Contents

Attachment – Glossary

'Technology creating value' has been the motto of IHC Caland N.V. for several years. Sometimes however, the terms used to describe the Group's technology are not self-explanatory, and require explanation. Also, certain of the Group's key products deserve a detailed description, which should not be included in the body of the Annual Report for one particular year. Accordingly, for the first time, a Glossary of technical terms and product descriptions has been included with this Annual Report to ensure that key terms and products are clearly explained and understood.

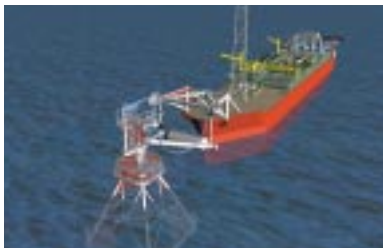
This report is also published in the Dutch language.
Only the Dutch language edition of the Annual Accounts will be submitted for approval by the General Meeting of Shareholders.

Highlights of 2000

Espadarte lease – 5 year extension

Relocation of SBM-IMODCO Inc. to Houston

Increased ownership of Sakhalin FSO to 100%



Order for Soft Yoke Mooring Platform (SYMP) for Shell's E.A. field, Nigeria

Delivery of the first large Ro-Pax ferry for Strintzis, ahead of schedule and below budget

Management reorganisation

Espadarte first oil – 20 months from order

Letter of Award for Amenam newbuild FSO

Decision to expand Kuito FPSO

FEED studies for two large FPSO's

High volume of new orders for specialised shipbuilding

Achieved profit forecast for year

Order to start work for Generic FPSO lease

Corporate profile

IHC Caland N.V.
IHC Caland N.V. is the management holding company of a group of international companies, working mainly as suppliers to (1) the offshore oil and gas, (2) dredging, and (3) maritime industries on a global basis. The company has been listed on the Amsterdam Stock Exchanges since 1965, but its dredgerbuilding activities have a history of several hundred years. The Group started its offshore activities in the 1950's and subsequently became a pioneer in Single Point Mooring (SPM) systems, dynamically positioned (d.p.) drilling vessels, jack-up drilling rigs and heavy offshore cranes. The Group's offshore activities comprise mainly the design, supply and installation offshore of floating crude oil loading/unloading systems for tankers, and Floating Production, Storage and Offloading systems (FPSO's/FSO's) for the offshore oil and gas industry. They also include design and engineering services to the offshore oil and gas industry in a wide range of products such as d.p. drillships, crane-vessels, pipelaying barges, jack-up and semi-submersible drilling rigs.

The Group is also in the business of owning and operating the above mentioned Floating Production, Storage and Offloading systems. These units are contracted on long-term charters, always including their operation, to oil companies in various parts of the world but excluding the North Sea. Besides being the initiator of this concept, the Group is also the largest player, with eleven units in operation.

Furthermore the Group is the world leader in designing and building custom-built or standard types of dredging equipment, and is also involved in a wide range of technological activities essential for the development of this market position. In addition, some of the shipyards have a strong reputation for custom-built specialised ships with a high added value such as Ro-Pax ferries, cable layers, offshore support and river cruise vessels.

Finally, the Group's activities include the design and manufacturing of hydraulic piling hammers (both for offshore and onshore use), heavy-load skidding systems, and the design and construction of airport terminal building infrastructure.

In most of these activities, the Group companies are the market leaders, both in terms of market share and technical expertise. The Group has a good track record in developing new, cost-effective technical solutions for the ever-changing needs of its customers, and holds a considerable number of patents related to its technology.

The above mentioned products are developed by the individual Group companies and are marketed under their own identity. Within an agreed financial and strategic framework, Group companies have considerable operational and entrepreneurial freedom. Cohesion is created in that they all have potential to support each other using one or more of their individual core competencies.
The Group can appropriately be characterised as a niche player in its chosen fields of business.

Mission statement and objectives
In order to ensure the optimum allocation of resources and identification of priorities, Management has formulated the following mission statement for the Group:

IHC Caland's mission is to be a leader in its chosen fields of business, and thereby realise on a long-term basis a return on its invested capital substantially higher than its cost of capital. In this way it aims to create value for its employees and other stakeholders and to provide its shareholders with a return on their investment commensurate with the risks involved, and so also to secure the continuity and independence of the corporation.

MANAGEMENT OF THE COMPANY

Supervisory Board*
H. Langman, Chairman (1931)
J.M.H. van Engelshoven, Vice-Chairman (1930)
A.P.H. van Baardewijk (1936)
J.D. Bax (1936)
D. Goguel-Nyegaard (1935)
A.G. Jacobs (1936)

* *For background information see page 47 and 48.*

Board of Management
J.J.C.M. van Dooremalen, President and CEO (1944, Dutch)
G. Docherty, Managing Director and CFO (1948, British)
D. Keller, Managing Director, Offshore (1946, French)
F. Blanchelande, Director (1949, French)
D.J. van der Zee, Director (1948, Dutch)

Report of the Supervisory Board

Activities of the Supervisory Board
In the course of the year, we had five scheduled meetings with the Board of Management during which we discussed in detail the developments in the Group and its markets. A number of these meetings were held at the premises of the Group's operating companies to allow us to remain familiar with their activities, and to have discussions about the businesses with the local management and staff. Apart from the regular schedule, we had several ad hoc meetings with the Board of Management, to discuss specific topics.
In the course of the year, without the Board of Management in attendance, we discussed several times matters such as the composition of the Supervisory Board and the Board of Management, remuneration of Management, and performance of the Supervisory Board and Board of Management.

As in previous years, our meetings were to a large extent dominated by discussion and approval of the operating plan and subsequent quarterly reports prepared by Management, which included detailed assessments of the markets, strategies pursued, expected volume of new orders, estimated profit and loss statements, cash flow predictions, etc.
We were therefore able to evaluate the extent to which actual developments were in line with plans and budgets, the consequences of any variances, and the actions taken by Management. The risks associated with the business activities and the internal control systems to mitigate these risks were also regularly the subject of discussions. The internal control systems were discussed when we met with the auditors when we established the Annual Accounts.

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 external auditors. These Accounts, which have been signed by the Managing Directors and the members of the Supervisory Board, comprise:
- the consolidated profit and loss account for 2000;
- the consolidated balance sheet as at 31 December 2000;
- the consolidated statement of cash flows,

and the notes thereto; and

- the balance sheet of IHC Caland N.V. as at 31 December 2000;
- the profit and loss account of IHC Caland N.V. for 2000,

and the notes thereto.

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

We recommend that:
- the 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 NLG 3.– (€ 1.36) per ordinary share be approved;

- discharge be granted to the Managing Directors and the Supervisory Board for the performance of their duties in 2000, as far as this is evident from the 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 NLG 3.– (€ 1.36) per share will be payable as from 21 June 2001 pertaining to the ordinary shares of NLG 2.–.
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 8 June 2001, under agenda item number 5 and in the notes thereto.

Composition of the Supervisory Board
The Supervisory Board is of the opinion that its composition is appropriate to adequately carry out its tasks of independent supervision of and advice to Management as required by law. In view of the size and method of operation of IHC Caland, the Supervisory Board has concluded that it would not be appropriate to appoint separate committees to look after more specific topics like audit, management remuneration, etc. as is customary in the UK and USA.
The remuneration of the members of the Supervisory Board does not depend on the results of the Company. The members of the Board receive a fixed remuneration including an expense allowance and do not have any business relations with the Company.
With the exception of J.D. Bax, who as former President and CEO of IHC Caland still has some options, as at 30 March 2001, none of the Supervisory Board members owns shares in IHC Caland N.V. or option rights relating thereto.

Changes in composition of the Board of Management
During the past year, certain changes took place in the composition of the Board of Management. The immediate cause for this was the resignation of

Mr. C.A. de Ruyter, President and CEO. The Supervisory Board decided to appoint as his successor Mr. J.J.C.M. van Dooremalen, president of IHC Holland and a member of the IHC Caland Board since 1994 and Managing Director since 1998. In addition to his CEO tasks, Mr. Van Dooremalen continues to supervise the dredger/shipbuilding activities.
The Supervisory Board also appointed Mr. D. Keller, a member of the Board of Management since 1993, as Managing Director of IHC Caland. Mr. Keller has overall responsibility for the entire offshore activities.
Finally, Mr. D.J. van der Zee joined the IHC Caland Board of Management, where he will be responsible for the offshore group's operation and engineering activities.

Changes in composition of the Supervisory Board
At the close of the General Meeting of Shareholders, Mr. A.P.H. van Baardewijk's term of office will expire in accordance with the provision of Article 19, clause 1 of the Articles of Association. Mr. Van Baardewijk is available for re-appointment. In view of his broad experience and the extremely useful role he has played in the past years, the Supervisory Board intends to re-appoint Mr. Van Baardewijk.

Finally
The Supervisory Board takes 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 good results in 2000 and which make the Board more than confident about the future.

Schiedam, 30 March 2001

Supervisory Board
H. Langman, Chairman
J.M.H. van Engelshoven, Vice-Chairman
A.P.H. van Baardewijk
J.D. Bax
D. Goguel-Nyegaard
A.G. Jacobs

Snapshot of 2000

IMPACT ON 2001

Item (€ mln.)	1999	2000	Movement	%	Comment
Net profit	69.5	75.2	5.7	8.2	In line with forecast
Per share (€)	2.51	2.68	0.17	6.8	Diluted by stock dividend/options
EBIT	85.6	99.7	14.1	16.4	Growing lease fleet
EBITDA	148.3	184.8	36.5	24.6	Growing lease fleet
Enterprise value	1136.3	1570.2	433.9	38.2	Valuation/Growth
EV : EBITDA	7.7	8.5	0.8	10.4	Still below industry average
Turnover	1229.2	827.7	(401.5)	(32.7)	Offshore supply deliveries down
EBIT : Turnover (%)	7.0	12.0	5.0		More normal margins/lease fleet growth
Cash flow	132.1	160.2	28.1	21.3	Profit and lease fleet depreciation up
Per share (€)	4.78	5.71	0.93	19.5	Diluted by stock dividends/options
Cash, securities	199.2	269.3	70.1	35.2	Cash flow/lower investments in FPSO's/FSO's
Capital expenditure	231.0	214.1	(16.9)	(7.3)	Completion of existing units
Equity	339.1	394.8	55.7	16.4	Retained earnings/stock dividend
Capital employed	680.0	827.9	147.9	21.8	Above, plus US dollar long-term debt
ROCE (%)	14.9	13.3	(1.6)		Lease FPSO construction/low turnkey sales
Debt : Equity (%)	94	104	10		Limited recourse finance for lease fleet
New orders					
– Offshore	113.9	615.3	501.4	440.2	Includes Espadarte lease extension (€ 250)
– Dredger/shipbuilding	717.0	773.2	56.2	7.8	New record – influenced by subsidy loss
Backlog					
– Offshore	1311.9	1773.9	462.0	35.2	81% of 2000 figure relates to lease fleet
– Dredger/shipbuilding	857.2	1075.2	218.0	25.4	Yards occupied thru 2002
Share price (€) 31/12	36.25	50.00	13.75	37.9	Recovery – market sentiment
AMX-index	655.4	604.4	(51.0)	(7.8)	
Market capitalisation	1002.9	1409.2	406.3	40.5	See Share price
Proposed dividend (€)	1.27	1.36	0.09	7.1	50% of net profit

IMPACT ON 2001

Financial

The year 2001 has commenced with eleven from the Group's twelve FPSO and FSO units on the clients' payroll. This provides a strong base for profits and cash flow. The supply side of the offshore business was however slower than expected in 2000, and will make only a limited contribution to 2001 results.

In the dredger/specialised shipbuilding business, the picture is expected to be similar to 2000.

Overall, provided there are no major unforeseen problems, Management expects to achieve a profit for 2001 of not less than € 75 million (€ 2.68 per share).

A modest increase in cash flow is predicted.

Market conditions

Strong demand is anticipated in both markets where the Group operates. Near record growth is predicted in E/P spending for 2001. A large number of new contracts is projected to come to the market, and the Group expects to win its fair share. It appears that the often mentioned 'logjam' of projects is beginning to break, particularly in West Africa.

For the dredger/specialised shipbuilding sector, business has been steady for the last couple of years and more of the same is expected in 2001. On the other hand, the product mix has undergone considerable change in that period, moving from an emphasis on jumbo hopper dredgers to nowadays mid-size dredgers mixed with Ro-Pax ferries and various offshore vessels.

Share... holders

General

On 22 September 2000, the Paris, Brussels and Amsterdam Stock Exchanges merged to form Euronext N.V., the first European Exchange. Two new indices were launched – the Euronext 100 which consists of the largest 100 companies listed, and the Next 150 index, which not surprisingly lists the next 150 companies. The selection of companies for each index is based on market capitalisation and minimum liquidity criteria. IHC Caland N.V. is included in the Next 150 index.

IHC Caland N.V. remains in the AMX-index with a weighting of 5.8% as at 1 March 2001. At 31 December 2000, 28,184,612 shares with a nominal value of NLG 2.– each were in issue.

A proposal will be made to the Annual Meeting of Shareholders in 2001 to convert the nominal value to € 1 per share.

Options on IHC Caland shares are traded on the Euronext Amsterdam Derivative Markets.

Shareholders

As required under the Major Holdings in Listed Companies Disclosure Act, College Retirement Equities Fund, New York, and General Electric Company, Connecticut, disclosed an interest of 5.6% and 7.7% respectively in the capital of IHC Caland.

