



Annual Report 2016

Sif Holding N.V.

Leading in offshore foundations



Sif

Sif is a **leading provider**
of mission-critical steel
foundations to offshore
wind and oil & gas
markets

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The pictures in this annual report show the eight most important stages of the monopile production process.

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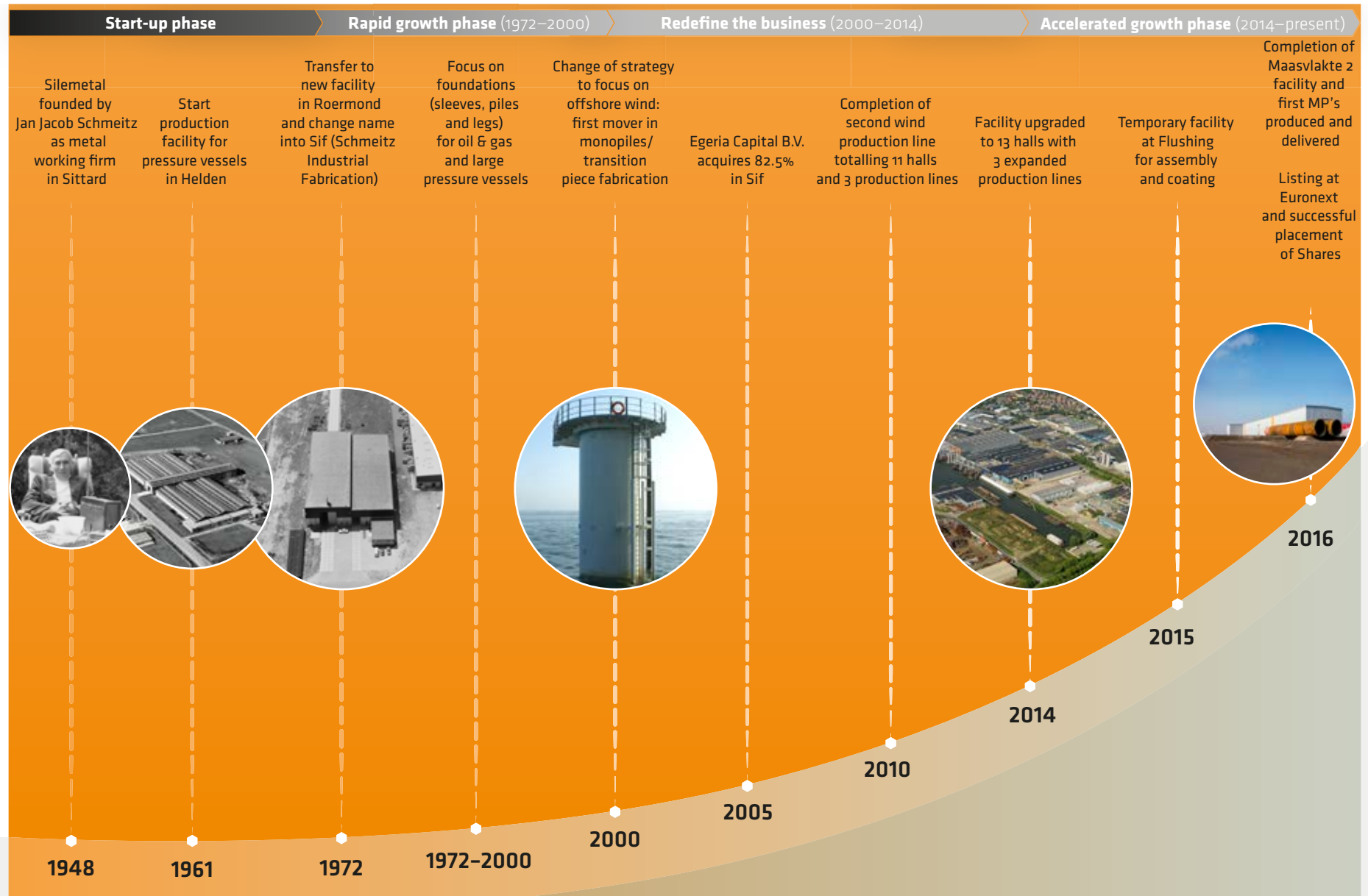


Highlights

- > **Lost Time Injury Frequency (LTIF) 2.83.**
- > **Rampion and Dudgeon wind projects completed.**
- > **Components for Maersk and Svedrup jackets for oil & gas projects completed.**
- > **Construction of new plant at Maasvlakte 2 near Rotterdam.**
- > **First load-out of monopiles at new Maasvlakte 2 Rotterdam plant in January 2017.**
- > **Introduction of pull-production system in Roermond to improve efficiency and safety.**
- > **Financial Performance:**
 - Revenue €400.3 million with €129.5 million Contribution.
 - EBITDA €65.4 million (normalized for incidental expenses).
 - Profit attributable to the shareholder €37.4 million.
 - Earnings per share €1.47.
 - Dividend proposal €0.37 per share.
 - Order book 2017: 210 Kton filled.
- > **IPO Euronext Amsterdam 12 May 2016.**
- > **New offices in Roermond completed.**

Company profile

Transformational history



Products & Markets

Sif Group's core competence is the serial rolling, automated welding and coating of thick steel plates to create unique tubular offshore foundations and foundation components. Sif's clients are active mainly in the field of offshore energy production and are either owners of wind farms and oil or gas production fields or main contractors (EPIC) to these owners.



monopiles and transition pieces for offshore wind turbines



components for jackets for offshore wind turbines and substations

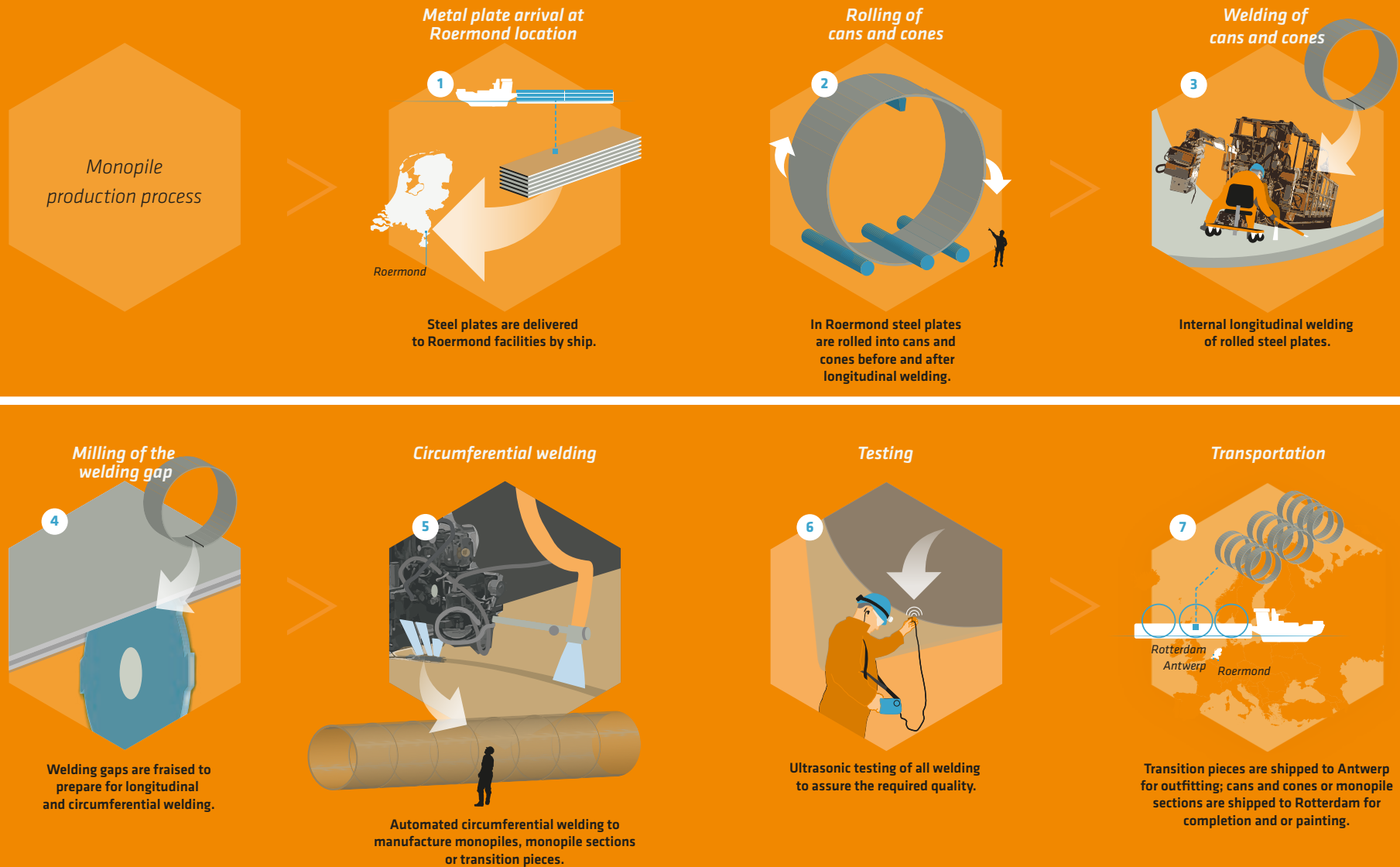


components for jackets for offshore oil & gas production platforms

620 employees, €400.3 million revenue, €129.5 million contribution, mainly in the North Sea (France, UK, Belgium, Denmark, Germany, Norway and the Netherlands)

- > To complete the contracts in 2016 Sif Group used **1,944,000 kilograms** of welding wire and **2,103,000 kilograms** of welding powder

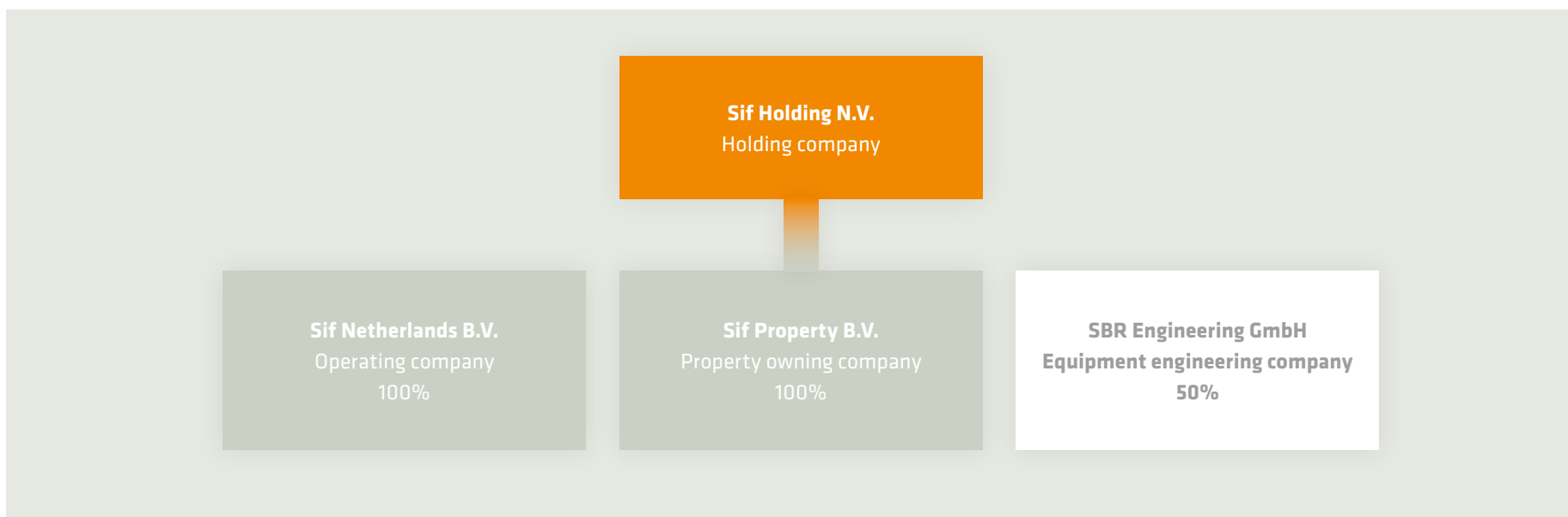


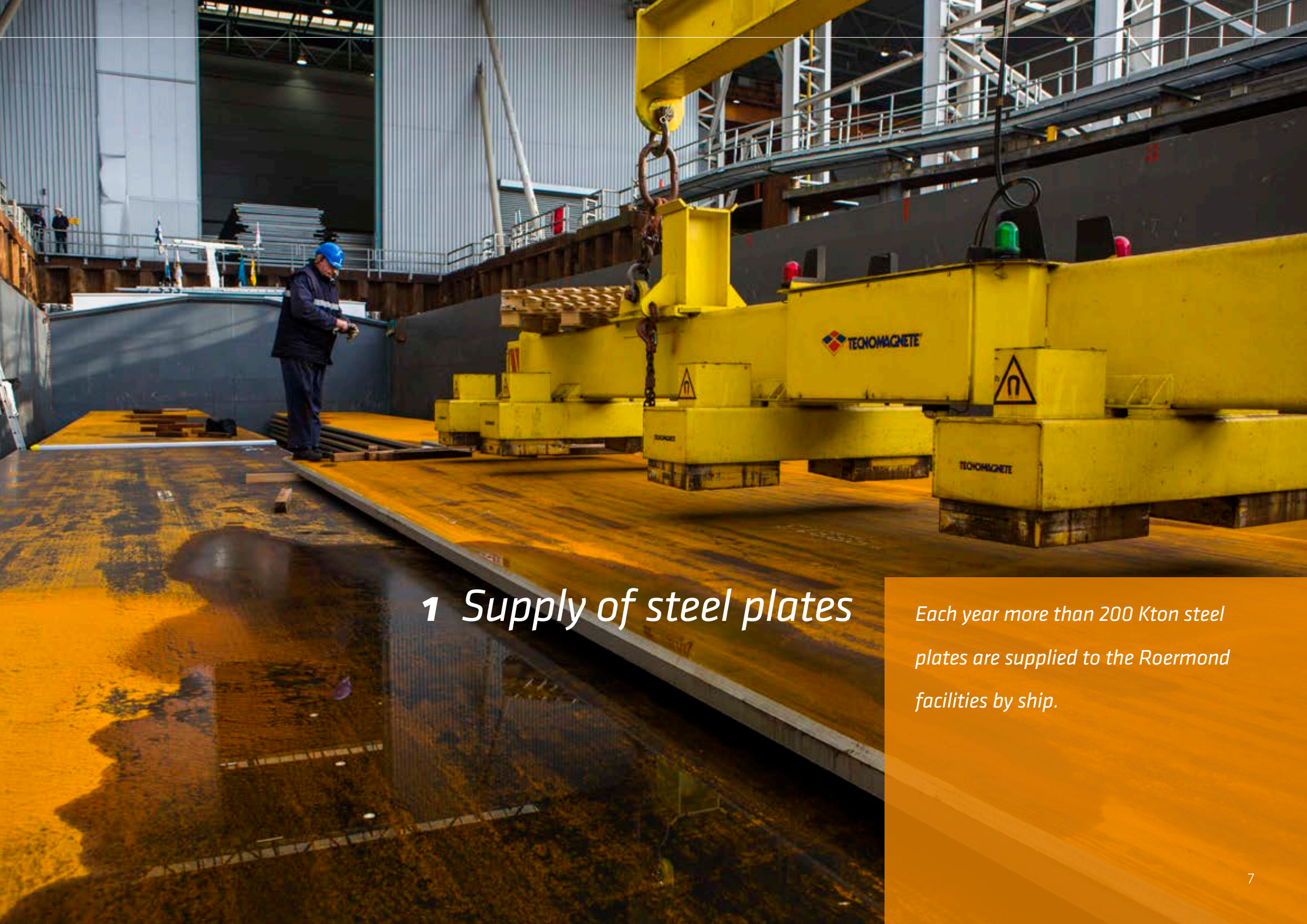


Steps as shown in pictures 4-6 are also taken in the Rotterdam plant. After painting, monopiles are collected from the quay by the client.

Sif Holding N.V. is the reporting entity and holding company of the Group of Sif companies. The consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position included in this Annual Report include all Group companies. The Group will hereinafter be referred to as Sif, Sif Group, the Company or the Group. Sif Holding N.V. will be used when referring solely to the holding company.

Sif Group structure





1 *Supply of steel plates*

Each year more than 200 Kton steel plates are supplied to the Roermond facilities by ship.

Key figures 2014-2016

X € THOUSAND

Revenue

	2016	2015	2014
Revenue	400,318	321,343	262,523
Production <i>IN KTON</i>	191	150	133
Contribution*	129,480	100,536	83,594
EBITDA	58,616	55,252	45,741
Normalized EBITDA	65,395	57,815	46,238
Net earnings	37,365	35,628	27,995
Net cash from operating activities	52,887	25,421	33,570
Net increase/(decrease) in cash and cash equivalents	(28,429)	3,740	(10,954)
Net cash from investing activities	(67,962)	(16,421)	(39,523)
Depreciation and amortization	8,684	6,986	7,391
Net debt	41,969	26,894	11,434
PER SHARE X €			
Earnings	1.47	1.40	1.10
Dividend	0.37**	0.94	1.28
RATIOS %			
ROCE	32.7	39.5	30.5
Solvency	34.8	16.2	43.6
COVENANT RATIO'S			
Net debt/EBITDA	0.7	0.5	0.2
Cash flow cover	3.0	10.3	4.2
Number of shares issued	25,501,356	25,501,356	25,501,356

Production *IN KTON*

Contribution*

EBITDA

Normalized EBITDA

Net earnings

Net cash from operating activities

Net increase/(decrease) in cash and cash equivalents

Net cash from investing activities

Depreciation and amortization

Net debt

PER SHARE X €

Earnings

Dividend

RATIOS %

ROCE

Solvency

COVENANT RATIO'S

Net debt/EBITDA

Cash flow cover

Number of shares issued

Definition of non-IFRS measures

Total revenue minus cost of raw materials, subcontracted work and other external charges and logistic and other project related expenses

Profit before net finance costs, tax, depreciation and amortization

EBITDA corrected for incidental IPO related expenses or income

Profit attributable to the shareholder

Gross debt (loans and borrowings) minus cash and cash equivalents

Profit attributable to the shareholders divided by the average number of shares outstanding during the year under review

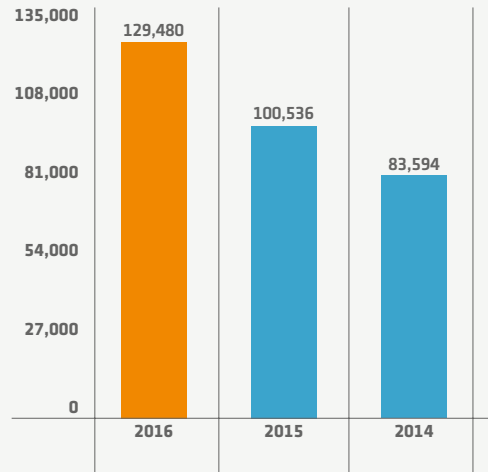
Net earnings as a % of equity plus loans and borrowings
Equity/balance sheet total

* Contribution is an important kpi since it excludes pass-through costs. Together with the production in Kton and EBITDA it indicates the quality of Sif's performance in any reporting period.

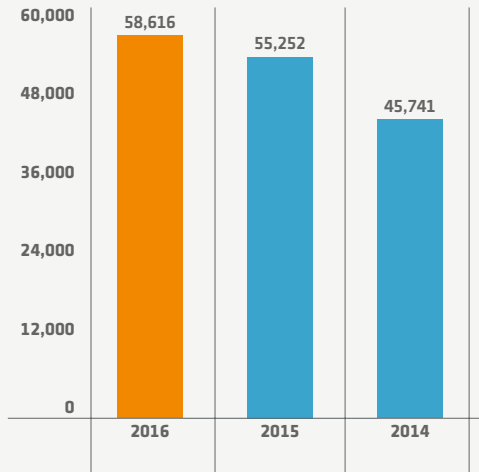
** Subject to AGM approval.

CONTRIBUTION

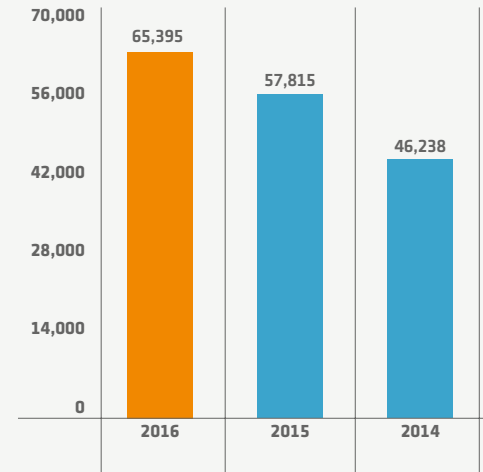
€1,000

**EBITDA**

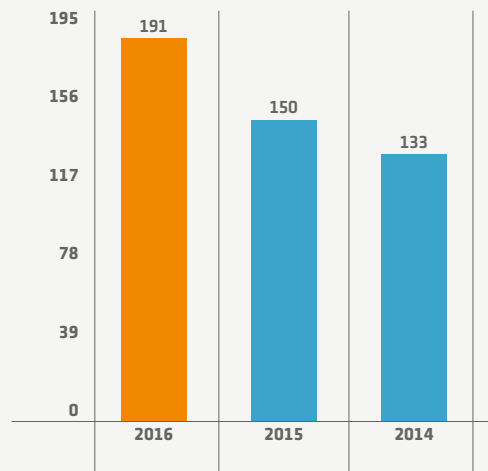
€1,000

**NORMALIZED EBITDA**

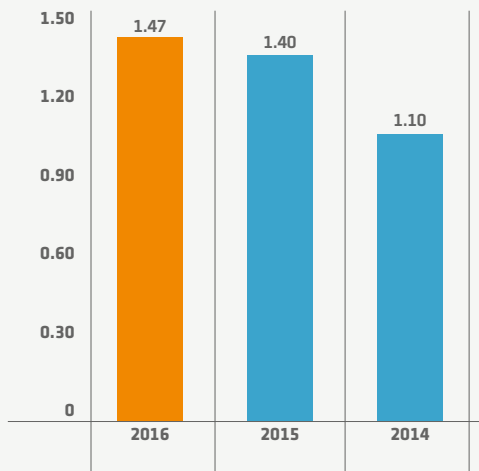
€1,000

**PRODUCTION**

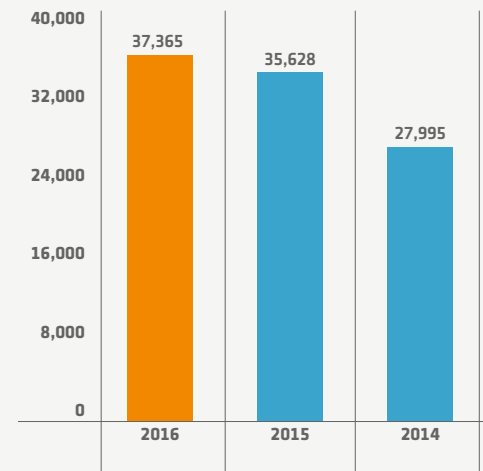
IN KTON

**EARNINGS PER SHARE**

IN €

**NET EARNINGS**

€1,000



Letter from the CEO

Dear Stakeholder,

2016 was, in general, a noteworthy year for us all with geopolitical issues, an unexpected Brexit vote and a growing Dutch economy. We faced the up-swing of offshore wind energy countering the slow down of investments in offshore oil and gas. 2016 also marked the successful introduction of Sif shares on the stock market, the ahead-of-schedule construction and successful start-up of our Maasvlakte 2 facility near Rotterdam and the Company's best ever annual results in terms of contribution, produced tonnage and EBITDA.



