(13.0)	-	(13.0)
Non-controlling interest movement	-	-	-	-	-	0.4	0.4
<b>Balance as at 31 December 2013</b>	-	<b>511.1</b>	<b>(6.5)</b>	<b>(109.6)</b>	<b>395.0</b>	<b>0.4</b>	<b>395.4</b>
Share premium	-	6.5	-	-	6.5	-	6.5
Result for the year	-	-	-	(20.3)	(20.3)	3.2	(17.1)
Other comprehensive income (loss) for the year	-	-	16.3	(3.0)	13.3	-	13.3
Non-controlling interest movement	-	-	-	(0.4)	(0.4)	(0.4)	(0.8)
<b>Balance as at 31 December 2014</b>	-	<b>517.6</b>	<b>9.8</b>	<b>(133.3)</b>	<b>394.1</b>	<b>3.2</b>	<b>397.3</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in EUR million)	Note	2014	2013
<b>Assets</b>			
Property, plant and equipment	12	130.1	127.9
Goodwill	13	526.2	518.3
Intangible assets	13	52.3	62.2
Investments in and loans to associates	14	2.7	0.7
Deferred tax assets	11	9.3	2.7
<b>Non-current assets</b>		<b>720.6</b>	<b>711.8</b>
Inventories	15	25.0	25.1
Construction contracts in progress - due from customers	16	114.8	100.8
Trade and other receivables	17	215.2	226.8
Current tax assets		17.6	12.8
Cash and cash equivalents	18	26.5	68.4
<b>Current assets</b>		<b>399.1</b>	<b>433.9</b>
<b>Total assets</b>		<b>1,119.7</b>	<b>1,145.7</b>
<b>Equity</b>			
Share capital	19	-	-
Share premium	19	517.6	511.1
Legal reserve	19	9.8	(6.5)
Retained earnings	19	(133.3)	(109.6)
<b>Total equity attributable to equity holders of the company</b>		<b>394.1</b>	<b>395.0</b>
Non-controlling interest	19	3.2	0.4
<b>Total equity</b>		<b>397.3</b>	<b>395.4</b>
<b>Liabilities</b>			
Loans and borrowings	20	301.3	334.9
Employee benefits	23	31.5	33.0
Provisions	22	8.8	10.6
Deferred tax liabilities	11	7.3	9.5
<b>Non-current liabilities</b>		<b>348.9</b>	<b>388.0</b>
Construction contracts in progress - due to customers	16	42.7	39.8
Trade and other payables	21	280.9	287.0
Employee benefits	23	6.1	5.8
Current tax payable		3.2	3.3
Bank overdraft	18	-	10.4
Loans and borrowings	20	28.5	2.8
Provisions	22	12.1	13.2
<b>Current liabilities</b>		<b>373.5</b>	<b>362.3</b>
<b>Total Equity and Liabilities</b>		<b>1,119.7</b>	<b>1,145.7</b>



## CONSOLIDATED STATEMENT OF CASH FLOWS

(in EUR million)	Note	2014	2013
<b>Cash flow from operating activities</b>			
Result before tax		(18.6)	(55.0)
Adjustments for:			
Depreciation and impairment of property, plant and equipment	12	35.1	30.4
Amortization and impairment of intangible assets	13	10.5	11.5
Share of loss (profit) of associates	14	(2.3)	0.2
Financial income and expenses (net)	9,10	47.0	45.5
Changes in provisions	22,23	(10.0)	(12.7)
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation):			
- Inventories	15	0.6	(3.9)
- Trade and other receivables	17	4.7	(4.7)
- Trade and other payables	21	(3.9)	43.3
<b>Cash generated from operations</b>		<b>63.1</b>	<b>54.6</b>
Financial instruments	9,10	(0.4)	-
Interest paid	10	(42.1)	(47.5)
Income tax paid	11	(12.6)	(15.4)
<b>Net cash generated from (used in) operating activities</b>		<b>8.0</b>	<b>(8.3)</b>
<b>Cash flow from investing activities</b>			
Interest received	9	0.8	2.0
Dividends received	14	0.1	-
Proceeds from sale of property, plant and equipment	12	2.0	5.8
Investments in property, plant and equipment	12	(28.4)	(33.6)
Investments in intangible assets	13	(0.5)	(0.7)
Non-controlling interest movement		(0.8)	0.4
Sale of subsidiaries and associates, net of cash		-	10.2
<b>Net cash used in investing activities</b>		<b>(26.8)</b>	<b>(15.9)</b>
<b>Cash flow from financing activities</b>			
Share premium		6.5	-
Change in RCF facility	20	(31.8)	51.9
Change in bank overdraft		(10.3)	0.3
Proceeds from loans	20	10.7	-
Repayments of loans	20	-	(3.7)
<b>Net cash from (used in) financing activities</b>		<b>(24.9)</b>	<b>48.5</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(43.7)</b>	<b>24.3</b>
<b>Cash and cash equivalents at 1 January</b>		<b>68.4</b>	<b>44.7</b>
Exchange rate and translation differences on cash and cash equivalents		1.8	(0.6)
<b>Cash and cash equivalents at 31 December</b>		<b>26.5</b>	<b>68.4</b>

## EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 GENERAL

#### 1.1 General

Stork Technical Services HOLDCO B.V. (further referred to as 'Stork' or 'the Company'), a private company with limited liability, was founded on 24 May 2012. Stork has its statutory seat in Amsterdam, the Netherlands. Its head office is located in Utrecht. The address of its registered office is van Deventerlaan 101 3528 AG in Utrecht (The Netherlands). Stork Technical Services Group B.V. is the Company's immediate parent and London Acquisition Luxco S.a.r.l. is the ultimate parent company of Stork. The consolidated financial statements of Stork as at and for the year ended 31 December 2014 comprise Stork and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in associates and jointly controlled entities.

The Group is a global provider of knowledge-based asset integrity services focusing on the Oil & Gas, Chemical and Power sectors and is dedicated to improving asset integrity for its customers throughout the asset lifecycle.

The company financial statements form part of the 2014 financial statements of Stork Technical Services HOLDCO B.V. For the company income statement of Stork Technical Services HOLDCO B.V. use is made of the exemption pursuant to Section 2:402 of Book 2 of the Netherlands Civil Code.

#### 1.2 Basis of preparation

##### a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and with Title 9 Book 2 of the Dutch Civil Code. The consolidated financial statements were authorised for issue by the Board of Management on 19 March 2015.

##### b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following assets and liabilities, which are measured at fair value:

- derivative financial instruments,
- financial instruments at fair value through profit or loss,
- available-for-sale financial assets and
- plan assets associated with defined benefit plans.

##### c) Functional and presentation currency

The consolidated financial statements are presented in Euros, which is the Company's functional currency. All financial information presented in Euros has been rounded to the nearest million, except when otherwise indicated.

The Euro is the functional and presentation currency of Stork.

##### d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the specific circumstances. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in note 31.

##### e) New and amended standards adopted by the Group *IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other entities (2011)*

IFRS 10 introduced a single control model to determine whether an investee should be consolidated. Under IFRS 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting. IFRS 12 brought together into a single standard all the disclosure requirements about the nature, risks and financial effects of an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group assessed the structure of its joint ventures and joint arrangements and concluded that the accounting method had to be changed for a number of consortia in Colombia. For one consortium proportional consolidation is no longer allowed and it is now accounted for in accordance with the equity method. Stork is in a controlling position with respect to two consortia and these are therefore now fully consolidated, whereby the result of the non-controlling partners is recognized as a non-controlling interest. The above changes did not have an effect on the equity and the result of the Company and did not have a material effect on the consolidated financial statements and disclosures.

##### f) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2014 and not yet adopted

A number of new standards, amendments to standards and interpretations effective for annual periods beginning after 1 January 2014 have not been applied in preparing

these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

#### **IFRS 9 Financial Instruments**

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. 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 assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group has yet to assess the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

#### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The Group has yet to assess the potential impact on its consolidated financial statements resulting from the application 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 Group.

## **2 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been consistently applied by all subsidiaries and associates (equity-accounted investees) to the period presented in these consolidated financial statements.

### **2.1 Consolidation principles**

#### **a) Business combinations**

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus

- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

#### **b) Subsidiaries**

Subsidiaries are entities controlled by Stork. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### **c) Non-controlling interests**

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

#### **d) Loss of control**

Upon loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising upon loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, that retained interest is accounted for as an equity-accounted investee or as an available for sale financial asset depending on the level of influence retained.

#### **e) Interests in associates and joint ventures (equity accounted investees)**

Associates are those entities in which Stork has significant influence on the financial and operational policies but does not have control or joint control. Significant influence is presumed to exist when the Group holds between 20 and 50 per cent of the voting power of another entity. A



joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs.

The Group's investment in associates includes goodwill as identified on acquisition, net of any cumulative impairment losses.

The consolidated financial statements include the Group's share in the total result and the movements in equity of associates and joint ventures (equity accounted investees), after adjustments to align the accounting policies with those of the Group, from the date on which Stork first held a significant influence or joint control until the date that significant influence or joint control ceases.

When Stork's share of losses exceeds the carrying amount of the associate or joint venture (equity-accounted investee), the carrying amount of the investment, including any long-term interests that form a part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that Stork has an obligation or has made payments on behalf of the investee.

#### **f) Joint operations**

A joint operation is an arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. Each party to a joint operation accounts for its share of the joint operation's assets, liabilities, revenue and expenses in accordance with the contractual arrangement.

#### **g) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealized income and costs arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized profits arising from transactions with associates (equity accounted investees) and jointly controlled entities are eliminated to the extent of the interest held by Stork in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

#### **h) Common control transactions**

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls Stork are accounted for as if the acquisition had occurred at the beginning of the period as presented. The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the Group controlling shareholder's consolidated financial

statements. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognized as part of the share premium. Any cash paid for the acquisition is recognized directly in equity.

## **2.2 Segment reporting**

Operating segments are components of the Company's business activities for which separate financial information is available that is evaluated regularly by the chief operating decision-maker. Segment results that are reported to the chief operating decision-maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

## **2.3 Foreign currency**

### **Foreign currency transactions and translation**

Transactions in foreign currencies are translated into Euro at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Euro at the exchange rates at that date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into Euros at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in the income statement, except for a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective, or qualifying cash flow hedges to the extent that the hedge is effective, which are recognized directly in other comprehensive income.

The main currencies used by Stork are the Euro, Colombian Peso (COP), US Dollar (USD) and Pound Sterling (GBP). A summary of the exchange rates applied in the year under review is included in note 24.

### **Translation of foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Euro at the foreign exchange rates applying on the reporting date. The income and expenses from foreign operations are translated into Euro at exchange rates effective at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such an item are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

## 2.4 Determination of fair values

Some of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### a) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

### b) Derivatives

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a credit-adjusted risk-free interest rate (based on inter-bank interest rates).

### c) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal

and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

## 2.5 Financial instruments

### a) Offsetting

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### b) Non-derivative financial assets

Non-derivative financial assets comprise trade and other receivables as well as cash and cash equivalents. Stork initially recognizes loans and receivables on the date that they originated. De-recognition of a financial asset takes place when the contractual rights to the cash flows from the assets expire, or it transfers the rights to receive the contractual cash flows on the financial assets in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by Stork is recognized as a separate asset or liability.

#### *Loan and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

#### *Trade and other receivables*

Trade and other receivables are recognized initially at fair value, less any directly attributable transaction costs and are subsequently valued at amortized cost, less any provisions considered necessary for doubtful debtors.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash at hand and bank balances with some major banks in Europe, the Middle East, Far East, US and Latin America, and earn floating rates of interest based on bank base rates. The cash balances are used together with bank overdrafts to manage the short-term needs and commitments of the Group.

### c) Non-derivative financial liabilities

The non-derivative financial liabilities comprise loans and borrowings, bank overdrafts and trade payables.

Stork initially recognizes financial liabilities on the trade date, which is the date that Stork becomes a party to the

contractual provisions of the instrument. De-recognition takes place when its contractual obligations are discharged, cancelled or expired.