In addition, employees of the Group own approximately 200,000 shares in IHC Caland N.V. through an Employee Share Ownership Plan (ESOP).

The number of Dutch investors, and also private investors continues to fall. The shares are currently almost entirely in the hands of institutional investors, of whom the large majority are Anglo-American. The ownership of IHC Caland's (bearer) shares at the end of 2000 is estimated to be as follows:

%	The Netherlands	Outside the Netherlands	Total
Private investors	5	1	6
Others*	7	87	94
Total	**12**	**88**	**100**

* *Investment companies, institutional investors and foreign banks.*

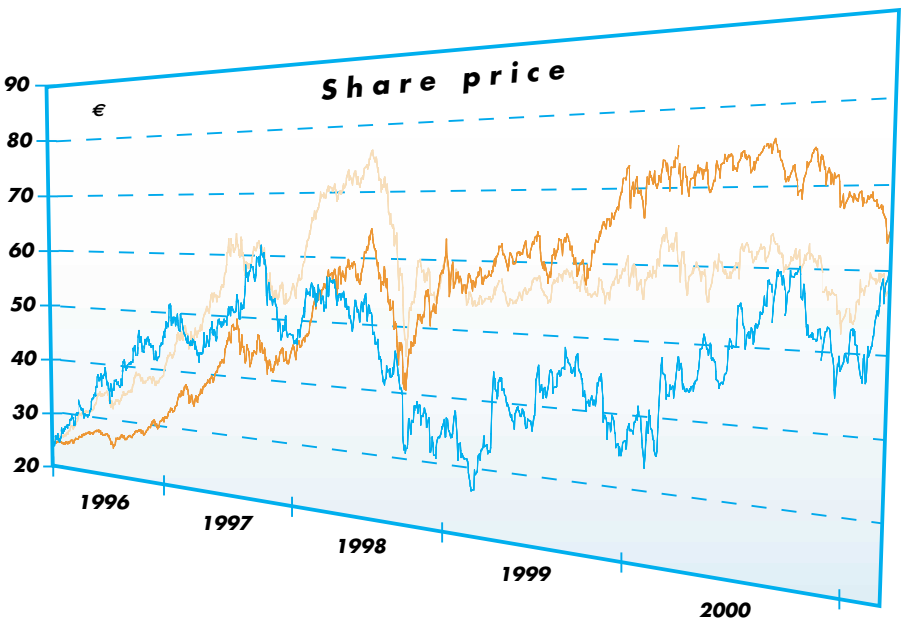
Financial

Full information regarding the number of shares in issue and various statistics per share can be found on page 66.

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 €
1995	27,436,970	57.78	25.00	15.25
1996	33,109,615	65.88	46.74	23.78
1997	48,244,140	89.89	62.17	41.97
1998	40,705,933	74.83	57.72	29.95
1999	58,400,791	106.23	49.20	26.40
2000	48,417,797	86.82	61.40	31.00

* *Double-counting.*



The Espadarte FPSO fully loaded. Note the turret and swivel stack – 70 metres high – on the foredeck. This unit was delivered several weeks ahead of the contract schedule i.e. first oil only 20 months after contract award.

REVIEW OF DEVELOPMENTS IN THE GROUP'S MAJOR MARKETS DURING 2000

Offshore oil industry
Upstream

Market analysis

With an oil price consistently above US$ 25/barrel, worldwide exploration and production activity in the oil and gas industry gained significant momentum during the year 2000.

A number of large development projects, especially in deepwater, which had been on the back burner for rather long periods waiting for more favourable economic conditions, are now coming to fruition. In the latter part of the year, the Group's bidding activities reached a level never before experienced, and one which is expected to continue well into 2001.

By the end of the year, the Group was involved in a number of large projects for FPSO's and FPSO components, at various stages of pre-qualification, bid preparation or final negotiation.
The timing of this explosion in bidding activity fitted nicely with an increasing availability of resources in the offshore companies due to the completion of the Kuito and Espadarte FPSO's and the Yetagun FSO. In addition, SBM-IMODCO has been staffed-up in Houston to be able to execute mooring and FPSO projects. The company was transferred from California in early 2000, since Houston is a more appropriate location for the offshore oil and gas business.
Although the Group has been involved in deepwater projects in recent years, mainly in Brazil, it is noteworthy that during the year 2000, almost all offshore projects coming to the market were in deep and ultra-deepwater, mainly in the South Atlantic and Indonesia.

At the risk of oversimplification, the options presently available for offshore floating production facilities can be summarised in the following main categories:

- Tie back solutions
- Stand-alone solutions
- – Process barge + FSO(s)
  – Life of Field FPSO on a supply (sale) basis
  – Lease and operate FPSO

All of the above solutions can be developed either using:

- Subsea completion, or
- Surface completion

This section of the Report addresses how the Group will adapt and expand its product line, and define and modify its commercial strategies in this changing market.

Tie back solutions

When nearby production facilities exist, with sufficient available capacity, the field production can be tied back using either subsea or surface completed wells, manifolds and flowlines. The tie back concept is most frequently found in the North Sea and in the Gulf of Mexico, with some applications starting to be seen in West Africa e.g. Block 14 and Block 17 in Angola.

Tie back from subsea completed wells

In such a case, the Group does not play any role in the development, except of course where it owns and operates the receiving facility. It can also be the case that

The large and complex Kuito FPSO, spread moored approximately 70 miles offshore Angola.

the tie back necessitates revamping and possibly life extension of the receiving unit, as is presently being considered in respect of the Kuito FPSO in order to accommodate the production from Benguela-Belize and other adjacent fields.

Tie back from surface completed wells

The Group is committed to competing in the market for Surface Completion Solutions which can be economically attractive when the reservoir depth allows clustering of the wells. For this purpose, the concept of heave restrained mini facilities (Surface Completion Floater - 'SCF') has been developed and will be proposed by the Group to the industry on a turnkey basis. The SCF provides the functions necessary for a satellite wellhead platform, with provisions for well intervention on a tender-assist mode.

Stand alone solutions

Process barge + FSO(s)

Occasionally, operators opt for a solution where the processing facilities are installed on a barge, with the produced liquids and gas being exported through separate buffer storage units, stationed nearby on the field. This option can be taken for very large and complex plants, as was the case for Elf Congo's Nkossa field, where the barge is a concrete structure, with one gas FSO and one oil FSO, both leased and operated by SBM, receiving the production. This method is also used on many Petrobras fields where the barges are generally converted semi-submersibles, and the FSO's are converted tankers moored on CALM buoys supplied by the Group, with the gas being exported to shore by pipeline (Marlim and Roncador fields). IHC Caland is committed to maintaining its market position for FSO's where the circumstances allow reasonable quality contracts, as was the case for both Nkossa leased units, and for the FSO presently under construction on a supply basis for Elf Nigeria's Amenam field.

A computer generated drawing of the FSO for the Amenam field.

As to the main process barge, in order to gain cycle time, the operators often elect to contract early and continue to optimise the field development during the design activities. To achieve this, large project teams are formed, resulting in considerable manhours being spent (typically in excess of one million). The Group does not intend to pursue this kind of project but will offer the supply of components to (or in partnership with) the main contractors.

Life of Field FPSO on a supply (sale) basis

Most Life of Field solutions for large reservoirs are now based on the FPSO concept (Shell CNS and Bonga, Elf Girassol and Dalia, BP Schiehallion, PetroCanada Terra Nova). For such projects, the clients are in most cases major oil companies who like to have hands-on control of the engineering and construction and also continue to develop the project during the design stage as explained above. In this case also, the Group's policy is, for the time being, not to target such manhour-intensive projects, but to concentrate on the sale of components, such as the hull of the vessel, the mooring system, the SCF, etc.

Every policy should have its exception. The Group is presently preparing a bid for a large and complex facility with a high specification including complex gas treatment and export features of the highest level. The Group views this project as an opportunity to demonstrate its capability, and join the privileged group of main contractors accepted as being able to execute such ambitious gas projects. Management believes that offshore processing of gas will play a very important role in the future of the oil and gas industry. The turnkey bid will be submitted in the second quarter of 2001.
In addition, when life of field facilities are tendered on a functional specification basis, the Group will definitely bid for EPCI contracts, taking advantage of its unique experience in fit-for-purpose design.

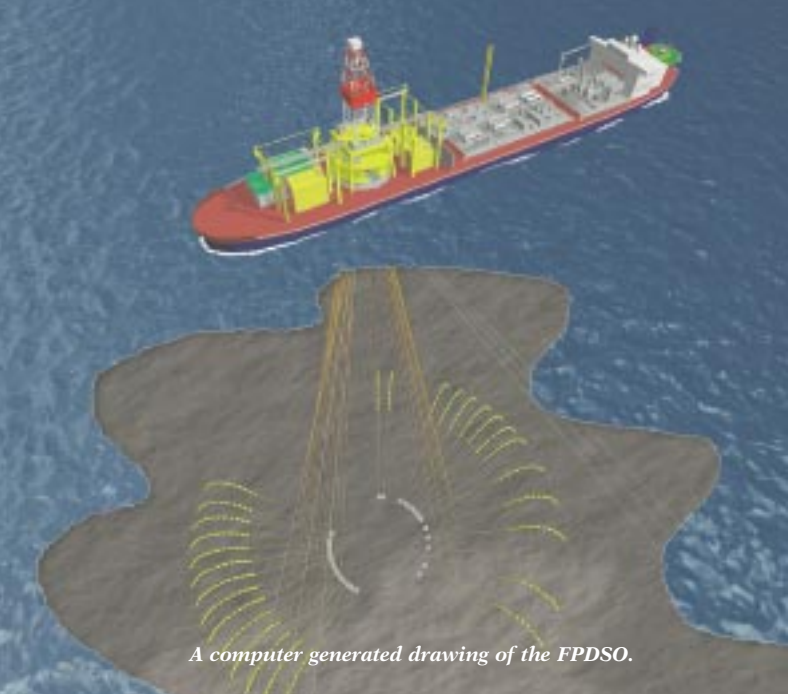
It should be noted that in respect of larger fields in deeper water, the crude oil export facility is creating a new market. In areas where the environment is reasonably mild, the large FPSO's on such fields will generally feature a spread-mooring configuration as opposed to a weathervaning turret. This makes berthing the offloading tankers more hazardous, and most clients will insist on the use of a safe and reliable separate export facility (Bonga, Kizomba, and Girassol). These deepwater export systems consist of a mid-water export flowline and a deepwater CALM buoy. They have been identified by the Group as a new opportunity, and designs for the mid-water pipe and the deepwater CALM buoy have been developed in-house to address this growing market.

In more hostile environments such as Brazil, Australia, North Atlantic etc. large turrets continue to be required and the Group intends to maintain its market share.

Integrated completion facilities

The Group has developed and is now promoting the concept of an FPSO offering both drilling and surface completion capability, in addition to its proven functions of process, storage and offloading. As such units feature an integrated wellhead platform for surface completion, the weathervaning function cannot be accommodated and the spread-moored configuration with a fixed heading is employed.

In addition, the Group is also promoting, together with Kvaerner in Norway, a weathervaning FPDSO concept which combines the traditional FPSO functions with a drilling capability for subsea completed wells.



A computer generated drawing of the FPDSO.

Both concepts are developed and presented to the industry in partnership with drilling contractors, as the Group does not have in-house knowledge of drilling technology.

Lease and operate FPSO solutions for phased production of large reservoirs, or for Life of Field development of medium sized reservoirs

This is a sector of the market where the Group is at its best. Typical projects include:

- Petrobras – Marlim, Espadarte, and Albacora
- Chevron – Tantawan and Kuito
- Exxon – Generic etc.

The reason why IHC Caland excels in this sector is because it is the only Group in the market which has in-house the competence, resources and experience to supply, install and operate the complete FPSO. These include:

- marine engineering/naval architecture for the conversion of existing tankers or the design of newbuild hulls;
- engineering for the mooring system, including the largest and most complex turrets;
- engineering for the most complex topside process plants;
- complete project management capability for the turnkey scope, including shipyard site management;
- engineering for installation, with all resources including specialised vessel and ROV's for offshore execution;
- commissioning, start-up and production operation of the FPSO during the lease period (all key personnel and marine officers being direct employees of the Group);
- the financial strength and the experience in raising project finance in the most complex environments.

The market for these systems is, for the time being, essentially in the South Atlantic and the Far East. However, it appears that there may be some movement in the Gulf of Mexico, with e.g. BP promoting the use of a floating storage unit on its Mardi Gras field. This could be an avenue for high quality business in our niche in the coming years.

In spite of increasing demand for such systems, prices were still under pressure at the end of 2000. However, sufficient opportunities should arise in 2001 for price levels to rise and the quality of contracts to improve. Given the expected volume and size of projects, it is anticipated that the Group will be able to fill its existing capacity and seize this opportunity for substantial organic growth. SBM's strategic alliances with Sonangol in Angola and with the Italian contractor Saipem are expected to contribute to further successful growth. The Group will maintain its strategic emphasis on the high technology, complex end of the market, focusing particularly on those projects which involve large volumes of gas handling and/or the treatment of gas for export in the form of LPG or otherwise. This is perceived as being an area where the entry threshold will remain high for some years, thereby offering substantial rewards to the early players.

