Contents

Supervisory Board
J.J.C.M. van Dooremalen, Chairman
C.J. de Bruin
J.C. ten Cate
C. Korevaar
D.J.M.G. baron van Slingelandt

Board of Management
G.L.M. Hamers, President
F. Brouwer, CFO
J.H. Hylkema
A.E. Kips
A. Klijnsoon
A. Korevaar
A. Roelse

Key Figures 2005–2009_______________________ 1
Corporate Profile ___________________________ 3
Report of the Supervisory Board _____________ 4
Report of the Board of Management __________ 5
Worldwide Dredging & Offshore Activities ______ 12
Dredging & Mining ____________________________ 26
Technology & Services ______________________ 36
Offshore & Marine ____________________________ 50
Abbreviated financial information 2009 ________ 57
Consolidated income statement ________________ 58
Consolidated balance sheet ____________________ 59
Consolidated statement of cash flows ___________ 60
Notes to the abbreviated financial information __ 61
Auditor’s report ______________________________ 63
Worldwide locations _________________________ 64
### Key Figures 2005–2009

<table>
<thead>
<tr>
<th>Amounts in millions of euros, unless stated otherwise</th>
<th>Based on IFRS</th>
<th>Based on Dutch GAAP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>452.9</td>
<td>1,329.6</td>
</tr>
<tr>
<td>Revenue</td>
<td>1,125.7</td>
<td>1,090.1</td>
</tr>
<tr>
<td>Order portfolio as at 31 December</td>
<td>1,129.9</td>
<td>1,791.7</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>58.8</td>
<td>78.5</td>
</tr>
<tr>
<td>Profit for the period attributable to owners of the Company</td>
<td>56.7</td>
<td>76.5</td>
</tr>
<tr>
<td>Cash flow (profit for the period plus depreciation and amortisation less dividend paid)</td>
<td>42.8</td>
<td>59.9</td>
</tr>
<tr>
<td>Group equity</td>
<td>227.7</td>
<td>210.3</td>
</tr>
<tr>
<td>Total assets</td>
<td>846.7</td>
<td>836.8</td>
</tr>
<tr>
<td>Group equity / Total assets</td>
<td>27%</td>
<td>25%</td>
</tr>
<tr>
<td>Group equity / Capital employed</td>
<td>72%</td>
<td>68%</td>
</tr>
<tr>
<td>Average number of employees (head count)</td>
<td>3,060</td>
<td>2,623</td>
</tr>
</tbody>
</table>
The technology innovator.
IHC Merwede is active in two major markets: dredging and offshore. It develops and builds ships and working vessels for dredging, wet mining and offshore activities – combining and integrating systems and equipment where appropriate.

The company’s aim is to use its specialist knowledge and expertise to be the world leader in all its fields of activity. IHC Merwede is a technology innovator, from the ocean surface to the sea floor.

An expanding global population and ever-rising demand for energy drive IHC Merwede’s business in a world where raw materials are in short supply and a sustainable environment is becoming increasingly important. By deploying its years of experience and know-how, IHC Merwede will contribute innovative technology that will help to preserve the planet.

This position gives IHC Merwede an advantage over its competitors. In recent years, it has been transformed from an industrial production company to a technologically advanced enterprise.

Renowned for combining industry knowledge with inherent capability, IHC Merwede has developed into a company that supplies integrated long-term solutions and, ultimately, Life Cycle Support. This is the collective focus of the IHC Merwede divisions: Dredging & Mining, Offshore & Marine and Technology & Services. The result has been the creation of a group that draws on its expertise to develop technology for the future.

IHC Merwede supplies industrial and technical products that play a vital role in the optimal performance of its customers’ business activities. It also provides facilities that support the life cycles of these capital assets. This long-term vision means it can create unique and enduring partnerships.

IHC Merwede’s broad customer base includes major dredging operations, oil and gas corporations, offshore contractors and government authorities.

IHC Merwede has over 3,000 employees based at various locations in the Netherlands, China, Croatia, France, India, the Middle East, Nigeria, Russia, Singapore, Slovakia, the UK and the USA.
Introduction

As a result of the credit crisis, the global economy showed a sharp decline in 2009 which has not been seen in decades. State intervention helped to stabilise the situation during the course of the year and there have been some early signs of recovery. It is difficult to say if this is based on a fundamental improvement in the markets. However, it is clear that only a modest growth in the global economy can be expected in the years to come.

These economic conditions have had a negative effect on the volume of new orders – particularly in the market for large custom-built vessels. Due to the excellent order book at the beginning of the year, capacity was fully utilised in 2009. Given the economic outlook, prospects for growth in the short term are limited. The intervening period will therefore be used to prepare IHC Merwede for the ongoing necessary internationalisation of the company’s business activities.

Financial results

The Supervisory Board is pleased to present the financial statements for 2009, as drawn up by IHC Merwede Holding BV’s Management Board. The financial statements for 2009 were audited by and discussed with KPMG Accountants N.V. (KPMG). They issued an unqualified opinion on the 2009 financial statements.

The Group’s financial statements were authorised for issue by the Board of Management and approved by the Supervisory Board on 23 March 2010. The financial statements were then adopted at the General Meeting of Shareholders on the same day.

The company’s result for the 2009 financial year was €56.7 million. The Management Board has proposed distributing a dividend of €28.3 million to the shareholders and adding the remaining amount of €28.4 million to the Other Reserves. The Supervisory Board has approved this proposal.

Supervision

During the financial year, the Supervisory Board met seven times – with the Management Board also in attendance – and covered the following subjects:

- market developments and future projects
- internationalisation of the company and acquisitions
- operational and financial reports
- business financing
- investments
- safety and environmental regulations
- staff and remuneration policy.

In these difficult times, particular attention was paid to the adequate financing of the business, exceptional operational difficulties concerning one of the large orders, changes to the organisation of the Offshore & Marine division, and the temporary reduction of slipway capacity in response to reduced sales.

On the basis of external recommendations drafted at the request of the Supervisory Board, it was decided to remunerate management in line with market conditions. This decision will be implemented in stages over the coming years.

Some of the meetings took place at the offices of the various operating companies. On these occasions, the Board was informed about specific developments at these business units and enjoyed a tour of the production facilities. KPMG attended the meeting at which the 2009 financial statements and their associated auditor’s report were discussed.

A member of the Supervisory Board attended the meetings of the joint Works Council and the Management Board. The meetings were conducted in a business-like and constructive manner.

Members of the Supervisory Board

Mr D.J.M.G. baron van Slingelandt will resign on 30 May 2010 from the Supervisory Board after his four year term has ended. On 23 March 2010 the shareholders appointed Mr J.L. van Nieuwenhuizen to the Board effective from 30 May 2010. We want to thank Mr D.J.M.G. baron van Slingelandt for his valuable contribution during the last four years to the development of the company. On 23 March 2010 the shareholders re-appointed Mr J.J.C.M. van Dooremalen as Chairman of the Supervisory Board after the end of his term of four years.

The members of the Supervisory Board wish to state their emphatic appreciation of the way in which the Management Board and company’s staff have fulfilled their responsibilities in 2009 – another year in which capacity was more than fully utilised.

Sliedrecht, 23 March 2010

The Supervisory Board:

J.J.C.M. van Dooremalen, Chairman
C.J. de Bruin
J.C. ten Cate
C. Korevaar
D.J.M.G. baron van Slingelandt
Report of the Board of Management

Introduction

Last year was dominated by the recession – a period of major uncertainty in which nobody could predict the outcome. Now, in early 2010, it looks as if the worst is behind us and IHC Merwede is still in a reasonably good position.

In financial terms, last year was satisfactory. Prospects for the years to come are not entirely without concern, but there is justification for cautious optimism.

The policy initiated a few years ago, to comply with the strategic objectives of growth, innovation and co-operation, has borne fruit. IHC Merwede’s relatively stable position in these uncertain times can be attributed to the high added value of its products. In addition, the company has already introduced a high level of flexibility to its production facilities and workforce. This has allowed it to reduce production capacity to a level that is more appropriate to current market conditions without being forced into additional write-offs or compulsory redundancies.

Nevertheless, 2009 was the busiest year in the history of IHC Merwede in terms of revenue and production. Never before has the company delivered so many vessels and so much equipment in one year. The results for the past year were also good. Profits before tax of €78 million and a total revenue of more than €1 billion are certainly causes for satisfaction. A comparable result is expected in 2010.

Although all the production facilities were still operating fully in late 2009, the current order portfolio does provide some cause for concern. The order book will ensure good utilisation of the slipways in 2010, but this will decline sharply after that. In view of market conditions in the years to come, more difficult times are expected.

Nevertheless, there are definitely some opportunities in the market that can be exploited by supplying high-grade products to cater for customer needs in the dredging and offshore sectors. IHC Merwede’s products will allow its customers to be more profitable than competing products.

Financial

Revenue and result development

Revenue rose during the year under review to €1,125.7 million, an increase of €35.6 million compared to the previous financial year. This record revenue meant that the company’s own (and rented) production facilities, were fully occupied in 2009 and, as in previous years, a large amount of work was outsourced.

External costs amounted to €753.6 million (2008: €752.8 million). This is an increase of 0.1%. These expenses amounted to 66.9% of revenue, which virtually matched the percentage in 2008 (69.1%).

The employee costs increased by 19.1% to €253.4 million (2008: €212.7 million). Expressed as a percentage of revenue, employee costs increased from 19.5% in 2008 to 22.5% in 2009, due to an increase in the average number of employees from 2,623 in 2008 to 3,060 in 2009 and due to an increased hire of temporary workers.

The average costs per employee amounted to €53,894, a decrease of 1.4% compared to 2008.

Depreciation of tangible fixed assets rose sharply from €9.4 million in 2008 to €16.7 million in the year under review. This increase is the result of an investment in production facilities, rental equipment and office space over the past two years.

The net financing income fell from €8.5 million in 2008 to €0.2 million in 2009. This was caused by a sharp decline in interest rates for fixed-term deposits and a lower average amount of cash and cash equivalents during the financial year (compared to 2008).
Order book
The order book fell during the financial year from the all-time high of €1,792 million on 1 January 2009 to €1,130 million on 31 December 2009. From a historical point of view, the level of the order book is absolutely reasonable.

As a result of the economic crisis and limited financing options, sales in 2009 amounted to €452.9 million (2008: €1,329.6 million). This decline was mainly due to lower sales of large, custom-built vessels.

Despite the sizeable fall in the order book, good utilisation of production capacity is expected for 2010, taking into account the temporary closure of the slipway in Hardinxveld-Giessendam.

At the request of the Dutch exporters of capital goods, the Ministries of Economic Affairs and Finance established two guarantee arrangements in 2009. The aim was to provide exporters with improved access to working capital finance for new assignments. These guarantee arrangements are expected to improve the chance of winning new orders.

Cash flow
The following represents the cash flow in 2009:

<table>
<thead>
<tr>
<th>Net cash flow from:</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating activities</td>
<td>84.4</td>
<td>81.2</td>
</tr>
<tr>
<td>Investing activities</td>
<td>-42.1</td>
<td>-89.5</td>
</tr>
<tr>
<td>Financing activities</td>
<td>-53.5</td>
<td>18.5</td>
</tr>
<tr>
<td>Net decrease/increase in cash and cash equivalents</td>
<td>-11.2</td>
<td>10.2</td>
</tr>
</tbody>
</table>

Working capital
In the past financial year, there has been a considerable emphasis on managing working capital. The focus was initially on credit management and monitoring compliance with payment terms agreed with customers and suppliers. This also included a review of the agreements to be made regarding income and expenditure during future projects.

This was supplemented by an assessment – in collaboration with all the disciplines that are involved directly or indirectly with the primary process – of opportunities for reducing working capital. Due to an overstimulated purchasing market and the expansion of activities anticipated in previous years, economic stock as at 31 December 2009 has increased. Standard stock amounts have now been determined, taking into account normal delivery times for suppliers and a stable turnover for the products and components in question. However, it takes time to reduce the stocks to the desired levels.

The complete package of measures resulted in a decrease in working capital of €18.8 million to €107.7 million compared to 31 December 2008.

Investments
Investments in property, plant and equipment during 2009 can be broken down as follows:

<table>
<thead>
<tr>
<th>In millions of euros</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and buildings</td>
<td>17.1</td>
<td></td>
</tr>
<tr>
<td>Plant and machinery</td>
<td>6.7</td>
<td></td>
</tr>
<tr>
<td>Rental equipment</td>
<td>17.0</td>
<td></td>
</tr>
<tr>
<td>Other items</td>
<td>3.6</td>
<td></td>
</tr>
</tbody>
</table>

Investments in property, plant and equipment are directly related to the expansion of the business in recent years.

Investments in rental equipment are related to increasing demand from customers to hire rather than to buy.

Balance sheet ratios
The condensed balance sheet as at 31 December is:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current assets</td>
<td>206.9</td>
<td>184.3</td>
<td>+22.6</td>
</tr>
<tr>
<td>Working capital</td>
<td>107.7</td>
<td>126.5</td>
<td>-18.8</td>
</tr>
<tr>
<td>Net assets</td>
<td>314.6</td>
<td>310.8</td>
<td>+3.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current liabilities</td>
<td>86.9</td>
<td>100.5</td>
<td>-13.6</td>
</tr>
<tr>
<td>Group equity</td>
<td>227.7</td>
<td>210.3</td>
<td>+17.4</td>
</tr>
<tr>
<td>Financing</td>
<td>314.6</td>
<td>310.8</td>
<td>+3.8</td>
</tr>
</tbody>
</table>

The working capital decreased by €18.8 million, a decrease of 14.9%, while revenue in the financial year rose by 3.3%.

