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THE TECHNOLOGY
INNOVATOR.

ANNUAL REPORT 2017

THE TECHNOLOGY
INNOVATOR.

CONTENTS

SUPERVISORY BOARD

J.C. ten Cate, Chairman
C.J. de Bruin
B.H.C. de Bruin-van Eijck
K.J. de Clercq Zubli
C. Korevaar

BOARD OF MANAGEMENT

D.A.A.J.A.G. Vander Heyde, CEO
A. Vergunst, CFO

DIRECTORS

A.A. den Boon
M.P. Hakkert
C. de Hey-Maas
A. Klijnsoon
M. de Korte
P.W. Maris
D.W.A. van Rijn
J.A. Westerbeek

COMPANY PROFILE

ROYAL IHC:
INNOVATIVE SOLUTIONS FOR MARITIME SERVICE PROVIDERS

In an ever-changing political and economic landscape, Royal IHC enables its customers to execute complex projects from sea level to ocean floor in the most challenging of maritime environments. We are a reliable supplier of innovative and efficient equipment, vessels and services for the offshore, dredging and wet mining markets.

With a history steeped in Dutch shipbuilding since the mid-17th Century, we have in-depth knowledge and expertise of engineering and manufacturing high-performance integrated vessels and equipment, and providing sustainable services. From our head office in The Netherlands and with 3,000 employees working from sites and offices on a global basis, we are able to ensure a local presence and support on every continent.

Dredging operators, oil and gas corporations, offshore contractors, mining houses and government authorities all over the world benefit from IHC's high-quality solutions and services. With our commitment to technological innovation, in which sustainability and safety are key, we strive to continuously meet the specific needs of each customer in a rapidly evolving world.

All shares of IHC Merwede Holding B.V. are held by shareholders of IHC B.V. and are divided as follows: Parkland N.V.: 62.1%, Stichting Administratiekantoor Management en Personeel IHC: 17.9%, Rabo Capital II B.V.: 11.4% and Noordland N.V.: 8.6%. Shareholders are committed to IHC in the long-term.

KEY FIGURES 2013-2017

AMOUNTS IN MILLIONS OF EUROS, UNLESS STATED OTHERWISE	2017	2016	2015	2014	2013
New orders	**1,636.7***	695.5	826.7	582.9	1,767.1
Revenue	**800.2**	764.1	1,161.3	1,214.7	984.5
Order portfolio as at 31 December	**1,573.1***	745.0	834.7	1,165.5	1,743.1
Profit for the period	**-21.8**	-21.6	27.9	124.0	56.3
Profit for the period attributable to owners of the company	**-21.8**	-20.8	29.1	123.0	54.4
EBITDA	**18.6**	15.1	84.8	191.9	108.0
Group equity	**274.5**	280.2	305.4	295.7	315.4
Total assets	**911.8**	886.1	1,100.2	1,189.3	1,083.8
Group equity/total assets	**30%**	32%	28%	25%	29%
Group equity/capital employed	**62%**	60%	64%	60%	65%
Average number of employees (head count)	**3,010**	3,255	3,434	3,263	3,224

* *The new orders and order portfolio 2017 include two contracts and one letter of intent signed in 2017 that will become effective in 2018 for a total amount of €565 million.*

REPORT OF THE SUPERVISORY BOARD

INTRODUCTION
2017 was an important and transformative year for IHC. It started with the execution of the downsizing process announced in the previous year. This was a difficult but necessary step in the Group's long-term mission to remain a leading supplier of innovative marine and offshore equipment.

During the course of the year, several important new orders were won from some of the world's most renowned marine contractors, showing continued confidence in IHC by its key customers. It now all comes down to executing these projects OSBIT (on spec, budget and in time). In order to accelerate its growth ambitions, IHC completed four acquisitions in 2017, and formed one 50-50 joint venture.

SUPERVISION
The Supervisory Board met seven times during the financial year (six meetings and one conference call). One of these sessions took place in the context of a two-day gathering off site, during which the strategy of the Group was discussed in depth. In advance of each formal meeting, the Supervisory Board convened separately (ie without the Management Board being present). The remuneration committee met twice during the year, while the audit committee convened three times.

Members of the Supervisory Board have attended some of the biweekly meetings of the Executive Committee of the Group. Further, alternating members have attended some of the regular meetings between the Management Board and the Works Council. The Supervisory Board is satisfied that it has been able to inform itself adequately to form an independent opinion on relevant matters.

In August, Mr Jan van der Horst stepped down as a member of the Supervisory Board, resulting in a vacancy. The Supervisory Board wishes to thank Mr Van der Horst for his valuable contribution to the Group over the years. After a thorough selection process, the Supervisory Board was happy to welcome Mr Klaus de Clercq Zubli as its new member as of March 2018. During 2017, Mr ten Cate (Chairman), Mr De Bruin and Mrs De Bruin-van Eijck were reappointed.

Noteworthy topics in the supervision have been financial and operational performance, succession planning, strategy execution, IT, mergers and acquisitions, and human resources.

In addition, the Supervisory Board and the shareholders have collectively developed a new management participation plan, which was ultimately adopted in November 2017. The purpose of the plan is to enhance the loyalty of the Group's key management towards IHC. It is expected that the plan will be finalised and implemented during the first half of 2018.