The non-derivative financial liabilities are initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

#### **d) Derivative financial instruments**

Derivative financial instruments are initially recognized at fair value, attributable transaction costs are recognized in the income statement as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

#### ***Other non-trading derivatives***

When a derivative is not designated in a qualifying hedge relationship, all changes in its fair value are recognized in profit or loss.

## **2.6 Revenue**

### **Revenue arising from construction contracts**

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognized as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference of costs incurred compared to total expected costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

### **Service revenue**

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. When the services under a single arrangement are rendered in different reporting periods, the consideration is allocated on a relative fair value basis between the services.

### **Revenue from goods sold**

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration

received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

### **Government grants**

Grants received from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

## **2.7 Cost of sales**

Cost of sales include the direct attributable costs of producing the goods and services sold.

## **2.8 Leases**

### **Lease payments**

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability.

The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### **Determining whether an arrangement contains a lease**

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or on reassessment of the arrangement, the Group separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it

is impracticable to separate the payments reliably, then an asset and a liability are recognized for an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Group's incremental borrowing rate.

## 2.9 Financial income and expenses

Finance income comprises interest income on funds invested, dividend income and the unwinding of the discount on receivables. Interest income is recognized in profit or loss as it accrues, using the effective interest method. Dividend income is recognized in profit or loss on the date that Stork's right to receive payment is established.

Finance costs comprise interest expense on borrowings, commitment fees and unwinding of provisions. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

## 2.10 Income tax

Income tax comprises both current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to a business combination or to items recognized directly in equity or in other comprehensive income.

### Current tax

Current tax is the expected tax payable/receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable/receivable in respect of previous years.

### Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that the Group is able to control the timing of the

reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Stork is part of the Dutch fiscal unity of Stork Topco B.V. (which is not part of the Stork Group) for corporation income tax purposes. The Stork Topco B.V. fiscal unity is in a loss making position and as such no current tax is recognized with regard to the Dutch Stork entities.

Deferred tax positions relating to temporary differences of the Dutch Stork entities are recognized at the Stork level, except for the unrecognized tax losses carried forward, which are accounted for at Stork Topco B.V. The change in the recognized deferred taxes of the Dutch Stork entities is settled directly in the current account with Stork Topco B.V. and therefore not recognized in the income tax line in the consolidated income statement of Stork. Subsequently, the line income tax in the consolidated income statement solely concerns the current and deferred tax regarding the foreign Stork subsidiaries. As such, the numerical tax reconciliation of Stork as stated in note 11 relates only to the foreign income tax.

The Company made an accounting policy choice for measuring the deferred taxes of the Dutch Stork entities (except for the unrecognized tax losses carried forward) to be recognized in the financial statements of Stork.

## 2.11 Property, plant and equipment

### Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.



Cost includes expenditure that is directly attributable to the acquisition of the asset. The costs of self-constructed assets include:

- the costs of material and direct labor;
- any other directly attributable costs to bring the assets in to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalized borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in profit or loss under other operating income.

Property, plant and equipment included as a result of a business combination are initially recognized at fair value, which is based on the market value. The market value of property is the estimated value on the value date for which an immovable property can be traded between an informed buyer and a seller in an objective business transaction in which both parties act carefully and without compulsion.

#### Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. On-going repairs and maintenance are expensed as incurred.

#### Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component and taking into account any residual value. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that Stork will obtain ownership by the end of the lease term. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. The estimated useful lives for each asset category are:

Buildings	25 - 30 years
Plant and equipment	5 - 15 years
Other productive assets	3 - 11 years

Assets not used in production	10 - 30 years
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Depreciation methods, residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

#### Change in estimates

No significant changes in estimates were made during 2014.

### 2.12 Goodwill and intangible assets

#### Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented as an intangible asset. For the measurement of goodwill at initial recognition, see note 13.

#### Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

#### Intangible assets from acquisitions

Intangible assets acquired as part of a business combination are initially recognized at fair value. The fair value of acquired trade names and technology is determined using the discounted estimated royalties avoided by the ownership of said trade names or technology. The fair value of other intangible assets acquired as part of a business combination (such as customer relationships) is based on the discounted cash flow from the use and final sale of the assets. Intangible assets from acquisitions other than trade names are included in the column Other in note 13.

#### Other intangible assets

Other intangible assets acquired by Stork Technical Services are measured at cost less accumulated amortization and accumulated impairment losses.

#### Amortization

Except for goodwill and other intangible assets with an indefinite life, intangible assets are amortized on a straightline basis to profit or loss over their estimated useful lives. Amortization of other intangible assets starts as soon as the assets are ready for use.

The estimated useful lives are as follows:

Trade names, technologies and customer relations	10 - 30 years
Other intangible fixed assets	10 - 20 years

Amortisation methods, residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

Any impairment losses are recognised in profit or loss see note 13.

### 2.13 Leased assets

Leases in which Stork assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized in the statement of financial position.

### 2.14 Inventories

Inventories are measured at the lower of cost or net realizable value.

The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. Manufactured inventories include an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated sales price in the ordinary course of business, less the estimated costs of completion and selling expenses.

### 2.15 Construction contracts in progress

Construction contracts in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses.

Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity. Construction contracts in progress are presented as part of current assets in the statement of financial position for all contracts in which costs incurred plus recognized profits exceed progress billings. If progress billings exceed costs incurred plus recognized profits, then the difference is presented as current liabilities in the statement of financial position.

## 2.16 Impairment

### Non-derivative financial assets

At each reporting date a financial asset is assessed to determine whether there is objective evidence that a financial asset is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to Stork on terms that would not be considered otherwise and indications that a debtor or issuer will enter bankruptcy.

The Group considers evidence of impairment for financial assets measured at amortized cost at both a specific asset and a collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for the management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognized. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

### Non-financial assets

The carrying amounts of non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have an indefinite life, the recoverable amount is estimated each year at the same time. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated

future cash flows are discounted, using a cash-generating unit specific discount rate, to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of goodwill (if applicable) allocated to the cash-generating units and then to reduce the carrying amounts of other assets in the unit on a pro rata basis.

Impairment losses in relation to goodwill are not reversed. For other assets, impairment losses are only reversed to the extent that the carrying amount of the asset does not exceed the carrying amount after deduction of depreciation or amortization in a situation in which no impairment loss would have been recognized.

## 2.17 Equity

### Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

### Share premium

Share premium is classified as equity. The share premium account is the capital that a company raises upon issuing shares that is in excess of the face value of the shares or upon receiving a contribution without the issuance of shares.

### Dividend

Dividends are recognized as liabilities in the period in which these are declared and not yet paid.

## 2.18 Loans

Loans are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans are valued at amortized cost using the effective interest method.

## 2.19 Provisions

Provisions are recognized for present legal or constructive obligations, as a result of a past event, that can be estimated reliably and where it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

### Restructuring

A provision for restructuring is recognized when Stork has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced. Future operating losses and costs are not provided for.

### Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by Stork from a contract are lower than the unavoidable costs of meeting its obligations under the contract. If material, the provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, Stork recognizes any impairment loss on the assets associated with that contract. The provision for onerous contracts is included in the line Housing and Reallocation in note 22.

## 2.20 Employee benefits

Stork has several pension plans in place in accordance with local rules and conditions. The pension plans comprise both Defined Benefit plans as well as Defined Contribution plans. In general, these plans are funded by payments to insurance companies or to funds administered by third parties. For the majority of its employees, Stork has pension plans in which the liabilities to employees are based primarily on the number of years of service and the salary levels.

### Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Stork's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of Stork's obligations and that are denominated in the currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to Stork, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are changed, the expense or benefit is recognized immediately in profit or loss.

Actuarial gains and losses arising from defined benefit plans are immediately recognized in other comprehensive income in the period in which they arise. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss in the period in which they arise.

The Group recognizes gains and losses on the curtailment or settlement of a defined benefit plan immediately in profit or loss when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in benefit that relates to past service, any resulting change in the fair value of plan assets and any resulting change in the present value of the defined benefit obligation.

#### **Defined contribution plans**

A defined contribution plan is a plan to provide benefits after retirement in which an entity makes fixed contributions to a separate entity, and legally has no constructive obligation to make further contributions. Obligations relating to defined contribution pension plans are charged to the income statement as employee remuneration expenses when the contributions are payable. Contributions paid in advance are presented as assets to the extent that cash repayment or a reduction in future contributions is available.

The multi-employer plan administered by the 'Stichting Pensioenfonds voor de Metalektro' (PME) classifies as a defined benefit plan. As insufficient information is available to apply defined benefit accounting for this plan, the plan is accounted for as a defined contribution plan.

### **2.21 Cash flow statement**

The consolidated cash flow statement is prepared using the indirect method. The cash flow statement distinguishes between operating, investing and financing activities. Cash flows in foreign currencies are converted at exchange rates at the dates of the transactions. Currency exchange differences on cash held are shown separately. Payments and receipts of corporate taxes are included as cash flow from operating activities and interest paid is shown as cash flow from operating activities. Cash flows resulting from the acquisition or divestment of financial interests in subsidiaries and equity accounted investees are included as cash flow from investing activities, taking into account the available cash in these interests. Dividends paid are part of the cash flow from financing activities.

### **2.22 Discontinued operations and assets held for sale**

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and represents a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. Non-current assets held for sale and discontinued operations are measured at the lower of carrying amount or fair value less cost to sell. Any gain or loss from discontinued operations, together with the results of these operations until the date of disposal, is reported separately as result on discontinued operations. The financial information of discontinued operations is excluded from the respective captions in the financial statements and related notes for all years presented. Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the beginning of the comparative year.



### 3 SEGMENT REPORTING

The Board of Management is the Group's chief operating decision-maker. Stork has determined the operating segments based on the available financial information, which is regularly reviewed by the Board of Management for the purposes of allocating resources and assessing performance. The Board of Management considers the business from a type of services perspective, recognizing the following operating segments: Industrial Services (previously named Core Services) and Power Services (previously named Solutions). As of 2014, Sales & Rental Services is included in Industrial Services as it serves similar customers and market sectors. The 2013 figures have been adjusted accordingly.

- Industrial Services provides knowledge-based asset integrity services in targeted geographies, focusing on the Oil & Gas, Chemical and Power sectors.
- Power Services provides specialist and engineering services for the power generation production process and its interfaces.

Other and eliminations mainly consists of head office costs, intra-group revenues and services and operations discontinued in 2013 (Subsea).

The Group's two operating segments also reflect the Group's reportable segments. The Board of Management assesses the performance of the operating segments mainly based on revenues, operational EBIT(DA) and net operating working capital. The measures operational EBIT(DA) and net operating working capital are non-GAAP measures. Operational EBITDA is EBITDA corrected for non-recurring items (e.g. reorganization costs, the sale of subsidiaries and other). In order to improve transparency a number of cost items has been reclassified as of 2014 between Other and the operating segments. The 2013 figures have been adjusted accordingly.

The overview below provides the key measures as reported to the Board of Management to assess the performance of the operating segments:

2014	Industrial Services	Power Services	Other & Eliminations	Total
Revenues	1,329.0	168.9	(5.6)	<b>1,492.3</b>
Operational EBITDA <sup>1</sup>	92.8	8.5	(20.2)	<b>81.1</b>
Depreciation/Amortization	(38.4)	(6.6)	(0.6)	<b>(45.6)</b>
Operational overhead expenses <sup>1</sup>	(100.8)	(26.3)	(21.2)	<b>(148.3)</b>
Operational EBIT <sup>1</sup>	54.4	1.9	(20.8)	<b>35.5</b>
Net operating working capital <sup>1</sup>	25.6	18.4	(7.9)	<b>36.1</b>
Capital expenditure	25.0	3.7	0.2	<b>28.9</b>

<sup>1</sup> Non-GAAP measures, see Glossary of terms.

2013 <sup>1</sup>	Industrial Services	Power Services	Other & Eliminations	Total
Revenues	1,248.8	171.6	20.7	<b>1,441.1</b>
Operational EBITDA <sup>2</sup>	85.6	6.7	(23.6)	<b>68.7</b>
Depreciation/Amortization	(34.5)	(6.9)	(0.5)	<b>(41.9)</b>
Operational overhead expenses <sup>2</sup>	(107.1)	(24.9)	(28.5)	<b>(160.5)</b>
Operational EBIT <sup>2</sup>	51.1	(0.2)	(24.1)	<b>26.8</b>
Net operating working capital <sup>2</sup>	23.1	14.6	(9.0)	<b>28.7</b>
Capital expenditure	28.8	2.7	2.8	<b>34.3</b>

<sup>1</sup> Adjusted for comparison purposes.