Group equity increased by €17.4 million. This increase is the balance of the profits for the 2009 financial year (€56.7 million) less the distributed dividend for 2008 (€38.2 million) and a few smaller changes during the 2009 financial year.
The solvency ratio as at 31 December 2009 was 26.9%, an increase of 1.8 percent points compared to 31 December 2008.

The current ratio as at year-end 2009 was 1.23 (2008: 1.2)

Financing
Since 2007, the Group has had a five-year committed credit agreement of €900 million with a consortium of banks comprising of RBS, Rabobank, Commerzbank and ING, €100 million of which is for the financing of strategic takeovers. The remaining €800 million is for providing bank guarantees. In addition, the Group has a €80 million guarantee facility with NV Nationale Borg-Maatschappij. The total amount of outstanding bank guarantees as at 31 December 2009 was €732 million (2008: €650 million). The commitments pursuant to the covenants agreed with the bank consortium have been met in full.

General market developments

After years of enormous growth, both in the dredging and offshore sectors, the global recession is also having an impact on the business. Global competition has increased significantly. In the absence of other work, many shipyards that used to build standard vessels, such as tankers or container vessels, have turned to the dredging and offshore markets. Nevertheless, IHC Merwede is happy that it has not lost any market share to its competitors. The company reputedly delivers excellent products that cater for the demands of the market.

It appears that the peak of the crisis is over. The order book ensured excellent utilisation of IHC Merwede’s facilities in 2009. Although isolated contracts have been renegotiated, there have been no cancellations. A large number of customers are moderately optimistic about the longer term market developments.

In addition, it looks as though there was no significant overcapacity in IHC Merwede’s markets during the boom years. All things considered, there are some grounds for cautious optimism. Despite that, the company is aware that it will most likely decrease in size during forthcoming years.

The period of booming growth really is at an end. IHC Merwede will have to forecast its production capacity in line with demand, or in other words, reduce it slightly. As a first step, it has been decided to temporarily shut down the slipway at Hardinxveld-Giessendam in 2010. The employees will be relocated to other IHC Merwede yards to replace temporary staff.

Dredging & Mining
IHC Merwede’s dredging customers have naturally been experiencing a downturn as well. In several countries, governments have introduced a number of helpful measures, including the accelerated implementation of infrastructure programmes. However, protectionism is rearing its ugly head again in some regions. This is particularly the case in Asia, where local shipyards are receiving substantial government support, for example with restrictions on foreign suppliers. Considerable financial support is also being given.

IHC Merwede is responding by developing new dredging vessels that are outstanding in terms of sustainability and cost efficiency. For maintenance dredging work – a market in which the Beaver cuttersuction dredgers have been successful for years – a completely new line of ‘green’ Beavers has been developed. Customers with smaller budgets now have the option of a standard medium-sized trailing suction hopper dredger, known as the ‘Beagle’. This modular design can be adapted to customer requirements with standard, cost effective features. If required, it can also be built overseas.

Offshore & Marine
In the offshore market, oil and gas prices are the overriding factor determining the climate of investment. After the oil price bottomed out at $35 a barrel in early 2009, it has now soared back to $80 a barrel, making many investments profitable again.

With demand for energy still on the increase, oil companies are cautiously rekindling their investment programmes to find new sources of oil and gas. Easily accessible sources are almost exhausted and so the search is focussing on more remote areas, such as the ocean floor and Arctic regions – where activities of this kind are unprecedented. Innovative technology is therefore required to open up these new frontiers.

IHC Merwede is responding to these developments with a major expansion of activities in the offshore sector. It is promoting its pioneering role in the market by initiating new activities for Offshore Wind and Deep Sea Mining. The latest technology is currently being developed for these new and promising markets.
IHC Merwede is increasingly working as the ‘technology innovator from ocean surface to sea floor’ and its aim is to be the market leader in all fields of activity. The bottom line is that customers must always be more profitable working with IHC Merwede’s vessels and equipment than other competing products. This is due to the product offering being more efficient and sustainable, as well as delivering a lower total cost of ownership.

IHC Merwede has been successful to date, which may be evidenced by the Maasvlakte 2 project, the largest dredging project ever in the Netherlands. There are a grand total of 16 dredging vessels built at IHC Merwede yards, creating new land for the port of Rotterdam. The oldest – Boskalis’ Cornelia – dates back to 1981 and the latest – Van Oord’s Vox Máxima – is operational since 2010.

What distinguishes IHC Merwede from the competition is a long and distinguished track record in its customers’ markets and an extensive knowledge of how the equipment is built and then operates. This allows it to assume total responsibility for the turnkey building of complete and integrated vessels, including all the systems and technology on-board.

IHC Merwede is one of few shipbuilders in the world to offer such a high-tech and integrated product line. Not only does it have the ship design and build capacity at its disposal, but also the leading component and system suppliers.

Innovation and product development
All the business units act as ‘centres of excellence’ in their respective fields. Together, they allow IHC Merwede to provide the optimal integration of components and systems in its products and optimise operational processes.

Research and development is of strategic importance and so IHC Merwede spends approximately 3% of its revenue to product development. The focus here includes the development of the latest technology for exploring new markets, such as deep sea mining and wind farm installations – or the start up of strategic units, such as Drives & Automation. However, a research theme that is becoming increasingly important – for both products and processes – is the environment.

Synergy and partnership
One of IHC Merwede’s strengths is that it can provide customers with solutions to their problems. So, an understanding of the customer’s business and operating processes is essential. That is why IHC Merwede invests in enduring relationships with its customers to support them in every way possible.

Not only does it build ships and equipment, but it also helps to finance projects, train crews and support customers with Life Cycle Support services, so that the vessel or piece of equipment delivers optimum performance. Within the Group, knowledge is frequently integrated from the various business units – for example, IHC Offshore Wind and Procurement. Closer collaboration within the Group – between business units and divisions – will contribute to synergy and, ultimately, lower costs and better products.

International growth
IHC Merwede’s overall aim is to maintain growth. In the current market, this amounts mainly to consolidation. Most growth will come from new markets, such as deep sea mining and wind farm installations, and new products for the dredging and offshore sectors. They will strengthen the company’s position further.

Internationalisation
Internationalisation is still a priority when it comes to growth and there will be no change in that respect. In 2009, the sales organisation expanded, with new branches in Aberdeen (UK) and Houston (USA). New regional offices were opened in Bombay (India) and Lagos (Nigeria).

Customers are provided with support from these offices – and not only for repairs and maintenance. They also play an important role in sales of both ships and parts, and the provision of Life Cycle Support services in these countries.

The global network serves two purposes: it presents new opportunities to build ships and equipment in countries where the labour costs are lower than in the Netherlands; and it provides IHC Merwede with access to markets that would otherwise remain closed to the company.

Investment in sustainability
IHC Merwede believes that corporate social responsibility is essential. The company would like to make a meaningful contribution to the society in which we live and work. It is always looking for the perfect balance between people, planet and profit. This means, for example, that IHC Merwede invests extensively in the environment to manufacture products in a sustainable and responsible way.
Since 2008, IHC Merwede has been participating in Ecoshape – Building with Nature, a five-year research programme set up by two Dutch dredging contractors, the Dutch Government, the academic world and other major companies, such as Shell. This is a think-tank looking at environmentally friendly civil engineering applications and working practices.

In 2009, a number of large Dutch energy companies and research institutes initiated the Far and Large Offshore Wind Farm (FLOW), a major, innovative research programme. This incorporates the construction of a demonstration wind park, 75 kilometres off the Dutch coast in 30-35 metres of water. There is no other wind park of this depth and distance from the coast anywhere in the world. IHC Merwede’s participation in the FLOW programme means that it will soon have a leading position in the international market for offshore wind farms.

In 2009, a new project group started a survey of all sustainable product development in the Group. It emerged that there were numerous initiatives, for example:

- IHC Beaver Dredgers is developing a completely climate-neutral cutter suction dredger.
- IHC Hydrohammer® has developed a piling hammer driven by water, instead of hydraulic oil.
- IHC Engineering Services is working on a paper-free filing system.
- IHC Lagersmit makes the SUPREME Ventus® Seal, which will ensure that oil leaks are a thing of the past.
- IHC Parts & Services, with its sophisticated Life Cycle Support programme, is playing an important role in extending the economic life of the equipment and helping to make the products more sustainable.
- IHC Systems is ‘dedicated to efficient dredging’, with the implication that it is contributing to a better environment.

IHC Merwede is not only continuously exploring sustainable solutions in its products and services, but it also keeps a watchful eye on opportunities to protect the environment in its business operations. The Government’s ambition to drastically reduce CO2 emissions means that energy suppliers and other companies need to come up with alternative sources.

So, IHC Merwede has entered into discussions with the energy supplier, Eneco, about research into the opportunities afforded by solar panels. Eneco is offering to supply solar panels for IHC Merwede’s locations to trap solar energy, initially for the Eneco grid, and at a later stage also for use by IHC Merwede. The options for the installation of the solar panels are currently being examined in a technical study. The future will determine if IHC Merwede’s activities can be driven by solar energy.

In the coming year, more investment will be made in the project in order to anchor the environment in people’s thinking and actions. The overall aim is to develop sustainable products and production processes as integral components of all IHC Merwede business units’ daily operations.

**Risk management**

A sustained focus on risk management is vital to the achievement of IHC Merwede’s operational and financial targets. All aspects of risk management are more important than ever in this recessionary economic climate. The company deals with three different types of risk: operational, commercial and financial.

Operational risks relate to the execution of particular projects. Many of our orders are based on turnkey or lump-sum contracts involving technical risks associated with the construction of customised vessels and equipment. Risk management in this area means: using experienced and highly-qualified employees, calling on third-party and supplier expertise when required, cooperation with specialist research centres, strict compliance with quality assurance procedures, and auditing by certified classification bureaus. IHC Merwede also identifies and lists the possible risks to monitor them during the execution of the project.

Budgets and cost estimates for projects are drawn up by estimators who have access to a sophisticated database with historical and benchmark data. Binding price quotations are obtained from suppliers who deliver important parts. Before a binding offer is submitted to a customer, it goes through an approval process involving several disciplines and management levels within the organisation. Progress is monitored on an ongoing basis, with monthly reports for comparison with previous estimates and forecasts for the remainder of the project. The reports for major contracts are discussed at the board level. All work in progress is insured for damage.

Inevitably, some commercial risk is involved in all of the orders undertaken by IHC Merwede. All financial and legal terms and conditions are carefully evaluated before a
Training
IHC Merwede’s extensive training programme is an important asset. There are courses and training options for the entire workforce, throughout the hierarchy. The company’s own accredited school, TOC, trained approximately 87 employees in 2009, with welders, bench operators or steelworkers elevated to BBL level 2. In addition, 2009 saw about 160 members of staff extending their professional competences by participating in ‘multi-skill’ training.

The IHC Merwede Management School gave 280 members of staff the opportunity to develop their knowledge and skills further in the initial training and follow-up curriculum. Eight promising technical graduates joined the IHC Merwede trainee programme. For the purposes of replacing employees leaving the organisation and opportunities for promotion, a Talent Management programme was established in collaboration with the Twente School of Management. The first group of 18 participants from various IHC Merwede business units completed the training successfully in December.

Health and safety
IHC Merwede cares for its people. It helps to prevent absenteeism and places emphasis on safety at work and the value of teamwork. The absenteeism rate this year was 4.7% (2008: 4.3%) – which is on a par with the average in the Netherlands – but given the two flu epidemics and the enormous workload, this was quite an achievement. The health and safety of the workforce is one of the organisation’s leading priorities and 2009 saw the introduction of Preventive Medical Examinations. Sports and healthy living are actively encouraged, and as an example the new office building in Kinderdijk has a well equipped fitness room.

IHC Merwede’s safety performance in 2009 – expressed as the amount of (nearly) accident per 100,000 production hours – amounted 1.56 (2008: 1.80). The Group remains to improve safety, as every accident is one too many.

Works Council
Our staff in the Netherlands are represented by sub-committees for the various business units, which, in turn are represented on IHC Merwede’s Works Council. Elections were held in the 2009 financial year and 17 new members took up office. It is worth mentioning that the Works Council will be chaired by a woman for the first time in the company’s history from January 2010.

In the current changing market conditions, there has been intensive consultation with the Works Council in order to

contract is accepted. Particular emphasis is placed on protecting the company’s intellectual property rights.

IHC Merwede’s markets are volatile, which can lead to large fluctuations in revenue and results. This risk is managed by keeping business operations flexible through outsourcing and subcontracting, hiring a versatile workforce and renting some of the slipway capacity. Finally, the company spreads its commercial risk by dedicating part of its business resources to repeat orders, delivery of spare parts and technical services.

The sheer size of some of the contracts means that IHC Merwede faces considerable financial risks. These are carefully evaluated and, when this is deemed necessary, customers are asked to provide additional securities, such as letters of credit, bank guarantees etc. As a result of the credit crunch, the company has become more demanding about the financial stability of the banks that confirm letters of credit or issue other documents securing payment.

