## Key figures 2006-2010

<table>
<thead>
<tr>
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<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>New orders</td>
<td>1,024.4</td>
<td>452.9</td>
<td>1,329.6</td>
<td>1,456.6</td>
<td>967.9</td>
</tr>
<tr>
<td>Revenue</td>
<td>1,007.8</td>
<td>1,125.7</td>
<td>1,090.1</td>
<td>774.3</td>
<td>522.9</td>
</tr>
<tr>
<td>Order portfolio as at 31 December</td>
<td>1,167.2</td>
<td>1,129.9</td>
<td>1,791.7</td>
<td>1,480.8</td>
<td>784.1</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>100.7</td>
<td>58.8</td>
<td>78.5</td>
<td>67.2</td>
<td>31.6</td>
</tr>
<tr>
<td>Profit for the period attributable to owners of the Company</td>
<td>98.8</td>
<td>56.7</td>
<td>76.5</td>
<td>64.6</td>
<td>30.2</td>
</tr>
<tr>
<td>Cash flow (profit for the period plus depreciation and amortisation less dividend paid)</td>
<td>98.5</td>
<td>42.8</td>
<td>59.9</td>
<td>57.1</td>
<td>31.6</td>
</tr>
<tr>
<td>Group equity</td>
<td>340.6</td>
<td>227.7</td>
<td>210.3</td>
<td>166.8</td>
<td>117.9</td>
</tr>
<tr>
<td>Total assets</td>
<td>904.5</td>
<td>846.7</td>
<td>836.8</td>
<td>652.4</td>
<td>402.8</td>
</tr>
<tr>
<td>Group equity / Total assets</td>
<td>38%</td>
<td>27%</td>
<td>25%</td>
<td>26%</td>
<td>29%</td>
</tr>
<tr>
<td>Group equity / Capital employed</td>
<td>79%</td>
<td>72%</td>
<td>68%</td>
<td>75%</td>
<td>85%</td>
</tr>
<tr>
<td>Average number of employees (head count)</td>
<td>3,016</td>
<td>3,060</td>
<td>2,623</td>
<td>2,061</td>
<td>1,780</td>
</tr>
</tbody>
</table>

Amounts in millions of euros, unless stated otherwise.
The technology innovator.

Corporate profile

IHC Merwede is focused on the continuous development of design and construction activities for the specialist maritime sector. It is the global market leader for efficient dredging and mining vessels and equipment – with vast experience accumulated over decades – and a reliable supplier of custom-built ships and supplies for offshore construction.

IHC Merwede has in-house expertise for engineering and manufacturing innovative vessels and advanced equipment, as well as providing life-cycle support. Its integrated systematic approach has helped to develop optimum product performance and long-term business partnerships.

The company’s broad customer base includes dredging operators, 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, Serbia, Singapore, Slovakia, South Africa, the United Kingdom and the United States.

Technological innovation will remain the company’s underlying strength through its continuous investment in research and development. Moreover, it helps to safeguard a sustainable environment.
Report of the Supervisory Board

Introduction
The global economy showed a healthy recovery in 2010, following a dismal year in 2009. Economic growth was particularly strong in fast-developing countries, mainly within Asia. While the USA realised a limited growth, this was mainly due to a government support package. In Europe there was no general trend of growth, because the recovery of countries such as Germany was overshadowed by the debts of other member countries.

The combination of these economic trends had, on balance, a positive effect on IHC Merwede’s markets. The end result was a total order intake in 2010 of more than one billion euros. Moreover, this positive development of the overall global economy offers the company a solid basis for further growth.

Financial results
The Supervisory Board of IHC Merwede Holding BV hereby presents the Annual Report 2010. This incorporates the financial statements for the year as drawn up by IHC Merwede Holding BV’s Board of Management. The financial statements were audited and discussed with KPMG Accountants N.V. (KPMG). They issued an unqualified independent auditor’s report on the 2010 financial statements. IHC Merwede Holding BV’s financial statements were authorised for issue by the Board of Management and approved by the Supervisory Board on 23 March 2011. They were then adopted at the General Meeting of Shareholders on the same day. The company’s result attributable to the shareholders of the company for the 2010 financial year was €98.8 million.

The Board of Management has proposed distributing a dividend of €49.4 million to the shareholders and adding the remaining amount of €49.4 million to the other reserves. This has been approved by the Supervisory Board.

Supervision
During the financial year 2010, the Supervisory Board met five times, with the Board of Management also in attendance, and covered the following subjects:

• strategy of the group
• market developments and major future projects
• acquisitions including further internationalisation of the group
• research and development policy and major projects
• operational and financial results and forecasts

The growth of the company in recent years has emphasised that in order to continue to grow successfully, the organisation must undergo some major internal changes. The Supervisory Board has approved a proposal by the Board of Management to introduce Product Market Combinations (PMCs) in the Dredging & Mining and Offshore & Marine divisions. The goal is to make IHC Merwede much more market-oriented. A PMC is responsible for every aspect of a product in its market, from “cradle to grave”. A total of ten PMCs has been identified. At the same time it has been decided that the company’s main resources—engineering, (global) production and supply chain management—will be managed across the company as shared sources to support the PMCs.

Some of the meetings of the Supervisory Board were held at the premises of an operating company of IHC Merwede Holding BV. On these occasions, the Board was informed about specific developments of this business unit. KPMG attended the meeting where the 2010 financial statements and their associated audit report was discussed.

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

In conclusion
Despite the difficult market circumstances, the group realised a very good result in 2010. The Supervisory Board therefore expresses its gratitude to the company’s employees and the Board of Management, for their commitment to the company and the very satisfying results achieved in 2010.

Sliedrecht, 23 March 2011

The Supervisory Board:

J.J.C.M. van Dooremalen, chairman
C.J. de Bruin
J.C. ten Cate
C. Korevaar
J.L. van Nieuwenhuizen

Report of the Board of Management

Introduction
IHC Merwede saw substantial growth in 2010, as global markets began to recover from the economic crisis. As forecast in 2009, sales increased to €1,104 million—a rise of €571 million—but competitive pressure from the Far East and European countries remained strong. This made a significant international presence essential for the company to fulfil its ambitions of growth.

The company expanded its portfolio considerably, starting activities in South Africa and taking steps toward forging links with organisations in large mining countries such as Canada and New Zealand. Life-cycle support was also developed and is now sold as an integral part of the new vessel package, helping build long-lasting partnerships with customers.

Revenue over the course of the year amounted to €1,077.8 million—a decrease compared to 2009. However the order book remained stable, and at €1,167 million on 31 December 2010, was absolutely reasonable from a historical point of view. Overall the company kept its level of revenue and profitability during the crisis, which is a remarkable achievement.

In 2011, the offshore market is expected to pick up—IHC Merwede has prepared for this by reinforcing its offshore activities in the UK, USA, Norway and Brazil. There are also likely to be opportunities to exploit the deep-sea dredging and mining market, as this emerging area becomes increasingly prominent. The dredging market is expected to stay healthy in 2011.

Financial

Revenue and result development
Revenue during the year amounted to €1,077.8 million, a decrease of €117.9 million compared to the previous financial year. As in 2009, the company’s own (and rented) production facilities, were fully occupied in 2010 and, as in previous years, a large amount of work was outsourced.

External costs amounted to €604.1 million (2009: €753.6 million). This is a decrease of 19.8%. These expenses amounted to 59.9% of revenue, which is a decrease of 7% compared to the percentage in 2009 (66.9%). The decrease is mainly caused by excessive costs for some ongoing projects in 2009.

The employee costs decreased by 5.7% to €238.9 million (2009: €253.4 million). Expressed as a percentage of revenue, employee costs increased from 22.5% in 2009 to 23% in 2010, being the result of substitution of subcontracted hours to in-house spent hours.

The average costs per employee amounted to €55,294, an increase of 2.6% compared to 2009.

Depreciation of tangible fixed assets increased from €16.7 million in 2009 to €21.0 million in the year under review. This increase is the result of investments in production facilities and rental equipment over the past years.

The result from operating activities, plus the depreciation of property, plant & equipment and amortisation and impairment of intangible assets (“EBITDA”) was €152.7 million (2009: €101.9 million), an increase of 49.9% compared to the previous year, due to excessive costs for some ongoing projects in 2009.

Order book
The order book at 31 December 2010 amounted to €1,167 million—the same level as the order book on 1 January 2010 (€1,130 million). From a historical point of view, the level of the order book is absolutely reasonable.

Sales in 2010 amounted to €1,024 million, an increase of €571 million compared to 2009. Sales in 2009 (€453 million) reflected the economic crisis and limited financing options in that period. Good utilisation of production capacity is expected for 2011, including use of the slipway in Hardinxveld-Giessendam.

Cash flow
The following represents the cash flow in the last two years:

<table>
<thead>
<tr>
<th>Category</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash flow from:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating activities</td>
<td>€130.8</td>
<td>€83.6</td>
</tr>
<tr>
<td>Investing activities</td>
<td>-€26.5</td>
<td>-€23.2</td>
</tr>
<tr>
<td>Financing activities</td>
<td>-€43.7</td>
<td>-€53.5</td>
</tr>
<tr>
<td>Net increase/decrease in cash and cash equivalents</td>
<td>€60.6</td>
<td>-€12.0</td>
</tr>
</tbody>
</table>

The level of the order book is absolutely reasonable

€1,167 million

'The level of the order book is absolutely reasonable.
Report of the Board of Management

Working capital
Working capital amounting to €163.5 million as at 31 December 2010 is comparable to the previous year (€162.0 million). In the past financial years, there has been a considerable emphasis on managing working capital. This included a review of the agreements to be made regarding income and expenditure during future projects. This was supplemented by strengthened credit control, focus on inventory levels and other assessments of opportunities for reducing working capital. These efforts have resulted in a decreased level of inventory, a receivables portfolio of a comparable level as the previous year, but of an improved composition, and an improved order financing.

Investments
Investments in property, plant and equipment during 2010 can be broken down as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>In millions of euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Docks, slipways, dry docks, business premises, floating equipment</td>
<td>4.1</td>
</tr>
<tr>
<td>Plant and machinery</td>
<td>5.5</td>
</tr>
<tr>
<td>Rental equipment</td>
<td>13.9</td>
</tr>
<tr>
<td>Other items</td>
<td>7.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30.7</strong></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.

Non-current assets increased €56 million compared to 31 December 2009, which is mainly caused by the revaluation of land in 2010.

Group equity increased by €112.9 million. This increase is the balance of a revaluation of land in 2010 (€42.6 million after tax), the profits for the 2010 financial year (€100.7 million) less the distributed dividend for 2009 (€30.3 million) and a few smaller changes during the 2010 financial year. The solvency ratio as at 31 December 2010 was 38%, an increase of 11 percentage points compared to 31 December 2009.

The current ratio as at year-end 2010 was 1.4 (2009: 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, temporarily increased with €110 million until 31 March 2011. Of the €900 million, €100 million is for the financing of strategic takeovers. The remaining facility is for providing bank guarantees.

In addition, the group has a €100 million guarantee facility with NV Nationale Borgmaatschappij. The total amount of outstanding bank guarantees as at 31 December 2010 was €860 million (2009: €732 million). The commitments pursuant to the covenants agreed with the bank consortium have been met in full as at 31 December 2010.

General market developments
Despite the relative uncertainty created by the financial crisis, IHC Merwede remained stable and continued to strengthen its position within the maritime industry.

The dredging sector performed better than anticipated, because the markets of IHC Merwede's customers had recovered rather quickly from the downturn. Some projects may have been delayed, but dredging equipment continued to operate around the world.

There wasn’t much sign of a crisis in China, India or the Middle East, so demand on the dredging side of the business continued. In Europe, the Maasvlakte 2 land reclamation project in Rotterdam led the way.

Non-current assets increased €56 million compared to 31 December 2009, which is mainly caused by the revaluation of land in 2010.

Group equity increased by €112.9 million.
It is important to protect the intellectual property of the designs, components and equipment of IHC Merwede. This is why the company carries out its own manufacturing of selected parts, so that the knowledge and expertise required is maintained by its own employees.

Complex custom-built vessels will continue to be built in The Netherlands with the engineering facilities, infrastructure and suppliers surrounding IHC Merwede's shipyards. More standard, localised ships are now produced in low-cost countries.

Internationalisation also gives IHC Merwede a competitive advantage in countries such as the USA and especially Brazil, where sufficient local content is required. The local equipment can be offered to customers in these markets at the right price with this strategy.