From an organisational perspective the opening of Maasvlakte 2 – Sif Group's first production facility outside Roermond – was demanding. The construction of, and the start of production in, Maasvlakte 2, not just within a short space of time but ahead of schedule, will be remembered as one of the Company's greatest achievements. I would like to congratulate and compliment all the staff and suppliers involved. They really did prove to be a magnificent team. A great effort by the Port of Rotterdam enabled us to welcome the first installation vessel to our quay in late December, only 18 months after Sif and the Port of Rotterdam signed the lease contract.

2016 will remain in our memories as our most demanding year so far. But new opportunities lie ahead and Sif Group is already focusing on meeting them by increasing its competitiveness even more and by possibly spreading its wings outside Europe in future years. My leading principle herein is to never simultaneously launch a new product and enter a new market.

Offshore wind

In 2016 market growth in the world in general and in Europe in particular was very robust. This resulted in an extremely busy second half of the year. We saw the introduction of 8 MW turbines supported by monopile foundations with diameters larger than 8 meters. We experienced a market breakthrough with the tenders for Borssele and in Denmark that resulted in a Levelized Cost Of Electricity (LCOE) far below the €100 per MWh target for 2020. The resolutions related to renewable energy agreed during the 2015 United Nations Climate Change Conference (COP 21) in Paris are very supportive of wind energy and will result in strong support for offshore wind energy production from national governments. In the UK we saw no major setbacks following the Brexit decision. Our investment in Maasvlakte 2 was made at the right time because we now have a facility that will enable us to produce XL monopiles with an 11 meters diameter, 120 meter length and 2,000 tons weight and coated in compliance with the highest standards as well as a deep-sea quay capable of receiving the largest installation vessels. This gives Sif Group a strong competitive edge, not just now, but also going forward.

'The orderbook for 2017 is well-filled – production will exceed 200,000 tons.'

Offshore oil and gas

Since the end of 2015 the oil and gas sector has been affected by low oil prices, which has reduced investments in offshore oil & gas exploration and production to the bare minimum. Despite this unfavourable situation Sif Group, based on its positive reputation (high quality delivered on time and within budget), has been and is involved in nearly all the offshore investments in oil & gas in North-West Europe including Culzean and Sverdrup. Sif Group has also focussed on supplying components for offshore wind farm jackets which, after some adjustments, are being produced efficiently on our existing oil and gas lines.

Outlook

Looking ahead, we need to focus on building-up a good order book for 2018. Now that we see Dutch and French projects that were initially planned for 2018 shift into 2019, this will require our highest attention. As we expect the oil and gas market to remain slow until at least 2018 we will also pursue alternative products for the wind market that can be produced on our existing flexible production line. For 2017 the order book is well-filled and, for the first time, exceeds the 200,000 tons production milestone. The start up of production in Maasvlakte 2 has contributed towards us achieving this landmark.

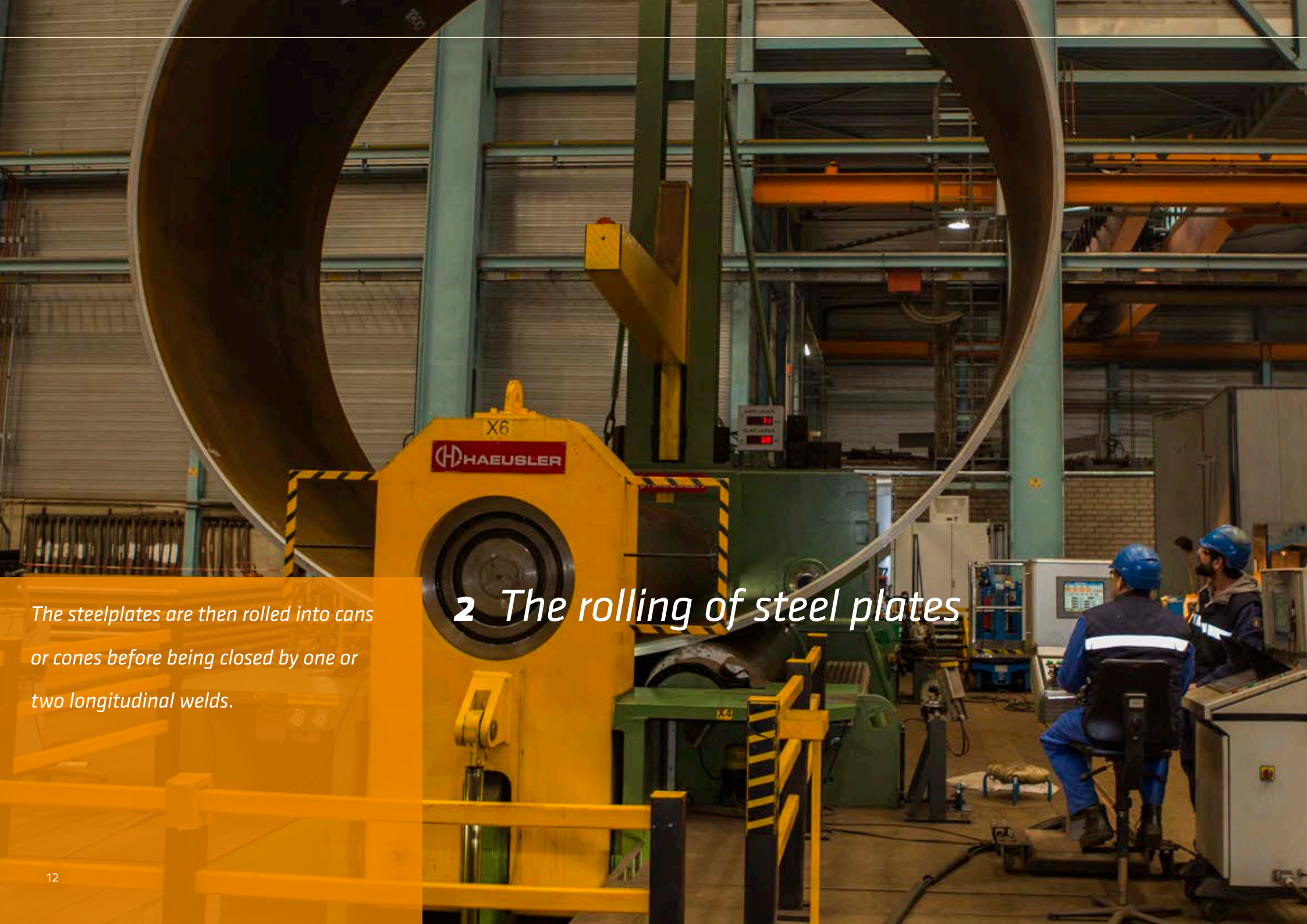
Sif's Annual Report

This is the Sif's first Annual Report to be presented to public shareholders. It explains in detail the developments during 2016 and the opportunities and challenges related to the markets and products relevant for Sif Group that are expected in the near future. We will continue to focus on being the partner customers select due to our reliable, high quality and timely delivery, our reduction of total cost and our budget discipline. Internally we will strive for cost leadership based on innovation, continuous improvement, long-term partnerships and employee motivation.

As a 'new kid' on the stock market our Annual Report will elaborate on our value proposition for shareholders, clients and employees, projects we have completed or are currently involved in, our production process and the quality of our workmanship. All of this will be illustrated by the highlights of 2016. However, 2016 also had its lows with the death of my predecessor, Paul Govaert, after a long and brave fight with cancer, and the fatal car accident in which our employee, Kevin Terol, was involved while driving to work. Our thoughts are with their families.

On behalf of the Executive Board I would like to thank all our employees for their achievements, safe working and loyalty to the company, our clients for their support, our suppliers for their commitment to meeting the challenges and, of course, our shareholders for their trust in our strategy as reflected in a successful IPO.

Jan Bruggenthijs, CEO



The steelplates are then rolled into cans or cones before being closed by one or two longitudinal welds.

2 *The rolling of steel plates*

Report of the Executive Board

Vision & Mission

Sif Group is a leading provider of mission-critical tubular steel foundations to offshore wind and oil & gas markets. Sif's clients operate primarily in North-West Europe. Sif Group focuses on client satisfaction through the delivery of products on time, within budget and in accordance with the stipulated quality specifications. The Company's goal is to exceed its client's expectations in terms of quality, innovation, safety and services. To achieve this the Company invests in the most efficient production facilities and pursues competitive advantage through continuous improvement and innovation. Sif Group is striving to expand its business internationally step by step on the basis of its in-house designed equipment and expertise. Sif Group attracts highly-qualified personnel, suppliers and other business partners by offering a stimulating and rewarding environment.

Strategy & Objectives

Sif Group's strategy is aimed at achieving an attractive and sustainable return on investment for the Company and its shareholders. The Company will pursue this aim in a safe environment for its employees, clients and suppliers and will strive to continuously reduce its environmental footprint. The Group's core values of Company pride, teamwork, on-going commitment, open communications and responsible behavior are key to the execution of this strategy which is based on:

- > Defend & extend: Achieve cost leadership in the period 2017 – 2018 by optimizing capacity utilization, reinforcing the organization, pursuing early project involvement and preparing the business for future demand;
- > Drive growth: Develop products and expand markets in the period 2017 – 2021 through securing the best competitive position by offering add-on services and new products in existing Sif markets and by penetrating new markets with existing Sif products;
- > Seed Future Growth: take initiatives to secure a sustainable long term leading market position.

Mid-term objectives (period until 2021)

1. To provide a safe and healthy working environment with zero accidents.
2. To be the number 1 supplier of monopiles to the wind industry in North-West Europe (measured by tonnage).
3. To be the number 1 supplier of large legs and piles to the oil & gas industry in Western Europe (measured by tonnage).
4. To achieve a competitive international position in wind outside of Europe (most likely in Asia or the United States).
5. To develop a third product/market combination (PMC) of a sufficient size.
6. To achieve cost leadership in thick, wide and long tubular steel products (up to 150 mm thick, >1.5 m diameter and >30m long).
7. To achieve market leadership in innovation and the development of products and services that contribute towards the lowest achievable LCOE.

'More than 70% of new offshore wind farms in Europe will be commissioned in the UK, Germany and the Netherlands. France will also become a key market, but this is not expected until 2021.'

Business environment, MD&A

TRENDS RELEVANT TO SIF'S MARKETS

The expected further growth in offshore wind energy will lead to more demand for monopile solutions.

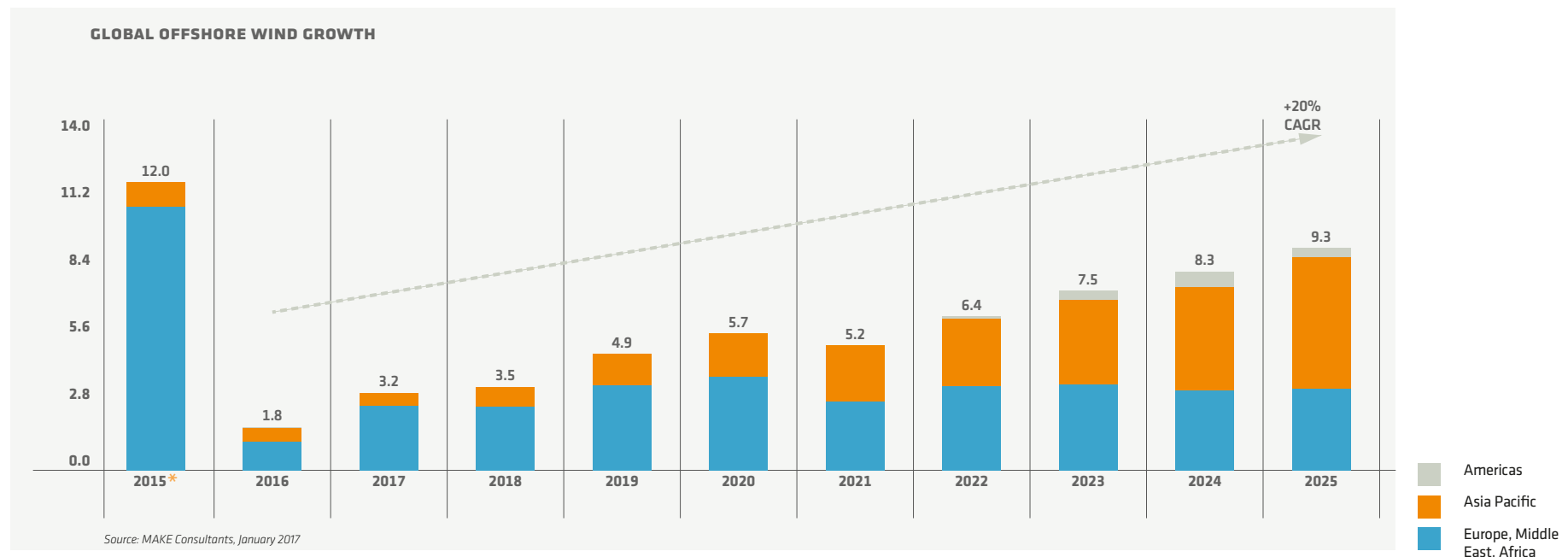
Offshore oil & gas investments demand higher oil prices.

- > Population growth drives global energy demand.
- > Sustainability agreements fuel the drive for renewable energy.
- > A decreasing Levelized Cost Of Energy favors offshore wind in comparison to other energy sources.
- > Monopiles are the preferred foundation solution for offshore wind farms with 6-7 MW wind turbines in water depths up to 50 meters.
- > The North Sea is the largest wind market with high visibility.
- > Monopile XL innovation will enable larger wind turbines in deeper water.

Markets, market segments and trends

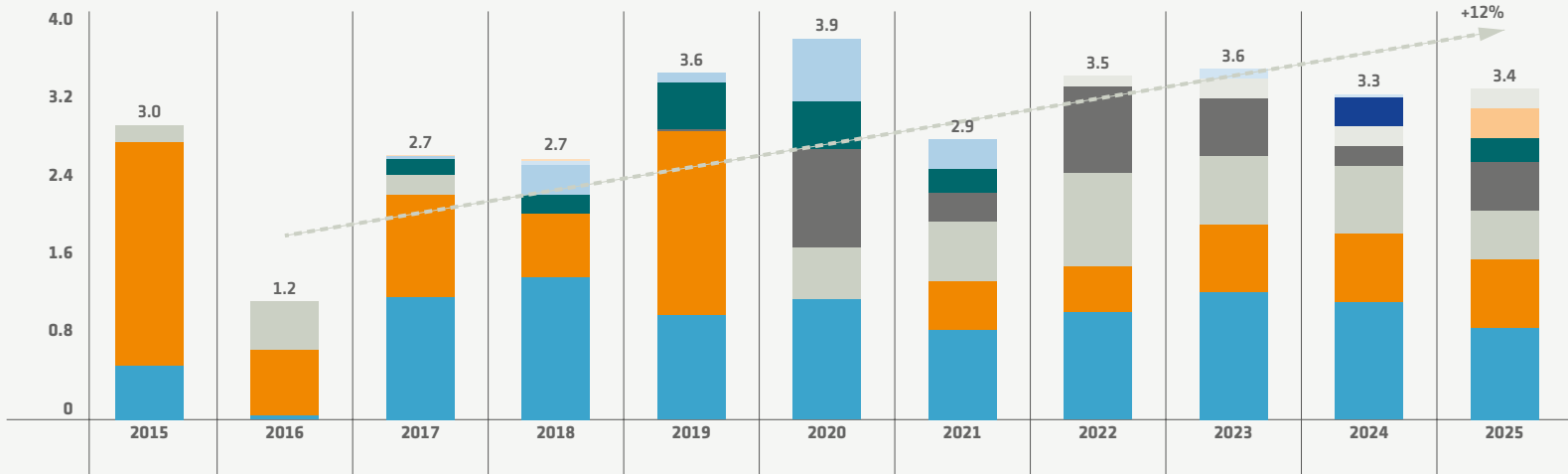
Offshore wind

Global demand for energy is growing and is expected to continue growing during the coming years. Renewable energy is expected to form a larger portion of new energy generation. This expectation is based primarily on regulatory commitments, such as the Kyoto protocol, Obama's Clean Power Plan and the United Nations Framework Convention on Climate Change (UNFCCC) signed in Paris in December 2015. In addition to an inevitable trend from fossil to renewable, the global market for energy production also shows a shift from onshore to offshore and to even further offshore. These trends are being accelerated by growing political awareness and decision-making support as well as by an increasing financing appetite in the aftermath of the economic and financial crises. This, plus technological advances in the supply chain, is allowing energy producers to build installations that are larger and/or at greater depths.



EUROPEAN OFFSHORE WIND GROWTH *

(GW)



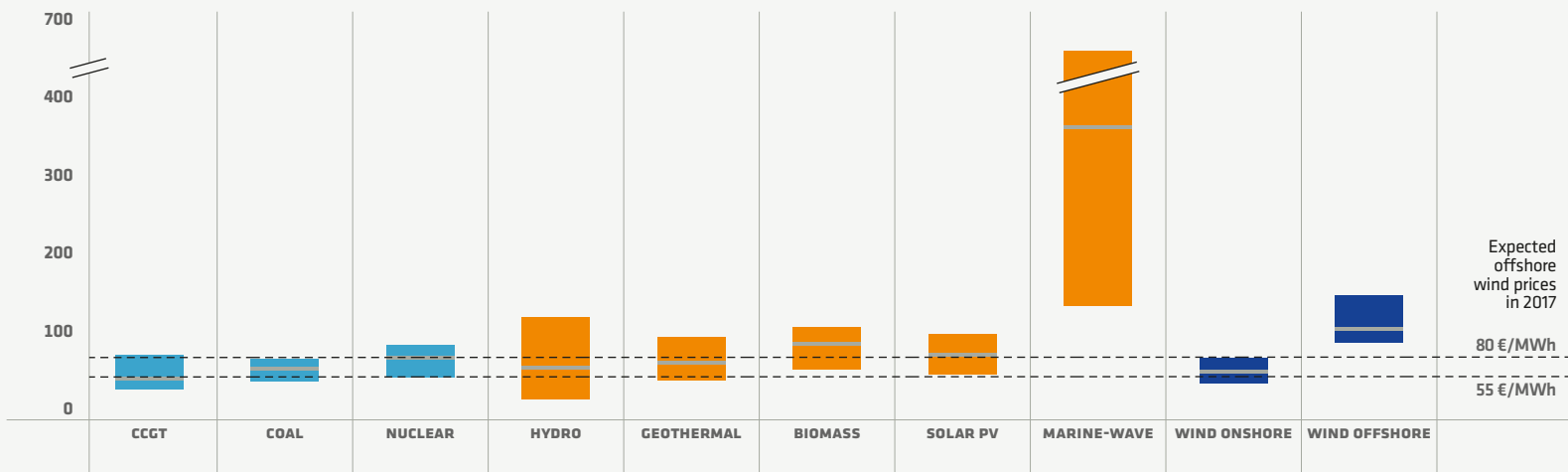
Source: MAKE Consultants, January 2017

* Note Sif: This expected growth graph does not yet allow for offshore wind projects in France and The Netherlands that have shifted from 2020 grid connection into 2021 (source: WindEurope; The European offshore wind industry-key trends and statistics 2016).

- Portugal
- Finland
- Ireland
- Poland
- Sweden
- Denmark
- Belgium
- France
- Netherlands
- Germany
- United Kingdom

2016 LCOE-GLOBAL RANGES AND BASELINES

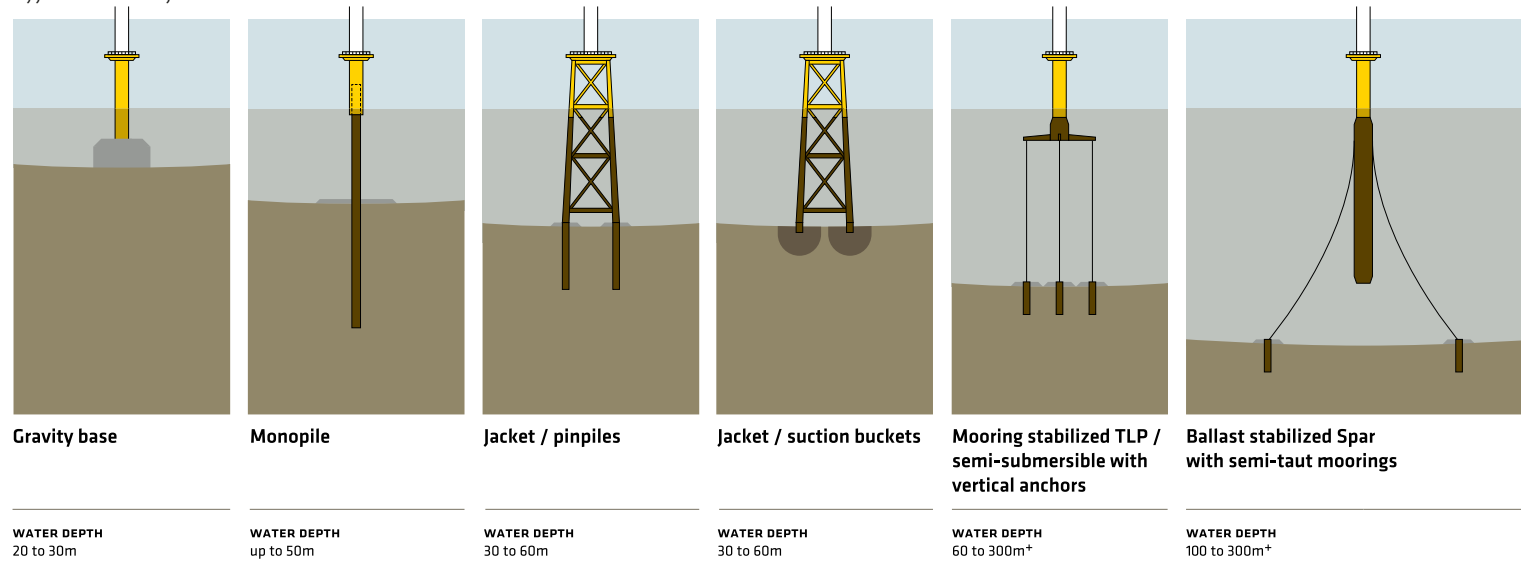
LCOE - €/MWh



Source: MAKE Consultants, January 2017

- 2016 baseline
- Wind global
- Renewables global
- Conventional global

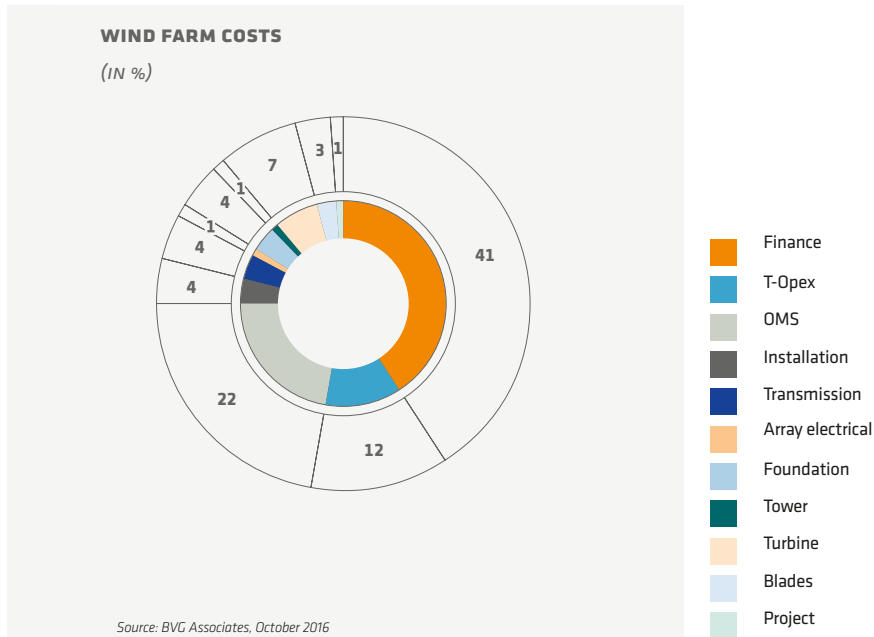
offshore wind foundations



'The expected LCOE for offshore wind in 2017 makes offshore wind competitive with all other energy sources.'