The IHC Merwede currency risks are limited, as over 90% of cash flow is in euros, with most of the remainder being in US dollars and British Pounds. All major transaction currency risks are hedged with foreign currency exchange contracts. The company’s limited interest exposure is covered by interest derivatives.

Human Resources
If unbridled growth characterised previous years, then 2009 was a year of stabilisation and consolidation. The emphasis was on making timely adjustments for internal flexibility and employee mobility.

In early 2009, the workload also continued to be high in many places. After the summer, however, there was less work in the pipeline for some of the business units. IHC Merwede’s policy for many years has already been to have a flexible workforce of at least 30%. The company drew on this flexibility heavily last year to adapt capacity to business activities.

As far as IHC Merwede employees are concerned, everything is being done to keep the knowledge and talent within the company. The assumption is that better times will return and these key people will be very much required when they do.
IHC Merwede Annual Report 2009

11

find joint solutions to employment issues. This collaboration between sub-committees, the Works Council and the employer was extremely positive and constructive last year.

Corporate Social Responsibility

IHC Merwede is dedicated to the sustainable development of the world in which it operates. The company is not only concerned with making profit. It also considers the effect of its business activities on the environment (planet) and internal and external human factors (people). The aim is to find the right balance between people, profit and planet. This leads to better results for both IHC Merwede and society as a whole.

As a major regional employer, IHC Merwede is at the heart of the community. There are good contacts and links with local schools for the purpose of supporting technical education. Many companies in the vicinity of the shipyards also have a strong business relationship with IHC Merwede – from restaurants to suppliers, and from printers to haulage operators. Being a good neighbour also means that IHC Merwede acts as a sponsor for local sports clubs and events in the region, and that local people are always welcome at open days and ship launches.

Many of IHC Merwede’s business activities are heavy industrial production processes. However, it does all it can to prevent problematic issues arising and comply with environmental legislation. These processes are streamlined to ensure that raw materials are managed as efficiently as possible. Technical innovations have been introduced at some of the business units to reduce emissions of substances such as CO2 and NOx. Virtually all the business units have ISO certification and operate using quality systems.

The future

In the past year, IHC Merwede has considerably strengthened its foundations. Past successful years have enabled financial resources to be ploughed into investment in production facilities, the company’s knowledge base and of course the workforce. It is in a strong position to do this and the support of the shareholders and Supervisory Board means that it will continue down this road.

In Kinderdijk and Sliedrecht, there are new office buildings; there is a new service centre and outfitting quay in Krimpen; and IHC Hydrohammer® and IHC Lagersmit moved into new premises in 2009. The IHC Hydrohammer® and IHC Handling Systems rental fleet has been expanded considerably and it will grow further in the years to come. In total, all of this investment will amount to approximately €36 million euros.

IHC Merwede invests in the workforce to manage talent with TOC, the Management School, the talent programme and other courses. Staff will continue to receive additional training and people are being encouraged to develop their careers. This in turn will help staff to work flexibly and that means that, even when there are cutbacks on production capacity, there will be no need for redundancies. The assumption is that all staff and their acquired knowledge will be very much needed in the future. It is expected that there will be a lower level of temporary workers at IHC Merwede in 2010.

One of the company’s main strengths is the delivery of excellent, high-quality products. It is, after all, the Technology Innovator. Investments in product development and innovation have led to several new products in 2009, including the environmentally friendly Waterhammer, the green cutter suction dredger Beaver® 50, the Lancelot cutterhead, the design for the Beagle trailing suction hopper dredger, and a deep-sea mining tool, among others.

A leading position in the global marketplace also means that IHC Merwede will be increasingly looking beyond its own national borders. Internationalisation is taking shape with partnerships in the areas of engineering, yard capacity and research and development programmes, such as the Chinese joint venture in Dalian and the global network of offices.

In the near future, the focus will be on three priorities: sales, cost reduction and product development. All signs indicate that there will continue to be a market in the future for IHC Merwede products and services. The company is continuing to invest in the future.

A slightly lower turnover and similar level of profit to 2009 are expected in the coming year.

Sliedrecht, 23 March 2010

Board of Management

G.L.M. Hamers, President
F. Brouwer, CFO

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F. Brouwer, CFO
Worldwide Dredging & Offshore activities

- Gas extraction locations
- Potential gas and oil reserves
- Area with known oil reserves
- Dredging locations
- Various dredging activities
Taking advantage of product optimisation

MTI Holland, the research institute of IHC Merwede, conducts research to make dredging more environmentally sustainable. The aim of this work is to strike a good balance between the 3 Ps of sustainability: People, Planet and Profit. When applied to a dredging vessel this could involve designing the bridge in a way which is more health and safety-aware (people), dredging in a more environmentally-friendly way using high density pumping (planet and profit) and reducing fuel consumption (profit and planet). Important themes in this research programme include energy and emissions, water turbidity, materials and the entire production process.

By focusing on these main areas, energy consumption in products and processes can be cut while at the same time reducing fuel consumption and the emission of hazardous substances. The optimisation of material use helps to reduce the amount of waste generated. Ships which create less turbidity in the water are also better for the environment. Ultimately, every decision is directed towards achieving a sound balance between the 3Ps, so that products and processes become increasingly more sustainable.
Sustainable dredging
A state-of-the-art well intervention vessel, the “Well Enhancer” was built for Helix Energy Solutions on Europe’s largest covered slipway, located in Krimpen aan den IJssel, IHC Krimpen Shipyard. In 2009 IHC Krimpen Shipyard started to analyse its energy consumption in order to optimise its sustainable production process. Large power consumers turned out to be electric heaters (temporary) installed in offices and lighting in the large construction hall, respectively 20 and 32 percent. Several measures were taken to reduce power consumption. For example, subcontractors now contribute to energy cost enhancing awareness of power consumption by all parties. In the construction hall the complete lighting system has been replaced by an efficient system resulting in an energy saving of 60 percent. Finally four large boilers were replaced by new, energy saving heating boilers reducing gas consumption by 50 percent.
Energy saving locations
Your performance is our challenge
Reduce total cost of ownership

Life Cycle Support

We see operational support as a part of our core business. So we have developed a dedicated life cycle support program for dredging & wet mining vessels operating all over the world. A service programme has been developed in addition to existing services for the offshore & marine market. The IHC Life Cycle Support programme provides customers with solutions worldwide for the optimal use of their equipment at minimum cost. We do this by supplying Technical availability, Total Logistic Support and Training, so achieving a major reduction in the total cost of ownership.
Friendlier for the environment
Ideal balance between sand & water

During the dredging process a trailing suction hopper dredger (TSHD) sucks up a mixture of sand and water. The excess water is returned to the sea via a discharge hose. Small particles of sand which do not precipitate quickly enough are carried away with this water making the seawater turbid, or cloudy. The best way to make sure that as little sand as possible is carried away with the discharge water, the sand to be sucked up needs to be as highly concentrated as possible. A secondary benefit of this high concentration is that the hold is filled more quickly.

MTI Holland, IHC Merwede’s own research institute, studies high density dredging, a process that places high demands on the performance of components like the suction head and the dredging pump. By looking at the process as a whole, the performance of the individual components can be optimised in relation to one another. The final result, a trailing suction hopper, uses a high density dredging technique to be both more environmentally-friendly and more efficient.
Sustainable innovations
A good example of sustainable and innovative applications is the revolutionary design of the Waterhammer. This hammer was developed by IHC Hydrohammer® for use in deep waters: one thousand metres and deeper and is driven by a hydraulic system filled with water instead of oil. IHC Lagersmit produces seals which ensure the effective separation of the surrounding water and stern tube oil. The SUPREME Ventus®, for example, guarantees zero emission, an absolute minimum of wear, accuracy and ease of use. A newcomer in the SUPREME series is the SUPREME Tidal Generation (TG), a seal for tidal turbines. These seals were developed specially for the shafts of tidal turbines and they minimise the loss of lubricants to the water.
Renewable energy concept
Offshore & Marine

Far and Large Offshore Wind (FLOW)

Several leading companies and research institutions, including IHC Merwede, are launching a large, innovative research programme for wind energy, generated far offshore: FLOW (Far and Large Offshore Wind). The plan includes a demonstration windfarm park seventy-five kilometres off the coast of Callantsoog, in water up to 30 to 35 metres deep. FLOW will stimulate the development of wind energy far offshore. For IHC Merwede FLOW is the opportunity to develop future installation vessels, equipment and engineering services that contribute to the realisation of offshore wind farms.
The 2009 financial year was awkward. The volume of incoming orders was halved as a result of the economic decline. Cautious customers, whose revenues were also cut in half, were hesitating before placing new orders. Within this context, the fact that IHC Merwede’s market position and market share have not suffered are positive factors.

The internationalisation initiated in previous years has proved to be a good response to market demand. It has also reduced the impact of the poor economic climate in 2009.

All the ships from the order book – which is still in a healthy state – were delivered on time and within budget to the full satisfaction of all customers.

The main strength of the Dredging & Mining division is its problem-solving capacity. IHC Merwede gets really involved with customers. It has the in-house capacity and capability to provide appropriate solutions for their problems and supply custom-built vessels using its own technology. This incorporates every product from the largest dredging vessels in the world (IHC Dredgers in Kinderdijk) to the extremely cost effective standard dredgers (IHC Beaver Dredgers in Sliedrecht) or any other possible solutions within that spectrum. In addition, with IHC Engineering Services, the division is also able to build dredging equipment at yards in other countries.
IHC Dredgers

Dredging customers can turn to IHC Dredgers for the very best solution to every type of project within this specialist industry. Whether this is a complex custom-built trailing suction hopper dredger (TSHD), or a basic model for a start-up hydraulic contractor, IHC Dredgers makes the right ship within the available budget for every customer.

IHC Dredgers has been the global market leader for many years at the high end of the market for advanced dredging vessels. It develops and builds complex custom-built TSHDs. Short lead times, procurement and logistics all play a major role in the efficiently organised construction process. Thanks to the company’s knowledge of the self-propelled segment, its yard can be used for other types of dredging vessels, such as large self-propelled cutter suction dredgers.

In the past year, IHC Dredgers has committed itself to building smaller standard trailing suction hopper dredgers for the lower and middle market segments, and in doing so has extended its product range. The first in this series of extremely cost-effective medium vessels has been christened the ‘Beagle’ and is the product of years of experience with building dredging craft.

The basic model is a simple 85 metre-long TSHD with a hopper capacity of approximately 4,000m$^3$ and a shallow draught. The ship can be used, for example, in maintenance dredging or land reclamation. A large number of the ship’s features can be provided as options, such as the Wild Dragon draghead, a larger hopper or degassing installation. In this way, every customer can configure the Beagle to meet their requirements and introduce standard components suited to the working conditions. All Beagles come with a Green Passport, environmental certificate and the affirmation of being a ‘clean ship’, due to the low emissions and energy drive. Life Cycle Support is an integral part of the delivery.

The early feedback from the market has been very positive and hopeful for the future. This product line is being extended to include the ‘Easydredge’ – for the lower end of the market – and the ‘Chinatrail’, which has been specially adapted for specific working conditions.

The development of the Beagle is the culmination of the efficient and ongoing development of IHC Dredgers’ construction process, that was initiated in previous years and led to the optimisation of the operational process in 2009. Improved management and project monitoring – combined with the introduction of a new ERP system – helped to establish an automatic feedback loop in the planning and control of day-to-day processes.

This is an important pre-condition for another development – the internationalisation of these activities in
The aim is to build IHC Dredgers’ standard vessels in versions adapted to local working conditions for o.a. the important Chinese and Indian markets.

The principle of engineering and construction in one single location is no longer an exclusive approach. This demands a detailed interface description of the transition between the relevant work phases and a clear understanding of the possibilities and expectations at other construction locations. Above all, in China major steps were taken to achieve this in 2009.

The 2009 financial year was satisfactory for IHC Dredgers. The year was dominated by a heavy workload at the shipyards. At Kinderdijk, a record number of five vessels were completed, and delivered on time and within budget to satisfied customers.

One of the high points last year was when the magnificent TSHD Vox Máxima (32,000m³) was launched on 24 April, with the ceremony being conducted by the person who gave the ship her name, Her Royal Highness Princess Máxima. IHC Dredgers also supplied TSHDs named Shoreway (5,600m³), Cazanga (2,300m³), Artevelde (5,600m³) and Juhu Beach (2,400m³) to their respective owners.

With ongoing assignments for another six TSHDs and a self-propelled cutter suction dredger, IHC Dredgers has safeguarded its construction capacity for the next two years. The assignment for the construction of a mega hopper dredger when the market was bottoming out says a lot about the trust that customers place in IHC Dredgers.

The focus for 2010 will be on winning new work to safeguard the continuity of the shipyards. A standard product line will play an important role in that goal. One of the consequences of the recession has been a decline in the investment climate for larger customers. That means that the emphasis will be more on the purchase of equipment by state dredging contractors. They will be using this equipment for investments and maintenance in infrastructure, a number of which have been generated by state measures to stimulate the economy.

Together with its customers, IHC Dredgers will have to look for creative solutions, such as in the area of working capital management. Integrated production planning – involving several locations – will be an important tool in this process.
One of the high points of the financial year was the naming and launch of the 16,500kW cutter suction dredger Al Sakab, which is being built for HUTA Marine Works in Saudi Arabia. The enormous cutter suction dredger is equipped with special pumps and it can work underwater at depths of up to 25m. Only one week after this launch, the keel was laid on the same slipway for the next ship, a custom-built cutter suction dredger for a Chinese customer.