Growth
Larger enterprises can cope more successfully in difficult times and have a better position in the financial world with relation to local and international governments than smaller companies. They are able to invest more in strategic activities and offer a more challenging working environment for their employees.

Growth is an expression of ambition and a desire to move forward. IHC Merwede has a unique portfolio of people, products, knowledge and skills. This is a powerful combination and the company should invest in it and grow by offering new products or a higher volume of standard products. For example, it aims to increase its activities in the middle segment of the dredging and offshore markets, as well as offering an enhanced level of service to these customers.

The dredging market will undoubtedly continue to thrive. Demand is still comparable to previous years, particularly for infrastructures, ports construction and sustainable solutions. The dredging market will undoubtedly continue to thrive.

The company has four strategic priorities: internationalisation; growth; product and process development; and cooperation.

Offshore equipment activities have been strengthened by copying the business model used in the dredging market. This means design, equipment, shipbuilding and financing can be integrated in a one-stop shop model. For many years, IHC Merwede has reinforced its position by concentrating on relationships with members of the Dutch/Belgian dredging cluster. It has also strengthened its offshore activities with countries such as the UK, USA, Norway and Brazil. Becoming a member of these worldwide clusters is the key to fulfilling IHC Merwede's growth ambitions.

The future is also bright for the offshore wind market, which will drive a sizeable proportion of the business. It will take off in the years to come and thrive on the strength of existing and future programmes. Similarly, the oil and gas market has enjoyed a positive year on the offshore construction front. The major oil companies have announced an encouraging outlook of growth and increased spending.

IHC Merwede will continue to pursue growth through acquisitions of companies that fit within its corporate profile. It aims to reinforce the Technology & Services division with the continual addition of new technological companies. The company also intends to invest in low-cost production facilities in the Far East.

In 2010, IHC Merwede invested € 25 million in property, plant and equipment within Technology & Services. This included € 13 million for the expansion of IHC Hydrohammer®'s rental fleet, as well as significant sums on office and production facilities in The Netherlands and other countries, such as the new machine shop in Dongguang, China. The group's favourable financial position will continue to provide the funds needed for such investments.

Product and process development
IHC Merwede will invest € 35 million in product and process development in 2011. This is becoming increasingly important and life-cycle support will continue to be a priority.

Another important service that IHC Merwede has developed over the past year is the finance packages offered to customers. 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.

The company has four strategic priorities: internationalisation; growth; product and process development; and cooperation.

The group aims to continually improve its processes, particularly with regard to production, engineering and supply chain management. In recent years, these activities have been actively supporting the growth strategy.

Cooperation
It is important for IHC Merwede to have strong relationships with organisations such as local governments, banks and a wide range of suppliers. However, the group's cooperation with external companies, both nationally and internationally, is extremely complex.

Internal cooperation between all of the group's business units and the various technologies they employ to build IHC Merwede's innovative vessels, advanced equipment and life-cycle support is also a challenge. All of these companies have to perform to the best of their abilities and conform to the group's overall strategy if it is to succeed.

The importance of cooperation will increase as IHC Merwede continues to grow. The competent and intelligent use of all available knowledge will generate new market opportunities and technological developments.

Risk management
A sustained focus on risk management is vital to the achievement of IHC Merwede's operational and financial targets. 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.

IHC Merwede’s markets are volatile, which can lead to large fluctuations in revenue and results. This is risk is managed by keeping business operations flexible through outsourcing and subcontracting, hiring a versatile workforce and renting some of the shipway 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 British Pounds, Chinese Renminbi and US dollars. All major transaction currency risks are hedged with foreign currency exchange contracts. The company's limited interest exposure is covered by interest derivatives.
IHC Merwede Annual Report 2010

Report of the Board of Management

Human Resources

Employee mobility was one of the biggest priorities for the Human Resources department in 2010, as IHC Merwede rolled out a strategy to temporarily close the utility of its shipyard at Hardinxveld-Giessendam. The focus was very much on the human factor and part of the workforce was initially relocated to the Krimpen shipyard. Nevertheless, the increased sales within the Dredging & Mining division meant that the extra capacity required for the new work led to a large number of employees remaining at the Hardinxveld-Giessendam shipyard.

The number of flexible workers was reduced from 1,800 to 1,200 in a six-month period. There is always a challenge to manage the ratio of flexible to permanent staff. Two thousand six hundred of the 3,000 IHC Merwede personnel in the world are based in The Netherlands – and one third of those are on a temporary contract. A flexible model is required to cope with fluctuations in the market.

Human Resources also developed an implementation strategy for the restructuring of the IHC Merwede group to create Product Market Combinations (PMCs) that will go live in 2011. The idea of an impact group was developed so that key employees can help to shape the future strategy of the business. This involved senior managers to translate the PMC concept into new organisational structures, workflows and responsibilities.

Training

There are fewer young people entering engineering and related professions than the previous generation. Technical education is a relatively expensive form of education for secondary and technical schools, because they need to keep up with the level of technology used by companies. So, IHC Merwede recognises the need to take the lead and drive the recruitment and training programmes forward. The impressive new Technical Education Centre facility at Kardindijk attracted 18 students in 2010 to embark on a two-year development programme.

IHC Merwede has further developed its three-tiered approach to investing in people and creating and nurturing talent at all levels of the business. There has been a significant investment in the Talent Management Programme and the Management School.

The IHC Merwede Management School attracted 120 new starters for the initial training classes in 2010. At the next level – with IHC Merwede’s top management in charge – there were 13 two-day classes with 18-20 technically orientated graduates covering the subjects of strategy, finance, sales/marketing, human resources, supply chain management and project management. There was a total of more than 360 participants in the IHC Merwede Management School.

The new Talent Management Programme, held in conjunction with the Twente School of Management, successfully finished its first group of 18 relatively new and younger staff, and more experienced and longer-serving personnel. The second course also commenced during the year.

Health and safety

IHC Merwede has developed some important new health and safety procedures and guidelines in 2010. Those for its domestic workforce in The Netherlands were influenced by the company’s Works Council, legal requirements and external pressure from customers, and most of all by IHC Merwede’s drive to provide its employees with a safe workplace while those for its international employees were shaped by the internationalisation strategy and related knowledge about the destination countries.

A cycle has started to allow members of staff to book a health check, which is carried out via a series of tests and questionnaires. A new international health and safety policy has also been developed and introduced for the benefit of the many employees based abroad or who are required to travel. The new travel management system is linked to International SOS, the world’s leading international healthcare, medical assistance and security services company. It will help IHC Merwede to manage the health and security risks facing the company’s 150 travellers per day and expatriates.

This initiative has already had a positive impact on IHC Merwede’s international operations. There was a briefing for 120 employees on the new system at the start of 2011. This was well-received and helped to increase awareness and understanding of such issues as what to do in the unlikely event of an accident, and the importance of how to prepare for and behave during a visit to a relatively high-risk country.

Corporate social responsibility

IHC Merwede is not only concerned with making profit. It also considers the effect of its business activities on the environment and its internal/external human factors. The overall aim is to find the optimal balance between people, planet and profit. In practice, it does this by investing in sustainability, safety, and working conditions, to ensure that its products are manufactured in a responsible manner, with better results for both IHC Merwede and society as a whole.

IHC Merwede is dedicated to the sustainable development of the world in which it operates. The company therefore focuses its research programme on the impact of dredging on the environment, with several initiatives highlighting the company’s ongoing commitment.

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.

Further examples include the development of: a climate-neutral cutter suction dredger; a piling hammer driven by water rather than hydraulic oil; a range of “green” IHC Beaver® dredgers; and the SUPREME Ventus® (DP) Seal to prevent oil leaking from conventional and thruster propulsion systems.

IHC Merwede’s biggest asset is its people. Without them, there would be no company or products. So, IHC Merwede cares for its staff by offering healthcare benefits and placing emphasis on safety at work. 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.

IHC Merwede’s corporate culture promotes the welfare and development of its employees. As a result, everyone is encouraged to act responsibly and enjoy a pleasant working environment – an atmosphere conducive to a dedicated team, committed to safeguarding the future of the company.

IHC Merwede is also focussed on making a meaningful contribution to society. As a major regional employer, it 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. Being a good neighbour also means that IHC Merwede acts as a sponsor for local sports clubs and events in the region, and local people are always welcome at open days and ship launches.

The Future

During the recent financial crisis, IHC Merwede showed its resilience: revenue did not drop as it did in many other companies throughout the western economy. Instead, it stayed relatively stable with healthy profits, and in 2010 the order book returned to a healthy level.

IHC Merwede has continued to invest in its markets, products and internationalisation, as well as research and development, employees, facilities, organisation and systems. This has positioned the company well for the coming years and it will continue to invest in property, plant and equipment during 2011. This will be financed by the company’s own means. The level of investment in research and development will also be maintained, at slightly above three per cent of revenue.

IHC Merwede’s markets are developing favourably. The dredging market has provided the company with a stable foundation in the past years, and is expected to continue to do so. The offshore market went through a clear downturn as a result of the financial crisis and the sharp drop in oil prices, but looks promising for future years. In the offshore equipment businesses, there was a recovery in 2010. IHC Merwede also believes that the dredging and deep-sea mining business will provide growth opportunities in the near future.

However, competition is still strong on a worldwide basis. Many other shipyards are looking enviously at IHC Merwede’s markets and profitability, and are trying to copy its successful business model. Although they cannot match the company’s added value, they compete with low prices, sometimes supported by their governments.

All things considered, IHC Merwede believes that 2011 will show a five to ten per cent growth in revenue and a profitability comparable to 2009 and 2010. As a result, it is expected that the number of employees will rise somewhat.

Sleedrecht, 20 March 2011

Board of Management:
G. L.M. Hamers, President
F. Brouwer, CFO

IHC Merwede Annual Report 2010

The IHC Merwede Management School attracted 120 new starters for the initial training classes in 2010
Quality and technology count in Chinese joint venture

IHC Merwede has entered into a joint venture with the Dalian Liaonan Shipyard in China to build cost-effective IHC 7025MP® and IHC 8527MP® standard cutter suction dredgers.

The main features of these patented models are the standardisation of the production process and the modular design for the Chinese market. IHC Merwede supplies the technology and technically critical components, as well as manages each project to uphold its high-quality standards.

The first 13,671kW IHC 8527MP® vessels delivered to customers are now in operation on land reclamation projects with a maximum dredging depth of 27 metres, a delivery pipe diameter of 85 centimetres and production capabilities of 3,000 cubic metres per hour.

The performance of these advanced vessels highlights that the cooperation between IHC Merwede and its partners results in versatile, high-quality dredgers that comply fully with the specific requirements of the Chinese market and contribute effectively to the country’s future.
Rapid development of Chinese production facilities

IHC China Support celebrated its fifth anniversary in 2010 and reflected on the successful rapid development of IHC Merwede’s production base in China.

The business unit started out by building dredging components from a small unit in the city of Guangzhou, before moving to impressive new facilities in the neighbouring town of Dongguan in 2009.

The growth has continued over the past 12 months with 150 employees now building strategic components for other IHC Merwede business units in the country.

IHC China Support will further expand in 2011 with a healthy order book and additional office space and production facilities. It also has the opportunity to acquire a quay for life-cycle support activities and to act as a logistics hub and a central Chinese manufacturing base for the group.
IHC Merwede has designed, built and delivered a new multi-purpose offshore support vessel – meeting the highest standards and latest regulations – to Subsea 7.

The SEVEN PACIFIC features a main crane that can place subsea structures weighing up to 260 tonnes in water depths of 3,000 metres and a vertical lay tower that can handle up to 24-inch diameter flexible pipes.

Built to accommodate 100 people, the innovative vessel has six thrusters installed for main propulsion and dynamic positioning, and can carry 3,000 tonnes of flexible pipe on board.

It also carries two 125 horsepower work-class remotely operated vehicles, launched port and starboard from a dedicated hanger, to enable the operator to monitor the pipelaying process on the sea bed and provide support during offshore construction activities.

The SEVEN PACIFIC is now working on BP’s Block 18 gas export line project in Angola, where its crane is already being put to good use.
Twin-hopper concept sets WILLEM VAN ORANJE apart

Innovative vessels

IHC Merwede has designed, built and delivered a new self-propelled trailing suction hopper dredger to Royal Boskalis Westminster.

The WILLEM VAN ORANJE was launched by Her Royal Majesty Beatrix, Queen of The Netherlands, a descendant of Prince William of Orange (1538-84), who is considered to be the founding father of The Netherlands.