FINANCIAL STATEMENTS
The Supervisory Board of IHC Merwede Holding BV hereby presents the Annual Report 2017. This incorporates the financial statements for the year as prepared by the Board of Management. The financial statements were audited and discussed with KPMG Accountants NV (KPMG). The auditor issued an unqualified independent auditor's report on the 2017 financial statements.

The financial statements were approved by the Supervisory Board on 10 April 2018. The result attributable to the shareholders of the Company for 2017 is a €21.8 million loss, which is €1.0 million worse than the €20.8 million loss in 2016. EBITDA improved from €15.1 million in 2016 to €18.6 million in 2017. The balance sheet totals €911.8 million with Group equity standing at €274.5 million.
The Board of Management proposes no dividend over 2017 and to deduct the net loss from the other reserves. This has been approved by the Supervisory Board.

CONCLUSION
The Supervisory Board wishes to thank IHC's customers for their continued confidence and close cooperation. The Supervisory Board also thanks IHC's loyal and highly skilled employees around the world for their continued efforts to meet and exceed the expectations of our customers.

IHC is well positioned to achieve its mission to remain one of the world's leading suppliers of innovative marine and offshore equipment, as evidenced by the strong order intake achieved in 2017. As market conditions gradually improve, IHC is ready to take on the next growth challenge.

Kinderdijk, 10 April 2018

J.C. ten Cate, Chairman
C.J. de Bruin
B.H.C. de Bruin-van Eijck
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C. Korevaar

REPORT OF THE BOARD OF MANAGEMENT

INTRODUCTION

The global trend of an inward-looking, protectionist focus in many countries did not change in 2017, despite the positive election results in The Netherlands, France and Germany. But Brexit casts its shadow ahead in the EU. US government shows protectionist tendencies. But despite these political trends, IHC's core markets finally showed the first signs of recovery in 2017. A slowly increasing oil price, a steady developing dredging market and some interesting developments in the mining market resulted in an excellent sales figure over 2017 of €1,637 million. This includes two contracts and one letter of intent signed in 2017 that will become effective in 2018 for a total amount of €565 million.

For IHC, the positive impact of these sales on the delivery organisation will be noticeable from 2018 onwards. Due to this sales boost, the amount of vacancies has increased substantially. These reflect the transformation IHC is going through – from a shipbuilder to a knowledge intensive, high-spec equipment and vessels-oriented marine supplier. In 2018, this transformation will be further intensified.

MARKET DEVELOPMENTS

The outlook for all our markets improved over 2017, which is reflected in a substantially higher sales figure. The global dredging market shows a steady growth rate. Differences between areas are large, however. Asia (India and China) invests heavily in dredging activities while the Americas remain in a more explorative mode. In these regions, contractors mainly invest in smaller equipment. In Europe, dredge building is also picking up, as global contractors see opportunities to order new and large equipment for attractive prices, due to the overcapacity in shipbuilding.

In 2017, consolidation of oil and gas contractors has continued. Now, the market is cautiously but selectively returning to investment mode. Investments are focused on exploration and subsea, are mainly 'volume driven', and geared towards relatively easily accessible oil fields. Customers are again willing to spend on major capex investments with a lifespan of 25+ years when higher efficiency, higher uptime and opex reduction are clearly demonstrable. These customers are also increasingly looking for 'one-stop shop' partners who can take care of non-core activities such as repairs, maintenance and logistics, and have the engineering capacity to develop high-spec custom-built solutions together with a focus on system integration, robotics, remote control and improvement of uptime and efficiency.

In European renewables, the name of the game is efficiency improvement due to reduced subsidies and, hence, price pressure that concession winners put on their supply chain. This results in a quickly maturing value chain. Other renewables markets still remain in development, both in volume and maturity of projects.

The mining market is evolving positively due to increasing prices for minerals and metals. As a consequence, the prospects for innovative developments such as deep-sea mining are also improving. Although this has not yet materialised into concrete projects, contractors are showing renewed interest in these type of high-end, innovative solutions.

COMPANY DEVELOPMENTS

During the entire year, the management focus was on OSBIT (on spec, budget and in time) delivery of ongoing projects. As the second downsizing was also taking place simultaneously (affecting 200 employees), this understandably had a negative effect on available knowledge levels, as well as the overall atmosphere and motivation of personnel. In combination with the challenging level of innovation required in certain projects, this was – and is – a real test for the delivery organisation.

At the same time, IHC kept investing in reducing its dependency on shipbuilding and production activities. IHC acquired 50% plus one share of the shares in Brazilian-based EngeMOVI, which specialises in robotics. IHC also entered into a 50% joint venture (GranIHC Services) with another Brazilian-based company – GranEnergia – to capture a larger part of the offshore service market in Latin America.

With a focus on establishing a stronger foothold in European shipbuilding services, IHC acquired 50% of the shares in the Rotterdam Offshore Group (ROG). Finally, IHC strengthened its engineering capabilities by acquiring engineering companies Hessels & Van Rooij, MD&ES and KCI, all based in The Netherlands. IHC is thus transforming from 'the technology innovator' into 'the integrated solutions provider'.