<sup>2</sup> Non-GAAP measures, see Glossary of terms.

The non-current assets are geographically divided over the regions as follows:

	2014	2013
Europe	658.1	657.5
Middle East, Caspian, Asia Pacific	14.5	11.3
Americas	48.0	43.0
	<b>720.6</b>	<b>711.8</b>

## 4 REVENUE

	2014	2013
Sale of goods and directly related services	216.0	244.9
Rendering of services	1,276.3	1,196.2
	<b>1,492.3</b>	<b>1,441.1</b>

The revenue is geographically divided over the regions as follows:

	2014	2013
Europe	1,078.9	1,097.4
Middle East, Caspian, Asia Pacific	93.7	83.4
Americas	319.7	260.3
	<b>1,492.3</b>	<b>1,441.1</b>

## 5 EXPENSES BY NATURE

The cost of sales, sales costs and general and administrative expenses can be specified according to their nature as follows:

	Note	2014	2013
Raw materials and consumables, finished goods and work in progress		369.4	393.3
Employee benefit and other personnel expenses	6,23	898.8	861.4
Depreciation and amortization expenses	12,13	45.6	41.9
Other		152.4	153.8
		<b>1,466.2</b>	<b>1,450.4</b>

<sup>1</sup> Adjusted for comparison purposes.

## 6 SALARIES, SOCIAL SECURITY CONTRIBUTIONS AND PENSION EXPENSES

Analysis of total salaries, social security contributions and pension expenses, which are included in employee benefit and other personnel expenses in note 5:

	2014	2013 <sup>1</sup>
Salaries	596.5	588.7
Social security contributions	79.8	73.1
Pension premiums and other post-retirement payments	29.3	29.4
	<b>705.6</b>	<b>691.2</b>

<sup>1</sup> Adjusted for comparison purposes.

## 7 PERSONNEL

The average number of employees over the regions is as follows:

	2014	2013
Europe	7,191	7,503
Middle East, Caspian, Asia Pacific	769	989
Americas	7,469	5,583
	<b>15,429</b>	<b>14,075</b>

## 8 REMUNERATION OF THE BOARD OF MANAGEMENT

	Total currently active members 2014	Total currently and previously active members 2013
Salaries	1.0	1.3
Profit sharing and bonus payments <sup>1</sup>	1.2	0.6
Severance payments	-	1.4
Post-employment benefits <sup>2</sup>	0.2	0.2
Crisis tax <sup>3</sup>	0.1	0.1
	<b>2.5</b>	<b>3.6</b>

<sup>1</sup> Granted for the financial year.

<sup>2</sup> Pension expenses etc.

<sup>3</sup> Taxation according to article 32bd 'Wage Tax Act 1964'.

## 9 FINANCIAL INCOME

	2014	2013
Interest income from banks	0.8	2.0
Hedge result	0.9	-
	<b>1.7</b>	<b>2.0</b>

## 10 FINANCIAL EXPENSE

	2014	2013
Interest expense on loans	(30.0)	(30.0)
Interest expense to banks	(12.6)	(11.4)
Amortization fees and commitment fees	(4.2)	(4.1)
Interest expense on employee benefits	(1.0)	(1.0)
Unwinding of discount on provisions	(0.4)	(0.6)
Hedge result	-	(0.1)
Exchange rate differences	(0.5)	(0.3)
	<b>(48.7)</b>	<b>(47.5)</b>

## 11 INCOME TAX

### Recognized in the income statement

	2014	2013
<b>Current income tax</b>		
Current income tax expense to be paid and/or settled	(5.3)	(6.3)
Corrections for previous years	(0.9)	2.7
	<b>(6.2)</b>	<b>(3.6)</b>
<b>Deferred income tax</b>		
Origination and reversal of temporary differences	4.7	2.2
Income due to capitalized tax losses carried forward	0.4	0.1
Corrections for previous years	2.6	(1.2)
Tax rate changes	-	0.1
	<b>7.7</b>	<b>1.2</b>
<b>Total income tax in the income statement</b>	<b>1.5</b>	<b>(2.4)</b>
<b>Allocation of income tax</b>		
Income tax on result of subsidiaries	1.5	(2.4)
	<b>1.5</b>	<b>(2.4)</b>

The Dutch entities of Stork are part of the Dutch fiscal unity of Stork Topco B.V. (which is not part of the Stork Group) for corporation income tax purposes. The Stork Topco B.V. fiscal unity is in a loss making position and as such no current tax is recognized with regard to the Dutch Stork entities. The Company made an accounting policy to recognize deferred tax positions relating to temporary differences of the Dutch Stork entities at the Stork level, except for the unrecognized tax losses carried forward, which are accounted for at Stork Topco B.V. The change in the recognized deferred taxes of the Dutch Stork entities is settled directly in the current account with Stork Topco B.V. and therefore not recognized in the income tax line in Stork's consolidated income statement. Subsequently, the line income tax in the consolidated income statement solely concerns the current and deferred tax regarding the foreign Stork subsidiaries. As such, Stork's numerical tax reconciliation as stated below relates only to the foreign income tax.



## Reconciliation of effective tax

	2014		2013	
Result before tax in the income statement	(20.9)		(31.8)	
minus: Share of profit (loss) of associates	2.3		(0.2)	
<b>Result before tax for income tax purposes</b>	<b>(23.2)</b>		<b>(31.6)</b>	
Weighted average statutory corporation tax rate <sup>1</sup>	5.7	24.6%	9.1	28.8%
Non-deductible costs	(4.0)	-17.2%	(8.4)	-26.6%
Tax exempt income	0.5	2.2%	0.3	0.9%
Current year losses not resulting in a deferred tax asset	(1.2)	-5.2%	(3.5)	-11.1%
Temporary differences not recognized	(0.6)	-2.6%	-	-
Corrections for previous years	1.7	7.3%	1.5	4.7%
Tax rate changes	-	-	0.1	0.3%
Withholding and other taxes	(0.6)	-2.6%	(1.5)	-4.7%
	<b>1.5</b>	<b>6.5%</b>	<b>(2.4)</b>	<b>-7.6%</b>

<sup>1</sup> The Dutch entities are included at nil percent given the policy choice.

The amounts recognized in Other Comprehensive Income are net of tax using the applicable tax rates.

## Movement in deferred tax balances during the year

	2014					
	Balance as at 1 January	Movements recognised via consolidated income statement	Movements recognised via equity	Movements recognised via current account Stork Topco B.V.	Exchange rate differences	Balance as at 31 December
Property, plant and equipment	(9.8)	1.7	-	0.3	0.5	(7.3)
Intangible assets	(12.5)	1.3	-	1.4	(0.3)	(10.1)
Inventories	(0.8)	0.6	-	-	-	(0.2)
Current assets	1.7	0.2	-	-	0.2	2.1
Current liabilities	5.6	4.5	-	-	(0.5)	9.6
Provisions:						
- employee benefits	7.1	(0.2)	0.9	(1.4)	-	6.4
- others	1.2	(0.9)	-	-	-	0.3
Fiscal value of tax losses carried forward	0.7	0.5	-	-	-	1.2
<b>Deferred tax assets / (liabilities)</b>	<b>(6.8)</b>	<b>7.7</b>	<b>0.9</b>	<b>0.3</b>	<b>(0.1)</b>	<b>2.0</b>

	2013					
	Balance as at 1 January	Movements recognised via consolidated income statement	Movements recognised via equity	Movements recognised via current account Stork Topco B.V.	Exchange rate differences	Balance as at 31 December
Property, plant and equipment	(3.1)	(8.6)	-	0.9	1.0	(9.8)
Intangible assets	(17.5)	4.0	-	1.3	(0.3)	(12.5)
Inventories	(0.7)	-	-	-	(0.1)	(0.8)
Current assets	1.8	-	-	-	(0.1)	1.7
Current liabilities	1.0	5.0	-	-	(0.4)	5.6
Provisions:						
- employee benefits	10.3	0.2	(0.3)	(3.1)	-	7.1
- guarantees	0.1	-	-	(0.1)	-	-
- others	0.1	1.1	-	-	-	1.2
Fiscal value of tax losses carried forward	1.2	(0.5)	-	-	-	0.7
<b>Deferred tax assets / (liabilities)</b>	<b>(6.8)</b>	<b>1.2</b>	<b>(0.3)</b>	<b>(1.0)</b>	<b>0.1</b>	<b>(6.8)</b>

The deferred tax position in Stork's consolidated balance sheet consists of the deferred tax positions of each company that is individually liable for taxation (as an independent taxpayer or as part of a consolidated tax group), except for the tax loss carried forward for the Dutch entities.

### Recognized deferred tax assets and liabilities

The deferred tax assets and liabilities are attributable to the following categories:

	2014			2013		
	Assets	Liabilities	Net Balance	Assets	Liabilities	Net Balance
Property, plant and equipment	3.8	(11.1)	(7.3)	1.4	(11.2)	(9.8)
Intangible assets	2.5	(12.6)	(10.1)	2.6	(15.1)	(12.5)
Inventories	4.9	(5.1)	(0.2)	5.4	(6.2)	(0.8)
Current assets	2.5	(0.4)	2.1	1.8	(0.1)	1.7
Current liabilities	10.3	(0.7)	9.6	6.5	(0.9)	5.6
Provisions:						
- employee benefits	6.4	-	6.4	7.1	-	7.1
- others	0.3	-	0.3	1.2	-	1.2
Fiscal value of tax losses carried forward	1.2	-	1.2	0.7	-	0.7
<b>Gross tax assets / (liabilities)</b>	<b>31.9</b>	<b>(29.9)</b>	<b>2.0</b>	<b>26.7</b>	<b>(33.5)</b>	<b>(6.8)</b>
Balance of tax assets and liabilities	(22.6)	22.6	-	(24.0)	24.0	-
<b>Net tax assets / (liabilities)</b>	<b>9.3</b>	<b>(7.3)</b>	<b>2.0</b>	<b>2.7</b>	<b>(9.5)</b>	<b>(6.8)</b>

### Unrecognized deferred tax assets

Carry forward tax losses in the Netherlands have not been accounted for by Stork as they are accounted for by Stork Topco B.V. as head of the Dutch fiscal unity for corporate income tax purposes to which Stork belongs.

Deferred tax assets have not been recognized for certain foreign subsidiaries as it is not likely that future taxable profits will be available in the foreseeable future against which the Group can utilize these benefits. These amounts are presented below:

	2014	2013
Duration unlimited	7.6	7.7
Duration > 10 years	0.9	0.6
Duration 5 > 10 years	-	-
Duration 1 > 5 years	0.1	-
	<b>8.6</b>	<b>8.3</b>

In addition to these amounts there are considerable tax losses carried forward in the Netherlands, which are accounted for at the level of Stork TOPCO B.V. as head of the Dutch fiscal unity.

