



IHC|CALAND

A N N U A L R E P O R T 2 0 0 2

Technology Creating Value



Mission statement

Technology Creating Value

IHC Caland's mission is to optimise value for its clients and shareholders by anticipating and satisfying its clients' requirements with minimum cost advanced technology solutions.

The Group's aim is to be consistently on the forefront of market oriented technology development in its business areas and to maintain and reinforce its leading market positions in the world.

Corporate profile

IHC Caland N.V.

IHC Caland designs, builds and operates equipment, vessels and complete systems for the offshore oil and gas industry, and the dredging and maritime sector. IHC Caland is a Group with eight principal subsidiaries, operating under the two divisions offshore oil and gas and dredgerbuilding industry, as well as specialised shipbuilding. In most of its niche markets, the Group is world market leader. IHC Caland has operations in 23 countries, and currently employs over four thousand dedicated staff.

Offshore oil and gas activities

Offshore activities mainly involve the design, supply and installation offshore of floating systems for the production, storage, and transshipment of crude oil. These comprise Floating Production, Storage and Offloading systems (FPSO's), Floating Storage and Offloading systems (FSO's), Tension Leg Platforms (TLP's) and related facilities.

The Group also builds and operates FPSO's and FSO's for its own account. These are leased to oil companies on the basis of long-term contracts.

With thirteen such units in operation, and five more under construction, the Group is by far the largest player in this market. Besides these, many other products are designed, from drillships, crane vessels and pipelaying barges to jack-up and semi-submersible drilling rigs. Another fast growing activity is the provision of specialised services for the maintenance, repair and installation of systems.

Dredger/specialised shipbuilding activities

The Group's yards operate in niche markets where demand is for custom-built, one-off designed complex ships with a high degree of added value. Especially in the dredgerbuilding activities, the yards have all key technology in-house. On top of this, the Group has built an extensive network of external suppliers and subcontractors to optimise design and construction in all projects.

IHC Caland's world market share in custom-built and standard types of dredging equipment is over 50%. The history of these business activities goes back more than 300 years. These activities involve a wide range of hardware and services for the full range of dredging activities.

Activities of the Group's shipyards also include specialised shipbuilding such as the construction of Ro-Pax ferries, offshore support and river cruise vessels.

The division also includes a number of foundation and tunnelling activities which dovetail technologically with the Group's dredging know-how.

Strategy and organisation

Within the context of centrally agreed financial and strategic conditions, each subsidiary markets its products and services independently, and under its own identity. At the same time, the subsidiaries make extensive use of each others' core skills and common market knowledge, and network of clients, suppliers and strategic project partners. The corporate culture is characterised by market-oriented innovation. IHC Caland is a trend-setter in the development of new cost-saving solutions which optimally respond to clients' changing needs. In order to protect and expand its leading market position, IHC Caland devotes great attention to research and development, as

well as to the management of financial and technical risks. The Group owns a large number of patents.

Added Value

For clients, the supply of high quality maritime technology, creating maximum value, is fundamental in the strategy of IHC Caland. Flexibility and efficiency in combining its own knowledge and skills with those of partners in projects and systems are essential.

For shareholders, IHC Caland pursues a long-term return which is substantially higher than its cost of capital. Although certain sectors where it operates have a cyclical character, long-term contracts for lease of the Group's F(P)SO's, service contracts, and a wide spread of activities contribute to a reasonably stable and predictable return.

For employees, IHC Caland seeks to be an attractive employer, offering wide opportunities for professional and personal advancement. The maintenance of safe and healthy working conditions and the observance of strict safety and environmental standards have the highest priority.

Stock exchange listing

The shares of IHC Caland are listed on the Euronext Amsterdam Stock Exchange. The shares are included in the Next 150 index, and since the beginning of March 2003, in the AEX index.



*FPSO Mystras:
An artist's impression of the Okono/Okpoho FPSO
to replace the Early Production Unit Jamestown (inserted)
end of 2003. The offloading buoy is in the background.*

Contents

Corporate profile	1
Snapshot of 2002 / Overview of 2003	4
Five years key graphics	6
Shareholder information	7
Report of the Board of Management	8
Foreword	8
Outlook 2003	11
Developments 2002	14
Research and Development	22
Business drivers and competitive position	25
Management of risk	26
Health, safety and protection of the environment	29
Human resources	30
Corporate Governance	32
Financial review	34
Operations in Group companies	40
Report of the Supervisory Board	56
Annual Accounts 2002	
Consolidated profit and loss account	62
Consolidated balance sheet	63
Consolidated statement of cash flows	64
Accounting principles	65
Notes to the Consolidated profit and loss account	68
Notes to the Consolidated balance sheet	71
Company balance sheet	77
Company profit and loss account	77
Notes to the Company balance sheet	78
Other information	
Appropriation of profit	81
Auditors' report	81
Key figures	82

This report is also published in the Dutch language.
Only the Dutch language edition of the Annual Accounts will be submitted for approval by the General Meeting of Shareholders.

Glossary

A technical glossary is again enclosed with this Annual Report, to ensure that key technical terms and products are clearly explained and understood. The latest version is also available on the Company's website.

Snapshot of 2002 / Overview of 2003

Item	(€ mln.)	2001	2002	Movement	%	Comment
Net profit		80.6	71.5	(9.1)	(11.3)	Problems at van der Giessen-de Noord
Per share (€)		2.76	2.26	(0.50)	(18.1)	Problems at van der Giessen-de Noord
EBIT		113.8	74.8	(39.0)	(34.3)	Problems at van der Giessen-de Noord
EBITDA		206.6	166.5	(40.1)	(19.4)	Problems at van der Giessen-de Noord
Enterprise value (EV)*		1873.6	2350.9	477.3	25.5	Market / FPSO investment
EV : EBITDA		9.1	14.1	5.0	54.9	Affected by van der Giessen-de Noord
Turnover		964.8	930.3	(34.5)	(3.6)	Majority shipbuilding
EBIT : Turnover (%)		11.8	8.0	(3.8)		Problems at van der Giessen-de Noord
Cash flow		173.5	163.1	(10.4)	(6.0)	Problems at van der Giessen-de Noord
Per share (€)		5.93	5.15	(0.78)	(13.2)	Problems at van der Giessen-de Noord
Net cash, securities		208.4	203.2	(5.2)	(2.5)	Steady
Capital expenditure		241.6	680.9	439.3	181.8	Growing lease fleet
Equity		583.9	602.7	18.8	3.2	Problems at van der Giessen-de Noord/ dividend / currency variance on US\$-equity
Capital employed		1015.8	1565.5	549.7	54.1	Growing lease fleet
ROCE (%)		13.4	7.5	(5.9)		Investment in FPSO's / lower net profit
Debt : Equity (%)		71	157	86		Investment in FPSO's
Net debt : EBITDA		1.1	4.5	3.4	309.1	Growing lease fleet
EBITDA interest cover		9.3	8.5	(0.8)	(8.6)	Mainly lower profit
EBIT interest cover		5.1	3.8	(1.3)	(25.5)	Mainly lower profit
New orders						
– Offshore		1645.5	1620.8	(24.7)	(1.5)	Market strong
– Dredger/shipbuilding		560.7	303.7	(257.0)	(45.8)	Market down in specialised shipbuilding
Backlog						
– Offshore		3118.8	4133.9	1015.1	32.5	Market strong
– Dredger/shipbuilding		983.7	721.0	(262.7)	(26.7)	Market down in specialised shipbuilding
Share price 31/12 (€)		52.50	50.30	(2.20)	(4.2)	Outperforms index by 30%
AMX-index		478.8	312.2	(166.6)	(34.8)	
Market capitalisation		1649.2	1603.0	(46.2)	(2.8)	
Proposed dividend (€)		1.36	1.50	0.14	10.3	50% of target profit 2002

* Enterprise value is year-end market capitalisation, plus net debt.





OVERVIEW OF 2003

Financial

Once again, the Group's fleet of FPSO/FSO's will provide the basis of cash flow and profitability for the year. The fleet begins the year with eight FPSO's and five FSO's in operation. After three redeliveries and the start-up of three large new FPSO's, the year will finish with ten FPSO's and three FSO's in service. Turnkey deliveries will increase significantly, although margins thereon will be modest due to the very competitive environment when the orders were secured. Dredger/specialised shipbuilding is expected to return to overall profitability in 2003.

Barring any surprises due to the many uncertainties in the world today, Management expects to make a net profit of US\$ 110 million (€ 105 million) or US\$ 3.45 per share.

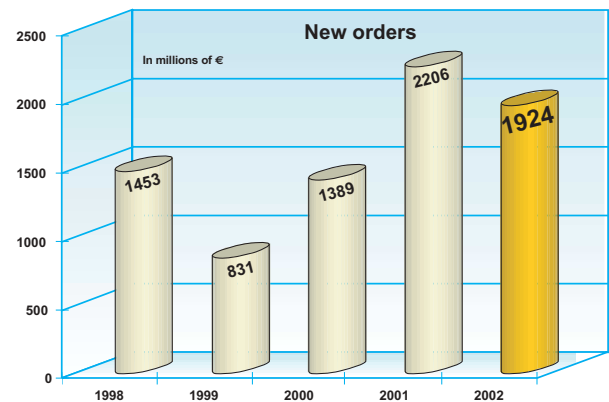
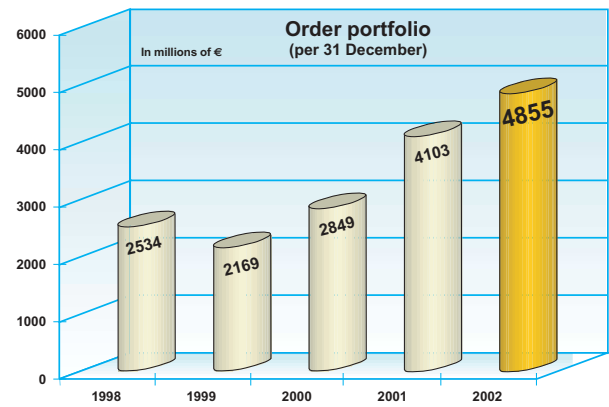
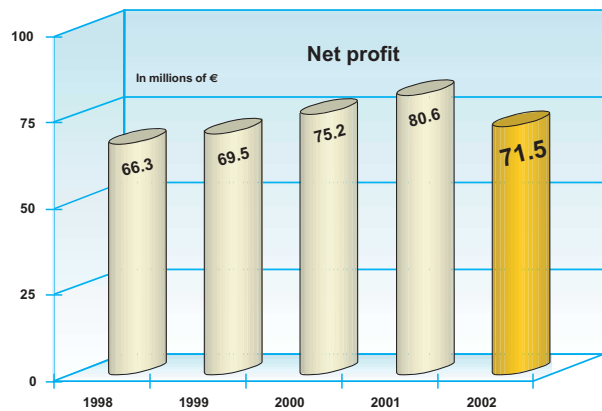
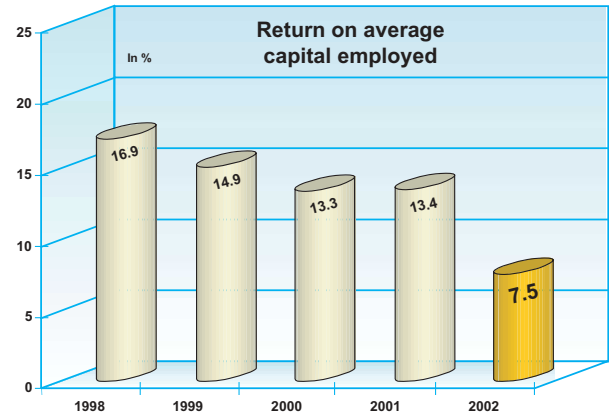
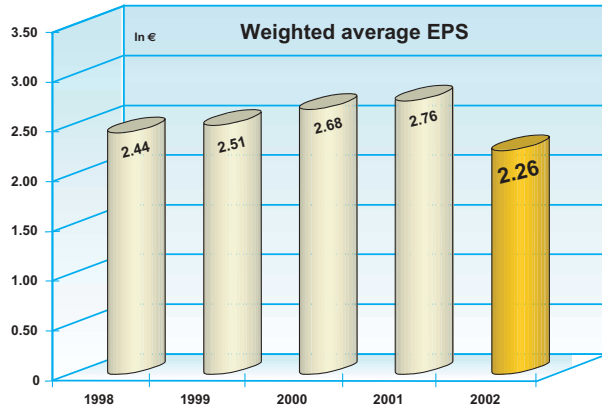
Cash flow is projected to rise to over US\$ 260 million (€ 248 million).

Market conditions

Strong demand is again anticipated in the offshore oil and gas markets. E&P spending in 2003 is predicted to rise by around 5%, with a growing proportion allocated to the offshore market. There are many FPSO/FSO projects in the market both on a sale and lease basis, and the Group is optimistic to win a number of these.

For the dredgerbuilding business, the market is expected to be steady. For specialised shipbuilding, the market will continue to be very competitive, with limited new orders being projected.

Five years key graphics



Shareholder information

Entry into AEX index

On 4 March 2003, IHC Caland was admitted to the AEX index of the Euronext Amsterdam Stock Exchange. The Company is honoured to join the 24 other major Dutch companies in this prestigious index. The Company's weighting in the AEX index on entry is 0.67%, compared with its final weighting in the AMX index of 11.6%, so there is still some room to expand!

Share price development

Over the course of the year, the Company's share price fell from € 52.50 to € 50.30, a fall of 4.2%. This compares with falls in the AEX and AMX of 36.3% and 34.8% respectively. Based on the year-end closing price, the proposed dividend of € 1.50 gives a yield of 3%.

US dollar reporting

As already advised, effective 1 January 2003 the Company will report its results only in US dollars. In future therefore, the annual dividend will be calculated in US dollars, but will be payable (at the shareholder's option) in dollars, or in Euros at the exchange rate on the day of payment. The same exchange rate will apply in the event a shareholder chooses for a dividend payment in shares of IHC Caland. The dividend in respect of 2002 will be payable only in Euros.

Number of outstanding ordinary shares

The total number of ordinary shares in IHC Caland showed the following movements during the year 2002:

Balance 1 January 2002	31,413,852
Stock dividend	265,991
Options exercised	188,475
Balance 31 December 2002	<u>31,868,318</u>

Shareholders

As required under the Major Holdings in Listed Companies Disclosure Act, no shareholder has disclosed an interest over 5% in the capital of IHC Caland.

Employees of the Group own approximately 200,000 shares in IHC Caland through an Employee Share Ownership Plan (ESOP).

The Company's shares are currently almost entirely in the hands of institutional investors, of whom the large majority are Anglo-American.

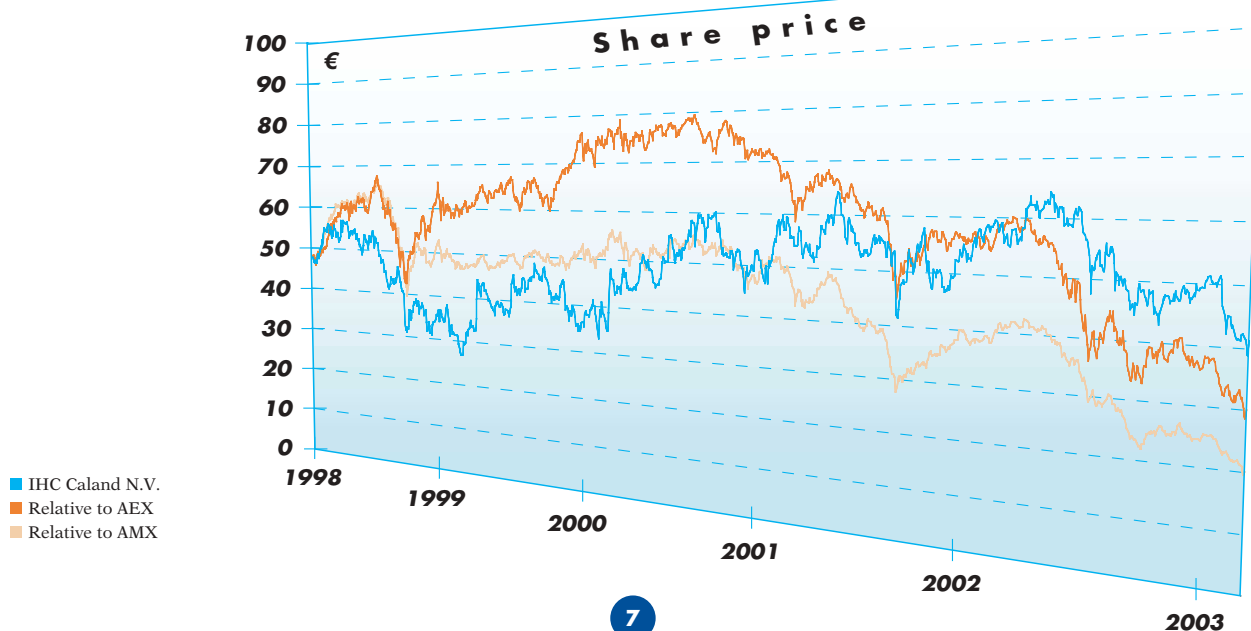
Financial

Full information regarding the number of shares in issue and various statistics per share can be found on page 82.

Up to date information on the IHC Caland share can be found on the Company's website at: www.ihccaland.nl

	Turnover by volume	% Share Capital	Highest Share Price €	Lowest Share Price €
1998	20,352,966	74.83	57.72	29.95
1999	29,200,395	106.23	49.20	26.40
2000	24,208,898	86.82	61.40	31.00
2001	27,342,047	93.68	65.60	40.60
2002	26,892,853	83.64	64.95	41.32

Average daily liquidity in 2002 amounted to around 105,000 shares. The average closing share price for the year was € 54.25, and the year-end closing price was € 50.30.



Report of the Board of Management

FOREWORD

2002 was a year of mixed blessings. The offshore division continued to flourish, with several new units being added to the fleet of FPSO's and FSO's and an all time high order backlog. One of the Group's shipyards however encountered severe operational and market problems. These problems required a provision of € 25 million, which caused a decrease in net profits to € 71.5 million.

Economic growth in many parts of the world is stimulating the demand for oil and gas products. The oil companies' continuing efforts to replace and expand production are the major drivers of our growing offshore oil and gas activities, now and in the foreseeable future.

In 2002, the market for dredgerbuilding was steady while demand from the very competitive specialised shipbuilding market was weak.

Performance

Profits were mainly driven by revenues from the Group's fleet of FPSO's and FSO's. However, all major Group activities, apart from the shipyard van der Giessen-de Noord, performed well. New orders amounted to € 1.9 billion, close to the record level of 2001. Order backlog reached a level that was never achieved before, while new additions to the lease fleet further improved the visibility of cash flow and earnings. Two of the three Group shipyards also achieved satisfactory results, both in new order intake and in results from production.

The Group realised its mid-year revised profit forecast, but failed to meet the original forecast profit, due to the one-time provision for van der Giessen-de Noord, the shipyard specialised in custom-built vessels such as Ro-Pax ferries. van der Giessen-de Noord was to some extent a victim of its own success. The abolition of subsidies in the year 2000 led to a flood of orders at year-end, and with hindsight, the company underestimated the cost price of these projects, leading to substantial losses on orders. The company's problems were subsequently compounded by a dearth of orders in its market, necessitating a major downsizing in capacity. The prompt action taken, including a change of management, has restored control of the situation.

Consistent execution of strategy

Over the past decade our Group has built a strong track-record in developing its offshore oil and gas activities. The decision in 1996 to develop in-house topsides competence and to continue to develop vessel design and conversion ability, effectively transformed the offshore division from a mooring supplier to a full blown FPSO supplier. During 2002, the Group had a record six FPSO's

under construction, confirming its position as the world's number one FPSO supplier. Our strategic choice in 1996 to grow the FPSO/FSO lease fleet has also proved to be right. Our lease and operate fleet of eight FPSO's and five FSO's (end 2002) has become the flywheel of our activities, generating stable long-term income. Increasingly we benefit from growing experience and economies of scale in project management, design and installation. Prices and delivery times can be estimated with a high degree of accuracy, thereby minimising the risks and increasing the chances of a successful outcome.

Last year, we have expanded our staff in Houston, which has become the deepwater offshore oil and gas capital of the world. We now have the capacity to satisfy our major clients' requirements on their doorstep. Through cooperation of GustoMSC with SBM-IMODCO and Atlantia, IHC Caland's centre in Houston is fully equipped for the design, engineering and construction of complex FPSO's, TLP's and related offshore products. This has improved the growth potential of all of the Group's US based offshore activities. Each of our FPSO centres in Monaco, Houston and Schiedam now has the full competence to design and construct a complex FPSO. The overall increase in resources also allows the Group to tackle, on a selective basis, the ultra-large projects which it had previously avoided, or only performed in partnerships.

The Group's policy of strategic partnerships paid off in 2002, with two new long-term high value FPSO lease and operate contracts, and one major FPSO upgrade contract, all under the partnership with the Angolan state oil company, Sonangol.

In the market for dredgers and related equipment, the Group's continued efforts to deliver high quality and cost reducing technological solutions, often exceeding existing limits, such as the deep dredging equipment developed last year, is being recognised and rewarded. In specialised shipbuilding the current market circumstances are tough, but we believe that our specialised know-how combined with capacity reduction and the closer cooperation between technical departments, will enable us to benefit from a market recovery as soon as it takes place. Under normal circumstances, the dredger/specialised shipbuilding activities have delivered an attractive Return on Capital Employed.

Strategic initiatives 2003

In 2003, our strategy will focus on further growth of our offshore oil and gas activities, on maintaining and reinforcing our leading market position in dredgerbuilding and on restoring cost effective specialised shipbuilding. Initiatives and plans include:

- reinforce and fine-tune the three centre FPSO execution capability;

- continue to grow the Group's lease and operate FPSO fleet;
- continue to develop projects with strategic partners;
- expand project development capacity;
- develop and refine the Group's generic FPSO concept;
- increase investment in research and development, especially in the areas of dry tree technology and LNG;
- offer full life cycle product support to its major clients both in the offshore and the dredging markets;
- focus its reduced shipbuilding capacity increasingly on dredgerbuilding;
- enhance closer cooperation between Merwede Shipyard and van der Giessen-de Noord, thereby optimising economies of scale.

Promising technology

The Group is on a constant technological learning curve, in order to stay ahead of the competition. One of the most exciting and promising developments in recent years is the increasing prominence of LNG, which has progressed to the point where the first offshore LNG production plant has been approved. The Group sees a very important market developing for offshore LNG, both in respect of the production of offshore stranded gas, and in the offshore regasification of imported LNG. Work has continued during the year on developing appropriate mooring and offloading systems for LNG carriers, and it is anticipated that the first hardware order should soon be on the horizon.

Intensive R&D efforts have also been made in completing the conceptual design of the Group's FPDSO-TLD, which extends our FPSO capability to include drilling and dry tree completion. This concept was successfully model-tested during the year, and the first field application is now being sought.

Development work continued on Atlantia's TLP, with the aim of considerably increasing the payload it can carry, while developing installation techniques which eliminate the need for very expensive heavy lift barges.

R&D dollars were also spent in improving part of the mooring technology for very deepwater loading buoys. This was driven by stress phenomena not previously identified, which arose with a recently installed buoy.

In the dredgerbuilding activities breakthroughs were achieved in applying new technology during the engineering and construction phase of the deep dredging installation for the hopper dredger 'Vasco da Gama' and for the 27000kW self propelled cutter suction dredger, both for our client J. de Nul.

Financial

As predicted last year, the expansion of the Group's lease fleet has put some strain on the balance sheet, with a debt to equity ratio in excess of 1.50 : 1. However, as has

also been pointed out, all the debt is in respect of lease FPSO's with long-term contracts, whose revenues can comfortably service the debt.

Based on predictions of demand, including orders for units for some of the Group's 50/50 joint ventures, no further equity issues should be required in the foreseeable future. The Group will continue to be vigilant about its balance sheet ratios, and a US\$ 500 million Revolving Credit Facility was put in place at the end of 2002, which will give added flexibility in financing projects.

The Group has taken and planned various measures to structurally minimise the overload on its balance sheet due to the expanding lease fleet, such as investing with partners, utilising shipyard finance and actively pursuing turnkey supply contracts.

This will be the last year in which the Group will report in Euros. As already announced, due to the ever-increasing importance of the US dollar in the Group's business, a decision has been taken that with effect from 1 January 2003, the Group will report its financial results in US dollars.

Employees

The Group now has a fleet of thirteen lease FPSO/FSO's, four modern shipyards, an offshore installation vessel, etc., etc., but these expensive assets mean nothing without the skilled and dedicated work force who produce the desired results.

Sadly, a substantial number of employees at van der Giessen-de Noord had to be laid off last year, due to difficult market conditions, so that the total numbers employed in shipbuilding will fall once the redundancies become effective, but the offshore activities continue to grow, with 326 new employees being added to the payroll.

At year-end 2002, the Group had 4338 employees, consisting of 54 nationalities and operating in 23 countries.

Their unstinting efforts for the company led to the generally satisfactory results for the year. A special 'thank you' is due to the employees at van der Giessen-de Noord who have worked very hard in very difficult circumstances, which were not of their own making.

All in all, a year of mixed results, with nonetheless quite some achievements.

THE BOARD OF MANAGEMENT



D. Keller
Managing Director,
Offshore
(1946, French)

J.J.C.M. van Dooremalen
President and CEO
(1944, Dutch)

F. Blanchelande
Director
(1949, French)

G. Docherty
Managing Director, Finance
(1948, British)

D.J. van der Zee
Director
(1948, Dutch)

OUTLOOK 2003

The year begins with a number of uncertainties in the global economy. However, the oil price remains at a healthy level, which should encourage oil companies to maintain a high exploration and production activity. Taking into account our expectations for a steady dredgerbuilding market and a still difficult specialised shipbuilding market, we forecast for 2003 a profit of US\$ 110 million (€ 105 million). This is 9% higher than our original forecast for 2002, and 47% higher than the 2002 actual net profit.

On a global perspective, worldwide E&P spending plans for 2003 are predicted to increase by around 5%, with a growing proportion allocated to the offshore. However, the expenditure in the US domestic Gulf of Mexico is rather on a downward trend, and most of the increase is in the international sector, where the Group is most active. In any case, a substantial variation in the oil price (and E&P budgets) would only impact results for the Group's offshore activities three to four years after the event, as the Group operates mainly in a late cycle position.

Overall, the market is expected to remain buoyant for the Group's products in offshore oil and gas activities. The oil companies' emerging interest in offshore LNG is expected to become stronger, resulting in a new market for which the Group is well prepared to play an important role. In the short-term as well as the long-term, our leading technology will step by step push back the frontiers, enabling oil and gas extraction at competitive cost levels in ever more challenging offshore areas in the world. 2003 will see the delivery of a number of projects which were obtained in 2000 and 2001, in the wake of the oil price recovery in 1999. It should be noted that these projects were obtained under very competitive conditions.

The market for dredgerbuilding is expected to be steady in comparison to last year. Beginning 2003, the order-book was satisfactory. In addition to orders from the Dutch and Belgian contractors, orders are increasingly expected from state-owned dredging companies, mainly operating in the Far East.

In specialised shipbuilding, full utilisation of the yards in 2003 is expected. Restructuring measures will reinforce our competitiveness. However, the market for specialised shipbuilding will remain very competitive. On a worldwide basis available shipbuilding capacity is currently considerably in excess of expected demand. It is therefore to be expected that competition will be fierce and price pressure will continue.

Offshore oil and gas activities

All companies in the offshore division are fully occupied,

and the business got off to a flying start in early January 2003 with the award by Petrobras of a major FPSO contract on a lease and operate basis.

