## Key figures 2007-2011

<table>
<thead>
<tr>
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<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>New orders</td>
<td>1,056.9</td>
<td>1,024.4</td>
<td>452.9</td>
<td>1,329.6</td>
<td>1,456.6</td>
</tr>
<tr>
<td>Revenue</td>
<td>1,049.8</td>
<td>1,007.8</td>
<td>1,125.7</td>
<td>1,090.1</td>
<td>774.3</td>
</tr>
<tr>
<td>Order portfolio as at 31 December</td>
<td>1,178.8</td>
<td>1,167.2</td>
<td>1,129.9</td>
<td>1,791.7</td>
<td>1,480.8</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>103.2</td>
<td>100.7</td>
<td>58.8</td>
<td>78.5</td>
<td>67.2</td>
</tr>
<tr>
<td>Profit for the period attributable to owners of the Company</td>
<td>100.9</td>
<td>98.8</td>
<td>56.7</td>
<td>76.5</td>
<td>64.6</td>
</tr>
<tr>
<td>EBITDA</td>
<td>161.4</td>
<td>152.7</td>
<td>101.9</td>
<td>111.9</td>
<td>85.2</td>
</tr>
<tr>
<td>Group equity</td>
<td>371.6</td>
<td>340.6</td>
<td>227.7</td>
<td>210.3</td>
<td>166.8</td>
</tr>
<tr>
<td>Total assets</td>
<td>934.5</td>
<td>904.5</td>
<td>846.7</td>
<td>836.8</td>
<td>652.4</td>
</tr>
<tr>
<td>Group equity / Total assets</td>
<td>40%</td>
<td>38%</td>
<td>27%</td>
<td>25%</td>
<td>26%</td>
</tr>
<tr>
<td>Group equity / Capital employed</td>
<td>82%</td>
<td>79%</td>
<td>72%</td>
<td>68%</td>
<td>75%</td>
</tr>
<tr>
<td>Average number of employees (head count)</td>
<td>3,109</td>
<td>3,016</td>
<td>3,060</td>
<td>2,623</td>
<td>2,061</td>
</tr>
</tbody>
</table>
Innovative vessels
Advanced equipment
Life-cycle support

Dredging
Mining
Offshore
IHC Merwede is focussed 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, Brazil, China, Croatia, France, India, Malaysia, 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

In financial terms, the first half of 2011 can be viewed in stark contrast to the second. The first six months were notable for the continuation of the economic recovery that was initiated in 2010. However, in the latter half of the year, Europe's debt crisis deepened, undermining the confidence of decision-makers and the world's financial markets. The situation worsened while Europe’s political leaders took more than six months to agree upon adequate measures to restore this confidence. On a positive note, economic growth in fast-developing countries was only marginally affected by the financial turmoil in Europe.

The accumulative effect of these economic trends was that many investment decisions in IHC Merwede’s key markets were postponed in 2011. However, in December, some major orders were awarded to the company, improving the order book considerably. IHC Merwede now has a solid base for further growth.

Financial results

The Supervisory Board of IHC Merwede Holding B.V. hereby presents the Annual Report 2011. This incorporates the financial statements for the year as drawn up by IHC Merwede Holding B.V.’s Board of Management. The financial statements were audited by and discussed with KPMG Accountants N.V. (KPMG). They issued an unqualified independent auditor’s report on the 2011 financial statements.

IHC Merwede Holding B.V.’s financial statements were authorised for issue by the Board of Management and approved by the Supervisory Board on 23 March 2012. 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 2011 financial year was € 100.9 million.

The Board of Management has proposed distributing a dividend of € 50.4 million to the shareholders and adding the remaining amount of € 50.5 million to the other reserves. This has been approved by the Supervisory Board.

Supervision

During the financial year 2011, the Supervisory Board met 11 times, with the Board of Management also in attendance and covered the following subjects:

- strategy of the group
- market developments and major future projects
- operational and financial results and forecasts
- investment proposals
- acquisitions including further internationalisation of the group
- research and development policy and major projects
- management succession and development
- staff and remuneration policy
- health, safety and environmental subjects
- social responsibility and sustainability policy
- corporate financing of the group.

The Supervisory Board participated in thorough consultations and received regular briefings upon the process regarding the broadening of the shareholding structure of the ultimate parent company. The Supervisory Board unanimously supports the decision made by the present shareholders to maintain the current shareholder structure. It is convinced that, with the full support of the present shareholders, the company is in a position to realise its growth strategy in the coming years.

Occasionally, the meetings of the Supervisory Board were held at the premises of an operating company of IHC Merwede Holding B.V. and the Board was informed about the specific developments of the relevant business unit. KPMG was in attendance at the meeting in which the financial statements and their associated audit report were discussed.

A member of the Supervisory Board attended some of the meetings between the Works Council and the Board of Management. The meetings were conducted in a highly professional and constructive manner.

Composition of the Board of Management

Mr. D.A.A.J.A.G. Vander Heyde was appointed Chief Financial Officer on 15 December 2011. Mr. Vander Heyde succeeded Mr. F. Brouwer, who joined IHC Merwede on 1 April 2000. Having reached the age of retirement, Mr. Brouwer will leave the group in the course of 2012. The Supervisory Board expresses explicitly its gratitude to Mr. Brouwer for his outstanding contribution to the development of the company during this period.

In conclusion

The group had a successful year in 2011. The Supervisory Board would therefore like to express its appreciation of the way in which IHC Merwede employees and the Board of Management fulfilled their responsibilities, and to convey its satisfaction of the commendable results achieved in 2011.

Sliedrecht, 23 March 2012

The Supervisory Board:

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

2011 will be remembered in history as the year of financial uncertainties in Europe. The problems, particularly in Greece, although a very small economy on a worldwide scale, affected the financial markets worldwide. Subsequently, this influenced the business environment significantly. It certainly had a negative impact on the shipbuilding and marine equipment markets, given the large capital investment and funding requirements involved. Many players are struggling to fill their order books.

IHC Merwede is therefore satisfied that it was able to grow its levels of revenue and profit. Even more importantly, IHC Merwede’s order intake of € 1,057 million was slightly higher than in 2010. This is a great achievement, considering the uncertainties and the large competitive pressure in the markets.

As predicted, the offshore market picked up in the second half of last year. The Brazil pre-salt oil fields development played a big role, but also elsewhere in the world, the offshore oil and gas markets have developed positively. The dredging market is a bit slower, although there are many interesting projects internationally. In the market, marine mining, favourable developments are expected, which was the reason behind setting up a separate division from 2012 onwards to capture this market.

In today’s markets, financing is of paramount importance. IHC Merwede further developed its offering for pre- and post-delivery financing. This is now part of most of the larger deals.

IHC Merwede’s strategy is to offer fully integrated ships and equipment packages to customers: a one-stop shop. It has been doing that successfully in the dredging and mining business for many years. In the offshore market, it implemented the same strategy. The orders from SapuraCrest are proof that this is the right strategy. IHC Merwede won those orders because its integrated product offering proved to be a better business proposition than what its competitors could offer.

Therefore, IHC Merwede continues to expand its capabilities and portfolio, making an acquisition of a hyperbaric technology company in The Netherlands, and taking further steps towards forging links with organisations in large mining countries like Canada, South Africa and Australia. Life-cycle support is now supplied as an integral part of the new vessel package, helping to build long-lasting partnerships with customers.

Internationalisation continues to be an important priority. IHC Merwede forged links with local partners, which will allow it to offer local builds in protected markets like Brazil, the USA and Bangladesh.

In 2012, the offshore and mining markets are expected to pick up, while the dredging market will provide IHC Merwede with a solid basis for its business.

Financial

Revenue and result development

Revenue during the year increased by 4% to € 1,049.8 million. Production facilities again were fully occupied and a large amount of work was outsourced.

External costs amounted to € 616.2 million (2010: € 604.1 million), an increase of 2.0%. These expenses amounted to 58.7% of revenue, which is a decrease of 1.2% compared to the percentage in 2010 (59.9%).

The employee costs increased by 3.1% to € 246.4 million (2010: € 238.9 million). Expressed as a percentage of revenue, employee costs decreased from 23.7% in 2010 to 23.5% in 2011.

The average costs per employee amounted to € 57,637, an increase of 4.2% compared to 2010.

Depreciation of property, plant and equipment increased from € 21.0 million in 2010 to € 23.4 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 and equipment and amortisation and impairment of intangible assets (“EBITDA”) was € 161.4 million (2010 € 152.7 million), an increase of 5.7% compared to the previous year, due to positive production results on orders under construction in 2011.

Order book

The order book at 31 December 2011 amounted to € 1,179 million – the same level as the order book on 1 January 2011 (€ 1,167 million). The order book of 2011 includes the order for two offshore vessels, for which firm agreement was reached and the Letter of Intent was signed in December 2011. In early 2012 the contract documentation was signed. The level of the order book is comparable to that of the last two years, which is historically high and, with reference to the current economic downturn in Europe, is a remarkable achievement.

Sales in 2011 amounted to € 1,057 million, an increase of € 33 million compared to 2010. Good utilisation of the permanent production capacity of the company is expected for 2012, as well as increasing usage of foreign outsourced yard capacity.
Report of the Board of Management

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

<table>
<thead>
<tr>
<th>In millions of euros:</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash flow from:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating activities (excluding changes in working capital)</td>
<td>148.2</td>
<td>129.5</td>
</tr>
<tr>
<td>Changes in working capital</td>
<td>-75.6</td>
<td>1.3</td>
</tr>
<tr>
<td>Investing activities</td>
<td>-76.1</td>
<td>-26.5</td>
</tr>
<tr>
<td>Financing activities</td>
<td>-79.9</td>
<td>-43.7</td>
</tr>
<tr>
<td>Net increase / (decrease) in cash and cash equivalents</td>
<td>-83.4</td>
<td>60.6</td>
</tr>
</tbody>
</table>

Working capital
Working capital amounting to - € 104.6 million as at 31 December is less negative than the previous year (- € 163.5 million); such fluctuations are inherent to the character of the company, as work in progress is financed on a milestone payment schedule. Dependent on the agreed payment schedule and the stage of completion of the projects under construction, the amount due to or due from customers may differ substantially.

The emphasis on managing working capital has been continued in 2011 by strengthening integrated planning over the full primary process and focusing on inventory levels and credit control.

Investments
Investments in property, plant and equipment during 2011 can be broken down as follows:

<table>
<thead>
<tr>
<th>In millions of euros:</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land, docks, slipways, dry docks, business premises, floating equipment</td>
<td>12.1</td>
<td></td>
</tr>
<tr>
<td>Plant and machinery</td>
<td>2.9</td>
<td></td>
</tr>
<tr>
<td>Rental equipment</td>
<td>21.5</td>
<td></td>
</tr>
<tr>
<td>Other items</td>
<td>4.3</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>40.8</strong></td>
<td></td>
</tr>
</tbody>
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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 buy.

Investments in other non-current financial assets include participations in limited partnerships, which are incorporated to finance shipbuilding projects of customers.

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

<table>
<thead>
<tr>
<th>In millions of euros:</th>
<th>31 Dec 2011</th>
<th>31 Dec 2010</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current assets</td>
<td>308.2</td>
<td>262.9</td>
<td>+45.3</td>
</tr>
<tr>
<td>Working capital</td>
<td>-104.6</td>
<td>-163.5</td>
<td>+58.9</td>
</tr>
<tr>
<td>(excluding cash and cash equivalents)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>250.0</td>
<td>331.7</td>
<td>-81.7</td>
</tr>
<tr>
<td>Net assets</td>
<td>453.6</td>
<td>431.1</td>
<td>+22.5</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>82.0</td>
<td>90.5</td>
<td>-8.5</td>
</tr>
<tr>
<td>Group equity</td>
<td>371.6</td>
<td>340.6</td>
<td>+31.0</td>
</tr>
<tr>
<td>Financing</td>
<td>453.6</td>
<td>431.1</td>
<td>+22.5</td>
</tr>
</tbody>
</table>

Group equity increased by € 31.0 million. This increase is the balance of the profit for the 2011 financial year (€ 103.2 million) less the distributed dividend for 2010 (€ 51.4 million), a negative movement in the hedging reserve (€ 23.8 million after tax) related to IFRS hedge accounting on outstanding contracts, and a few smaller changes during the 2011 financial year. The solvency ratio as at 31 December 2011 was 40%, an increase of 2% compared to 31 December 2010. The current ratio as at year-end 2011 was 1.3 (year-end 2010: 1.4).

Financing
In June 2011, the group refinanced the existing € 900 million bank guarantee facilities as part of € 1,500 million of credit facilities provided by a bank consortium comprising of ABN Amro, BNP Paribas, Deutsche Bank, ING Bank and Rabobank. The facilities are divided into € 900 million of committed bank guarantee facilities, € 300 million of uncommitted capex/acquisition facilities and € 300 million of uncommitted ‘customer financing facilities’. In particular the capex/acquisition and working capital facilities are meant to support the company in its growth strategy. The customer financing facilities are meant to offer financing arrangements in case customers prefer alternative payment schedules.

In addition to the above mentioned credit facilities, the IHC Merwede Group has a € 100 million guarantee facility with NV Nationale Borg-Maatschappij.

The total amount of outstanding bank guarantees as at 31 December 2011 was € 553 million (2010: € 860 million).

The commitments pursuant to the financial covenants agreed with the bank consortium have been met in full as at 31 December 2011.

One of IHC Merwede’s strengths is that it is firmly positioned as an international company.
In 2011, IHC Merwede gained orders worth more than €1 billion.

General market developments

One of IHC Merwede’s strengths is that it is firmly positioned as an international company. The emphasis on this factor within the group’s strategy has helped to dampen the effect of the financial crisis in Europe, as the rest of the world’s markets, including South America, Africa and Asia, are still growing.

There is no doubt about the positive long-term outlook for the dredging market. There are many ongoing projects around the world, and China and India in particular are continuing to grow. However, it is taking longer for customers to make their purchase decisions and there is fierce competition for this business. The four largest global dredging companies are waiting to assess what happens next with the economic climate.