Competition

In the original core business of IHC Caland's offshore division i.e. all products relating to mooring technology, the competition has increased with a number of new entrants over the past years. Today it is as follows:

- for large and complex turrets – Tentech of Norway, APL (a subsidiary of Statoil) with the STL/STP concept, Bluewater of the Netherlands, and Sofec of the USA;
- for simpler turrets, all of the above plus LMC of London (engineering services only) and Nortrans of Singapore who is also targeting the larger more complex systems;
- for CALM loading/unloading buoys – Sofec and Bluewater (above) together with APL who is now offering a submerged solution for deepwater. Other companies such as LMC of London sometimes manage to qualify for a bid and play a role.

The two CALM buoys for CPC (Caspian Pipeline Consortium) to be installed offshore Novorossiysk, Russia.

In respect of supply contracts for FPSO's or process barges for the development of very large fields, as already mentioned, the Group's policy for the time being is to supply FPSO components only. The main competitors in this field both in respect of the complete FPSO, and the FPSO components are the large conglomerates such as Brown & Root, ABB, and Kvaerner, with from time to time consortia including such companies as Modec, Bouygues Offshore, Stolt Offshore, Aker, Technip, Fluor, Amec and certain shipyards from the Far East. Only in exceptional cases will the Group take the lead for such large projects, although it is prepared to join forces on a consortium basis with one or several of the companies mentioned above in order to sell components.
In this very turbulent market, the choice of partners is delicate and critical. Aspects to be taken into account include political strength, competence and reliability, and also the willingness of the selected partner to be competitive, and this can be difficult to establish without a real project to focus on. Unfortunately, partners often have to be selected several months before bids are submitted, which makes it even more difficult to be sure of making the right choice.

In the market of FPSO's on a lease and operate basis, there is still a limited but significant number of competitors for the more complex systems. These include Modec of Japan, Bluewater of the Netherlands, Maersk Contractors (Denmark), PGS of Norway (the owner of Golar Nor), and Nortrans. To date, Nortrans has not supplied a large or complex system, but the company was recently acquired by ProSafe of Norway which may add additional technical and financial muscle. For the simpler systems, the competition continues to intensify, mainly due to a number of tanker owners trying to find a life extension opportunity for their old tonnage through captive service as an FPSO or FSO.

As already stated, the competitive advantage of the Group is essentially its integrated competence to provide and operate a complete FPSO. This is however mainly relevant for the more complicated end of the business, where clients insist on extensive experience and comprehensive resources. This competitive advantage has less value (or might even be a burden) for less demanding clients who seek a cheap solution and are unaware of the long-term risks inherent in low standard facilities. It should be no surprise therefore if a project for a simpler unit is lost from time to time in a street fight.

SBM's Grand Dame, the FPSO II, still producing well in ultra deep waters.

Pursuing lease contracts with partners

Originally, the Group pursued lease/operate contracts with the objective of obtaining contracts for wholly owned units. Increasingly, however, lease contracts are pursued together with partners. The partners are then responsible for a pre-defined part of the project e.g. the engineering, construction or conversion of a tanker into an FPSO/FSO and its installation offshore. They also acquire a certain percentage of the ownership. Reasons that having equity partners on board can be attractive include (1) getting access to certain necessary technical expertise and operating experience not available within the Group, (2) 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.

Pursuing this philosophy, in 1998 the Group entered into an exclusive agreement with Sonangol, the national oil company of Angola, to pursue jointly FPSO/FSO lease projects offshore Angola. There are potentially many oilfields to be developed in that area using FPSO's or FSO's. The FPSO for Chevron's Kuito field is the first successful project from this partnership. The Group is optimistic that the Sanha LPG FPSO is on track to be the second such project.

In addition, in January 1999, the Group agreed with the Italian offshore contractor Saipem to jointly pursue and invest in projects for deepwater FPSO's to be leased to oil companies on long-term charters. In addition to the merits of equity partnership mentioned above, this cooperation increases further the competitiveness of the Group by having access to essential disciplines such as the installation of FPSO's in deep and ultra deepwater for which Saipem has the proper installation equipment and skills.

A high holding power MAG anchor developed by the SBM Group, and which can be optimally designed for particular site conditions.

Of the present eleven lease/operate contracts of the Group five are carried out in partnership, (the FSO for LPG for Elf Congo's Nkossa field, the FPSO for Agip's Aquila field, the FPSO for JVPC's Rang Dong field, the FSO for the Yetagun field, and the FPSO for Chevron's Kuito field).

Downstream

Economic growth in many parts of the world has stimulated the demand for oil and gas products. To a large extent, the oil, and to a lesser extent the oil products, have to be transported by tankers from the producing areas. In regions without sufficient harbour facilities, either on the exporting or on the importing side, the floating tanker loading/unloading system, based on the single point mooring concept, presents a cost-effective solution. The Group was very much the pioneer of this kind of loading/unloading system, with IMODCO Inc. building one for the Royal Swedish Navy in 1959, and IHC Gusto, the original parent of SBM, building the first CALM for the Shell Group in the same year. There are hundreds of these systems in operation worldwide of which 75% were supplied by the Group. In 2000, there was a reasonable demand for these units.

The spread moored FPSO's/FSO's will continue to generate demand for these systems. Here also the deeper water developments have recently placed new challenges on the design of these systems.

The CALM buoy for Elf's Girassol field in 1350 metres of waterdepth is a good example of such a challenge. This will be the deepest moored CALM in the world!

Services

In the course of the year 2000, the Group decided to increase its focus on the services side of the business. This consists of:

After-sales services

- Inspection and advisory services for the Group's complete product line;
- Spare Parts;
- Overhaul, repairs and maintenance services.

Contracting services

- Installation of, or intervention on, oil field floating facilities including subsea. This applies to facilities owned by the Group or supplied by others.

Although relatively small in terms of turnover, this activity merits increasing attention even in periods when the Group is busy with large projects. It represents an ongoing business which is much less dependent on the level of E/P budgets, and which always generates a good cash flow. In addition, it provides an opportunity to maintain a close relation with customers and to show the industry that the Group is always present and standing firmly behind its products.

Dredger/shipbuilding industry

Description of the market
The demand for dredgers and dredging equipment is mainly generated from four market segments.

The first is the market for capital dredging. These are dredging activities 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.

The second is the market for maintenance dredging. These dredging activities are needed to remove siltation in rivers and estuaries in order to maintain sufficient navigating depth. As the number of ports and harbours which are in use worldwide is increasing, this market shows a steady but gradual 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.

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

Each of the above mentioned market segments makes use of both custom-built and standard dredging equipment.

The 'Sanderus', built 32 years ago by IHC Holland, and still in use today.

The 4900 m³ trailing suction hopper dredger 'Waterway', built by Merwede Shipyard for Westminster Dredging Company Ltd. (a subsidiary of Royal Boskalis Westminster).

The 2000 m³ hopper dredger 'Moniflor' built by IJsselwerf Projects BV (a 100% subsidiary of van der Giessen-de Noord), on behalf of IHC Holland, for Compagnie Européenne de Transport de l'Atlantique, France.

In the market segments of sand and gravel and alluvial mining, the custom-built or standard dredging equipment is often equipped with additional systems for the purpose of classification or separation of the dredged material. In this latter field the Group has a good reputation and holds a number of patents.

The major competitors of the Group for the custom-built equipment sector are LMG (Lübecker Machine Gesellschaft, formerly Krupp, Germany), Appledore Shipbuilders (U.K.), Mitsubishi Heavy Industries (Japan) and to a somewhat lesser extent Damen Shipyards (the Netherlands). Lately, increased competition has also come from IZAR (Spain), the product of a recent merger between Astilleros Espanoles, and Bazan, the Spanish naval shipyard.

The 7400 m³ hopper dredger the 'DCI Dredge XVI', built by IHC Holland for the Dredging Corporation of India.

The main competitors in the range of standard dredgers are Damen Shipyards (the Netherlands), Ellicott Machine Corporation (USA), LMG (Germany), Hydroland (France), Draga Lario (Italy) and Neumann (Australia).

Equipment for the capital dredging market

The continuing worldwide economic growth is causing an increase in the demand for seaborne trade. This necessitates the deepening and extension of existing harbours. Furthermore, there is a shortage of land for urban and industrial development in various densely populated areas in the world. Huge land reclamation projects are therefore being carried out in areas such as South East Asia (Singapore/Hong Kong) resulting in a very satisfactory workload for the trailing dredger fleet. The scale of the projects and the time required for completion are creating the need for additional production capacity as well as replacement of existing units. In view of the urgency of this requirement, some of the existing dredgers are being jumbo-ised in order to increase capacity. At the same time, the international contractors are confident of a continuation of the market for these large scale projects, and are making serious plans for the expansion of their trailer fleet, especially for ship sizes in the range of 13000 to 24000 m³. In fact, after year-end, HAM Dredging Ltd. ordered a sister-ship of the 23700 m³ hopper dredger HAM 318, for delivery in June 2003.

At the same time the programme for replacing older medium size tonnage continues. An example was the order at year-end from Westminster Dredging Company Ltd. (Royal Boskalis Westminster) for a sister-ship of the 4900 m³ 'Waterway'.

Although the emphasis on new investments is in the field of trailing suction hopper dredgers, there is also some interest in renewal of the cutter dredger fleet. This was demonstrated by NMDC (National Marine Dredging Company) of Abu Dhabi who ordered four heavy duty cutter suction dredgers during the last four years. Nevertheless, the number of custom-built cutter dredgers to be ordered for this market will be limited.

Equipment for the maintenance dredging market

During the year, a number of dredgers were ordered for this market by clients in France, Sri Lanka, and China. It is not always clear whether a dredger is ordered for the execution of capital dredging or maintenance dredging works. For instance, CHEC (China Harbour Engineering Company) recently ordered a 12000 m³ hopper dredger, which is almost twice as big as any existing hopper dredger in the Chinese dredging fleet. Most probably, this dredger will be used to deepen the approach channels to the harbour of Shanghai from 7.5 to 12.5

metres to enable the docking of deeper draught ships. On this scale, such a project can equally be categorised as capital dredging work.

The market for the standardised cutter suction dredgers of the Beaver range remains active especially in South East Asia (China, Bangladesh, Vietnam, and India). With the current high oil price continuing, the markets in the Middle East (Iran) and West Africa (Nigeria) will also offer opportunities. Increasingly this type of dredger is used in flood stricken areas, where flood control dredging works have to be executed in order to cope with the problem.

Equipment for the sand and gravel and alluvial mining industry

During the year, two seagoing hopper dredgers for marine sand and gravel were ordered, one from France and one from Belgium, demonstrating the increase in demand for marine sand and gravel. This increase is the result of a 'booming' construction industry as a consequence of the continued growth in the economy. Most governments have now ample budgets available to undertake large infrastructure projects.

The market for alluvial mining equipment also showed an improvement. Several bids to clients are outstanding, and will most probably result in additional orders in this segment this year.

Specialised shipbuilding industry

Although price levels of ships ordered from South Korean shipyards have improved slightly during the course of last year, the European Commission is still convinced they do not reflect the normal competitive levels which should result from a complete open economy. The Commission is therefore continuing its dialogue with the South Korean government in order to convince them to abstain from any government intervention in or support of their shipbuilding industries.

In the meantime, the Industry Council of the EU confirmed its decision to terminate all European shipbuilding subsidies by the end of the year 2000. Contracts concluded after this date will no longer qualify for subsidies. As is usual once a certain subsidy or support scheme runs towards its termination date, a lot of orders were placed with European yards at the end of 2000. The Group's yards got their fair share.

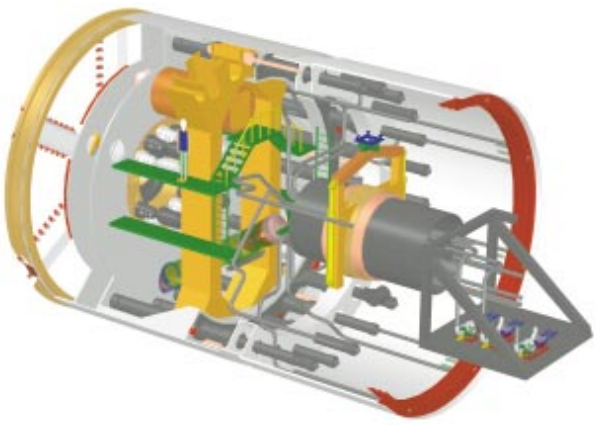
Despite strong competition, the Group's yards succeeded in booking orders for Ro-Pax ferries, cable laying/offshore support vessels, and luxury passenger and river cruise ships. Competitors in these market segments are Aker Finyards (Finland), Fincantieri (Italy), H.D.W. and Flender (Germany) IZAR (Spain) and Hyundai Mipo (Korea).

A S-280 hydrohammer on the Banff field.

Tunnelling/foundation equipment

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

The most recent addition concerns the marketing of a new tunnelling method, aiming at building tunnels in soft soil at considerably lower costs and within shorter construction periods than existing methods. This development is carried out through a consortium (ITM) of which IHC Tunnelling Systems is a major shareholder. Another major shareholder is Heerema Fabrication (the Netherlands). At present, the company is executing an engineering order for a new tunnel-boring machine as a first phase of a larger project to build a new tunnel in The Hague. The Dutch government contributed a significant amount of money to this project in order to have the new method tested as a prototype.



A computer generated drawing of the front end of the tunnel-boring machine which will be used to build a new tunnel in The Hague.

A compilation of just a few of the vessels designed and/or built by the IHC Caland Group.