## 12 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machines and equipment	Other assets	Under construction	Total
Historical costs	41.2	258.8	63.0	5.6	368.6
Depreciation and impairment losses	(21.9)	(155.6)	(47.1)	-	(224.6)
<b>Carrying amount as at 1 January 2013</b>	<b>19.3</b>	<b>103.2</b>	<b>15.9</b>	<b>5.6</b>	<b>144.0</b>
Additions	3.1	22.7	5.4	2.4	33.6
Disposals	(0.1)	(1.8)	(4.2)	0.3	(5.8)
Depreciation	(2.2)	(24.2)	(4.0)	-	(30.4)
Exchange rate differences	(0.1)	(6.2)	(0.8)	(0.2)	(7.3)
Derecognized on disposal of a subsidiary	-	(6.2)	-	-	(6.2)
Completed property, plant and equipment	-	2.5	(0.9)	(1.6)	-
<b>Carrying amount as at 31 December 2013</b>	<b>20.0</b>	<b>90.0</b>	<b>11.4</b>	<b>6.5</b>	<b>127.9</b>
Historical costs	42.1	231.4	59.0	6.5	339.0
Depreciation and impairment losses	(22.1)	(141.4)	(47.6)	-	(211.1)
<b>Carrying amount as at 31 December 2013</b>	<b>20.0</b>	<b>90.0</b>	<b>11.4</b>	<b>6.5</b>	<b>127.9</b>
Additions	1.8	21.5	13.0	2.3	38.6
Disposals	(0.4)	(1.1)	(0.5)	-	(2.0)
Depreciation	(2.3)	(24.7)	(8.1)	-	(35.1)
Exchange rate differences	0.3	0.9	(0.5)	-	0.7
Completed property, plant and equipment	0.6	2.1	1.2	(3.9)	-
<b>Carrying amount as at 31 December 2014</b>	<b>20.0</b>	<b>88.7</b>	<b>16.5</b>	<b>4.9</b>	<b>130.1</b>
Historical costs	44.2	246.8	64.6	4.9	360.5
Depreciation and impairment losses	(24.2)	(158.1)	(48.1)	-	(230.4)
<b>Carrying amount as at 31 December 2014</b>	<b>20.0</b>	<b>88.7</b>	<b>16.5</b>	<b>4.9</b>	<b>130.1</b>

The additions in other assets include the recognition of EUR 10.2 million of finance lease contracts for leased vehicles of MASA in Colombia.

### Leased property, plant and equipment

The Group leases other assets (mainly vehicles) under a number of finance lease agreements. At 31 December 2014, the net carrying amount of leased other assets was EUR 7.2 million. See note 20 for further details. The leased vehicles secure lease obligations.

The depreciation expenses as recorded in the income statement are included in the following captions:

	2014	2013
Cost of sales	(29.4)	(25.0)
Sales costs	(0.1)	(0.1)
General and administrative expenses	(5.6)	(5.3)
	<b>(35.1)</b>	<b>(30.4)</b>

### Security

Stork has pledged most of the assets of the guarantors Stork Technical Services HOLDCO B.V., Stork Technical Services Holding B.V., Stork Technical Services (Holdings) Ltd. together with Stork Technical Services Group B.V. (former Stork Technical Services TOPCO B.V.) and other main subsidiaries on behalf of the syndicated Super Senior Revolving Credit Facility and the Senior Secured Notes. See note 20.



## 13 GOODWILL AND INTANGIBLE ASSETS

	Goodwill	Trade names, technology and customer relations	Other	Total
Historical costs	526.0	117.0	18.4	661.4
Amortization and impairment losses	-	(49.8)	(12.4)	(62.2)
<b>Carrying amount as at 1 January 2013</b>	<b>526.0</b>	<b>67.2</b>	<b>6.0</b>	<b>599.2</b>
Additions	-	-	0.7	0.7
Derecognized on disposal of a subsidiary	(3.1)	-	-	(3.1)
Amortization and impairment losses	-	(9.7)	(1.8)	(11.5)
Exchange rate differences	(4.6)	(0.3)	0.1	(4.8)
<b>Carrying amount as at 31 December 2013</b>	<b>518.3</b>	<b>57.2</b>	<b>5.0</b>	<b>580.5</b>
Historical costs	518.3	116.5	18.8	653.6
Amortization and impairment losses	-	(59.3)	(13.8)	(73.1)
<b>Carrying amount as at 31 December 2013</b>	<b>518.3</b>	<b>57.2</b>	<b>5.0</b>	<b>580.5</b>
Additions	-	-	0.5	0.5
Amortization and impairment losses	-	(9.0)	(1.5)	(10.5)
Exchange rate differences	7.9	0.1	-	8.0
<b>Carrying amount as at 31 December 2014</b>	<b>526.2</b>	<b>48.3</b>	<b>4.0</b>	<b>578.5</b>
Historical costs	526.2	117.9	17.7	661.8
Amortization and impairment losses	-	(69.6)	(13.7)	(83.3)
<b>Carrying amount as at 31 December 2014</b>	<b>526.2</b>	<b>48.3</b>	<b>4.0</b>	<b>578.5</b>

### Amortisation and impairment losses

The amortisation expenses as recorded in the income statement are included in the following captions:

	2014	2013
General and administrative expenses	(10.5)	(11.5)
	<b>(10.5)</b>	<b>(11.5)</b>

The recoverable amounts of the cash-generating units that carry goodwill are determined based on calculations of value in use. Value in use was determined by discounting the expected future cash flows from the continuing use of the units. The calculation of the value in use was based on the following key assumptions:

- The period for the discounted cash flow calculations is 5 years, with a final value based on a perpetual cash flow with a growth rate (positive or negative) in line with the business model of the specific cash-generating units.
- Cash flows in the first 5 years of the forecast are based on the approved budget for 2015 and long-term projections. The anticipated annual revenue growth as of 2020 has been based on a terminal growth of 2.1% for Industrial Services (2013: 1.5%) and 1.5% for Power Services and Sales & Rental Services (2013: 1.5%).
- The weighted average cost of capital (post-tax WACC) used in the calculation amounts to 9.0% for Industrial Services (2013: 8.5%) and 8.5% for Power Services, and Sales & Rental Services (2013: 8.5%). The pre-tax WACC amounts to

11.4% for Industrial Services and Sales & Rental Services, 10.6% for Power Services and 11.3% on a consolidated level (2013: 11.6% for all cash-generating units).

- The WACC is based on pre-tax rates that reflect current market conditions and is adjusted for specific risks associated with the cash-generating units. The higher terminal growth and WACC for Industrial Services relates to the fact that a country risk premium is included since a large part of the revenues and EBITDA is originated in Colombia.

For all cash-generating units, the recoverable amounts exceeded the carrying amounts and as a consequence, no impairment losses were recognized in 2014. We have performed sensitivity analyses with respect to the recoverable amount of the three cash-generating units (Industrial Services, Power Services, and Sales & Rental Services). The sensitivity analyses have been performed for three value drivers: the long-term EBITDA margin, the WACC and the long-term growth rate. The outcome of the sensitivity analysis of a 1% adverse change in the long-term EBITDA margin or a 0.5% adverse change in the WACC would lead to an impairment situation on a consolidated level. The recoverable amounts of the relevant cash-generating units is less sensitive for the assumed long-term growth rate. Only more extreme changes (1% adverse change) would lead to an impairment situation on a consolidated level. No cumulative impairment losses have been recognized as at 31 December 2014 and 31 December 2013.

There have been no goodwill impairment charges in 2014 and 2013. Goodwill movements per cash generating unit are as follows:

	Industrial Services	Power Services	Sales & Rental Services	Total
<b>Carrying amount as at 1 January 2013</b>	<b>426.3</b>	<b>68.3</b>	<b>31.4</b>	<b>526.0</b>
Derecognized on disposal of a subsidiary	(3.1)	-	-	(3.1)
Exchange rate differences	(4.6)	-	-	(4.6)
<b>Carrying amount as at 31 December 2013</b>	<b>418.6</b>	<b>68.3</b>	<b>31.4</b>	<b>518.3</b>
Exchange rate differences	7.9	-	-	7.9
<b>Carrying amount as at 31 December 2014</b>	<b>426.5</b>	<b>68.3</b>	<b>31.4</b>	<b>526.2</b>

## 14 INVESTMENTS IN AND LOANS TO ASSOCIATES (EQUITY ACCOUNTED INVESTEEES)

	Associates	Loans	Total
<b>Carrying amount as at 1 January 2013</b>	<b>0.6</b>	<b>0.1</b>	<b>0.7</b>
Share of profit (loss) of associates (net of tax)	(0.2)	-	(0.2)
Reclassification	0.2	-	0.2
<b>Carrying amount as at 31 December 2013</b>	<b>0.6</b>	<b>0.1</b>	<b>0.7</b>
Share of profit (loss) of associates (net of tax)	2.3	-	2.3
Dividends received	(0.1)	-	(0.1)
Exchange rate differences	(0.2)	-	(0.2)
<b>Carrying amount as at 31 December 2014</b>	<b>2.6</b>	<b>0.1</b>	<b>2.7</b>

The main associate is the KGM consortium in Colombia in which the Group has a 41% interest.

## 15 INVENTORIES

	2014	2013
Raw materials and consumables	5.8	6.2
Semi-finished products	3.2	3.1
Trading inventories and finished products	17.5	17.8
	<b>26.5</b>	<b>27.1</b>
Provision for obsolete stock	(1.5)	(2.0)
	<b>25.0</b>	<b>25.1</b>

## 16 CONSTRUCTION CONTRACTS IN PROGRESS

	2014	2013
Due from customers, recognized under current assets	114.8	100.8
Due to customers, recognized under current liabilities	(42.7)	(39.8)
	<b>72.1</b>	<b>61.0</b>
Direct costs of current projects	608.4	590.0
Profits minus losses taken on these projects	122.1	91.9
Billed on current projects	(652.8)	(612.8)
	<b>77.7</b>	<b>69.1</b>
Provisions for foreseeable losses on current projects	(5.6)	(8.1)
	<b>72.1</b>	<b>61.0</b>

## 17 TRADE AND OTHER RECEIVABLES

	2014	2013
Debtors (current)	177.4	191.9
Prepaid costs	14.9	16.2
Derivative financial instruments	1.2	0.1
Other receivables from related parties	4.1	3.9
Other receivables	17.6	14.7
	<b>215.2</b>	<b>226.8</b>

**Trade receivables (current)**

	2014	2013
Gross trade receivables	174.6	188.2
Trade receivables from related parties	0.4	0.6
Trade receivables from associates	5.7	8.0
	<b>180.7</b>	<b>196.8</b>
Allowance for impairment	(3.3)	(4.9)
	<b>177.4</b>	<b>191.9</b>

In Colombia, Stork had factored an amount of EUR 14.9 million of the trade receivables under non-recourse factoring facilities at 31 December 2014 (2013: EUR 11.1 million).

Reference is made to note 24 for detailed information on the credit and currency risks and impairment losses related to trade receivables.

**18 CASH AND CASH EQUIVALENTS**

	2014	2013
Cash and cash equivalents	26.5	68.4
Bank overdraft	-	(10.4)
	<b>26.5</b>	<b>58.0</b>

**19 EQUITY**

The summary of movements in equity is presented in the Consolidated Statement of Changes in Equity.

**Incorporation of Stork Technical Services HOLDCO B.V.**

Stork Technical Services HOLDCO B.V. was incorporated on 24 May 2012 by its immediate parent Stork Technical Services Group B.V. (formerly Stork Technical Services TOPCO B.V.).

**Share capital**

The authorized share capital comprises 90,000 ordinary shares of 1 euro. As at 31 December 2014, 18,000 ordinary shares were issued and fully paid (2013: 18,000).

**Share premium**

The share premium is available for distribution to the shareholder, Stork Technical Services Group B.V.

**Legal reserve**

The legal reserve only relates to a translation reserve and comprises all differences in foreign currency arising as a result of the translation of the financial statements of subsidiaries with a functional currency other than the Euro.

**Dividend proposal**

No dividend payments were made or proposed to Stork Technical Services Group B.V., owner of the issued share capital in Stork Technical Services HOLDCO B.V.

**Non-controlling interest**

Non-controlling interest relates to the share of third parties in the shareholders' equity of consolidated subsidiaries.



## 20 LOANS AND BORROWINGS

	Currency	Nominal Interest rate	Year of maturity	Debt 31 December 2014	Debt 31 December 2013
Loans and borrowings:					
- Bank loans to MASA, Colombia	COP	7.2% <sup>1</sup>	2015-2017	39.0	28.2
- Finance lease liabilities MASA, Colombia	COP	10.1%	2015-2020	9.4	-
- 11% Senior Secured Notes	EUR	11.0%	2017	272.5	272.5
- Super Senior Revolving Credit Facility	EUR	variable <sup>2</sup>	2017	21.0	52.8
				<b>341.9</b>	<b>353.5</b>
Repayments due within one year				(28.5)	(2.8)
Capitalized finance costs				(12.1)	(15.8)
<b>Long-term loans and borrowings</b>				<b>301.3</b>	<b>334.9</b>

<sup>1</sup> The 7.2% (2013: 6.4%) nominal interest rate relates only to the bank debt. The third-party loans also include financing of Power Generation plants and Gas Treatment Plant projects with interest rates that are primarily fixed.

