

Annual report

2016



HOLDING

Simac Techniek NV

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Michael van Kasteren, CFO

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Simac ICT Nederland bv

ICT NL Market

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Simac Document Solutions bv

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Explanatory note and disclaimer	In this condensed annual report, the financial performance and key developments have been presented for the year ended 31 December 2016. The full annual accounts of Simac Techniek NV are available, in Dutch only, on the website www.simac.com The annual accounts of Simac have been audited by BDO Audit & Assurance B.V. They have issued an unqualified opinion, which is included in the annual accounts. Under all circumstances the official Dutch version of the annual accounts is legally binding.	

Notice from the board of directors

The year 2016 has been successful for Simac. Turnover grew by 10%, to more than €200 million. The operating result recovered to the desired level and the net profits were strongly influenced in a positive way when Simac 3Services was sold at the start of the year.

Despite fierce competition from both large and smaller businesses, Simac managed to further expand its good position on a number of markets. Thanks to the high levels of customer satisfaction and the fact that organisations are dependent on technology, we have noticed that customers increasingly opt for a long-term relationship with a reliable and financially strong supplier such as Simac. For us, flexible and customer-oriented business practice continues to have high priority.

The activities in the niche markets such as solutions for fibre optic installation, the monitoring of large networks and the construction of data centres experienced a top year in 2016. The expertise and magnificent efforts of our employees in this field deserve a special mention.

So as to further strengthen the possibilities in the retail sector, Simac took over B.sis mid-2016. This company engaged in store automation under Jumbo and it ties in well with the ambitions and possibilities of Simac. The past six months have been successful for Simac B.sis.

At the end of 2016, Hans Stellingsma decided to leave Simac. Hans was a part of Simac for seven years and he contributed significantly to the past few years, during which Simac returned to being a family business and successfully followed technological developments. We are grateful to Hans for his contribution.

Simac is full of confidence for 2017. Its excellent customer satisfaction levels and solid financial position are expected to result in another positive year.

We would like to take this opportunity to thank our customers for their trust in Simac, the orders and the positive cooperation in 2017. We also express our gratitude to the supervisory board and the works council for their contribution in order to reach the right decisions, together. Finally, we would like to thank all members of staff for their tremendous efforts, customer focus and loyalty.

On behalf of the board of directors,

Eric van Schagen
CEO

Veldhoven, 15 March 2017

The board of directors of Simac Techniek NV

Ir. E. van Schagen (1956), Dutch

CEO

Key ancillary positions:

- Chairman of the supervisory board of Rabobank Eindhoven-Veldhoven
- Member of the supervisory board of Mignot & De Block
- Member of the supervisory board of Crowe Horwath Foederer accountants
- Member of the supervisory board of TechnoStars
- Member of the supervisory board of Breedband Regio Eindhoven (BRE)
- Member of the board of Eindhovensche Fabrikantenkring
- Member of the supervisory board of Diagnostiek voor U
- Chairman of the board of Coöperatie Slimmer Leven 2020
- Chairman of the board of Sports and Technology Eindhoven
- Chairman of Stichting Universiteitsfonds Eindhoven
- Chairman of VMHC Basko

M.F.J.A. van Kasteren RA (1961), Dutch

CFO

Supervisory board of Simac Techniek NV

Dr. ir. H.P.M. Kivits (1953), Dutch

Chairman

General Director of Koninklijke Van den Boer Groep

Key ancillary positions:

- Chairman of the supervisory board of Efteling in Kaatsheuvel
- Chairman of the supervisory board of Theater aan de Parade in Den Bosch
- Member of the supervisory board of Chassé Theater in Breda
- Member of the board of Stichting Preferente aandelen C Van Lanschot in Den Bosch

ir. N.I.M. Hermans (1951), Dutch

Vice-chairman

Former member of the board of ASML

W. van Winden (1952), Dutch

Former CFO of Philips Nederland, later Benelux

Key ancillary positions:

- Chairman of the supervisory board of Woningcorporatie Trudo in Eindhoven
- Chairman of the supervisory board of Woningborg in Gouda
- Member of the supervisory board of GGZ Instelling Altrecht in Utrecht
- Also active in volunteer work

Directors' report

OBJECTIVES AND PRINCIPLES

Simac primarily aims for continuity. Continuity is achieved by applying the following principles:

1. **A financially solid basis.** The balance sheet is strong (sufficient shareholders' equity and liquidity), it achieves a positive return each year and the cash position offers enough scope for investments and cushioning temporary problem situations.
2. **Spread of activities.** Simac operates in various products and markets and is organised into smaller units (operating companies or divisions), each of which is individually responsible for the financial result.
3. **Long-term contracts.** A considerable part of turnover is generated by long-term contracts and customer satisfaction is high.
4. **Focus on employees and culture.** The relationship between Simac and its employees is based on mutual trust and we continuously aim for the knowledge and skills of our employees to move along with market requirements.
5. **Room for innovation.** As the technology in our market and customer requirements change rapidly, we devote time and attention to developing new products and services. This also means we have to accept failure and make adjustments.
6. **The environment.** Treating the environment responsibly fits in with Simac's continuity policy.

For internal purposes, the aforementioned objectives are specified per operating company.

FINANCIAL STATE OF AFFAIRS

Key points

- Net turnover rises by 9.3%, from €185.3 million to €202.5 million
- Operating result rises from €1.7 million to €6.1 million
- Result after taxation rises from €1.0 million to €10.0 million
- The cash position rises from €-3.2 million to €5.6 million
- Solvency based on group equity at year-end 2016: 38.7% (2015: 27.4%)

Scope of consolidation

Compared to the previous financial year, a number of changes were made to the scope of consolidation in 2016. On 01 January, it was expanded with Simac Czech Republic and on 01 July with B.sis. All outstanding shares of B.sis bv were acquired on the aforementioned date. Compared to the previous financial year, Simac 3Services and Simac Professional are no longer included in the consolidation. The shares of Simac3Services were sold on 11 January and the 50% interest in Simac Professional is treated as a non-consolidated participation with effect from 2016.

The estimated effect of these changes on the total assets is a negative €6.1 million and a negative €2.9 million on net turnover. Goodwill has been recognised with the acquisition of B.sis. This will be depreciated in five years' time.

