

## Report of the Executive Board

### Vision & Mission

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

### Strategy & Objectives

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

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

### Mid-term objectives (period until 2021)

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

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

## Business environment, MD&A

### TRENDS RELEVANT TO SIF'S MARKETS

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

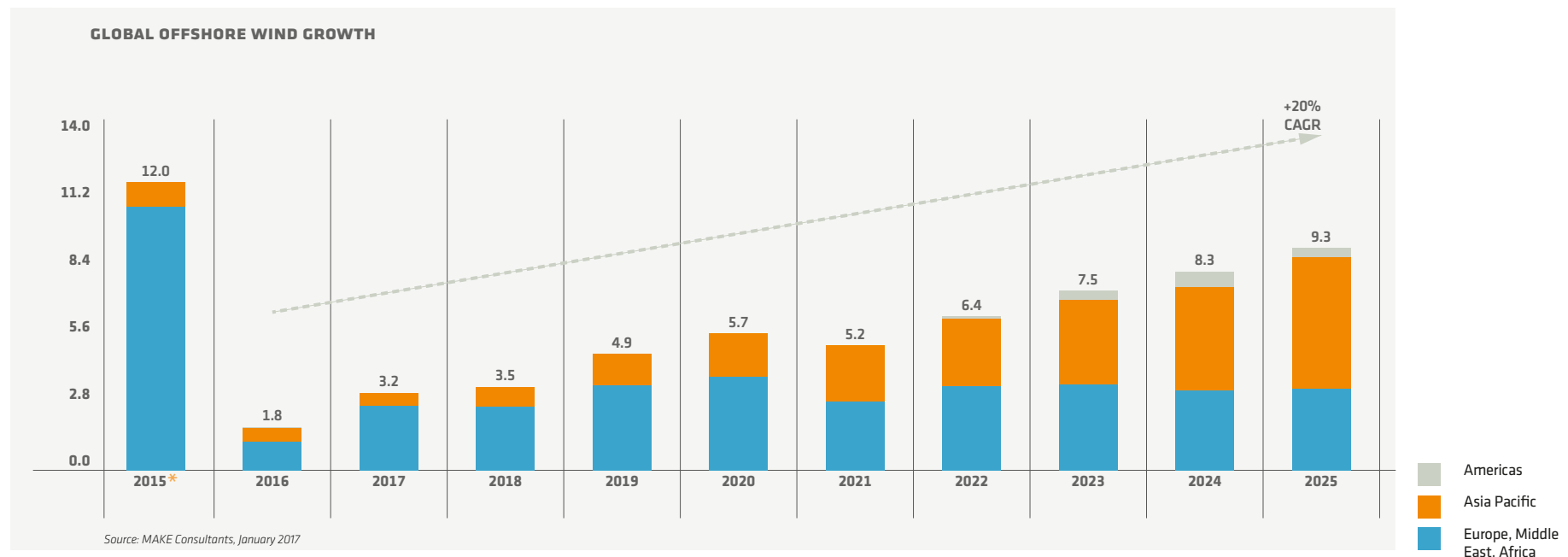
Offshore oil & gas investments demand higher oil prices.