<sup>2</sup> The variable interest rate is based on interbank offered rates plus margin. The margin is determined quarterly on the reported debt cover ratio.

On 16 August 2012, Stork Technical Services HOLDCO B.V. issued EUR 272.5 million of 11.0% Senior Secured Notes. The notes mature on 15 August 2017 and are listed on the Luxembourg Stock Exchange and are traded on the Euro MTF market. The Senior Secured Notes are stated at amortized cost, including the principal amount, capitalized finance costs and a discount on issuance date of EUR 19.2 million, which is being amortized over the life of the Senior Secured Notes (i.e. 5 years). As of 31 December 2014, the remaining to be amortized finance costs amount to EUR 12.1 million. Interest on the Senior Secured Notes is payable semi-annually. As of 31 December 2014, EUR 5.0 million in interest payments had accrued as current liabilities (2013: EUR 5.0 million). The fair value of the Senior Secured Notes as at 31 December 2014 amounted to EUR 230.3 million (2013: EUR 279.3 million).

In addition, the Company has entered into a EUR 110 million Super Senior Revolving Credit Facility with a syndicate of five banks, which expires in May 2017. As of 31 December 2014, EUR 21.0 million (2013: EUR 52.8 million) cash was drawn under the Super Senior Revolving Credit Facility and an amount of EUR 14.4 million (2013: EUR 24.3 million) was utilized for issuance of bank guarantees under the Revolving Facility. See note 24 for the financial covenants in place.

The Senior Secured Notes and the Super Senior Revolving Credit facility are guaranteed by Stork Technical Services Group B.V., Stork Technical Services HOLDCO B.V., Stork Technical Services Holding B.V., Stork Technical Services (Holdings) Ltd. and other main subsidiaries ('the Guarantors'). The Notes and the Guarantees, together with the Company's and the Guarantors' obligations under the Super Senior Revolving Credit Facilities, are secured by security interests on substantially all of the assets of the Company and the Guarantors ('the Collateral'). In the event of enforcement of the Collateral, the holders of the Notes will receive proceeds from the Collateral and the Guarantees only after the lenders under the Super Senior Revolving Credit Facilities and counter parties to certain hedging obligations have been repaid in full. The term Super in the Super Senior Revolving Credit Facility therefore refers to the two creditor classes agreeing that the lenders under the Super Senior Revolving Credit Facility will be paid first in the event of enforcement of the Collateral.

## Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2014	2013	2014	2013	2014	2013
Less than one year	3.8	-	0.5	-	3.3	-
Between one and five years	6.7	-	0.6	-	6.1	-
More than 5 years	-	-	-	-	-	-
	<b>10.5</b>	<b>-</b>	<b>1.1</b>	<b>-</b>	<b>9.4</b>	<b>-</b>

## 21 TRADE AND OTHER PAYABLES

	2014	2013
Trade creditors	120.3	125.0
Other taxes and social insurance contributions	39.2	35.3
Pensions	2.5	1.2
Prepayments received	1.4	3.5
Accrued interest	6.2	5.8
Personnel related accrued expenses	64.1	64.1
Other liabilities	47.2	52.1
	<b>280.9</b>	<b>287.0</b>

Prepayments received at 31 December 2014 include a government grant with a remaining book value of EUR 1.4 million (2013: EUR 3.4 million). Stork Thermeq B.V. received a government grant of EUR 3.4 million in June 2013 for the reallocation and standstill costs of the factory premises, which reallocation to another location in Hengelo is planned to be completed in February 2015. The grant is deferred and the remaining book value will be recognized in the income statement until February 2015 in order to match it with the related reallocation and standstill costs.

## 22 PROVISIONS

	Balance at 1 January 2014	Addition charged to income statement	Release amount credited to income statement	Usage <sup>1</sup>	Balance at 31 December 2014
Reorganisation provision	6.8	7.3	(0.3)	(6.4)	7.4
Housing and Reallocation	4.4	0.2	(0.1)	(1.9)	2.6
Environmental provision	0.3	-	-	-	0.3
Guarantees	1.1	0.1	(0.2)	(0.3)	0.7
Liabilities relating to employees	6.6	0.8	(0.5)	0.2	7.1
Claims, disputes and other contractual obligations	4.6	0.9	(0.3)	(2.4)	2.8
	<b>23.8</b>	<b>9.3</b>	<b>(1.4)</b>	<b>(10.8)</b>	<b>20.9</b>
Of which short-term					12.1
Provisions with a remaining term longer than 5 years					0.3

<sup>1</sup> Movements relate to deductions for the intended purpose and unwinding of discounts.

### Reorganization provision

This provision is formed on the basis of several plans agreed by management with individual employees. Disbursements are expected to take place mainly during the next two years.

### Housing and Reallocation

The Group entered into several non-cancellable leases for office space and due to changes in its activities and the integration of the former RBG Group, the obligation for the future payments, net of expected rental income, has been provided for. The lease contracts will expire from 2015 until 2020.

### Environmental provision

The provision is to cover the estimated payments in relation to environmentally required measures and noise nuisance reduction as well as other factors. The estimated payments are based on research reports. The provision is expected to be used within 1 to 3 years based on a detailed plan.

### Guarantees

The provision for guarantees is to cover guarantees issued contractually on products and services supplied and covers the best estimate for possible costs arising from not meeting agreed quality requirements under normal conditions of use. The provision is based on estimates derived from historical data relating to comparable products and services. In general, the liabilities are expected to arise in the next two years.

### Liabilities relating to employees

This provision relates to other employee benefits based on agreed compensation schemes as well as other factors, some of which have a longer term. These are not included in the employee benefits provision (refer to note 23 below).

### Claims, disputes and other contractual obligations

The claims, disputes and other contractual obligations consist of sums for which it is probable that compensation should be paid or provided for. The provision is formed using best estimates, made on the basis of all information currently available to Stork, and will largely expire within 5 years.

## 23 EMPLOYEE BENEFITS

### General

Stork has several pension plans in accordance with local rules and conditions. The majority of these plans are in the Netherlands. Based on IAS 19R, some of these plans are classified as Defined Benefit plans. In general, these plans are funded by payments to insurance companies or to funds administered by third parties. For the majority of its employees, Stork has pension plans in which the liabilities to employees are based primarily on the number of years of service and the salary levels.

### The Netherlands

In October 2011, the Dutch Stork operating companies, the Stichting Pensioenfond Stork and the industry pension fund Stichting Pensioenfond voor de Metalelektro (PME) reached an agreement on the transfer of all pension and most of the early retirement commitments from Stichting Pensioenfond Stork to PME on 1 January 2012. After the transfer, the only remaining liability of the Dutch Stork operating companies relates to early retirement plans consisting of early retirement rights granted in excess of the basic rights as defined in the Collective Labour Agreement of the Dutch Metal Industry.

The total cost for the Dutch Stork operating companies as a result of the agreements made in 2011 amounted to EUR 52.4 million on a discounted basis. In the period 2011 up to 2014, an amount of EUR 48.6 million was paid to Stichting Pensioenfond Stork and PME. The remaining amount of EUR 6.2 million is included in the employee benefits liability and is payable in 2015 (EUR 6.1 million on a discounted basis).

The early retirement plan ('VPL') is the main remaining Defined Benefit plan after the settlement of the pension plan in 2011, as described above. As the early retirement plan is not funded, a provision under IAS19R is required. After the transfer to PME, the remaining unfunded defined benefit obligation in relation to the scheme in excess of the basic rights as defined in the Collective Labor Agreement amounts to EUR 10.6 million, which has been provided for as at 31 December 2014. Resulting from an agreement with the labor unions, a plan amendment of positive EUR 1.7 million was accounted for in 2013 for the VPL plan. It has been agreed with the labor unions that the buy-in amounts for the VPL plan will be cut according to the cuts executed by PME in 2013. The cuts at PME are equal to 5.1% for all participants. An additional correction, of 15% for people born after 1952, is taken into account to correct for the update of the mortality table that is used in the calculation of the rates by PME.

The multi-employer plan administered by the 'Stichting Pensioenfond voor de Metalelektro' is an average pay plan and classifies as a defined benefits plan. As insufficient information is available to apply defined benefit accounting for this plan, the plan is accounted for as a defined contribution plan.

The other Defined Benefit plans in the Netherlands concern a jubilee scheme amounting to EUR 2.6 million and an average pay pension plan of EQIN B.V. in the amount of EUR 1.0 million as at 31 December 2014. The EQIN plan was included in the IAS 19R valuation for the first time as of 1 January 2013, which led to an increase in the defined benefit obligation of EUR 3.8 million and in the fair value of the plan assets of EUR 3.1 million. The net impact of negative EUR 0.7 million was presented as a correction of previous years. Additionally there are several smaller arrangements that are classified as Defined Contribution plans.

### Other countries

Stork has Defined Benefit plans in Belgium and Germany. The German plan is not funded.

### Employee benefits obligation

The breakdown of the employee benefits obligation as per 31 December 2014 is as follows:



	The Netherlands		Other countries		Total	
	2014	2013	2014	2013	2014	2013
Defined Benefit obligation	(20.2)	(17.2)	(20.9)	(18.0)	(41.1)	(35.2)
Plan assets	6.0	3.5	3.6	4.8	9.6	8.3
<b>Net position</b>	<b>(14.2)</b>	<b>(13.7)</b>	<b>(17.3)</b>	<b>(13.2)</b>	<b>(31.5)</b>	<b>(26.9)</b>
Other liabilities relating to pensions	(6.1)	(11.9)	-	-	(6.1)	(11.9)
<b>Pension liabilities</b>	<b>(20.3)</b>	<b>(25.6)</b>	<b>(17.3)</b>	<b>(13.2)</b>	<b>(37.6)</b>	<b>(38.8)</b>

The current portion of the Company's pension liabilities as per 31 December 2014 is EUR 6.1 million.

### Defined benefit obligation

	The Netherlands		Other countries		Total	
	2014	2013	2014	2013	2014	2013
Opening balance as at 1 January	17.2	13.3	18.0	19.1	35.2	32.4
Service costs	1.1	1.2	0.5	0.4	1.6	1.6
Interest costs	0.6	0.6	0.6	0.6	1.2	1.2
Plan participants contributions	0.3	0.3	0.1	0.1	0.4	0.4
Actuarial (gains) / losses due to changes in financial assumptions	1.9	(0.5)	3.9	(1.2)	5.8	(1.7)
Actuarial (gains) / losses due to changes in demographic assumptions	0.1	-	-	-	0.1	-
Actuarial (gains) / losses due to experience adjustments	0.4	1.4	(0.1)	0.5	0.3	1.9
Benefits paid	(1.2)	(1.2)	(2.1)	(1.8)	(3.3)	(3.0)
Plan amendment	(0.2)	(1.7)	-	0.3	(0.2)	(1.4)
Correction previous years	-	3.8	-	-	-	3.8
<b>Balance as at 31 December</b>	<b>20.2</b>	<b>17.2</b>	<b>20.9</b>	<b>18.0</b>	<b>41.1</b>	<b>35.2</b>

### Plan assets

	The Netherlands		Other countries		Total	
	2014	2013	2014	2013	2014	2013
Opening balance as at 1 January	3.5	-	4.8	5.6	8.3	5.6
Interest income	0.1	0.1	0.1	0.1	0.2	0.2
Employer's contribution	1.5	1.5	0.6	0.8	2.1	2.3
Plan participants contributions	0.3	0.3	0.1	0.1	0.4	0.4
Return on plan assets excluding interest income	1.8	(0.3)	0.1	-	1.9	(0.3)
Benefits paid	(1.2)	(1.2)	(2.1)	(1.8)	(3.3)	(3.0)
Correction previous years	-	3.1	-	-	-	3.1
<b>Balance as at 31 December</b>	<b>6.0</b>	<b>3.5</b>	<b>3.6</b>	<b>4.8</b>	<b>9.6</b>	<b>8.3</b>

The plan assets both in the Netherlands and Belgium are fully insured. No direct asset allocation is held in relation to these insurance contracts and therefore the fair value of the plan assets cannot be determined based on a certain asset allocation. The fair value of the plan assets as at 31 December 2014 and 2013 has therefore been based on the accrued pension rights and actuarial rates.

