



Annual Report 2017

Sif Holding N.V.



Sif

OFFSHORE
FOUNDATIONS

Key figures 2014–2017

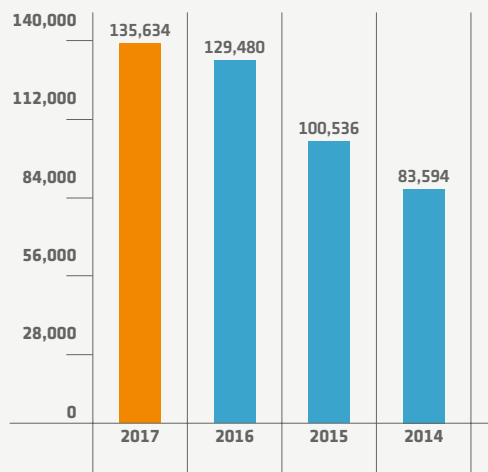
<i>x € 1,000</i>	2017	2016	2015	2014	Definition of non-IFRS measures
Revenue	327,180	400,318	321,343	262,523	
Contribution	135,634	129,480	100,536	83,594	Total revenue minus cost of raw materials, subcontracted work and other external charges and logistic and other project related expenses
EBITDA	54,592	58,616	55,252	45,741	Earnings before net finance costs, tax, depreciation and amortization
Normalized EBITDA	57,118	65,395	57,815	46,238	EBITDA corrected for incidental IPO related expenses or income
Net earnings	30,760	37,365	35,628	27,995	Profit attributable to the shareholders
Net cash from operating activities	53,886	52,887	25,421	33,570	
Net increase/(decrease) in cash and cash equivalents	573	(28,429)	3,740	(10,954)	
Net cash from investing activities	(27,587)	(67,962)	(16,421)	(39,523)	
Depreciation and amortization	13,153	8,684	6,986	7,391	
Net debt	25,107	41,969	26,894	11,434	Gross debt (loans and borrowings) minus cash and cash equivalents
<i>IN KTON</i>					
Production	232	191	150	133	
<i>PER SHARE X €</i>					
Earnings	1.21	1.47	1.40	1.10	Profit attributable to the shareholders divided by the average number of shares outstanding during the year under review
Dividend	0.30*	0.37	0.94	1.28	
<i>RATIOS %</i>					
ROCE	25.8	32.7	39.5	30.5	Net earnings as a % of equity plus loans and borrowings
Solvency	45.6	34.8	16.2	43.6	Equity/balance sheet total
<i>COVENANT RATIO'S</i>					
Net debt/EBITDA	0.4	0.7	0.5	0.2	
Cash flow cover	29.4	3.0	10.3	4.2	
Number of shares issued	25,501,356	25,501,356	25,501,356	25,501,356	

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

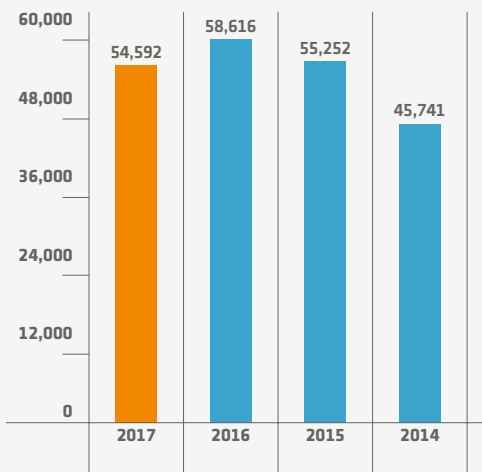
* Subject to AGM approval.

CONTRIBUTION

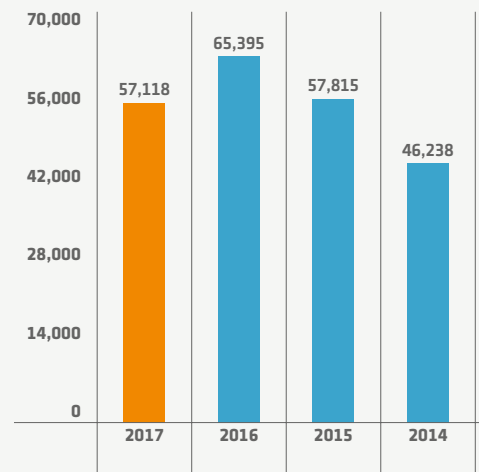
IN €1,000

**EBITDA**

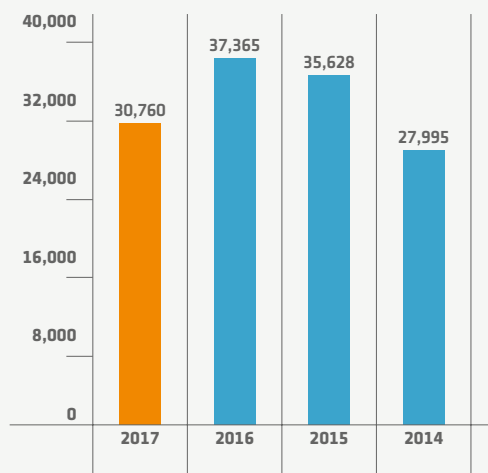
IN €1,000

**NORMALIZED EBITDA**

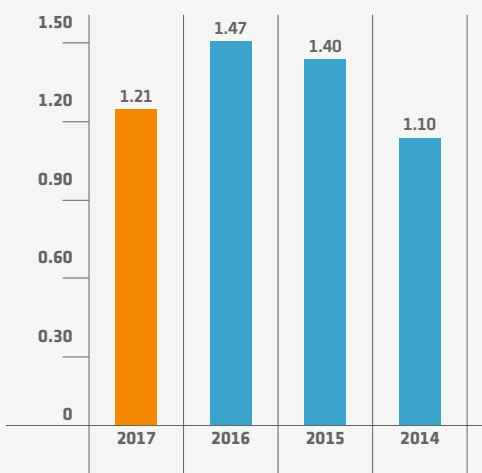
IN €1,000

**NET EARNINGS**

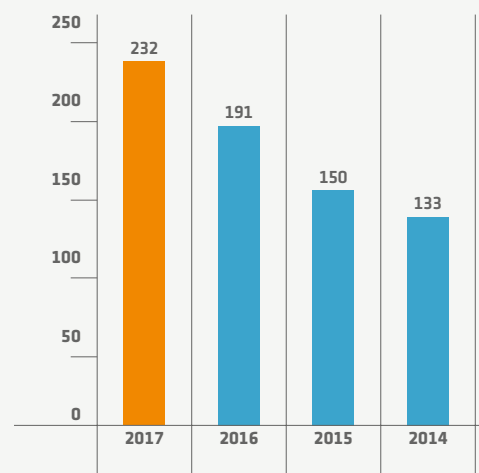
IN €1,000

**EARNINGS PER SHARE**

IN €

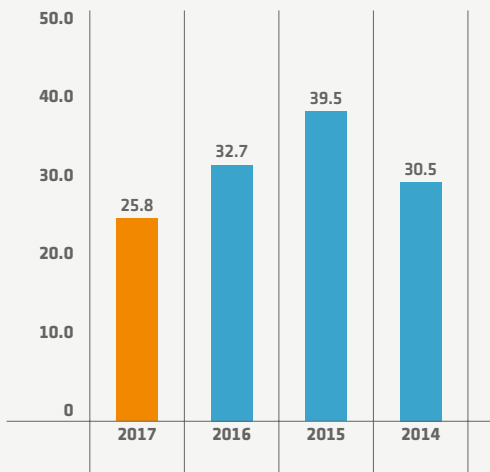
**PRODUCTION**

IN KTON



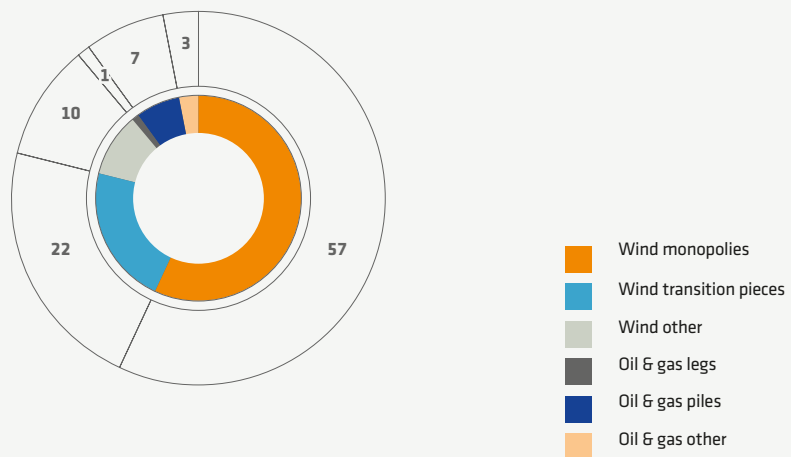
RETURN ON CAPITAL EMPLOYED

IN %



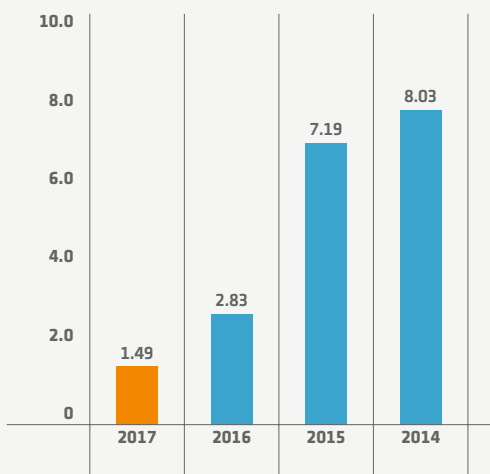
PRODUCTION SPREAD 2017

IN %



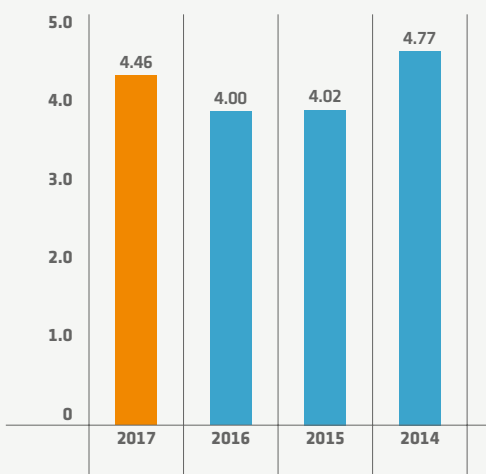
LTIF

IN MLN MANHOURS



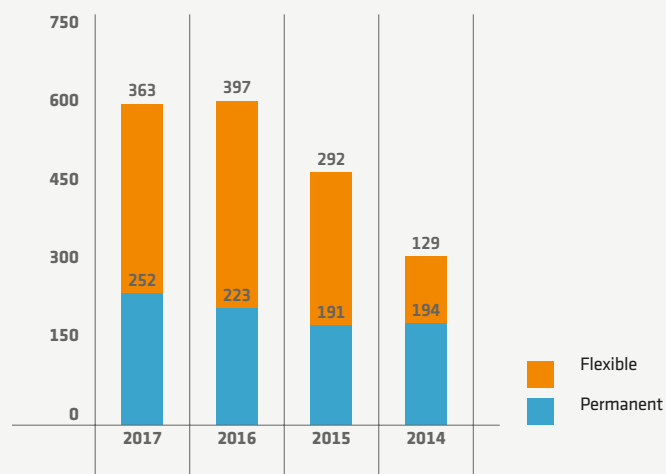
SICKNESS LEAVE

IN %



EMPLOYEES

IN FTE



Highlights 2017



Lost Time Injury
Frequency
(LTIF)

1.49

(2016: 2.83)



New assembly factory
in Maasvlakte 2
in full operation



Hall 11 in Roermond
converted and
in full operation



Galloper, Rentel,
Blyth and Beatrice
offshore wind projects
completed



Components for
jackets for Sverdrup
and Oseberg
oil & gas projects
completed

Financial performance

Revenue

€ 327.2

million

with €135.6 million
contribution

Normalized
EBITDA

€ 57.1

million

Normalized for
non-recurring
IPO expenses

Profit attributable to
the shareholders

€ 30.8

million

Earnings per share

€ 1.21

Dividend proposal

€ 0.30

per share

Order book 2018

115

Kton

2019: 60 Kton



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Report of the Executive Board

Introduction by the CEO

Dear Reader,

The global demand for energy remains high, fuelled by population growth and improved welfare. At the same time the demand for sustainable energy sourcing and production is rising. The rapid decrease in the cost of sustainable energy, and in particular offshore wind energy, means that in terms of cost it can now compete with all other energy sources. Analysts forecast that in the period 2018 to 2026 this will lead to a further growth of the installed European offshore wind energy generation capacity amounting to an average of around 4.1 GW per annum. The 3.1 GW that went into service in 2017 increased Europe's total offshore wind capacity to 15.8 GW. The interest in offshore wind is also increasing rapidly in other parts of the world.

Sif is playing a leading role in the production of foundations for offshore wind turbines. In 2017 the opening of our new production facility in Maasvlakte 2 in Rotterdam and the upgrading of our factory in Roermond enabled us to strengthen this leading position and achieve considerable progress in respect of our strategy. Viewed in the light of the adjustments in production and logistics that went hand-in-hand with these changes we achieved a good operating performance: products for large projects, such as Galloper, Beatrice and Rentel, were delivered on time and on specification.

Our production, measured in kilo tons of steel, increased. Our contribution – the value we add – to the product, also rose. The project mix and complexity resulting from the investment programme meant that this increase in production and added value was not yet reflected in our profitability.

Good progress with the implementation of our strategy

One component of the around €90 million investment programme that began in 2015 was the construction of a new assembly and coating factory in Maasvlakte 2. This facility has increased our XL monopile production capacity to over 150 kilo tons and our total capacity from 225 kilo tons to 300 kilo tons a year.

Another component of the investment programme was the upgrading of the facilities in Roermond to enable larger diameters and more basic product to be produced. Thanks to these investments, we can now produce monopiles with a diameter of 11 meters (in 2017 diameters varied between 6 and 8 meters), a length of 120 meters and a weight per monopile of up to 2,000 tons. The changes in Roermond have led to a larger basic capacity and have made the production of primary steel for transition pieces with a diameter of up to 9.5 meters and weighing up to 950 tons possible. The result is that Sif is ready for the forecast up scaling to turbines of 13 to 15 MWh. Furthermore the oil & gas production line now has the flexibility to also produce components for windjackets such as for example the pin piles for the Beatrice-jackets.

Our continuous striving to improve, is leading to product- and working method innovations that will increase offshore wind energy's attractiveness and competitive strength. In this context, Sif, in a GROW-connection and together with many other leading companies and knowledge institutions, is actively involved in various initiatives that will reduce the cost (expressed in LCOE) of offshore wind energy still further.

Progress has also been achieved with incorporating the 'LEAN' working method into our production process. The objective is to improve efficiency and safety through an optimum workflow. To achieve this the amount of unfinished material on the factory floor is restricted to only what is necessary. This reduces safety risks and the unnecessary handling of materials. The LTIF (Lost Time Injury Frequency) fell to 1.49 – a leading score in the industry. The efficiency improvements will, due to the many adjustments in the manufacturing environment during 2017, become apparent in the coming years.

Finally, initiatives in offshore wind markets outside North-West Europe were further substantiated. The fear that partners would backpedal because of the USA's withdrawal from the Paris Climate Agreement, proved unfounded. Rather than limiting efforts for climate improvement, these developments have generated new élan: it would seem that interest in offshore wind has also increased in countries outside of Europe. In this context, in addition to the



*The Executive Board and the Chairman of the Works Council.
From left to right Jan Bruggenhijs, Steve Goodison and Leon Verweij*

‘An annual addition to the current 15.8 GW Northsea offshore wind capacity of 4.1 GW is expected for the period 2018–2026.’

collaboration with Sato Tekko in Japan, we also signed a letter of intent with Century Steel in Taiwan. Currently the American offshore wind market appears to be developing faster, primarily thanks to the efforts of individual states. For this reason, we have also started more targeted research there. What is applicable for all areas outside of Europe is that we want to be active, but only in collaboration with a local partner and if there is a structural offshore wind project market, in which the monopile is considered the primary form of foundation.

Operational performance, results and dividend proposal

In 2017, we worked on 30 projects of which 12 (or approximately 10% of revenue) were in the oil & gas or other projects. The remaining projects were related to offshore wind energy. The scale of the products makes many of these orders appealing projects that could also continue to get larger and larger. That poses challenges for Sif. For example, the primary steel for the transition pieces (with a diameter larger than 7 meters) for the Hohe See project could only be manufactured after the Roermond facility had been upgraded. In 2017 all the projects were, once again, delivered according to specification, safely and within the scheduled time. Our safety statistics improved, but we continue to strive for a safety level of zero work-related injuries to our employees. Our performance in 2016 meant that in 2017 we once again held the title of ‘Best company in the Dutch manufacturing industry’ (voting organised by the Management Team magazine). Our efforts in 2017 led to a normalised EBITDA result of €57.1 million.

Cash flow was good and enabled us to reduce our net debt at year-end to €25.1 million compared to €42 million at the end of 2016. The dividend proposal is a payout of 25%, or €0.30 per share. This is in line with the Company's dividend policy—a payout of 25 to 40% of the net result.

Outlook

Offshore wind is no longer only an ideal vision of clean energy supporters: it is now also economically and financially one of the most attractive energy sources. Wind energy also remains an interesting market for investors. The prospects for offshore wind projects are good. Windeurope's mid-case scenario foresees a total installed base of around 70 GW in Europe in 2030. Interest in wind farms is also increasing outside of Europe. In Japan, Taiwan and the USA in particular we are seeing far-reaching initiatives.

The ultimo 2017 order book for 2018 is at 115 Kton. Hereof, 26 Kton has been subcontracted to prevent delay damages. Our annual capacity is 300 Kton, so there is still space for projects in 2018. By early 2017, we knew that the postponement of projects in several countries including France, Belgium and the Netherlands, would mean 2018 would be a year of less capacity utilisation. We warned the market in March 2017 that this would be the consequence of these developments. Currently we are in exclusive negotiations for a 70 Kton project to be completely manufactured in 2018. Upon eventual finalization of a contract, production is expected to start mid July 2018. Where necessary we are adjusting our flexible workforce without losing the link with the employees we will need for the expected busy times in 2019 and thereafter. We have agreed suitable arrangements with our banks to address the lower level of activity. The quiet period in 2018 will also be used to develop operational personnel further and for carrying out maintenance and adaption of our manufacturing facilities that has not always been possible during the past two years due to the high capacity utilisation. All in all, 2018 will be first and foremost a transition year to a busy 2019. In view of the uncertainties that go hand-in-hand with the above, no statement can yet be made regarding the expected results for 2018.

In conclusion

On 23 October 2017, Alexander van Wassenaer resigned as a member of the Supervisory Board of Sif Holding N.V. Alexander made a major contribution towards the transition of Sif from a private business with a strong family culture to a stock exchange listed company. His involvement as the representative of private equity entrepreneur and major shareholder in Sif, GKSE Holding, was enormous. Sif owes Alexander a debt of thanks. To fill the vacancy arising from Alexander's resignation, the Supervisory Board appointed Peter Visser on an ad-interim basis as of 1 November 2017. Peter Visser, as Alexander van Wassenaer's successor, represents major shareholder GKSE Holding in the Supervisory Board. The Supervisory Board has nominated Peter Visser for appointment by the Annual General Meeting of Shareholders on 3 May 2018. On 29 January 2018, Sif announced that Maarten Schönfeld will not be available for re-appointment when his term ends after the closing of the Annual General Meeting of Shareholders in May 2018. His appointment in February 2016 was based primarily on his extensive expertise with and experience of companies in a stock exchange listed environment. Sif made grateful use of this expertise and experience and thanks Maarten Schönfeld for making it available to the Company. As his successor, the Supervisory Board has nominated Peter Wit for appointment by the Annual General Meeting of Shareholders on 3 May 2018.

On 13 March 2018 Sif announced that for personal reasons I would not be available for reappointment at the AGM of 3 May 2018. I thank all Sif's employees for their performance during the past four years, for their focus on safety on the factory floor and for their loyalty to Sif. I specially thank all Sif employees for their performance in 2017 which has been a challenge with large investments and high production levels. I also thank our sub-contractors and suppliers for their commitment to making our challenges their own and, naturally, I thank our shareholders for their trust in our strategy and its execution.