Not all projects in the past year were for such large dredgers. Half of the deliveries in 2009 went to new players in the market, who were taking their first steps into dredging. These customers were mainly interested in the starter package for which IHC Beaver Dredgers delivers not only a dredger, but also the working vessels, pipelines, floating lines, spare parts and a start-up service. If required, the Training Institute for Dredging (TID) also provides training for the crews. Life Cycle Support Services – including maintenance scheduling – help customers to get the best out of their equipment.
The Dutch Prime Minister, Jan-Peter Balkenende, unveils the new IHC Beaver® cutter suction dredger series.

IHC Beaver Dredgers exploits IHC Merwede’s reputation by focusing intensely on technological innovations. At the Europort Maritime trade fair, the world of dredging learnt about the successor to the Beaver 1600 – the IHC Beaver® 50. This is the first new Beaver in the completely overhauled series. The use of new technology as well as the human factor makes the Beaver dredger easy to use and allows it to perform better in all conditions. It also delivers the lowest cost per cubic metre compared with any other cutter suction dredger on the market today.

During the development of the new Beaver® range, particular attention was paid to environmental factors. In the case of the IHC Beaver® 50, efficient use of power is safeguarded by a single, low-emission, diesel engine for all energy consuming devices on-board, such as the dredge pump, hydraulic installation and 230V board net. In addition, the IHC Beaver® 50 has grease-free bearings for all the wire sheaves on-board to eliminate the spillage of lubrication grease into ambient water. The diesel engine is also placed on vibration dampers to reduce noise levels.

The IHC Beaver® 50 will feature the brand new innovative Lancelot cutter head, a multi-blade variant that provides higher output for fine compacted sands. Turbulence and spill are lower than with conventional crown cutters and the replaceable chisel teeth are made of hardened steel.
Dredging & Mining

IHC Merwede Annual Report 2009

Engineering Services delivered the first IHC 8527MP® cutter suction dredger

IHC Engineering Services

The new IHC Engineering Services brings together all the knowledge needed for customers to build ships at overseas yards.

The naval architects and mechanical engineers supply their services in the form of design and engineering capacity, project management and the delivery of strategic dredging components. In a new development, complete vessels can now be built under the IHC Merwede banner at overseas yards and delivered to clients on a turnkey basis. IHC Engineering Services supplies the knowledge, experience and components from the Netherlands and the entire production process takes place abroad. Non-dredging-specific components are generally purchased in the local market.

Another new development is that IHC Engineering Services also caters for the customers of the Offshore & Marine division if they would like their vessels to be built outside the Netherlands. In this case, the experience of IHC Engineering Services is deployed to find suitable partners, establish the collaboration and complete projects successfully. This is all managed in close co-operation with the Offshore & Marine division.

As in previous years, the emphasis was placed on the Chinese market in 2009. Five cutter suction dredgers were supplied to satisfied customers. The modular, cost effective cutter suction dredgers developed specially for the Chinese market – the 7025MP® and the 8527MP® – have been a major success. The main feature of these patented models is the standardisation of the production process combined with a modular design. The delivery time is therefore relatively short, because many of the components are produced locally in China under the company’s own management.

IHC Merwede insists on excellent working conditions for all of its employees and sub-contractors, both in the Netherlands and internationally. Safety at work is a priority, wherever the company is in the world. Agreements include a sustainability clause in which subcontractors agree to conform to all social and environmental legislation and regulations.

During the year under review, three 7025MP®s and a Beaver 1200 were sold for overseas construction. Although this represents less than half of sales for 2008, the order book is still strong. Even though revenue for 2009 fell slightly, the business unit still managed to increase its profit by approaching its operational processes more efficiently.

The acquisition of new orders will be a high priority in the year to come. India is an important country and so there are already plans for close collaboration with a shipyard there.
IHC Deep Sea Dredging & Mining

In response to the increasing number of requests for deep sea dredging and mining application solutions, IHC Merwede combined all of its activities in this sector to create a new, specially equipped operational unit, IHC Deep Sea Dredging & Mining (DSDM). This business unit will be focusing on excavation techniques in deep water (down to 2,000 metres) and vertical transportation for IHC Merwede’s main markets: mining, dredging and offshore.

This is a step into the unknown for IHC Merwede, since activities of this kind are still relatively new. Nevertheless, with centuries of experience in dredging and unique expertise in the field of mining technology, combined with its deep water know-how it has the right credentials to turn this into a successful venture. IHC Merwede is the Technology Innovator and, as such, it accepts a pioneering role.

This emerging market is promising because demand for raw materials (minerals) will double in the next 25 years – according to studies from the OECD – and existing sources on land will be inadequate. With 70% of the earth’s surface consisting of water, it is therefore logical to assume that the future will be underwater.

In order to develop the technology and products required, an extensive research and development programme has been set up. The main areas currently under study include excavation in hyperbaric conditions, vertical transport over long distances and operating equipment on the sea floor from a ship on the surface.

The first milestone for DSDM was the design and engineering for a complete deep sea mining installation in close partnership with other business units in the IHC Merwede Group. The installation consists of a mining device that works by remote control on the sea floor, linked to the surface and a deep sea mining support vessel.

To protect cables and pipelines in very deep water, DSDM has developed a lightweight rock placement system that can start work at a depth of two kilometres within two hours. In 2009, DSDM also developed special equipment for decommissioning and storing old drilling platforms, and equipment for the offshore wind industry.

With these projects, in addition to a number of commissioned study assignments, the new business unit has already managed to break even in 2009, expanding its workforce from 5 to 20 personnel. The research and development programme for deep sea mining and dredging will be further extended in 2010 to take the opportunities for DSDM’s clients to the next level.
MTI Holland

MTI is a leading global knowledge centre for dredging and wet mining. During the year under review, MTI again took a number of steps in the process of transforming the organisation from a classic research institute into a modern hub for knowledge about dredging and wet mining.

IHC Merwede is ‘The technology innovator’ and, as such, its aim is to be on the frontline of new developments and contribute to innovative products and equipment that are designed and built using sustainable, advanced processes. As a leading research institute and consultancy, MTI is instrumental in IHC Merwede’s overriding ambitions. The Group devotes about 3% of its annual turnover to innovation and development programmes.

During the year under review, major steps were taken in the development of design tools and dynamic software to simulate the movements and operations of ships, as well as the forces generated in the most extreme working conditions.

Alongside its research responsibilities, MTI also has an increasingly Group-wide role as a centre of excellence for issues facing all the business units, such as intellectual property management and applications for subsidies. It is also involved in knowledge management, i.e. recording all types of knowledge and sharing it within the Group.

MTI also plays an important role in IHC Merwede’s sustainability programme. Together with other large companies (such as Shell), the Dutch Government and the academic world, MTI is involved in a think-tank looking at environmentally friendly civil engineering applications and working methods. Since 2008, IHC Merwede has been participating in Ecoshape – Building with Nature, a five-year research programme set up by two Dutch dredging contractors.

In 2009, MTI was involved in six projects in the Maritime Innovation Programme of the Dutch Government’s Innovation Platform. In the years to come, its research will concentrate on deep sea mining, the use of new materials, such as plastics, computational fluid dynamics and dredging and offshore operations.

Many postgraduates and masters students conduct research at MTI. This means that it plays an important role as a talent pool for IHC Merwede. Most graduates move on to a career within the Group after graduating. Research in the frontline of technology attracts many talented people from all over the world.
Training Institute for Dredging

In the dredging sector, technological developments are proceeding fast. For operational management, support and technical departments to keep up with those developments training is a must.

The Training Institute for Dredging (TID) provided training in 2009 for 244 participants, participating in a total of 15 courses. As the market now requires more performance and competence-based courses, TID’s informative and technical operational courses are being overhauled and further developed into measurable and competence based programmes. These types of courses also draw on new academic methods and techniques, such as web-based training.

TID also uses simulators extensively to deliver the real operating experience as closely as possible. It has three cutter suction dredger simulators – one in Kinderdijk and the other two in China. However, all three units can also be deployed on a mobile basis. The training activities in China are progressing very well with an additional 176 participants taking a total of 18 courses.

Since 2001, TID turnover has increased by approximately 25% on an annual basis, including last year. It may concluded that TID fulfills a niche in the market and the future is filled with optimism.

Verenigde Scheepswerf Heusden

Verenigde Scheepswerf Heusden (VSH) is an integrated section and hull builder, which supplies ship sections to internal and external clients. It allows other IHC Merwede slipways to make considerable reductions in vessel construction times and enhance the returns booked by the other yards.

The hull parts produced in Heusden are delivered with complete outfitting – suitable for final fitting out at other locations. During the year under review, hulls of this kind were built for three trailing suction hopper dredgers. The Juhu Beach, with a hopper capacity of 2,400m³, has now been delivered to a new Dutch customer. The sections for the gravel dredger Victor Horta (5,000m³) and the TSHD Isandlwana (4,200m³) are still under construction and they will leave for the IHC Dredgers yard in Kinderdijk in 2010.

VSH has the facilities for more complex section and hull construction work to be completed flexibly and in a non-hierarchical system for a wide range of customers. Sections were also produced for yacht builders – among others – in 2009.

The yard was well-utilised and recorded a positive result for the financial year. All assignments were delivered on time and within budget.
IHC Merwede and the Dalian Liaonan Shipyard (DLS) in China have joined forces for the Chinese market under the name of IHC (Dalian) Dredging Vessel Technology Development. This joint venture won a tender last year for the construction of two 7025MP® cutter suction dredgers for the Chinese dredging contractor Guangzhou Dredging Co.

The collaboration between IHC Merwede and DLS started some years ago, when IHC Merwede was looking for a suitable yard to build ships for its Chinese customers. The 7025MP® and 8527MP® cutter suction dredgers had already been developed and built successfully in several Chinese yards.

By working with a fixed partner in the Chinese market, IHC Merwede can focus its shipbuilding and local market knowledge in a single location, and develop its business from that solid base. This step is entirely in line with the IHC Merwede policy of internationalisation, with a permanent presence of strategic importance in local markets.

The decision to team up with DLS was a logical consequence of the work previously completed on behalf of IHC Merwede by that yard. In 2009, construction work proceeded apace in Dalian on no fewer than seven orders for IHC Merwede customers.

With the new joint venture, IHC Merwede has ensured that it has an exclusive long-term agreement. By building under the IHC Merwede banner in China and assuming total responsibility, the company can also safeguard its high quality standards.

In addition to the ongoing contracts for the 7025MP® and 8527MP® cutter suction dredgers, DLS signed a contract with IHC Merwede in 2008 for the construction of four split hopper barges for the dredging contractor Van Oord. These are currently under construction and will be completed soon.

The Dalian Liaonan Shipyard – originally more a navy yard – but now a lot of its activities are geared towards the construction of dredging vessels. It is expected that demand for dredging equipment in China will remain high and the joint venture activities will continue to expand. In any case, the yard will be working to capacity on ongoing assignments for the next year.
The business units active in the offshore and energy markets continued to prosper in 2009. Emerging markets have resulted in a number of new developments. The wind farm installation market led to the establishment of the IHC Offshore Wind Knowledge Centre, which brings together products and services that, alongside individual initiatives, can be supplied in an integrated way.

In 2009, equipment rental activities at IHC Hydrohammer® and IHC Handling Systems (among others) were further expanded in response to market demand. Also in November, the increasing importance and complexity of electrical propulsion systems and platform automation in the design, construction and operation of complex working vessels led to the establishment of IHC Drives & Automation.

Finally, technology is of course crucial for the future. The Technology & Service companies are all market leaders. To maintain that position, it is important to demonstrate continuous innovation. IHC Hydrohammer® has developed a piling hammer that is driven by water – which is beneficial when piling at large depths – in response to the need for oil prospecting in deeper waters.

IHC Lagersmit specialises in the manufacture and marketing of seals for rotating shafts. In 2009, it invested in a completely new high-tech production location in the Netherlands, which went into operation in 2010. The new production strategy is based on ‘lean thinking’ and the machine park has undergone extensive automation.

The concept of Life Cycle Support will be rolled out further in both the dredging and offshore sectors. Maintenance focuses on preventing problems instead of remedying them, which in turn saves valuable time. Once again, continuous investment will be made in products and people throughout 2010 in order to retain the leading positions of the business units in their respective markets.

The companies operating in the Technology & Services division are all specialists and global market leaders in their respective fields. They design and build systems, vessels and parts for the dredging and offshore sectors. So, they fulfil an important internal supply and support function for the other business units in the IHC Merwede Group.

Last year, the world had been struck by the economic crisis. Business units from the Technology & Services division – active in construction and infrastructure – have been affected by this. A slowdown of this kind also frees up time to invest in the future and identify new markets or extend old ones. Fortunately, the signs in early 2010 are positive.

Business units

IHC Hydrohammer® B.V.
IHC Handling Systems V.O.F.
IHC Sea Steel Ltd.
IHC Fundex Equipment B.V.
IHC Parts & Services B.V.
IHC Systems B.V.
IHC Lagersmit B.V.
IHC Offshore Wind
IHC Hytop B.V.
IHC Offshore Systems B.V.
IHC Vremac Cylinders B.V.
IHC Engineering Business Ltd.
IHC Metalix B.V.
IHC Piping B.V.
IHC Fabrication
IHC China Support
Merwede Interior B.V.
IHC Hydrohammer®

IHC Hydrohammer® designs, builds and supplies hydraulic hammers for onshore and offshore usage. The organisation has built up a reputation for its high quality piling products. In addition to a wide range of drivers, IHC Hydrohammer® supplies innovative piling technology, foundation equipment and hammer accessories. Its specific aims are to make piling more efficient, controllable and universally viable, as well as less noisy. Innovation is the key to the company’s success.