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

## Markets, market segments and trends

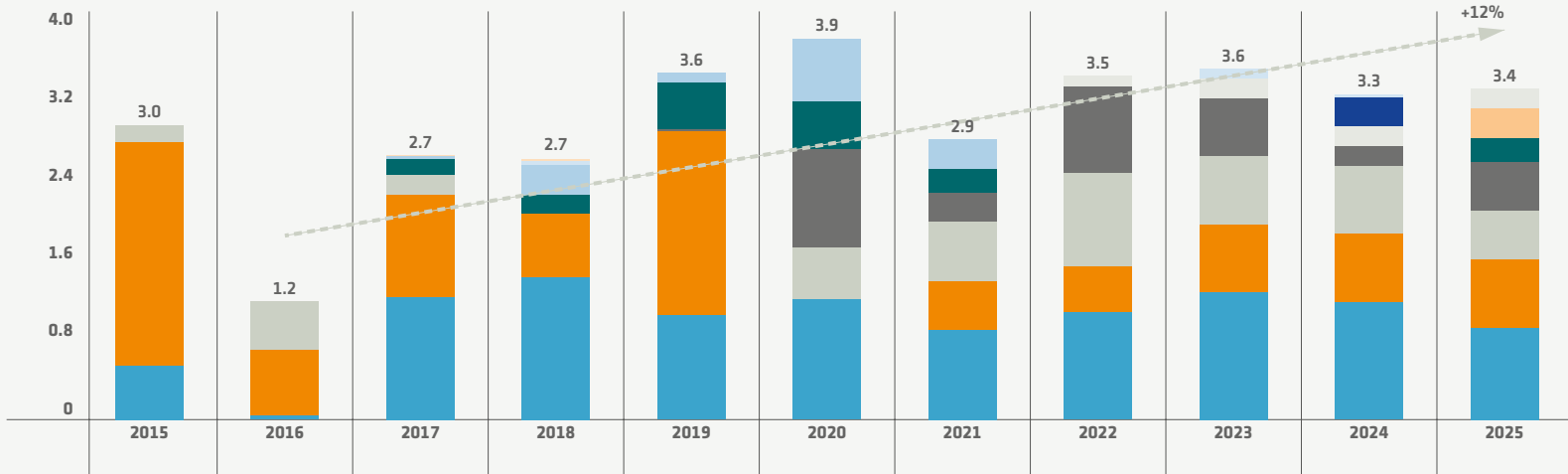
### Offshore wind

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



**EUROPEAN OFFSHORE WIND GROWTH \***

(GW)