Jan Bruggenthijis, CEO



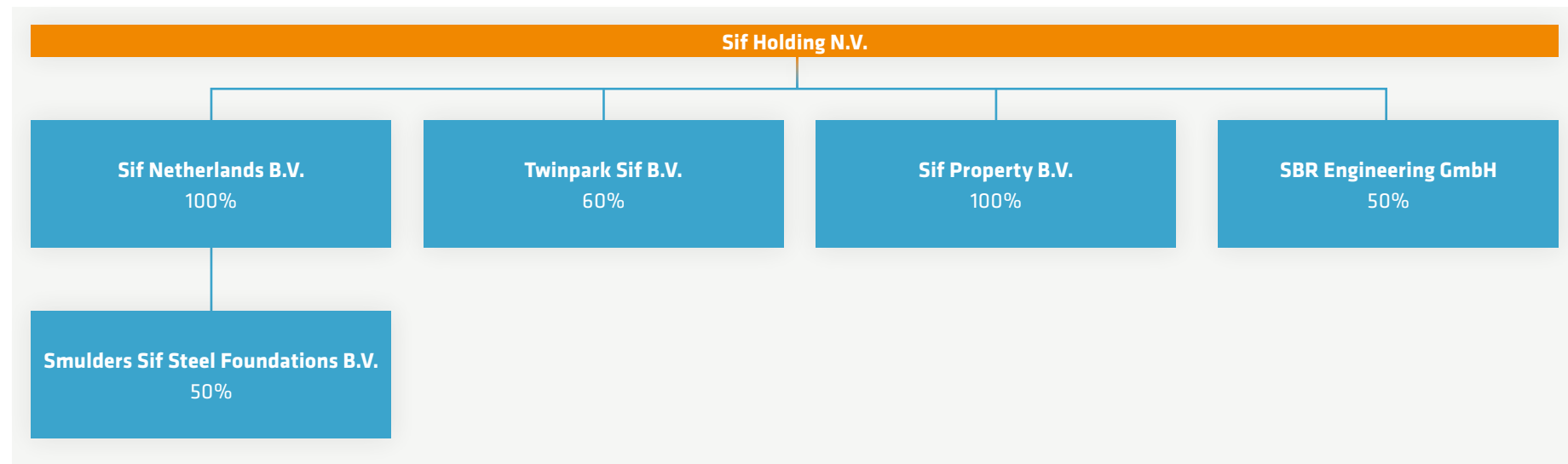
History and Company profile

Sif Holding N.V. is the reporting entity and holding company of the Sif Group companies ('Sif'). Sif Netherlands B.V. is the operating company that has a 50% interest in Smulders Sif Steel foundations B.V. (3SF) – a joint venture with Smulders Projects in Hoboken for the Triton Knoll project. Sif Property B.V. is the owner of Sif's property. SBR Engineering GmbH (50%) is an equipment engineering company located in Germany and Twinpark Sif B.V. (60%) is an interest Sif Holding N.V. holds in a sustainable energy production company.

Sif is a project-oriented manufacturing company. We are a leading provider of mission-critical tubular steel foundations to the offshore wind and oil & gas

markets. Our clients are energy companies such as Vattenfall, E-on, RWE Innogy and Orstad, developers such as Triton Knoll and EPCI (Engineering, Procurement, Contracting and Installation) contractors such as Van Oord, Geosea, Heerema Fabrication, SHL and Kvaerner. Most of our products are used in larger North Sea projects. Our reputation is based on the innovative drive that facilitates scale while reducing our clients' costs per installed MWh of generating capacity, combined with the safe and timely delivery of mission-critical products within budget and in accordance with quality specifications.

Sif Group legal organization structure



Sif, founded in 1948, is a company with a solid track record. Currently Sif employs approximately 600 people (252 on Sif's payroll) in two manufacturing locations in the Netherlands – Roermond and Maasvlakte 2 near Rotterdam. Sif's head office is in Roermond and the Company has been listed on Euronext Amsterdam (ticker symbol SIFG.AS, ISIN NL011660485) since May 2016.

To achieve our goals we implement a company culture based on teamwork, innovation and continuous improvement. To facilitate this we have invested in the safest and most efficient manufacturing facilities. These facilities, combined with our entrepreneurial spirit, enable us to deliver the most effective solutions for the manufacture of foundations at the lowest possible cost for our clients and in the safest possible environment for our employees. Sif's evolution illustrates the Company's core values:

Sif's core values



Continuous improvement

We strive for the continuous improvement of our products, our manufacturing processes, our people's skills and our team performance



Teamwork

We respect each other's specific knowledge and skills and watch over each other's safety and health

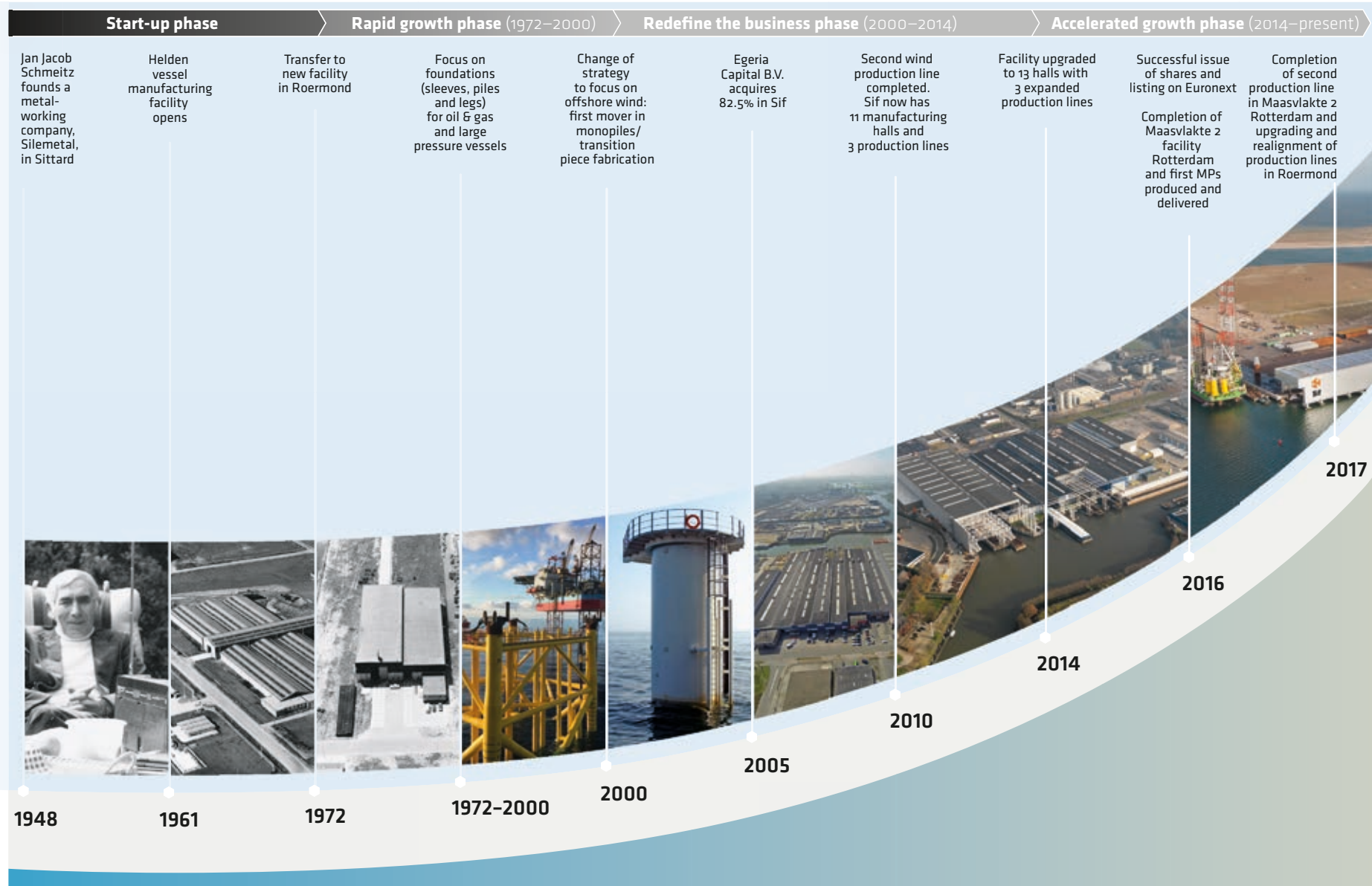


Pride and fun

We take pride in and enjoy satisfying our clients' needs, improving our products and processes and raising our products to the next level

The strategic phases of Sif's evolution

Business redefinition phase

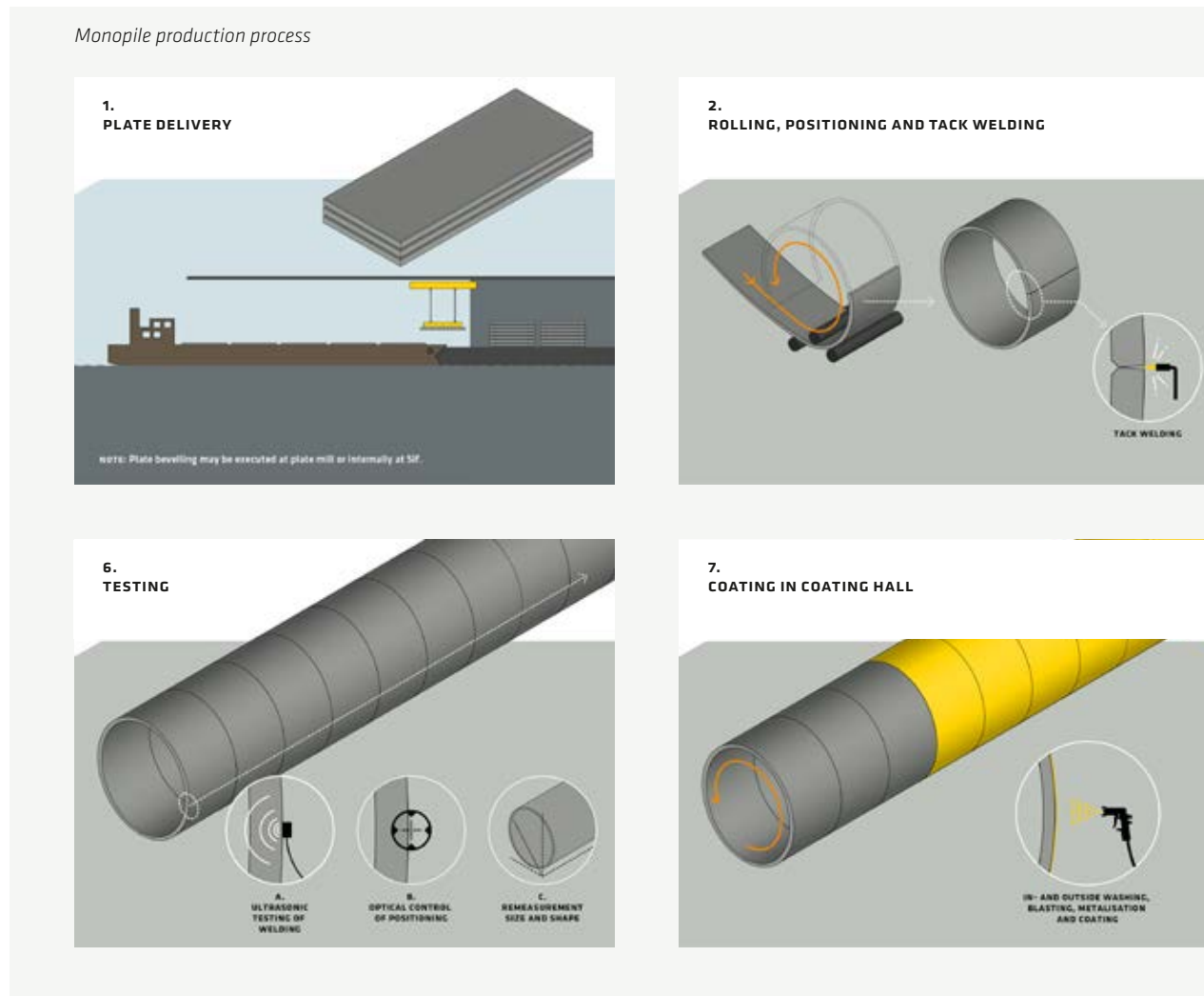




Our business: this is what we do and how we do it at Sif

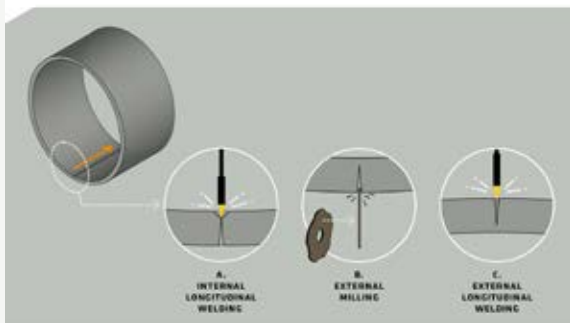
Sif's core competence is the serial rolling, automated welding and coating of extremely thick steel plates to create unique tubular offshore foundations (monopiles) and foundation components (primary steel for transition pieces, legs, pin piles and pile-sleeves). Our clients are primarily energy companies, offshore wind farm developers and the contractors of these parties.

Our production process is divided into the following phases:

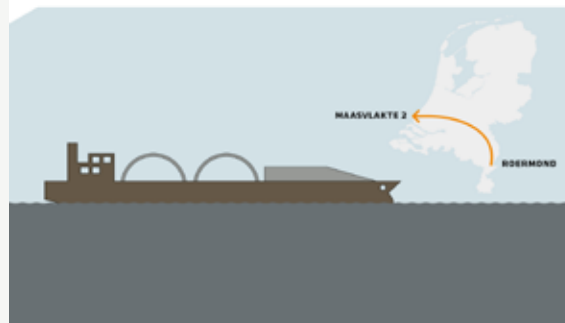


Primary steel for transition pieces is manufactured in Roermond. Transition pieces are outfitted with platforms, boat landings etc. by a specialized partner. Components for oil and gas foundations are manufactured mainly in Roermond on a separate production line for smaller diameters. Occasionally this production line is also used to manufacture pin piles for wind jacket-foundations. The production methods for primary steel for transition pieces and for oil and gas components are the same as the production methods for monopiles.

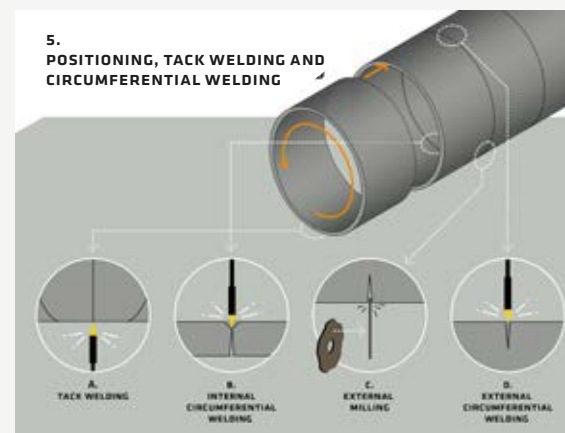
3. LONGITUDINAL WELDING



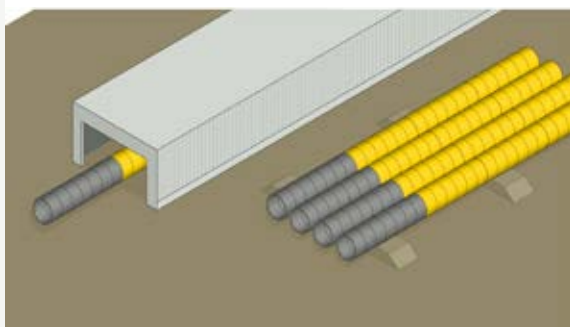
4. TRANSPORT CANS, CONES AND SECTIONS TO MAASVLAKTE 2



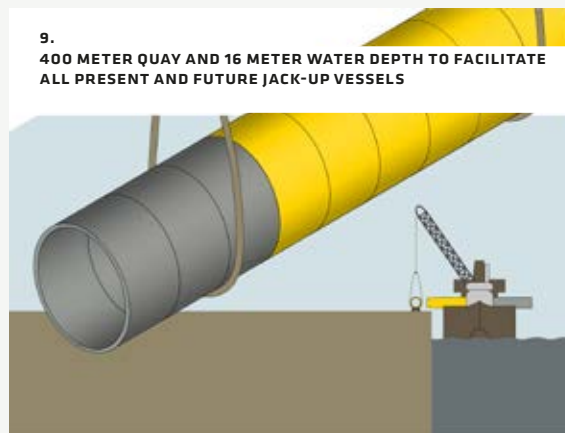
5. POSITIONING, TACK WELDING AND CIRCUMFERENTIAL WELDING



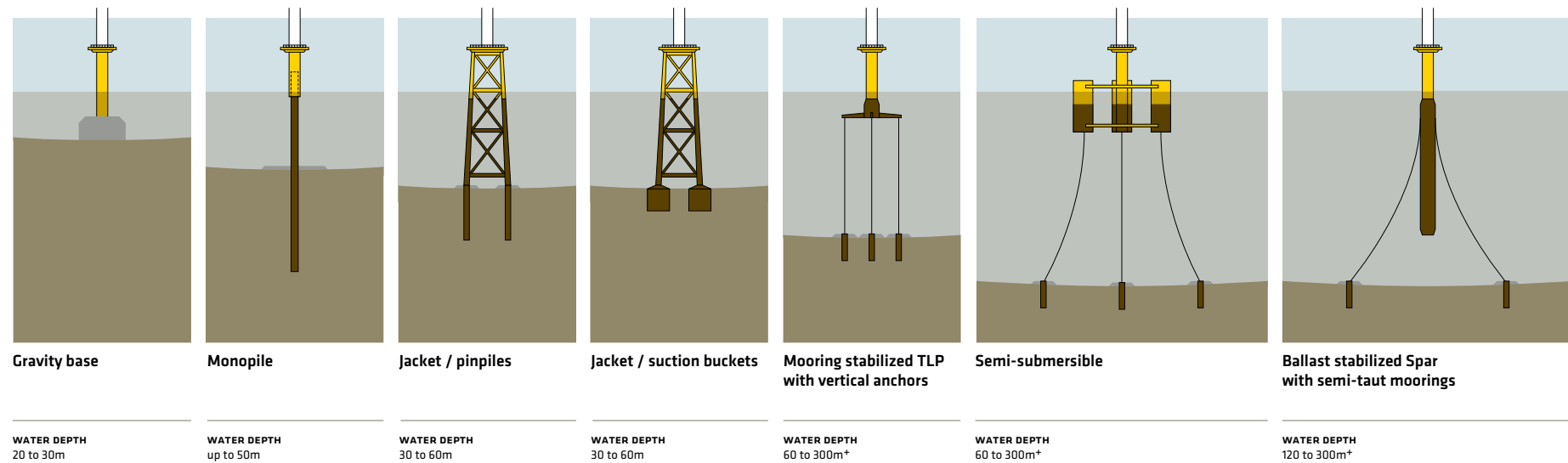
8. 42 HECTARES PRODUCTION, COATING AND STORAGE



9. 400 METER QUAY AND 16 METER WATER DEPTH TO FACILITATE ALL PRESENT AND FUTURE JACK-UP VESSELS



Different types of foundations for offshore wind energy projects



There are several different types of foundations for offshore wind energy projects. Which type is used depends on a number of factors including the water depth and the composition of the seabed. Although the monopile (image 2) is the most commonly used foundation for offshore wind turbines because it offers the best price-quality ratio, the monopile is not suitable for very rocky sea beds. In such situations, jackets (image 3) and gravity-based foundations (image 1) are a good alternative. Currently, suction buckets (image 4) and floating foundations (images 5 - 7) are being used experimentally.

Sif serves the energy market. Geographically our focus is on projects in the North Sea, in particular in the British, German, Belgian, Danish, Norwegian, French and Dutch sectors. At the end of 2017 this region accounted for 15.8 GW, or around 90%, of the worldwide installed capacity (source: Windeurope, February 2018) and during the period 2018 to 2026 the installed capacity is expected to increase by an average of 4.1 GW per year (source: MAKE Consultants, January 2018). Based on the goals of the various countries, in 2030 the worldwide installed

capacity is expected to be 100 GW of which 70 GW will be located in Europe (sources: International Renewable Energy Agency (IRENA) and Windeurope).

‘Increases in scale of windfarms and size of turbines are supported by innovations in monopile foundations and installation techniques.’



Why invest in Sif? Share performance and ownership

1. Sif occupies a leading position as a manufacturer of foundations for the promising offshore energy sector;
2. Sif works for Tier-1 clients active in energy sourcing and sustainable generation;
3. Sif has the most up-to-date manufacturing facilities and technologies;
4. Sif, as the cost and product leader, generates healthy operating cash flows.

Shares in Sif Holding N.V. have been listed on the Euronext Amsterdam stock exchange since May 2016. At the end of 2017, 25,501,356 shares with a nominal value of €0.20 had been placed. All the shares have equal voting rights and entitlement to dividend paid out of the Company's profit reserves ('one man one vote' principle). At the end of 2017 market capitalization amounted to around €444 million. All issued shares are fully paid-up, are registered and have been entered into a collective deposit by transfer to Euroclear Nederland or to an intermediary. Euroclear is listed in the shareholder register held by the Company. The LEI code of SIF Holding N.V. is 724500J0BPD5CLHCK040.