FPSO's

In the FPSO lease and operate segment, which has become the most important activity of the Group, demand is expected to remain high, as a number of projects requiring such units are already identified for development of deep offshore fields. The Group expects to be able to maintain a strong position in this buoyant segment of the market, and to grow its portfolio further.



The Yoho FPSO ready for installation offshore Nigeria. The first of ExxonMobil Generic series on charter since November 2002.

It is expected that in addition to the Marlim Sul FPSO, at least one and possibly two major FPSO contracts will be obtained before the end of the year. During the year, three units will be delivered and start production, i.e. Serpentina (Generic B) FPSO (Equatorial Guinea) and Xikomba (Generic C) FPSO (Angola) for ExxonMobil, and Okono FPSO for Agip Nigeria, replacing the Jamestown FPSO early production unit.

In addition, a large number of very large FPSO's will be in the market on a sales basis, especially for the South Atlantic. In accordance with its policy, the Group will bid for such projects only when the execution is contracted in a way which is compatible with available resources. Such projects include ChevronTexaco Agbami, Total-FinaElf Akpo and Dalia, BP Plutonio, Shell Bonga South West, and Petrobras Marlim and Roncador.

Sales of facilities and components

There will continue to be a relatively high demand for the supply of facilities and components, including TLP's, deepwater loading terminals, mooring systems for large FPSO's, standard CALM buoys etc. This market segment is also very attractive, and in particular helps to maintain a reasonable balance of revenues between those from the lease activity and those from sales.

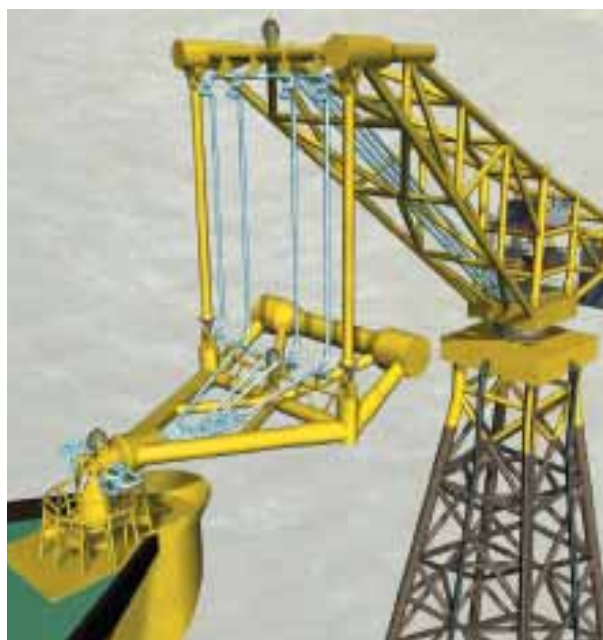
After sales and services

With the same aim in mind, considerable attention will be dedicated to the after sales and services business,

which performed extremely well in 2002. This activity will be organised as a separate business unit to increase focus and boost efficiency.

Opportunities in LNG

The coming year should represent a milestone in the oil and gas industry, as it is expected that LNG will start playing an important role in the offshore industry, both in the exploitation of stranded gas fields offshore, the installation of offshore LNG terminals, mainly for safety reasons, and the related transportation and loading/offloading activity. The Group is well positioned with new technology to play a substantial role in this area, and it is expected that a number of projects will be sanctioned before the end of the year.



An artist's view of the transfer and mooring system SYMO® for LNG loading/offloading.

Dredgerbuilding activities

It is expected that the emphasis in the market for dredgerbuilding will shift from the large Dutch and Belgian contractors to the client category of the state-owned dredging companies operating in markets such as China and India which are virtually closed for the West European contractors. In both markets there is a need for medium-size and larger hopper dredgers as well as larger custom-built and standard cutter suction dredgers of the Beaver series. This demand not only stems from the need to replace outdated existing capacity, but also serves the required expansion of the fleet, to build new wet infrastructure, such as ports and harbours, and create new land for industrial and urban sites.

Present capacity in the category of jumbo dredgers, mainly owned by the large Dutch and Belgian contractors, is sufficient for the anticipated demand. Investments from this client base are focused on the



IHC cutter suction dredger type Beaver 1200 in Venice.

replacement of small and mid-size hopper dredgers. Although not yet visible in 2002, a further interest for heavy duty cutter suction dredgers is expected, following the order for the largest (27000kW) self-propelled cutter dredger ordered by our client J. de Nul late 2001.

In both the marine sand and gravel and mineral sands mining markets, a moderate amount of new built orders can be expected.

Other specialised shipbuilding

The market for the other specialised shipbuilding activities of the Group, such as ferries, offshore support vessels and river cruise vessels, remains weak although the list of identified projects points to a higher level of ordering activity in the second half of the year.

All in all, it can be expected that yard capacity at IHC Holland and Merwede Shipyard will mainly be used for dredgerbuilding activities, while van der Giessen-de Noord will rely on the specialised shipbuilding market, with the exception of the occasional dredger because of delivery time considerations. In specialised shipbuilding, the Group's exposure has been significantly reduced by the 40% reduction in van der Giessen-de Noord's workforce.

Financial

Two new units were added to the operational fleet at the end of 2002, the Roncador FPSO (Brazil) for Petrobras, and the Yoho FPSO (Nigeria) for ExxonMobil. This brings the number of units in operation at the start of 2003 to thirteen, namely eight FPSO's and five FSO's.

The Nkossa FSO (oil) (Congo) has been returned by its client Elf Congo end March 2003 in an early, fully compensated, termination, and the FSO XV Domy (Nigeria) is scheduled to come off hire in June, after 10½ years of service, to be replaced by the newbuilt Amenam FSO.

Two units which are contractually scheduled to come off hire in 2003, the FPSO for Agip's Aquila field (Italy) and the FSO for Shell (Sakhalin), are expected to receive contract extensions.

Finally, three new units are expected to come into service in 2003, being the Serpentina FPSO for ExxonMobil in Equatorial Guinea, the Xikomba FPSO, also for ExxonMobil in Angola, and the Okono/Okpoho FPSO, in joint venture with Saipem, replacing the Jamestown FPSO in Nigeria.

This leads to a projected fleet at end 2003 of at least ten FPSO's and three FSO's, which will generate substantial earnings and cash flow.

On the turnkey side of the offshore business, there will be a considerable number of deliveries in 2003, including the Matterhorn TLP (TotalFinaElf, Gulf of Mexico), the soft yoke mooring for Shell's EA FPSO (Nigeria), the Amenam FSO (Nigeria) and the Bonga facilities for Shell Nigeria. Having been contracted in a very competitive environment, and in the cases of Amenam and Bonga

The jacket/soft yoke for Shell EA, a highly specialised mooring system for holding FPSO's in very shallow waters.



including major subcontracts, these projects will generate moderate margins.

In the dredgerbuilding activities, deliveries are expected to be lower than 2002, with a corresponding reduction in profit levels, while in the area of specialised shipbuilding, Management hopes to return close to break-even after the major losses and downsizing costs in 2002.

Overall, and barring any surprises due to the many uncertainties existing in the world today, Management expects to make a net profit of US\$ 110 million (€ 105 million) for 2003, a 9% increase over the original Euro profit target for 2002 and an 47% increase over actual 2002 profits. This will be mainly driven by profits from the lease fleet, with a modest contribution from turnkey deliveries, and some expected overrecovery of costs in the offshore division. Cash flow is expected to rise to over US\$ 260 million (€ 248 million).

Forecast investments

Close to US\$ 500 million is forecast to be invested in tangible fixed assets – mainly FPSO's for lease – during 2003. Some final expenditures will be made in respect of the FPSO's for ExxonMobil's Yoho field in Nigeria, and Petrobras' Roncador field offshore Brazil, both of which started production in December 2002. Ongoing investment will continue in FPSO's for ExxonMobil's Serpentina field (Equatorial Guinea), ExxonMobil's Xikomba field in Angola (50%), Agip's Okono/Okpoho field off Nigeria (50%) and the LPG FPSO for Chevron/Cabgoc's Sanha field (50%).

Start-up investment will begin on the recently ordered FPSO for Petrobras' Marlim Sul field offshore Brazil, and is projected on at least one additional FPSO, for which a contract has still to be obtained.

It should be noted that obtaining a new FPSO lease and operate contract does not immediately involve heavy capital outlays. In the typical case of e.g. an eighteen month delivery, the first six months will be taken up with (relatively) low cost engineering, after which expensive hardware expenditure starts, spread fairly evenly over the remaining twelve months.

Number of employees

Overall personnel levels are forecast to remain fairly stable in 2003 at around 4500 employees. There are however two compensating elements in the make-up of this personnel number:

- an increase of around 25% in the offshore activities due to three large FPSO units coming into service during the year, plus continuing recruitment of specialist engineers to meet the anticipated growth in the market, and
- a fall of around 10% in the shipbuilding activities, mainly due to the lay-offs at van der Giessen-de Noord.

DEVELOPMENTS 2002

OFFSHORE OIL AND GAS ACTIVITIES

All IHC Caland offshore companies have been fully occupied during the whole year 2002 and capacities had to be augmented. Net profits of the offshore division increased by 55% to € 103.1 million. New orders decreased by 1.5% to € 1621 million and the backlog increased by 33% to € 4134 million.

The orders received for four more FPSO's on lease and operate basis, including the most recent order from Petrobras in January 2003, confirm that this business has definitely become the main activity of the Group. Our continued efforts over the past years to further develop and improve technology and project management especially for this market segment, are paying off. All of our offshore activities, in F(P)SO's on lease and operate basis, in F(P)SO's on sales basis, and in sales of facilities, components and services developed well.



A view of the Shell EA FPSO connected to SBM's jacket/soft yoke system.

The Group's leading role in the global FPSO market increasingly generates economies of scale in design, engineering and construction. For a period of time during the year, the Group had six FPSO's simultaneously in execution, in addition to a large number of other projects as detailed later in the Group companies' report. This extraordinary workload was only manageable due to the fact that most of the units were similar to FPSO's already delivered or under construction, thereby reducing the engineering and construction manhours required, and streamlining fabrication. Nevertheless, capacity in the three main operating centres in Monaco, Schiedam and Houston had to be augmented by a large number of temporary, contracted staff, particularly in the engineering and construction departments.

The acquisition of Ocean Design Associates, a fifty man firm, has reinforced our centre in Houston. Houston has become the most important deepwater offshore oil and gas centre in the world. We are now able to offer improved service to Houston-based clients.

F(P)SO's on lease and operate basis

At the start of 2002, the fleet of FPSO's/FSO's in operation consisted of twelve units and construction was in progress for an additional three FPSO's. Since then the Group received orders for another four systems on a lease and operate basis. They include two (generic) units similar to the Yoho FPSO (Nigeria), both to commence production in 2003 for ExxonMobil fields in West Africa, and an LPG unit which will come on stream in 2005 only, for Chevron/Cabgoc on the Sanha field. The latter order represents an important technical breakthrough, as it will be the first time that a single facility combines gas-fractionation process, liquefaction, storage and export functions. This project, as well as one of the generic FPSO's above, is being executed under the Group's partnership with Sonangol, the Angolan national oil company. The last order was received in the first days of 2003 from Petrobras, for an FPSO on Marlim Sul field (Brazil). First oil is planned mid 2004. As one unit (FPSO II) has been decommissioned and two new FPSO's commenced production, the fleet at the end of 2002 consisted of thirteen units in operation.



An artist's impression of the Sanha LPG FPSO under construction in Japan. Charter to commence early 2005.

Taking into account the further prospects of new orders, it is clear that the Company's growth is mainly generated from the lease and operate segment of the business. In order to mitigate the financing and balance sheet constraints which this implies at Group level, SBM Group will endeavour to take all possible measures such as executing projects with suitable partners, utilising supplier construction financing as is the case with the Sanha new-built FPSO, and above all to obtain

favourable terms and conditions in the upcoming contracts.

Some of the early charter contracts will soon come to the end of their initial lease periods. It should therefore be highlighted that:

- the Group has a conservative policy of depreciation, and by the end of such initial period, the whole or a large part of the investment will have been amortised. When the charter continues, therefore, in spite of a (contractual) reduction of the lease rates, the returns on capital invested tend to improve;
- when the charter does not continue, the unit becomes available for relocation, and the low book value allows the Group to position itself favourably on further projects while also in principle providing an opportunity for improved returns.

By maintaining a conservative policy in respect of depreciation of its assets, and also implementing a serious asset management programme to keep the units in good shape for the long-term, the Group creates long-term shareholder value, and maintains high visibility of a major part of its future earnings.

Sometimes lease contracts are pursued together with partners. The partners are then responsible for a pre-defined part of the project. They also acquire a certain percentage of the ownership. Reasons for having equity partners on board include: (1) getting access to certain specific expertise not available within the Group, (2) getting access to a tanker under construction in order to meet the required delivery time schedule, (3) mitigating business risks, especially for units where the initial lease contract is relatively short, and (4) taking mutual advantage of a client's preference for a particular company, which does not itself have the necessary competence to supply and install a complete FPSO.

FPSO's and FSO's on sales basis

In the FSO product line, the Group has completed the construction of the Amenam FSO for TotalFinaElf, and has obtained the contract for another FSO for ExxonMobil, both on a lumpsum turnkey basis. The increased demand for FPSO's on a lease and operate basis in recent years has replaced, to a certain extent, the demand for FPSO's and FSO's on a sales basis. However, with opportunities for several very large FPSO's, the sales market seems to improve. At the end of 2002, a number of large complex FPSO's similar to existing projects like Girassol and Bonga, were being planned in the industry, and the Group is positioning itself to try to obtain at least one such turnkey project based on a cost effective performance specification contract.

In respect of turnkey sales of FPSO's, the Group maintains its policy not to pursue those projects which



The FSO Unity, a turnkey supply for TotalFinaElf Nigeria. This VLCC size hull was assembled and outfitted onland in Hyundai and launched over the quay side – a unique method for such an operation.

require excessive manhours to be spent in engineering and project management, as a consequence of the desire of clients to have hands-on control and continue to develop and optimise the project during the design stage.

While most competitors depend on subcontractors to perform specific parts of the work, IHC Caland is still today one of the very few companies with actual experience and reference in every aspect of the most complex FPSO's.

Sales of facilities, components and services

During 2002, IHC Caland has progressed well in the deepwater TLP technology through the Matterhorn project. This facility is the first dry tree monocolumn tension leg facility ever designed and it will definitely represent a breakthrough once delivered to TotalFinaElf in 2003. In addition to this, the Group has maintained a high level of activity in the supply of oil field components such as deepwater CALM buoys for the deep fields offshore Angola and Nigeria, and specialised mooring systems for large FPSO's such as EA and Bonga for Shell Nigeria, and the White Rose FPSO in Newfoundland.

We expect further growth in sales in the facilities, components and services segment of the market. During the year 2002, further research and development has brought to maturity new concepts such as the SYMO[®]LNG and the GAP[®] (see section on Research and Development). These concepts should in principle bring business opportunities in the near future. Our offshore activities in services performed extremely well in 2002. Sales of facilities, components and services contribute to preserving a balance of revenues between lease and sales activities, an important objective.

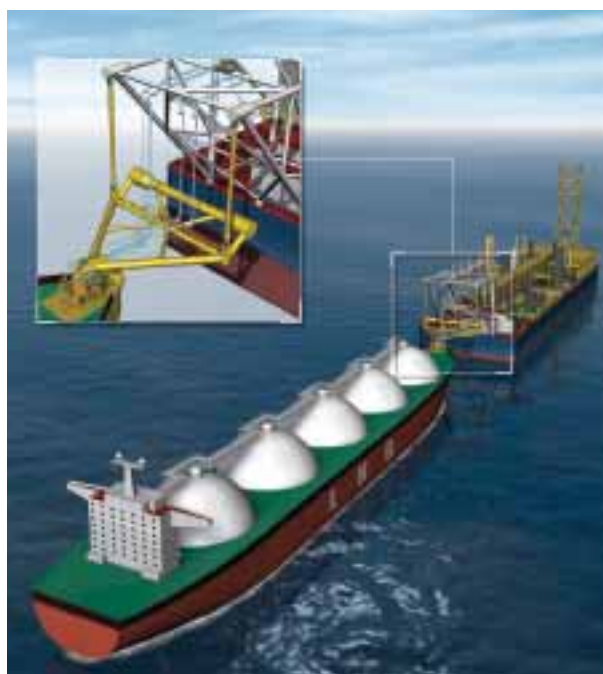


The monocolumn for the Matterhorn TLP, under tow in Singapore.

The LPG and LNG markets

With its success in obtaining an eight-year lease and operate contract for the Sanha LPG FPSO, the Group has reinforced its position as one of the leading companies in the supply of gas exploitation facilities. This contract creates a benchmark in the LPG segment, where it is expected that demand will grow considerably in the coming years.

It is clear that global demand for LNG is going to increase, and export/import infrastructures are already being planned in the USA, Europe and South East Asia. In this segment, the two offshore developments which were expected to start in 2002 did not materialise. The project for Kudu in Namibia was suspended due to insufficient reserves, while the Sunrise project in Australia was postponed for political reasons. Nonetheless, a global demand for LNG infrastructures is



An artist's view of the SYMO® technology applied to LNG floating plant for tandem loading of gas carriers.

expected to emerge soon. The objectives of IHC Caland in the LNG market are as follows:

- to supply key, specialised components such as Soft Yoke Mooring and Offloading systems (SYMO®), turrets, swivels and mooring systems for floating LPG and LNG plants. It is most likely that the construction of such plants will be managed by the oil majors themselves, as they represent multi-billion dollar facilities;
- to design and construct LPG and LNG FPSO's, and LNG Floating Storage and Regasification Units (FSRU's). Here the Group will target the complete supply of the facility, possibly on a lease basis, as the contract value is similar to that of a mid-size oil FPSO. If turnkey supply is not required, the supply of key components will be pursued;
- to supply mooring and transfer systems for loading and unloading terminals – always on a lumpsum, turnkey basis.

Marketing efforts to promote the Group's technology have already started, on the basis described above.



SBM's concept for a floating regasification plant (FSRU); an import terminal for liquefied natural gas.

The Gulf of Mexico

In previous reports, IHC Caland expressed its doubts about the highly optimistic predictions made by the press concerning FPSO's in the Gulf of Mexico, as it was convinced that demand for FPSO's would get off to a slow start. While last year's Annual Report suggested that there might be opportunities in 2002, no serious project is yet on the horizon. With E&P budgets in the USA being reduced, it remains to be seen whether 2003 will bring a real project. The requirement that all associated gas has eventually to be produced, and the fact that the Jones Act requires all shuttle tankers (not the FPSO) to be built in the USA are major economic obstacles. Business opportunities in the Gulf of Mexico will certainly not influence the future growth of the IHC Caland FPSO business in the short term.

Competition

In the market of FPSO's on a lease and operate basis, a major competitive advantage of the Group is its integrated competence to provide and operate complete FPSO's for the complex end of the business, where clients insist on extensive experience and comprehensive resources. This competitive advantage has less value for simple systems where long-term risks are considered to be of lesser importance. In this market, competitors nearly always include Moddec of Japan, Bluewater of the Netherlands, and Prosafe of Norway. Another player is the Bergesen Group, a Norwegian tanker owner who has had some success in Equatorial Guinea. For the simpler systems, the competition continues to consist mainly of tanker owners, keen to find a life extension opportunity for their fleet.

In the market of FPSO's and FSO's on a sales basis, in order to maintain control of project management, cost and revenues, IHC Caland will only pursue turnkey contracts when execution is on a lumpsum turnkey basis, and is based on a performance specification. For the turnkey supply of large FPSO's on a sales basis, the competitive arena is quite different from a year ago:

- Brown & Root, McDermott and ABB are revisiting

their approach to large EPCI contracts, and might not be very aggressive in the future;

- certain European contractors have grown considerably by mergers: Saipem (Bouygues) and Technip (CSO). These companies are now serious players and have clearly declared their competitive intentions;
- Korean shipyards such as Hyundai and Daewoo perform well in construction and integration, but need to work with partners for the engineering.

In the market for TLP's, the competition for our SeaStar[®] monocolumn TLP includes Moddec and ABB with the multicolumn TLP concept, and Technip-CSO-Aker and McDermott with the Spar concept. IHC Caland is confident of the competitiveness of the monocolumn SeaStar[®] concept.

In the market of products and services relating to mooring technology, the competition is mainly as follows:

- for turrets and mooring systems, APL of Norway (subsidiary of Statoil), Bluewater, and Sofec of the USA;
- for CALM loading/unloading buoys, Sofec and Bluewater.



The main modules being offloaded from US yard for transport and installation on board Kuito FPSO as part of phase 2A development.



Beaver Dredgers and Delta Workboats for Nigeria.

DREDGER/SPECIALISED SHIPBUILDING ACTIVITIES

During 2002, the dredgerbuilding activities went in general in accordance with expectations, but due to problems at one of the yards, the specialised shipbuilding activities showed a dramatically bad performance. Measures have been taken to solve the problems. The net result of the combined dredger/specialised shipbuilding division fell to a loss of € 28.9 million after a one-time € 25 million restructuring charge. New orders decreased by 46% to € 304 million and our backlog decreased by 27% to € 721 million.

The market for the building of dredgers and related equipment was steady during the year, especially in the category of small and mid-size orders. Long-term prospects for this market remain positive, with an expected annual average growth equal to the growth of the global seaborne trade, which is generally estimated at twice the world GDP-growth rate. New orders in 2002, together with the sustained demand for after-sales supply of spare parts and components, have resulted in a satisfactory order intake. This order intake, added to the order book at the start of 2002, has resulted in a complete utilisation of all units. Based on the order book at the start of 2003, and the positive market forecast for the coming year, complete utilisation of the yards and the other units is also expected for 2003.

In dredgerbuilding, the Group remains well positioned to supply two distinctly different client groups. The investments of the Dutch and Belgian contractors are very much focused on achieving cost leadership in their markets or alternatively being able through advanced technology to dredge beyond the presently existing limits, whereas the state-owned dredging corporations in (semi) closed markets also focus on high quality dredging equipment with proven technology. A healthy development of demand is expected, especially from the latter market segment, which contains a number of emerging countries such as China.

The market in specialised shipbuilding was very weak, resulting in increased competition and a lack of orders necessitating restructuring and downsizing of one of the yards, van der Giessen-de Noord. As earlier reported the Group had to take a one-time provision of € 25 million to cover the downsizing and associated costs. Additionally, management was changed and various technical departments within the division have been merged. Increasing cooperation and subcontracting among the yards will improve cost levels.

Dredgerbuilding activities

Orders and deliveries

On the capital dredging and maintenance market, the

sales of standard cutter dredgers were, as in other years, at a high level. In addition to orders for medium-sized trailing suction hopper dredgers from Europe, an order was received from China for a 10000m³ trailing suction hopper dredger, which will be used for the execution of large infrastructural projects in the country.

As expected, Dutch and Belgian contractors invested in small and mid-size hopper dredgers. A 5400m³ unit was ordered by DEME (Belgium) following the order for a 4750m³ dredger for Van Oord ACZ and the two 16000m³ hopper dredgers for Royal Boskalis Westminster (the Netherlands) which were ordered at the very end of 2001. Although there is also a keen interest from the Dutch and Belgian contractors to renew a part of their (heavy duty) cutter dredger fleet, no order for a large self-propelled cutter suction dredger was placed during 2002. The Group nevertheless believes that there is room for the replacement of another large dredger in this category following the order of our client J. de Nul (Belgium) at the end of 2001 for a 27000kW self-propelled cutter suction dredger.

An example of technologically advanced equipment was the recent delivery of the deepwater dredging installation for the hopper dredger 'Vasco da Gama' of J. de Nul, enabling dredging of sand at a water depth of 155 metres, after lengthening of the vessel and thereby increasing its capacity to 44000m³.



Deepwater dredging installation for the 44000m³ (after lengthening) trailing suction hopper dredger 'Vasco da Gama' for J. de Nul.

For the market of sand and gravel and alluvial mining, two seagoing sand and gravel dredgers were delivered to their owners (5000m³ and 2800m³). Plans to invest in new large seagoing sand and gravel hopper dredgers which were shelved in view of the slow-down in the economy, are becoming alive again, as increasingly concessions are only being granted in waterdepths where existing capacity is less suitable or cannot be used. For the mineral sand and mining market, two dredgers were delivered to their owners in Saudi Arabia and Brazil.

Service centres

We have recently established service centres in China (Tianjin), in Singapore, and in Nigeria where a number of standard Beaver dredgers have been brought into operation by local contractors. These service centres were set up to facilitate the product support activities of which spare parts deliveries are only a part. With these initiatives, the Group is able to offer its clients a full service concept during the lifetime of their dredgers.

The dredging market segments

IHC Caland's world market share in dredgerbuilding is over 50%. The Group has strong market positions and leading hardware concepts including cost reducing and advanced technology in all dredging market segments. The Group supplies custom-built and standard dredging equipment to clients operating in the following four market segments:

- capital dredging, for the creation of new wet infrastructure, such as approach channels and harbours, but even more importantly dredging of sand to build new dry infrastructure, such as airports, container terminals, industrial sites, and extensions of cities. Since the introduction of the jumbo dredgers, the creation of new land through dredging is often cheaper than the cost of developing existing land;
- maintenance dredging, to remove siltation in rivers and estuaries in order to maintain sufficient navigation depth. Irrespective of the pace of growth in the world economy and the resulting variations in the number of cargo ships entering a port, ports and

harbours have to maintain the required minimum navigation depth. As the number of ports and harbours which are in use worldwide is increasing, this market shows a gradual but steady growth. Coastline development such as beach replenishment and associated dredging work can also be considered to be maintenance dredging. In view of the expected rise of the sea level, this market can also be expected to grow;

- dredging sand and gravel as a commodity for the construction sector;
- dredging of mineral sands for the mining industry (alluvial mining), at sea and inland, and sometimes also in artificially created lakes.

Client base developments

The Dutch and Belgian contractors serve about 70% of the free accessible world market, but are also confronted with closed or semi-closed markets. Since the mid-nineties, the Dutch and Belgian contractors concentrated their investments to a large extent in the category of jumbo dredgers with a hopper volume of 18000m³ and above, for the execution of large reclamation projects. Demand from this client base has shifted mainly to small and medium sized hopper dredgers and technologically advanced components such as for very deep dredging and dredging in extremely hard soils.

During 2002 these contractors were confronted with a serious set back in the execution of the large land reclamation work they are carrying out in Singapore. In August this work virtually came to a halt as the



4900m³ trailing suction hopper dredger
'Coastway' for Royal Boskalis Westminster.

contractors were no longer allowed to use the sand from Indonesian and Malaysian territorial waters. Some of the jumbo dredgers which were employed on this job were confiscated by the Indonesian Navy, with the other dredgers being diverted to other dredging jobs in the area. In February of this year all dredgers were released and a number of them resumed their work in Singapore.

State-owned and private local dredging corporations generally dominate the dredging works in markets which are (semi) closed to foreign contractors. Examples of such restricted markets can be found in the USA (Jones Act, Dredging Act), China and to some extent India. In many of these markets economic growth is expected to be considerable. These countries have embarked on long-term programs to improve and expand their infrastructure, including new ports and waterways. Their existing dredging fleets are both insufficient in capacity, and in certain areas too outdated to carry out the necessary work. IHC Caland therefore expects a healthy demand from this market segment. In the long run it is to be expected that the number of restricted markets will diminish as more countries enter the World Trade Organisation, requiring them to gradually open their markets to outside competition. This will affect the shift in our client base, but is expected to have no overall effect on the dredgerbuilding activities of IHC Caland.