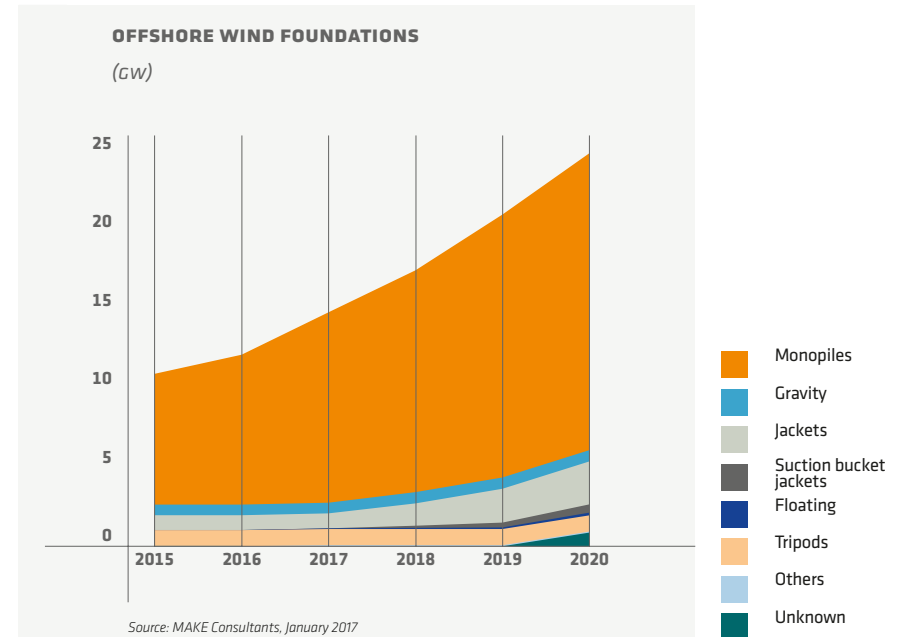
In 2015 the state-of-the-art in the most important market segment for Sif – the offshore wind energy sector – was wind farms built in an average water depth of 27 meters and at an average distance to shore of 43 kilometers (source: EWEA). Today, turbine sizes of 8 Megawatt and deeper waters require even larger and heavier foundations. The offshore wind energy market has undergone significant growth in recent years. The compound annual growth rate for 2016–2025 is estimated at 20% (source: MAKE Consultants; figure global offshore wind growth).

Currently Sif Group's main geographical focus is North-west Europe (United Kingdom, Germany, Belgium, Denmark, Norway, France and the Netherlands). This region accounts for around 90% of the global installed capacity and is



Based on a typical 500mw wind farm in 25m water depth with MP's and 8MW turbines and a 40KM HVAC connection distance and WACC of 8.9% and FID in 2016.

expected to show growth of 12% in the period 2016-2025 (source: MAKE Consultants; figure European offshore wind growth). The wind industry has a project horizon of around 5 years from the assignment of a seabed lot. More than 80% of the European projects assigned in 2016 - 2017 are under construction or have secured financing and 67% of the assigned projects in the pipeline for 2018-2020 have secured financing (source: BNEF). This makes the European market highly transparent and reliable for contractors such as Sif Group. The reduction of wind energy's Levelized Cost Of Energy (LCOE) to well below €100/MWh that was achieved in 2016 will encourage the further growth of offshore wind energy production (figure 2016 LCOE global ranges and baselines).



In 2015 around 90% of all the foundations installed were monopiles (source: MAKE Consultants; figure Development in monopile size). The main reason for their popularity is their low total cost of manufacturing, transportation and installation combined with the low risk profile of this proven solution. In 2016 the monopile foundation accounted for around 4% of the total cost (or 7% of CAPEX) of the total cost of an offshore wind farm (source: BVG Associates, October 2016 figure Transmission OPEX).

The recent introduction of the XL monopile has assured the position of monopiles as the preferred foundation for offshore wind projects. Competitive advantages for Sif Group are the barriers to entry for other suppliers. Sif Group's competitive position is based on its excellent track record for the timely delivery of high-quality products and the Company's innovative drive and strong balance sheet. The Group's clients include wind energy production companies, such as RWE, Statoil and E.on, as well as EPIC companies, such as GeoSea, Seaway Heavy Lifting and Van Oord. The two main competitors of Sif for XL Monopiles are EEW and Steelwind.

Offshore oil & gas

The oil & gas production sector is currently confronted with low oil prices well under \$60 a barrel (The average UK Brent crude oil price in 2016 was \$43.55 per barrel). This is making some production methods, such as extraction from tar sands and ultra-deep and/or Arctic production, economically non-viable. The effects of the low oil price are reflected in Sif Group's results for 2016: whereas the market for offshore wind production showed further growth, the market for offshore oil & gas production was slow. Clients in oil & gas include oil companies, such as Statoil and Maersk, but are mainly EPIC companies, such as Heerema Fabrication Group, Dragados and Kvaerner. The International Energy Agency (IEA) still foresees a growing demand for oil & gas from road transportation and aviation and from the pursued shift from coal to gas. Production prices do, however, need to decrease. Sif expects that, for the foreseeable future, the focus in the oil & gas industry will be on the (re)development of existing oil & gas fields due to the low cost involved, which is partly thanks to standardized jacket design.

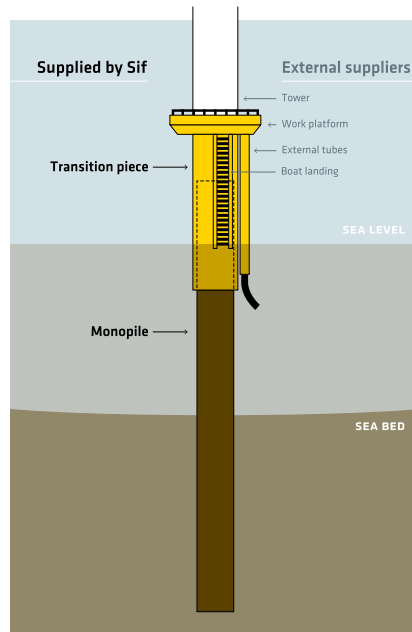
Products, process and innovations

Sif is a leading manufacturer of large steel tubulars used as foundation components for the offshore wind and offshore oil & gas industries. Sif Group manufactures monopiles, transition pieces, the 'pin piles' used to anchor jacket foundations in the seabed and the main tubulars for large size jackets in oil & gas as well as for gravity-based and suction-based foundations for all types of offshore wind projects. A monopile foundation is a large tubular structure, typically with a conical section to reduce the diameter from the bottom to the

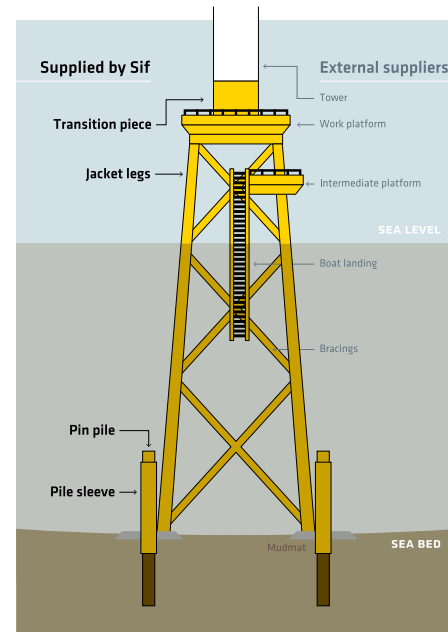
'Sif is a leading manufacturer of the large steel tubulars used as foundation components for the offshore wind and offshore oil & gas industries.'

top. A jacket foundation consists of legs welded together with bracings and either anchored with separate pin piles that are hammered into the seabed or secured by the use of suction buckets. Sif Group manufactures tubulars in accordance with the client's design. See figure on page 16.

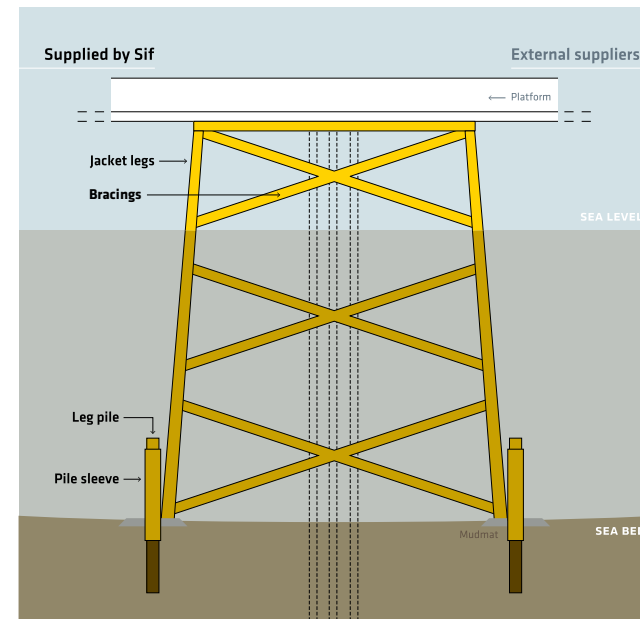
The tubulars are produced in two facilities: Roermond and Maasvlakte 2. The Roermond facility has a total working area of 102,000 m² with 47 welding machines and 8 rolling machines. In the Roermond facility different qualities and grades of steel plates up to 150 mm thick are rolled into cans and cones which are longitudinally welded. Some of these cans and cones are transported to Rotterdam for further processing. The remainder are used in Roermond to produce monopiles or monopile sections weighing up to 920 tons, transition pieces, pin piles or the main tubulars for jackets and other types of foundation. The Rotterdam facility has a total working and storage area of 420,000 m² of which around 38,000 m² is a roofed welding and coating workshop. In the Rotterdam facility the cans and cones, as well as the monopile sections, are assembled into (mostly) XL monopiles with unit weights well above 1,000 tons blasted and coated. The assembled monopiles are then stored ready for

Sif product range

Monopile foundation for offshore wind turbines



Jacket foundation for offshore wind turbines



Jacket foundation for oil & gas production platforms

load-out and delivery. Transition pieces are transported to Smulders' premises in Antwerp for outfitting.

Steel plate milling and welding techniques are developed in house and are continuously improved, for example, by narrowing the welding gap for efficiency purposes or by increasing the number of welding heads and/or wires per head.

To ensure efficiency and high quality Sif Group has developed close and longstanding partnerships with a number of suppliers and subcontractors that provide specialist services, such as maritime logistics, flexible workforce supply and logistic and terminal services. Partners that are key to Sif achieving its strategic objectives are Smulders/Eiffage Belgium (transition piece outfitting),

Euskal Spain (large forged flanges), Dillinger Hutte Germany (steel), Glacier United Kingdom (non-destructive weld testing) and Van Ginkel the Netherlands (application of coatings).

Sif Group also manufactures large and complex steel tubulars for the oil & gas industry, such as the main legs of large jackets, launch legs, pile sleeves, bracings and piles for various uses.

To further improve efficiency and enhance market-leadership, Sif Group continuously invests in research and the production of new equipment in order to increase its level of automation and the dimensions of the monopiles. In its facility in Roermond the Company can manufacture tubulars up to nine meters in

diameter, up to 75 meters in length and weighing up to 950 tons per section. Anticipating the trend towards larger foundations, Sif Group decided to invest in a new production facility closer to open water. The new facility at Maasvlakte 2 near Rotterdam enables Sif to assemble, coat, store and load XL monopiles up to 11 meters in diameter, 120 meters in length and weighing up to 2,000 tons which are suitable for installations in water up to 60 meters deep and/or for turbines with a capacity of up to 12 MegaWatt. The new Maasvlakte 2 facility has increased Sif's production capacity from 225 Kton per annum to 300 Kton per annum (4 or 5 monopiles each week). The first monopiles that were produced in the new facility were delivered to the Galloper project in December 2016. The next generation of large turbines with a capacity of 10–12 MegaWatt or more are expected to be installed in the early 2020's.

In 2016 Sif Group completed monopiles and transition pieces for a number of wind farms including Galloper for GeoSea (a 336 MegaWatt offshore wind farm project 30 kilometers off the coast of Suffolk), Rampion for EON (a 400 MegaWatt offshore windfarm project 13 kilometers off the coast of Sussex) and Dudgeon for Statoil (a 402 MegaWatt offshore wind farm project 32 kilometers off the coast of North Norfolk).

In 2016 Sif Group also completed projects in the oil & gas sector, for example for the Mariner Field (150 kilometers East of the Shetland Islands, United Kingdom). Sif also delivered jacket components for Maersk and Sverdrup jackets. In total Sif Group worked on 23 offshore wind and oil & gas contracts in 2016.

Financial information; discussion of Sif Group's operating results, financial position and solvency

To assess and monitor the Company's underlying performance, Sif Group's management uses certain non-IFRS financial indicators, such as contribution and gross profit. These indicators have not been reviewed or audited.

Revenue, contribution and earnings

In 2016 overall revenue rose by 24.6% to €400.3 million (2015: €321.3 million) primarily due to better capacity utilization, the new production facility and pass on costs following large subcontracting contracts especially those related to the

outfitting of transition pieces. In 2016 the total cost of raw materials, subcontracted work, other external charges and logistic and other project related expenses increased by €50 million (22.7%).

Contribution (revenue minus the cost of raw materials, subcontracted work, other external charges and logistic and other project related expenses) is the Company's primary performance indicator. In 2016 contribution increased by 28.9% to €129.5 million (2015: €100.5 million) mainly due to a volume effect. The segment mix with 88% of revenue from wind projects and 12% from oil & gas related projects remained unchanged in comparison with 2015.

Gross profit increased by 21.5% to €86.4 million in 2016 (2015: €71.1 million).

In 2016 Sif Group achieved a normalized EBITDA (profit before net finance costs, tax, depreciation and amortization and corrected for IPO related incidental expenses) of €65.4 million, an increase of 13% compared to 2015 (€57.8 million). The normalization relates to IPO related expenses for 2016 and for IPO related and other incidental expenses for 2015. This resulted in reported net earnings for 2016 of €37.4 million, an increase of 5% compared to 2015 (€35.6 million).

	2016	2015	Delta (rounded)
EARNINGS IN € THOUSANDS			
Revenue	400,318	321,343	+25%
Contribution	129,480	100,536	+29%
Normalized EBITDA	65,395	57,815	+13%

CAPEX

In 2016 investment in the new production facility at Maasvlakte 2 amounted to €59.9 million. This investment is largely being financed from operational cash flow. During the year under review the production facility in Roermond was also upgraded. The total CAPEX for 2016 amounted to €72.2 (including IFA) (2015: €14.5 million). It is anticipated that the completion of the new production facility will increase the CAPEX for annual maintenance from €4–€6 million to €6–€8 million.

The completion of the Maasvlakte 2 facility allowed Sif to terminate its lease of the temporary facilities for field welding and coating at Flushings in the last quarter of 2016. As factory, employee and equipment capacity utilization is an important driver for earnings in any given year, the level of the order book, preferably measured in Kton (as this gives a reliable indication of capacity utilization) is an important performance indicator. By the end of 2016 the order book stood at 308 Kton of steel compared to 190 Kton at the end of 2015. Utilization can be affected by project delays or by gaps in production schedules. Flexibility in human resources, and therefore in payroll expenses, can limit the impact of under-utilization.

Working capital, liquidity, cash and cash flows

Working capital (inventories, work in progress, trade receivables, current prepayments and trade payables) amounted to €8.3 million at the end of 2016 compared to €19.3 million at the end of 2015.

As fluctuations in the price of steel, the main raw material used by Sif Group, are passed on to the client via back-to-back contracts, they do not constitute a risk to the company. Cash from operations depends on invoicing milestones agreed with the clients, subcontractors and suppliers and do not affect revenue or earnings recognition. The balance of cash and cash equivalents at the end of 2016 amounted to €0.3 million (end of 2015: €29 million). Sif Group uses financial instruments to reduce the risks related to interest rate volatility and applies a non-speculative approach in this respect.

CASH FLOW IN € THOUSANDS

	2016	2015
Net cash from operating activities	52,887	25,421
Net cash from (used in) investing activities	(67,962)	(16,421)
Net cash from (used in) financing activities	(13,354)	(5,261)
Cash and cash equivalents as at 31 December 2016	304	28,733

'By the end of 2016 the order book stood at 308 Kton of steel'

Following a financial restructuring in 2015 the Group had debt facilities of €56.3 million in loans, €30 million in revolving credit and €85 million in guarantees with an expiry date of June 2018 and financial covenants related to:

- > cash flow (cash flow to debt service > 1);
- > leverage (total debt to EBITDA < 2.5 for 2016, < 2.25 for Q1 2017, < 2.00 for Q2 2017, < 1.50 for Q3 2017 and thereafter); and
- > capital expenditure (< €88 million for the period 1 July 2015–31 December 2016 and < €10 million in any year thereafter).

At the end of 2016 amendments to the financing arrangements were agreed with the banking syndicate and included the extension of the facility to 30 June 2019, an increase of the Revolving Credit Facility (RCF) from €30 million to €90 million (to repay the term loan of €56 million), an increase of the Committed Guarantee Facility (CGF) from €85 million to €160 million and cancellation of the CAPEX covenant.

Solvency

At the end of 2016, total equity (paid-in capital plus retained earnings) amounted to €72 million on a balance sheet total of €207 million compared to €35 million on a balance sheet total of €213 million at the end of 2015. This improved solvency from 16% at the end of 2015 to 35% at the end of 2016.

Value proposition

For clients

- > Supply the best consistent quality within budget and on time.
- > Maintain industry cost-leadership through process control and innovation.

For the environment and society

- > Enable sustainable energy production and limit the environmental footprint.
- > Apply the highest ethical business standards.

For employees

- > Provide a safe and healthy working environment and an organizational structure that stimulates operational excellence.

For shareholders

- > Offer an attractive return on invested capital.

Zero rejected products through process and quality control.

Larger turbines through process and product innovations.

Greater efficiency, better safety and cost leadership through pull production system.

Clients

Sif Group strives to achieve industry cost-leadership while supplying the best consistent quality at the agreed price and on the agreed delivery date. As the purpose for which the products supplied by Sif are used makes product flaws unacceptable, the Group has extensive quality-control procedures in place and aims for zero defects at the time of delivery to the client. These procedures start with contract and design review and document & data control and continue through purchasing procedures, production process control, the inspection and testing of equipment, materials, parts & components and corrective actions after ultrasonic weld testing. The procedures limit the client's risk of product deficiencies and ensure a premium quality product at a fair price and with the lowest possible maintenance costs. In 2016, in addition to internal company audits and audits at suppliers and business partners, 11 audits were performed by or on behalf of clients. Cost leadership is also pursued through process innovation.

Sif has developed welding equipment that, combined with narrow gap welding technology, can execute four circumferential welds at the same time. Increased capacity, in terms of both quantity and size, means Sif Group's clients can install larger turbines further offshore and in deeper water. In 2016 improvements to the production flows were tested and on a number of production lines the classical 'push' system (where each activity is planned and scheduled prior to execution) was replaced by a so called 'pull' system. The 'pull' system, based on lean production principles, organizes production steps directly on the shop floor without prior scheduling and results in improved efficiency and safety. One of the more visible effects is that less unfinished material obstructs the workflow.

Environment and society

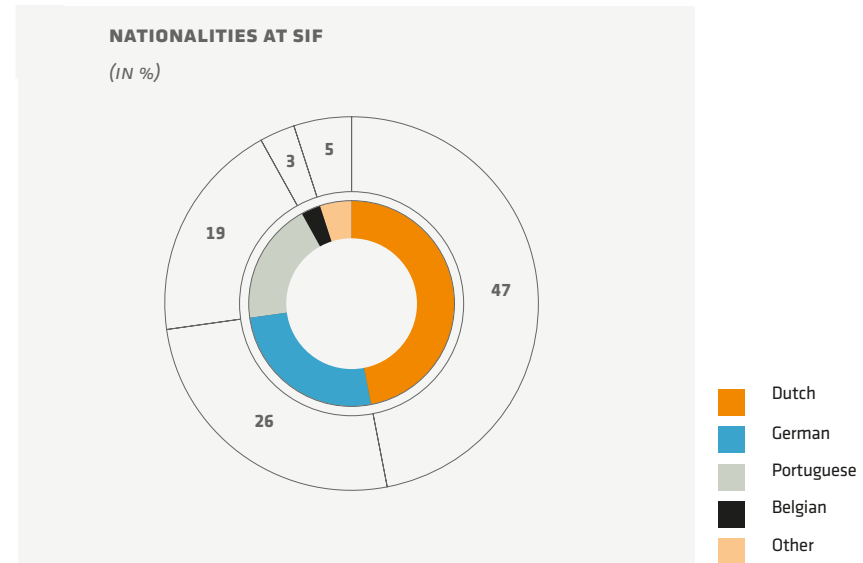
Sif believes that its products are contributing towards a sustainable future by enabling competitive offshore wind energy solutions (as explained in the paragraph above) and that its production processes are designed and executed to achieve the maximum possible energy savings and recycling of residual materials and the minimum waste.

To obtain an accurate picture of the environmental aspects related to its production process, a MER (environmental aspects register) is carried out on a regular basis. Sif Group limits the use of deposit weld material in the welding processes by engineering with the narrowest possible welding gaps. Gas, electricity and water consumption is directly related to the production volumes, the outside temperature and the type of work. The electrical capacity of the production facility in Roermond is over 1.5 MegaWatt. Despite its higher production volumes, over the past few years significant reductions in industrial waste, chemical waste and the consumption of wood and paper have been achieved. Sif Group is continuing to strive for further waste and usage reductions, including through the re-use of residual materials.