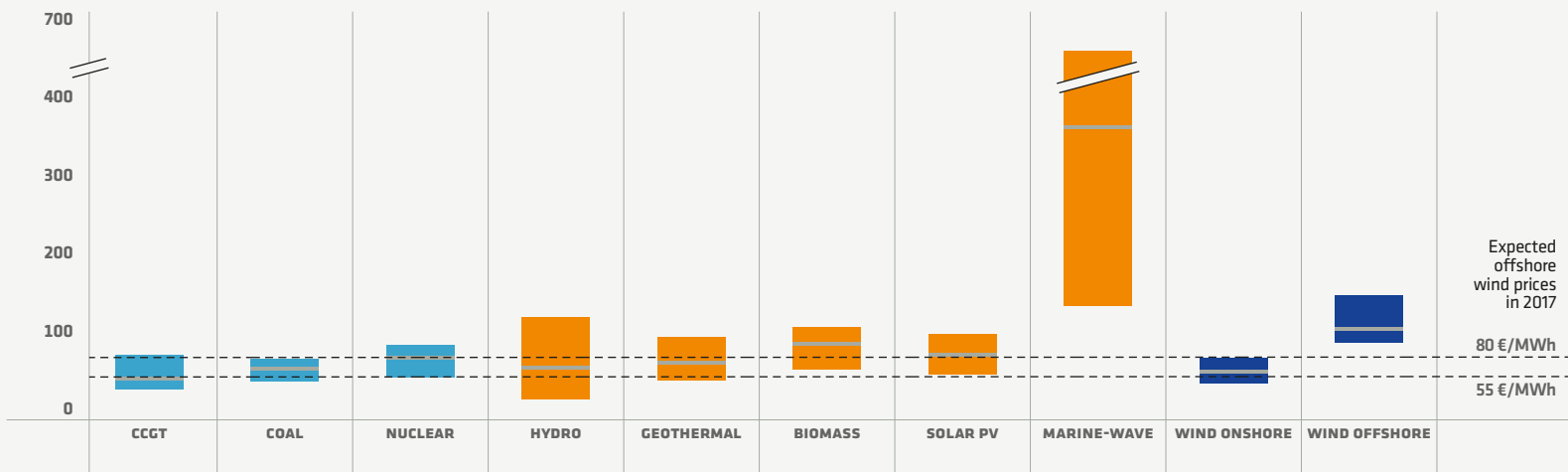
Source: MAKE Consultants, January 2017

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

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

**2016 LCOE-GLOBAL RANGES AND BASELINES**

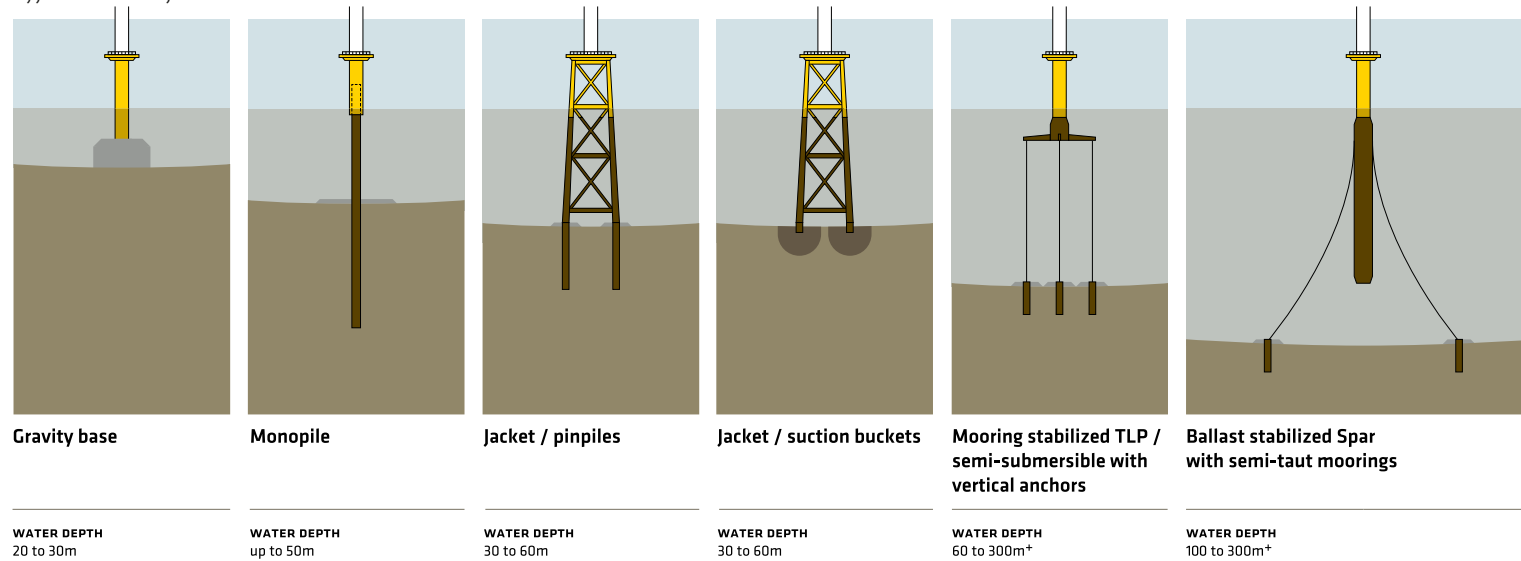
LCOE - €/MWh



Source: MAKE Consultants, January 2017

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

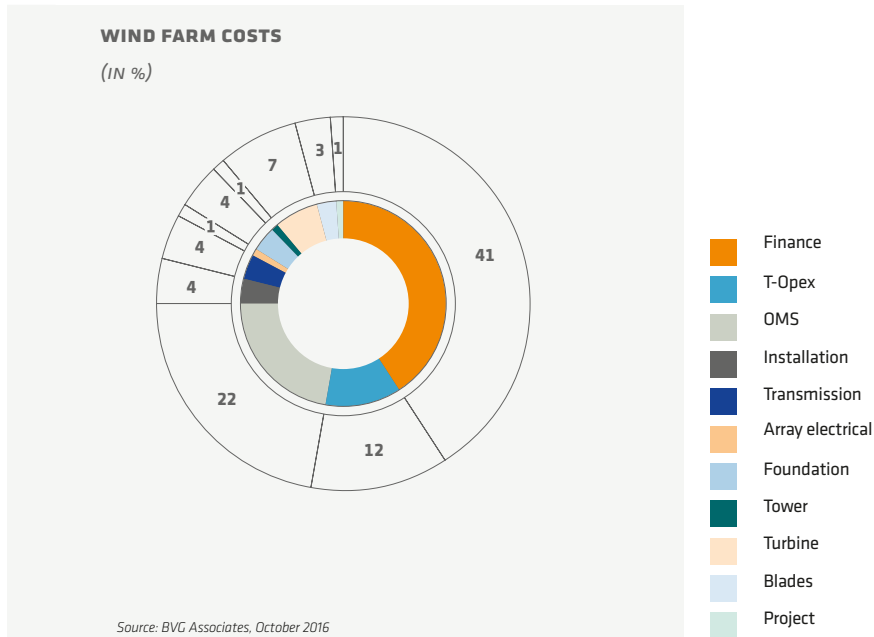