IHC Hydrohammer® hammers are suitable for a wide range of the challenges presented by piling. Tube piles, concrete piles and sheet piling are just some examples. The hydrohammers can even be used as rock-breakers and in horizontal piling systems. In addition to the sale and rental of piling equipment, geotechnical consultancy is an important part of the business. After surveying soil conditions, IHC Hydrohammer® can advise customers about the most suitable product for the job.

In 2009, the development of the Waterhammer progressed well. The prototype phase has now been completed and it will go into production during 2010. IHC Hydrohammer® is opening up the ultra-deepwater market in the oil and gas sectors with this new product.

Last year, there were major projects in the offshore wind farm installation market. In Europe, all the offshore wind farms using monopile foundations were installed using a Hydrohammer. In collaboration with IHC Handling Systems (among others) IHC Hydrohammer® supplied this growing market with specialist equipment and knowledge, for example with the Bligh Bank offshore wind farm.

The Belwind Group is currently engaged in building work on Belgium’s largest energy project, which incorporates a large wind farm, situated 46 kilometres offshore from Zeebrugge. The farm will be built in two phases, each involving 55 turbines, with a total capacity of 330MW. For the installation of the monopile foundations, a S-1200 Hydrohammer and 4.1-metre diameter sleeve were hired by Ballast Nedam. The farm will produce 1.1TWh of electricity annually, which is enough to supply approximately 350,000 families with ‘green’ energy and to make an annual saving of 540,000 tonnes of CO₂.

A further step in the globalisation process was taken with the acquisition of the remaining shares of Hydro France by the Group. It’s business unit – renamed as IHC Equipement et Services S.A.S. – is located north of Paris and it focuses on the rental and sale of hammers and vibration units. The market for sales in France is concentrated on the land, oil and gas sectors.
The S-1200 Hydrohammer with 5.1m diameter sleeve at the Greater Gabbard Offshore Wind Farm

However, the prospects for IHC Hydrohammer® are also upbeat in Singapore and Houston, particularly with regard to the wind farm market. This ongoing globalisation means that IHC Hydrohammer® can cater for customer demand for the faster delivery of piling equipment and accessories. This strategy also helps to reduce customers’ costs, as if the equipment reaches the site faster, then it will reduce the rental period.

IHC Hydrohammer® also celebrated its 25th jubilee in 2009. This was a special milestone in the history of this business unit. It was also the occasion for huge celebrations last October with the company’s national and international business contacts, and the workforce.

Since it started operations with four enthusiastic members of staff in 1984, it has grown into an enterprise with a workforce of 75. IHC Hydrohammer® has been increasingly successful as a ‘technology innovator’ in its efforts to conquer the offshore and onshore global markets. The demand for heavy piling hammers in the ever-expanding energy market (oil, gas and wind) and for large infrastructure and construction projects is continuing to drive the growth of the company.

On Friday 16 October, IHC Hydrohammer® organised the Sound & Sizes seminar for the offshore wind turbine sector. There were about 100 people present at the Landvast Conference Centre in Alblasserdam, including a number of leading European offshore wind farm contractors. Special events were also organised for the agents who represent the global network of IHC Hydrohammer®. Existing relationships were strengthened and the latest developments discussed. The jubilee festivities were rounded off with a big party for all IHC Hydrohammer® employees and contacts, and a special book was written for this memorable year to chart the development of the organisation.

The coming year is now fully booked with projects, mostly in the wind farm installation market. The rental fleet will also be expanded and these activities will continue to gradually increase due to the close links with the IHC Hydrohammer® markets.
Removal equipment in action for the NW Hutton Field (North Sea)

IHC Handling Systems

IHC Handling Systems is the global leader in the niche markets of internal and external lifting tools, subsea levelling systems, pipe recovery tools, jacket pile grippers and skidding equipment. These are supplied to offshore installation companies operating in the fields of wind farm installation, oil and gas installation, and the decommissioning of offshore installations.

The year 2009 was one of few orders and high labour intensity. Once again, the large IHC Handling Systems rental fleet was used more than in the previous year. A 600T upending tool was hired for the Bellwind wind farm project. Second-generation plugs were also supplied for the same project to float the monopile foundations to the required location. The same 600T is currently being used for a period of eight months on the Thanet project. In the latter half of 2009, a jacking system was delivered for Walz Marine in Australia.

IHC Handling Systems also supplied a range of equipment (including service) on behalf of Heerema for the removal of the NW Hutton Field in the North Sea. The order included the rental and sale of lifting tools and hydraulic fasteners. In addition, existing equipment was modified so that it could be used for this project.

In early 2009, the construction of the new hall commenced in Delfzijl, the location of IHC Handling Systems. The hall was completed in August and is now fully operational for assembly work and the production of hydraulic systems. This means that capacity has doubled and it will also allow working procedures to be more efficient.

The demand for offshore handling tools will continue to grow. It is expected that rental revenue will rise substantially. In 2009, custom-built solutions accounted for 50% of the revenue and the other 50% was generated by rentals. IHC Handling Systems already has an impressive fleet of rental equipment, including lifting and upending tools, skidding systems and pile clamps, hydraulic power packs and hose reels. All of these items can be supplied from stock in standard sizes.
IHC Sea Steel

IHC Sea Steel is renowned on a global basis for designing, building and supplying innovative sub-sea pile driving equipment to the oil and gas industries. The company has been responsible for a number of pioneering piling solutions. This includes the patented Fast Frame, which was developed to reduce offshore installation times, while maintaining the vertical orientation of the pile.

The company has been part of the IHC Merwede Group since April 2008 and is increasingly feeling part of the team. In 2009, IHC Sea Steel developed a pile alignment template for NorWind, which was to be used in conjunction with a 72” Slotted Frame (72SF). Due to soft soil conditions, the 72SF was also fitted with bolt-on mudmat extensions to improve stability.

New customer TSMarine contracted IHC Sea Steel to provide a 60” Fast Frame (60FF) for the installation of six No. 60” diameter mooring anchor piles for the Blacktip Project in Australia. All of the piles were successfully deployed and installed. These are two examples of the work completed by the company last year.

In 2010, IHC Sea Steel will work on the development of a levelling system for the Fast Frames and therefore continue to invest in technology.

IHC Fundex Equipment

IHC Fundex Equipment supplies a wide range of land-based foundation machines and associated accessories to large and medium-sized, global contractors. IHC Fundex Equipment’s speciality is machines and accessories for the heavy drilling sector that produce minimal noise and vibrations. The company already produced machines with leader lengths of 40 metres (Fundex F3500) and 31 metres (Fundex F2800) with a third version introduced in 2008 (Fundex F2200). The second example of this model was delivered and commissioned in 2009.

Important themes during 2009 were cost management, Fundex F2200 testing and the construction of a workover rig which was delivered to Akzo Nobel late in the year. This is a mobile rig used for salt drilling in the Netherlands and Denmark, which makes it possible to drill much deeper than before (down to approximately 1,000 metres) and carry out repairs that were previously impossible.

The prospects for the new year look better, with an increase in the number of enquiries already apparent. In 2010, work will start on the engineering of the FUNDEX F5000, a new machine that can be used for even tougher piling and drilling work.
Higher yields mean less energy is needed per m³ of dredging

IHC Parts & Services

The products supplied by IHC Parts & Services to its customers can be broken down broadly into two categories: complete products, which are generally supplied for the construction of new ships; and individual products and services for after-sales activities. The business unit’s after-sales activities generate so much knowledge and experience, that it is possible to continue to provide the market with what it expects – the delivery of high-quality technical dredging products.

One of these new products is the IHC cutter special pump (HR-CS®), which has now been delivered successfully to several customers. It is also used in close collaboration with IHC Beaver Dredgers, as the standard pump for the new Beaver series. The pump’s wider passage allows the dredger to pump rocks and bigger stones without any difficulty.

In addition, IHC Parts & Services has been successful in the ongoing development of the Life Cycle Support concept. The first contract was sold to a Chinese customer in August and is the first of its kind in the dredging industry. The IHC Merwede programme optimises the maintenance plan and minimises operational costs.

A number of projects were tackled in the past year to further develop this concept in real terms. These included the digitalisation of the manuals and the gradual introduction of a webshop. Much work went into the implementation of the organisation – and not only in the Netherlands. The standard of the Regional IHC Offices (RIOs) is being improved and they have been given an active role in the servicing of IHC Merwede’s customers. This global focus means that IHC Parts & Services can supply the market with a wide and varied range of products and respond precisely to customer requirements.

Rapid developments in the market witnessed recently will force the organisation to make changes. The industry wants lower prices, a better response to demand and faster availability of products and services. This means that the role of the overseas offices will continue to increase in importance.

A greater emphasis will be also be placed on sales and marketing. Internally, a central department for strategic and tactical procurement, and QA department were established. The product-based structure of the operational organisation was also abandoned in favour of a project-driven initiative. It is hoped that all of this will help the company to provide its customers with better prices and guaranteed, short-term delivery times. In other words, it’s TIME to... DELIVER!
IHC Systems

IHC Systems is the market leader in process monitoring, control, automation, simulation and integration of dredging, nautical and hydrographical tasks on-board dredgers.

In 2009, IHC Systems continued a high level of research and development. This was targeted at fields such as Engine Control Room (ECR) automation and the improvement of sensors and Human Machine Interfacing. Artificial Intelligence and simulator development continued and themes like sustainability were also addressed.

Many projects were scheduled for 2009, including Dynamic Positioning / Dynamic Tracking (DP/DT) upgrades, a remote Condition-Based Monitoring System and a large order portfolio of ‘common’ deliveries. Clearly, IHC Systems is determined to continue the implementation of all its activities within the meaningful framework of IHC Systems’ strapline, Dedicated to Efficient Dredging.

The results were favourable: IHC Systems delivered two cutter dredger training simulators, DP/DT systems and many monitoring systems. Instrumentation and automation systems were delivered for mega hopper dredgers and for IHC Beaver cutter dredgers. Retrofits of older vessels were also completed.

Research and development resulted in working prototypes for sensor diagnostics, spillage detection and the IHC Connect interface structure. The DP Automatic Manoeuvring / Automatic Tracking (DP AM/AT) version obtained type approval and a trail speed controller proved successful. IHC Systems involved in IHC Merwede’s deep sea dredging and mining developments. The company’s talented developers received the IADC Best Paper Award at the CEDA Dredging Days 2009.

The financial results were favourable. In the current business plan, the sustainability of products and processes was introduced as a strategic theme for the coming years. A new company brochure and a relaunched website were also introduced. An excellent order portfolio will be executed in 2010. In addition, IHC Systems will continue with a high level of research and development, partly targeting the IHC Merwede strategic objective of operating as a system integrator and technology innovator.

This is seen on the Smart Dredger platform, where the IHC Systems’ Efficient Dredging motto plays an important role. The reduction of over-dredging, spillage, energy consumption, emissions, turbidity, ecological side-effects and operational costs – the company’s specialties – contribute to the improvement of the current and future world. IHC Systems’ instrumentation and automation, knowledge, expertise and experience represent its contribution to IHC Merwede and a sustainable future.
IHC Lagersmit

IHC Lagersmit delivers ‘Excellence in Sealing Solutions’ for rotating shafts. The company had an exciting year with a new high-tech manufacturing plant under construction. On the other hand, the economic downturn had kicked in and demanded management’s focus to safeguard positive financial results. In response to this climate, the strategy of expansion into new markets continued.

IHC Lagersmit’s position in the market for tidal turbine seals has strengthened and it is proud to be involved in some of the developments being explored by the market’s leading players. The company’s retrofit services were utilised by several major maritime operators who chose to change seal supplier and to upgrade a number of vessels with the environmentally friendly SUPREME Ventus® seal.

Onshore activities relating to the LIQUIDYNE® pump shaft seal were also expanded. With the aim of focusing even more on core competence, a partnership with the Helice company was also established for manufacturing bearings and stern tubes under an exclusive license with IHC Lagersmit.

Looking ahead to 2010, the company will maintain its focus on current markets and customers, as well as new opportunities and product developments. It will also be the year in which IHC Lagersmit opens its new manufacturing plant in Alblasserdam, the Netherlands.

IHC Offshore Wind

IHC Offshore Wind combines the strengths of various business units within the IHC Merwede Group to provide the most appropriate solution for the challenges of the emerging wind energy market. Driven by demand, this business unit brings knowledge and people together to develop new concepts and transform them into reality. IHC Offshore Wind focuses primarily on internal and external project co-ordination and on marketing IHC Merwede within the offshore wind industry.

In 2009, a survey was conducted to assess of the potential and the requirements of the market and the basis was established for IHC Offshore Wind. The clustering and extension of knowledge reach further and are not confined to the Group. The overall development of this upcoming market is important to help achieve the Government’s goal of a 20% reduction of CO₂ by focusing on renewables.