The internationalisation process continued at full speed. The company opened new offices in Bangladesh and Colombia and increased the staffing levels at existing offices in LATAM, India and China. At the end of 2017, this resulted in a total of 725 foreign employees. As the local sales system is a powerful instrument to keep in touch with customers and market developments, IHC strengthened the connection with its agent network by meeting up with all accredited agents for a two-day-event in India. After some years of disregard, this event was evaluated very positively by all those involved and has already led to new vitality in the agent network, as well as new sales leads.

Innovation remained an area of attention in 2017. The amount of innovation projects was greatly reduced in 2016. This reduction was meant to increase the focus, as well as the potential success rate of initiatives. As proof of this strategy, three initiatives have been repositioned as separate start-up units, and IHC expects them to yield commercial results from 2019.

In addition, SHEQ issues continued to receive the full attention of management and employees. On all issues, IHC's performance improved considerably. Clear SHEQ policies combined with their frequent communication, has started to pay off. Beyond IHC's control, however, was the asbestos incident that occurred with a supplier. Contaminated grit was applied in painting activities on the yards. Swift investigation of the health risks, thorough cleansing of the locations and registration of employees involved (all in line with Ministry of Health guidelines) have limited any lasting effects.

FINANCIAL

General

The financial year 2017 can be characterised as 'transitional'. The large projects not realised on specification, on budget and in time (OSBIT), which also impacted the result last year, had a significant impact on the result of the financial year 2017.

During the year, the second downsizing was completed. With this process now finalised, IHC can look to the future again. This is supported by an order intake of € 1.6 billion. As the existing order intake has a high risk profile, and the margins are under pressure, delivering OSBIT is the first priority for all employees within the company.

Although the overall results improved compared to 2016, a loss has still been recorded. Despite this loss, the balance sheet remains healthy with a solvency ratio of 30.1%. With the proposed measures taken, IHC is expected to regain profitability as of 2018.

Revenue and result development

Revenue during the year increased by 4.7% to €800.2 million (2016: €764.1 million). External costs increased by 7.7% to €522.2 million (2016: €484.9 million). These expenses amounted to 65.3% of revenue, which is an increase of 1.8% compared to 2016 (63.5%). Although employee expenses increased by €5.4 million compared to last year, due to the increase in revenue, employee expenses as a percentage of revenue decreased from 33.6% to 32.8%.

The average salary cost per employee amounted to €65,913 – an increase of 5.4% compared to 2016. Depreciation and impairment of property, plant and equipment decreased (from €33.4 million in 2016 to €31.6 million in 2017). Amortisation and impairment of intangible assets decreased from €12.3 million in 2016 to €11.2 million in 2017. The result from operating activities, plus the depreciation and impairment of property, plant and equipment, and amortisation and impairment of intangible assets (EBITDA) amounted to €18.6 million (€15.1 million in 2016).

Order book

The order book as at 31 December 2017 amounted to €1,573.1 million – which is 111% higher than the order book on 31 December 2016 (€745.0 million).

Sales in 2017 amounted to €1,636.7 million, an increase of €941.2 million compared to 2016.

Cash flow

The following represents the cash flow in the past two years:

IN MILLIONS OF EUROS	2017	2016
Net cash flow from:		
Operating activities (excluding changes in working capital)	**-9.5**	-5.4
Changes in working capital	**189.1**	48.3
Investing activities	**-25.7**	-26.4
Financing activities	**-65.5**	-65.2
Net increase/decrease in cash and cash equivalents	**88.4**	-48.7

Working capital

Working capital amounting to -€175.8 million as at 31 December 2017, which is substantially lower compared to the previous year (-€32.3 million). Fluctuations in working capital are due to the characteristics of the company, as work in progress is financed either on a milestone payment schedule by the customer or by an agreed payment schedule with the bank consortium. Depending on the agreed payment schedule with the customer and the stage of completion of the projects under construction, the amount due to or from customers, or the amount of trade receivables, may differ substantially.

Investments

Investments in property, plant and equipment during 2017 can be specified as follows:

IN MILLIONS OF EUROS	
Docks, slipways, dry docks, business premises, floating equipment	**2.4**
Plant and machinery	**2.0**
Rental equipment and other operating fixed assets	**24.4**
Other items	**19.7**
	48.5

Investments in property, plant and equipment are directly related to the current business. Investments in rental equipment and the investments under construction are related to the rental fleet of IHC IQIP and other rental assets such as Beavers and specialist deep-sea equipment.

Balance sheet ratios

The condensed balance sheet as at 31 December is:

IN MILLIONS OF EUROS	31 DEC 2017	31 DEC 2016	DIFFERENCE
Non-current assets	389.5	364.3	**25.2**
Working capital (excluding cash and cash equivalents)	-175.8	-32.3	**-143.5**
Cash and cash equivalents	226.6	138.4	**88.2**
Net assets	440.3	470.4	**-30.1**
Non-current liabilities	165.8	190.2	**-24.4**
Group equity	274.5	280.2	**-5.7**
Financing	440.3	470.4	**-30.1**

Group equity decreased by €5.7 million. This decrease is the balance of the loss for the 2017 financial year (€21.8 million negative), negative currency differences (€5.6 million), a positive movement in the hedging reserve (€23.8 million after tax) related to hedge accounting on outstanding contracts, a negative movement due to the put-option for acquisition of non-controlling interest (€3.2 million) and the effects of revaluation and acquisition of non-controlling interest (€1.1 million). The solvency ratio as at 31 December 2017 was 30.1%, a decrease of 1.5% compared to 31 December 2016. The current ratio at year-end 2017 was 1.1 (year-end 2016 = 1.3).