Amounts are in thousands of euros

Results

The results can be summarised as follows:

Condensed consolidated profit and loss account	2016	2015
Net turnover	202,515	185,292
Changes in work in progress	1,295	1,085
Subcontracted work and other external costs	-111,115	-96,050
Gross profit	92,695	90,327
Other operating income	156	174
Personnel expenses	-62,544	-61,482
Other operating expenses	-22,244	-25,308
Operating result before depreciation (EBITDA)	8,063	3,711
Depreciation and impairment	-1,919	-1,973
Operating result	6,144	1,738
Financial income and expenses	6,074	68
Group result before taxation	12,218	1,806
Corporate income taxes	-1,982	-784
Minority interest	-219	-17
Result after taxation	10,017	1,005

Net turnover

Net turnover rises by 9.3%, from €185.3 million to €202.5 million. The increase of long-term contract turnover is particularly positive. It rises from €58.4 million to €72.4 million, an increase of 24.0%. Project turnover rises by 3.5%, from €107.2 million to €110.9 million in 2016. Service turnover falls slightly, from €19.8 million to €19.2 million.

Net turnover per category	2016	2015
Sale and installation of goods including projects	110,943	107,168
Managed services contracts	72,362	58,360
Rendering of other services	19,210	19,764
	202,515	185,292

The net turnover of the ICT companies in the Netherlands rises from €76.1 million to €86.4 million, a rise of 13.6%. The turnover of ICT companies abroad rises by 47.9%, from €62.9 million to €93.1 million. Some of this rise can be attributed to the consolidation of Simac Czech Republic with effect from 2016.

Amounts are in thousands of euros

The fall in net turnover for other companies is caused by the sale of Simac 3Services in January 2016.

Net turnover per operating segment	2016	2015
ICT companies in the Netherlands	86,428	76,084
ICT companies in the European Union	93,070	62,913
Other companies	25,008	50,158
Holding and adjustments	-1,991	-3,863
	202,515	185,292

Gross profit

Gross profit is defined as the result of net turnover, changes in work in progress and costs of subcontracted work and other external costs.

The gross profit for the financial year amounts to €92.7 million (2015: €90.3 million). The gross profit percentage compared to turnover falls from 48.7% to 45.9%. A significant part of the margin pressure is caused by additional efforts to safeguard customer satisfaction and to further develop the cloud services. Simac is experiencing margin pressure on the market too, particularly when it tries to secure new contracts.

Personnel expenses

Personnel expenses consist of the total of salaries and wages and social security and pension premiums. Personnel expenses rise by 1.7%, from €61.5 million to €62.5 million. Of that sum, €51.2 million (2015: € 50.2 million) relates to salaries and wages. Of that sum, €11.4 million (2015: €11.3 million) relates to social security and pension premiums.

Other operating expenses

Other operating expenses fall from €25.3 million to €22.2 million. This drop mainly takes occurs for other personnel expenses and car costs. These drops are partially the result of the deconsolidation of Simac 3Services.

Depreciation and impairments

The item of depreciation and impairments fell from €2.0 million in 2015 to €1.8 million in 2016. A sum of €0.3 million was depreciated on intangible fixed assets (2015: €0.2 million) and €1.5 million on tangible fixed assets (2015: €1.8 million).

In 2016, impairments of €0.5 million were recognised, as well as a reversal of impairment of €0.4 million. This concerns tangible fixed assets.

Financial income and expenses

The financial income and expenses consist of €6.2 million (2015: €0.1 million) of the share in the result of non-consolidated participations and €0.3 million (2015: €-) of the balance of interest payable and receivable. In the 2016 financial year, a depreciation of €0.4 million (2015: €-) on long-term receivables was recognised.

Amounts are in thousands of euros

The result of participations of €6.2 million was positively influenced once-only by the book profit when Simac 3Services was sold. This transaction was settled during the financial year and the purchase price has been received in full.

Corporate income taxes

The effective corporate income taxes expressed as a percentage of the group result before taxation fell from 43.4% to 16.2%. In 2016, the tax burden was affected positively as the book profit generated from the sale of Simac 3Services is tax exempt from corporation tax (participation exemption).

A sum of €0.5 million (2015: €0.2 million) out of that tax burden of €2.0 million (2015: €0.8 million) relates to the realisation of deferred tax assets.

Financial position

The condensed consolidated balance sheet is as follows.

Condensed consolidated balance sheet	2016	2015	Changes
Intangible fixed assets	2,904	2	2,902
Tangible fixed assets	4,889	5,429	-540
Financial fixed assets	10,862	9,233	1,629
Deferred tax assets	1,798	2,337	-539
Fixed assets	20,453	17,001	3,452
Inventories and work in progress	3,102	3,290	-188
Receivables	57,447	65,541	-8,094
Cash and cash equivalents	6,228	361	5,867
Current assets	66,777	69,192	-2,415
Total assets	87,230	86,193	1,037
Group equity	33,772	23,688	10,084
Provisions	1,599	3,179	-1,580
Long-term liabilities	23	74	-51
Short-term liabilities	51,836	59,252	-7,416
Total liabilities	53,458	62,505	-9,047
Total equity and liabilities	87,230	86,193	1,037

Amounts are in thousands of euros

As shown by the financing analysis below, the financial position of Simac was further strengthened in 2016. The surplus of available long-term finance rises to €14.9 million (2015: €9.9 million). The investment in working capital falls from €13.2 million to €9.4 million. The cash position (cash and credit institutions) is €5.6 million at the end of 2016 (2015: €-3.2 million).

Analysis of financial position	2016	2015	Changes
Available long-term finance	35,394	26,941	8,453
Minus: fixed assets	20,453	17,001	3,452
Surplus of long-term finance	14,941	9,940	5,001
Working capital	9,379	13,178	-3,799
Cash position (cash and credit institutions)	5,562	-3,238	8,800
Use of long-term finance surplus	14,941	9,940	5,001

Fixed assets fall by €3.5 million, from €17.0 million to €20.5 million. This rise can largely be explained by the €2.9 million rise in intangible fixed assets. This concerns goodwill that is recognised on account of the takeover of B.sis. Net investments in tangible fixed assets amount to €1.2 million (2015: €1.9 million), whereas total depreciation and impairment are €1.9 million (2015: €2.0 million).