The IHC Merwede Group has the capability to develop and deliver new – or modify existing – equipment and/or vessels. It can also provide engineering and consultancy for the entire supply chain covering the installation and maintenance of offshore wind parks. For the coming year, the aims are to execute projects under the IHC Offshore Wind banner in the wind farm installation market and contribute to the development of this market.
IHC Hytop

IHC Hytop is ISO 9001:2000 certified and has specialised in the turnkey delivery of complete system packages, hydraulic power units, winches, cylinders and controls used in the dredging and offshore industry for more than 25 years. As an Engineering Procurement Construction Commission (EPCC) subcontractor, it serves customers globally with 24/7 support from a VCA-certified service team to help keep their investments secure.

IHC Hytop maintained its leadership in supplying complete systems in the dredging market and it is improving its position in specific offshore sectors. At present, about 30% of IHC Hytop’s turnover comes from IHC Merwede business units by supplying complete hydraulic systems on almost all the dredging vessels built at the Group’s shipyards. The remaining 70% is from external sources, i.e. directly from dredging and offshore contractors.

In 2009, the company successfully delivered two 500MT traction winch systems with 15MT storage winches to Jan de Nul. A breakthrough in the development of combining Hytop® traction winch technology with synthetic rope is expected in 2010. Despite the economic crisis, IHC Hytop has increased its investment in people, relations and machinery. For example, it acquired the shared ownership of machinery capable of grooving seven-metre outside diameter winch-drum weighing up to 50 tonnes to gain even more flexibility in winch system technology.

Technical developments in seawater-based hydraulic power units and special cylinder rod-coating systems came to fruition in 2009, as a result of close co-operation with IHC Hydrohammer® and IHC Vremac Cylinders.

During the course of the year, IHC Hytop received several contracts for complete hydraulic systems integrated in MSC jacking systems for jack-up platforms. In June, its market position as an EPCC subcontractor for Floating Production, Storage and Offloading’s (FPSO’s) was further strengthened. MODEC awarded the contract for the production of two 100 tonnes weighing offloading hose reels, including 230-metre long 20” hoses for FPSO TUPI Pilot.

IHC Hytop’s new production facilities in Emmeloord became fully operational in early 2009. Further expansion started later in the year with the construction of a 1,500m² production facility in Sliedrecht, incorporating 160 tonnes of lifting capacity, which will be completed in the first half of 2010.

Thanks to hard work and close co-operation between the IHC Hytop team and its customers, turnover in 2009 reached a record high. Further expansion in production, additional sales activities and the continuation of several research and development projects will enable IHC Hytop to maintain a high level of turnover in the face of the challenges presented by the year ahead.
IHC Offshore Systems

In 2008, IHC Offshore Systems started to focus on innovative and complex offshore solutions. This equipment will contribute to deep sea activities and the stabilisation of equipment in severe weather conditions. It has developed several concepts over the past two years in co-operation with other IHC Merwede business units to open up a wide range of opportunities.

One of the highlights was the development of a stabilising spud mooring system for Seaway Heavy Lifting. This state-of-the-art technology was immediately used as the basis for an even more impressive system for IHC Engineering Services. With this new development, IHC Offshore Systems is entering the offshore market for the first time. Joint initiatives with IHC Hytop resulted in an equipment order for a Modec FPSO vessel. IHC Offshore Systems contributed with the engineering and production of two hose reels, a riser pull-in system and side-shell sheaves. The skidding system, moon pool hatch and support structure were delivered and tested for the Well Enhancer. According to Helix Well Ops, it is performing excellently during current operations in the North Sea.

The company’s focus in years to come will be on the delivery of complex systems for launch and recovery, skidding and stabilising systems, as well as well intervention towers and general offshore equipment.

IHC Vremac Cylinders

IHC Vremac Cylinders designs and manufactures state-of-the-art hydraulic cylinders, rotary joint swivels and piston accumulators, particularly for dredging and offshore applications. The design, selection of materials and production process meet the standards of various notified bodies, such as Lloyds, GL and DNV – guaranteeing high-quality cylinders.

Last year, the world was hit by the global economic crisis. For IHC Vremac Cylinders, this was an opportunity to improve efficiency and optimise delivery performance – and this was an opportunity that was taken.

At the same time, cylinders were supplied for the IHC Merwede Group’s construction projects, such as the Vox Máxima and various jack-up rigs for the wind farm installation market. In engineering, work is currently taking place on specific buffer cylinders for the flexible spud carrier system on a construction project, which will be built in the coming year at Kinderdijk.

In 2010, IHC Vremac Cylinders will continue to provide its customers with the best possible solutions for their applications. Not only will the company further streamline and upgrade its manufacturing capabilities, but it will also increase its engineering expertise on sealing and coating/rod-coating technology, and investigate new types of displacement measuring systems.
IHC Engineering Business

IHC Engineering Business designs, builds and supplies engineering solutions for the offshore oil and gas, submarine telecom, defence and renewables industries. Core areas of expertise include pipelay systems, subsea trenching equipment and specialist marine handling systems.

In 2009, IHC Engineering Business focused on the development of pipelay systems to meet the requirements of leading offshore contractors. The company is in the process of supplying a J Lay Tower (JLT) to Saipem and a Reel Lay system to Technip. These have been supplied by the company for the first time and they demanded a significant engineering effort to develop new technology in response to the customers’ specific requirements. In addition, investments have been made in people, processes and facilities to allow the supply of these turnkey lay systems, which have required a step change in the company’s capabilities. These projects will help to sustain IHC Engineering Business as it firmly establishes itself as a supplier of bespoke pipelay systems, with a range of innovative technology that can be exploited in the future. In addition, working with IHC Merwede Offshore & Marine means that it has the capability to deliver fully integrated lay vessels.

IHC Engineering Business has also maintained its position as a leading supplier of subsea trenching equipment with the delivery of new cable and pipeline plough systems. Its best product of 2009 was without doubt the Sea Stallion cable plough. On recent submarine telecom cable projects, this has demonstrably out-performed ploughs from alternative suppliers. It is now firmly established as the preferred trenching solution for the export power cables used in offshore wind farms.

In 2010, IHC Engineering Business will deliver, install and commission the Saipem JLT while progressing with the design and production of the Technip lay system at the same time. It will also be active in the growing offshore wind market to develop installation technology and cable trenching equipment.

The continuous development of the company, its people and new opportunities has always been a key aim for IHC Engineering Business and there will be no change in 2010. The launch of its offshore support base at its new workshop facility, with direct access to a deepwater quayside on the River Tyne in the UK, is just one example of continued innovation and development in all areas of its business.
IHC Metalix

As one of the largest and most versatile suppliers of pre-processed metals and work preparation services, IHC Metalix has established a solid customer base in the shipping and metal industries. In particular, the company supplies the complete component packages required for a steel structure, with detailed sorted sub-deliveries. Its processes have smoothed the path towards building complex steel structures on schedule, with logistics being an essential part of this process.

The changing economic climate had an impact on the volume of work processed by the organisation last year. However, performance and efficiency levels have increased to such an extent that an excellent result was still recorded. Stricter regulations – and the higher standards expected by customers – meant that the level of service had to keep up with product development. Last year, considerable investments were again made in automation and one of the tangible results was a track and trace system, which is unique to this industry.

IHC Metalix is a transparent organisation. The introduction of the Metalix Performance Indicator (MPI) means that its performance is continuously monitored and communicated to the customer. Where necessary, changes are made to further increase efficiency and to work together with the customer on the optimisation of the joint processes.

Knowledge is power, so vast amounts of data have been collected in recent years. The measurement and analysis of the production data make the process of identifying and introducing improvements more straightforward and ensure that the results are immediately visible. The tracking and tracing of materials has been digitalised and all the information is brought together in a huge data system.

Over the past few years, IHC Metalix has moved away from being a classic project-controlled company, to transform itself into an innovative process-controlled organisation. This efficient operation also generates clear savings in terms of energy consumption.

Last year, there was a review of the options for establishing local offices in Turkey and possibly in South America. A feasibility study has now been commissioned for Turkey, a location which IHC Metalix expects to be a major asset for increasing the professionalism of the production process at shipyards in the country. It is expected that the organisation will also continue down the road of internationalisation in the future.
IHC Piping

As a versatile company, IHC Piping has specialised in the Computer Numerical Control (CNC) production and assembly of piping systems for the maritime, dredging and offshore sectors. Last year, IHC Piping took two important steps in its development: the completion of the quality management system, resulting in ISO 9001 certification, and the move into a new office last summer, which will also contribute to the ongoing professionalism of the organisation.

The aims for next year are wide-ranging. IHC Piping will continue with its existing strategy of serving different sales markets. The acquired knowledge, skills and extensive options within the organisation can be deployed to a broader marketplace. The rising demand from customers for sustainable materials is inspiring the organisation to search for new applications.

Plastic, for example, is light and maintenance-free, and it has a much longer lifespan than steel. Its application on ships is not new, but is still in its infancy and IHC Piping is looking forward to being part of this development. In 2010, the company will continue automating the workplace and working processes. In addition, it is working on the extension and modernisation of its production facility.

IHC Fabrication

IHC Fabrication manufactures dredging- and offshore-related parts. Activities vary from large complex projects to one-off products. The extensive expertise and high-grade production facilities make IHC Fabrication extremely valuable to IHC Merwede as a whole.

Last year saw a large investment in the professionalism of the company’s project management systems. In order to manage the heavy workload that was in the pipeline at the beginning of the year, efficient working practices were required from the outset.

These were identified, and as a result, a large amount of work was completed in 2009, such as: the moon-pool hatch for the Well Enhancer; the largest suction pipe ever for the dredging vessel Vox Máxima, and a number of large hydrohammers for sister company IHC Hydrohammer®. Furthermore, no fewer than 91 dredging pumps were assembled, two sets of fixing systems were produced and two swivel stacks were delivered to SBM Offshore.

In 2010, IHC Fabrication will further intensify its collaboration with IHC China Support to strengthen its position in the region’s dredging market against the backdrop of IHC Merwede’s business strategy. In addition, the optimisation of the efficiency in the process will continue to generate ongoing cost savings.
IHC China Support

IHC China Support is an IHC Merwede production base in Guangzhou (China) which manufactures dredging components, such as cutter ladders and cutter heads, spud carriers and system components for trailing suction hopper dredgers and low-end products for the offshore industry. The presence in China is important, because the costs can be kept low and the quality can be maintained to the same standard as that in the Netherlands.

In 2009, the production target of 2,000 tonnes of steel was met at the new location and so it was a successful year. However, the objectives are even higher for years to come and expansion will be prioritised.

There will also be an extension of the formal collaboration with IHC Fabrication – the production location for, among other things, dredging systems in the Netherlands. In this respect, the most is made of the various knowledge resources and capacity at both locations. The customer can rest assured that working methods will be even more effective to ensure the maximum cost savings. The new-style collaboration between the two production locations will be developed further in 2009.

IHC China Support will be putting its weight firmly behind this effective approach to production within the IHC Merwede Group in China and facilitating Life Cycle Support as widely as possible.

Merwede Interior

Merwede Interior specialises in the engineering, production and assembly of complex interiors in the maritime sector and non-residential buildings. All the projects involve high-quality, customer-driven designs that result in first-class, durable interiors.

2009 was the busiest year in its history. The decision to outsource a range of production activities by the company’s management team made this level of output possible. In the non-residential sector, interiors were delivered to law firms such as Boekel De Nerée, Clifford Chance and DLA Piper in Amsterdam. In the yacht construction sector, a time sensitive project was completed in the main, which regularly explored the limits in terms of challenges.

Also, complete or partial accommodation quarters were furnished on behalf of the IHC Merwede Group for no fewer than seven construction jobs. Merwede Interior furnished the Seven Atlantic, f.e.: the HOS Iron Horse, the Well Enhancer, the Artevelde and the Vox Máxima.

Merwede Interior will further concentrate on the middle and upper segments of the interior market in 2010. The emphasis on improving processes will proceed unabated in order to continue to meet stringent quality requirements.
Offshore & Marine

Business units

IHC Krimpen Shipyard B.V.
Merwede Shipyard B.V.
Merwede Design s.r.o. / R-Project d.o.o.
Merwede Repair B.V.
IHC Offshore Technology Institute

As expected, 2009 was a turbulent year. While the yards have never been busier with ongoing construction projects, the financial results have been disappointing. Offshore & Marine customers have had a difficult year and that may be evidenced by their cautious approach in delaying investment decisions. The division has also felt the impact of the difficult circumstances faced by customers with ongoing projects.

The Offshore & Marine division combined its two shipyards into a single organisation last year. It now operates as one entity with several production locations. This allows it to approach new areas of market with its own custom-built designs, products and global services. Expectations are high for this unified and consistent approach.

The global rise in demand for energy is largely met by fossil fuels, which increasingly are being recovered from remote locations. These include extremely deep waters – more than three kilometres deep – and Arctic areas. The exploitation of these energy sources requires complex vessels that can perform well in these extreme conditions. The IHC Merwede Offshore & Marine division is the partner that builds these vessels.

In a relatively short time, the division has established a global reputation for building complete and integrated solutions for its customers. The added value of these unique ships is that they can be used for different types of work, such as diving support, well intervention, pipe-laying and offshore drilling. Offshore & Marine constructs custom-built vessels and integrates the desired offshore equipment into the overall design of the ship. Much of the equipment on-board can be supplied by companies from the IHC Merwede Technology & Services division.
Prospects for the mid-term are good. Oil prices have recovered from $35 a barrel early 2009 to $80 a barrel now and this has slowly but surely made investments profitable again. The future drivers for Offshore & Marine’s market will continue to be healthy and the development of offshore oil fields will exist as long as global demand for energy continues to rise. The development of deep water fields will continue unabated and this will require advanced technological vessels of the kind that IHC Merwede can supply.