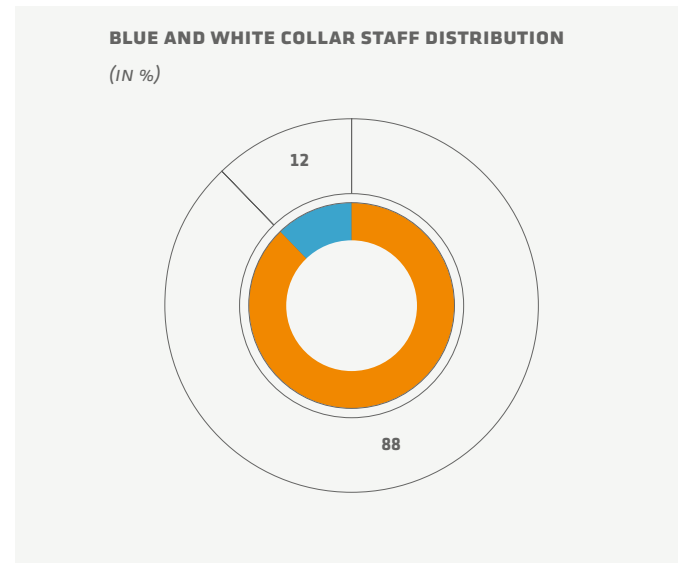
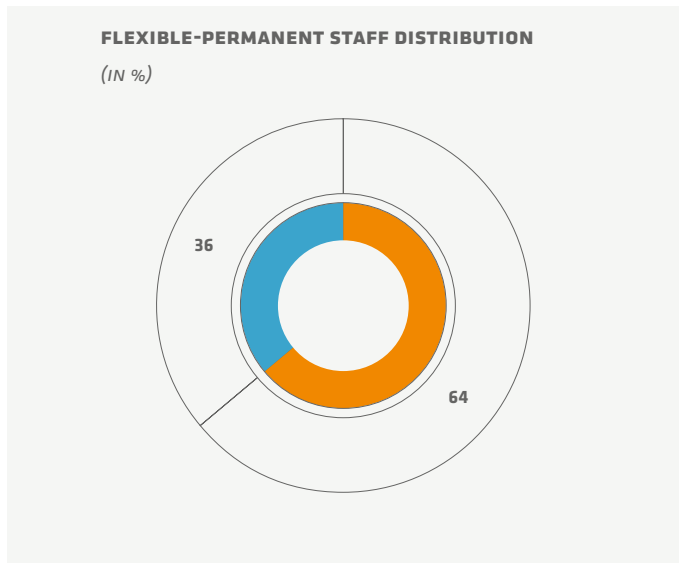
Basic materials (steel plates) and finished products (tubes and rings) are transported mainly by ships and barges. The Roermond facility complies with EU Directive 2010/75/EU (industrial emissions) and Sif is NEN-EN-ISO 14001 (Nederlandse Norm-International Standardisation Organization) certificated. As was also the case in 2015, in 2016 no environmental incidents occurred.

Employees

To achieve its objective of delivering the highest consistent quality on time, Sif provides employees with a safe and healthy working environment and opportunities for training and personal development. All the Sif Group's operational employees are SCC (Safety Health and the Environment (SHE) Checklist Contractors) or VCA** certified.



To achieve cost leadership and flexibility, in addition to its permanent (on the payroll) workforce, Sif employs external (flexible) workers on a project basis or through staffing agencies. In the year under review around 64% of the total workforce was comprised of flexible workers with welding and rolling experience and know-how sourced through mainly Dutch and German agencies. All the activities were performed in the Netherlands. At the end of 2016, the total workforce had increased to 620 (end of 2015: 506) of which 223 were permanent employees on the Sif Group payroll and 397 were external flexible employees. In a fast-growing company the safeguarding of the Company's values and culture requires extra management effort. At 43.38 years the average age of the employees was fractionally lower than in 2015. The graphs on this and the following page show the distribution over nationalities, the split between blue and white collar workers and the split between flexible and permanent employees.



In 2016, 88% of the workforce was blue collar and 12% white collar. The blue collar workforce is mainly involved in transportation, rolling, fitting and welding operations. These operations involve certain health risks and require an accident-prevention awareness.

Health and safety

A safe and healthy working environment is the Group’s number-one priority and a commitment on which it will not compromise. In 2016 the following Key Performance Indicators were realized. These figures include flexible employees. Their health and safety is deemed as important as that of the permanent workforce.

NUMBERS

	2016	2015	2014	2013
Fatalities	0	0	0	0
Lost time Incidents	3	6	6	9
Lost time injury frequency (injuries per 1,000,000 hrs worked)	2.83	7.19	8.03	11.26
Sickness leave %	4.00	4.02	4.77	4.12

Achieving the combination of operational excellence and a safe and healthy working environment requires good communications and high commitment. Sif has issued Health Safety & Environment (HSE) manuals covering a range of topics including security procedures, personal protection measures, health measures and calamity procedures. Day-to-day awareness of safety hazards is achieved through so-called toolbox meetings during which specific risks and preventive measures are discussed ‘on the job’. A designated HSE manager ensures that procedures are updated and implemented and promotes awareness of the measures and procedures throughout the organization and with suppliers

and subcontractors. Sif Group is OHSAS 18001 (Occupational Health and Safety Assessment Series) certificated.

To streamline communication throughout the organization and stimulate the highest possible employee involvement and commitment, the Group has established a Works Council. In 2016 the Works Council was consulted on the following decisions: Investments in the Roermond plant and offices, investments in the new plant at Maasvlakte 2, safety measures and procedures, changes in by-laws and the Initial Public Offering of Sif-shares. Elections to select seven new Works Council members will be held in 2017.

Employee remuneration

In October 2015 the employers and the unions reached agreement in principle regarding a new collective employment agreement (CAO) for the metal industry with a term of two years commencing on March 1 2015 and ending on March 1 2017. Although Sif Group's workforce includes different nationalities, the collective employment agreement for the metals industry (CAO klein metaal) is applicable for all the Group's permanent employees because all the activities take place in the Netherlands. The new CAO specified the following salary increases in the year under review: a lump sum payment of 0.65% on 1 February 2016 and a 1.75% salary increase on 1 July 2016. The CAO also stipulates a 0.55% salary increase on 1 January 2017. In accordance with the short-term plan a Manager may be granted a bonus equal to 50%–80% of gross fixed annual salary if performance targets are met (50%) or exceeded (max 80%). A new long term management incentive plan will be presented to the General Meeting of Shareholders in May 2017.

Shares & Shareholders

The Articles of Association of SIF Holding N.V. were amended in January 2016 to facilitate the Initial Public Offering of the Company.

The Company's authorized capital amounts to €25,000,000 and consists of 125,000,000 ordinary shares with a nominal value of €0.20. The issued share capital amounts to €5,100,271.20 divided into 25,501,356 ordinary shares with a

nominal value of €0.20. No shares are held by the Company. All issued shares are fully paid-up, are registered and have been entered into a collective deposit by being transferred to Euroclear Nederland or to an intermediary. Euroclear is listed in the shareholder register held by the Company. The Company's shares are listed in Amsterdam on Euronext with the ticker SIFG.AS and ISIN code NLO11660485. Each share confers the right to cast one vote during a General Meeting of Shareholders.

The General Meeting of Shareholders is legally authorized to issue shares and/or to limit or exclude legal pre-emption rights. On 17 May 2016 the shareholders authorized the Executive Board to, subject to the approval of the Supervisory Board and for a period of 18 months, resolve to issue shares or to grant rights to subscribe for shares and/or to limit or exclude pre-emption rights in relation to an issuance of shares or a granting of rights to subscribe for shares.

This authorization is limited to a maximum of 5% of the issued capital at that point in time plus, in the case of and related to acquisitions, mergers, unraveling of mergers and strategic alliances, an additional 5% of the issued share capital at that point in time. Pursuant to an underwriting agreement the Company has, however, agreed with underwriters ABN AMRO Bank NV, HSBC Bank plc, ING Bank NV and Cooperatieve Rabobank UA that, for a period of 360 days following 17 May 2016, it will not issue, offer, sell or grant any (option on or right to) shares to the public without the prior consent of the Joint Global Coordinators (ABN AMRO Bank NV and HSBC Bank plc).

The General Meeting of Shareholders is legally entitled to acquire fully paid-up shares subject to certain legal and statutory constraints. The Executive Board has been authorized to, subject to the approval of the Supervisory Board and for a period of 18 months following 17 May 2016, repurchase shares for a price that is higher than €0 and does not exceed 110% of the average market price of the Company's shares (during the five consecutive trading days preceding the date the acquisition is agreed by the Company). The authorization of the Executive Board is limited to 5% of the issued share capital of the Company at that time.

The following table lists shareholders holding 3%* or more of the shares in the Company as at 31 December 2016.

Name	Indirect holding for	Number of shares owned	Percentage of ownership	Percentage of voting rights
P.E. Visser	GKSE Holding BV**	16,701,356	65.49%	65.49%
Farringdon Capital Management				
	Blackwell-SICAV	759,392	2.98%	2.98%
Vanguard Group		800,000	3.14%	3.14%

* 3% capital or voting interest is the legal holding threshold for notification to the Dutch Authority for the Financial Markets (AFM).

** GKSE Holding BV is indirectly controlled by P.E. Visser. In 2005 Egeria Capital BV acquired an 82.5% interest in the Company (indirectly held through a 82.5% stake in GKSE Holding BV). The remaining 17.5% was held by founding family members and former members of the management.

	12 May 2016	31 December 2016
Number of shares listed	25,501,356	25,501,356
Share price in €	14.00	15.48
Market cap in €million (rounded off)	357	395
Highest price in € in June 2016	15.97	
Lowest price in € in July 2016	13.15	

Shareholder value can be created by an increase in share price or by dividend distribution. Sif's aim is to offer its shareholders an attractive long-term risk-return ratio. Sif's aim is a fair valuation of its shares on the stock market. Towards this end Sif Group encourages broader selling-side analyst coverage and increased awareness of the Company's value proposition. This is particularly important as peer-group analysis is difficult because of the absence of listed peers. In 2016 Sif Group was covered by four analysts. Their names and their forecasts for Sif Group's shares are shown in the table below.

Name	Bank	Date	12 month target price
Tijs Berkelder	ABN AMRO	January 2017	€21.50
Thijs Hollestelle	ING	January 2017	€22.75
André Mulder	Kepler Chevreux	January 2017	€20.50
Sean McLoughlin	HSBC	February 2017	€24.00

Sif Group's dividend policy is a payment of dividend in line with the Group's medium to long-term financial performance. A pay-out amounting to 25-40% of Sif Group's net profit in any given year is envisaged and the aim is a steady increase of dividend per share over time. The proposed dividend pay-out per share for 2016 is as follows:

Dividend in €

Average number of shares

Dividend per share 25% of EPS

2016 (proposed)

9,341,000

25,501,356

0.37

Date	Event
29 March 2017	Publication of 2016 Full Year figures
20 April 2017	Record date for Annual General Meeting of Shareholders
18 May 2017	Annual General Meeting of Shareholders
19 May 2017	Publication of Q1 2017 results
22 May 2017	Ex-dividend date
23 May 2017	Dividend record date
30 May 2017	Payment of dividend to intermediaries
24 August 2017	Publication of 2017 interim results
10 November 2017	Publication of Q3 2017 results

Outlook

In 2016 Sif Group's production increased to more than 191 Kton (2015: 150 Kton). Following the completion of a major investment program in 2016, the commissioning of the Rotterdam facility will increase Sif's theoretical production capacity from 225 Kton to 300 Kton in the course of 2017. Investments for 2017 are expected to amount to some €20 million with a maintenance CAPEX of €6 to €8 million per annum going forward. Contribution per KTon is an important KPI for Sif Group and, compared to 2015, in 2016 the contribution per KTon increased from €670 per ton in 2015 to €678 per ton in 2016. The order book for 2017 is filled with approximately 210 Kton contracted or under exclusive negotiations. The contracts relate to large projects for Norther, Beatrice, Hohe See and Rentel in the wind energy segment and Culzean and Johan Sverdrup in the oil & gas segment. The staffing of 620 FTEs at the end of 2016 is at the level required to successfully complete the projects in the order book. No additional hiring is expected during 2017. In 2017 the management expects to have sufficient financing space within the existing financing arrangements.

The total compound annual growth (CAGR) of the global offshore wind market during the period 2016 – 2025 is estimated to be 20%. The estimated CAGR for Europe during the same period is 12%. These growth expectations are positively colored by the growth in 2016 and 2017 when it almost tripled. There are many initiatives for new offshore wind farms in the pipeline and Sif Group is involved in the tender process for most of them. The significant drop in LCOE may result in pricing pressure from Sif's clients, including for the projects that will continue into the 2018–2020 production period. Sif Group will protect its margins by focusing on cost reduction per produced ton based on high utilization of its production capacity, improving efficiency even further and actively supporting clients' wishes to reduce steel weight by applying the latest innovations.

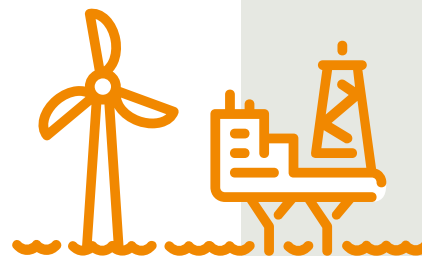
Production at Sif is 18 to 24 months ahead of grid connection. Management expects there will be a temporary slow down of the grid connections of new Wind farms in 2020, which implies a slower 2018 for manufacturers like Sif. This is reflected in the order book at the end of 2016 (around 98 Kton awarded or exclusively negotiated contracts for 2018). The main reasons for this are delays

in both the French offshore wind market in The Netherlands. The offshore wind energy market accounts for some 90% of the Sif Group's total contribution. The market conditions in the offshore oil & gas sector, which generates around 10% of Sif's contribution, have been under pressure due to low oil prices. Activity levels in this market are not expected to change dramatically in the short term. Sif is striving to maintain a position in this market and to continue its selective client relations.

Corporate Governance

In anticipation of the IPO of May 2016, on 14 January 2016 the Articles of Association were amended. The amended Articles of Association allow for the consequences of the Group becoming subject to the "Structuur regime". The Trade Registrar was notified on 1 February 2016 that the Company complies with the requirements of articles 63b lid1/ 153 lid1/ 263 lid1 BW2.

> In 2016 Sif was a partner in **14 offshore wind contracts** and **9 oil & gas contracts**



The Structuur regime will apply after the elapse of a period of 3 years following the date of notification of the Trade Registrar or following the Company notifies the Trade Registrar that it has been informed by GKSE Holding B.V. that GKSE Holding B.V.'s shareholdings have dropped below 20% of the outstanding capital of Sif Holding N.V., whichever occurs earlier. The amendments to the Articles of Association included the issue of additional shares and the implementation of a two-tier governance structure with a separate Executive Board and a separate Supervisory Board. At the same time the name of the Sif Group was changed to Sif Holding N.V. (formerly S.I.F. Beheer B.V.).

Members of the Executive Board and Supervisory Board are appointed and dismissed by the General Meeting of Shareholders following a (non-binding) proposal from the Supervisory Board.

Once the Structuur regime applies, certain responsibilities will be transferred from the Annual Meeting of Shareholders to the Supervisory Board. These responsibilities relate primarily to the nomination and resignation of Supervisory and Executive Board members.

The 2008 Dutch Corporate Governance Code is applicable for Sif Group. Sif Group endorses the concept that a company is a long-term alliance between its various stakeholders. In this paragraph we will specify the principles contained in the 2008 Code with which Sif Group does not (yet) comply and the reasons for the Group's (current) non-compliance. The specification relates to the period since the stock exchange listing (May 2016) or the establishment of the Supervisory Board (February 2016).

Sif Group has not appointed an internal auditor as referred to in article V.3 of the Dutch Corporate Governance Code. Given the size of the Group the Boards do not consider it opportune at this stage to nominate an internal auditor. Certain audits (safety, quality, integrity) are carried out by designated employees with external support.

From time to time the Executive Board makes presentations to (potential) shareholders, analysts and other persons interested in the Company. The Group's Fair Disclosure Policy outlines when, where and under what constraints these presentations take place. For practical reasons it is not possible or expedient to

*'In 2016 the Sif Group's
production increased to over 191
Kton'*

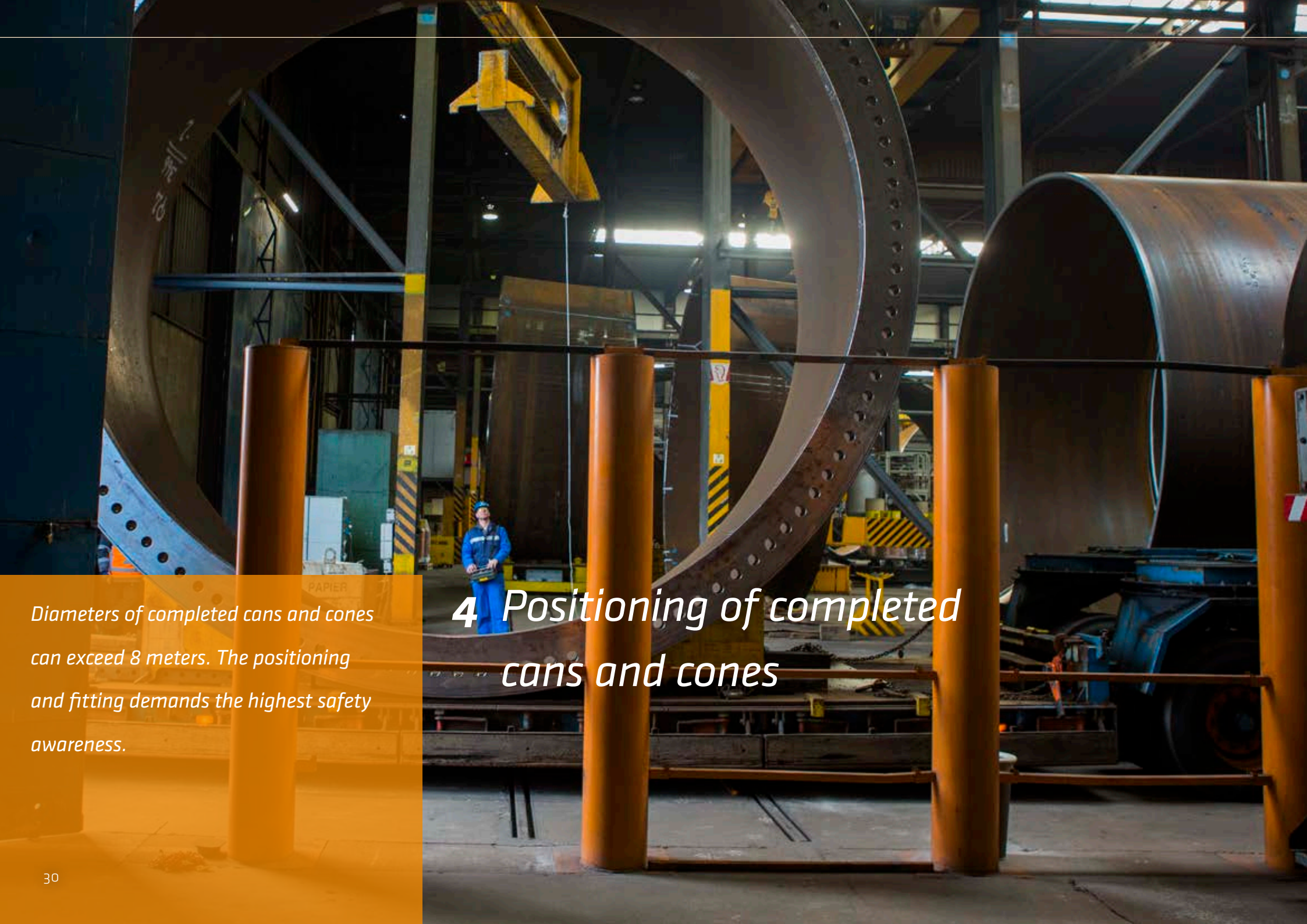
webcast all these presentations and discussions. The outlines for these presentations are posted on the Group's website. Sif Group does not, therefore, fully comply with principle IV.3 of the Code. All members of the Supervisory Board comply with the provisions of the Dutch Corporate Governance Code which sets out the maximum number of positions an individual may hold on the Supervisory Boards of Dutch entities. The Supervisory Board is of the opinion that it complies with the independence requirements, except for Mr. Alexander van Wassenaar who is a representative of and designated by the (indirect) majority shareholder, Egeria Capital BV. As the interests of a controlling shareholder may not always be in-line with the interests of the Company, a conflict of interest may arise. As of December 2016 none of the members of the Supervisory Board directly hold shares in the Company. Mrs. Caroline van den Bosch is a co-owner of Emeritor, which supplies Sif with procurement services for an amount of, in 2016, less than €5,000. For both the Company and Mrs. Caroline van den Bosch this amount is not material.

Sif Group and GKSE Holding BV have entered into a Relationship Agreement of which the main components relate to the composition of the Supervisory Board and Board's Committees, orderly market arrangements and information sharing. Holding more than 50% of the shares in Sif Holding N.V. entitles GKSE Holding BV to nominate, and propose replacements for, two Supervisory Board members. At least one of these two Supervisory Board members must be independent as defined by the Dutch Corporate Governance Code. Holding between 20% and 50%



3 Internal welding

Once completed cans and cones are placed and fixed in position, internal welding connects two segments.



Diameters of completed cans and cones can exceed 8 meters. The positioning and fitting demands the highest safety awareness.

4 *Positioning of completed cans and cones*

of the shares entitles GKSE Holding BV to nominate, and propose a replacement for, one Supervisory Board member. The Relationship Agreement will terminate at the moment GKSE Holding BV ceases to hold at least 20% of the shares in Sif Holding N.V.

At the end of the year under review 20% of the five Supervisory Board members were female and neither of the two Executive Board members was female. The profile of the Supervisory Board includes a statement that efforts will be made to achieve a mixed composition in terms of age and experience and that, for preference, the Supervisory Board will include at least one woman. These efforts have been successful. The profile of the Supervisory Board is available on the Company's website.

During the year under review the Executive Board comprised Chief Executive Officer Jan Bruggenthijns and Chief Financial Officer Boudewijn Nijdam.

Mr. Jan Bruggenthijns (1957, male, Dutch nationality) was appointed Chief Executive Officer (CEO) in September 2014 and entered into a service agreement for a period of four years ending 2018. Jan Bruggenthijns is a mechanical engineer and has worked for industrial companies for over 37 years. In 1998 he was appointed to the Management Board of GTI (now part of Engy). In 2001 he joined Stork as the General Manager and President of Stork Industry Services, the largest division of Stork N.V. From 2010 until September 2014 Jan Bruggenthijns was the General Manager of Hertel Middle East and Eriks Continental Europe West respectively. Jan Bruggenthijns is also on the board of GROW and Chairman of the Supervisory Board of Hobr  International.