SHARE INFORMATION	2017	2016
Closing price at year-end in €	17.41	15.48
Highest price during the year in €	25.35	15.97
Lowest price during the year in €	15.37	13.15
Average daily trading in number of shares	80,429	37,020
Market capitalization at year-end in €1,000,000	444	395
Earnings per share in €	1.21	1.47
Dividend per share in €	0.30	0.37

Dividend policy

Sif's dividend policy is a payout of dividend in line with Sif's medium to long-term financial performance and targets, with the aim of increasing dividends-per-share over time. A payout amounting to 25–40% of Sif's net profit in any given year is envisaged as a result of this policy. The proposed dividend payout per share for 2017 is as follows:

SHARE INFORMATION	2017 (proposed)	2016
Dividend in €	7,690,000	9,341,000
Average number of shares issued	25,501,356	25,501,356
Dividend per share	0.30	0.37

Free float of Sif-shares is approximately 34% of the placed shares. The following holdings were disclosed Pursuant to the Decree on Disclosure of Major Holdings and Capital Interests in Securities-Issuing Institutions as part of the Dutch Financial Supervision Act:

REGULATORY FILING OF SHARE OWNERSHIP

(Ultimate beneficial shareholder)	% of total capital and/or voting rights	Date of disclosure
(Peter Visser) GKSE Holding B.V.	49.38%	13 April 2017
Egeria Capital Holding B.V.	6.46%	13 April 2017
SND Participatie B.V.	4.62%	9 May 2017
The Vanguard Group	3.04%	9 June 2017
Schröders Plc	3.00%	22 December 2017

Our strategy: linking cost and product leadership

Global energy demand continues to rise, fuelled by population and welfare growth. At the same time, the demand for making energy production more sustainable is increasing, as is the use of more sustainable energy sources. This is also laid down in international treaties, such as the Kyoto Protocol, Obama's Clean Power Plan and the United Nations' Framework Convention on Climate Change (UNFCCC) signed in Paris in 2015. New technologies are advancing offshore wind energy production, for the time being mainly in North-West Europe. As a result, the cost of offshore wind energy generation has continued to decrease and in 2017 could compete not only with nuclear, fossil and geothermal

energy, but also with solar and onshore wind energy. Innovation in foundations for offshore energy sources are contributing towards making this form of energy generation more attractive: it is becoming cheaper and facilities can be located further away from the coast and in deeper water. Innovations in scale of windfarms and size of turbines are merely contributing to lower LCOE. Innovations in foundations for offshore energy sources are also contributing towards making this form of energy generation more attractive. Sif is striving for both cost leadership and product leadership with the manufacture of foundations for offshore energy sourcing and generation. In this way Sif wants to contribute towards making energy (generation) more sustainable and cheaper.

Our strategy aims at achieving an attractive, sustainable long term value creation for the Company and its stakeholders. We pursue this by operating in attractive markets where we manufacture foundations or components for tier-1 clients who are active in energy sourcing and generation. Modern state-of-the-art manufacturing facilities, equipment and technology combined with the innovative drive and craftsmanship of Sif-employees have resulted in and will maintain Sif's leading position in the industry. Sif pursues this strategy in a safe environment for employees, clients and suppliers and strives for the continuous reduction of its environmental footprint. Our strategy is implemented in three phases:

1. 2017-2018: Defend and extend. Pursue cost leadership by increasing capacity, optimizing capacity utilization and production flow, reinforcing the organization, pursuing early project involvement and preparing the business for future demand;
2. 2019-2021: Drive growth. Develop products and expand markets 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;
3. 2022 and beyond: Seed future growth. Implement initiatives to secure a sustainable long-term leading market position.

We have set ourselves challenging but achievable objectives

Our objectives for the period until 2021 are:

OBJECTIVE	LONGER-TERM TARGET	TARGET QUANTIFIED	ACHIEVEMENT 2017
1 A 100% safe and healthy working environment	Zero accidents, zero work related illness	LTIF < 2 Sick leave < 4%	LTIF 1.49 Sick leave 4.46%
2 CO ₂ neutral production of monopiles, transition pieces and components for jackets	Generation of the energy needed for our own production through solar panels and wind turbines	CO ₂ neutral in 2020	Filing of permit request, engineering of sustainable production sources
3 Market leader in the supply of monopiles to the wind industry in Northwest Europe	Market leader	Number 1 in number of monopiles manufactured	131 monopiles produced in 2017 bringing total of monopiles supplied to Northsea wind energy to approximately 1,700
4 A competitive position in offshore wind energy outside of Europe	Related to market development	First activity 2020	LOIs with Taiwanese and Japanese partners
5 Cost leadership in thick, wide and long tubular steel products	Permanent target		Assembly factory Maasvlakte 2 in full production, LEAN introduced, large diameter TP line in Roermond in production and can production in hall 11
6 Solid financial ratios			
> Leverage ratio Net debt/EBITDA		< 1.5	0.44
> Cash flow cover (cash flow to debt service)		>1.0	29.37

Timely delivery, on budget and within specifications is considered a base achievement to build a sustainable relationship with our clients, subcontractors and suppliers.

Market development

Within the energy sourcing and generation market, Sif focuses on offshore wind generation and offshore oil & gas extraction.

Offshore wind energy: Geographically this market is still primarily in Northwest Europe and the operating area of Sif's clients is primarily the North Sea. In 2017 Sif worked on projects such as Galloper (United Kingdom), Rentel (Belgium), Hohe See (Germany) and Beatrice (United Kingdom). The demand for sustainable energy generated offshore is increasing. On the one hand, the increasing demand is driven by climate-related inter-country agreements as formalised during the 2015 United Nations Climate Change Conference in Paris. On the other hand, and primarily, the growth in demand is due to the constantly decreasing costs of offshore wind energy. In the Netherlands in recent years these costs, which are expressed in LCOE (Levelized Costs Of Energy), have dropped to below €70/MWh

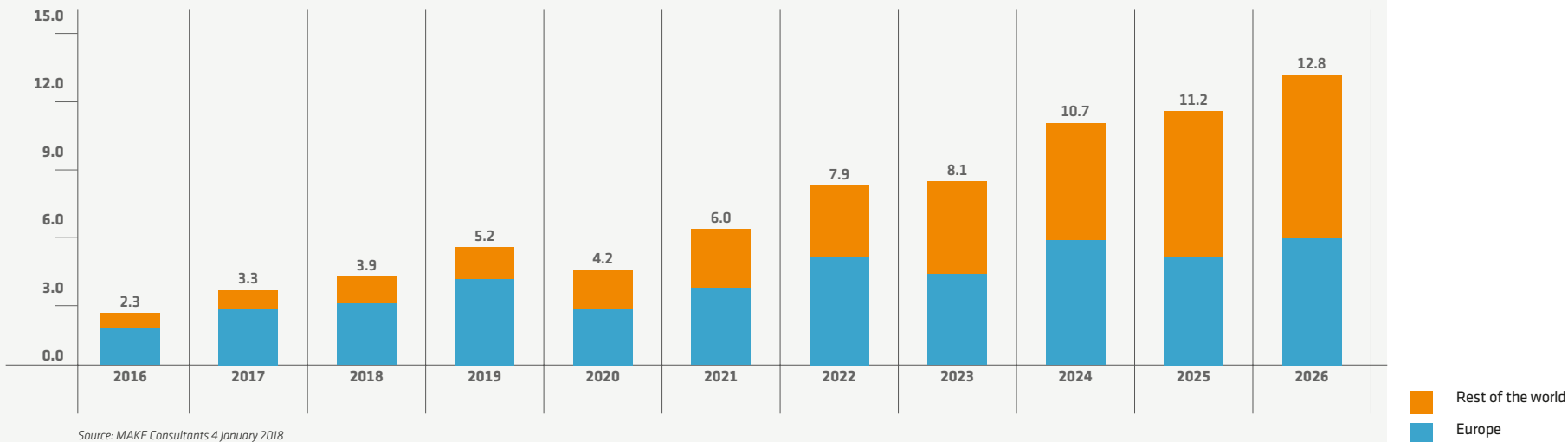
(for comparison: in 2017 the LOCE of solar energy was €75/MWh, of onshore wind was €74/MWh, of coal was €87/KWh and of gas was €66/KWh). Between 2022 and 2025, the LCOE of offshore wind energy in Germany, the Netherlands and the United Kingdom is expected to drop to less than €50/MWh. In the Netherlands, an LCOE of €56/MWh has already been calculated for the Borssele I and II projects (source: TKI wind at sea- Offshore Wind Cost Reduction Progress Assessment 2017). This will make offshore wind one of the cheapest energy sources (see Graph 2 MAKE Consultants LCOE Comparison UK). Recent calls for tenders in Germany (He Dreiht, Borkum Riffgrund II West and OWP West) and the Netherlands (Hollandse Kust Zuid) confirm this picture. Tenders for these projects were submitted without government subsidies.

According to MAKE Consultants between now and 2026, an average of 4.1 GW per year will be added to the European offshore wind market and an average of 7.8 GW per year will be added to the Global offshore wind market.

*'Offshore wind will soon be
the most affordable source
of energy.'*

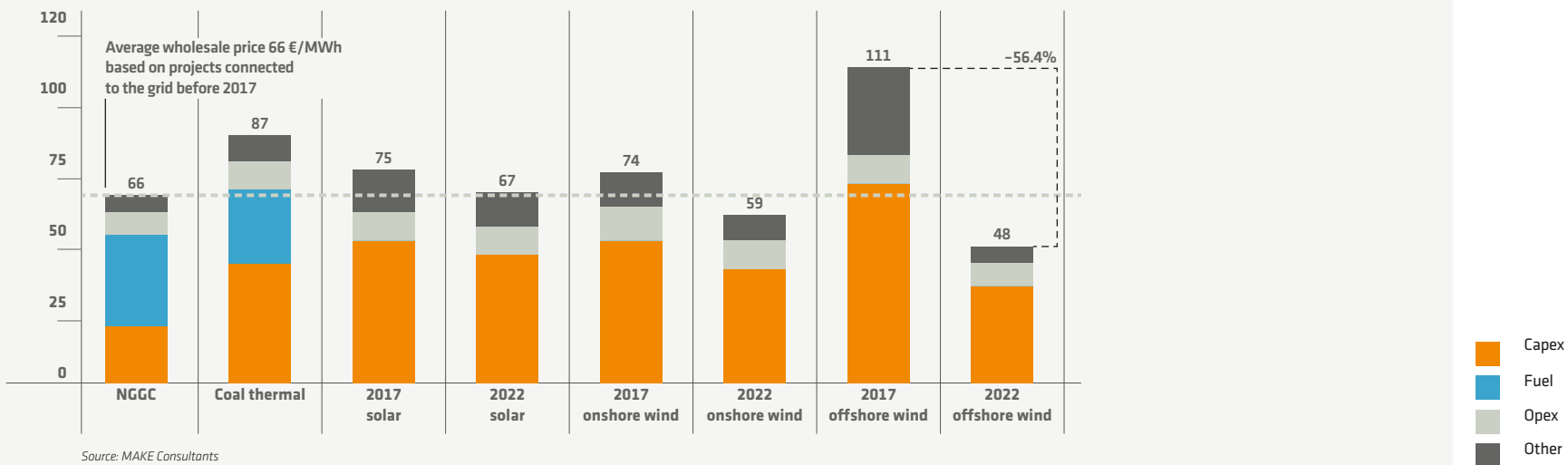
1 GLOBAL OFFSHORE WIND GROWTH

IN GIGAWATT



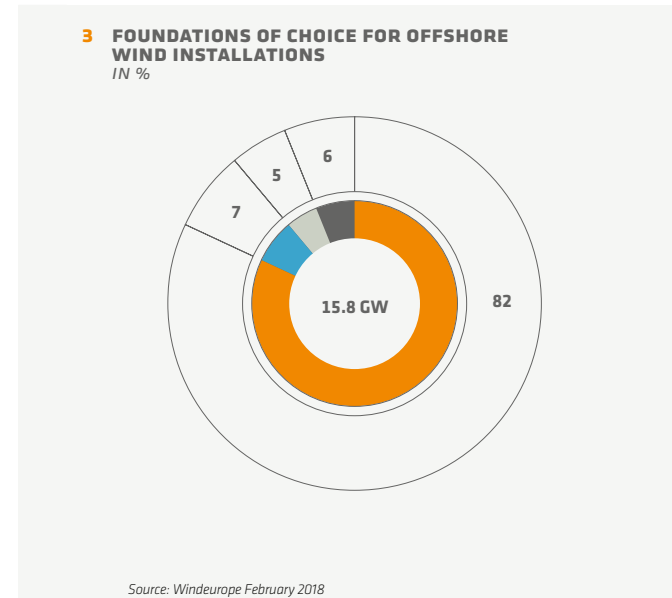
2 LCOE COMPARISON UK

IN €/MWH

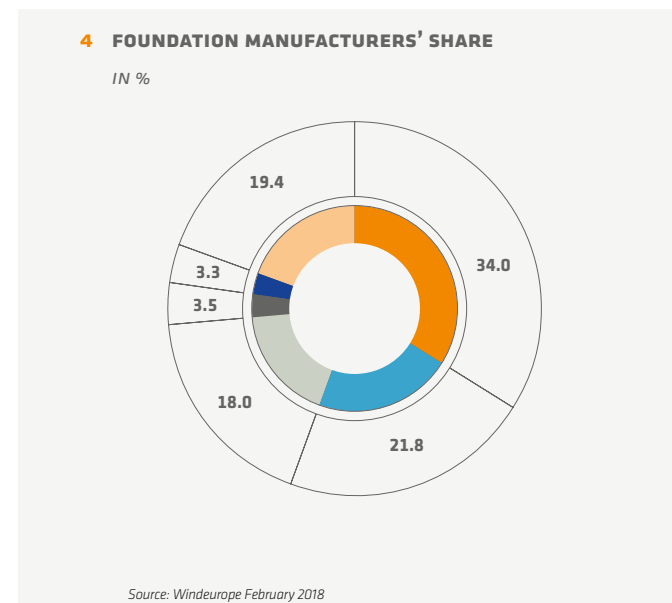


The decrease in the costs of wind energy generated offshore is being driven primarily by innovations that lead to increased efficiency. In this context, in 2017 projects using 7 MW wind turbines went into service and it is expected that it will not be long before turbines that can generate 11 to 12 MW will be used. Sif's new manufacturing facilities are helping make this growth possible because they can produce longer monopiles (up to 120 meters) with larger diameters (up to 11 meters) and with a total weight of up to 2,000 tons each. In part due to this, but also due to the growth of the wind farms themselves, more energy is being generated. In addition, costs are being saved in the manufacturing column. These savings are to be found mainly in the financing and insurance costs as well as in the OPEX and installation costs.

By the end of 2017 around 82% of the wind turbines installed in the North Sea had monopile foundations (Graph 3: Foundations of choice for offshore wind installations) and approximately 34% of these were supplied by market leader Sif-Smulders (Graph 4: Foundation manufacturer's share). Other manufacturers of so-called XL sized monopiles are EEW Special Pipe Constructions GmbH (EEW) and Steelwind Nordenham GmbH (Steelwind). The total European manufacturing capacity for such XL monopiles is estimated to be 400 Kton per year from 2018. By 2024, this manufacturing capacity is expected to have increased to 425 Kton per year. The XL capacity of Sif and EEW is estimated at around 150 Kton each, Steelwind's capacity is around 100 Kton. If this is offset against the expected demand as shown in Graph 1 (MAKE Consultants 4 January 2018), this gives a picture of demand and supply for the coming years. Sif's main competitive advantages are its location and the Port of Rotterdam's facilities and Sif's 400 meter quay, able to handle multiple loadings of installation vessels at the same time. In addition, Sif's manufacturing facilities are either new or have been upgraded and are both state-of-the-art. Finally, Sif has a proud history of years of expertise in and experience with the manufacture of monopiles and transition pieces for offshore wind installations. When drawing up Graph 5 our starting point was that at least 80% of all offshore wind installations will have monopile foundations and that the average weight per monopile will increase by 20% between now and 2024.

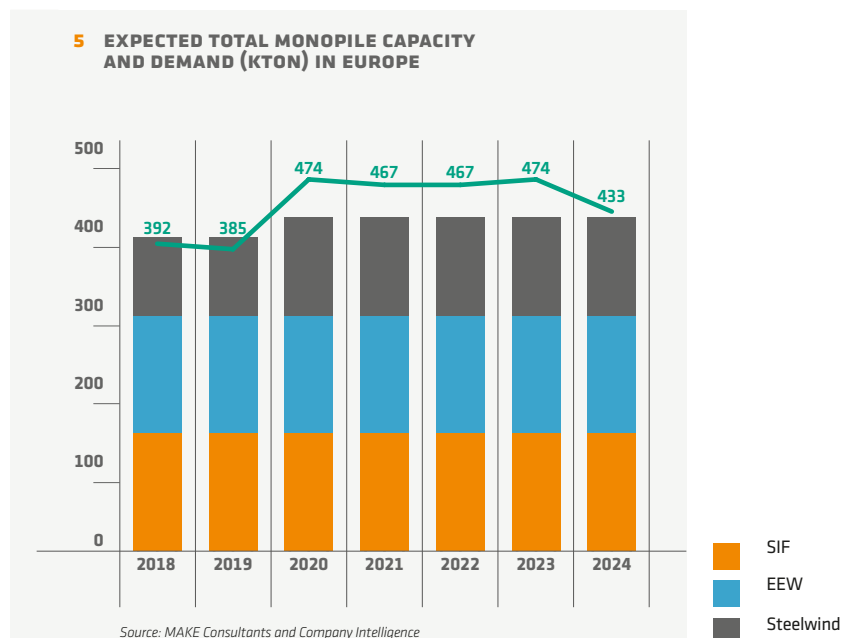


- Monopiles
- Jackets
- Tripods
- Other



- Sif-Smulders
- EEW
- Bladt
- Steelwind
- Ambau
- Others

At the end of 2017 over 80% of the European offshore wind turbines had monopile foundations (source: Windeurope, February 2018, Graph 4). Compared to the alternatives, monopiles are popular due to their low manufacturing costs, low transport and installation costs and low risk profile. MAKE Consultants expect that at the end of 2026 at least 70% of the offshore wind turbines in water up to 45 meters deep and generating up to 10 MWh will have monopile foundations. Based on project intelligence, Sif estimates that the percentage of monopiles to be manufactured on an annual basis will be higher (between 85 and 90% at the end of 2026) in view of the increase in accessible depth (up to between 55 and 60 meters) and the anticipated heavier turbines (up to 12 MWh) which will ultimately be adopted in this period and for which monopiles will offer the best price/quality ratio.



‘Countries outside Europe demonstrate an increased interest in offshore wind energy.’

Countries outside of Europe are also showing more and more interest in offshore wind energy: we are seeing initiatives in Japan, Taiwan and the United States (especially in the states of Massachusetts, New York and New Jersey). MAKE Consultants expects the worldwide generating capacity to increase by an average of over 7.8 GW a year. In Japan Sif has entered into a collaboration with Sato Tekko. The parties are carrying out joint marketing in Japan and, as soon as the demand is more structural, they intend starting joint manufacturing of monopiles and transition pieces in Japan, with Sif providing equipment and know-how. In 2017 a pioneering collaboration was started with Century Steel in Taiwan.

Offshore oil and gas extraction: Offshore oil and gas extraction has been under pressure since 2015 because of low oil prices. Projects with which Sif was involved accounted for around 10% of Sif’s revenue in 2017 and concerned the supply of mega-jacket legs and pin piles for, among others, the Sverdrup field. In 2017, the price of Brent Crude Oil rose from around US\$55 a barrel at the beginning of the year to approximately US\$65 a barrel at the end of the year. Even though this has made offshore projects attractive once again, the throughput times of such projects are long.

Manufacture: Sif has two manufacturing facilities. In the over 100,000 m² factory in Roermond, cans and cones, transition pieces, pin piles, legs and pile sleeves with wall thicknesses up to 150 mm are manufactured with the help of

47 welding machines and 8 rollers. The cans and cones are then transported down the Maas river to the around 38,000 m² assembly and coating facility in Rotterdam where they are assembled into monopiles. The newly built facility in Rotterdam was constructed in 2016–2017. Parts of the factory in Roermond, which dates from 1972, were re-equipped and expanded in 2016–2017. In 2017 a new hall and rolling and milling machine went into service (both are among the largest of their kind in Europe). Improvements in rolling and welding technologies, as well as the routing of materials through the factory, are points of constant attention. In the context of the LEAN production processes, the organisation was adapted to the amended production flow.

As the purpose for which the products supplied by Sif are used, makes product flaws unacceptable, Sif has extensive quality-control procedures in place. These procedures start with contract & design review and document & data control and continue through purchasing procedures, production process control, equipment inspection & testing, materials, parts & components, complete ultrasonic weld testing and specific coating tests. These procedures ensure Sif's products are in an optimal condition before being handed over to the client. Sif has a long-standing reputation for quality. In 2017, in addition to an internal Company health and safety audit and 12 audits at suppliers and business partners, 14 audits (10 related to quality and four related to the environment and safety) were carried out by or on behalf of clients. In 2017 certifying institutions carried out 10 audits at Sif in the context of ISO, VCA, API, OHSAS and ASME certification. The ISO 9001 Quality System has been converted into the new ISO: 2015 Quality System and in 2017 the successful completion of the certification audits resulted in certification in accordance with ISO 9001 to be renewed. Certification in conformance with ISO 3834-2 is linked to ISO 9001 and has been renewed. This certification applies for both Roermond and Maasvlakte 2. Both locations are also OHSAS 18001, ISO 14001 and VCA** certificated.