IHC Merwede Offshore & Marine has an excellent relationships with its customers and delivered 3 vessels to satisfied customers, HOS Iron Horse to Hornbeck Offshore Services, Toisa Pegasus to Toisa and Well Enhancer to Helix Energy Solutions. Its vessels also still seem to be the first choice for companies wishing to invest and expand their shipping fleets.

Offshore & Marine’s strong reputation in the market is due to its unique professional knowledge. During the year under review, much was done to strengthen the organisation, increase its knowledge and tailor the product range even closer to customer requirements. In this way, the division will expand its position in the offshore market.

Sales was obviously a big priority last year. This emphasis led to the establishment of two new sales offices in Houston (USA) and Aberdeen (UK) – two of the world’s leading offshore centres.

In time, market demand will certainly develop favourably and the Offshore & Marine division is preparing to quickly upscale its operations when it does. Production capacity is being cut back temporarily, but it is retaining all its knowledge and, with a flexible and mobile workforce, the staff and experience can be retained within the group.

Research and development and product development are being kept up to date in close collaboration with the business units within the Technology & Services division and the IHC Offshore Technology Institute as well as with technology partners and Dutch research institutes. The aim is to combine all available knowledge, so that it can be exploited and expanded.
The IHC Krimpen Shipyard, home to Europe’s largest covered slipway

IHC Krimpen Shipyard

Europe’s largest covered slipway is in Krimpen aan den IJssel. It is 40 metres wide and 240 metres long. This is where IHC Merwede builds large and complex working vessels for the offshore sector.

The yard has a new panel production hall and 220-metre completion quay, with a 65-metre unloading facility. The finishing touches were also applied to a new service centre in 2009, which will be home to construction teams, sub-contractors and suppliers.

The main feature of the yard is the production hall, where ships up to 38 metres wide can be built. Offshore vessels are becoming increasingly bigger. For most of the financial year, the crane vessel Oleg Strashnov was on the slipway in Krimpen. This was the largest shipbuilding project ever to be developed in the Netherlands.

This unique, gigantic heavy lifting vessel is currently at the completion quay at Krimpen. Its deck will be fitted out with an impressing 5,000MT lifting capacity crane and accommodation for 400 people. The vessel’s key feature is the unique patented dual-draught hull design, combining a high transit speed with exceptional lifting characteristics for a monohull design. Operator Seaway Heavy Lifting, based at Zoetermeer, will be using the new vessel to decommission six Shell platforms in the British area of the North Sea. The construction of this enormous crane vessel began in early 2009 and will be completed in 2010.

In April 2008, the Krimpen shipyard acquired an order for the design and construction of a fourth offshore vessel for Subsea 7. The multi-functional pipelay vessel, the Seven Pacific, is currently on the slipway. It can transport and lay flexible pipelines in a variety of ways, for example with two carrousels below the deck or one large carousel on the main deck. After the launch in March 2010, this ship will be completed in Hardinxveld-Giessendam.

It is not only IHC Merwede’s offshore customers who are keen to make the most of the size of the slipway at Krimpen. The Belgium dredging company DEME has ordered with the Group the construction of a jumbo trailing suction hopper dredger which will be built at this yard. This will be a relatively short but wide vessel with a shallow draught and a maximum hopper capacity of 30,000m³. The preparations for the building work have been completed and the keel was laid in December 2009. The launch of the ship is planned for December 2010.

It is clear that even in these times of economic uncertainty, there will still be continued interest in a large slipway like the one in Krimpen.
The HOS Iron Horse Multi-Purpose Offshore Support Vessel with Dynamic Positioning 3 system built for Hornbeck Offshore Services

Merwede Shipyards

Merwede Shipyard has a long and distinguished history in Hardinxveld-Giessendam. Since 1902, the yard has been building and repairing dredging vessels, ferries, cruise ships, naval vessels and heavy transport ships. In recent years, the yard has focused primarily on complex custom-built vessels for the offshore sector.

2009 was a turbulent year for Merwede Shipyard. With four ships at various stages of construction, the yard was fully utilised, but a lack of orders means that IHC Merwede must gradually run down production activities at the yard from 2010 onwards.

Merwede Shipyard completed a third offshore vessel for Subsea 7, the Diving Support Offshore Construction Vessel Seven Atlantic. This ship has an integrated saturated diving system on-board for eight teams of three divers. The vessel can accommodate divers working down to depths of 350 metres. A fourth offshore ship for Subsea 7, the State-of-the-art pipelaying and construction ice-class vessel Seven Pacific, is currently launched at IHC Krimpen Shipyard. After the launch in March 2010, this ship was moved to Hardinxveld-Giessendam for further completion work.

Royal Boskalis Westminster ordered two identical medium-sized trailing suction hopper dredgers from IHC Merwede. This has resulted in a unique situation in which one dredging vessel is being built at Hardinxveld-Giessendam, while its sister ship is on the slipway at Kinderdijk. The naming and launch ceremony was in September 2009 and the expectation is that the ship will be delivered on time and within budget in early 2010.

Merwede Shipyard also built the HOS Iron Horse for Hornbeck Offshore Services. This is a multi-purpose offshore support vessel with a 400-tonne mast crane and accommodation for 100 people, which was delivered to the customer in July. The deepwater deck cranes and moon pool give the HOS Iron Horse the capability to manage a wide range of offshore construction activities.

The hull for a large 13,000kW stationary cutter suction dredger is currently being built at Merwede Shipyard. This will be finished during the first quarter of 2010 for the Chinese company, Sinohydro, and the completion work will be carried out at the IHC Beaver Dredgers yard in Sliedrecht.
Merwede Design/R-Project

The computer animation skills of Merwede Design and R-Project bring a ship to life even before the first steel plate has been cut. Realistic 3D artistic impressions make it possible for customers and financiers to take a look around a ship when the design is still on the drawing board.

Merwede Design in Komarno (Slovakia) and R-Project in Rijeka (Croatia) make extremely detailed drawings of the installations on-board, as well as the hull, engine room and accommodation. They also supply other services such as the visualisation of process control systems, the engineering of logistical concepts, numerical analysis, FEM calculations and mechanical engineering.

By providing basic and detailed engineering support for IHC Merwede yards and business units, they have become an important extension of the engineering process. With these companies, IHC Merwede has acquired an additional, highly skilled, flexible pool of engineering capacity.

Although the supply of work declined sharply during the past 12 months, the companies rounded off 2009 in the black. The investments planned for 2010 will focus mainly on the ongoing expansion of animation and visualisation activities, with sustainability being a major consideration.

Merwede Repair

Merwede Repair is IHC Merwede’s own repair yard in Hardinxveld-Giessendam. The 30-metre wide transverse slipway can accommodate dredging and inland shipping vessels, and small passenger ships for maintenance, repairs and modifications. The slipway has 18 300-tonne launch cradles that can be used to take ships up to 132 metres long in dry dock. The 240-metre-long completion quay at the repair yard in Hardinxveld-Giessendam is suitable for work above the water.

For a few years now, Merwede Repair has been working on the renovation of the transverse slipway. Most of the cradles have now been overhauled and the last one will be completed in 2010.

Business was quiet at the start of 2009 for Merwede Repair, but it has been getting increasingly busy during the course of the year. Overall, the year was reasonable with its ups and downs along the way.

In the fourth quarter, the trailing section hopper dredger Dravo Costa Dorada was at the quay for extensive repairs and renovation work. The hull and dredging plant were repaired and the generator sets were overhauled and modified. This meant that the slipway was fully occupied at the end of the year under review and the work was completed to the full satisfaction of the customer.
It is OTI’s driving ambition to become a research institute for the offshore sector with a global reputation within the next five years.

IHC Offshore Technology Institute

For a few years now, IHC Merwede has held a firm position in the market for offshore vessels. To maintain this position and to extend it further, the Offshore & Marine division and the specific offshore units of the Technology & Services division need more knowledge. They need to develop new levels of expertise. This led, in 2009, to the establishment of the division’s own research institute, the IHC Offshore Technology Institute (OTI). The OTI is aiming to establish the same position in the offshore market as the MTI holds in the field of dredging technology.

The new research Institute’s initial task will be to focus on the analysis of the offshore market. With that information, it will be possible to determine which technology is required in each offshore market segment. Then, a highly focused research and development programme will be initiated.

In the years to come, the OTI wishes to conduct research that contributes to both the development of new technology and products. This includes integrated designs for multi-functional offshore vessels – ships that can combine a selection of functions such as pipelayers, diving support, well intervention or drilling vessels.
Abbreviated financial information 2009

Based on the audited financial statements 2009
### Consolidated income statement

**In thousands of euros**

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,125,713</td>
<td>1,090,091</td>
</tr>
<tr>
<td>Other income</td>
<td>6,332</td>
<td>1,970</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td><strong>1,132,045</strong></td>
<td><strong>1,092,061</strong></td>
</tr>
<tr>
<td>External costs</td>
<td>753,629</td>
<td>752,753</td>
</tr>
<tr>
<td>Employee expenses</td>
<td>253,382</td>
<td>212,671</td>
</tr>
<tr>
<td>Depreciation of property, plant and equipment</td>
<td>16,650</td>
<td>9,416</td>
</tr>
<tr>
<td>Amortisation and impairment of intangible assets</td>
<td>7,629</td>
<td>6,204</td>
</tr>
<tr>
<td>Other expenses</td>
<td>23,158</td>
<td>14,724</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td><strong>1,054,448</strong></td>
<td><strong>995,768</strong></td>
</tr>
<tr>
<td>Result from operating activities</td>
<td><strong>77,597</strong></td>
<td><strong>96,293</strong></td>
</tr>
<tr>
<td>Finance income</td>
<td>5,127</td>
<td>13,917</td>
</tr>
<tr>
<td>Finance expenses</td>
<td>-4,907</td>
<td>-5,383</td>
</tr>
<tr>
<td><strong>Net finance income</strong></td>
<td><strong>220</strong></td>
<td><strong>8,534</strong></td>
</tr>
<tr>
<td>Share of profit of equity accounted investees (net of income tax)</td>
<td>362</td>
<td>505</td>
</tr>
<tr>
<td><strong>Profit before income tax</strong></td>
<td><strong>78,179</strong></td>
<td><strong>105,332</strong></td>
</tr>
<tr>
<td>Income tax expense</td>
<td>-19,349</td>
<td>-26,810</td>
</tr>
<tr>
<td><strong>Profit for the period</strong></td>
<td><strong>58,830</strong></td>
<td><strong>78,522</strong></td>
</tr>
</tbody>
</table>

**Profit attributable to:**

- **Owners of the Company**
  - 2009: 56,695
  - 2008: 76,455
- Non-controlling interest
  - 2009: 2,135
  - 2008: 2,067

**Profit for the period**

- 2009: 58,830
- 2008: 78,522
### Consolidated balance sheet

*(before appropriation of result)*

In thousands of euros

<table>
<thead>
<tr>
<th></th>
<th>31 December 2009</th>
<th>31 December 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>140,813</td>
<td>113,149</td>
</tr>
<tr>
<td>Investment property</td>
<td>5,337</td>
<td>5,450</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>52,987</td>
<td>58,376</td>
</tr>
<tr>
<td>Investments in equity accounted investees</td>
<td>1,089</td>
<td>2,047</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>3,105</td>
<td>875</td>
</tr>
<tr>
<td>Other non-current financial assets</td>
<td>3,580</td>
<td>4,374</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td><strong>206,911</strong></td>
<td><strong>184,271</strong></td>
</tr>
<tr>
<td>Inventories</td>
<td>151,900</td>
<td>167,176</td>
</tr>
<tr>
<td>Due from customers for work in progress</td>
<td>90,574</td>
<td>36,817</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>127,611</td>
<td>164,084</td>
</tr>
<tr>
<td>Current tax assets</td>
<td>-</td>
<td>3,436</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>269,736</td>
<td>280,993</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td><strong>639,821</strong></td>
<td><strong>652,506</strong></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>846,732</strong></td>
<td><strong>836,777</strong></td>
</tr>
<tr>
<td><strong>Group equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td>Share premium reserve</td>
<td>68,136</td>
<td>68,136</td>
</tr>
<tr>
<td>Reserves</td>
<td>98,695</td>
<td>61,300</td>
</tr>
<tr>
<td>Unappropriated result</td>
<td>56,695</td>
<td>76,455</td>
</tr>
<tr>
<td><strong>Total equity attributable to equity holders of the Company</strong></td>
<td><strong>223,776</strong></td>
<td><strong>206,141</strong></td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>3,967</td>
<td>4,148</td>
</tr>
<tr>
<td><strong>Total Group equity</strong></td>
<td><strong>227,743</strong></td>
<td><strong>210,289</strong></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and borrowings</td>
<td>69,958</td>
<td>83,432</td>
</tr>
<tr>
<td>Derivatives</td>
<td>4,370</td>
<td>3,677</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>8,890</td>
<td>9,319</td>
</tr>
<tr>
<td>Provisions</td>
<td>3,665</td>
<td>4,097</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td><strong>86,883</strong></td>
<td><strong>100,525</strong></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>268,098</td>
<td>292,450</td>
</tr>
<tr>
<td>Due to customers for work in progress</td>
<td>217,757</td>
<td>204,621</td>
</tr>
<tr>
<td>Current portion of loans and borrowings</td>
<td>13,535</td>
<td>13,445</td>
</tr>
<tr>
<td>Current tax liabilities</td>
<td>14,225</td>
<td>-</td>
</tr>
<tr>
<td>Provisions</td>
<td>18,491</td>
<td>15,447</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>532,106</strong></td>
<td><strong>525,963</strong></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>618,989</strong></td>
<td><strong>626,488</strong></td>
</tr>
<tr>
<td><strong>Total Group equity and liabilities</strong></td>
<td><strong>846,732</strong></td>
<td><strong>836,777</strong></td>
</tr>
</tbody>
</table>
## Consolidated statement of cash flows