The wet mining market is developing quickly and the deep-sea sector in particular is showing promise. IHC Merwede is in a strong position to capitalise on this trend and has set up a mining division for ongoing investment.

The offshore market for ships made a comeback during the turn of the year, thanks to the boom in South America, where Brazil is becoming a powerful force. Three large pipelaying vessels have been ordered to work for Petrobras on the deep-sea oil development off the coast of Brazil. Two of these are fully integrated ships, i.e. the vessel and all high-end equipment will be delivered to SapuraCrest by IHC Merwede. The third vessel has been ordered by Subsea 7, but the pipelaying equipment will be supplied by another company.

The market for renewable energy is also offering many opportunities to “the technology innovator”, especially offshore wind – already responsible for a large proportion of revenue for two of IHC Merwede’s business units – and tidal power.

Customers in each of the above markets require life-cycle support. This area is growing at a steady rate and is helping to expand IHC Merwede’s overall business. It is a key part of the total product offering, especially for equipment sold to smaller dredging contractors.

Another growth area, equipment, has been identified by the company and it has moved away from delivering relatively small components to building major maritime work tools. This is reflected in the multi-million euro sales agreements secured by the relevant business units.

So, IHC Merwede is not only making gains in the areas of innovation and product development, but it is also now taking a significant step forward in terms of the size of the equipment. This sector has established itself over the past year and is encouraging for the business as a whole.

IHC Merwede focuses on delivering high-end integrated solutions to the dredging, offshore and mining industries together with attractive financing packages enabling customers to achieve long-term operational excellence and outperforming financial results by using (integrated) and innovative supplies.

Besides technology improvements, it’s becoming increasingly important to arrange finance, not just during the period of construction, but also after delivery. Arranging pre-delivery finance is now a standard feature in many contracts. These arrangements are based on IHC Merwede’s solid balance sheet and track record, which enables the company’s banks to provide the required funding. Atradius and the Dutch Ministry of Finance play an important role by providing many of the guarantees. IHC Merwede also arranges post-delivery finance through its banking consortium and Atradius.

Strategy

In 2011, IHC Merwede gained orders worth more than €1 billion, which reinforced the group’s belief that there will be continued demand for its innovative solutions over the coming years.

The company has four strategic priorities: internationalisation; growth; product and process development; and internal and external cooperation, which are detailed below. These priorities have underlined IHC Merwede’s business development programme during the past year and will continue into 2012.

Internationalisation

IHC Merwede is already a truly international company, with more than 400 employees based outside The Netherlands, and operating companies, service stations and offices in 13 countries. It has been producing the majority of parts and components abroad for years and the trend towards increased internationalisation continued in 2011.

For example, the company is currently building two identical sister vessels in The Netherlands and the Daoda shipyard in China. The company has succeeded in perfecting the logistical process and achieving its customary high-quality standards, as well as on-schedule deliveries.

The number of projects assembled outside The Netherlands is increasing. A selection of smaller dredgers is now being
built in China, Bangladesh and India. In the offshore market, a cooperation agreement has been established with BAE Systems in order to serve the North American market. Assembling abroad enables the company to deliver ships that meet the needs of that particular market, equipped with local content, and at lower costs to the customer.

The huge Saipem J-Lay tower developed by IHC Engineering Business showed that the group also delivers huge high-tech pieces of equipment on time and specification. This product was transported to the shipyard in Korea and fitted seamlessly to the vessel. The commissioning went off without a hitch and the equipment is already performing well in its daily operations.

IHC Merwede has decided to rationalise its local presence in certain countries with major market potential, such as the USA, China, Brazil and Singapore. All IHC Merwede business units, active in those markets, will operate from one location whereby sales and marketing activities are carried out individually, but operations and support functions will be shared services.

Growth

IHC Merwede has driven a successful campaign for strategic growth by expanding into the different markets of dredging, mining, offshore and renewable energy. The company is active in multiple markets making it less vulnerable to a turndown in one specific market.

IHC Merwede will continue to pursue growth through development of new products and markets, and also through acquisitions of companies, which fit within its corporate profile. It aims to reinforce the Technology & Services division with the addition of new technological companies with a special focus on equipment related to the offshore market segments in which the company is active. IHC Merwede also intends to invest in additional low-cost production capacity in the Far East.

The resurgence of the offshore vessels market in 2011 will be supported by the ongoing demand for IHC Merwede business units’ offshore equipment. Therefore, this sector looks set to drive the company’s growth over the next year.

In May 2011 IHC Merwede acquired 100% of the shares of Hytech. Through this acquisition, the group is now able to develop complete saturation diving systems in house and to design and build fully integrated diving support vessels.

The company also aims to achieve greater growth by offering new products within the existing dredging and offshore sectors. The product market combination (PMC) structure introduced throughout the IHC Merwede group during 2011 will certainly help with this initiative.

Product and process development

The PMC structure has enabled IHC Merwede to reorganise its shipbuilding activities and create a new approach to its business: closer to the market. It used to be a shipyard-structured organisation and it has now been turned upside down.

The business part of shipbuilding has been separated from the production and engineering activities. There are ten PMC managers in total with their own respective teams in place to focus on what the market needs – and IHC Merwede has the products to meet this demand. They can draw on the resources of engineering, project management and supply chain management to develop and manage the projects. The production shared sources and IHC Global Production provide the production capacity.

So, on one hand IHC Merwede has created the PMCs, and on the other, it is sharing resources. After the implementation of this model, the levels of market awareness and customer orientation have increased.

The PMC managers are also responsible for sales opportunities and profitability. They must ensure that the customer gets the most out of the product, not just up to and including the delivery, but over its lifespan. So, it is becoming more important to supply life-cycle support as part of the initial package with the product itself.

IHC Merwede is closer to its customers than ever before. It aims to produce the appropriate designs and equipment packages to meet their requirements, which is really important in terms of innovation and organisation. There are many examples of such product innovations from the group’s business units within the 2011 Annual Report.

The company’s investment of three per cent of revenue in innovation and product development will continue. There is a never-ending desire to improve the existing technology through incremental innovation and increase revenue through for example deep-sea mining and offshore wind activities.
The drive for innovation is going to be vital to IHC Merwede in the years to come. This isn’t exclusive to the innovative vessels designed and built by the company, but it also incorporates the advanced equipment it produces and supplies.

Cooperation
The inclusion of cooperation within IHC Merwede’s strategy is also contributing to the result of the company. More business is being created internally and the business units are working more closely for technical expertise and projects. The PMC structure mentioned above is a crucial part of the company’s cooperation strategy.

The finance side of the business has become increasingly involved in the process of selling vessels, equipment and life-cycle support. Externally, it is evident that a cooperative approach is working, with the company having secured the financial backing of its underwriting capacity to € 1.5 billion.

An example of business cooperation may be evidenced by the OceanfloRE joint venture with DEME, which is attracting attention in the mining sector.

Risk management
A permanent focus on all aspects of risk management is of vital importance to realise IHC Merwede’s operational and financial objectives.

Risk management operates on three fronts through a standard process of risk identification, risk assessment and risk mitigation actions. The types of risks inherent to the company’s business have not changed substantially in 2011. The nature and management of risk categories faced by the company are explained as follows.

An irregular order intake for high-value projects is common within the capital goods business. IHC Merwede attempts to mitigate the risk of an irregular order intake with the following measurements.

Risk is managed by keeping business operations flexible through outsourcing and subcontracting, hiring workforce and renting some of the slipway capacity. Moreover the company spreads its commercial risk by diversifying part of its business to repeat orders, delivery of spare parts and services, and by leasing certain products to customers.

The company provides custom-built solutions according to customer requirements. Experienced personnel conduct project risk analyses from the proposal phase through to completion to highlight all risk aspects and assure adequate risk management on all subjects that are critical to the success of each project.

A key objective of risk management measurements is to reduce the variability of project results. Significant technical, commercial and contractual risks are identified and recorded on a risk register and reviewed in workshops.

Execution risk is controlled through ongoing monitoring during engineering, construction and commissioning of the equipment. Project progress is monitored on an ongoing basis, with monthly reports including a comparison with the original budget, the actual revenue and costs at the reporting date, and a forecast of the project result at completion. The monthly reports of all major contracts are discussed at board level. All work in progress is insured for damage.

Inevitably, some commercial risk is involved in all of the orders undertaken by IHC Merwede. Contract conditions are carefully evaluated, and experienced financial and legal professionals carry out a credit review before major contracts are accepted.

IHC Merwede has a strict risk acceptance policy for political and payment risks. Except where clients with an excellent credit rating are involved, these risks are in principle covered by measures such as Letter of Credit or credit insurance.

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

Human Resources
The main achievements in 2011 have been in the areas of communication, mobility and flexibility, management development and organisational structure. Communication is of paramount importance and it is vital to look at the organisation as a whole in terms of what’s happening in the market and how to adjust accordingly. So, it will be a time of reflection on changes with IHC Merwede management, the Works Council and unions, and by transparent communication to employees.

Mobility and flexibility were key topics of 2011. There was a major transition in the mothballing of the Hardinxveld-Giessendam slipway and the relocation of the production staff to the Krimpen aan den IJssel facility. Mobility from Heusden to other production facilities and decreasing the
number of flexible workers were necessary to balance staff levels. International developments occur rapidly: a new CEO and additional staff were appointed for the Singapore office. With so many activities in China, South East Asia, the USA and Brazil, 2012 will see the organisation of clear guidelines for international development and a professional International HR department.

A fourth division – IHC Mining – is also underway with structural planning and the development of a business plan. The recruitment process for this was truly international, including candidates from Australia, Canada, South Africa and South America.

Labour market development is concerning: technical education in The Netherlands is under pressure, and in the next ten years many people will retire. Intense cooperation with institutes must ensure the continuity of technical education in The Netherlands. Several programmes in the HR department are focused on students and school staff to improve career opportunities within IHC Merwede. The impressive Technical Education Centre at Kinderdijk opened in 2011 and currently has 80 students on a two-year development programme.

IHC Merwede has continued its three-tiered approach to invest in people and nurture talent at all levels of the business. There has been further investment in the Management School and Talent Management Programme.

The Management School has over 350 technically orientated graduates in strategy, finance, sales/marketing, human resources, supply chain management and project management. The strategic and sales/marketing modules were successfully redesigned in 2011.

The Talent Management Programme, held in conjunction with the Twente School of Management, was completed by a second group of 18 new and more experienced personnel. The third course also commenced during the year with a high level of involvement from top management.

Health and safety will become increasingly important in 2012. Attention to safety in and around the workplace remains a priority. IHC Merwede’s aim is to facilitate health and fitness activities. It will continue to push for participation in preventative medical and sports programmes. The company is also prioritising the safety of its employees who travel abroad by implementing the necessary procedures.

Preventative medical examinations (PMOs) were provided by external parties and health management was enhanced. Employees are being cared for in conjunction with their direct line managers and the support system provided by the Health Manager and HR. The absenteeism rate in 2011 for IHC Merwede was 3.94% overall, while for Dutch companies it was 4.25%.

IHC Merwede’s safety performance in 2011 – expressed as the amount of (potential) accidents per 100,000 production hours – amounted to 1.71% (2010: 1.97%) including international, and 1.43% (2010: 1.49%) for The Netherlands.

According to Collective Labour Agreements in 2011, salaries rose by 1.15% from 1 January and 1.15% from 1 July. From 1 January 2012 the salaries rose by 1% according to these Agreements.

HR has also prepared for the installation of a new software system, ADP Workforce, by redesigning all HR administration and processes. Effective from March 2011, it will cover all aspects, from salaries and administration, to more complex HR procedures.

Corporate social responsibility

IHC Merwede is mindful of the environmental and social impact of its activities and decisions on people. Its corporate social responsibility (CSR) strategy seeks to balance its responsibilities between profit, people and the planet. The CSR strategy is built on the following three foundations: sustainable entrepreneurship; social responsibility; and environmental accountability.

The group uses its CSR strategy to develop new markets, processes and products – while taking care of the environment and society – through which the future profitability and financial independence of the group are guaranteed.

Sustainable entrepreneurship

Sustainable entrepreneurship concerns the responsibility of IHC Merwede – as a prosperous and profitable company, at present and in the future – and its ability to comply with its CSR commitments. The key themes include: management of the company; ethical business practice; and consuming matters.

The management of the company alludes to IHC Merwede’s financially secure, innovative and sustainable entrepreneurship, with a focus on environmental, social and community issues within the group’s sphere of influence. Innovation is the engine for IHC Merwede to create a profitable business concern.

Ethical business practice refers to its efforts to strive for fair competition in respect of material and intellectual property, and compliance with legislation.
Social responsibility
IHC Merwede acknowledges its social responsibilities to people working within its own business units and production sites, as well as those employed by suppliers, sub-contractors and the foreign shipyards with which it collaborates. Responsibilities include health and safety, the supply chain and societal developments in general.

The key themes are human rights and labour practices. IHC Merwede shall only undertake activities that comply with human rights regulations. This is in line with its international obligations and the relevant country laws in force.

The health and safety of workers is always of paramount importance. Therefore IHC Merwede optimises safety within the production processes at all of its locations. It also focuses on training and educating employees in health and safety issues.

Environmental accountability
IHC Merwede takes responsibility to reduce the environmental impact of its products and services, as well as of its production processes. As a group, it strives to contribute to a better environment, both now and in the future.

IHC Merwede’s environmental accountability encompasses sustainable product development. It makes use of “green” technologies to reduce the environmental impact of its products over the entire life cycle (including production, operation and recycling) in terms of energy consumption, emissions, (underwater) noise, turbidity, spillage and waste.

Evidence of IHC Merwede’s environmental awareness is also found in its compliance with environmental laws and regulations, in its production processes and products delivered to its customers.

Besides its own activities, IHC Merwede also takes responsibility in the supply chain. This requires careful consideration of social and environmental factors when purchasing products and services from suppliers.

