Other information

Articles of Association related to profit appropriation

Article 34

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

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

The pay-out of profits will take place with due observation of Article 32.1 and after the annual accounts in which the proposed dividend has been stated have been approved by the Annual General Meeting of Shareholders.
The Executive Board may, with the approval of the Supervisory Board, decide to make interim dividend payments provided the requirements of Article 32.1 are met and the pay-out is supported by an interim statement of assets and liabilities that has been drawn-up in accordance with Article 2:105 Clause 4 of the Dutch Civil Code.

Dividend policy and proposed dividend distribution for the year under review

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

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

Independent auditor's report

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

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

Our opinion

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

In our opinion:

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

> The accompanying separate financial statements give a true and fair view of the financial position of Sif Holding N.V. as at 31 December 2016, and of its result for 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

> The consolidated statement of financial position as at 31 December 2016

> The following statements for 2016: the consolidated statement of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statement

> The notes comprising a summary of the significant accounting policies and other explanatory information

The separate financial statements comprise:

> The separate statement of financial position as at 31 December 2016

> The separate statement of profit or loss for the year ended 31 December 2016

> The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

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

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

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

Materiality

Materiality	EUR 2.300.000
Benchmark applied	5% of profit before tax
Explanation	Based on our professional judgment we have considered an earnings-based measure as the appropriate basis to determine materiality. We consider profit before tax to be the most relevant measure given the nature of the business and for the users of the financial statements.

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

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

Scope of the group audit

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

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

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

Our key audit matters

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

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

Risk	Our audit response
Valuation of work in progress including revenue recognition	
As disclosed in note 2 and 19 in the consolidated financial statements revenues and costs in relation to work in progress are recognized in the consolidated statement of profit or loss and other comprehensive income in proportion to the stage of completion of each project. Each reporting date management assesses the status of the projects and takes into consideration all aspects in order to finalize the projects in line with contractual agreements and relating contingencies, such as potential upward or downward adjustments in the projected estimates, and accounts for them accordingly. Due to changes in estimates, fluctuations in the anticipated project result can occur over the contract term. The stage of completion is assessed based on the actual labour hours incurred compared with the estimated labour hours needed to complete the project. Percentage of completion accounting ('POC') requires management to make a number of estimates and assumptions surrounding the expected profitability of the project, the estimated degree of completion, total estimated costs of completion, (any) claims/contingencies and inclusion of scope extensions. Although, these factors are routinely reviewed as part of the project management process, changes in these estimates or assumptions could lead to changes in the revenues recognized in a given period.	Our audit procedures included assessing contractual arrangements and reconciling total contract revenues to signed contracts, testing management's estimates of costs to complete, estimated hours and the proper allocation of costs and actual hours to projects. Furthermore, we performed procedures on management's assessment of expected profitability or losses and any claims/contingencies on projects. In addition, we performed procedures on the project scope extensions and assessed the adequacy of the company's disclosure in note 19 of the consolidated financial statements.

Risk	Our audit response
Amended financing agreement	
As disclosed in note 23 of the consolidated financial statements, on 30 December, 2016, the company amended its EUR 56 million secured bank loans and EUR 30 million revolving credit facility into a EUR 90 million revolving credit facility. In addition, the company increased its bank guarantees facility, reduced the interest markup and amended the loan covenants. The availability of sufficient liquidity to meet the company's liabilities when they are due and within the covenants as agreed with the banks is a significant matter in our audit.	Our audit procedures included assessing the amended financing agreement and we verified the repayment of the bank loans. We also assessed whether the company meets its amended loan covenants and we verified the adequacy of the company's disclosure in note 23 of the consolidated financial statements.

Risk	Our audit response
Initial Public Offering (IPO)	
On 12 May 2016, the company obtained a listing on Euronext Amsterdam. A total of EUR 8.4 million existing shares were successfully placed with investors (by its shareholder) for an issue price of EUR 14.00 per share representing approximately 33% of the company's ordinary shares. The other (income) and expenses in the consolidated statement of profit or loss and other comprehensive income include a total of EUR 6.8 million of non-recurring costs in relation to the IPO of the company. Furthermore, an amount of EUR 3.2 million is recorded in the statement of financial position to be amortized over the next 16 months, in relation to the secured claw back bonus arrangement of management. Considering its non-routine nature, the IPO was considered a key audit matter.	We performed audit procedures in testing management's calculation of the IPO costs and bonuses including procedures relating to the adequacy of the disclosures in note 10 of the consolidated financial statements.

Report on other information included in the annual report

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

Description of responsibilities for the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Eindhoven, 28 March 2017

Ernst & Young Accountants LLP

signed by M. Moolenaar