Important partners of Sif in the manufacturing process are Dillinger Hütte Saarstahl AG and POSCO Group (steel plate suppliers), Euskal Forging SA and Taewong (suppliers of large forged flanges), Glacier Energy Services (non-

destructive testing), Van Ginkel (blasting and coating) and Smulders Projects Belgium NV (transition piece outfitting).

Financial results

To assess and monitor Sif's underlying performance, the Company's management uses certain non-IFRS financial indicators, such as contribution and EBITDA.

ACTIVITY LEVELS AND PROFITABILITY

x € 1,000

	2017			2016		
	Total	Offshore wind	Oil & gas & other	Total	Offshore wind	Oil & gas & other
Revenue	327,180	299,833	27,347	400,318	351,919	48,399
Contribution	135,634	120,040	15,594	129,480	105,443	24,039
EBITDA normalized	57,118			65,395	-	-
Non-recurring IPO expenses	2,526			6,779	-	-
Interest	1,442			2,018	-	-
Tax	9,237			10,549	-	-
Depreciation	13,153			8,684	-	-
Amortization					-	-
Net profit attributable to shareholders	30,760			37,365	-	-

Revenue, contribution and earnings from operations

As all revenue and expenses are invoiced and paid in Euro, currency translation effects do not effect Sif's financial results. Because revenue can be influenced by fluctuations in the price of steel and the choice of whether to act as main contractor or joint-venture partner, contribution is a more important performance indicator for Sif than revenue. For example, the difference in revenue between 2016 and 2017 was, to a great extent, explained by Sif's decision to work in a joint-venture with the outfitter of transition pieces during 2017 rather than as main contractor as was the case in 2016. This meant that, whereas in 2016 the

‘For Sif’s business, contribution is a better performance indicator than revenues.’

contracted-out work on the transition pieces was fully recognised as revenue by Sif, in 2017 only the portion that was actually included in Sif’s scope of work counted as revenue. All Sif’s activities take place in the Netherlands and products are delivered ‘on the quay’. When applicable, activities are invoiced inclusive of VAT. However, in view of the predominantly over the border business-to-business nature of the performances, in most cases this is not applicable.

In 2017 contribution (revenue minus the cost of raw materials, subcontracted work, other external charges and logistic and other project-related expenses) was 4.7% higher than in 2016. In 2017 contribution per Kton throughput fell by 13.7% to €585/Kton (2016: €678/Kton) due to unfavourable market conditions and increasing diameters and weights.

EBITDA for 2016 was corrected for incidental IPO-related costs amounting to €6,779 thousand. EBITDA for 2017 included IPO-related costs amounting to €2,526 thousand. From 2019, there will be no further normalisation related to Sif’s stock exchange listing.

Interest

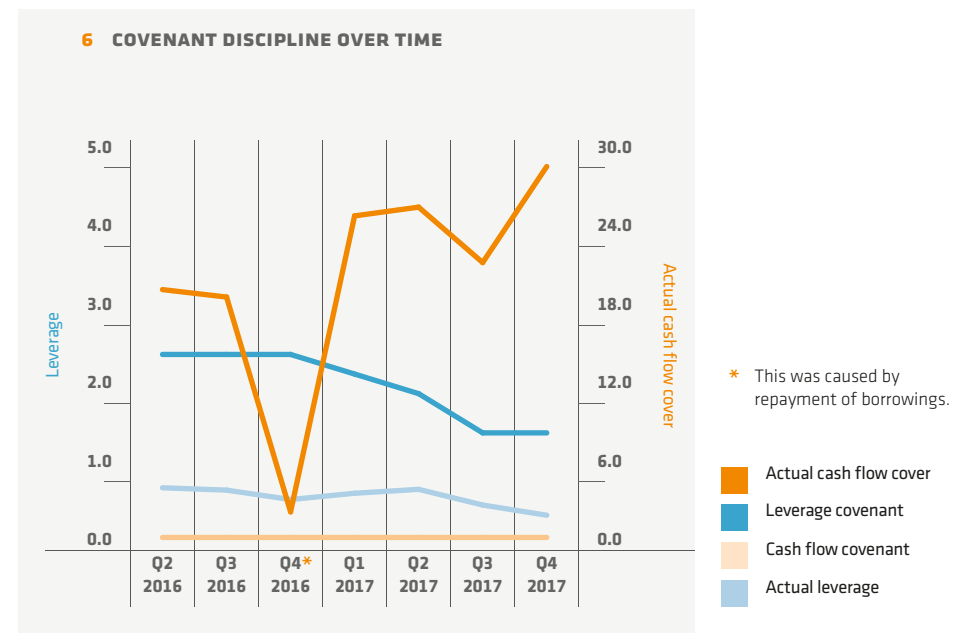
Sif has debt and guarantee facilities with a banking consortium comprising the Rabobank, ABN AMRO, Euler-Hermes, Chubb and ING Bank. The debt facilities are interest bearing based on Euribor plus a surcharge that depends on the leverage on a quarterly basis. The facilities, which expire on 30 June 2019, comprise:

- > A revolving credit facility of €90 million (of which €56 million was used to repay secured bank loans at the end of 2016);
- > A committed guarantee facility of €160 million.

The following covenants are applicable for these facilities:

- > Leverage (net debt/EBITDA) of maximum 1.50;
- > Cash flow (cash flow/debt service) of at least 1.00.

The net interest expense for 2017 amounted to €1.442 million. Leverage amounted to 0.44 and the cash flow covenant amounted to 29.37, which means Sif remained well within covenants. Since the agreement of the facilities, the development of the covenants has been as follows:



Tax

Sif allocates profit in the jurisdiction in which the economic activity takes place, namely the Netherlands, and is therefore fully liable for corporation tax in the Netherlands. The tax rate is 25%. Sif receives discounts on this tax rate, including discounts related to innovation activities and expenses. As a result, Sif's effective tax burden in 2017 was 23.2% compared to 21.8% in 2016. Sif does not envisage achieving any tax advantage through the application of tax-haven constructions.

Depreciation and amortization

In 2017, Sif invested €19.6 million in the new assembly factory at Maasvlakte 2 near Rotterdam and the upgrading of the buildings and machines in Roermond (€72.2 million in 2016). In September 2017, the factory in Rotterdam was delivered ready to go into operation and the upgrading of Roermond was also completed in 2017. This brought the total investment in the Maasvlakte 2 factory to €80.5 million. In 2017 the investment was, once again, financed from free cash flows. The amortisation of €2.526 million in 2017 concerned outgoings related to Sif's IPO in 2016. The final €0.7 million of IPO related amortisation will take place in the 2018 financial year.

Working capital, liquidity, cash and cash flows

Net working capital (inventories + work in progress + trade receivables-current prepayments-trade payables) amounted to €7.1 million at the end of 2017 compared to €8.3 million at the end of 2016. Cash from operations depends on invoicing milestones agreed with customers, subcontractors and suppliers and does not affect revenue or earnings recognition. The balance of cash and cash equivalents at the end of 2017 amounted to €0.9 million compared to €0.3 million at the end of 2016. If required, Sif uses financial instruments to reduce risks related to interest rate volatility. Sif applies a non-speculative approach in this respect.

CASH FLOW SUMMARY

X € 1,000

	2017	2016
Net cash from operating activities	53,886	52,887
Net cash from investing activities	(27,587)	(67,962)
Net cash from financing activities	(25,726)	(13,354)
Cash and cash equivalents at year end	877	304

Solvency

At the end of 2017 total equity (paid-in capital + retained earnings) amounted to €93 million on a balance sheet total of €204 million (solvency of 46%) compared to €72 million on a balance sheet total of €207 million (solvency of 35%) at the end of 2016.

Longer-term financial results are the result of the impact of Sif's social effectiveness: The Company's social embedding in the community and our responsibility for the environment in which we operate. This integration with our day-to-day activities is also on the agenda of meetings with the Supervisory Board and of the budget meetings. Within that model, we monitor our social effectiveness, our environmental effectiveness and the way in which we also monitor throughout the chain.

> Case study Innovative drive for the efficient engineering of offshore foundations

Innogy-owned Triton Knoll offshore wind farm. Located 32 km off the Lincolnshire coast. Planned installed capacity 860MW, capable of supplying the equivalent of over 800,000 UK households per year. Expected capital expenditure investment of around £2 billion.

On 20 September 2017 the joint venture of Sif and Smulders (3 SF B.V.) was awarded the engineering and manufacturing of all monopiles and transition pieces for the Triton Knoll Offshore Wind Farm (<http://hugin.info/174277/R/2135236/817070.pdf>). The innovative part of the assignment is the targeting and delivery of cost-reductions, as key project engineering subcontractor Atkins is targeting new designs that will be more efficient and lighter than anything else currently in operation. The JV is looking to apply cutting-edge design techniques to optimise the design of the monopile foundations of all 90 of the wind farm's new MHI Vestas V164-9.5 MW turbines and its two offshore substations.

Innogy's Richard Hughes, Foundations Package Manager for Triton Knoll, explains: 'We've worked very closely with our preferred foundations supplier Smulders Sif Steel Foundations JV in order to share our own experiences and knowledge and help support the delivery of real innovation. Innogy and Triton Knoll are key members of the industry-wide Pile Sol Analysis Group that aims to find ways of reducing costs across the sector by implementing new and highly innovative methods for designing monopile foundations. We expect Triton Knoll to be one of the first projects to see the results of this innovation delivered on the ground.'

Andy Thompson, market lead for offshore engineering at 3 SF B.V.'s subcontractor Atkins: 'Bigger turbines create different engineering challenges; as Triton Knoll is the first offshore wind farm to use the V164-9.5 MW turbine, we're taking a unique approach to addressing the design questions posed by the project, drawing on all our previous offshore experience, in both wind and oil and gas.'

This contract will push the boundaries of technology for the UK market. Efficient turbine supporting infrastructure design is critical for much larger turbines and, as turbines have increased in size, more effective and efficient designs for weight, fabrication and installation, as well as increased collaboration across the supply chain, have been crucial for the success of the industry.

The project is now moving towards a financial investment decision, which is likely in 2018, with full onshore construction starting shortly after and offshore construction starting in 2020. First energy generation could be as early as mid-Q1 2021, with the project expected to begin commissioning in 2021.

For more information about Triton Knoll Offshore Wind Farm, please visit: www.tritonknoll.co.uk <



Outlook

The completion of the investment program in 2017 has increased Sif's total theoretical production capacity to 300 Kton. From 2018 we will be talking about a primarily maintenance CAPEX amounting to €6 to 8 million and annual amortization of between €13 and 15 million. With a signed contracts order book for 2018 at 115 Kton and uncertainty about projects still under exclusive negotiations or in the tender phase, capacity may not be fully utilized in 2018. In connection with this the flexible workforce will, as far as possible, be adjusted to the utilization. This implies no, or less, call on the flexible workforce in certain periods of 2018. The number of shifts will be reduced to the maximum needed to meet our clients' deadlines. In view of the current uncertainties due to the above-mentioned circumstances, no statement regarding the expected results for 2018 can be made at this time. Sif has agreed suitable arrangements with its banks to address the lower level of activity. In view of the expectations for the offshore wind market in the period after 2018, Sif's task is to keep the critical positions in its production process filled, or ensure they can be filled in the future. At 60Kton, the order book for 2019 is currently around 20% full. It is anticipated that in 2019 virtually all or very large part of the production facilities' capacity will be utilized. This will also be the case in the following years now the expected average addition to the capacity in the North Sea amounts to around 4.1 GW.

Social results

Safety is a number-one priority for Sif. It is our responsibility to offer our employees a safe workplace, provide them with opportunities for training and contribute towards their personal development. All our manufacturing staff are SCC (Safety Health and Environment Checklist Contractors) or VCA** certificated. Our safety management systems are in accordance with OHSAS 18001 (Occupational Health and Safety Assessment Series) and safety and the environment are the first items on the agendas of all Supervisory Board and Executive Board meetings.

The aim of the policy is to prevent accidents and sick leave due to accidents. Sif also invests in safety. In recent years, this policy and investments have led to a reduction in the number of accidents resulting in sick leave. However,

the number of accidents that do not result in sick leave has increased. If we eliminate the additional hours worked from the Lost Time Injury Frequency (LTIF = Lost Time Injury Frequency per million man hours worked).

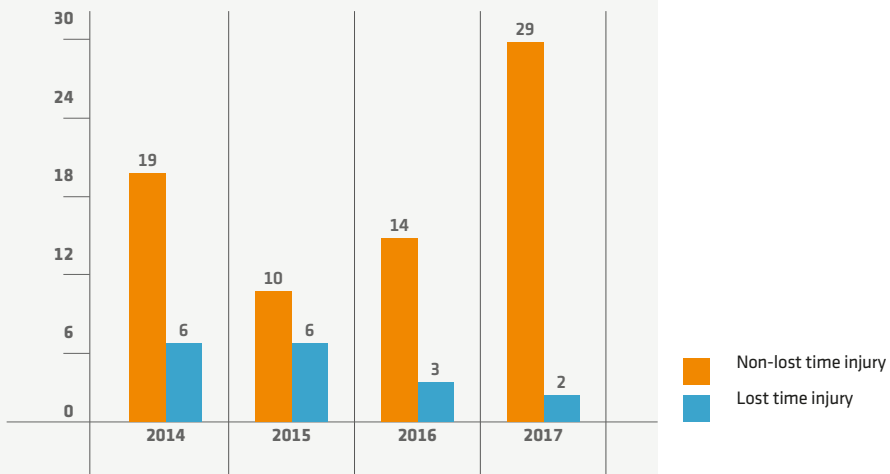
The LTIF of 1.49 is well below the target of 3.0. Achieving further improvement will require a more proactive and broader-based safety culture that is embraced by all employees. The ultimate goal is zero accidents and work-related illnesses: a 100% safe workplace. The target for the period 2018–2020 is to further reduce the LTIF. The presented figures include the entire permanent and flexible workforce. In 2017 sick leave rose slightly, but remained below the industry branch average. The most important reason for the rise was an increased number of wear and tear complaints among older employees that, in several cases, required surgical intervention. Considerable attention is being paid to improving working conditions in order to prevent such wear and tear conditions.

SAFETY STATISTICS

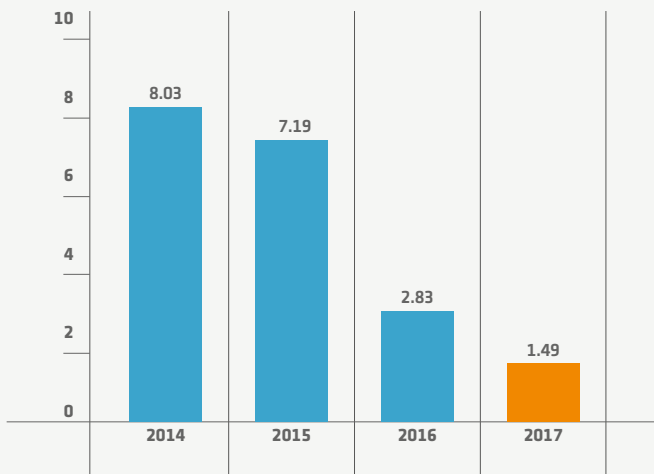
	2017	2016	2015	2014
LTI	2	3	6	6
LTIF (per 1 million hours worked)	1.49	2.83	7.19	8.03
Sick leave %	4.46	4.00	4.02	4.77

Most of the accidents in 2017 were caused by trips, slips and lifting and in most cases resulted in injuries to feet and hands. Two accidents required temporary sick leave. The increase in the number of accidents from 17 to 31 was, in part, due to the second production line at Maasvlakte 2 going into operation, which meant the number of man-hours worked increased by around 25%. We are striving to reduce the number of accidents through case discussions and the continuous training of less experienced incomers.

7 SAFETY STATISTICS

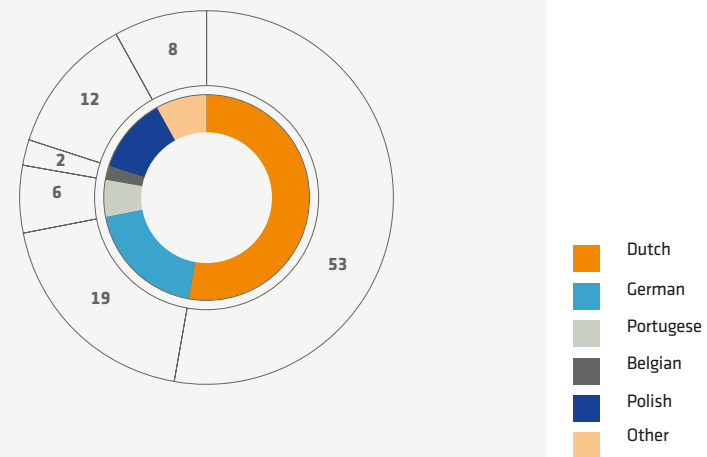


8 SAFETY STATISTICS (LTIF)



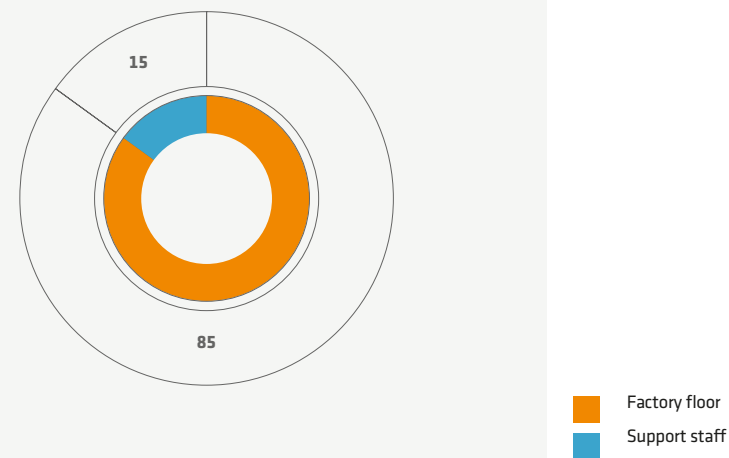
9 STAFF DISTRIBUTION: NATIONALITIES AT SIF

IN %



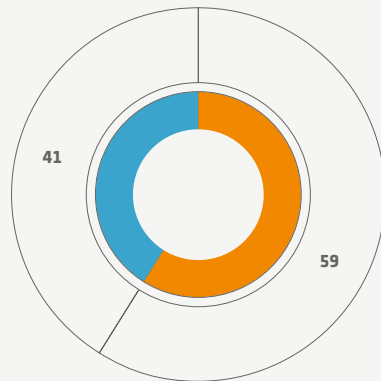
10 STAFF DISTRIBUTION: FACTORY FLOOR - SUPPORT STAFF

IN %



11 STAFF DISTRIBUTION: FLEXIBLE – PERMANENT

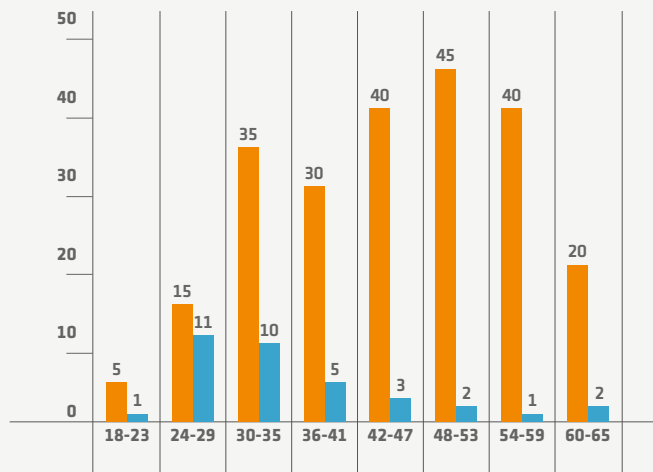
IN %



Flexible
Permanent

12 AGE AND GENDER DISTRIBUTION OF PERMANENT STAFF

IN NUMBER EMPLOYEES



Male
Female

Improving safety statistics requires good communications and high commitment. Sif has issued Health, Safety and Environment manuals covering a range of topics including security procedures, personal protection measures, health measures and emergency procedures. Day-to-day awareness of safety hazards is increased through 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.