The future
IHC Merwede expects to maintain its 2011 revenue level over the next financial year. However, the level of profitability is expected to be less, with fierce competition due to large global shipbuilding over-capacity. With less work on the horizon, yards pursue any available project to fill their production capacity. So, even though IHC Merwede is one of the few suppliers capable of delivering high-end, fully integrated products, the competition is – at the very least – creating a degree of price pressure.

Further growth in revenue is anticipated in 2013-14 and IHC Merwede will be prepared for this. IHC Merwede continues in 2012 to strive towards operational excellence and is actually increasing its capabilities to achieve this goal. Improvements will be seen across the entire product range and through product development, as well as enhancing the sales operation to ensure that the growth is captured in 2013-14.

In order to be prepared for growth, IHC Merwede will continue to invest heavily in its most important resource – people. It will train and provide courses to all personnel, and offer career and personal development opportunities – including those with international scope. The number of employees will increase, especially abroad.

Research and development is still an important aspect of IHC Merwede’s activities. The belief that customers can boost the profitability of their businesses by investing in IHC Merwede’s innovative vessels, advanced equipment and life-cycle support remains at the heart of its research and development programmes. The company strengthens its product portfolio and processes on an ongoing basis to enhance the production levels of its equipment and ultimately reduce the total cost of ownership.

Besides investments in employees and technology, IHC Merwede will also continue to invest in production facilities and rental equipment. These investments will be financed by the company’s own balance sheet.

Overall, 2012 is expected to be a transitional year. The offshore market is ready for growth that will continue for a number of years and dredging, after a boom in recent years, is expected to stabilise before reviving thereafter. The mining and renewable energy sectors are also preparing for rapid growth as relatively new and emerging markets.

Sliedrecht, 23 March 2012

Board of Management:
G.L.M. Hamers, President
D.A.A.J.A.G. Vander Heyde, CFO
F. Brouwer
IHC Merwede constructed two identical 12,000 m³ trailing suction hopper dredgers in the course of 2011: the CHANG JIANG KOU 01; and the CHANG JIANG KOU 02. The most remarkable aspect of this project was that the first ship was built at the Kinderdijk shipyard in The Netherlands, while its sister ship was being assembled at the Qidong Daoda shipyard in China.

The Yangtze Estuary Waterway Administration Bureau MOT ordered the two vessels to carry out maintenance dredging jobs over a distance of 122 km of the Yangtze River. The CHANG JIANG KOU 01 and 02 are named after the mouth of the River, which leads to the Port of Shanghai. The River is responsible for transporting half of the port’s total capacity.

The ships have been designed with the high-velocity current and soil properties of the Yangtze River in mind. This is one of the reasons why the vessels will be equipped with the patented IHC Merwede Wild Dragon®. The integrated design of this draghead delivers high levels of productivity in hard, dense aquatic soils.

The project highlights the progress that IHC Merwede has made with its internationalisation strategy during 2011. The group has succeeded in perfecting the logistics of the process and achieving its customary high-quality standards to ensure that the CHANG JIANG KOU 01 and 02 are built on schedule and to the correct specification.
IHC Merwede 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. Also 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.

The shipbuilding companies within IHC Merwede have their own in-house component suppliers available to both new-build vessels and after-sales activities. From complex dredging and offshore solutions to spare parts, the Technology & Services division provides products that are designed to meet the demands of the maritime world. Next to the internal supply function within the group, all business units deliver directly to the external market and play a central role in the provision of life-cycle support.

The water power pack is part of the supporting system designed and built by the IHC Motion Control cluster to drive the IHC Waterhammer® which is developed by IHC Hydrohammer®. The system also consists of a hose winch and a cable winch. The powers of various companies within the group have been linked together in clusters in order to benefit from stronger cooperation and to create innovative ideas. The business units are now powered by global cooperation.
In early 2011, IHC Merwede delivered the OLEG STRASHNOV – the largest mono-hull heavy-lift vessel in the world – to Seaway Heavy Lifting. The vessel is designed for the installation and removal of offshore platforms, subsea constructions, the installation of wind-turbine foundations and special projects.

This ship is unique in many ways. It has a high transit speed and low fuel costs, combined with a stable platform for heavy lifting activities. The vessel has a complex DP3 (dynamic positioning), new thruster changeover and rapid ballast systems, the latter having a large capacity to compensate for high-velocity crane movement. Many of the other systems have also been designed with back-ups to ensure reliability.

The building process took place at the slipway at the Krimpen aan den IJssel yard. It is the biggest ship ever built by IHC Merwede, and at 19,300t, posed the challenge of the largest ever launching weight for this slipway. In addition, the transportation of the heavy-lift vessel (its breadth measuring 47m) through the bridges of Rotterdam proved to be a large-scale and precise operation.
IHC Merwede delivered a new custom-built cutter suction dredger to the Panama Canal in 2011. The 12,000kW vessel was designed and built at the Sliedrecht shipyard in The Netherlands for the Panama Canal Authority (ACP).

The QUIBIÁN I, named after a great indigenous leader in Panama’s history, was built to work on the Canal’s ongoing US$ 5.25 billion expansion programme in the run-up to its centenary in 2014. It will then be used for ongoing maintenance work and future modernisation projects.

The vessel has the capacity to achieve high outputs at a relatively low cost and dredge along the entire 80km shipping route that joins the Pacific and Atlantic oceans. It can work to a depth of 25m and under the challenging conditions it will encounter on the Canal.

The vessel has been equipped with the latest dredging technology by IHC Merwede – including rock-cutting capabilities – and other features, including: an electrically driven cutter and winches; Cutter Special® pumps; and three dredge pumps with identical wear parts.

It has been designed and built as the best solution for ACP’s specific requirements in the Panama Canal. Following delivery, the cooperation between IHC Merwede and ACP will extend to the start up of the vessel and will involve training the crew and other life-cycle support activities.

Leading vessel cuts through the Canal

Innovative vessels
Incorporating in-house technology into complete packages

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 design and build of the J-Lay Tower by UK-based IHC Engineering Business was a complicated project presenting several key engineering challenges. Overcoming these required multi-disciplinary teamwork of the highest order with input from in-house specialists in mechanical, structural, electrical, control and hydraulic design.

IHC Merwede will work increasingly with multi-disciplinary teams from various business units, in order to supply a fully integrated innovative vessel and its advanced equipment in one package. This is beneficial for customers in terms of direct communication lines, higher rates of workability and lower costs of ownership. The J-Lay Tower for Saipem was operational from day one and more assignments have reached the company since then, thanks to this immediate success.
Life-cycle support

IHC Merwede believes in achieving optimum solutions through close cooperation with its customers and supply chain. Creating lifetime value for customers is at the heart of its philosophy. That also means that the group carefully selects all the components, big or small, and considers not only the present requirements, but also those to come.

Life-cycle support is more than just guarantees and maintenance; services like condition monitoring and docking assistance allow customers to get the best performance from their equipment. Maintenance now focuses on preventing problems instead of remedying them, which can save valuable time. With the worldwide IHC Merwede life-cycle support programme, customers benefit from the company’s unique expertise and experience.

During the building process, IHC Merwede employees and the future crew are trained together on the spot and gain valuable knowledge of the vessel and its equipment. They then become leading experts in their field, which is, of course, extremely beneficial for the customer too.

The life cycle of a vessel starts with thorough research and concept development, followed by the design and building process. Continuously sharing expertise and know-how during the operation helps the IHC Merwede life-cycle support team to design, construct and operate the equipment more safely and efficiently, resulting in ever-increasing productivity.
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 dredging vessels. The division is also capable of supplying efficient and reliable solutions to meet the shortest possible lead times.

The overall growth in global population and migration towards coastal areas has created a demand for land reclamation in recent years, although this was less evident in 2010-11. However, the expansion of global trade that has led to an increase in maritime transport – along with the port facilities and access required to handle it – continues to prosper.

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 engineered and constructed by IHC Merwede, 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 remained over the past financial year. This included the order, launch and delivery of a full complement of self-propelled dredging vessels (IHC Dredgers) and stationary cutter suction and standard IHC Beaver® dredgers (IHC Beaver Dredgers).
This highlights the popularity of IHC Merwede’s entire range of innovative vessels and advanced equipment. In recent years, IHC Beaver Dredgers’ and IHC Dredgers’ engineering and production facilities have been working to capacity. So, the division has been able to bring its international project management expertise into play.

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 will grow.

The 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 and emerging territories will determine the potential for its products and services.

The European dredging industry is being relatively cautious as it waits on the next development with regard to the global economy. While there is a substantial line-up of new products in the market, many of these have been delayed due to finance. Customers are also being more specific and focus on a number of solutions for their projects.

The directors of the leading European customers traditionally operate on a global scale. So, while they feel the pressure of the European situation, the contractors’ work continues on a mainly international basis, where there are no such issues with new projects.

The vessels ordered during the boom years are being delivered and therefore the market is slowing down a little. It won’t be as active over the next two or three years, but there will still be new contracts available for IHC Merwede to compete for and win.
IHC Dredgers designs and builds self-propelled custom-built trailing suction hopper (TSHD) and cutter suction dredgers (CSDs) 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.

The highlights of 2011 included the delivery of the 24,650kW self-propelled cutter suction dredger, the ATHENA, to Van Oord. This is the largest CSD to be built in The Netherlands for a Dutch dredging company and one of the three largest vessels of its kind. It has proved to be successful working in hard rock, with a flexible spud carriage for enhanced usability and comfortable spring-mounted accommodation.

One of the largest vessels in the DEME fleet, the CONGO RIVER was also delivered by IHC Dredgers. The 30,000m³ TSHD is an innovative and versatile vessel, suitable for working in ports and long-distance sand transportation.

The control draghead has been implemented in the CONGO RIVER and the results have been positive during tests. The design of the tri-plane rudder has also been finalised and IHC Dredgers is taking quotes from the market for the steelwork.

Two TSHDs were sold during 2011 – a 3,500m³ vessel for Iraq and a 5,000m³ vessel for India – as well as the engineering, technical services and components for a 6,500m³ hopper dredger that will be built in the USA. Fifteen projects were under construction during the course of the year, including: nine TSHDs; three self-propelled CSDs; and a grab hopper dredger.

IHC Dredgers also launched the “BEAGLE” concept in 2011. This is a standard modular vessel that can be built overseas with a range of advanced, cost-effective features. The “X-Trail” has also been incorporated into the BEAGLE line-up and it is customised for local applications, such as rivers or silt. There have been several enquiries regarding the BEAGLE from Asia and South America, and it is anticipated that the first order will be taken in 2012.

A cooperation has also been established with another Dutch company to research alternative means of low-cost production for the “Easy Dredge”. In addition to this local initiative, due diligence has commenced with an Asian shipbuilder, which has yards in Vietnam and China.

While IHC Dredgers will still be servicing the needs of the leading European contractors, the main focus will move from Europe to Africa, South America and Asia over the next two years. This is because the dredging companies on these continents are either driven or owned by the state and they have a completely different investment cycle to Europe.
IHC Dredgers is helping to develop the group’s strategy of internationalisation. The building of the CHANG JIANG KOU 02 at the Qidong Daoda shipyard in China is progressing well and ahead of schedule, while its sister vessel, the CHANG JIANG KOU 01, is being built in The Netherlands and is even closer to completion. The 12,000m³ TSHDs have been specially designed to complete maintenance dredging work along the Yangtze River on behalf of a Chinese customer.

The business unit is also considering other opportunities in Asia as the main focus of the industry shifts towards low-cost shipbuilding. There have been some interesting developments in 2011, with two strong leads for local projects in China and it is hoped that at least one of these will come to fruition.

A number of steps have been made in product and process development, including: the implementation and optimisation of enterprise resource planning (ERP); the adoption of design tools for dynamic calculations of vessel movements; the harmonisation of group’s standards, resources and design tools; the installation of Category Management Teams for steel, piping and propulsion; and the start of the High Density Dredging research and development.

As an example of IHC Dredgers’ focus on customer relationships, it has finalised its series of contractor seminars during 2011. These are held every three to four years and the topics are business strategy and product and process development. Therefore, the spotlight falls on the individual customer in order to gain an understanding of the vision of the current business. The spin off for IHC Dredgers is that it has had a series of discussions on research and development with the customers’ project departments.

The business unit is moving further towards the front line of its customers’ businesses and working with them to bring more value to IHC Dredgers’ proposition. The plan is that, by focusing on that value, it can move away from the emphasis previously made on a predominantly technology driven product portfolio.

Another example of liaising closely with customers falls within the structure of IHC Merwede’s product market combinations (PMCs). IHC Dredgers spends time with ship owners to assess if any improvements can be made in terms of life-cycle support and process development when their vessels are at work. The findings are then translated into furthering designs and applications.

In 2012, it is aiming to take some successful first steps with LEAN manufacturing, which it adopted during the past 12 months. In addition, it hopes that the LEAN programme will have a direct and positive effect on the projects for which it is being applied.

The growth of its internationalisation strategy will also play a key role in IHC Dredgers’ activities. A major objective will also be to sell a standard hopper, such as a BEAGLE or an Easy Dredge, opening up this market and bringing value to customers.
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) – for customers in the dredging and mining markets.

Thirteen IHC Beaver® dredgers were sold in 2011 and 12 of these models were delivered over the same period: three to Central America; one to South America; four to the Middle East; two to Asia; one to Africa; and one to Europe.

IHC Beaver Dredgers also started building vessels for stock outside The Netherlands as part of IHC Merwede’s internationalisation strategy.

Work started on the IHC Beaver® 45 in 2011 and it will be completed in 2012. The implementation of this vessel in the standard IHC Beaver® range took more time than expected, due to the popularity of its predecessor, the IHC Beaver® 1200, and as a consequence of the existing stock of products with a long lead time.

The IHC Beaver® 65DDSP (Direct Driven Submerged Pump) is also expected to be completed in early 2012. However, the IHC Beaver® 55DDSP’s building programme was rescheduled for the coming 12 months.

