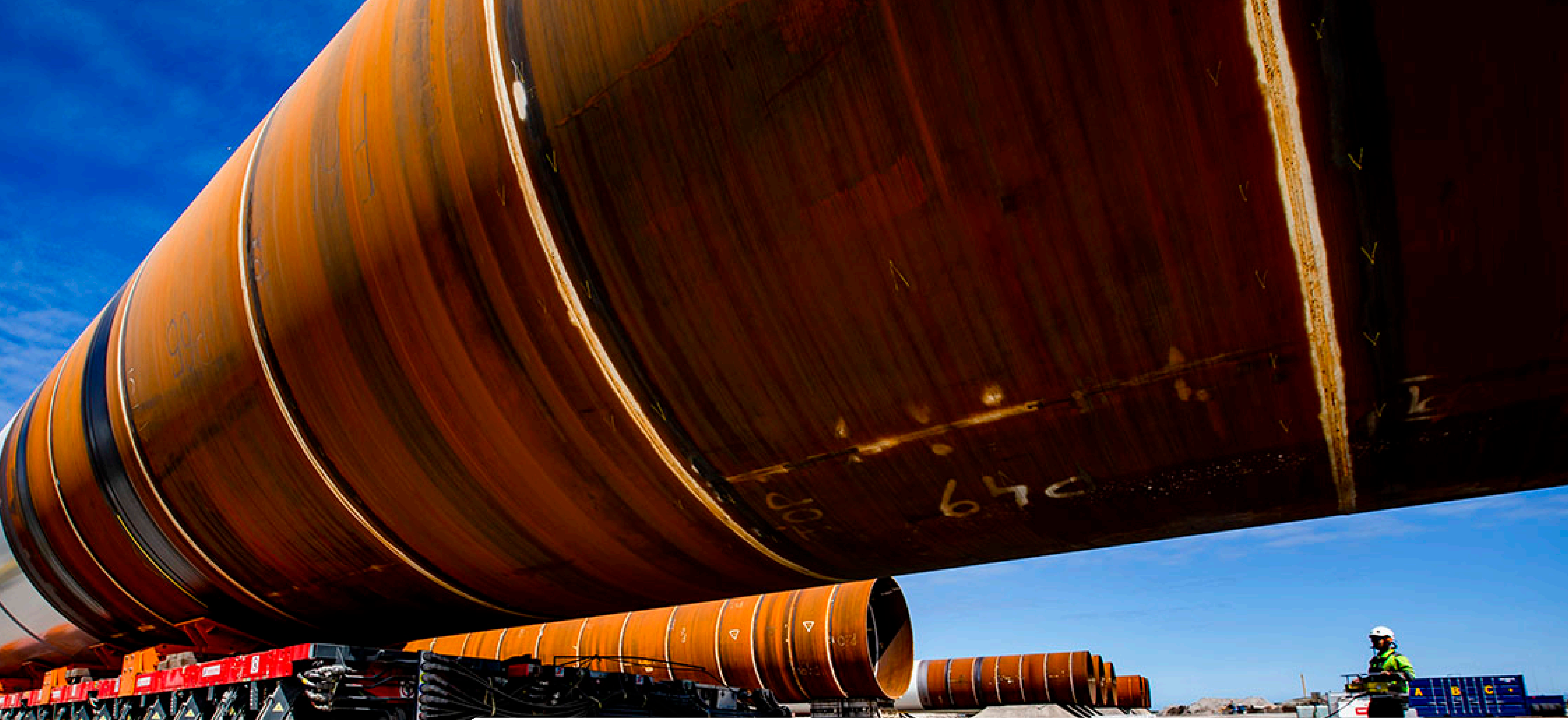


Annual Report 2019

Sif Holding N.V.

Sif

OFFSHORE
FOUNDATIONS

Highlights 2019

Lost time Injury Frequency (LTIF)
2.39
(2018:0.97)

Contract wins for first off-shore wind projects in USA and Japan, contract awards for Saint Nazaire, Hollandse Kust Zuid and Borssele V

Delivered foundations for Borssele 1+2, Borssele 3+4, Seamade, Triton Knoll

Completion of 2 additional coating units at Maasvlakte 2 and installation of 12 MW GE turbine as a pilot project

Initiation of marshalling activities on additional land at Maasvlakte 2

Financial performance

Revenue
€325.6
million
€101.5 million contribu-tion

EBITDA
€26.4
million
€4.3 million IFRS 16 effect

Profit attributable to the shareholders
€5.5
million

Earnings
€0.22
per share

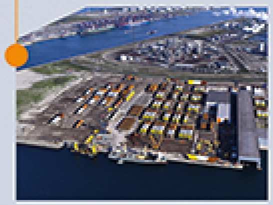
Return on capital employed
5.4%
EBIT as % of equity, loans and borrowings

Order book for 2020 (as at 12 March 2020)
170
Kton

2019

january | february | march | april | may | june | july | august | september | october | november | december

June
Realization 2 extra coating halls



July
Extension of 20 hectares for logistic services and marshalling

November
Commissioning Haliade-X on Sif terminal

Sif

Key figures 2014 – 2019

X € 1,000	2019	2018	2017	2016	2015	2014	Definition of non-IFRS measures
Revenue	325,600	235,140	327,180	400,318	321,343	262,523	
Contribution	101,517	74,336	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	26,371	12,550	54,592	58,616	55,252	45,741	Earnings before net finance costs, tax, depreciation and amortization
EBITDA (pre IFRS 16)	22,038	12,550	54,592	58,616	55,252	45,741	
Net earnings	5,488	-2,051	30,760	37,365	35,628	27,995	Profit attributable to the shareholders
Net cash from operating activities	30,853	5,548	53,886	52,887	25,421	33,570	
Net increase/(decrease) in cash and cash equivalents	1,074	-372	573	-28,429	3,740	-10,954	
Net cash from investing activities	-14,485	-3,218	-27,587	-67,962	-16,421	-39,523	
Depreciation and amortization	17,207	13,682	13,153	8,684	6,986	7,391	
Net debt	80,291	30,377	25,107	41,969	26,894	11,434	Gross debt (loans and borrowings) minus cash and cash equivalents
Net debt (pre IFRS 16)	21,293	30,377	25,107	41,969	26,894	11,434	
IN KTON							
Production	185	138	232	191	150	133	

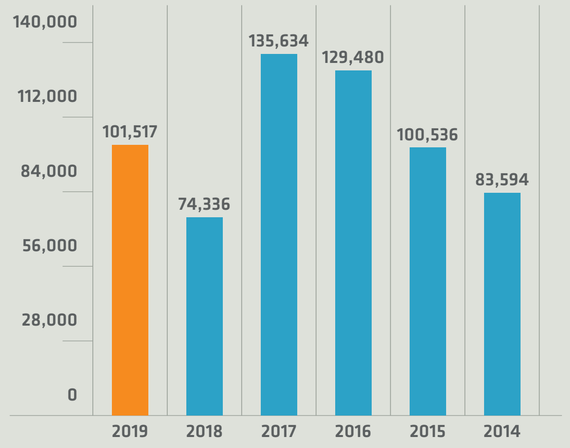
Contribution is an important KPI since it excludes pass-through expenses. Together with production in Kton and EBITDA it indicates the quality of Sif's performance in any reporting period.

Key figures 2014 – 2019

	2019	2018	2017	2016	2015	2014	Definition of non-IFRS measures
PER SHARE X €							
Earnings	0.22	-0.08	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	0.10	0.30	0.37	0.94	1.28	
RATIOS %							
ROCE	5.4	-1.0	25.8	32.7	39.5	30.5	Earnings before interest and tax as a % of equity plus loans and borrowings
Solvency	35.6	43.6	45.6	34.8	16.2	43.6	Equity/balance sheet total
Solvency (pre IFRS 16)	47.2	43.6	45.6	34.8	16.2	43.6	
COVENANT RATIO'S							
Net debt/normalized EBITDA	3.04	2.33	0.4	0.7	0.5	0.2	
Net debt/normalized EBITDA (pre IFRS 16)	0.96	2.33	0.4	0.7	0.5	0.2	
Cash flow cover	na	3.02	29.4	3	10.3	4.2	
Number of shares issued	25,501,356	25,501,356	25,501,356	25,501,356	25,501,356	25,501,356	

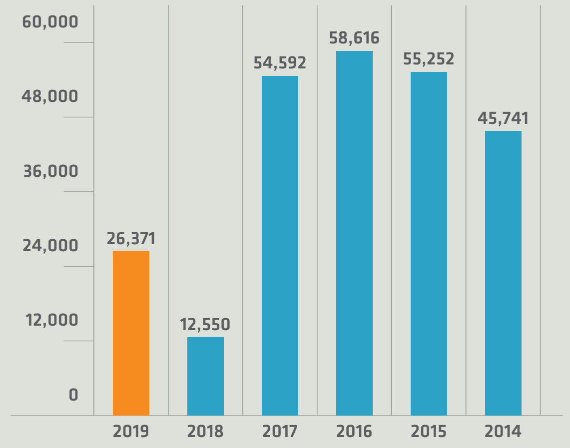
CONTRIBUTION

(IN € 1.000)



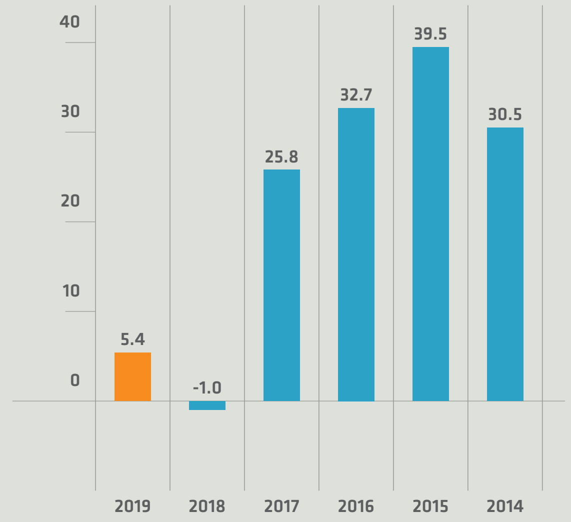
EBITDA

(IN € 1.000)



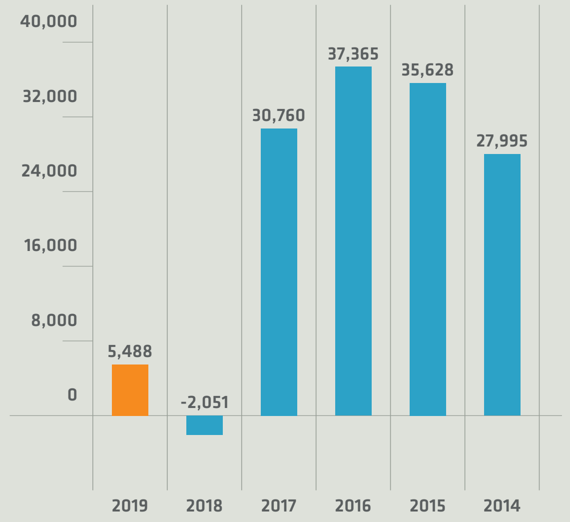
RETURN ON CAPITAL EMPLOYED

(IN %)



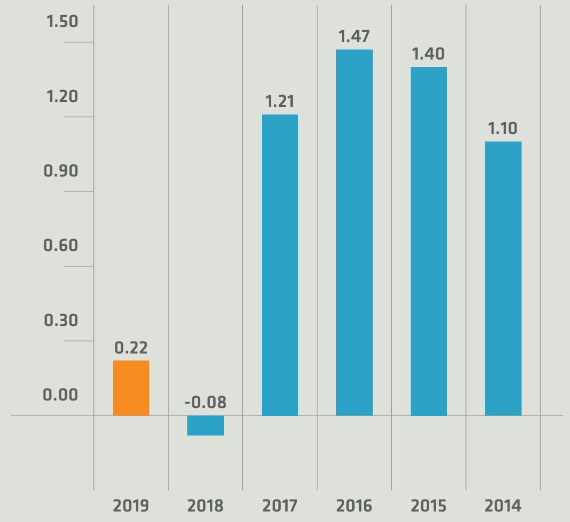
NET EARNINGS

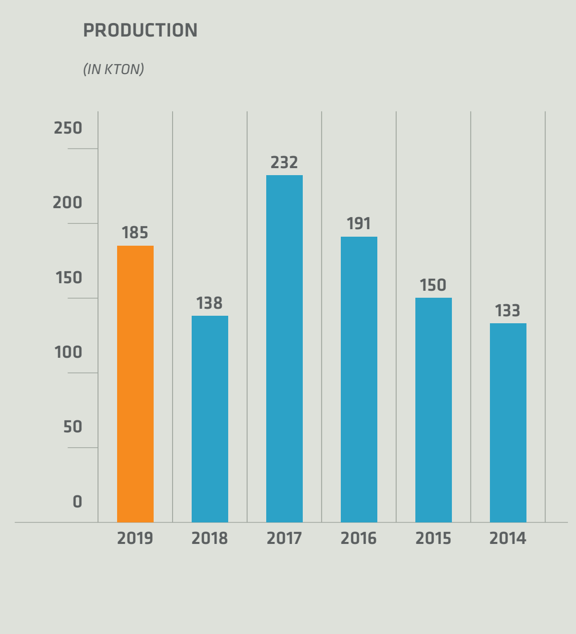
(IN € 1.000)

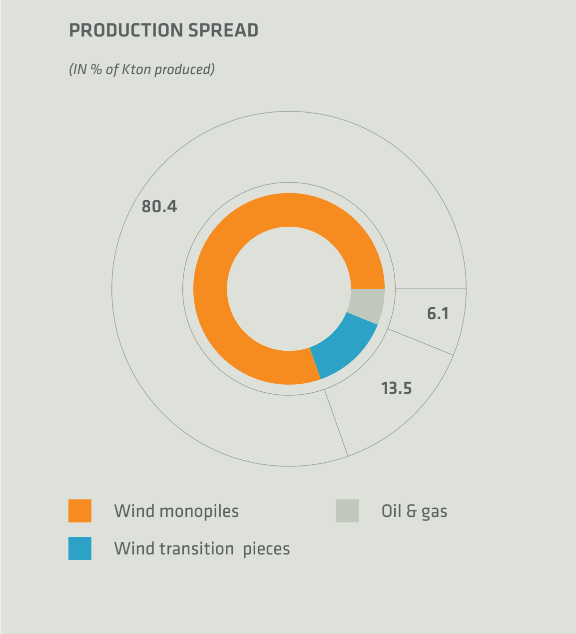


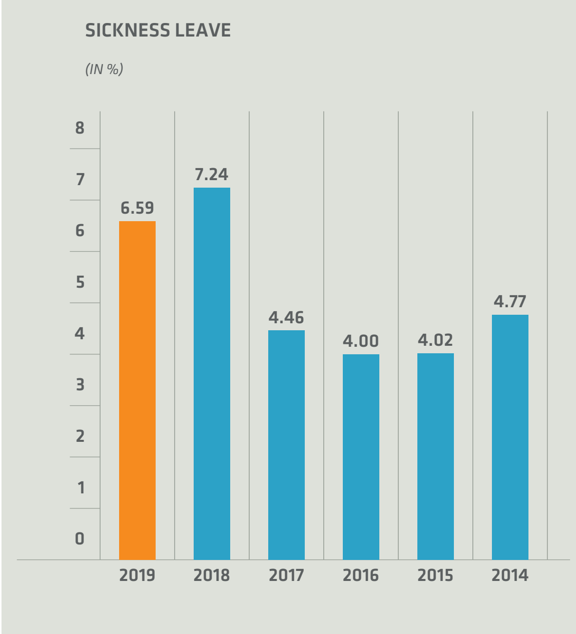
EARNINGS PER SHARE

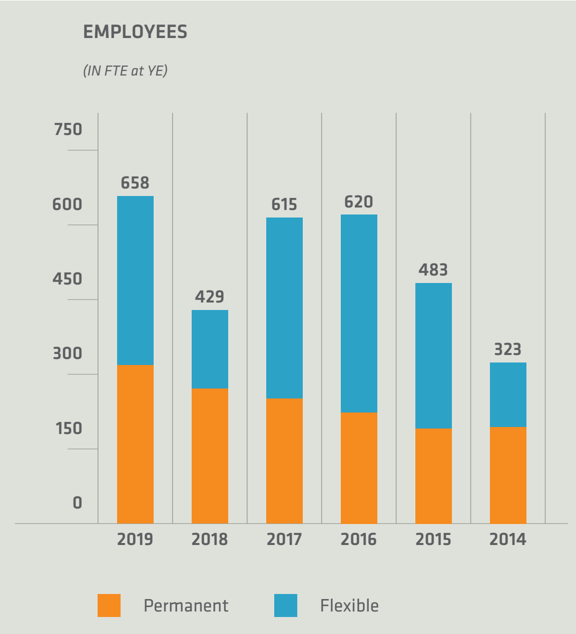
(IN €)

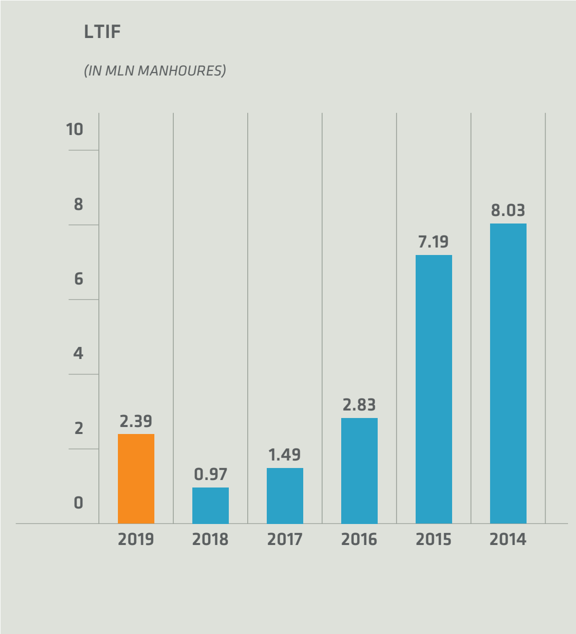


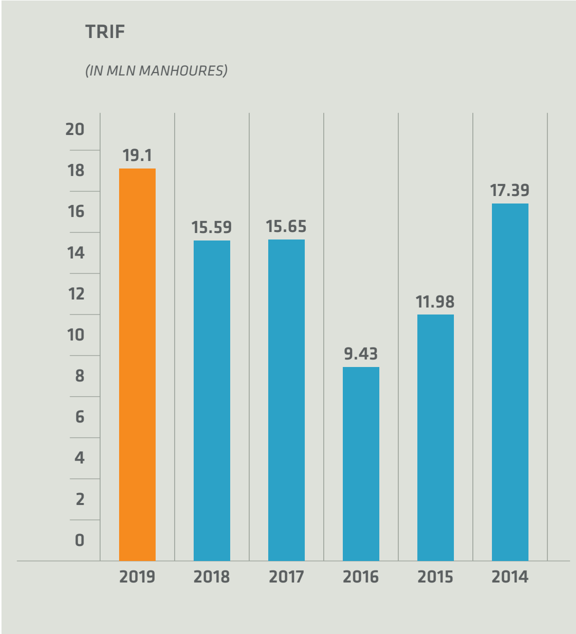

PRODUCTION
(IN KTON)
250
200
150
100
50
0
185
138
232
191
150
133
2019
2018
2017
2016
2015
2014


PRODUCTION SPREAD
(IN % of Kton produced)
80.4
6.1
13.5
Wind monopiles
Oil & gas
Wind transition pieces


SICKNESS LEAVE
(IN %)
8
7
6
5
4
3
2
1
0
6.59
7.24
4.46
4.00
4.02
4.77
2019
2018
2017
2016
2015
2014


EMPLOYEES
(IN FTE at YE)
750
600
450
300
150
0
658
429
615
620
483
323
2019
2018
2017
2016
2015
2014
Permanent
Flexible


LTIF
(IN MLN MANHOURES)
10
8
6
4
2
0
2.39
0.97
1.49
2.83
7.19
8.03
2019
2018
2017
2016
2015
2014


TRIF
(IN MLN MANHOURES)
20
18
16
14
12
10
8
6
4
2
0
19.1
15.59
15.65
9.43
11.98
17.39
2019
2018
2017
2016
2015
2014

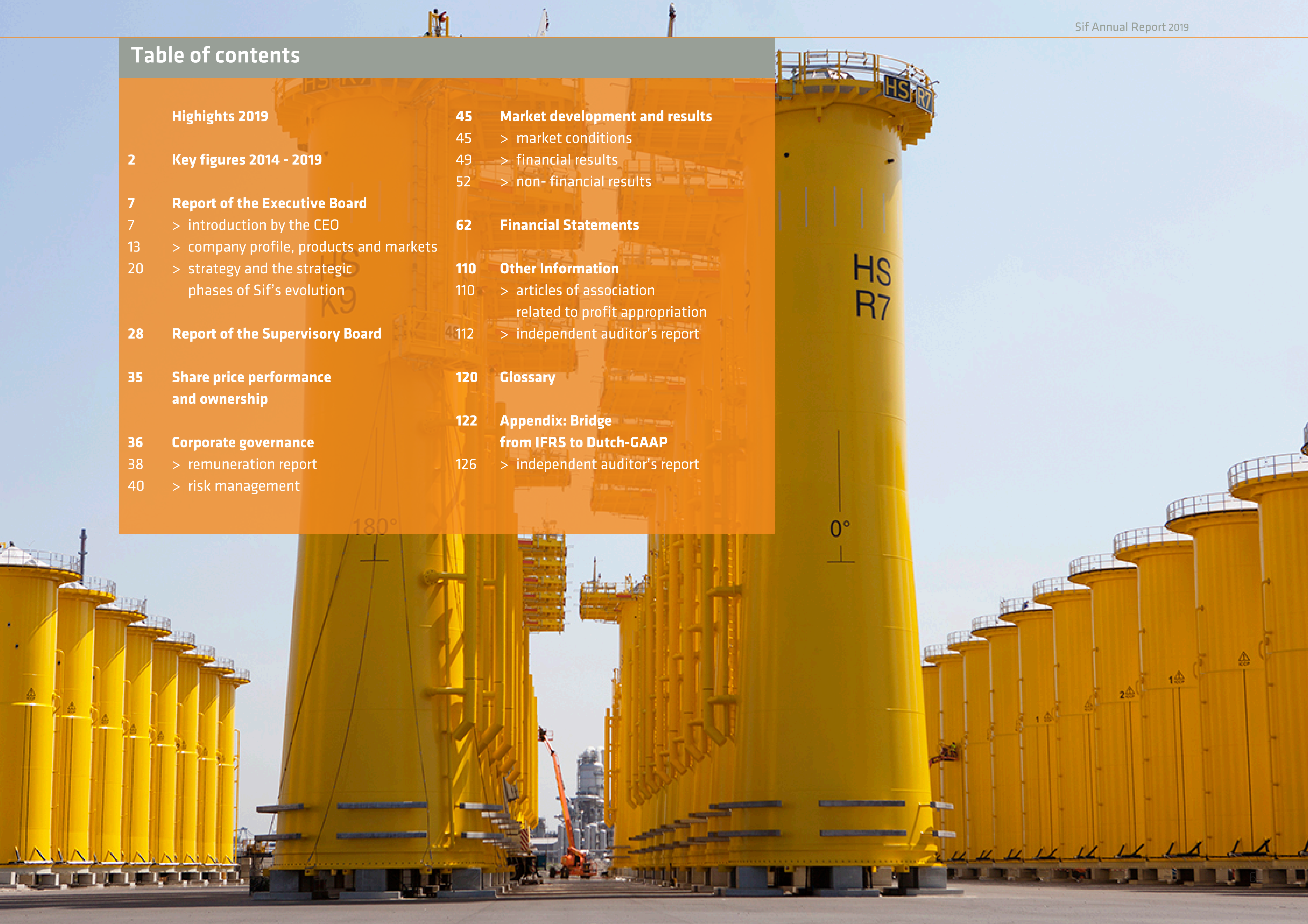


Table of contents

Highlights 2019

2 **Key figures 2014 - 2019**

7 **Report of the Executive Board**
7 > introduction by the CEO
13 > company profile, products and markets
20 > strategy and the strategic phases of Sif's evolution

28 **Report of the Supervisory Board**

35 **Share price performance and ownership**

36 **Corporate governance**
38 > remuneration report
40 > risk management

45 **Market development and results**
45 > market conditions
49 > financial results
52 > non- financial results

62 **Financial Statements**

110 **Other Information**
110 > articles of association related to profit appropriation
112 > independent auditor's report

120 **Glossary**

122 **Appendix: Bridge from IFRS to Dutch-GAAP**
126 > independent auditor's report

Industrialized craftsmanship to propel tomorrow's energy production

Introduction by the CEO

Dear reader,

It is only 20 years ago that Sif delivered its first-ever monopiles for the offshore wind industry – for the Horns Rev project, to be precise. The piles were 32 metres in length and had a diameter of 4 metres. The turbines installed on the foundations had a capacity of 2MW. The image on page 9 reveals how monopile dimensions have evolved over the recent years, along with the current state of technology, up to monopiles of 89 metres long and with a diameter of 8.3 metres, to serve as a foundation for turbines with a capacity of 10MW. At Maasvlakte 2, the first ever 12 MW turbine started producing power early this year. This is a Twin-park Sif B.V.-owned GE test- project that, once proven successful, will be released for application in offshore windfarms. This next level turbine will again require longer monopiles with larger diameters. This raises the question: when will we reach the boundaries of what is technically and economically feasible?

> 'The first ever 12 MW turbine produced first power late 2019'

Two decades of big, bigger, biggest, what does Sif do with this reality?

Investing in design and production processes

The industry continues to find new ways of manufacturing larger turbines. Nowadays, a generating capacity of between 12 and 15MW is close to reality. Sif has been following the latest advances in these technologies closely and is investigating exactly what effect this will have on size, manufacturability and costs of foundations. The obvious conclusion is that there is a need for larger foundations with the lowest possible wall thickness. Whether the best solution is to indeed increase the diameters and keep the current lengths, or retain the same diameters and increase the lengths is one of the questions we ask ourselves as an example of the various criteria we will be exploring further over the next year.

The levelized cost of energy (LCOE) – so also the integrated cost of foundations – is a constant key driver in our strategic decision taking. One important action we took is to invest more in design technology which, combined with our production technology and experience, enables us to better support our customers in their constant drive to optimize the cost for the integrated foundation solution. So far the focus has mainly been on reducing weight, for example by using thinner walls and therefore less steel. If wall thickness however is reduced while diameters increase, the materials and equipment will inevitably become more complex to handle, causing production expenses to increase progressively. Sif has invested substantial amounts in innovations over the past year to mitigate this risk. But the combination of the additional handling and investment costs will quickly outweigh the cost savings achieved from less steel. For the near future we concluded that a 9-metre diameter with a 7 centimetres wall-thickness (i.e. a diameter/wall thickness ratio of 130) creates a tipping point in terms of technical and economical feasibilty. Gathering practical production and production technology experience with these types of dimensions is essential before we enter into projects with larger diameter/wall thickness. In parallel we will use our innovation power to study and develop technical and economically viable production methods for monopiles above the 9-meter diameter mark.