Mr. Boudewijn Nijdam (1962, male, Dutch nationality) was appointed Chief Financial Officer (CFO) in September 2015 and entered into a service agreement for a period of four years. Boudewijn Nijdam was employed by Air Products & Chemicals in various financial positions in Brussels, London and Hamburg until the late 1990s when he was appointed Managing Director of Interroute in Belgium and the Netherlands. In 2002 Boudewijn Nijdam joined Petroplus as Finance Director. In 2007 he was appointed CFO of Strukton Construction & Property

Development and later CFO of Damen Schelde Naval Shipbuilding in Gorinchem. Boudewijn Nijdam holds an MBA from Webster and an MSc from the NYU Stern School of Business. On 13 December 2016 it was announced that Boudewijn Nijdam had left the Sif Group. Mr. Leon Verweij succeeded him as CFO on an ad interim basis as of 1 January 2017.

The Executive Board, jointly and individually, represents the Company. Members of the Executive Board are appointed by the General Meeting of Shareholders for a period of four years. Pursuant to the Articles of Association the Executive Board has adopted internal rules regulating its organization, decision-making process and other internal Executive Board-related matters. Executive Board members are appointed, suspended and dismissed by the General Meeting. The Supervisory Board may also suspend members of the Executive Board. Certain resolutions of the Executive Board require the approval of the Supervisory Board or the General Meeting. These resolutions are specified in the Group's Articles of Association.



> The largest monopile was over 8 meters in diameter and more than 100 meters in length. The heaviest monopile had walls nearly 15 cm thick and weighed over 1,500,000 kilograms.

Risks & uncertainties

Executing its strategy and running its daily operations exposes Sif to different types of risks and uncertainties. Some risks and uncertainties are general, some relate to the Group's specific activities and industry and others relate to the Group itself. Sif Group manufactures products for the offshore wind and oil & gas industries that currently are mainly applied in the North-West European markets.

Given the demand for these products in the geographical market, the market risk can be assessed as low. Sif Group is considering a longer-term strategy that will make it less dependent on the present product-market combination.

The products, once delivered to the client and installed, can only be repaired or replaced at a high cost. As Sif wishes to avoid the financial and reputational damage that would result from such situations, the Group limits related risks by adhering to a strict contracting policy and through implementing stringent

quality control and assurance measures on completed products. The procurement of steel is a large cost component of Sif Group's products. Steel can be subject to fluctuating world market prices. Sif Group accepts no risk related to changes in steel prices and contractually passes-on eventual changes back-to-back to the client. All prices (sales and procurement) are in Euro, which means currency risks are avoided. One risk associated with a project-driven business is a gap in the production schedule. Sif limits this risk by maintaining a flexible workforce.

Around 60% of its total workforce is flexible. The major risks and uncertainties identified by Sif are reflected in the figures below. These major risks were assessed during preparations for the Initial Public Offering in January and May 2016 and a more extensive review of the risks is included in the Prospectus to the IPO. The major risks listed below are relevant for the Group's continuity and results.

Industry risks and uncertainties

RISK	CAUSE/EFFECT	RISK MITIGATION
> Most revenue generated in the government-supported North-West European market for renewable energy.	> Lack of political or financial government support. > Delays in wind farm development.	> Wind farm designs at low LCOE. > Market development for existing products. > Continuous innovation in the supply chain. > Maintain a flexible workforce.
> Alternate energy sources gain preference over wind energy.	> Changes to price conditions in or reputation of wind energy market. > Technological advances in alternative energy sources (solar, nuclear, biomass).	> Market development to decrease dependence on North Sea region. > Wind farm designs at low range LCOE. > Cost leadership and product innovation in supply chain.
> Markets become more competitive due to new entrants or vertically-integrated parties.	> Traditional industries, such as ship building, switch to supporting offshore energy industry. > EPIC contractors integrate vertically.	> Base project pricing on cost leadership. > Maintain innovative approach to products and production techniques.

5 Milling of the welding gap

Once internal welding is completed the welding gap for external longitudinal welding is prepared by milling.

Group risks and uncertainties

RISK	CAUSE/EFFECT	RISK MITIGATION
<ul style="list-style-type: none"> > Sif's dependence on a limited number of key suppliers, a limited number of projects and a limited number of clients 	<ul style="list-style-type: none"> > 90% of steel used (50% of cost of sales) from a single supplier (credit, pricing and supply chain risk), cancellation of a project or client in default. 	<ul style="list-style-type: none"> > Market intelligence on additional steel supply sources. > Changes in steel prices are passed on, back to back to the client. > Maintain and build strong buyer position, based on large client base. > Negotiate sound (pre)payment conditions or performance bonds or credit insurance > Maintain flexible workforce
<ul style="list-style-type: none"> > Investment in new Maasvlakte 2 facility does not lead to envisaged efficiency. 	<ul style="list-style-type: none"> > Growth of the Group and commissioning of new facility increases requirement for skilled labour. 	<ul style="list-style-type: none"> > Long lasting relationships with (foreign) agencies give access to flexible workforce. > Workforce is trained and rewarded. > Learning process of Roermond transferred to Rotterdam. > Demand performance guarantees and sound payment conditions.
<ul style="list-style-type: none"> > Operating in a project environment implies risk of delays, claims, disruptions and non compliance (by Sif, suppliers or subcontractors). 	<ul style="list-style-type: none"> > Possibility of gaps between projects. > Projects may be executed in joint ventures or with subcontractors over which Sif does not have full control. > Non-compliance with contractual agreements may lead to claims, disputes and damage to reputation. 	<ul style="list-style-type: none"> > Contracting policies and good contract and project management. > Good legal assessment of contract conditions and risks. > Maintain large flexible workforce > Maintain strong solvency and cash position

Risk management

Effective risk management is strived for through various measures including a compliance framework that focuses on the Group's organizational structure, processes and culture. The organizational structure includes good governance and appropriate checks and balances. The Group's processes are supported by policies such as a Contracting Policy, an Insider Trading Policy, a Fair Disclosure Policy and a Whistle-blower Policy. Operating processes are designed in accordance with various standards (including ISO, OHSAS and VCA) and audited on a semi-annual basis. Projects are subject to a monthly financial review by the Management during which both the progress and the development of the risk profile are reviewed. Adjustments to anticipated project expenses and results are made as and when required. The statement of financial position, the statement of profit or loss and other comprehensive income and cash flow statement are reported to and reviewed by the Management and the Supervisory Board on a monthly basis. The same applies to reporting on produced tonnage and worked hours. During 2016 the auditor, at the Company's request, carried out regular interviews regarding the interim internal figures and equipment was valuated by external experts. An external valuation of real estate is in progress. In the course of 2016 a new ERP system was implemented that has resulted in an improvement to internal controls. The key component of sound risk management is, however, the Company culture. The Group's values have been translated into standards through the formulation of policies and a Code of Conduct and must be implemented through good leadership, a drive for innovation, the acquisition and transfer of knowledge and the provision of a rewarding, non-discriminatory and open working environment.

The Executive Board of Sif Group is of the opinion that the Group's internal risk management and control systems provide a reasonable assurance that the financial reporting does not contain any errors of material importance and that the risk management and control systems worked properly in the year under review.

Executive Board Statement

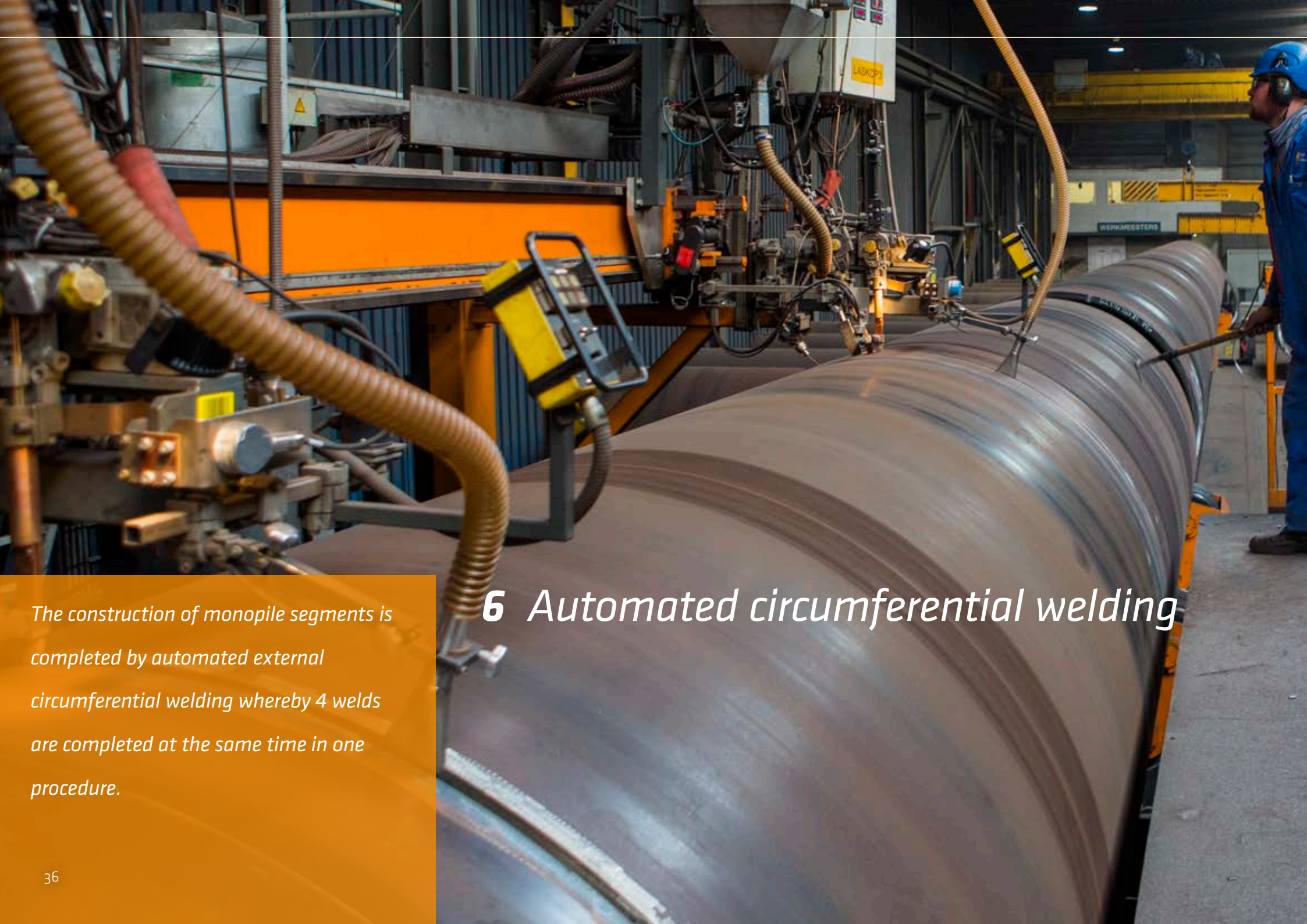
The financial statements included in the 2016 Annual Report were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and with Part 9 of Book 2 of the Dutch Civil Code. To the best of the Executive Board's knowledge these financial statements give a fair view of the assets, liabilities, financial position and profit or loss of Sif Group and its consolidated companies during 2016. To the best of the Executive Board's knowledge the Executive Board report included in the 2016 Annual Report gives a fair view of the situation on the balance sheet date and developments during the financial year of Sif Holding N.V. and its affiliated companies included in the consolidated financial statements and of the main risks faced by Sif Group.

Roermond, 28 March 2017

Executive Board
J.B.J. Bruggenthijs



> Sif delivered approximately **191,000,000 kilograms** of steel in finished products, equal to approximately **174,000 family cars** or **26 Eiffel towers**



The construction of monopile segments is completed by automated external circumferential welding whereby 4 welds are completed at the same time in one procedure.

6 Automated circumferential welding

Report of the Supervisory Board

We take pride in presenting the first ever Annual Report of Sif Group since the initial public offering of shares in Sif Holding N.V. and the listing of these shares on The Amsterdam Stock Exchange.

Sif Group has a two-tier board structure comprising an Executive Board, responsible for day-to-day management and a Supervisory Board responsible for supervision of the Executive Board and for advice regarding day-to-day management. The Supervisory Board and the Executive Board have discussed the 2016 Annual Report extensively during their meetings. One of these meetings was attended by the Auditor. These discussions have convinced the Supervisory Board that the Annual Report complies with the transparency requirements and constitutes a full and fair reflection of the relevant events that occurred during the year under review. The Annual Report includes the 2016 financial statements audited by Ernst & Young Accountants LLP. The unqualified independent auditor's report is included under 'Other information'.

The Supervisory Board recommends that the General Meeting of Shareholders to be held on 18 May 2017 adopts these financial statements and discharges the Executive Board and Supervisory Board of responsibility in respect of their respective managerial and supervisory obligations. Furthermore the Supervisory Board recommends that the General Meeting of Shareholders approves the proposed profit appropriation and the addition of 75% of the €37,365 million profit attributable to the shareholders to Sif Group's equity. It is proposed that €9,341 million is paid-out to the shareholders as a dividend. This results in a proposed dividend per share of €0.37, which is in line with the dividend policy as agreed by last year's General Meeting of Shareholders.

This Annual Report also explains the relationships between the endeavors and responsibilities of the Company's Executive Board, Supervisory Board and shareholders that are aimed at ensuring the continuity of the Company and its

affiliated enterprises and thus the creation of long-term shareholder value. Long term value creation is the basis for Sif's strategy as stated in the Company Profile. Sif Group, with the exception of a few deviations, complies with the best practice provisions as defined in the 2008 Dutch Corporate Governance Code. These deviations are stated in the Executive Board report along with the reason for non-compliance and the current situation.

In 2016 the Supervisory Board scheduled and held five meetings. One of the scheduled meetings was dedicated entirely to discussing the Company's strategy and another was dedicated mainly to discussing the budget for the following year. During the remaining four meetings the topics discussed included the progress in respect of the execution of the strategy, the management of the related risks, the shareholders' perception of the strategy and progress with regard to the execution of and compliance with the Code of Conduct as well as various Company policies. In particular the Supervisory Board discussed the risks related to the industry, the business and the activities of Sif Group and the extent to which internal management and control systems provide a reasonable assurance that the financial reporting does not contain errors of material importance. In addition, the Executive Board presented the Company's quarterly results and a comparison of the results to the budget. In 2016 all board members were present at the Supervisory Board meetings. The Executive Board participated in all the Supervisory Board meetings except for one during which the Supervisory Board assessed its own functioning and also discussed the functioning of the (individual members of the) Executive Board. In addition to the regular scheduled meetings the Chairman of the Supervisory Board and the CEO met from time to time in one-on-one meetings for updates on the business progress and individual members of the Supervisory Board participated in various random site visits both in Roermond and Rotterdam. Individual Supervisory Board members had three meetings with the Works Council during which the finance, operations and human resource management of Sif Group were discussed.

The composition of the Supervisory Board remained unchanged from February 2016 until the end of the year under review. In accordance with the rotation schedule for the Supervisory Board members the term of Maarten Schönfeld will expire in 2018. In accordance with the rotation schedule Mrs. Caroline van den



*From left to right:
Mr. Maarten Schönfeld,
Mr. André Goedée,
Mrs. Caroline van den Bosch,
Mr. Peter Gerretse and
Mr. Alexander van Wassenauer*

Bosch and Mr. André Goedée will step down from the Supervisory Board in 2018. Mr. Alexander van Wassenauer and Mr. Peter Gerretse will step down from the Supervisory Board in 2020. A Supervisory Board Profile is included in the Company's website. When the Supervisory Board was established in 2016 the following five members were appointed:

Mr. André Goedée (1951, male), Chairman. First appointed to this Board in January 2016 but served on the preceding Supervisory Board from December 2015. Dutch nationality. Currently he is also the chairman of the Supervisory Board of Amphia Group (clinical hospitals) and member of the Board of FSC (Flight Simulation Company for pilot and crew training). Between 2003 and 2013 André Goedée was the CEO of Dockwise. Following the acquisition of Dockwise by Boskalis, André Goedée was appointed a member of the Executive Board of Boskalis and advisor to the Board. Before joining Dockwise André Goedée was CEO European staffing of Vedior Professional Services (1999–2003), Executive Vice-President of Heerema Offshore Services (1989–1999) and Executive Vice-President of Neddrill Drilling Contractors (1977–1989). In 1978 André Goedée obtained a Master Mariner degree (maritime technical engineering) from the Mercantile Marine College in Scheveningen/Rotterdam. He has also participated in various management and marketing programs at various academic institutes. On the date this Annual Report was signed André Goedée did not own shares in Sif Holding N.V.

Mr. Maarten Schönfeld (1949, male), Vice-chairman. First appointed in February 2016. Current term two years (until the closing of the 2018 AGM). Dutch

nationality. Currently he is also a member of the Supervisory Boards of Fugro and Arcadis, and a member of the Board of Foundation Continuity ICT. He was a member of the Supervisory Committee of the Dutch Authorities Financial Markets (AFM). Maarten Schönfeld was CFO and Vice-chairman of the Management Board of Stork from 2001 to 2008. Before that he worked for the Royal Dutch Shell Group in various financial capacities. Maarten Schönfeld holds a degree in Business Administration from the University of Groningen and obtained an MBA at INSEAD Fontainebleau. On the date this Annual Report was signed Maarten Schönfeld did not own shares in Sif Holding N.V.

Mrs. Caroline van den Bosch (1964, female). First appointed in February 2016. Current term four years (until the closing of the 2020 AGM). Dutch nationality. Since June 1998 Caroline van den Bosch has been the managing partner and shareholder of Emeritor (procurement services and software development). She also holds 50% of the shares in Meal Company, a manufacturer of food vending machines, has been a moderator for Alex van Groningen since June 2011 and was a member of the Supervisory Committee of the Amstelveen Sportbedrijf until July 2013. Caroline van den Bosch holds a marketing degree from the School of Business Administration and Economics (HEAO) in Utrecht as well as a NIMA-C Marketing degree (MBA level). Mrs. Caroline van den Bosch is Supervisory Board's the primary contact with the Works' Council of Sif Group. On the date this Annual Report was signed she did not own shares in Sif Holding N.V.

Mr. Peter Gerretse (1955, male). First appointed in February 2016. Current term four years (until the closing of the 2020 AGM). Dutch nationality. Since 2010 Peter Gerretse has also been a member of the Supervisory Board of Aeronamic Holding. Between 1995 and 2013 Peter Gerretse worked at Vanderlande Industries, a leading supplier of Material Handling systems, where his last function was President and CEO. Before joining Vanderlande Industries Peter Gerretse held several management positions at Fokker Aircraft. Peter Gerretse holds an engineering degree in Aerospace Engineering from Technical University Delft. On the date this Annual Report was signed Mr. Peter Gerretse did not own shares in Sif Holding N.V.

A large industrial pipe, likely for oil or gas, is shown from an interior perspective. The pipe is dark and has several concentric rings of welds visible. A worker in a red suit and blue helmet is standing in the center of the pipe, providing a sense of scale. The lighting is dramatic, with a bright light source at the end of the pipe, creating a strong contrast and highlighting the texture of the metal and the welds.

7 Ultrasonic testing of all welds

To assure the client that all products meet the quality standards, all welds undergo ultrasonic and visual tests before final delivery.

Mr. Alexander van Wassenaer (1959, male). First appointed to this Board in January 2016. Current term four years (until the closing of the 2020 AGM). From February 2014 until January 2016 he was a member of the Supervisory Board of Sif Group's major shareholder, GKSE Holding B.V. Alexander van Wassenaer is responsible for Egeria's long-hold portfolio, including Muelink & Grol Group, Royal Mosa, Vendor Holding and Sif Group and as such is also a member of the Supervisory Boards of these companies. Alexander van Wassenaer started his career at McKinsey & Company's Amsterdam office and worked there from 1989 until 2001. At McKinsey he was a principal, responsible for the Benelux corporate finance practice. Alexander van Wassenaer holds an engineering degree in Agricultural Sciences (Economics) from Wageningen Agricultural University and a PhD in Business Economics from Harvard University.

The Supervisory Board has set-up three committees to advise and assist it in respect of its tasks and responsibilities related to audits (Audit Committee), the selection and nomination of Executive Board members (Selection and Nomination Committee) and remuneration of the Executives and Supervisory Board members (Remuneration Committee). Charters or regulations for the Supervisory Board as well as for the separate committees are included in the Company's website.

The Audit Committee's tasks include supervising the effectiveness of the internal risk management and control systems and the financial information to be disclosed by the company. It also supervises Sif Group's compliance program, tax-planning policy, information and communication technology and financing. In addition, the Committee maintains regular contact with the external auditor and nominates an external auditor for appointment by the General Meeting. In 2016 the Audit Committee assessed the internal audit requirements, discussed an audit plan with the external auditor and advised the Supervisory Board regarding the necessity of an internal audit function. Establishing an internal audit function was deemed unnecessary at this point in time.

During the year under review the Audit Committee met three times.

The members of the Audit Committee attended all the meetings, except one member who was absent at one meeting. The members of the Executive Board attended all the meetings except one during which the Audit Committee met with the external Auditor in the absence of the Executive Board. The external Auditor was present at three meetings of the Audit Committee. The Audit Committee comprises Maarten Schönfeld (Chairman) and Alexander van Wassenaer. During 2016, the first year of listing and the first year of operation of the Supervisory Board and Audit Committee, the full Supervisory Board attended Audit Committee meetings. The Committee's tasks, roles and responsibilities are laid-down in the Audit Committee charter.

The Selection and Nomination Committee advises the Supervisory Board in respect of its tasks related to the selection and nomination of Executive Board and Supervisory Board members. The Committee periodically assesses the size and composition of the Boards. It also assesses the functioning of individual Board members and reports on this to the Supervisory Board. Towards the end of the year the Committee was involved in the selection of a successor to CFO Mr. B. Nijdam, who gave notice of resignation and needed to be replaced by the end of the year. The Board wishes to thank Mr. Nijdam for his contribution to the Company in 2016 and wishes him success in his future career. In 2016 the Selection and Nomination Committee met once. The meeting was attended by all the Committee members. The Committee's tasks, roles and responsibilities are laid-down in the Selection and Nomination Committee charter. The Committee comprises Andre Goedee (Chairman), Maarten Schönfeld and Alexander van Wassenaer.

The Remuneration Committee met four times during the year under review. All the members were present during these meetings. PwC participated as a consultant in two of these meetings to discuss the outline of a Long Term Incentive plan. The remuneration of Executive Board members was assessed on the basis of a comparison with the median of a peer group. The assessment has resulted in an increase of the fixed income levels for the CEO and CFO and a decrease in the bonus percentages related to the short-term incentive

arrangements. The on-target/max levels for the CEO are now 40/60% of fixed income. A Long-Term Incentive Plan will be presented to the 2017 AGM for approval. The proposed plan is based on the awarding of share units up to a maximum of 20% of fixed income with a vesting period of three years conditional to continued employment. The awarding is subject to specified targets related to safety, utilization and performance. The Committee's tasks, roles and responsibilities are laid-down in the Remuneration Committee charter. The Remuneration Committee comprises Peter Gerretse (Chairman), Caroline van den Bosch and Alexander van Wassenaer.