BUSINESS DRIVERS AND COMPETITIVE POSITION

Business drivers

Offshore

- Increasing worldwide demand for oil and gas;
- Huge hydrocarbon discoveries in deep and ultra deepwater offshore;
- New cost-effective technical solutions for producing oil and gas, in increasingly deepwaters;
- Oil company requirement to replace production;
- Increased E/P budgets of oil companies;
- Relatively high oil price predicted in medium term;
- Continuing demand for oil transportation, loading and offloading;
- Probable 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.

Dredger/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;
- Explosive growth in tourism and telecommunications.

Competitive disadvantages (to be overcome)

Offshore

- No home market for offshore division;
- FPSO niche too narrow to be involved in comprehensive field development contracts;
- Need to form partnerships for ultra large projects. Inherent risks in selection process.

Dredger/shipbuilding

- Production facilities in high labour cost countries.

Competitive Edge

Offshore

- In-house competence to design, supply, install and operate complete, complex FPSO's;
- 'Fit-for-purpose' concept, based on operating experience with eleven units;
- Considerable deepwater experience, constantly developing;
- Track record – on time and in budget;
- Financial strength and financing skills;
- Strategic partnerships with e.g. Sonangol and Saipem;
- Small flexible organisation, quick to react to opportunities.

Dredger/shipbuilding

- Key technology in-house;
- Four modern construction yards;
- Niche player in a number of growing markets;
- 'Fit-for-purpose' design, based on 300 years of experience;
- Strong home market.

Threats

Offshore

- Increasing competition, especially from the Korean shipyards for large turnkey projects;
- Eventual move to more modern tonnage for FPSO's/FSO's – effect on existing fleet;
- Increasing construction prices due to high workload in ship/fabrication yards;
- Difficult to keep competitive edge on the low end of the product line.

Dredger/shipbuilding

- Excessive/indirect subsidies for competitors;
- Adverse currency fluctuations;
- Overcapacity in worldwide shipbuilding;
- Inefficiency due to high workload in ferry building.

MANAGEMENT OF RISK

General
Within the IHC Caland Group, the timely identification and management of risk is an absolute priority. Risks can be divided into two principal categories:

Structural risks such as irregularity in order intake, and **Specific risks** such as technical risk, political risk, etc.
A short analysis is found below of the major risks encountered by the Group, and the measures adopted to mitigate and preferably eliminate them.

Structural risks
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 know-how.

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 man-hour 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. The acquisition in 1993 of Merwede Shipyard, with its established track record in building other specialised vessels as well as dredgers, further reduced the Group's exposure to market fluctuations. Similarly, access to additional specialised shipbuilding markets was an important element in the rationale for acquiring van der Giessen-de Noord at the end of 1997.

Imbalance between supply and lease contracts
In general, the Group's aim is to achieve the optimum 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 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 construction is mainly outsourced, which eliminates the need for expensive facilities which tie up capital. Furthermore, progress payments generally ensure at least a neutral cash flow, again eliminating the need for additional working capital.

In the case of lease/operate FPSO's, there are no progress payments, and very large amounts of capital are tied up. Nonetheless, when they come onstream, lease contracts contribute immediately to cash flow which is an important parameter for performance and for valuation by the financial community. In addition, the profits from the eleven units presently in operation provide a very substantial and visible underpinning to future long-term earnings. In the current promising market, achieving the optimum mix between the two types of contracts may be somewhat easier that it has been in the past.

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

Technical risks
In all Group companies, the vast majority (by value) of sales relate 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. Intrinsically, 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, 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 is less than the cost price! Accordingly, when a sales price is to be submitted to a client, the detailed calculation is reviewed and signed 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 manhours, sub contracted 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 regularly checked against actual costs, to identify any variances at the earliest possible stage, and to allow remedial action where possible. As a final safeguard, the profit is only recognised upon completion of the project and full acceptance by the client.

Execution risks

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.

FPSO/FSO operation risks

The USA Minerals Management Service (MMS) has delayed approval of utilisation of tanker-based FPSO's in the Gulf of Mexico because of fears of a major pollution occurrence. However, they have recently released a Comparative Risk Analysis (CRA) confirming that in terms of risk, FPSO's were entirely comparable to other offshore production concepts already in use in the Gulf.

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 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
- Safety Environment Protection (SEP) accreditation by 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 2000, the Group had operated around 60 vessel years for FPSO's/FSO's, with a total operating downtime of less than 1%, well below the average downtime contractual allowance.

FPSO/FSO payment risks

When making a proposal to lease an FPSO or FSO to a client, four main 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 individual cases, tailor-made insurance policies may be put in place to cover political risk, and 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 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.

Other payment risks

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).

Currency/Interest rate risks

The lion's share of the Group profit is derived from the offshore division's revenues, which are denominated in US dollars. The turnkey supply business contains significant cost elements in euros and other non-dollar currencies, and forex forward contracts are used to reduce profit sensitivity to currency fluctuations. Profits on long-term lease contracts are derived from US dollar revenues which are contractually fixed over the duration of the lease. Because the revenue stream is constant irrespective of changing economic conditions, risk and profit volatility are reduced by minimising risk on the cost side. This means that a full hedging policy is maintained for all currency and interest rate exposures. Treasury uses fixed rate instruments to cover most financial risks. This subject is developed further in the Financial review section (see page 31).

GROWTH

Organic growth
Organic growth remains a major avenue to be pursued by the Group in order to increase its value. This applies particularly to the activity of owning and operating FPSO's/FSO's which will continue to be a top priority of the Group. Where it is commercially justified, the Group is happy to perform this activity with quality partners, thereby sharing the risk and financial burden, while retaining the commercial advantages.

In recent years, the Group has also developed new, but related activities both to its offshore business and to its specialised shipbuilding activities. These include for example the establishment of IHC Systems in 1990, together with Imtech, to develop and market automation systems for the dredging industry; the decision in 1997 to design and engineer in-house the topside facilities for the Group's FPSO systems; and the acquisition in 1999 of a foundry in Slovenia to secure cost effective manufacturing of components for the dredging industry.

Growth by merger/acquisition
The pace of development in the Group's markets, especially in the offshore, continues to increase. The Group cannot ignore the consolidation process going on in the oil services sector. Accordingly, in addition to pursuing autonomous growth, the Group is open to all opportunities in its own business sector whether involving an acquisition of another company, a divestment, or a merger with a suitable complementary business. Such a view may appear to be at odds with the frequently stated aim of maintaining the continuity and independence of the Group. This is of course still attractive, but at the end of the day, business is about optimising value for all stakeholders, and this is the clear responsibility of Management. In the current exploding market, where projects become exponentially larger and more complicated, it is naive to think that one can close one's eyes to developments and go it alone at any price.

PROTECTION

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

Nonetheless, the Group 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, or otherwise to act against the best interests of IHC Caland 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, 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 prevent a hostile take-over.

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 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 B.V, Mr. P.J. Groenenboom, a former CEO of Internatio-Müller N.V., Mr. J.C.M. Hovers, a former CEO of Stork NV and of Océ N.V., Mr. A.P.H. van Baardewijk, a Member of the Supervisory Board of IHC Caland N.V., and Mr. J.J.C.M. van Dooremalen, President and CEO 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 granting of the right of option, enabling it effectively to perform its functions as it, at its sole discretion and responsibility, deems useful or desirable. This option was granted on 30 March 1989.

In accordance with the by-laws of the Company, 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 above foundation, the 'Stichting tot Beheer van Preferente Aandelen in IHC Caland N.V.' is independent from IHC Caland as defined in the 'Fondsenreglement' of the Euronext Amsterdam Stock Exchange.

HEALTH, SAFETY AND PROTECTION OF THE ENVIRONMENT

General

IHC Caland's general vision for HSE is to provide safe and healthy working conditions for all employees and to maintain the highest safety and environmental standards in relation to systems of work and equipment operations. Furthermore, through training, supervision and the provision of information, IHC Caland is committed to ensuring a safe place of work for its employees, clients and affected third parties.

Offshore oil activities

In the dangerous, volatile environment of offshore oil production, IHC Caland can be justifiably proud of its achievements in the field of Health, Safety and the Environment. Its subsidiary, SBM Production Contractors is the first and only company in the offshore contracting industry to be SEP accredited for Floating Production facilities. SEP is the Safety and Environmental Protection Certificate from DNV which is in excess of the ISM (International Safety Management) code imposed by the International Maritime Organisation.

In addition, in the year 2000, the company had only five lost time accidents (>36 hours) on its fleet, from a total of 2.3 million manhours worked (see page 37 for full details).

Since 1991 the offshore activity has been working in accordance with formalised safety procedures based on BS 8800 standards. The implementation of this Safety Management System produces significant benefits and business opportunities in the long term.

The principles underlying the system are based upon the systematic identification, assessment and control of hazards encountered in the safety-critical and environmental aspects of the business. These are determined by those directly involved and formal control method is applied to manage those hazards. This 'top down' approach ensures that the focus is maintained clearly on those at risk by those who control the level of risks.

Dredger/shipbuilding activities

In the dredger/shipbuilding activities too, the Group gives a high priority to Health and Safety issues and to the 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 engine during its lifetime, and finally the choice of materials is influenced by the environmental and health impact of the eventual scrapping of the vessel.

Health and Safety requirements are also important issues during construction of the 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 this policy, 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.

Despite all the efforts made, a fatal accident nonetheless occurred to a contractor working in one of the Group's shipyards during 2000. Management's sincere sympathy goes out to the family of the victim of the accident, which will only serve to intensify the Group's efforts to optimise Health and Safety practices, and especially to achieve a long lasting accident-free safety record.

A photo montage of one of the seals which are frequently found around the Okha FSO offshore Sakhalin.

RESEARCH AND DEVELOPMENT

Offshore activities

There is an important ongoing Research and Development programme in this sector which to a large extent concentrates on new technology concepts for the future. This effort is focused on two areas, namely, systems for deepwater oil field application, and systems for gas field development.

In the deepwater programme, there are three principal concepts being developed as follows:

- Floating Production, Drilling, Storage and Offloading system (FPDSO). SBM is working on the development of FPSO systems which also incorporate the functions of drilling and well work-over. Such systems will enable subsea wells to be produced and maintained from a single vessel during the entire field life, leading to lower overall costs. Work has focused on the large diameter mooring turret arrangement, through which the drilling and/or work-over operations can be carried out, as well as the integration of the drilling/work-over facilities;
- the Tension Leg Deck (TLD) concept, which can be used in conjunction with a spread moored FPSO to support dry production trees as well as drilling and work-over facilities. This has been further developed with the design of a purpose built barge which has an improved sea-keeping behaviour with reduced motions. The mechanical design of the TLD components have now been defined to the extent that the system is ready for detailed design implementation;
- the Mid Water Pipe concept, which provides a method for connecting flow lines between two floating vessels avoiding the need for the pipes to run down to the seabed and back up again. This reduces distance, low bottom temperature and high external pressure, which can lead to waxing and hydrate flow problems. The first such system has recently been ordered by Shell Nigeria for its Bonga field.

In the gas field programme, there are two major projects as follows:

- LNG Loading Arm for the handling of Liquefied Natural Gas. The Group is continuing with the development of a loading arm, which allows the transfer of LNG (cryogenic temperature fluid) between two vessels, one being a gas processing floating production facility and the other an LNG transport vessel. The heart of this system is a series of fluid swivels, which are one of the proprietary developments of SBM;
- the design of facilities on floating vessels for the fractionation of gas into various products, such as propane and butane, requiring particular attention to safety considerations and motions of the vessel.

Dredger/shipbuilding activities

In the dredger and specialised shipbuilding activities, a lot of attention is also given to Research and Development. As a percentage of turnover, the R&D budgets are a multiple of what is usually spent in the shipbuilding industry. In judging the R&D activities one has to realise that in a project-orientated industry such as shipbuilding, a lot of product innovation is taking place on an incremental basis during the process of designing and engineering the project, often in close cooperation with the technical staff of clients.

In this respect the R&D process differs from the huge R&D and product development programmes applied in the aircraft and car manufacturing industries, where development is being done for a large series of products. Only in respect of the range of standard cutter suction dredgers of the Beaver series and for dredging components, do R&D activities result in a small series of products.

In order to be able to respond in a timely fashion to medium term technological demands in the dredging markets R&D activities are also carried out on a stand alone basis in a separate Research Institute, MTI Holland, where approximately ten graduates are employed. The institute also makes use of an in-house laboratory where the dredging process can be simulated and components can be tested. This is often done in close cooperation with the laboratory of the Technical University in Delft, of which the Group is a co-sponsor.

Furthermore, in the field of specialised shipbuilding, the Group's yards participate in research projects which are carried out at European level in the context of the fifth framework programme. Apart from the R&D activities in the field of product development, a lot of attention is also given to the improvement of the production process with the aim of increasing quality, reducing delivery times and increasing efficiency, often supported by investments in new production technology and equipment.

SBM's laboratory 'Laboratoire d'essais'.

HUMAN RESOURCES

At the end of the year 2000, IHC Caland had a total of 3561 employees of which 855 were in the offshore division and 2706 in the shipbuilding.
The workforce is very international and includes 51 different nationalities, spread over 18 countries. Even the more typically Dutch shipbuilding division itself has 24 nationalities.

As Management has consistently stated, it is the professional standards and performance of its employees which really produce the results. The Group accordingly places a great emphasis on having a highly competent and motivated work force.

Labour markets
In both of the principal business areas where the Group operates, it is at present very difficult to recruit and maintain an adequate, skilled workforce.