The construction of an IHC Beaver® 1200 is still in progress at the IHC China Support factory. This vessel will be ready for sea trials in early 2012.

The IHC Spud Guard® – invented and produced by IHC Beaver Dredgers – has won the 2011 HME Maritime Innovation Award at the sixth annual Maritime Awards Gala. It provides the opportunity for vessels to work in waves and therefore limits the amount of downtime, while maximising productivity. According to the judging panel, it proves without question that IHC Merwede is a market leader in innovative dredging equipment.

Furthermore, a new dredge pump impeller developed last year, will be incorporated on the IHC Beaver® 65DDSP (the successor of the IHC Beaver® 6518C). The so-called Curve® is a new type of pump impeller with blades designed to improve the suction characteristics and reduce the wear rate of a dredge pump.

Following the development of the Lancelot cutter, the Excalibur has been designed for dredging rock and uses standard pick-point teeth from the mining industry. A small prototype will be tested in 2012. A new range of cutter teeth and adapters with a capacity for serving approximately 2,500kW will be delivered to a customer in the Middle East for testing in 2012.

A contract was awarded to IHC Beaver Dredgers to deliver the environmentally friendly deep-water dredger, the IHC Beaver® 4040, for Zhejiang Dredging. This innovative cutter suction dredger will be built at IHC China Support’s components factory in Guangzhou, China and optimised to work in lakes and reservoirs.
The IHC Beaver® 4040 is the first cutter suction dredger designed to work at a depth of 40m. It can be equipped with a sustainable cutterhead – to fit within the company’s ambition of pioneering the “green” dredging market – and easily transported by road to remote reservoir locations. This is an example of IHC Merwede’s internationalisation strategy to provide customers with tailor-made services and solutions.

IHC Beaver Dredgers designed and supplied the cutterladder and spud carrier for the self-propelled cutter suction dredger, the AMBIORIX, which was built for DEME. The flexible spud carrier includes a buffer system – and other equipment – which enables dredging during challenging weather conditions.

A cutterladder and spud carrier were also designed and supplied for Van Oord’s 24,650kW self-propelled cutter suction dredger, the ATHENA, one of the three largest vessels of its type in the world. The same components are also being constructed for its sister ship, the ARTEMIS.

IHC Beaver Dredgers has entered the international rental market with its IHC Beaver® dredgers and DMC work boats. The business unit has identified a gap in the market for vessels and equipment that may only be used for a relatively short period of time.

In August, the first dredger – an IHC Beaver® 40 – was rented out to a contractor in Europe for the deepening of a river. It was easily loaded on to trucks and transported to the dredging site, where it was quickly deployed by a team of engineers.

Other highlights of 2011 included: the delivery of the 12,000kW custom-built cutter suction dredger modelled on the IHC Beaver® 9029C, QUIBIAN I, to the Panama Canal Authority; the order for a custom-built cutter suction dredger for Adani in India; and a component kit for a DMC work boat in Bangladesh.

The business unit has been continuously active in process development and finished an improvement programme in the production department during 2011. It has also made further steps with the implementation of an enterprise resource planning (ERP) system to integrate internal and external management information across the whole organisation.

It is vital to keep in contact and maintain excellent working relations with customers in the dredging industry. A good example of IHC Beaver Dredgers’ strength in this area may be evidenced by its relationship with Adani. It has supplied ten cutter suction dredgers and four booster stations to the Indian customer, which has decided to standardise its dredge-building activities with IHC Merwede. It is not only satisfied with its vessels, but also the life-cycle support it has received from the group’s local office.

IHC Beaver Dredgers aims to continue its success with more sales of custom-built cutter suction dredgers and standard IHC Beaver® dredgers in 2012. As well as attracting more orders for the rental service, it also hopes to develop and expand the latest range of IHC Beaver® dredger models and a continuously variable drive for the IHC Beaver® 45.
IHC Global Production

Formerly known as IHC Engineering Services, IHC Global Production was the new title given to the business unit in 2011. This name is a more accurate description of its main functions and business activities.

IHC Global Production holds responsibility for building vessels outside The Netherlands. It selects the shipyards, sets up the partnerships and conducts the project management work for the complete delivery of vessels.

Therefore, the business unit’s main tasks include:

1. international supply chain management (purchasing in other countries, such as China)
2. international logistics (transporting a large proportion of equipment from Europe to the shipyard, if a vessel is being built abroad)
3. interface management – or engineering (connecting IHC Merwede’s technicians to their counterparts at the shipyard by channeling all of the relevant information and questions)
4. organising all of the local work (including supervision and commissioning tasks, and human-resource elements, such as housing, schools etc).

A significant development during 2011 was the announcement that IHC Merwede and BAE Systems had entered into a cooperation agreement to meet the demands of the offshore construction vessel market in the USA. IHC Merwede, as a main contractor, will be responsible for the design and build of the vessels. Its Houston office will manage the sales and business development activities.

BAE Systems will provide the production facilities for IHC Merwede at its shipyards in Mobile, Alabama and Jacksonville, Florida. The former 432-acre site offers direct access to and from the Gulf of Mexico and major shipping lanes; and the latter provides deep-water access to the Caribbean and Atlantic.

IHC Dredgers has been successful in securing an agreement for an engineering and components package with BAE Systems, which has been contracted to build a 6,540m³ trailing suction hopper dredger for Weeks Marine, Inc., USA. IHC Global Production had already supplied the basic design of the vessel – which will have a length of 109 metres and a beam of 24 metres – to Weeks Marine, Inc.

Other developments for IHC Global Production have included: setting up a partnership with Westcoast Shipyard in India, where a IHC Beaver® 1600 will be built; the ongoing successful build of a 12,000m³ trailing suction hopper dredger and the delivery of four IHC 8527MP®s in China; and the start of production for a grab hopper dredger for Iraq.

Looking towards 2012, the success of international production is dependent on the sales delivered by other business units, with a good example being the opportunity for ongoing development in Brazil.
IHC Special Dredging Equipment

IHC Special Dredging Equipment is a new business unit, which works closely with IHC Global Production. It is positioned within the group’s Dredging division and is responsible for dredging vessels other than CSDs and TSHDs. IHC Merwede is well known for its expertise in designing and building efficient TSHDs and CSDs, but the group is now developing its other dredging vessels. They share a number of common features, such as being highly economical and productive.

Some development work has been carried out, but the aim is to expand into a more structured and specialist business. It is focusing on two products for 2012: the backhoe dredger, which consists of an excavator and a pontoon with a spud system; and the split hopper barge, which can be supplied as either self-propelled or towed.

The largest order of 2011 – in conjunction with IHC Global Production – was to design and construct a backhoe dredger for the Panama Canal Authority (ACP). The latest technology will be introduced to deliver a product with extremely high stability and productivity. The customer already knew of IHC Merwede’s reputation for the reliable delivery of high-quality vessels and the excellent relationship between the two companies was an important factor in the decision-making process.

The split hopper barge is the subject of development work and Vuyk Engineering has been involved in the redesign. When the project is complete, the focus will turn to enhancing the range of grab hopper dredgers. Another new development was an innovative spud system, which can be built in 4-6m lengths. In addition, IHC Special Dredging Equipment is already targeting potential customers in Russia and throughout the other eastern European countries, where a high level of demand exists for backhoe dredgers.

IHC Marine and Mineral Projects

IHC Marine and Mineral Projects (IHC MMP) provides innovative engineering and leading technology for underwater mining solutions. Based in Cape Town, South Africa, they utilise the latest technical software for detailed engineering in the fields of mechanical, structural, electrical, automation and control.

Last year the company succeeded in consolidating its position within the IHC Merwede group by establishing strong ties with IHC Deep Sea Dredging & Mining and IHC Engineering Business. It also successfully expanded the underwater mining market by assisting in developing new leads.

The most significant development in 2011 was that IHC MMP established that it could provide a deep-water dredging solution capable of reaching 500 metres. Previously, deep-water dredging has been limited to depths of 100 to 150 metres, so this will unlock new potential for the dredging market.

Another example of the company’s innovative streak was the development of a deep-water coring tool for mining resource exploration and definition. IHC MMP has adapted a terrestrial drilling technique for the underwater environment and therefore created a unique product for the mining market.

Looking to the year ahead, IHC MMP is searching for launch customers for both its deep-water dredging system and coring tool. It hopes to introduce the latter to the mining market as rental equipment in 2012.

One of the greatest challenges facing IHC MMP during the past year has been the hold on spending on capital mining projects. However, encouraging signs in the market suggest this will change within the next 12 months.
The world may face serious challenges to fulfil its demand for raw materials. There are two main reasons for this: the world’s population is expected to increase by 50% by 2050; and onshore mining resources will be more difficult to exploit for political, environmental and technical reasons.

As a result, global authorities and companies are increasingly analysing the possibilities of exploiting marine resources. To meet these requirements, IHC Deep Sea Dredging & Mining (DSDM) designs, builds and maintains high-quality, remotely operated marine excavation and slurry transport systems.

The main research and development activities in 2011 were excavation, vertical transport and energy systems. One important project was the successful development of deep-water rock-cutting technology at Ifremer (French Research Institute for Exploration of the Sea).

IHC DSDM can now accommodate any depth from below 150 to 3,000m and is applying research to even greater depths. It works in close cooperation with IHC Marine and Mineral Projects and IHC Engineering Business to offer customised designs and the construction of excavation solutions that require remote operation and supporting equipment at depth.

As a result, the EASY (Exploitation Appraisal System) programme was finalised during 2011. It offers customers the opportunity to start pilot-mining activities and enhance their own systems and processes. This led to a high level of cooperation with DEME and the intended formation of the Oceanflore joint venture.

The aim of Oceanflore is to encourage the deep-sea mining market and offer expertise and exploitation. It is a contractor with integrated contract mining solutions for deep-sea applications, resulting in a well-determined “cost per tonne delivered” for customers and partners.

For concession owners, this results in a shift from capital to operational expenses and enables companies to start up with the eventual assistance of the large mining companies. The Oceanflore model offers a unique pioneering proposition – contract mining through IHC Merwede’s technical solutions and DEME’s operations.

The highlight of 2011 was the first hardware order, an IHC DSDM group, engineered lightweight fall pipe for Tideway Offshore Contractors to dump rock to a depth of 2,000m – which has never been done before. This is a good example of IHC Merwede’s internationalisation strategy, with the delivery of the raw materials from Russia, welding in the USA and machining and final assembly at the Kinderdijk shipyard.

Other DSDM developments have included: working with global oceanographic institutes to establish an environmental approach; and achieving the ISO 9001-2008 quality management certification.

IHC DSDM has now expanded to more than 30 employees and the research and development programme for deep-sea mining and dredging will be further extended in 2012. The business unit is confident that more revenue will come from deep-sea mining projects and is currently involved in several projects with depths between 300 and 5,000m.

Another focus for 2012 concerns the integration of deep-sea mining, mineral processing and alluvial mining in a new specialist division, IHC Mining. These units are united to focus on new product and market developments.
MTI Holland

MTI Holland, IHC Merwede’s technology development centre, translates knowledge of dredging, wet mining and foundation processes into the design and operational behaviour of equipment. This incorporates research and development for IHC Merwede’s business units and the application of this knowledge to develop engineering tools and consultancy services.

In addition, MTI Holland facilitates innovation and knowledge management, CSR (corporate social responsibility) strategy set-up and intellectual property rights. The latter plays an important role in the group’s strategy to prioritise patent applications.

The design, prediction and optimisation tool for accurate modelling of motional behaviour of equipment, DoDo (Dynamic Operation in Dredging and Offshore) has proved to be even more successful than originally anticipated. It can now be used for a broad range of purposes, such as the calculation of cutterhead forces.

MTI Holland’s work on deep-sea dredging and mining has focused on three main topics during 2011:

1. riser dynamics, by creating a model to calculate dynamics and forces in constructions
2. cutting forces, via tests in France performed under high pressure at an equivalent water depth of 1,800m
3. transportation of solids in the riser, by building a test set-up in the lab and correctly predicting the conditions in which a plug obstructs the flow.

Another focus point was on computational fluid dynamics (CFD). IHC Merwede’s goal is to have much higher concentrations in slurry mixtures and calculation tools are required to predict the performance of the equipment. This is being further investigated in two PhD projects running with the universities of Twente and Delft.

Other CFD work resulted in the hydraulic design of The Curve® pump impeller, draghead optimisation and the hydraulic redesign of cutters.

Some other projects in 2011 included: material sciences – improving microstructures; geostatistics – predicting soil characteristics with limited data; post-treatment technology of exhaust gases from diesel engines; and the overall improvement of dredger efficiency.

“Building with Nature” is a good example of MTI Holland’s relationships with customers, and it works in partnership with Boskalis and Van Oord. This gives IHC Merwede the opportunity to improve its understanding of the issues that customers face and translate these into product development.

The targets for 2012 will be similar to the previous year, i.e. to mitigate the transfer of technology and science into marketable products.
Training Institute for Dredging

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

A total of 590 people participated in 40 training programmes worldwide in 2011 – an increase over the same period in 2010 – 70 of which were participants in nine courses in China.

TID was able to work in collaboration with an existing Chinese customer to develop an expanded training programme. This incorporated a full range of standard modules for its cutter suction dredger (CSD) operators and was extended to simulator and competence-based training.

Other customers can also have CSD operators assessed for gaps in their levels of competence. The results enable TID to train them for the skills they lack through the standard modules and other customer-specific subjects.

In addition, during 2011, TID arranged: on-the-job training for customers’ engineers in Panama, Bangladesh and Equador; two fully subscribed general dredging courses; and a successfully revised training programme for IHC Beaver® engineers.

Internally, TID was also responsible for: training personnel in basic and advanced levels for the dredging and, for the first time, offshore sectors; bespoke training programmes for other business units, such as IHC Parts & Services; and a train-a-trainer programme for TID trainers and other IHC Merwede employees, including teaching and presentation techniques.

In 2012, TID expects that it can record a similar level of turnover to the previous year. To assist with this target, TID will continue to develop its competence-based training programmes.