‘Triton Knoll has provided us with the experience we need in design engineering, a service we intend to develop further in 2020’

Investing in production capacity

As the year 2018 progressed, we learned that requirements for preservation of monopiles were becoming substantially more stringent. Higher-quality, more complex coating systems as well as larger surfaces that have to be coated both inside and outside have become the standard. The effects of larger diameters and length were anticipated when the coating shop capacity was calculated back in 2016. The effects of the new requirements put in place end of 2018, however, were not. As a consequence, Sif decided to invest around € 6 million in 2019 in increasing the available coating capacity at Maassvlakte2 by 50%. This capacity came to operation at the first of July 2019 and has been in full use ever since to deliver our monopile order portfolio.

Investing in a new product: Marshalling and Logistic services

From August 2019 we leased more than 20 hectares additional space from the Port of Rotterdam as an extention to the industrial site we already had in operation at Maasvlakte 2 Rotterdam Europort. This enabled our in-house logistics team (developed during the course of 2018) to provide new marshalling and logistic services to our clients, who have been interested in these services ever since we opened the site at MV2. Thanks to the excellent facilities in terms of the deep-water quay and easy accessibility to the North Sea, it pays off for various companies to not only pick up the Sif monopiles but also use our site for other marshalling, logistic and final assembly services (like towers, nacelles, blades etc).
DEME (Dredging, Environmental and Marine Engineering B.V.) is our first leading professional client to use these services and, based on feedback received from various interested key players in the offshore wind industry, we have high expectations for the potential of these services in the coming years.

‘In 2019 we invested € 21 million in the development of offshore wind as renewable energy source and in the Sif range of services’

Investing in the energy of the future

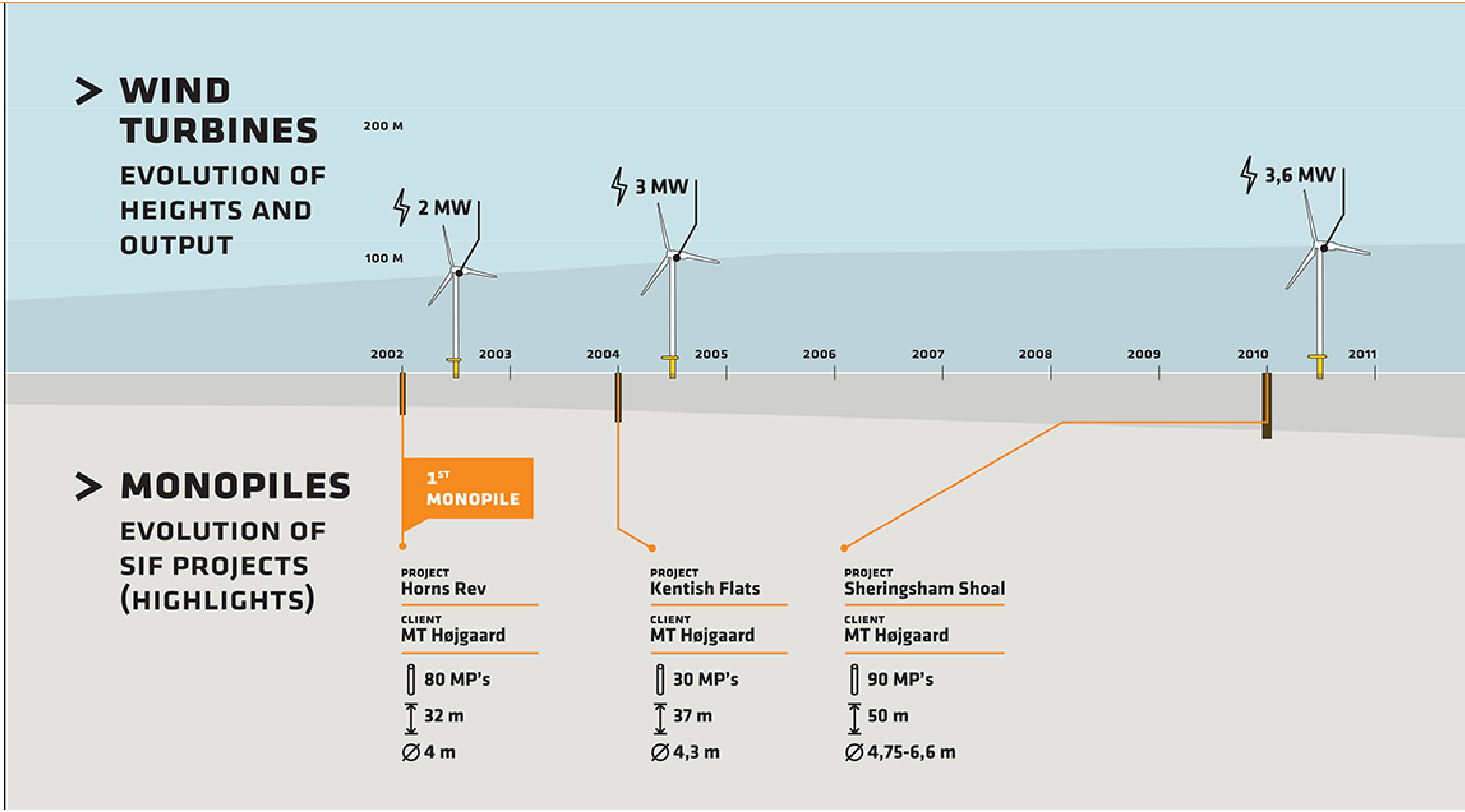
In addition to delivering on our orderbook and managing the investments in our production processes, we invested in the future of offshore wind energy in and outside Europe in 2019. Wind farm consessions are increasingly granted outside Europe, while various European countries are also becoming more ambitious in their plans. Offshore wind energy is critical to achieving climate targets. Although the delays in the federal environmental permit process in the USA are truly disappointing and have had a negative impact on our 2020 orderbook as the Vineyard project (first big, 800 MW, project in the USA and the first for Sif to be booked in the USA) got delayed till further notice, we were able to gain a tremendous amount of knowledge on the developing USA offshore wind market. We continue to keep a close look at this developing market from both an industrial and political perspective and we are convinced that the 22+GW in offshore wind energy projects in the USA projected for 2030 will be completed close to planning. Not only environmental reasons drive this positivity, also short-term shortage of available electric power is a strong economical driver for building the planned wind farms along the high-density populated USA East coast. Besides the USA, the market in Asia – Japan and Taiwan in particular – is developing steadily. Sif is not only keeping a close look at what is happening, we also opened a sales office in Tokyo and booked a first project based in Japan.

The maturing offshore wind industry is assuming its environmental responsibilty

The offshore wind energy industry is steadily maturing. This is not only marked by the trends and developments outlined above but also by the growing amount of wind farms being tendered out without subsidies. Already the case in Germany, Belgium and the Netherlands, this is also increasingly becoming common elsewhere. The released UK CfD round at the end of 2019, showed that the difference between subsidy free and subsidized projects has become negligible and is a sign that, boosted by present interest rates, windfarm development has become an economical viable business.

A sign that players in the supply chain are taking their environmental responsibility, is proven by the constant drive for alternative installation techniques (i.e. piling versus vibration versus drilling or alternative piling methods). Other companies are considering various ways of replacing technically obsolete systems. Despite the current lack of practical experience available, it is not uncommon to evaluate the remaining technical life of projects after 20 or 25 years.
When replacing existing projects, the question arises as to whether it is not wiser to install these further off the coast. Sif believes that it has an obligation to investigate the option of circular production methods of monopiles as an example of how we take our responsibility in the necessity of implementing sustainable practices in the production and use of foundations.

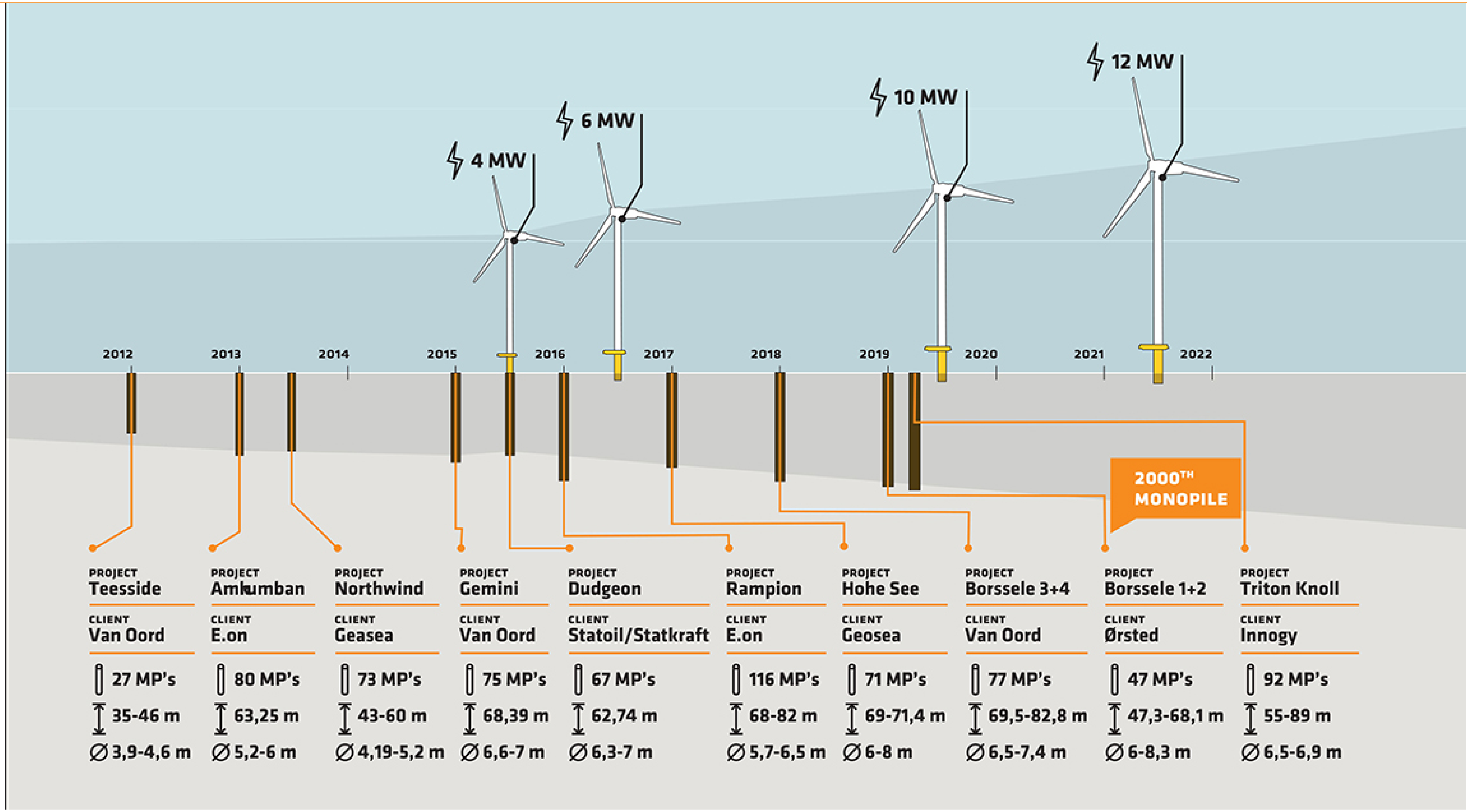
In Europe, we see that the path towards maturity of the market has manifested in a tendency towards reduced volatility. Government planning cycles are becoming more predictable while owners and developers of wind farms are gaining greater control over the process. It is highly likely that this will be evidenced from 2021 onward in a more balanced production load for suppliers with a more evenly distributed use of production capacity. Against this trend works the highly uncertain situation in the USA as the release of US projects is less predictable at this moment in time. As the components for these projects predominantly have to be manufactured in Europe (due to lack of the required local production and logistic infrastructure) an impact on volatility might be notable. Also the growing size of windfarms, and as a result bigger impacts on production slots for components like monopiles, make a thorough capacity/slot visibility increasingly important to avoid big production fluctuations.
The unpredictability of projects and their lead times in previous years resulted in a situation where there was a disproportionate strain on production capacity, creating an all-or-nothing scenario for the production processes involved.



Results and outlook

Sif measures utilization of its production capacity based on processed steel in Ktons and the number of monopiles delivered. Based on a 24/5 working week, the standard or nominal annual production capacity is 200 monopiles (finished product) plus transition pieces (black steel base material) with an equivalent in weight of 240 kilotons. Actual diameters, lengths and wall thickness result in deviations from these nominal numbers.

Our 2020 utilization rate – measured at the end of 2019 for projects such as Saint Nazaire, Borssele 1+2, Triton Knoll, Hollandse Kust Zuid 1-4, Akita-Noshiro and various smaller O&G orders – is approximately 75% or 170 Kton.
As of today, we have roughly 100 kilotons in the orderbook for the 2021 and beyond timeframe.



The opportunity pipeline for 2021 and beyond is looking healthy and the challenge is to achieve an optimized utilization during this period from the projects currently in the market, including but not limited to Hollandse Kust Noord, Doggersbank, Sofia, Courseuilles, etc. In 2019, we reached a production volume of 185 kilotons or 190 monopiles and 130 transition pieces (black steel base material) for projects such as Borssele 3+4, Seamade, Triton Knoll and Borssele 1+2.

We worked on a limited number of projects in 2019, generating EBITDA of € 26.4 million and net profit of € 5.5 million. Applying IFRS 16 severly impacts the numbers we present. We will dedicate a separate paragraph in this annual report to explain the impact IFRS 16 has in order to assure transparent comparison with previous years. Especially both the newly acquired and already existing landleases at Maasvlakte 2 severely impact these numbers.

Contributing to corporate social responsibility and – above all – safety

Investing in our people

The products we supply play a role in reducing the impact of climate change. The challenge to become climate-neutral by 2050 cannot be met without the aid of offshore wind energy.
Numerous countries support this and have raised their targets in this area. The impact on the scheduled installed offshore wind energy capacity is described elsewhere in this Annual Report.
For most we commit to manufacture our products and render our services safely and with minimal impact on the climate. We also guarantee that our suppliers apply the same ethical and environmental footprint standards we use for the origin of natural resources and semi-finished goods, that the people who work for us earn a decent wage and that we do not engage in exploitation or human-rights violations. How we guarantee this is also explained elsewhere in this report. The main thing is that it is part of Sif's corporate culture and the culture of our partner companies. This is set to become a priority at Sif more than ever before and in our working relationships with our subcontractors and suppliers, with the objective of creating a safe working environment and high-quality end products at the lowest possible prices and with minimal environmental impact. The world and our market are changing at a firm pace. The skills that are required from our people need to match this pace or even outpace the developments. This requires vitality of the organization and our employees. Because ultimately, it is our people and the people employed by our business partners who take Sif's products and services from the drawing board all the way to production. This is not an automatic, easy and guaranteed process that comes for free. Only by hard work, passion and dedication to deliver what we promised, Sif was and will stay successful. In the end, our people will determine the success of the company and that is why I want to thank them for their commitment and dedication as well as their flexibility to adapt to the ever-changing markets and market conditions we operate in.

Roermond, 12 March 2020

Fred van Beers, CEO

Company profile, products and markets

Sif (founded 1948) is a project-oriented manufacturing company that employed 658 full time equivalents at year- end 2019. Based in Roermond and Rotterdam, the Netherlands, we are a leading provider of mission-critical tubular steel foundations to the offshore wind and oil & gas markets. In support of our main services, we participate in SSSF B.V. for the supply of transition pieces, in SBR engineering GmbH for the development of special purpose (welding) equipment and in Twinpark SIF B.V. for the exploration of the 12 MW GE Haliade X windmill. To achieve our goals, we foster a company culture based on our 3 key values: teamwork, focus on results and accountability:

SIF'S CORE VALUES

Teamwork

In order to live up to the role of key player in the value chain of building offshore wind farms and other off-shore applications, teamwork is essential. Team interests always prevail over individual interests.

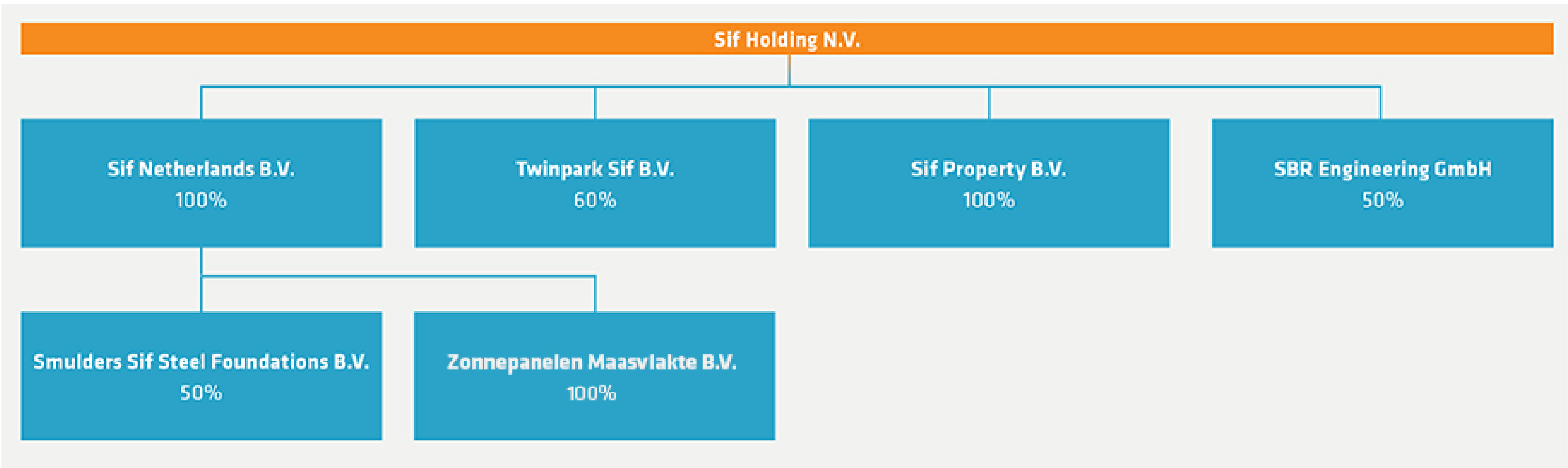
Focus on results

Doing the right things to achieve stakeholder goals. Thinking about the right focus to become even better today than yesterday, striving for quality, on time, in a safe environment. Continuously improving processes and procedures in a sustainable and measurable way.

Accountable

Our commitment and responsibility are driven by clarity on who does what in an openminded, solutions-oriented culture in which we foster openness and in which anyone can address issues and hold each other accountable.

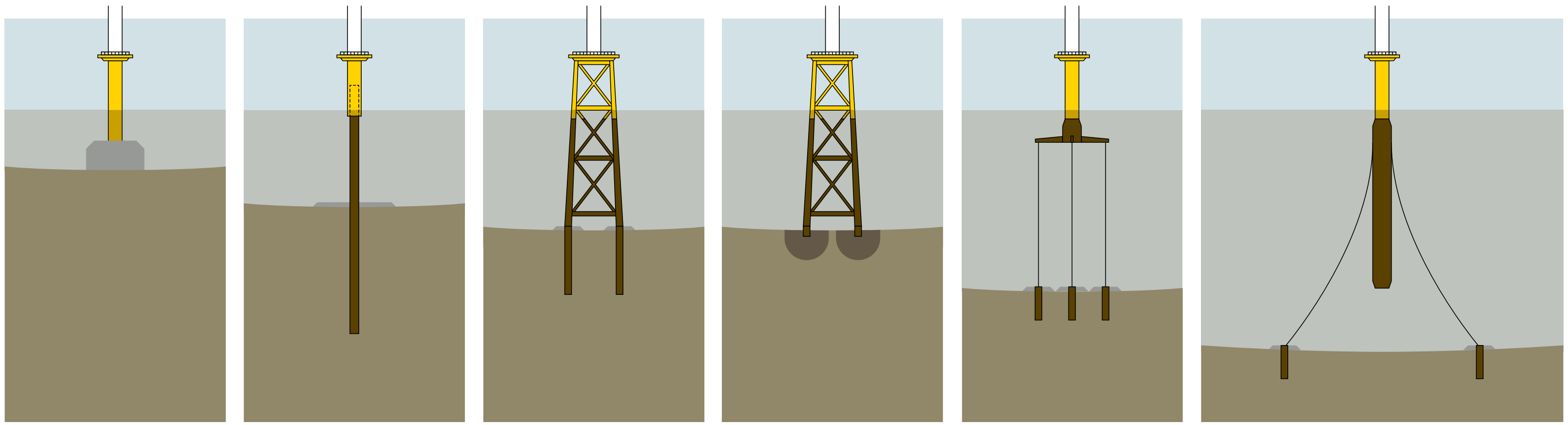
SIF GROUP LEGAL ORGANIZATION STRUCTURE



Sif serves the global offshore wind and offshore oil & gas energy markets. At the start of 2020 12 European countries account for approximately 22 GW grid connected offshore wind capacity (source: Windeurope; key trends and statistics 2019). This corresponds to 5,047 grid-connected turbines. During the period from 2020 to 2027 the worldwide installed capacity (China excluded) is expected to increase by an average of 8.7 GW per year with Northwest Europe accounting for 4.9 GW (source: WoodMackenzie Q3 2019).

‘With estimated annual grid-connection of 4.9 GW, European offshore wind capacity will double in less than 5 years’ time’

Sif manufactures foundations or foundation- components. There are several different types of foundations for offshore energy projects. Which type is used depends on a number of factors including water depth and the composition of the seabed. The monopile (image 2) with a market share of more than 80% is the most commonly used foundation for offshore wind turbines since it offers the best value for money. It can be used in water depth up to 50 to 60 metres. The monopile, however, is not suitable for very rocky sea beds. In such situations, jackets (image 3) or gravity-based foundations (image 1) are good alternatives. Suction buckets (image 4) and floating foundations (images 5–6) are only used experimentally. In 2019 70% of all newly-installed foundations were monopiles (source: Windeurope; key trends and statistics 2019). Offshore oil & gas projects mostly use jacket foundations or floating devices. Sif manufactures components for jacket foundations (legs, pin piles, bracings).



Gravity base	Monopile	Jacket / pinpiles	Jacket / suction buckets	Mooring stabilized TLP / semi-submersible with vertical anchors	Ballast stabilized Spar with semi-taut moorings
WATER DEPTH 20 to 30m	WATER DEPTH up to 50m	WATER DEPTH 30 to 60m	WATER DEPTH 30 to 60m	WATER DEPTH 60 to 300m+	WATER DEPTH 120 to 300m+

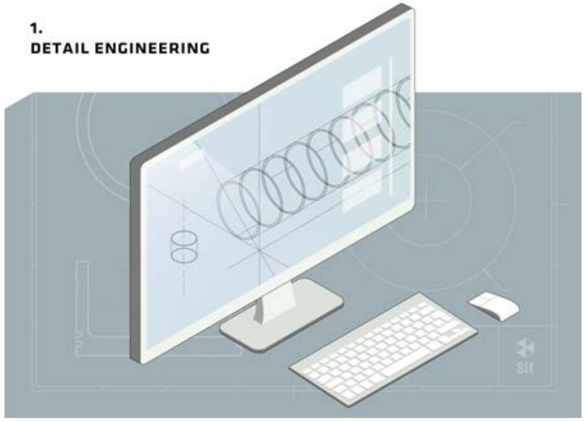
Our clients are energy companies such as Vattenfall, Eneco, E-on and RWE Innogy, developers such as Orsted, Triton Knoll and EP (Engineering and Production) contractors such as Van Oord, Geosea DEME, Heerema Fabrication, Saipem, Dragados, SHL and Kvaerner. Geographically our focus is on projects in Northwest Europe, in particular in the British, German, Belgian, Danish, Norwegian, French and Dutch sections of the North Sea. Foundations for projects outside Europe (USA, Taiwan, Japan) are fabricated or pre-fabricated in Europe, to be shipped and eventually assembled at their destination.

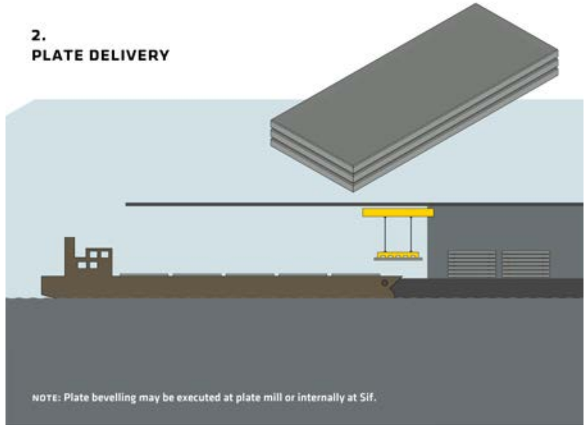
Besides Sif, EEW Special Pipe Constructions GmbH (EEW) and Steelwind Nordenham GmbH (Steelwind) are the main industrialized manufacturers of monopile foundations, which have a combined market share of roughly 80-90%. In addition, Bladt Industries A/S (Bladt), as a multiple product supplier, has limited monopile production capacity. Haizea Wind Group (Haizea) have presented themselves in 2019 as a monopile manufacturer in addition to their core discipline of manufacturing wind turbine towers. Sif supplied half of all foundations in 2019 with EEW, Steelwind and Bladt accounting for the majority of the remaining half (source: Windeurope; key trends and statistics 2019).

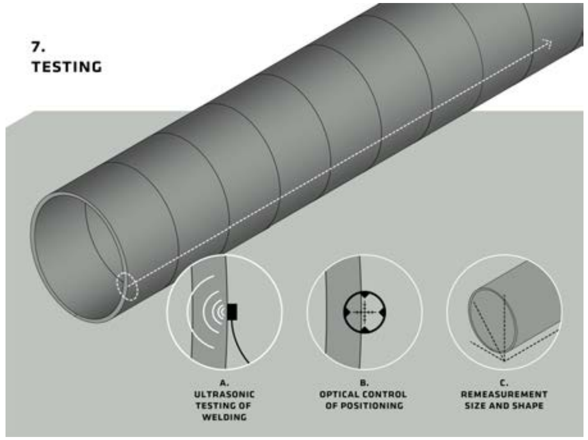
Thresholds to entry are capital, location and reputation. Sif's main competitive advantages are its proven track-record of being a reliable, trustworthy, fair and quality-driven partner. Sif's state-of-the-art manufacturing facilities are either new or have been upgraded. Finally, Sif has a proud history of over 20 years of expertise in safe manufacturing and timely delivery of mission-critical monopiles and transition pieces for offshore wind installations. In addition, our 62-hectare location in the Rotterdam area is a strong asset. It is ideally positioned for projects in the Western part of the North Sea and the USA. With a unique 400-metre quay with 16.5-metre draught, we are able to handle multiple loadings of vessels for installation or logistic services in parallel.

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, jacket legs, pin piles and pile sleeves).