The net period pension costs of the above pension plans are as follows:

	The Netherlands		Other countries		Total	
	2014	2013	2014	2013	2014	2013
Service costs	1.1	1.2	0.5	0.4	1.6	1.6
Interest costs (income)	0.5	0.5	0.5	0.5	1.0	1.0
Remeasurements of the net defined benefit liability	0.5	0.7	-	-	0.5	0.7
Plan amendment	(0.2)	(1.7)	-	0.3	(0.2)	(1.4)
Correction previous years	-	0.7	-	-	-	0.7
<b>Pension expense</b>	<b>1.9</b>	<b>1.4</b>	<b>1.0</b>	<b>1.2</b>	<b>2.9</b>	<b>2.6</b>

The 2015 defined benefit pension expense is not expected to differ significantly from the 2014 defined benefit pension expense (excluding the effect of the plan amendment) as recognized in the income statement.

The weighted average assumptions on which the calculation of the pension obligations is based are as follows:

(in %)	The Netherlands		Other countries	
	2014	2013	2014	2013
Pension obligation as at 31 December:				
Discount rate used	2.1	3.4	2.2	3.4
Future salary increases	2.0	2.0	2.1	2.8
Future pension increases	2.0	2.0	1.2	1.3

The mortality table used for the Netherlands is based on the Prognosis table 2014 of the 'Actuariel Genootschap'.

### Sensitivity

Reasonably possible changes at the reporting date of the most relevant actuarial assumptions, while other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown below.

	31 December 2014	
	Increase	Decrease
Discount rate (0.5% movement)	(3.4)	4.0
Future salary growth (0.5% movement)	0.7	(0.7)

In 2013, an increase or decrease of the discount rate or future salaries by 0.5% did not have a significant impact on the defined benefit obligation.

## 24 FINANCIAL INSTRUMENTS

### 24.1 Risk management

Stork's risk management policy includes long-term sustainable management of its business activities and where possible, the mitigation of the associated business risks. The primary aim of the financial instruments used is to finance the business activities of the Group.

The Group also uses derivative financial instruments including forward exchange contracts. These derivative financial instruments are used to hedge currency risks, which result from the business activities of the Group and intercompany financing.

Stork has exposure to the following risks from its use of financial instruments:

1. Credit risk
2. Liquidity risk
3. Market risk
  - a. Currency risk
  - b. Interest rate risk

This note presents information about the exposure of Stork to each of the above risks including the objectives, policies and processes to measure and manage risk and Stork's management of capital.

#### Risk management framework

The Board of Management under the supervision of the Supervisory Board has the overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established and monitored on a consistent and regular basis. Risk management is firmly embedded in the normal course of business. The Board of Management oversees the adequacy and functioning of the entire system of risk management and internal control. The Group has a centralized treasury function to manage the financial risks in accordance with Board-approved policies.

#### (1) Credit risk

Credit risk is the risk of financial loss if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from accounts receivable from customers.

#### Exposure to credit risk

Stork's exposure to credit risk is limited to the balance sheet items receivables from associates, derivative financial instruments, trade and other receivables and cash and cash equivalents. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of financial assets mentioned below:

	Carrying amount	
	2014	2013
Trade receivables including construction contracts in progress	292.2	292.7
Derivative financial instruments	1.2	0.1
Other receivables	17.6	14.7
Cash and cash equivalents	26.5	68.4
	<b>337.5</b>	<b>375.9</b>

Stork follows an active policy to minimize credit risks. In order to manage its credit exposure, Stork has determined a credit policy with credit limit requests, approval procedures, continuous monitoring of the credit exposure, collection procedures in case of delays, and requesting security for payment or prepayment in the form of bank or parent company guarantees. The majority of our customers are large multinationals with a reliable payment history. There is no concentration of credit risks for significant amounts among debtors. Stork does not purchase credit derivatives or insurance to hedge the credit risk on customers.

### Impairment losses

The allowance for impairment represents the estimate of incurred losses in respect of trade and other receivables. The main components of the allowance are a specific loss component that relates to individually significant exposures and a collective loss component for similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The ageing of trade receivables as at the reporting date is as follows:

	2014	2013
Not yet due	136.3	141.3
Past due 0 - 30 days	19.7	27.0
Past due 31 - 60 days	7.6	8.1
Past due 61 - 120 days	5.4	4.4
Past due more than 120 days	5.6	7.4
	<b>174.6</b>	<b>188.2</b>
Past due	38.3	46.9
Provision	(3.3)	(4.9)
<b>Not impaired</b>	<b>35.0</b>	<b>42.0</b>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2014	2013
<b>Carrying amount as at 1 January</b>	<b>4.9</b>	<b>4.6</b>
Impairment loss recognized	1.0	2.5
Amounts written off	(1.5)	(0.6)
Reversal of impairment loss	(1.2)	(1.5)
Exchange rate differences	0.1	(0.1)
<b>Carrying amount as at 31 December</b>	<b>3.3</b>	<b>4.9</b>

As of 31 December 2014, trade receivables of EUR 35.0 million (2013: EUR 42.0 million) were past due but not impaired; these receivables relate to independent customers for whom there is no recent history of default and full payment is expected. Stork limits its exposure to credit risk for cash and cash equivalents by only investing in liquid securities and only with counter parties that have a credit rating of at least A or equivalent for short-term transactions and A for long-term transactions.

### (2) Liquidity risk

Liquidity risk is the risk that Stork will encounter difficulties in meeting its obligations regarding financial liabilities that have to be settled by delivering cash or another financial asset.

Our liquidity is managed by the treasury department with the primary aim to ensure, as far as possible, that the Company will always have sufficient liquidity to meet its financial obligations when due, both under normal and stressed conditions, without incurring unacceptable losses or risking damage to Stork's reputation. The solvency and liquidity of the Stork Group is ensured at all times by a rolling liquidity planning, a liquidity reserve in the form of cash and cash pool systems in various currencies and available credit facilities. Our primary source of liquidity concerns funds generated from our business operations. Furthermore, the treasury department maintains access to a number of sources of funding to meet anticipated funding requirements, including committed bank facilities among which a EUR 110 million Super Senior Revolving Credit Facility to cover any temporary shortfall of available cash and local finance facilities in Colombia of EUR 71.6 million.



As at 31 December 2014, Stork's cash position amounted to EUR 26.5 million (2013: EUR 68.4 million) and no short-term bank overdraft (2013: EUR 10.4 million). Of the EUR 110 million Super Senior Revolving Facility, an amount of EUR 74.6 million (2013: EUR 32.9 million) is unused as per 31 December 2014.

The Super Senior Revolving Credit Facility includes a debt cover ratio that should not exceed a certain maximum (5.75 as at 31 December 2014). The debt cover ratio is calculated as the consolidated total net debt divided by operational EBITDA (earnings before interest, tax, depreciation, amortization and excluding non-recurring items, on a 12-month rolling forward basis), based on the net debt and EBITDA definitions mutually agreed on with the group of banks. As at 31 December 2014 and 2013, the Group complied with the debt cover ratio.

The contractual maturities (including interest payments) of financial liabilities are as follows:

31 December 2014	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
<b>Non-derivative financial liabilities</b>							
Loans and borrowings	329.8	420.6	33.1	25.4	31.8	330.3	-
Trade and other payables	280.9	280.9	280.9	-	-	-	-
	<b>610.7</b>	<b>701.5</b>	<b>314.0</b>	<b>25.4</b>	<b>31.8</b>	<b>330.3</b>	<b>-</b>

31 December 2013	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
<b>Non-derivative financial liabilities</b>							
Loans and borrowings	337.7	467.2	16.4	16.4	40.0	394.4	-
Trade and other payables	287.0	287.0	287.0	-	-	-	-
Bank overdraft	10.4	10.4	6.0	4.4	-	-	-
	<b>635.1</b>	<b>764.6</b>	<b>309.4</b>	<b>20.8</b>	<b>40.0</b>	<b>394.4</b>	<b>-</b>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The total liability in relation to provisions, employee benefits and current tax payable amounted to EUR 61.7 million (2013: EUR 65.9 million) of which EUR 21.4 million (2013: EUR 22.3 million) is due within 1 year.

### (3) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect Stork's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks.

In the normal course of business, the financial position of the Company is routinely subject to a variety of risks. In addition to the market risk associated with interest rate and currency movements on the outstanding debt and non-Euro denominated assets and liabilities, other examples of risk include collectability of accounts receivable. The Company regularly assesses these risks and has established policies and business practices to counter the adverse effects of these and other potential exposures. As a result, the Company does not anticipate any material losses from these risks.

#### (a) Currency risk

Fluctuations in the price of currencies and interest rates can result in some profit and cash flow risks for Stork. Therefore, Stork centralizes these risks as far as possible and steers them in a forward-looking manner, also by using derivative financial instruments and by natural hedges. Derivatives used are spot and forward exchange contracts. Transactions are

entered into with a limited number of counter parties with strong credit ratings. Foreign currency hedging operations are governed by internal policies and rules approved and monitored by the Board of Management.

The business is exposed to foreign currency risk whenever it has revenues in a currency that is different from the currency in which it incurs the costs of generating those revenues. Cash inflows and outflows of the business are offset if they are denominated in the same currency. This means that revenues generated in a particular currency balance out the costs in the same currency, even if the revenues arise from a different transaction than that in which the costs are incurred. As a result, only the unmatched amounts are subject to currency risk. The remaining net currency risk is hedged by forward currency transactions. Currency risks in a tender stage are managed through tender conditions and are not hedged by derivatives. In the quotation phase Stork limits the currency risks through the use of foreign currency exchange clauses in the quotation.

This means that Stork operating companies only hedge transaction risks. Translation and economic risks are excluded from hedging through the operating companies. Amounts with a counter value of more than EUR 50,000 must be hedged. No (cash flow) hedge accounting is applied on these derivatives and, as a result, the fair value changes of these derivatives are recognized in the income statement. The impact on the income statement in 2014 and 2013 was immaterial.

#### Translation risk

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Euro at the foreign exchange rates applying on the reporting date. The income and expenses from foreign operations are translated into Euro at exchange rates effective at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. The main subsidiaries exposed to this translation risk are Mecanicos Asociados S.A.S. and Stork Technical Services (Holdings) Ltd (formerly known as the RBG (Holdings) Ltd). Mecanicos Asociados S.A.S. has the Colombian Peso (COP) as functional currency. An appreciation of the COP of 1% would lead to an increase of the Company's translation gain of approximately EUR 0.3 million (2013: EUR 0.3 million). Stork Technical Services (Holdings) Ltd has the Pound Sterling (GBP) as functional currency. An appreciation of the GBP of 1% would lead to an increase of the Company's translation gain of approximately EUR 2.3 million (2013: EUR 2.3 million).

Derivatives (x EUR 1,000)	Fair value	Notional
United States Dollars	EUR (50)	USD 1,900
Colombian Peso	EUR 1,249	USD 9,815
<b>Derivatives as per 31 December 2014</b>	<b>EUR 1,199</b>	
United States Dollars	EUR (77)	USD 5,787
British Pound Sterling	EUR 190	GBP 8,212
<b>Derivatives as per 31 December 2013</b>	<b>EUR 113</b>	

The following exchange rates were applied during the year:

	Average rate		Year end	
	2014	2013	2014	2013
EUR-USD	1.33	1.33	1.21	1.37
EUR-GBP	0.81	0.85	0.78	0.83
EUR-COP	2,655	2,483	2,889	2,651

**(b) Interest rate risk**

Stork has an exposure to changes in interest rates on certain financial assets and liabilities. As the amount of financial assets and liabilities with a variable interest rate is limited, Stork Technical Services did not conclude any interest rate swaps to hedge the cash flows subject to interest rate risk. An increase in the interest rate of 1% would not lead to a material additional interest expense.

**24.2 Capital management**

There were no major changes in Stork's approach to capital management during the year. The Board of Management's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of business and acquisitions. Capital is hereby defined as equity attributable to equity holders of Stork (total equity minus non-controlling interests).

Stork is not subject to externally imposed capital requirements other than the legal reserves explained in note 19.