The remuneration of the individual members of the Supervisory Board is determined by the General Meeting of Shareholders and has no relation to the results of the company. Members of the Supervisory Board are remunerated on a fixed basis. They do not receive a variable remuneration nor are they awarded (options on) Sif shares.

SUPERVISORY BOARD MEMBERS

<i>IN €</i>	Remuneration including expenses 2016
André Goedée	70,106
Maarten Schönfeld	53,450
Peter Gerretse	41,108
Caroline van den Bosch	41,531
Alexander van Wassenaer	45,000
Total remuneration and expenses	251,195

The Supervisory Board determined the remuneration of the individual members of the Executive Board in accordance with the remuneration policy approved by the General Meeting of Shareholders in 2016. The remuneration policy aims to attract, retain and motivate Managers with the leadership qualities, skills and experience needed to support and promote the growth and sustainable success of the Company and its business. It should also be a driver of strong business

performance, promote accountability, offer incentives to achieve short and long-term performance targets aimed at substantially increasing the Company's equity value, and ensure that the interests of the Managers are closely aligned with the interests of the Company, its business and its stakeholders (including shareholders, employees, creditors, customers and suppliers). Finally it should ensure the overall market-competitiveness of the remuneration packages offered to the Managers, while providing the Supervisory Board with sufficient flexibility to tailor the Company's remuneration practices on a case-by-case basis, depending on the current market conditions. The remuneration package comprises a mix of fixed and variable remuneration components, including fixed salary, variable remuneration in the form of bonuses, profit sharing arrangements and cash and/or equity incentives, pension, allowances and benefits, and severance payment. The full remuneration policy is included in the Company's website. The remuneration is paid in cash and includes both fixed and variable components. Variable components are based on targets for EBITDA and Return on Invested Capital in addition to personal development targets, set at the discretion of the Supervisory Board. The targets relate directly to the strategic targets as explained on page 13 of this Annual Report. The Supervisory Board has analyzed the possible outcomes of the proposed variable remuneration components of the policy.

The Supervisory Board will, on a regular basis, compare the remuneration package (including pensions) with information supplied by external experts to verify that it is in line with the Company's objectives and growth as well as with the market and legislation. In the year under review the base salaries for members of the Executive Board were raised and offset against a lower variable short-term incentive.

An overview of the total costs for the Company related to the remuneration of executives is given below:

COMPENSATION TYPE IN €	Jan Bruggenthijs		Boudewijn Nijdam	
	2016	2015	2016	2015*
Base salary	274,135	254,808	165,000	57,115
Employer Pension Contribution	25,559	22,311	25,559	7,437
Pension compensation**	84,727	-	18,977	-
Annual bonus***	282,200	126,100	67,035	44,427
Other benefits (car lease, expenses, relocation expenses)	131,609	28,547	18,487	-
Social security and other payments	9,829	9,283	9,829	3,050
Placement reward IPO	2,834,403	-	1,062,902	-
Placement reward under clawback****	(944,801)	-	-	-
Severance fee	-	-	137,500	-
Total remuneration	2,697,661	441,049	1,505,289	112,029

* CFO per September 2015.

** For a two-year period.

*** The annual bonus allows for final settlement of the bonus award of the previous year and certain provisions for the award for 2016.

**** The placement reward under clawback reflects the end of 2016 amount.

Pensions for Executive Board members are determined by the collective labor agreement for the metal industry. In 2016 the members of Sif's Executive Board were granted a one-time IPO incentive in cash with a two year clawback (50% payable immediately, 25% payable one year after IPO and 25% payable two years after IPO).

The Supervisory Board confirms that the results on which the 2016 bonus for the Executive Board is based are derived from the audited financial statements. CEO Jan Bruggenthijs has a contractual severance payment of six months salary in the event of a change of control of the Company and in case of early dismissal at the request of the Supervisory Board and the shareholders other than for termination for cause. The severance fee paid to Mr. Boudewijn Nijdam and shown in the table was in-line with the agreement with Mr. Nijdam.

The members of the Supervisory Board have signed the financial statements in compliance with their statutory obligation pursuant to Article 2:101, Paragraph 2, of the Dutch Civil Code. The Supervisory Board is pleased with the Company's development and the achieved results. The Company reports positive and solid cash flows before financing and investments. We are grateful for the confidence of our clients, the loyalty of our suppliers and the trust of our shareholders. The Supervisory Board would like to express its gratitude to the management and staff of Sif Group for their motivation, drive and achievements. The Supervisory Board commends the Executive Board for achieving commercial successes in a developing and turbulent competitive market, while executing a successful IPO and building a brand new state-of-the-art production facility. 2016 was a truly memorable year.

Supervisory Board

André Goedée, Chairman

Maarten Schönfeld, Vice-Chairman

Caroline van den Bosch

Peter Gerretse

Alexander van Wassenaer

Roermond, 28 March 2017



8 *Transport of completed products and segments therefore*

Once finished products have been tested and approved they are transported by river barges to Antwerp (for outfitting of Transition Pieces) or to Rotterdam for completion, painting and delivery to the client.

Financial statements 2016

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Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016

AMOUNTS IN EUR '000

	Notes	2016	2015
Total revenue	6	400,318	321,343
Raw materials		138,350	103,630
Subcontracted work and other external charges		115,576	102,645
Logistic and other project related expenses		16,912	14,532
Direct personnel expenses	7	30,127	21,996
Production and general manufacturing expenses		12,927	7,439
Indirect personnel expenses	7	12,479	8,036
Depreciation and amortization	14/15	8,684	6,986
Facilities, housing and maintenance		3,850	2,031
Selling expenses	8	670	577
General expenses	9	4,079	5,389
Other (income) / expenses	10	6,732	(184)
Operating profit		49,932	48,266
Finance income	11	34	99
Finance costs	11	(2,052)	(2,065)
Net finance costs		(2,018)	(1,965)
Profit before tax		47,914	46,301
Income tax expense	12	10,549	10,673
Profit attributable to the shareholder		37,365	35,628
Other comprehensive income		-	-
Total comprehensive income		37,365	35,628
Earnings per share			
Number of ordinary shares outstanding	13	25,501,356	25,501,356
Basic earnings per share (EUR)		1.47	1.40
Diluted earnings per share (EUR)		1.47	1.40

Consolidated statement of financial position as at 31 December 2016

AMOUNTS IN EUR '000	Note	31-12-2016	31-12-2015	AMOUNTS IN EUR '000	Note	31-12-2016	31-12-2015
Assets				Equity			
Intangible fixed assets	14	143	-	Share capital	22	5,100	45
Property, plant and equipment	15	115,103	51,703	Additional paid-in capital	22	1,059	1,059
Investment property	16	375	375	Retained earnings		28,391	(2,182)
Investments in joint ventures	17	16	-	Result for the year		37,365	35,628
Other financial assets		719	-	Total equity		71,915	34,551
Total non-current assets		116,356	52,078	Liabilities			
Inventories	18	190	196	Loans and borrowings	23	42,273	49,376
Work in progress – amounts due from customers	19	17,390	64,530	Other non-current financial liabilities	24	392	960
Trade receivables	20	69,112	67,040	Employee benefits	25	252	218
Other financial assets		5	67	Deferred tax liabilities	12	328	812
Prepayments		3,223	547	Total non-current liabilities		43,245	51,367
Cash and cash equivalents	21	304	28,733	Loans and borrowings	23	-	6,250
Total current assets		90,224	161,112	Trade payables	26	50,536	70,995
Total assets		206,580	213,189	Work in progress – amounts due to customers	19	31,113	41,969
				Employee benefits	25	1,445	871
				Wage tax and social security		923	556
				VAT payable		510	1,044
				CIT payable		2,258	2,267
				Other current liabilities		4,635	3,320
				Total current liabilities		91,420	127,272
				Total liabilities		134,665	178,639
				Total equity and liabilities		206,580	213,189

Consolidated statement of changes in equity for the year ended 31 December 2016

AMOUNTS IN EUR '000

	Share capital	Additional paid-in capital	Retained earnings	Result for the year	Total equity
Balance as at 1 January 2016	45	1,059	(2,182)	35,628	34,551
Appropriation of result	-	-	35,628	(35,628)	-
Issue of share capital	5,055	-	(5,055)	-	-
Total comprehensive income					
Profit attributable to the shareholder	-	-	-	37,365	37,365
Total comprehensive income	-	-	-	37,365	37,365
Transactions with owners of the Company					
Dividend distributions	-	-	-	-	-
Total transactions with owners of the Company	-	-	-	-	-
Balance as at 31 December 2016	5,100	1,059	28,391	37,365	71,915
Balance as at 1 January 2015	45	1,059	26,376	27,996	55,476
Appropriation of result	-	-	27,996	(27,996)	-
Total comprehensive income					
Profit attributable to the shareholder	-	-	-	35,628	35,628
Total comprehensive income	-	-	-	35,628	35,628
Transactions with owners of the Company					
Dividend distributions	-	-	(56,553)	-	(56,553)
Total transactions with owners of the Company	-	-	(56,553)	-	(56,553)
Balance as at 31 December 2015	45	1,059	(2,182)	35,628	34,551

Consolidated cash flow statement for the year ended 31 December 2016

AMOUNTS IN EUR '000

Cash flows from operating activities

	2016	2015
Profit before tax	47,914	46,301
Adjustments for:		
Depreciation and amortization	8,684	6,986
Net finance costs	2,018	1,965
Changes in net working capital		
> Inventories	6	92
> Work in progress amounts due / from customers	36,284	(15,874)
> Trade receivables	(2,072)	(60,548)
> Prepayments	(3,386)	(441)
> Trade payables	(24,760)	52,469
	16,774	(15,350)
VAT payable and receivable	(535)	1,044
Other financial assets	71	203
Employee benefits	608	(57)
Wage tax and social security	368	(802)
CIT payable	-	2,267
Other current liabilities	1,315	2,844
	1,827	5,499
Income taxes paid - via shareholder	-	(8,905)
Income taxes paid	(11,041)	-
Interest paid - via shareholder	-	(606)
Interest paid	(2,587)	(1,518)
Net cash from operating activities	52,887	25,421

Consolidated cash flow statement for the year ended 31 December 2016 (continued)

AMOUNTS IN EUR '000

	2016	2015
Cash flows from investing activities		
Purchase of intangible fixed assets	(156)	-
Purchase of property, plant and equipment	(67,771)	(14,491)
Investments in joint ventures	(20)	-
Loans and borrowings to joint ventures	(15)	-
Current account with shareholders	-	(1,930)
Net cash from (used in) investing activities	(67,962)	(16,421)
Cash flows from financing activities		
Proceeds from new borrowing	42,896	20,626
Repayment of borrowings	(56,250)	(2,000)
Dividends	-	(23,887)
Net cash from (used in) financing activities	(13,354)	(5,261)
Net increase / (decrease) in cash and cash equivalents	(28,429)	3,740
Cash and cash equivalents as at 1 January	28,733	24,993
Cash and cash equivalents as at 31 December	304	28,733

Notes to the consolidated financial statements for the year ended 31 December 2016

1 Reporting entity

Sif Holding N.V. (the 'Company') is a company domiciled in the Netherlands. The Company's registered office is at Mijnheerkensweg 33, Roermond. These consolidated financial statements comprise the Company and its subsidiaries (collectively the 'Group' and individually 'Group companies'). Information on the structure of the Group is provided in note 28.

On 12 May 2016, the Company obtained a listing on Euronext Amsterdam. A total of 8,447,010 numbers of existing shares were successfully placed with investors (by its shareholder) for an issue price of EUR 14.00 (fourteen euros) per share, resulting in a total placement size of EUR 118.3 million, representing 33% of Sif's ordinary shares.

The consolidated financial statements of the Group for the year ended 31 December 2016, were authorised for issue in accordance with a resolution of the Executive Board on 28 March 2017.

The Group is primarily involved in the manufacturing of metal structures, parts of metal structures, pipes, pipe structures, components for the offshore industry and foundation piles for offshore wind farms.

2 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs).

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and investment property that have been measured at fair value. The Group's consolidated financial statements are presented in EUR ('000), which is also the Company's functional currency, if not stated otherwise. All values are rounded to the nearest thousands (EUR '000) on individual line items which can result in minor rounding differences in sub-totals and totals, except when otherwise indicated.

Management estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make estimates and assumptions. To make these estimates and assumptions the Group uses factors such as experience and expectations about future events that are reasonably expected to occur given the information that is currently available. These estimates and assumptions are reviewed on an ongoing basis.

Revisions of accounting estimates and assumptions, or differences between accounting estimates and assumptions and the actual outcomes, may result in adjustments to the carrying amounts of assets and liabilities, which would be recognised prospectively.

Work in progress

Revenues and costs in relation to work in progress are recognised in the statement of profit or loss and other comprehensive income in proportion to the stage of completion of each project. The stage of completion is assessed based on the actual hours incurred compared with the estimated hours needed to complete the full project. In addition, management estimates at each reporting date the total expected costs to be incurred for each individual project and adjustments are made where appropriate.

Leases

The Group rents warehouse / factory facilities and several housing units in order to carry out its activities. These rental contracts are accounted for as operating leases. As of September 2015, the Group entered into a lease agreement with Havenbedrijf Rotterdam N.V. for the lease of two plots in the Rotterdam harbour which will end on 1 July 2031. It is the Group's opinion that it does not possess the principal risks and benefits associated with ownership of the assets.

Jubilee scheme

The costs of the jubilee scheme are calculated according to actuarial methods. The actuarial method uses assumptions about discount rates, future salary increases, and retention rates. Such estimates are very uncertain, owing to the long-term nature of the scheme. The assumptions used are reviewed each reporting date.

Impairment

The Group assesses whether there is any indication that assets have been impaired as at the reporting date. If any such indication is detected, or if an asset is required to undergo its annual impairment testing, the Group estimates the recoverable amount of the asset. In determining the recoverable amount of the asset estimates shall be made, including for example estimates of future cash flows and discount rates.

3 Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

3.1 Basis of consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

1. Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
2. Exposure, or rights, to variable returns from its involvement with the investee
3. The ability to use its power over the investee to affect its returns

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Profit or loss accounts

3.2.1 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements has pricing latitude and is also exposed to inventory and credit risk.

Contract revenues and costs are recognised in the statement of profit or loss in proportion to the stage of completion of the project. The stage of completion is assessed by reference to the proportion of hours spent in relation to the total projected hours up to completion of the project. Contract revenues include the contractually agreed amount plus any additional agreed additional work. If contract results cannot be determined reliably, contract revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Work in progress takes into account the expenses of raw materials, subcontracted work, logistic and other project related expenses, as well as direct personnel and production and general manufacturing expenses that are attributable to contract activity. Contract costs are recognised as incurred unless they create an asset related to future contract work. Expected project losses are recognised immediately in the statement of profit or loss.

3.2.2 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. Wage tax deductions (WBSO) are recognised in profit or loss over the periods in which the Group recognises the related costs which the grants are intended to compensate.

Post-employment benefit plan

The Group has a defined benefit scheme for which premiums are payable to an industry pension fund (Bedrijfstakpensioenfond) that is separately managed: the Pensioenfond Metaal en Techniek (PMT). This pension scheme is administered together with those of other legal entities. The pension obligation is based on the duration of the participation in the plan and their salary levels. The related obligations are covered by the periodical premiums to the industry pension fund. The associated businesses are not obliged to compensate any deficits in the pension funds, nor are they entitled to any surpluses. Furthermore, the structure of the administration does not allow for providing the required information to the Group for accounting for the pension scheme as a defined benefit scheme in accordance with IAS 19. As such, this pension scheme has been accounted for as a defined contribution scheme in the financial statements. Obligations for contributions to the industry pension fund are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is 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. Remeasurements are recognised in profit or loss in the period in which they arise.

3.2.3 Finance income and finance costs

The Group's finance income and finance costs include:

- > interest income;
- > interest expense; and
- > the foreign currency gain or loss on financial assets and financial liabilities.

Interest income or expense is recognised using the effective interest method.

3.2.4 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss. The non-monetary assets on historical costs, these items are translated, but at historical rates, the rate at date of the transaction.

3.2.5 Income tax

Income tax expense comprises current and deferred tax. Income taxes are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Current tax

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

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except 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; and
- > temporary differences related to investments in subsidiaries, associates and joint arrangements 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.

Deferred tax assets are recognised for all deductible unused tax losses, tax credits and unused deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. 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 realised. Such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.3 Balance sheet accounts**3.3.1 Intangible fixed assets**

Intangible fixed assets (software) are recognised at cost less straight-line amortization and any impairment. Amortization is based on the estimated useful contribution of the assets concerned, which is three years. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.3.2 Property, plant and equipment**Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. All other borrowing costs are expensed in the period in which they occur. All other repair and maintenance costs are recognised in profit or loss as incurred.

If significant 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.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Land is not depreciated.

Assets which are under construction are capitalised under property, plant or equipment whereby depreciation will start when the asset is available for use. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Buildings:	6 – 20 years.
Plant and equipment:	5 – 10 years.
Other fixed assets:	5 – 10 years.

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

3.3.3 Investment property

Investment property is initially measured at cost. After initial recognition, the fair value model is applied and impairment analyses is performed on a yearly basis.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

3.3.4 Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group's investments in its joint venture are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost.

The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date.

3.3.5 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.3.6 Work in progress**Amounts due from customers**

Amounts due from customers represent the gross amount expected to be collected from customers for contract work performed to date. They are measured as costs incurred plus profits recognised to date less progress billings and recognised losses.

Amounts due to customers

Contracts for which progress billings, advances received from customers and recognised losses exceed costs incurred plus recognised profits are presented as amounts due to customers.

3.3.7 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, which are subject to an insignificant risk of changes in value.

3.3.8 Financial instruments**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available for sale (AFS) financial assets. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments. Finance transaction costs are capitalised at cost and amortised until the expiring date of the financing agreement.

Subsequent measurement

Derivative financial instruments

The Group may use interest rate swaps and foreign currency contracts to hedge its interest-rate and foreign currency risk exposures arising from project and financing activities. In accordance with its treasury policy, the Group does not hold derivatives for trading purposes. Interest-rate swaps and foreign currency contracts are measured at fair value.

The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward currency contracts is determined using the forward foreign exchange rates as at the closing date. When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- > **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- > **Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- > **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Non-derivative financial instruments

Non-derivative financial instruments consist of trade and other receivables, cash and cash equivalents, loans and borrowings, and trade payables. These instruments are recognised initially at fair value, plus all directly attributable transaction costs. Thereafter, the non-derivative financial instruments are measured at amortised cost, using the effective interest method, less impairment losses.

Derecognition and offsetting

The Group derecognises financial assets if the contractual rights to the cash flows arising from those financial assets expire, or if the Group transfers the financial asset to another party without retaining control or without substantially retaining all the risks and rewards of the asset. Any interest retained in such derecognised financial asset is recognised as a separate asset or liability by the Group. Financial liabilities are derecognised if the Group's commitments specified in the contract expire or are discharged or cancelled.

Financial assets and financial liabilities are offset and the net amount 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 them on a net basis or to realise the asset and settle the liability simultaneously.

3.3.9 Share capital

Cash dividend and non-cash distribution to the shareholder

The Company recognises a liability to make cash or non-cash distributions to the shareholders when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in the Netherlands, a distribution is authorised when it is approved by the shareholders.

A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss.

3.3.10 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct

costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.3.11 Impairment

Each reporting date, the Group assesses whether there is any indication that the Group's assets, excluding work in progress, inventories and deferred tax assets have been impaired. If there are such indications, an estimate is made of the recoverable amount of the asset concerned. An impairment is only recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Any impairments are recognized in the statement of profit or loss under depreciation and impairment expenses.

The recoverable amount of an asset or cash-generating unit is the higher of the value in use and the fair value less costs of disposal. The recoverable amount is calculated for each asset individually, unless that asset does not generate any cash flows that are largely independent from those of other assets or groups of assets. The calculation of the value in use is based on a discount of the estimated future cash flows, using a discount rate that reflects the current market assessments of the time value of money and the specific risks associated with the asset. For the calculation of fair value minus cost of disposal use is made of an appropriate valuation model.

A previously recognized impairment loss is only reversed if the assumptions used to determine the asset's recoverable amount have changed since the most recent impairment loss. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

4 Changes in accounting policies and disclosures

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The Group

has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these new standards and amendments are applied for the first time in 2016, they did not have a material impact on the annual consolidated financial statements of the Group:

- > Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception, effective 1 January 2016
- > Amendments to IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations, effective 1 January 2016
- > Amendments to IAS 1 Presentation of Financial Statements – Disclosure Initiative, effective 1 January 2016
- > Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation, effective 1 January 2016
- > Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture – Bearer Plants, effective 1 January 2016
- > Amendments to IAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions, effective 1 February 2015
- > Amendments to IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements, effective 1 January 2016
- > Annual Improvements to IFRSs 2010-2012 Cycle (issued December 2013), effective 1 February 2015
- > Annual Improvements to IFRSs 2012-2014 Cycle (issued September 2014), effective 1 January 2016

5 New and amended standards and interpretations, effective for annual periods starting after 1 January 2016

5.1 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards and interpretations, if applicable, when they become effective.

- > IFRS 9 Financial Instruments, effective 1 January 2018
- > IFRS 15 Revenue from Contracts with Customers, including amendments to IFRS 15: Effective date of IFRS 15 and Clarifications to IFRS 15 Revenue from Contracts with Customers, effective 1 January 2018
- > IFRS 16 Leases, effective 1 January 2019
- > Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative, effective 1 January 2017
- > Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses, effective 1 January 2017
- > Amendments to IAS 40 Investment Property – Transfers of Investment Property, effective 1 January 2018
- > IFRIC 22 Foreign Currency Transactions and Advance Consideration, effective 1 January 2018
- > Annual Improvements to IFRSs 2014-2016 Cycle (issued December 2016), effective 1 January 2017 and 1 January 2018

5.2 IFRS 9 Financial Instruments

The final version of IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. The Group has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the group in the future. Overall, the Group expects no significant impact on its balance sheet and equity.

5.2.1 *Classification and measurement*

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortised cost under IFRS 9. However, the Group will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

5.2.2 *Impairment*

IFRS 9 requires to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables.

5.2.3 *Hedge accounting*

The Group expects no impact as no hedge accounting is used at this point in time.

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

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

The Group plans to adopt the new standard on the required effective date using the full retrospective method. The Group is currently assessing the impact of IFRS 15 based on the five steps of the new revenue recognition model.

5.4 **IFRS 16 Leases**

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17 Leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

The new standard is effective for annual periods beginning on or after 1 January 2019. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group is currently assessing the impact of IFRS 16, which is expected to be material on its consolidated financial statements. For further information, we refer to note 29 Operating leases which will be partially presented on-balance based on IFRS 16.

5.5 **Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative**

The amendments are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of the amendments will result in additional disclosure provided by the Group.

5.6 Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. These amendments are not expected to have any impact on the Group.