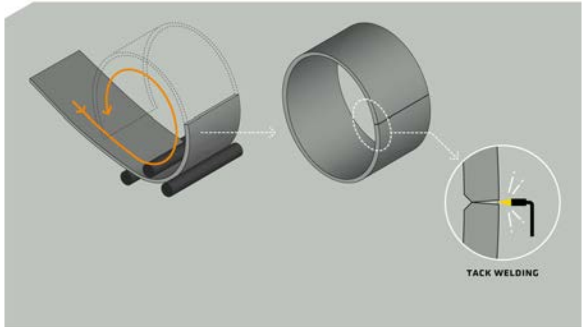
Cans and cones for monopiles are manufactured in Roermond and assembled in Rotterdam. Primary steel for transition pieces is manufactured in Roermond. Transition pieces are outfitted with platforms, boat landings, etc. by a specialized partner. Components for oil and gas foundations are manufactured 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. The production process is divided into the following ten phases:



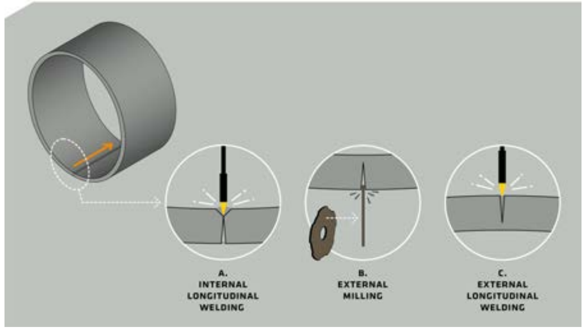




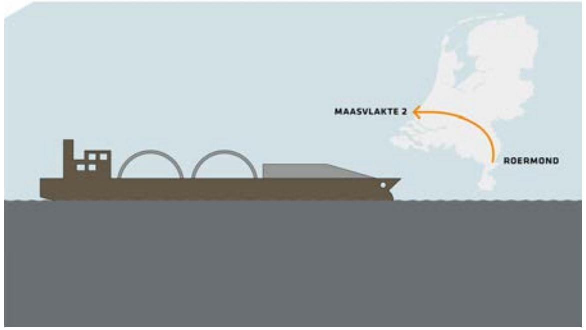
3.
ROLLING, POSITIONING AND TACK WELDING



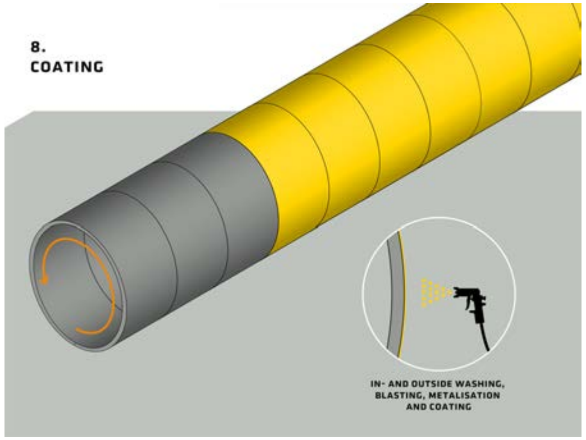
4.
LONGITUDINAL WELDING



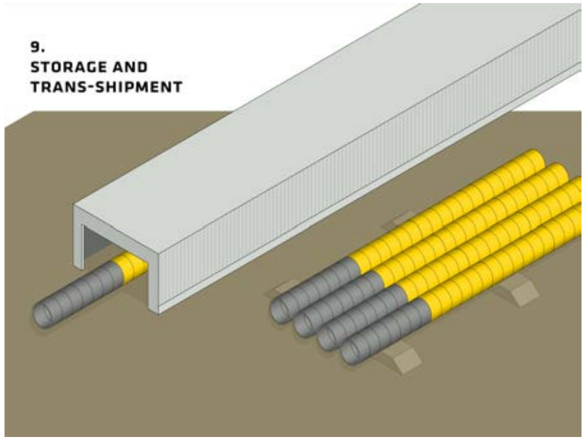
5.
TRANSPORT CANS, CONES AND SECTIONS TO MAASVLAKTE 2



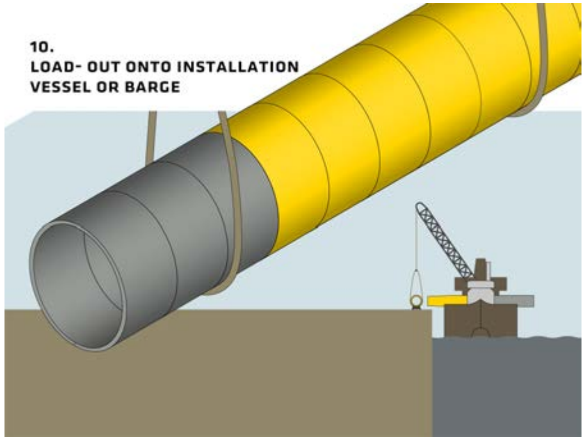
8.
COATING



9.
STORAGE AND TRANS-SHIPMENT



10.
LOAD- OUT ONTO INSTALLATION VESSEL OR BARGE

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Sif Group
Sif

Strategy and the strategic phases of Sif's evolution

Having started out as a manufacturer of tubular steel pipes for pressure vessels and jacket foundations, Sif redefined its business in early 2000 to focus on offshore wind energy. Sif became a first mover in monopile foundations for offshore windturbines. Sif's business model was based on the 'build-to-print' manufacturing of monopiles. Sif is now moving towards a 'total solutions partner' to offer Design, Engineering and serial Production of XXL monopiles. To achieve this position, Sif is optimizing its fabrication assets to meet mainstream market demand, develop offshore wind foundation design engineering and integrated transition piece alternatives, grow logistic and marshalling services and strengthen competences for an EPC (Engineering-Procurement-Construction) role.

In response to questions from clients and to facilitate them in the marshalling of onshore projects, Sif leased around 20 additional hectares on Maasvlakte 2 in 2019. The photograph on the next page shows this piece of land linked to the already-developed Sif site on Maasvlakte 2 in Rotterdam. Sif leases out land for storage, facilitates heavy transport and lifting services and supports clients with materials, labor services and equipment in the preparation and final assembly activities for their offshore operations. In 2019, DEME was the first client to sign a contract for eight months of marshalling services, commencing October 2019.

Our strategy: vertical integration for global supply with offshore wind foundations

Mission

Sif is a total solutions partner for steel offshore foundations and components for wind power and oil and gas production platforms. Sif's approach to continuous improvement and innovation to drive scale helps energy companies to reduce overall costs of sustainable energy production which is fundamental to limit or reverse climate change.

Vision

We create long-term value through fit-for-purpose design and production of offshore tubular structures and components for large-dimensioned steel foundations, based on the most efficient production process and state-of-the-art facilities. We aim to exceed clients' expectations in terms of quality, innovation, safety, costs and services.

While Sif predominately serves North-western European initiatives at present, it has an open eye on opportunities to expand its business internationally with Japan and USA as target markets.

Trends and developments

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. Sif's aim is to contribute to sustainable production of robust and affordable energy through the design and production of steel foundations (and components) for offshore wind farms.

The world is on the brink of an energy transition. The goal is to limit climate change caused by carbon dioxide emissions. Various countries have committed to limitation or reduction of carbon dioxide emissions. This was agreed in several international treaties such as the Kyoto Protocol, Obama's Clean Power Plan and the United Nations' Framework Convention on Climate Change (UNFCCC) of 2015. Most recent the EU presented the European Green Deal aiming among others climate-neutrality for the continent in 2050. Wind power generation helps to achieve climate change targets and contributes to the sharp decrease of costs of energy. Offshore wind energy can now compete with any alternative source of energy. In this respect, opportunities for the required energy transition are numerous.

'Our strategy is the basis for sustainable and profitable growth'

Financial: Sif's healthy financial position is based on the mix of banking facilities, working capital and equity markets. We aim at sound balance sheet ratios with 40% (pre IFRS 16) solvency and close to neutral working capital requirement. We invest in technology (rolling, welding and coating equipment) and operations (marshalling) from which we expect a sound and long-term return.

People: we offer a safe workplace to talented craftspeople. We invest in training and education and in longer-term relationships with both the people on our pay roll and our flexible workforce.

Production facilities: Sif's production facilities are dedicated to manufacturing, marshalling and logistic services and are situated at attractive locations for offshore energy projects. Operations that are subcontracted (coating, non- destructive testing) are executed at Sif-operated sites using Sif-owned facilities and equipment.

Innovation: we develop our in-house advanced technology and maintain partnerships with manufacturers of specific equipment such as welding machines or base-materials such as steel plates and flanges. With these partners, we maintain long lasting relationships that go back 20 years or more.

Communication: we firmly believe in long lasting relationships and a permanent dialogue with all stakeholders for ongoing improvements to materials, equipment, processes and products.

Our strategy is to achieve attractive and sustainable value creation for the Company and its stakeholders. We pursue this by operating in attractive and sustainable markets where we design and manufacture foundations or components for tier-1 clients who are engaged 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 established, 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 two timeframes:

1	2019-2021:	Driving growth. Focusing on the optimization of the existing product portfolio and offer add- on services in existing markets
		• Expanding coating capacity
		• Developing and growing marshalling activities
		• Invest in design engineering capacity
2	2022 and beyond:	Seeding future growth. Developing new markets for the existing product portfolio and developing alternative product lines
		• Offshore wind energy in Japan and USA
		• Marshalling activities as a profit centre

We have set ourselves challenging and achievable objectives

Key to the success of Sif's strategy are permanent innovations and operational excellence (high utilization, flawless production), a safe and environmentally friendly working environment, and financial strength. To measure success, we have set ourselves ambitious but achievable targets on all key success factors.

	Objective	Measurement	Actual 2018	Target 2019	Actual 2019
1	**Financial:** A healthy financial position; Solid financial ratios	Banking covenant: leverage; Net debt/EBITDA (covenants are pre IFRS 16)	2.33	<2.5	0.96
		Banking covenant: Solvency; Equity/Total assets (covenants are pre IFRS 16)	43.6%	>30% after dividend	47.4%
	Healthy WCR	Working capital (€ million)	14.2	Neutral WCR	4.3
	Good ROCE	Net earnings /equity+loans	-1%		5.5%
	Attractive return to shareholders	Dividend	0.10	25- 40% pay out	0
2	**People:** A safe work place and permanent education	Lost time Incidents	0.97	LTIF < 1.5	2.39
		Incidents	15.6	TRIF < 13	19.1
		Illness	7.24%	Sick leave < 4.5%	6.59%
3	**Production facilities:** dedicated to technological product and costleadership		Maasvlakte 2 in full operation		€6 million CAPEX for coating halls & additional land-lease of 20 ha for marshalling activities as a new service
		Market leader by Kton produced and #monopiles completed	138 Kton and 97 monopiles delivered	230 monopiles per year or 240 Kton	185 Kton and 190 monopiles and 130 transition pieces delivered
	Limit waste	100% recycling	96.4%	95%	96%
	Sustainable use of natural resources	20% reduction of gas consumption per Kton steel produced per year	Nm	20% reduction of gas consumption	natural gas per ton -35%, propane per ton +21%

	Objective	Measurement	Actual 2018	Target 2019	Actual 2019
4	**Innovation:** technological product and costleadership				€15 million invested in maintanance and inno-vations (pro-duct and pro-cess related)
		Generation of 100% green energy (solar & wind) for Sif's production	Decision to install Haliade-X 12 MW turbine	100% green energy	Haliade-X 12 MW turbine up and running to fully offset Sif's energy consumption
5	**Communication:** A competitive position in offshore wind energy outside Europe	Related to market trends	Participate in tenders in Japan and USA	First activity 2020	Contract awards in both USA and Japan Japanese sales office opened
	Improve production process	Throughput time	Procurement module and planning process	ERP system	Total operations live including manhour registration in AX ERP system
	Discount on financial expenses	CO2 and safety performance	NA	0.05% discount on banking fees	0

Swot analysis

INTERNAL / EXTERNAL	STRENGTHS	WEAKNESSES
	> Strategic location MV2 > Financial strength, access to capital > Innovative core technology > Strong Track record	> Workforce build- up (age, location) > Storage of wind energy > Dependent on governmental policies
OPPORTUNITIES > Decreasing LCOE > Pressure for climate change > Technological progress > Maturing industry > Geographic expansion > Adjacent services to clients	**STRATEGY** > Use financial strength, track record and core technology for development towards total solutions provider > Use strategic location of MV2 to serve clients with new products and services	**STRATEGY** > Build on reputation as tier- one employer in industry of the future > Product development floating and decommissioning
THREATS > Political impact on regulations > Availability of raw materials > Availability of skilled labour and addition of young employees > New entrants on other continents > Competing clean energy sources (solar, green hydrogen) > Single product, single market	**STRATEGY** > Use track record and reputation to strengthen relationships with suppliers and employees > Total solutions provider based on technological and geographical position	**STRATEGY** > Diversify geographically to decrease dependence on single market > Construct local content by partnering with transport, field-welding and assembly contractors

Stakeholder dialogue

Sif engages in an ongoing dialogue with its stakeholders.

Internal stakeholders	Employees	Employees, both on our payroll and through agencies, are key to our success. We offer them a safe working environment and competitive pay, regardless of their nationality. Since they are based in only two locations in the Netherlands, we prefer to communicate personally or through the intranet and publication boards. Since almost 50% of our workforce are foreign; English, German and Dutch are our languages of communication. For certain positions, we apply the master student principle for a learning organization.
	Shareholders	Managing expectations is key to this stakeholder group. We build on a relationship of trust that we may draw on when access to capital is needed. We communicate electronically (through e- mail, website, social media and audio webcast results presentations) and at AGMs, and also travel twice each year after release of annual and interim results for one-on-one meetings with investors and potential investors. Occasionally we participate in investor conferences. In our communications we observe our Policy on Fair Disclosure and Bilateral Dialogue which is published on our website.
External stakeholders	Customers	Customers buy our products, more often in a relationship of co-developer. Sif's capabilities drive the scale of the offshore equipment. Therefore, we hold frequent (personal) talks with our customers whose number is limited. On an annual basis Sif completes around 7 or 8 projects for different clients. We also meet clients and potential clients at the frequent trade shows or other events. During manufacturing, inspectors and other representatives from clients visit our offices on a very frequent or sometimes permanent basis.
	Labor markets	Labor markets are tight, especially for skilled and experienced craftsmen. To fill vacancies Sif often hires abroad through staffing agencies. To fill vacancies longer term, Sif maintains close contacts with technical schools and educations and often presents at trade fairs. For training of specialists (rolling and welding) Sif applies the master-scholar principle.
	Suppliers	In size, Sif's main suppliers are for steel plates, coating activities, flanges, temporary personnel, logistics and for welding equipment and materials. We maintain close personal relationships with them because of their importance in facilitating our innovations and growth.
	Banks/credit insurance companies	In addition to equity and retained earnings, Sif finances its business with bank facilities. We keep the banking syndicate informed of the risks and our risk management and guide them on expectations for future results and activities. We communicate through bank- meetings and on a one-on-one basis, as well as through quarterly reporting.

Indirect stakeholders	Governments	Governments make decisions regarding energy-sourcing and commit to sustainability targets. They initiate projects for wind energy and sometimes subsidize innovations or projects. We communicate through media and during network events.
	Schools, universities, research and educational institutions	We need new employees for succession and to infuse the newest technologies. We regularly attend trade fairs, where we present ourselves as an attractive employer and use social media to create awareness and interest. Next to this we cooperate with technical universities for innovation.
	Competition	We operate in a transparent market with a limited number of clients, projects and suppliers of monopile foundations. The size of the (limited number of) projects has the risk of volatility in utilization, revenues and income. Fair competition is one of the principles contained in our Code of Conduct. In that respect the contacts with competitors are strictly limited to technical discussions on dimensions in respect of quality and safety.

Report of the Supervisory Board

Composition of the Executive and Supervisory Boards

Sif Holding N.V. has a two-tier Board structure. The Executive Board with CEO and CFO is responsible for the day-to-day management of the Company. The Supervisory Board primarily supervises the implementation of the strategy for long-term value creation by the Executive Board and advises it regarding the day-to-day management. In performing this task, the Supervisory Board is guided by financial, commercial, and operational information and serves the interests of all the stakeholders of the company.

The Supervisory Board is composed in such a way that the knowledge, experience and insights with regard to the current issues at Sif as well as the markets and activities relevant to Sif are well represented. Each member of the Supervisory Board possesses the specific expertise necessary to fulfil this role and carry out this task. The Supervisory Board aims for diversity in its composition in terms of age, gender, professional and educational background and professional experience. The above-mentioned elements are included in the profile drawn up by the Supervisory Board and archived on the company's website.

SUPERVISORY BOARD PROFILE MATRIX

Area of Expertise	Supervisory Board Member
Industry in which the Company operates	André Goedée, Peter Wit, Peter Visser
General Management	Peter Visser, André Goedée, Peter Gerretse, Caroline van den Bosch
Finance, Administration, Accounting	Peter Wit, Peter Visser
Strategy	Peter Visser, André Goedée
Marketing, Sales	Caroline van den Bosch
Manufacturing, Production	Peter Gerretse
Innovation, Research, Development	Peter Gerretse
Safety, Environment	André Goedée, Peter Gerretse
Human Resources, Personnel, Organization	Caroline van den Bosch
Information technology	Peter Wit, Caroline van den Bosch
Regulatory	Peter Wit

The Dutch Management and Supervision Act (Section 166 of Book 2 of the Netherlands Civil Code) stipulates a requirement to make efforts towards achieving a quota of at least 30% women and at least 30% men on the Supervisory Board, to the extent that these seats are occupied by individuals. The Supervisory Board currently consists of five members, one of whom is a woman (20%). For the opening on the Board in 2022 (no seats are open in 2021), Sif will bring its Supervisory Board in line with this recommendation.

The composition of the Supervisory Board is such that the members are able to operate critically and independently of one another, the Executive Board and any particular interests. During 2019, 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.

Peter Visser, as a Supervisory Board member and as a board member of Egeria Industrials AG is potentially in a conflicting position. Whether this situation can lead to a conflict of interest situation is evaluated at every meeting and before each agenda item.

All transactions conducted between Sif Holding N.V. and any of the Supervisory Board members are agreed on market terms. Decisions to enter into transactions that are of material significance to the company and any of its Supervisory Board members require the approval of the Supervisory Board. Such transactions are published in the annual report. There were no such transactions in 2019.

The Supervisory Board convened one meeting in 2019 to discuss its own performance and that of its individual members. No Executive Board members attended that meeting. All the other Supervisory Board meetings were attended by the Executive Board and a secretary. At 2 occasions the auditor attended part of the meeting. The evaluation at the closed meeting covered the Board's composition, independence, expertise and team effectiveness, as well as the quality of information provision, the role of the chairman and relations with the Executive Board.

It was concluded that the Supervisory Board functioned well at both the collective and individual level. The members are of the opinion that they complement each other sufficiently in the context of their role in advising the company. During this closed meeting, the items for attention as stated in the best-practice provision of the Code regarding the independence of the Supervisory Board (2.1.7.) as well as its individual members (2.1.8.) and the chairman (2.1.9.) were assessed.

It was concluded that the Supervisory Board and the Executive Board enjoy a good working relationship. It was also established that none of the members of the Executive Board hold more than two supervisory positions as referred to in the Dutch Management and Supervision Act. Based on the list of suppliers and clients and based on the confirmations at each start of a Supervisory Board meeting that no participants to the meeting are conflicted, the Supervisory Board has no indications of any kind of conflict of interest between the company and members of the Executive Board.

The composition of the Supervisory Board is in line with the profile published on the Sif website. Sif will discuss a proposed amendment to this profile at the Annual General Meeting of Shareholders once the law on women's quota on Supervisory Boards of listed companies comes into force. The law is expected to enter effect in January 2021. The current composition of the Supervisory Board is as follows:

André Goedée (born 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. Reappointed at closing of the 2019 AGM for a 4- year term until 2023. 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 institutions, including the New Board Program at Nijenrode University. André Goedée holds no shares in Sif Holding N.V.

Peter Wit (born 1967, male, Dutch nationality). Relevant expertise and experience: stock exchange listed environment, financial & management accounting, legal, tax & compliance, auditing, IT & operations. First appointed in May 2018 for a four-year period. Resigning at closing of the 2022 AGM. Currently Peter Wit is COO at Atlas Professionals B.V., Advisor to the Board at Inashco B.V. and member of the Supervisory Board at Doedijns Group International. Previously Peter Wit was CFO and managing director at Inashco B.V. (2014-2017), CFO at Dockwise Ltd (2009-2013), Supervisory Board member at Atlas Professionals (2013-2018) and held several positions (finance manager Albania, M&A advisor in UK and COO/CFO for Shell’s asset management company) at Royal Dutch Shell Group between 1992 and 2009. Peter Wit holds a master’s degree in Business Administration from the University of Groningen and obtained a post-doctorate controlling degree (RC) from the VU University Amsterdam. Peter Wit holds no shares in Sif Holding N.V.

Caroline van den Bosch (born 1964, female, Dutch nationality). Relevant expertise and experience: procurement, human resources, information technology, sales & marketing. First appointed in February 2016 for a four-year period. Reappointed at closing of the 2019 AGM for a four- year term until 2023. Caroline van den Bosch holds 50% of the shares of Emeritor (procurement services and software). She also holds 50% of the shares in Meal Company, a manufacturer of food vending machines. 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). Caroline van den Bosch is booster for NL2025 and mentor for NLGroeit. She is the Supervisory Board’s primary contact for the Sif Works Council. Caroline van den Bosch holds no shares in Sif Holding N.V.

Peter Gerretse (born 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. Resigning at closing of the 2020 AGM. 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 to 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 Delft University of Technology. Peter Gerretse holds no shares in Sif Holding N.V.

Peter Visser (born 1956, male, Dutch nationality). Relevant expertise and experience: General management, finance, auditing, M&A. First appointed on an interim basis as of 1 November 2017 for the period until the end of the Annual General Meeting of Shareholders on 3 May 2018. Appointed on 3 May 2018 for a four-year period. Resigning at closing of the 2022 AGM. Peter Visser is co-founder of Egeria and director of Egeria Capital Management B.V. From 1992 until 1997 he was Director of MeesPierson N.V. and responsible for private equity activities in Europe. From 1983 until 1992 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 has been nominated a Supervisory Board member of Sif Holding NV by Sif’s largest shareholder.

The members of the Executive Board of Sif Holding NV are:

Fred van Beers (born 1962, male, Dutch nationality). CEO. Appointed in September 2018. Entered into a service agreement for a period of four years ending 2022. Fred van Beers holds a degree in marine engineering and worked as a business unit manager at Alcoa and LIPS before joining Wärtsilä. He served at Wärtsilä as Managing Director Netherlands from 2007 to 2010 and as Vice President Services Area North Europe from 2010 to 2015. More recently Fred van Beers was the CEO of Blohm + Voss shipyards in Hamburg (2015-2017) and served in various other management positions on an interim basis (2017-2018).

Leon Verweij (born 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.

The Supervisory Board's organization and activities

ROTATION SCHEDULE SUPERVISORY BOARD

	2020	2021	2022	2023	2024
André Goedée				✓	
Caroline van den Bosch				✓	
Peter Gerretse	✓				✓
Peter Visser			✓		
Peter Wit			✓		

The Supervisory Board has installed an Audit Committee and a Remuneration Committee. Selections and nominations are on the full Supervisory Board's agenda and discussed plenary. The Supervisory Board has determined that the Corporate Governance structure as applied by Sif Holding N.V. is effective.

COMPOSITION OF SUPERVISORY BOARD COMMITTEES

	Audit committee	Remuneration Committee
André Goedée		
Caroline van den Bosch		Member
Peter Gerretse		Chairman
Peter Visser	Member	Member
Peter Wit	Chairman	

Board Committees

Sif 's Supervisory Board, in accordance with Article 10 of the Supervisory Board Charter, had two committees in 2019: a Remuneration Committee and an Audit Committee. The committees all have their own set of rules defining their conduct; Audit Committee Rules and Remuneration Committee Rules, both posted on Sif's website under the Corporate Governance pages. These rules ensure, among other things, that the provisions laid down in the Code are complied with. These committees are tasked with laying the groundwork for the decision-making process of the Supervisory Board.

Remuneration Committee

The Remuneration Committee Rules define the duties, roles and responsibilities for the Remuneration Committee. They 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 entitlements, 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 convened on four occasions in 2019, often in the presence of the CEO and CFO. All the members of the Remuneration Committee attended the meetings. The main subject was the impact and effect of SRD2 (Shareholders Rights Directive), which came into effect in 2019. The Remuneration Committee was advised by Houthoff Advocaten and KornFerry on the implementation of the European directive. In early 2020, the Works Council was consulted on a new draft Remuneration Policy that allows for the changes resulting from SRD2. The revised draft Remuneration Policy will be presented to the shareholders, together with the Works Council's advice, for their approval at the AGM on 14 May 2020.

Audit Committee

The Audit Committee Rules define the duties, roles and responsibilities of the Audit Committee and include supervising the effectiveness of the internal riskmanagement 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 2019, the Audit Committee assessed the audit requirements and discussed the audit plan and the key audit findings with the external auditor. 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 proper documentation of these contacts.

The Audit Committee convened on four occasions in 2019. The CFO of Sif attended all the Audit Committee meetings. During the meetings key audit findings were discussed and progress on follow-up was reported. 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 two meetings of the Audit Committee. In monthly calls the CFO of Sif presented the monthly numbers to the Supervisory Board members.

Supervisory Board

The Supervisory Board Rules define the duties, roles and responsibilities of the Supervisory Board. They are included on the Corporate Governance section of Sif's website. The Supervisory Board convened on six occasions in 2019. All the members attended all the meetings. Most of the scheduled meetings took place in the Company's offices. 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 performance of the Executive Board, the Supervisory Board and the individual Board members was discussed in the absence of the Executive Board. The Supervisory Board is of the opinion that in 2019 the company did not perform satisfactorily. Due to the compressed order book and limited possibilities to compensate for lost time, the number of incidents and quality issues was beyond targets. A considerable amount of rework was required and there were too many safety incidents (accidents and near-misses).

During the Supervisory Board meetings, the topics discussed with the Executive Board, eventually supplemented with the commercial and operational directors, included business progress, market trends, internationalization, product development and result development. Other topics on the agenda, discussed in the absence of the CCO and COO, were staffing and succession, risks and risk management, governance and compliance with legislation and regulations. The Supervisory Board regularly discusses the strategy, the implementation of the strategy and the main risks coupled with the strategy with the Executive Board.

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

Financial accountability and dividends

The Report of the Executive Board and the 2019 financial statements were submitted to the Supervisory Board in accordance with the provisions of Article 30 of the articles of association. The financial statements were submitted for auditing to Ernst & Young Accountants LLP ('EY'), which subsequently issued, on the basis of its audit, an unqualified auditor's report on the financial statements. The Supervisory Board discussed the financial statements with the Executive Board in the presence of the external auditor, and subsequently approved the financial statements on 12 March 2020. The Supervisory Board will submit the financial statements for the 2019 financial year to the AGM on 3 May 2020 and recommends that the financial statements be adopted. The Supervisory Board is of the opinion that the financial statements constitute a sound basis for the account given by the Executive Board of its management and by Supervisory Board of its supervision of the management.