In the offshore division, the present explosion in demand, means that there is a serious shortage of skilled engineers and project managers. The development of the Group's Houston office is particularly affected by this, as the skill shortage is combined with rather strict visa regulations, which significantly limit employment of non Americans. The problem is presently addressed by optimising employment conditions and career prospects, but it is an ongoing struggle to attract and keep the type of personnel the Group needs.

In the shipbuilding sector, the workforce is rapidly ageing, and it has been difficult to replace them from the younger generation. One solution has been to recruit a very international labour force (see statistics above), and also to work at improving the image and attractiveness of a job in the maritime/shipbuilding sector.

Absenteeism
The rapid expansion in personnel in the offshore division has brought with it a slight increase in the absenteeism statistic from 2% to around 2.5%.
In the dredger/shipbuilding activities the overall level is slightly down at 6.7% compared with 7% in 1999.

Financial incentives for employees
The Group has a comprehensive compensation package including (depending on the employee's level) salary, bonus, stock options and other normal 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 involvement in the Group. At present around 30% of all employees participate. Employees increasingly demand flexibility in employment packages (pick 'n mix) and the Group is working towards satisfying this demand. Finally, excellent bonus plans are in place in all Group companies.

Training and development
In all industries in the Group, there is a strong focus on development and training of employees.

Within all the Group companies there are training programmes (organised in-company and/or elsewhere) available to ensure that employees maintain a level of knowledge and experience that meets advancing technological requirements and to prepare talented employees for management positions.

The shipyards have special company schools to train new and existing personnel for the skills needed in the various jobs available. The photograph shows a young trainee welder, ***Jacqueline van der Heijden,*** *who is undergoing training in IHC Holland's in-house school T.O.C.*

Labour in developing countries
The Group has FPSO's/FSO's operating in a total of nine countries, the majority of which can be categorised as nearly developed or developing. It is the Group's policy to maximise the employment of local nationals, and considerable time, effort and expense are invested in achieving this.

One good example is the Kuito FPSO, where after only twelve months of operations, 28% of the total complement are local nationals. Over time, the percentage and levels of responsibility are scheduled to increase considerably.

Udeme Essienumoh *is an excellent individual example of the success of the company's indigenisation programme, having joined SBM in 1986 as a Production Operator and progressed steadily to the post of Superintendent/ Head of Production on board the FPSO VI, offshore Nigeria. He is now working onshore as Assistant Shore Base Manager in Port Harcourt making use of his extensive offshore experience.*

The fully automated 10500 kW cutter suction dredger 'Al Mirfa' built for NMDC, Abu Dhabi.

In line with the forecast in last year's Annual Report IHC Caland saw its profit increase by 8% in 2000. This result was achieved in spite of the fact that the order intake in the offshore division was even more sluggish than expected, with further delays in project award.

In the dredger/shipbuilding division, a record order intake was achieved for the second consecutive year. This was partly as a result of the abolition of shipbuilding aid in the EC, which led to additional building contracts being booked at the end of the year.

Net turnover and value of production were below the record levels of the previous year, due to the lack of major turnkey deliveries in the offshore division.

Both the operating profit (EBIT) margin and the net profit margin returned to levels comparable with 1998.

Assets and capital employed increased further, following the completion and placing in service of another FSO and the large Espadarte FPSO.

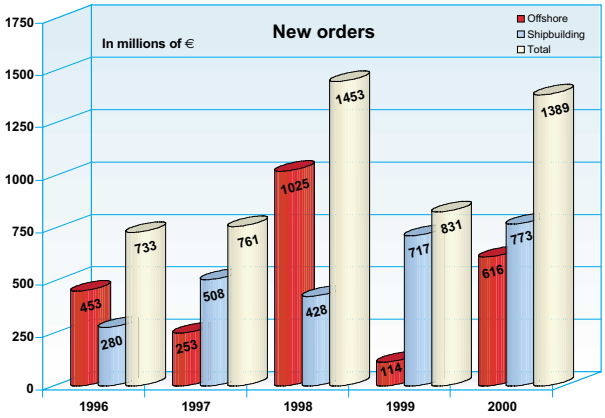
Capital investment in 2000 amounted to € 214 million. As predicted this was lower than in 1999, due to the absence of any new FPSO lease contracts.
The Group's accounting policies in respect of profit recognition only on completion of turnkey projects, together with the timing of profit recognition on leases have a very important effect on the Group's financial results (see further page 53).

A good profit level for the whole Group depends on a balanced order book throughout the Group. A high level of total order backlog does not necessarily mean that there is no underrecovery in any of the individual business units or parts thereof.

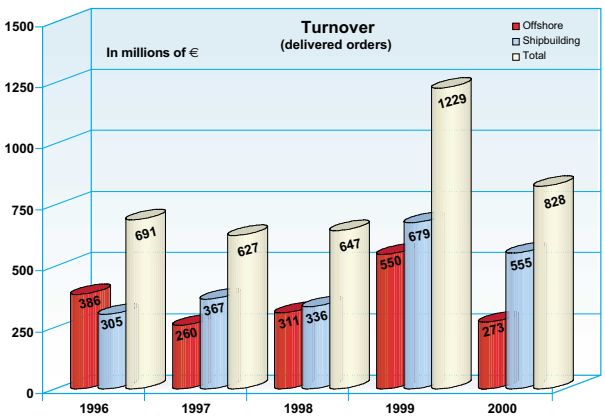
Segmental information in respect of the two core businesses of the Group is provided in the detailed financial analysis which follows. Some companies operate in both businesses, but the split used still provides a very adequate approximation. Turnover by geographical area is included in the notes to the Annual Accounts (page 55).

Offshore oil activities comprises the SBM Group, SBM-IMODCO, IHC Gusto Engineering and MSC. Dredger/shipbuilding activities consists of IHC Holland, Merwede Shipyard, and van der Giessen-de Noord. NKI (airport interior outfitting, and signage) has also been included, but does not have a material impact on the total figures.

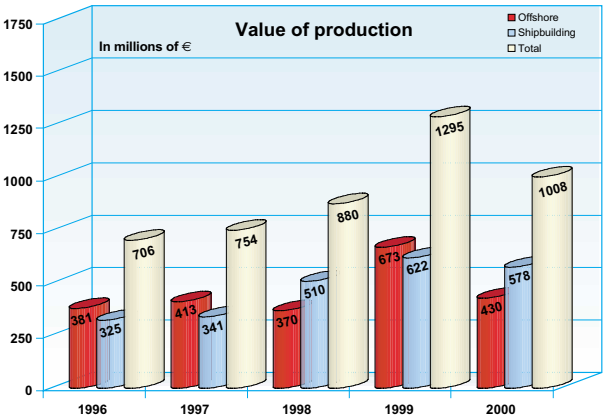
Movements in order portfolio



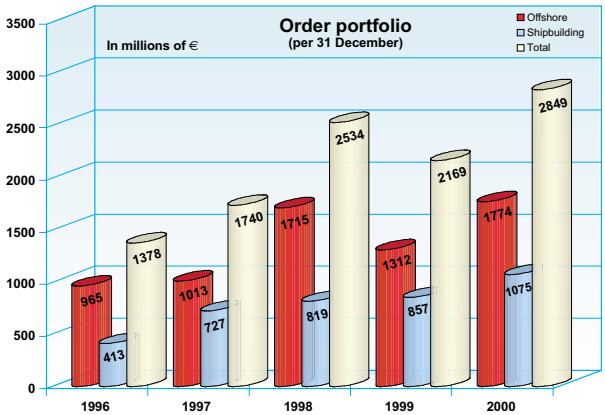
Total new booked orders showed a healthy increase compared to 1999 and in fact came close to the record 1998 level. Dredger/shipbuilding recorded another all-time high, while the order intake for the offshore oil activities returned to an acceptable level, including a five year extension on the Espadarte FPSO. Nevertheless, the delays in project awards still affected the overall value of new orders in the offshore oil division.



After a record year in 1999, due to an unusually high concentration of turnkey deliveries in both divisions, the turnover of the Group returned to more normal levels, albeit higher than in the years before 1999. In the offshore oil activities no major turnkey orders were delivered as a result of the lack of new orders in 1999, and the fact that the larger ones received since have delivery dates in 2002 and beyond.



Value of production was lower than in the prior year, which was however an exceptional year. Compared to the normalised level of earlier years, there still was a significant increase. An amount of € 150 million was capitalised during the year (1999: € 208 million), representing the investment to complete the FPSO for Espadarte, Brazil, and the FSO for Yetagun, Myanmar.



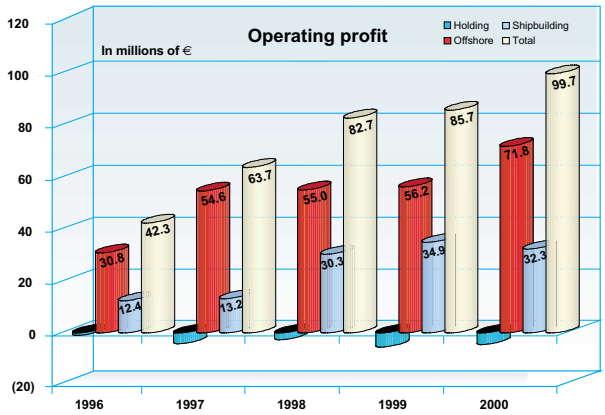
The year-end order portfolio at € 2.9 billion represents a significant increase over last year's figure of € 2.2 billion. The increase in order backlog in dredger/shipbuilding ensures full occupancy for a significant period.

The order portfolio of the offshore oil activities relates for a very significant part (81%) to the non-discounted value of future revenues from the long-term charters of the Group's fleet of FPSO's/FSO's.

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

Profit and margins

In the segmental information given below, the item 'Holding' relates to a number of items such as corporate overhead, and other adjustments and provisions at corporate level.



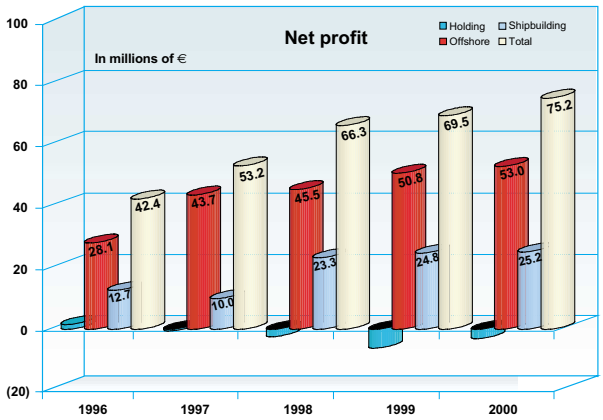
Operating profit, after being flat for a couple of years, increased by 16.4%, in spite of the lower turnover from delivered orders. The main factors leading to this increase are:

- the contribution of the two new leased units, which came into service during the year, together with a full year's profit contribution from the Kuito FPSO which came into service only at the end of 1999;
- a return to higher average margins in the offshore oil activities, compared with the previous year, where a couple of very large turnkey orders, with relatively low margins, were delivered.

The positive impact of the above factors was partially offset by:

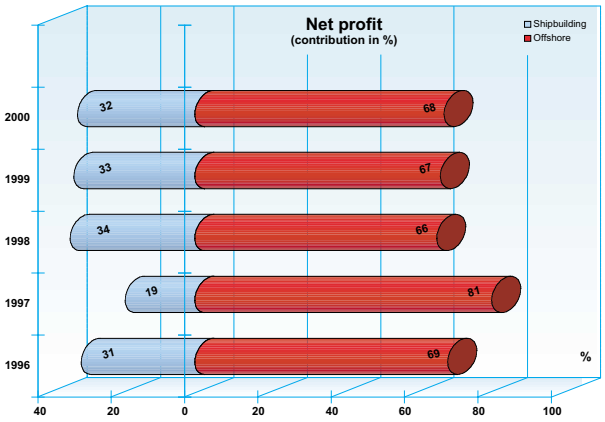
- lower overrecovery of indirect costs, with even underrecovery in certain units;
- very high bidding costs for a number of large projects.

The tax burden at € 13.7 million was lower than in 1999 (€ 17.7 million), largely due to lower taxes on the offshore, oil activities and an adjustment for taxes over-provided in the past. This resulted in a lower overall level of 15.3% of profit before taxation. The average tax burden for the Group in the foreseeable future is still projected at between 15% and 20% of pre-tax profits.

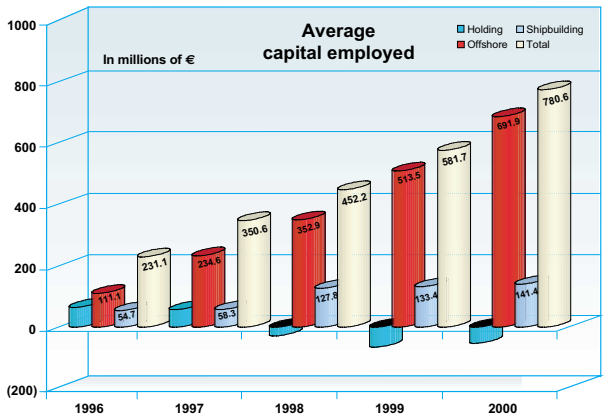


Net profit increased by 8.2% to € 75.2 million (1999: € 69.5 million). The increase in net profit is lower than the operating profit increase, as a consequence of increased interest charges on the financing of the FPSO's and FSO's completed in 1999 and 2000.