Along with its sister ship, the GATEWAY, the 13,812kW WILLEM VAN ORANJE is an innovative vessel with its twin-hopper concept design. This makes it possible to optimise the ship’s load in relation to the draught, particularly in shallow water. It is also relatively light after an extensive finite method analysis showed that reductions were possible in the steel mass of the vessel.

The completion of WILLEM VAN ORANJE clearly showed why IHC Merwede is the global market leader for efficient dredging vessels and equipment, supported by the combined knowledge and experience of the group’s business units.
Advanced equipment

IHC Merwede products are designed to meet the demands of the dredging world. In this photo, a cutter ladder built by IHC China Support in Guangzhou, China is hoisted onto the IHC 8527 MP® dredger GANGHAI JUN 516. Technology is built into this upper part of the ladder, which already contains a submerged pump and an electric drive.

The unit will first need to be mounted onto bearings on the main deck and fixed to the ladder gantry. The cutter module will then be flanged against it and electric wiring will be pulled through and connected to the electric motor driving the cutter. The cutter module, which will be added later, is being produced and outfitted in the IHC Merwede Beaver Dredgers yard in Sliedrecht.

The GANGHAI JUN 516 in this image is one of six IHC 8527 MP® dredgers built for Shunhang Shipping Corp. at Dalian Liaoman Shipyard, China. This vessel and its smaller sister, the IHC 7025 MP®, are very successful in the Chinese market with 30 units sold already.

The power of technology behind the cutter ladder
Bespoke training around the world

IHC Merwe offers tailored training programmes at any time and place worldwide through its Regional IHC Organisations (RIOs). A centre of excellence has been established in The Netherlands, where the RIOs’ local service and logistical personnel can learn the latest techniques and pass on the benefit of their experience directly to IHC Merwe customers.

Training can also be provided at each stage of the vessel’s life cycle. By sharing expertise and know-how with customers, IHC Merwe’s life-cycle support team helps to design, construct and operate their equipment more safely and efficiently – resulting in higher productivity.

IHC Merwe offers a complete spectrum of high-quality and up-to-date training – from general to highly specialised tailored courses on the use of equipment or on specific competences to meet the needs of the customer. This can be carried out with the use of portable training simulators, web-based training or at IHC Merwe’s own facilities around the world.
Dredging & Mining

BUSINESS UNITS:
IHC Dredgers B.V.
IHC Beaver Dredgers B.V.
IHC Engineering Services B.V.
IHC (Dalian) Dredging Vessel Technology Development Company
IHC Deep Sea Dredging & Mining
IHC Marine and Mineral Projects
MTI Holland B.V.
Training Institute for Dredging
Verenigde Scheepswerf Heusden B.V.
IHC Metalix B.V.
Vuyk Engineering Rotterdam B.V.

As the technology innovator, IHC Merwede possesses the in-house skills to engineer and manufacture a complete range of sustainable dredging vessels that suit the requirements of customers worldwide through its Dredging & Mining division. This incorporates: the world’s largest custom-built self-propelled dredgers; cost-effective standard stationary dredgers built at the company’s own yards or overseas; and special vessels. The division is also capable of supplying efficient and reliable solutions to meet the shortest possible lead times.

The boom in tourism and recreational activities has generated a wave of leisure-related infrastructure projects. Environmental developments, such as global warming and rising sea levels, have also continued to drive the need for coastal defences and sustainable technology.

The Dredging & Mining division’s response to these trends has led to the reinforcement of its position as the market leader for specialist vessels in the dredging and alluvial mining sectors. Approximately half of the world’s dredging vessel fleet has been designed and constructed by this division, which equates to more than 2,500 large vessels since the 19th Century.

The importance of the Dredging & Mining division to the IHC Merwede group has continued to grow over the past financial year. The market bounced back in 2010 despite the fragile global economy, and was stronger than expected with higher projected sales and an increase in the number of dredging vessel orders.

This included the full complement of self-propelled dredging vessels (IHC Dredgers) and stationary cutter suction dredgers (IHC Beaver Dredgers) to highlight the popularity of the IHC Merwede range. The smaller, cost-effective standard IHC Beaver® dredgers continued to attract orders and there was a shift from large to medium trailing suction hopper dredgers and large self-propelled cutter suction dredgers.

With IHC Beaver Dredgers’ and IHC Dredgers’ engineering and production facilities working to capacity on existing and new orders, the division was able to bring its international project management expertise into play. The full yard capacity of IHC Merwede and its partners was utilised in the construction of the order book, which highlighted the importance of IHC Merwede’s internationalisation strategy.

While the largest market remains in Europe – with the leading contractors in The Netherlands and Belgium – China and other countries are playing an increasingly important part in the global dredging industry. IHC Merwede’s Dutch shipyards will remain as the hub of the group’s manufacturing activities. However, the importance of joint ventures overseas, such as the IHC (Dalian) Dredging Vessel Technology Development Company in China, will continue to grow.

These developing markets command a lower pricing structure and therefore, it is necessary for the division’s business units to reduce costs by manufacturing vessels locally. There is huge potential for IHC Merwede as a whole and these early steps into new territories will determine the potential for its innovative vessels, advanced equipment and life-cycle support.
IHC Dredgers

IHC Dredgers designs and builds self-propelled custom-built trailing suction hopper and cutter suction dredgers for its broad customer base. Highly efficient, innovative and cost-effective, they are designed to work in extreme conditions, at challenging depths and to handle various types of soil. They are built in The Netherlands according to the specific requirements of individual customers and to meet the challenges of particular projects. They can be used to: construct harbours; access and maintain deep channels; collect sand from the sea floor to reconstruct shorelines and beaches; and even to create new islands.

IHC Dredgers had a better than expected year in terms of sales during 2010. The business unit trebled its projected total sales value and the actual number of vessels sold. This successful trading period may be attributed to the strength of the market and IHC Dredgers’ response to the demand in terms of its flexible approach to project management.

Two trailing suction hopper dredgers with a hopper capacity of 5,600m³ were ordered in the second quarter by the IHC Deep Sea Dredging & Mining business unit. The other significant vessel delivery was a 4,200m³ trailing suction hopper dredger to Transnet National Ports Authority (TNPA) in South Africa. The ISANDLWANA was named and launched in the second quarter of 2010 and is now performing maintenance dredging works in the country’s ports.

Later in the year, a second self-propelled cutter suction dredger was ordered by Van Oord. The ARTEMIS will be a sister ship to the ATHENA with a total installed power of 24,650kW. In the smaller hopper range, a customer in Iraq ordered a 3,500m³ trailing suction hopper dredger and a 500m³ grab hopper. Finally, a groundbreaking order was received from Tideway BV for a fall pipe – that will be used to a depth of 2,000 metres – to be executed by the IHC Deep Sea Dredging & Mining business unit.

IHC Dredgers was also working to full capacity on existing orders. The WILLEM VAN ORANJE was named and launched in the first quarter of 2010 by Her Majesty Queen Beatrix of The Netherlands. The trailing suction hopper dredger was delivered to Royal Boskalis Westminster with an integrated twin hopper, which makes it possible to optimise the load of the ship in relation to the draught.

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IHC Dredgers focus on: sandwich panels to decrease the weight of vessels for increased payload and efficient construction; the efficiency of a tri-plane rudder to improve manoeuvrability and reduce drag; and a controlled drag head to be steered dynamically over the top of mounds on the sea floor rather than the conventional suction pipe control. Authority

With the success of this project, IHC Dredgers is continuing its development of partnerships to localise its customer relationships worldwide. To achieve this, the business unit actively searches for shipyards that meet its requirements and demonstrate a certain level of expertise, specifically in South East Asia.

Keeping a strong focus is another key feature underpinning IHC Merwede’s strategy to further strengthen its position in its core business of building dredgers. This means that it aims to keep core technology within the company and outsource peripheral technology. When combined with ongoing innovations and investment in research and development, this core technology will continue to be applied to the benefit of IHC Dredgers’ customer base.

The current research and development priorities for IHC Dredgers focus on: sandwich panels to decrease the weight of vessels for increased payload and efficient construction; the efficiency of a tri-plane rudder to improve manoeuvrability and reduce drag; and a controlled drag head that can be steered dynamically over the top of mounds on the sea floor rather than the conventional suction pipe control.

IHC Dredgers’ main targets over the past 12 months was to develop a range of three standard concept vessels: the “Beagle” is a high-standard vessel with advanced optional equipment; the “X-Trail” is customised for local applications, such as rivers or silt, in India or China for example; and the “Easy Dredge” represents a true low-cost design for start-up contractors. The sale of these vessels will be a key target for 2011 and an opportunity to break new ground with customers who require more economic equipment that is readily available.

The final naming and launching ceremony of 2010 was held for the VICTOR HORTA. The 5,000m³ gravel trailer will be delivered to DEME Building Materials in 2011 for the extraction of sand and gravel to a depth of 60 metres. The 30,000m³ trailing suction hopper dredger, CONGO RIVER, will also be delivered to DEME in 2011 after its launch at the beginning of 2011.

Other ongoing construction work includes the ATHENA and two 12,000m³ trailing suction hopper dredgers for a Chinese customer. One of the sister vessels (Shang Jiang Kou 01) is being built in The Netherlands and the other (Shang Jiang Kou 02) is sub-contracted in joint cooperation to the Qidong Daoda shipyard in China – an example of IHC Dredgers’ contribution to IHC Merwede’s internationalisation strategy.

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IHC Beaver Dredgers

IHC Beaver Dredgers designs and builds a wide range of stationary cutter suction dredgers, from smaller cost-effective standard models to the larger complex custom-built vessels. It develops complete vessels – including compact multi-purpose heavy duty work boats (Delta Multi Craft) – with the support of other IHC Merwede business units for customers in the dredging and mining markets.

The company’s objective at the start of 2010 was to sell 12 IHC Beaver® dredgers and a custom-built dredger. However, it slightly exceeded forecasts and actually sold 13 IHC Beaver® dredgers and a custom-built cutter suction dredger.

Product development also remained a strong focus for IHC Beaver Dredgers. It achieved the goal of developing and testing a new model – the IHC Beaver 40® – for delivery in early 2011. Work also started on the IHC Beaver 65DDSP® (Direct Driven Submerged Pump). IHC Beaver Dredgers also entered the market with the rental option for IHC Beaver®.

In terms of equipment, the flexible spud carrier was tested in early 2010 aboard an IHC Beaver 6518C®, and at the same time, the in-house developed DOSO software was partially validated. Another innovation saw the development of the "Lancelot Cutter" for small vessels, such as the IHC Beaver 40®, to the larger IHC Beaver 6518C®. A new range of cutter "Lancelot Cutter" for small vessels, such as the IHC Beaver validated. Another innovation saw the development of the time, the in-house developed DODO software was partially entered the market with the rental option for IHC Beaver®. The flexible spud carrier was tested a quarter of a century.

In 2010, IHC Beaver Dredgers has experience of manufacturing heavy parts, such as spud carriers and cutter ladders, for more than a quarter of a century.

There were also a relatively high number of deliveries in 2010, with 12 IHC Beaver® dredgers being delivered to appreciative customers. The AL SAKAB was completed at the IHC Merwede shipyard at Sliedrecht and added to the HUTA Marine Works (Saudi Arabia) fleet in the first quarter. The 16,500kW single pontoon custom-built cutter suction dredger has three identical cutter special dredge pumps and a cutter ladder for a maximum dredging depth of 25 metres.

In addition, two IHC Beaver® 9029C custom-built cutter suction dredgers were uniquely named and launched simultaneously in quarter one at the Sliedrecht and Hardinxveld-Giessendam shipyards. The 4,000m³/hr 13,000kW vessels, ZHONG GUO SHUI DIAN JO8 and JO9, were delivered later in the year to one of IHC Merwede’s large Chinese customers, SinoHydro.

One of the most significant launches of 2010 was held in the third quarter for the Panama Canal Authority’s QUIBÍAN I. The 12,000kW custom-built cutter suction dredger has been designed and built by IHC Beaver Dredgers at the Sliedrecht shipyard.

With regard to life-cycle support, IHC Beaver Dredgers has also enjoyed some success with IHC Parts & Services in selling a support package to a customer in the Middle East. It has also been and will continue to be active in the hiring and leasing markets for IHC Beaver® dredgers and Delta Multi Craft work boats.

IHC Beaver Dredgers’ commitment to sustainability may be evidenced by a dredging test that it ran in conjunction with Bredenoord. Alternative fuels were used for the first time with energy derived from hydrogen – supplied by the Bredenoord’s Purity cell generator – as the sole source to power the electrical equipment on board an IHC Beaver 40®.