To be able to absorb the volatility inherent in the project business in which it is active, Sif need a degree of flexibility in its workforce. In addition to its permanent (on the payroll) workforce, Sif employs external (flexible) workers on a project basis or through staffing agencies. In 2017, approximately 59% (2016: 64%) of the total workforce were flexible workers with mainly welding and rolling experience and expertise. At the end of 2017, the total workforce was 615 FTEs (full time equivalents) of which 252 were permanent employees and 363 were external flexible employees (end of 2016: 223 permanent and 397 external). At 43 years, the average age of the permanent staff was the same as in 2016. In 2017, the proportion of Sif's permanent staff that was female averaged just over 13%. The graphs 9 – 12 on pages 30 and 31 show the distribution over nationalities, the split between factory floor workers and support staff, the split between flexible and permanent employees and the age and gender distribution of permanent staff. Sif does not employ anyone under the age of 18 and ensures its suppliers and subcontractors do not employ anyone under the age of 18. All employees are offered an annual medical check-up. As all Sif's activities are carried out in the Netherlands, all Sif's employees are paid on the basis of a Dutch Collective Employment Agreement and working hours and employment conditions are in-line with the employment conditions applicable in the Netherlands. Deductions and remittances take place in conformance with European standards, regulations and legislation. Sif ensures its suppliers and subcontractors pay the workers they supply a fair wage based on a fair working hours regulation and under fair employment conditions.

Sif's employees are represented by a Works Council that looks after the interests of Sif's employees and is consulted in respect of business-economics decisions made by the Executive Board. The most important tasks of the Works Council include ensuring there is sufficient consultation, that working conditions are good, that the rules related to employment conditions, working hours and rest periods are complied with, that employees are treated and paid equally and that Sif employs people with disabilities and residents of the Netherlands who have an immigrant background. Consultation meetings between the Works Council and the CEO during which the Company's general business progress is discussed take place six times a year. The CEO notifies the Works Council of the important decisions he is preparing and how he will involve the Works Council in the decision-making.

Since the elections in 2017, the Works Council has had seven members. In 2017 the Works Council met once with (a member of) the Supervisory Board and six times with the Executive Board (represented by the CEO) and was consulted on the following management decisions: revitalizing of operations, the Code of Conduct and the revision of internal regulations including the alcohol and drugs policy.

Diversity

The expertise, experience and competencies of the members of the Executive and Supervisory Boards should contribute towards Sif's profile and strategy. The Supervisory Board Profile as published on the Company's website defines the required expertise, experience and competences of the Supervisory Board members. The Board Profile matches the profiles of the individual Supervisory Board members as shown on page 46-47 of this Annual Report. In the year under review, Sif had two Executive Board (all male) and five Supervisory Board members (one female, four males). One Supervisory Board member is female. Sif does not have an explicit diversity policy for permanent staff and hires on a best-candidate-for-the-job-basis. In 2017 the proportion of Sif's permanent staff that was female averaged just over 13%.

Sif is striving to achieve a better balanced male to female division of Executive Board and Supervisory Board members and a broad spread in terms of age. This will expressly be taken into account when a vacancy arises in the Supervisory Board in the future. Although a more balanced division will also be taken into account when filling positions in the Executive Board, the nature of the industry combined with the geographical location of Sif and the competition from technical companies in the region make competition for female Directors on Sif's Executive Board fierce.

Integrity

Sif is committed to conducting its business in line with applicable laws and regulations and in accordance with its Code of Conduct. The Code of Conduct formulates Sif's values and the standards that must be adhered to in order to ensure these values are achieved. The Code of Conduct contains general principles that all Sif employees must comply with and promote. These principles relate to:

- > Fair competition (fair and respectful dealing with customers, suppliers and other business and industry partners, fair and honest competition, refrain from influencing business partners and from obtaining personal opportunities or advantages by offering or accepting items of value, no participation or assistance in activities aimed at money-laundering, no use of confidential information for personal gain (for example through insider trading),
- > Workplace safety (no discrimination, intimidation or (sexual) harassment; workplace health & safety is a priority; no business with organizations that use forced child labour),
- > Company property & sustainable business (minimize environmental impact, record keeping of all financial transactions, ensure efficient and legitimate use of company property & resources, e-mail and Internet usage for professional purposes only, no use of corporate opportunities for personal benefits, government relations and political affairs, international business practices, media and other communications).

Our Whistle blower's regulation encourages Sif employees, who may remain anonymous if wished, to report contraventions of the Code of Conduct or other

transgressions. Reports are immediately followed-up appropriately and the Executive Board is notified. Programs to further embed the Code of Conduct in the organisation are being prepared and will be implemented during 2018.

Environmental results

Sif supplies products that contribute towards sustainable energy generation and towards enabling sustainably generated energy to compete in terms of cost with

other less sustainably generated alternatives. From the sustainable generation point of view, the manufacture of monopiles, transition pieces and jacket components offers opportunities for improvement. It must be possible to reduce the amount of energy (gas, water and electricity) used during the manufacturing process, or to replace it with more sustainably generated energy. The same applies for the quantity of waste. The products Sif uses the most of during the manufacturing process are shown below.

SIF ENVIRONMENTAL FOOTPRINT BASED ON 2015 = 100

Per Kton produced	2017 (232 Kton)	2016 (191 Kton)	2015 (150 Kton)
Natural Gas m ³	59	88	100
Industrial gas (Apachi) kg	167	211	100
Electricity MWh	115	98	100
Water m ³	75	81	100
Scrap metal (ton)	90	83	100
Oxygen kg	140	113	100

Targets are aimed at a more efficient use of cleaner, more sustainably generated energy and water during Sif's production processes. To enable these targets to be achieved, all the lights within Sif's facilities have been replaced with LED lights and solar panels will be installed on the roofs of the production facilities in Roermond and Rotterdam, probably in 2020. In addition, one or more wind turbines will be installed at the production facility in Rotterdam. Twinpark Sif now has the required licenses and has been granted an SDE subsidy. The turbine(s) will go into operation in the second half of 2019 or first half of 2020. An energy audit is carried out once every four years in order to ascertain whether the targets related to the reduction of energy usage are being achieved and where further wins could be achieved. To compensate for the impact of the anticipated electricity consumption in 2018, Sif has purchased 20,400 MWh of Guarantees of Origin (GoOs) from Powerhouse B.V. These Guarantees of Origin are derived from the generation of Wind Power in Europe. For the period 1 January

2015 to 31 December 2017, Sif purchased 15,960 MWh of Offshore Windkracht220 from Essent. These MWhs were fully generated by offshore wind turbines.

The reduction of consumables usage and the reuse and recycling of manufacturing materials are priorities in Sif's production processes. Residual product is separated with the help of colour-coded containers and currently 97% of the residual material is reused. Steel and minerals are fully recycled as are wood, paper and waste film. Welding slugs are used in road foundations. In 2017, the disposal of waste and residual material remained constant at 4.5%. In absolute terms, this is a reduction. Environmental management systems are in accordance with ISO 14001. The facilities in Roermond comply with EU Directive 2010/75/EU (industrial emissions).

> Case study Innovative drive for environmental friendly installation of monopiles and cost reduction in offshore wind

BLUE PILING: Blue Hammer Piling Installation

Sif is a participant in the launch of a new large-scale demonstration project aimed at triggering further cost reductions in offshore wind.

The BLUE PILING project will involve the deployment of a new type of pile driver developed by Fistuca BV, a technology company founded in the Netherlands as a spin-off from Eindhoven University of Technology. It is anticipated that the project will enable € 33-40 million lifetime savings for a 720MW offshore wind farm. This equates to a levelized cost of energy (LCOE) reduction of 0.9-1.2 €/MWh. Offshore Wind Accelerator partners E.ON, EnBW, Ørsted, Statoil and Vattenfall, along with outside industry partners Fistuca, Van Oord, Shell and Sif, are contributing € 3.2 million towards the project. Public subsidies of € 2.5 million have been granted by RVO, the Netherlands Enterprise Agency, due to the project's potential to reduce the cost of offshore wind energy.

It is predicted that the BLUE Hammer will reduce underwater noise levels by up to 20 dB (SEL) (>10% of the existing noise limits in German waters) and reduce fatigue damage on the pile by up to 90%. This would not only remove the need for underwater noise mitigation, but also enable secondary steel to be pre-welded to the monopile before installation, which would potentially unlock 'transition piece free' designs and reduce the amount of steel, length of time and number of operations offshore. The result would be

improved health and safety conditions and a significantly lower materials and installation cost.

The BLUE PILING project aims to verify these predictions by installing a full-size monopile offshore and using measurement equipment and sensors to validate the predicted noise levels and fatigue damage. The tests will take place in 2018. High-level findings from the study could be expected later that year. Fistuca BV developed the BLUE Hammer back in 2011 and originally tested the concept on a smaller scale. After a successful test of a prototype in 2016, Fistuca BV secured investment from Huisman Equipment and the RVO to manufacture a full-size hammer capable of driving the largest XL monopiles currently available on the market. In the BLUE PILOT project, the hammer will be tested offshore at a location in Dutch waters. Sif will provide sections for the hammer and the monopile and Van Oord will support the installation logistics. The other industry partners will provide funding and strategic advice to the project to ensure its relevance to future commercial projects.

The BLUE Hammer is a unique concept that, unlike conventional hydraulic hammers, does not require noise mitigation systems and will reduce the fatigue damage introduced to the monopile during installation. The BLUE Hammer consists of a large water tank containing an open combustion chamber. Energy for driving the pile is created with gas combustion that accelerates a large column of water. As the column of water falls back to the bottom of the water tank it decelerates, which transfers the energy into the pile.

Due to the properties of water, this deceleration occurs over a longer period of time than a conventional hydraulic hammer and thus provides a quieter, gentler but more energetic blow.

Jasper Winkes, Founder and Managing Director of Fistuca BV, commented on the importance of industry involvement in the project:

'We want to show the industry that environmentally-friendly installation can be combined with reduced foundation costs. We are, therefore, pleased that, together with the leading utilities in the world, the BLUE PILING project aims to deliver the proof that innovations can drive down the LCOE even further. Only collaboration throughout the industry will make this possible.'

Rajnish Sharma, Technology Director-Wind & Low Carbon Solutions at Statoil: 'Statoil is constantly seeking to reduce the environmental-impact and cost of its offshore wind projects. The Blue Piling technology has the potential to make an important contribution towards this work and we look forward to developing this new technology together with the industry.'

Michael Stephenson, Project Manager of the Foundations Working Area in the Offshore Wind Accelerator commented: 'The BLUE PILING has a real, tangible potential to impact the levelized cost of energy of offshore wind projects. We are excited to support this project to validate the hammer offshore. Industry integration into the project will be vital to its success, so it is great to see the whole supply chain involved in the project and collaborating towards the common goal of continuing to reduce the cost of offshore wind energy.'



Supply chain governance

The materials Sif uses the most during its production process are steel plate, flanges, welding wire, welding powder and utilities (water, industrial gas and electricity). The services Sif uses are coating, non-destructive testing and transport. These materials and services are purchased from third parties. Sif expects its suppliers and sub-contractors to work in accordance with the principles laid-down in Sif's Code of Conduct. Application of these principles may deviate slightly due to geographical or cultural reasons.

Dillinger Hütte in Germany and Posco in South Korea supply most of the steel. The base materials for the steel are minerals and recycling/recycled materials. Flanges are purchased primarily from Euskal in Spain and Taewong in South Korea.

In 2017, Sif carried out 12 audits of suppliers and sub-contractor three of which were qualification audits. These audits concerned, among others, processes and materials, welding procedures and quality, coating, flame cutting and forging.

MATERIALS USED DURING PRODUCTION

	2017	2016	2015	2014
Steel (ton)	232,000	191,000	150,000	133,000
Welding powder (kg)	2,540	2,103	1,840	1,654
Welding wire (kg)	2,302	1,944	1,706	1,431

Risk management

Executing its strategy and running its daily operations exposes Sif to certain strategic, operational, legal, regulatory and financial risks. In view of the risk management and control measures in place within Sif, and considering our risk-appetite, the level of risks to which Sif is exposed is acceptable.

However errors, fraud, losses or unlawful acts may occur.

Sif has formulated mitigating measures to limit risks. The table on the next page lists these measures and the status of their implementation. The table also shows which risks Sif is willing to accept in order to achieve its strategy and which risks it will definitely not countenance.

Risk matrix



Strategic risk	Measures to mitigate strategic risk	Risk appetite	Status
Dependence on political and financial driven geographical (North-west European) market can disrupt the business	Select joint- venture partners in emerging markets Japan, Taiwan and United States to diversify geographically and limit dependence on Northsea projects	Sif will only take equipment and know-how to markets outside North-west Europe	>
Dependence on limited number of products	Develop new products and add-on services to limit dependence on limited number of products (monopiles, transition pieces and jacket components)	Sif will only develop new products for existing markets	+
Dependence on offshore wind energy with limited number of clients and projects	Implement LEAN production methods to maintain cost leadership and maintain a certain flexible workforce for required flexibility to deal with volatile project environment	Safeguard balance between permanent and flexible workforce	>
Competition from new entrants or from vertically integrated manufacturers	Develop core competences and innovate to maintain product and cost- leadership	Not applicable	>
Operational risk	Measures to mitigate strategic risk	Risk appetite	Status
Dependence on limited number of suppliers or clients may disrupt production	Develop relationship with steel suppliers in other regions and treat steel as a pass-through cost to avoid pricing risk. Negotiate sound payment conditions, performance bonds or credit insurance	Maintain conditions as defined in contracting policies	+
Volatility of project related business	Maintain a flexible workforce to adjust workforce to workload	Safeguard balance between permanent and flexible workforce	+
Inadequate alignment of existing and new factories may cause delays or disruptions	Transfer working methods and techniques from experiences Roermond-staff to Maasvlakte2	Uninterrupted production flow	>
Limited availability of skilled and experienced staff may cause delays or deficiencies	Strengthen talent development and develop employee training and loyalty program to retain key personnel. Maintain good relationship with staffing agencies	Uninterrupted production flow	>
Safety hazards	Embed safety in company culture and maintain focus on health of employees	Zero accidents	>



Formulated

We identified risks and considered the measures and risk appetite.



In progress




We identified risks, formulated measures and risk appetite. Implementation is in progress.



Completed

We identified risks, related measures and risk appetite. This resulted in sufficient response and therefore the status is completed and incorporated in our internal control environment.

Financial risk	Measures to mitigate strategic risk	Risk appetite	Status
Inadequate reporting proces	Strengthen project control function	Timely and reliable monthly financial reporting	
Fluctuating material prices	Pass-through costs for certain materials (steel)	Very limited to no risk on price-changes	
Credit and interest rates	Maintain solvency and healthy cash management.	Zero breaches of banking covenants	
Changes to global economic conditions	Good contracting policies, flexible workforce, strong balance sheet and cash management	Zero risk of changes of prices for raw materials	

Legal and regulatory risk	Measures to mitigate strategic risk	Risk appetite	Status
Damage to reputation due to fraud	Authorization matrix. Control and assurance. Company culture.	Zero	
Violation of values in Code of Conduct	E-learning and speak-up culture	No violations of company values	
Product liability	Quality control and assurance. Contracting principles. Insurance	Zero defects to finished products	



Formulated

We identified risks and considered the measures and risk appetite.



In progress

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Completed

We identified risks, related measures and risk appetite. This resulted in sufficient response and therefore the status is completed and incorporated in our internal control environment.

Effective risk management is pursued through various measures including a compliance framework that focuses on Sif's organizational structure, processes and culture. The organizational structure includes good governance and appropriate checks and balances. Sif's processes are supported by policies such as a contracting policy, an insider trading policy, a fair disclosure policy and a whistleblower policy. Operating processes are designed in accordance with various standards and audited on a semi-annual basis. Projects are subject to a monthly financial review by management during which both progress and the development of the risk profile are reviewed. Adjustments to anticipated project expenses and results are made if and as required. The statement of financial position, the statement of profit and loss and other comprehensive income and

cash flow statements are reported to and reviewed by management and the Supervisory Board on a monthly basis. The key component to sound risk management is Sif's culture. Sif'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, acquisition and transfer of knowledge and the provision of a rewarding, non-discriminatory and open working environment.

The Executive Board of Sif is of the opinion that Sif'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.



Corporate Governance

Corporate Governance statement

The Executive Board states that all information, which must be disclosed pursuant to Article 2a of the “Besluit inhoud bestuursverslag” (Decree content of the Report of the Executive Board), is included in this Executive Board Report, to the extent that it is applicable to Sif Holding N.V.

Although the Dutch ‘Volledig Structuurregime’ is not yet applicable for Sif, the Articles of Association allow for the consequences of Sif becoming subject to the ‘Volledig Structuurregime’ once legal conditions or certain conditions related to the share ownership of GKSE Holding B.V. have been fulfilled. The Trade Registrar was notified on 1 February 2016 that Sif complies with the requirements of articles 63-1/153-1/263-1 of the Dutch Civil Code. When the ‘Volledig Structuurregime’ becomes applicable, 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.

Sif Holding N.V. endorses the principles of the Dutch Corporate Governance Code 2016 (the ‘Code’) and applies virtually all the best practice provisions of the Code. Sif’s current non-compliance with some of the provisions is explained below. The Executive Board and the Supervisory Board discuss the principles each year. This has resulted in revised policies and Charters for the different Committees and Boards. The latest versions of these policies and Charters (December 2017) are published on the Sif-website.

The best practice provisions of the Code with which Sif does not comply are as follows (paragraph numbers refer to the best practice provisions of the of the Corporate Governance Code):

- > 2.3.10 Company Secretary. Due to the nature of Sif’s business and the Company’s size, a formal Company Secretary is not required. The Secretary of the Executive Board monitors compliance with procedures and statutory obligations, provides the Supervisory and Executive Boards with

the necessary information and supports the Supervisory Board during its meetings.

- > 4.2.3 Meetings and presentations. Sif’s policy is outlined in its Fair Disclosure Policy. Sif announces press releases, presentations and press conferences in advance. The handouts for presentations and press conferences are published on the Company’s website at the start of the presentations. Analysts conference calls and meetings are scheduled and announced for Full and Half year presentations and are audio webcast live. Transcripts of the calls, handouts used at road shows and road show schedules are published on the website. Meetings with individual investors are not webcast, including for practical reasons, nor can they be followed through direct phone connections or otherwise.
- > 1.3.1- 1.3.5 Internal audit function. Often considered the fourth Governance column alongside the Supervisory Board, the Executive Board and the external auditor. The internal audit function is seen as supporting the Audit Committee in carrying out its responsibilities, for example by reporting critical management control issues to the Board or by putting forward topics for the Audit Committee meetings. Given the size of Sif and the functioning of its corporate bodies, the Supervisory and Executive Boards do not consider it opportune at this stage to appoint an internal auditor or to set up a separate audit department. However, this is remedied by certain financial and operational audit activities and carried out by internal and/or external parties on an ad hoc basis. Designated employees with external support carry out other audits (safety, quality, integrity).
- > 2.3.4 Organisation of the Supervisory Board and reports: Composition of the Committees, Independent Audit Committee. Sif’s Audit Committee has two members. One of the members is not independent as understood in 2.1.8 since he represents the major shareholder on the Supervisory Board. Sif has been stock exchange listed since May 2016. The Supervisory Board decided that during Sif’s first period of stock exchange listing the full Board would participate in the meetings of the Audit Committee. There was, therefore, no immediate need to appoint a separate Audit Committee simply to comply with the independence demand as

formulated in 2.3.4. Since August 2017 the Audit Committee has comprised two members one of whom (not the Chairman) is not independent.

Appointment, dismissal and powers of Executive and Supervisory Board members

The rules governing the appointment and dismissal of Board members are included in the Articles of Association. To summarize these rules: members of both the Executive and Supervisory Board are appointed by the General Meeting of Shareholders in principle for a period of four years on the basis of a non-binding nomination by the Supervisory Board. Executive and Supervisory Board members may be dismissed or suspended by the General Meeting of Shareholders at any time. The Executive Board has adopted internal rules regulating its organization, decision-making process and other internal Executive Board-related matters.

The powers of the Executive Board are set out in the Articles of Association and arise from legislation and regulations. The General Meeting of Shareholders has authorized the Executive Board to issue shares and/or to limit or exclude legal pre-emption rights. On 18 May 2017 the General Meeting of Shareholders extended the authorization of the Executive Board to resolve, subject to Supervisory Board approval, to issue shares or grant rights to subscribe for shares and/or to limit or exclude pre-emption rights in relation to an issuance of shares or a grant of rights to subscribe for shares by a period of 18 months (therefore until 18 November 2018). The authorization is limited to a maximum of 5% of the issued capital as at 18 May 2017 plus, in the case of and related to acquisitions, mergers, unravelling of mergers and strategic alliances, an additional 5% of the issued capital as at 18 May 2017.

The General Meeting of Shareholders has authorized the Executive Board to acquire fully paid-up shares subject to certain legal and statutory constraints. The Executive Board has been authorized for a period of 18 months (therefore until 18 November 2018) to resolve, subject to Supervisory Board approval, to repurchase shares for a price that is higher than €0.20 and that does not exceed 110% of the average market price of the Company's shares during the five

consecutive trading days prior to the date the repurchase is decided upon by the Company. The authorization is limited to 10% of the issued share capital of the Company as at 18 May 2017.