FINANCING

The Group has a €1,535,000,000 credit facility which is divided as follows:

	AMOUNT	MATURITY DATE	AMORTISATION	TYPE	DRAWN PER 31-12-2017
Bank guarantees	862,000	30 May 2020	Not applicable	Committed	502,671
Construction loan	11,000	31 July 2018	Delivery vessel	Committed	-
Construction loan	6,000	30 Sep 2019	Delivery vessel	Committed	-
Revolving credit facility	110,000	30 May 2020	Bullet	Committed	35,000
Term debt	50,000	30 May 2019	Bullet	Committed	50,000
Accordion facility	496,000	30 May 2020	Not applicable	Uncommitted	-
	1,535,000				**587,671**

€95.0 million of the Accordion facility is used to set up a separate bilateral €95.0 million construction loan agreement with a lender in order to fund the working capital related to two projects. After delivery of the projects the bilateral agreement will be repaid and cancelled after which the cancelled amount will become available again as 'uncommitted accordion facility' which can be re-instated subsequently.

Usage of the other construction loans is limited to fund working capital for certain designated projects and the maturity date is linked to the expected delivery date of the relevant project. Pro rata the delivery of the relevant project the borrowings are repaid and the facility (partly) cancelled. The cancelled amount will become available again as 'uncommitted accordion facility' and can be re-instated subsequently.

In 2017 the Group has increased the bank guarantee facilities by €100.0 million to €862.0 million and increased the revolving credit facility by €25.0 million to €110.0 million. These facilities are provided by a consortium of financial institutions consisting of ABN AMRO, Commerzbank, DBS Bank Ltd, Delta Lloyd, Deutsche Bank, ING Bank, Rabobank and NatWest (formerly RBS). In the context of this credit agreement most of the immovable property has been mortgaged and certain inventories, receivables, bank accounts, other movable property and current assets have been pledged to the lenders. The commitments to the financial covenants have been met in full as per 31 December 2017.

In addition to the aforementioned credit facilities, the Group has the following other credit facilities:

(i) A €60 million guarantee facility with NV Nationale Borg Maatschappij of which approximately €54 million was outstanding;

(ii) A €19.6 million term loan provided by a vendor finance provider in the form of a five-year annuity on a quarterly basis. The outstanding loan amount was €14.3 million at 31 December 2017;

(iii) €26.5 million outstanding under a lease facility provided by a leasing company to finance (part of) the rental assets of the group in the form of a five-year annuity on a quarterly basis;

(iv) €10 million revolving credit facility of which €7.8 million was outstanding at 31 December 2017;

(v) €4.7 million in outstanding loans for Tompkins UK and €1.3 million outstanding loans for the Rotterdam Offshore Group B.V.

Research and development

Innovation, as one of the building blocks of IHC 2020, is crucial to answer tomorrow's market demands and is focused on innovative output that sells. IHC annually spends approximately 3% of its revenue on innovation and has a specialist in-house R&D institute, IHC MTI. Its focus is to deliver the most efficient vessels, equipment and services for the specialist maritime industry.

RISK MANAGEMENT

IHC's risk profile has raised in recent years, due to increased market dynamics and fierce competition, resulting in price and margin pressure. Effective risk management in everything IHC does is of eminent importance and multiple measures are implemented in IHC's risk management framework.

Governance and culture

Being established and represented in many countries in the world, IHC puts great value on maintaining its core values, business ethics and compliance standards throughout the entire organisation. The cultural and behavioural framework of IHC is therefore included in a number of company codes, that reflect IHC's risk attitude and mitigating response to the do's and don'ts of conducting international business, and how to act in situations that conflict with IHC's policies.

The main pillars for this framework are the Code of Conduct, the Anti-Bribery Policy, the Whistle Blower Regulation, the Corporate Operating & Collaboration Principles and Agent Procedures.

IHC conducts an ongoing internal leadership programme that onboards and develops its management in the core values of the company, its codes and expected personal behaviour. In addition, a performance management framework is in place that ensures the translation of IHC's objectives into unit, departmental and personal objectives for operational, financial and compliance topics, which are measured against realisation on a continuous basis by means of structured reporting, meeting formats and schedules.

IHC's financial reporting system is included in financial guidelines and accounting manuals that comply with national and international laws and regulations.

Strategy and objective setting

The Board of Directors performs yearly reassessments of the current IHC 2020 strategic plan, and the approach, interpretation and targets for the top building blocks of the IHC 2020 strategy are brought up-to-date. The results are cascaded further down into the organisation and elaborated on in the yearly cycle of defining the divisions' tactical, operational and financial plans.

An integrated part of this planning cycle is the identification of the main threats and opportunities for the realisation of the plans, as well as management's conclusions on how to cope with these.

Execution and monitoring

In general, the following types of risks inherent within the company's business are identified and monitored.

Market risks

IHC's order intake for high-end integrated products with high capital value is non-linear and difficult to predict in terms of timing. A flexible, balanced workforce and in- and outsourcing capabilities are necessary to match IHC's cost base to the workload available. The company's approach is to change to a more opex-driven portfolio, by performing more services, consultancy and engineering orders, providing support to operators and offering financing arrangements to our products.