The target for 2011 is to sell eight more IHC Beaver® dredgers than in 2010 and another custom-built cutter suction dredger. There is an increased level of demand from the Middle East and Bangladesh with tenders expected from these markets.

The business unit hopes to complete the IHC Beaver 55DDSP® and develop the IHC Beaver 45® in the new calendar year. It is also aiming to develop new dredge pumps, cutters and a sustainable cutter head (for less turbidity).

As a leading light in IHC Merwede’s internationalisation strategy, IHC Beaver Dredgers has already established its roots in overseas markets. With the increase in demand from China and India, the company has already committed to manufacturing vessels and equipment in Asia.

The construction of an IHC Beaver 1200® started at the IHC China Support factory. There are high expectations regarding the market for smaller cutter suction dredgers in China and the decision to build locally in that market was therefore a logical step to capitalise on the demand. Similarly, a suitable yard is being assessed for the construction of smaller cutter suction dredgers to meet demand in India.
Dredging & Mining

IHC Engineering Services

IHC Engineering Services provides engineering and project management services for: the production of vessels such as the IHC 7025MP® and IHC 8527MP® cutter suction dredgers; specialist dredging equipment; and shipbuilding outside The Netherlands. It also has a small domestic engineering facility.

The main focus for IHC Engineering Services at the start of 2010 was threefold: specialised products; to find a new partner in China; and to manage the production of a new trailing suction hopper dredger as a subcontractor to IHC Dredgers. This was successful with the keel of the new vessel having been laid in December and the establishment of a local team of nine IHC Merwede personnel – both expats and local staff – in the Chinese Daoda shipyard (IHC Merwede’s new partner in the country).

The company achieved its highest profit to date thanks to the successful execution and delivery of key projects.

IHC Engineering Services’ expansion overseas is dependent on cooperation with potential suitable partners and establishing a local presence. For example, there is a market for smaller cutter suction dredgers in India, and the offshore sector in Brazil and USA is promising. Historically, IHC Merwede has experience on the American continent, but it is seeking a renewed local presence to expand and overcome the hurdles surrounding costs and regulations.

IHC (Dalian) Dredging Vessel Technology Development Company

IHC (Dalian) Dredging Vessel Technology Development Company is the name given to the joint venture between IHC Merwede and Dalian Liaonan Shipyard (DLS) in China. The agreement is indicative of IHC Merwede’s internationalisation strategy, which enables it to design and build vessels in close cooperation with third parties around the world.

IHC Merwede can focus all of its extensive shipbuilding knowledge and local market intelligence by instigating a partnership such as the one in Dalian. This is an ideal platform from which to develop the company’s presence in China.

The technology is provided by IHC Merwede, and it also retains overall management of the joint venture’s projects to maintain the company’s high quality standards. The cooperation with Dalian Liaonan Shipyard started when IHC Merwede was seeking a suitable partnership to build ships for its Chinese customers.

Decision to also team up with Dalian Liaonan Shipyard for the IHC 8527 MP® was based on the experience of work previously carried out between the two parties.

The main feature of these two patented models is the standardisation of the production process combined with a modular design. The critical components are either supplied from The Netherlands or produced locally in China under the management of IHC Merwede.

Two IHC 7025 MP®s were delivered to GDC in 2010 and four split hopper barges were received by Van Oord. In addition, the yard is still working on orders received for IHC 8527 MP® cutter suction dredgers, with IHC Merwede being contracted for the components and software for these same vessels.

The first vessels contracted to IHC (Dalian) Dredging Vessel Technology Development Company are now in operation and it is expected that there will be a spin-off in terms of orders when they have proved their value in the market.

The leading technological innovation of the year was the development of the IHC backhoe dredger with Liebherr to offer a unique product to the dredging industry. This stationary vessel has been fitted with a specially adapted Liebherr excavator that can be used for a wide range of marine operations. The integrated design offers potential customers the most economic solution in terms of operability, productivity and efficiency.

IHC Engineering Services hopes to replicate its Chinese partnership model for international production into at least one other country in 2011 – most likely to be the USA or Brazil. It will also continue to develop new specialist dredging vessels and equipment, such as the manufacture of a grab hopper dredger for an Iraqi customer and, most significantly, a new range of split hopper dredgers.

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IHC Deep Sea Dredging & Mining

The mining and offshore energy industries are responding to the growing need for resources in deep waters. To meet their requirements, IHC Deep Sea Dredging & Mining (IHC DSDM) designs, builds and maintains high-quality, remotely operated marine excavation and slurry transport systems.

It combines centuries of experience in dredging, unique expertise in mining technology and deep water know-how to create technical innovations. This capability is based on knowledge of deep sea excavation, vertical transport systems and the system integration founded on centuries of expertise in shallow water excavation and high-volume slurry transport in the dredging industry.

Although this equipment is still under development, in the dredging industry, in shallow water excavation and high-volume slurry transport and the system integration founded on centuries of expertise it is forecast that deep-sea dredging and mining will be a full-blown industry by 2020. In the meantime, the business unit will be continuously looking for new markets – such as oil and gas, decommissioning and excavation jobs in deep water – to further develop and finance its research programmes.

IHC DSDM is also pioneering its EASY (Exploitation Appraisal System) programme, which provides customers with the opportunity to pilot mining activities and enhance their own systems and processes. This requires limited initial investment and risk on a trial basis, before the financial commitment associated with a full-scale operation.

IHC DSDM is also involved with: deep water infrastructure developments in the oil and gas sectors, such as trenching and salvage techniques; a 360-degree sales desk for excavation technology with IHC Engineering Business; finance solutions; ongoing research in tandem with MTI; and product development. For example, an order was received from Tideway for a high-quality aluminium alloy fall pipe to protect subsea pipelines and allow stones to be deposited to a depth of up to 2,000 metres.

Overall, the company plays a leading role in the high level of cooperation between internal departments and external partners. This may be evidenced by IHC DSDM’s focus on innovation, cooperation and growth through research and technology, as well as its awareness of companies worth potential future investment.

IHC Marine and Mineral Projects

In April 2010, IHC Merwede joined forces with selected staff from Marine and Mineral Projects, a leading designer and manufacturer of underwater mining systems (including crawlers) to form IHC Marine and Mineral Projects (IHC MMP) in Cape Town, South Africa.

Professional service and delivery are guaranteed by the depth of experience within the IHC MMP team. The company also utilises the latest technical software for detailed mechanical, structural and electrical engineering, and automation and control.

These core in-house skills are supported as required by the expertise and facilities of IHC Engineering Business and IHC Deep Sea Dredging and Mining (IHC DSDM). The partnership between these IHC Merwede business units provides innovative engineering and leading technology for underwater mining solutions.

IHC MMP has a track record of delivering projects safely, on time and within budget. It is the forerunner in the development of world-leading technology for deep-sea mining from support vessels.

The company’s focus is on working with customers to meet their project requirements. IHC MMP has extensive experience in all project phases, including conceptual design, pre-feasibility and feasibility studies, implementation (including system definition), build, commissioning and handover.

The customer’s business requirements are fulfilled through a variety of consulting, project management and engineering design services on an EPCM (engineering, procurement and construction management), turnkey or rates basis. After-sales and repair services are also provided and IHC MMP prides itself on a rapid response time.

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MTI Holland

MTI Holland is a leading global centre for knowledge-based activities relating to the dredging and wet mining industries. These incorporate research and development for the business units within the IHC Merwede group and the application of this knowledge to develop engineering tools and consultancy services (Dredging Advisory Services and Measuring & Diagnostics).

In addition, MTI Holland facilitates: portfolio, product and knowledge management for the business units through Innovation Management Support, and intellectual property rights, as well as subsidy coordination for IHC Merwede’s divisions through IP Support. This department plays an important role in IHC Merwede’s strategy to pay more attention to patent applications.

In 2010, MTI Holland had a similar turnover and a slightly higher net result compared to the previous year. However, the company’s primary focus is on “making knowledge”, so that the rest of the IHC Merwede group can concentrate on “making money”.

The highlight of the year was the development of simulation technology to improve efficiency and embrace the challenge of combining a number of different knowledge disciplines. This focussed on such extremities as larger capacity, deeper water, difficult soils and other conditions that impose more demanding requirements on IHC Merwede equipment.

Another ongoing project concerns the study of a ship’s dynamics as a platform to wind, current, swell and ground reaction. Christened “DoDo” (Dynamic Operation in Dredging and Offshore) the aim is to create a design, prediction and optimisation tool for accurate modelling of operational behaviour of vessels and equipment.

DoDo is one of six of IHC Merwede’s research and development projects subsidised by the Maritime Innovation Programme and demonstrates what IHC Merwede can achieve by developing and combining existing simulation tools. This unique innovation has been particularly successful in more practical applications, such as a flexible spud carrier for IHC Beaver Dredgers and for use on the self-propelled cutter suction dredger, ATHENA, and will continue to be one of MTI Holland’s main offshore knowledge development targets in 2011.

Work will also continue with IHC Deep Sea Dredging & Mining over the next 12 months with the use of CFD (computational fluid dynamics) applications for vertical transportation. A full FTE PhD study at MTI on this subject will be followed by another one starting in 2011. Furthermore, focus continues on excavation techniques under hyperbaric conditions at large depths. This project is on the brink of a test procedure that will validate the simulations from MTI Holland’s unique programme.

The business unit has also been heavily involved with the acceptance of IHC Merwede by the Dutch Government for the Innovation Box tax reduction scheme. IHC Merwede is the first shipbuilding company in The Netherlands to receive this status.

Training Institute for Dredging

The Training Institute for Dredging (TID) provides training solutions for the dredging industry. It organises classroom-based courses and programmes, as well as simulators and on-the-job tuition for operators and engineers worldwide.

Over the past two years, TID has moved towards competence-based courses, i.e. to develop skills as well as knowledge. This has been enhanced by the use of three transportable and two fixed simulators for operating IHC Merwede’s advanced equipment.

A total of 433 people participated in 33 courses worldwide in 2010, 152 of which were participants in 14 courses in China. Although comparable with last year, the number of participants actually went up, which – when combined with some larger equipment training – contributed to an increase in orders and turnover.

Among the success stories of 2010, a Chinese customer utilised TID’s dredging and training expertise to jointly develop an assessment system for their employees’ competence. The efficiency of their operating and maintenance skills improved as a result of the training with on-site simulation techniques that demonstrated the benefit of using IHC Merwede equipment. It is also hoped that this invaluable service can be expanded into other countries. In addition, large equipment training was run in Saudi Arabia and Panamá.

Web-based training systems, ideal for distance learning, have also been launched over the past 12 months, and TID successfully delivered online interactive tuition to a customer in Nigeria in 2010.

Verenigde Scheepswerf Heusden

Verenigde Scheepswerf Heusden (VSH) is an integrated section and hull builder, which supplies ship sections to other IHC Merwede business units, as well as directly to external customers. This allows other slipways in the IHC Merwede group to make considerable reductions in vessel construction time.

The hull parts produced in Heusden are supplied with complete outfitting, so that the final commissioning for the vessels can be carried out at other locations. In 2010, a hull was built for the 5,000 m³ gravel trailer, VICTOR HORTA, which was named and launched in the fourth quarter. The 4.200m³ trailing suction hopper dredger ISANDIWAHA, built at Heusden, was handed over to the customer in South Africa in December by IHC Dredgers.

VSH has the facilities for more complex section and hull construction work to be completed for a wide range of customers with a flexible and a non-hierarchical approach. The yard was well-utilised and recorded a positive financial result for 2010 and all assignments were delivered on time and within budget.

It was also announced during the year that IHC Merwede will continue to rent the shipyard’s production facilities for another two years. The decision to extend the contract was taken to help the group keep up with market demand and fulfil its existing obligations for orders.

The business unit is also used as a proving ground for IHC Merwede personnel to develop their skills before they are seconded to other locations. This is a particularly effective strategy for transferring technical knowledge to China and other countries as part of IHC Merwede’s internationalisation strategy.
IHC Metalix

IHC Metalix is one of the largest and most versatile suppliers of pre-processed metals and work preparation services for the shipping and metal industries. It supplies complete component packages for steel structures with detailed logistical processes in place to ensure that deadlines are met.

Increased profits compensated for lower turnover in IHC Metalix’s financial results for 2010. When combined with a strong sales performance, it was a successful year overall with new opportunities developed at home and abroad.