Competition

The major competitors in the dredgerbuilding activities of the Group are for the larger custom-built equipment sector IZAR (Spain), VOSTA LMG Dredging Technology (the Netherlands) for engineering services and component packages only, Mitsubishi Heavy Industries (Japan) and to a somewhat lesser extent Damen Shipyards (the Netherlands).

The main competitors in the range of standard dredgers are Damen Shipyards, VOSTA LMG Dredging Technology, Baltimore Dredgers (formerly Ellicott Machine Corporation, USA), Hydroland (France), Italdraga (Italy) and Neumann (Australia).

Specialised shipbuilding activities

Restructuring of activities

van der Giessen-de Noord encountered very severe problems in the execution of its orderbook during 2002 as a result of (with hindsight) an underestimation of the cost price of some orders contracted at the end of 2000.

Furthermore, the market for specialised shipbuilding proved to be very difficult during 2002. The market of ferries and offshore support vessels, where van der Giessen-de Noord contracted most of its orders, proved to be very weak, resulting in a lack of orders.

In view of this situation it was decided to restructure and

downsize the yard's capacity by 40% and to improve synergy with Merwede Shipyard by combining sales and estimating departments. Further increased cooperation with our dredgerbuilding activities will enhance competitiveness.

Competition

In addition to weak demand, competition has increased as traditional cruise ship builders have now also entered into the ferry building market as a result of a slow-down in their traditional markets. Competition in this market segment is coming from Aker Finnyards (Finland), Fincantieri (Italy), Flender (Germany), IZAR (Spain) and to a lesser extent from Hyundai (Korea). For the larger Ro-Pax ferries, newcomers being encountered are Meyer Werft (Germany) and Kvaerner Masa (Finland).

During the year the European Commission tried to reach an agreement with South Korea on the issue of unfair pricing in shipbuilding. Once it became clear these negotiations had failed, the European Commission decided to file a TBR (Trade Barrier Regulation) case with the World Trade Organisation. In the meantime a TDM (Temporary Defense Mechanism) was introduced allowing member states to support contracts for container vessels and product carriers with a subsidy of maximum 6% of the contract value in case of Korean competition. As the Group's shipyards are not actively pursuing business in these sectors, the TDM mechanism has only a very limited impact on the Group's activities.

Tunnelling/foundation equipment

In order to become less dependent on dredgerbuilding only, IHC Holland has gradually acquired a number of other activities which fit very well into its engineering and production capabilities. Mention can be made of hydraulic piling hammers (IHC Hydrohammer), and handling systems such as internal and external pile clamps, and skidding clamps (IHC Handling Systems).

The most recent addition has been the introduction of a new tunnelling method which aims at building tunnels at considerably lower costs in shorter construction periods than the existing methods. The Dutch government is very keen to test this method in a pilot project. For this purpose the 'St. Hubertustunnel' in The Hague was earmarked. IHC Holland has decided to enter into a consortium to execute this tunnel project with BTC (Boor Tunnel Combinatie) Hubertus VOF in which HBG Civiel BV, Wayss und Freytag Ingenieurbau AG, Ballast Nedam Infra BV, Strukton Betonbouw BV, Van Hattum en Blankevoort BV and TBI Beton- & Waterbouw BV participate. BTC already has extensive experience in executing conventional tunnel projects in soft soil in the Netherlands. An agreement in principle has been reached between the parties which will lead to a definite contract to execute the project in the first half of this year.

RESEARCH AND DEVELOPMENT

Offshore oil and gas activities

IHC Caland is active in the development of new systems and components to enable economic and safe energy recovery from offshore areas. The major focus of the present R&D efforts is on deepwater production and LNG delivery systems.

Actual direct R&D expenses totalled € 11.4 million in 2002. This does not include the part of such costs paid by clients, nor the very considerable R&D work which is performed in the course of execution of projects.

In the short-term as well as the long-term our technology will push back the frontiers enabling oil and gas extraction, storage and offloading at competitive cost levels in ever more challenging offshore areas in the world, such as in ultra deep water and in arctic zones.

The current R&D activity list includes the development of:

- Deepwater systems, including:
 - FP(D)SO-TLD;
 - Anchoring systems;
 - Installation methods;
 - Riser systems;
 - Mid-water pipe systems;
 - TLP waterdepth range extension programme.
- LNG transfer systems, including:
 - Floating storage and regasification;
 - Ship-to-ship and ship-to-shore loading/offloading;
 - Cryogenic fluid swivels.

The latest artist's impression of SBM's FP(D)SO-TLD, a new technology for deep offshore where dry trees and full drilling capacity are available in addition to usual FPSO functions.



Examples of achievements in these areas are described below.

FP(D)SO-TLD

The Tension Leg Deck (TLD) is a development that enables direct dry tree production riser support on a spread-moored FPSO in deepwater. Oil companies prefer dry tree production in deepwater as it has no depth or flow assurance limitations and increases reservoir recovery.

Until now, the dry tree on floating units has been limited to TLP's and Spar's. Incorporating this style of production in an FPSO brings with it the economics of low cost floating units capable of stand-alone field development. The TLD uses existing TLP hardware to bring dry trees to the FPSO. The means by which the TLD achieves riser support is with weight rather than buoyancy as used on existing dry tree units.

2002 saw the completion of a major internal study to bring this system to a Front End Engineering and Design (FEED) ready state. The study included: Atlantia (TLD deck and riser system), SBM-IMODCO (TLD tensioning system), Gusto (vessel system), PRIDE International (drilling system) and SBM (project management). The completion of this work enables the system to be proposed to oil companies for field developments as the TLD principle has now been verified by model tests and has the Approval in Principle (AIP) from the classification society Det Norske Veritas.

In addition, with the development of the FP(D)SO-TLD the Group will have its own solution for full field development, from well-head to offloading point.

Steel Catenary Riser (SCR)

In ultra deepwater, riser systems become a significant technical challenge and a major part of field development costs. As flexible solutions are running into technical difficulties and cost disadvantages, steel risers tend to become a preferred solution. The FPSO is ideal for supporting the large weight these risers place on floaters. However the FPSO response to waves can aggravate the steel riser loading and fatigue life. A study is underway with a major oil company to ensure SCR's will have adequate fatigue life, so as not to preclude the FPSO from future ultra deepwater offshore projects.

Gravity Actuated Pipe (GAP®)

The GAP® is a system that allows any number of pipes to traverse large distances between floating bodies at a submerged but near-surface level. The concept physics uses submerged weights, which supply a self-regulating tension to maintain the pipes within certain design excursions. In deepwater, the concept's near-surface transfer not only avoids the expense of subsea lines and risers but, more importantly, avoids flow assurance problems which occur in very deep waters. This flow



Ultra Deepwater Field Layout – A complete toolbox, all based on proprietary technology for development of deepwater fields.

system makes it possible to tie a minimal size Dry Tree Unit (DTU) to a large FPSO hub. 2002 saw studies for oil companies prove the viability of this concept for tie-ins at distances up to thirty kilometres. The system can be designed for all deepwater areas of the world.

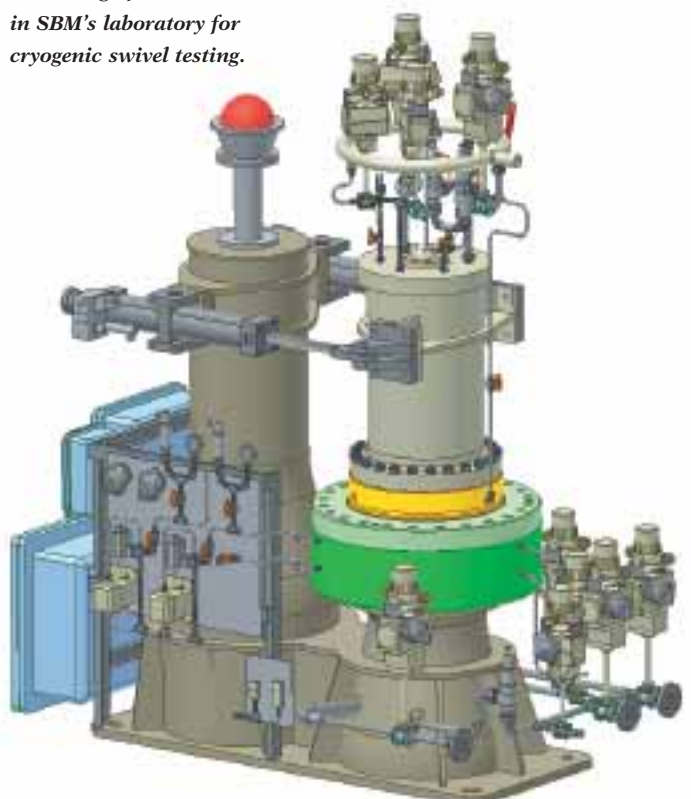
LNG transfer systems

The 21st century is seeing a rapid expansion in the natural gas trade. Much of the proven gas reserves are known to lie offshore and/or in remote areas. The most efficient means of storing and transporting this gas is in the form of LNG. In this regard IHC Caland is developing an FSRU and a SYMO® system. The FSRU could be located near a coast or existing offshore pipeline where gas could be piped into the onshore pipe grid. The Group is developing the SYMO® system, to reliably load LNG into these FSRU's in areas having mild to harsh wave conditions. While several contractors and engineering companies are working on offshore LNG floating production solutions and FSRU concepts, no one else has found a real solution yet for the mooring and transfer of cargo in open sea, and the SYMO® system is actually the missing part of the puzzle.

The SYMO® system is a tandem ship-to-ship mooring and loading system that safely couples the FSRU to an LNG carrier while transferring LNG in its liquid cryogenic state. The SYMO® system can also be used to couple carriers to fixed offshore structures where the LNG could be gasified and/or sent to shore for storage via a cryogenic pipeline. The design and testing of cryogenic

swivels required for the SYMO® system is part of this ongoing development. In 2002, several major oil companies followed and financially sponsored some of the development in these LNG systems.

A drawing of the new bench in SBM's laboratory for cryogenic swivel testing.



Dredger/specialised shipbuilding activities

All R&D activities within dredger/specialised shipbuilding sustain and increase the Group's technological leadership, especially in the dredgerbuilding market. The dredgerbuilding activities require considerably higher R&D investment levels than other specialised shipbuilding.

R&D in dredgerbuilding aims at an ever better understanding of the dredging process itself as well as product development. All the R&D efforts are focused on providing our clients with means and equipment to either become cost leader in their selected markets or to enable them to carry out their dredging operations beyond existing limits (e.g. water depth, soil conditions). The research of the dredging process is carried out at the IHC Holland research institute MTI Holland. More fundamental aspects of the dredging process are often investigated in close cooperation with the only existing faculty of dredging technology in the world at the Delft Technical University. The specific product development activities are carried out within the various business units. R&D projects are also executed in collaboration with customers. The feedback of the experiences with the dredging equipment during the actual dredging process is an important source for product development.



Training simulator trailing suction hopper dredger.

Hopper loading efficiency

In the field of the dredging process, the extensive investigations which were carried out with respect to the loading of hoppers, including tests in practice and on model scale are worthy of note. These investigations which were carried out in 2001 in close cooperation with

one of the big international contractors gave a much better understanding of the loading process of a hopper, resulting in recommendations for improving the loading efficiency. In the meantime these recommendations were implemented in the design of a hopper dredger which was delivered last year. MTI Holland has also included the results of this research in its calculation models which predict the performance of dredgers under various possible conditions.

Deepwater dredging

In the field of product development activities, a real challenge came with the design and construction of the deepest dredging installation ever. This installation was ordered late 2001 by the dredging contractor J. de Nul for its hopper dredger 'Vasco da Gama'. After lengthening of this vessel, which will increase its hopper volume to some 44000m³, the deep dredging installation will enable dredging at a water depth of 155 metres. Various technical problems required new technology, e.g. in the field of sealing and pressure compensation of the submersible pump motors combined with active cooling of the motors. The knowledge obtained from this is unique in the world today.



Transport of deepwater dredging installation for the 44000m³ (after lengthening) trailing suction hopper dredger 'Vasco da Gama' for J. de Nul.

Other specialised shipbuilding

In the field of specialised ship designs, the Group participated in a number of joint national and international research projects, such as the reduction of the ship's friction by injecting air bubbles in the boundary layer, and the application of very high tensile steel for high speed ferries (fifty knots).

BUSINESS DRIVERS AND COMPETITIVE POSITION

Business drivers

Offshore oil and gas

- Instability in Middle East encourages exploration elsewhere, especially the South Atlantic;
- Huge hydrocarbon discoveries in deep and ultra deep water offshore;
- Movement towards floating offshore LNG plants;
- New cost-effective technical solutions for producing oil and gas, in increasingly deeper water;
- Oil company requirement to replace production;
- Increased international E&P spending by oil companies, especially in deepwater;
- Relatively high oil price predicted in medium term;
- Continuing demand for oil transportation, loading and offloading;
- Opening of Gulf of Mexico to FPSO's/FSO's;
- Zero flaring policy driving offshore gas technology;
- Increased market for LPG and LNG transport/storage and import facilities;
- Dry completion option in deepwater.

Dredger/specialised shipbuilding

- Major land reclamation projects, driven by new low-cost technology;
- Increasing world seaborne trade – new and deeper harbours required;
- Replacement of ageing dredger units;
- New safety regulations for passenger ferries;
- Recovering growth in leisure cruises (post 11 September).

Competitive disadvantages (to be overcome)

Offshore oil and gas

- Limited home market for offshore division (now growing in USA);
- Difficult to keep competitive edge on low end of product line.

Dredger/specialised shipbuilding

- Production facilities in high labour cost countries;
- Engineering capacity can occasionally be bottleneck for custom-built vessels.

Competitive edge

Offshore oil and gas

- Flexibility in execution – three engineering centres – all construction outsourced;
- Extensive toolbox for deepwater developments, mainly with patented technology;
- In-house competence to design, supply, install and operate complete, complex FPSO's;
- 'Fit-for-purpose' FPSO concept, based on operating experience with thirteen units;
- Patented technology in-house on LNG components;
- Track record – on time and generally in budget;
- Financial strength and financing skills;
- Strategic partnerships with e.g. Sonangol, Saipem and Mitsubishi;
- Mergers and failures reducing the number of major competitors.

Dredger/specialised shipbuilding

- Key technology in-house;
- Strong home market in dredgerbuilding;
- Niche player in a number of markets;
- 'Fit-for-purpose' design, based on 300 years of experience;
- Choice of four modern construction yards gives short delivery times;
- Full life cycle product support.

Threats

Offshore oil and gas

- Increasing competition, including from the Korean shipyards for large turnkey projects;
- Eventual move to more modern tonnage for FPSO's/FSO's;
- Increasing construction prices due to high workload in ship-/fabrication yards;
- Overload on balance sheet due to expanding lease fleet.

Dredger/specialised shipbuilding

- Excessive/hidden subsidies for competitors;
- Stronger Euro;
- Overcapacity in worldwide shipbuilding.

MANAGEMENT OF RISK

The Group is active in international, custom-built, high capital value, (mainly) offshore oil production business. Detailed attention to the management of all associated risks is critical to the Group's continuing success.

There are three major categories of risk which IHC Caland addresses, namely:

- I Project specific risk
- II Structural risk
- III Treasury risk

The approach to controlling each category differs considerably. The first and third categories require specific procedures and practices to be adopted in the running of business and financial operations, while the second requires focus on the very structure of the company. A brief description of the issues and techniques utilised in the management of risk follows:

I Project specific risk

These are discussed in the sequential order in which they occur on a typical project.

(A) Construction contracts

Technical risk

In all Group companies, the vast majority (by value) of projects relates to custom-built products, which are often required to meet specific performance criteria established by customers, including adherence to the rules set by Classification Authorities. Intrinsicly, every new design carries with it new technical risks. Only extensive technical experience and expertise, together with strict adherence to internal quality and safety procedures (on the basis of which the Group's offshore companies have obtained ISO-9000 and SEP accreditation) can manage these risks.

During execution of the project, the design is appraised and should be approved by the appropriate Classification Authority, such as Lloyds Register, the American Bureau of Shipping (ABS), DET Norske Veritas (DNV), Bureau Veritas, etc. To a large extent, this approval then provides the security that from a technical angle the project will be sound and its risks limited.

Budget (sales price) risk

The cost of a product is driven by the technical solution developed by the Group's engineers. No amount of risk control procedures can solve the problem when the agreed sales price or budgeted capex value for a lease FPSO is less than the cost price! Accordingly, before a price is submitted to a client, the detailed calculation is reviewed and approved by all appropriate departmental heads, and various levels of management depending on

the value of the project. All components of the cost price, including internal man-hours, subcontracted and purchased items, insurance and finance costs are carefully reviewed. Where appropriate the price is adjusted for the effect of selling or purchasing in foreign currencies.

During execution, the budget is constantly checked against actual costs, to identify any variances at the earliest possible stage, and to allow remedial action where possible. As a final safeguard, for sales projects, the profit is only recognised upon completion and full acceptance by the client.

Execution risk

Execution (construction and in some cases installation offshore) of a project may face all kinds of problems ranging from mistakes and accidents in the actual construction phase, bad workmanship, damage during sea-tow, installation, etc. These risks are always insured with first class underwriters. The risk of losses arising from a faulty design cannot be insured in the market.

There is also the risk of subcontractors who run into financial problems. This is addressed by credit checks and requesting bank guarantees to support performance, followed by careful monitoring of progress. Problems can nonetheless still occasionally arise.

van der Giessen-de Noord

The problems experienced by van der Giessen-de Noord during 2002 were mainly due to Budget risk and Execution risk. The two vessels where most problems were encountered were both based on the client's design. The review procedures detailed to eliminate design and budget risk were not properly respected, causing an underestimation of the complexity of the vessels, with the result that the sales prices were far below the actual cost.

The problems were compounded in execution by inefficiencies due to frictions with and poor performance of some subcontractors who apparently underestimated their part of the job. Appropriate measures have been taken to prevent a recurrence of this failure.

Payment risk

Except in the case of first class customers, all payments due in respect of supply contracts should be covered by Letters of Credit. For the dredger/shipbuilding activities, there is also the alternative that payments are insured with the Dutch Credit Insurance Company (NCM Gerlings).

(B) FPSO lease and operation

An additional set of risks arises when the Group leases and operates an FPSO for a client. These include the following:

FPSO/FSO operation risk

The major concern associated with the operation of FPSO's and FSO's is the potential risk of oil pollution.

In reality, there have been no important oil pollution incidents involving FPSO's/FSO's anywhere in the world. Within the IHC Caland Group, the management of oil pollution risk, and the general integrity of the fleet is maintained by a threefold internal policy:

- strict operating procedures and preventive maintenance programme;
- careful selection and intensive training of high quality personnel and direct employment of all positions of responsibility aboard the units;
- Safety Environment Protection (SEP) accreditation by the classification society DNV and compliance with Integrated Safety Management (ISM) requirements.

In addition to the internal measures, the Group is always contractually indemnified beyond a reasonable limit by its clients against oil pollution and any related third party claims. Finally, pollution insurances are generally taken out with a P&I club for the maximum amounts available to cover this risk.

There is also the day to day operating risk whereby day-rates will not be paid by clients if the units do not perform satisfactorily. In this respect it is reassuring to note that as at 31 December 2002, the Group had operated around eighty vessel years for FPSO's/FSO's, with a total operating downtime of less than 1%, well below the average contractual downtime allowance.

The decision in 2001 by the US Minerals Management Service (MMS) to allow FPSO's into the Gulf of Mexico on the basis that they were just as safe as any other form of offshore oil production provides further reassurance to those who regularly evaluate the risks of operating FPSO's.

FPSO/FSO lease financial risk

When making a proposal to lease an FPSO or FSO to a client, four main financial risk factors require to be evaluated:

- Client risk;
- Reservoir risk;
- Country risk;
- Residual value risk.

If the client is a substantial company capable of guaranteeing full payment under the lease, then the reservoir and country risks are less relevant. If however the client is not sufficiently strong to guarantee full lease payments, the Group will in all cases look for limited recourse project finance in order to transfer reservoir and country risks to the international banking world where they belong.

In addition, each FPSO or FSO contract is performed

through a special purpose company established for the project. In this way the various risks associated with a project are isolated and separated from other areas of the Group's business.

Finally, residual value risk relates to the portion of the unit which is not amortised after the initial guaranteed lease period is over. Deciding on the level to be accepted involves taking a view on e.g. the likelihood of the lease continuing, the reusability of the units etc. In general, the Group tends to err on the side of caution when establishing this key parameter.

II Structural risk

Irregular order intake

This is one business risk which is impossible to eliminate fully in the capital goods business. By operating in a number of different industries, IHC Caland endeavours to mitigate this risk, and to smooth as much as possible the fluctuations in revenues and profit margins for the total Group caused by the inherently irregular demand pattern in each of those industries. To further minimise the downside risk of this irregular demand, the Group companies working in the offshore oil industry contract with clients on a turnkey basis but outsource completely the actual construction of their products, thus confining themselves to their core competencies of sales, product development, design, project management and quality control.

The one exception to this rule is in the case of hardware components involving important proprietary know-how such as product and gas swivels, which are always manufactured within the Group in order to prevent the proliferation of this knowledge. Only in its dredger/shipbuilding business with its distinct, different market culture does the Group maintain a core manufacturing capability consisting of four modern shipyards in the Netherlands. In this context, it is important to note that many dredgers are self-propelled, and transportation costs to their final destination are accordingly not too high. However, even when market conditions are favourable, order intake can be irregular.

Therefore, again to limit the downside risk of market fluctuations, the policy here is to limit the permanently employed manhour capacity to a maximum of 70% of the total hours required to complete the average order book, and to subcontract the rest of the work.

Imbalance between supply and lease contracts

In general, the Group's aim is to achieve the optimal mix of supply contracts and contracts to lease and operate FPSO's/FSO's. An imbalance is not strictly speaking a risk, but it is an unmanageable element in the business equation which can have significant repercussions on the Group's bottom line, Return on Capital Employed, and balance sheet structure, depending on whether the imbalance is in favour of supply or lease.

Supply contracts are attractive both in that they generate profit immediately upon delivery, and also in that progress payments generally ensure at least a neutral cash flow, thereby eliminating the need for additional working capital.

In the case of lease/operate F(P)SO's, there are no progress payments, and very large amounts of capital are tied up. Nonetheless, when they come on stream, lease contracts contribute immediately to cash flow. The thirteen units presently in operation provide a very substantial and visible underpinning to future long-term earnings and cash flow.

The Maersk Innovator (MSC CJ70-150 MC) on transport to the Northern North Sea.



III Treasury risk

The offshore division's activities generate significant currency and interest rate exposures. The functional currency of the offshore division is the US dollar and all revenues are in US dollars. There are significant cost elements in Euros and other non-dollar currencies. The lease business is particularly capital intensive and substantially financed with debt. The policy of the Group is to hedge all currency and interest rate exposures, and fixed rate instruments are used to cover most of these risks. Long-term lease contracts with fixed revenue streams make up a major part of the Group's revenue, and profit volatility is reduced by hedging interest rate risks. Counterparty risk is minimised by entering into hedging contracts only with banks rated 'A' or better.

Growth in the balance sheet and profits of the offshore activities have resulted in this business becoming predominant in IHC Caland. For this reason, effective 1 January 2003, IHC Caland has changed its reporting currency to the US dollar and the existing dollar to Euro hedging contracts have been either reversed or relabelled for other hedging purposes. As a departure from the previously strict policy of full hedging, the Euro based equity and profit from activities in the Netherlands, mainly shipbuilding, have not been hedged to the new reporting currency of IHC Caland. These items are not considered material in the context of the Group. However volatility in the Euro/dollar exchange rate will result in minor volatility in the Group's reported values for profit and equity. This subject is explained further in the Financial review section (see page 38).

HEALTH, SAFETY AND PROTECTION OF THE ENVIRONMENT (HSE)

General

IHC Caland's policies and practices in respect of HSE are continuously being developed, with all three items being integral aspects of the business activities of the Group. It is a prerequisite that all personnel actively implement an individual and collective commitment to the highest standards of health, safety and the protection of the environment. This applies to all the Group's activities, from concept selection, through detailed design and commissioning, to offshore installation and operation. All personnel are accountable for these key areas, both in the execution of their work activities and in their relations with business partners and clients.

Onshore and offshore oil and gas activities

Health and safety

The Safety Management System for onshore design and construction work in 2002 identifies two lost time accidents (LTA's) i.e. accidents requiring more than three days off work, for 1.3 million manhours expended. Efforts are being made via safety workshops and lessons learned to ensure an even better performance for 2003. The goal of improving the safety performance of sub-contractors during 2002 has been achieved, as available data demonstrate that the incident frequency is better on SBM-managed work than for each yard as a whole. It is the intention to focus resources and ensure this trend continues.

The FPSO/FSO offshore operational statistic is two LTA's for 2.7 million manhours worked. This low incident frequency is a reflection of the effectiveness of the Safety and Environmental Protection (SEP) Management system implemented during offshore production activities. These data show a year-on-year improvement as implementation of the SEP matures.

During the design phase of the Group's FPSO/FSO projects, a Safety Case is developed generally in line with UK HSE legislation. The purpose of the Safety Case is to identify all significant hazards that can occur during the operation of an FPSO/FSO, with the data generated then being utilised to optimise the design accordingly. The process of developing the Safety Case involves a series of HAZOP's, HAZID's and detailed Formal Safety Assessments (FSA). In general terms the FSA's evaluate the potential for loss of containment events, fire and gas risk analysis and the provisions made in the design for evacuation and rescue of personnel. The Safety Case ultimately demonstrates the Design and Operation integrity of each unit, which neatly dovetails with the operation of SBM Production Contractor's Safety and Environmental Protection system, providing design safety input which describes all the safety related mea-

asures in place. In any event, the Safety Case for each unit is formally revisited every three years and any changes to the management system or the addition or deletion of equipment is recorded. Safety training, for which a structural system has been developed, is an essential part of maintaining a safe working environment.

Protection of the environment

In respect of protection of the environment, the offshore division maintains a strict emphasis on a clean and pollution-free offshore operation. All emissions to the sea or the atmosphere are evaluated during the Safety Case process to ensure they exceed in cleanliness all relevant international and coastal state requirements, e.g. water produced along with oil and gas is processed and the cleanliness continuously monitored before being returned to the sea. In addition, the emphasis on utilisation of associated gas has a very positive environmental effect as it eliminates the need for gas flaring.

Dredger/specialised shipbuilding activities

Health and safety

During the year, 0.23% (2001: 0.24%) of the available production manhours were lost due to accidents. No fatalities were recorded.

Health and safety requirements are important issues during construction of vessels. At the yards, strict discipline is adhered to in the handling and disposal of hazardous products. The standards to be complied with are clearly spelt out in the relevant company manuals. Major efforts are made to create and maintain a safe and healthy working environment. In the Netherlands, where all the Group's yards are located, the minimum requirements are laid down in a labour conditions law. This law requires companies of a certain size to establish formal labour conditions policies. Based on these policies, a detailed annual plan is drawn up to improve specific labour conditions or working circumstances. The annual plan is based on the findings of regular inspections of the labour conditions, both in offices, construction halls and machine shops. Formulation of the plan and execution thereof is supervised by an external expert of the Department of Health and Safety, as required by law and by the works councils.

Protection of the environment

The environmental impact of vessels built by the Group is evaluated on a 'cradle to grave' basis. First of all, when designing a vessel, special care is given to the possible environmental impact during the construction phase. Thereafter, attention is focused on the permissible emission levels of its engines during its lifetime, and finally the choice of materials is influenced by the environmental and health impact of the eventual scrapping of the vessel.