Financial fixed assets rise from €9.2 million to €10.9 million. Significant changes concern the increased value of participations by €0.7 million and the amount of €0.8 million payable by participants. Deferred tax assets fall by €0.5 million as a result of realisation on the basis of taxable profit.

On balance, current assets rise by €2.4 million, from €69.2 million to €66.8 million. Inventories and work in progress and receivables fall by a total of €8.3 million. Out of this drop, €8.5 million can be attributed to the deconsolidation of Simac 3Services as a result of its sale. Cash and cash equivalents rise by €5.9 million.

Group equity rises by €10.1 million, from €23.7 million at year-end 2015 to €33.8 million at the end of the financial year. At the end of the financial year, shareholders' equity amounts to €32.6 million (year-end 2015: €22.5 million) and the minority interest € 1.2 million (2015: €1.2 million).

Provisions fall from €3.2 million to €1.6 million. During the financial year, Simac reached an agreement about the repayment of pension capital of former German employees, which capital was received for safekeeping. This concerned a payment of €2.1 million. At the end of the financial year, €1.0 million of the provisions item relates to employee benefits, €0.4 million relates to guarantees and €0.2 million relates to other provisions.

Short-term liabilities fell by €7.5 million, from €59.3 million to €51.8 million. As a result of the deconsolidation of Simac 3Services, short-term liabilities fall by €7.0 million. The bank credit drawn fell by €2.9 million, from €3.6 million to €0.7 million.

Amounts are in thousands of euros

The cash flows during the financial year can be summarised as follows:

Summary of cash flows	2016	2015	Changes
Net cash from operating activities	7,542	1,071	6,471
Net cash from investing activities	1,563	-2,454	4,017
Net cash from financing activities	-2,723	993	-3,716
Changes in cash and cash equivalents	6,382	-390	6,772

The cash flow from operating activities rises by €6.5 million, from €1.1 million to €7.5 million. This can mainly be attributed to the rise of the operating result from €1.7 million to €6.1 million. Furthermore, the required working capital falls by €1.0 million (2015: €0.2 million). The change in the working capital has been adjusted for the effects of the consolidations and deconsolidations.

The cash flow from investing activities for 2016 amounts to €1.6 million (2015: €-2.5 million). The on balance positive effect of the sale of Simac 3Services and the acquisition of B.sis amounts to €3.9 million. Net investments in tangible fixed assets amount to €1.2 million (2015: €2.0 million). The effect of issued loans minus proceeds from outstanding loans is €-1.2 million.

The cash flow from financing activities includes the withdrawal and repayment from the available overdraft facility. During 2016, an amount of €1.8 million was repaid, taking a correction for the sale of a subsidiary into account (2015: drawdown of €1.3 million). Furthermore, the dividend of €0.8 million paid in 2016 (2015: €0.3 million) is included in this cash flow. A sum of €0.6 million of the dividend benefited the shareholders of Simac.

PERSONNEL AND ORGANISATION

On 31 December 2016, the number of fulltime employees of Simac amounted to 934 (year-end 2015: 951). During the year under review, an average of 890 employees were employed on a fulltime basis, compared to 947 in 2015. The average number of employees in the Netherlands is 645 (2015: 652) and 245 abroad (2015: 295). During the financial year, an average of 50 Fulltime Equivalents were hired.

The average sickness absence level in the Netherlands, exclusive of maternity leave, is 3.02% (2015: 2.41%).

Development

The continuous development of employees is one of the key elements of the HRM policy of Simac. In addition to technical and professional competencies, consideration is also given to personal skills. An introduction programme has been drawn up for new employees. In a period of 12 months, new employees are made familiar with the methods, procedures and the “DNA” of Simac, with particular attention being paid to the diversity of our organisation. The objective is to further develop cooperation and synergy.

Education

Simac maintains close relations with various educational institutions, allowing Simac to continue to be involved in the recruitment and training of new talent in the ICT sector.

Works council

As in previous years, 2016 has seen constructive collaborations with the works council of Simac Techniek. Relations between the board of directors and the works council members are positive, with respect for each other's positions and viewpoints.

Information about the male/female ratio

Please refer to page 14 of this report.

OUTLOOK

Despite the fact that the challenges driven by the market and technology show no signs of fading, Simac looks forward to 2017 with confidence. The speed at which information and communication technology changes is expected to remain high in the next few years, which also means that the pressure from the market to provide our ICT services more efficiently and at lower costs will remain high too. As a result, Simac will have to continue to invest in the innovation and automation of our service provision in order to improve customer satisfaction. This may put the return under pressure in the short term but in the long term it will have to contribute to prolonging customer relationships and as such, Simac's continuity.

Simac will, on the basis of a cautious policy in the field of personnel and investments, make investments if this leads to a demonstrable contribution to the service provision or reinforcement in defined markets. The strong financial position offers an excellent basis for the investments in both people and resources at the organisation, which are deemed necessary within this context. One important precondition for future investments or acquisitions is that Simac wants to finance them from its own resources.

Simac does not provide detailed statements about the expected return in 2017. When making comparisons to 2016, the isolated positive effect on the net profits in 2016 of the sale of Simac 3Services must be taken into account. Simac currently anticipates no similar effect for 2017.

Veldhoven, 15 March 2017

The board of directors

Eric van Schagen

Michael van Kasteren

Corporate Governance

EXPLANATORY NOTES TO CORPORATE GOVERNANCE

Simac endorses the importance of proper corporate governance, including the integrity and transparency of the actions by management and has opted to explain the applicable principles below. While not mandatory, Simac is guided by the Dutch Corporate Governance Code, without fully applying it. Deviations from the code are not explained further.

Outlines of corporate governance structure

Simac Techniek NV is a two-tier board company with a board of directors and an independent supervisory board. This is a so-called two-tier management structure. The main features are as follows:

Board of directors

During the year under review, the board of directors of Simac Techniek consisted of three people (two with effect from 01 January 2017), engaging in the management and strategy of the company, as well as the deployment of resources and manpower. The board regularly consults the supervisory board. In accordance with the applicable regulations, important decisions are submitted to the supervisory board and/or the general meeting of shareholders for approval. The supervisory board appoints the board of directors and can suspend and/or dismiss a director. The remuneration and other terms and conditions for appointing a director are determined by the supervisory board.