The Supervisory Board also proposes that the Executive Board should be discharged of their liability for the policy pursued and the Supervisory Board of their liability for the supervision conducted.

Proposed dividend distribution for the year under review

The dividend policy stipulates that Sif will pay a regular dividend in line with the medium to long-term financial performance of the company with the aim being a gradual increase of the dividend per share. The policy says that 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. Dividends 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 2019 amounted to €5,488 million. This result was below expectations and is influenced by both external and internal operational issues. These issues require diligence taking necessary completed and planned investments into consideration. It is therefore that a zero dividend will be paid for the year 2019.

Acknowledgements

The members of the Supervisory Board have signed the financial statements in compliance with their statutory obligations pursuant to Section 101, subsection 2 of Book 2 of the Dutch Civil Code.

With 185 Kton production, 2019 was a moderate year from a utilization perspective. The delays experienced in 2018 pushed regular planned production of certain projects forward and obstructed a flawless planning and execution in 2019. Together with the build-up of the workforce we had decreased in 2018, this caused rework and safety issues. Adjustments to the organization and increased focus on work-preparation should create more leeway to absorb these problems in the future. These adjustments will be realized in 2020 and relocations will be detailed further to be ready and fit for future activities. Projections by industry analysts WoodMackenzie (Foresight 20/20: Offshore wind From Niche to 'hard to ignore' dated January 2020) and Windeurope (Offshore Wind in Europe Key trends and statistics 2019 dated February 2020), after all, show a healthy development of demand over a longer period from now.

It is positive to see with which loyalty and involvement the employees within Sif demonstrate flexibility to adjust to the initiated changes while performing their day-to-day work. They are of decisive importance for the successes at Sif. We would like to express our sincere appreciation to the Executive Board and all employees for their commitment and for the special efforts they have made over the past year. We would also like to thank all other stakeholders, including shareholders for the patience and confidence they have shown in the company.

Roermond, 12 March 2020

André Goedée (Chairman)
Peter Wit
Caroline van den Bosch
Peter Gerretse
Peter Visser

Share price performance and ownership

Sif Holding N.V. shares (SIFG.AS) have been listed on the Euronext Amsterdam stock exchange since May 2016 with ISIN code NL011660485. At the end of 2019, 25,501,356 ordinary shares had been issued with a par value of € 0.20. All the shares bear equal voting rights and are entitled to dividend paid out of the Company's profit reserves (known as the 'one share one vote' principle). At the end of 2019 market capitalization amounted to €319 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 13016026 Sif Holding N.V. is 724500J0BPD5CLHCK040.

SHARE INFORMATION

	2019	2018	2017	2016
Closing price at year-end in €	12.50	11.66	17.41	15.48
Highest price during the year in €	14.72	19.50	25.35	15.97
Lowest price during the year in €	8.72	11.02	15.37	13.15
Average daily trading in number of shares	40,766	30,660	80,429	37,020
Market capitalization at year-end in € 1,000,000	319	297	444	395
Earnings per share in €	0.22	-0.08	1.21	1.47
Dividend per share in €	0.00	0.10	0.30	0.37
Average number of shares issued in 1,000	25.501	25.501	25.501	25.501
Total dividend in € 1,000	0	2.550	7.690	9,341

Free float in Sif-shares is approximately 40% of the issued shares as at 31 December 2019. 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
Moneta Asset Management	>3.00%	15 January 2020
The Vanguard Group	<3.00%	18 November 2019
Egeria Industrials AG	49.38%	31 October 2019
Egeria Capital Holding B.V.	6.46%	13 April 2017
SND Participatie B.V.	4.62%	9 May 2017

Substantial holdings (or short positions) equal to or exceeding 3% of the issued capital of Sif Holding N.V. should be reported to the Dutch financial markets regulator Autoriteit Financiele Markten (Netherlands Authority for the Financial Markets/AFM). AFM should subsequently be notified again when the substantial holding (or short position) reaches, exceeds or falls below a certain threshold. Thresholds for reporting are 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. The reported percentage as reflected in the table "regulatory filing of share ownership" are therefore not necessarily the actual percentages that are held.

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.

Sif Holding N.V. endorses the principles of the Revised 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 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 Corporate Governance Code):

> 2.3.10 Company Secretary.
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 and Bilateral Dialogue Policy. Sif announces press releases, presentations and press conferences in advance. Analyst conference calls and meetings are scheduled and announced for Full and Half year presentations and are audio webcast live. Transcripts of the calls are published on the website. Meetings with individual investors are not webcast for practical reasons, nor can they be followed through direct phone connections or otherwise.

> 1.3.1- 1.3.5 Internal audit function.
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 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).

> 2.1.6 Diversity.
As explained elsewhere in this annual report, Sif does not comply with diversity recommendations and regulations. Of five Supervisory Board members, one is female. For the next opening on the Board, after the relevant act on female participation in supervisory boards of listed companies has entered into effect, Sif will bring its Supervisory Board in line with diversity targets included in the Corporate Governance Code.

> 2.3.2 Committees.
The Supervisory Board has not installed a Selection & Nomination Committee. The relevant best practice conditions apply to the full Supervisory Board

> 2.3.4 Organization 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 defined in Article 2.1.8.

> 3.1.2.v Remuneration policy jo 3.4.1 Remuneration report:
Sif uses annual and long-term remuneration instruments. Annual bonusses are based on measurable financial and personal targets. Sif does not disclose these quantified financial and personal targets to avoid commercial market guidance on EBITDA/EBIT/Net debt or contribution. In a market with a limited number of suppliers and a limited number of projects, guidance on contribution or EBITDA could be seen as commercial guidance. Award of long-term remuneration is not based on KPI’s but dependent on share-price development only whereby the Supervisory Board can, at their discretion, apply a discount of max 30%. We feel that, by granting a fixed number of PSU’s, the share price development provides sufficient incentive to improve company performance and therefore we have chosen not to add specific KPI’s when granting PSU’s.

> 3.2.2 and 3.2.3 Severance payment:
Executive Directors may be eligible for severance payment upon termination of office as determined by the Supervisory Board. No severance will be paid in case of seriously culpable or negligent behavior on the part of the management board member. Severance payment for Executive Board members at Sif shall not exceed his annual fixed salary. If this maximum were manifestly unreasonable for an Executive Board member who has been dismissed during his first term of office, Sif may deviate from this maximum and pay twice the amount of his annual fixed salary as a maximum severance payment.

Appointment, dismissal and powers of Executive and Supervisory Board members

As of 1 February 2019, Sif is subject to the Full Large Company Regime (‘Volledig Structuurregime’) as is required by Dutch law. This implies that certain responsibilities have been 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 rules governing the appointment and dismissal of Board members are included in the Articles of Association. To summarize these rules: members of the Supervisory Board are appointed by the General Meeting of Shareholders with certain rights of (enforced) recommendation for the Supervisory Board and for the Works Council. Both the General Meeting of Shareholders and the Works Council can object to nominated candidates by the Supervisory Board but these objections may be ignored. Appointments for Supervisory Board members are generally for a period of four years. Executive Board members are appointed, dismissed and suspended by the Supervisory Board. The Executive Board has adopted internal rules regulating its organization, decision-making process and other internal Executive Board-related matters. These Management Board Rules are posted on Sif’s website on the Corporate Governance page.

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 3 May 2019 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 (i.e. until 3 November 2020). The authorization is limited to a maximum of 5% of the issued capital as at 3 May 2019 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 3 May 2019.

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 3 November 2020) 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 3 May 2019.

Anti-takeover measures and relationship with major shareholder

The duties and powers of the General Meeting of Shareholders, the Supervisory Board and the Executive Board are balanced in terms 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 Partnership Agreement. The main elements of this Agreement relate to the composition of the Supervisory Board and the Board’s committees. The Partnership Agreement also contains terms 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 was the situation as of 13 April 2017. The Partnership Agreement will terminate once 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

Remuneration report

As referred to in Section 2:135b of the Dutch Civil Code. The Supervisory Board determines the remuneration of the Executive Board members in accordance with the remuneration policy, most recently approved by the General Meeting of Shareholders in 2016 and as published on the Company's website. A revised remuneration policy will be presented for adoption to the 2020 General Meeting of Shareholders that is scheduled for 14 May 2020.

The aim of Sif's remuneration policy is to attract, motivate and retain qualified managers with relevant experience. The policy provides a framework for a result-driven remuneration that is linked to short- and longer-term strategic objectives. The starting point is remuneration based on the best possible balance between short-term results and longer-term value creation. In order to link individual remuneration to the company's performance, the remuneration package includes a variable part in the form of an annual cash bonus incentive and a long-term incentive in the form of performance shares. To ensure market competitiveness of remuneration, Sif offers a remuneration package around the median level of the market with a defined peergroup of industry peers plus a range of companies that are of a similar scale and level of complexity. There should be an alignment between the remuneration package of the Executive Board and the salary conditions of the employees of Sif, partially expressed by the pay ratio level. The main components of the remuneration policy for 2019 were:

a. A fixed basic salary. Reviewed annually based on the (index for the) cost of living;
b. Variable annual cash bonus for short-term results, linked to the results of the company (one calendar year). Maximum 60% of fixed basic salary for CEO of which as a starting point 50% dependent upon achievement of financial targets for EBITDA and contribution, equally weighted and 50% on personal targets. Maximum 50% of fixed basic salary for CFO of which as a starting point 77% dependent on financial targets for EBITDA, contribution and net debt, equally weighted, and 23% on personal targets. Personal targets for example relate to safety, corporate culture, reporting and information. On-target bonus of 40% for CEO and 35% for CFO. Personal targets are based on areas of responsibility and set by the Remuneration Committee at the beginning of the year;
c. Pension accrual for a pensionable salary-arrangement based on the fixed basic salary;
d. A Long-Term Incentive Plan (LTIP). Based on discretionary award of Performance Share Units, granted to a maximum pay-out of 20% of fixed basic salary annually with a three-year vesting period, conditional upon employment. Settlement in principle is in cash with an option to settle in shares. A minimum holding period following vesting of the shares does not apply unless settlement has taken place in shares. In that case an extra two-year blocking period applies in addition to the three-year vesting;
e. Members of the Executive Board are engaged by means of a services agreement. The term of which is set at four years.

The following overview summarizes the salaries and performance related bonusses and other remuneration elements of the Executive Board for the past 2 years

Executive Board remuneration

	Fred van Beers[1]		Leon Verweij[2]	
Type of recompense In €, excluding VAT	**2019**	**2018**	**2019**	**2018**
Base salary	367,200	120,000	275,706	300,235
Employer's pension contributions	22,662	4,369	39,615	38,995
Pension compensation	47,315	16,806	48,196	39,420
Annual bonus[3]	131,694	72,183	37,760	174,199
Other benefits (car lease, travel expenses and relocation expenses)	49,225	14,749	44,611	46,294
Social security and other payments	10,995	3,570	10,995	10,710
Total remuneration	**629,091**	**231,677**	**456,883**	**609,853**

1. Chief Executive Officer as of 1 September 2018.
2. Combined CFO and interim CEO for the period 3 May - 1 September 2018
3. These figures consist of the preliminary annual bonus over 2019 corrected for the release of the overstated bonus amount of 2018 (CFO € 37K)

Base salary

The base salary for Executive Board members increased with the cost-of-living index in 2019. This implies a 2% increase.

Annual bonus

The Supervisory Board confirms that the results on which the 2019 short term bonus for the Executive Board members is based, are derived from the audited financial statements. The bonus is partly based on the key performance indicators contribution, EBITDA and net debt and partly on personal non-financial performance targets. For 2019 the pay-out percentages for Executive Board members were 36% for CEO and 27% for CFO. These pay-out percentages include a discretionary adjustment preliminary determined by the remuneration committee and will become definitive after the AGM meeting upon approval of the supervisory board.

LTIP

Under the long-term incentive plan 7,425 PSU's with value of €73,433 were conditionally awarded to CEO (none in 2018) and 5,575 PSU's with value of €55,137 were conditionally awarded to CFO (3,100 in 2018 with value of €54,064). Following the approval of the LTIP by the AGM in 2017, the 2017-awards were the first under this LTIP and therefore no conditional awards vested in 2019. Before 2017 there was no LTIP and therefore no long-term incentive plans date back to the period before 2017.

Severance payment

Executive Board members 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.

Internal pay ratio

The average total pay per FTE of members of the Executive Board (CEO and CFO) in comparison to a reference group of all Sif employees (the pay ratio) is 6.8 (8.9 in 2018). 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 and salaries, social security contributions and pension expenses as reported in Note 7 to the financial statements. This results in total gross expenses of €23.985 thousand for 295 FTEs (€ 19,526 thousand for 259 FTEs in 2018) when excluding Executive Board members or € 81,305 (€ 75,390 in 2018) per Sif employee based on the average number of employees for the year under review. 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 31 to the financial statements.
Different than in previous years, the pay ratio now also includes LTIP value at award date. This results in total gross expenses of €1,113,283 for 2 FTE (€1,336 thousand for 2 FTE in 2018) or €556,641 (€668,032 in 2018) per Executive Board member.

Remuneration and company performance

	2019	2018	2017	2016	2015
Executive Remuneration (in €)					
Fred van Beers	629,091	231,677			
Jan Bruggenthijs[1]		766,327	1,343,678	2,697,661	441,049
Boudewijn Nijdam[2]				1,505,289	112,029
René Schmeitz[3]				1,481,578	348,810
Leon Verweij	456,883	609,853	290,482		
Employee remuneration (in € /average Fte)	98,410	93,838	91,745	89,725	76,238
Company performance indicators					
Contribution/ton	549	539	585	678	670
Ebitda	26,371	13,258	57,118	65,395	57,815
Pre IFRS 16 Net debt year-end	21,293	30,377	25,107	41,969	26,894

1. Chief Executive Officer as of September 2014 until 3 May 2018.
2. Chief Financial Officer as of September 2015 until January 2017.
3. Chief Financial Officer until September 2015 .

Supervisory Board Remuneration

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 variable remuneration nor are they awarded Sif shares or share options.

SUPERVISORY BOARD REMUNERATION

	Remuneration			
in €[1]	2019	2018	2017	2016
André Goedée	70,000	70,000	70,000	70,000
Maarten Schönfeld[2]		20,000	60,000	52,500
Peter Gerretse	45,000	45,000	45,000	40,000
Caroline van den Bosch	45,000	45,000	45,000	40,000
Peter Wit[3]	45,000	30,000		
Peter Visser	45,000	45,000	7,500	
Alexander van Wassenaer[4]			37,500	45,000
Total remuneration	**250,000**	**255,000**	**265,000**	**247,500**

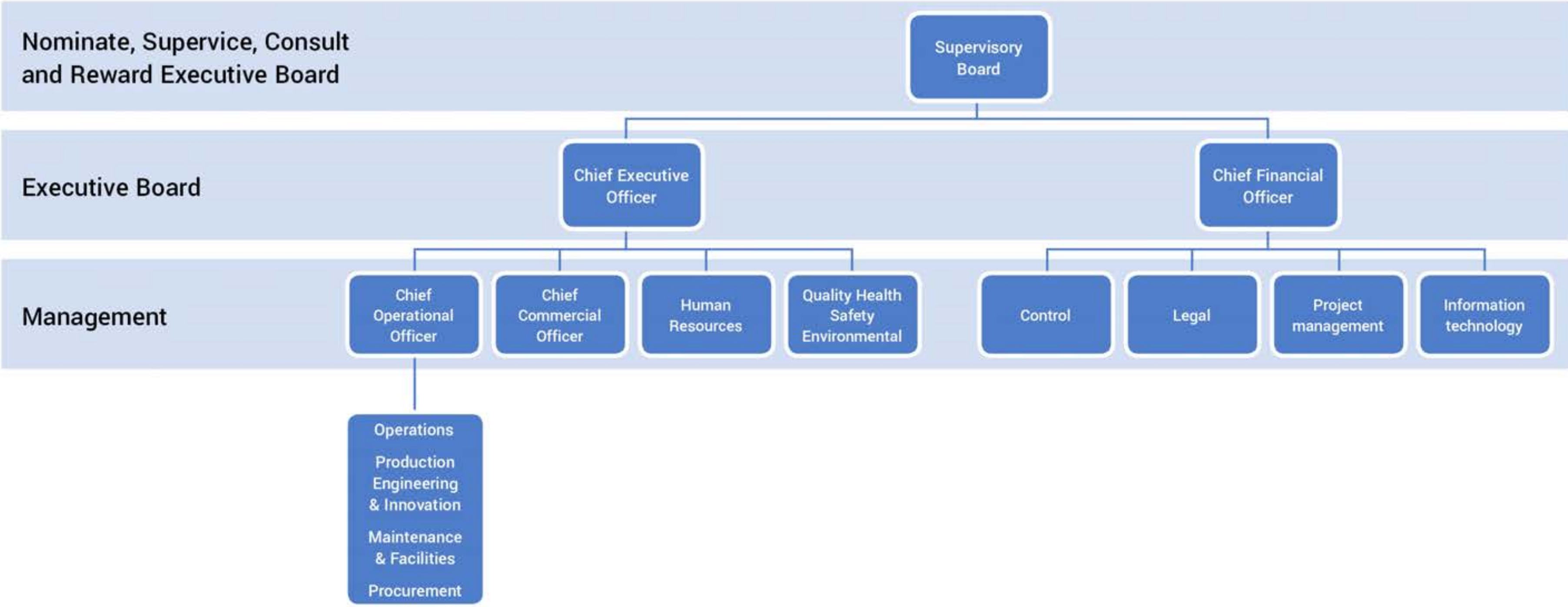
1 excluding VAT
2 resigned 3 May 2018
3 appointed 3 May 2018
4 resigned 23 October 2017

Risk management

Executing its strategy and running its day-to-day 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 the most important mitigating 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 accept.

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 Supervisory Board rules, Management Board rules, a contracting policy, an insider trading policy, a fair disclosure and bilateral dialogue policy and a whistle-blower policy. Operating processes are designed in accordance with various standards and audited on a semi-annual basis. Sif is certified to ISO 9001, ISO 3834-2, API-2B/API-Q1, EN1090-1/EN1090-2, ASME U, U2, S, VCA**, ISO 45001, ISO 14001 and DNVGL-CP-0352 standards. Projects are subject to a monthly progress and financial review by project controllers, project management and executive management, during which both progress and the development of the risk profile are reviewed. Adjustments to anticipated man-hours, project expenses and results are made if and as required. This is reflected in the progress of the projects and therefore also in results on the projects that are measured on POC (percentage of completion). The statement of financial position, the statement of profit and loss and other comprehensive income and cash flow statements that reflect eventual changes in project forecasts are reported to and discussed with the Supervisory Board on a monthly basis whereby the amount of steel used (in Ktons) and man-hours spent in relation to completed products and anticipated man-hours are key- indicators.

The key component to sound risk management is Sif's corporate **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 inclusive working environment where employees are encouraged to speak out.

Based on the above and the risks that materialized during the year under review, 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.

Risk matrix

Strategic risk
- geographical dependence
- dependence on limited products
- dependence on offshore wind energy with limited number of clients and projects
- competition from new entrants or vertically integrated manufacturers

Operational risk
- dependence on limited number of suppliers
- volatility of project related business
- inadequate alignment of existing and new factories
- limited availability of skilled and experienced staff
- unfavorable gender and age distribution of staff
- safety hazards
- size of monopiles exceeding manufacturability

Risk mitigation
- Product development (innovation)
- Geographical diversification
- Increase inhouse detail engineering skills
- Cost-leadership, supply chain flexibility and innovation
- Strong solvency and cash- position
- Management Control and speak-up culture

Financial risk
- inadequate reporting process
- fluctuating material prices
- credit and interest rates
- changes to global economic conditions

Legal and regulatory risk
- damage to reputation due to fraud
- violation of values in the Code of Conduct
- product liability
- unclear inspection criteria

Some of the risks in the Sif Risk matrix emerged during the year under review. This mainly concerned the volatility that can result from the combination of dependence on a limited number of markets, clients and projects and, more specific for 2019, on dependence on political decision-making. The size of the majority of the projects on the market makes it a challenge to optimize factory utilization. In 2019 Sif was faced with the effects of a delay in a project that was planned to be fully executed in 2018 and that carried over into 2019. As a consequence, projects in 2019 were executed later than initially planned and in parallel with each other to prevent late deliveries and consequential claims for liquidated damages. This caused sub-optimal production procedures, rework issues and safety hazards.

Important mitigation tools to smoothen capacity utilization are innovation, product development and in-house detail engineering. Most of the innovations are related to executed projects. Such as in 2018 and 2019 in Triton Knoll (design- and detail engineering in contract scope of Sif) and Borssele 3+4 (wind farm without transition pieces). In 2019 innovation initiatives included, amongst others, participation in design projects for floaters, GROW monopile projects and new designs for transition pieces like the ‘Sky-box’.

+ 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.

V Completed

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

Strategic risk	Materialized 2019	Measures to mitigate strategic risk	Risk appetite	Status
Dependence on Northwest European and on immature (emerging) markets can disrupt the business	Vineyard project in USA was awarded but delayed due to political permit planning, first project in Japan in exclusive negotiation	Focus on mature markets in North Sea territory and Select joint venture partners in emerging markets Japan, Taiwan and United States to diversify geographically	Sif will take equipment and know-how to markets outside Northwest Europe only when not jeopardizing home markets and only if sufficient market funnel is in place. Until that time Sif preferably manufactures from existing production facilities in The Netherlands.	>
Dependence on limited number of products	Started marshalling activities in Rotterdam as add- on service	Developing new products and add-on services to limit dependence on limited number of products and pursue that monopiles remain the solution of choice for bottom fixed until 60 meters waterdepth by being the supplier of LCOE optimized total MP solutions	Sif will only develop new products for existing markets	>
Dependence on offshore wind energy with limited number of clients and projects	Rebuilding workforce after decrease in 2018	Maintaining cost leadership and maintaining a certain flexible workforce to achieve the flexibility required to deal with volatile project environment	Safeguard balance between permanent and flexible workforce and include critical positions in permanent workforce.	>
Competition from new entrants or from vertically integrated manufacturers	None	Developing core competences and innovating to maintain product and cost- leadership	Not applicable	>

Legal and regulatory risk	Materialized 2019	Measures to mitigate legal and regulatory risk	Risk appetite	Status
Damage to reputation due to fraud, bribery or corruption	none	Authorization matrix. Control and assurance. Company culture.	Zero incidents	>
Violation of values in Code of Conduct	none	E-learning and speak-up culture	No violations of company values	+
Product liability	none	Quality control and assurance. Contracting principles. Insurance	Zero defects to finished products	V

Operational risk	Materialized 2019	Measures to mitigate operational risk	Risk appetite	Status
Dependence on limited number of suppliers or clients may disrupt production	None	Maintain and develop the strong relationship with key steel and flange suppliers based on mutual interest. Develop relationships with steel suppliers in other regions and treating steel as a pass-through cost to avoid pricing risk. Negotiating sound payment conditions, performance bonds or credit insurance	Maintaining conditions as defined in contracting policies Steel is always a pass- through cost Positive cash flow from projects	✓
Volatility of project- related business	Rebuilding workforce after decrease in 2018	Maintaining a flexible workforce to adjust workforce to workload. Scale up in-house design engineering for earlier involvement; engage in flexible capacity agreements	Safeguarding balance between permanent and flexible workforce	>
Inadequate alignment of existing and new factories may cause delays or disruptions	Cross-share know-how and harmonize processes and procedures for operations	Transferring working methods and techniques from experienced Roermond-staff to Maasvlakte2. Scaling up in-house detail engineering capabilities	Uninterrupted production flow	>
Limited availability of skilled and experienced staff may cause delays or deficiencies	Tight labor market in Western Europe for technical personell (welders and rollers) has impacted growth of payroll based expertise and resulted in relatively high quality costs	Strengthening talent development and developing employee training and loyalty programme to retain key personnel. Maintaining good relationships with staffing agencies	Uninterrupted production flow	>
Insufficient flexibility or resources to adapt to changing regulations and specifications	Turn fear for change into opportunities	Talent development, training and in-house engineering know how	Market leadership in manufacturing capacity and skills	
Safety hazards	Incidents and near- misses	Embedding safety in company culture and maintaining focus on health of employees	Zero accidents	>

Financial risk	Materialized 2019	Measures to mitigate financial risk	Risk appetite	Status
Inadequate reporting process	Lacking ERP system impacted timely reporting on operations	Strengthening project control function and implemented ERP AX reporting system	Timely and reliable monthly financial reporting	✓
Fluctuating material prices	none	Pass-through costs for certain materials (steel)	Very limited to no risk on price changes	✓
Credit, interest rate and liquidity risk	none	Pursuing a credit policy, maintaining solvency and healthy cash levels and following treasury policy guidelines as explained in Note 24 to the Financial Statements 2019 paragraphs ‘credit risk’, ‘liquidity risk’ and ‘market risk’ respectively	Zero breaches of banking covenants or covenant holidays when needed	✓
Changes to global economic conditions	none	Good contracting policies, flexible workforce, strong balance sheet and cash management	Zero risk of changes of prices for raw materials; steel is a 100% pass- through item	>

Market development & results

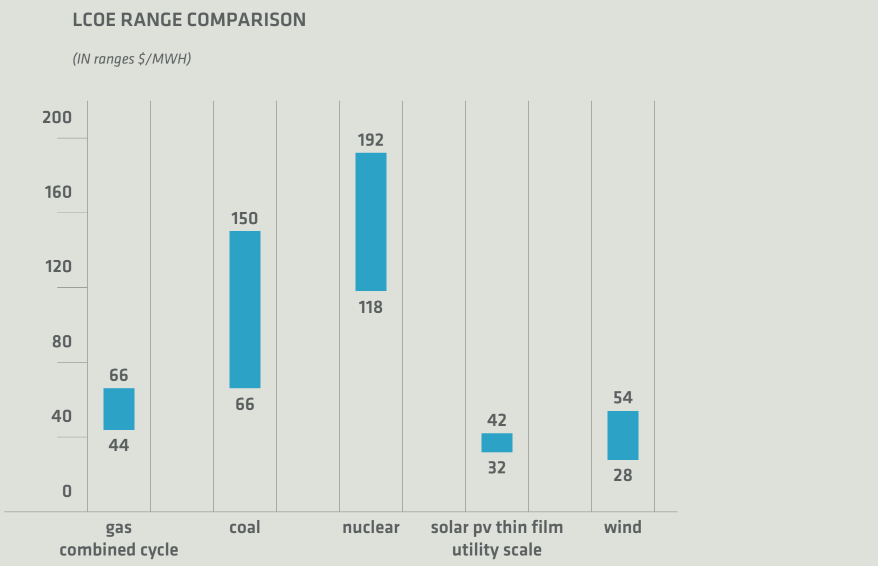
Market conditions

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

Expectations for the supply of sustainable energy generated offshore increase year on year in Offshore Wind Energy. In December 2018, WoodMackenzie assumed that an average of annually 7.4 GW would be added to global capacity between 2020 and 2027 (excluding China). Installed capacity was approx. 30 GW at that moment. This forecast was adjusted upward in November 2019 and now assumes an average annual growth of 8.7 GW for the same period. In this prognosis the forecast for Europe fell slightly; from an average of 5.1 GW per year to 4.9 GW per year. WoodMackenzie estimates that by 2028 Europe will produce almost 65 GW offshore wind energy. The growth in demand is driven by climate-related inter-country agreements and by the constantly decreasing costs of offshore wind energy.