Verenigde Scheepswerf Heusden

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

After IHC Merwede delivered the VICTOR HORTA – constructed and launched in Heusden – VSH concentrated on section and blockbuilding. This was the original strategy and the reason why VSH was founded in 2007. The outsourcing market is forecasted as being overstretched again in 2013, given the recent developments in the offshore market.

VSH will explore other opportunities to capitalise on its value-added proposition. Therefore, it aims to further support the group with prototyping, standardisation, and research and development – proof of its versatility and passionate approach.

VSH is introducing lean manufacturing and the 5S checklist (sort, straighten, sweep, standardise and sustain) is operational. The next steps will be carried out with IHC Dredgers and IHC Beaver Dredgers, with the support of the KAP (Kwaliteit, Arbo, Procesinnovatie) Department for Quality, Working Conditions and Process Innovation.

The company has the facilities for more complex work to be completed with a flexible and a non-hierarchical approach. Mid- and long-term prospects are considered to be sound and VSH will remain among the most enthusiastic of shipbuilding companies.

VSH is also used for IHC Merwede personnel to develop their skills before they are seconded to other positions. This is an effective strategy for transferring technical knowledge to China and other countries as part of the group’s internationalisation strategy.
Within IHC Merwede, VER acts as a knowledge centre for hydromechanics, marine operation engineering, theoretical strength calculations and special dredging equipment. In 2011, VER worked with other business units, including: IHC Deep Sea Dredging & Mining (riser analysis); IHC Hydrohammer® (hydraulic umbilical for deep-water piling); and IHC Special Dredging Equipment (injection and backhoe dredgers).

Another development was the increase in suitable personnel available for employment. This helped VER to achieve its plan of expanding by 15-20 per cent in little more than a year. Further growth is planned, but a slower rate.

It is also aiming to develop its own equipment, such as a jacking system and a blade-handling tool. Furthermore, it is updating its quality assurance (QA) procedures, which are important in the offshore sector.

Customer relationships are an integral part of VER’s commercial activities. This may be evidenced by a survey in which 15 long-term and relatively new customers were interviewed. It was established that VER’s efforts of looking after customers’ interests are highly rated and they frequently place repeat orders.

VER would like to focus more on market-oriented product and business development in 2012. So, it will create its own demand by promoting its best ideas and innovative designs. In addition, it will prioritise the development of its management structure and training to support the growth in demand, as well as striving for more advanced engineering methods.
IHC (Dalian) Dredging Vessel Technology Development Company

IHC (Dalian) Dredging Vessel Technology Development Company is 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 with third parties. This is an ideal platform to develop the company’s presence in China.

IHC Merwede provides the technology and retains overall responsibility to maintain the company’s high quality standards. It started the cooperation with DLS after seeking a suitable partnership to build ships for its Chinese customers.

The cost-effective IHC 7025MP® standard cutter suction dredger had already been developed and built successfully in local shipyards. The decision to team up with DLS for the IHC 8527MP® was based on previous experience.

The main features of these models are standard production and modular design. The critical components are either supplied from The Netherlands or produced in China under the management of IHC Merwede.

Two IHC 8527MP®s were delivered to GDC in the first quarter of 2011. The vessels contracted to the joint venture are now in operation and it is expected that there will be more orders when they have proved their value.

It has been promoting standard cutter dredgers in the market and also prepared its organisational structure and shipyard for building other dredgers. To increase the proportion of Chinese components, new suppliers have been selected and will be approached when required.
Reliable partner for efficient dredging solutions
Technology & Services

The Technology & Services division is the collective name given to the group of sector-related products and services supplied to the other IHC Merwede divisions and direct to customers. These business units design, build and supply advanced equipment, complete systems and parts to the dredging and offshore markets as specialists and market leaders in their respective fields.

The majority of business units within the Technology & Services division have reported positive results for the past financial year. While the market was generally challenging again in 2011 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. The rental market in particular flourished last year, with demand for piling equipment and also handling tools for use in the offshore wind sector increasing significantly.

On 24 March 2011, IHC Winches was officially launched. The new company’s workshop plays an important role in its activities because it enables it to build complex winch systems for the offshore and dredging markets. The supply of IHC Winches’ range of winch systems is now expected to expand rapidly.

In May 2011, Hytech joined the Technology & Services division. With this acquisition, IHC Merwede has gained an in-house centre of knowledge for offshore diving activities and is now able to supply its offshore vessels with diving equipment. The expertise of both Hytech and IHC Merwede has been successfully combined for the development of customised, innovative diving systems, in addition to the group’s existing standard diving equipment systems.
Another important development in 2011 was that comparable business units were logically clustered together in order to realise the group’s overall ambition of growth. The new structure will stimulate more cooperation between the companies and create synergy for the benefit of their shared customers. The business units that develop and build specialist equipment for similar markets combine their skills, together with the vessel specialists within the group. This means IHC Merwede customers can rely on integrated solutions, including all necessary equipment and service.

In the Motion Control cluster, for example, IHC Winches works closely with IHC Hytop, which contributes innovative hydraulic technology, and IHC Vremac Cylinders, which designs and manufactures state-of-the-art hydraulic cylinders, rotary joint swivels and piston accumulators. Their combined efforts will result in complete systems, produced in harmony with one another and to the same standards of high quality.

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 Hydrohammer® set up a location in Germany last year and will open another in the USA in 2012. The division can therefore look back on a successful year and look forward to continued growth in the next 12 months.
IHC Parts & Services

IHC Parts & Services is the global supplier of first-class dredging systems, components and services to both shipbuilders and dredging companies. On one hand the company supplies equipment for the construction of new dredging vessels, on the other it supplies individual products and services for after-sales activities, otherwise known as life-cycle support. In other words, the offering differs from complex projects to standard and non-standard spare parts and support during the complete life cycle of a dredging vessel.

Product leadership is one of the key drivers of IHC Parts & Services. The performance of dredging vessels is maximised by innovative, cost-competitive solutions. This means that the dredging operation should be able to function in a profitable, reliable and sustainable way with the lowest costs over the life cycle of a vessel.

For many years IHC Parts & Services has operated not only from its headquarters in The Netherlands, but also from locations in emerging markets such as China, India, South East Asia and the Middle East. Being close to the customer, together with the local-for-local formula, creates added value and is a base for expansion.

In the future the company will act even more globally by expanding its foreign locations. Having a close presence to the operation of its customers enables IHC Parts & Services to gather crucial field information. The company is therefore able to improve and develop innovative products and optimise the total cost of ownership for its customers.

While the European market was more challenging in 2011 than in previous years, the business unit’s international offices were not affected by the economic downturn. The after-sales market for dredging vessels was still healthy and delivered additional business. Local financing of dredging equipment has been tight and still is, but the business opportunities still exist. As a result, most of IHC Parts & Services’ local offices have shown solid growth over the past year. This is also linked to the trend that dredging companies worldwide are increasing their presence and activities. The IHC Regional Offices are in that respect an important foundation to assist these customers with their plans and ambitions.

A notable achievement in 2011 was the immediate success of a new product: floating discharge lines. These are an important part of the discharge process and must be very flexible and robust in a professional, high-performance and customer-specific environment.
Within a year of launching the product, IHC Parts & Services was awarded the supply of floating discharge lines for both trailing suction hopper dredger and cutter suction dredger applications. Several kilometres of floating pipelines and hoses have been sold to customers around the world, who were quickly convinced of the high quality and innovative design of this new IHC Merwede product.

In December 2011, IHC Parts & Services delivered the largest dredge pump ever designed and built by IHC Merwede to a respected dredge operator for installation on a 14,000 m³ trailing suction hopper dredger. The giant double-walled dredge pump is also the first Cutter Special® pump to be deployed on a trailing suction hopper dredger. Cutter Special pumps were originally developed by IHC Parts & Services for cutter suction dredgers to allow dredging of rocks more easily. In 2012, IHC Parts & Services will deliver a second pump of the same size.

To improve the suction properties of impellers, IHC Parts & Services has developed the Curve®, a new type of impeller that differs from conventional models because of its hydraulic shape. By the time the Curve was introduced to the market in November 2011, IHC Parts & Services had already sold the first five units. After operation, these impellers will return to IHC Merwede for research on the wear behaviour of the blades, which will enable the company to compare practical facts with theoretical data and increase its knowledge about this innovative product. This will enable the organisation to stay at the forefront of technological innovation.

Another product developed last year was the BoneCrusher®, a suction/discharge hose designed by IHC Parts & Services with innovatively shaped steel rings to protect the rubber from abrasion and therefore ensure durability.

Despite the economic crisis, which affects a considerable part of the dredging market, IHC Parts & Services is preparing itself for further growth. The company continues to explore other areas in the world in order to support its customers wherever they operate and continues to focus on developing innovative products in order to lead the way in its field of activities. Closer cooperation within the group will be pursued to create more leverage in the market and deliver a more complete offer for the benefit of customers worldwide.
IHC Engineering Business

IHC Engineering Business (IHC EB) delivers bespoke engineering solutions for complex offshore applications required by customers working in the offshore oil and gas, submarine telecoms and renewable offshore power industries. Its core areas of expertise include pipelay and cablelay, subsea trenching and offshore handling.

2011 was a landmark year with the delivery of a 2,000-tonne J-Lay pipelay system to the Saipem FDS2 pipelay vessel, IHC EB’s first pipelay tower system. It has already successfully completed two pipelay contracts and was fully operational from day one, a major achievement for IHC EB. This has elevated IHC EB into a market-leading position as an innovative pipelay system provider.

Two further pipelay systems are also close to completion for both Technip and McDermott. The McDermott flexlay system will be delivered by April, only 14 months after starting the concept design. Delivery of the reellay and flexlay systems gives IHC EB a strong track record in all four types of pipelay system, so it is perfectly positioned for all types of opportunities in the years to come.

The flexlay system for McDermott underlined IHC EB’s successful integration into the IHC Merwede group, with the main tower fabrication being built at IHC Merwede’s facility at Krimpen aan den IJssel. 2012 will see IHC EB develop an increasingly international supply base, which will include working with the IHC Merwede fabrication facility at IHC China Support in Guangzhou, China.

Technical innovation has been a strong theme for IHC EB in 2011 with the development of the Hi Traq trencher specifically targeted at offshore wind inter-array cablelay operations. The Hi Traq trencher features a new track system that enables better trencher steering and control. Five patents have already been raised for this new system, which will be launched in 2012.

IHC EB was recognised in 2011 for the innovative engineering and design within the Saipem J-Lay system. In October, the company was awarded Design Team of the Year as part of the British Engineering Excellence Awards (BEEA). In December, IHC EB also won the NOF Energy Innovation & Technology Award. Developing and applying innovation to improve our customers’ performance remains at the very heart of IHC EB.

2012 will be an exciting year for IHC EB with the start of a major new project with IHC Offshore & Marine. The two companies will deliver fully integrated pipelay vessels – building on their combined vessel and pipelay systems expertise – to provide customers with high-performance pipelay solutions.
IHC Hytech

The latest acquisition by IHC Merwede concerns IHC Hytech, a company involved in the design, manufacturing and support of diving systems. By combining knowledge and equipment, IHC Merwede is now able to develop components for saturation diving systems in house. The purchase of Hytech fits in with IHC Merwede’s strategy of growth through acquisition, which aims to offer turnkey solutions to customers of all its maritime divisions.

The acquisition is beneficial for both companies. It strengthens the group’s position in the offshore market; and the access to essential know-how combined with financial backing allows IHC Hytech to supply larger, more complex and capital-intensive diving systems.

In addition to the offshore market, IHC Hytech supplies other industries, such as tunnelling, chemical, medical and defence. Due to its high-quality products, innovative capability and flexibility, the company has secured a leading position in the international commercial diving market.

In 2011, for example, IHC Hytech signed a contract for the Nanjing Weisan Road River Crossing Tunnel Project in China. Nordseetaucher GmbH will carry out the work for the tunnel-drilling project and IHC Hytech will deliver a number of transport shuttles and decompression chambers, which are equipped for saturation diving (diving at greater depths, when gas mixtures are used by the divers).

Furthermore, IHC Hytech delivered various products throughout the year, such as: self-propelled hyperbaric lifeboats for offshore contractors; submarine rescue equipment for the Royal Malaysian Navy (RMN); a special decompression chamber and transfer shuttle for a deep tunnelling project in Las Vegas; and various hyperbaric oxygen treatment chambers for private clinics in The Netherlands and the Middle East.

A good example of a custom-built project last year was the ship-integrated wet bell-diving system supplied to the Russian Government. It was designed to cope with Arctic conditions and the extreme environment was an additional challenge, which was met successfully by IHC Hytech.

In 2012 the company will focus on developing on-board diving equipment for diving support vessels suitable for activities to a depth of 300m. Together with its new parent company, IHC Hytech will focus on the expansion of the full-service principle in the next 12 months.
The emphasis of IHC Offshore Systems is on designing, developing and supplying custom-made equipment packages for the offshore market, especially for well intervention activities and the FPSO market.

For the relatively young market of renewable energy, a newly developed system was introduced at the end of 2011: the Noise Mitigation System NMS-6900. The purpose of this system is to reduce noise levels caused by offshore pile-driving activities and prevent harmful effects on sea life.

At the start of 2011 IHC Offshore Systems moved to Hardinxveld-Giessendam in order to collaborate more effectively with sister company IHC Offshore & Marine. The aim of the IHC Merwede group is to offer customers innovative vessels and advanced equipment. Thanks to collaborative research and development activities, it is able to respond successfully to the demands of the offshore market. A good example is the delivery of the riser pull-in trolley by IHC Offshore Systems last May.

In 2012 the business unit will concentrate on further developing the Noise Mitigation System and building a rental fleet for future orders. Together with IHC Hydrohammer, IHC Offshore Systems’ knowledge and field experience in this particular area will continue to grow, as will the customers’ requirements from ‘the technology innovator’.

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.