Supervisory board

The supervisory board supervises the policy of the board of directors and the general affairs and advises the board. The supervisory board focuses on the interests of the company. Supervisory directors are appointed by the general meeting of shareholders, on the recommendation of the supervisory board. A supervisory director resigns on the date of the general meeting of shareholders, four years after his appointment and may be reappointed without limit. The remuneration of the members of the supervisory board is stipulated by the general meeting of shareholders. The supervisory board includes an audit committee and a remuneration committee.

Annual general meeting of shareholders

The annual meeting is held each year, within five months of the financial year ending. In addition to the agenda items prescribed by law, the agenda of the general meeting of shareholders also contains other proposals of the board of directors, the supervisory board or of shareholders representing at least 3% of the issued capital.

The main powers of the general meeting are:

- the right to appoint the supervisory directors and to determine the remuneration;
- the adoption of the annual accounts and the discharge of the board of directors for the policy pursued and the supervisory board for their supervision in the past year under review;
- adoption of dividend on ordinary and preference shares;
- resolutions on amendments to the articles of association;
- issuance by the company of shares or the restriction or exclusion of pre-emptive rights of shareholders;
- the purchase and cancellation of own shares by the company.

Information about the male/female ratio

Simac has taken note of the legislation regarding the male/female distribution on the board of directors and the supervisory board. Historically the norm in question has not been met. As Simac aims to commit and hold on to its board of directors, management and supervisory directors on a long-term basis, it will take time before the company has realised a proportional representation. In the case of future vacancies, Simac will take the existing deficiency into account, although suitable individual quality for the vacancy will of course remain a basic principle and condition.

RISK AND RISK MANAGEMENT

Simac has a risk management and control system (Internal Control Framework) that takes into account the size and complexity of the organisation.

1. risk analysis of operational and financial risks;
2. manuals for the organisation of financial reporting and the procedures to be followed during the set-up thereof;
3. a monitoring and reporting system.

1. Risk analysis of operational and financial risks

The main operational and financial risks are explained below.

Competition comes from both national and international ICT companies. A number of competitors (especially large organisations with a deviating corporate model) may at certain times feel that the combination of a market product is important to the extent that, for a certain period of time, they are prepared to offer specific solutions under the market price or to take measures anticipating a scale to be attained in the future. This can lead to prices being put under pressure or the loss of customers and orders.

Despite all research, the close involvement of the board of directors, supervisory board and other precautions, acquisitions remain an important risk factor. This partly explains why a cautious acquisition policy is conducted.

Important to Simac is that a substantial part of the margin comes from managed services contracts which are often entered into for multiple years. Positive and negative changes in this recurring business affect the development of future profitability. Any changes in the contract portfolio are monitored by management from month to month and a lot of attention is paid to the renewal dates of current contracts. In the event existing contracts are not renewed, there is a risk of short or long-term losses due to underutilisation. If these losses prove to be structural, Simac may be compelled to adjust its work capacity accordingly.

ICT projects are generally accepted on the basis of fixed price agreements (obligation of result). Entering into result obligations leads to higher risks in respect of profitability, particularly in the case of large projects.

Systems installed or infrastructures managed by Simac for its customers are used for operationally critical processes. Interruption of these operational processes as a result of actions by Simac may lead to (reputational) damage and claims.

The markets in which Simac operates are subject to fast technological changes. The introduction of new products or technologies could lead to a rapid and substantial reduction of income from current products and services. It is vital that Simac is able to timely adopt and integrate new technologies in its range of products and services.

Suppliers who are important to Simac issue partnership statuses which are decisive for the prices and conditions under which Simac can purchase from these suppliers. Retention of these statuses is important in respect of purchasing discounts and other favourable purchasing conditions. Technical engineers from Simac regularly attend certification courses to ensure specific product knowledge.

Within the framework of risk management, Simac Techniek NV has taken out insurance against the most common risks relating to business operations, such as trading loss, fire and liability. Simac is of the opinion that the insurance taken out offers sufficient cover to manage such risks and to limit the effect on the result.

2. Guidelines for the organisation of financial reporting and the procedures to be followed for the set-up thereof

The guidelines for the organisation of financial reporting and the procedures to be followed for the set-up thereof are incorporated in the Simac Accounting Manual. This manual includes the following elements:

- group reporting schedule;
- set of standard reporting formats;
- accounting principles;
- intercompany procedures.

The reporting formats include monthly balance sheets and profit and loss accounts and overviews of the working capital and foreign currency positions. In addition, the budgets and the monthly figures are often furnished with explanatory notes (management summary) by the board of directors of the Simac companies. The budget is evaluated each quarter. The working capital overviews are prepared on a weekly basis and contain information on accounts receivable, accounts payable, inventories and cash and cash equivalents.

The fortnightly foreign currency positions focus on the foreign currencies that are most important to Simac, namely USD, CHF and JPY. Simac covers the reported currency positions as much as possible in cash, taking into account the projected cash flows in time, where possible.

The intercompany procedures provide for a monthly reconciliation of intragroup receivables and payables.

Simac has signed a horizontal monitoring agreement (Convenant Horizontaal Toezicht) with the Dutch tax authorities. Measures for securing a reliable processing of tax liabilities are incorporated into the existing system of internal control and management measures as much as possible.

3. Monitoring and reporting

The monitoring and reporting system of Simac is focussed on the monthly and quarterly meetings between the board of directors of Simac Techniek NV and the Simac companies. During these meetings, the boards of directors of the subsidiaries provide a more detailed explanation to the financial position, the results and the forecast for the remainder of the financial year based on the monthly balance sheet and the profit and loss account.

Each quarter, the boards of directors of the Simac companies report on risk management and control by means of an internal letter of confirmation. These concern financial risks including: complying with reporting requirements, valuation of projects, inventories and accounts receivable, complying with the requirements of rendering account with regard to return and making effective reservations. In addition, an assessment is made in respect of risks attached to legal, insurance and staff aspects, twice a year.