The relative contribution of profits from both divisions is comparable to that of previous years, as shown in the graph below:

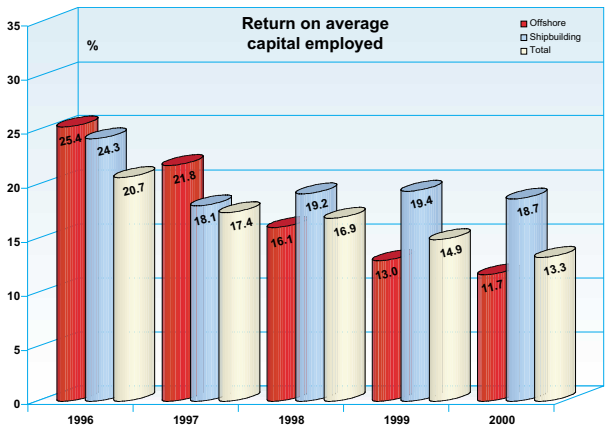


Return on Average Capital Employed/Equity



The relative share of the Group's capital employed in the offshore oil activities has increased further, following the completion of the construction and financing of the units for Espadarte and Yetagun. The calculation of return on capital employed is made on a time weighted basis, and in 2000 was influenced not only by the increase in US dollar debt in absolute terms, but also by a continuing increase of the US dollar against the Euro (up 7.3% in 2000 on top of a 17.5% increase in 1999).

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



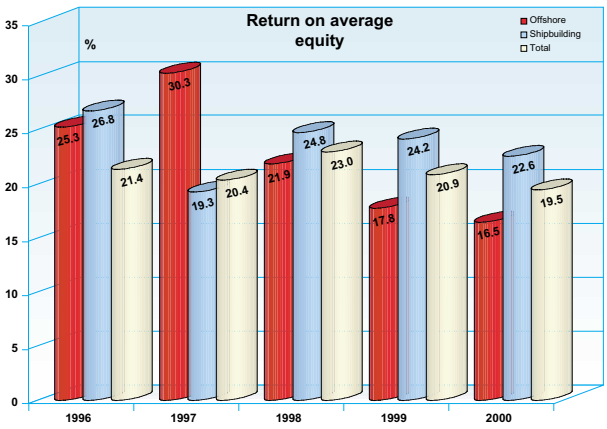
Return on Average Capital employed decreased from 14.9% to 13.3%. This is due to a combination of factors, being:

- relatively small increase in net profits, with the latest additions to the FPSO/FSO lease fleet generating income for only half a year;
- substantial increase in borrowing (including currency effect);

- the leverage effect of the increased borrowing in relation to Group equity.

Although the continuing investment in the lease fleet, without (or with only partial year) revenues does have some impact on the numbers, the effect on 2000 is relatively small. After elimination of construction financing and the related interest burden, the adjusted ROCE would be 13.7%.

The increased use of borrowings over the past few years has contributed to the fall in the Group's ROCE. Equally important is the imbalance between supply and lease contracts. This subject is discussed extensively on page 20, and suffice to say here that an increase in the number of supply contracts will certainly contribute to an improvement in the ROCE. The Group is nevertheless generating returns on its new leases which exceed its weighted average cost of capital (WACC), and thus create value for the company and its shareholders.



Return on average equity is down overall at 19.5% compared with 20.9% in 1999, as a result of the modest increase in net profits in combination with increased Group equity. The decrease was particularly felt in the offshore oil activities, where the conversion of the US dollar denominated equity to Euros was influenced by the stronger US dollar, as mentioned above. Profit growth in these activities was adversely influenced by the delayed order intake of turnkey projects.

Cash flow/liquidities

€ mln	1996	1997	1998	1999	2000
Net profit	42.4	53.2	66.3	69.5	75.2
Depreciation	17.8	38.6	51.8	62.6	85.0
Cash flow	60.2	91.8	118.1	132.1	160.2
Net liquidities/ securities	173.7	220.5	194.1	199.2	269.3
Cash flow from operations*	18.7	161.4	89.3	88.0	259.0
Price : cash flow ratio at 31/12	19.8	14.1	8.2	7.6	8.8

* *As per the consolidated statement of cash flows (page 52). This statistic is not analysed in detail below.*

Cash flow, as predicted last year, was up significantly at € 160.2 million (an increase of 21.2%). Apart from the modest growth in net profit, this is largely due to depreciation on new units coming into service and others now included for a full year. In addition, the FSO for Sakhalin is now fully consolidated, as the 50% stake of our previous partner in the project, ICB Shipping, was acquired early in 2000. With the Espadarte FPSO in service for a full year, depreciation and cash flow will further increase in 2001.

Following the financing of the Espadarte FPSO, and as a result of increased advanced payments from clients, net liquidities have increased to € 269 million.

The price : cash flow ratio increased from 7.6 to 8.8. The increase in the share price of almost 38% was partially compensated by the increase in cash flow per share of 19%.

Balance sheet

€ mln	1996	1997	1998	1999	2000
Capital employed*	304.6	389.7	452.6	680.0	827.9
Shareholders' equity	241.2	253.3	290.3	339.1	394.8
Solvency ratio (%)	38	31	33	30	30
Working capital	28.3	1.8	28.3	66.0	48.9
Debt : equity (%)	24	47	49	94	104
Net gearing (%)	(43)	(35)	(13)	39	41
Investment in tangible fixed assets	162.9	106.5	111.4	231.0	214.1
Interest cover ratio	19.7	8.9	10.2	9.5	4.4
Current ratio	1.09	1.00	1.07	1.14	1.10

* *Equal to assets less current liabilities.*

The situation in respect of the Group's balance sheet has not significantly changed since last year. Capital employed has increased further by retained profits and increased borrowing, but most ratios have not changed much, with the exception of the Interest cover ratio,

which reflects the increase in borrowing and interest burden over the last two years.

Some specific remarks relating to the balance sheet at year-end 2000 are as follows:

- a solvency ratio (shareholders' equity : total assets) at around 30% is acceptable and satisfies Group banking covenants. In fact, for banking covenant purposes, the calculation of the ratio is modified to eliminate cash balances in excess of € 113 million. The adjusted ratio stands at 33% (1999: 32%) in spite of the effect of the rising US dollar on the Euro value of the Group's lease fleet;
- a debt to equity ratio of 104% is perfectly acceptable, given that the assets financed all have long-term lease contracts, and a growing percentage of the debt (86%) is with limited recourse to the Group, thus reducing the risk profile. Net gearing, taking into account available liquidities, is slightly higher than 1999 at 41%;
- all important liabilities are clearly identified and consolidated in the Group balance sheet, with no 'off-balance' financing;
- investment in tangible fixed assets (largely consisting of completing an FPSO and FSO under construction at the beginning of the year) was slightly lower than in 1999. There were no new F(P)SO's under construction at year-end 2000;
- the interest cover ratio is sharply lower (as was anticipated) as a consequence of the new units coming into service late in 1999 and during 2000. These are largely debt-financed, with relatively high interest rates.

A goodwill write-off of € 0.6 million was made during the year in respect of an acquisition by NKI.

Dividend

€ mln	1996	1997	1998	1999	2000
Net profit	42.3	53.2	66.3	69.5	75.2
Dividend	21.7	27.0	33.4	35.2	38.4
Dividend per share (€)	0.82	1.00	1.23	1.27	1.36

The Group's dividend policy is to pay on average 50% of net profit. It is proposed to pay a dividend of NLG 3.– (€ 1.36) per share (total dividend € 38.4 million, an increase of 9% over last year).

The dividend may also be fully paid in shares (stock dividend) at the shareholders' option. In respect of the dividend over 1999, 37% of shareholders opted for a stock dividend. Full details are given in the Agenda for the General Meeting of Shareholders of IHC Caland N.V. to be held on 8 June 2001 under Agenda item 5 and the notes thereto.

Treasury Management and Reporting

The Treasury objective is to minimise volatility in Group equity and profits. Relevant financial information is formally reported to Treasury by Group companies, and exposures are reviewed on an ongoing basis. Treasury reports monthly to the Board of Management and quarterly to the Supervisory Board. The Company does not engage in any speculative hedging activities and only undertakes hedging in respect of confirmed exposures using mostly fixed rate instruments. Derivatives are used infrequently and are never sold.

Currency Exposure Management

The business and functional currency in the offshore activities of the Group is the US dollar. All confirmed currency exposures relating to contracts in hand are hedged to US dollars. The productive resources and overhead of the offshore sector of the Group are mainly euro costs and are hedged to US dollars on an annual basis. This has a smoothing effect on the US dollar cost of the offshore operation. Although the offshore activity in US dollars has become the predominant business within IHC Caland, for the moment the Group continues to hedge to, and report in, euros. The euro value of the offshore US dollar equity is hedged by a combination of holding euro liquid assets, US dollar borrowing and forex forward contracts. To avoid exposures arising from over-hedging on long-term lease contracts, a decision is sometimes taken not to hedge a specific project longer than the duration of its limited recourse project loan. US dollar profits are hedged to euros project by project.

The downside of this policy is the high cost of hedging the profits on long-term leases resulting from low forward rates when selling dollars, although the annual forward cost has recently fallen below 1%.

In the balance sheet, specific foreign exchange contract results are allocated to the assets which they are intended to protect. After taking this into account, the theoretical cost of closing out other project related future foreign exchange contracts is around € 40 million.

All foreign exchange contracts are based on underlying commercial transactions. The Group only enters into such contracts with banks rated 'A' or above.

Interest rate management

Interest rate Risk

The Group finances 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. The floating interest costs are swapped to fixed interest rates to reduce profit volatility.

Liquidity

The 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 risks to a third party.

Capital expenditure

Total capital expenditure for the year amounted to € 214 million of which the bulk (€ 203 million) was in respect of FPSO's/FSO's for lease to the offshore oil and gas industry. This expenditure included the costs to complete one FSO (75%) and one large FPSO. A brief description of the units to which the main capital expenditures relate is as follows:

Floating Storage and Offloading system (FSO) for use on the P.A. field offshore Sakhalin Island, Russia
As already advised in last year's Annual Report, following a change in ownership of ICB Shipping, the Group was able at the first quarter of 2000 to purchase the 50% stake in the Sakhalin FSO owned by ICB. The purchase was funded by a combination of cash and assumption of project debt.

Floating Production, Storage and Offloading system (FPSO) for Petrobras' Espadarte field offshore Brazil
A Letter of Intent was received in October 1998 from the Brazilian state oil corporation Petrobras, followed by a contract in January 1999 for the long-term time-charter of a large FPSO for the development of the deepwater Espadarte field offshore Brazil. The unit is moored by a large internal turret supplied by SBM's sister company SBM-IMODCO, in around 850 metre waterdepth. The system is designed to handle 47 risers and umbilicals, for various functions including production, gas injection and crude oil export. The hull on which the FPSO is based is the FPSO VI which operated successfully offshore Nigeria for 13 years.

The contract was for an initial period of eight years, but Petrobras has already exercised an option to extend for up to a further five years, in order to ensure availability of the unit. The total contract value is now in the region of US$ 750 million. The unit was successfully installed in June 2000, and system acceptance and production start up took place on June 30th.

Negotiations were completed with a syndicate of international banks to provide limited recourse financing for around 75% of the investment required. The banking group assumes responsibility for reservoir and country risk.

Floating Storage and Offloading system (FSO) for use on the Yetagun gas field offshore Myanmar
In June 1998, an order was obtained from Premier Petroleum Myanmar Limited for a 15 year time-charter of an FSO for the Yetagun gas field development, 120 miles offshore Myanmar. The field is operated by Premier on behalf of a consortium of co-venturers including Petronas Carigali, Nippon Mitsubishi Oil Corporation, PTTEP and the Myanmar state energy company MOGE. The unit is supplied in a 75:25 joint venture with a Japanese trading house and financed on a limited recourse basis from Japanese sources. The FSO was successfully installed and went on hire in May 2000.

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/operate contract, and the overhead recovery included in the Capex value is released to the profit and loss account over the life of the system.

Outlook for 2001

MARKET OUTLOOK FOR 2001 AND BEYOND

Offshore sector
Competition in this market can be expected to be tough due to the low volume of projects in the recent past. Some short-term pressure on prices can be expected, but in the medium term, the outlook seems promising. The trend of the oil companies to develop fields with huge reserves in deep waters continues, and here FPSO's are the most economical solution.

Over the last couple of years, the Group has put in place or reinforced a number of important strategic initiatives:

- building-up in-house expertise in design and fabrication of fit-for-purpose topsides, creating within the Group a unique integrated competence for the supply of large and complex FPSO's, including their operation;
- relocation of its US office to Houston, and expansion of the SBM-IMODCO capability in that key location;
- regular organised feedback of operating experience from the Group's growing fleet of FPSO's and FSO's allowing constant improvement and fine-tuning of its cost-effective, fit-for-purpose design philosophy.

IHC Caland expects an important pay-off from these initiatives in the years to come. In addition, it is anticipated that the close relationships built up with several key industry partners will again bear fruit for the mutual benefit of the partners and SBM.
Finally, the Gulf of Mexico is expected to open up to FPSO business, thereby providing further opportunities for the Group.