## offshore wind foundations



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

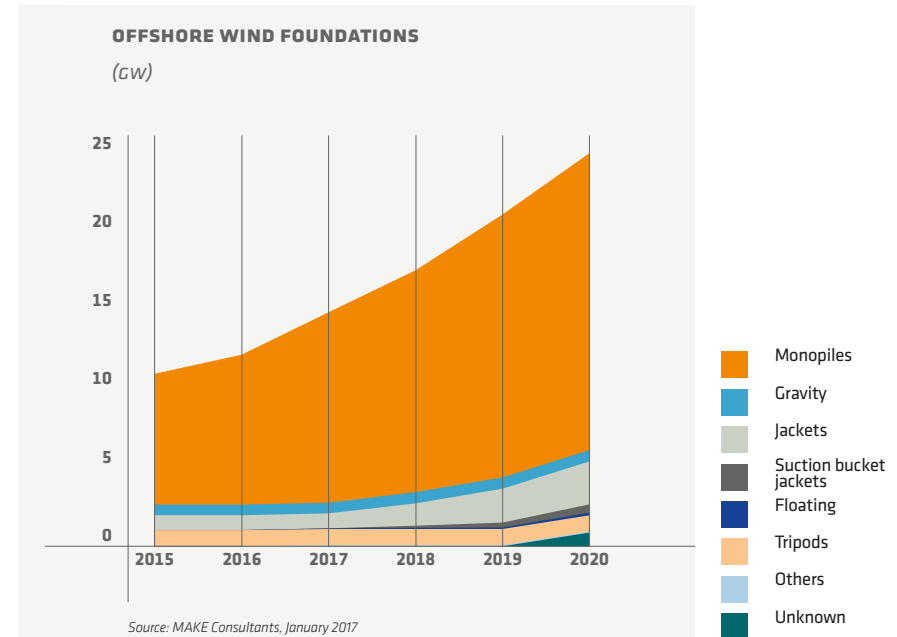
In 2015 the state-of-the-art in the most important market segment for Sif – the offshore wind energy sector – was wind farms built in an average water depth of 27 meters and at an average distance to shore of 43 kilometers (source: EWEA). Today, turbine sizes of 8 Megawatt and deeper waters require even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