HUMAN RESOURCES

General

IHC Caland seeks to be an attractive employer, offering wide opportunities for professional and personal advancement. The maintenance of safe and healthy working conditions, the observance of strict safety and environmental standards, and a fair and balanced system of remuneration have the highest priority.

Number of employees

At the end of 2002, the Group had a total of 4338 employees of which 1542 were in the offshore division and 2775 in shipbuilding. The Group continues its international growth with 54 different nationalities, spread over 23 countries.

Labour markets

Competition for high quality experienced personnel remains stiff in the offshore division. One contributing factor comes from the industry downturn in the 1980's, when very few young people came into the business, and thousands of mature engineers left for good.

Another reason is the boom in the industry over the last few years, with rapid expansion in many players (including IHC Caland), especially in Houston, where many companies relocated to, or expanded, to better serve the growing deepwater oil and gas industry.

The Group has a number of different approaches to the problem. The starting point is to compete on the basis of salary. In the start-up days of SBM-IMODCO in Houston, this was basically the only possibility. Another approach is to buy an engineering company, such as Ocean Design Associates, a fifty man firm which the Group acquired in

December 2002, to complement the resources of IHC Gusto Engineering and Marine Structure Consultants (MSC) in Houston.

In the offshore division, internship programs which provide a valuable period for the Group to assess capability and potential, have led to several graduates accepting permanent positions. This has enabled a long term approach to be adopted, especially in the Monaco office, by recruiting annually a group of ten to twelve newly-qualified graduates, who will be trained and integrated into the organisation, to form the long-term backbone of the Group. The 'Class of 2002' is pictured below.

In the shipbuilding division, the market for personnel has eased, especially with the layoffs at van der Giessen-de Noord. Nonetheless, the 'greying' of the work force continues, with relatively few young entrants, and many of the existing personnel approaching retirement. International recruitment remains one solution to the problem.

Absenteeism

Absenteeism in the offshore activities fell to 1.6% instead of 2.1% in 2001 – while despite the situation at van der Giessen-de Noord, the figure in shipbuilding also decreased from 6.3% to 5.8%.

Incentives for employees

The Group has a comprehensive compensation package including (depending on the employee's level) salary, bonus, stock options and other fringe benefits. In addition, there is an employee share ownership plan with the purpose of encouraging all employees to own shares in IHC Caland, thereby improving motivation and



SBM Group – Young graduates.

involvement in the Group. To the extent possible, the Group endeavours to accommodate the present trend towards flexibility in working conditions and compensation packages.

Training and development

In all companies in the Group, there is a strong focus on development and training of employees. Training programmes are organised (in-company and/or elsewhere) to ensure that employees develop and maintain a level of knowledge and experience that meets advancing technological requirements and to prepare talented employees for management positions.

Training in offshore

In the offshore division, technical and other training courses are arranged especially for the annual graduate intake mentioned above. Various other initiatives also take place such as last year's training initiative in Angola. Angola offers considerable opportunities to foreign oil companies and contractors but, at the same time, it expects an increased involvement of national resources in the operations. As we are quite active in that country, we recognise this national priority and the need for serious training of national human resources. SBM Group took the initiative to propose to Angola's state oil company Sonangol a revamping of an existing training facility north of Luanda. SBM Group selected an Australian training partner, MOG, who has the competence in international professional training. A joint venture was formed. SBM Group brings the working capital and finances the upgrading of the facilities, MOG manages the training operations, and Sonangol ensures that all companies and contractors operating in the oil industry in Angola systematically use the centre for training and education. In January 2003, the new ESSA



Mr. Hans de Groot.

training centre was operational. Our Group's participation in this joint venture is the SBM Group way to say 'Thank you!' to Angola for providing us with substantial, ongoing business opportunities.

Training in dredger/specialised shipbuilding

The shipyards have special in-house schools to train new and existing personnel in the skills needed in the various departments. One example of the value of these schools is the success of Mr. Hans de Groot of IHC Holland, who was one of the three winners of the 'VNSI-Ter Hart' Shipbuilding prize, which is awarded annually by the Dutch shipbuilding association VNSI. Hans is employed in the production department of the Beaver Dredgers business unit.

Labour in developing countries

The Group is continuing and reinforcing its emphasis on nationalisation in the many developing countries in which it operates. A recent initiative is the sponsoring of an oilfield training centre in Angola described above, with the aim of producing a foundation of skilled local labour to operate Angola's booming offshore oil and gas industry.



Mr. Alexanders Kohno.

In what is becoming an annual feature, the Group would like to congratulate Mr. Alexanders Kohno on his appointment as Captain of the newbuilt FSO Okha, operating for Sakhalin Energy offshore Sakhalin Island. Alexanders Kohno, originally from Riga, Republic of Latvia, started his employment in early 1999 as Marine Superintendent in charge of offloadings and disconnection/reconnection operations of the FSO that are regularly performed under extreme climate conditions, and was appointed Captain of the unit in May 2002. All other crewmembers of the unit are now local nationals.

CORPORATE GOVERNANCE

PROTECTION

Policy with respect to mergers and take-over proposals from third parties

The Company remains firmly opposed to a take-over by a third party when in its opinion the ultimate aim of such take-over is to dismantle or unbundle the activities of IHC Caland N.V., or otherwise to act against the best interests of IHC Caland N.V. including its shareholders, employees and other stakeholders.

In order to allow sufficient time for an appraisal of an unsolicited public offer for the shares of the Company or any other attempt to take over the Company, the Board of Management has, with the cooperation of the shareholders, made use of the possibilities open to a company under Dutch law and in the Dutch business sphere, to do so.

In connection with this, a foundation has been formed with the objective of using the voting power on any

preference shares in the Company which it may hold at any time, in the best interests of the Company and the business conducted by the Company. The Foundation will perform its role, and take all actions required, at its sole discretion. In the exercise of its functions it will however be guided by the interests of the Company and the business enterprises connected with it, and all other stakeholders, including shareholders and employees.

The Foundation 'Stichting tot Beheer van Preferente Aandelen in IHC Caland N.V.' is managed by a Board, the composition of which is intended to ensure on the one hand that sufficient information is available as regards the interests of the Company in the opinion of its Supervisory Board, and on the other hand that an independent judgement may be made as to those interests. To ensure this, a number of experienced and reputable present and former senior executives of multinational companies were invited to join this Board.

The Board of Management of the Foundation consists of Mr. H. Hooijkaas, a former President of Shell Nederland BV, Mr. P.J. Groenenboom, a former CEO of Imtech NV, Mr. J.C.M. Hovers, a former CEO of Stork NV and of Océ



*13700m³ trailing suction hopper dredger
'Uilenspiegel', rainbowing for DEME.*

NV, Mr. N. Buis, former CEO of Smit Internationale NV, and Mr. A.P.H. van Baardewijk, Vice-Chairman of the Supervisory Board of IHC Caland N.V.

The Managing Directors, with the approval of the Supervisory Board, have granted a call option to the Foundation to acquire a number of preference shares in the Company's share capital, equal to one half of all ordinary shares outstanding immediately prior to the exercise of the option, enabling it effectively to perform its functions as it, at its sole discretion and responsibility, deems useful or desirable. The option was granted on 30 March 1989. An identical put option in favour of the Foundation, granted to the Managing Directors on the same date, has since been cancelled.

In accordance with the Articles of association of the Company, the Board of Management of IHC Caland has advised shareholders of the reasons for granting this option in the Extraordinary General Meeting of Shareholders of 28 April 1989.

In the joint opinion of the Supervisory Board, the Board of Management of IHC Caland and the members of the

Board of Management of the Foundation, the 'Stichting tot Beheer van Preferente Aandelen in IHC Caland N.V.' is independent from IHC Caland N.V. as defined in the 'Fondsenreglement' of the Euronext Amsterdam Stock Exchange.

CODE OF CONDUCT

In May 2000, IHC Caland published a Code of Conduct. This document lays out the Company's view of its responsibilities to its stakeholders (customers, capital providers, employees and suppliers) and also to the society and the environment. It forms the basis for the Company's daily performance of its business, and the Company is actively accountable for compliance with this code.

MYANMAR PROJECT

IHC Caland has been criticised for its operation of a lease FSO in Myanmar. A short summary of the project history and the Company's position is as follows:

In 1998, the Group entered a contract with the English oil company Premier Oil to supply on a lease basis a Floating Storage and Offloading (FSO) unit offshore Myanmar.

Prior to entering the contract, the Company had checked with the Dutch government and was advised that the government's position on contracts in Myanmar was neutral.

In 2002, when the government changed its standpoint on contracts in Myanmar from neutral to negative, IHC Caland confirmed that in the then current circumstances, it would not enter into any new contract in Myanmar. As a matter of fact, this decision has already resulted in the loss of three shipbuilding projects for Myanmar.

Also in 2002, in connection with the procedures of the OECD – sponsored National Contact Point, IHC Caland confirmed to the Dutch authorities that in its operations offshore Myanmar, it is fully in compliance with the OECD guidelines regarding all aspects of human rights.

In summary, IHC Caland shares the world's concerns about the human rights situation in Myanmar. However, the Group is operating under a binding legal contract which it is obliged to respect. This contract is **not** with the Government of Myanmar, but with a foreign oil company, and governed by the laws of England. Finally the unit is largely operated by nationals of Myanmar, whose rights are scrupulously protected.



As predicted when announcing its half-year results, IHC Caland has achieved a net profit for 2002 of € 71.5 million. This is after deducting a € 25 million provision in respect of serious problems at van der Giessen-de Noord, which required a restructuring and downsizing. If it had not been for the van der Giessen-de Noord problems, the Group would have exceeded its original profit forecast of € 96 million.

The offshore division achieved a very good order intake, mainly composed of FPSO lease and operate contracts, and almost matched last year's record order intake. Overall order intake was somewhat lower, due to a disappointing order intake in specialised shipbuilding.

Net turnover was slightly lower than in 2001, but value of production reached an all-time high level of € 1.9 billion, reflecting progress on substantial turnkey orders in hand and the level of investments in FPSO's for the lease fleet.

Operating profit (EBIT) margin shows a considerable decrease (8.0% compared to 11.8% in 2001), as a consequence of the exceptional charge. For the same reason, but mitigated by the related tax credits, net profit margin decreased to 7.7% from 8.4% in 2001

Assets and Capital Employed increased still further, due to the continuing investment in the FPSO/FSO lease fleet. Two large FPSO's were completed during the year, and construction continues on three further FPSO's, one LPG FPSO and a significant upgrade of the Kuito FPSO. The total investment in tangible fixed assets in 2002 amounted to € 681 million, much higher than in 2001 due to the large number of FPSO investments being made simultaneously.

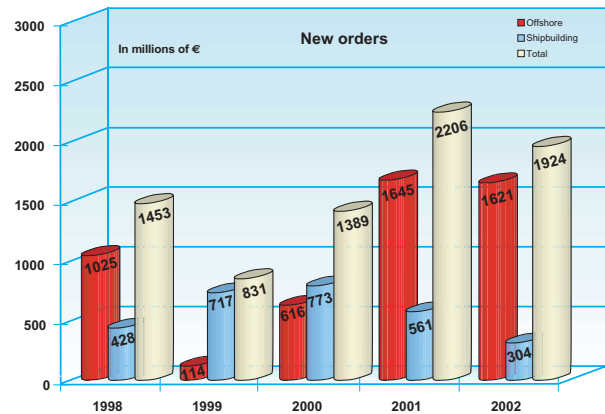
The Group's accounting policies in respect of profit recognition only on completion of turnkey projects, together with the timing of profit recognition on leases have a very important effect on the Group's financial results (see further page 67).

A good profit level for the whole Group depends on a balanced order book throughout the Group, and total levels of order backlog do not rule out that there may be underrecovery in individual business units or parts thereof.

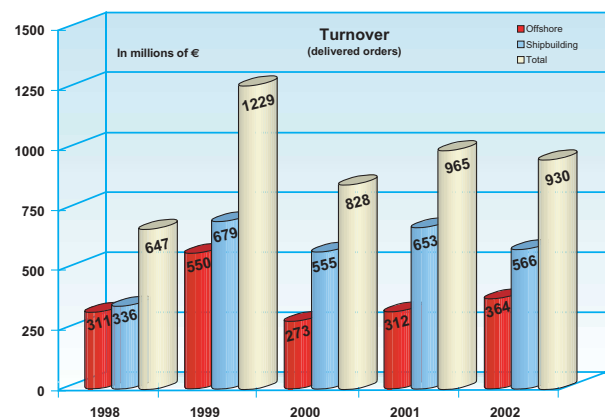
Segmental information in respect of the two core businesses of the Group is provided in the detailed financial analysis which follows. Some companies operate in both businesses, but the split used still provides a very adequate approximation. Turnover by geographical area is included in the Notes to the Consolidated profit and loss account (see page 68).

Offshore oil activities comprises the SBM Group, SBM-IMODCO, Atlantia Offshore, IHC Gusto Engineering and Marine Structure Consultants (MSC). Dredger/shipbuilding activities includes IHC Holland, Merwede Shipyard, van der Giessen-de Noord, with NKI (airport interior outfitting, and signage) also being included, but without a material impact on the total figures.

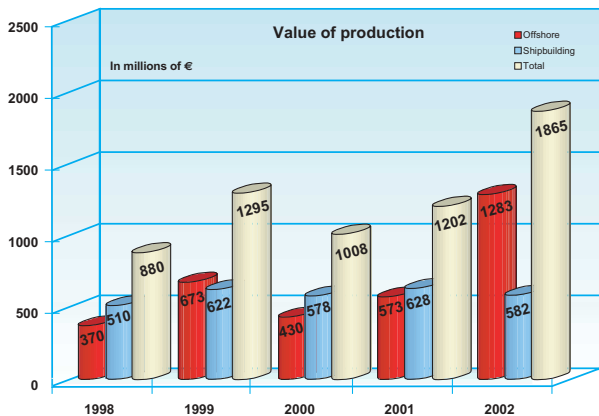
Order portfolio



New booked orders, while not reaching the record level of 2001, nevertheless again reached a very healthy level, assuring overall good production levels for the near future. In the offshore division, the Group secured another three lease contracts, similar to the result in 2001. The dredger/shipbuilding division had however a low order intake, especially in the specialised shipbuilding sector. Nonetheless, for most of the yards, capacity utilisation for 2003 is adequately secured as a consequence of the high orderbook at the end of 2001.

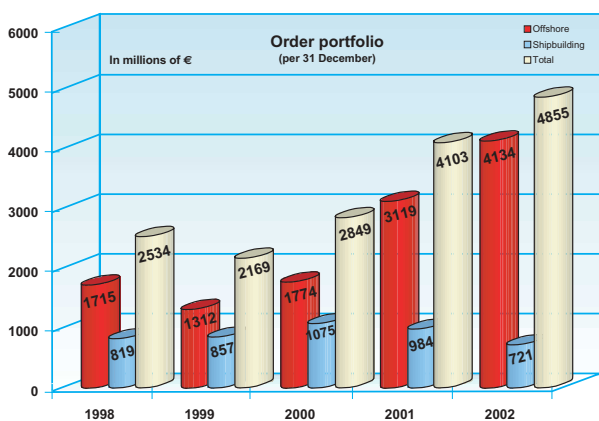


Turnover decreased slightly when compared with 2001, as the fall in shipbuilding turnover was not completely offset by the increase in offshore oil. Turnkey deliveries remained low in the offshore activities, although this will change in 2003.



Value of production reached a new record level of € 1.9 billion, far above the previous 1999 record. An amount of € 553 million is included as 'own work capitalised' (2001: € 181 million). This figure represents completion of the two FPSO's for ExxonMobil and Petrobras, as well as substantial investments in the two new FPSO's for ExxonMobil, the upgrade of the Kuito FPSO, and some investment in the FPSO for Agip Nigeria, and the Sanha LPG FPSO.

The high level of activity in both divisions resulted in overrecovery of indirect costs.

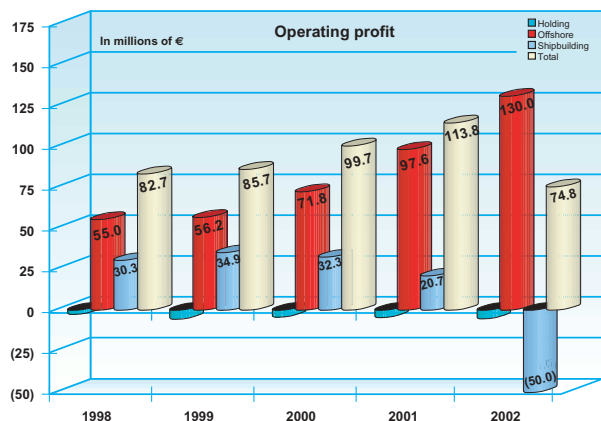


The year-end order portfolio at € 4.85 billion again shows a significant increase over last year's figure of € 4.1 billion. The order backlog in the offshore oil activities continues to increase; this relates for a very significant part to the non-discounted value of future revenues from the long-term charters of the Group's fleet of F(P)SO's. The value of these revenues amounts to € 2.9 billion – a 25% increase over the 2001 level of € 2.3 billion. The order backlog in shipbuilding decreased.

The overall quality of the order portfolio remains high, especially due to the impact of lease/operate contracts with relatively high profitability.

Profitability

Where there is a difference between the sum of the offshore and dredger/shipbuilding activities and the Group total, this relates to items such as corporate overhead, and other adjustments and provisions at corporate level.

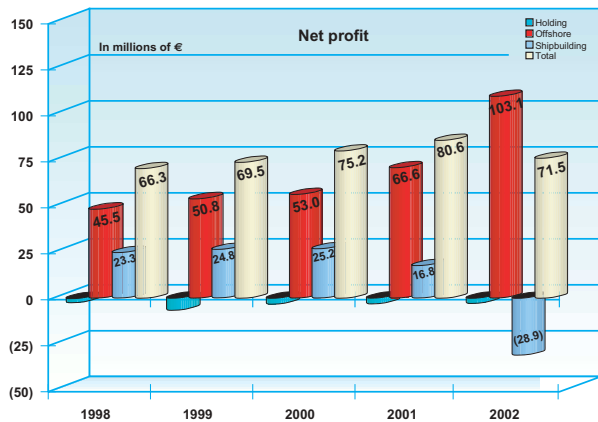


Operating profit fell considerably, on a slightly lower turnover. This was almost entirely due to the large losses at van der Giessen-de Noord, and the costs of downsizing and restructuring the company. Not only was the market for special ships bad, but in the execution of an overloaded orderbook, a 'snowball' effect resulted in considerable project execution losses.

The negative impact of the above factors could not be fully offset by a considerable increase in profits in the offshore division, due to overrecovery of indirect costs plus a growing contribution from the lease fleet.

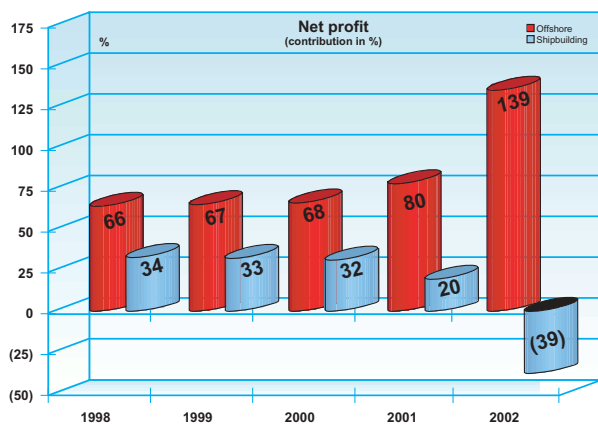
As a percentage of turnover, operating profit fell to 8.0% (2001: 11.8%).

The pre-tax losses in the Dutch-resident part of the Group, combined with the relatively low tax burden in the offshore activities, resulted in a net tax credit of € 16.9 million (-30.4% of pre-tax profit), compared to a tax burden of € 11.0 million (11.9%) in 2001. In view of the continuing increase in profits from the offshore division, the average tax burden for the Group in the foreseeable future is expected to be well below 15% of pre-tax profits.

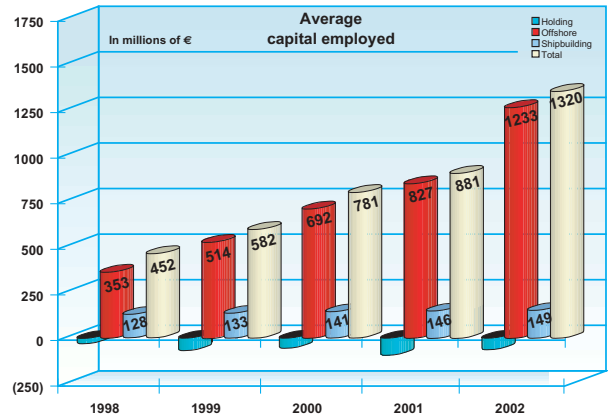


Net profit decreased by 11.4% to € 71.5 million (2001: € 80.6 million). The decrease in net profit is lower than the operating profit decrease, as a consequence of the tax credit, combined with lower interest charges on the long-term debt portfolio. A large proportion of the long-term debt was related to FPSO's under construction, which means that a considerable amount of interest has been capitalised.

The relative contribution of profits from both divisions has dramatically changed compared to previous years, as shown in the graph below. This is caused by the net loss in the dredging/shipbuilding division, and the increase of absolute profits of the offshore activities further strengthens the effect.

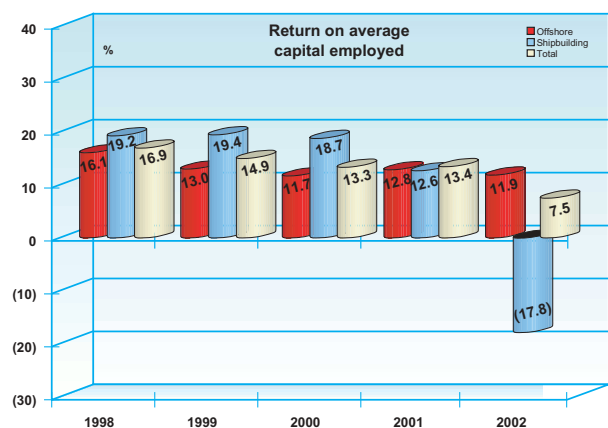


Return on Average Capital Employed



The relative share of the Group's Capital Employed in the offshore oil activities continues to increase, with the substantial investment in new FPSO's for the lease fleet. Dredger/shipbuilding Capital Employed was affected by the van der Giessen-de Noord situation. The calculation of Return on Capital Employed is made on a time-weighted basis, and in 2002 was influenced by a 160% increase of US dollar debt in absolute terms, which was partially offset by the significant depreciation of the US dollar to the Euro (-14.8%) versus an appreciation of 5.9% in 2001.

Goodwill amounts written off against equity at corporate level (until 2000), and Group currency hedging costs over the previous years in respect of non-Euro denominated subsidiaries account for the negative difference between Capital Employed of the two divisions and the Group's total Capital Employed.

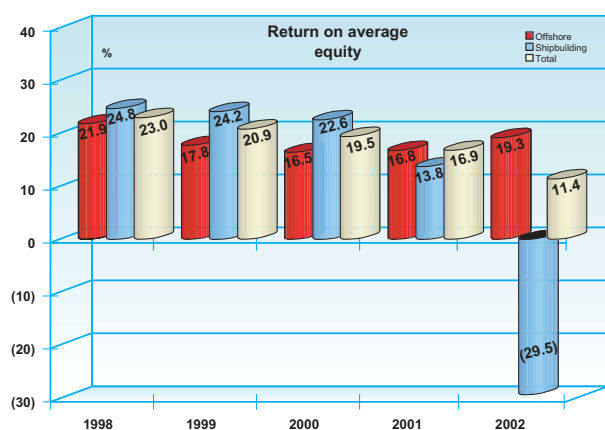


Return on Average Capital Employed (ROCE) fell from 13.4% to 7.5%. This is due to two main factors, being:

- losses at van der Giessen-de Noord and downsizing costs;
- the increased (and expected) higher leverage in the balance sheet.

The impact on 2002 of the requirement to fund assets under construction without any corresponding return is quite significant; adjusting the Return on Average Capital Employed by including the interest capitalised would result in a ROCE of 8.75%.

Return on Average Equity (ROE) is still at an acceptable level, taking into account the impact of exceptional losses. The Group also continues to generate returns on its new leases which exceed the weighted average cost of capital (WACC), and thus creates value for the Company and its shareholders.



Return on Average Equity is down overall at 11.4% compared with 16.9% in 2001, as a result of the marked decrease in net profits. It should be noted, however, that the October 2001 share issue proceeds did not generate a significant return in 2002, with the new lease FPSO's only being operational since end 2002. The increase in profits in the offshore division, combined with a positive impact of the depreciation in the US dollar/Euro rate, results in a higher divisional ROE.

Cash flow/liquidities

€ mln	1998	1999	2000	2001	2002
Net profit	66.3	69.5	75.2	80.6	71.5
Depreciation and amortisation	51.8	62.6	85.0	92.9	91.6
Cash flow	118.1	132.1	160.2	173.5	163.1
Net liquidities/ securities	194.1	199.2	269.3	208.4	203.2
Cash flow from operations*	89.3	88.0	259.0	166.4	123.6
Price : cash flow ratio at 31/12	8.2	7.6	8.8	8.9	9.8

* As per the Consolidated statement of cash flows (page 64).
This statistic is not analysed in detail below.

Cash flow was somewhat lower at € 163.1 million. As a result of the losses at van der Giessen-de Noord, the predicted increase did not materialise. The cash flow from additional FPSO units, which were only added late in 2002, could not offset the losses in shipbuilding. With an expected return to profitability in the dredger/shipbuilding division, further additions to the lease fleet and the two units added in 2002 generating cash flow for a full year, a very considerable increase in cash flow is expected for 2003.

Net liquidities were stable at € 203.2 million, in spite of the substantial investments in assets under construction at year-end 2002.

The price : cash flow ratio increased from 8.9 to 9.8 due to the combination of reduced profits with a slightly lower share price.

Balance sheet

€ mln	1998	1999	2000	2001	2002
Capital employed*	452.6	680.0	827.9	1015.8	1565.5
Shareholders' equity	290.3	339.1	394.8	583.9	602.7
Solvency ratio (%)	33	30	30	37	28
Working capital	28.3	66.0	48.9	15.3	37.4
Debt : equity (%)	49	94	104	71	157
Net gearing	-13	39	41	38	124
Net debt : EBITDA ratio	N/A	0.9	0.9	1.1	4.5
EBITDA interest cover ratio	N/A	N/A	17.5	9.3	8.5
EBIT interest cover ratio	N/A	N/A	9.5	5.1	3.8
Investment in tangible fixed assets	111.4	231.0	214.1	241.6	680.9
Current ratio	1.07	1.14	1.10	1.03	1.06

* Equal to total assets, less current liabilities.

The balance sheet reflects the significant growth predicted in our previous Annual Report, with a substantial increase in long-term debt. As a consequence of the losses at van der Giessen-de Noord, the impact on equity of the unwinding of long-term US dollar hedging contracts, and the decision to pay a dividend based on the target profit for the year of € 96 million, shareholders' equity hardly increased during the year. This situation is expected to improve in 2003, although in view of the ongoing investment in the lease fleet, it is anticipated that most balance sheet ratios will remain around the same level, with some improvement expected in the solvency ratio.

The Board of Management is nonetheless highly aware of the need to maintain appropriate balance sheet ratios, and has a clear focus on this issue. It is the Group's intention to continue financing new lease FPSO's with long-term debt, as the charter revenues are more than adequate to service such debt.