Dredger/specialised shipbuilding sector
A satisfactory order intake is expected for 2001, in spite of the end of shipbuilding subsidies throughout Europe. In this context, the end to subsidies is potentially positive for Dutch shipyards, as the level of Dutch subsidies was relatively low in comparison with the rest of Europe. The yards' competitiveness against non-European competitors will of course be reduced, but this will have only a very limited effect as the Group's yards are operating in niche markets where competition mainly comes from within Europe. 2001 looks to be the year of the mid-size dredger, with the race to achieve operational cost leadership driving investments. There is expected to be widespread replacement of older tonnage, and a steady demand for the Group's smaller Beaver series of dredgers. Safety considerations are expected to maintain demand for Ro-Pax ferries, with offshore support vessels and cable-layers continuing to be required.
Finally, the growing leisure markets are expected to provide opportunities for e.g. inland cruise vessels, luxury passenger vessels, etc.
All the Group's yards are occupied well into the year 2002.

Profit forecast for 2001

2001 has commenced with eleven FPSO/FSO units on the clients' payroll. This provides a strong base for profits and cash flow.

In 2000 the supply side of the offshore business showed an improvement over 1999, but still remained slower than had been hoped for. With the exception of really short cycle orders, there will be no impact on the 2001 results from the new contracts, except in respect of recovery of indirect costs which can nonetheless be significant.

In the dredger/specialised shipbuilding business, the picture is expected to be similar to the year 2000. Order intake is projected to be high, although perhaps not at the record levels of last year.
The Dutch government has confirmed an end to shipbuilding subsidies with effect from the end of 2000, but they will effectively be phased out over a couple of years, so that there will be no direct impact on 2001. The competition from Korea is also expected to be somewhat less aggressive as their yards are fully occupied.

As mentioned above, the level of deliveries from the offshore sector in 2001 will be relatively low. Nonetheless, provided there are no major unforeseen problems, Management expects to achieve a profit for 2001 of not less than € 75 million.

Forecast investments in 2001

For the first time in several years, the Group has no major ongoing capital expenditure projects at the start of a new year. On the other hand, an order has been received to start work on a Generic FPSO and it is expected that this will be converted into a full lease contract before the middle of the year. An amount of € 200 million is budgeted to be spent on this project, together with at least one more lease FPSO contract to be obtained during the year.

In the current promising market, the Group is hopeful that a contract will be obtained for the small early production unit the 'Jamestown'.

Due to the refinancing of the Espadarte FPSO with long-term limited recourse project debt, there is considerable room under the Group's US$ 250 million revolving credit facility to start up new investments.

Personnel 2001

An overall increase in personnel numbers of around 5% is forecast for the year 2001. This is partly in the offshore division, where the process of further staffing up to meet the anticipated demand continues, and also in the dredger/shipbuilding activities where some additional manpower will be required to execute the existing order portfolio.

Yetagun FSO into its second year of operation.

OFFSHORE OIL ACTIVITIES

GROUP OF COMPANIES

Management:
D. Keller, *Chief Executive Officer*
D.J. van der Zee, *Chief Operating Officer*
F. Blanchelande, *President of SBM Production Contractors*

SBM Offshore Systems

SBM Offshore Systems is a world leader in design, procurement, fabrication and supply of mooring terminals, turrets, mid-water pipes, anchoring systems, floating production, storage and offloading systems (FPSO's, FSO's).

The following major orders were obtained in 2000:

- a mooring system for Shell's E.A. field offshore Nigeria; order awarded end 1999 for delivery December 2002;
- a CALM buoy from stock for NNPC (Nigerian National Petroleum Company) offshore Nigeria; contract awarded in January 2000;
- a CALM buoy for Eilat Ashkelon Pipeline Co. Ltd., (EAPC); contract awarded in January 2000 and completed in November 2000;
- a swivel stack for an FSO from Shell for the Soroosh field offshore Iran; order awarded in June 2000 for delivery in August 2001;
- supply and installation of a newbuilt FSO plus CALM for Elf Nigeria (EPNL) for the Amenam Kpono field offshore Nigeria; order awarded in September 2000 for delivery in May 2003;
- a bare buoy for Total Austral, for the Hidra field, Tierra del Fuego offshore Argentina; order awarded in October 2000 for delivery in March 2001;
- a contract from ExxonMobil to commence engineering and critical path procurement for a Generic FPSO, awarded in December 2000.

Major orders delivered included:

- two CALM buoys, for CPC (Caspian Pipeline Consortium) offshore Novorossiysk, Russia; order awarded in February 1999 and delivered in March 2000;

Water loading buoy for Archirdon in Cyprus.

- the Espadarte leased FPSO for Petrobras; first oil in June 2000;

- the CALM buoy for QGPC, for the field of Halul offshore Qatar; contract awarded in June 1999 and completed in May 2000;

- the FSO for Premier Petroleum Myanmar Ltd., for the Yetagun field offshore Myanmar; contract awarded in June 1998 and completed in April 2000;

- the CALM buoy for NNPC offshore Nigeria; completed in December 2000;

- the CALM buoy for Eilat Ashkelon Pipeline Co. Ltd., (EAPC);

Technological highlights

- new concepts for combined floating production and drilling facilities have been developed based on subsea and surface completion;
- gas and cryogenic technology is being developed to make LPG extraction, storage, offloading and LNG storage, offloading, and re-gasification part of our capabilities;
- mid-water pipes for deep water developments;
- deepwater buoys.

Organisation

The SBM organisation has been adapted to handle major projects, using the full offshore group resources (i.e. SBM, IHC Gusto Engineering, SBM-IMODCO and MSC). The project procedures of all Group companies have therefore been aligned, and a corporate Intranet system developed to enhance worldwide project execution.

SBM Services for Offshore Systems

In 2000, SBM Services Division covered essentially four main areas of activities:

- after sales services;
- technical support (internally and externally) including services agreements;
- offshore contracting (including SBM's DSV, 'Dynamic Installer'); installation repair and maintenance of offshore facilities;
- delivery and servicing of all swivels as of end 2000.

Achievements for the year 2000:

- the division had a substantial level of activities, resulting in a significant growth for the year;

- the 'Dynamic Installer' exceeded her targeted number of days for the year, and was involved in projects in the Far East, South America, and South and West Africa;

- the offshore contracting group successfully installed, amongst others, the Espadarte FPSO in Brazil and the Yetagun FSO in the Far East;

- an important overall reorganisation was implemented to cater for the increased workload and to improve the speed and the quality of the services it provides.

Technological highlights

- upgrades and improvements to the offshore systems in service are constantly being studied to make these systems even more efficient and easy to operate;
- the capabilities of the 'Dynamic Installer' will be further enhanced by the addition of a deepwater ROV.

SBM Production Contractors

The mission of SBM Production Contractors is to safely operate, maintain, and optimise the performance of the fleet of FPSO and FSO units owned by the Group.

SBM Production Contractors leads the way in the lease and operation of such units, with the longest track record in the offshore contracting industry. By the end of the year 2000, more than 500 million barrels of oil had passed through the various units owned and operated by SBM Production Contractors. More than 900 offloading operations had been performed by the Group's marine crews, to send the oil to its final destination. All the above adds up to almost 60 years of cumulative experience in operating FPSO and FSO units.

When designing, constructing and operating a fleet of owned FPSO and FSO units, the SBM Group is continuously updating its internal operating philosophy, to reflect the latest techniques used on board these units. This philosophy has in turn an important bearing on the technical specifications of the units. The extent of this permanent feed back between the Group's operating units and new projects in various stages of design and construction is unique in the FPSO and FSO industry.

The Group is also continuously updating its policy in respect of safety and environmental protection, both of which rate high in the priorities of IHC Caland. In 1998, SBM Production Contractors Inc. obtained the SEP (Safety and Environmental Protection) certification from DNV, which is in excess of the ISM (International Safety Management) code imposed by IMO (International Maritime Organisation): it is the first and only company in the contracting industry to be SEP accredited for floating production facilities. In respect of Environmental Protection, the SEP system underpins the Group's existing high standards, with particularly strict monitoring of overboard discharges in compliance with MARPOL 73/78.

Through these 60 years of cumulative experience, SBM Production Contractors has achieved an outstanding rate of reliability and safety on board which compares favourably with the offshore industry as a whole. LTAF (Lost Time Accident Frequency) in the year 2000 was 2.2, i.e. there were five LTA's (Lost Time Accidents) involving

a loss of work time exceeding 36 hours, for the 2,272,134 manhours worked during the year. At the close of the year 2000, four of the Group's units had passed the milestone of one year without LTA, and two of the four had also achieved more than two years without LTA: FPSO Rang Dong 1 with 853 days and FPSO Tantawan Explorer with 804 days.

Competence assessment

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

The fleet

The year 2000 has been characterised by several important events, of which the most significant is the successful completion and start-up of the Espadarte FPSO for Petrobras, Brazil. This project, which was obtained during the third quarter of 1998, is an important step in the development of the FPSO experience and operating knowledge of the Group. The FPSO unit comprises a turret supporting an 11-stack swivel and 45 risers (production, gas lift, water injection and control umbilicals) connected to the underwater wells. On the deck of the tanker, modules for oil production (100,000 bpd), for produced water (50,000 bpd), for gas compression/gas lift (88 MMSCFD), for water injection (110,000 bpd) and for power generation (2 x 4.5 megawatt) are interconnected to form the complete processing facilities. The Espadarte FPSO has been delivered in 20 months from the Letter of Intent issued by Petrobras to the hook-up to the first underwater well in the Campos Basin, Brazil.
The oil production started in June 2000, only three days after the connection to the first underwater well was completed.

At the end of the year 2000, SBM Production Contractors had eleven lease and operating contracts in hand. A photograph and short description of each unit is contained in the Glossary which is included with this Annual Report.

The prospects for the coming year are rather encouraging. At the time of writing, agreement has been reached with JVPC to extend the charter contract for the Rang Dong 1 FPSO, originally for 3 years from mid 1998, for a further 7 years. The SBM Group has also received a preliminary order from ExxonMobil which it is hoped will lead to a contract for a leased and operated FPSO in West Africa. The client's decision, to be taken mid 2001, could well lead to an offshore production start-up of the FPSO before the end of the year 2002.

Other FPSO and FSO prospects indicate a strongly rising demand in lease and operating contracts from the offshore production industry. SBM Production Contractors is gearing itself up to respond aggressively and efficiently to this demand by securing a number of tankers of suitable size and quality, which will remain exclusively available to the Group.

Asset management

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

- monitoring the relationship between the actual performance of the company's assets, the related contractual obligations, and the overall economic lifetime of the units;
- development and introduction of standard technical systems, maintenance philosophies, maintenance standards and procedures;
- investigations into serious or persistent performance deficiencies to determine long-term corrective actions.

Overall, the SBM Group contributed a higher profit to the Group result than in 1999.

SBM's 'Dynamic Installer' driving anchor piles for an FPSO.

SBM-IMODCO Inc.

Management:
L. Smulders, *President*

SBM-IMODCO Inc. of Houston, Texas is, like the SBM Group, in the business of supplying mooring facilities to the oil industry for the production, storage, and (off)loading of hydrocarbons.

SBM-IMODCO also provides complete engineering and procurement services for the ultimate supply by SBM of FPSO's/FSO's. Last but not least, the company carries out deepwater research and development efforts for the Group.

The year 2000 brought major changes to SBM-IMODCO Inc., IHC Caland's main operating company in the USA. The company moved in its entirety from Los Angeles, California, to Houston, Texas. This was a consequence of the Group's decision in 1999 to concentrate all of its USA offshore activities in this American hub of the oil industry. Furthermore, it was decided to augment the capabilities of the company to include, in addition to the traditional product line of Imodco, the following new activities:

- the deepwater technology research and development effort for the Group;
- the capability to perform all engineering and procurement functions for a complete FPSO;
- the marketing of SBM Inc.'s line of products to the American market.

Kier buoy for the import of fuel oil for a power generating station at Pillaiperulmalnallur.

Until the end of 1999, SBM and IMODCO had operated as independent companies, both marketing their own products. Effective 1 January 2000, while still operating as independent companies, integration of sales efforts has been implemented. SBM-IMODCO now markets the products of SBM and SBM-IMODCO to buyers located in the Americas, while the SBM companies market the products of SBM-IMODCO and SBM everywhere else in the world. This allows the Group's worldwide customers to decide which design they want to purchase.

The following major orders were obtained in 2000:

- a CALM buoy for the Chilean National Oil Company, ENAP; the buoy will provide a safe berth to deliver crude oil to the ConCon refinery at Valparaiso, Chile;

- a Front End Engineering and Design (FEED) study on behalf of Brown & Root Energy Services (BRES) for ExxonMobil's ultra deepwater block 15, offshore Angola. It included the FPSO hull and mooring system, as well as the complete, associated export system;

- subcontract from SBM Inc. to execute the FEED study received from Conoco Indonesia for the gas processing FPSO for the Belanak field. This ultra large FPSO will have gas compression and LPG extraction and offloading facilities;

- a subcontract from SBM to perform the detailed engineering and procurement services for the 1-C expansion project of the Kuito FPSO.

The time is getting closer when the operators in the Gulf of Mexico, where pipelines to shore were developed as part of the oil field infrastructure, will start to use FPSO's/FSO's systems as offered by the Group, due to the remoteness of the new oil frontier from the existing grid. SBM-IMODCO will focus on this new market development.

The following orders were completed:

- the supply of the ultra large turret for the Espadarte FPSO for SBM;

- the supply and installation of a CALM system for the UK Operator Kier to import fuel oil to a power plant at Pillaiperulmalnallur on the East Coast of India;

- a significant number of orders for maintenance spare parts for existing systems and start-up spares for recent deliveries.