The business unit successfully controlled its costs after the market forced price reductions and external business decreased by around ten per cent. After dropping in the previous year, raw material prices rose again in response to increased iron ore, scrap and transportation costs.

IHC Metalix also successfully achieved NEN-EN-ISO 9001:2008 quality certification. The award is indicative of the company’s development from a project- to process-based operation and its organisational structure and auxiliary software serving as a foundation for the quality management system.

An expansion in personnel included a new tier of managers who have already helped to coordinate processes from a technical and logistical point of view. Investment in new equipment included the addition of the biggest technical innovation of the year – a unique bevel robot connected to the IHC Metalix network for complicated bevelling (welding preparation) and tapering processes.

A plasma-cutting machine for steel plates up to 30-40mm thick was also purchased and will come into operation during the first months of 2011 along with the introduction of a bar-coding system – a world first! The IHC Metalix team and its customer base will benefit from the automation, track and trace, and traceability of such a state-of-the-art systematic approach.

This has given the business unit a competitive advantage. New customers are continuing to find IHC Metalix by word of mouth recommendations and other effective promotional techniques utilised to inform the market of the latest developments.

The company has also been working with IHC Merwede’s shipyards to improve common processes and this will continue for 2011. For example, a steel management programme has been developed, which will reduce the total cost of ownership by more than 20 per cent and make the logistical process more efficient, from taking delivery of the steel to delivering the correct number of finished parts on time.

IHC Metalix will continue to strive for the right balance between intense innovation and operational excellence. Internationalisation will also be a top priority. A memo of understanding has been reached with a local partner in Brazil, while two parties have been engaged to research the feasibility of entering the Turkish market.

To gain a foothold in these markets, IHC Metalix plans to set up a satellite production facility managed by real-time technology from the company’s base in The Netherlands. Any potential risk is minimised by buying steel locally, keeping the production of high-value parts in Europe and avoiding high local investment.

Vuyk Engineering Rotterdam

Vuyk Engineering Rotterdam offers a design, knowledge and engineering consultancy service to the maritime industry for innovative vessels. This covers new and existing concepts for the dredging, offshore and heavy lift sectors of the market.

After joining IHC Merwede in 2008, Vuyk Rotterdam has been concentrating on integrating with the group’s other business units and consolidating its position in the market. It has been successful on both counts over the past 12 months.

Vuyk Engineering Rotterdam now has a clear position internally and externally within IHC Merwede. It has successfully developed its new projects with other business units and continued to assist vessel owners, operators, and contractors with their operations.

2010 saw a record financial performance with an all-time high revenue and a healthy profit. This has been achieved across all projects, and among others, the development of new concepts within the offshore wind turbine industry. The largest new project was an innovative new crane vessel design for a large Belgian customer.

The company’s philosophy of “Go where others don’t” may be evidenced by its approach to the offshore wind industry. It had already started researching potential opportunities and developing concepts before the market even existed. So, it was able to offer a number of innovative solutions at the right time to meet customer requirements.

The ability to move quickly and secure new orders is the basis for Vuyk’s success. It is vital for the consultancy to develop knowledge within its dedicated technical team and then possibly approach other business units within IHC Merwede if the required equipment doesn’t exist.

Recent highlights include the development of the previously mentioned crane vessel. This will look like other vessels from the outside, but will contain many new detailed innovations integrated within the design thanks to Vuyk’s ingenuity.

A new jack-up system has been designed for vessels and barges. Cooperation from other IHC Merwede business units is being used to assess its commercial value and feasibility. This innovative solution would provide customers with a faster alternative to existing systems for a stable working platform in tough offshore working conditions.

The prospects for Vuyk Rotterdam over the next 12 months also look promising with increasing numbers of enquiries and orders. Its expansion and growth look set to continue with a fresh focus on the offshore sector, foreign markets and the presentation of a new concept in cable laying vessels being set as the main priorities.
The Technology & Services division is the collective name given to the group of sector-related products and services supplied direct to customers and the other two IHC Merwede divisions. These business units design, build and supply vessels, systems and parts to the dredging and offshore markets as specialists and market leaders in their respective fields.

Many of the world’s major dredging corporations rely on IHC Merwede equipment to move material from the river bed or ocean floor and transport it to their vessels. From spare parts to complex dredging solutions, the division provides products that are designed to meet the demands of the dredging world.

These include: dredging equipment that is directly related to the excavation work or the hydraulic transportation of the material required; hydraulic equipment that increases the efficiency of the dredging process; drive equipment, such as variable frequency drives and permanent magnet motors that are used above and under water; and automation equipment for a level of electronic control that enables vessels to operate even more safely and productively.

IHC Merwede’s Technology & Services division also draws on a long history of designing, constructing, assembling, commissioning, delivering and maintaining a broad range of offshore equipment for the oil and gas, and renewable energy sectors. This varies from the fabrication of single parts to complete integrated systems, and from hydraulic-operated shackles to multi-functional offshore vessels.

The capability of incorporating in-house technology into complete packages that meet customers’ operating requirements makes IHC Merwede unique in the global offshore industry. This position is highlighted by the company’s established reputation for focusing on the continuous development of advanced equipment to face the challenges of a market that often requires a high level of innovation.

The majority of business units within the Technology & Services division have reported positive results in the past financial year. While the market was generally challenging again in 2010 due to the continuing economic crisis, there were strong sales and profit performances across the board, with many companies also increasing their respective market shares.

Among the success stories, the rental sector assumed increased prominence, especially in the offshore equipment sector with IHC Hydrohammer® and IHC Handling Systems developing their activities. Similarly, the emphasis placed on life-cycle support activities paid off, particularly with the increased sales of spare parts contracts.

In addition, the number of new ships ordered and built during 2010 – especially in the dredging sector – was higher than expected, as was the uptime enjoyed by existing dredging vessels. As a result, the business units achieved better-than-expected sales with the supply of parts and systems internally for the building of the latest dredgers, and externally for working dredging and offshore vessels around the world.

Furthermore, the Technology & Services division has always been at the forefront of IHC Merwede’s internationalisation strategy. The long-standing business units have been designing, manufacturing, selling and delivering their products and services on a global basis for many years. For example, IHC Parts & Services’ supply chain had already spread outside Europe more than two decades ago and the Regional IHC Offices in Singapore and China have been established for over ten years.
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.

IHC Hydrohammer® expanded in 2010 by investing in the establishment of a presence in developing markets such as Asia. An immediate result of these investments was rental orders and 2010 was a record sales year. Revenue increased thanks to new opportunities in Brazil, Russia, Australia, China and India. In China and India, a particularly efficient improvement was made by replacing manpower with machines.

Further investment was also made in the IHC Waterhammer® during 2010. This was developed by IHC Hydrohammer® for use in water as deep as 3,000 metres. The Waterhammer is controlled by a radical hydraulic system that uses sea water instead of oil. This addresses the practical issue of it being technically impossible to pump oil to and from such depths, while sea water is in abundant supply. This solution also removes the risk of accidental oil leaks, which is an important environmental benefit. Over the next few decades, the Waterhammer will add a completely new dimension to technology and safety in the field of underwater pile driving.

IHC Hydrohammer® also carried out further research into reducing underwater noise in 2010. A prototype was constructed, successfully tested and will be further developed over the next 12 months.

Another target for 2011 is to achieve a higher fundamental level of knowledge. To this end, collaboration agreements will be entered into with parties such as TNO, TU Delft, MFI and engineering consultancies. Further investment and innovation will also be continued within the oil and gas, wind energy, civil engineering and onshore markets.

IHC Hydrohammer® has a market-driven approach and maintains close customer relationships for equipment, service and support. As a pioneer in its field, the company is a major global player. Within the IHC Merwede group, it utilises the synergy with the various other business units to collectively offer an enhanced level of service to the customer.

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 skids. The business unit supplies companies responsible for building and decommissioning offshore wind, oil and gas installations.

2010 was the most successful year in the history of IHC Handling Systems. The revenue increased by 34 per cent from the previous year and there are strong expectations for the next 12 months. Both sales and rental activities have increased, with internal lifting tools as the star performer. In response to encouraging signals from the market, an investment in a large number of new workstations will be made to accommodate an increased workload.

A particular achievement in 2010 was reaching a new depth record. IHC Handling Systems was involved in two deep water development projects; one of which was the BP Angola Block 31. The business unit also delivered two internal lifting tools, capable of operating in water depths of 2,500m, to Heerema Marine Contractors. The established 60-96” 1200t concept was used as a solid basis, and the base tool was equipped with a deep water package, used for working at extreme hydrostatic pressures and low temperatures. A high level of engineering work was carried out for this project, increasing IHC Handling Systems’ skills and knowledge in the field of deep water hydraulic solutions.

It was not just in The Netherlands that positive progress was made. In Singapore, where IHC Handling Systems has been active for around three years, there was an expansion of rental activities and services. Among other things, the company invested in a test frame ready for the obligatory Lloyds certification of internal lifting tools at this location. IHC Handling Systems expects to see an increase in the sale of equipment to the Chinese offshore wind sector, and together with IHC Hydrohammer®, has taken the first steps toward meeting this demand.

The business unit is looking forward to the coming year with confidence. The market expectations in the oil and gas sector are looking good, as is the offshore wind market, where IHC Handling Systems is playing an increasingly active part. Collaborations with companies in the IHC Merwede group, such as IHC Hydrohammer®, IHC Sea Steel and IHC Offshore Wind, form a good basis for tackling projects. The organisation is embracing all viable options for autonomous growth and expansion.
IHC Sea Steel

IHC Sea Steel specialises in the design, build and supply of innovative subsea pile-driving equipment to the oil and gas industries on a global basis. The company has been responsible for a number of pioneering piling solutions, including the patented Fast Frame – developed to reduce offshore installation times, while maintaining the vertical orientation of the pile.

The 96” Fast Frame was relaunched in August 2010 in Singapore, with the addition of a new levelling solution. This development allows piles to be installed subsea in locations where the seabed can be uneven by up to five degrees in any orientation. This results in faster offshore installation, as the Fast Frame sleeve is levelled hydraulically, without the need for seabed preparation work prior to positioning the frame.

IHC Sea Steel has also customised the orientation system on the 60” Fast Frame, to accommodate an oversized 64” diameter pile. The 72” slotted frame has been modified to fit replaceable sleeves, enabling the frame to take up to a 96” pile and allowing for the quick swapping of the sleeves using bolted connections. All these developments helped IHC Sea Steel achieve its overall goal for 2010 – to invest in technology.

IHC Fundex Equipment

IHC Fundex Equipment supplies a wide range of land-based foundation machines and accessories to large and medium-sized global contractors. The business unit’s speciality is equipment which produces minimal noise and vibrations for the heavy drilling sector.

Significant progress was made in the summer of 2010, when an order for a new Fundex Pile Driver 5000 was obtained. This machine will be delivered to Brazil in April, and will be used to carry out heavy-duty harbour work. The pile-driving installation will be used in combination with an SC150 hammer supplied by IHC Hydrohammer®. A high level of engineering work was required to achieve a huge increase in the machine’s capacity, making it unique in its field.

The progress made by IHC Fundex Equipment in India was also exceptional. A Fundex F3500, which was rented out in the same country in 2010, has now been working there for a year. Expectations for the land market in this area are strong and any opportunities that arise are being grasped enthusiastically.

In 2011, the organisation will focus on rental activities in the USA, with a particular emphasis on drilling rigs. The foundation for this has already been laid and IHC Fundex Equipment is ready to forge ahead!

IHC Parts & Services

IHC Parts & Services supplies two broad categories of products worldwide: complete products, generally supplied for the construction of new ships; and individual products and services for after-sales activities. The business unit’s after-sales activities carry so much knowledge and experience that it is possible to continuously provide the market with what it expects – the delivery of high-quality technical dredging products.

Due to enormous growth in the past years, improvements of the processes were necessary and therefore made in 2010, particularly in the area of logistics. More focus was placed on strengthening customer and market relationships resulting in greater transparency – the appointment of regional sales managers and key account managers contributed to this process. IHC Parts & Services also increased its leading competitive advantage, through product development and promoting of new products.

Although order intake was under pressure due to inventory rationalisation programmes of its dredging customers, IHC Parts & Services found the right approach to the market and left many new competitors behind. The organisation’s many years of experience have shown that the local-for-local formula, together with good service, product development and strong purchasing, results in success. The increased attention paid by customers to people, the planet and profit, also demands new sustainable solutions, which the company is happy to provide.