Anti-takeover measures and relationship large shareholder

The duties and powers of the General Meeting of Shareholders, the Supervisory Board and the Executive Board are balanced in respect of control and influence. The interests of all the Company's stakeholders are taken into account when essential and strategic decisions are taken and the decision-making process can always be followed and reconstructed. The Company has no actual or potential anti-takeover measures in place. Sif and GKSE Holding B.V. ('GKSE') have entered into a Relationship Agreement. The main elements of this Agreement relate to the composition of the Supervisory Board and the Board's committees. The Relationship Agreement also contains agreements regarding an orderly market arrangement and information sharing. GKSE, when holding more than 50% of the shares in Sif, is entitled 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 Code. When holding between 20 and 50% of the shares in Sif, GKSE is entitled to nominate and propose a replacement for one Supervisory Board member. This is the situation as per 13 April 2017. The Relationship Agreement will terminate at the moment GKSE ceases to hold at least 20% of the shares in Sif.

Insider trading

Sif Holding N.V. has an insider trading policy. The Compliance Officer maintains an up-to-date list of all permanent and deal-related insiders and informs insiders of all obligations deriving from the applicable regulations. The full text of the insider trading policy is published on Sif's website (<https://sif-group.com/en/about-us/corporate-governance>).

Executive Board declaration

The Executive Board declares that, to the best of its knowledge:

1. The Report of the Executive Board provides sufficient insight into the shortcomings (which did not occur during the financial year) and operating effectiveness of the internal risk management and control system;
2. The aforementioned systems provide a reasonable degree of assurance that the financial reporting does not include any inaccuracies of material importance;
3. The current state of affairs justifies the preparation of the financial statements on a going concern basis (for which we refer to the paragraph: 'outlook');
4. The financial statements as included in this report provide a true and fair view of the assets, liabilities, financial position and profit for the financial year of Sif Holding N.V. and the group companies included in the consolidation;
5. The report of the Executive Board as included in this report provides a true and fair view of the situation on the balance sheet date, the business development during the financial year of Sif Holding N.V. and of its affiliated group companies included in the financial statements.
The Report of the Executive Board describes the material risk to which Sif Holding N.V. is exposed";
6. The report states those material risks and uncertainties that to best of our knowledge are relevant to the expectation of the company's continuity for the period of twelve months after the preparation of the report.

Roermond, 14 March 2018

Jan Bruggenthijns (CEO)

Leon Verweij (CFO)

Financial Calendar 2018

5 April	AGM record date
27 April	Deadline for registration or voting for AGM
3 May	Release of Q1 2018 trading update
3 May	Annual General Meeting of Shareholders
7 May	Quotation ex-dividend
7 May	Dividend record date
8 May	Payment of net dividend to Financial Intermediaries for distribution to shareholders
11 May	Payout of gross dividend to large shareholders
24 August	Publication of 2018 interim results
8 November	Publication of Q3 2018 trading update





Report of the Supervisory Board

For Sif 2017 was a year in which a substantial capacity expansion was realised and structural improvements to the operating and logistics activities were implemented. The new assembly factory in Maasvlakte 2 went into service with a second production line and additional coating facilities and new relations were forged with foreign partners and existing and new suppliers.

Financial accountability, dividend policy and dividend for the 2017 financial year

The 2017 financial statements were prepared by the Executive Board and have been signed by the Executive and Supervisory Boards. The independent auditor, Ernst & Young Accountants LLP, audited the financial statements. The auditor's report is on page 97 of this Annual Report. The Executive Board will present the 2017 financial statements to the Annual General Meeting of Shareholders to be held on 3 May 2018.

The Supervisory Board recommends the Annual General Meeting of Shareholders to adopt the 2017 financial statements, including the dividend proposal of €0.30 per share. The proposed dividend is in line with the dividend policy of a payout of between 25% and 40% of the net profit. The dividend proposal equates to a payout of 25% of the net profit for 2017 and will be paid out entirely in cash.

Composition of the Executive and Supervisory Boards

Sif Holding N.V. has a two-tier Board structure. The Executive Board is responsible for the day-to-day management of the Company. The Supervisory Board supervises the Executive Board and advises it regarding the day-to-day management. The members of the Executive Board of Sif Holding NV are:

- > **Jan Bruggenthijs** (1957, male, Dutch nationality). CEO. Appointed in September 2014, in 2016 entered into a service agreement for a period of two years ending 2018. Jan Bruggenthijs is a Mechanical Engineer with over 38 years of experience working for industrial companies. In 1998, he was appointed to the Management Board of GTI (currently part of Engie). In 2001, he joined Stork as the General Manager and President of Stork Industry Services, the largest division of Stork NV. From 2010 until September 2014 Jan Bruggenthijs was the General Manager of Hertel Middle East and Eriks Continental Europe West respectively. Jan Bruggenthijs is also on the Board of GROW and is the Chairman of the Supervisory Board of Hobr  International.
- > **Leon Verweij** (1960, male, Dutch nationality). CFO. Appointed in May 2017, following an ad interim appointment in January 2017. Entered into a service agreement in July 2017 for a period of four years ending 2021. After completing his degree in Business Economics, Leon Verweij held several financial positions, including 23 years as CFO of companies such as Grasso's Koninklijke Machinefabrieken, Koninklijke IBC, Koninklijke VolkerWessels Stevin, and Schoeller Arca Systems Services. He also worked for the Smulders Group during which time he gained experience in the field of steel foundations for offshore wind farms. More recently, he served as interim CFO at Ballast Nedam and as interim CEO at the Oskomera Group. Leon Verweij is also a member of the Supervisory Board of the Villa Pardoes foundation and an advisor to the Supervisory Board of N.V. Slibverwerking Noord Brabant.

On 13 March 2018 it was announced that Jan Bruggenthijs is for personal reasons not available for reappointment at the AGM of 3 May 2018. Jan has served Sif for almost four years. In that period Sif has reinforced its leading position as a manufacturer of foundations for offshore wind and oil & gas markets. The investments in Roermond and Rotterdam under Jan's leadership have given Sif even more space to realize its growth ambitions. At the same time Sif was transformed from a privately held to a public company. Major achievements, for which Sif is thankful to Jan Bruggenthijs. We wish Jan all the best for the future.

The composition of the Supervisory Board is in line with the profile published on the Sif website. During 2017, the composition of the Supervisory Board changed due to the resignation of Alexander van Wassenaer and the appointment on an interim basis of Peter Visser. Alexander van Wassenaer had fulfilled supervisory functions at Sif since 2014. His expertise and experience helped Sif through its evolution from a family business, via private equity, to a stock exchange listed company. The Supervisory Board thanks Alexander van Wassenaer for his contribution towards Sif's successful transformation. Peter Visser was nominated for appointment to the Annual General Meeting of Shareholders of 3 May 2018. Peter Visser has been involved with Sif for a long time, initially as owner and then after stock exchange listing as major shareholder.

At the beginning of 2016, Maarten Schönfeld was appointed for a fixed term of two years as a member of the Supervisory Board until the Annual General Meeting of Shareholders in May 2018. The primary reason for his appointment was his extensive expertise and experience with companies in a stock exchange listed environment. In accordance with the planning, this introductory period has ended and Maarten Schönfeld has indicated that he does not wish to be reappointed as a member of the Supervisory Board. Sif thanks Maarten Schönfeld for making his expertise and experience available to the Company. For the General Meeting of Shareholders in May 2018 the Supervisory Board has nominated Peter Wit for appointment as Maarten Schönfeld's successor. Since the resignation of Alexander van Wassenaer and the appointment of Peter Visser on 1 November 2017, the composition of the Supervisory Board has been as follows:

> **André Goedée** (1951, male, Dutch nationality). Chairman. Relevant expertise and experience: offshore contracting (EPCI), project management, and international business. First appointed to the Board in January 2016 for a four-year period, but served on the preceding Supervisory Board from December 2015. Currently he is also the Chairman of the Supervisory Board of Amphia Group (clinical hospitals) and a 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 Ltd. 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 for 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 programmes at various academic institutes, such as the New Board Program at Nijenrode University. André Goedée does not hold shares in Sif Holding N.V.

> **Maarten Schönfeld** (1949, male, Dutch nationality). Vice-chairman. Relevant expertise and experience: stock exchange listed environment, financial responsibility & management accounting, compliance, auditing. First appointed in February 2016 for a two-year period. Resigning at the end of the 2018 AGM and not available for re-appointment. Currently Maarten Schönfeld is also a member of the Supervisory Boards of Fugro and Arcadis. Previously Maarten Schönfeld was a member of the Supervisory Board of the Dutch Authority 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. Maarten Schönfeld does not hold shares in Sif Holding N.V.

> **Caroline van den Bosch** (1964, female, Dutch nationality). Relevant expertise and experience: procurement, human resources, innovative marketing. First appointed in February 2016 for a four-year period. 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). She is the Supervisory Board's primary contact with the Sif Works Council. Caroline van den Bosch does not hold shares in Sif Holding N.V.

- > **Peter Gerretse** (1955, male, Dutch nationality). Relevant expertise and experience: International business, project management, production, industrialization and automation, international B to B marketing. First appointed in February 2016 for a four-year period. Since 2017, Peter Gerretse has been a member of the Supervisory Board of Vanderlande Industries B.V. He was a member of the Supervisory Board of Aeronamic Holding from 2010 and 2017. Between 1995 and 2013, Peter Gerretse worked for Vanderlande Industries, a leading supplier of material handling systems, where his last position 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. Peter Gerretse does not hold shares in Sif Holding N.V.
- > **Peter Visser** (1956, male, Dutch nationality). Relevant expertise and experience: General management, finance, auditing, M&A. First appointed as of 1 November 2017 for the period until the end of the Annual General Meeting of Shareholders on 3 May 2018. The Supervisory Board appointed Peter Visser ad interim based on Article 20.7 of the Articles of Association following the resignation of Alexander van Wassenaer on 23 October 2017. Peter Visser co-founded investment fund Egeria in 1997. From 1990 until 1997 he was Managing Director of MeesPierson N.V. and responsible for private equity activities in Europe. From 1983 until 1990 he worked for McKinsey & Company and founded his own consulting firm, Management & Investment B.V. Peter Visser holds an Economics degree from the University of Groningen. Peter Visser is the ultimate beneficial holder of 49.38% of the shares in Sif Holding N.V.

Report of the Supervisory Board

The Supervisory Board met seven times during 2017. All the members attended all the meetings. Most of the scheduled meetings took place in the Company's office or in one of its facilities. The Chairman of the Supervisory Board and the CEO met on a regular basis in one-to-one meetings to discuss business progress and prepare the Supervisory Board meetings. During one of the Supervisory Board meetings the functioning of the Executive Board, the Supervisory Board and the individual Board members was discussed in the absence of the Executive Board. The self-evaluation of the Supervisory Board was prepared and led by an external consultant based on one-to-one discussions with members of the Supervisory Board, the Executive Board and supporting services. The outcome of the self-evaluation showed that the composition of the Supervisory Board is well balanced and that lessons had been learned from experiences during the first full year in which Sif operated as and was managed in conformance with the stipulations applicable for a stock exchange listed company. The Supervisory Board is of the opinion that in 2017 the Executive Board performed well in the difficult circumstances that go hand-in-hand with the implementation of a major investment programme and increased production capacity.

During the Supervisory Board meetings the topics discussed with the Executive Board, supplemented with the commercial and operational directors, included business progress, market developments, internationalisation, product development and result development. Other topics discussed were staffing and succession, risks and risk management, governance and compliance with legislation and regulations. The Supervisory Board supervises the manner in which the Executive Board implements the strategy for long-term value creation. The Supervisory Board regularly discusses the strategy, the implementation of the strategy and the main risks coupled with the strategy. During a two-day off-site meeting, the Supervisory Board, with the support of a Strategy Consultant, discussed the Company's strategy with the Executive Board.



The Supervisory Board was pleased to see that in 2017 the new construction of a site on Maasvlakte 2 near Rotterdam and the upgrading of the existing facilities in Roermond increased the capacity from 225 Kton a year to 300 Kton a year. This capacity expansion was a major event.

Corporate Governance

The Supervisory Board has determined that the Corporate Governance structure as applied by Sif Holding N.V. is effective, but that some components do need further refinement and implementation. In that context, in the last quarter of 2017, the Code of Conduct was reviewed and the Whistle blower's Regulation was further substantiated. In addition, during 2017 the evaluation and assessment of all the regulations against the new Corporate Governance Code 2016 led to several amendments. The revised regulations have been published on the Company's website.

Independence

The Supervisory Board is of the opinion that its composition is such that the individual members can act critically and independently of each other and of the Executive Board. During 2017, there were no conflicts of interest with members of the Executive and Supervisory Boards as understood in Article 2.7.3-2.7.4 of the Corporate Governance Code. In a separate meeting, the Supervisory Board discussed the possible conflicts of interest of individual members and is convinced that none exist. The provision of consultancy services to Sif Holding N.V. by Emeritor (a company with which Supervisory Board member Caroline van den Bosch is involved as a shareholder) took place under market-conforming

From left to right: Peter Visser, Maarten Schönfeld, André Goedée, Caroline van den Bosch and Peter Gerretse.

conditions. Nevertheless, at the instigation of the Supervisory Board the agreement between Sif and Emeritor will be further evaluated and will gradually be phased out. Peter Visser, as a Supervisory Board member and ultimate beneficial shareholder of 49.38% of the shares, is potentially in a conflicting position. Whether this situation can lead to a conflict of interest situation is evaluated at every meeting and before every agenda item.

Remuneration Committee, Selection & Appointment Committee and Audit Committee

In accordance with Article 10 of the Supervisory Board Charter, the Supervisory Board has formed a Remuneration Committee, a Selection & Appointment Committee and an Audit Committee.

Remuneration Committee: Peter Gerretse (Chairman), Caroline van den Bosch and Peter Visser

The Remuneration Committee's tasks, roles and responsibilities are defined in the Remuneration Committee Charter (<https://sif-group.com/en/about-us/corporate-governance>) and include the Company's remuneration policy, the remuneration of the individual Executive Board members (remuneration structure, amount of the fixed remuneration, shares and/or other variable remuneration components, pension rights, redundancy payments as well as the performance criteria and their application), scenario analyses regarding different levels of variable remuneration, and the Supervisory Board's remuneration report. The Remuneration Committee met twice in 2017. All the members attended both meetings.

Selection & Appointment Committee: André Goedée (Chairman), Maarten Schönfeld and Peter Visser

The Selection & Appointment Committee's tasks, roles and responsibilities are defined in the Selection & Appointment Committee's Charter (<https://sif-group.com/en/about-us/corporate-governance>) and include the selection and nomination of Executive and Supervisory Board members. The Committee assesses the size and composition of the Boards as well as the functioning of individual Board members. The Committee was involved in appointment as per

1 November 2017 of Peter Visser as the successor of Alexander van Wassenaer who resigned from the Supervisory Board on 23 October 2017. The Selection & Appointment Committee met once during 2017. As the meeting concerned the resignation of Alexander van Wassenaer and his succession by Peter Visser, neither of these gentlemen attended that meeting. The Committee is also involved in the search and appointment of a new Chief Operational Officer following the resignation of current COO Luc de Proost.

Audit Committee: Maarten Schönfeld (Chairman) and Peter Visser

The Audit Committee's tasks, roles and responsibilities are defined in the Audit Committee Charter (<https://sif-group.com/en/about-us/corporate-governance>) and include supervising the effectiveness of the internal risk management and control systems and of the financial information to be disclosed by Sif. The Audit Committee also supervises Sif's compliance programme, tax-planning policy, information & communication technology and financing. The Audit Committee maintains regular contact with the external auditor and nominates the external auditor for appointment by the General Meeting of Shareholders. In 2017, the Audit Committee assessed the audit requirements, discussed the audit plan and the key audit findings with the external auditor and advised the Supervisory Board regarding the need for an internal audit function. Sif has not appointed an internal auditor, but has implemented alternative measures in order to arrive at an internal audit plan, to ensure contacts between the Audit Committee and the external auditor proceed properly and to ensure these contacts are properly documented.

The Audit Committee met four times during 2017. The members of the Executive Board attended all the Audit Committee meetings. During these meetings key audit findings were discussed and progress on follow-up was reported.

All Supervisory Board members attended three Audit Committee meetings. The Audit Committee and the Supervisory Board as a whole met once with the external auditor in the absence of the Executive Board. The external auditor was present at three meetings of the Audit Committee. The Chairman of the Audit Committee met regularly with the CFO on an informal basis to discuss various finance-related issues.

External auditor

During the General Meeting of Shareholders on 18 May 2017, Ernst & Young Accountants LLP was appointed external auditor for the reporting years 2016 and 2017. Ernst & Young Accountants LLP audited the 2017 financial statements and explained its findings during a meeting of the Supervisory Board. Other topics discussed during the same meeting included the 2017 audit plan, the management letter and the reports of the Executive Board and the Supervisory Board in respect of 2017. During the Annual General Meeting of Shareholders on 3 May 2018, Ernst & Young Accountants LLP will be nominated for appointment as external auditor for the 2018 and 2019 financial years.

Remuneration report

The Supervisory Board determines the remuneration of the Executive Board members in accordance with the remuneration policy approved by the General Meeting of Shareholders and as published on the Company's website (<https://sif-group.com/en/about-us/corporate-governance>). The aim of Sif's remuneration policy is to attract, motivate and retain qualified managers with relevant experience. The starting point is remuneration based on the best possible balance between short-term results and longer-term value creation.

The main components of the remuneration policy are:

- a. A fixed basic salary. Once a year the Supervisory Board evaluates whether the basic salary should be adjusted and, if so, by how much. In 2017 the Supervisory Board, based on the advice of the Remuneration Committee, decided to increase the fixed basic salary of the CEO and CFO by 2% to compensate for inflation;
- b. Variable annual cash bonus for short-term results (one calendar year) whereby the personal targets reflect an average of 20% and the financial targets an average of 80% of the variable annual cash bonus. The results are compared with three financial targets (EBITDA/EBIT, net debt and contribution) and three personal targets set at the beginning of the calendar year. If the targets are achieved ('on target') the variable salary of the CEO amounts to 40% of the fixed basic salary (CFO 35%). The maximum variable salary is 60% of the fixed basic salary for the CEO and 50% of the fixed basic salary for the CFO;

- c. Pension accrual based on participation in a pension plan. The Executive Board members do not contribute to the premium;
- d. A Long Term Incentive Plan (LTIP). The benefits of an LTIP include the creation of long-term value and the stimulation of talent retention. It also brings the interests of the Executive Board members more in-line with the interests of our shareholders. LTI awards can be made annually and amount to at maximum 20% of annual basic payment. In 2017, the Executive Board members were conditionally awarded a number of Performance Share Units (PSUs) with a value of €70,933 (CEO) and €52,998 (CFO). After three years, the PSUs will be awarded unconditionally and multiplied by the current stock exchange price of the shares divided by the stock exchange price of the shares at the time they were awarded conditionally. The price is the weighted average of the share price over the last three months prior to the stated date. The PSUs are not paid out if the intended recipient is no longer employed by Sif and the eventual pay out can be reduced by a maximum of 30% if certain pre-determined criteria are not complied with. The value of the number of PSUs awarded will never be more than 20% of the fixed basic salary.

An overview of the total costs for Sif related to the remuneration of executives is given in table below.

EXECUTIVE BOARD REMUNERATION

TYPE OF RECOMPENSE IN €, EXCLUDING VAT	Jan Bruggenthijns CEO			Leon Verweij CFO ¹		Boudewijn Nijdam CFO ²	
	2017	2016	2015	2017	2017	2016	2015
Base salary	355,000	274,135	254,808	132,500	3,702	165,000	57,115
Employer's pension contributions	26,971	25,559	22,311	18,500	8,807	25,559	7,437
Pension compensation	63,969	84,727	-	20,547	-	18,977	-
Annual bonus (including accrual over 2017)	125,050	282,200	126,100	93,350	44,385	67,035	44,427
Other benefits (car lease, travel expenses and relocation expenses)	54,162	131,609	28,547	20,623	6,796	18,487	-
Social security and other payments	9,924	9,829	9,283	4,962	3,244	9,829	3,050
Placement reward IPO	-	2,834,403	-	-	-	1,062,902	-
Placement reward IPO under clawback	708,602	(944,801)	-	-	-	-	-
Termination fee	-	-	-	-	-	137,500	-
Total remuneration	1,343,678	2,697,661	441,049	290,482	66,934	1,505,289	112,029

¹ Chief Financial Officer on an ad interim basis for the period 1 January 2017 till 18 May 2017. During the period December 2016 till July 2017 L.A.M. Verweij performed his services under a service contract between the Group and Edelenbosshessels Consultancy B.V. Edelenbosshessels Consultancy B.V. charged for fees and expenses EUR 65 over 2016 and EUR 230 over 2017. L.A.M. Verweij is appointed as Chief Financial Officer during the AGM meeting on 18 May 2017. Only the expenses from July 2017 to December 2017 are included in this overview.

² Chief Financial Officer of the group as per September 2015, resigned as Chief Financial Officer as per January 2017.