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



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

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



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

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

### **Offshore oil & gas**

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

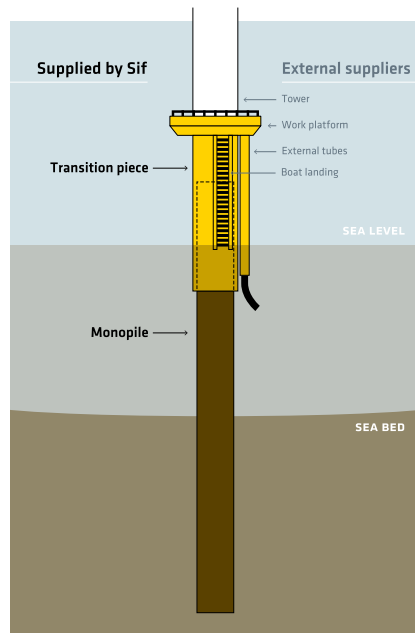
### **Products, process and innovations**

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

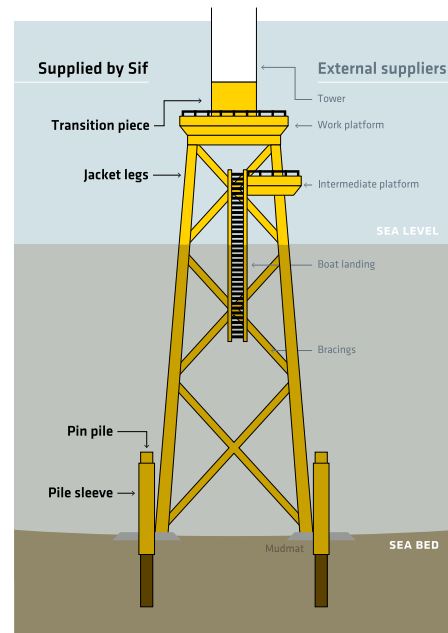
*'Sif is a leading manufacturer of the large steel tubulars used as foundation components for the offshore wind and offshore oil & gas industries.'*

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

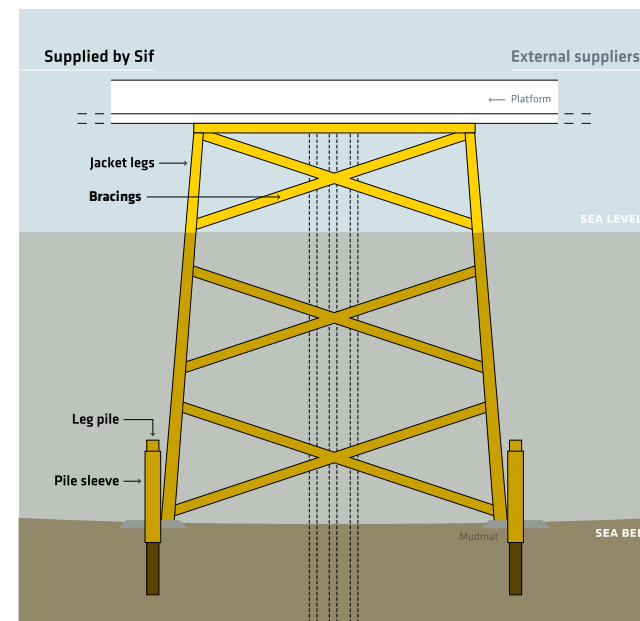
The tubulars are produced in two facilities: Roermond and Maasvlakte 2. The Roermond facility has a total working area of 102,000 m<sup>2</sup> with 47 welding machines and 8 rolling machines. In the Roermond facility different qualities and grades of steel plates up to 150 mm thick are rolled into cans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

*Sif product range*

**Monopile foundation for offshore wind turbines**



**Jacket foundation for offshore wind turbines**



**Jacket foundation for oil & gas production platforms**

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

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

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

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

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

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

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

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

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

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

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

#### Revenue, contribution and earnings

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

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

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

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

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

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

#### CAPEX

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



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

### **Working capital, liquidity, cash and cash flows**

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

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

#### **CASH FLOW IN € THOUSANDS**

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

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

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

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

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

### **Solvency**

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

## Value proposition

### For clients

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

### For the environment and society

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

### For employees

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

### For shareholders

- > Offer an attractive return on invested capital.