IHC Parts & Services completed a number of exceptional orders last year, including the renovation of the Mõbius M30 after it was damaged by an unexploded Second World War mine. A five-year contract was also signed for the provision of operational support in the Middle East. Other big developments have also taken place with the order for a booster pump from Boskalis and the delivery of the largest dredging pump ever produced to Jan de Nul.

Future developments in the dredging market look promising, both in Europe and in emerging markets such as China, India and Brazil. Competition from local suppliers over the supply of wear parts has increased strongly in these countries.

Investment in major infrastructure works is also growing significantly and this will result in increased sales of new ships, leading to a further increase in the after-sales activities for IHC Parts & Services. The deployment of the newly developed Computational Fluid Dynamics models is on the agenda for 2011, so that specific solutions for even more complex products can be offered to both new and existing customers.
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 2010, it focussed on the processing of its large order portfolio within budget and on schedule.

The company also worked on reaching targets, detailed in the mid-term plan 2009-12. These include the development of a new Enterprise Resource Planning (ERP) system, product scope widening, revision of promotional materials, and research and development activities, focussing on sustainability and deep sea dredging and mining.

The ERP system was successfully implemented and the product portfolio was extended to include an operator assistance system for IHC Beaver® dredgers. The 25th Dynamic Positioning/Dynamic Tracking system was ordered and an innovative automation for excavator dredgers was commissioned. The AXC system is described as “the dawn of a new era in excavator automation”.

The development of the monitoring systems and Dredge Track Presentation System is in full progress and positive steps toward sustainability have been taken. IHC Systems also participated in a pioneering feasibility study for IHC Deep Sea Trackers. In summary, 2010 was a successful year, in terms of turnover, results and progress.

An important external factor in this success was the large number of cutter suction dredgers which were completed worldwide, with almost all of them equipped with high-end automation. This challenged the ability of IHC Systems to simultaneously direct specialist partners worldwide. The company continued to grow in terms of staff numbers and thrive on education which helped to achieve its targets for ongoing research and development.

In 2010, IHC Systems celebrated the inauguration of a high-pressure test vessel. This allows instrumentation and automation subsystems to be tested at pressures equaling 3,000 metres of water depth. With this investment, the business unit is ready to meet the requirements of increasing deep-water operations. The excavator training simulator has now been officially launched and can be used for training operators, and as a testing and research tool.

The largest order received during the year was for the upgrade of the integrated control and monitoring systems on board three DEME trailing suction hopper dredgers. These systems will be commissioned worldwide in 2011 and 2012.

IHC Systems’ contribution to the performance of the IHC Merwede group focuses on improving operations of specialised working vessels and meeting customers’ demands in the fields of efficiency, sustainability and cost control. The company’s slogan is: “Dedicated to efficient dredging”.

IHC Drives & Automation

IHC Drives & Automation is a relatively new business unit, established on 1 November 2009. It combines the electro-technical and automation knowledge within the IHC Merwede group. It creates innovative electric machines and drives, platform and functional automation, and also provides life-cycle support and system integration for vessels built both within the group and for other parties.

In 2010, IHC Drives & Automation focussed on growth, strategy development and knowledge expansion within the company. It was also crowned with the achievement of the ISO 9001 certificate.

The aim of IHC Drives & Automation was to develop a good reputation in 2010. For that purpose, an innovative 1MW drive was designed and extensively tested for use on board dredgers and offshore working vessels. The results gave IHC Dredgers and customer DEME the confidence to order the frequency drives, electric motors and system integration for the ladder winch, swing winches and gland pumps of the mighty cutter suction dredger AMBIIORIX.

IHC Drives & Automation’s contribution to the performance of IHC Merwede is the integration of electro-technical and automation knowledge with naval and mechanical engineering. It provides the group with a decisive and integrated knowledge spectrum for taking the lead in its markets.

IHC Fabrication

IHC Merwede has been manufacturing dredging and offshore-related parts for decades. Activities vary from large, complex projects to one-off products. IHC Fabrication’s extensive expertise and high-grade production facilities make the business unit extremely valuable to the IHC Merwede group.

The economic crisis threatened to cause a decline in last year’s financial results, however the recovery in the offshore wind market turned IHC Fabrication’s performance around. Two large orders from this sector resulted in more work and a higher revenue. Various hydraulic piling hammers were also produced on behalf of IHC Hydrohammer® for use predominantly in the installation market.

Close collaboration with IHC China Support has led to successful projects in China, including the production of two gantries, two intermediate frames and a barge loading system. Under the supervision of IHC Fabrication, the same high quality standards are guaranteed at an attractive price. This strategy will be further developed within the international ambitions of the group.

Despite the pressure on costs, IHC Fabrication has succeeded in achieving sales and revenue above those predicted for the past financial year, laying a strong foundation for 2011. This means that IHC Fabrication can look back on a successful year.
IHC Engineering Business

The UK-based company 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.

The chief goal of IHC Engineering Business in 2010 was to have a successful year. Following three years spent establishing itself within IHC Merwede, the organisation remained prosperous. In May, it celebrated the completion of its largest project to date – a 2,000t capacity J-Lay system. This left the IHC Engineering Business factory in Teesside and was installed on the FDS2 Field Development Ship owned by Saipem. The system will undergo tests in the first half of 2011 and will be fully operational by the third quarter.

Another turnkey project that began in 2010, the new reel-lay system for Technip, is reaching the end of the engineering phase and will be delivered in the next 12 months. The organisation also expanded its support business with the opening of a new manufacturing and support facility at Riverside Quay, Port of Tyne.

This enabled the company to support a larger size and greater number of vessels. The expansion also attracted new business from companies requesting upgrading and modification of equipment, including Technocean, which required the mobilisation of its Remote Operating Vehicles systems.

Following a recovery in the oil and gas markets, sales increased significantly. This was also the case within the offshore wind industry, where there remained a strong demand for trenching machines – one of the specialties of IHC Engineering Business.

There was also increased cooperation with companies within the IHC Merwede group, including IHC Vremac Cylinders, IHC Handling Systems, IHC Offshore & Marine, IHC Deep Sea Dredging & Mining and IHC Marine and Mineral Projects. The business unit made significant progress overall, with employees working as a team and building the foundation for further growth and development over the coming years.

In terms of technical innovations, IHC Engineering Business will continue to focus on pipelay systems as a whole in 2011. Internationalisation will also be key. The business unit works for mostly European and American contractors, while new suppliers have recently been found in The Netherlands, Singapore and China.

IHC Hytop

IHC Hytop contributes innovative hydraulic technology to the complex shipbuilding process at IHC Merwede. The integration of large hydraulic systems into the dredging equipment enables the group to supply a complete package to customers around the globe.

IHC Hytop’s business activities for the dredging and offshore industries fall into two broad categories: the sales, engineering, assembly, supply and commissioning of hydraulic systems, including cylinders, piping and e-controls; and the sales, engineering, assembly and supply of customised winches.

The significant growth experienced by IHC Hytop during the previous five years stabilised in 2010, but some major new developments were still introduced to the market. Large cutter dredging winches and the largest winch for application into the FPSO mooring were delivered, and new orders were obtained for delivery in 2011. The supply of traction winches to Jan de Nul was also an important step toward the provision of A&R winches to the offshore industry.

Progress was made in the environmentally friendly application of power motion, with the development of water-based hydraulic technology for IHC Hydrohammer® and synthetic rope features for deep-water hoisting. The latter product was granted a subsidy from the Maritime Innovation Programme. All achievements were the result of the combined effort and teamwork of colleagues within IHC Hytop and the IHC Merwede group. The expertise and experience available within the business unit means it is capable of managing everything from projects requiring basic to detailed engineering, planning and production, to hydraulic piping and onsite commissioning activities. As an EPIC contractor, it serves customers worldwide, and provides round-the-clock support from its VCA (SCC) certified service team, ensuring that customers’ investments remain productive.

In 2010 IHC Hytop initiated operations in China, with the establishment of IHC Hytop Shanghai.
As a relatively new business unit, IHC Offshore Systems is productively developing a range of products for the offshore market. It has used its in-house knowledge of horizontal and vertical transport of equipment on vessels, stabilising applications and deep-sea lowering activities to develop a range of equipment and customised systems.

The business goals for 2010 were to continue manufacturing existing products and to focus on using efficient logistical concepts to position itself as a supplier of integrated handling equipment.

During 2010, IHC Offshore Systems delivered the first newly developed riser pull-in trolley and secured an order for a second. The business unit’s successful delivery of the operating pallet skidding system for the WELL ENHANCER – and the customer’s request for an extension of the system’s functionality – resulted in a follow-up order for an upgraded pallet combination, supporting the coiled tubing installation on board.

The next step for IHC Offshore Systems is to progress from light well intervention to heavy intervention by means of a single hull platform. The business unit has also begun research and development activities with the intention of further developing the knowledge of its employees.

This business unit designs and manufactures state-of-the-art hydraulic cylinders, rotary joint swivels and piston accumulators, mainly for dredging and offshore applications. The design, selection of materials and production processes all meet the high standards of notified bodies, including Lloyd’s, GL and DNV.

IHC Vremac Cylinders underwent a restructure in 2010, with the aim of improving efficiency. To this end, processes have been modified, an Enterprise Resource Planning system has been introduced and service activities have resumed. These improvements helped make 2010 a successful year, with turnover, profit and orders received, all managing to exceed expectations. A combination of strengthened relationships with new and existing customers, and an improvement in important markets, including the offshore wind sector, helped to achieve the positive results.

IHC Vremac Cylinders also invested a significant amount of effort into developing laser cladding – a process which involves the creation of high-quality welds on piston rods, in order to reduce the risk of corrosion. Further investment in this process will be made in 2011. The modern factory produces shaft seals, using a largely automated process comprised of unique production cells. These cells consist of state-of-the-art multi-axis CNC machines and robots, which automatically handle full production orders. The whole premises is built around a newly designed production system based on a lean, order-driven approach.

During the opening ceremony, IHC Vremac Cylinders unveiled two new products – the tidal turbine seal SUPREME TG HP and the environmentally friendly thruster seal SUPREME Ventus DP. Both seals fit well within the sustainability focussed approach that is central to the various target markets.

2010 was also marked by a number of new developments. IHC Vremac Cylinders moved to new premises in Alblasserdam in January and an official opening celebration was held in June.
IHC China Support

IHC China Support is the IHC Merwede production base in Guangzhou, China. It manufactures dredging components, such as cutter ladders and cutter heads, spud carriers and system components for trailing suction hopper dredgers, as well as low-end products for the offshore industry. Basing production in China is important, so that costs can be kept to a minimum without compromising on quality, due to the maintenance of high Dutch control standards.

In 2010 IHC China Support delivered a number of pieces of equipment to the dredging and offshore industries. Supplying components for cutter suction dredgers comprised a major part of the annual turnover. The business unit also supplied auxiliary equipment for IHC Hydrohammer®, including 84” sleeves and parts for jacking systems. In addition to this, the organisation started the complete production of a Beaver® 1200 for international sales.

The IHC China Support premises are located at the crossing point of the Machong and Pearl rivers. Facilities include fabrication and mechanical shops, and loading and unloading systems. In 2010, IHC China Support received the ISO2008 certificate as a part of the quality system applied in order to meet the high demands of its customers.

The aim of IHC China Support is to assist IHC Merwede in its international sales policy by providing high-quality, cost-effective production facilities.

IHC Piping

IHC Piping specialises in the computer numerical control production and assembly of piping systems for the maritime, dredging and offshore industries. Last year, the organisation concentrated on serving new markets, namely hydraulic and high-end piping in the offshore industry.

Success was achieved by investing in the use of new materials, such as plastic and glass fibre reinforced epoxy, but the greatest leap forward was made in the workshop, where a revolutionary new automated system was installed. This has allowed IHC Piping to become the first piping factory in the world capable of manufacturing bulk volumes of complex and unique piping without human intervention.

These new production methods have generated international interest and orders have come from countries around the world. IHC Piping’s expertise in its field has proved invaluable to the organisation, attracting new customers and securing orders from the maritime, dredging and offshore industries. Last year, the organisation supplied components for cutter suction dredgers comprised a major part of the annual turnover. The business unit also supplied auxiliary equipment for IHC Hydrohammer®, including 84” sleeves and parts for jacking systems. In addition to this, the organisation started the complete production of a Beaver® 1200 for international sales.

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IHC Interior

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

2010 was in financial terms a challenging year: the ongoing economic crisis could clearly be felt and customers held back on their investments. As a consequence, there was a lot of pressure on sales and margins and the anticipated results could not be realised.