Pensions for Executive Board members are determined by the collective labour agreement for the metal industry. In 2016 CEO Jan Bruggenthijns was granted a one-time IPO incentive in cash with a two-year claw-back (50% payable immediately, 25% payable one year after IPO, 25% payable two years after IPO). The Supervisory Board confirms that the results on which the 2017 bonus for the Executive Board members is based are derived from the audited financial statements. CEO Jan Bruggenthijns and CFO Leon Verweij are entitled to contractual severance payments amounting to six months' salary in the event of a change of control of the Company and in the case of early dismissal at the request of the Supervisory Board and the General Meeting of Shareholders other than for termination due to cause.

Total pay of members of the Executive Board in comparison to a reference group of all Sif- employees (the pay ratio) is 7.6 (6.6 in 2016). The pay ratio at Sif is calculated as the gross expenses of all Sif-employees, Executive Board members excluded. Gross expenses for all Sif employees include Wages & salaries, Social security contributions and Pension expenses as reported in note 7 on page 72 of the annual accounts. This results in total gross expenses of €18,019 thousand for 243 FTE when excluding Executive Board members of €74,152 per Sif employee. The comparable expenses for Executive Board members include Base salary, Employer's pension contributions, Pension compensation, Annual bonus and Social security and other payments as reported in note 30 on page 88 of the annual accounts. This results in total gross expenses of €848,000 for 1.5 FTE (2 FTEs in 2016) or €565,000 per Executive Board member.

The General Meeting of Shareholders determines the remuneration of the Supervisory Board members. The remuneration is in no way dependent on Sif's results. Supervisory Board members receive a fixed amount as remuneration: They do not receive a variable remuneration nor are they awarded (options on) Sif shares.

SUPERVISORY BOARD MEMBERS IN € ¹	Remuneration including expenses	
	2017	2016
André Goedée	70,228	70,106
Maarten Schönfeld	60,426	53,450
Peter Gerretse	47,332	41,108
Caroline van den Bosch	46,715	41,531
Alexander van Wassenaer ²	37,638	45,000
Peter Visser ³	7,626	0
Total remuneration and expenses	269,965	251,195

¹ excluding VAT

² resigned 23 October 2017

³ appointed ad interim 1 November 2017

A word of thanks

The members of the Supervisory Board have signed the financial statements in compliance with their statutory obligations 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 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 owes a special word of thanks to all Sif's employees for their considerable loyalty and support during a challenging year during which the flow of production changed and increased, a new facility (Rotterdam) had to be made operational and an existing facility (Roermond) underwent an upgrade. The Sif workforce has proven itself to be very capable to perform under pressure and to manufacture in accordance with increasingly stringent client demands while achieving the highest verified level of quality.

Roermond, 14 March 2018

André Goedée (Chairman)

Maarten Schönfeld

Caroline van den Bosch

Peter Gerretse

Peter Visser



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Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017

AMOUNTS IN EUR '000

	Notes	2017	2016
Total revenue	6	327,180	400,318
Raw materials		144,627	138,350
Subcontracted work and other external charges		23,529	115,576
Logistic and other project related expenses		23,390	16,912
Direct personnel expenses	7	36,208	30,127
Production and general manufacturing expenses		14,415	12,927
Indirect personnel expenses	7	15,663	12,479
Depreciation and amortization		13,153	8,684
Facilities, housing and maintenance		6,192	3,850
Selling expenses	8	781	670
General expenses	9	5,721	4,079
Other expenses	10	2,074	6,732
Operating profit		41,427	49,932
Finance income		-	34
Finance costs		(1,442)	(2,052)
Net finance costs	11	(1,442)	(2,018)
Share of profit of joint ventures		12	-
Profit before tax		39,997	47,914
Income tax expense	12	9,237	10,549
Profit after tax		30,760	37,365
Attributable to:			
Non-controlling interests		-	-
Equity holders of Sif Holding N.V.		30,760	37,365
Profit after tax		30,760	37,365
Earnings per share	13		
Number of ordinary shares outstanding		25,501,356	25,501,356
Basic earnings per share (EUR)		1.21	1.47
Diluted earnings per share (EUR)		1.21	1.47

Consolidated statement of financial position as at 31 December 2017 (before appropriation of result)

AMOUNTS IN EUR '000	Notes	31-dec-2017	31-dec-2016	AMOUNTS IN EUR '000	Notes	31-dec-2017	31-dec-2016
Assets				Equity			
Intangible fixed assets	14	91	143	Share capital	22	5,100	5,100
Property, plant and equipment	15	121,574	115,103	Additional paid-in capital	22	1,059	1,059
Investment property	16	400	375	Retained earnings		56,320	28,391
Investments in joint ventures	17	28	16	Result for the year		30,760	37,365
Other financial assets		10	719	Non-controlling interests		-	-
Total non-current assets		122,103	116,356	Total equity		93,239	71,915
Inventories	18	303	190	Liabilities			
Work in progress – amounts due from customers	19	30,510	17,390	Loans and borrowings	23	25,984	42,273
Trade receivables	20	48,632	69,112	Other non-current financial liabilities	24	-	392
Other financial assets		5	5	Employee benefits	25	294	252
Prepayments		1,842	3,223	Deferred tax liabilities	12	177	328
Cash and cash equivalents	21	877	304	Other non-current liabilities		407	-
Total current assets		82,169	90,224	Total non-current liabilities		26,862	43,245
				Trade payables		52,592	50,536
				Work in progress – amounts due to customers	19	21,624	31,113
				Employee benefits	25	1,371	1,445
				Wage tax and social security		1,353	923
				VAT payable		1,504	510
				CIT payable		1,921	2,258
				Other current liabilities		3,806	4,635
				Total current liabilities		84,171	91,420
				Total liabilities		111,033	134,665
Total assets		204,272	206,580	Total equity and liabilities		204,272	206,580

Consolidated statement of changes in equity for the year ended 31 December 2017

<i>AMOUNTS IN EUR '000</i>	Share capital	Additional paid-in capital	Retained earnings	Result for the year	Total	Non- controlling interests	Total equity
Balance as at 1 January 2017	5,100	1,059	28,391	37,365	71,915	-	71,915
Appropriation of result	-	-	37,365	(37,365)	-	-	-
Issue of share capital	-	-	-	-	-	-	-
Total comprehensive income							
Profit attributable to the shareholder	-	-	-	30,760	30,760	-	30,760
Total comprehensive income	-	-	-	30,760	30,760	-	30,760
Transactions with owners of the Company							
Dividend distributions	-	-	(9,436)	-	(9,436)	-	(9,436)
Total transactions with owners of the Company	-	-	(9,436)	-	(9,436)	-	(9,436)
Balance as at 31 December 2017	5,100	1,059	56,320	30,760	93,239	-	93,239
Balance as at 1 January 2016	45	1,059	(2,182)	35,628	34,551	-	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	-	37,365
Total comprehensive income	-	-	-	37,365	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	-	71,915

Consolidated cash flow statement for the year ended 31 December 2017

AMOUNTS IN EUR '000

Cash flows from operating activities

	2017	2016
Profit before tax	39,997	47,914
Adjustments for:		
Depreciation and amortization	13,153	8,684
Fair value adjustment on investment property	(25)	-
Movement in joint ventures	(12)	-
Net finance costs	1,442	2,018
Changes in net working capital		
> Inventories	(113)	6
> Work in progress amounts due / from customers	(22,609)	36,284
> Trade receivables	20,480	(2,072)
> Prepayments and other financial assets	2,090	(3,386)
> Trade payables	10,071	(24,760)
	24,477	16,774
VAT payable	994	(535)
Other financial assets	-	71
Employee benefits	(116)	608
Wage tax and social security	430	368
Other current liabilities	(579)	1,315
	729	1,827
Income taxes paid	(9,725)	(11,041)
Interest paid	(1,592)	(2,587)
Net cash from operating activities	53,886	52,887

Consolidated cash flow statement for the year ended 31 December 2017 (continued)

AMOUNTS IN EUR '000

	2017	2016
Cash flows from investing activities		
Purchase of intangible fixed assets	-	(156)
Purchase of property, plant and equipment	(27,587)	(67,771)
Investments in joint ventures	-	(20)
Loans and borrowings to joint ventures	-	(15)
Net cash from (used in) investing activities	(27,587)	(67,962)
Cash flows from financing activities		
Movements in revolving credit facility	(16,289)	42,896
Repayment of borrowings	-	(56,250)
Dividends	(9,436)	-
Net cash from (used in) financing activities	(25,725)	(13,354)
Net increase / (decrease) in cash and cash equivalents	573	(28,429)
Cash and cash equivalents at 1 January	304	28,733
Cash and cash equivalents at 31 December	877	304

Notes to the consolidated financial statements for the year ended 31 December 2017

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. The company is registered with the Netherlands Chamber of Commerce Business Register under number 13016026.

During 2017 the Company established the entities Twinpark Sif B.V. (involvement for 60%) and Smulders Sif Steel Foundations (involvement, through its subsidiary Sif Netherlands B.V., for 50%).

The consolidated financial statements of the Group for the year ended 31 December 2017, were authorised for issue in accordance with a resolution of the executive board on 14 March 2018.

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.

As from 12 May 2016 the shares of the company have been listed on Euronext Amsterdam.

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 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 harbor. The lease of plot A started at 1 September 2015 and will end on 1 July 2041 (cancellable as per 1 July 2031), the lease of plot B started at 1 July 2017 and will end on 1 July 2041 (cancellable as per 1 July 2021 and as per 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 2017. 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.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

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

(a) 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 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.

(b) 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 Pensioenfonds 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.

(c) 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.

(d) 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.

(e) 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 other comprehensive income (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

(f) 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. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The estimated useful lives of intangible fixed assets for current and comparative periods are as follows:

- > Software: 3 years.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) Cash and cash equivalents

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

(m) **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, and in the case of non-derivative financial assets, less impairment.

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.

(n) 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.

(o) Non-controlling interests

Non-controlling interest is defined as the equity in a subsidiary non attributable, directly or indirectly to a parent. For each business combination, in which the company holds less than 100% of the equity interests in the acquire, the company recognizes an amount for the non-controlling interest in the acquire recognized.

(p) 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, which is not applicable for the Company.

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 unless another systematic basis is more representative of the time pattern of the user's benefit.

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.

(q) 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 discounting 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 2017. 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 2017, they did not have a material impact on the annual consolidated financial statements of the Group:

- > 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
- > Annual Improvements Cycle – 2014-2016, effective 1 January 2017

5 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 28 Investments in Associates and Joint ventures – Long-term interests on Associates and Joint Ventures, effective 1 January 2019

- > 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 Cycle – 2014-2016, effective 1 January 2018
- > Annual Improvements Cycle – 2015-2017, effective 1 January 2019

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.

(a) 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.

(b) 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.

(c) Hedge accounting

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

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 adopt the new standard on the required effective date using the modified retrospective method. The Company substantially completed the assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements.

Identify the contract(s) with a customer

The group will only identify a contract with a customer when all the criteria are met.

Identify the performance obligations in the contract

The goods of the Group include monopiles, transition pieces, legs, piles, pilesleeves and several other elements. Goods within a contract that are substantially the same and that have the same pattern of transfer to the

customer are considered as series of distinct goods. These series and the other individual goods are identified as separate performance obligations as the customer can benefit from the goods on its own or with readily available resources and the goods are distinct within the context of the contract.

Determine the transaction price

The transaction price is the price that the company expects to receive for the delivery of the performance obligations.

Allocate the transaction price to the performance obligations in the contract

The transaction price will be allocated to the performance obligations using the expected cost plus margin approach. Variable considerations will also be taken into account in the allocation of the transaction price.

Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e., when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Based on the relevant IFRS, the Group meets the criteria to recognise revenue over time. Currently revenue is also recognized over time.

The qualitative assessment has been completed, but the quantitative assessment still needs to be finalized and expectations are that the impact will be limited.

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. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). 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.

Amendments to IAS 28 Investments in Associates and Joint Ventures – Long-term Interests on Associates and Joint Ventures

The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. These amendments are applied retrospectively and are effective for annual periods beginning on or after 1 January 2019. Exceptions could be applied. The amendments will not have any impact on the Group.

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.

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.

Annual Improvements Cycle – 2014-2016

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:

- > IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice: The amendments clarify that:
- > An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- > If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

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

Annual Improvements Cycle – 2015-2017

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 3 Business Combinations and IFRS 11 Joint Arrangements – Previously held interest in a joint operation: The amendments clarify whether the previously held interest in a joint operation (that is a business as defined in IFRS 3) should be remeasured to fair value.

- > When a party to a joint operation obtains control over the joint operation, it must remeasure to fair value the interest it previously held in that joint operation (IFRS 3). An entity should apply the amendments to business combinations with acquisition dates on or after 1 January 2019. Earlier application is permitted and should be disclosed.
- > When a party that participates in (but does not have joint control over) a joint operation obtains joint control over the joint operation, it must not remeasure the interest it previously held in that joint operation (IFRS 11). An entity must apply the amendments to transactions in which it obtains joint control on or after 1 January 2019. Earlier application is permitted and should be disclosed.
- > IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity: The amendments clarify that an entity must recognise all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividend. The amendments must be applied for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted and must be disclosed. The amendments must first be applied to income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.
- > IAS 23 Borrowing Costs – Borrowing costs eligible for capitalisation: The amendments clarify that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally. The amendments must be applied for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted and should be disclosed.

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 segment 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.

Information about operating segments

AMOUNTS IN EUR '000

	2017				2016			
	Wind	Oil & Gas	Other	Total	Wind	Oil & Gas	Other	Total
Revenue	299,833	24,901	2,446	327,180	351,919	47,956	443	400,318
Segment contribution	120,040	13,903	1,691	135,634	105,443	23,668	369	129,480
Gross profit	77,876	5,923	1,212	85,011	75,411	10,687	328	86,426
Indirect personnel expenses				(15,663)				(12,479)
Depreciation and impairment				(13,153)				(8,684)
Facilities, housing & maintenance				(6,192)				(3,850)
Selling expenses				(781)				(670)
General expenses				(5,721)				(4,079)
Other (income) / expenses				(2,074)				(6,732)
Net finance costs				(1,442)				(2,018)
Share of profit of joint ventures				12				-
Total profit before tax				39,997				47,914

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

	2017	2016
The Netherlands	66,950	39,588
All foreign countries:		
> European Community (EC)	252,876	350,761
> Europe outside EC	7,354	9,969
> Outside Europe	-	-
Total revenues	327,180	400,318

Major customers

Revenues from three customers of the Group's Wind segment represented approximately EUR 241 million (2016: three customers EUR 337 million) of the Group's total revenues. In 2017 the largest customer represented a revenue of approximately EUR 142 million, the second customer approximately EUR 71 million and the third customer approximately EUR 28 million. 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.

7 Personnel expenses

AMOUNTS IN EUR '000

	2017	2016
Wages and salaries	14,883	12,552
Hired staff and temporary workers	29,577	24,033
Compensation/grants received	(76)	(48)
Social security contributions	2,040	1,797
Pension expense	1,944	1,642
Other employee benefit expenses	3,503	2,630
	51,871	42,606

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 pension fund coverage ratio of the PMT industry fund at 31 December 2017 amounted to 102.1 % (2016: 97.2%). The 2017 pension premium has remained at a level similar to the 2016 premiums. The Group's participation in the industry pension fund is less than 0.05 % (2016: less than 0.05%) based on number of active participants in the plan. The Group expects to pay pension contributions of approximately EUR 2.3 million in 2018.

Number of employees

The average number of employees employed by the Group in 2017 amounts to 243 FTE (2016: 207 FTE). The table below provides an overview of the average number of FTE split per functional area.

	2017	2016
Production and distribution	165	152
Management	6	4
Purchasing	6	4
Sales	11	9
Administrative	8	7
Other	47	31
	243	207

8 Selling expenses

AMOUNTS IN EUR '000

	2017	2016
Travel and representation	304	328
Promotional and advertising costs	248	144
Other	229	198
	781	670

9 General expenses

AMOUNTS IN EUR '000

	2017	2016
Consultancy fees	2,094	1,501
Insurances	1,918	897
Software, license fees	690	958
Office expenses	481	353
Other	538	370
	5,721	4,079

10 Other expenses

The other expenses include a total of EUR 2.5 million (2016: EUR 6.8 million) of amortization of the secured claw back arrangement in relation to the initial public offering (IPO) of the Company. Furthermore an amount of EUR 0.7 million (2016: EUR 3.2 million) is recorded on the statement of financial position as at 31 December 2017 to be amortized over the next 4 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

	2017	2016
Interest on bank balances and on current account	-	34
Finance income	-	34
Interest on loans and borrowings	(1,208)	(1,945)
Fair value changes of interest rate swaps	392	568
Borrowing cost finance facility	(201)	(283)
Other	(425)	(392)
Finance costs	(1,442)	(2,052)
Net finance costs recognised in profit or loss	(1,442)	(2,018)

12 Income tax expense

Income tax recognised in profit or loss

AMOUNTS IN EUR '000

	2017	2016
Current year income tax charge	9,388	11,033
Movement in deferred tax position	(151)	(484)
Prior year adjustment	-	-
Tax expense recognized in statement of profit or loss	9,237	10,549

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.

Movement in deferred tax balances

AMOUNTS IN EUR '000

2017

	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	(441)	254	(187)	-	(187)
Derivatives	97	(97)	-	-	-
Investment property	16	(6)	10	10	-
Tax assets (liabilities) before netting	(328)	151	(177)	10	(187)
Netting of tax				(10)	10
Net tax assets (liabilities)				-	(177)

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)

Unrecognised deferred tax assets and liabilities

At 31 December 2017 and 31 December 2016, the Group has recognised all deferred tax assets and liabilities applicable to the Group.

Reconciliation of effective tax rate

%	2017	2016
Tax using the Company's domestic tax rate	25.0	25.0
Reduction in tax rates due to tax incentives	(1.8)	(3.3)
Non tax deductible expenses	-	0.1
	23.2	21.8

13 Earnings per share

Basic and diluted earnings per share

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

Weighted-average number of ordinary shares

	2017	2016
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

The issued share capital of the Company amounted to EUR 5,100, consisting of 25,501,356 shares with a nominal value of EUR 0.20 (20 eurocents per share).

14 Intangible fixed assets

Reconciliation of the carrying amount

AMOUNTS IN EUR '000

	Software
Cost	
Balance at 1 January 2016	-
Additions	156
Disposals	-
Balance at 31 December 2016	156
Balance at 1 January 2017	156
Additions	-
Disposals	-
Balance at 31 December 2017	156
Accumulated depreciation	
Balance at 1 January 2016	-
Depreciation	(13)
Disposals	-
Balance at 31 December 2016	(13)
Balance at 1 January 2017	(13)
Depreciation	(52)
Disposals	-
Balance at 31 December 2017	(65)
Carrying amounts	
At 31 December 2016	143
At 31 December 2017	91

15 Property, plant and equipment

Reconciliation of the carrying amount

AMOUNTS IN EUR '000

	Land and buildings	Equipment	Other fixed assets	Total
Cost				
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
Balance at 1 January 2017	111,027	73,463	2,246	186,736
Additions	11,707	7,524	341	19,572
Disposals	-	-	-	-
Balance at 31 December 2017	122,734	80,987	2,587	206,308
Accumulated depreciation				
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)
Balance at 1 January 2017	(33,722)	(36,773)	(1,138)	(71,633)
Depreciation	(4,750)	(8,074)	(277)	(13,101)
Disposals	-	-	-	-
Balance at 31 December 2017	(38,472)	(44,847)	(1,415)	(84,734)
Carrying amounts				
At 31 December 2016	77,305	36,690	1,108	115,103
At 31 December 2017	84,261	36,141	1,172	121,574

At 31 December 2017 and 2016 all property, plant and equipment was collateralized as part of the financing agreements in place (see note 23).

16 Investment property

Reconciliation of the carrying amount

AMOUNTS IN EUR '000

	2017	2016
Balance at 1 January	375	375
Additions	-	-
Revaluation	25	-
Balance at 31 December	400	375

Investment property comprises a commercial property that is leased to a third party. The lease contains an initial non-cancellable period till January 2018, 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 2017 is estimated at EUR 400 (2016: 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 16 February 2017. 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

	2017	2016
Balance at 1 January	16	-
Additions	-	20
Result for the year	12	(4)
Dividends paid	-	-
Balance at 31 December	28	16

The group entered during 2016 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 2018 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).

The group has a 50% interest in Smulders Sif Steel Foundations B.V., a joint venture focused on project management in the offshore wins industry. The group's interest in Smulders Sif Steel Foundations B.V. is accounted for using the equity method in the consolidated financial statements. As per year-end 2017, the joint venture only performed limited activities, resulting in an equity of nil. The main activities of the joint venture will start during 2018.