Last year IHC Offshore Wind started engineering new products, such as offshore transfer equipment, a blade handling system and a monopile cleaning tool. Working with experts from within the IHC Merwede group and incorporating its own knowledge of the offshore wind market, the business unit strives to offer the best technical solutions available.

In the near future, offshore wind farms will be larger and located further away from the coast. Therefore, transportation challenges – among others – will soon arise. New ideas and systems will be necessary for the business, as well as possibilities for further cost reductions.

IHC Offshore Wind also generated various opportunities for its sister companies, such as feasibility studies and tenders for equipment, and gained new business contacts in 2011. The company is a participant in the Dutch FLOW (Far and Large Offshore Wind) consortium and will continue its project co-ordination role within the group in 2012.
IHC Motion Control

IHC Motion Control is a new trade name for three affiliated IHC Merwede companies now working closely together: IHC Hytop; IHC Vremac Cylinders; and new business unit IHC Winches, which started up in March 2011.

IHC Hytop contributes innovative hydraulic technology; IHC Vremac Cylinders designs and manufactures state-of-the-art hydraulic cylinders, rotary joint swivels and piston accumulators; and IHC Winches specialises in innovative custom-built winch systems. The main markets for IHC Motion Control are dredging and offshore, where various applications within and outside IHC Merwede are being served.

The design, selection of materials and production processes of IHC Motion Control all meet the high standards of notified bodies, including Lloyds, GL and DNV. The integration of large hydraulic systems into dredging and offshore equipment enables the group to supply a complete package to customers around the globe. And thanks to the expansion of IHC Hytop Shanghai in 2011, it can supply and support even more customers in China, for example.

Several innovative projects were undertaken last year. IHC Hytop made valuable progress with the development of the environmentally friendly application of power motion – the Water Power Pack. The seawater-based hydraulic system will drive the IHC Hydrohammer® and is designed to work at a maximum depth of 2,200m. Close cooperation with IHC Hydrohammer and combining skills and experiences, made this project possible.

IHC Hytop also introduced its range of flushing units, which have the capacity to handle large-diameter pipes, to the rental market in 2011. The business unit can manage every aspect of the flushing process – up to 9,000 litres per minute – from the engineering and execution, to the delivery of the reports.

IHC Winches, together with two external parties, participated in the Deep Sea Installation project in 2011, in which it investigated the possibilities of a synthetic fibre rope and engineered a deep-sea heavy lift winch. A prototype will be built in 2012.

IHC Vremac Cylinders focussed on expansion and internationalisation in 2011 and celebrated its first success in Norway. The service and repair department was also set up and will expand in 2012. Together with IHC Hytop, it developed a range of heave compensation systems to make it possible for offshore customers to continue their projects in rough weather conditions.
The automation cluster of IHC Merwede consists of two business units. IHC Systems focuses on the dredging process and navigation under the slogan, Dedicated to Efficient Dredging, whereas IHC Drives & Automation (IHC D&A) focuses on electric power and total vessel automation under the motto, Driven by Intelligent Power. IHC Systems usually operates in the dredging market; IHC D&A in both the offshore and dredging markets.

Both companies concentrate on efficiency, symbiosis and integration of all electric, electronic and computerised vessel equipment. Close cooperation with customers is of paramount importance for all activities, because each discipline has considerable influence on vessel operations over several years. Therefore the companies’ processes provide for elaborate cooperation with customer representatives and custom-designed systems in all stages of projects.

An example is the recent retrofit of Van Oord’s trailing suction hopper dredger, UTRECHT, which provided seamless integration of an IHC Systems dredge control system with the customer’s process automation. Similarly, the IHC D&A winch drives and motors on the cutter suction dredger AMBIORIX, under construction for DEME, cooperate with pump and cutter drives of a major player in the electric world.

IHC Systems progressed through a host of orders in 2011, including the control systems for Van Oord’s cutter suction dredger, ATHENA, as well as the 25th DP/DT system. The results were highly positive.

Research and development activities again played an important role and provided the artificial intelligence models, enabling the two dredging installations of DEME’s trailing suction hopper dredger, CONGO RIVER, to be operated by only one navigator at impressive production figures. The research for an alternative density measurement progressed through a PhD programme that was concluded with a doctoral degree for one of the company’s experts.

IHC Drives & Automation experienced an increase in orders for different vessel types, demonstrating the trust gained in the market and the extent of what a fresh-thinking company has to offer. The emphasis was on structuring, product quality and innovation. Revenues were beyond expectations and positive results were achieved.

All designs benefit from the specially developed SAD (System Architecture Diagram) method, providing understanding of the combined automation and electrical systems at a glance. Numerous system components have already been installed on board IHC Merwede vessels in close cooperation with other IHC Merwede departments.

The joint forces of IHC D&A and IHC Systems, with the craftsmanship and knowledge of all IHC Merwede business units, will continue to make IHC Merwede vessels even more innovative.
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 skid systems. The business unit supplies companies responsible for building offshore wind and oil and gas installations. It also supplies equipment for decommissioning activities within the oil and gas industry.

Last year proved to be even more successful than 2010. The revenue increased by 70 per cent and it was the most profitable period in the history of IHC Handling Systems to date. Until a few years ago, the company focussed primarily on the oil and gas market, but it has gradually moved into the renewable market, providing customers with similar handling equipment.

Its experiences from within the oil and gas installation market have turned out to be very useful for the renewable industry. Thanks to the emerging offshore wind market, IHC Handling Systems has been able to grow simultaneously.

In 2011 IHC Handling Systems delivered a variety of handling equipment for the world’s largest offshore wind farm currently under construction, London Array. No fewer than 177 monopiles have to be installed offshore – one for each of the 175 wind turbines and two more for the offshore substations. IHC Hydrohammer® provided a hydraulic impact hammer for this project.

Another large order was placed by RWE Energy for 196 jacket-pile grippers for the Nordsee Ost project, which comprises 48 wind turbines and a substation. Each jacket pile gripper has a holding capacity of 400t on a pile diameter of 96”.

At the beginning of 2011 Heerema Marine Contractors ordered the largest ever external lifting tool (ELT). Based on a previous ELT delivered to Heerema, IHC Handling Systems had to upscale the new design for a pile range of 84-112” leaving the overall dimensions intact.

This tool was used in 2011 for the substructure installation of the North Rankin B platform. In addition, four internal lifting tools were delivered to Heerema for the removal of jackets in the Ekofisk oil field in the southern part of the North Sea.

The business unit is looking forward to 2012 with confidence. Market expectations are looking good in Europe as well as Asia. New developments are expected in even larger handling tools, but also in deck pile handling equipment for the offshore wind market. IHC Handling Systems is eager to embrace all viable options for further development and growth.
IHC Sea Steel

UK-based IHC Sea Steel has an extensive track record of developing innovative subsea piling solutions for the oil and gas industries. The company is responsible for unique, proven piling tools with exceptional features, including the patented Fast Frame, and is a world leader in subsea mooring installations. All of its products have a strong reputation for success.

In 2011, IHC Sea Steel provided various offshore projects with innovative piling solutions. The 84” Fast Frame has been utilised for the Hibernia Offshore Loading System pile installation in Canada, where a tight vertical tolerance of one degree was required.

Due to the uneven seabed, this could only be achieved by converting the frame to incorporate a levelling system. The organisation now has two frames available that can operate on a sloping seabed of up to five degrees, which is unique in the world.

IHC Sea Steel is working on a number of projects that use the new levelling systems both for FPSO moorings and for retrofit and repair to older structures. There are also a number of new products under development, including a multi-slot template, to be marketed in the wind industry.

IHC Hydrohammer® and IHC Equipements et Services

IHC Hydrohammer designs, builds and supplies hydraulic hammers for onshore and offshore usage. The organisation has built up a reputation for its high-quality products. In addition to a wide range of pile drivers, IHC Hydrohammer supplies innovative pile-driving technology, foundation equipment and hammer accessories.

The company enjoyed another successful year in 2011. Revenue increased thanks to utilisation of earlier investments in the rental fleet and due to greater organisational efficiency. Despite the economic crisis, in general, the markets served by the company did comparatively well. The offshore wind market in particular generated many new projects.

Demands for larger and new pieces of equipment by the emerging offshore wind market are increasing. In order to fulfil this need, IHC Hydrohammer has added larger hammers and matching sleeves to its rental fleet.

In addition, the company has taken the lead on research into reducing underwater noise. Sister company IHC Offshore Systems engineered and produced its first Noise Mitigation System in order to start its own rental fleet. IHC Hydrohammer will continue to invest in the knowledge on reducing underwater noise.
Progress was also made in the development of the IHC Waterhammer® for use in deep water. The Waterhammer is controlled by a radical hydraulic system that uses water instead of oil. This addresses the practical issue of it being impossible to transport oil over long distances under water and also removes the risk of accidental oil leaks. Over the next few decades, the Waterhammer will add a new dimension to technology and safety in the field of underwater pile-driving.

In France, IHC Equipements et Services supplies foundation equipment for both the rental and sales markets, supplemented by services and customer support. The hydraulic and vibratory hammers are suited for civil engineering works as a whole, for both onshore and marine projects.

Vast knowledge and a wide variety of references established through years of experience allow IHC Equipements et Services to propose the optimal equipment for any project and the most suitable solutions according to economic and technical demands. The company is also working more closely with IHC Fundex Equipment and IHC Hydrohammer to define the most efficient methods in order to supply customers with innovative and the best possible foundation solutions.

Due to its market-driven approach and the need to maintain close customer relationships for equipment, service and support, IHC Hydrohammer expanded its activities to Germany in 2011. A new office was set up, in order to supply the land and construction markets. The offshore wind industry is also an important point of interest to the company.

In 2012, IHC Hydrohammer will start up a new facility in the USA too, allowing offshore-related customers to rent equipment in their own country. Service and repair jobs will also be available overseas, not only from IHC Hydrohammer, but for all offshore-related equipment from IHC Merwede.

The location in Singapore continues to be very successful, thanks to the growing market. The company’s Asian and Australian customers are supplied directly from the base in Singapore and that is greatly appreciated, according to their feedback. The shared market approach with IHC Handling Systems creates even more opportunities for growth.

The business unit is looking forward to the coming year with confidence. Market expectations are looking good.
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 year under review was dominated by various large offshore projects. During 2011, IHC Fabrication delivered several jacking systems that were installed on platforms destined for offshore renewable projects. Under the supervision of IHC Fabrication, the jacking system was partly manufactured in the components factory of IHC China Support in Guangzhou, China. The dredging market also performed better than expected in 2011.

In the offshore market, the requirements are becoming increasingly demanding due to tighter regulations. The aim of IHC Fabrication is to provide customers with the optimum solution in terms of production time and methodology, for both offshore-related orders and dredging assignments. Continuing focus is placed on excellent delivery performance in terms of quality and speed. Last year IHC Fabrication qualified for audits of established offshore market players.

In 2012 IHC Fabrication will continue to focus on improving and refining production methods by investing time and effort in research and development projects, and working in close cooperation with its customers.

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

In 2011, IHC China Support delivered various pieces of equipment for use in 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®.

The IHC China Support premises are located at the crossing of the Machong and Pearl rivers. Facilities include fabrication and mechanical shops, and loading and unloading systems.

Since 2010, IHC China Support has been ISO2008-certified as 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 Metalix

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

The business unit celebrated its 25th anniversary in 2011. Its activities have grown quickly since it started out life as a relatively small department, to the extent that it appropriately became market leader during this notable year.

IHC Metalix’s production process has benefited from a new plasma-cutting machine. It has been a huge success, so much so that the intention is to buy an identical unit in 2012. A new cutting machine that makes its own barcodes is also helping to shape the future. Within the next two years, every machine will have this feature, so that no barcode stickers will be required.

An IGM Bevelling Machine has also made a huge impact on the business in terms of process development since March 2011. This cutting device can make complicated patterns – without the need to stop – and this type of work is increasing in demand. It has also enhanced the efficiency of the operation and the quality of the finished product.

Since January 2011, IHC Metalix has been working closely with a partner in South East Asia. After an intensive training period, the collaboration has begun with the digital process that has to be carried out for work preparation. This allows the business unit to run a 24-hour operation, with the advantage of increased flexibility and cost savings.

External customers have brought fresh challenges, as their vessels are much smaller and lighter than those of IHC Merwede. The plates required are therefore thinner and more material is handled to achieve the same results. In addition, there are strict logistical demands, and new International Maritime Organisation regulations have led to a new activity, the milling and painting free edges.

There will be an increased focus on innovation in 2012 after the impressive work carried out by three young members of the team on the development of robotisation and automation. The aim over the next three years is to make significant steps in improving processes, while producing high-quality plate parts at the same time.
IHC Piping

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

The business unit’s new strapline is, “The perfect connection”, and this is exactly representative of its business activities. It achieved all of its aims for 2011 and made a further investment to enable products to be offered at the most competitive price.

A significant and ongoing investment plan has led to improved production facilities (robotisation) and logistics, through a pilot system, IHC Piping Kits (IPK). The latter offers the complete package, containing all of the necessary components needed to prepare and mount the pipes easily and effectively.

IHC Piping and IHC Metalix combined in 2011 to create a strong proposition for the market as they share a similar customer base. This makes gaining new business easier, allows the customer to benefit from the one-stop shop approach and the business units to maintain a competitive position in the market. IHC Piping is also collaborating successfully with IHC Hytop and they have taken a huge step forward together in 2011.

The aims for 2012 include: progressing its plans for internationalisation; installing new software, which will lead to a remarkable improvement in work preparation and logistics control; expanding robotisation; and enhancing the process of innovation.

IHC Interior

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

In previous years, the business unit placed a strong emphasis on moving towards a more project-based organisation. Defining solutions, together with its customers, before the actual production started, turned out to be more efficient and satisfactory for both parties. The organisation also significantly developed its expertise and experience as a result, allowing it to remain as a centre of excellence within the IHC Merwede group.

In 2011, IHC Interior completed several large projects, such as the entire accommodation on heavy-lift vessel OLEG STRASHNOV, and the refurbishment of the town hall in Lelystad, The Netherlands. The offshore vessel project stretched the company’s ability to innovate even further due to the application of different materials to meet the demanding safety regulations.