> ‘Offshore wind energy has the lowest Levelized Cost of Energy, which is expected to further decline following ongoing production efficiency and product savings.’

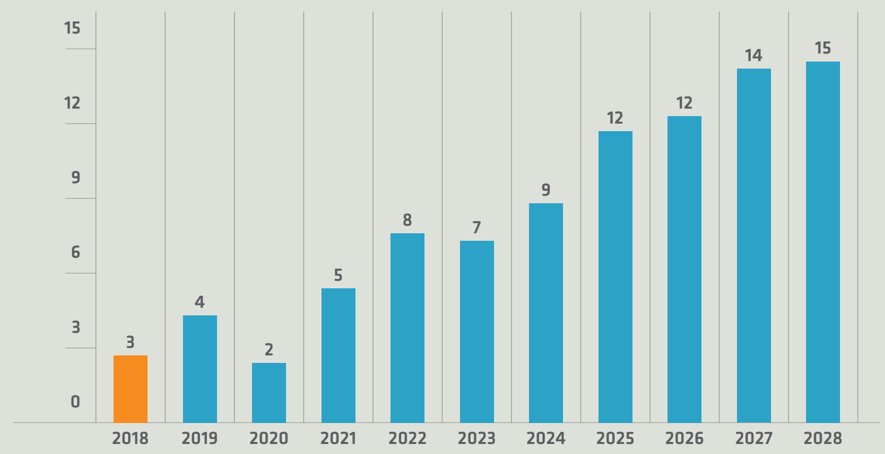
In the Netherlands, like in other European countries, costs of electricity production through offshore wind energy, which are expressed in LCOE (Levelized Costs Of Energy), have dropped significantly. Partly this is a consequence of low interest rates for project financing.
In 2019, prices of offshore-generated wind energy fell further below the levels of energy from coal, gas and nuclear energy. An LCOE of €56/MWh has already been calculated for the Borssele I and II projects (source: TKI offshore wind energy – Offshore Wind Cost Reduction Progress Assessment 2017).
This makes offshore wind one of the most attractive energy sources. Recent calls for tenders in Germany and the Netherlands confirm this trend. Tenders for these projects were submitted without government subsidies.



Source: Lazard 's LCOE analysis version 13.0 november 2019

In 2019 Sif mainly worked for European projects such as Triton Knoll (UK), Seamade (Belgium) and Borssele 1-4 (the Netherlands). Total production in 2019 included approximately 185 Kton or 190 monopiles and primary steel for 130 transition pieces for these North Sea projects.

‘Demand for offshore wind energy is driven by inter-country agreements and by decreasing costs of offshore wind energy.’



Source: WoodMackenzie Q3 2019

In 2019, in addition to Hollandse Kust Zuid 1-4 (the Netherlands), the first projects outside Europe were won. These projects will be manufactured in Sif’s facilities in the Netherlands. In Japan Sif continued its close cooperation with industry partners to explore sites and local production opportunities should the market develop as anticipated. Exclusive negotiations on a project started at the end of 2019 and have meanwhile resulted in the first project for Sif in Japan. The first-ever large-scale offshore wind energy project in the US was also won by Sif. However, Vineyard was shelved after federal agency BOEM announced a renewal of the already executed environmental impact study on the effects of offshore wind energy in general. This study held up the permit for Vineyard Wind. Until the results and eventual consequencial actions are known, no federal environmental permit will be granted. Given the uncertainty of the outcome of this process, Sif has subsequently moved the project from the 2020 order book and put it on the hot opportunity list.

Compared to its alternatives, monopile foundations are popular due to their low manufacturing costs, low transport and installation costs and low risk profile. Wood Mackenzie Consultants expect that at the end of 2027 at least 55% of approximately 120 GW globally installed offshore wind turbines will be based on monopile foundations and at least 70% of over 60 GW installed in Europe. Currently, more than 80% of the wind turbines installed in the North Sea have monopile foundations and approximately 35% of these were supplied by Sif. The total demand for XL monopiles is estimated to slowly increase to approximately 850 Kton or 570 monopiles per year in 2026. In this estimate, assumptions for the growing diameters, lower wall thickness and increase in capacity of turbines are taken into account.

‘In Europe, 81% of all offshore wind foundations are monopiles; in 2019 Sif supplied 50% of all foundations’

The reduction of costs of offshore windenergy is primarily driven by innovations, low interest expenses and efficiency improvements. In this context, in 2018 projects with 9 MW wind turbines went into service and it is expected that it will not take long before turbines generating 12 to 15 MW will be used. Sif's new manufacturing facilities and innovative drive are supporting this growth because Sif can produce longer monopiles (up to above 100 meters) with larger diameters (till 9 meters short term and mid term over 9 meters) and with a total weight of close to 2,000 tons each.

Sif has a permanent innovation agenda consisting of either offshore wind energy projects with embedded innovations or dedicated innovation projects that aim at lower manufacturing costs, lower installation expenses, shorter and safer offshore installation, faster manufacturing or less nuisance to the environment. Examples of embedded innovations are the slip-joint connection at Borssele 5 and the Borssele 3+4 project where transition pieces are no longer applied and where, as a consequence, savings can be realized in steel costs and in installation time at sea which is shortened dramatically.

Another example of Sif's innovative drive is the Triton Knoll project where Sif is optimizing the design-to-production process by including design engineering in its contract scope. Examples of innovation projects in 2019 are the Sky box-concept development, floater designs and alternative materials for monopiles. Sif is a member of "Growth through Research development and demonstration in Offshore Wind (GROW)" and involved in a number of innovative projects that support the application of monopiles in offshore wind projects.

'Sif's innovations are project-embedded, innovation-projects or in partnership under the GROW umbrella.'

In part due to these innovations, but also due to the growth of the wind farms themselves, more energy is being generated. In addition, cost savings are pursued in manufacturing and the use of materials (mainly steel). As a result of a UK investigation on corrosion of monopiles, coating requirements increased. This has urged Sif to invest in two additional coating facilities in Rotterdam at their Maasvlakte production site in 2019. Additional investments, that initially were scheduled for the 2019-2021 timeframe as a result of the PISA design recommendations addressing the diameter over wall thickness ratio, are put on hold until more experience has been gathered on 9 meter diameter designs for monopiles and on the actual stretch in the Diameter/Wallthickness ratio in relation to savings on materials and production costs.

Price levels for oil and gas lead to selected offshore development projects

Offshore oil and gas has been under pressure since 2015 due to heavy fluctuations on a lower level oil prices. Projects in which Sif was involved accounted for around 5% of Sif's revenue in 2019 and consisted of the supply of mega-jacket legs and pin piles. In 2019, the price of Brent Crude Oil increased from around US$ 50 a barrel at the beginning of the year to approximately US $70 a barrel at the end of the year.

‘Offshore Wind demand is mainly in Europe, in the North Sea and Baltic sea. Sif‘s production location MV2 is strategically positioned.’

Sif has two manufacturing facilities equipped with 47 Sif design welding machines and 8 rollers. The over 100,000-square-metre factory in Roermond is specialised in the manufacturing of cans and cones, transition pieces, pin piles, legs and pile sleeves with wall thicknesses up to 250mm. The cans and cones are transported down the River Maas to the assembly and coating facility in Rotterdam, where they are assembled into monopiles. The facility in Rotterdam was constructed in 2015–2016. Parts of the factory in Roermond, which dates from 1972, were re-equipped and expanded in 2016 -2017. In 2017 a new facility and rolling machine went into service.

The purpose for which the products supplied by Sif are used makes product flaws unacceptable. On a constant basis Sif has its quality and operational procedures under review since the dual manufacturing concept is operational and future plans to eventually expand outside Europe are prepared. Quality control procedures start with contract and design review and document and data control and continue through purchasing procedures, production process control, equipment inspection and testing, materials, parts and components, 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 and takes high value in continuous improvement processes.

In 2019 several internal health and safety audits were performed and in addition 27 inspections and 12 audits at suppliers and potential suppliers, subcontractors, business partners and vendors have been executed. By or on behalf of our clients, 5 audits were carried out at Sif’s production sites (3 audits related to quality and 2 audits related to quality, environment and safety).

Sif is certified to ISO 9001, ISO 3834-2, API-2B/API-Q1, EN1090-1/EN1090-2, ASME U, U2, S, VCA**, ISO 45001, ISO 14001 and DNVGL-CP-0352 standards. In 2019 certificating institutions carried out 8 audits at Sif in the context of ISO, VCA, DNVGL and OHSAS certification. The ISO 14001 Environmental System has been converted into the new ISO 14001:2015 System and in 2018 the successful completion of the certification audits resulted in renewal of the certification in accordance with ISO 14001. Certification in conformance with ISO 3834-2 is linked to ISO 9001 and has been subject to 3 surveillance audits by LRQA in 2019. This certification applies for both Roermond and Maasvlakte 2. Both locations are also ISO 45001:2018, ISO 14001 and VCA** certified.

’5 client audits, 8 audits by certification institution, 12 vendor audits and 27 vendor inspections confirmed: Sif is fully compliant with the high industry standards.’

Important partners of Sif in the manufacturing process are Dillinger Hütte Saarstahl AG (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. Reporting on 2019 is based on IFRS 16. Reportings on previous periods are not corrected for IFRS 16 unless explicitely stated otherwise. To allow for comparison with previous reportings and with banking covenant ratios, Sif will also use certain indicators that are corrected for IFRS16 effects. This mainly relates to the landlease at Maasvlakte 2.

ACTIVITY LEVELS AND PROFITABILITY

AMOUNTS IN EUR '000	2019				2018			
	Wind	Oil & Gas	Other	Total	Wind	Oil & Gas	Other	Total
Revenue from contracts with customers	310,511	9,653	5,436	325,600	195,158	35,835	4,147	235,140
Segment contribution	91,360	6,012	4,145	101,517	51,344	20,778	2,214	74,336
Gross profit	51,330	1,936	3,541	56,807	29,896	9,086	1,500	40,482
Indirect personnel expenses				(19,275)				(14,808)
Depreciation and impairment				(17,207)				(13,682)
Facilities, housing & maintenance				(5,372)				(6,648)
Selling expenses				(994)				(648)
General expenses				(4,660)				(4,073)
Other (income) / expenses				(133)				(1,755)
Net finance costs				(2,689)				(1,677)
Joint ventures				53				13
Total profit before tax				**6,528**				**(2,797)**

Revenue, contribution and earnings from operations

Revenues and expenses are usually invoiced and paid in Euro, also for projects in UK, USA and Japan. If paid in other currencies, Sif applies hedging instruments. Currency translation effects do not affect Sif's financial results. The price of steel is a pass- through item. Fluctuations in steel prices therefore have an immediate effect on revenues but not on earnings. The level of revenues is also subject to the structure of joint ventures; if Sif subcontracts part of its scope, revenues of the subcontractor are accounted for in Sif's revenues. If Sif teams- up in partnership, revenues of the joint venture partner are not accounted for by Sif unless accounting rules dictate otherwise.

Contribution and contribution per Kton are therefore more adequate performance indicators for Sif than revenue. All Sif's activities take place in the Netherlands and products are as a rule delivered 'free along ship' or 'free on board' Rotterdam. Less occasionally products are 'delivered at place'. This mostly applies to primary steel for transition pieces or pin piles for jackets. When applicable, activities are invoiced inclusive of VAT. However, in view of the predominantly across the border business-to-business nature of the performances, in most cases this is not applicable.

In 2019 contribution (revenue minus the cost of raw materials, subcontracted work, other external charges and logistic and other project-related expenses) was 36.5% higher than in 2018 mainly due to market circumstances. The Borssele 3-4 project was acquired at low margins to utilize idle capacity in 2018. This had a material impact on contribution. The subsequent delays in execution due to late deliveries of steel enforced this impact. Contribution per Kton throughput consequently increased by almost 2% to € 548/ton (2018: € 539/ton). Contribution margins in 2019 suffered from the shift of the delayed execution of Borssele 3-4 into 2019. This impacted a smooth and flawless execution of projects in the 2019 orderbook.

'At 34% more KTon production and 36.5% higher contribution, contribution per ton increased by almost 2% to € 548 in 2019.'

EBITDA in 2019 arrived at € 26.4 million (8.1% of total revenues) compared to € 13.3 million (5.3% of total revenues) in 2018. The IFRS 16 impact on EBITDA is + €4.3 million. After direct personnel expenses, overhead and production & general manufacturing expenses this resulted in gross profit of € 56.8 million (17.5% of total revenues) compared to € 40.5 million (17.2% of total revenues) in 2018. The main reason for the loss of margin between contribution and gross profit was the increase in production & general manufacturing expenses. This increase was mainly caused by inefficiencies and by costs of rebuilding staff that was dismissed in 2018 due to the low capacity utilization levels in that year.

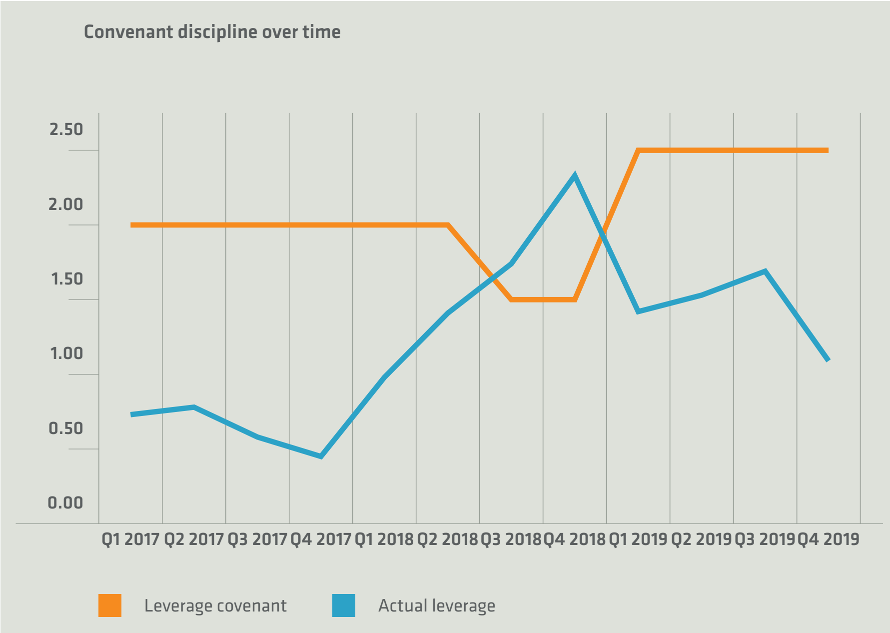
Financing

Sif has had debt and guarantee facilities in 2019 that were renewed on 22 February 2019 with a banking consortium comprising ABN AMRO, Euler-Hermes, ING, Rabobank and Tokio Marine with an expiry date 31 March 2022 and 2 one-year extension options. Interest is based on Euribor plus a surcharge that depends on covenants on a quarterly basis. Net debt, Solvency and EBITDA numbers are based on pre IFRS 16 numbers. Discounts of up to 0.05% can be achieved when realizing certain sustainability targets on safety and CO2 footprint. The facilities comprise:

	Facility
Revolving credit facility	€ 100 million
Committed guarantee facility	€ 250 million
Leverage covenant (net debt/EBITDA)*	Max 2.5
Solvency*	Min 30% in 2019
	Min 35% beyond 2019
*normalized for IFRS16 effects	

'Sif successfully refinanced its debt facilities early 2019.'

Finance expenses and impairment losses for 2019 amounted to € 2,7 million (€ 1,7 million in 2018). The covenant ratios are based on results and balance sheet corrected for IFRS16 effects. Leverage amounted to 0.96 (with covenant at 2.5). Solvency was 47% as at 31 December 2019 (with covenant at 30%).



Tax

Sif has two manufacturing facilities, both located in The Netherlands. From a quantity and value perspective, the most important semi finished products are steel plates that for almost 100% are purchased in Germany. The value of shaping the steel plates into cylinders or cones is mainly added in The Netherlands. Sometimes handling takes place in Belgium when appendages or coatings are added. The value added tax follows the products. Revenues of € 194 million were realized in The Netherlands and € 126 million in other European countries (€ 172 million and € 55 million respectively in 2018).

Processing in The Netherlands is done by employees who are on the Sif- payroll, and for whom wage tax and social premiums are withheld and paid. Or by employees who work for Sif on a temporary basis and are taxable at the agency they are seconded by. Sif profits are subject to corporate income tax. In 2019 this amounted to € 0.8 million (-€ 0.7 million in 2018). Sif allocates profit in the jurisdiction in which the economic activity takes place, namely the Netherlands, and is therefore fully liable for corporate income tax in the Netherlands. The normal tax rate is 25%. Sif receives discounts on this tax rate, including discounts related to innovation activities and expenses. Sif's effective tax burden in 2019 was 12.5% compared to 26.67% in 2018. As of 2019 the corporate income tax rate will gradually decrease to 21.7% (15% on the first € 0.2 million) in 2021. Sif does not use tax-haven constructions.

Depreciation and amortization

In 2019, Sif invested almost € 15 million in IT systems, property, plant and equipment (€ 4.6 million in 2018). This mainly relates to coating facilities (€ 6 million) and investments in production facilities. Sif has leased approximately 62 hectares of land in Rotterdam. As of 2019 IFRS16 obliges Sif to capitalize the right of use for landlease and to amortize this over a period in line with the contract term. This has an annual positive EBITDA effect of approximately € 4.3 million. The net debt increase from the capitalized right of use for landlease amounts to approximately € 59 million (€ 81.8 million compared to € 21.3 million pre IFRS16). Depreciation subsequently increased from € 13.7 million in 2018 to € 17.2 million.

Working capital, liquidity, cash and cash flows

Net working capital (inventories + contract assets + trade receivables+current prepayments–trade payables –contract liabilities) amounted to € 4.3 million at the end of 2019 compared to € 14.2 million at the end of 2018. 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 2019 amounted to € 1.6 million compared to € 0.5 million at the end of 2018. If required, Sif may use 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	2019	2018	2017	2016
Net cash from operating activities	30,853	5,548	53,886	52,887
Net cash from investing activities	-14,485	-3,218	-27,587	-67,962
Net cash from financing activities	-15,294	-2,701	-25,726	-13,354
Cash and cash equivalents at year end	1.579	505	877	304

Solvency

At the end of 2019 total equity (paid-in capital + retained earnings + non-controlling interests) amounted to € 86.7 million on a pre IFRS 16 balance sheet total of € 184.4 million (solvency of 47%) compared to € 83.5 million on a balance sheet total of € 191.8 million (solvency of 43.6%) at the end of 2018. When determined on IFRS16 basis total equity amounted to € 86.7 million which gives a solvency of 36% on a balance sheet total of € 242 million.

Outlook

The manufacturing of project Borssele 3+4 was delayed and consequently shifted into the first quarter of 2019. Main reasons were low water levels due to extreme drought in the summer of 2018 and production delays at our steel- supplier. This therefore also impacted results in 2019 since Borssele 3+4 was acquired at a firm discount but also since it disturbed the production- planning of other projects that could consequently not be completed in a smooth and flawless operation. With an order book for 2020 at 170 Kton and improving contribution margins, we expect a markedly better EBITDA result for 2020.

Annual maintenance CAPEX will be € 5 million and annual depreciation close to € 13 million. Expected other CAPEX for 2020 ranges between € 5 and 7 million.

Non- financial results

Longer-term financial results are the result 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 supply-chain. Sif considers the development of sustainable business management of prime importance for the continuity of the business, the wellbeing of its employees and of other stakeholders. In February 2019 the Executive Board of Sif announced Sif's strategy on Corporate Social Responsibility for the period 2019- 2021. Key elements are amongst others 20% reduction of gas consumption per Kton steel per year, a carbon dioxide neutral footprint in 2021 and 95% recycling of residuals.

Non- financial results: social

Sif 2.0 is the company culture program that was initiated in 2018. Its main aim is to prepare the employees for the future. The transformation of Sif from a manufacturing company to a project- oriented energy services provider requires a different approach to information technology, to communication and to workplace behavior. More than before there is an emphasis on safety and workplace conditions. To realize this transition, we focus on 5 fields of attention: safety, absence, environment, repairs and deviations. In 2019 TIP was introduced, challenging Sif-employees to contribute to this transformation-process by converting ideas to practical solutions. Ideas are valued on impact for the organization, practicability and originality and, eventually, rewarded by a cash-bonus.

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. Where required, 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 is the first item on the agendas of all Supervisory Board and Executive Board meetings.

The aim of the policy is to simply prevent accidents to happen to our employees or any one else working at or visiting our facilities. Sif constantly invests in safety. In recent years, our safety policy and investments have led to a reduction in the number of lost time injuries and near miss accidents. (Lost Time Injury Frequency (LTIF) = number of injuries per million manhours worked whereby the lost time due to an accident exceeds one day).

Year-on year LTIF reduced to an all time low of 0.97 in 2018. In 2019 LTIF increased to 2.39, caused by 3 Lost Time Injuries (LTI), which is well above the target of maximum 1.5. In all 3 cases, the injuries were of such nature that 100% recovery and return to the working place was possible. Rootcause analysis and corrective actions have been implemented to avoid repeat effects and thorough communication has been put in place to inform and train employees. The number of Total Recordable Injuries (TRI) levelled on 38 in 2019. This resulted in a TRIF (Total Recordable Injury Frequency per million manhours worked) of 19.1 which also is well above the target maximum of 15. Medical treatment or first aid was required in 18 cases out of the total of 41. 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 2020- 2021 is to again reduce the LTIF to a level below 1.5 and TRIF to a level below 15. That will require beter supervision and staff-support. This was implemented while the year progressed. Results from the last months of 2019 are encourageing. For the sake of transparancy, the presented figures include both permanent and flexible workforce.

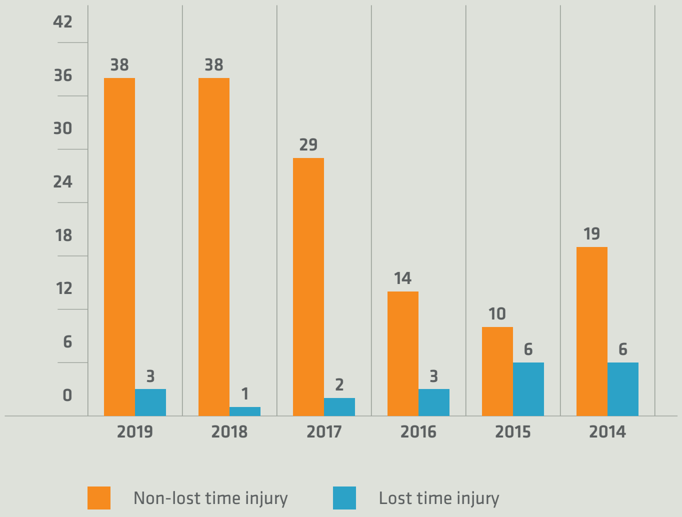
In 2019 absence for illness decreased to 6.59%, which is still well above our target and the industry branch average. Hereof 4.76% had a long-term sick leave (between 43 and 365 days). The most important reason for the high long-term number is originated by increased wear and tear complaints, mainly among older employees that, in several cases, required surgical intervention. Almost 20% of total sick leave percentage relates to employees between 60 and 65 years of age. Considerable attention is being paid to improving working conditions or alternative positions in order to avoid wear and tear impact. Management is stimulated and trained to earlier identify the risk of potentiqal wear and tear. Together with the Works Council a structural improvement plan with clear actions has been developed which should result in increased labor vitality, lowered risk of sick leave and a better and safer working place.

SAFETY STATISTICS

	2019	2018	2017	2016	2015	2014
LTI	3	1	2	3	6	6
LTIF (per 1 million hours worked)	2.39	0.97	1.49	2.83	7.19	8.03
TRI	41	38	29	14	10	19
TRIF (per million hours worked)	19.1	15.6	15.7	9.4	12	17.4
Sick leave %	6.59	7.24	4.46	4	4.02	4.77

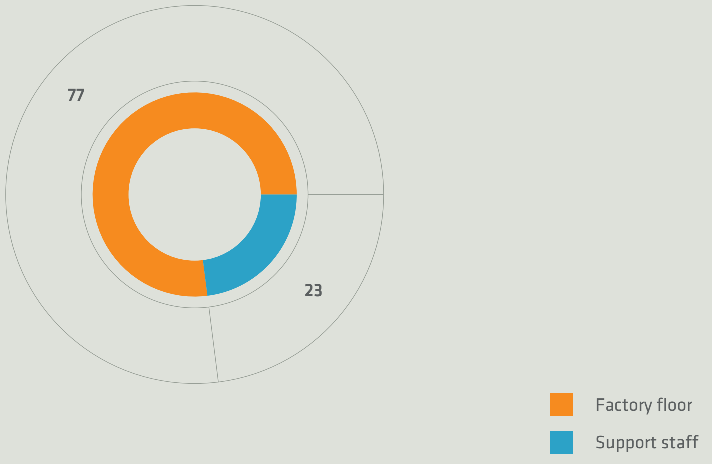
Most of the incidents in 2019 were caused by trips, slips, (wrong) lifting incidents or welding and grinding incidents. In most cases this resulted in injuries to arms, hands and fingers (47%) or legs and feet (22%). The remainder relates to injuries to head, face or torso. From the 3 LTI cases, two were hand-injury related and one foot-injury related. We are striving to reduce the number of incidents through case discussions, better discipline on use of safety equipment and personal protection gear and the continuous training of less experienced newcomers. The majority of unsafe situations relate to an unsafe working place or unsafe working method. In 2019 1,571 (942 in 2018) observations and recommendations were reported, analyzed and, in most situations, resulted in extra toolbox meetings and training or in working place or working method improvements. In all cases a positive and stimulating approach is taken towards safety. Only obvious willful ignorance of safety rules and methods has led to disciplined measures.