The results of the quarterly reports are discussed by the holding board and the audit committee.

The board of directors of Simac Techniek NV believes that the procedures of quarterly meetings with additional written reporting enable the board of directors to effectively monitor the developments within the subsidiaries and to take corrective measures, where and when required.

Report from the supervisory board

Report supervisory tasks by the supervisory board

We hereby present the report of the supervisory board for the 2016 financial year.

The condensed annual accounts have been audited by BDO Accountants, who have issued an unqualified audit opinion. This is detailed on page 30 of this annual report. We advise the General Meeting of Shareholders to adopt the annual accounts and to discharge the board of directors.

During the year under review, the supervisory board met seven times. These meetings were held in the presence of board of directors.

Significant topics discussed at the meetings during the year include:

- Monthly financial reports with insight into the development of results, financial and cash positions and operating results per operating company.
- The adjusted forecast results on the basis of developments during the financial year, per quarter.
- The budget, both consolidated and per operating company, for 2017.
- Developments per operating company are monitored closer as directors present their operating companies and are asked questions during the meetings.
- Settlement of the sale of Simac 3Services.
- Acquisition of B.sis bv.
- Developments and points of interest regarding the personnel policy.
- Policy with regard to the proportional representation of women.

During 2016, the supervisory board held several constructive meetings with the works council. Mr Hermans maintains contact with the works council on behalf of the board.

Report supervisory board committees

The board has appointed two committees from its midst, the audit committee and the remuneration committee. The meetings of these committees are combined with the regular meetings of the board. The audit committee convenes four times a year and the remuneration committee convenes twice a year.

Audit committee

The audit committee consists of W. van Winden (chairman) and H.P.M. Kivits. Given his background and experience, Mr Van Winden acts as the chairman of the audit committee.

The audit committee inspected the audit report of BDO at the meeting of 09 March 2016. This report was explained by the auditors during the meeting and the questions of the audit committee were answered satisfactorily. Compared to the internal figures that were presented, no adjustments of material significance were made.

Following the audit of the 2015 financial year, the audit committee was actively involved in the evaluation. This evaluation led to the decision to propose to the shareholders to appoint BDO Audit & Assurance bv as auditors for the year 2016.

The audit committee was actively involved in the discussion of the audit approach for the 2016 financial year. These consultations were held with BDO and were at times attended by the CFO.

Remuneration committee

The remuneration committee consists of Messrs N.I.M. Hermans (chairman) and H.P.M. Kivits.

The main topics that were discussed during the meetings concerned the adoption of the fixed remuneration for the board of directors and senior management for the coming year and the adoption of the variable remuneration of the board of directors and senior management for the past year under review.

Recruitment and selection of members of the supervisory board and the board of directors are the responsibility of the remuneration committee.

The developments in terms of remuneration and the palpable tensions on the labour market have been discussed extensively. The open discussion of this subject between the supervisory directors and the board of directors and HR director should result in a future-proof remuneration and career system.

During the year, the board devoted attention to the proportional representation of women. It has been decided to explicitly take this aspect into account for future appointments of supervisory directors and members of the board of directors.

Remuneration of the supervisory board

The remuneration for the members of the supervisory board has been set in accordance with the decision of the general meeting of shareholders.

A final word

Finally, we want to express our gratitude to all members of management, the employees and the works council for their hard work in 2016. We are of course extremely happy about the fantastic results with which the financial year was concluded. A very big compliment to everyone who commits himself to Simac every day. There is still room for improvement, however, particularly with regard to activities that do not make a positive contribution to the result yet. That is a challenge for 2017.

A special word of thanks to our board member Hans Stellingsma who, after close consultation, has decided to leave Simac with effect from 01 January 2017. The board wants to thank him for his commitment and contribution to the development of Simac during the past few years. Following the departure of Mr Stellingsma, it has been decided that for now, Simac will be managed by a two-man board of directors.

On behalf of the supervisory board,

Henk Kivits
Chairman

Veldhoven, 15 March 2017

2016

SIMAC ANNUAL ACCOUNTS

CONDENSED AND CONSOLIDATED 2016

Amounts are in thousands of euros

CONSOLIDATED BALANCE SHEET BEFORE APPROPRIATION OF THE RESULT
as at 31 December 2016 (2015)

ASSETS	2016	2015
Intangible fixed assets	2,904	2
Tangible fixed assets	4,889	5,429
Financial fixed assets	10,862	9,233
Deferred tax assets	1,798	2,337
Fixed assets	20,453	17,001
Inventories	2,952	3,290
Work in progress	150	-
Trade debtors	46,885	52,125
Other receivables and prepayments	10,562	13,416
Cash and cash equivalents	6,228	361
Current assets	66,777	69,192
Total assets	87,230	86,193

EQUITY AND LIABILITIES	2016	2015
Shareholders' equity	32,581	22,516
Minority interest	1,191	1,172
Group equity	33,772	23,688
Provisions	1,599	3,179
Long-term liabilities	23	74
Credit institutions	666	3,599
Interest-bearing debt	52	49
Work in progress	-	1,145
Trade creditors	20,816	27,923
Taxes and social security premiums	6,202	4,764
Other payables and deferred income	24,100	21,772
Short-term liabilities	51,836	59,252
Total equity and liabilities	87,230	86,193

Amounts are in thousands of euros

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2016 (2015)

	2016	2015
Net turnover	202,515	185,292
Changes in work in progress	1,295	1,085
Other operating income	156	174
Total operating income	203,966	186,551
Subcontracted work and other external costs	111,115	96,050
Salaries and wages	51,171	50,218
Social security and pension premiums	11,373	11,264
Depreciation of intangible and tangible fixed assets	1,841	1,973
Impairment of intangible and tangible fixed assets	78	-
Other operating expenses	22,244	25,308
Total operating expenses	197,822	184,813
Operating result	6,144	1,738
Share in result of participations	6,189	105
Interest receivable and similar income	310	106
Impairment of financial fixed assets	-387	-
Interest payable and similar expenses	-38	-143
Financial income and expenses	6,074	68
Result from ordinary activities before taxation	12,218	1,806
Corporate income taxes	-1,982	-784
Group result after taxation	10,236	1,022
Minority interest	-219	-17
Result after taxation	10,017	1,005