**Zero rejected products through process and quality control.**

**Larger turbines through process and product innovations.**

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

## Clients

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

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

## Environment and society

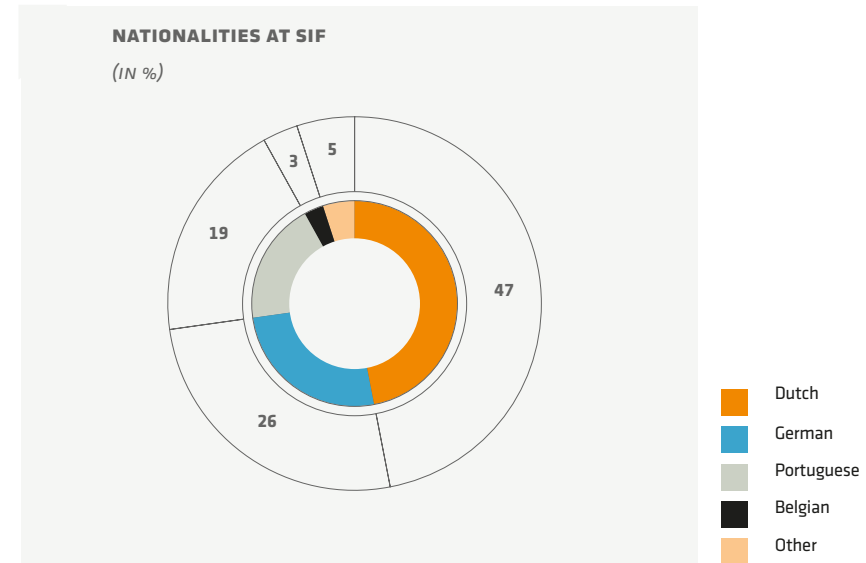
Sif believes that its products are contributing towards a sustainable future by enabling competitive offshore wind energy solutions (as explained in the paragraph above) and that its production processes are designed and executed to achieve the maximum possible energy savings and recycling of residual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

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

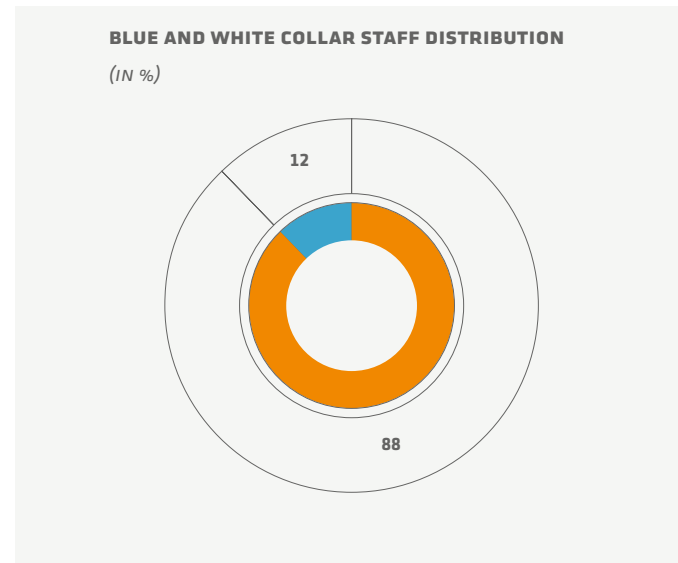
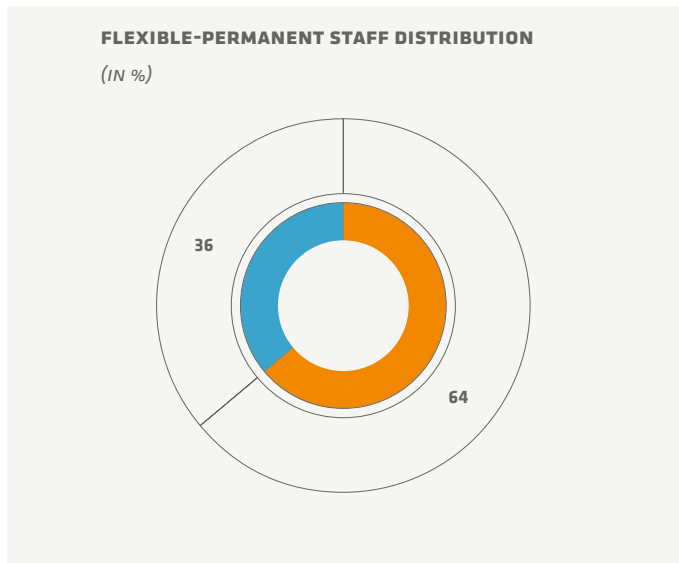
Basic materials (steel plates) and finished products (tubes and rings) are transported mainly by ships and barges. The Roermond facility complies with EU Directive 2010/75/EU (industrial emissions) and Sif is NEN-EN-ISO 14001 (Nederlandse Norm-International Standardisation Organization) certificated.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