5.7 Amendments to IAS 40 Investment Property – Transfers of Investment Property

The amendments clarify the requirements on transfers to, or from, investment property. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The amendments' transition provisions permit certain reliefs. The amendments will not have any impact on the Group.

5.8 IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. The interpretation is effective 1 January 2018. The interpretation will not have any impact on the Group.

5.9 Improvements to IFRS 2014-2016 Cycle (issued December 2016)

The IASB issued the 2014-2016 cycle improvements to its standards and interpretations, primarily with a view to removing inconsistencies and clarifying wording. These improvements include:

- > **IFRS 12 Disclosure of Interests in Other Entities:** The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to interests that are classified as held for sale or discontinued operations. The amendments are effective for annual periods beginning on or after 1 January 2017.
- > **IAS 28 Investments in Associates and Joint Ventures:** The amendments clarify that the measurement election, i.e. measuring investees at fair value through profit or loss, is available on an investment-by-investment basis. Additionally, the amendment clarify that the choice, for an entity that is not an investment entity, to retain the fair value measurements used by that investment entity associate or joint venture when applying the equity method is also available on an investment-by-investment basis. The amendments are effective for annual periods beginning on or after 1 January 2018.

These amendments are not expected to have any impact on the Group.

6 Operating segments

For management purposes, the Group is organised into divisions based on its products and services and has three operating segments:

- > Wind, which produces and delivers monopiles, transition pieces or other foundation components for the off-shore wind industry;
- > Oil and Gas, which produces and delivers piles, pile sleeves, pin-piles etcetera for application in the oil and gas industry;
- > Other, not Wind or Oil and Gas.

These divisions offer different products and services, and require different technology and target different markets. The Group's CEO reviews internal management reports of each division at least quarterly.

Information related to each operating segment is set out below.

Segment contribution constitutes the difference between revenue and cost of sales. Cost of sales includes the costs of raw materials, subcontracted work and other external charges as well as logistic and other project related expenses. The gross profit is determined by subtracting costs relating to direct personnel expenses and production and general manufacturing expenses, from contribution.

Finance income, finance costs, indirect personnel expenses, depreciation and amortization, facilities, housing and maintenance, selling expenses, general expenses and other income / expenses are not allocated to individual segments as these are managed on an overall group basis. Costs of sales like raw materials, subcontracted work and other charges and logistic and other project related expenses depend on underlying contract with customers. Gross profit before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries. Total assets, which are located in the Netherlands, are not allocated to individual segments as these are managed on an overall group basis.

6.1 Information about operating segments

AMOUNTS IN EUR '000

	2016				2015			
	Wind	Oil and Gas	Other	Total	Wind	Oil and Gas	Other	Total
Revenue	351,919	47,956	443	400,318	283,195	36,895	1,253	321,343
Segment contribution	105,443	23,668	369	129,480	80,810	18,941	785	100,536
Gross profit	75,411	10,687	328	86,426	59,857	10,721	523	71,101
Indirect personnel expenses				(12,479)				(8,036)
Depreciation and amortization				(8,684)				(6,986)
Facilities, housing and maintenance				(3,850)				(2,031)
Selling expenses				(670)				(577)
General expenses				(4,079)				(5,388)
Other (income) / expenses				(6,732)				183
Net finance costs				(2,018)				(1,965)
Total profit before tax				47,914				46,301

6.2 Geographical information

The Oil and Gas, Wind and Other segments are managed on a global basis, but manufacturing facilities and sales offices operate solely from the Netherlands.

The geographic information below analyses the Group's revenue by the Company's country of domicile, the European Community (EC) and other countries outside the EC and Europe. In presenting the following information, segment revenue has been based on the geographical location of customers.

AMOUNTS IN EUR '000

	2016	2015
The Netherlands	39,588	76,670
All foreign countries:		
European Community	350,761	239,855
Europe outside EC	9,969	4,818
Total revenues	400,318	321,343

6.3 Major customers

Revenues from three customers of the Group's Wind segment represented approximately EUR 337 million (2015: three customers EUR 275 million) of the Group's total revenues. In 2016 the largest customer represented a revenue of approximately EUR 151 million, the second customer approximately EUR 100 million and the third customer approximately EUR 86 million. In 2015 the largest customer represented a revenue of approximately EUR 118 million, the second customer approximately EUR 108 million and the third customer approximately EUR 49 million.

7 Personnel expenses

AMOUNTS IN EUR '000

	2016	2015
Wages and salaries	12,552	10,159
Hired staff and temporary workers	24,033	14,566
Compensation / grants received	(48)	(16)
Social security contributions	1,797	1,561
Pension expense	1,642	1,417
Other employee benefit expenses	2,630	1,593
	42,606	29,280

7.1 Pension expenses

Obligations for contributions to the industry pension fund are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. The expected contributions to the plan for the next annual reporting period are in line with the actual expense of the current financial year.

The pension fund coverage ratio of the PMT industry fund at 31 December 2016 amounted to 97.2% (2015: 97.3%). The 2016 premium has remained at a level similar to the 2015 premiums. The Group's participation in the industry pension fund is less than 0.05 % (2015: 0.05%) based on the number of active participants in the plan. The Group expects to pay pension contributions of approximately EUR 1.8 million in 2017.

7.2 Number of employees

The average number of employees employed by the Group in 2016 amounts to 207 FTE (2015: 193 FTE). The table below provides an overview of the average number of FTE split per functional area.

AMOUNTS IN EUR '000	2016	2015
Production and distribution	152	144
Management	4	2
Purchasing	4	3
Sales	9	7
Administrative	7	6
Other	31	31
	207	193

8 Selling expenses

AMOUNTS IN EUR '000	2016	2015
Travel and representation	328	243
Promotional and advertising costs	144	118
Other	198	216
	670	577

9 General expenses

AMOUNTS IN EUR '000	2016	2015
Consultancy fees	1,501	828
Non-recurring advisory fees	-	2,563
Insurances	897	848
Software, license fees	958	823
Office expenses	353	219
Other	370	109
	4,079	5,389

Non-recurring advisory fees 2015 mainly contain preliminary expenses regarding the IPO. The advisory fees 2016 regarding the IPO are recognized as other income / expense.

10 Other (income) / expenses

The other (income) and expenses include a total of EUR 6.8 million of net non-recurring costs in relation to the initial public offering (IPO) of the Company. Furthermore an amount of EUR 3.2 million is recorded on the statement of financial position as at 31 December 2016 to be amortized over the next 16 months, all of which in relation to the secured clawback arrangement of management. The IPO was successfully completed on 12 May 2016.

11 Net finance costs

AMOUNTS IN EUR '000

	2016	2015
Interest on bank balances and on current account	34	99
Finance income	34	99
Interest on loans and borrowings	(1,945)	(1,564)
Fair value changes of interest rate swaps	568	548
Costs of bank guarantees	-	(125)
Borrowing cost finance facility	(283)	(606)
Other	(392)	(317)
Finance costs	(2,052)	(2,064)
Net finance costs recognised in profit or loss	(2,018)	(1,965)

Borrowing costs in 2015 included the write-off of the remaining balance (EUR 560) in relation to refinancing facility as completed by the Group and lenders on 11 November 2015.

12 Income tax expense

12.1 Income tax recognised in profit or loss

AMOUNTS IN EUR '000

	2016	2015
Current year income tax charge	11,033	11,006
Movement in deferred tax position	(484)	(333)
Tax expense recognized in statement of profit or loss	10,549	10,673

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

12.2 Movement in deferred tax balances

AMOUNTS IN EUR '000

2016

	Net balance at 1 January	Recognised in profit or loss	Net balance at 31 December	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	(1,068)	627	(441)	-	(441)
Derivatives	240	(143)	97	97	-
Investment property	16	-	16	16	-
Tax assets (liabilities) before netting	(812)	484	(328)	113	(441)
Netting of tax				(113)	113
Net tax assets (liabilities)				-	(328)

AMOUNTS IN EUR '000

2015

	Net balance at 1 January	Recognised in profit or loss	Net balance at 31 December	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	(1,542)	474	(1,068)	-	(1,068)
Derivatives	377	(137)	240	240	-
Investment property	19	(3)	16	16	-
Tax assets (liabilities) before netting	(1,146)	333	(812)	256	(1,068)
Netting of tax				(256)	256
Net tax assets (liabilities)				-	(812)

12.3 Unrecognised deferred tax assets and liabilities

At 31 December 2016 and 31 December 2015, the Group has recognised all deferred tax assets and liabilities applicable to the Group.

12.4 Reconciliation of effective tax rate

%	2016	2015
Tax using the Company's domestic tax rate	25.0	25.0
Reduction in tax rates due to tax incentives	(3.3)	(2.2)
Non tax deductible expenses	0.1	0.3
	21.8	23.1

13 Earnings per share

13.1 Basic earnings per share

The calculation of basic earnings per share has been based on the ordinary shareholders and weighted-average number of ordinary shares outstanding.

Weighted average number of ordinary shares

	2016	2015
Issued ordinary shares at 1 January	25,501,356	25,501,356
Issued ordinary shares at 31 December	25,501,356	25,501,356
Weighted average number of ordinary shares at 31 december	25,501,356	25,501,356

As per 8 December 2005, the issued share capital of the Company amounted to EUR 45, consisting of 454 shares with a nominal value of EUR 100 (one hundred euros per share). On 14 January 2016, in light of the IPO, each of the Company's shares were split into 500 shares, each with a nominal value of EUR 0.20 (20 eurocents per share). In addition 25,274,356 numbers of shares were issued for an amount of EUR 5,055 with a corresponding decrease in retained earnings. For comparability the weighted average number of ordinary shares for 2015 were adjusted in accordance with IAS 33.26 due to the change in number of ordinary shares outstanding as per 14 January 2016 without a corresponding change in resources.

14 Intangible fixed assets

14.1 Reconciliation of the carrying amount

AMOUNTS IN EUR '000

	Software
Cost	
Balance at 1 January 2015	-
Additions	-
Disposals	-
Balance at 31 December 2015	-
Balance at 1 January 2016	-
Additions	156
Disposals	-
Balance at 31 December 2016	156
Accumulated depreciation	
Balance at 1 January 2015	-
Depreciation	-
Disposals	-
Balance at 31 December 2015	-
Balance at 1 January 2016	-
Depreciation	(13)
Disposals	-
Balance at 31 December 2016	(13)
Carrying amounts	
At 31 December 2015	-
At 31 December 2016	143

15 Property, plant and equipment

15.1 Reconciliation of the carrying amount

AMOUNTS IN EUR '000

	Land and buildings	Equipment	Other fixed assets	Total
Cost				
Balance at 1 January 2015	58,301	40,628	1,265	100,193
Additions	4,288	10,040	163	14,492
Disposals	-	-	(19)	(19)
Balance at 31 December 2015	62,589	50,668	1,409	114,666
Balance at 1 January 2016	62,589	50,668	1,409	114,666
Additions	48,438	22,795	837	72,070
Disposals	-	-	-	-
Balance at 31 December 2016	111,027	73,463	2,246	186,736
Accumulated depreciation				
Balance at 1 January 2015	(29,020)	(26,126)	(848)	(55,994)
Depreciation	(2,066)	(4,803)	(117)	(6,986)
Disposals	-	-	18	18
Balance at 31 December 2015	(31,086)	(30,929)	(947)	(62,962)
Balance at 1 January 2016	(31,086)	(30,929)	(947)	(62,962)
Depreciation	(2,636)	(5,844)	(191)	(8,671)
Disposals	-	-	-	-
Balance at 31 December 2016	(33,722)	(36,773)	(1,138)	(71,633)
Carrying amounts				
At 31 December 2015	31,502	19,739	461	51,703
At 31 December 2016	77,305	36,690	1,108	115,103

At 31 December 2016 and 2015 all property, plant and equipment was collateralized as part of the financing agreements in place (see note 23).

16 Investment property

16.1 Reconciliation of the carrying amount

AMOUNTS IN EUR '000

	2016	2015
Balance at 1 January	375	375
Additions	-	-
Impairment	-	-
Balance at 31 December	375	375

Investment property comprises a commercial property that is leased to a third party. The lease contains an initial non-cancellable period till July 2017, with annual rents indexed to consumer prices. Subsequent renewals are negotiated with the lessee. No contingent rents are charged. Further information about this lease is included in note 29.

Fair value as of 31 December 2016 is estimated at EUR 375 (2015: EUR 375) determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property. The external valuation of the property dates from 30 October 2014. Based on recent market conditions the movement in fair value is deemed immaterial. The fair value measurement has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

17 Investment in joint ventures

The group has a 50% interest in SBR Engineering GmbH, a joint venture consisting of engineering capacity of experienced workforce. The group's interest in SBR Engineering GmbH is accounted for using the equity method in the consolidated financial statements. The investment in joint ventures can be specified as follows:

AMOUNTS IN EUR '000

	2016	2015
Balance at 1 January	-	-
Additions	20	-
Result for the year	(4)	-
Dividends paid	-	-
Balance at 31 December	16	-

The group entered into a loan agreement with the joint venture for the amount of EUR 15. This loan will be repaid in yearly instalments of EUR 5 starting on 1 January 2017 until the loan has been fully repaid. The amount of the loan agreement is classified as non-current other financial assets (EUR 10) and current other financial assets (EUR 5).

18 Inventories

AMOUNTS IN EUR '000

	2016	2015
Raw materials and consumables	190	196
	190	196

During 2016 and 2015 no inventories were written down to the lower of net realisable value and no provision has been recognised.

19 Work in progress

AMOUNTS IN EUR '000

	2016	2015
Work in progress – amounts due from customers (current assets)	17,390	64,530
Work in progress – amounts due to customers (current liabilities)	(31,113)	(41,969)
	(13,723)	22,562
Expenses incurred including realized profit to date	599,695	333,113
Invoiced terms	(613,418)	(310,551)
	(13,723)	22,562

Management periodically reviews the valuation of work in progress based on project agreements, project results till date and estimates of project expenses to be incurred. Each period end management assesses the status of the projects and takes into consideration all aspects in order to finalize the projects in line with contractual agreement and relating contingencies, such as potential upward or

downward adjustment in the projected estimates, and accounts for them accordingly. Due to changes in estimates, fluctuations in the anticipated project result can occur over the contract term.

As per year-end, no loss making contracts have been identified by management. The amounts due from customers concern all projects in progress for which expenses incurred plus recorded profit minus project losses if any, exceed the terms invoiced to customers. Amounts due to customers concern the balances of all projects in progress for which the invoiced terms exceed expenses incurred plus recorded profit minus project losses if any.

Both the amounts due to and due from customers predominantly have durations shorter than 12 months and are therefore considered to be current.

20 Trade receivables

All trade and other receivables mature within 12 months. Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days. At 31 December 2016 an amount of EUR 240 of the trade receivables were provided for (2015: EUR 0). As at 31 December, the ageing (without the provided trade receivables) analysis of trade receivables is as follows:

AMOUNTS IN EUR '000	Total	Not past due	<30 days past due	30 – 60 days past due	61 – 90 days past due	91 – 120 days past due	> 120 days past due
31 December 2016	69,112	55,873	9,111	4,126	-	-	2
31 December 2015	67,040	66,790	240	-	10	-	-

20.1 Credit and market risks, and impairment losses

Information about the Group's exposure to credit and market risks, and impairment losses for trade and other receivables, excluding construction contracts in progress, is included in note 24.

21 Cash and cash equivalents

AMOUNTS IN EUR '000

	2016	2015
Cash	10	12
Bank balances	294	28.720
Cash and cash equivalents	304	28.733

The balance of the cash and cash equivalents are freely accessible and available to the Group and no restrictions apply.

22 Capital and reserves

22.1 Share capital

On 14 January 2016, the authorised capital of the Group was increased to EUR 25 million, consisting of 125,000,000 shares with a nominal value of EUR 0.20 (20 eurocents) per share. The issued shares were converted into 25,501,356 shares, each having a nominal value of EUR 0.20 (20 eurocents per share). For further information we refer to note 13. These shares were issued to the existing shareholders in exchange for their current shares. All ordinary shares rank equally with regard to the Company's residual assets.

22.2 Additional paid-in capital

The additional paid-in capital results from contributions in kind by the shareholder in relation to the issuance of loans as the transaction costs related to the issuance of additional loans were not passed on by the shareholder.

22.3 Dividends

The following dividends were declared and settled by the Company during the year:

	2016	2015
Number of ordinary shares dividend eligible	25,501,356	454
Rounded dividend per ordinary share (EUR '000)	-	125
Dividends declared and settled during the year (EUR '000)	-	56,553

23 Loans and borrowings

The company has the following financing arrangements:

AMOUNTS IN EUR '000

	2016	2015
Non-current portion	42,273	49,376
Current portion	-	6,250
Total loan and borrowings	42,273	55,626

The movement in financing arrangements can be specified as follows:

AMOUNTS IN EUR '000	2016	2015
Balance at 1 January	56,250	37,000
Financing costs	(624)	(573)
Net value of loans and borrowings	55,626	36,427
Drawn	-	21,250
Repayment	(56,250)	(2,000)
Additions financing costs	(146)	(662)
Amortisation financing costs	284	611
Movements in revolving credit facility	42,759	-
Balance at 31 December	42,759	56,250
Financing costs	(486)	(624)
Net value of loans and borrowings	42,273	55,626

Information about the Group's exposure to interest rate, foreign currency and liquidity risk is included in note 24.

As per 30 December 2016, the secured bank loans are refinanced into a EUR 90 million revolving credit facility. Given the nature of this funding, the entire facility is presented as non-current loans and borrowings. The EUR 90 million revolving credit facility is funded on Euribor + supplement and will expire on 30 June 2019. As per year-end 2016 an amount of EUR 42 million is outstanding and an amount of EUR 48 million has not been drawn.

23.1 Terms and repayment schedule

The terms and conditions of outstanding loans are as follows:

AMOUNTS IN EUR '000	Currency	Nominal interest rate (%)	Year of maturity	Fair value 2016	Carrying amount 2016	Fair value 2015	Carrying amount 2015
Secured bank loan A	EUR	Euribor + supplement	2017	-	-	30,905	30,905
Secured bank loan B	EUR	Euribor + supplement	2018	-	-	24,721	24,721
Revolving credit facility	EUR	Euribor + supplement	2019	42,273	42,273	-	-
Total interest-bearing loans and borrowings				42,273	42,273	55,626	55,626

The supplement to the Euribor interest rate of the revolving credit facility depends on the leverage ratio as defined in the loan agreement and ranges between 150 and 225 bps. The revolving credit facilities are collateralized by the following items:

- > Current assets (inventory and construction contracts net position)
- > Trade receivables
- > Intercompany receivables
- > Credit balances
- > Receivables from hedging activities
- > Receivables from insurance contracts
- > Shares in Sif Netherlands B.V. and Sif Property B.V. by Sif Holding N.V.
- > Non-current assets

23.2 Loan covenants

As per year-end the Group has one revolving credit facility which has to be repaid in full on 30 June 2019. The interest is based on Euribor plus a supplement that depends on the leverage per quarter. The following financial ratios have to be met:

- > a cash flow cover (ratio of cash flow to debt service in respect of any relevant period) of greater than 1.00 for that relevant period; and
- > a leverage ratio (the ratio of total debt on the last day of the relevant period to EBITDA in respect to that relevant period which shall not exceed: 2016: 2.50x; in the first quarter of 2017: 2.25x; in the second quarter of 2017: 2.00x; in the third quarter of 2017 and in every quarter thereafter: 1.50x).

Sif did not breach any of their loan covenants during 2016.

24 Financial instruments

24.1 Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for loans and borrowings as included in note 23 and for other financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

AMOUNTS IN EUR '000

31 December 2016

Financial liabilities measured at fair value

Interest rate swaps

	Carrying amount					Fair value
	Designated at fair value	Total	Level 1	Level 2	Level 3	Total
Interest rate swaps	392	392	-	392	-	392
	392	392	-	392	-	392

AMOUNTS IN EUR '000

31 December 2015

Financial liabilities measured at fair value

Interest rate swaps

	Carrying amount					Fair value
	Designated at fair value	Total	Level 1	Level 2	Level 3	Total
Interest rate swaps	960	960	-	960	-	960
	960	960	-	960	-	960

24.2 Measurement of fair values**Valuation techniques and significant unobservable inputs**

The following tables show the valuation techniques used in measuring Level 2 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Interest rate swaps	Market comparison technique: The fair values are based on marked-to-market (MTM) quotes from the issuing bank institutions. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable.	Not applicable.

24.3 Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- > Credit risk
- > Liquidity risk
- > Market risk

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations and arises principally from the Group's receivables on customers.

The carrying amount of financial assets represents the maximum credit exposure.

Trade and other receivables

The Group's exposure to credit risk is mainly influenced by the individual customer characteristics. In addition, management considers general factors that may influence the credit risk of its customer base, including the default risk of the industry and the countries in which customers operate.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historic payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings if they are available.

Cash and cash equivalents

The Group held cash and cash equivalents of EUR 304 at 31 December 2016 (2015: EUR 28,733). The cash and cash equivalents are held with bank and financial institution counterparties, which are at least rated A-based on rating agency ratings.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under the normal course of business, and within the covenants as agreed with the banks and financial institutions.

The Group aims to maintain the minimal level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and exclude interest payments:

31 December 2016

AMOUNTS IN EUR '000

	Carrying amount	Total	Contractual cash flows				More than 5 years
			3 months or less	3 - 12 months	1 - 2 years	2 - 5 years	
Non-derivative financial liabilities							
Revolving credit facility	42,273	(42,273)	-	-	-	(42,273)	-
Trade payables	50,536	(50,536)	(50,536)	-	-	-	-
	92,809	(92,809)	(50,536)	-	-	(42,273)	-

31 December 2015

AMOUNTS IN EUR '000

	Carrying amount	Total	Contractual cash flows				More than 5 years
			3 months or less	3 - 12 months	1 - 2 years	2 - 5 years	
Non-derivative financial liabilities							
Secured bank loans	55,626	(58,797)	(281)	(7,031)	(26,172)	(25,313)	-
Trade payables	70,995	(70,995)	(70,995)	-	-	-	-
	126,621	(129,792)	(71,276)	(7,031)	(26,172)	(25,313)	-

As disclosed in note 23, the Group has a revolving credit facility within the finance facility that contains loan covenants. A future breach of covenants may require the Group to repay the loan earlier than indicated in the table above. The interest payments on variable interest rate loans and bond issues in the table above

reflect market forward interest rates at the reporting date. These amounts may change as market interest rates change.

Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Group'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 optimising the return.

The Group uses derivatives to manage market risks. All such transactions are carried out within treasury policy guidelines.

Interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments as reported to management of the Group is as follows:

CARRYING AMOUNT IN EUR '000

	2016	2015
Variable rate instruments		
Total loans and borrowings	42,759	56,250
Balance covered by interest rate swaps	24,750	33,000
Balance exposed to variable interest rates	18,009	23,250

The Group has performed a cash flow sensitivity analysis for variable rate instruments. A reasonable possible change of 50 basis points in interest rates at the reporting date would have increased (decreased) profit or loss before tax by the amounts shown below. This analysis assumes that all other variables remain constant.