IHC Interior also enjoyed an exceptional year in other respects, with the successful completion of two complex projects. The organisation significantly developed its expertise and experience as a result, allowing it to remain the knowledge centre in its field within the IHC Merwede group.

Two more large projects will be started in 2011, which will further stretch IHC Interior’s powers of innovation. A complete ship’s accommodation for offshore contractor GeosSea is planned and the Town Hall in Leystad will be fully refurbished with a custom-designed interior. Truly innovative technology, including computer-generated 3D simulations, will be utilised in the execution of these projects. These can assume organic shapes, and, together with a unique finish, will meet contemporary wishes.

IHC Offshore Wind

IHC Offshore Wind combines the strengths of organisations within the IHC Merwede group in order to meet the challenges of the emerging wind energy market. Driven by international demand for green energy, this business unit brings together knowledge and people to develop new concepts and turn them into a reality.

In 2010, IHC Offshore Wind focussed on internal and external project co-ordination, and promoting IHC Merwede within the offshore wind industry. This process targeted not just Europe, but also China and North America, where the group has established a presence.

The business unit placed a strong emphasis on the development of safe and efficient methods of installing and operating offshore wind farms. As a participant in the Dutch FLOW consortium, a number of key R&D projects were initiated in order to arrive at a lower cost per MW installed and at a lower risk. In addition to these projects, IHC Offshore Wind continued to develop other technologies, including a full turbine installation vessel with a quick connection system.

In order to satisfy the demands of the market in 2011, IHC Offshore Wind will continue to combine the expertise and services of other business units within IHC Merwede. This will help it to achieve further cost reductions and product development within the offshore wind industry.
IHC Merwede’s offshore vessels are reliable, efficient and flexible to the demands of challenging seabed-to-surface oil and gas projects. With its pioneering role, IHC Merwede ensures compliance with the latest technological developments, strict safety regulations and most stringent environmental standards for pipelay, flexlay, diving and multi-purpose offshore support vessels.

The pipelay vessels are custom-built by the Offshore & Marine division for pipelaying and field development work all over the world. They are powerful and reliable, as well as having the capacity for multifunctional uses, such as deepwater offshore construction work, rigid-reeled pipelaying, J-Lay, ROV work and other tasks involved with the infrastructure for oilfields.

IHC Merwede supplies multi-purpose offshore support vessels for various applications, including inspection, repair, maintenance and deep-sea operations. They can be used to support pipelay and offshore construction vessels, and adapted for specific charter tasks.

The division’s diving support vessels are used or adapted for: professional diving projects; global installation, maintenance and repair work; and different tasks such as subsea and offshore construction.

Well intervention vessels are supplied to maintain wells and carry out the required technical services in deep water. IHC Merwede designs and builds these ships to offer a favourable return on investment through high performance levels and superior quality standards.

**World view**

Oil and gas prices are the overriding factors in determining the climate of investment in the offshore market. After the price of oil bottomed out in early 2009, oil companies have been cautiously reconsidering their investment programmes. Easily accessible sources are almost exhausted and so the search for oil and gas is focusing on more remote areas and in deeper water, where innovative technology is required to open up new frontiers.

However, capital expenditure was the big issue for the second consecutive year and IHC Merwede responded positively by developing an innovative “financial engineering” package. This proactive approach gives customers a new finance offer geared towards not only the purchase of the vessel, but the capital required for its operational life.

On 20 April 2010, the semi-submersible exploratory offshore drilling rig, Deepwater Horizon, exploded after a blow-out and sank two days later in the Macondo prospect field in the Gulf of Mexico. The resultant oil slick covered at least 6,500km² and threatened the coastline of five US states. The US Government named BP – the majority owner of the field – as the responsible party and imposed a moratorium on deepwater exploratory drilling in the Gulf on 28 May. This had a huge impact on the offshore industry and ultimately cost jobs, damaged the economy and negated the requirement for vessels and equipment.

This environmental and economic disaster propelled the state-owned Brazilian energy company, Petrobras, to be the largest market driver in the offshore industry in 2010. After a period of teasing the market with orders for drilling rigs and Floating Production Storage and Offloading (FPSO) vessels, it has released a requirement for pipelay projects and large subsea contractors.

Two of the leading oil and gas engineering and subsea construction companies also joined forces in 2010, when Subsea 7 and Acergy merged in June. Production Storage and Offloading (FPSO) vessels, it has released a requirement for pipelay projects and large subsea contractors.

Two of the leading oil and gas engineering and subsea construction companies also joined forces in 2010, when Subsea 7 and Acergy merged in June.

**Local business**

Production for the Offshore & Marine division has been concentrated on the Krimpen aan den IJssel yard. Meanwhile, product development, supply chain management and logistics have been focussed on Hardinxveld-Giessendam. Both shipyards will also be used for the production of dredging vessels.

The decision to merge the two shipyards has been successful with a better communication structure ensuring a cohesive and united team at IHC Offshore & Marine. The workforce is more mobile and flexible than before to cater for the needs of both locations.

Internally, the Merwede Repair shipyard has been sold during 2010. The Hardinxveld-Giessendam repair yard was no longer one of IHC Merwede’s core strategic activities and the decline of the inland repair market also made it extremely competitive.

IHC Offshore & Marine successfully implemented a cost reduction programme, which had a significant positive effect on the financial results in 2010. IHC Offshore & Marine has a strong reputation in the market and unique professional knowledge. Much was done to strengthen the team during 2010 – with the sales force and market intelligence seen as high priorities. By increasing the organisation’s knowledge and tailoring the product range even closer to the customer’s requirements, the division will be aiming to expand its position in the market in 2011.
IHC Offshore & Marine

IHC Offshore & Marine was founded after the merger between IHC Krimpen Shipyard (at Krimpen aan den IJssel) and Merwede Shipyard (at Hardinxveld-Giessendam). The new unified business unit provides the offshore market with a more efficient and cohesive offering for innovative vessels, advanced equipment and life-cycle support.

Overall, the offshore market appears to be in better health than 12 months previously. IHC Offshore & Marine has more than 60 ongoing live enquiries from potential customers – almost double the corresponding number at the end of 2009.

A new versatile platform has also been developed. The Type-22 concept vessel can be used for pipelaying, diving support, offshore construction and well intervention.

Looking forward, there are two main targets for IHC Offshore & Marine in 2011. Firstly, the business is aiming to rationalise its product offering with custom-built and standard vessels. The former will be typically aimed at additional returns for charter fleet owners, who support the same contractors with subsea contractors, while the latter will cater especially for the offshore market. The OLEG STRASHNOV is being used for the installation and removal of offshore platforms, subsea constructions and other special projects.

After its launch in the third quarter of 2009, the OLEG STRASHNOV neared completion with only the final crane load testing to be carried out in early 2011. With a 5,000mt crane capacity, it is the largest mono-hull, heavy-lift vessel in the world and the largest ever built by IHC Merwede for the offshore market. The OLEG STRASHNOV is being used for the installation and removal of offshore platforms, subsea constructions and other special projects.

The CONGO RIVER and BREUGHEL are at different stages of production, with the former 30,000m³ trailing suction hopper dredger on order for the DEME Group nearest to completion. The Krimpen shipyard started to build vessels for the offshore industry at the end of 2006. The facility also was developed for constructing large trailing suction hopper dredgers, with the CONGO RIVER – and its 38-metre beam – being the first vessel contracted by the Dredging & Mining division at this facility.

After being named and launched in the third quarter of 2009, the GATEWAY was delivered to Royal Boskalis Westminster in the past financial year. The 12,000m³ trailing suction hopper dredger was built at the same time as its identical twin, the WILLEM VAN ORANJE, which was managed from IHC Merwede’s Kinderdijk shipyard in The Netherlands. Similarly, an IHC Beaver® 9029C cutter suction dredger was named and launched at Hardinxveld-Giessendam at the same time as its sister vessel in the first quarter of 2010 at Sliedrecht in The Netherlands. ZHONG GUO SHUI DIAN JO9 (and JO8) was also delivered during the course of the year to Sinohydro. The 4,000m³/hr 13,000kW dredger is an extremely competitive package on a global basis, having the capacity to achieve high outputs at a relatively low cost.

The powerful self-propelled cutter suction dredger, AMBOBIORIX, is currently under construction. It is a replica of the IHC Merwede-built D’ARTAGNAN, which has total installed power of 26,100kW, an overall length of 123 metres and a maximum dredging depth of 25 metres.

In recent years, the focus has primarily been on complex custom-built vessels for the offshore sector. However, the capacity has been utilised by IHC Merwede’s Dredging & Mining division in 2010 due to the orders received by the business units in this sector of the business.

The powerful self-propelled cutter suction dredger, AMBOBIORIX, is currently under construction. It is a replica of the IHC Merwede-built D’ARTAGNAN, which has total installed power of 26,100kW, an overall length of 123 metres and a maximum dredging depth of 25 metres.
Merwede Design

Merwede Design is an engineering company based in Komarno, Slovakia, which provides engineering and design services to the IHC Merwede shipyards and business units. The highly accurate artistic impressions produced by the company give a realistic and in-depth view of a ship before it is even built. This is an important extension of the engineering process.

The range of services supplied by Merwede Design include everything from basic design to detailed engineering for the shipbuilding process, as well as mechanical engineering. In recent years, its services have been extended to include structural analyses of offshore installations and constructions. In the future, it will be possible to apply the techniques used in these new areas to markets outside shipbuilding.

A key area for Merwede Design is the creation of animations and visuals, which has become an increasingly important market. The major benefit of these computer-generated images is that a project’s functionality can be demonstrated to customers and financiers while it is still on the drawing board.

R-Project

R-Project is a design and engineering company based in Rijeka, Croatia, which provides a wide range of services, from concepts to basic engineering and more detailed design assignments. R-Project offers the highest standards in design and engineering, using the most sophisticated 3D software available to guarantee an excellent service.

The company supplies design work to IHC Merwede and other clients outside the group. It has long-standing relationships with some of Europe’s best-known shipbuilders. Recent assignments range from designs for dredgers and offshore vessels, to large cruisers, megayachts and passenger ferries.

In spite of the continuing economic crisis, R-Project achieved a good year-end result in 2010. A new order was confirmed with Neptun Werft in Germany for the delivery of a complete package, including the basic design and detailed engineering for a double-ended coastal ferry.

The aim of R-Project’s local activities is to help establish IHC Merwede in the Croatian market.

IHC Offshore Technology Institute

IHC Offshore Technology Institute (OTI) was set up in 2009 to start a research programme for IHC Merwede’s Offshore & Marine division. Work began almost exclusively on internal matters with the overall ongoing aim of establishing itself within the IHC Merwede group, although one external project was completed in 2010. After doubling in size in terms of personnel, IHC OTI has made solid progress across all of its activities in 2010, which will continue into 2011.

A series of workshops have been organised for IHC Merwede’s business units operating in offshore vessels and equipment. These have helped to share knowledge and promote teamwork within the company at large. In addition, IHC OTI gained the necessary insight into what offshore-related business units should do in terms of research and development to keep ahead of future customer demands.

The Offshore Wiki has been further developed to focus on well intervention, pipelay and diving support vessels. Available to all employees, this invaluable online resource provides technical and general market information, as well as a follow-up to the workshops.

IHC OTI has been able to assist IHC Hytop with the initiation and definition of a deep-sea installation project. In addition, further assistance resulted in the successful application for a Maritime Innovation Programme (MIP) subsidy on the same project, in which IHC OTI will be a partner in 2011.

Another project relating to payload motion reduction was also initiated in 2010. The aim is to develop a design and simulation tool for the motion analysis of onboard equipment and investigation of active and passive motion reduction and compensation systems.

Other projects include: assisting with the set-up of a riser handbook for deep-sea mining; investigating the next generation of diving support systems for future innovations; and management of research and development projects carried out by IHC Offshore Wind.

Finally, IHC OTI initiated a fruitful demonstration within IHC Merwede of a collaborative work method that has been developed by ESA (European Space Agency) and ESTEC (European Space Research and Technology Centre). The new work method – supported by a dedicated workspace with advanced design and communication tools – enables the integration of all views in multi-discipline, multi-location companies. It demonstrates an advanced and alternative means to reduce time to market, lead time and project delivery times required by the fast-developing offshore market.

