

Letter from the CEO

Dear Stakeholder,

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



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

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

Offshore wind

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

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

Offshore oil and gas

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

Outlook

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

Sif's Annual Report

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

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

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

Jan Bruggenthijs, CEO