Amounts are in thousands of euros

CONSOLIDATED STATEMENTS OF CASH FLOWS
for the year ended 31 December 2016 (2015)

Cash flow from operating activities	2016	2015
Operating result	6,144	1,738
<i>Adjustments:</i>		
Depreciation and impairments	1,919	1,973
Changes in provisions	-1,832	-1,313
Total adjustments	87	660
<i>Changes in working capital:</i>		
Inventories	-37	-404
Work in progress	-1,295	1,340
Trade debtors	1,066	-7,578
Other receivables and prepayments	1,246	-910
Trade creditors	-3,201	7,324
Taxes and social security premiums	38	-341
Other payables and deferred income	3,158	786
Total changes in working capital	975	217
Cash flow from operations	7,206	2,615
Interest and dividend received	430	184
Interest paid	-38	-143
Corporate income taxes paid	-56	-1,585
Net cash from operating activities	7,542	1,071

The cash flow statement continues on page 23.

Amounts are in thousands of euros

Cash flow from investing activities	2016	2015
Investments of intangible and tangible fixed assets	-1,316	-1,967
Divestments of intangible and tangible fixed assets	140	49
Acquisition of subsidiaries, net of cash acquired	-4,800	-300
Disposal of subsidiaries, net of cash disposed of	8,749	185
Issued loans and warranties	-3,900	-736
Proceeds from outstanding loans and warranties	2,690	315
Net cash from investing activities	1,563	-2,454

Cash flow from financing activities	2016	2015
Dividends paid	-806	-303
Other changes in equity and minority interest	-60	50
Changes in overdrafts at credit institutions	-1,809	1,293
Repayments of interest-bearing debt	-48	-47
Net cash from financing activities	-2,723	993
Changes in cash and cash equivalents	6,382	-390

Reconciliation of cash movements	2016	2015
Balance at the end of the reporting period	6,228	361
Cash disposed or acquired	-515	-292
Balance at the end of the reporting period	361	1,043
Changes in cash and cash equivalents	6,382	-390

SUMMARY OF THE ACCOUNTING PRINCIPLES

Simac Techniek NV is established in the Netherlands. It has its registered office at De Run 1101 in Veldhoven, the Netherlands.

It is registered with the Chamber of Commerce under file reference number 17057712.

The consolidated annual accounts for the 2016 financial year include Simac Techniek NV and its subsidiaries (jointly referred to as "Simac" or "the Group" and separately as the "group entities") and the interest of Simac in non-consolidated participations. Simac is actively engaged in system integration and ICT service provision (information and communication technology) and IE&A (industrial electronics and automation) technologies. The geographical focus of Simac is on the Benelux. In addition, Simac operates in Germany and the Czech Republic.

The consolidated balance sheet as at 31 December 2016, the 2016 consolidated profit and loss account and the 2016 consolidated cash flow statements have been drawn up with the objective of providing a condensed analysis of the development of the financial position and operational results of Simac Techniek N.V. This condensed annual report has been directly derived from the consolidated annual accounts of Simac Techniek N.V., which provides a better insight into the financial position and results of Simac Techniek N.V. The financial information has been drawn up on the basis of the accounting principles outlined below. This condensed annual report is a translation of the Dutch condensed annual report. In case of differences in interpretation, the Dutch condensed annual report prevails.

General

The general basis for the consolidated annual accounts for the valuation of assets and equity and liabilities, as well as for the calculation of the result, is the acquisition price or manufacturing cost. Unless stated otherwise, assets and equity and liabilities are stated at nominal value.

Functional currency and presentation currency

The annual accounts are presented in euros, the functional currency of Simac. All financial information in euros has been rounded off to the nearest thousand, unless stated otherwise.

Estimates and assessments

Drawing up the annual accounts in accordance with Title 9, Book 2, of the Netherlands Civil Code [Burgerlijk Wetboek (BW)] requires management to make assessments, estimates and assumptions which affect to the applied principles, the reported value of assets and liabilities and income and expenditure.

The estimates and corresponding assumptions are based on past experiences and various other factors which, given the circumstances, are deemed reasonable. The actual outcomes may deviate from these estimates and could lead to material adjustments in subsequent financial years. Significant influence of estimates and assumptions mainly manifests itself in the valuation of fair value measurements of assets and equity and liabilities in the event of takeovers, deferred tax assets, work in progress and provisions.

Estimates and underlying assumptions are under continuous review. Revised estimates are included in the period in which the estimates are revised and in future periods affected by that revision.

Key accounting principles

The principles for financial reporting set out below have been consistently applied to all periods presented in these consolidated annual accounts. The principles for financial reporting have also been consistently applied to the entities that form part of Simac.

Amounts are in thousands of euros

Consolidation principles

The consolidated annual accounts of Simac include the financial data of the group companies and other legal entities over which predominant control can be exerted or for which Simac conducts the overall management.

Group companies are participations in which the company holds a majority interest, or on which a policy-setting influence can be exerted in some other way. The determination whether a policy-setting influence can be exerted involves financial instruments that contain potential voting rights and which can be exercised immediately, thereby giving the company more or less influence.

The consolidation with Simac Techniek NV includes the financial information from the following group entities. Unless stated otherwise, it concerns 100% interests.

The Netherlands

NBrix Datacenter bv, Tilburg
Service Carrier bv, Veldhoven
Simac B.sis bv, Baarn
Simac Business Solutions bv, Veldhoven
Simac Document Solutions bv, Ede
Simac Electronics bv, Drunen
Simac ICT Nederland bv, Veldhoven
Simac International Services bv, Veldhoven
Simac Masic & TSS bv, Heerlen
Simac Participaties bv, Veldhoven
Simac Phobos bv, Veldhoven
Simac QuadCore bv, Veldhoven
Simac Triangle bv, Weert

Other countries:

Simac Holding Belgium NV, Kortenberg (Belgium)
Simac NV, Kortenberg (Belgium)
Prodisight NV, Heverlee (Belgium)
Simac BMS GmbH, Cologne (Germany)
Simac PSF SA, Leudelange (Luxembourg)
Simac Technik AS, Prague (Czech Republic), 60%

On 11 January 2016, Simac sold all outstanding shares of Simac 3Services bv and Simac 3Services NV (together referred to as S3S). As a result of the sale of S3S, €9,517 of assets were transferred and liabilities fell by €6,993. The net sales result of this transaction is recognised under share in result of participations.