Safety statistics



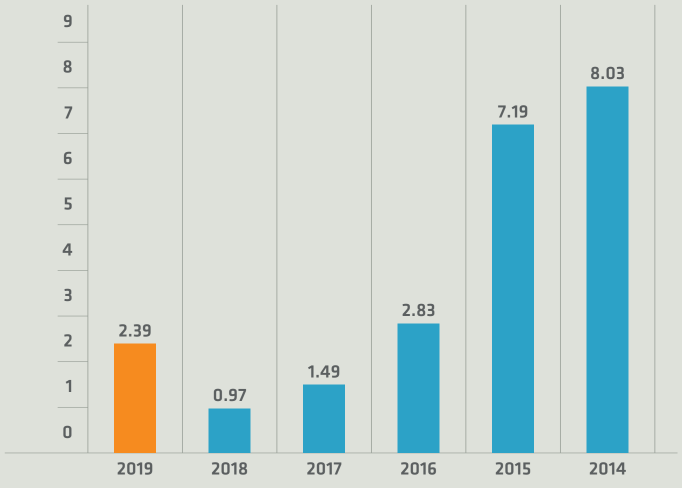
Staff distribution: factory floor – support staff

(IN %)



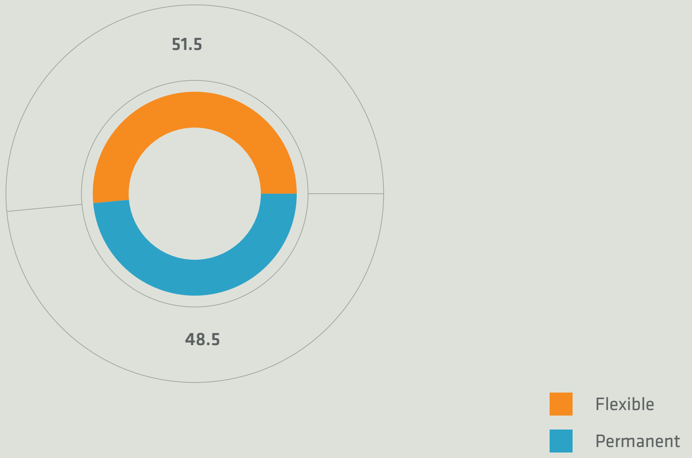
Safety statistics (LTIF)

(IN MLN MANHOURES)



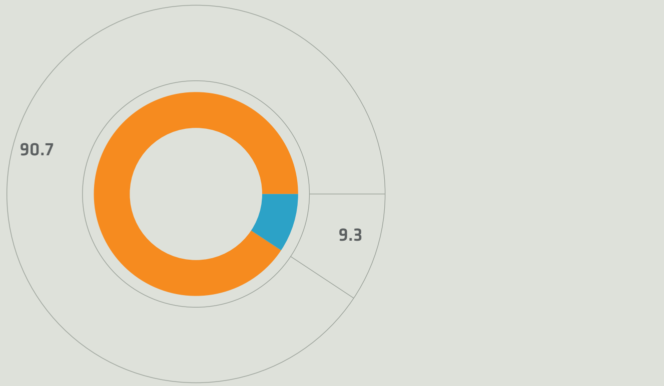
Staff distribution: flexible - permanent

(IN %)



Gender distribution of permanent staff

(IN %)



Improving safety statistics requires good communications, high commitment and permanent focus. 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, suppliers, subcontractors and visitors included.

'The nature of Sif's business requires a certain balance in permanent and flexible workforce.'

To be able to absorb the volatility inherent to the project business in which we are active, Sif needs a degree of flexibility in its workforce. In addition to its permanent (payroll) workforce, Sif employs external (flexible) workers on a project basis or through staffing agencies. After the low number of flexible staff in 2018, our workforce was rebuilt during 2019. In 2019, based on year- end, our flexible staff was 51.5% compared to 36.5% at year-end 2018. Since the majority of flexible staff comes from outside The Netherlands, the percentage of Dutch workers decreased in 2019 compared to 2018. At the end of 2019, the total workforce was 658 FTEs (full time equivalents) compared to 429 FTE at the end of 2018. 319 hereof are permanent employees and 339 flexible employees (end of 2018: 272 permanent and 157 flexible). The average number of permanent employees in 2019 was 295 FTE (259 FTE in 2018). At 44.2 years, the average age of the permanent staff was slightly higher than in 2018 (44). In 2019, the female proportion of Sif's permanent staff averaged just over 9% (9% in 2018). 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 remunerated on the basis of the Dutch Collective Employment Agreement and working hours. Employment conditions are in-line with the average employment conditions applicable in the Netherlands. Tax and other 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 fair working hours regulations and under fair employment conditions which is minimal sccording to the applicable legislation.

Employee Participation

Sif's employees are represented by a Works Council that looks after the interests of Sif's employees and Company and is consulted on planned business-economic and strategic or organizational decisions made by the Executive Board. The most important task of the Works Council includes ensuring there is sufficient consultation, on major planned strategic decisions and organisational changes. Further more the Works Council, together with the Executive Board, ensures that working conditions remain good or improve where required, that the rules related to employment conditions, working hours and rest periods are complied with, that employees are treated equally and remunerated fair and in accordance with applicable laws and collective labor agreements and that Sif keeps an open eye and constantly investigates the possibility to employ people with disabilities or residents of the Netherlands who have an immigrant background. Consultation meetings between the Works Council and the Executive Board during which the Company's general business progress is discussed take place in average every two months formally and on a need-to-discuss basis as often as deemed necessary by one of the parties. The Executive Board notifies the Works Council of the important decisions the Board is preparing and how it will involve the Works Council in the decision-making.

Since the elections in May 2019, the Works Council has nine members. In 2019 the Works Council met 3 times with (a member of) the Supervisory Board and the Executive Board. The Works Council was consulted on the following management decisions: sick-leave reduction plan, alcohol, tabacco and drugs policy, new personnel manual. The Executive Board appreciates a strong relationship with the Works Council and stimulates frequent and open cooperation with and involvement of the Works Council. The discussions with the Works Council are and were fruitfull and highly appreciated by both the Executive and Supervisory Board.

Diversity

Diversity is reflected in the distribution over gender, age, nationality/race and education/experience. 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. In the year under review, Sif had two Executive Board (both male) and five Supervisory Board members. One Supervisory Board member (20%) is female. Sif's diversity policy for Executive Board and permanent staff is based on a best-candidate-for-the-job-basis. In case of equal capabilities, preference is given to female candidates. Although a more balanced division will be taken into account when filling positions, both in the Executive and Supervisory Boards as in staff positions, the nature of the industry combined with the geographical location of Sif and the presence of high- tech and industrial companies in the region make competition for female management and female Directors on Sif's Executive Board, but also for (technical) other staff positions fierce.

Sif pursues more balance in gender distribution as well as a broader spread and better balance in terms of age.

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: Sif operates in a relatively young market environment with a limited number of clients and vendors. Articles 7 and 8 of the Code of Conduct deal with Competition and Anti- trust matters and with Bribery and Money laundering. Sif trains employees and promotes fair and respectful dealing with customers, suppliers and other business and industry partners, fair and honest competition. Fair and respectful dealing means that Sif employees refrain from influencing business partners and from obtaining personal opportunities or advantages by offering or accepting items of value. Fair dealing also implies that insider trading regulations are observed. New employes are instructed on this when hired.

Workplace safety: Workplace safety is dealt with in articles 4 and 5 of the Code of Conduct. It relates to safety from business accidents but it also relates to discrimination, intimidation or (sexual) harassment on the workfloor. Sif has no business with organizations that use forced child labour or that do not respect human rights. The Sif business environment is mainly North West Europe with European clients, mainly European suppliers and contractors. Workplace safety also implies that privacy of employees or business partners is observed. The Algemene Verordening Gegevensbescherming (AVG) applies from May 2018. Sif has performed a privacy impact assessment and appointed a data security officer and is compliant with the AVG.

Company property & sustainable business: Articles 6, 10-13 deal with environmental impact, the obligation of record keeping of all financial transactions. Efficient and legitimate use of company property & resources, e- mail and Internet usage for professional purposes only is pursued and use of corporate opportunities for personal benefits are prohibited.

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. There have been no reports under the whistle blower regulation in 2019 and no violations of the Code of Conduct were assessed. Programs to further embed the Code of Conduct in the organisation have started during 2018 as part of the Sif 2.0 program and were continued in 2019.

Non- financial results: environmental

Sif supplies products that contribute to sustainable energy generation and enables 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 and especially during the logistical process, or to replace it with more sustainably generated energy. The same applies for the quantity of waste. In 2019 a project was initiated to replace pre-heating with gas-torches by induction heating and to procure carbon-dioxide neutral gasses only. The products Sif uses the most of during the manufacturing process are shown below.

SIF ENVIRONMENTAL FOOTPRINT BASED ON 2015 = 100

PER KTON PRODUCED	2019 (185 Kton)	2018 (138 Kton)	2017 (232 Kton)	2016 (191 Kton)
Natural Gas m^3	99	120	59	88
Electricity MWh	135	140	115	98
Water m^3	199	267	75	81
Scrap metal (ton)	79	96	90	83
Oxygen kg	140	145	140	113

Water consumption levelled in 2019. The water is mostly used at the Maasvlakte 2 location where monopiles are cleaned as part of conservation activities.

Manufacturing environments have a risk of environmental incidents. In 2019, 8 incidents were reported. In 3 cases this related to small fires at production lines, mainly from grinding activities, which were extinguished shortly after the discovery. The other incidents related to oil-spills that were isolated and cleaned by specialized contractors. They mostly were caused by leaking hydraulic systems (hoses or links)

In 2019 Sif used 69,089,788 Megajoule energy (53,254,364 MegaJoule in 2018) in its production process. The increase relates to the higher quantity of steel processed and to the additional 2 coating facilities. Consumption per Kton steel decreased. The target is to produce energy neutral.

At the end of 2019, the 12 MW GE wind turbine started production of electricity. Electricity used by Sif in 2019 was entirely produced by offshore wind and therefore fully carbon dioxide neutral. The gross carbon dioxide emission by Sif in 2019 was 4,391.8 ton (5,865.9 ton in 2018). Per ton processed steel this was 23.7 kilo versus 42.4 kilo in 2018.

Environmental management systems are in accordance with ISO 14001. The facilities in Roermond comply with EU Directive 2010/75/EU (industrial emissions).

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, mostly European. 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 supplies most or all 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 2019, Sif carried out 27 inspections and 10 audits of suppliers, business partners and sub-contractors. These audits concerned, among others, processes and materials, welding procedures and quality, coating, flame cutting and forging.

Repairs have an impact on the efficiency of production and therefore on contribution margins. Repairs and deviations in 2019 were higher than targeted and also higher than in 2018.

MATERIALS USED DURING PRODUCTION

	2019	2018	2017	2016	2015	2014
Steel (ton)	185,000	138,000	232,000	191,000	150,000	133,000
Welding powder (ton)	1,870	1,517	2,540	2,103	1,840	1,654
Welding wire (ton)	1,656	1,456	2,302	1,944	1,706	1,431

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 of the Executive Board states those material risks and uncertainties that to the 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, 12 March 2020
Fred van Beers (CEO)
Leon Verweij (CFO)

FINANCIAL CALENDAR 2020

16	April	AGM record date
7	May	Deadline for registration or voting for AGM
14	May	Release of Q1 2020 trading update
14	May	Annual General Meeting of Shareholders
18	May	Quotation ex-dividend
19	May	Dividend record date
22	May	Payment of net dividend to Financial Intermediaries for distribution to shareholders
22	May	Payout of gross dividend to large shareholders
28	August	Publication of 2020 interim results
6	November	Publication of Q3 2020 trading update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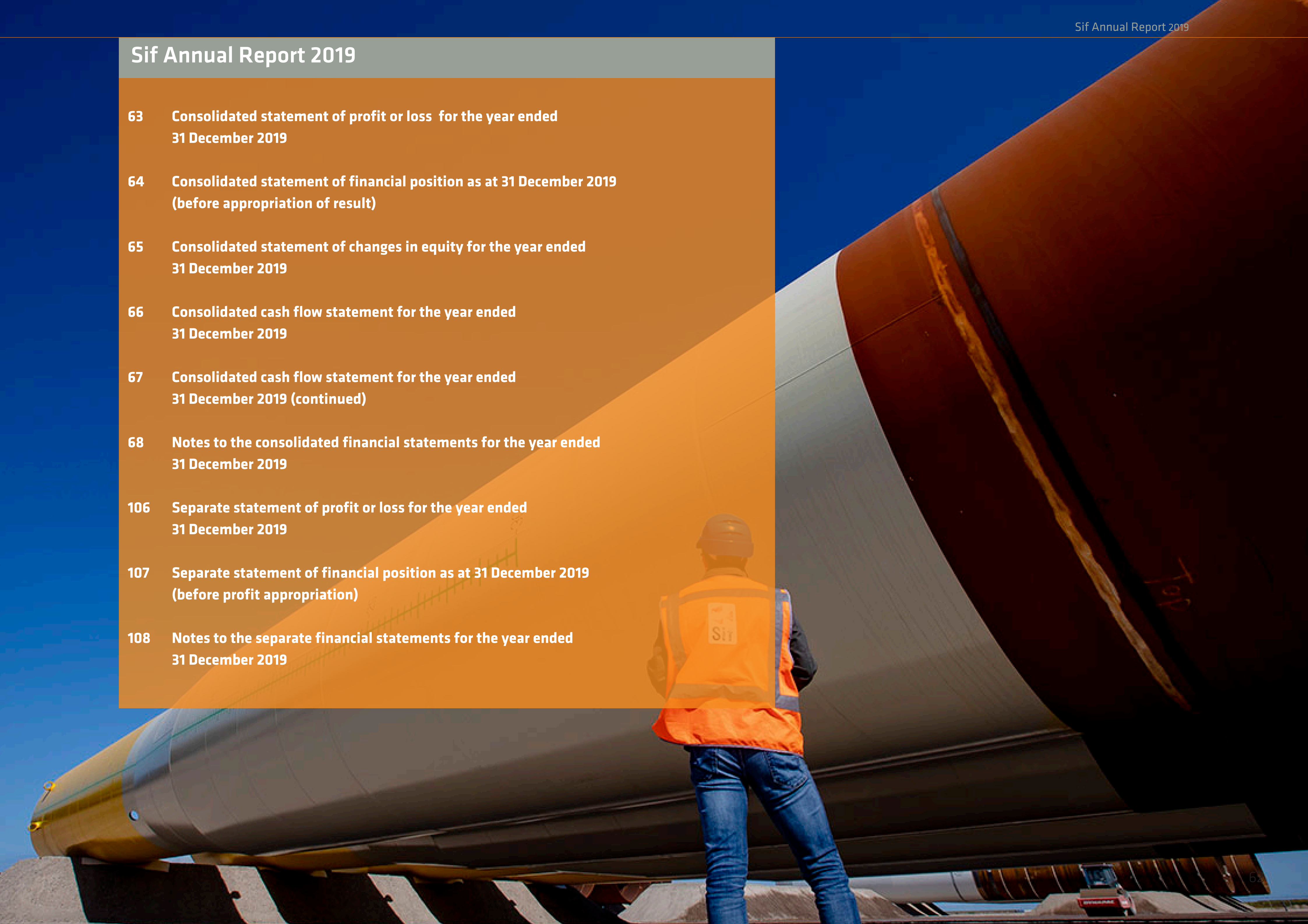

Sif Annual Report 2019

63	Consolidated statement of profit or loss for the year ended 31 December 2019
64	Consolidated statement of financial position as at 31 December 2019 (before appropriation of result)
65	Consolidated statement of changes in equity for the year ended 31 December 2019
66	Consolidated cash flow statement for the year ended 31 December 2019
67	Consolidated cash flow statement for the year ended 31 December 2019 (continued)
68	Notes to the consolidated financial statements for the year ended 31 December 2019
106	Separate statement of profit or loss for the year ended 31 December 2019
107	Separate statement of financial position as at 31 December 2019 (before profit appropriation)
108	Notes to the separate financial statements for the year ended 31 December 2019

Consolidated statement of profit or loss for the year ended 31 December 2019

AMOUNTS IN EUR '000	Notes	2019	2019	2018	2018
Total revenue from contracts with customers	6		325,600		235,140
Raw materials		151,357		104,839	
Subcontracted work and other external charges		47,732		44,829	
Logistic and other project related expenses		24,994		11,136	
Direct personnel expenses	7	30,332		24,165	
Production and general manufacturing expenses		14,378		9,689	
Indirect personnel expenses	7	19,275		14,808	
Depreciation and amortization		17,207		13,682	
Facilities, housing and maintenance		5,372		6,648	
Selling expenses	8	994		648	
General expenses	9	4,660		4,073	
Other expenses	10	133		1,716	
Operating profit			9,164		(1,094)
Impairment losses on financial assets		(22)		(39)	
Finance costs	11	(2,667)		(1,677)	
Finance costs and impairment losses			(2,689)		(1,716)
Share of profit of an associate and joint ventures	18		53		13
Profit before tax			6,528		(2,797)
Income tax expense	13		818		(746)
Profit after tax			**5,710**		**(2,051)**
Attributable to:					
Non-controlling interests	12		222		-
Equity holders of Sif Holding N.V.			5,488		(2,051)
Profit after tax			**5,710**		**(2,051)**
Earnings per share	14				
Number of ordinary shares outstanding			25,501,356		25,501,356
Basic earnings per share (EUR)			0.22		(0.08)
Diluted earnings per share (EUR)			0.22		(0.08)

Consolidated statement of financial position as at 31 December 2019 (before appropriation of result)

AMOUNTS IN EUR '000	Notes	31-Dec-2019	31-Dec-2018
Assets			
Intangible fixed assets	15	1,609	1,230
Property, plant and equipment	16	119,459	111,370
Right-of-use assets	31	56,567	-
Investment property	17	400	400
Investments in joint ventures	18	94	41
Deferred tax asset	13	181	-
Total non-current assets		178,310	113,040
Inventories	19	312	367
Contract assets	20	13,345	28,891
Trade receivables	21	45,242	47,608
Other financial assets		20	90
Prepayments		802	754
Corporate income tax receivable		2,376	543
Cash and cash equivalents	22	1,579	505
Total current assets		63,677	78,758
Total assets		**241,986**	**191,799**

AMOUNTS IN EUR '000	Notes	31-Dec-2019	31-Dec-2018
Equity			
Share capital	23	5,100	5,100
Additional paid-in capital	23	1,059	1,059
Retained earnings		74,828	79,430
Result for the year		5,488	(2,051)
Equity attributable to shareholder		86,475	83,538
Non-controlling interests		222	-
Total equity		86,697	83,538
Liabilities			
Revolving credit facility	24	22,872	-
Lease Liabilities	24, 31	54,255	-
Employee benefits	26	287	315
Deferred tax liabilities	13	-	80
Other non-current liabilities	28	1,487	2,031
Total non-current liabilities		78,901	2,426
Revolving credit facility		-	30,882
Lease Liabilities	24, 31	4,743	-
Provisions	25	-	263
Trade payables		37,733	42,353
Contract Liabilities	20	17,625	21,079
Employee benefits	27	2,390	1,555
Wage tax and social security		317	1,471
VAT payable		1,731	4,276
Other current liabilities	28	11,850	3,956
Total current liabilities		76,388	105,835
Total liabilities		155,289	108,261
Total equity and liabilities		**241,986**	**191,799**

Consolidated statement of changes in equity for the year ended 31 December 2019

AMOUNTS IN EUR '000	Share capital	Additional paid-in capital	Retained earnings	Result for the year	Total	Non-controlling interests	Total equity
Balance as at 1 January 2019	5,100	1,059	79,430	(2,051)	83,538	-	83,538
Appropriation of result	-	-	(2,051)	2,051	-	-	-
Total comprehensive income							
Profit for the year	-	-	-	5,488	5,488	222	5,710
Total comprehensive income	-	-	-	5,488	5,488	222	5,710
Transactions with owners of the Company							
Dividend distributions	-	-	(2,550)	-	(2,550)	-	(2,550)
Total transactions with owners of the Company	-	-	(2,550)	-	(2,550)	-	(2,550)
Balance as at 31 December 2019	**5,100**	**1,059**	**74,829**	**5,488**	**86,475**	**222**	**86,697**
Balance as at 1 January 2018	5,100	1,059	56,320	30,760	93,239	-	93,239
Appropriation of result	-	-	30,760	(30,760)	-	-	-
Total comprehensive income					-		
Profit attributable to the shareholder	-	-	-	(2,051)	(2,051)	-	(2,051)
Total comprehensive income	-	-	-	(2,051)	(2,051)	-	(2,051)
Transactions with owners of the Company							
Dividend distributions	-	-	(7,650)	-	(7,650)	-	(7,650)
Total transactions with owners of the Company	-	-	(7,650)	-	(7,650)	-	(7,650)
Balance at 31 December 2018	**5,100**	**1,059**	**79,430**	**(2,051)**	**83,538**	**-**	**83,538**

Consolidated cash flow statement for the year ended 31 December 2019

AMOUNTS IN EUR '000	2019	2018
Cash flows from operating activities		
Profit before tax	6,528	(2,797)
Adjustments for:		
Depreciation and amortization of Property, Plant and Equipment	12,773	13,682
Depreciation of right-of-use assets	4,434	-
Unrealised changes in joint ventures	(53)	(13)
Impairment losses on financial assets	-	(39)
Net finance costs	2,667	1,677
Changes in net working capital		
o Inventories	55	(65)
o Contract assets and liabilities	12,092	1,074
o Trade receivables	2,366	540
o Prepayments	431	1,014
o Trade payables	(721)	(11,811)
	34,043	6,059
VAT payable and receivable	(2,545)	2,772
Employee benefits	807	206
Provisions	(263)	263
Wage tax and social security	(1,154)	118
Other liabilities	(984)	2,181
	(4,139)	5,540
Income taxes paid	(2,913)	(1,815)
Interest paid	(2,667)	(1,439)
Net cash from operating activities	**30,853**	**5,548**

Consolidated cash flow statement for the year ended 31 December 2019 (continued)

AMOUNTS IN EUR '000	2019	2018
Cash flows from investing activities		
Purchase of intangible fixed assets	(417)	(1,191)
Purchase of property, plant and equipment	(14,138)	(1,952)
Loans and borrowings to joint ventures	70	(75)
Net cash from (used in) investing activities	**(14,485)**	**(3,218)**
Cash flows from financing activities		
Movements in revolving credit facility	(8,490)	4,899
Proceeds from new borrowing	80	50
Payment of lease liabilities	(4,334)	-
Dividends	(2,550)	(7,650)
Net cash from (used in) financing activities	**(15,294)**	**(2,701)**
Net increase / (decrease) in cash and cash equivalents	1,074	(372)
Cash and cash equivalents at 1 January	505	877
Cash and cash equivalents at 31 December	**1,579**	**505**

Notes to the consolidated financial statements for the year ended 31 December 2019

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

The consolidated financial statements of the Group for the year ended 31 December 2019, were authorised for issue in accordance with a resolution of the executive board on 12 March 2020.

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-IFRS). The financial statements also comply with the financial reporting requirements included in section 9 of Book 2 of the Netherlands Civil Code.

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.

Contract assets and liabilities

Revenues from contracts with customers and direct costs are recognised in the statement of profit or loss in proportion to the satisfaction of each performance obligation. The satisfaction is assessed based on the actual hours incurred compared with the estimated hours needed to complete the full performance obligation. In addition, management estimates at each reporting date the total expected costs to be incurred for each individual performance obligation and adjustments are made where appropriate. Detailed explanations of the degree of judgment and assumptions used are included under the respective section in the notes to the financial statements related to revenues from contracts with customers (note 6 Operating segments).

Leases
The Group rents warehouse/factory facilities and several housing units in order to carry out its activities. In previous years these rental contracts were accounted for as operating leases under IAS 17. 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). As of July 2019, the Group entered into a lease agreement with Havenbedrijf Rotterdam N.V. for plot C. The lease for plot C started on 30 July 2019 and will end on 1 July 2041 (also cancellable as per 1 July 2021 and as per 1 July 2031) Management needs to make a decision about the cancellation options in the contract when considering the right of use assets and related lease liabilities. (see note 31 Leases).

Jubilee scheme
The costs of the jubilee scheme are calculated according to actuarial method. This 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 (see note 27 employee benefits).

3 Significant accounting policies
The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements exept for IFRS 16 leases that was applied since 1 January 2019.

3.1 Basis of consolidation

Subsidiaries
The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2019. 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

Revenue from contracts with customers

The Group is primarily involved in the manufacturing of foundation piles for offshore wind farms and metal structures, parts of metal structures, pipes, pipe structures, and components for the offshore industry. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the (series of) goods or services before transferring them to the customer.

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Identify the contract(s) with a customer

The group identifies a contract with a customer when all the criteria of IFRS 15 are met. The price as agreed upon may vary in the beginning of the project. The initial contract price is normally determined based on situations in the past and the company is working with its customers on the final design and development of the project. The change in the contract price is a change within the existing contract and relates mainly to adjustments before the start of the production. A combination of contracts is considered for every individual contract, although mostly not applicable as contract prices are determined on a standalone basis and no discounts are given related to other contracts. Contract modifications are relatively limited.

Under IFRS 15 cost to obtain a contract - when they are incremental - and if they are expected to be recovered —should be capitalized and then amortized consistently with the pattern of revenue for the related contract. However, since the expected amortization period is approximately one year or less, the cost to obtain a contract are expensed when incurred.

Identify the performance obligations in the contract

The goods of the Group include mainly monopiles, transition pieces, legs, piles and pilesleeves. 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. This results in an accounting treatment with a series of goods on a performance obligation for the aforementioned goods, as the series of goods are designed for a specific project and connected to each other without having the opportunity to adjust these easily. The aforementioned goods are separated as these can be considered to be distinct.

Determine the transaction price

The transaction price is the price that the company expects to receive for the satisfaction of the performance obligations taking into account among others discounts, financing components, liquidated damages and penalties. Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame. The variable considerations are relatively limited, as the company provides no volume rebates, no rights of returns, no performance bonuses, no refunds nor credits.

Allocate the transaction price to the performance obligations in the contract

The transaction price is separately agreed for the relevant performance obligation or are spread over the performance obligations based on the calculation which was the basis for the contract.

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

The group recognizes revenue when (or as) a performance obligation is satisfied, i.e., when control of the (series of) goods or services underlying the particular performance obligation is transferred to the customer. The Group recognise revenue over time, since its performance creates or enhances an asset that the customer controls as the asset is created, its performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

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 (Bedrijfstakpensioenfonds) 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.

Cash-settled stock compensation plans are initially measured at the fair value of the liability which is expensed on a straight-line basis over the vesting period. The liability is remeasured at each balance sheet date to its fair value, reflected by the share price at balance sheet date, with any changes recognized immediately through profit and loss .All stock compensation expenses are based on the number of units that are expected to vest, the estimates of which are revised at each balance sheet date.

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.

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.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

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.

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

Intangible assets

Intangible assets (software) are recognised at cost less accumulated amortisation and accumulated impairment. Amortization is based on the estimated useful lives 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 assets for current and comparative periods are as follows:

- Software 3 years

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 using 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 – 20 years
- Other fixed assets: 5 – 10 years

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

Investment property

Investment property is initially measured at cost. After initial recognition, the fair value model is applied in accordance with IAS 40.

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.

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 ventures 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 ventures since the acquisition date.

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.

Positions related to contracts with customers

Contract assets
Contract assets 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.

Contract liabilities
Contracts for which progress billings, advances received from customers and recognised losses exceed costs incurred plus recognised profits are presented as contract liabilities.

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.