**Fair values versus carrying amounts**

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	31 December 2014		31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	199.1	199.1	210.5	210.5
Derivative financial instruments	1.2	1.2	0.1	0.1
Cash and cash equivalents	26.5	26.5	68.4	68.4
Trade and other payables	(280.9)	(280.9)	(287.0)	(287.0)
Loans and borrowings	(329.8)	(299.7)	(337.7)	(360.3)
Bank overdrafts	-	-	(10.4)	(10.4)
	<b>(383.9)</b>	<b>(353.8)</b>	<b>(356.1)</b>	<b>(378.7)</b>

**25 SUBSIDIARIES AND NON-CONTROLLING INTERESTS**

The main 100% owned subsidiaries and subsidiaries with a non-controlling interest are disclosed in note 41.

The main non-controlling interests relate to two consortia in Colombia. The total carrying amount of non-controlling interest in the statement of financial position amounts to EUR 3.2 million (2013: EUR 0.4 million). The total profit allocated to non-controlling interests amounts to EUR 3.2 million (2013: EUR 0.2 million).

**26 CONTINGENT LIABILITIES****Guarantees issued**

The Group has issued guarantees through financial institutions to third parties amounting to EUR 27.3 million as at 31 December 2014 (2013: EUR 27.5 million). An amount of EUR 14.4 million of these guarantees were issued out of the EUR 110.0 million Super Senior Revolving Facility, EUR 0.7 million was issued against local facilities and EUR 12.2 million was issued out of a non-secured stand-alone guarantee line.

For most of the Dutch companies listed in note 41, declarations in accordance with article 403 of the Dutch civil code have been issued by Stork Technical Services HOLDCO B.V., and as a consequence, Stork Technical Services HOLDCO B.V. is jointly and severally liable for all debts of these subsidiaries.

Stork is part of the Dutch tax fiscal unity for corporation tax purposes headed by Stork Topco B.V. Each of the companies included in a Dutch tax fiscal unity is individually and severally liable for all (Dutch Corporate) tax liabilities of the companies included in the fiscal unity.

## Contingencies

The Group is involved in a number of legal actions. Based on currently available information and legal opinions, Stork believes that the outcomes of these legal actions will either have no significant adverse effect on the financial position of the Company, or that any possible adverse effects are adequately reflected in provisions.

## 27 RELATED PARTIES

### Parent and ultimate controlling party

The ultimate parent company of Stork Technical Services HOLDCO B.V. is London Acquisition Luxco S.a.r.l., with its statutory seat in Luxembourg. Stork Topco B.V. is the head of the Dutch tax fiscal unity for corporation income tax purposes. According to the standard conditions the companies (including Stork Technical Services HOLDCO B.V.) are individually liable for the tax payable of all the companies included in the Stork Topco B.V. fiscal unity.

The shares of Stork are indirectly held by funds managed by Arle, Eyrir Invest and management participation funds. Certain staff members of Stork participate indirectly for less than 1% in these management participation funds.

As part of arrangements with former members of management, the Company has bought their management participation funds for a total amount of EUR 1.5 million of which EUR 1.0 million was executed in 2014.

### Other related-party transactions

Stork has pledged most of the assets of Stork Technical Services HOLDCO B.V., Stork Technical Services Holding B.V., Stork Technical Services (Holdings) Ltd., together with Stork Technical Services Group B.V. (former Stork Technical Services TOPCO B.V.) and other main subsidiaries on behalf of the syndicated Super Senior Revolving Credit Facility and the Senior Secured Notes. See note 20.

Relationships between related parties exist between Stork Technical Services HOLDCO B.V., Stork B.V., Stork Holding B.V. and its subsidiaries, associates and joint ventures (see note 14) and the directors and higher management of the Company.

The result of the AJS and Stork GLT joint operations is at the disposal of both Stork and the other participants in the joint operation. To support the activities of the joint operation, the participants will increase their investments in the joint operation if necessary.

All transactions and outstanding balances with related parties are in the ordinary course of business and priced on an arm's length basis.

## 28 CAPITAL COMMITMENTS

Investment commitments relating to assets on order amounted to EUR 1.6 million (2013: EUR 0.9 million).

## 29 LEASE COMMITMENTS

Commitments relating to rental (mainly buildings) and operational leasing contracts (mainly cars) amounted to EUR 77.3 million (2013: EUR 69.6 million).

	2014	2013
Shorter than 1 year	21.7	18.7
Between 1 and 5 years	45.0	39.1
Longer than 5 years	10.6	11.8
	<b>77.3</b>	<b>69.6</b>



The leases typically run for a period of 1 to 5 years, with an option to renew the lease after that period.

## 30 OTHER COMMITMENTS

Stork participates in a number of joint operations in which it has accepted individual liability for the obligations entered into by the joint operation.

This relates to the following main joint operations:

- Stork Groningen Long Term. A joint operation of Stork Technical Services Nederland B.V. together with Jacobs Engineering, Siemens and Yokogawa for the renovation of the Groningen Gas Fields.
- AJS. A joint operation of Stork Technical Services Nederland B.V. with Amec and Jacobs Engineering, to carry out the renovation of a number of offshore projects in the North Sea.

## 31 ESTIMATES AND JUDGEMENTS BY MANAGEMENT

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements relate to:

### **Impairment testing**

Note 13 contains information about the assumptions and the corresponding risk factors relating to impairment of goodwill and intangible fixed assets resulting from business combinations. Note 24 gives an analysis of the financial instruments, as well as of the risks relating to changes in currency values.

### **Assumptions concerning pensions**

Note 23 contains information concerning the valuation of pension obligations. A decline in the long-term market interest rate and therefore the applied discount rate would mean an increase in the obligations and could result in actuarial gains and losses.

### **Assumptions concerning the valuation of the deferred tax position**

Notes 2.10 and 11 provide information about the assumptions and the corresponding risk factors in relation to the valuation of the deferred tax position.

## 32 SUBSEQUENT EVENTS

No events with a significant impact on the financial statements as at 31 December 2014 have occurred.

## COMPANY FINANCIAL STATEMENTS

### COMPANY INCOME STATEMENT

	2014	2013
Income from subsidiaries after taxes	(29.0)	(81.9)
Other results after tax	8.7	24.3
<b>Result for the period</b>	<b>(20.3)</b>	<b>(57.6)</b>

### COMPANY STATEMENT OF FINANCIAL POSITION

Before appropriation of profit	Note	2014	2013
<b>Assets</b>			
Financial fixed assets	35	649.7	661.3
<b>Non-current assets</b>		<b>649.7</b>	<b>661.3</b>
Trade and other receivables	36	-	25.5
Cash and cash equivalents		34.4	27.4
<b>Current assets</b>		<b>34.4</b>	<b>52.9</b>
<b>Total Assets</b>		<b>684.1</b>	<b>714.2</b>
<b>Equity</b>			
Share capital	37	-	-
Share premium	37	517.6	511.1
Legal reserve	37	9.8	(6.5)
Retained earnings	37	(133.3)	(109.6)
<b>Total equity</b>		<b>394.1</b>	<b>395.0</b>
<b>Liabilities</b>			
Loans and borrowings	38	285.0	314.2
<b>Non current liabilities</b>		<b>285.0</b>	<b>314.2</b>
Trade and other payables	39	5.0	5.0
<b>Current liabilities</b>		<b>5.0</b>	<b>5.0</b>
<b>Total Equity and Liabilities</b>		<b>684.1</b>	<b>714.2</b>

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

### 33 GENERAL

The company financial statements form part of the 2014 financial statements of Stork Technical Services HOLDCO B.V. For the company income statement of Stork Technical Services HOLDCO B.V. use is made of the exemption pursuant to Section 2:402 of Book 2 of the Netherlands Civil Code.

### 34 PRINCIPLES FOR VALUATION AND DETERMINATION OF THE RESULT

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, Stork Technical Services HOLDCO B.V. makes use of the option provided in Section 2:362 (8) of the Dutch Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result for the company financial statements of Stork Technical Services HOLDCO B.V. are the same as those for the consolidated financial statements. In this context, investments in companies in which significant control is exercised are measured according to the net asset value method. The consolidated financial statements are prepared according to the standards set by the International Accounting Standards Board (IASB) and accepted by the European Union and in accordance with Title 9 Book 2 of the Dutch Civil Code. For a description of these accounting principles, reference is made to the accounting principles included in the consolidated financial statements.

The share in the result of subsidiaries in which the Company has holdings comprises the share of Stork Technical Services HOLDCO B.V. in the result of these participating interests. Results on transactions in which a transfer of assets and liabilities has occurred between Stork Technical Services HOLDCO B.V. and its participating interests, and mutually between participating interests with each other, are not recognized insofar as these can be considered as not realized.

### 35 FINANCIAL FIXED ASSETS

	Interest in Group companies	Loans to Group companies	Total
<b>Carrying amount as at 31 December 2013</b>	<b>308.9</b>	<b>352.4</b>	<b>661.3</b>
Movement loans	-	4.5	4.5
Result of subsidiaries	(29.0)	-	(29.0)
Actuarial gains and losses (net of tax)	(3.0)	-	(3.0)
Exchange rate differences	16.3	-	16.3
Other	(0.4)	-	(0.4)
<b>Carrying amount as at 31 December 2014</b>	<b>292.8</b>	<b>356.9</b>	<b>649.7</b>

Stork Technical Services HOLDCO B.V. holds capital interests (directly or indirectly) in the group companies presented in note 41.

### 36 TRADE AND OTHER RECEIVABLES

	2014	2013
Interest receivable from group companies	-	25.5
	-	<b>25.5</b>

## 37 EQUITY

The movement schedule of capital and reserves attributable to the shareholders of the Company is presented below.

(in EUR million)	Share capital	Share premium	Legal reserve	Retained earnings	Total
<b>Balance as at 31 December 2012</b>	-	<b>511.1</b>	<b>6.5</b>	<b>(52.0)</b>	<b>465.6</b>
Result for the year	-	-	-	(57.6)	(57.6)
Other comprehensive income (loss) for the year	-	-	(13.0)	-	(13.0)
<b>Balance as at 31 December 2013</b>	-	<b>511.1</b>	<b>(6.5)</b>	<b>(109.6)</b>	<b>395.0</b>
Share premium	-	6.5	-	-	6.5
Result for the year	-	-	-	(20.3)	(20.3)
Other comprehensive income (loss) for the year	-	-	16.3	(3.0)	13.3
Other	-	-	-	(0.4)	(0.4)
<b>Balance as at 31 December 2014</b>	-	<b>517.6</b>	<b>9.8</b>	<b>(133.3)</b>	<b>394.1</b>

## 38 LOANS AND BORROWINGS

	Currency	Nominal interest rate	Year of maturity	Debt 31 December 2014	Debt 31 December 2013
Loans					
- 11% Senior Secured Notes	EUR	11.00%	2017	272.5	272.5
- Super Senior Revolving Credit Facility	EUR	variable <sup>1</sup>	2017	21.0	52.8
				<b>293.5</b>	<b>325.3</b>
Repayments due within one year				-	-
Capitalized finance costs				(8.5)	(11.1)
				<b>285.0</b>	<b>314.2</b>

<sup>1</sup> The variable interest rate is based on interbank offered rates plus margin. The margin is determined quarterly on the reported debt cover ratio.

On 16 August 2012, Stork Technical Services HOLDCO B.V. issued EUR 272.5 million of 11.0% Senior Secured Notes. The notes mature on 15 August 2017 and are listed on the Luxembourg Stock Exchange and are traded on the Euro MTF market. The Senior Secured Notes are stated at amortized cost, including principal amount, capitalized finance costs and a discount on issuance date of EUR 19.2 million, which is being amortized over the life of the Senior Secured Notes (i.e. 5 years). As of 31 December 2014, the remaining to be amortized finance costs amounted to EUR 8.5 million.

Interest on the Senior Secured Notes is payable semi-annually. As of 31 December 2014, EUR 5.0 million in interest payments had accrued as current liabilities (2013: EUR 5.0 million). The fair value of the Senior Secured Notes as at 31 December 2014 amounted to EUR 230.3 million (2013: EUR 279.3 million).

In addition, the Company has entered into a EUR 110 million Super Senior Revolving Credit Facility with a syndicate of five banks, which expires in May 2017. As of 31 December 2014, EUR 21.0 million (2013: EUR 52.8 million) cash was drawn under the Super Senior Revolving Credit Facility and an amount of EUR 14.4 million (2013: EUR 24.3 million) was utilized for issuance of guarantees under the Revolving Facility.