### In thousands of euros

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit for the period</strong></td>
<td>58,830</td>
<td>78,522</td>
</tr>
<tr>
<td><strong>Adjustments for:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation, amortisation and impairment expenses</td>
<td>24,279</td>
<td>15,620</td>
</tr>
<tr>
<td>Net finance income</td>
<td>-220</td>
<td>-8,534</td>
</tr>
<tr>
<td>Share of profit of equity accounted investees</td>
<td>-362</td>
<td>-505</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>19,349</td>
<td>26,810</td>
</tr>
<tr>
<td>Changes in provisions</td>
<td>2,319</td>
<td>3,166</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>104,195</td>
<td>115,079</td>
</tr>
</tbody>
</table>

**Changes in working capital (excluding cash):**

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventories</td>
<td>15,562</td>
<td>-52,487</td>
</tr>
<tr>
<td>Due from customers for work in progress</td>
<td>-53,757</td>
<td>-2,306</td>
</tr>
<tr>
<td>Receivables</td>
<td>36,029</td>
<td>-22,381</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>-12,873</td>
<td>71,857</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>89,156</td>
<td>109,762</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest received</td>
<td>4,876</td>
<td>13,569</td>
</tr>
<tr>
<td>Interest paid</td>
<td>-4,773</td>
<td>-5,023</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>-4,890</td>
<td>-37,063</td>
</tr>
<tr>
<td><strong>Net cash flow from operating activities</strong></td>
<td>84,369</td>
<td>81,245</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisitions of intangible fixed assets and property, plant and equipment</td>
<td>-45,519</td>
<td>-46,085</td>
</tr>
<tr>
<td>Proceeds from divestments in property, plant and equipment</td>
<td>3,877</td>
<td>3,304</td>
</tr>
<tr>
<td>Acquisition of subsidiaries, net of cash acquired</td>
<td>-1,363</td>
<td>-45,581</td>
</tr>
<tr>
<td>Dividends received</td>
<td>76</td>
<td>193</td>
</tr>
<tr>
<td>Repayment of granted loans and receivables issued</td>
<td>794</td>
<td>-1,311</td>
</tr>
<tr>
<td><strong>Net cash flow used in investing activities</strong></td>
<td>-42,135</td>
<td>-89,480</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additions to loans and borrowings</td>
<td>174</td>
<td>61,150</td>
</tr>
<tr>
<td>Repayment of loans and borrowings</td>
<td>-13,395</td>
<td>-10,229</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>-38,227</td>
<td>-32,323</td>
</tr>
<tr>
<td>Dividends paid to minority interests</td>
<td>-2,043</td>
<td>-1,942</td>
</tr>
<tr>
<td>Received minority interest in newly incorporated joint venture</td>
<td>-</td>
<td>1,807</td>
</tr>
<tr>
<td><strong>Net cash flow from financing activities</strong></td>
<td>-53,491</td>
<td>18,463</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net increase in cash and cash equivalents</strong></td>
<td>-11,257</td>
<td>10,228</td>
</tr>
<tr>
<td>Cash and cash equivalents as at 1 January</td>
<td>280,993</td>
<td>270,765</td>
</tr>
<tr>
<td>Movements in net cash and cash equivalents</td>
<td>-11,257</td>
<td>10,228</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents as at 31 December</strong></td>
<td>269,736</td>
<td>280,993</td>
</tr>
</tbody>
</table>
Notes to the abbreviated financial information

1. General
The abbreviated financial information is derived from the financial statements 2009, which are prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code. The abbreviated financial information gives the headlines of the financial position of IHC Merwede Holding BV and its consolidated subsidiaries (together referred to as the ‘Group’) for the year ended 31 December 2009.

For a better understanding of the Company’s financial position, we emphasize that the abbreviated financial statements should be read in conjunction with the unabridged financial statements, from which the abbreviated financial statements were derived. An unqualified auditor’s report thereon dated 23 March 2010 was issued by KPMG Accountants N.V. The unabridged financial statements 2009 are available at the Company or at the Chamber of Commerce in Rotterdam.

2. Significant accounting policies
A selection of the most significant abbreviated accounting policies are included below. For a full overview of the accounting policies refer to the unabridged financial statements 2009.

Basis of preparation
The consolidated financial statements are presented in euros unless indicated otherwise, the euro being the Company’s functional currency. The consolidated financial statements are based upon historical cost unless stated otherwise.

Estimates
The preparation of the financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions based on management’s experience and various other factors that can be considered reasonable under the circumstances. Those estimates and assumptions form the basis for judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual outcome may differ from these estimates. The most important judgments in the financial statements concern the valuation of results of contract work and amounts due from/to customers, measurements of warranty provisions and the determination of the recoverable amount of cash-generating units.

Basis of consolidation
Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been aligned with the policies adopted by the Group.

Foreign currencies
The assets and liabilities of foreign companies that are denominated in foreign currencies, including goodwill and fair value adjustments arising on acquisitions, are translated to euro at exchange rates at reporting date. The income statement items of the foreign companies concerned have been translated to euro at the date of the transaction. Currency translation differences are recognised directly in the currency translation reserve in Group equity.

Exchange rate differences as a result of operational transactions and of the translation at the end of the reporting period of monetary assets and liabilities denominated in foreign currencies are taken into the consolidated income statement for the reporting period.

Derivatives
The Group holds derivative financial instruments to decrease its exposure to foreign exchange rate risks and interest rate risks arising from operational, financial and investment activities. Derivatives are measured at fair value and changes therein are recognised in the consolidated income statement, unless hedge accounting is applied.

If a derivative financial instrument is designated as a hedge against the variability in the cash flows of a recognised asset, liability, or a highly probable forecasted transaction changes in the fair value of the derivative hedging instrument is recognised directly in the hedging reserve in Group equity to the extent that the hedge is effective. If the hedge of a forecasted transaction subsequently results in the recognition of a financial asset or liability, the associated gains and losses that were recognised directly in Group equity are transferred into the consolidated income statement in the same period or periods during which the acquired asset or assumed liability affects profit or loss.
The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in the currency translation reserve in Group equity.

Impairment
The carrying amount of the Group’s assets, excluding inventories, work in progress, deferred tax assets and assets that are classified as held for sale, are reviewed on each balance sheet date to determine whether there is any indication of impairment. If there is any such indication, the asset’s recoverable amount is estimated. The recoverable amount of goodwill, assets with an indefinite useful life-time and intangible assets that are not yet available for use is estimated annually at the same time.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the consolidated income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill (if applicable) attributable to cash-generating units and subsequently deducted pro rata to reduce the carrying amounts of the other assets in the unit.

Intangible assets
Expenditure on development activities in which research findings are applied to a plan or design for new or improved products or software is capitalised only if development costs can be measured reliably, the product or software is technically and commercially feasible, future economic benefits are probable, and the Group is intending and able to complete development and to use or sell it.

Intangible assets acquired in business combinations (trade name, order backlog, customer relations, technology) are measured at cost, being the fair value at acquisition date less accumulated depreciation and accumulated impairment losses with any change therein being recognised in the consolidated income statement.

Goodwill represents the excess of the cost of the acquisition over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is measured at cost less any accumulated impairment losses.

Due from (to) customers for work in progress
Work in progress is measured at cost of the work performed at reporting date, plus a part of the estimated results upon completion of the project in proportion to the progress made and net of progress billings, advances and provisions. Costs include all expenditure related directly to specific projects plus an allocation of fixed and variable indirect production costs incurred in the Group’s contract activities based on normal operating capacity and capitalised borrowing costs. The progress of a project is determined on the basis of the cost incurred of the work done in relation to the expected total costs of the project. Profits are not recognised unless a reliable estimate can be made of the total result of the project at completion. The balance of the value of work in progress, progress billings and advance payments is determined for each project and presented as Due from customers for work in progress. For projects where the progress billings and advance payments exceed the value of work in progress, the balance is presented as Due to customers for work in progress.

Revenue
Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, volume rebates and taxes.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Revenue from services rendered is recognised in the consolidated income statement in proportion to the stage of completion of the transaction at reporting date, based on the assessment of the ratio of costs incurred to estimated total costs.

When the results of construction contracts can be estimated reliably, revenue and costs are recognised in the consolidated income statement in proportion to progress towards completion of the project. The stage of completion is assessed on the basis of the cost incurred of the work performed in relation to the expected total costs of the project. Profit is not recognised unless a reliable estimate can be made of the total project result.

Where there are uncertainties about whether the economic benefits of the work performed will flow to the Group, revenue is not recognised. Project costs, including
tender costs, are charged to the consolidated income statement for the period in which these are incurred. Expected losses on construction contracts are recognised directly in the consolidated income statement.

3. Research & development expenses
Research & development expenses, net of grants received, amounted to € 10.1 million (2008: € 8.0 million) are included in external costs and employee expenses.

4. Order book
The order book at year-end 2009 amounted to € 1,130 million (year-end 2008: € 1,792 million).

5. Loans and borrowings
In 2007 the acquisition of the Krimpen yard was financed with a credit facility of € 40 million with ING Bank. The interest rate risk on the loan is hedged for the entire term of the loan by means of an interest rate swap, resulting in an effective fixed rate of interest of 5.36% per annum. The maturity of the loan is 2017. In 2008 a loan of € 2.1 million with a redemption period of ten years has been obtained from ING Bank to finance investments in production facilities of the Krimpen yard. Approximately € 12.9 million is to be redeemed in the next eight years on those loans on the basis of an annuity schedule.

The acquisition in 2007 of IHC Vremac Cylinders BV and in 2008 of Vuyk Engineering Rotterdam BV, IHC Engineering Business Ltd, and Sea Steel Ltd was financed with credit facilities amounting approximately € 60 million with a bank consortium. The interest rate risk on the credit lines for the Dutch acquisitions are hedged for the entire term of the loan by means of interest rate swaps, resulting in effective fixed rates of interest of approximately 4.5% per annum. The interest rate on the credit lines for the other acquisitions are floating, based on Euribor plus 0.65% on a three-month basis. The redemption period of the loans is five years from the date of acquisition. Annual redemption amounts approximately € 12.2 million.

To: The Shareholders of IHC Merwede Holding BV

Introduction
We have audited whether the accompanying abbreviated financial statements of IHC Merwede Holding BV, Sliedrecht (“the Company”), for the year 2009 (as set out on pages 57 to 63) have been derived consistently from the audited financial statements of IHC Merwede Holding BV, for the year 2009. In our auditor’s report dated 23 March 2010 we expressed an unqualified opinion on these financial statements. Management is responsible for the preparation of the abbreviated financial statements in accordance with the accounting policies as applied in the financial statements 2009 of IHC Merwede Holding BV. Our responsibility is to express an opinion on these abbreviated financial statements.

Scope
We conducted our audit in accordance with Dutch law. This law requires that we plan and perform the audit to obtain reasonable assurance that the abbreviated financial statements have been derived consistently from the financial statements.

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

Opinion
In our opinion, these abbreviated financial statements have been derived consistently, in all material respects, from the financial statements.

Emphasis of matter
For a better understanding of the Company’s financial position and results and the scope of our audit, we emphasise that the abbreviated financial statements should be read in conjunction with the unabridged financial statements, from which the abbreviated financial statements were derived and our unqualified auditor’s report thereon dated 23 March 2010. Our opinion is not qualified in respect of this matter.

Rotterdam, 30 March 2010

KPMG ACCOUNTANTS N.V.
W.L. van de Vrie RA
Worldwide locations as at April 1st 2010

Head Office – The Netherlands
Sliedrecht

Shipyards – The Netherlands
Hardinxveld-Giessendam
Heusden
Kinderdijk
Krimpen aan den IJssel
Sliedrecht

Shipyards – P.R. of China
Dalian

Sites – The Netherlands
Alblasserdam
Apeldoorn
Delfgauw
Dordrecht
Emmeloord
Goes
Hardinxveld-Giessendam
Kinderdijk
Sliedrecht

Sites – Europe
Aberdeen – United Kingdom
Blandford Forum – United Kingdom
Komarno – Slovakia
Riding Mill – United Kingdom
Rijeka – Croatia
Verberie – France

Sites – USA
Houston, TX
Wayne, NJ

Representative offices
Beijing – P.R. of China
New Delhi – India
St. Petersburg – Russia

Regional IHC Organizations worldwide
Dubai – United Arab Emirates
Kinderdijk – The Netherlands
Lagos – Nigeria
Mumbai – India
Singapore – Republic of Singapore
Tianjin/Tanggu & Guangzhou – P.R. of China