Contract risks

Structured contract risk assessments are completed before binding offers are issued, which are reviewed by the Board of Directors for major projects. The assessments cover technical and execution risks as well as financial, legal and political risks, and the mitigation measures that need to be taken for an acceptable residual risk.

Project risks

The products that IHC delivers to its customers are predominantly managed by IHC's in-house project management method. This contains continuous risk and opportunities assessments and risk mitigating sessions via project board meetings. Risks are reported, monitored and managed in the centralised risk management system by Project Management and Project Control. In addition, all major projects are reported to and discussed with the Executive Committee.

International compliance risks

International IHC management must be aware of local cultures, laws and regulations. Where a foreign activity is too small to organise its own compliance obligations, support is given from the shared services of the IHC group. Additionally, regular visits are conducted by group management to overseas activity sites.

IT risks

IHC is heavily dependent on the reliability and availability of its software solutions, databases and infrastructure for the proper execution of its business. IHC's IT department has a dedicated team that is responsible for the implementation of IT security measures. Additionally, the security measures are reviewed for effectiveness by a third party and are reported to the Board of Directors and Audit Committee.

Interest rate and currency risk

All currency and interest risks are managed in accordance with the company's strict hedging policy.

Credit risk

The company has strict acceptance procedures and risk policies for credit risks. Credit checks are performed before IHC's standard terms and conditions are offered. If required, credit risks are covered by obtaining payment security, such as bank guarantees, (confirmed) letters of credit, advance payments, parent company guarantees and/or credit risk insurance.

Liquidity risk

The company's approach to managing liquidity risks is to ensure that it will always have sufficient liquidity to meet its liabilities when due – both under normal and stressed conditions – without incurring unacceptable losses or risking damage to the company's reputation. Cash forecasting procedures are in place to mitigate any liquidity risks in a timely manner.

Tax risks

Tax risks are managed at group level by the Tax department, which assists the business units in day-to-day tax questions, manages foreign tax risks for projects abroad, and ensures overall compliance with tax rules and regulations.

Review and revision

The Board of Directors has overall responsibility for the risk management and control framework within the company. The Chief Financial Officer acts as the formal representative and is advised by staff functions, aided by information from the risk management system. The adequacy and effectiveness of the framework are regularly reviewed, taking into account any changes in external business dynamics, as well as any internal changes within IHC.

HUMAN RESOURCES

From a human resources perspective, there were two distinct sides to the past year. On one hand, IHC paid close attention to the careful execution of the organisation's second downsizing round. On the other, it handled the recruitment, selection and onboarding of a large number of new staff members. IHC had to give a number of employees notice in the early months of the year. Thanks to various adjustments, the total number of involuntary redundancies was lower than estimated. But unfortunately, some 200 staff members still lost their jobs.

A number of new orders came in shortly afterwards, requiring IHC to take on new, highly-qualified staff. The company went on to fill some 350 new positions in The Netherlands over the course of the year, many of which concerned engineers, project managers and service engineers. One project that had a significant impact on IHC's colleagues was the major overhaul of its job evaluation system. Each employee has been assigned a position within the new job matrix. In consultation with the trade unions, IHC has agreed upon guarantee provisions for its current staff members to compensate for possible negative consequences on their salaries.

To gain insight into the potential of its employees' to fulfil a top-level management position, IHC launched the succession planning project. Its board members and senior managers have all been invited to participate in an individual assessment that maps out their current capacities, points for development and future potential.

IHC has taken note of the law requiring a more balanced representation of men and women on the Board of Management and Supervisory Board. Under this law, at least 30% of the positions must be held by women and 30% must be held by men. When making future nominations and appointments, the Board of Management and the Supervisory Board will take into account the statutory requirements for a balanced representation of men and women.

CORPORATE SOCIAL RESPONSIBILITY

As a supplier of maritime equipment for the dredging, offshore and mining industries, IHC is aware of the social and environmental impact of its products and activities throughout their life cycle. An active CSR strategy, involving all aspects of the company's business, varying from supply chain management and engineering to production and after-sales services, is key in recognising and minimising these impacts.

The baseline of IHC's CSR strategy is to retain a healthy financial position, while working under safe and healthy circumstances, and limiting the environmental impact of its products, services and activities. This does not end at the company's gate, but also involves suppliers, subcontractors and foreign yards that IHC cooperates with. The most significant topics are identified by the Sustainability Steering Committee and reported upon in IHC's annual CSR report.

Supported by increasing societal pressure, as well as the development of stringent rules and regulations to reduce the environmental impact of maritime activities, IHC aims to develop sustainable solutions that fit market demands. This has led to several solutions that optimise or reduce the fuel consumption and emissions of dredging and offshore vessels, and even to the application of alternative fuels such as LNG.

The reduction of the total number of reported lost time injuries seen in 2016 has continued in 2017, resulting again in a reduced lost time injury frequency. This is the result of an active safety policy and an atmosphere in which everyone is invited to discuss safety issues at their workplace.

The ambition for 2018 is to continue with innovative research and development projects to expand the portfolio of sustainable solutions, further increase the safety standard at both IHC and partner sites, and explore the possibilities for taking steps towards the circular economy.