Because of the short term nature of the instrument, the Group recognises the current account at its contractual par amount. Similar to trade receivables, the current account involves one single cash flow which is the repayment of the principal. Therefore, the cash flows resulting from the receivables meet the SPPI test of payments of principal and interest despite the interest component being zero.

The Group holds the current account in order to collect contractual cash flows. The current account is therefore classified as measured at amortised cost.

Financial assets
IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets at amortised cost are the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade receivables, assets contracts with customers and a loan to an associate.

Impairment
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs, as these positions do not contain a significant financing component. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors such as macro economic information and the loss given default, specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized 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, if any.

For purposes of subsequent measurement, financial liabilities are classified in two categories:

> Financial liabilities at fair value through profit or loss

> Financial liabilities at amortized cost (loans and borrowings)

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.

Fair Value measurement
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.

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.

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.

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 acquiree, the company recognizes an amount for the non-controlling interest in the acquiree.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Initial recognition of provisions for warranties are recognized based on historical experience. The initial estimate of warranty-related costs is revised annually.

If the Group has a contract that is onerous, the present obligation under the contract is recognized and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognizes any impairment loss that has occurred on assets dedicated to that contract. An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

Leases
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. For the estimated usefull live of the assetss reference is made to page 11.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The payment part of lease liabilities is separately shown in cashflow statement under financing activities. The interest part is shown as part of the interest paid. The Group's lease liabilities are separately shown in the balance sheet.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options:
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to terminate or extend the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew or to terminate (e.g., a change in business strategy).

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. 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. Rents are recognized as revenue in the period in which they are earned.

Impairment
Each reporting date, the Group assesses whether there is any indication that the Group's assets including right-of-use assets but excluding contract assets and liabilities, financial assets, inventories and deferred tax assets have been impaired. These exclusions are measured in accordance with applicable policies stated in note 26. If there are such indications, an estimate is made of the recoverable amount of the asset or CGU (Cash generating unit) 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

New and amended standards and interpretations
The Group applied IFRS 16 for the first time as of 1 Januari 2019. As required by IAS 8, the nature and effect of these changes are disclosed below.

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard 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. The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). The group has lease contracts for land lease, cars, transport means and office units. In addition the Group has lease contracts of office equipment (personal computers, printing and photocopying machines) that are considered of low value.

Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. In an operating lease, the leased property was not capitalized, and the lease payments were recognized as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under Prepayments and Trade and other payables, respectively. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied most of the available practical expedients wherein it:

> Relied on its assessment of whether leases are onerous immediately before the date of initial application

> Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application

> Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

> Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The discount rate has been determined on an individual basis.

Due to the adoption of IFRS 16, the Group's result for the year will decrease, while its interest expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17. It concerns a timing issue and the impact on future results will be less negative or positive.

As IFRS is not followed by the Dutch tax authorities the application of IFRS 16 results in a deffered tax position.

The Group has performed a detailed impact assessment of IFRS 16. In summary the impact of IFRS 16 adoption is as follows:

RECONCILIATION OPERATING LEASE OBLIGATION AS AT 31 DECEMBER 2018 TO LEASE LIABILITY AS AT 1 JANUARY 2019:

AMOUNTS IN EUR '000	
Operating lease obligations at 31 December 2018	**33,123**
Relief option for short-term leases	(338)
Gross lease liablities at 1 January 2019	**32,785**
Extended lease term	10,595
Discounting (average IBR 1,9% / range 0,2% - 2,5%)	(4,663)
Lease liabilities as at 1 January 2019	**38,717**

IMPACT ON THE STATEMENT OF PROFIT OR LOSS (INCREASE/(DECREASE)) FOR THE YEAR ENDED 31 DECEMBER 2019:

AMOUNTS IN EUR '000	2019
Depreciation expense	(4,434)
Operating lease expense (based on the old standard)	4,334
Operating profit	**(100)**
Finance costs	(877)
Income tax expense	244
Result for the year	**(733)**

THE EFFECT OF ADOPTION IFRS 16 AS AT 1 JANUARY 2019 (INCREASE/(DECREASE)) IS, AS FOLLOWS:

AMOUNTS IN EUR '000	2019
Assets	
Right-of use assets	37,268
Total assets	**37,268**
Liabilities	
Lease liabilities non-current	36,139
Lease liabilities current	2,578
Other non-current liabilities (lease incentive)	-1,449
Total liabilties	**37,268**

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

The Group also aknowledged amendments to IFRS 9, IAS 19 and IAS 28. These amendments had no impact on the consolidated financial statements.

Annual Improvements 2015-2017 Cycle

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

IFRS 11 Joint Arrangements

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

5 Standards issued but not yet effective

The new and amended 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 new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition. Amendments to IFRS 3 are not yet endorsed by EU.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ’Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.’

The amendments to the definition of material is not expected to have a significant impact on the Group’s consolidated financial statements. The Group is assessing the impact of this amendment.

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.

Information related to each operating segment is set out below.

Segment contribution constitutes the difference between revenue from contracts with customers 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	2019				2018			
	Wind	Oil & Gas	Other	Total	Wind	Oil & Gas	Other	Total
Revenue from contracts with customers	310,511	9,653	5,436	325,600	195,158	35,835	4,147	235,140
Segment contribution	91,360	6,012	4,145	101,517	51,344	20,778	2,214	74,336
Gross profit	51,330	1,936	3,541	56,807	29,896	9,086	1,500	40,482
Indirect personnel expenses				(19,275)				(14,808)
Depreciation and impairment				(17,207)				(13,682)
Facilities, housing & maintenance				(5,372)				(6,648)
Selling expenses				(994)				(648)
General expenses				(4,660)				(4,073)
Other (income) / expenses				(133)				(1,755)
Net finance costs				(2,689)				(1,677)
Joint ventures				53				13
Total profit before tax				**6,528**				**(2,797)**

Geographical information

The Wind, Oil and Gas, and Other segments are managed centrally. No segment assets or liabilities are applicable as the 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 Union (EU) and other countries outside the EU and Europe. In presenting the following information, segment revenue has been based on the geographical location of customers.

The group did not adjust the promised amount of consideration for the effects of a significant financing component, as at contract inception the period between when the entity transfers a promised (series of) goods or service to a customer and when the customer pays for that (series of) goods or service will be one year or less. Payment terms within the group's contracts are normally in line with project milestones, which are usually similar to the satisfaction over time of the performance obligations.

AMOUNTS IN EUR '000	2019	2018
The Netherlands	193,536	172,496
All foreign countries:		
European Union (EU)	126,105	54,603
Europe outside EU	5,928	8,042
Outside Europe	31	-
Total revenue from contracts with customers	**325,600**	**235,140**

Transaction price allocated to the remaining performance obligations

The revenue from contracts with customers expected to be recognized in the future related to performance obligations that are unsatisfied (or partly unsatisfied) at the reporting date are not disclosed as the identified performance obligations are part of contracts that has an original expected duration of one year or less.

Major customers

Revenues from three customers of the Group's Wind segment represented approximately EUR 252 million (2018: three customers EUR 149 million) of the Group's total revenues. In 2019 the largest customer represented a revenue of approximately EUR 116 million, the second customer approximately EUR 75 million and the third customer approximately EUR 61 million. In 2018 the largest customer represented a revenue of approximately EUR 62 million, the second customer approximately EUR 44 million and the third customer approximately EUR 43 million.

7 Personnel expenses

AMOUNTS IN EUR '000	2019	2018
Wages and salaries	19,576	16,356
Hired staff and temporary workers	20,576	14,669
Compensation/grants received	(100)	(104)
Social security contributions	2,895	2,287
Pension expense	2,499	2,165
Other employee benefit expenses	4,161	3,600
	49,607	**38,973**

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 2019 amounted to 98,8 % (2018: 99,4%). The 2019 pension premium has remained at a level similar to the 2018 premiums. The Group's participation in the industry pension fund is less than 0.05 % (2018: less than 0.05%) based on number of active participants in the plan. The Group expects to incur costs for pension contributions of approximately EUR 3.0 million in 2020.

Number of employees

The average number of employees employed by the Group in 2019 amounts to 295 FTE (2018: 259 FTE). The table below provides an overview of the average number of FTE split per functional area. All employees are based in the Netherlands.

	2019	2018
Production and distribution	190	181
Management	6	6
Purchasing	9	6
Sales	12	11
Administrative	7	8
Innovation and maintenance	26	18
Logistic services	18	7
Other	27	22
	295	**259**

8 Selling expenses

AMOUNTS IN EUR '000	2019	2018
Travel and representation	333	260
Promotional and advertising costs	316	215
Other	345	173
	994	**648**

9 General expenses

AMOUNTS IN EUR '000	2019	2018
Consultancy fees	1,075	861
Insurances	1,789	1,792
Software, license fees	789	540
Office expenses	430	421
Other	577	459
	4,660	**4,073**

10 Other expenses

The other expenses do not include costs for amortization of the secured claw back arrangement in relation to the initial public offering (IPO) of the Company anymore (2018: EUR 700). As at 31 December 2018 all amounts related to the secured clawback arrangement of management recorded on the statement of financial position, are amortised. The IPO was successfully completed on 12 May 2016.

11 Net finance costs

AMOUNTS IN EUR '000	2019	2018
Interest on loans and borrowings	(470)	(911)
Borrowing cost finance facility	(478)	(368)
Interest expense on lease liabilities	(877)	-
Other	(841)	(399)
Finance costs	(2,667)	(1,677)
Net finance costs recognised in profit or loss	**(2,667)**	**(1,677)**

12 Share of profit of an associate and joint ventures

For the year 2019 the result of the Group from joint ventures was EUR 53. The amount consists of EUR 8 related to SBR Engineering GmbH and EUR 45 from Smulders Sif Steel Foundations B.V.(see note 18).

13 Income tax expense

Income tax recognised in profit or loss

AMOUNTS IN EUR '000	2019	2018
Current year income tax charge	1,741	(587)
Movement in deferred tax position	(262)	(97)
Prior year adjustment	(661)	(62)
Tax expense recognized in statement of profit & loss	**818**	**(746)**

The prior year adjustment relates to a expected gain from the application of the innovation box.

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	Net balance at 1 January	Recognised in profit or loss	Net balance at 31 December	Deferred tax assets and liabilities
2019				
Property, plant and equipment	(90)	17	(73)	(73)
Right of use assets	-	244	244	244
Investment property	10	-	10	10
Tax assets (liabilities) after netting	**(80)**	**261**	**181**	**181**

AMOUNTS IN EUR '000	Net balance at 1 January	Recognised in profit or loss	Net balance at 31 December	Deferred tax assets and liabilities
2018				
Property, plant and equipment	(187)	97	(90)	(90)
Investment property	10	-	10	10
Tax assets (liabilities) after netting	**(177)**	**97**	**(80)**	**(80)**

Unrecognised deferred tax assets and liabilities

At 31 December 2019 and 31 December 2018, the Group has recognised all deferred tax assets and liabilities applicable to the Group.

Reconciliation of effective tax rate

%	2019	2018
Tax using the Company's domestic tax rate	24.6	25.0
Reduction in tax rates due to tax incentives prior year	(10.2)	-
Reduction in tax rates due to tax incentives	(2.0)	-
Prior year tax adjustment	-	2.2
Participation Exemption	(0.2)	0.1
Non tax deductible expenses	0.3	(0.6)
Effective tax rate	**12.5**	**26.7**

The reductions in tax rates due to tax incentives mentioned in above table relates to a expected gain from the application of the innovation box. These gains are partly related to previous years en partly to the year 2019.

14 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

	2019	2018
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).

15 Intangible assets

Reconciliation of the carrying amount

AMOUNTS IN EUR '000	Software
Cost	
Balance at 1 January 2018	156
Additions	1,191
Disposals	-
Balance at 31 December 2018	1,347
Balance at 1 January 2019	1,347
Additions	418
Disposals	-
Balance at 31 December 2019	**1,765**
Accumulated depreciation	
Balance at 1 January 2018	(65)
Depreciation	(52)
Disposals	-
Balance at 31 December 2018	**(117)**
Balance at 1 January 2019	(117)
Depreciation	(39)
Disposals	-
Balance at 31 December 2019	**(156)**
Carrying amounts	
At 31 December 2018	1,230
At 31 December 2019	1,609

The carrying amount per year end contains an amount of EUR 1.6 million assets under construction.

16 Property, plant and equipment

Reconciliation of the carrying amount

AMOUNTS IN EUR '000	Land and buildings	Plant and equipment	Other fixed assets	Total
Cost				
Balance at 1 January 2018	122,734	80,987	2,587	206,308
Additions	948	2,389	178	3,515
Disposals	(61)	(290)	-	(351)
Balance at 31 December 2018	**123,621**	**83,086**	**2,765**	**209,471**
Balance at 1 January 2019	123,621	83,086	2,765	209,471
Additions	6,760	13,910	153	20,823
Disposals	-	-	-	-
Balance at 31 December 2019	**130,381**	**96,996**	**2,918**	**230,295**
Accumulated depreciation				
Balance at 1 January 2018	(38,472)	(44,847)	(1,415)	(84,734)
Depreciation	(5,092)	(8,237)	(288)	(13,618)
Disposals	-	250	-	250
Balance at 31 December 2018	**(43,564)**	**(52,834)**	**(1,703)**	**(98,101)**
Balance at 1 January 2019	(43,564)	(52,834)	(1,703)	(98,101)
Depreciation	(5,197)	(7,233)	(305)	(12,734)
Disposals	-	-	-	-
Balance at 31 December 2019	**(48,761)**	**(60,067)**	**(2,008)**	**(110,836)**
Carrying amounts				
At 31 December 2018	80,057	30,251	1,062	111,370
At 31 December 2019	81,620	36,929	910	119,459

At 31 December 2019 and 2018 all directly owned property, plant and equipment was collateralized as part of the financing agreements in place (see note 24).

17 Investment property

Reconciliation of the carrying amount

AMOUNTS IN EUR '000	2019	2018
Balance at 1 January	400	400
Additions	-	-
Revaluation	-	-
Balance at 31 December	**400**	**400**

Investment property comprises a commercial property that is leased to a third party. The lease contains an initial non-cancellable period till January 2020, 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 31.

Fair value as of 31 December 2019 is estimated at EUR 400 (2018: EUR 400) determined by external, independent property valuators, having appropriate recognised professional qualifications and recent experience in the location and category of the property. 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.

18 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 group has a 50% interest in Smulders Sif Steel Foundations B.V., a joint venture focused on project management in the offshore winds 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 2019 the equity of the joint venture amounts EUR 48.

AMOUNTS IN EUR '000	2019	2018
Balance at 1 January	41	28
Additions	-	-
Result for the year	53	13
Dividends paid	-	-
Balance at 31 December	**94**	**41**

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. In addition to the annual repayments, an additional amount of EUR 15 was borrowed during 2019. The amount of the loan agreement is classified as current financial assets (EUR 20).

19 Inventories

AMOUNTS IN EUR '000	2019	2018
Raw materials and consumables	312	367
	312	**367**

During 2019 and 2018 no inventories were written down to the lower of net realisable value and no provision has been recognised.

20 Contract assets and liabilities

AMOUNTS IN EUR '000	2019	2018
Contract assets	13,345	28,891
Contract liabilities	(17,625)	(21,079)
	(4,280)	**7,812**
Expenses incurred including realized profit to date	386,056	668,076
Invoiced terms	(390,336)	(660,265)
	(4,280)	**7,812**

Contract assets includes an amount of EUR 2.4 million of unbilled receivables.

Management periodically reviews the valuation of contract assets and liabilities 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.

The company has managed to successfully complete a project for which at year-end 2018 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 of 2019 by some EUR 1.6 million .

The contract assets 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. Contract liabilities concern the balances of all projects in progress for which the invoiced terms exceed expenses incurred plus recorded profit minus project losses if any. The revenues recognized in the reporting period that was included in the contract liability balance at the beginning of the period amounts EUR 17.3 million.

Both the contract assets and liabilities predominantly have durations shorter than 12 months and are therefore considered to be current.

21 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 2019 an amount of EUR 1.3 million of the trade receivables were provided for (2018: EUR 1.3 million). From one period end to the other significant movement in the outstanding amounts depending on the date of invoice can occur. Based on an individual impairment analysis of trade receivables, an impairment of EUR 1.3 million deemed necessary for unrecoverable receivables. In addition, an amount of EUR 22 for impairment costs due to expected credit loss (IFRS 9) has been reported. The movements related to expected credit loss over the period are considered to be immaterial.

At year end approximately 12 milion of the total open balance refers to related parties.

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 contract assets in progress, is included in note 26.

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 2019	45,242	44,337	557	-	-	6	342
31 december 2018	47,608	31,035	8,711	4,506	80	-	3,276

22 Cash and cash equivalents

AMOUNTS IN EUR '000	2019	2018
Cash	7	9
Bank balances	1,572	496
Cash and cash equivalents	**1,579**	**505**

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

23 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	2019	2018
Number of ordinary shares dividend eligible	25,501,356	25,501,356
Rounded dividend per ordinary share (EUR '000)	0.10	0.30
Dividends declared and settled during the year (EUR '000)	**2,550**	**7,650**

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. For 2019 Sif proposed not to pay out a dividend per share (to be approved by the shareholder).

In 2018 the Group acquired a 60% interest in Twinpark Sif B.V., a joint venture consisting development and manufacturing of a windmill. Because in 2018 the interest was not material the amount wasn't disclosed as a non controlling interest. In 2019 the amount of profit of Twinpark Sif B.V. is EUR 556. The non controlling interest is 40% of this amount, EUR 222.

As the non – controlling interest in Twinpark Sif B.V. is considered to be immaterial, the group decided not to disclose all requirements as included in IFRS 12.12.

24 Loans and borrowings

The company has the following financing arrangements:

AMOUNTS IN EUR '000	2019	2018
Non-current portion	77,127	-
Current portion	4,743	30,882
Total Loan and borrowings	**81,870**	**30,882**

The movement in financing arrangements can be specified as follows:

AMOUNTS IN EUR '000	2019	2018
Balance at 1 January	31,079	26,293
Financing costs	(197)	(309)
Net value of loans and borrowings	30,882	25,984
Lease liabilities	58,998	-
Additions financing costs	(1,019)	(250)
Amortisation financing costs	479	362
Movements in revolving credit facility	(7,470)	4,786
Balance at 31 December	82,606	31,079
Financing costs	(736)	(197)
Net value of loans and borrowings	**81,870**	**30,882**

Information about the Group's exposure to interest rate, foreign currency and liquidity risk is included in note 26. From the above movements the amortization financing costs are non-cash.

As per 22 February 2019, the Group refinanced its 90 million revolving credit facility into a EUR 100 million revolving credit facility. Given the nature of this funding, the entire facility is presented as non-current loans and borrowings. The EUR 100 million revolving credit facility is funded on Euribor + supplement and will expire on 22 February 2022, with two one-year extension options. As per year-end 2019 an amount of EUR 23 million is outstanding and an amount of EUR 77 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 2019	Carrying amount 2019	Fair value 2018	Carrying amount 2018
Revolving Credit Facility	EUR	Euribor + supplement	2022	22,872	22,872	30,882	30,882
Total interest-bearing loans and borrowings				**22,872**	**22,872**	**30,882**	**30,882**

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, except that no change in the Margin will be made before 31 December 2019 (remains 2.25). The revolving credit facilities are collateralized by the following items:

- Current assets (inventory and contract assets 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 22 February 2022 with two one-year extension options. The interest as per 31 December 2019 is based on EURIBOR plus a supplement that depends on the leverage per quarter. The following financial ratios have to be met:

- Solvency shall not be less than 30% on 31 December 2019; and
- Solvency shall not be less than 35% in respect of any relevant period ending after 31 December 2019; 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 2.50x.

At year-end 2019 the Company met the applicable covenants.

The application of IFRS 16 in 2019, had no impact on the existing and new loan covenants, for which IFRS 16 is contractually not taken into consideration.

25 Provisions

The balance for provisions is as follows:

AMOUNTS IN EUR '000	2019	2018
At 1 January	**263**	**2,579**
Utilized	(263)	(2,316)
At 31 December	**-**	**263**

During 2018 , loss making contracts have been identified by management. Per year end 2018 the total amount of expected loss was recognised in the profit and loss and utilised as per year end 2019, as a result of which the provision is EUR 0.

26 Financial instruments

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.

Contract assets and 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. Only an impairment for contract assets and trade and other receivables based on expected credit loss has been accounted for in accordance with IFRS 9.

Cash and cash equivalents

The Group held cash and cash equivalents of EUR 1.6 million at 31 December 2019 (2018: EUR 505). 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:

AMOUNTS IN EUR '000	Carrying amount	Contractual cash flows Total	3 months or less	3-12 months	1 - 2 years	2 - 5 years	More than 5 years
31 december 2019							
Non-derivative financial liabilities							
Revolving credit facility	23,912	(23,912)	(365)	(675)	-	(22,872)	-
Lease liabilities	58,998	(65,658)	(1,487)	(4,318)	(5,609)	(17,010)	(37,234)
Trade payables	37,733	(37,733)	(37,733)	-	-	-	-
	120,643	**(127,303)**	**(39,585)**	**(4,993)**	**(5,609)**	**(39,882)**	**(37,234)**

AMOUNTS IN EUR '000	Carrying amount	Contractual cash flows Total	3 months or less	3-12 months	1 - 2 years	2 - 5 years	More than 5 years
31 december 2018							
Non-derivative financial liabilities							
Revolving credit facility	32,132	(32,132)	(500)	(31,632)	-	-	-
Trade payables	42,353	(42,353)	(42,353)	-	-	-	-
	74,485	**(74,485)**	**(42,853)**	**(31,632)**	**-**	**-**	**-**

As disclosed in note 24, 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 2019 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 2019, 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	2019	2018
Variabele rate instruments		
Total loans and borrowings	22,872	30,882
Balance covered by interest rate swaps	-	-
Balance at 31 December	**22,872**	**30,882**

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 2019		
Variable rate instruments	116	(116)
Net impact	**116**	**(116)**
31 december 2018		
Variable rate instruments	158	(158)
Net impact	**158**	**(158)**

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.

27 Employee benefits

AMOUNTS IN EUR '000	2019	2018
Jubilee provision	340	315
Accrual for employee bonuses	507	713
Accrual for employee vacation days outstanding	794	612
Personnel expenses payable	1,036	230
Total employee benefits liabilities	**2,677**	**1,870**
Non-current	287	315
Current	2,390	1,555
	2,677	**1,870**

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

AMOUNTS IN EUR '000	2019	2018
Balance at 1 January	315	294
Additions	63	36
Used	(38)	(15)
Balance at 31 December	**340**	**315**

28 Other current and non-current liablities

The Group's current liabilities mainly consist of operational expenses to be paid. The non-current part mainly consist of the non-current part of the premiums to be paid for bank guarantees (EUR 1 million) and the payment obligation for the windmill in Twinpark (EUR 6.3 million)

29 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 2019, the solvency ratio was 35,5% (2018: 43,6%). The difference between year-end 2019 and year-end 2018 is caused by the adoption of IFRS 16 Leases for the first time per 1 January 2019.

In addition, the loan covenants are closely monitored to ensure that these remain within agreed thresholds. The current loan covenants include the solvency and leverage ratio for which reference is made to note 24.

30 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

31 Leases

Group as lessee

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment used in its operations. Leases of plant and machinery generally have lease terms between 3 and 15 years, while motor vehicles and other equipment generally have lease terms between 3 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these 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). As of July 2019, the Group entered into a lease agreement with Havenbedrijf Rotterdam N.V. for plot C. The lease for plot C started on 30th July 2019 and will end on 1 July 2041 (also cancellable as per 1 July 2021 and as per 1 July 2031).

Right-of-use assets

AMOUNTS IN EUR '000	Right-of-use
Cost	
Balance at 1 January 2019	37,268
Additions	23,733
Disposals	-
Balance at 31 December 2019	**61,001**
Accumulated depreciation	
Balance at 1 January 2019	-
Depreciation	(4,434)
Disposals	-
Balance at 31 December 2019	**(4,434)**
Carrying amounts	
At 31 December 2019	56,567

Lease liabilities

AMOUNTS IN EUR '000	
Balance at 1 January 2019	38,717
Additions	23,737
Lease payments	(4,334)
Financing costs	877
Balance at 31 December 2019	**58,997**

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Mainly due to the market expectations in the Offshore segment, management expects that leasing the sites in the Rotterdam Harbour,.until mid-2031 is realistic. In this sector, however, given the sometimes political choices, it is difficult to look ahead for more than 11 years (see note 26).

Group as a lessor

The Group leases out its investment property (see note 17) a Wind Turbine Generator located at Maasvlakte 2 and some antenna locations for telecom providers. The lease income from operational leases amounts for the year 2019 EUR 765 (2018 EUR 25) and does not include variable payments.

Future minimum rental receivable

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

AMOUNTS IN EUR '000	2019	2018
Less than 1 year	1,493	9
Between 1 and 5 years	740	-
More than 5 years	-	-
	2,233	**9**

32 Off-balance sheet commitments

Commitments for the purchase of property, plant and equipment and raw materials

At 31 December 2019, the Group's commitments for the purchase of property, plant and equipment amounts to EUR 2,4 million (2018: EUR 1,3 million) relating to the purchase of property, plant and equipment items. The commitments for raw materials amounts to EUR 17.5 million

Guarantee facilities

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

Name	Type	31 December 2019		31 December 2018	
AMOUNTS IN EUR '000		Total facility	Used	Total facility	Used
Euler Hermes S.A. / CHUBB	General	-	-	100,000	48,790
Euler Hermes S.A. / Tokio Marine Europe S.A.	General	130,000	54,838	-	-
Nationale Borg Maatschappij	General	-	-	10,000	-
Coöperatieve Rabobank U.A.	General	40,000	13,642	20,000	13,448
ING Bank N.V.	General	40,000	10,440	20,000	9,182
ABN AMRO Bank N.V.	General	40,000	12,322	20,000	11,446
Nationale Borg Maatschappij	Project	2,405	2,405	6,788	6,788
Coöperatieve Rabobank U.A.	Project	16,034	16,034	16,034	16,034
ING Bank N.V.	Project	8,459	8,459	8,459	8,459
Total		**276,898**	**118,140**	**201,281**	**114,146**

The Group is jointly and severally liable for all amounts to which Euler Hermes, Tokio Marine, Coöperatieve Rabobank U.A., ING Bank N.V., ABN Amro 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.

33 Related parties

Transactions with joint ventures

During the year, the group received invoices for work performed by SBR Engineering GmbH for a total amount of EUR 145 (2018: EUR 87). Furthermore the group sent invoices to Smulders Sif Steel Foundations B.V. for project related work performed for a total amount of EUR 67 million (2018: EUR 18 million).

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

During the year there are no transactions with companies with which supervisory board members are 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	2019	2018
A. Goedée*	70,000	70,000
J.C.M. Schönfeld*****	-	20,440
P.J. Gerretse**	46,646	45,869
C.A.J. van den Bosch**	47,375	46,469
P.E. Visser***	45,000	45,000
P.E. Wit****	45,000	30,000
	254,021	257,778

* 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 on an ad interim basis as of 1 November 2017.
**** Member of the supervisory board as of 3 May 2018.
***** Member of the supervisory board as of 12 February 2016, resigned as per 3 May 2018.