Some specific remarks relating to the balance sheet at year-end 2002 are as follows:

- Capital Employed has increased substantially, mainly due to the addition of new long-term debt, as was expected. Shareholders' equity on balance increased only slightly;
- the solvency ratio (shareholders' equity : total assets) at slightly below 30% is acceptable, and does not pose any problems with banking covenants. The terms and conditions of the new revolving credit facility focus on other ratios as financial covenants. (Net debt : EBITDA, EBITDA interest cover, etc.);
- Debt : equity – the present level of debt reflects the growth in the lease fleet. Neither the Company nor its banks are concerned with the present debt level. Furthermore, a large part of the present debt is with limited recourse to the Group, thus reducing the risk profile. Net gearing, taking into account available liquidities, increased in line with the borrowing, to reach a level of 124%;
- all important liabilities are clearly identified and consolidated in the Group balance sheet, and there is no 'off-balance' financing;
- investment in tangible fixed assets (consisting of completing two large FPSO's under construction at the beginning of the year, and investments in three further FPSO's as well as the Sanha LPG FPSO) was much higher than in 2001, reflecting the current high level of activity;
- the interest cover ratios are lower, partly due to the reduced EBIT(DA), and partly due to the large increase in long-term debt. These ratios do not include interest capitalised during construction of FPSO's for lease, but it is nonetheless expected that the ratios will improve in years to come, in spite of the increasing interest burden, due to the projected increase especially in profits and depreciation.

TREASURY MANAGEMENT AND REPORTING

General

The fundamental objectives of Treasury are to minimise volatility in Group equity and profits. Exposures are reviewed and hedged on an ongoing basis. Treasury reports monthly to the Board of Management of IHC Caland and quarterly to the Supervisory Board. The Group does not engage in any speculative activities and only undertakes hedging in respect of confirmed exposures using mostly fixed rate instruments. Derivatives are used infrequently and are never sold.

Change in reporting currency from Euro to US dollar

With effect from 1 January 2003, in view of the ever-increasing importance of the US dollar – denominated offshore division, the Group decided to change its reporting currency from the Euro to the US dollar.

This change will have the benefits of reduced pressure on the Group's credit lines, a simplified and more transparent financial structure, reduced financial risk and reduced currency-driven volatility in the Group's financial ratios.

The change in reporting currency was decided in August 2002 and the equity and profit hedges in place on that date were either reversed or relabelled as hedges in respect of a significant part of the offshore division's Euro costs up to the year 2008. The net effect of all the related transactions is slightly above break-even.

The theoretical cost of closing out all remaining future foreign exchange contracts, where US dollars have been sold to purchase Euros, is around € 31 million.

Currency exposure management – Offshore

The business and functional currency of the offshore activities of the Group is the US dollar. Currency exposures relating to contracts in hand including the Euro denominated manpower requirements are hedged to US dollars.

Currency exposure management – Shipbuilding and other Netherlands based activities

Despite the change in reporting currency of IHC Caland from the Euro to the US dollar, the activities in the Netherlands continue to report in Euros. Due to their limited contribution to profits and the illiquid characteristic of equity, no hedging of these items will be undertaken. This is an exception to the otherwise full hedging policy, but considering the low values involved, the effect on Group profits and equity resulting from foreign exchange rate movements will be limited.

Interest rate management

The Group finances most FPSO/FSO long-term lease projects with debt. Forward rate agreements are used during construction to minimise variations in the total investment cost. Long-term lease projects have fixed revenue streams while the interest costs related to financing these projects are usually based on floating interest rates. Profit volatility is reduced by swapping floating interest costs for fixed interest rates. All interest costs are US dollar denominated.

Liquidity

Group Treasury prepares a twelve month cash plan on a quarterly basis. The offshore business also prepares a two year cash plan. The business unit cash plans are built

up from the detail of each project and accurately forecast liquidity. Decisions on corporate and project finance are driven by the cash plan. Project financing is undertaken where there is a need to transfer non-core business risks outside the Group.

CAPITAL EXPENDITURE

Total capital expenditure for the year amounted to € 681 million. Around € 584 million was invested in construction of FPSO's for the Group's lease fleet, with the remainder being invested in new office premises for the SBM Group in Monaco, and maintenance capital expenditure.

The investment in the lease fleet related to start-up investment in the construction of three large FPSO's, and one LPG FPSO, a major upgrade of an existing FPSO, plus ongoing expenditure on another two large FPSO's. A brief description of these units is as follows:

FPSO for ExxonMobil's Yoho field, Nigeria (Generic A)

Construction continued during the year on the first Generic FPSO for ExxonMobil's Yoho field, offshore Nigeria. The unit was installed in November and successfully started production early December 2002. The system is presently producing more than 100,000 barrels of oil per day, under a six year lease and operate contract.

FPSO for Petrobras' Roncador field offshore Brazil

After an industry record construction period of just sixteen months, the FPSO arrived in Brazil in September 2002. After some delays due to environmental licenses, etc. the system began production in early December, under a minimum 5½ year contract.

FPSO for Agip Energy (Nigeria)'s Okono/Okpoho fields

Design and construction started during the year on the FPSO for the second phase development of Agip Energy (Nigeria)'s Okono/Okpoho fields, in 50/50 joint venture with Saipem. After the initial production phase using the small early production unit, the Jamestown, the FPSO Mystras will go into service towards the end of 2003, under a seven year lease contract.

FPSO for ExxonMobil's Serpentina field, Equatorial Guinea (Generic B)

In the first quarter of 2002, an order was received from ExxonMobil for a seven year lease and operate contract for a second Generic FPSO, to be deployed on its Serpentina field offshore Equatorial Guinea. The unit is based on a 307,000 dwt VLCC (a sister ship to the Yoho Generic A) and will be able to produce 120,000 bopd. Delivery is scheduled for the third quarter of 2003.

FPSO for ExxonMobil's Xikomba field, Angola (Generic C)

Also in the first quarter of 2002, another order was received from ExxonMobil for a seven year lease and operate contract for a third Generic FPSO, to serve on the Xikomba field, offshore Angola. The contract will be performed under the Group's joint venture with Sonangol, the Angolan State oil company. The unit will be based on a 256,000 dwt VLCC, is rated for 110,000 bopd, and is scheduled to go into service towards the end of 2003.

LPG FPSO for Chevron/Cabgoc's Sanha field, Angola

In May 2002, ChevronTexaco's Angolan subsidiary, Cabinda Gulf Oil Co. awarded an eight year time charter of an LPG FPSO to the joint venture between the Group and Sonangol. The FPSO will consist of the largest LPG hull ever built, with 135,000m³ storage capacity for LPG, and the capacity to process, store and export 6000m³ per day of incoming pressurised LPG. The unit will be the first floating facility to combine all processing and export functions onboard the same unit. Delivery is scheduled for early 2005.

Phase 2A development for Chevron/Cabgoc's Kuito FPSO, Angola

After an extended FEED study for a revamp of the process facilities onboard the Kuito FPSO, Cabinda Gulf Oil Co. awarded the Group a five year charter of the additional facilities required. The project is being performed under the joint venture with Sonangol, and start-up of the new facilities will take place in March/April 2003. The revamp, including heavy lifts of new modules weighing up to 1300 tons, has been performed completely offshore.

The Group's share of the total capital investment in the seven units mentioned above is approximately US\$ 1.2 billion.

Cost breakdown of an FPSO/FSO

In order to understand better what is meant by an investment in an FPSO or FSO, it is useful to define the elements which go to make up the capital cost of such a system. These comprise the external costs (shipyards, subcontractors, and suppliers), internal costs (design, engineering, construction supervision, etc.), third party financial costs including interest, and attributable overheads. The total of the above costs (or a proportionate share in the case of joint ventures) is capitalised in the Group's balance sheet as the value of an FPSO or FSO. No profit is taken on completion/delivery of such a system for a lease and operate contract.

Operations in Group companies

OFFSHORE OIL AND GAS ACTIVITIES



GROUP OF COMPANIES

Management:

D. Keller, *Chief Executive Officer*

D.J. van der Zee, *Chief Operating Officer*

F. Blanchelande, *President, SBM Production Contractors*

R. Raynaut, *Chief Financial Officer*

Profile

Single Buoy Moorings (SBM) is one of the world's leading companies in the supply of facilities and services for the development and production of offshore oil and gas fields as well as in the supply of terminals for the loading and offloading of crude oil, gas and product tankers. In particular, it is the world's largest owner and operator of oil and gas FPSO's and FSO's, a fast-growing segment of its activities.

The SBM head office in Switzerland and the engineering office in Monaco coordinate Research & Development and marketing and sales of the Group's offshore activities in Monaco, Schiedam and Houston. The organisation includes the business units SBM Systems for design, engineering and construction, SBM Production Contractors for operation of the FPSO and FSO lease fleet, and SBM Offshore Services.

With the combined activities of its business units, SBM controls the total chain from contracting and design until operating a fleet of FPSO's and FSO's. This gives SBM a clear competitive advantage in the industry. The permanent feedback between the company's operating units and its projects to be delivered is unique in the FPSO and FSO contracting industry.

Developments 2002

SBM again recorded a very significant increase in profits. 2002 was a very busy year for SBM, both on the sales side where a record portfolio intake was achieved and on the execution side where six FPSO's were under construction, of which two were delivered and started production before year-end.

SBM Systems

SBM Systems is responsible for the design, engineering and construction of offshore systems on both sales and lease basis. Our own in-house staff is in charge of the design, engineering and project management. Construction is outsourced to shipyards offering the best quality and prices.

Last year, the completion of our integrated information and communication systems increased opportunities for combined designing and engineering with the Group's offshore companies in Schiedam and Houston. In the upcoming years we expect to generate increasing synergy benefits in R&D as well as project execution. For last



The Roncador FPSO upon arrival in Brazil, ready for installation.

year's technological highlights, see Research and Development, page 22.

New and delivered orders

As expected, there were this year very few sales deliveries as the major projects obtained during the years 2000-2001 will only be completed in 2003. The following major orders were obtained in 2002:

- an order from ExxonMobil for a seven year lease and operate contract for a second Generic FPSO, for the Serpentina field in Equatorial Guinea;
- an order from ExxonMobil for a large deepwater buoy for their Kizomba A, Angola field;
- another seven year lease and operate contract for a Generic FPSO for ExxonMobil's Xikomba, Angola field, in joint venture with the Angolan state oil company, Sonangol;
- an order from Chevron/Cabgoc for an eight year lease and operate contract for an LPG FPSO for their Sanha field offshore Angola, in joint venture with Sonangol;
- an order from Chevron/Cabgoc for a major upgrade to the Kuito FPSO, offshore Angola and the expectation of a resulting extension of the lease period;
- an order from ExxonMobil for the turnkey supply of an FSO for the Yoho field in Nigeria;
- a contract from Malaysian International Shipping Corporation Berhad (MISC) for a turret for the Petronas Lukut FPSO (Malaysia);
- an order from TotalFinaElf for the offshore operation of the Unity FSO, the turnkey facility to be delivered by SBM in 2003 for the Amenam field in Nigeria;
- a record high level of new orders for spare parts and services;
- an order from Agip for the supply and installation of an export CALM system on the Okono/Okpoho fields (Nigeria) where the Group's Jamestown FPSO is producing.

In addition to the delivery and start-up of offshore operation of the two leased FPSO's for ExxonMobil Yoho (Nigeria) and Petrobras Roncador fields (Brazil), major orders delivered include:

- a CALM buoy for Nexen Yemen awarded in December 2001 and delivered in September 2002;
- a CALM buoy for Texaco Saudi/Kuwait awarded in June 2001 and delivered September 2002;
- a CALM buoy from inventory for AGOC Khafji Saudi Arabia, awarded in August 2001 and delivered in July 2002.

SBM Production Contractors

SBM Production Contractors (SBM PC) leads the way in the lease and operation of FPSO and FSO units, with by far the longest track record in the offshore contracting industry. At the end of 2002, a total of 754 million barrels of oil had passed through the storage systems of the



Xikomba FPSO, the third of the ExxonMobil Generic series, during conversion work alongside the quay in Dubai drydocks.



Two of the main modules for Xikomba FPSO, under construction.

Group's thirteen units. This oil was offloaded through more than 1400 offloading operations performed by the marine crews of SBM. This represents around eighty years of cumulative experience in operating FPSO and FSO units. The focus is on safe and efficient fleet operations, involvement in project management from the date a lease and operate contract is signed, a competent and well-trained crew, environmental protection and asset management.

Fleet operations

The year 2002 has been characterised by the award of three FPSO contracts on lease, one from Chevron/Cabgoc for the Sanha field in Angola and two from ExxonMobil

for the Serpentina field in Equatorial Guinea and for the Xikomba field in Angola. SBM PC has been involved from the date these contracts were awarded, in order to integrate the different phases of the project: design, purchasing, construction, conversion, commissioning and start-up. In parallel, activities such as recruitment, training and establishment of the future operations in Angola and Equatorial Guinea are performed by a dedicated group from SBM PC.

The FPSO Serpentina will start operations in Equatorial Guinea during the third quarter 2003, and the FPSO Xikomba will start-up towards the end of the year in Angola. The Sanha unit for Chevron/Cabgoc in Angola is an LPG FPSO with a newly built hull presently being constructed at IHI's yard in Japan, and will start operation on site early 2005.

In the first weeks of January 2003, Petrobras awarded SBM an FPSO contract on lease for the Marlim Sul field in Brazil. The FPSO Marlim Sul will start operations in the middle of 2004. It is a very similar unit to the FPSO's Espadarte and Brasil, which started operations for Petrobras mid 2000 and late 2002 respectively. The challenge for successful first oil or gas for all these new units is again in front of us!

In view of the increased number of FPSO's in the fleet and their complexity in terms of topsides equipment, a Process Operations Group has been created in 2002 to handle the following tasks:

- technical support of the FPSOs' daily process operations in order to maximise oil and gas production;
- monitoring the efficiencies of FPSOs' process plants through a system of daily reported Key Performance Indicators.

Competence Assessment

In order to maintain the company's fleet production and marine crews to the highest standard, a Competence Assurance Training programme has been introduced. This programme is designed to ensure that the company employs the most suitable candidates for each unit. At the recruitment stage, specific training programmes may be necessary, depending on availability of labour and equipment to be operated. The programme for those currently employed offshore is designed to identify levels of knowledge within the organisation and to identify potential transfers and related training needs.

Safety and environmental protection

The company is also continuously updating its policy in respect of safety and environmental protection, both of which subjects are high in the priorities of IHC Caland. In 1998, SBM PC obtained the Safety and Environmental Protection (SEP) certification from DNV, which is in excess of the International Safety Management (ISM) code imposed by International Maritime Organization (IMO). In respect of environmental protection, the SEP system requires the company to maintain high standards and particularly to ensure strict monitoring of overboard discharges in compliance with MARPOL 73/78.



FPSO Serpentina, the second of ExxonMobil Generic series, in the last phases of its conversion in KeppelFels Singapore.

SBM PC has achieved an outstanding rate of reliability and safety on board which compares favourably with the offshore industry as a whole. Lost Time Accident Frequency (LTAF) in the year 2002 was 0.73, i.e. there were two Lost Time Accidents (LTA's) involving a loss of work time exceeding 36 hours, for the 2,730,461 man-hours worked during the year. At the close of the year 2002, seven of the company's units had passed the milestone of one year without LTA, and from these seven units the FSO XV Domy (Nigeria) and the FSO Yetagun (Myanmar) had passed the milestone of two years without LTA, and the FPSO Rang Dong I (Vietnam) and FPSO Tantanwan Explorer (Thailand) had passed the commendable milestone of four years without LTA.

Asset Management

In order to maintain the Group's fleet to the highest standards, an Asset Management Group has been put in place with responsibility for the following major tasks:

- monitoring the adequacy of the relationship between the assets' performance, their lifetime and the related contractual requirements;
- development and provision of technical systems, maintenance philosophies, maintenance standards and procedures;
- investigations into serious or persistent failure modes to determine long term corrective actions.

SBM Production Contractors' 2003 outlook

The coming year is again expected to present a heavy workload for SBM PC. FPSO *Serpentina* is scheduled to produce first oil in July in Equatorial Guinea, and FPSO *Xikomba* in November in Angola. As mentioned above, the SBM Group has also received another FPSO order from Petrobras for the Marlim Sul field in Brazil.

Together with the start-up of the second phase of the Okono/Okpoho field for Agip in Nigeria, SBM PC will then manage, in addition to the operation of the existing thirteen units, the parallel start-up of three FPSO's during the course of 2003.

In order to respond to the ongoing demand for lease and operate contracts from the offshore industry, SBM PC is continuing its policy of securing a number of tankers of suitable size and quality, which will be exclusively available to the company.

SBM Offshore Services

In 2002, SBM Services has continued growth in its three main areas of activities:

- after sales services for SBM systems, and technical support to clients for other systems;
- manufacturing of standard SBM products such as swivels and buoys;
- offshore contracting.



*Pre-installation of *Serpentina* FPSO moorings by SBM's MPV *Normand Progress*: the nine suction piles ready for launching in 900 metres water depth.*

As of January 2003, SBM Services has become a separate business unit under the name SBM Offshore Services. In 2002, the main achievements were:

- the business unit again exceeded its targets for the year in terms of turnover and profit, in particular for spare parts;
- the refurbishment and conversion of the SZ36 soft yoke system was successfully completed in China;
- the following swivel stacks were completed/installed during the year: Shell EA, TFE Amenam, Talisman, ExxonMobil Yoho and *Serpentina*, FPSO Brasil;
- the Dynamic Installer has been working in excess of her targeted number of days for the year;
- the MPV *Normand Progress* has been on charter non-stop since early September;
- major installation projects were performed during the year concerning FPSO's for Agip, Petrobras, ExxonMobil and Shell;
- the fabrication of two CALM buoys has been completed and a third one has been started;
- a heave compensator has been fabricated, to be used on the winch of the SBM vessels, to enhance deepwater installation capabilities.

The concept engineering for a new deepwater installation vessel has been completed by IHC Gusto Engineering. It will cater for the deepwater needs of the Group including Atlantia's specific TLP installation requirements.

Two of the CALM buoys delivered during the year 2002.





SBM-IMODCO Inc.

Management:

A. Mace, *President*

Profile

SBM-IMODCO Inc. provides a base operating office in the oil and gas capital of the world, Houston, Texas, for supporting the SBM Group of companies in marketing and sales, and the execution of floating production, storage and offloading (FPSO's/FSO's) system projects. The company also designs, procures and fabricates mooring terminals, turrets and associated facilities and focuses on deepwater Research and Development.

Developments 2002

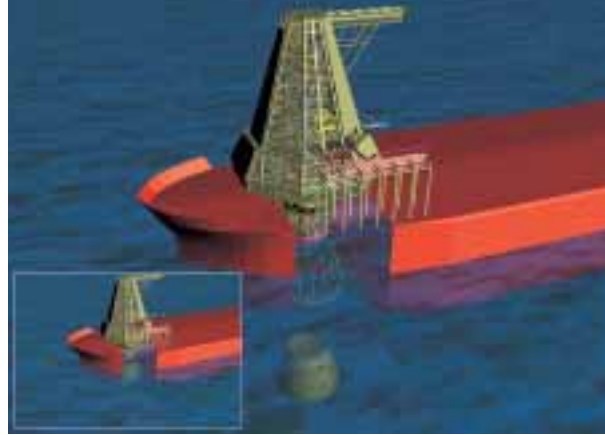
2002 was a successful year for the company, with the emphasis on two major orders as well as a number of smaller orders. SBM-IMODCO recorded a reasonable increase in profits.

The year has seen the consolidation of the company in terms of personnel growth and development of operating procedures and practices for project execution, aligning itself with the other Group companies. The Group now has an office in the United States close to some of the major oil companies, able to execute large projects. In addition to this benefit, it is expected that FPSO's will eventually be deployed in the US Gulf of Mexico as the US Minerals Management Service (MMS) has opened the door for this concept to be used. The company is therefore preparing itself for this potential new market area.

New, ongoing and delivered orders

The following major orders were obtained in 2002:

- the design and supply of a complex disconnectable internal turret mooring system for Husky Energy's White Rose FPSO project offshore Newfoundland. This system will be located in one of the harshest offshore environments in the world, and in addition will be able to disconnect at short notice in the event of iceberg approach;
- a subcontract from the SBM Group for the full execution of the expansion project for its Kuito FPSO, Angola. This involves the design, fabrication and offshore installation of several new production modules to increase the capacity of the FPSO. This will be the first time that such an extensive upgrade has been carried out offshore on an FPSO;
- the design and supply of a turret for MISC/Petronas for an FPSO offshore Malaysia;
- a subcontract from the SBM Group for the design of an FSO for ExxonMobil's Yoho field offshore Nigeria;
- the supply of a stock CALM buoy for Anadarko;



Disconnectable turret mooring system for Husky Energy's White Rose FPSO project offshore Newfoundland.

- the conceptual design of an ice-resistant oil-loading terminal located in the Tatar Strait (Sakhalin Island) for Exxon Neftegas.

The following work was also executed during the year:

- the continuation of execution of the contracts for the supply of CALM systems for Texaco, Kuwait, for CPC, Sri Lanka, and for Conoco, Indonesia;
- execution of the proposal preparation for the FPSO's for Petrobras' Marlim Sul field offshore Brazil and Amerada Hess' Oveng field offshore Equatorial Guinea, and the FSO for Chevron's Tubu field offshore Nigeria.

A significant number of orders for maintenance and spare parts for existing systems were delivered.

Technological highlights

Various new products or designs were developed, both as marketing initiatives and on direct requests of clients:

- further detailed design work has been carried out on the combined floating production and drilling facilities vessel system (FPDSO) in conjunction with other Group companies – specifically on the arrangement of the deck system containing the surface completed wells;
- development of the GAP® used for the transfer of products between two floating production facilities, minimising deepwater flow assurance issues. Long distance solutions over many kilometres have been investigated;
- development of steel catenary risers for use in the connection of seabed wells and other subsea facilities with FPSO's in ultra deep water.

For more information, see Research and Development, page 22.

The main modules being offloaded from US yard for transport and installation on board Kuito FPSO as part of phase 2A development.





IHC GUSTO ENGINEERING BV

Management:

S.A.W. Janse, *Managing Engineering*

Profile IHC Gusto Engineering

IHC Gusto Engineering (Gusto) provides design, engineering and consultancy services, mainly for the offshore oil industry. The core competence of Gusto is the development of complete class-approved designs for custom-built work vessels and platforms, such as dynamically positioned (DP) drilling vessels, work-over, pipelay and crane vessels, large capacity offshore cranes and jack-up platforms for civil construction.

Included in Gusto's portfolio is the design and turnkey delivery of special equipment, such as various types of jacking systems, high capacity winches, thruster retrieval systems, heave compensation systems, pipelay systems and large capacity hose reels.

In addition, Gusto provides design services for SBM Group, supplying all topsides and conversion engineering for its tanker-based floating production, storage and offloading systems, as well as mechanical engineering for specific critical components.

Profile Marine Structure Consultants (MSC)

Marine Structure Consultants (MSC) provides design, engineering and consultancy services for mobile offshore units mainly for the oil and gas, and dredging industries. The company has an outstanding reputation with proprietary designs for jack-up and semi-submersible platforms for various applications ranging from drilling to accommodation, construction, maintenance, well services and production. MSC also develops, designs and supplies the patented equipment associated with these proprietary designs. The company celebrated its 25th anniversary in 2002.

Developments 2002

The companies increased their profit significantly in comparison with 2001. During the year various orders for design studies and assistance were carried out, for own clients as well as the SBM Group. Order intake from new and existing clients was satisfactory. Most orders were related to FPSO technology and deepwater and jack-up equipment.

In September 2002, Gusto and MSC opened a joint office in Houston, under the name GustoMSC USA Inc. In December 2002, IHC Caland acquired Ocean Design Associates Inc., a fifty man Houston-based engineering company, with a skill set complementary to those of



MARINE STRUCTURE CONSULTANTS (MSC) B.V.

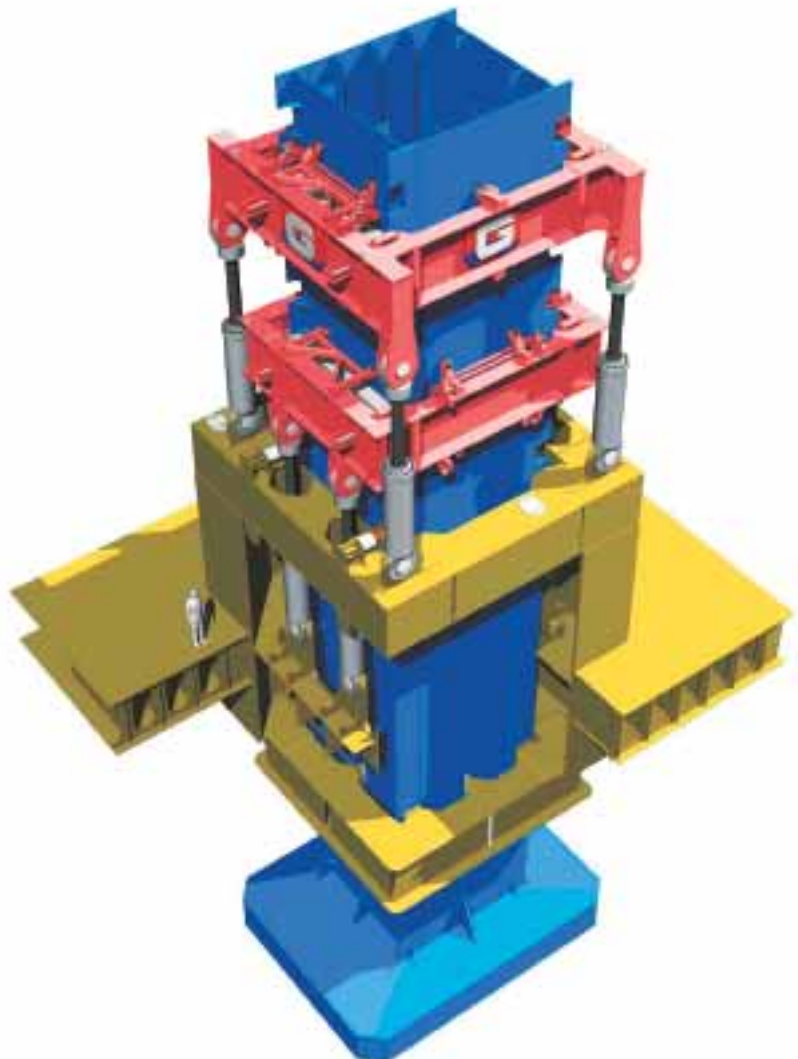
Management:

C.J. Mommaas, *Managing Director*

Gusto and MSC. This company merged with GustoMSC USA, to form GustoMSC-Ocean Design Inc. The three companies IHC Gusto Engineering B.V., Marine Structure Consultants (MSC) B.V. and GustoMSC-Ocean Design Inc. will jointly market their services and products under the name GustoMSC.

New, ongoing and delivered orders

- Gusto supplied substantial engineering assistance to the SBM Group for projects such as ExxonMobil's Yoho, Xikomba and Serpentina FPSO's, Petrobras' Roncador FPSO and Agip's Okono/Okpoho FPSO. For all units, Gusto's involvement consisted of vessel conversion and topsides engineering;



Artist's impression of Mayflower Jacking System.



The MSC Sea800 jack-up Vagant for civil contractor HydroSoils, built by Merwede Shipyards.