PROFIT OR LOSS IN EUR '000

31 december 2016

Variable rate instruments
Interest rate swaps

Net impact

50 basis points
increase

50 basis points
decrease

217

(217)

(128)

128

89

(89)

31 december 2015

Variable rate instruments
Interest rate swaps

Net impact

266

(266)

(157)

157

109

(109)

Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of Group companies. The functional currency of Group companies is the Euro. The currency in which transactions are primarily denominated is also the Euro. The currency risk is limited since the Group almost fully conducts its sales, purchases and borrowings in its functional currency and closes hedge contracts at the time of entering into contracts in foreign currencies.

25 Employee benefits

AMOUNTS IN EUR '000

	2016	2015
Jubilee provision	252	218
Accrual for employee bonuses	653	413
Accrual for employee vacation days outstanding	430	292
Personnel expenses payable	362	166
Total employee benefits liabilities	1,697	1,089
Non-current	252	218
Current	1,445	871
	1,697	1,089

The movement in the jubilee provision can be specified as follows:

AMOUNTS IN EUR '000

	2016	2015
Balance at 1 January	218	230
Additions	72	45
Used	(38)	(57)
Released	-	-
Balance at 31 December	252	218

26 Trade payables

AMOUNTS IN EUR '000

	2016	2015
Trade payables	50,536	70,995

All trade payables mature within 12 months. Trade payables decreased mainly as a result of higher trade payables at year-end 2015 related to the investments of property, plant and equipment (Rotterdam plant). Information about the Group's exposure to currency and liquidity risk is included in note 24.

27 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders as well as to maintain an optimal capital structure to continue to be able to qualify for large commercial tenders while optimizing the overall cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group aims for a financing structure that ensures continuing operations and minimises cost of capital. For this, flexibility and access to the financial markets are important conditions. The Group monitors its financing structure using a solvency ratio. Solvency is calculated as total equity divided by total assets. At year-end 2016, the solvency ratio was 34,8% (2015: 16.2%).

In addition, the loan covenants are closely monitored to ensure that these remain within agreed thresholds. The current loan covenants include the cashflow cover and leverage ratio for which reference is made to note 23.

28 List of subsidiaries

Included in the consolidated financial statements are the following subsidiaries:

Name	Location	Share in issued capital %
Sif Property B.V.	Roermond	100
Sif Netherlands B.V.	Roermond	100

29 Operating leases

29.1 Leases as lessee

The Group leases warehouse / factory facilities, a house and an apartment under operating leases. The lease for the warehouse runs for a remaining period of 4 to 6 months. The lease for the house runs for a half year and the lease for the apartment runs for a remaining period of 3 months (cancellation period).

The Group entered into a lease agreement with Havenbedrijf Rotterdam N.V. for the lease of a specific plot in the Rotterdam harbour. The lease started at 1 September 2015 and will end on 1 July 2031, with annual committed lease payments of EUR 0.8 million during the initial building phase increasing up to EUR 3.3 million after 5 years when the plots and buildings are fully in use.

Future minimum rentals payable

At 31 December, the future minimum rentals payables under non-cancellable leases can be specified as follows:

AMOUNTS IN EUR '000

	2016	2015
Less than 1 year	1,971	1,144
Between 1 and 5 years	12,055	10,600
More than 5 years	31,418	37,973
	45,444	49,717

Amounts recognised in profit or loss

AMOUNTS IN EUR '000

	2016	2015
Lease expenses	1,341	478
	1,341	478

29.2 Leases as lessor

The Group leases out its investment property (see note 16).

Future minimum rental receivable

At 31 December, the future minimum rental receivables under non-cancellable leases are as follows:

AMOUNTS IN EUR '000

	2016	2015
Less than 1 year	32	13
Between 1 and 5 years	-	8
More than 5 years	-	-
	32	21

30 Off-balance sheet commitments

30.1 Commitments for the purchase of property, plant and equipment

At 31 December 2016, the Group commitments for the purchase of property, plant and equipment amounts to EUR 4,399 (2015: EUR 18,828) relating to the purchase of property, plant and equipment items.

30.2 Guarantee facilities

At 31 December guarantee facilities of the Group can be specified as follows:

Name	Type	31-12-2016	31-12-2016	31-12-2015	31-12-2015
		Total facility	Used	Total facility	Used
<i>AMOUNTS IN EUR '000</i>					
Euler Hermes Interborg N.V. / Ace European Group	General	100,000	53,849	70,000	24,182
Euler Hermes Interborg N.V.	General	-	-	15,000	4,603
Nationale Borg Maatschappij	General	10,000	9,558	10,000	-
Coöperatieve Rabobank U.A.	General	20,000	6,070	7,500	2,417
ING Bank N.V.	General	20,000	3,183	7,500	640
ABN AMRO Bank N.V.	General	20,000	-	-	-
Nationale Borg Maatschappij	Project	6,788	6,788	6,788	6,788
Coöperatieve Rabobank U.A.	Project	21,979	21,979	29,615	29,615
ING Bank N.V.	Project	14,404	14,404	22,040	22,040
Total		213,171	115,831	168,443	90,285

The Group is jointly and severally liable for all amounts to which Euler Hermes, Ace European Group, Coöperatieve Rabobank U.A., ING Bank N.V. and Nationale Borg Maatschappij have a right to claim in relation to the above mentioned guarantees. The shareholder (before IPO) is also jointly and severally liable for all amounts of the pending guarantees which have been provided before 12 May 2016.

31 Related parties

31.1 Transactions with shareholders (before IPO)

The shareholders (before IPO) paid a part of the IPO bonus of EUR 3.7 million. During 2016 final settlement took place with the shareholders (before IPO), the net effect (EUR 123) is paid by the Company.

31.2 Transactions with joint ventures

During the year, the group made an investment in SBR Engineering GmbH, a joint venture consisting of engineering capacity of experiences workforce. The group has made an investment of EUR 20 and also entered into a loan agreement of EUR 15.

31.3 Transactions with key management personnel

The members of the supervisory board and the executive board are considered key management personnel.

The remuneration (including expenses) of the supervisory board members can be specified as follows:

AMOUNTS IN EUR	2016	2015
A. Goedee*	70,106	-
J.C.M. Schönfeld**	53,450	-
P.J. Gerretse**	41,108	-
C.A.J. van den Bosch**	41,531	-
A.P.W. van Wassenaeer*	45,000	-
	251,195	-

* Member of the supervisory board as of 14 January 2016.

** Member of the supervisory board as of 12 February 2016.

The remuneration of the executive board members can be specified as follows:

Compensation of the executive board

AMOUNTS IN EUR	J.B.J. Bruggenhijs		B.A.P Nijdam**		R.J.B.J. Schmeitz***	
	2016	2015	2016	2015	2016	2015
Base salary	274,135	254,808	165,000	57,115	-	190,705
Employer's pension contributions	25,559	22,311	25,559	7,437	-	22,311
Pension compensation*	84,727	-	18,977	-	-	-
Annual bonus****	282,200	126,100	67,035	44,427	-	124,371
Other benefits (car lease, travel expenses and relocation expenses)	131,609	28,547	18,487	-	91	2,613
Social security and other payments	9,829	9,283	9,829	3,050	-	8,810
Placement reward IPO	2,834,403	-	1,062,902	-	1,481,487	-
Placement reward IPO under clawback*****	(944,801)	-	-	-	-	-
Termination fee	-	-	137,500	-	-	-
Total remuneration	2,697,661	441,049	1,505,289	112,029	1,481,578	348,810

* The pension compensation contains a period of two years.

** Chief Financial Officer of the group as per September 2015, resigned as Chief Financial Officer as per January 2017.

*** Resigned as Chief Financial Officer of the group as per September 2015.

**** The annual bonus allows for final settlement of the bonus award of the previous year and certain provisions for the award on 2016.

***** The placement reward under clawback reflects the end of 2016 amount.

The executive board members were awarded their placement reward IPO in cash. The placement reward is subject to a secured clawback arrangement, which operates as a lock-up arrangement, whereby 50% of the net Placement Reward received by any individual may be reclaimed by the Company if, amongst others, the management or employment agreement of the individual terminates within one year and 25% in case of termination within two years.

The number of shares owned by directors as per year-end can be specified as follows:

	2016
J.B.J. Bruggenthijs	58,307
B.A.P. Nijdam	48,589
	106,896

32 Service fees paid to external auditors

The total service fees paid to external auditors can be specified as follows:

AMOUNTS IN EUR '000

	Ernst & Young Accountants LLP		Other EY firms	
	2016	2015	2016	2015
Audit of financial statements	149	97	-	-
Other assurance services	277	518	-	-
Tax services	-	-	-	168
Total	426	615	-	168

33 Events after the reporting period

There were no material events after 31 December 2016.

Separate statement of profit or loss for the year ended 31 December 2016

AMOUNTS IN EUR '000

	Note	2016	2015
Management fee	37	4,273	-
Total revenue		4,273	-
Indirect personnel expenses		1,480	-
General expenses		673	2,789
Other (income) / expenses		2,907	4
Operating profit		(787)	(2,793)
Finance income		260	272
Finance costs		(1,199)	(149)
Net finance costs		(939)	123
Profit before tax		(1,726)	(2,670)
Income tax expense		277	474
Result of participation in subsidiaries	38	38,818	37,824
Result of participation in joint ventures		(4)	-
Profit after tax		37,365	35,628

Separate statement of financial position as at 31 December 2016 (before profit appropriation)

AMOUNTS IN EUR '000	Notes	31-12-2016	31-12-2015	Notes	31-12-2016	31-12-2015
Assets				Equity		
Investments in subsidiaries and joint ventures	39	97,348	58,515	Share capital	5,100	45
Other financial assets		246	-	Additional paid-in capital	1,059	1,059
Deferred tax assets		55	120	Retained earnings	28,391	(2,182)
Total non-current assets		97,649	58,635	Result for the period	37,365	35,628
Intercompany receivables	40	772	982	Total equity	71,915	34,551
Other financial assets		5	456	Liabilities		
Wage tax and social security		68	-	Loans and borrowings	-	16,765
Prepayments		1,196	-	Other non-current financial liabilities	221	481
Cash and cash equivalents		174	463	Total non-current liabilities	221	17,246
Total current assets		2,215	1,901	Loans and borrowings	-	4,250
				Trade payables	135	365
				Intercompany payables	40	24,219
				VAT payable	510	1,044
				CIT payable	2,258	2,267
				Other current liabilities	606	813
				Total current liabilities	27,728	8,739
				Total liabilities	27,949	25,985
Total assets		99,864	60,536	Total equity and liabilities	99,864	60,536

Notes to the separate financial statements for the year ended 31 December 2016

34 Basis of preparation

The separate financial statements (before profit appropriation) of Sif Holding N.V. have been prepared in accordance with the provisions of Part 9, Book 2, of the Dutch Civil Code. The Company uses the option of Article 362.8 of Part 9, Book 2, of the Dutch Civil Code to prepare the separate financial statements, using the same accounting policies as those used for the consolidated financial statements (we refer to note 3). The separate financial statements have therefore been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs). Investments in subsidiaries are accounted for using the net asset value. The separate financial statements are presented in EUR ('000), which is also the Company's functional currency, if not stated otherwise.

35 Significant accounting policies

The Group has consistently applied the accounting policies to all periods presented in these separate financial statements. For the principles of valuation of assets and liabilities and for the determination of the result, reference is made to the notes of the consolidated financial statements.

36 List of subsidiaries and joint ventures

Included in the separate financial statements are the following entities:

Name	Location	Share in issued
		capital %
Sif Property B.V.	Roermond	100
Sif Netherlands B.V.	Roermond	100
SBR Engineering GmbH	Siegen-Netphen	50

Sif Holding N.V. issued a guarantee as mentioned in Article 403, Part 9, Book 2 of the Dutch Civil Code for its subsidiaries Sif Property B.V. and Sif Netherlands B.V.

37 Management fee

The management fee contains the settlement of charges between Sif Holding N.V. and Sif Netherlands B.V. The management fee also includes compensation of the management board and supervisory board.

38 Result of participation in subsidiaries

AMOUNTS IN EUR '000	2016	2015
Result in Sif Netherlands B.V.	37,771	36,654
Result in Sif Property B.V.	1,047	1,170
Result of participation in subsidiaries	38,818	37,824

39 Investments in subsidiaries and joint ventures

AMOUNTS IN EUR '000	2016	2015
Sif Netherlands B.V.	90,587	52,817
Sif Property B.V.	6,745	5,698
SBR Engineering GmbH	16	-
Investments in subsidiaries and joint ventures	97,348	58,515

The movement in the investment value of Sif Netherlands B.V. and Sif Property B.V. is related to the result over 2016 of these subsidiaries. The movement in the investment value of SBR Engineering GmbH is related to the investment (EUR 20) and the net loss (EUR 4) over 2016.

40 Intercompany accounts

AMOUNTS IN EUR '000

	2016	2015
Intercompany receivables (current assets)	772	982
Intercompany payables (current liabilities)	(24,219)	-
	(23,447)	982
Intercompany account Sif Netherlands B.V.	(24,219)	691
Intercompany account Sif Property B.V.	772	291
	(23,447)	982

The intercompany accounts are free of interest and are frequently settled.

41 Equity

The statement of changes in equity and disclosure to that statement are included in the consolidated financial statements.

The appropriation of the 2016 profit is at the free disposal of the General Meeting of Shareholders and has not been recorded in the financial statements.

42 Related parties

42.1 Transactions with (former) shareholders

The former shareholder paid a part of the IPO bonus of EUR 3.7 million. During 2016 final settlement took place with the formal shareholder, the net effect (EUR 123) is paid by Sif.

42.2 Transactions with subsidiaries

During the year several transactions between Sif Holding N.V., Sif Netherlands B.V. and Sif Property B.V. took place. These transactions also includes compensation of the management board and supervisory board. Transactions between Sif Holding N.V. and its subsidiaries takes place through the intercompany accounts. As per year-end the intercompany accounts amount

to a liability to Sif Netherlands B.V. of EUR 24,219 and a receivable from Sif Property B.V. of EUR 772.

42.3 Transactions with joint ventures

During the year, the group made an investment in SBR Engineering GmbH, a joint venture consisting of engineering capacity of experiences workforce. The group has made an investment of EUR 20 and also entered into a loan agreement of EUR 15.

Other information

Articles of Association related to profit appropriation

Article 34

In accordance with Article 32.1 of the Articles of Association the profit, as presented in the Company's annual accounts, will be distributed as follows and in the following sequence:

- a. the Executive Board will determine, with the prior approval of the Supervisory Board, which portion of the profit will be added to the Company's reserves; and
- b. taking into account the stipulations of Article 29, the remaining profit will be available to the Annual General Meeting of Shareholders for distribution amongst the shareholders of the Company.

The pay-out of profits will take place with due observation of Article 32.1 and after the annual accounts in which the proposed dividend has been stated have been approved by the Annual General Meeting of Shareholders.

The Executive Board may, with the approval of the Supervisory Board, decide to make interim dividend payments provided the requirements of Article 32.1 are met and the pay-out is supported by an interim statement of assets and liabilities that has been drawn-up in accordance with Article 2:105 Clause 4 of the Dutch Civil Code.

Dividend policy and proposed dividend distribution for the year under review

Sif Group will pay a regular dividend in line with the mid to longterm financial performance of the Company aiming a gradual increase of the dividend per share. Sif will pay-out 25% – 40% of annual net earnings as reported in the approved annual accounts of the Company in any year. The retained earnings will be added to the reserves of the Company to finance future investments or other spendings of the Company or to improve liquidity or for other purposes. The realization of this reservation and dividend policy however is subject to certain legal limitations and the liquidity position of the Company. Dividend may be distributed in cash, in stock or in a combination of cash and stock as an optional dividend.

Profit attributable to the shareholder for 2016 amounted to EUR 37.4 million. The Executive and Supervisory Board propose to the Annual General Meeting of Shareholders of 18 May 2017 to pay-out 25% of profit attributable to the shareholder as a dividend. With 25,501,356 shares issued and listed this amounts to EUR 0.37 or 25% of EUR 1.47 earnings per share.

Independent auditor's report

To: the Shareholders and Supervisory Board of Sif Holding N.V.

Report on the audit of the financial statements 2016 included in the annual report

Our opinion

We have audited the financial statements 2016 of Sif Holding N.V. ('the company') based in Roermond. The financial statements include the consolidated financial statements and the separate financial statements.

In our opinion:

- > The accompanying consolidated financial statements give a true and fair view of the financial position of Sif Holding N.V., as at 31 December 2016, and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- > The accompanying separate financial statements give a true and fair view of the financial position of Sif Holding N.V. as at 31 December 2016, and of its result for 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- > The consolidated statement of financial position as at 31 December 2016
- > The following statements for 2016: the consolidated statement of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statement
- > The notes comprising a summary of the significant accounting policies and other explanatory information

The separate financial statements comprise:

- > The separate statement of financial position as at 31 December 2016
- > The separate statement of profit or loss for the year ended 31 December 2016
- > The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

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

We are independent of Sif Holding N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Materiality

Materiality

Benchmark applied

Explanation

EUR 2.300.000

5% of profit before tax

Based on our professional judgment we have considered an earnings-based measure as the appropriate basis to determine materiality. We consider profit before tax to be the most relevant measure given the nature of the business and for the users of the financial statements.

We have also taken misstatements into account and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 115.000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Sif Holding N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Sif Holding N.V.

Our group audit focused on all group entities consisting of Sif Netherlands B.V. and Sif Property B.V. We have performed all audit procedures on the components ourselves. In total, the scope of our procedures covered at least 97% of the consolidated financial statement's total assets, revenue and operating costs.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the company's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

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

Risk

Valuation of work in progress including revenue recognition

As disclosed in note 2 and 19 in the consolidated financial statements revenues and costs in relation to work in progress are recognized in the consolidated statement of profit or loss and other comprehensive income in proportion to the stage of completion of each project. Each reporting date management assesses the status of the projects and takes into consideration all aspects in order to finalize the projects in line with contractual agreements and relating contingencies, such as potential upward or downward adjustments in the projected estimates, and accounts for them accordingly. Due to changes in estimates, fluctuations in the anticipated project result can occur over the contract term. The stage of completion is assessed based on the actual labour hours incurred compared with the estimated labour hours needed to complete the project.

Percentage of completion accounting ('POC') requires management to make a number of estimates and assumptions surrounding the expected profitability of the project, the estimated degree of completion, total estimated costs of completion, (any) claims/contingencies and inclusion of scope extensions. Although, these factors are routinely reviewed as part of the project management process, changes in these estimates or assumptions could lead to changes in the revenues recognized in a given period.

Our audit response

Our audit procedures included assessing contractual arrangements and reconciling total contract revenues to signed contracts, testing management's estimates of costs to complete, estimated hours and the proper allocation of costs and actual hours to projects. Furthermore, we performed procedures on management's assessment of expected profitability or losses and any claims/contingencies on projects.

In addition, we performed procedures on the project scope extensions and assessed the adequacy of the company's disclosure in note 19 of the consolidated financial statements.

Risk**Amended financing agreement**

As disclosed in note 23 of the consolidated financial statements, on 30 December, 2016, the company amended its EUR 56 million secured bank loans and EUR 30 million revolving credit facility into a EUR 90 million revolving credit facility. In addition, the company increased its bank guarantees facility, reduced the interest markup and amended the loan covenants.

The availability of sufficient liquidity to meet the company's liabilities when they are due and within the covenants as agreed with the banks is a significant matter in our audit.

Our audit response

Our audit procedures included assessing the amended financing agreement and we verified the repayment of the bank loans.

We also assessed whether the company meets its amended loan covenants and we verified the adequacy of the company's disclosure in note 23 of the consolidated financial statements.

Risk**Initial Public Offering (IPO)**

On 12 May 2016, the company obtained a listing on Euronext Amsterdam. A total of EUR 8.4 million existing shares were successfully placed with investors (by its shareholder) for an issue price of EUR 14.00 per share representing approximately 33% of the company's ordinary shares.

The other (income) and expenses in the consolidated statement of profit or loss and other comprehensive income include a total of EUR 6.8 million of non-recurring costs in relation to the IPO of the company. Furthermore, an amount of EUR 3.2 million is recorded in the statement of financial position to be amortized over the next 16 months, in relation to the secured claw back bonus arrangement of management.

Considering its non-routine nature, the IPO was considered a key audit matter.

Our audit response

We performed audit procedures in testing management's calculation of the IPO costs and bonuses including procedures relating to the adequacy of the disclosures in note 10 of the consolidated financial statements.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- > Highlights
- > Company profile
- > Key figures 2014–2016
- > Letter from the CEO
- > Report of the Executive Board
- > Report of the Supervisory Board
- > Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- > Is consistent with the financial statements and does not contain material misstatements
- > Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Report of the Executive Board, in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged as auditor of Sif Holding N.V. as of the audit for the year 2007 and have operated as statutory auditor ever since that date.

Description of responsibilities for the financial statements

Responsibilities of management and the Supervisory Board for the financial statements

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

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

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

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- > Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- > Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- > Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management

- > Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern
- > Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- > Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial

statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Eindhoven, 28 March 2017

Ernst & Young Accountants LLP

signed by M. Moolenaar

Glossary

CAGR	Compound annual growth rate; annual growth rate over a specified period of time longer than one year.	Orderbook	The total of signed contracts and contracts under exclusive negotiations.
EPIC	Engineering procurement installation and commissioning; a contract form including the engineering, the procurement, the installation and the commissioning of a building or other form of construction.	Pull production system	The production system whereby sequential activities at hand are 'pulled through' the production process by starting production of the next component at a given work station only when the previously manufactured component has been used by the next step in the production. This prevents congestion in the factory and results in higher output levels through improved efficiency. It also results in higher job- satisfaction and higher quality and safety standards resulting in a process of 'continuous improvement'.
Executive Board	Board of executive directors responsible for the day-to-day business at Sif. In 2016 comprised of CEO and CFO.	Production capacity	The capacity of the plants operated by Sif Group. The theoretical capacity is 300 Kton for the combined Maasvlakte 2 and Roermond plants. Actual capacity is between 80 and 90% of theoretical maximum capacity.
GKSE	GKSE Holding BV; the company in which the former owners hold their shares in Sif Holding NV.	Sif Group	The group of companies that together establish the Sif Group: Sif Holding N.V., Sif Netherlands B.V. and Sif Property B.V. Also referred to as 'Company' or 'Sif' (reference is made to the schedule on page 6 of this annual report).
IEA	International energy agency.	Sif Holding N.V.	The entity whose shares are listed on the stock exchange and that is the shareholder of Sif Netherlands B.V., Sif Property B.V. and SBR engineering GmbH (reference is made to the schedule on page 6 of this annual report).
Kton	Kilotons. A weight measurement used in the steel industry. One Kiloton equals one million kilograms.		
LCOE	Levelized costs of energy.		
LTI	Lost Time Incidents.		
LTIF	Lost Time Injury Frequency.		
MAKE	MAKE consultants.		
Management Board	Board of managing directors. In 2016 comprised of CEO, CFO, CCO and COO.		
MD&A	Management Discussion & Analysis		

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