FUTURE

Despite all the attention that was paid to OSBIT in 2017, the results over 2017 are quite disappointing. 2018 will therefore again be a challenging year for IHC. The focus will be on managing and being in control of delivering the promises made to the clients and the projects that are at hand. The main outline of IHC's strategy does not change and the company now needs to make it happen.

OSBIT delivery of projects is the main focus point for the delivery organisation. Execution power, as well as control mechanisms need to be improved further. Additionally, filling the sales funnel will again require much attention. Strengthening its internal sales network, as well as the agent network, will therefore remain on IHC's agenda. After many M&A activities in 2017, it has to embed these thoroughly and make sure they start paying off. Investments will remain on the same level as in 2017.

An important enabler to achieve all this, is to strengthen IHC's present management and workforce. An extensive management development trajectory has started in 2017 and will be continued the coming years. The company will also keep recruiting significant numbers of new highly trained personnel, mainly in engineering, project management, technical services and management.

Both project execution and succession planning remain important drivers for these initiatives. Cultural change is another point of attention for 2018. Ownership, responsibility and accountability are the key words that will be communicated extensively. Finally, innovation is a key driver for IHC's future success. More focus on digital developments, as well as the application of digital possibilities in IHC's markets is high on the Board's agenda.

Kinderdijk, 10 April 2018

Board of Management
D.A.A.J.A.G Vander Heyde, CEO
A. Vergunst, CFO

ABBREVIATED FINANCIAL INFORMATION

ABBREVIATED FINANCIAL INFORMATION 2017

CONSOLIDATED INCOME STATEMENT

IN THOUSANDS OF EUROS	2017		2016	
Revenue	800,248		764,140	
Other income	2,371		8,784	
Operating income		**802,619**		**772,924**
External costs	522,249		484,915	
Employee expenses	262,387		256,996	
Depreciation and impairment of property, plant and equipment	31,586		33,411	
Amortisation and impairment of intangible assets	11,227		12,316	
Other expenses / (income)	-648		15,865	
Operating expenses		**826,801**		**803,503**
Result from operating activities		**-24,182**		**-30,579**
Finance income	2,297		4,950	
Finance expenses	-5,722		-7,535	
Net finance expense		**-3,425**		**-2,585**
Share of result of equity accounted investees (net of income tax)		-1,903		-1,156
Profit / (loss) before income tax		**-29,510**		**-34,320**
Income tax (expense) / income		7,711		12,756
Profit / (loss) for the period		**-21,799**		**-21,564**
Profit / (loss) attributable to:				
Owners of the company		-21,840		-20,751
Non-controlling interests		41		-813
Profit / (loss) for the period		**-21,799**		**-21,564**

CONSOLIDATED BALANCE SHEET

(Before appropriation of result)

IN THOUSANDS OF EUROS	31 DEC 2017		31 DEC 2016	
Assets				
Property, plant and equipment	265,593		253,658	
Investment property	5,107		9,206	
Intangible assets and goodwill	89,783		89,357	
Investments in equity accounted investees	17,811		7,082	
Deferred tax assets	1,137		3,549	
Other non-current financial assets	10,034		1,414	
Non-current assets		**389,465**		**364,266**
Inventories	137,174		122,706	
Due from customers for construction contracts	31,910		94,082	
Trade and other receivables	121,003		158,747	
Current tax receivables	5,630		6,082	
Cash and cash equivalents	226,580		138,371	
Asset held for sale	-		1,875	
Current assets		**522,297**		**521,863**
Total assets		**911,762**		**886,129**
Group equity				
Share capital	250		250	
Share premium reserve	68,136		68,136	
Reserves	223,054		228,320	
Unappropriated result	-21,840		-20,751	
Total equity attributable to equity holders of the company		**269,600**		**275,955**
Non-controlling interests		4,877		4,241
Total Group equity		**274,477**		**280,196**
Liabilities				
Loans and borrowings	124,772		142,883	
Derivatives	1,997		2,400	
Deferred tax liabilities	14,244		21,486	
Provisions	17,598		17,610	
Other liabilities	7,158		5,774	
Total non-current liabilities		**165,769**		**190,153**
Trade and other payables	277,078		260,266	
Due to customers for construction contracts	164,847		56,357	
Current portion of loans and borrowings	14,854		61,815	
Current tax liabilities	1,863		1,001	
Provisions	12,874		36,341	
Total current liabilities		**471,516**		**415,780**
Total liabilities		**637,285**		**605,933**
Total Group equity and liabilities		**911,762**		**886,129**