- Gusto carried out various design studies on pipelay and crane vessels, including a study for DP conversion and deepwater upgrade for JR McDermott's DLB 50, modifications to Heerema's Balder cranes, design assistance for special pipelay equipment for Allseas and modifications and upgrades to various vessels of Global Industries;
- Gusto's contract with Mayflower Energy for the hardware delivery of six 2500 ton jacking systems for a wind turbine installation vessel is nearing completion. Delivery of the main scope is completed. During the year, Mayflower ordered a substantial amount of additional equipment. Final assembly of the units is scheduled for early 2003;
- Gusto received an order from the SBM Group for the delivery of an active heave compensation system. The system is to be used on the installation vessel 'Normand Progress' for deepwater installation work and allows for a maximum wire line capacity of 350

tons. Delivery of the system is scheduled for January 2003;

- SaudiAramco gave the joint venture GustoMSC a three year contract for engineering services. The first order under this contract is the design of a well service and maintenance jack-up;
- MSC completed the design work for the two MSC CJ70-150MC jack-ups under construction at Hyundai Heavy Industries for Maersk Contractors. The MSC-supplied fixation and XY-skidding systems were successfully installed, tested and commissioned. These cantilever drilling jack-ups are the world's largest and are designed to provide drilling and (early) production services in water depths up to 150 metres in the northern North Sea. The first unit, the Maersk Innovator, was delivered to the owner at the end of 2002, and the second unit is planned to arrive in the North sea in the third quarter of 2003;
- good cooperation between MSC and Merwede Shipyards ensured orders for two jack-ups for civil construction from respectively Hydro Soils Services and Besix. Both jack-ups were delivered this year. MSC supplied the basic designs and the jacking systems;
- MSC completed its design work for the DSS20-CAS-M drilling semi-submersible under construction at Caspian Shipyards Company in Baku for Maersk Contractors. This unit is planned for delivery by mid 2003.

Technological highlights

Various new products or designs were developed, both as marketing initiatives and on direct requests of clients:

- Gusto developed a modular J-lay pipelay system, with a tension capacity of 525 tons, suitable for water depths up to 3000 metres;
- for future LNG/LPG FPSO's, Gusto is extending its expertise for the design of LNG/LPG process installations and LNG/LPG vessel storage systems. As a result of internal studies, a twin-hull floater design for a LNG storage vessel was developed. Gusto has applied for a patent on this design;
- MSC developed the Wind Turbine Installer, an MSC NG-series type jack-up designed to pick up wind turbines up to six MW, completely assembled and tested, from an onshore base and transport and install them on an offshore location. This wind turbine installer method can be used for initial installation but also for repair and maintenance;
- MSC successfully installed, tested and commissioned the first MSC XY-cantilever skidding system on the Maersk Innovator. This MSC-developed and patented system provides cantilever drilling jack-ups with a larger drilling envelope and increased drilling efficiency.



ATLANTIA OFFSHORE LIMITED

Management:

J. Blandford, *President*

Profile

Atlantia Offshore Limited (Atlantia) is involved in the engineering, construction and installation of its SeaStar® monocolumn Tension Leg Platform (TLP). This technology is suitable for producing oil and gas as a stand-alone system when offshore storage is not required, or in tandem with an FSO or FPSO. Atlantia's primary business strategy is to grow to be able to deliver multiple projects simultaneously to the international marketplace.

Developments 2002

Atlantia's result for the year was just above breakeven,

which was in line with the company's projection. Atlantia, acquired by IHC Caland in 2001, was solidly integrated into the Group.

During 2002, the markets in which Atlantia operates were very slow, and the company did not succeed in landing a major new contract, although especially in the second half of the year, a significant number of FEED studies were awarded, some of which should eventually lead to hardware contracts. Atlantia has till now supplied TLP's only in the Gulf of Mexico. The Group's marketing team is optimistic about prospects in its worldwide market in 2003. The company concentrated on the performance of its Matterhorn project for TotalFinaElf, and on developing new deepwater technology through an intensive R&D effort. Additionally, the operating unit was restructured so that multiple projects will not reduce execution capabilities.

TotalFinaElf Matterhorn Project

The Matterhorn TLP construction effort made good progress and the unit will be installed in May 2003 in 950 metres of water in the Gulf of Mexico. Matterhorn represents several 'firsts' for the company: first job for

Topsides under construction for Matterhorn SeaStar® TLP.



TotalFinaElf, first dry-tree SeaStar[®], with nine well slots, and first lumpsum turnkey EPIC contract for a deepwater project.

The US\$ 175 million Matterhorn contract represents a major commercial milestone for the company. The Matterhorn SeaStar[®] is a prototype for future platforms that can be integrated into deepwater complexes built around FPSO's and FSO's, or that will be used as central drilling and production hubs worldwide. The facility will process 35000 bopd and 55 mmscf/d gas. Total topsides payload capacity is approximately 12000 tons.

The Matterhorn hull fabrication was completed by KeppelFels (Singapore) at the end of December 2002, one month ahead of schedule and under budget. The success of this construction effort will be used as a benchmark on which to base future hull projects that the company intends to build. The hull was transported to the Gulf of Mexico for final outfitting before its scheduled installation in May 2003.

The Matterhorn deck has been constructed at Gulf Marine's yard in south Texas, USA. The company designs its topsides so that virtually all hook-up and commissioning are done onshore at the fabrication yard, thereby eliminating costly and time-consuming offshore commissioning.

The Matterhorn SeaStar is also serving as a standard design for the company's generic dry-tree unit platform design effort that will be placed offshore West Africa, Brazil, and in the Gulf of Mexico. Atlantia successfully used the standard generic design model in development of its shallow water business.

The company's other SeaStar[®] platforms performed well in service during 2002. The Agip Morpeth, Agip Allegheny and ChevronTexaco Typhoon platforms were all impacted by major hurricane storms in the Gulf of Mexico. Allegheny and Typhoon received direct hits by Hurricane Lili, a 100-year occurrence interval storm. All were undamaged.

Technological highlights

Atlantia is developing new fundamental technologies that will have a material beneficial impact on sales over the long term. The generic design effort will favourably impact the company's marketing progress offshore West Africa and Brazil. When completed, these designs will be used in multiple locations and situations around the world.

A new methodology has been developed that will enable complete SeaStar[®] platform installation without the use of a large derrick barge. This will be especially applicable in remote areas where large installation equipment is not available.

Finally, the company has developed a new proprietary device that will double the water operating depth of TLP's from the current industry-conceived 1650 metres limit to ultra-deep water, i.e. at least 3350 metres. In all, the company was awarded eight patents in 2002 and has 25 additional patent applications in process for new proprietary technology.

DREDGER/SPECIALISED SHIPBUILDING ACTIVITIES



IHC HOLLAND NV

Management:

J. van Sliedregt, *President*

F. Brouwer, *Financial Director*

Profile

IHC Holland, whose history goes back more than 300 years, is the worldwide market leader in the design and construction of custom-built and standard dredging equipment. IHC Holland has all essential technologies for the development of dredging equipment under its own control, including the design and production of dredging components, complete dredging installations, hydraulic installations and the instrumentation and automation of the products.

The building of complete dredging vessels takes place at its two modern yards in the Netherlands or at the yards of its sister companies Merwede Shipyard and van der Giessen-de Noord. The trend towards subcontracting the non dredging-specific part of the equipment results in an increasing need for multi-skilled personnel, and higher demands are being made on subcontract coordination and the logistics process at the construction yards.

At the request of the client, building is sometimes carried out at yards in the country where the customer has his business. When local building is called for, IHC Holland supplies the design, dredging installation components and operating systems, as well as technical support and supervision during building.

Both IHC Holland and its sister company Merwede Shipyard have a significant domestic market, namely the

1000m³ trailing suction hopper dredger 'Yue Dao Jun 1', built in the People's Republic of China.



strong and prominent Dutch and Belgian contractors. Mergers and take-overs are creating larger companies, which further reinforces their international competitive position. The contractors, the yards, the suppliers and the specialised scientific education, research and training institutes make up a strong maritime dredging cluster.

IHC Holland's aim is to retain its leading position in the market for dredging equipment. In order to reduce the dependence on building dredging equipment only, IHC Holland has also ventured in recent years into tunnelling and foundation equipment, dovetailing with its know-how and production facilities.

Developments 2002

In 2002 a satisfactory result was achieved, in spite of a relatively small number of deliveries. Based on the order book at the beginning of 2003 and the positive market forecast for the coming year, complete utilisation of the yards and the other units is expected for 2003. The performance of our foundation activities was also satisfactory.

Dredgerbuilding and dredging equipment

Sales development

New orders and the sustained demand for after-sales supply of spare parts and components, have resulted in a good order intake. Order intake resulted in a complete utilisation of all units. At the same time, a considerable amount of work had to be contracted out to sister companies and third parties. In comparison with 2001, the newbuild orders received for dredgers are slightly lower, both in quantity and total order amount. After the investments in jumbo trailing suction hopper dredgers, the accent now lies on smaller and medium-sized vessels and on large (self-propelled) cutter suction dredgers.

In addition to orders for medium-sized trailing suction hopper dredgers from Europe, IHC Holland received an order from China for a 10000m³ trailing suction hopper dredger, which will be used for the execution of large infrastructural projects in the country. The sales of standard cutter dredgers were, as in other years, at a high level. The delivery of dredging installations with high-powered submersible pumps for dredging operations in very deep water highlighted our advances in deep dredging technology.

IHC Holland Parts & Services has built three swivel stacks for the SBM Group. IHC Hydrohammer frequently co-operated with SBM-IMODCO and IHC Gusto Engineering on new anchoring methods, piling operations and mutual consultancy about tools and vessels. Hytop shares know-how with IHC Gusto Engineering and the SBM Group on hydraulic installations.



The 12888m³ trailing suction hopper dredger 'Xin Hai Long' for CHEC, People's Republic of China.

After sales and services

In addition to supplying new dredging equipment, IHC Holland is expanding its after sales activities on the basis that spare parts and components will be supplied throughout the operating life of the equipment, which leads to an enduring relationship with the customers. IHC Holland's target is to enlarge its service level and where possible to execute a part of the maintenance of dredging installations and dredging automation. In cooperation with customers, IHC Holland has made a first step towards wear and tear control, monitoring of dredging valves, and support during revisions/dock repair and maintenance activities (Singapore). For these activities the quality-price ratio and delivery reliability are crucial. Continuing the objectives set in 2001, IHC Holland has worked on further improving the quality and delivery times for after sales supplies.

As a result of a redesign project, the cutter dredgers from the standard IHC Beaver series are equipped with a new type of cutter and cutter-teeth, which have been successfully tested in practice. IHC Holland Parts & Services has started a new product line 'wear resistant pipelines', focusing on a wide assortment of wear resistant products for pipeline systems.

New orders

The most important new orders for dredgerbuilding and dredging equipment were:

- a 5400m³ trailing suction hopper dredger for DEME, Belgium, subcontracted to van der Giessen-de Noord;
- a 10000m³ trailing suction hopper dredger for

Guangzhou Waterway Bureau, the People's Republic of China;

- a 5300kW floating booster station for the National Marine Dredging Company, Abu Dhabi, United Arab Emirates;
- thirteen cutter dredgers from the standard IHC Beaver series for customers in Nigeria, India, Italy, People's Republic of China, France, Saudi Arabia and Colombia;
- dredging installations for dredging in deeper water for two 16000m³ trailing suction hopper dredgers for Royal Boskalis Westminster, the Netherlands, under construction at Merwede Shipyard;
- the deep dredging installation for the jumbo trailing suction hopper 'Pearl River' of DEME, Belgium;
- engineering and hardware for a 1600m³ trailing suction hopper dredger, Italy;
- a 300m³ grab hopper for Sri Lanka;



3000m³ seagoing sand and gravel dredger 'Mellina'.

- two fully intelligent integrated bridges including dredging instrumentation packages for two 11300m³ trailing suction hopper dredgers for J. de Nul, Belgium;
- renewal of the dredging automation of the trailing suction hopper dredger 'Essayons' for the Army Corps of Engineers, USA.

Deliveries

The most important deliveries in dredgerbuilding and dredging equipment were:

- the 5000m³ sand and gravel hopper dredger 'Charlemagne' to DEME Building Materials;
- the 13700m³ trailing suction hopper dredger 'Uilenpiegel', subcontracted to and built at Merwede Shipyard for DEME;
- the 12888m³ trailing suction hopper dredger 'Xin Hai Long' for Shanghai Waterway Bureau, People's Republic of China;
- thirteen cutter dredgers from the IHC Beaver series for customers around the world;
- a 2000 kVA wheel dredger for mining company Sadaf, Saudi Arabia;
- a 1500 kVA wheel dredger for mining company Millennium, Brazil;



Heavy minerals wheel suction dredger for Millennium in Brazil.

- dredging components for the modification of a bulk carrier into a sand carrier for Hyundai, South Korea;
- a joint venture order for a 1000m³ grab dredger/trailing suction hopper dredger constructed at a Spanish yard for the Basque government;
- a joint venture order for a 1000m³ trailing suction hopper dredger constructed in China for Guang Dong, People's Republic of China;
- a joint venture order for a 800m³ split hopper, Spain;
- renovation of a Beaver 1500 and a Beaver 300;
- renovation of the dredging installation of a trailing suction hopper dredger, Russia;
- a hopper training simulator for J. de Nul, Belgium;
- instrumentation upgrade of four trailing suction hopper dredgers for DCI, India.

Technological highlights

Technological highlights in dredgerbuilding and dredging equipment were:

- the increase in scale of the largest self-propelled cutter suction dredger in the world for DMM, a subsidiary of J. de Nul, and the added functionality, posed an extraordinary challenge to the engineering department. Several parts of the dredger can only be produced at a few locations in the world;
- the autonomous spud change system and flexible suspension of the converters in combination with the increase of scale are examples of such design innovations;
- the R&D results of recent years in Computational Fluid Dynamics (CFD) have been implemented and proved to be successful in the reduction of wash, propeller cavitation, and fuel consumption. The CFD software has also been calibrated in practice. Further development is oriented at the effects in shallow water, the typical operating area of dredgers;
- hopper settlement has been investigated in depth. The improved hopper loading systems based on these investigations have been successfully installed aboard the hopper dredger 'Xin Hai Long' for Shanghai Waterway Bureau, People's Republic of China;
- the biggest challenge of the year for IHC Holland Parts & Services was the fabrication of the largest suction pipe ever, to be mounted on the 'Vasco da Gama'. To achieve this it was necessary to investigate restrictions and limitations in order to be able to make fundamental changes for expansion of possibilities in certain fields. This was especially true in the field of sealing and pressure compensation technology of the submersible pump motors in relation with the active cooling. Together with the research institute of IHC Holland, MTI Holland, a full scale trial stand was developed and built for this purpose. The knowledge obtained from this is unique in the world today;
- development and delivery of a state-of-the-art hopper training simulator for J. de Nul in Belgium. Due to the increasing demands for highly qualified personnel, as a result of fleet expansion and a more liberal time on/time off work roster, the need to be able to train staff offline is becoming very important. Based on the in-depth knowledge available within the company, a very realistic programme was created to simulate and provide training in basic and advanced dredging operations.

Tunnelling and foundation equipment

Order intake of the non dredging-related clusters was satisfactory. In particular, the application of heavier hammers in offshore oil and gas activities as well as for the execution of large civil projects is a successful niche market for the Hydrohammer, which was developed by IHC Hydrohammer.

In 2002, the organisation structure of the Foundation

cluster, which designs and builds advanced foundation equipment and systems, was further refined after establishing the most relevant foundation methods and the associated equipment to be supplied by IHC Holland. Significant innovative developments are taking place because of the need for more environmentally-friendly (specifically vibration-free and low-noise) foundation techniques. In order to satisfy these requirements, foundation piles are being drilled or screwed into the soil using heavy piling rigs, such as the IHC-manufactured Fundex machine. In addition, the structures to be built are becoming ever larger and heavier, which demands technical innovation, for example in the quality of the pile gripping force.

IHC Handling Systems has maintained its position as market leader in the area of tools for lifting and positioning heavy foundation piles, as used in the offshore sector.



Chain clamps 500 ton for installation of mooring lines of the Spar 'Vastar Horn Mountain'.

The focus of the Tunnelling cluster is on further development of tunnelling machines for soft soil conditions. During the year, the Minister of Public Works in the Netherlands allocated an additional budget to proceed with the Hubertus tunnel test project. The contractor for the tunnel is ITM Hubertus – a consortium of ITM cv (in which IHC Holland is now the majority shareholder) and BTC (Boor Tunnel Combinatie) Hubertus VOF, a consortium of large Dutch contractors, specialised in tunnelling. At the end of 2002 an agreement was signed confirming the intention to enter into a full contract, adequately priced, in the first half of 2003. Due to the ground breaking nature of the Integrated Tunnel Method, the contract will provide for limits of risk for the parties jointly responsible for performance.

Within ITM cv, IHC Tunnelling Systems is responsible for the design, fabrication and maintenance of the tunnelling machine, and its organisation will be reinforced accordingly.

New orders

The most important new orders for tunnelling, foundation and other IHC Holland group equipment were:

- twenty IHC Hydrohammers varying from SC-30 size to S-500. Also more than 100 orders (SC-30 to S-600) for the rental fleet;
- in addition to successful sales on the home market, Europe, IHC Handling Systems sold a 500 ton skid system to Imico, Iran, an Internal Lifting Tool to Shengli Oilfield, People's Republic of China, and two Internal Lifting Tools to Hyundai, South Korea;
- in addition to some smaller contracts, IHC Fundex Equipment sold three foundation machines of the F12SE and F4201 type, three hydraulic rotary heads type 52SE, four hydraulic power packs 20SN and two hydraulic ring vibrators 45SE;
- Hytop, as one of the major builders of hydraulic systems has produced a large number of large scale hydraulic installations for dredgers, self-elevating platforms, Ro-Ro installations etc.;
- IHC Holland Lagersmit sold 432 SUPREME® stern tube seal arrangements and 227 LIQUIDYNE® pump seals of various sizes and types. One important order was the supply of SUPREME® seals for ABB azipods and for an underwater tidal turbine in Norway. The Liquidynes are also sold to the process industry.

Deliveries

The most important deliveries in foundation equipment were:

- twenty IHC Hydrohammers varying from SC-30 to S-500 size, for customers around the world;
- many large scale hydraulic installations for dredgers and self-elevating platforms (Hytop).



The S-500 Hydrohammer, used at the Woodrow Wilson Bridge, USA.

Advanced technology in tunnelling

Expertise in simulation and control has been brought to the new field of tunnelling systems. Under the umbrella of ITM/ITS an advanced automatic control concept has been developed for the future control of a new tunnelling machine. Integrated system functionality under operator control will create a more stable operation of the bore thereby realising higher average speeds and better quality of concrete tunnel sections.



MERWEDE
shipyard

MERWEDE SHIPYARD

Management:

T. Rietdijk, *Managing Director*

A.J. Houweling, *Managing Director*

Profile

Founded in 1902 as a shipyard, Merwede Shipyard has developed over its one hundred years of existence into a multi-disciplinary company consisting of five divisions: newbuilding of ships, exclusive interior building, marine repair work, the manufacturing of non-standard industrial valves and engineering. The newbuilding yard is the largest division, but each one is a recognised leader in its particular field. The company has been a member of the IHC Caland Group since 1993.

Merwede Shipyard is an ISO-9001-2000 certified internationally recognised builder of customised, high-value, mainly deep-sea tonnage, and is one of the leading yards in the Netherlands. Its business policy is to respond to the needs of shipowners who require vessels of innovative concept and modern engineering, built to a 'one-off' order or limited series in the following market areas:

- Dredgers;
- Offshore vessels;
- River cruise and passenger-related vessels;
- Specials.

Merwede Shipyard has an impressive track record of constructing numerous vessels of highly distinctive designs such as Ro-Ro's, passenger-cum-cargo-ships, oceanographic research vessels, ferries, chemical product tankers, workshops for offshore operations, deep-sea tugs and supply vessels, and heavy-load transportation vessels. Merwede Shipyard also enjoys a good reputation as a designer and builder of dredgers and benefits from cooperation with its sister company IHC Holland. The following four business units are included:

- Merwede Interior Builders are specialist builders of high-quality, bespoke interiors for both the marine and civil construction industries. Product quality is assured by maintaining a certified quality management system;
- Merwede Repair is a specialist yard in maintenance, repair and conversion work on vessels for coastal trade, short sea vessels, offshore work vessels, dredgers, tugs and all kinds of inland transportation craft, including river cruise vessels;
- Merwede Valves is an ISO 9001-certified specialist manufacturing unit, producing engineered-to-order valves for applications in the oil, gas, chemical and power industries. Unequalled lead times are maintained as a result of a flexible production process;



Merwede Shipyard - Sculpture.

- Merwede Design is a marine and mechanical design office consisting of a highly qualified and experienced team of specialists within shipbuilding, ship repair and mechanical engineering design works.

Developments 2002

In 2002, Merwede Shipyard increased profits considerably. The yard was fully utilised and complete utilisation of the yard is also expected for 2003. Despite this good performance in both results and order intake, Merwede Shipyard sharpened its strategy to cope with expected tougher market circumstances and to reinforce its competitive strength.

Merwede Shipyard will increasingly focus on optimising efficiency and minimising cost levels. The major means to achieve this are integration of the commercial, design and estimating activities with sister company van der Giessen-de Noord, eliminating cost by outsourcing non-core activities, and acquisition of competence centres in low-wage countries. A good example of the latter is last year's incorporation of a Slovakian nine man engineering firm, renamed Merwede Design, specialised in detailed engineering work.

New orders

The following major orders were obtained:

- deep dredging installation for the two 16000m³ hopper dredgers under construction for Royal Boskalis Westminster, the Netherlands;
- conversion contract for two F class seagoing gravel dredgers for South Coast Shipping, United Kingdom;
- two jack-up platforms for civil construction at sea for Hydrosol Services and Besix, both from Belgium.

Deliveries

The following orders were completed in 2002:

- the 4900m³ hopper dredger 'Coastway' was delivered to Royal Boskalis Westminster one month ahead of the original delivery schedule;
- the 13700m³ hopper dredger 'Uilenspiegel' for DEME, Belgium, as a subcontractor to IHC Holland;
- two jack-up platforms for civil construction at sea for Hydrosol Services and Besix.

The company celebrated 100 years of existence in 2002. There were various festivities, but one lasting monument is a fine metal sculpture, designed by a local artist, and manufactured by Merwede Shipyard's apprentices.



van der Giessen-de Noord N.V.

VAN DER GIESSEN-DE NOORD N.V.

Management:

A.J. Houweling, *President*

Profile

van der Giessen-de Noord (GN) specialises in the design and construction of high value, custom-built ships. The shipyard has a prominent position in niche markets, including Ro-Pax and cruise ferries, luxury passenger vessels, offshore construction and support vessels. The building of jumbo dredgers for sister company IHC Holland has also been added to GN's portfolio, as it has one of the largest covered slipways in the world. GN is broadening its interests in adjacent markets of complex and innovative vessels.

Through its versatility the yard has gained a reputation as a designer and builder of complex vessels, ranging from one-offs to small series. GN has the organisational skills to execute projects from beginning to end; designed, engineered and produced in the shortest possible time.

Developments 2002

2002 proved to be a dramatically bad year for GN including a negative result. GN had severe problems in the execution of the existing order book and had to downsize the company at the same time to bring it more in line with the expected demand from GN's markets. Restructuring measures have been taken to benefit from increasing demand as soon as the market starts to recover.

After the ordering boom in late 2000 and the disappearance of duty-free shopping, ferry owners started a consolidation process with considerably lower budgets for investment in new tonnage. A lower economic activity level in the western countries has aggravated this situation in 2002. As a result many viable projects for expansion and modernisation of ferry routes were postponed. The resulting weak demand was further aggravated by the appearance of new competitors in this market segment. Traditional cruise ship builders who were confronted with cancellations of options for large cruise vessels entered this market, as the skills and facilities needed to build Ro-Pax ferries are in many ways similar to the requirements to build cruise vessels.

Restructuring of activities

In order to adapt to the expected lower order intake level, a major reorganisation of the shipyard was initiated during 2002, and completed in the first quarter of 2003. The downsizing and associated costs required an one-

time charge of € 25 million. The reorganisation included a change of management, a reduction in personnel by about 40%, and a change of managerial tasks and functions throughout the organisation. An integration of the commercial, design and estimating activities has been effected with sister company Merwede Shipyard. Thus a wider market range can be targeted in a joint effort at lower cost levels for both companies.

New orders

During 2002 two orders were received by the yard:

- a 4750m³ trailing suction hopper dredger for Dutch contractor Van Oord ACZ, to be built on behalf of sister company IHC Holland;
- a 5400m³ trailing suction hopper dredger for DEME (Belgium), also in cooperation with IHC Holland.



Inside GN's large construction hall the 24-knot Ro-Pax ferry Pascal Paoli for French owners SNCM.

Deliveries

The following orders were delivered during the past year:

- a 71-meter luxury passenger vessel was handed over and subsequently commissioned by GN's partner Sete Triton Ltd., Cayman Islands;
- a multi-purpose offshore support and construction vessel was delivered to Toisa Ltd., Bermuda;
- the Ro-Ro-passenger ferry 'Mont St. Michel' for the Western Channel service was completed and handed over to Société d'Armement Maritime du Calvados (Brittany Ferries), France.



NKI GROUP

Management:

G. Aerts, *Managing Director*

Profile

NKI Group has built a reputation of quality and excellence in the airport terminal interior market. Since 1974 the group has been involved in more than 360 airport projects around the world, and has a leading position in this market.

NKI Group's core competence lies in the design, engineering, manufacture and project management of integrated turnkey airport terminal interior projects.

The scope of work comprises in principle:

- complete check-in facilities;
- all other kind of counters;
- signage;
- taxiway guidance signs;
- passenger bridges;
- custom-made interiors for airports.

Developments 2002

The dramatic events of 11 September 2001 continued to impact negatively the aviation and airport markets in 2002. The year was the most difficult year in the history of NKI Group, and resulted in a significant loss.

Most of the projects in the market were delayed, postponed or even cancelled. The company is now being restructured, to align it with the actual market situation. The signs of a recovery early 2002 did not bear fruit.

However, several projects, postponed in 2002, are now being restarted. There are signs that a recovery of the market has slowly begun and a normalisation can be expected in 2004.

Barring further unexpected negative developments, it is believed that the actual market evolution together with the implementation of the restructuring programme of NKI Group will restore the profitability.

New orders

The following orders were booked in 2002:

- a contract for the delivery and installation of counters for a new terminal at Toronto Airport, Canada;
- several contracts for the delivery and installation of counters and signs for Domodedovo Airport, Moscow, Russia;
- a contract for the delivery and installation of counters for Miami Airport, USA;
- a contract for the delivery and installation of new passenger bridges for Johannesburg and Capetown Airports, South Africa;
- a contract for the renovation of passenger bridges at Heathrow Airport, United Kingdom;
- a contract for the renovation of passenger bridges for the E-pier at Schiphol Airport, the Netherlands.

Deliveries

In 2002 the following orders were completed:

- several contracts for the renovation and extension of Domodedovo Airport, Moscow, Russia;
- a contract for the renovation of Terminal I at Cairo Airport, Egypt;
- a renovation project at Atlanta Airport, USA;
- the extension and renovation of a passenger terminal at Fort Lauderdale Airport, USA;
- the renovation of twelve passenger bridges at Heathrow Airport, United Kingdom.



Report of the Supervisory Board

Activities of the Supervisory Board

Netherlands law requires that for companies such as IHC Caland, there must be a Supervisory Board. This Board has a double role. First of all the Board is responsible for reviewing the conduct of Management, and the general developments of business in the Company. Secondly, the law requires that the Supervisory Board should assist and advise the Board of Management. The law also requires that the Supervisory Board should always focus on the overall interest of the Group.