## Employees

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



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



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

**Health and safety**

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

**NUMBERS**

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

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

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

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

### Employee remuneration

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

### Shares & Shareholders

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dividend in €

Average number of shares

Dividend per share 25% of EPS

2016 (proposed)

9,341,000

25,501,356

0.37

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

## Outlook

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

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

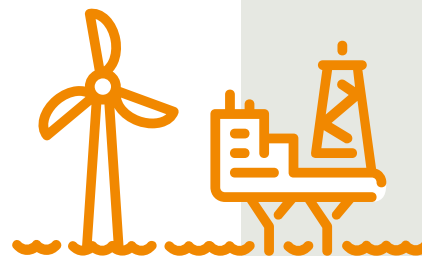
Production at Sif is 18 to 24 months ahead of grid connection. Management expects there will be a temporary slow down of the grid connections of new Wind farms in 2020, which implies a slower 2018 for manufacturers like Sif. This is reflected in the order book at the end of 2016 (around 98 Kton awarded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

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

## Corporate Governance

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

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



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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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



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

## Risks & uncertainties

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

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

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

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

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

### Industry risks and uncertainties

RISK	CAUSE/EFFECT	RISK MITIGATION
> Most revenue generated in the government-supported North-West European market for renewable energy.	<ul style="list-style-type: none"> <li>&gt; Lack of political or financial government support.</li> <li>&gt; Delays in wind farm development.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Wind farm designs at low LCOE.</li> <li>&gt; Market development for existing products.</li> <li>&gt; Continuous innovation in the supply chain.</li> <li>&gt; Maintain a flexible workforce.</li> </ul>
> Alternate energy sources gain preference over wind energy.	<ul style="list-style-type: none"> <li>&gt; Changes to price conditions in or reputation of wind energy market.</li> <li>&gt; Technological advances in alternative energy sources (solar, nuclear, biomass).</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Market development to decrease dependence on North Sea region.</li> <li>&gt; Wind farm designs at low range LCOE.</li> <li>&gt; Cost leadership and product innovation in supply chain.</li> </ul>
> Markets become more competitive due to new entrants or vertically-integrated parties.	<ul style="list-style-type: none"> <li>&gt; Traditional industries, such as ship building, switch to supporting offshore energy industry.</li> <li>&gt; EPIC contractors integrate vertically.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Base project pricing on cost leadership.</li> <li>&gt; Maintain innovative approach to products and production techniques.</li> </ul>

## Group risks and uncertainties

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

## Risk management

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

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

## Executive Board Statement

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

Roermond, 28 March 2017

Executive Board  
J.B.J. Bruggenthijs



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