IHC OTI has an office in the heart of IHC Merwede’s technology development centre at Kinderdijk, as well as in the offshore product development centre at Hardinxveld-Giessendam. It successfully combines the best of both bases and channels everything towards a competitive advantage for the group as a whole.
Innovative vessels  
Advanced equipment  
Life-cycle support

Abbreviated financial information 2010

Based on the audited financial statements 2010
### Consolidated income statement

<table>
<thead>
<tr>
<th>In thousands of euros</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,007,812</td>
<td>1,125,713</td>
</tr>
<tr>
<td>Other income</td>
<td>7,533</td>
<td>6,332</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td><strong>1,015,345</strong></td>
<td><strong>1,132,045</strong></td>
</tr>
<tr>
<td>External costs</td>
<td>604,065</td>
<td>753,629</td>
</tr>
<tr>
<td>Employee expenses</td>
<td>238,881</td>
<td>253,382</td>
</tr>
<tr>
<td>Depreciation of property, plant and equipment</td>
<td>20,997</td>
<td>16,650</td>
</tr>
<tr>
<td>Amortisation and impairment of intangible assets</td>
<td>7,142</td>
<td>7,629</td>
</tr>
<tr>
<td>Other expenses</td>
<td>19,704</td>
<td>23,158</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td><strong>890,789</strong></td>
<td><strong>1,054,448</strong></td>
</tr>
<tr>
<td>Result from operating activities</td>
<td>124,556</td>
<td>77,597</td>
</tr>
<tr>
<td>Finance income</td>
<td>4,926</td>
<td>5,127</td>
</tr>
<tr>
<td>Finance expenses</td>
<td>-4,160</td>
<td>-4,907</td>
</tr>
<tr>
<td><strong>Net finance income</strong></td>
<td><strong>766</strong></td>
<td><strong>220</strong></td>
</tr>
<tr>
<td>Share of result of equity accounted investees (net of income tax)</td>
<td>-325</td>
<td>362</td>
</tr>
<tr>
<td><strong>Profit before income tax</strong></td>
<td><strong>124,997</strong></td>
<td><strong>78,179</strong></td>
</tr>
<tr>
<td>Income tax expense</td>
<td>-24,315</td>
<td>-49,349</td>
</tr>
<tr>
<td><strong>Profit for the period</strong></td>
<td><strong>100,682</strong></td>
<td><strong>28,830</strong></td>
</tr>
<tr>
<td><strong>Profit attributable to:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of the Company</td>
<td>98,802</td>
<td>56,695</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>1,880</td>
<td>2,135</td>
</tr>
<tr>
<td><strong>Profit for the period</strong></td>
<td><strong>100,682</strong></td>
<td><strong>58,830</strong></td>
</tr>
</tbody>
</table>

### Consolidated balance sheet

#### (before appropriation of result)

<table>
<thead>
<tr>
<th>In thousands of euros</th>
<th>31 Dec 2010</th>
<th>31 Dec 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>202,194</td>
<td>140,813</td>
</tr>
<tr>
<td>Investment property</td>
<td>5,337</td>
<td>5,337</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>47,622</td>
<td>52,987</td>
</tr>
<tr>
<td>Investments in equity accounted investees</td>
<td>687</td>
<td>1,089</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>3,400</td>
<td>3,105</td>
</tr>
<tr>
<td>Other non-current financial assets</td>
<td>3,670</td>
<td>3,580</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td><strong>262,910</strong></td>
<td><strong>206,911</strong></td>
</tr>
<tr>
<td>Inventories</td>
<td>118,126</td>
<td>151,900</td>
</tr>
<tr>
<td>Due from customers for work in progress</td>
<td>36,063</td>
<td>90,574</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>155,646</td>
<td>127,611</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>331,723</td>
<td>269,736</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td><strong>641,558</strong></td>
<td><strong>639,821</strong></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>904,468</strong></td>
<td><strong>846,732</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>169,284</td>
<td>98,695</td>
</tr>
<tr>
<td>Unappropriated result</td>
<td>98,802</td>
<td>56,695</td>
</tr>
<tr>
<td><strong>Total equity attributable to equity holders of the Company</strong></td>
<td><strong>336,472</strong></td>
<td><strong>223,776</strong></td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>4,123</td>
<td>3,967</td>
</tr>
<tr>
<td><strong>Total Group equity</strong></td>
<td><strong>340,595</strong></td>
<td><strong>227,743</strong></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and borrowings</td>
<td>56,523</td>
<td>69,958</td>
</tr>
<tr>
<td>Derivatives</td>
<td>4,670</td>
<td>4,370</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>27,701</td>
<td>8,890</td>
</tr>
<tr>
<td>Provisions</td>
<td>1,649</td>
<td>3,665</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td><strong>90,543</strong></td>
<td><strong>86,883</strong></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>230,647</td>
<td>268,098</td>
</tr>
<tr>
<td>Due to customers for work in progress</td>
<td>193,483</td>
<td>217,757</td>
</tr>
<tr>
<td>Current portion of loans and borrowings</td>
<td>13,633</td>
<td>13,535</td>
</tr>
<tr>
<td>Current tax liabilities</td>
<td>3,361</td>
<td>14,225</td>
</tr>
<tr>
<td>Provisions</td>
<td>32,206</td>
<td>18,491</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>473,330</strong></td>
<td><strong>532,106</strong></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>563,873</strong></td>
<td><strong>618,989</strong></td>
</tr>
<tr>
<td><strong>Total Group equity and liabilities</strong></td>
<td><strong>904,468</strong></td>
<td><strong>846,732</strong></td>
</tr>
</tbody>
</table>
### Consolidated statement of cash flows

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net cash flow used in financing activities</strong></td>
<td>-43,661</td>
<td>-53,491</td>
</tr>
<tr>
<td>Dividends paid to minority interests</td>
<td>-2,007</td>
<td>-2,043</td>
</tr>
<tr>
<td>Additions to loans and borrowings</td>
<td>356</td>
<td>174</td>
</tr>
<tr>
<td><strong>Net cash flow used in investing activities</strong></td>
<td>-26,492</td>
<td>-42,135</td>
</tr>
<tr>
<td>Repayment of granted loans and receivables issued</td>
<td>-90</td>
<td>-794</td>
</tr>
<tr>
<td><strong>Net cash flow from operating activities</strong></td>
<td>130,776</td>
<td>83,616</td>
</tr>
<tr>
<td>Acquisitions of intangible assets and property, plant and equipment</td>
<td>-31,697</td>
<td>-45,519</td>
</tr>
<tr>
<td>Proceeds from divestments of property, plant and equipment</td>
<td>5,218</td>
<td>3,877</td>
</tr>
<tr>
<td>Acquisition of subsidiaries, net of cash acquired</td>
<td>-77</td>
<td>76</td>
</tr>
<tr>
<td>Dividends received</td>
<td>-2,007</td>
<td>-2,043</td>
</tr>
<tr>
<td>Net cash flow used in financing activities</td>
<td>-43,661</td>
<td>-53,491</td>
</tr>
<tr>
<td><strong>Net increase / (decrease) in cash and cash equivalents</strong></td>
<td>60,623</td>
<td>-12,010</td>
</tr>
<tr>
<td>Cash and cash equivalents as at 1 January</td>
<td>269,736</td>
<td>280,993</td>
</tr>
<tr>
<td>Movements in net cash and cash equivalents</td>
<td>60,623</td>
<td>-12,010</td>
</tr>
<tr>
<td>Effect of exchange rate fluctuations on cash held</td>
<td>1,364</td>
<td>-753</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents as at 31 December</strong></td>
<td>331,723</td>
<td>268,736</td>
</tr>
</tbody>
</table>

### Notes to the abbreviated financial information

#### 1. General

The abbreviated financial information is derived from the financial statements 2010, 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 2010.

For a better understanding of the Group'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 2011 was issued by KPMG Accountants N.V. The unabridged financial statements 2010 are available at the Company or at the Chamber of Commerce in Rotterdam.

#### 2. Significant accounting policies

**An abbreviation of a selection of the most significant accounting policies is included below. For a full overview of the accounting policies refer to the unabridged financial statements 2010.**

**Basis of preparation**

The consolidated financial statements are presented in euros unless indicated otherwise, the euro being the Group'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 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 assessment of the result of contract work, measurement of warranty provisions and the measurement of recoverable amounts of cash-generating units containing goodwill.

**Change in accounting policies**

Starting as of 1 January 2010, the Group has changed the following key accounting policies:

- **Accounting for land**
- **Accounting for Business Combinations.**

**Accounting for land**

On 1 January 2010 the Group changed its accounting policy with respect to the subsequent measurement of land from the cost model to the revaluation (i.e. fair value) model. The Group believes that subsequent measurement using the fair value model provides more relevant information about the financial position of the Group.

In accordance with IAS 8.17, the effect of this change from the cost to the fair value model is recognised as a revaluation and the opening balance of equity is not adjusted and comparative figures are not restated. The effect of the change on the value of land amounts to € 56.8 million (increase), of which € 14.2 million is recognised as deferred tax liability and € 42.6 million as revaluation reserve in the Group’s equity at 31 December 2010.

**Accounting for Business Combinations**

From 1 January 2010 the Group has applied IFRS 3 Business Combinations (2008) in accounting for business combinations. The change in accounting policy has been applied prospectively and has had no impact on the Group’s consolidated financial statements for the year ended 31 December 2010.

**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 operations that are denominated in foreign currencies, including goodwill and fair value adjustments arising on acquisition, are translated to euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated to euro at exchange rates at the date of the transaction. Foreign currency differences are recognised in the currency translation reserve in 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 recognised in profit or loss in the reporting period.

**Derivatives**

The Group holds derivative financial instruments to decrease its exposure to foreign currency risks and interest rate risks. Derivatives are measured at fair value and changes therein are recognised in the consolidated income statement, unless hedge accounting is applied.
Notes to the abbreviated financial information

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in the hedging reserve in equity. When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item 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 assets’ 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 recoverable amount. Impairment losses recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first 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.

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 costs upon completion of the project in proportion to the progress made and net of progress billings, advances and provisions. Provisions are recognised for expected losses on work in progress as soon as they are foreseeable; if necessary, any profits already recognised are reversed. 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 from the sale of goods in the course of ordinary activities 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 profit or loss in proportion to the stage of completion of the transaction at reporting date. The stage of completion is based on the assessment of the ratio of costs incurred to estimated total costs.

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

3. Research & development expenses

Research & development expenses, net of grants received, amounted to € 31.2 million (2009: € 10.1 million) are included in overhead costs and employee expenses.

4. Order book

The order book at year-end 2010 amounted to € 1,167 million (year-end 2009: € 1,130 million).

5. Bank Facility: guarantees issued and securities

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, temporarily increased with € 110 million until 31 March 2011. Of the € 900 million, € 100 million is for the financing of strategic take overs. The remaining facility is for providing bank guarantees. In addition, the Group has a € 100 million guarantee facility with NV Nationale Borgmaatschappij. In the context of this financing agreement immovable property has been mortgaged, and inventories, receivables, bank balances, other movable property and current assets have been pledged to the banks. As part of this financing agreement, the Group has provided bank guarantees, mostly in favour of customers, for an amount of € 860 million (2009: € 732 million), and performance guarantees to customers in respect of contractual obligations. At year-end 2010, the commitments pursuant to the financial covenants agreed with the bank consortium are met in full.

Independent auditor’s report

To: The Shareholders of IHC Merwede Holding B.V.

The accompanying abbreviated financial information, which comprises the consolidated income statement for the year ended 31 December 2010, the consolidated balance sheet as at 31 December 2010, and the consolidated statement of cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information, is derived from the audited financial statements of IHC Merwede Holding B.V. for the year ended 31 December 2010. We expressed an unqualified audit opinion on those financial statements in our report dated 23 March 2011. Those financial statements and the abbreviated financial information do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The abbreviated financial information does not contain all the disclosures required by International Financial Reporting Standards as adopted by the European Union and by Part 9 of Book 2 of the Netherlands Civil Code. Reading the abbreviated financial information, therefore, is not a substitute for reading the audited financial statements of IHC Merwede Holding B.V.

Management’s responsibility

Management is responsible for the preparation of the abbreviated financial information derived from the audited financial statements on the basis described in note 1.

Auditor’s responsibility

Our responsibility is to express an opinion on the abbreviated financial information based on our procedures, which were conducted in accordance with Dutch Law, including the Dutch Standard on Auditing B10 “Engagements to report on summary financial statements”.

Opinion

In our opinion, the abbreviated financial information derived from the audited financial statements of IHC Merwede Holding B.V. for the year ended 31 December 2010 is consistent, in all material respects, with those financial statements, on the basis described in note 1.

Rotterdam, 29 March 2011

KPMB ACCOUNTANTS N.V.

L.H. Barg RA