A number of important decisions of the Board of Management require the approval of the Supervisory Board. There is therefore a significant difference with the Anglo-Saxon single tier system. That consists of a single Board which contains both executive and non-executive directors. Decisions are taken on a collective basis, whereas in the Dutch system, the Supervisory Board can refuse its approval, but cannot impose its opinion in place of that of the Board of Management. In practice in the Netherlands, however, it is customary for a reasonable Board of Management to discuss matters in a timely fashion with the Supervisory Board, and to come to an agreement thereon, and in doing so to listen to the advice from the members of the Supervisory Board who in their own business careers have been confronted with similar problems.

Although the Board of Management remains the body legally making decisions, nonetheless the process of coming to decisions begins to move slowly in an Anglo-Saxon direction.

It is in the interest of everyone connected with the Company that the business should be well managed and thus profitable. Almost all the interests of stakeholders can only be fully taken care of by a satisfactory profitability. Our Supervisory Board is therefore composed of members who themselves – inside or outside the Netherlands – have had responsibility for managing a business. This implies that no matter how important the supervisory role is, the Supervisory Board regards the thinking with and advising the Board of Management over future developments as its most important role.

In our first meeting of the year, we discuss the Operating Plan for that year; thereafter we compare on a quarterly basis the actual results with this plan. Along with the financial reports, the Board of Management supplies us with a report including commentary on the numbers and on the developments which the Group encounters. The 'good news' and 'bad news' for the Group as a whole and for each business unit are also included in the report for our attention. We regard it as very important that negative developments – unfortunately unavoidable in a Company such as ours which depends to a large extent on its technology – are reported in a timely fashion, which has always been the case with IHC Caland. An

open exchange of information between the Board of Management and the Supervisory Board is therefore of the utmost importance. That does not of course eliminate the need for a critical overview of the Board of Management but it does avoid the need for the Supervisory Board to act like a policeman. In this respect, the Netherlands has a high standard to maintain, which is not always fully understood by outsiders.

In view of the worldwide operations of our business, global economic, political and corporate developments are regularly on the agenda of our discussions with the Board of Management.

Developments 2002

It is important that the Supervisory Board visits from time to time important operating companies. With that in mind, we visited in November the Group companies in Houston, and made the acquaintance of the senior management. We listened to presentations about the companies' activities and specifically about the developments in the offshore business where much is expected. We are convinced that the correct anticipation of these developments is of the utmost importance to maintain a leading position in this segment of the offshore industry. What we have seen both last year in Monaco and this year in Houston gives us the conviction that the Group is on the right track.

Risk management of the Group applies both to the day-to-day-business, and to risks which may develop in the longer term. This year we have been confronted with a serious mishap in the day to day business, in that in the shipyard van der Giessen-de Noord, the actual costs of building a ferry significantly exceeded the budget and the extra time required for building the vessel also caused problems for the following order. We have discussed among ourselves and with the Board of Management whether a better risk management could have avoided this problem. Our conclusion was that the Board of Management of IHC Caland cannot be blamed for this: the yard had a good reputation for building ferries within budget and there was no reason to expect that this would go completely wrong. These problems had of course consequences both for management and personnel of the yard. Simultaneously, the Group was confronted with a weakening in the market, which affected van der Giessen-de Noord. This led the Board of Management to reduce the personnel levels.

Another exposure which required our attention this year was whether the Company would maintain acceptable balance sheet ratios. The balance between equity and long-term debt is in this respect not the only criterion. In this case, the Group has the reassurance of a regular income stream from the long-term lease contracts, whereby the servicing of the long-term debt is assured.

A delegation from our Supervisory Board met with the Board of Management on this subject, and concluded that provided the new order levels remain as they are projected, it was not necessary to reinforce the Group's equity position by an issue of new shares.

The consequences of a contract entered into in 1998 to lease an FSO offshore Myanmar have also kept us busy this year. We share the opinion of the Board of Management, as expressed in their report. Just like the Board of Management, we consider it incorrect to give in to the pressure which some social organisations exert on us to initiate a breach of contract.

Presentation of Annual Accounts

We hereby present to you the Annual Accounts, which have been drawn up by the Managing Directors and established by us after discussions with the auditors. These Annual Accounts, which have been signed by the Board of Management and the members of the Supervisory Board, comprise:

- the Consolidated profit and loss account for 2002;
- the Consolidated balance sheet as at 31 December 2002;
- the Consolidated statement of cash flows,

and the notes thereto; and

- the balance sheet of IHC Caland N.V. as at 31 December 2002;
- the profit and loss account of IHC Caland N.V. for 2002,

and the notes thereto.

The Annual Accounts have been audited by our auditors KPMG Accountants N.V. who have expressed an unqualified opinion thereon.

We recommend that:

- the Annual Accounts, as established, be approved and that the appropriation of profit as set out in the Report of the Managing Directors, including a cash dividend of € 1.50 per ordinary share be approved;
- discharge be granted to the Managing Directors and the Supervisory Board for the performance of their duties in 2002, as far as this is evident from the Annual Accounts, the Annual Report and other attachments thereto, as well as the explanation thereof in the General Meeting of Shareholders.

Subject to your concurrence with these recommendations, a cash dividend of € 1.50 per share will be payable as from 28 May 2003 pertaining to the ordinary shares of € 1.–.

The dividend may also be fully paid in new shares (stock dividend) at the shareholder's option. Full details are given in the Agenda for the General Meeting of Shareholders of IHC Caland N.V. to be held on 16 May 2003, under agenda item number 2.d and in the notes thereto.

Organisation of the Supervisory Board

Our Supervisory Board has not established any separate committees. In a company of IHC Caland's size, and taking into account the involvement of all Supervisory Board members in all aspects of the Group's development, we are of the opinion that setting up separate committees would not put us in a better position to perform our supervisory task. That does not exclude the fact that specific preparatory tasks can be delegated. So for example the Chairman and Vice-Chairman were closely involved in the establishment of a new remuneration structure for the Board of Management, with the assistance of the specialist consulting firm Towers Perrin. Also, prior to establishing the Annual Accounts, we have had a discussion with the auditors, involving an extensive exchange of ideas with them.

The Supervisory Board has established the allocation of duties and the method of operation of the Supervisory Board and its Chairman in a set of rules, including a profile and a roster for retirement by rotation of its present members.

The remuneration of the members of the Supervisory Board does not depend on the results of the Group. The members of the Supervisory Board receive a fixed remuneration including an expense allowance and do not have any business relations with the Group.

With the exception of Mr. Bax, who as a former President and CEO of IHC Caland still has some options, as at 26 March 2003, none of the Supervisory Board members owns shares in IHC Caland N.V. or option rights relating thereto.

Changes in composition of the Supervisory Board

At the close of the General Meeting of Shareholders, Mr. Langman will reach the Supervisory Board agreed age limit. He will be replaced as Chairman of the Supervisory Board by Mr. Van Baardewijk. Mr. Jacobs will replace Mr. Van Baardewijk as Vice-Chairman of the Supervisory Board.

His fellow members of the Supervisory Board wish to express to Mr. Langman their appreciation for the dedication and knowledge with which he fulfilled his role during the last thirteen years. With his detailed knowledge of the Group, his absolute mastery of its financial intricacies, and his quiet but total authority, he was the epitome of what every company wishes to have

in a Chairman. He also had a lighthearted side, with many entertaining tales from his long business career, to brighten up the sometimes difficult business of supervising the management of a fast-growing company. He will be sorely missed.

Also at the close of the General Meeting of Shareholders, the terms of office of Mr. Bax and Mr. Goguel-Nyegaard will expire in accordance with the provision of Article 19, clause 1 of the Articles of Association. Mr. Bax is available for reappointment. In view of his long experience with the Group and the valuable role he has played as a member of the Supervisory Board, we intend to reappoint Mr. Bax.

After the retirement of Mr. Langman the difference in age between the remaining Board members is very small. In order to effect step by step a better spread in age, we have agreed with Mr. Goguel-Nyegaard that his reappointment, which we propose due to his contribution to the functioning of our Board, will be for one year only.

In the vacancy arising from the retirement of Mr. Langman we wish to appoint Mr. Heinz C. Rothermund, a former Managing Director of Shell EP International BV, born in 1943. Mr. Rothermund is a Swiss citizen. We are very glad that Mr. Rothermund has agreed to join our Board. Because the oil and gas activities are of increasing importance, a further strengthening of the expertise in that field in our Board is very desirable. In that way we also make further progress with the internationalisation of the Board in line with the nature of our activities. Half of our members will be of nationalities other than the Dutch nationality. When Mr. Goguel-Nyegaard retires next year, we are planning to effect a further rejuvenation of our Board.

Finally

The Supervisory Board would like to take this opportunity to express its appreciation and gratitude to the Board of Management of IHC Caland, the management of the Group companies and all employees for their entrepreneurial attitude, perseverance, professional competence and commitment which are indispensable for achieving the basically good results in 2002 and which make the Board more than confident about the future.

Schiedam, 26 March 2003

Supervisory Board

H. Langman, Chairman

A.P.H. van Baardewijk, Vice-Chairman

J.D.R.A. Bax

D.J.C.N. Goguel-Nyegaard

A.G. Jacobs

R.H. Matzke

INFORMATION REGARDING SUPERVISORY BOARD

Background information on the individual members of the Supervisory Board

H. Langman – Nationality: Dutch (1931)

A former Minister of Economic Affairs of the Kingdom of the Netherlands and a former member of the Executive Board of ABN-AMRO Bank NV

Supervisory directorships:

Chairman of the Supervisory Board of HAL Holding NV

Chairman of the Supervisory Board of Koninklijke Vendex KBB NV

Chairman of the Supervisory Board of Van Lanschot NV

Member of the Supervisory Board of Oranje Nassau Group BV

First appointment 1990.

Current term of office: 2002-2003.

Member of the Supervisory Board of the Netherlands Pilotage Association
Member of the Supervisory Board of Handelsveem Beheer BV

First appointment 1999.

Current term of office: 1999-2003.

D.J.C.N. Goguel-Nyegaard – Nationality: French (1935)

A former Senior Vice-President of Elf Aquitaine

Supervisory directorships:

Director of Elf Exploration & Production

First appointment 1999.

Current term of office: 1999-2003.

A.P.H. van Baardewijk – Nationality: Dutch (1936)

A former Chairman of the Board of Management of Royal Volker Wessels Stevin NV

Supervisory directorships:

Member of the Supervisory Board of Royal Volker Wessels Stevin NV

Member of the Supervisory Board of Van Oord Group NV

First appointment 1993.

Current term of office: 2001-2005.

A.G. Jacobs – Nationality: Dutch (1936)

A former Chairman of the Executive Board of ING Group NV

Supervisory directorships:

Chairman of the Supervisory Board of Joh. Enschede BV

Chairman of the Supervisory Board of Imtech NV

Chairman of the Supervisory Board of Royal Dutch Petroleum Company

Vice-Chairman of the Supervisory Board of NV Verenigd Bezit VNU

Vice-Chairman of the Supervisory Board of Buhmann NV

Member of the Supervisory Board of ING Group NV

Member of the Supervisory Board of Euronext NV

Member of the Supervisory Board of ING Group NV

Member of the Supervisory Board of Euronext NV

First appointment 1998.

Current term of office: 2002-2006.

J.D.R.A. Bax – Nationality: Dutch (1936)

A former President and Chief Executive Officer of IHC Caland N.V.

Supervisory directorships:

Chairman of the Supervisory Board of TBI Holdings BV

Chairman of the Supervisory Board of Oranjewoud Beheer BV

Chairman of the Supervisory Board of Mammoet Holding BV

Chairman of the Supervisory Board of Smit Internationale NV

Chairman of the Supervisory Board of Heerema Fabrication Group

Chairman of the Supervisory Board of Koninklijke Vopak NV

Vice-Chairman of the Supervisory Board of Corio NV

Member of the Supervisory Board of AON Group Nederland BV

Member of the Supervisory Board of Koninklijke Frans Maas Groep NV

R.H. Matzke – Nationality: American (1937)

A former Vice-Chairman of ChevronTexaco

Supervisory directorships:

President of NESW Solutions – Global Consultants

Member of the Board of LUKoil Oil Company

Member of the Board of Petroleum Helicopters Inc.

Member of the Advisory Board of

Centre for Strategic and International Studies

Trustee of the Council on Foreign Relations

First appointment 2002.

Current term of office: 2002-2006





Annual Accounts 2002

Consolidated profit and loss account

in thousands of euros

	Notes	2002	2001
Net turnover	1	930,272	964,846
Changes in stocks and work in progress		382,099	55,161
Own work capitalised		552,825	181,443
Other operating income		18,622	10,584
<i>Operating income</i>		1,883,818	1,212,034
External costs	2	(1,452,417)	(771,902)
Wages and salaries	3	(194,293)	(169,015)
Social security costs	4	(45,448)	(33,994)
Amortisation intangible fixed assets	9	(2,145)	(1,220)
Depreciation tangible fixed assets	5/10	(89,480)	(91,646)
Other operating costs		(25,199)	(30,502)
<i>Operating costs</i>		(1,808,982)	(1,098,279)
Operating profit	6	74,836	113,755
Share of results of associated companies	11	206	568
Other financial income/(expense)	7	(19,608)	(22,270)
Financial income/(expense)		(19,402)	(21,702)
Profit before taxation		55,434	92,053
Taxation	8	16,867	(10,961)
Minority interests		72,301	81,092
		(838)	(447)
Net profit		71,463	80,645
Weighted average number of shares outstanding		31,685,599	29,214,516
Net profit per share		€ 2.26	€ 2.76
Fully diluted net profit per share		€ 2.25	€ 2.75

(Calculated in accordance with IAS 33)

Consolidated balance sheet

in thousands of euros (after proposed appropriation of profit)

	Notes	31 December 2002	31 December 2001
Fixed assets			
Intangible fixed assets	9	37,720	41,375
Tangible fixed assets	10	1,460,100	950,115
Financial fixed assets	11	30,287	9,014
	16	<u>1,528,107</u>	<u>1,000,504</u>
Current assets			
Stocks		44,123	35,785
Work in progress less instalments received	12	160,343	147,196
		<u>204,466</u>	<u>182,981</u>
Receivables	13	247,469	203,937
Securities	14	2,813	16,572
Cash and cash equivalents	15	213,802	191,786
	16	<u>668,550</u>	<u>595,276</u>
Current liabilities	17/21	<u>631,140</u>	<u>580,002</u>
Net current assets		<u>37,410</u>	<u>15,274</u>
Net assets		<u>1,565,517</u>	<u>1,015,778</u>
Long-term debt	18/21	948,297	416,164
Provisions	19/21	3,993	6,593
Investment premium equalisation account	20/21	7,665	8,219
Group equity			
Shareholders' equity	22	602,671	583,921
Minority interests		2,891	881
		<u>605,562</u>	<u>584,802</u>
Capital employed		<u>1,565,517</u>	<u>1,015,778</u>

Consolidated statement of cash flows

in thousands of euros

	2002	2001
Operations		
Trade debtors	1,269,798	941,276
Trade creditors	(1,155,003)	(505,557)
Wages and salaries, social security costs	(217,831)	(199,307)
Vessel operating costs	(57,391)	(27,236)
Other operating costs	(271,388)	(210,659)
Other receipts / (payments), net	2,591	(13,521)
	<u>(429,224)</u>	<u>(15,004)</u>
Own work capitalised (included in Investments in tangible fixed assets)	552,825	181,443
<i>Cash flow from operations</i>	123,601	166,439
Dividends from associated companies	227	116
Interest income	12,446	16,748
Interest expense	(49,174)	(39,483)
	<u>(36,501)</u>	<u>(22,619)</u>
Taxation	5,652	(19,788)
	<u>92,752</u>	<u>124,032</u>
Investments		
Investments in intangible fixed assets	(4,633)	(44,863)
Investments in tangible fixed assets	(664,155)	(244,219)
Disposals of tangible fixed assets	5,145	6,550
Investments in associated companies	(200)	(220)
Disposals / repayments associated companies	-	35
	<u>(663,843)</u>	<u>(282,717)</u>
	<u>(571,091)</u>	<u>(158,685)</u>
Financing		
Issue of share capital	7,935	138,933
Dividends paid	(27,416)	(25,317)
Additions to long-term debt	662,210	101,591
Reductions in long-term debt	(68,998)	(123,319)
Investments in other financial fixed assets	(15,421)	-
Disposals / repayments other financial fixed assets	880	106
	<u>559,190</u>	<u>91,994</u>
Net in/(out)flow	(11,901)	(66,691)
Currency differences	6,760	5,754
Increase / (decrease) in cash and cash equivalents and securities less short-term bank debts	<u>(5,141)</u>	<u>(60,937)</u>
Reconciliation		
Operating profit /	74,836	113,755
Cash flow from	91,625	92,866
operations	166,461	206,621
EBITDA	166,461	206,621
(Increase) / decrease in stocks and work in progress less instalments received	(21,485)	(59,317)
(Increase) / decrease in receivables	(43,532)	(46,500)
Increase / (decrease) in current liabilities	51,138	78,534
	<u>(13,879)</u>	<u>(27,283)</u>
Movement in other net current assets Included in movement in other net current assets, but not related to operations	(28,981)	(12,899)
Cash flow from operations	<u>123,601</u>	<u>166,439</u>

General

Except where otherwise indicated, all amounts are in thousands of euros.

Consolidation

The consolidated accounts comprise IHC Caland N.V. and its Group companies, which are defined as companies in which the Company has effective control. Assets, liabilities and results of these companies are fully consolidated. The minority interests are shown separately.

Participations in companies in which the Group has 50% control, as well as participations in joint ventures, are consolidated on a proportional basis.

In accordance with legal requirements, a list of consolidated companies has been deposited at the Chamber of Commerce in Rotterdam.

Foreign currencies

The basic rule for the conversion of foreign currencies to Euros is that the rates of exchange on the last day of the financial year are used. At year-end, the most important rate was the US dollar at € 0.96 (2001: € 1.12).

In principle, IHC Caland N.V. has a policy of full hedging of transaction and translation exposures. The reference rates for the conversion of foreign currency transactions and balances are the actual rates for the various forward contracts used in the execution of this hedging policy.

During the year Management has decided to change the reporting currency to the US dollar effective 1 January 2003, being the functional currency of the offshore oil and gas activities of the Group, in view of the ever-increasing importance thereof, and the practical and cost implications of maintaining a full hedging to Euros. The hedging of the equity of the US\$-companies was effectively unwound on 31 August, and the subsequent exchange rate difference till the end of year has been charged against equity as a currency reserve.

The mechanics of the hedging policy are as follows:

a) Up to and including 2002 (hedging to Euro):

Assets and liabilities, with the exception of F(P)SO's with long-term leases, are converted at year-end rates. The balance sheet total is adjusted to match the related forward contracts' rates via one entry in 'Receivables' or 'Current liabilities' depending on the result of the hedge transactions. Any remaining exchange differences are processed to the profit and loss account.

Currency exposures on US dollar denominated long-term lease contracts for F(P)SO's, both in respect of the investment and net profits, are hedged to the extent not already covered by financing in the same currency. The year-end valuation of these vessels is at the relevant average hedge rate for the amount hedged.

No financial or other derivatives are dealt in without there being an underlying business transaction.

b) From 2003 onwards (reporting in US dollar):

Subsequent to the change in reporting currency, the larger part of the balance sheet revaluations mentioned before will disappear. The policy of full hedging in the offshore oil and gas activities to its functional currency, being the US dollar, will continue. In view of the relatively minor impact on results and equity of the Group, it has been decided not to hedge the net asset value (equity) and profits of the Dutch-based and Euro-denominated dredger/specialised shipbuilding activities of the Group, but to record any movement against the US dollar through equity.

Principles of valuation, profit and loss determination

The Annual Accounts have been prepared on the basis of historical cost. Unless stated otherwise, assets and liabilities have been included at nominal value less such provisions as are considered necessary.

The Group uses a 'full cost' accounting system. This means that, particularly in respect of offshore activities, certain indirect cost items such as sales and general overheads are charged to orders on the basis of a fixed percentage. Similarly, in the Group's dredger/shipbuilding activities, where a significant part of order execution takes place at its own facilities, the manhour rates include certain indirect costs. The calculation of these percentages is based on a forecast 'normalised' level of order execution or 'value of production' in the year.

Intangible fixed assets

The difference between cost and net asset value of acquired interests in Group and associated companies is capitalised and consistently amortised through the profit and loss account during the estimated economic lifetime.

Patents acquired from third parties are capitalised and amortised over their anticipated useful lives.

The anticipated economic lives of the categories of intangible fixed assets are as follows:

- Goodwill 5-20 years
- Patents 15 years

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation.

The capital value of an F(P)SO to be leased to and operated for a client is the sum of external costs (such as shipyards, subcontractors, suppliers), internal costs (design, engineering, construction supervision, etc.), third party financial costs including interest paid during construction and attributable overheads.

In principle, these assets are depreciated by the straight-line method over their anticipated economic life, taking into account a residual value for the tanker-based F(P)SO's and the dynamically positioned diving support vessel 'Dynamic Installer'. Depreciation of long-term leased F(P)SO's with external financing is calculated in such a way that the aggregate of interest and depreciation is evenly spread over the lease period.

Investment subsidies (with the exception of investment premiums) are directly deducted from the historical cost of the assets. Insofar as third party interest is paid on the financing of tangible fixed assets under construction, these amounts are capitalised in the investment.

The anticipated economic lives of the categories of tangible fixed assets are as follows:

<i>Land and buildings</i>	30-50 years
<i>Vessels and equipment (almost entirely F(P)SO's):</i>	
• Newbuild F(P)SO's	20 years
• Converted tankers, including refurbishment	10-15 years
Amortised to scrap value over their remaining useful life;	
• 'Non-recoverable' investments	3-15 years
Costs which are incurred for a specific project e.g. installation costs, transport costs, costs of anchor lines, anchor points, risers, etc. and must be written-off over the period of the contract to which they relate;	
• Other F(P)SO investments	6-15 years
These include the mooring system, swivel stack, vessel conversion, process equipment if relevant, etc.	
In the case of long-term contracts these items are fully amortised over the contract duration.	
For shorter-term contracts, a decision is required as to which percentage of these costs should be amortised;	
Exceptionally, where lease rates have a special profile, e.g. to match projected field production, depreciation will follow this profile;	
<i>Machinery and equipment</i>	5-20 years
<i>Other fixed assets</i>	3-20 years

The tangible fixed assets of IHC Holland NV's shipyards are carried at going concern value after a one-time writedown in 1988, when the company was restructured. A similar writedown has taken place in 1997 on the tangible fixed assets of van der Giessen-de Noord N.V.

Financial fixed assets

Financial fixed assets comprise shares in and amounts owed by associated companies and other long-term receivables.

Associated companies are defined as companies in which the Group has significant influence and which are neither subsidiaries nor joint ventures. Unless otherwise indicated, associated companies are valued at the appropriate proportion of their capital and reserves, as disclosed by their balance sheet.

Stocks

Stocks comprise semi-finished products, finished products and spare parts.

Semi-finished and finished products are stated at cost including attributable overhead, excluding interest on capital invested.

Spare parts are valued at the lower of purchase price and market value.

Work in progress less instalments received

Work in progress is stated at cost including attributable overhead, excluding interest on capital invested, less any provisions necessary for anticipated losses up to the completion of the projects.

Government subsidies, if applicable, have been deducted from gross work in progress.

Instalments received are deducted from work in progress. Where advance payments exceed the value of the related work in progress, the excess is included in 'Current liabilities'.

Securities

Securities are stated at the lower of cost and market value.

Provisions

Provisions are made for commitments and contingencies which relate to the activities of the Group.

The provision for deferred taxation results from differences between commercial and taxable results and is computed at current rates of taxation.

Investment premium equalisation account

The investment grants will be credited to the profit and loss account over the anticipated lifetime of the assets involved and relate to the Group's shipbuilding activities.

Net turnover, determination of result

Turnover and profit are recognised upon the delivery of orders because many of the Group's products are custom-built or have a prototype nature (principle of prudence). An exception to this rule are long-term F(P)SO lease/operate contracts in which case turnover (the total of the day-rates) and profit can be measured on a more reliable basis and are therefore reported annually once the systems have come into service.

Taxation

Taxation is accounted for on the basis of the results reported, taking into consideration the applicable fiscal rules.

Policies regarding the Consolidated statement of cash flows

The Consolidated statement of cash flows is drawn up using the indirect method. Cash flows denominated in foreign currencies are translated using the exchange rates at the respective balance sheet dates.

Notes to the Consolidated profit and loss account

1. Net turnover

By geographical area:		2002		2001	
		%		%	
The Netherlands	67,179	7	74,057	8	
Rest of Europe	277,419	30	379,684	39	
North, Middle and South America	180,989	19	107,428	11	
Africa	174,298	19	130,786	14	
Middle-East / Asia / Australia	230,387	25	272,891	28	
	<u>930,272</u>	<u>100</u>	<u>964,846</u>	<u>100</u>	

The classification by geographical area is determined by the final destination of the product, or in the case of vessels built at the shipyards of the Group, by the country of residence of the client.

By business segment:		2002		2001	
		%		%	
Offshore	364,426	39	312,255	32	
Dredger / specialised shipbuilding	565,846	61	652,591	68	
	<u>930,272</u>	<u>100</u>	<u>964,846</u>	<u>100</u>	

2. External costs

External costs are net of government subsidies ('Generieke steun') of € 3.5 million in respect of the Group's dredger/shipbuilding activities (2001: € 6.2 million).

Direct research costs amounted to € 11.4 million (2001: € 8.2 million). Considerable research is also carried out during the sales effort for orders, which are often custom-built. In these cases, when the sales effort results in an order the related costs are charged directly to the order result. If not, the costs are expensed to the profit and loss account.

3. Wages and salaries

The remuneration of the Managing Directors of the Company, including pension costs and performance related bonuses, amounted to € 2.7 million (2001: € 2.1 million).

The performance related part of the remuneration equals 32% (2001: 34%).

The total remuneration and associated costs of the Managing Directors can be specified as follows:

	Salary and emoluments	Bonus	Pension costs
J.J.C.M. van Dooremalen	431	317	665
G. Docherty	357	268	–
D. Keller	357	268	–
	<u>1,145</u>	<u>853</u>	<u>665</u>

The bonus is performance related in respect of the previous year, based on a target return on equity.

The pension costs include backservice charges of the previous year.

The remuneration of the Supervisory Board amounted to € 207,000 (2001: € 119,000) and can be specified as follows:

H. Langman	Chairman	38
A.P.H. van Baardewijk	Vice-Chairman	32
J.M.H. van Engelshoven	(until 7 June 2002)	15
J.D.R.A. Bax		29
D.J.C.N. Goguel-Nyegaard		29
A.G. Jacobs		29
R.H. Matzke	(from 7 June 2002)	35 including allowance for travel from the USA
		207

The number of employees was as follows:

By business segment:	2002		2001	
	Average	Year-end	Average	Year-end
Offshore	1,347	1,542	1,029	1,215
Dredger / specialised shipbuilding	2,783	2,775	2,750	2,791
Holding	21	21	19	20
	4,151	4,338	3,798	4,026

By geographical area:	2002		2001	
	Average	Year-end	Average	Year-end
The Netherlands	2,692	2,705	2,646	2,677
Abroad	1,459	1,633	1,152	1,349
	4,151	4,338	3,798	4,026

4. Social security costs

Included are pension premiums amounting to € 19.5 million (2001: € 10.7 million).

This figure includes a one-time expense in IHC Holland NV of € 5.9 million, being a funding payment in respect of the intended transfer of its company pension fund to a third party.