CONSOLIDATED STATEMENT OF CASH FLOWS

IN THOUSANDS OF EUROS	2017	2016
Profit / loss for the period	**-21,799**	**-21,564**
Adjustments for:		
Depreciation, amortization and impairment expenses	42,813	45,727
Revaluation of land through income statement	-34	-99
(Gain) / loss on sale of property, plant and equipment	-88	-5,591
Share of result of equity accounted investees	1,903	1,156
Release of liabilities through income statement	-307	-4,912
Net finance income	3,425	2,585
Income tax (income) / expense	-7,711	-12,756
Changes in provisions	-29,315	-5,793
Subtotal	**-11,113**	**-1,247**
Interest received / (paid)	-2,516	-2,826
Income tax paid	4,088	-1,351
Net cash flow from operating activities (excl. changes in working capital)	**-9,541**	**-5,424**
Changes in working capital		
- Acquisition of rental fleet	-35,314	-32,256
- Inventories	-14,567	-4,876
- Due from customers for construction contracts	62,261	149,662
- Trade and other receivables (excluding derivatives and accrued interest)	31,162	52,303
- Due to customers for construction contracts	108,491	-26,250
- Trade and other payables (excluding derivatives and accrued interest)	6,878	-24,234
- Other changes in working capital	30,258	-66,073
Changes in working capital	**189,169**	**48,276**
Net cash flow from operating activities	**179,628**	**42,852**
Acquisitions of intangible assets and property, plant and equipment	-19,540	-42,560
Proceeds from divestments of property, plant and equipment	13,306	15,957
Acquisition of subsidiaries, net of cash acquired	-4,392	-1,915
Proceeds from disposal of participations in limited partnerships, net of cash disposed	886	4,645
Investments in equity accounted investees	-13,809	-3,050
Dividends received	254	110
Proceeds of loans and receivables	-2,454	382
Net cash flow used in investing activities	**-25,749**	**-26,431**
Dividends paid to minority interests	-	-2,367
Additions to loans and borrowings	34,740	94,225
Repayment of loans and borrowings	-100,244	-142,521
Dividends paid	-	-14,500
Net cash flow used in financing activities	**-65,504**	**-65,163**
Net increase / (decrease) in cash and cash equivalents	**88,375**	**-48,742**
Cash and cash equivalents as at 1 January	**138,371**	**188,003**
Movements in net cash and cash equivalents	88,375	-48,742
Effect of exchange rate fluctuations on cash held	-166	-890
Cash and cash equivalents as at 31 December	**226,580**	**138,371**

NOTES TO THE ABBREVIATED FINANCIAL INFORMATION

1. GENERAL

The abbreviated financial information is derived from the financial statements 2017, 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 2017.

For a better understanding of the Group's financial position, IHC's emphasises 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 10 April 2018 was issued by KPMG Accountants N.V. The unabridged financial statements 2017 are available from 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 2017.

Basis of preparation

The consolidated financial statements are presented in euros unless indicated otherwise, the euro being the Group's functional currency. The consolidated financial statements are based upon historical cost unless stated otherwise.

Estimates

The preparation of the financial statements in accordance with IFRS requires management to make judgements, 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 judgements 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 judgements in the financial statements concern the assessment of the result of contract work, measurement of warranty provisions, the measurement of recoverable amounts of cash-generating units containing goodwill, recoverability of development costs, valuation of inventories, acquisition of subsidiaries and valuation of the deferred tax assets for tax losses carry forward.

Basis of consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 converted to the euro at exchange rates at the reporting date. The income and expenses of foreign operations are converted to the 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 conversion 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, construction contracts, deferred tax assets and assets that are classified as held for sale, are reviewed on each balance sheet date to determine whether there is any indication of impairment. If there is any such indication, the assets' recoverable amount is estimated. The recoverable amount of goodwill, assets with an indefinite useful lifetime 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 knowledgeably. Disposal costs are not deducted in determining the fair value. The fair value of land is based on appraisals performed by an independent valuator 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 identifiable assets, liabilities and contingent liabilities acquired. Goodwill is measured at cost less any accumulated impairment losses.

Due from (to) customers for construction contracts

Construction contracts are 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 construction contracts 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 contract costs, progress billings and advance payments is determined for each project and presented as due from customers for construction contracts. For projects where the progress billings and advance payments exceed the value of contract costs, the balance is presented as due to customers for construction contracts.

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.

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, volume rebates and taxes. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at reporting date. The stage of completion is based on the assessment of the ratio of costs incurred to estimated total costs.

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.

3. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses, net of grants received, amounted to €12.4 million (2016: €14.7 million) and are included in external costs and employee expenses.

4. ORDER BOOK

The order book at year-end 2017 amounted to €1,573 million (year-end 2016: €745 million). This includes two contracts and one letter of intent signed in 2017 that will become effective in 2018 for a total amount of €565 million.

REPORT OF THE INDEPENDENT AUDITOR

To: the Board of Management of IHC Merwede Holding B.V.

OUR OPINION

The abbreviated financial information of IHC Merwede Holding B.V. for 2017 (hereafter 'the abbreviated financial information') are derived from the audited financial statements of IHC Merwede Holding B.V. for 2017.

In our opinion the accompanying abbreviated financial information is consistent, in all material respects, with those financial statements, on the basis described in note 1.

The abbreviated financial information comprise:

1 the consolidated income statement for the year ended 31 December 2017;
2 the consolidated balance sheet as at 31 December 2017;
3 the consolidated statement of cash flows for the year then ended; and
4 the notes comprising a summary of the significant accounting policies and other explanatory information.

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

THE AUDITED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited financial statements of IHC Merwede Holding B.V. for 2017 in our report dated 10 April 2018.

RESPONSIBILITIES OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE ABBREVIATED FINANCIAL INFORMATION

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

The Supervisory Board is responsible for overseeing the financial reporting process of the abbreviated financial information.