The Senior Secured Notes and the Super Senior Revolving Credit facility are guaranteed by Stork Technical Services Group B.V., Stork Technical Services HOLDCO B.V., Stork Technical Services Holding B.V., Stork Technical Services (Holdings) Ltd. and other main subsidiaries ('the Guarantors'). The Notes and the Guarantees, together with the Company's and the Guarantors' obligations under the Super Senior Revolving Credit Facilities, are secured by security interests on substantially all of the assets of the Company and the Guarantors ('the Collateral'). In the event of enforcement of the Collateral, the holders of the Notes will receive proceeds from the Collateral and the Guarantees only after the lenders under the Super Senior Revolving Credit Facilities and counter parties to certain hedging obligations have been repaid in full. The term Super in the Super Senior Revolving Credit Facility therefore refers to the two creditor classes agreeing that the lenders under the Super Senior Revolving Credit Facility will be paid first in the event of enforcement of the Collateral.

### 39 TRADE AND OTHER PAYABLES

	2014	2013
Accrued interest	5.0	5.0
	<b>5.0</b>	<b>5.0</b>

### 40 LIABILITIES NOT SHOWN ON THE BALANCE SHEET

#### Individual liability and guarantees

At 31 December 2014 and 2013, no guarantees have been issued to third parties.

For most of the Dutch companies listed in note 41, declarations in accordance with article 403 of the Dutch civil code have been issued by Stork Technical Services HOLDCO B.V. and, as a consequence, Stork Technical Services HOLDCO B.V. is jointly and severally liable for all debts of these subsidiaries.

Stork Technical Services HOLDCO B.V. is part of the Dutch tax fiscal unity for corporation income tax purposes headed by Stork Topco B.V. Each of the companies included in a Dutch tax fiscal unity is individually and severally liable for all (Dutch Corporate) tax liabilities of the companies included in the Stork Topco B.V. fiscal unity.

Stork has pledged most of the assets of the guarantors Stork Technical Services HOLDCO B.V., Stork Technical Services Holding B.V., Stork Technical Services (Holdings) Ltd., together with Stork Technical Services Group B.V. (former Stork Technical Services TOPCO B.V.) and other main subsidiaries, on behalf of the syndicated Super Senior Revolving Credit Facility and the Senior Secured Notes.

## 41 LIST OF MAIN SUBSIDIARIES AND ASSOCIATES 2014

### Subsidiaries (100% owned)

- Stork Technical Services Holding B.V., Utrecht (NL)
- Stork Technical Services Nederland B.V., Utrecht (NL)
- E&I Services Zeeland B.V., Vlissingen (NL)
- Stork Technical Services Belgium N.V., Antwerp (BE)
- Stork Technical Services UK Ltd., Aberdeen (GB)
- Stork Turbo Blading B.V., Sneek (NL)
- Stork Turbo Service B.V., Almere (NL)
- Stork German Holding GmbH, Regensburg (DE)
- Stork Technical Services GmbH, Regensburg, Essen (DE)
- Stork Power Services USA Holding Inc., Charlotte (US)
- Stork H&E Turbo Blading Inc., Ithaca (US)
- Stork Gears & Services B.V., Rotterdam (NL)
- Stork Thermeq B.V., Hengelo (NL)
- Stork Technical Services (STS) Ltd., Skelmersdale of Merseyside (GB)
- Stork Thermal Equipment Ltd., Skelmersdale of Merseyside (GB)
- Stork Technical Services Australia (Pty) Ltd, Wetherill Park (AU)
- Stork Technical Services New Zealand Ltd., New Zealand (NZ)
- Stork Technical Services Malaysia Sdn. Bhd., Malaysia (MY)
- Mecánicos Asociados S.A.S., Bogota, Colombia (COL)
- Stork Peru S.A.C., Peru (PE)
- Stork Wescar Aruba N.V., Aruba (AW)
- Stork Wescar N.V., Curacao (CW)
- EQIN B.V., Rozenburg (NL)
- EQIN N.V., Antwerp (BE)
- Stork Technical Services (RBG) Ltd., Scotland (UK)
- Stork Technical Services (Holdings) Ltd., Scotland (UK)
- Stork Technical Services USA LLC (USA)
- Stork Technical Services Trinidad and Tobago Ltd., Trinidad (TRI)

### Subsidiaries with non-controlling interest

- Cooperheat Saudi Arabia Company Ltd., Jubail, Kingdom of Saudi Arabia (SA), 75%
- Stork Technical Services Saudi Arabia Co., Jubail, Kingdom of Saudi Arabia (SA), 55%
- Stork General Trading & Contracting Company (WLL), Kuwait (KW), 49%
- Stork Oryx Turbo Machinery Services LLC, Qatar, (QA), 49%
- Consorcio Turnarounds Alliance, Colombia (COL), 60%
- Consorcio Pipeline Maintenance Alliance, Colombia (COL), 70%

### Associates

- Consorcio KGM, Colombia (COL), 41%

Use has been made of the exemption provided by Section 2:403, part IX, Book 2 of the Dutch Civil Code with respect to most of the Dutch operating companies.

## 42 SUBSEQUENT EVENTS

No events with a significant impact on the financial statements as at 31 December 2014 have occurred.

### Utrecht, 19 March 2015

### Board of Management

**A. Steenbakker (CEO)**

**W.H.J.C.M. Oomens (CFO)**

# OTHER INFORMATION

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# INDEPENDENT AUDITOR'S REPORT

To the general meeting of shareholders of Stork Technical Services HOLDCO B.V.

## Report on the financial statements

We have audited the accompanying financial statements 2014 of Stork Technical Services HOLDCO B.V., Amsterdam. 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 consolidated income statement, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information as included on page 59 to 100. The company financial statements comprise the company balance sheet as at 31 December 2014, the company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information as included on page 101 to 105.

## Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the report of the Board of Management in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements,

whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Stork Technical Services HOLDCO B.V. as at 31 December 2014 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

## Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Stork Technical Services HOLDCO B.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 Netherlands Civil Code.

## Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the report of the Board of Management as included on page 21 to 49, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b – h has been annexed. Further, we report that the report of the Board of Management, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

**Amstelveen, 19 March 2015**  
**KPMG Accountants N.V.**  
**R.C. Preitschopf RA**



# PROFIT DISTRIBUTION (ARTICLES OF ASSOCIATION ART. 20)

1. The General Meeting of Shareholders shall determine the allocation of the accrued profits.
2. Distributions can only be made up to the amount of the Distributable Part of the Shareholders' Equity.
3. A distribution of profits shall take place after the adoption of the Financial Statements from which it appears that the distribution is permitted. The distribution of profits shall be due for payment within two weeks after the resolution to adopt the Financial Statements, unless special circumstances require the distribution to take place at a later date.
4. Subject to article 20.2, the Board of Management may resolve to distribute interim dividends.
5. Subject to article 20.2, the General Meeting of Shareholders may resolve to make a distribution out of a reserve in whole or in part.
6. The claim of a shareholder to receive any distributions shall lapse within five years after they have become due for payment.
7. In calculating the amount of any distribution on shares, shares held by the Company shall be disregarded.

# FOUR-YEAR OVERVIEW

in EUR million unless stated otherwise	2014	2013	2012	2011
<b>Income statement</b>				
Revenue	1,492.3	1,441.1	1,417.8	1,319.9
Operational EBITDA	81.1	68.7	96.6	95.5
Non-recurring items	(9.4)	(36.1)	(9.8)	(61.8)
EBITDA	71.7	32.6	86.8	33.7
Operational EBIT	35.5	26.8	49.3	52.0
Operational result	26.1	(9.3)	39.5	(9.8)
Net finance expense	(47.0)	(45.5)	(62.5)	(47.2)
Share of profit (loss) of associates	2.3	(0.2)	0.3	(0.3)
Income tax	1.5	(2.4)	(5.6)	(6.8)
Result from continuing operations	(17.1)	(57.4)	(28.3)	(64.1)
Result from discontinued operations	-	-	-	(1.2)
Result for the year	(17.1)	(57.4)	(28.3)	(65.3)
<b>Cash flow from:</b>				
Operating activities	8.0	(8.3)	7.9	61.9
Investing activities	(26.8)	(15.9)	(12.6)	(173.1)
Financing activities	(24.9)	48.5	13.4	120.2
Total cash flow	(43.7)	24.3	8.7	9.0
<b>Statement of financial position</b>				
Non-current assets	720.6	711.8	747.8	771.6
Current assets	399.1	433.9	407.0	408.6
Total assets	1,119.7	1,145.7	1,154.8	1,180.2
Total equity	397.3	395.4	465.4	288.5
Non-current liabilities	348.9	388.0	348.7	506.7
Current liabilities	373.5	362.3	340.7	385.0
Net debt	303.3	279.7	257.1	418.7
Net operating working capital	36.1	28.7	70.0	59.3
Invested capital	700.6	675.1	722.5	707.2
<b>Ratios</b>				
Operational EBITDA as % of revenue	5.4%	4.8%	6.8%	7.2%
Net operating working capital as % of revenue	2.1%	1.9%	4.6%	4.3%
Return on invested capital	5.2%	3.8%	6.9%	n/a
Debt cover ratio	3.8	4.1	2.7	n/a
<b>Other data</b>				
Order book	1,336.9	1,303.9	1,126.9	1,137.6
Number of employees (at 31 December)	16,488	13,571	14,579	13,419
Lost time incident frequency	0.92	0.87	0.87	0.77
Total recordable incident frequency	2.74	2.79	2.98	3.30

# GLOSSARY

**Cost of capital** The costs that have to be paid for a specific form of capital, expressed as a percentage of the amount of the capital concerned.

**Debt cover** The consolidated total net debt divided by operational EBITDA on a 12-month rolling forward basis, based on the net debt and EBITDA definitions mutually agreed on with the group of banks.

**Derivative financial instruments** Instruments used for financing and risk management. Their value is derived from the changes in the value of underlying assets such as shares, interest rates, currencies or commodities.

**EBIT (or operational result)** Earnings before interest and taxes; this is a non-GAAP measure.

**EBITDA** Earnings before interest, taxes, depreciation, amortization; this is a non-GAAP measure.

**IFRS** International Financial Reporting Standards as adopted by the European Union. Also referred to as IAS (International Accounting Standards).

**Invested capital** Total assets (excluding cash and cash equivalents) less non-current and current liabilities (excluding loans and borrowings and bank overdraft).

**Lost time incident frequency (LTI)** This ratio is calculated as the total number of lost time incidents divided by the number of man-hours worked multiplied by one million.

**Net debt** Loans and borrowings and bank overdraft less cash and cash equivalents.

**Net operating working capital** Current assets minus current liabilities excluding provisions and finance and tax-related items. When expressed as a ratio, net operating working capital is measured against revenue of the last three months annualized.

**Operational EBIT (or operational result)** Earnings before interest, taxes and non-recurring items; this is a non-GAAP measure.

**Operational EBITDA** Earnings before interest, taxes, depreciation, amortization and non-recurring items; this is a non-GAAP measure. When expressed as a ratio, operational EBITDA of the current financial year measured against revenue of the current financial year.

**Operational overhead expenses** Sales costs and general and administrative expenses excluding non-recurring items; this is a non-GAAP measure.

**Order book** Projected revenue attributable to signed contracts that we reasonably expect to generate. For projected revenue related to a project to be added to the order book, we require a firm contractual arrangement and we must have a reasonable expectation of future activity. The order book comprises management's estimates of revenue to be generated related to signed orders. When the order comprises a total agreed revenue amount, the full amount is included in the order book. In cases where a contract does not include a minimum volume agreement, management's best estimate of revenue for a maximum period of two years is included.

**Return on invested capital** The operational EBIT (or operational result) of the current financial year divided by the average invested capital, calculated on the basis of the balance at the end of the preceding year and the end of the current year.

**Total recordable incident frequency (TRIF)** This ratio is calculated as the total number of lost time incidents, restricted work case incidents and medical treatment case incidents divided by the number of man-hours worked multiplied by one million.

**WACC** Weighted Average Cost of Capital. The weighted average of the required profitability on equity and borrowed capital.