Many projects are waiting for start-up or completion in the coming year, from naval projects to the refurbishment of non-residential buildings. The accommodation of the self-propelled cutter suction dredger AMBiorix will be completed for its scheduled delivery in May. A consultancy job for sister company IHC Global Production in China is also scheduled for 2012.
IHC Lagersmit

Despite the widespread financial crisis, 2011 was another successful year for IHC Lagersmit. The new factory became fully operational and production cells utilising robots and CNC machines are now processing orders automatically. This efficient and order-focused system has allowed IHC Lagersmit to respond more effectively and flexibly to the needs of its customers.

In order to enhance its customer focus, IHC Lagersmit distributed a customer satisfaction survey in 2011. The results from this survey are being used to match IHC Lagersmit’s product and service packages more effectively with customer requirements. For example, seeking and receiving ATEX 95 certification for the LIQUIDYNE pump shaft seal has made it possible for customers to apply the seal in certain environments at risk of explosion.

Additionally, IHC Lagersmit’s involvement in the tidal energy market has increased in the past year and this has further strengthened its cooperation with various suppliers.

Last year, IHC Lagersmit expressly set its sights on the future and extensively investigated the markets for SUPREME and LIQUIDYNE seals to capture the opportunities for expansion. In 2012, the growth of its share in these markets will be the company’s main priority.

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 that produces minimal noise and vibrations for the heavy drilling sector.

The year 2011 started off well with the successful delivery of three foundation machines to India. Two F2800s and a larger F3500 were delivered in January, together with S70 and S90 hammers from sister company IHC Hydrohammer®. Furthermore, a new Fundex Pile Driver 5000 was delivered to Brazil in May to carry out heavy-duty harbour work.

In March 2011, IHC Fundex Equipment purchased Vermeer MT’s full range of products and services. With this takeover, the company has considerably enhanced its delivery programme in the field of compact hydraulic foundation machines. Vermeer MT’s products are mainly used in situations where height or accessibility is limited.

In 2012 the company will focus on the development and production of a larger machine, the F5000. This is a drill and piling rig with a maximum leader length of 56m. IHC Fundex Equipment will also continue its focus on rental activities in the USA, which holds considerable potential for this sector.
IHC Merwede Annual Report 2011

The IHC Offshore & Marine division strives to deliver optimum value to its customers and to be considered as a partner of choice in innovative integrated offshore vessels and equipment. The 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, strictest safety regulations and most stringent environmental standards for pipelay, flexlay, cablelay, well intervention, diving and multi-purpose offshore support vessels.

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

Cablelay vessels are designed and used for the installation of power cables for offshore wind farms, as well as rapid-response cable maintenance and repair works, ROV operations, buoy deployment and cable retrieval in water depths up to 2,000m.

IHC Merwede also 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.

In order to meet the demands of contractors and offshore operators, IHC Offshore & Marine developed the IHC Supporter class in 2011, using the expertise of several of its sister companies. This type of vessel is designed to be adaptable with pre-designed modules and takes the multi-purpose offshore support concept to the next level. It is the first in a series of IHC Merwede custom-configured offshore support vessels.

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

Well intervention vessels 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. The Well Enhancer is the most recent example of a well intervention vessel and it is also equipped with an 18-man saturation dive system.

**Market developments**

Last year was an eventful one, with the Arab Spring uprisings in North Africa and the Middle East, Japan suffering a devastating natural disaster, and Europe and the USA struggling with a deteriorating financial situation. However, for the offshore oil and gas industry, which remained immune to these global cataclysms, 2011 has been a year of recovery, following the financial crisis that deeply affected the market throughout 2009 and 2010.

The steadily increasing price of oil has had a positive impact on the offshore industry: operator budgets are on the rise for the coming year; and many contractors have built up large backlogs. More than 250 offshore construction and decommissioning projects were completed in various regions around the world in 2011. Worldwide E&P Capex budgets of $544 billion increased by 16% in 2011, compared to $458 billion in 2010. Exploratory drilling for the year has provided a total of 131 discoveries, up ten compared to 2010. This ensures solid growth for the construction market, as discoveries translate to future offshore work.

Larger and more complex projects were driving further consolidation of the market. A number of mergers and acquisitions took place in 2011, among which was the $1 billion deal for French oil giant Technip to acquire Global Industries.

IHC Offshore & Marine’s focus on the market and customer needs delivered significant results in 2011: one contract and three letters of award (which resulted in firm contracts in 2012) for building high-end pipelaying vessels were signed with international contractors.
Offshore & Marine

The ultimate goal of IHC Offshore & Marine is to deliver optimum value and be the partner of choice in innovative, integrated offshore vessels and equipment. It provides the offshore market with a more efficient and cohesive offering for innovative vessels, advanced equipment and life-cycle support.

For 2011 the business goals were clear: to increase sales; and develop and market an offshore support vessel next to a subsea construction vessel. Furthermore, to keep internationalisation a top priority, with cost-effective products built in low-cost countries; and finally, to improve the supply chain and make sure the internal organisation is cost effective to uphold a competitive position in the market.

IHC Offshore & Marine secured orders for four offshore vessels. First was the contract for Subsea 7 for the design, engineering and construction of a new advanced pipelaying vessel, which will have an overall length of 146m, a beam of 30m and a Class-2 dynamic positioning system. Subsea 7 selected IHC Merwede due to its reliability and efficiency with four previous orders. This latest vessel will be used to develop deep-sea oilfields off the coast of Brazil on behalf of Petrobras.

Secondly, by the end of 2011, IHC Offshore & Marine had signed a letter of award for two pipelay vessels for SapuraCrest. Furthermore, one letter of award was signed for a pipelay vessel to be built in Brazil.

IHC Offshore & Marine delivered the following vessels to customers in 2011: the OLEG STRASHNOV, CONGO RIVER and BREUGHEL. The first one, with a 5,000mt crane capacity, is the largest mono-hull, heavy-lift vessel in the world and the largest ever built by IHC Merwede for the offshore market. This vessel is being used for the installation and removal of offshore platforms, subsea constructions and other special projects. The other two are trailing suction hopper dredgers contracted by the Dredging & Mining division, which were built at the Krimpen aan den IJssel yard in The Netherlands.

In line with the group’s optional strategy of internationalisation, IHC Offshore & Marine signed a joint venture agreement with the USA-based BAE Systems in 2011. This opens up new markets for IHC Offshore & Marine in America.

The company has also strengthened the internationalisation strategy with the appointment of a CEO for South East Asia. He will be responsible for helping the company to reinforce its regional identity and expand its Asian-centred operations. Singapore is one of the many countries in which IHC Merwede operates.

Also noticeable is the cooperation between several business units within the group – such as IHC Engineering Business, IHC Offshore Systems and IHC Hytech – in order to be able to supply a fully integrated IHC Merwede offshore vessel.

IHC Offshore & Marine – location Krimpen aan den IJssel

The Krimpen aan den IJssel yard has the largest covered slipway in Europe. At a length of 240m and a width of 40m, it has the capacity to build large and complex working vessels. The production facilities also extend to a 220m outfitting quay, 65m unloading facility and a panel hall.

In addition to the service centre with workshops for subcontractors opened in 2010, plans for an office block progressed well and building started in 2011. With the purchase of 4.7 hectares of development land, the location will
become the offshore hub for IHC Merwede with close access to the water and production facilities. In September 2011 an apprentice school was opened on this location for basic courses in craftsmanship to attract young people and therefore gain an enthusiastic new workforce for the industry.

The 60m long and 38m wide DP2 (dynamic positioning) self-propelled jack-up vessel, which was launched on 23 September 2011, is equipped with a dedicated 600-tonne crane that is fully integrated into the hull. The NEPTUNE will be perfect for the transport and installation of offshore wind turbines and any other heavy marine offshore structures. Once operational, the NEPTUNE will be provided with a Green Passport delivered by American Bureau of Shipping (ABS).

The CONGO RIVER, launched on 21 January 2011, is an innovative and versatile vessel, which has excellent manoeuvrability and is also multifunctional because of its limited length-to-width ratio. With a relatively low draught when fully loaded, the dredger will be able to manoeuvre easily in shallow waters. This makes the CONGO RIVER suitable for working in ports as well as for long-distance sand transportation. It also features a one-man bridge operation.

The design of the BREUGHEL is based on the successful trailing suction hopper dredgers, BRABO and BREYDEL, delivered by IHC Merwede in 2007 and 2008 respectively. The limited draught, combined with large width, ensures that the BREUGHEL can be used in conditions where other ships of this class would be restricted. The vessel’s one-man operated bridge is equipped with a state-of-the-art console, which combines both the dredging and sailing functions.

IHC Offshore & Marine – location Hardinxveld-Giessendam

The modern manufacturing facilities in Hardinxveld-Giessendam incorporate a single covered slipway, which can accommodate vessels measuring up to 165m in length and with a beam of up to 28.40m. Overhead travelling cranes can handle vessel components weighing up to 120 tonnes. The indoor production process guarantees that the highest standards of work, quality and progress can be maintained. In 2011, the capacity was utilised by IHC Merwede’s Dredging & Mining division for the construction of the cutter suction dredger AMBIORIX.

The AMBIORIX can dredge to a water depth of approximately 35m and is one of the most powerful cutter suction dredgers in the world. It is suitable for heavy soil and rock, and is equipped with two inboard dredge pumps and one submerged dredge pump on the cutter ladder.

It also has a barge-loading system, which can load barges moored alongside the dredger. The flexible spud carrier includes a buffer system – and other equipment – which enables dredging during challenging weather conditions. The dredging process is entirely touch-screen operated. Furthermore, the dredger is equipped with a remote-view system, enabling the permanent online view of its dredging process at DEME’s head office in Zwijndrecht (Belgium).

IHC Offshore & Marine has set itself some challenging goals for 2012: to improve its position in the subsea construction market; and increase its market share in offshore support vessels. The company is confident about the future, especially following the signing of new contracts at the end of 2011.
Merwede Design is a relatively young engineering company of currently 16 employees based in Komárno, Slovakia. It provides a range of services to the group, including 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 addition to design activities, Merwede Design specialises in 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 in the concept stage of development.

Merwede Design completed several important projects in 2011, including the basic engineering for dredging vessels KARBALA and DOHUK. It also worked with sister company R-Project on the detailed engineering and production drawings for a passenger ferry for Neptun Werft. And for IHC Engineering Business, it completed structural analyses and 3D modelling.

R-Project is a design and engineering company with 35 employees based in Rijeka, Croatia. It provides a wide range of services, from concept design and theoretical calculations, to basic engineering and more detailed design assignments. R-Project uses sophisticated 3D software to guarantee an excellent service.

The company supplies design work to IHC Merwede and customers outside the group. It has long-standing relationships with some of Europe’s best-known shipbuilders.

Among its assignments in 2011 was one for IHC Dredgers concerning dredging vessels KARBALA and DOHUK. This involved basic design and detailed engineering of the hull, machinery and the outfitting for both vessels.

Cooperating with IHC Offshore & Marine, R-Project also completed basic design and detailed engineering for a backhoe dredger and a pipelaying vessel for Subsea 7.

Furthermore, R-Project carried out work for companies outside the IHC Merwede group in 2011, namely Neptun Werft and Meyer Werft in Germany.

In 2012, R-Project anticipates that most of its work will come from IHC Offshore & Marine and IHC Engineering Business. Outside the group, it will continue its successful cooperation with Meyer Werft on projects for cruising vessels.

The future looks good for both organisations and the focus next year will be on expansion.
IHC Offshore Technology Institute

The IHC Offshore Technology Institute (OTI) carries out an offshore-focussed research programme for IHC Merwede. It cooperates closely with MTI Holland, IHC Merwede’s dredging and mining research centre. Together they employ a total of 70 people.

IHC OTI provides innovative solutions, concept development, high-level multi-disciplinary simulations and in-depth market research. Its areas of expertise are pipelay, cablelay, trenching, diving support, offshore construction, well intervention and renewables, and it specialises in Arctic and deep-water environments, and feasibility. The Institute can be consulted on a complete range of services, from technology to process, and from product to market.

Keeping close contact with IHC Merwede’s customers allows IHC OTI to observe trends and discover potential requirements at the earliest opportunity. It explores new areas, such as design consequences for working in Arctic conditions and at extreme water depths, and new developments in oil and gas field development and IRM (inspection, repair and maintenance).

In 2011, IHC OTI started working with IHC Offshore & Marine and IHC Offshore Systems on the improvement of the well intervention vessel design, including its equipment. IHC OTI’s contribution was to investigate the complete spectrum of well intervention operations, procedures and equipment used, as well as suppliers and competitors.

The Institute also contributed to the concept development of an offshore access system of IHC Offshore Wind. As part of the project, IHC OTI performed multi-body dynamic simulations. To enable it to do this, the existing simulation software was expanded with the functionality to analyse motion compensation systems.

In cooperation with Shell, IHC OTI developed a concept of a pipeline trencher for use in Arctic areas. Leading contractors in this field believe the so-called Arctic Trencher to be the most promising concept so far. IHC OTI will present a paper on the trencher, co-authored by Shell and TU-Delft, at OTC 2012.

Another key activity is the transformation of technology into practical knowledge. In October 2011, it started a basic course on offshore technology for IHC Merwede employees. The Insight to Offshore course consists of 12 weekly sessions and demands a total of 60 hours workload per participant. The aim is for 50 employees to complete the course per year.