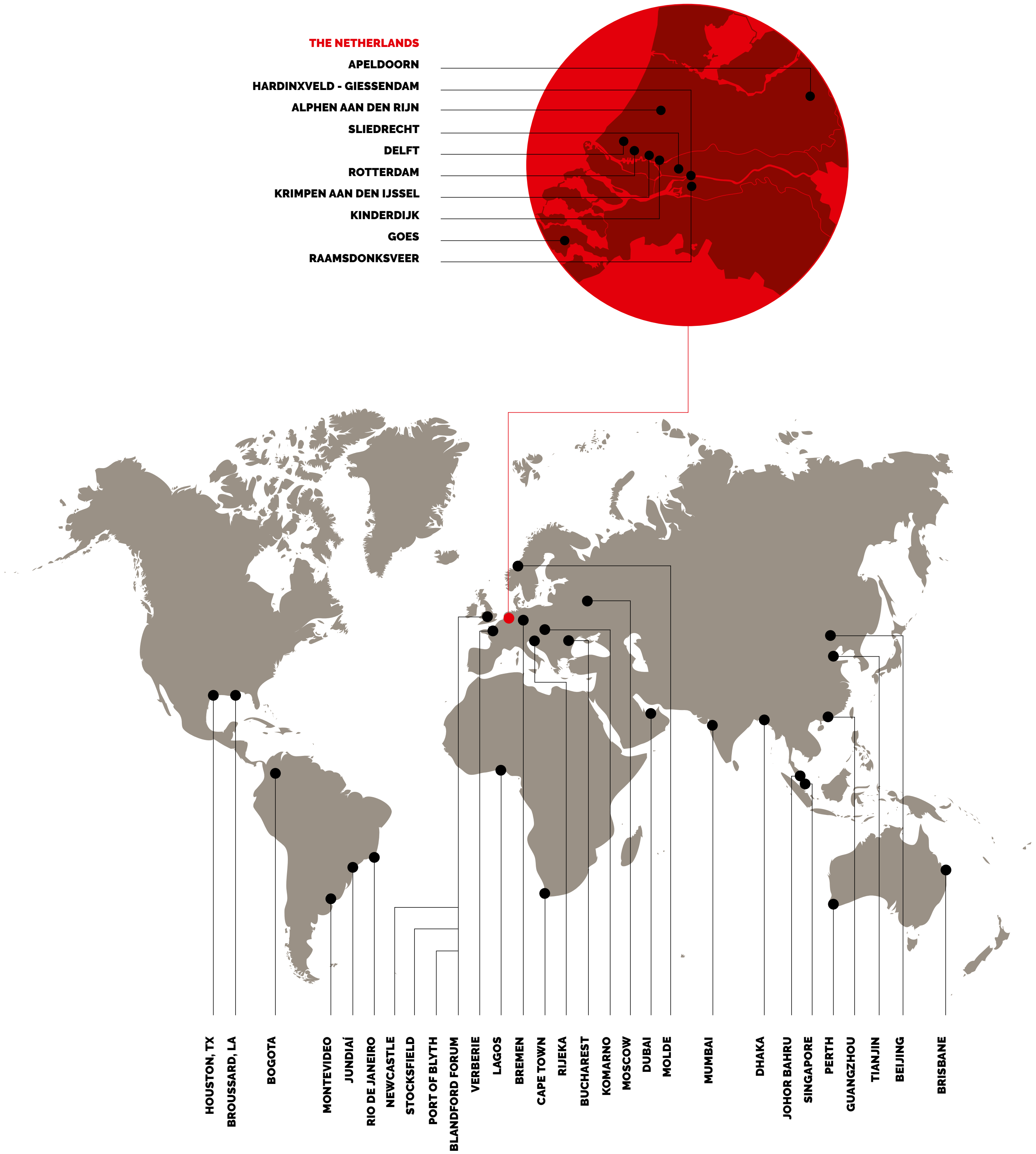
OUR RESPONSIBILITIES FOR THE AUDIT OF THE ABBREVIATED FINANCIAL INFORMATION

Our responsibility is to express an opinion on whether the abbreviated financial information is consistent, in all material respect, with the audited financial statements of IHC Merwede Holding B.V. for 2017 based on our procedures, which we conducted in accordance with Dutch law, including the Dutch Standard 810 'Opdrachten om te rapporteren betreffende samengevatte financiële overzichten' (Engagements to report on summary financial statements).

Rotterdam, 10 April 2018

KPMG Accountants N.V.
J.J. Visser RA

LOCATIONS



EUROPE

THE NETHERLANDS
Alphen aan den Rijn
Apeldoorn
Delft
Goes
Hardinxveld - Giessendam
Kinderdijk
Krimpen aan den IJssel
Raamsdonksveer
Rotterdam
Sliedrecht

CROATIA
Rijeka

FRANCE
Verberie

GERMANY
Bremen

NORWAY
Molde

ROMANIA
Bucharest

RUSSIA
Moscow

SLOVAKIA
Komarno

UNITED KINGDOM
Blandford Forum
Newcastle
Port of Blyth
Stocksfield

AFRICA

NIGERIA
Lagos

SOUTH AFRICA
Capetown

ASIA

BANGLADESH
Dhaka

INDIA
Mumbai

MALAYSIA
Johor Bahru

P.R. OF CHINA
Beijing
Guangzhou
Tianjin

REP. OF SINGAPORE
Singapore

AUSTRALIA
Brisbane
Perth

MIDDLE EAST

UNITED ARAB EMIRATES
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NORTH AMERICA

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