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

COMPENSATION OF THE CURRENT EXECUTIVE BOARD MEMBERS

	G.G.P.M. van Beers*		L.A.M. Verweij	
AMOUNTS IN EUR	2019	2018	2019	2018
Base salary	367,200	120,000	275,706	300,235
Employer´s pension contributions	22,662	4,369	39,615	38,995
Pension compensation	47,315	16,806	48,196	39,420
Annual bonus	131,694	72,183	37,760	174,199
Other benefits (car lease, travel expenses and relocation expenses)	49,225	14,749	44,611	46,294
Social security and other payments	10,995	3,570	10,995	10,710
Total remuneration	**629,091**	**231,677**	**456,883**	**609,852**

* G.G.P.M. van Beers is appointed as Chief Executive Officer as per 3 September 2018 during the AGM meeting on 31 August 2018.

The Company has a share based compensation plan (Performance Share Unit (PSU)) for members of the Executive Board as part of their remuneration. Under this plan executive management are entitled to receive a cash payment equal to the value of the number of PSUs that have vested. The PSUs are paid out after the completion of a three-year vesting period, contingent on the approval from the Supervisory Board.

At 31 December 2019 the outstanding liability with regard to the PSU plan was € 0.1 million. At 31 December 2019 a number of 18.565 PSUs (2018: 5.564 PSUs) were outstanding of which non are vested.

COMPENSATION OF FORMER EXECUTIVE BOARD MEMBERS

	J.B.J. Bruggenthijs*	
AMOUNTS IN EUR	2019	2018
Base salary	-	231,419
Employer's pension contributions	-	15,621
Pension compensation	-	43,470
Annual bonus	-	24,204
Other benefits (car lease, travel expenses and relocation expenses)	-	28,116
Social security and other payments	-	6,247
Placement reward IPO	-	-
Placement reward IPO under clawback	-	236,200
Termination fee	-	181,050
Total remuneration	**-**	**766,327**

* Chief Executive Officer of the group as per September 2014 untill 1 August 2018.

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:

	2019	2018
G.G.P.M. van Beers	10,000	-
L.A.M. Verweij	-	-
Balance at 31 December	**10,000**	**-**

34 Service fees paid to external auditors

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

	Ernst & Young Accountants LLP		Other EY firms	
AMOUNTS IN EUR '000	2019	2018	2019	2018
Audit of financial statements	247	235	-	-
Other assurance services	10	25	-	-
Total	**257**	**260**	**-**	**-**

35 Events after the reporting period

There were no material events after 31 December 2019.

Separate statement of profit or loss for the year ended 31 December 2019

AMOUNTS IN EUR '000	Notes	2019		2018	
Management fee	37	1,604		1,969	
Total revenue			1,604		1,969
Indirect personnel expenses		1,604		1,971	
General expenses		407		1,246	
Operating profit			(407)		(1,248)
Finance income		-		-	
Finance costs		(480)		(371)	
Net finance costs			(480)		(371)
Profit before tax			(887)		(1,619)
Income tax expense			1,013		465
Result of participation in subsidiaries	38		5,354		(906)
Result of participation in joint ventures			8		9
Profit after tax			**5,488**		**(2,051)**

Separate statement of financial position as at 31 December 2019 (before profit appropriation)

AMOUNTS IN EUR '000	Notes	31-dec-19	31-dec-18
Assets			
Investments in subsidiaries and joint ventures	41	133,481	128,118
Other financial assets		195	75
Total non-current assets		133,677	128,193
Other financial assets		20	10
VAT receivables		185	216
CIT receivables		1,261	510
Prepayments		759	219
Cash and cash equivalents		259	157
Total current assets		2,483	1,112
Total assets		**136,160**	**129,305**

AMOUNTS IN EUR '000		31-dec-19	31-dec-18
Equity			
Share capital		5,100	5,100
Additional paid-in capital		1,059	1,059
Retained earnings		74,828	79,430
Result for the period		5,488	(2,051)
Total equity	43	86,475	83,538
Liabilities			
Trade payables		284	291
Intercompany accounts	42	48,877	44,941
Employee benefits		342	261
Wage tax and social security		31	62
Other current liabilities		151	212
Total current liabilities		49,684	45,767
Total liabilities		49,684	45,767
Total equity and liabilities		**136,160**	**129,305**

Notes to the separate financial statements for the year ended 31 December 2019

36 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-IFRS). Investments in subsidiaries are accounted for using the equity value. The separate financial statements are presented in EUR ('000), which is also the Company's functional currency, if not stated otherwise.

37 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.

38 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. Furthermore Sif issued a parent company guarantee on behalf of Twinpark Sif BV.

39 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.

40 Result of participation in subsidiaries

AMOUNTS IN EUR '000	2019	2018
Result in Sif Netherlands B.V.	10,021	3,349
Result in Sif Property B.V.	(5,001)	(4,255)
Twinpark Sif B.V.	334	-
Result of participation in subsidiaries	**5,354**	**(906)**

41 Investments in subsidiaries and joint ventures

AMOUNTS IN EUR '000	2019	2018
Sif Netherlands B.V.	139,310	129,289
Sif Property B.V.	(6,209)	(1,208)
SBR Engineering GmbH	46	37
Twinpark Sif B.V.	334	-
Investments in subsidiaries and joint ventures	**133,481**	**128,118**

The movement in the investment value of Sif Netherlands B.V., Sif Property B.V. SBR Engineering GmbH and Twinpark Sif BV. is related to the result over 2019 of these subsidiaries.

42 Intercompany accounts

AMOUNTS IN EUR '000	2019	2018
Intercompany receivables (current assets)	-	-
Intercompany payables (current liabilities)	(48,877)	(44,941)
	(48,877)	**(44,941)**
Intercompany account Sif Netherlands B.V.	(46,780)	(42,844)
Intercompany account Sif Property B.V.	(2,097)	(2,097)
	(48,877)	**(44,941)**

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

Amounts due from group companies

Amounts due from group companies are stated initially at fair value and subsequently at amortised cost. Amortised cost is determined using the effective interest rate. The company recognise a credit loss for financial assets (such as a loan) based on an expected credit loss (ECL) which will occur in the coming twelve months or – after a significant decrease in credit quality or when the simplified model can be used – based on the entire remaining loan term. For intercompany receivables the ECL would be applicable as well, however this could cause differences between equity in the consolidated and separate financial statements. For this reason, the company elected to eliminate these differences through the respective receivable account in the separate financial statements.

43 Equity

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

The appropriation of the 2019 profit is at the free disposal of the General Meeting of Shareholders and has not been recorded in the financial statements.

44 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 approximately EUR 46.8 million and a liability to Sif Property B.V. of approximately EUR 2,1 million.

Transactions with joint ventures

During the year, the group received invoices for work performed by SBR Engineering GmbH for a total amount of EUR 145 (2018: EUR 87).

Articles of association related to profit appropriation

Article 34

34.1 Subject to Article 32.1, the profits shown in the Company's annual accounts in respect of a financial year shall be appropriated as follows, and in the following order of priority:

a. the Executive Board shall determine with the approval of the Supervisory Board which part of the profits shall be added to the Company's reserves; and

b. subject Article 29, any remaining profits shall be at the disposal of the General Meeting for distribution to the shareholders.

34.2 Without prejudice to Article 32.1, a distribution of profits shall be made after the adoption of the annual accounts that show that such distribution is allowed.

34.3 The Executive Board may resolve with the approval of the Supervisory Board to make interim distributions, provided that it appears from interim accounts to be prepared in accordance with Section 2:105(4) DCC that the requirement referred to in Article 32.1 has been met.


LIEBHERR
RF3

Independent auditor's report

To: the shareholders and supervisory board of Sif Holding N.V.

Report on the audit of the financial statements 2019 included in the annual report

Our opinion

We have audited the financial statements 2019 of Sif Holding N.V., 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 2019, and of its result and its cash flows for 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (EUIFRS) 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 2019 and of its result for 2019 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 2019
- The following statements for 2019: the consolidated statement of profit or loss, the consolidated statement 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 profit or loss for 2019
- The separate statement of financial position as at 31 December 2019
- 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.

Our audit approach

Our understanding of the business

Sif Holding N.V. 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. The group is structured in components and we tailored our audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the operations of the group and our risk assessment.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, non-compliance with laws and regulations or error in order to design audit procedures responsive to those risks, and to obtain 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.

Materiality

Materiality	€ 1.800.000 (2018: € 1.500.000)
Benchmark applied	Around 1,75% of contribution margin
Explanation	Based on our professional judgment we have considered an earnings-based measure as the appropriate basis to determine materiality. We consider the contribution margin a relevant measure given the nature of the business and the users of the financial statements. The contribution margin is a key performance indicator. The contribution margin is calculated by the total revenues from contracts with customers minus the expenses for raw materials, subcontracted work and other external charges and logistic and other project related expenses. Previous year, we based the materiality on the four years average of profit before tax, as the company was in a loss making situation in 2018.

We have also taken into account misstatements 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 € 90.000, 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.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. Non-compliance with laws and regulations may result in fines, litigation or other consequences for the company that may have a material effect on the financial statements.

Our audit response related to fraud risks

In order to identify and assess the risks of material misstatements of the financial statements due to fraud, we obtained an understanding of the entity and its environment, including the entity’s internal control relevant to the audit and in order to design audit procedures that are appropriate in the circumstances. As in all of our audits, we addressed the risk of management override of internal control. We do not audit internal control per se for the purpose of expressing an opinion on the effectiveness of the company’s internal control.

We considered available information and made enquiries of relevant executives, directors and the supervisory board. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption.

We evaluated the design and the implementation of internal controls that mitigate fraud risks. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgment areas and significant accounting estimates as disclosed in note 2 of the financial statements. We have also performed procedures to identify and address high-risk journal entries.

We incorporated elements of unpredictability in our audit. We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. If so, we reevaluate our assessment of fraud risk and its resulting impact on our audit procedures.

Our audit response related to risks of non-compliance with laws and regulations

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the management board, reading minutes and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Going concern

In order to identify and assess the risks of going concern and to conclude on the appropriateness of management's use of the going concern basis of accounting, we consider 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.

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.

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. The audit has been performed by one audit team and all components were included. We have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Teaming, use of specialists and internal audit

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a listed client in the industry. We included specialists in the areas of IT audit and income tax.

General audit procedures

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management

- 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

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.

The key audit matter of compliance with covenants of the financing agreement, which was included in our last year's auditor's report, is not considered a key audit matter for this year as the company refinanced the existing facility in the beginning of 2019 and the impact of the covenants and related credit facility is therefore no longer considered to be a significant for our audit. Following the implementation of IFRS 16, a new key audit matter related to the implementation of this new accounting standard has been defined.

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 contract assets and liabilities (including revenue recognition)

Risk	Our audit response	Key observations
Revenues from contracts with customers and costs in relation to contract assets and liabilities are recognized over time. At each reporting date management assesses the progress towards the complete satisfaction of the performance obligations taking 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. As circumstances change over time, fluctuations in the anticipated project result can occur over the duration of the contract and updated measures of progress to reflect any changes in the outcome of the performance obligation are accounted for. The progress towards the complete satisfaction is assessed based on the actual hours incurred compared with the estimated hours needed to complete the project. Revenue recognition based on satisfied performance obligations over time 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. Changes in these estimates or assumptions could lead to changes in the revenues recognized in a given period. The significant assumptions developed by management include: estimated labour hours, total estimated costs of completion and (any) claims/contingencies. Reference is made to Note 2, 3, 6 and 20 of the consolidated financial statements for the significant accounting policies on revenue recognition.	We have assessed the appropriateness of the Company's revenue recognition accounting policies and assessed compliance with EU-IFRS accounting policies (IFRS 15). Our audit procedures performed address the risk identified and include among others: assessing contractual arrangements and reconciling total contract revenues to signed contracts, testing management's estimates of costs to fulfil a contract, estimated hours and the proper allocation of costs and actual hours to projects. We also performed counts at the production sites as per year-end to observe the progress towards the complete satisfaction of the performance obligation and performed procedures on management's assessment of expected profitability or losses on the projects and any claims/contingencies on projects. Furthermore, we performed a look back analysis to challenge prior years estimates and to validate whether assumptions and estimates made by management in prior periods supports the actual results of significant estimates.	We evaluated that the Company's revenue recognition accounting policies were appropriately applied and disclosed in the financial statements. Furthermore, we have assessed that the revenue recognized and the accompanying management assumptions and estimates are within an acceptable range.

Implementation of IFRS 16

Risk

After its mandatory implementation from January 1, 2019 onwards, IFRS 16 replaces all existing lease requirements in IFRS. The standard introduces new requirements for lessees, as lessees are required to recognize a right-of-use asset and a lease liability for most leases.

The related amount of the right of use asset and lease liability identified at January 1, 2019 amounts to € 38 million, which is considered to be significant for the financial statements. During the year management entered into a new land lease contract which has resulted in a further increase in the right of use asset and lease liability of € 24 million.

In determining the impact of the IFRS 16 implementation there is a certain level of judgement required, specifically related to the applicable minimal lease term and termination options available. Furthermore the determinations of the applicable incremental borrowing rate ('IBR') requires judgement by management. Given the complexity of the implementation and the balances involved, we have included a significant risk and considered this a key audit matter.

Reference is made to note 2, 4 and 31 of the consolidated financial statements for the significant accounting policies on revenue recognition.

Our audit response

The procedures consisted, amongst others of testing the completeness of the population of leases, inspecting whether all leases were included in the adoption. We observed that the company has policies, processes and controls in place to address the risk that the entity has not identified the complete population of leases as part of the implementation phase.

We inspected whether recurring expenses indicate a potential lease contract. In addition, we performed test of details on transactions to inspect whether contracts and transactions are a lease or contains a lease. We have assessed the assumptions of management related to the most significant lease contracts including termination options. We have included a valuation specialist to assist the audit for the most critical elements in determining the incremental borrowing rate.

Key observations

We evaluated that the Company's implementation of the new lease standard was performed in accordance with IFRS 16 and adequately disclosed in the Consolidated Financial Statements.

We observed that the recognition of right of use assets and related lease liabilities were complete and an appropriate incremental borrowing rate has been used.

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 and Key figures
- The Report of the Executive Board
- The Report of the Supervisory Board
- Share price performance and ownership
- Corporate governance (including the Remuneration report)
- Market developments and results
- Other information as required by 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 and Section 2:135b 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 and Section 2:135b sub-Section 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially 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 management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code, other information required by Part 9 of Book 2 of the Dutch Civil Code and the remuneration report in accordance with Section 2:135b of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the supervisory board and executive board 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. The company became an EU – public interest entity in 2016.

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.

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 engagement 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 detect all material errors and fraud during our audit.

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. The Our audit approach section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Communication

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 the key audit matters: those matters that were of most significance in the audit of the financial statements. 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, 12 March 2020

Ernst & Young Accountants LLP

M. Moolenaar

Glossary and Explanation of non-IFRS financial measures

Contribution	Total revenue minus cost of raw materials, subcontracted work and other external charges and logistic and other project related expenses.
EBITDA	Earnings before net finance costs, tax, depreciation and amortization. The company discloses EBITDA and Adjusted EBITDA as supplemental non-IFRS financial measures, as the company believes these are meaningful measures to evaluate the performance of the company's business activities over time. The company understands that these measures are used by analysts, rating agencies and investors in assessing the company's performance. The company also believes that the presentation of EBITDA and Adjusted EBITDA provide useful information to investors on the development of the company's business. EBITDA and Adjusted EBITDA are also used by the company as key financial measures to assess the operating performance of the operations.
Net earnings	Profit attributable to the shareholders
Earnings per share	Profit attributable to the shareholders divided by the average number of shares outstanding during the year under review
IPO	Initial Public Offering (of shares).
Net debt	Gross debt (loans and borrowings) minus cash and cash equivalents. Net debt is presented to express the financial strength of the company. The company understands that this measure is used by analysts, rating agencies and investors in assessing the company's performance
Normalized EBITDA	EBITDA corrected for incidental IPO related expenses or income The company discloses EBITDA and Adjusted EBITDA as supplemental non-IFRS financial measures, as the company believes these are meaningful measures to evaluate the performance of the company's business activities over time. The company understands that these measures are used by analysts, rating agencies and investors in assessing the company's performance. The company also believes that the presentation of EBITDA and Adjusted EBITDA provide useful information to investors on the development of the company's business. EBITDA and Adjusted EBITDA are also used by the company as key financial measures to assess the operating performance of the operations.
Solvency	Equity/balance sheet total
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.

Working capital	Inventories plus contract assets plus trade receivables plus current prepayments minus trade payables and contract liabilities) The company discloses working capital as a supplemental non-IFRS financial measure, as the company believes it is a meaningful measure to evaluate the company's ability to maintain a solid balance between growth, profitability and liquidity. Working capital is broadly analyzed and reviewed by analysts and investors in assessing the company's performance. This measure serves as a metric for how efficiently a company is operating and how financially stable it is in the short term. It is an important measure of a company's ability to pay off short-term expenses or debts.
Executive Board	Board of executive directors responsible for the day-to-day business at Sif. In 2019 comprised of CEO and CFO.
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.
MAKE	MAKE consultants.
Orderbook	The total of signed contracts and contracts under exclusive negotiations.
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'.
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.
ROCE	Return on capital employed: earnings before interest and tax (EBIT) as a % of equity plus loans and borrowings
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 13 of this annual report).
Sif Holding N.V.	The entity whose shares are listed on the stock exchange (reference is made to the schedule on page 13 of this annual report).

Appendix: Bridge from IFRS to Dutch-GAAP

Consolidated statement of profit or loss for the year ended 31 December 2019 (Bridge from IFRS to Dutch-GAAP)

AMOUNTS IN EUR '000	IFRS		Differences		Dutch GAAP*	
	2019				2019	
Total revenue from contracts with customers		325,600		-		325,600
Raw materials	151,357		-		151,357	
Subcontracted work and other external charges	47,732		-		47,732	
Logistic and other project related expenses	24,994		-		24,994	
Direct personnel expenses	30,332		-		30,332	
Production and general manufacturing expenses	14,378		594		14,972	
Indirect personnel expenses	19,275		-		19,275	
Depreciation and amortization	17,207		(4,434)		12,773	
Facilities, housing and maintenance	5,372		3,707		9,079	
Selling expenses	994		-		994	
General expenses	4,660		33		4,693	
Other expenses	133		-		133	
Operating profit		9,164		100		9,264
Impairment losses on financial assets	(22)		22		-	
Finance costs	(2,667)		877		(1,790)	
Finance costs and impairment losses		(2,689)		899		(1,790)
Share of profit of an associate and joint ventures		53		-		53
Profit before tax		6,528		999		7,527
Income tax expense		818		250		1,068
Non-controlling interests		-		222		222
Net Result		**5,710**		**528**		**6,238**

* Reference is made to note Basis of preparation, as disclosed hereafter

Consolidated statement of financial position as at 31 December 2019 (before appropriation of result / Bridge from IFRS to Dutch-GAAP)

AMOUNTS IN EUR '000	31-Dec-2019 IFRS	Differences	31-Dec-2019 Dutch GAAP*
Assets			
Intangible fixed assets	1,609	-	1,609
Property, plant and equipment	119,459	-	119,459
Right-of-use assets	56,567	(56,567)	-
Investment property	400	-	400
Investments in joint ventures	94	-	94
Deferred tax asset	181	(181)	-
Total non-current assets	178,310	(56,748)	121,562
Inventories	312	-	312
Construction contracts	13,345	(13,345)	-
Trade receivables	45,242	13	45,255
Other financial assets	20	-	20
Prepayments	802	-	802
CIT receivable	2,376	-	2,376
Cash and cash equivalents	1,579	-	1,579
Total current assets	63,677	(13,333)	50,344
Total assets	**241,986**	**(70,080)**	**171,906**

* Reference is made to note Basis of preparation, as disclosed hereafter

AMOUNTS IN EUR '000	31-Dec-2019 IFRS	Differences	31-Dec-2019 Dutch GAAP*
Equity			
Share capital	5,100	-	5,100
Additional paid-in capital	1,059	-	1,059
Retained earnings	74,828	-	74,828
Result for the year	5,488	750	6,238
Equity attributable to shareholder	86,475	750	87,225
Non-controlling interests	222	-	222
Total equity	86,697	750	87,447
Liabilities			
Revolving credit facility	22,872	-	22,872
Lease Liabilities	54,255	(54,255)	-
Employee benefits	287	-	287
Deferred tax liabilities	-	68	68
Other non-current liabilities	1,487	1,453	2,940
Total non-current liabilities	78,901	(52,734)	26,167
Lease Liabilities	4,743	(4,743)	-
Trade payables	37,733	-	37,733
Construction contracts	17,625	(13,355)	4,270
Employee benefits	2,390	-	2,390
Wage tax and social security	317	-	317
VAT payable	1,731	-	1,731
Other current liabilities	11,850	-	11,850
Total current liabilities	76,388	(18,097)	58,291
Total liabilities	155,289	(70,830)	84,458
Total equity and liabilities	**241,986**	**(70,080)**	**171,906**

Notes to the bridge from IFRS to Dutch GAAP accounting principles

Basis of preparation

The Bridge from IFRS to Dutch GAAP ('Bridge') consist of the consolidated statement of profit- and loss and the consolidated statement of financial position. Within both statements a bridge is included from the statutory financial statements prepared 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 and statements prepared in accordance with measurement and recognition principles included in Title 9 of Book 2 of the Netherlands Civil Code and the accounting policies selected and disclosed below.

The Bridge has been prepared to facilitate comparability of the financial position and results of Sif Holding N.V. to financial position and results of competitors that are not preparing their financial statements 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 Bridge within the statements and the related notes therefore reflects the main differences in accounting, as compared to the statutory (consolidated) financial statements of Sif Holding N.V. (the company) for the year ended 31 December 2019. Users of the Bridge determine whether and how these are taken into account when evaluating the performance and financial position of the company.

The Bridge has been prepared in accordance with the measurement and recognition principles of section 9 of Book 2 of the Netherlands Civil Code, applying the accounting principles as adopted in the statutory (consolidated) financial statements, except for the accounting policies stated below and outlined in column 'Differences' in the Bridge.

Leasing

Assessing whether an agreement contains a lease is based on the substance at the inception date of the agreement. The agreement is regarded as a lease if the fulfillment of the agreement depends on the use of a specific asset, or on whether the lease contains the right of use of a specific asset.

The group as lessee

Under finance leases (where all or part of the risks and rewards of ownership of the lease is transferred to the lessee), at the inception of the lease, the leased asset and related liability are carried at the fair value of the leased asset at the inception of the lease or at the present value of the minimum lease payments, whichever is lower. The leased asset is initially recognized including the initial direct costs incurred by the lessee. Lease payments are apportioned between the interest expense and repayment of the remaining balance of the liability, with the remaining balance of the net liability bearing a constant rate of interest.

The capitalized leased asset is depreciated over the shorter of the term of the lease and the useful economic life of the property, if there is no reasonable certainty as to whether ownership of the property is transferred to the lessee at the end of the term of the lease.

Under operating leases, the lease payments are charged to the income statement on a straight-line basis over the term of the lease.

As a result of this accounting treatment, a difference is visible in the consolidated profit or loss statement between depreciation and amortization EUR 4,434 and production and general manufacturing EUR 594, facilities, housing and maintenance EUR 3,707 and general expenses EUR 33. In addition, financing costs EUR 877 and a deferred tax asset of EUR 244 is adjusted in the column difference. The off-balance reporting of operational leases resulted in a difference of EUR 56,567 for the right of use assets, EUR 54,255 lower non-current lease liabilities, EUR 1,453 higher lease incentive as part of the other non-current liabilities and EUR 4,743 lower current lease liability.

Impairment of financial assets

The group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, the amount of the impairment loss is determined and recognized in the income statement for all categories of financial assets carried at amortized cost.

The amount of impairment losses on financial assets carried at (amortized) cost is calculated as the difference between the carrying amount of the asset and the best possible estimate of the future cash flows, discounted at the effective rate of interest of the financial instrument determined on the initial recognition of the instrument. If the decrease in impairment relates to an objective event occurring after the impairment was recognized, a previously recognized impairment loss is reversed to a maximum of the amount required to carry the asset at (amortized cost) at the time of the reversal if no impairment had taken place. The impairment loss reversal should be recognized in the income statement. The carrying amount of the receivables is reduced through the use of an allowance account.

Construction contracts

Revenue is recognized in accordance with the statutory IFRS financial statements. The total amount of all construction contracts is presented as one total amount to be presented under assets (positive balance) or liabilities (negative balance) in accordance with DAS 221.410.

Basis for consolidation

Non-controlling interests are presented separately in the consolidated financial statements. Non-controlling interests in group companies are part of group equity. Non-controlling interests in the income statement of group companies are deducted from result after tax.

Independent auditor's report

To: the shareholders of Sif Holding N.V.

Our opinion

We have audited the Bridge from IFRS to Dutch GAAP ('Bridge') for the year ended 31 December 2019, of Sif Holding N.V. based in Roermond.

In our opinion the enclosed Bridge for the year ended 31 December 2019 of Sif Holding N.V. is prepared, in all material respects, in accordance with the accounting policies selected and disclosed by the entity, as set out in section 'basis for preparation' of the notes to the Bridge.

The Bridge comprises:

the consolidated statement of profit or loss for the year ended 31 December 2019

the consolidated statement of financial position as at 31 December 2019

The basis of preparation and the notes comprising of a summary of the accounting policies and other explanatory information.

Reference is made to page 112 of the annual report for our opinion on the statutory financial statements of Sif Holding N.V.

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 Bridge 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.

Emphasis of the basis of accounting

We draw attention to note 'Basis of preparation' to the Bridge, which describes the purpose of the Bridge and the basis of accounting. The Bridge has been prepared to facilitate comparability of the financial position and results of Sif Holding N.V. to financial position and results of competitors that are not preparing their financial statements 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. As a result, the Bridge may not be suitable for another purpose. Users of the Bridge determine whether and how these are taken into account when evaluating the performance and financial position of the company.
Our opinion is not modified in respect of this matter.

Responsibilities of management and the supervisory board for the Bridge

Management is responsible for the preparation of the Bridge in accordance with the accounting policies selected and disclosed by the entity, as set out in section 'Basis of preparation' of the notes to the Bridge and for determining that the selected accounting policies are acceptable in the circumstances.

Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the Bridge that is free from material misstatement, whether due to fraud or error.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the Bridge

Our objective is to plan and perform the audit engagement 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 detect all material errors and fraud during our audit.

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 this Bridge. 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 judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

identifying and assessing the risks of material misstatement of the Bridge, 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;

evaluating the overall presentation, structure and content of the Bridge, including the disclosures; and

evaluating whether the Bridge represents the underlying transactions and events free from material misstatement.

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.

Eindhoven, 12 March 2020

Ernst & Young Accountants LLP

M. Moolenaar

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