18 Inventories

AMOUNTS IN EUR '000

	2017	2016
Raw materials and consumables	303	190
	303	190

During 2017 and 2016 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

	2017	2016
Work in progress – amounts due from customers (current assets)	30,510	17,390
Work in progress – amounts due to customers (current liabilities)	(21,624)	(31,113)
	8,886	(13,723)
Expenses incurred including realized profit to date	966,925	599,695
Invoiced terms	(958,039)	(613,418)
	8,886	(13,723)

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 agreements 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. In the first half of 2017, the company has managed to successfully complete a project for which at year-end 2016 a

significant lower gross margin was expected based on potential project related risks. These risks did not materialize and therefore the costs of the project were lower than estimated. The successful completion of the project had a positive impact on the operating result by some EUR 8.0 million.

As per year-end, loss making contracts have been identified by management. These contracts, with a total expected loss of EUR 2.8 million (2016: EUR 0), are recorded under the work in progress – amounts due to customers.

The amounts due from customers concern all projects in progress for which the incurred expenses, including realized profit and project losses to date (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 2017 an amount of EUR 0 of the trade receivables were provided for (2016: EUR 240). The 2016 amount of the provision for doubtful debts has been written off as they are included in a total settlement. With respect to the debtors, customer payments depends on certificates of completion (of stages). From one period end to the other, this may result in a significant movement in the outstanding amounts depending on the date of invoice (due to completion of stages). Based on an individual impairment analysis of trade receivables, no impairment deemed necessary.

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 2017	48,632	43,734	3,050	812	139	897	-
31 december 2016	69,112	55,873	9,111	4,126	-	-	2

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

	2017	2016
Cash	10	10
Bank balances	867	294
Cash and cash equivalents	877	304

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

22 Capital and reserves

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). All ordinary shares rank equally with regard to the Company's residual assets.

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.

Dividends

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

AMOUNTS IN EUR '000

	2017	2016
Number of ordinary shares dividend eligible	25,501,356	25,501,356
Rounded dividend per ordinary share (EUR)	0.37	-
Dividends declared and settled during the year	9,436	0

23 Loans and borrowings

The company has the following financing arrangements:

AMOUNTS IN EUR '000	2017	2016
Non-current portion	25,984	42,273
Current portion	-	-
Bank overdraft	-	-
Total loans and borrowings	25,984	42,273

The movement in financing arrangements can be specified as follows:

AMOUNTS IN EUR '000	2017	2016
Balance at 1 January	42,759	56,250
Financing costs	(486)	(624)
Net value of loans and borrowings	42,273	55,626
Drawn	-	-
Repayment	-	(56,250)
Additions financing costs	(24)	(146)
Amortisation financing costs	201	284
Movements in revolving credit facility	(16,466)	42,759
Balance at 31 December	26,293	42,759
Financing costs	(309)	(486)
Net value of loans and borrowings	25,984	42,273

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 2017 an amount of EUR 26 million is outstanding and an amount of EUR 64 million has not been drawn.

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 2017	Carrying amount 2017	Fair value 2016	Carrying amount 2016
Revolving credit facility	EUR	Euribor + supplement	2019	25,984	25,984	42,273	42,273
Total interest-bearing loans and borrowings				25,984	25,984	42,273	42,273

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.

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 1.50x.

As disclosed in the outlook section in the Report of the Executive Board Sif has agreed suitable arrangements with its banks to address the lower level of activity. Sif did not breach any of their loan covenants during 2017.

24 Financial instruments

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

	Carrying amount		Fair value			
	Designated at fair value	Total	Level 1	Level 2	Level 3	Total
31 december 2017						
Financial liabilities measured at fair value						
Interest rate swaps	-	-	-	-	-	-
	-	-	-	-	-	-

AMOUNTS IN EUR '000

	Carrying amount		Fair value			
	Designated at fair value	Total	Level 1	Level 2	Level 3	Total
31 december 2016						
Financial liabilities measured at fair value						
Interest rate swaps	392	392	-	392	-	392
	392	392	-	392	-	392

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.

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 877 at 31 December 2017 (2016: EUR 304). 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:

AMOUNTS IN EUR '000	Carrying amount	Total	Contractual cash flows				
			3 months or less	3-12 months	1 - 2 years	2 - 5 years	More than 5 years
31 december 2017							
Non-derivative financial liabilities							
Revolving credit facility	27,346	(27,346)	(227)	(681)	(26,438)	-	-
Trade payables	52,592	(52,592)	(52,592)	-	-	-	-
	79,938	(79,938)	(52,819)	(681)	(26,438)	-	-

AMOUNTS IN EUR '000	Carrying amount	Total	Contractual cash flows				
			3 months or less	3-12 months	1 - 2 years	2 - 5 years	More than 5 years
31 december 2016							
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)	-

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 the revolving credit facility are included in the table above for the

same amount (interest and commitment fee) as the fourth quarter of 2017 as these amounts are uncertain (depends on the outstanding amount of the revolving credit facility).

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.

As per year-end 2017, the Group uses no derivatives to manage market risks. All such potential transactions would be 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:

AMOUNTS IN EUR '000

	2017	2016
Variable rate instruments		
Total loans and borrowings	25,984	42,759
Balance covered by interest rate swaps	-	24,750
Balance at 31 December	25,984	18,009

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. A sensitivity analyses on equity has not been prepared since the impact on equity will be equal to the increase (decrease) on the sensitivity analysis of profit or loss before tax (excluding tax effect). This analysis assumes that all other variables remain constant.

AMOUNTS IN EUR '000	50 basis points increase	50 basis points decrease
31 december 2017		
Variable rate instruments	133	(133)
Interest rate swaps	-	-
Net impact	133	(133)
31 december 2016		
Variable rate instruments	217	(217)
Interest rate swaps	(128)	128
Net impact	89	(89)

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

	2017	2016
Jubilee provision	294	252
Accrual for employee bonuses	547	653
Accrual for employee vacation days outstanding	603	430
Personnel expenses payable	221	362
Total employee benefits liabilities	1,665	1,697
Non-current	294	252
Current	1,371	1,445
	1,665	1,697

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

AMOUNTS IN EUR '000

	2017	2016
Balance at 1 January	252	218
Additions	83	72
Used	(41)	(38)
Released	-	-
Balance at 31 December	294	252

26 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 2017, the solvency ratio was 45.6% (2016: 34.8%).

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.

27 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
Twinpark Sif BV	Roermond	60

28 Operating leases

Leases as lessee

The Group leases warehouse/factory facilities, several company cars, a house and an apartment under operating leases. The leases for the warehouse/factory facilities runs for a remaining period of 4 to 18 months. The lease for the company cars runs for a remaining period of 12 to 15 months, the lease for the house runs for one month (cancellation period) 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 two specific plots in the Rotterdam harbour. The lease of plot A started at 1 September 2015 and will end on 1 July 2041 (cancellable as per 1 July 2031), the lease of plot B started at 1 July 2017 and will end on 1 July 2041 (cancellable as per 1 July 2021 and as per 1 July 2031). The annual committed lease payments of EUR 0.8 million during the initial building phase will increase up to EUR 3.1 million after five years when the plots and buildings are fully in use. The discount during the initial building phase is partly accounted as a non-current liability (EUR 407) in order to properly allocate the expense on a straight-line basis over the lease term.

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

	2017	2016
Less than 1 year	2,703	1,971
Between 1 and 5 years	10,868	12,055
More than 5 years	19,944	31,418
	33,515	45,444

Amounts recognised in profit or loss

AMOUNTS IN EUR '000

	2017	2016
Lease expenses	2,952	1,341
	2,952	1,341

Leases as lessor

The Group leases out its investment property (see note 16) and some antenna locations for telecom providers.

Future minimum rental receivable

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

AMOUNTS IN EUR '000

	2017	2016
Less than 1 year	10	32
Between 1 and 5 years	3	-
More than 5 years	-	-
	13	32

29 Off-balance sheet commitments

Commitments for the purchase of property, plant and equipment

At 31 December 2017, the Group commitments for the purchase of property, plant and equipment amounts to EUR 255 (2016: EUR 4,399) relating to the purchase of property, plant and equipment items.

Guarantee facilities

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

AMOUNTS IN EUR '000

Name	Type	31 December 2017		31 December 2016	
		Total facility	Used	Total facility	Used
Euler Hermes Interborg N.V. / CHUBB	General	100,000	58,129	100,000	53,849
Nationale Borg Maatschappij	General	10,000	-	10,000	9,558
Coöperatieve Rabobank U.A.	General	20,000	2,417	20,000	6,070
ING Bank N.V.	General	20,000	17,674	20,000	3,183
ABN AMRO Bank N.V.	General	20,000	13,099	20,000	-
Nationale Borg Maatschappij	Project	6,788	6,788	6,788	6,788
Coöperatieve Rabobank U.A.	Project	16,034	16,034	21,979	21,979
ING Bank N.V.	Project	7,151	7,151	14,404	14,404
Total		199,973	121,292	213,171	115,831

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 former shareholder is also jointly and severally liable for all amounts of the pending guarantees which have been provided before 12 May 2016.

30 Related parties

Transactions with joint ventures

During the year, the group received invoices for work performed by SBR Enigneering GmbH for a total amount of EUR 188.

Transactions with companies with which Supervisory Board members are involved as a shareholder

During the year, the group received invoices for work performed by Emeritor for a total amount of EUR 195. Emeritor is a company in which Supervisory Board member C.A.J. van den Bosch is involved as a shareholder.

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	2017	2016
A. Goedee*	70,228	70,106
J.C.M. Schönfeld**	60,426	53,450
P.J. Gerretse**	47,332	41,108
C.A.J. van den Bosch**	46,715	41,531
P.E. Visser****	7,626	-
A.P.W. van Wasseaer***	37,638	45,000
	269,965	251,195

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

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

*** Member of the supervisory board as of 14 January 2016, resigned as per 23 October 2017.

**** Member of the supervisory board on an ad interim basis as of 1 November 2017.

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

Compensation of the current executive board members

AMOUNTS IN EUR

	J.B.J. Bruggenhijis		L.A.M. Verweij*	
	2017	2016	2017	2016
Base salary	355,000	274,135	132,500	-
Employer's pension contributions	26,971	25,559	18,500	-
Pension compensation	63,969	84,727	20,547	-
Annual bonus (including accrual over 2017)	125,050	282,200	93,350	-
Other benefits (car lease, travel expenses and relocation expenses)	54,162	131,609	20,623	-
Social security and other payments	9,924	9,829	4,962	-
Placement reward IPO	-	2,834,403	-	-
Placement reward IPO under clawback	708,602	(944,801)	-	-
Termination fee	-	-	-	-
Total remuneration	1,343,678	2,697,661	290,482	-

* Chief Financial Officer on an ad interim basis for the period 1 January 2017 till 18 May 2017. During the period December 2016 till June 2017 L.A.M. Verweij performed his services under a service contract between the Group and Edelenboshessels Consultancy B.V. Edelenboshessels Consultancy B.V. charged for fees and expenses EUR 65 over 2016 and EUR 230 over 2017. L.A.M. Verweij is appointed as Chief Financial Officer during the AGM meeting on 18 May 2017, only the expenses from July 2017 to December 2017 are included in the overview.

Compensation of former Executive Board members

AMOUNTS IN EUR

	B.A.P Nijdam*		R.J.B.J. Schmeitz**	
	2017	2016	2017	2016
Base salary	3,702	165,000	-	-
Employer's pension contributions	8,807	25,559	-	-
Pension compensation	-	18,977	-	-
Annual bonus	44,385	67,035	-	-
Other benefits (car lease, travel expenses and relocation expenses)	6,796	18,487	-	91
Social security and other payments	3,244	9,829	-	-
Placement reward IPO	-	1,062,902	-	1,481,487
Placement reward IPO under clawback	-	-	-	-
Termination fee	-	137,500	-	-
Total remuneration	66,934	1,505,289	-	1,481,578

* 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.

In 2016 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 amount recorded as the placement reward IPO under clawback, contains the release of the claw-back reservation during 2017.

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

	2017	2016
J.B.J. Bruggenthijs	58,307	58,307
L.A.M. Verweij	-	-
B.A.P. Nijdam*	-	48,589
Balance at 31 December	58,307	106,896

* Resigned as Chief Financial Officer of the group as per January 2017. Therefore no information available about the situation as per year-end 2017.

31 Service fees paid to external auditors

The total service fees of external auditors related to the financial year can be specified as follows:

AMOUNTS IN EUR '000

	Ernst & Young Accountants LLP		Other EY firms	
	2017	2016	2017	2016
Audit of financial statements	224	149	-	-
Other assurance services	31	277	-	-
Tax advise	-	-	-	-
Total	255	426	-	-

32 Events after the reporting period

There were no material events after 31 December 2017.

Separate statement of profit or loss for the year ended 31 December 2017

AMOUNTS IN EUR '000	Notes	2017	2016
Management fee	36	1,765	4,273
Total revenue		1,765	4,273
Indirect personnel expenses		1,765	1,480
General expenses		542	673
Other expenses		774	2,907
Operating profit		(1,316)	(787)
Finance income		221	260
Finance costs		(555)	(1,199)
Net finance costs		(334)	(939)
Profit before tax		(1,650)	(1,726)
Income tax expense		390	277
Result of participation in subsidiaries	37	32,008	38,818
Result of participation in joint ventures		12	(4)
Profit after tax		30,760	37,365

Separate statement of financial position as at 31 December 2017 (before profit appropriation)

AMOUNTS IN EUR '000	Notes	31-12-2017	31-12-2016	AMOUNTS IN EUR '000	31-12-2017	31-12-2016	
Assets				Equity			
Investments in subsidiaries and joint ventures	38	129,369	97,348	Share capital	5,100	5,100	
Other financial assets		10	246	Additional paid-in capital	1,059	1,059	
Deferred tax assets		-	55	Retained earnings	56,320	28,391	
Total non-current assets		129,379	97,649	Result for the period	30,760	37,365	
Intercompany receivables	39	-	772	Total equity	40	93,239	71,915
Other financial assets		5	5	Liabilities			
Wage tax and social security		-	68	Other non-current financial liabilities	-	221	
VAT receivables		236	-	Total non-current liabilities	-	221	
Prepayments		562	1,196	Trade payables	219	135	
Cash and cash equivalents		560	174	Intercompany payables	39	34,826	24,219
Total current assets		1,363	2,215	Employee benefits	235	-	
				Wage tax and social security	109	-	
				VAT payable	-	510	
				CIT payable	1,905	2,258	
				Other current liabilities	209	606	
				Total current liabilities	37,503	27,728	
				Total liabilities	37,503	27,949	
Total assets		130,742	99,864	Total equity and liabilities	130,742	99,864	

Notes to the separate financial statements for the year ended 31 December 2017

33 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 Netherlands Civil Code. The Company uses the option of Article 362.8 of Part 9, Book 2, of the Netherlands 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 the measurement and recognition requirements of the 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.

34 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.

35 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
Twinpark Sif B.V.	Roermond	60
SBR Engineering GmbH	Siegen-Netphen	50

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

36 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. The decrease of the management fee mainly relates to the charged IPO bonus in 2016.

37 Result of participation in subsidiaries

AMOUNTS IN EUR '000	2017	2016
Result in Sif Netherlands B.V.	35,706	37,771
Result in Sif Property B.V.	(3,698)	1,047
Twinpark Sif B.V.	-	-
Result of participation in subsidiaries	32,008	38,818

38 Investments in subsidiaries and joint ventures

AMOUNTS IN EUR '000	2017	2016
Sif Netherlands B.V.	126,294	90,587
Sif Property B.V.	3,047	6,745
SBR Engineering GmbH	28	16
Twinpark Sif B.V.	-	-
Investments in subsidiaries and joint ventures	129,369	97,348

The movement in the investment value of Sif Netherlands B.V., Sif Property B.V. and SBR Engineering GmbH is related to the result over 2017 of these subsidiaries.

39 Intercompany accounts

AMOUNTS IN EUR '000

	2017	2016
Intercompany receivables (current assets)	-	772
Intercompany payables (current liabilities)	(34,826)	(24,219)
	(34,826)	(23,447)
Intercompany account Sif Netherlands B.V.	(34,147)	(24,219)
Intercompany account Sif Property B.V.	(679)	772
	(34,826)	(23,447)

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

40 Equity

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

The appropriation of the 2017 profit is at the free disposal of the General Meeting of Shareholders and has not been recorded in the financial statements.

41 Related parties

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 34,147 and a liability to Sif Property B.V. of EUR 679.

Also during the year, the group has taken care of costs for Twinpark Sif B.V. that will be charged to the subsidiary in 2018.

Transactions with joint ventures

During the year, the group received invoices for work performed by SBR Engineering GmbH for a total amount of EUR 188.

Other information

Articles of Association related to profit appropriation

Article 34

- 34.1** In accordance with Article 32.1 of the Articles of Association the profit, as presented in the Company's financial statements, 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.
- 34.2** The pay-out of profits will take place with due observation of Article 32.1 and after the financial statements in which the proposed dividend has been stated have been approved by the Annual General Meeting of Shareholders.
- 34.3** 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 will pay a regular dividend in line with mid to long-term financial performance of the Company with the aim being a gradual increase of the dividend per share. Sif will pay-out 25% - 40% of annual net earnings as reported in the approved financial statements of the Company in any year. The retained earnings will be added to the reserves of the Company to finance future investments or other spending of the Company or to improve liquidity or for other purposes. The achievement of this reservation and dividend policy is, however, subject to certain legal limitations and the Company's liquidity position. 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 2017 amounted to € 30,760 million. During the Annual General Meeting of Shareholders on 3 May 2018 the Executive and Supervisory Boards will propose that 25% of the profit attributable to the shareholder is paid out as dividend. With 25,501,356 shares issued and listed this amounts to € 7,690, or 25% of € 1.21 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 2017 included in the annual report

Our opinion

We have audited the financial statements 2017 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 2017 and of its result and its cash flows for 2017 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 2017 and of its result for 2017 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 2017
- > The following statements for 2017: the consolidated statement of profit or loss and other comprehensive income, the consolidated statement 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 2017
- > The separate statement of profit or loss for 2017
- > 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 EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), 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 2,000,000 (2016: EUR 2,300,000)

5.0% 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 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 100,000, 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 Holding N.V., 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 100%

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.

Valuation of work in progress including revenue recognition

Risk	Our audit response	Observations
<p>As disclosed in note 2, 3.2 and 19 in the consolidated financial statements revenues and costs in relation to work in progress are recognized in the statement of profit or loss and other comprehensive income in proportion to the stage of completion of each project. 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 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.</p> <p>Percentage of completion accounting ('POC') requires management to make a number of estimates and assumptions surrounding e.g. the expected profitability of the project, the estimated degree of completion and the cost development. 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. The significant assumptions in POC developed by management include: estimated labour hours, total estimated costs of completion, (any) claims/contingencies and inclusion of scope extensions.</p>	<p>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 on the projects and any claims/contingencies on projects.</p> <p>Furthermore we performed a look back analysis to challenge prior years estimates and to determine whether changes in estimates or management risks assessment were required.</p> <p>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.</p> <p>We also assessed the adequacy of required disclosures including the impact of the new revenue recognition accounting standard (IFRS 15) which will be adopted as of January 1, 2018 (note 5 in the consolidated financial statements).</p>	<p>We assessed that the Company's revenue recognition accounting policies were appropriately applied and that the impact of the new revenue recognition accounting standard (IFRS 15) is appropriately disclosed in note 5. Furthermore, we have assessed that management assumptions and estimates are within an acceptable range and that the disclosure notes are appropriate.</p>

In prior year we included Amended Financing Agreement and Initial Public offering (IPO) as key audit matters ('KAMs'). As these KAMs were more of an one-off nature, specifically applicable to the financial year 2016, we have not identified these as KAMs for the 2017 audit.

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:

- > 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 from 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.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Other non-prohibited services provided

Our services are only related to the audit of the financial statements.

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. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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, 14 March 2018

Ernst & Young Accountants LLP

signed by M. Moolenaar

Glossary

Contribution	Total revenue minus cost of raw materials, subcontracted work and other external charges and logistic and other project related expenses.	MAKE	MAKE consultants.
EBITDA	Earnings before net finance costs, tax, depreciation and amortization.	Orderbook	The total of signed contracts and contracts under exclusive negotiations.
IPO	Initial Public Offering (of shares).	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'.
Net debt	Gross debt (loans and borrowings) minus cash and cash equivalents.	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.
EPIC	Engineering procurement installation and commissioning: A contractform including the engineering, the procurement, the installation and the commissioning of a building or other form of construction.	ROCE	Return on capital employed: Net earnings as a % of equity plus loans and borrowings
Executive Board	Board of executive directors responsible for the day-to-day business at Sif. In 2017 comprised of CEO and CFO.	Sif Group	The group of companies that together establish the Sif Group: Also referred to as 'Company' or 'Sif' (reference is made to the schedule on page 10 of this annual report).
GKSE	GKSE Holding BV: the company in which the former owners hold their shares in Sif Holding NV.	Sif Holding N.V.	The entity whose shares are listed on the stock exchange (reference is made to the schedule on page 10 of this annual report).
IEA	International energy agency.		
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.		

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