In addition to state and industry pension plans, Group companies have a number of supplementary pension plans. Most such plans are defined benefit plans, with a limited number of defined contribution plans.

In respect of defined benefit plans the amounts charged to the profit and loss account in any year cover the current service cost of the plan and any other pension costs. Other pension costs include e.g. past service costs, the effects of changes in actuarial assumptions and the effect of plan amendments. The rates of return assumed are lower than long-term bond yields, as well as the actual performance of the plan's investments over the last years.

Contributions to defined contribution plans for any particular year are charged to the profit and loss account in that year.

5. Depreciation tangible fixed assets	By business segment:	2002		2001	
			%		%
	Offshore	80,130	90	83,714	91
	Dredger / specialised shipbuilding	9,307	10	7,781	9
	Holding	43	–	151	–
		89,480	100	91,646	100

6. Operating profit	By business segment:	2002		2001	
			%		%
	Offshore	129,987	174	97,586	86
	Dredger / specialised shipbuilding	(49,969)	(67)	20,741	18
	Holding	(5,182)	(7)	(4,572)	(4)
		74,836	100	113,755	100

7. Other financial income / (expense)	2002		2001	
	Income from financial fixed assets	652	174	
Interest received	11,011	16,615		
Interest paid *	(31,271)	(39,059)		
	(19,608)	(22,270)		

* Net of € 18,641 (2001: € 2,829) capitalised.

8. Taxation	2002		2001	
	Tax credit / (charge)	14,272	(11,509)	
Movement provision for deferred taxation	2,595	548		
	16,867	(10,961)		

The Group's operational activities are subject to taxation at rates which range up to 34.5%. The respective tax rates, including fiscal privileges in several countries, tax-exempt profits and non-deductible costs, result in an effective tax burden of –30.4% (2001: burden of 11.9%), calculated as 'Taxation' divided by 'Profit before taxation' in the profit and loss account. The fact, that the overall tax burden is negative, is caused in its entirety by the significant tax loss in the Netherlands, where the tax rate is amongst the higher incurred by the Group. The tax losses at van der Giessen-de Noord are fully realisable, partly by loss carry-back, and do not result in a deferred tax asset. The Group has approximately € 2 million available in tax losses, which have not been capitalised in the balance sheet.

Notes to the Consolidated balance sheet

9. Intangible fixed assets

	Goodwill	Patents	Total
At 1 January			
Cost	27,722	14,873	42,595
Accumulated amortisation	(722)	(498)	(1,220)
Book value	27,000	14,375	41,375
Movements			
Investments	4,633	–	4,633
Amortisation	(1,301)	(844)	(2,145)
Currency differences	(4,008)	(2,135)	(6,143)
	(676)	(2,979)	(3,655)
At 31 December			
Cost	28,239	12,664	40,903
Accumulated amortisation	(1,915)	(1,268)	(3,183)
Book value	26,324	11,396	37,720

The items 'Goodwill' and 'Patents' relate almost entirely to offshore activities.

10. Tangible fixed assets

	Land and buildings	Vessels and floating equipment	Machinery and equipment	Other fixed assets	Under construction	Total
At 1 January						
Cost	145,910	1,031,668	72,421	70,496	220,259	1,540,754
Accumulated depreciation	(107,048)	(376,275)	(58,129)	(49,187)	–	(590,639)
Book value	38,862	655,393	14,292	21,309	220,259	950,115
Movements						
Investments	55,296	535,675	12,090	9,614	68,259	680,934
New in consolidation	–	–	–	407	167	574
Disposals	(123)	(2,721)	(1,928)	(2)	–	(4,774)
Depreciation	(3,778)	(76,427)	(3,292)	(5,983)	–	(89,480)
Currency differences	(373)	(43,055)	(153)	(730)	(32,826)	(77,137)
Other movements	–	–	190	39	(361)	(132)
	51,022	413,472	6,907	3,345	35,239	509,985
At 31 December						
Cost	200,495	1,432,752	81,444	79,340	255,498	2,049,529
Accumulated depreciation	(110,611)	(363,887)	(60,245)	(54,686)	–	(589,429)
Book value	89,884	1,068,865	21,199	24,654	255,498	1,460,100

'Land and buildings' includes harbours and slipways.

'Vessels and floating equipment' at year-end include:

- eight integrated floating production, storage and offloading systems (FPSO's), each consisting of a converted tanker, a processing plant and a mooring system;
- five floating storage and offloading systems (FSO's), each consisting of a converted or newbuild tanker and a mooring system including the fluid transfer system;
- the 'Dynamic Installer', a dynamically positioned diving support vessel;
- two second-hand tankers;
- a trailing suction hopper dredger on a financial lease to a client.

An amount of € 17,354 third party interest has been capitalised during the financial year under review.

		2002		2001
Investments by business segment (including 'New in consolidation'):		%		%
Offshore	639,173	94	229,987	94
Dredger / specialised shipbuilding	42,225	6	14,232	6
Holding	110	–	–	–
	681,508	100	244,219	100
Investments by geographical area (including 'New in consolidation'):		%		%
Europe	114,449	17	18,683	8
North, Middle and South America	200,480	29	93,356	38
Africa	364,665	54	127,690	52
Middle-East / Asia / Australia	1,914	–	4,490	2
	681,508	100	244,219	100
Book value by business segment		%		%
Offshore	1,356,826	93	877,558	92
Dredger / specialised shipbuilding	102,892	7	71,469	8
Holding	382	–	1,088	–
	1,460,100	100	950,115	100
Book value by geographical area:		%		%
Europe	186,434	13	98,369	10
North, Middle and South America	496,518	34	341,000	36
Africa	580,724	40	266,897	28
Middle-East / Asia / Australia	196,424	13	243,849	26
	1,460,100	100	950,115	100

11. Financial fixed assets

	Participations in associated companies	Other receivables	Total
Book value at 1 January	1,822	7,192	9,014
Investments	200	15,421	15,621
Disposals / repayments	–	(880)	(880)
Share of results	206	–	206
Dividends	(227)	–	(227)
Currency differences	–	(512)	(512)
Other changes	(610)	7,675	7,065
Book value at 31 December	1,391	28,896	30,287

The item 'Other receivables' relates mainly to loans that have a remaining term of more than one year.

12. Work in progress less instalments received		2002	2001
	Work in progress	794,907	421,146
	Instalments received	(634,564)	(273,950)
		160,343	147,196
13. Receivables		2002	2001
	Trade debtors	144,654	114,992
	Other debtors	36,976	14,646
	Prepayments and accrued income	65,839	74,299
		247,469	203,937
14. Securities		2002	2001
	Bonds	2,104	13,138
	Other securities	709	3,434
		2,813	16,572

The securities are listed on the exchanges of Euronext Amsterdam, and are held as temporary investments of excess cash.

The market value of the bonds at year-end amounts to € 2.1 million.

15. Cash and cash equivalents		2002	2001
	Cash and bank balances	56,776	44,675
	Short-term deposits	157,026	147,111
		213,802	191,786
16. Assets		2002	2001
By business segment:			
		<i>%</i>	<i>%</i>
	Offshore	1,854,876 84	1,227,656 77
	Dredger / specialised shipbuilding	322,395 15	363,693 23
	Holding	19,386 1	4,431 –
		2,196,657 100	1,595,780 100

17. Current liabilities

	2002	2001
Short-term bank debts	13,398	–
Trade creditors	162,258	135,051
Proposed dividend	47,802	42,723
Personnel costs	43,039	35,576
Taxation and social security costs	17,051	20,559
Pension costs	10,431	3,826
Reorganisation costs	15,860	–
Owed to associated companies	23	23
Unrealised forex results	20,179	19,919
Advance payments in respect of orders	67,754	81,614
Accruals in respect of delivered orders	60,213	43,383
Other creditors, accruals and deferred income	173,132	197,328
	631,140	580,002

18. Long-term debt

	2002		2001	
	Total	Instalments due after more than 5 years	Total	Instalments due after more than 5 years
Amounts owed to credit institutions	948,297	21,270	416,164	27,871

This item includes:

	Drawn	Repayment period	Interest per annum	
US\$ limited recourse project finance facilities	1999 and 2000 Mid 2000 December 2000 January / December 2002 June / July 2002	5 years 10 years 6 years 6 years 5 years	6.39 % 8.94 % 10.15 % 7.925% 6.40 %	17,614 34,462 123,646 191,237 120,959
				487,918
US\$ 500 million revolving credit facility		5 years	variable	425,473
Financial lease		5 years	5.73%	27,717
Other long-term debt, including mortgage				7,189
				948,297

Amounts falling due in 2003 included above total € 110.9 million.

Interest paid on long-term debt during 2002 amounted to € 23.7 million (2001: € 37.1 million).

The Group has no 'off-balance' financing. All long-term debt is included in the Consolidated balance sheet.

The following important financial covenants have been agreed with the respective lenders (unless stated otherwise those relate to both IHC Caland N.V. and IHC Inc. S.A. consolidated statements):

- Minimum tangible net worth of IHC Inc. S.A. of € 420 million.
Actual tangible net worth is € 510 million.
Minimum tangible net worth of IHC Caland N.V. of € 500 million.
Actual tangible net worth is € 565 million;
- Leverage (net debt : EBITDA ratio) of maximum 5.5 : 1 at year-end 2002.
Actual leverage is 3.78 and 4.49 for IHC Inc. S.A. and IHC Caland N.V. respectively;
- Operating leverage (adjusted for construction financing) of maximum 2.75 : 1.
Actual operating leverage is 1.33 and 1.44 for IHC Inc. S.A. and IHC Caland N.V. respectively;
- Interest cover ratio (EBITDA : net interest expense) of minimum 4.0 : 1;
Actual interest cover ratio is 9.7 and 8.5 for IHC Inc. S.A. and IHC Caland N.V. respectively.

19. Provisions

	Deferred taxation	Pensions	Environ- mental liability	Total
Balance at 1 January	5,111	348	1,134	6,593
Release	(2,595)	–	–	(2,595)
Other movement	–	(5)	–	(5)
Balance at 31 December	<u>2,516</u>	<u>343</u>	<u>1,134</u>	<u>3,993</u>

The provision for deferred taxation relates mainly to temporary differences.

The provision for environmental liability is related to the shipyards of the Group for future clean-up of soil contamination required under present legislation.

All provisions have a long-term nature.

20. Investment premium equalisation account

	2002	2001
Balance at 1 January	8,219	8,790
Release	(554)	(571)
Balance at 31 December	<u>7,665</u>	<u>8,219</u>

21. Liabilities

	2002		2001	
By business segment:		%		%
Offshore	1,272,933	80	701,095	69
Dredger / specialised shipbuilding	246,099	15	244,551	24
Holding	72,063	5	65,332	7
	<u>1,591,095</u>	<u>100</u>	<u>1,010,978</u>	<u>100</u>

22. Shareholders' equity

Reference is made to items 4. to 6. of the Notes to the Company balance sheet.

**23. Commitments
not provided in the
balance sheet**

Obligations in respect of rights of recourse amount to € 15.4 million. These relate to medium-term debtors assigned to banks. Of these a total of € 14.1 million is covered by credit insurance and bank guarantees.

The obligations in respect of operational lease, rental and leasehold obligations, discounted at 8% per annum, are as follows:

				2002	2001
	< 1 year	1-5 years	> 5 years	Total	Total
Operational lease	4,963	6,023	–	10,986	16,873
Rental	6,705	17,961	13,108	37,774	7,559
Leasehold	486	1,618	3,968	6,072	5,513
	<u>12,154</u>	<u>25,602</u>	<u>17,076</u>	<u>54,832</u>	<u>29,945</u>

Under the terms of financing arrangements and as security for credit facilities made available to IHC Holland NV, Merwede Shipyard and van der Giessen-de Noord N.V., property of these Group companies has been mortgaged and movable assets and current assets have been given in lien to the Group's bankers.

24. Financial instruments

General

Based on a financial policy agreed by the Board of Management, the Group uses several financial instruments in the ordinary course of business, which are either accounted for under assets and liabilities, or are not accounted for in the balance sheet.

A large proportion of the business activities is in foreign currencies. Net profit exposure and contract values of US dollar denominated companies are fully hedged, as are long-term lease contracts. The net asset values of Group companies and joint ventures denominated in foreign currencies are also hedged, usually by means of forward contracts. Financial derivatives are not used unless there is a real business transaction.

In respect of controlling interest rate risk, the premise is that interest rates of long-term loans are fixed for the entire maturity period. This is generally achieved by using derivatives, such as interest rate swaps. The revolving credit facility bears interest at floating rate, since this facility is used for fluctuating needs of temporary construction financing of F(P)SO's, prior to obtaining project financing or other funding.

Considering the fluctuating cash flows as a consequence of the nature of the business, available cash funds are usually not invested for periods longer than one year.

In respect of controlling political and payment risk, the Group has a policy of thoroughly reviewing risks associated with contracts, either turn-key or long-term leases. Where political risk cover is deemed necessary and available in the market, insurance is obtained. In respect of payment risk, bank or parent company guarantees are negotiated with customers, and credit insurance is taken out by the Group's shipyards. Furthermore limited recourse project financing removes a large part of the risk on long-term leases. The Group reduces its exposures to the maximum extent possible.

Financial instruments accounted for in the balance sheet

Financial instruments accounted for under assets and liabilities relate to financial fixed assets, trade debtors, cash and cash equivalents as well as current liabilities and long-term debt. The estimated market value of these financial instruments at year-end equals the nominal value.

Financial instruments not accounted for in the balance sheet

The market value of forward foreign exchange contracts outstanding as at 31 December 2002, calculated at the exchange rates prevailing at the end of the financial year amounts to € 418 million, and the nominal value of € 449 million. Taking into account the currency differences already recognised in the Accounts, the remaining unrealised positive result amounts to € 4 million.

The market value of the long-term debt portfolio, for which interest rate swaps have been put in place, as at 31 December 2002 is € 83 million lower than the nominal value.

Company balance sheet

in thousands of euros (after proposed appropriation of profit)

	Notes	31 December 2002	31 December 2001
Fixed assets			
Tangible fixed assets		63	83
Financial fixed assets	1	<u>639,025</u>	<u>613,604</u>
		639,088	613,687
Current assets			
Receivables	2	1,024	17,540
Cash and cash equivalents		<u>16,962</u>	<u>1,797</u>
		17,986	19,337
Current liabilities	3	<u>54,403</u>	<u>49,103</u>
Net current assets		<u>(36,417)</u>	<u>(29,766)</u>
Net assets		<u>602,671</u>	<u>583,921</u>
Shareholders' equity			
Issued capital	4	31,868	31,414
Share premium account	5	249,452	241,971
Other reserves	6	<u>321,351</u>	<u>310,536</u>
		602,671	583,921
Capital employed		<u>602,671</u>	<u>583,921</u>

Company profit and loss account *

in thousands of euros

	Notes	2002	2001
Company result		(2,294)	(2,214)
Results Group companies (including currency differences)	1	<u>73,757</u>	<u>82,859</u>
Net profit		<u>71,463</u>	<u>80,645</u>

* The Company profit and loss account is limited in accordance with Article 402, Part 9, Book 2 of the Netherlands Civil Code.

Notes to the Company balance sheet

1. Financial fixed assets	2002	2001
Participations in Group companies	636,484	611,063
Owed by Group companies	2,541	2,541
	639,025	613,604

The movements in the item 'Participations in Group companies' are as follows:

Balance at 1 January		611,063
Results	119,096	
Currency differences through profit and loss account	(45,339)	
		73,757
Currency differences charged to equity		(28,152)
Dividends		(20,184)
Balance at 31 December		636,484

2. Receivables	2002	2001
Amounts owed by Group companies	277	14,400
Other debtors	747	3,140
	1,024	17,540

3. Current liabilities	2002	2001
Amounts owed to Group companies	5,035	5,587
Taxation and social security costs	856	458
Proposed dividend	47,802	42,723
Other creditors	710	335
	54,403	49,103

4. Issued capital

The authorised share capital amounts to € 100,000,000.– divided into 50,000,000 ordinary shares and 50,000,000 preference shares, each of € 1.–.

During the financial year 188,475 new ordinary shares were issued in respect of the exercise of employee share options.

The total number of ordinary shares outstanding at the end of the year was 31,868,318, of which 9,000 were held by Managing Directors.

	2002	2001
Balance at 1 January	31,414	25,579
Stock dividend	266	222
Share options exercised	188	120
Redenomination	–	2,640
Share issue	–	2,814
Share issue re acquisition	–	39
Balance at 31 December	31,868	31,414

In 1991 the Supervisory Board of the Company introduced a share option plan for the Board of Management, and the management and senior staff of Group companies. Around one hundred employees participate in this plan, which determines the annual issue of options based on the preceding year's financial results and individual performance.

All options are issued at market price on the date of issue and can be exercised for a period of five years from the date of issue, from 2001 onwards with a vesting period of three years. This date of issue is the date on which the Supervisory Board establishes the Annual Accounts of the Company.

Since 1 April 1999 rules of conduct with regard to inside information are in place to ensure compliance with the 'Wet Toezicht Effectenverkeer 1995'. These rules forbid e.g. the exercise of options during certain periods defined in the rules and more specifically when the employee is in possession of price sensitive information. The Chief Financial Officer of the Group is the Central Officer in this respect.

During the financial year 307,500 share options were issued. The opportunity cost of options exercised during 2002 (being the difference between market value and strike price at the time of exercise) amounts to € 3.2 million.

Details of options outstanding at year-end are as follows:

Year of issue	Number	Strike price	Expiry date
1998	96,025	55.68	3 April 2003
1999	169,850	33.00	9 April 2004
2000	251,100	44.70	31 March 2005
2001	274,770	57.00	30 March 2006
2002	307,500	55.50	4 April 2007
	<u>1,099,245</u>		

The table below summarises the stock options of each Managing Director:

	1 January	Issued	Exercised	31 December
J.J.C.M. van Dooremalen	56,950	20,000	(3,750)	73,200
G. Docherty	63,000	15,000	(9,000)	69,000
D. Keller	51,300	15,000	(5,300)	61,000
	<u>171,250</u>	<u>50,000</u>	<u>(18,050)</u>	<u>203,200</u>

5. Share premium account

	2002	2001
Balance at 1 January	241,971	109,691
Stock dividend	(266)	(221)
Share options exercised	7,747	4,446
Redenomination	-	(2,640)
Share issue	-	128,523
Share issue re acquisition	-	2,172
Balance at 31 December	<u>249,452</u>	<u>241,971</u>

The full amount is available for distribution free of taxes for private investors.

6. Other reserves

	2002	2001
Balance at 1 January	310,536	259,526
Dividend retention re stock dividend	15,555	13,271
Dividend re share options exercised	(249)	(183)
Currency differences	(28,152)	–
Proposed appropriation of profit	23,661	37,922
	<hr/>	<hr/>
Balance at 31 December	321,351	310,536

7. Commitments not provided in the balance sheet

The Company has issued performance guarantees for contractual obligations to complete and deliver projects in respect of several Group companies, and fulfilment of obligations with respect to F(P)SO long-term lease/operate contracts.

The Company is head of a fiscal entity in which almost all Dutch Group companies are included. This means that these companies are jointly and severally liable in respect of the fiscal entity as a whole.

Schiedam, 26 March 2003

Board of Management

J.J.C.M. van Dooremalen, President and CEO
G. Docherty, CFO
D. Keller
F. Blanchelande
D.J. van der Zee

Supervisory Board

H. Langman, Chairman
A.P.H. van Baardewijk, Vice-Chairman
J.D.R.A. Bax
D.J.C.N. Goguel-Nyegaard
A.G. Jacobs
R.H. Matzke

Other information

Appropriation of profit

With regard to the appropriation of profit, article 22 of the Articles of Association states:

1. When drawing up the accounts, the Board of Management shall charge such sums for the depreciation of the Company's fixed assets and make such provisions for taxes and other purposes as shall be deemed advisable.
2. From the profit shown in the approved accounts, insofar as this is adequate, a sum equivalent to the undermentioned percentage of the nominal sum paid up on preference shares will first be paid to holders of these shares. The aforesaid percentage is equal to the weighted average of 12 month Euribor during the financial year in which the preference shares were outstanding or the part of the financial year in which the preference shares were outstanding, increased by a margin of two hundred (200) basis points. No further sum from the profit will be paid to holders of preference shares.
3. The Board of Management shall be empowered, subject to the approval of the Supervisory Board, to determine each year the portion of the profit to be transferred to the reserves after the provisions of the preceding clause have been met.
4. From the balance of the profit then remaining, the holders of ordinary shares shall, if possible, receive a dividend of four per cent on the nominal value of their shareholding.
5. The residue of the profit shall be at the disposal of the General Meeting of Shareholders.
6. The General Meeting of Shareholders will only be allowed to resolve to distribute any reserves on the proposal of the Board of Management, with the approval of the Supervisory Board.

With the approval of the Supervisory Board, it is proposed that the net profit shown in the Company profit and loss account be appropriated as follows (in €):

Net profit	71,463,000
In accordance with Article 22 clause 3 to be transferred to Other reserves	23,661,000
	<hr/>
Remains	47,802,000
In accordance with Article 22 clause 4 holders of ordinary shares will receive a dividend of 4% on the nominal value of their shares i.e. 4% of € 31,868,318	1,275,000
	<hr/>
At the disposal of the General Meeting of Shareholders	46,527,000

Pursuant to the provisions of Article 22 clause 5 of the Articles of Association, it is proposed that the balance be distributed among the shareholders. The dividend may be fully paid in the form of either cash or shares (stock dividend) at the shareholder's option. Full details are given in the Agenda for the General Meeting of Shareholders of IHC Caland N.V. to be held on 16 May 2002, under agenda item number 2 and in the notes thereto.

Auditors' report

Introduction We have audited the financial statements of IHC Caland N.V., Schiedam, for the year 2002. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2002 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9, Book 2, of the Netherlands Civil Code.

Rotterdam, 26 March 2003
KPMG Accountants N.V.

Key figures

in millions of euros, unless stated otherwise

	Notes	2002	2001	2000	1999	1998
Value of production		1865.2	1201.5	1007.8	1294.9	879.8
Net turnover (delivered orders)		930.3	964.8	827.7	1229.2	646.9
New orders		1924.5	2206.2	1388.6	830.7	1453.2
Order portfolio at 31 December		4854.9	4102.5	2849.1	2169.1	2534.5
Results						
Net profit	1	71.5	80.6	75.2	69.5	66.3
Dividend		47.8	42.7	38.4	35.2	33.4
Shareholders' equity at 31 December		602.7	583.9	394.8	339.1	290.3
Cash flow	1	163.1	173.5	160.2	132.1	118.1
Investments in tangible fixed assets		680.9	241.6	214.1	231.0	111.4
Depreciation and amortisation		91.6	92.9	85.0	62.6	51.8
Number of employees (average)		4151	3798	3520	3290	2892
Wages and salaries, social security costs		239.7	203.0	174.6	164.7	142.1
Ratios (%)						
Shareholders' equity : net assets		38	57	48	50	64
Current ratio		106	103	110	114	107
Return on average capital employed	1	7.5	13.4	13.3	14.9	16.9
Return on average equity	1	11.4	16.9	19.5	20.9	23.0
Operating profit : net turnover		8.0	11.8	12.0	7.0	12.8
Net profit : net turnover		7.7	8.4	9.1	5.7	10.3
Cash flow : average equity	1	26	36	42	40	41
Cash flow : average capital employed	1	12	20	21	23	27
Long-term debt : shareholders' equity		157	71	104	94	49
Shareholders' equity : value of production		32	49	39	26	33
Shareholders' equity : new orders		31	26	28	41	20
Information per share (€)						
Net profit	2					
Dividend	1/3	2.26	2.76	2.68	2.51	2.44
Shareholders' equity at 31 December	4	18.91	18.59	14.01	12.26	10.64
Cash flow	1/3	5.15	5.93	5.71	4.78	4.34
Share price – 31 December		50.30	52.50	50.00	36.25	35.39
– highest		64.95	65.50	61.40	49.20	57.72
– lowest		41.32	40.60	31.00	26.40	29.95
Price / earnings ratio	4	22.3	19.0	18.7	14.4	14.6
Net profit : market capitalisation at 31 December (%)		4.5	4.9	5.3	6.9	6.9
Number of shares issued (x 1,000)		31868	31414	28185	27666	27293
Market capitalisation (€ mln)		1603.0	1649.2	1409.2	1002.9	966.0
Turnover by volume (x 1,000)		26893	27342	24209	29200	20358
Number of options exercised		188,475	132,300	241,550	156,425	36,350
Number of shares issued re stock dividend		265,991	243,728	277,302	357,906	211,892

Where (significant) changes in accounting principles occurred during this ten year period, previous years have been restated for comparison.

1997	1996	1995	1994	1993
753.7	705.4	621.7	408.6	404.0
627.1	691.1	421.1	402.2	351.6
761.1	732.7	844.4	791.1	321.2
1740.1	1377.7	1344.2	921.2	540.0
53.2	42.3	34.2	29.1	24.3
27.0	21.7	17.3	15.0	12.8
253.3	241.2	131.9	114.0	101.4
91.8	60.2	55.0	55.5	56.2
106.5	162.9	56.8	9.9	25.7
38.6	17.9	20.8	26.4	31.9
2251	1969	1888	1830	1796
109.6	92.9	82.7	79.3	77.1
65	79	93	91	68
100	109	106	115	114
17.4	20.7	24.5	21.9	19.0
20.4	21.4	26.0	25.3	23.3
10.2	6.1	8.0	8.1	7.2
8.5	6.1	8.1	7.2	6.9
35	30	42	48	54
25	26	39	38	38
47	24	3	4	39
34	34	21	28	25
33	33	16	14	32
1.98	1.66	1.44	1.24	1.03
1.00	0.82	0.73	0.64	0.54
9.36	9.07	5.54	4.82	4.31
3.42	2.36	2.32	2.36	2.39
47.74	44.79	24.50	19.92	17.65
62.17	46.74	25.00	20.74	19.29
41.97	23.78	15.25	15.75	9.85
24.3	28.2	17.0	16.2	17.1
4.1	3.6	5.9	6.2	5.8
27053	26596	23799	23642	23509
1291.5	1191.2	583.2	471.0	415.0
24120	16555	13719	13308	11458
311,325	401,800	157,800	132,300	350,000
145,314	–	–	–	–

1 Excluding extraordinary items.

2 Previous years restated for comparison reasons, to reflect the 4 for 1 share split in 1993.

3 Based upon weighted average number of shares, from 1994 onwards.

4 Based upon number of shares outstanding at 31 December.

Design
Niek Wensing
Huis ter Heide

Photography
Group companies
IHC Caland N.V.

*Lithography
and printing*
B.V. Drukkerij
De Eendracht
Schiedam

Binding
Boekbinderij
Van der Kaay/Coninck
Zoetermeer

This Annual Report
is printed on paper
without the use
of chlorine.
It is biodegradable
and recyclable.

IHC Caland N.V.

Postal address

P.O. Box 31
3100 AA Schiedam
The Netherlands

Visitors address

Karel Doormanweg 66
3115 JD Schiedam
The Netherlands

Telephone (+31) 10 2320900
Telefax (+31) 10 2320999
E-mail ihcc@ihccaland.nl

Full information regarding
IHC Caland is available
on the Company's website
at www.ihccaland.nl



IHC Caland N.V.

Postal address

P.O. Box 31
3100 AA Schiedam
The Netherlands

Visitors address

Karel Doormanweg 66
3115 JD Schiedam
The Netherlands

Telephone (+31) 10 2320900
Telefax (+31) 10 2320999
E-mail ihcc@ihccaland.nl

Full information regarding
IHC Caland is available
on the Company's website
at www.ihccaland.nl