IHC OTI has made solid progress across all of its activities in 2011 and intends to continue its advancement in 2012.
Abbreviated financial information 2011

Based on the audited financial statements 2011
## Consolidated Income Statement

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>1,049,756</td>
<td>1,007,812</td>
</tr>
<tr>
<td><strong>Other income</strong></td>
<td>3,857</td>
<td>7,533</td>
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<tr>
<td><strong>Operating income</strong></td>
<td><strong>1,053,613</strong></td>
<td><strong>1,015,345</strong></td>
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<tr>
<td><strong>External costs</strong></td>
<td>616,205</td>
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<tr>
<td><strong>Employee expenses</strong></td>
<td>246,371</td>
<td>238,881</td>
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<tr>
<td><strong>Depreciation of property, plant and equipment</strong></td>
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<td>20,997</td>
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<tr>
<td><strong>Amortisation and impairment of intangible assets</strong></td>
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<td>7,142</td>
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<tr>
<td><strong>Other expenses</strong></td>
<td>29,679</td>
<td>19,704</td>
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<tr>
<td><strong>Operating expenses</strong></td>
<td><strong>921,309</strong></td>
<td><strong>890,789</strong></td>
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<td><strong>Result from operating activities</strong></td>
<td><strong>132,304</strong></td>
<td><strong>124,556</strong></td>
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<td><strong>Finance income</strong></td>
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<td>4,926</td>
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<td><strong>Finance expenses</strong></td>
<td>-3,620</td>
<td>-4,160</td>
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<td><strong>Net finance income</strong></td>
<td><strong>477</strong></td>
<td><strong>766</strong></td>
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<tr>
<td><strong>Share of result of equity accounted investees (net of income tax)</strong></td>
<td>-396</td>
<td>-325</td>
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<tr>
<td><strong>Profit before income tax</strong></td>
<td><strong>132,385</strong></td>
<td><strong>124,997</strong></td>
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<tr>
<td><strong>Income tax expense</strong></td>
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<td>-24,315</td>
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<tr>
<td><strong>Profit for the period</strong></td>
<td><strong>103,150</strong></td>
<td><strong>100,682</strong></td>
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<tr>
<td><strong>Profit attributable to:</strong></td>
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<tr>
<td>Owners of the Company</td>
<td>100,915</td>
<td>98,802</td>
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<tr>
<td>Non-controlling interests</td>
<td>2,235</td>
<td>1,880</td>
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<tr>
<td><strong>Profit for the period</strong></td>
<td><strong>103,150</strong></td>
<td><strong>100,682</strong></td>
</tr>
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### Consolidated balance sheet

*(before appropriation of result)*

<table>
<thead>
<tr>
<th>Assets</th>
<th>31 Dec 2011</th>
<th>31 Dec 2010</th>
</tr>
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<tbody>
<tr>
<td>Property, plant and equipment</td>
<td>222,574</td>
<td>202,194</td>
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<td>Investment property</td>
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<tr>
<td>Intangible assets and goodwill</td>
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<td>Investments in equity accounted investees</td>
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<td>687</td>
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<td>Deferred tax assets</td>
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<tr>
<td>Other non-current financial assets</td>
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<td><strong>Non-current assets</strong></td>
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<td>Inventories</td>
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<td>Due from customers for work in progress</td>
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<td>Trade and other receivables</td>
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<td>Current tax receivables</td>
<td>5,398</td>
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<tr>
<td>Cash and cash equivalents</td>
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<td>331,723</td>
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<td><strong>Current assets</strong></td>
<td><strong>626,235</strong></td>
<td><strong>641,558</strong></td>
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<tr>
<td><strong>Total assets</strong></td>
<td><strong>934,461</strong></td>
<td><strong>904,468</strong></td>
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<table>
<thead>
<tr>
<th>Group equity</th>
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<tbody>
<tr>
<td>Share capital</td>
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<td>250</td>
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<tr>
<td>Share premium reserve</td>
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<td>68,136</td>
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<tr>
<td>Reserves</td>
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<td>Unappropriated result</td>
<td>100,915</td>
<td>98,802</td>
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<tr>
<td><strong>Total equity attributable to equity holders of the Company</strong></td>
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<td><strong>336,472</strong></td>
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<td>Non-controlling interests</td>
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<td>4,123</td>
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<td><strong>Total Group equity</strong></td>
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<td><strong>340,595</strong></td>
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<table>
<thead>
<tr>
<th>Liabilities</th>
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<td>Loans and borrowings</td>
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<td>Derivatives</td>
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<td>Deferred tax liabilities</td>
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<td>Provisions</td>
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<td><strong>Total non-current liabilities</strong></td>
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<td>Trade and other payables</td>
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<td>Due to customers for work in progress</td>
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<td>Current portion of loans and borrowings</td>
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<td>Current tax liabilities</td>
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<td><strong>Total current liabilities</strong></td>
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<td><strong>473,330</strong></td>
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<tr>
<td><strong>Total liabilities</strong></td>
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<td><strong>563,873</strong></td>
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<thead>
<tr>
<th>Total Group equity and liabilities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>934,461</strong></td>
<td><strong>904,468</strong></td>
</tr>
</tbody>
</table>
## Consolidated statement of cash flows

<table>
<thead>
<tr>
<th>In thousands of euros</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the period</td>
<td>103,150</td>
<td>100,682</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortisation expenses</td>
<td>29,054</td>
<td>28,139</td>
</tr>
<tr>
<td>Revaluation of land</td>
<td>1,532</td>
<td>-</td>
</tr>
<tr>
<td>Gain on sale of property, plant and equipment</td>
<td>-9</td>
<td>-4,079</td>
</tr>
<tr>
<td>Share of result of equity accounted investees</td>
<td>396</td>
<td>325</td>
</tr>
<tr>
<td>Net finance income</td>
<td>-477</td>
<td>-766</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>29,235</td>
<td>24,315</td>
</tr>
<tr>
<td>Changes in provisions</td>
<td>7,745</td>
<td>11,549</td>
</tr>
<tr>
<td><strong>Net cash flow from operating activities (excluding changes in working capital)</strong></td>
<td><strong>170,626</strong></td>
<td><strong>160,165</strong></td>
</tr>
<tr>
<td>Interest received</td>
<td>3,142</td>
<td>3,875</td>
</tr>
<tr>
<td>Interest paid</td>
<td>-2,788</td>
<td>-3,751</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>-22,757</td>
<td>-30,792</td>
</tr>
<tr>
<td><strong>Net cash flow from operating activities (excluding changes in working capital)</strong></td>
<td><strong>148,223</strong></td>
<td><strong>129,497</strong></td>
</tr>
<tr>
<td>Changes in working capital (excluding cash and cash equivalents):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>6,605</td>
<td>33,774</td>
</tr>
<tr>
<td>Due from customers for work in progress</td>
<td>-7,449</td>
<td>54,511</td>
</tr>
<tr>
<td>Trade and other receivables (excluding derivatives and accrued interest)</td>
<td>9,594</td>
<td>-27,302</td>
</tr>
<tr>
<td>Due to customers for work in progress</td>
<td>-77,884</td>
<td>-24,274</td>
</tr>
<tr>
<td>Trade and other payables (excluding derivatives and accrued interest)</td>
<td>-6,435</td>
<td>-35,430</td>
</tr>
<tr>
<td><strong>Changes in working capital</strong></td>
<td><strong>-75,569</strong></td>
<td><strong>1,279</strong></td>
</tr>
<tr>
<td><strong>Net cash flow from operating activities</strong></td>
<td><strong>72,654</strong></td>
<td><strong>130,776</strong></td>
</tr>
<tr>
<td>Acquisitions of intangible assets and property, plant and equipment</td>
<td>-44,826</td>
<td>-31,697</td>
</tr>
<tr>
<td>Proceeds from divestments of property, plant and equipment</td>
<td>150</td>
<td>5,218</td>
</tr>
<tr>
<td>Acquisition of subsidiaries, net of cash acquired</td>
<td>-9,660</td>
<td>-</td>
</tr>
<tr>
<td>Investments in other non-current financial assets</td>
<td>-21,469</td>
<td>-</td>
</tr>
<tr>
<td>Dividends received</td>
<td>139</td>
<td>77</td>
</tr>
<tr>
<td>Issue of loans and receivables</td>
<td>-472</td>
<td>-90</td>
</tr>
<tr>
<td>Repayment of granted loans and receivables issued</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash flow used in investing activities</strong></td>
<td><strong>-76,134</strong></td>
<td><strong>-26,492</strong></td>
</tr>
<tr>
<td>Additions to loans and borrowings</td>
<td>-356</td>
<td></td>
</tr>
<tr>
<td>Repayment of loans and borrowings</td>
<td>-28,516</td>
<td>-13,693</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>-49,430</td>
<td>-28,317</td>
</tr>
<tr>
<td>Dividends paid to minority interests</td>
<td>-1,986</td>
<td>-2,007</td>
</tr>
<tr>
<td><strong>Net cash flow used in financing activities</strong></td>
<td><strong>-79,932</strong></td>
<td><strong>-43,661</strong></td>
</tr>
<tr>
<td><strong>Net increase / (decrease) in cash and cash equivalents</strong></td>
<td><strong>-83,412</strong></td>
<td><strong>60,623</strong></td>
</tr>
<tr>
<td>Cash and cash equivalents as at 1 January</td>
<td>331,723</td>
<td>269,736</td>
</tr>
<tr>
<td>Movements in net cash and cash equivalents</td>
<td>-83,412</td>
<td>60,623</td>
</tr>
<tr>
<td>Effect of exchange rate fluctuations on cash held</td>
<td>1,651</td>
<td>1,364</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents as at 31 December</strong></td>
<td><strong>249,962</strong></td>
<td><strong>331,723</strong></td>
</tr>
</tbody>
</table>
Notes to the abbreviated financial information

1. General

The abbreviated financial information is derived from the financial statements 2011, 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 B.V. and its consolidated subsidiaries (together referred to as the ‘Group’) for the year ended 31 December 2011.

For a better understanding of the Group’s financial position, we emphasise that the abbreviated financial information should be read in conjunction with the unabridged financial statements, from which the abbreviated financial information was derived. An unqualified auditor’s report thereon dated 23 March 2012 was issued by KPMG Accountants N.V. The unabridged financial statements 2011 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 2011.

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 IFRSs 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.

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.

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
Notes to the abbreviated financial information

Indefinite useful life-time and intangible assets that are not yet available for use is estimated annually at the same time.

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

Property, plant and equipment
Land is measured at cost on initial recognition and subsequently at fair value less accumulated impairment losses. The fair value is defined as the estimated amount for which land could be exchanged between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeable. Disposal costs are not deducted in determining the fair value. The fair value of land is based on appraisals performed by an independent valuator once every three years or for recently acquired land, the fair value is based on the cost value. Any surplus arising on revaluation is recognised in the revaluation reserve in equity except to the extent that the surplus reverses a previous revaluation deficit on the same asset recognised in profit or loss, in which case the credit to that extent is recognised in profit or loss. Any deficit on revaluation is recognised in profit or loss except to the extent that it reverses a previous revaluation surplus on the same asset, in which case the debit to that extent is recognised in the revaluation reserve in equity. The revaluation reserve is transferred to other reserves upon ultimate disposal of the asset. Land is not depreciated.

Other classes of property, plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses.

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 identifible assets, liabilities and contingent liabilities acquired. Goodwill is measured at cost less any accumulated impairment losses.

Due from (to) customers for work in progress
Work in progress is measured at cost of the work performed at reporting date, plus a part of the estimated results upon completion of the project in proportion to the progress made and net of progress billings, advances and provisions. 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
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. The stage of completion is generally assessed on the basis of the cost incurred of the work performed, in relation to the expected total costs of the project. 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.

Revenues 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. Rental income from property, plant and equipment is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease.

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.

3. Research & development expenses

Expenses for fundamental and general applied research & development – net of grants received – amounted € 12.9 million (2010: € 11.2 million). Together with applied research & development on customer orders and the capitalised development expenses in the balance sheet, the total expenses of research & development amount approximately 3% of revenues.

4. Order book

The order book at year-end 2011 amounted to € 1,179 million (year-end 2010: € 1,167 million). The order book of 2011 includes the order for two offshore vessels, for which firm agreement was reached and the Letter of Intent was signed in December 2011. In early 2012 the contract documentation was signed.

5. Bank Facility: guarantees issued and securities

In June 2011, the group refinanced the existing € 900 million bank guarantee facilities as part of € 1,500 million secured credit facilities provided by a bank consortium comprising of ABN Amro, BNP Paribas, Deutsche Bank, ING Bank and Rabobank. The facilities are divided into € 900 million of committed bank guarantee facilities, € 300 million of uncommitted capex/acquisition facilities and € 300 million of uncommitted ‘customer financing facilities’. In particular the capex/acquisition and working capital facilities are meant to support us in our growth strategy. The customer financing facilities are meant to offer financing arrangements in case IHC Merwede customers prefer alternative payment schedules.

In addition to above mentioned credit facilities, the group has a € 100 million guarantee facility with NV Nationale Borg-Maatschappij.

The total amount of outstanding bank guarantees as at 31 December 2011 was € 553 million (2010: € 860 million). The commitments pursuant to the financial covenants agreed with the bank consortium have been met in full as at 31 December 2011.

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 2011, the consolidated balance sheet as at 31 December 2011, 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 2011. We expressed an unqualified audit opinion on those financial statements in our report dated 23 March 2012. Those 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 810 “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 2011 is consistent, in all material respects, with those financial statements, on the basis described in note 1.

Rotterdam, 26 March 2012
KPMG ACCOUNTANTS N.V.
L.H. Barg RA
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Sliedrecht

Shipyards – The Netherlands
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Heusden
Kinderdijk
Krimpen aan den IJssel
Sliedrecht

Shipyards – P.R. of China
Dalian

Shipyards – Serbia
Belgrade

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

Sites – P.R. of China
Shanghai
Guangzhou

Sites – USA
Houston, TX
Lafayette, LA
Wayne, NJ

Sites – South Africa
Cape Town

Sites – Southeast Asia
Kuala Lumpur
Singapore

Representative offices
Beijing – P.R. of China

Regional IHC Organisations
Dubai – United Arab Emirates
Kinderdijk – The Netherlands
Lagos – Nigeria
Mumbai – India
Rio de Janeiro – Brazil
Singapore – Republic of Singapore
Tianjin – P.R. of China

IHC Merwede Annual Report 2011