On 01 July 2016, Simac took over all outstanding shares of B.sis. bv. As a result, the financial data of this entity will be included in the consolidation with effect from the aforementioned takeover date. As a result of this takeover, the assets rise by €3,749 and liabilities by €2,177 as at the takeover date. The activities of Volamatic bv and Clearbizz bv were ended during the financial year and both companies were subsequently liquidated. NBrix Datacenter bv and Prodisight NV were incorporated during the financial year.

The items in the consolidated annual accounts are prepared in accordance with uniform accounting principles of the group.

Newly acquired participations are included in the consolidation from the moment that policy-setting influence can be exerted. Divested participations are included in the consolidation until the date of termination of this influence.

The group companies are fully consolidated, in which the third-party minority interest is shown separately. If the losses attributable to the third-party minority interest exceed the minority interest in the shareholders' equity of the consolidated company, the difference, as well as any other losses, will be charged to the majority shareholder in full. Due to the negligible importance of some group companies to the whole, consolidation has been omitted pursuant to Section 407, subsection 1, Book 2 of the Netherlands Civil Code.

The minority interest in the result is deducted from the group result separately, as the last item in the consolidated profit and loss account. The result after taxation accrues to the shareholders of Simac. Simal Beheer bv owns 98.6% of the ordinary shares and all preference shares A and B.

Elimination of transactions in the event of consolidation

Intra-group balances and transactions and any unrealised profits and losses on transactions within Simac or income and expenses from such transactions are eliminated when drawing up the consolidated annual accounts.

Accounting principles for assets and equity and liabilities

A summary of the key principles is outlined below.

Intangible fixed assets

Goodwill

Goodwill is the positive difference between the acquisition price of participations and the net asset value at the time of acquisition, minus depreciations. The capitalised goodwill is depreciated on the basis of economic life, subject to a maximum of 10 years.

Depreciation

The depreciation is charged to the profit and loss account on a straight-line basis and on the basis of the estimated economic life of the intangible fixed assets, subject to a maximum of 10 years. The depreciation of the other intangible fixed assets starts once the assets are ready for use.

Tangible fixed assets

Inclusion and valuation

Tangible fixed assets are stated at cost price, reduced by cumulative depreciations and cumulative impairment losses.

The cost price includes the costs that can be directly attributed to the acquisition of the asset. The cost price of assets made in-house include the cost of materials, direct labour costs and any other costs that can be directly attributed to preparing the asset ready for use, possible costs for dismantling and removal of the asset and the repair costs of the site where the asset is located.

Software that has been purchased and which is integral to the functionality of the corresponding equipment is capitalised as part of the relevant equipment.

Depreciation

Depreciation is charged to the profit and loss account in accordance with the straight-line method, on the basis of the estimated useful life of each part in a tangible fixed asset. Unless it is reasonably certain that Simac will acquire ownership of the leased assets at the end of the lease term, they are depreciated during the term of the lease agreement or the useful life, whichever is shortest. Land is not depreciated.

Financial fixed assets

Non-consolidated participations

The participations in which significant influence is exerted on the operational and financial policies, but over which Simac has no control, are valued at net asset value. This is calculated by valuing the assets, provisions and liabilities and by calculating the result on the basis of the accounting principles that apply to the parent company. A legal reserve is created for retained profits of participations valued at net asset value that are not at the free disposal of the company. A significant influence is deemed to exist if Simac holds between 20% and 50% of the voting rights of the participation.

Participations with a negative net asset value are valued at zero. When the company fully or partially vouches for debts of the participation in question, a provision is created, primarily at the expense of the amounts payable by this participation and for the remainder under the provisions to the extent of the share if the participation has suffered losses, or for the anticipated payments by the company for these participations.

Participations in which no significant influence is exerted on the operational and financial policies are valued at acquisition price and, if applicable, subject to deduction of impairments.

The subsidiaries, not being participations, of a permanent nature are valued at acquisition price or the lower market value and, if applicable, subject to deduction of impairments.

Loans and receivables

Loans and receivables are financial instruments with fixed or determinable payments not listed on an active market. Such assets are stated at the fair value on initial recognition plus any directly attributable transaction costs. After initial recognition, loans and receivables are stated at amortised cost price by means of the effective interest method, reduced by any impairment losses.

Inventories

Stocks are stated at cost price, or at net realisable value if lower. The net realisable value is the estimated sales price within the framework of normal business operations, reduced by the estimated costs of completion and the costs to sell.

The cost price of inventories is based on the “first in, first out” principle (fifo) and comprises the expenditure made upon acquisition of the inventories, the installation costs and other costs incurred as part of transportation to the existing location and adaptation to the current condition. The cost price of inventories further consists of directly attributable indirect costs on the basis of normal business capacity.

Work in progress instructed by third parties

Simac carries out projects instructed by third parties, on a contract basis. The costs by virtue of a project are recognised when incurred. Provided the results of a project can be reliably estimated, project income and costs are recognised across the contract term. If the project results cannot be reliably estimated, income is only recognised up to the amount of the project costs incurred, insofar as these are covered by the project income with sufficient certainty.

If total project costs are likely to exceed total project income, the full anticipated loss will be included as a change in work in progress. Income of projects that are yet to be completed is shown as a change in work in progress. Upon completion, the total project income is shown as turnover, in which project proceeds allocated earlier will be deducted from the change in work in progress.

Simac uses the percentage of completion method for measuring the performances delivered in the execution of the projects. In this method, project costs incurred are compared with and expressed as a percentage of the total estimated project costs. Income and costs are recognised in the profit and loss account on the basis of this progress. Expenses incurred in one year for project activities in the next are not included in the calculation.

Projects are shown on the balance sheet on a collective basis, as a receivable from or debt to the clients by virtue of the contracts. Reference is made to a receivable if the amount of the collective return realised exceeds the amount of the terms invoiced. If the collective amount of the return realised is lower than the terms invoiced, reference is made to a debt.

Trade and other receivables

Upon initial measurement, trade and other receivables are included at fair value and subsequently stated at amortised cost price, which is equal to the nominal value, after deduction of the provisions deemed necessary regarding the risk of being unable to collect receivables. These provisions are determined on the basis of an individual assessment of the receivables.

Net turnover

Sale and installation of goods

Turnover from the sale and installation of goods is included at fair value of the consideration received or to be received, after deduction of trade discounts. Income from the sale of goods and projects is incorporated in the profit and loss account if the important risks and benefits of ownership have been transferred to the buyer, the collection of the consideration due is likely, the costs in connection with this or the possible return of goods can be estimated reliably, the goods are not subject to continuous management engagement and the extent of the income can be ascertained reliably. If a discount is likely to be granted and provided this can be ascertained reliably, the discount is included as a reduction of the income when incorporating the sales.

The transfer of risks and advantages varies according to the conditions of the relevant sales contract, yet usually takes place when the goods are delivered to the client in the event of selling goods. Risks and benefits in relation to the sale of projects are usually transferred upon project acceptance by the customer.

Service and managed services contracts and other services

Turnover by virtue of service and managed services contracts and other services is included in the profit and loss account in accordance with the phase of completion of the transaction on the balance sheet date. The phase of completion can be ascertained on the basis of assessments of the work performed.

Work in progress instructed by third parties

Income from work in progress carried out on the instruction of third parties relates to projects carried out for customers and which are subject to an obligation of result. It concerns projects in the fields of ICT infrastructures and ICT applications.

Contractual income includes the initial amount as contractually agreed, increased with possible deviations in the contractual work, insofar as it is likely that they will generate income and can be ascertained reliably.

If a reliable estimate can be made of the result of work in progress carried out on the instruction of third parties, the contractual income will be incorporated in the result in accordance with the phase of project completion. The phase of completion can be ascertained on the basis of assessments of the work performed. If the result of a contract cannot be ascertained reliably, contractual income will only be incorporated insofar as it is likely that the contract costs incurred will be recouped.

Contractual expenses are included as soon as they are incurred unless these expenses lead to the formation of an asset which is related to future contractual work. Anticipated losses in a project are included in the result immediately.

Operating expenses

Costs of service and managed services contracts

The costs of service and managed services contracts are accounted for in the profit and loss account according to the term of these contracts. The corresponding prepayments and accrued income are included under other receivables.

Subcontracted work and other external costs

Subcontracted work and other external costs are included at acquisition price. Also received under this item are purchasing discounts, freight charges, import duties due and the costs of inventory write-downs. The hiring of direct personnel is also recognised under this item. The hiring of indirect personnel is recognised under other operating expenses.

Principles of the cash flow statement

The cash flow statement has been prepared using the indirect method. The cash consist of cash and cash equivalents. Cash flows in foreign currencies are converted at the rates used in the profit and loss account.

Income and expenses from interest and tax on profits are included in the cash flow from operating activities. Dividends paid by Simac to its shareholders are included in the cash flow from financing activities.

The acquisition price of acquired group companies is included in the cash flow from investing activities, insofar as payment was made in cash. Cash held by the acquired group company is deducted from this. When disposing of group companies, the net sale price, to the extent received, is recognised after deduction of cash and cash equivalents sold.

Transactions which do not involve an exchange of cash are not recognised in the cash flow statement.

INDEPENDENT AUDITOR'S REPORT

To: the shareholders, Supervisory Board and Management of Simac Techniek N.V.

Our opinion

The condensed consolidated annual accounts 2016 of Simac Techniek N.V., based in Veldhoven, are derived from the audited financial statements of Simac Techniek N.V.

In our opinion the accompanying condensed consolidated annual accounts are consistent, in all material respects, with the audited financial statements of Simac Techniek N.V. in accordance with the principles described in the notes.

The condensed consolidated annual accounts comprise:

1. the consolidated balance sheet as at 31 December 2016;
2. the consolidated profit and loss account for 2016; and
3. the notes comprising a summary of the applicable accounting principles.

Condensed consolidated annual accounts

The condensed consolidated annual accounts do not contain all the disclosures required by Part 9 of Book 2 of Dutch Civil Code. Reading the condensed consolidated annual accounts, therefore, is not a substitute for reading the audited financial statements of Simac Techniek N.V. including our auditor's report thereon. The condensed consolidated annual accounts and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The audited financial statements and our auditor's report thereon

We expressed an unqualified audit opinion on those financial statements in our report dated 15 March 2017.

Responsibilities of management and the Supervisory Board for the condensed consolidated annual accounts

Management is responsible for the preparation of the condensed consolidated annual accounts in accordance with the principles described in the notes.

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

Our responsibilities

Our responsibility is to provide an opinion if the summarized financial statements are consistent, in all material respects, with the audited financial statements, based on our audit, in accordance with Dutch law, including Dutch Standard on Auditing 810 Engagements to report on summarized financial statements.

Report on other legal and regulatory requirements

This report includes, next to the condensed consolidated annual accounts and our opinion thereon, other information. This other information consists of:

- Notice from the board of directors;
- Management board report;
- Corporate Governance report;
- Report from the supervisory board.

We report pursuant to legal requirements of the auditing standards that we have nothing to report regarding the other information.

Our opinion on the condensed consolidated annual accounts does not include the other information and we do not express an opinion or other assurance conclusion on the other information. As part of our audit on the financial statements and based on the auditing standards, it is our responsibility to read the other information.

We have to assess whether there are any material inconsistencies between the other information and condensed consolidated annual accounts. In order to do so, we use the obtained audit evidence of audit of the condensed consolidated annual accounts and the conclusion drawn in our audit. We also determine whether the other information in other ways seems to include material deficiencies. If we conclude, based on the procedures performed, that the other information includes a material deficiency, we are required to report this matter.

Management is responsible for the preparation of the other information.

Eindhoven, 15 March 2017

For and on behalf of BDO Audit & Assurance B.V.

w.s. P.P.J.G. Saasen RA