The result for the year was less than in 1999, partly due to the business environment, and partly to the relocation of the office from Los Angeles to Houston.

IHC GUSTO ENGINEERING B.V.

Management:
S.A.W. Janse, *Managing Director*

IHC Gusto Engineering provides design, engineering and consultancy services, mainly for the offshore oil industry. The core competence of IHC Gusto Engineering is the development of complete class approved designs for custom-built work vessels and platforms, such as dynamically positioned (d.p.) drilling vessels, work-over, pipe-lay and crane vessels, large capacity offshore cranes and jack-up platforms. Also included are special craft and mechanical constructions such as high capacity winches and thruster retrieval systems.
In addition, IHC Gusto Engineering provides design services for the SBM Group, supplying all topsides and conversion engineering for its tanker-based floating production, storage and offloading systems, as well as mechanical engineering for critical components where it has expertise.

The most important achievements during the year 2000 were:

- delivery of two d.p deepwater drillships of the Gusto-10000 design, i.e. the 'C.R. Luigs' and the 'Jack Ryan', to Global Marine Drilling;
- completion of the design of the heavy derrick lay barge for CNOOC, which was successfully built in Yantai Raffles shipyard in China;
- good progress at Hyundai Mipo Dockyard on Coflexip Stena Offshore's reel-pipe-lay vessel 'Deep Blue' (hull based on the Gusto-10000 drillship);
- substantial engineering assistance to SBM and SBM-IMODCO;
- design of the largest platform lifting vessel in the world, the 'Pieter Schelte' for Excalibur. The hull is designed as a catamaran, formed from two VLCC tankers. Two different lifting systems are designed: the topside lifting system, able to lift topsides up to approximately 48000 tons, and the jacket lifting system, for jackets up to 25000 tons;
- considerable growth in all departments (naval architectural, structural and mechanical design, process systems, piping systems, electrical and instrumentation systems and project management);
- ISO-9001 certification for IHC Gusto Engineering's quality management system.

Technological highlights

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

- based on the success of the Gusto-10000 d.p deepwater drillships, the Gusto-5000 d.p drillship was designed and marketed for the mid-water range (up to approximately 5000 feet). Also, a special version of this design has been made to allow the vessel to enter the Caspian Sea through the entrance channels and locks;
- development of a Multi-Service Vessel (MSV), which has capabilities for deepwater well intervention and work-over activities, and has facilities for installation work;
- for future LNG/LPG FPSO's, IHC Gusto Engineering is extending its expertise for the design of LNG/LPG process installations and LNG/LPG vessel storage systems.

The company achieved a higher profit than in 1999.

Dynamic positioned drillship 'C.R. Luigs'.

MARINE STRUCTURE CONSULTANTS (MSC) B.V.

Management:
C.J. Mommaas, *Managing Director*

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.

The MSC designed self-propelled jack-up 'Wind' installing a windmill offshore Sweden.

The most important achievements during the year 2000 were:

- an order from Hyundai Heavy Industries for the basic design, and essential patented equipment in connection with its order from Maersk Contractors for an MSC CJ 70-150 drilling jack up. The jack-up platform is designed to operate in the northern North Sea, in waterdepths of up to 150 metres, and will be equipped with the MSC patented XY-Cantilever. A second such unit was ordered shortly after year-end;

- design work for the development of the SFXpress series of drilling semi-submersibles with (Transocean) Sedco Forex;

- further involvement in semi-submersibles with orders from Halliburton and from Keppel/FELS, for design work on the SEMI-2 and West Alliance tender rig.

The increased oil price had a positive effect on the exploration side of the oil and gas business and consequently on MSC's market for drilling units. This is reflected in new orders this year and potential orders for 2001.

MSC has not yet received any further orders for the production side of the business since the MOPUSTOR for Statoil's SIRI project offshore Denmark. The company however, continues development and marketing of production platforms based on technology proven for mobile and semi-submersible drilling units.

The company profit was slightly higher than that for 1999.

DREDGER/SHIPBUILDING ACTIVITIES

IHC HOLLAND NV

Management:
J. van Sliedregt, *President*
F. Brouwer, *Finance Director*

With more than 300 years experience, IHC Holland is the world market leader in designing and building custom-built and standard types of dredging equipment. Unlike most other shipyards which tend to subcontract their activities as much as possible, IHC Holland has chosen to execute in-house all the high technology activities which are essential in the dredging industry. These include the design and construction of dredging installations and dredging components, hydraulic installations, and instrumentation and automation systems. IHC Holland stands out in the sector for its substantial investment in R&D for product development. This is executed in the research institute and laboratory of MTI Holland which works both on development for current projects, and on independent concepts.

Fabrication takes place either at one of the company's two modern building facilities in the Netherlands, or at the facilities of its sister companies Merwede Shipyard and van der Giessen-de Noord. Fabrication can also take place at local yards when this is advantageous for reasons of foreign currency restrictions or national interest, or when required by the client. Where such local fabrication is required, the company provides the design and technical assistance, as well as control systems for the dredger, and components for the dredging installation.

In the IHC Caland Group, IHC Holland and its sister company Merwede Shipyard are really the only companies that have an important home market, namely the strong and trend-setting Dutch and Belgian dredging contractors. Together with their demanding customers, suppliers, etc., one could consider this a 'cluster'.

The company intends to retain its leading position in the market for dredging equipment. Nevertheless, in order to be less dependent on the construction of dredging equipment only, IHC Holland has already entered into a number of other markets, where its know-how and production facilities can be utilised. In this context, a further strategy reorientation took place during 2000 which resulted in a modified mission for the company.

Two small hopper dredgers 'rainbowing'.

Two activities have been targeted for further growth: construction of specialised foundation equipment, and construction of tunnel boring machines for soft soil. The increasing demand for underground infrastructure in urban areas, which are often situated in river estuaries containing soft soil, offers good opportunities for these activities.

In order to efficiently tackle the new enlarged company mission, IHC Holland has modified the company structure and now consists of three major business units. These are Dredging, Foundation and Tunnelling.

In the market for dredging equipment, China is a very important market. IHC Holland has therefore established a local Chinese service centre which is responsible for product support activities including the supply of spare parts and components. As in many developing countries, there is considerable pressure to manufacture locally, and to increase local purchase of components. To cope with this trend, the activities of the service centre will be extended. In a similar vein, IHC Parts and Services will open a Singapore branch in the first quarter of 2001. This in order to support the operations of the many clients whose 20 hopper dredgers are working there on large land reclamation projects in Singapore.

In order to improve its access to the North American market for hydrohammers, the business unit Foundation Equipment has purchased the assets of one of its competitors, and transferred them to a newly incorporated American company, Vulcan Foundation Equipment Inc.

The number and size of new orders for construction of dredging equipment was slightly lower than forecasted at the start of the year 2000, and also lower than the previous financial years.

It should be noted however, that the previous years were exceptional due to the demand for the 'jumbo' hopper dredgers. These are very large investments inflating the overall value of dredging related orders. Of the 13 jumbo hopper dredgers which will have been delivered worldwide by the end of the year 2003, ten will have been supplied by IHC Holland. The order intake during the year for equipment not related to the dredging business was satisfactory.

The following major orders were obtained in 2000:

- a 2000 m^3 hopper dredger for Compagnie Européenne de Transport de l'Atlantique, France;
- a 1200 m^3 hopper dredger for Sri Lanka Ports Authority, Sri Lanka;
- a 5000 m^3 hopper dredger for DEME Building Materials NV, Belgium;
- a 12000 m^3 hopper dredger for China Harbour Engineering Corporation (CHEC);
- fourteen cutter suction dredgers of the Beaver standard series for clients around the world;
- a cooperation contract with IHC Holland Engineering for nine cutter suction dredgers and one 1000 m^3 hopper dredger to be built in China;
- four tug boats by Delta Shipyard, including one 28 metre Azimuth tug, for clients in Holland and Sudan;
- 289 sets of SUPREME® stern tube seals of various dimensions and types and 216 LIQUIDYNE® pump shaft seals sold by IHC Holland Lagersmit;
- twelve hydrohammers ranging from the SC 30 to the S 280 model were sold and delivered by IHC Foundation Equipment. Two F12 Fundex Piling Equipment units were sold and delivered, and there was a strong increase in the hiring out of hydrohammers;
- two fully intelligent integrated bridges including a complete dredging instrumentation package by IHC Systems for two 16500 m^3 hopper dredgers under construction at a yard in Spain for Jan de Nul Dredging NV.

Operating cabin including full automation systems of cutter suction dredger 'Al Mirfa'.

The above mentioned orders, together with the ongoing demand for spare parts and components, generated a decent order intake. Together with the order backlog at the start of the year 2000, this resulted in the shipyards and other business units being fully occupied during 2000. Considerable work has also been subcontracted to sister companies or third parties. The order portfolio at the end of December 2000 guarantees a solid workload through to the middle of 2002.

During the year 2000 fewer contracts were completed than in the previous year. The most important deliveries were:

- the 17000 m³ hopper dredger 'Nile River' for DEME, Belgium;
- the 4400 m³ hopper dredger 'HAM 317' for Sodranord SARL France, a wholly owned subsidiary of Hollandsche Aannemings Maatschappij (HAM);
- the 2200 m³ hopper dredger 'Dunarea' for Administratia Fluviala A Dunarii de Jos, Romania;
- the 10500 kW cutter suction dredger 'Al Mirfa' for National Marine Dredging Corporation, Abu Dhabi;
- the 2000 m³ hopper dredger 'Moniflor' for Compagnie Européenne de Transport de l'Atlantique, France, built by IJsselwerf Projects BV, a 100% subsidiary of van der Giessen-de Noord;
- eleven cutter suction dredgers of the standard Beaver series, for clients in France, Iceland, China, Bangladesh, Vietnam and the United Arab Emirates;
- two cooperation agreements for IHC Holland Engineering for design, engineering and/or supply of components for a cutter suction dredger and a hopper dredger to be built in China;
- two tug boats delivered by Delta Shipyard for clients in Tanzania and the United Arab Emirates;
- complete refurbishment, including replacement of the dredging instrumentation and automation of the 5000 m³ hopper dredgers 'Macapa' and 'Boa Vista' for Dragaport Ltd., Brazil;
- 53 complete dredging pumps delivered by IHC Holland Parts & Services. Among these was the company's 'millennium' (1000th) pump, which will be installed in the 23700 m³ hopper dredger 'HAM 318', presently under construction for HAM Dredging Ltd., United Kingdom.

Technological highlights

- the cutter suction dredger 'Al Mirfa', which is under construction by IHC Holland Beaver Dredgers for NMDC, is equipped with high efficiency dredge pumps, a complete cutter automation and reporting system as well as speed controlled AC electric motors on the cutter, submerged dredge pump and winches;
- IHC Holland Parts & Services designed and built a so-called Variblock for the hopper dredger 'Waterway', under construction at Merwede Shipyard for Royal Boskalis Westminster. The Variblock transmits the power of diesel engines to the dredging pumps. At a constant input r.p.m. it is possible to supply a variable outgoing r.p.m. with minimum loss of overall efficiency. The possibility exists to adjust for various process parameters such as vacuum, discharge pressure and dredge mixture velocity;
- a five axes numerical controlled pattern-milling machine has been installed in the pattern shop of IHC Holland Parts & Services. This enables IHC Holland Parts & Services to transfer very precisely a three dimensional CAD generated hydraulic design via a CAD/CAM link into the machine which then manufactures in a fully automated manner patterns to be used in the foundry process. This kind of machine is indispensable for the production of high efficiency impellers with doubled curved blades;
- IHC Handling Systems has developed a huge upending frame for offshore piles with diameters up to 84 inch (approximately 2 metres). This frame facilitates the safe upending of the heavy piles on board of crane vessels with one crane only. The vertical holding force is 350 tons;
- in another field of underground construction, trenches technologies for pipelines and cables, IHC Tunnelling Systems is working on the development of a combi-boring technology for pipelines and cables. This method combines the advantages of horizontal directional drilling with pipejacking using a tunnel-boring machine.

Synergy

A couple of interesting examples of cross-divisional synergy deserve a mention:

The first is in the development of the DP/DT (Dynamic Positioning/Dynamic Tracking) system which was developed by IHC Systems with the assistance of IHC Gusto Engineering for the dredging industry. For each vessel to be equipped with this system IHC Gusto Engineering determines the ship's parameters and behaviour model.

The second example is the cooperation between SBM and IHC Holland in the field of swivel fabrication. In order to protect the Group's proprietary know-how, it was decided some time ago to concentrate the production of high pressure swivels in a dedicated swivel manufacturing facility as part of IHC Holland's Parts & Services machine shop. Having this project 'in the family' also facilitates ongoing swivel development.

In 2000, IHC Holland contributed a record profit to IHC Caland. Overrecovery of indirect costs due to the high workload contributed considerably to this result.

MERWEDE
shipyard

MERWEDE SHIPYARD

Management:
A.J. Houweling, *Managing Director*
T. Rietdijk, *Finance Director*

Merwede Shipyard designs and builds custom-built dredging and merchant vessels. It also has a small ship repair facility, used mostly for local dredging contractors, inland (motor) barges and tugs. Working regularly for the local dredging contractors in the repair business is strategically important as it enables the Group to have regular contact with the technical departments of the contractors. Finally, Merwede Shipyard is involved in the manufacturing of furniture and ship's interior outfitting, and valves and fittings for the offshore oil and petrochemical industry.

Merwede Shipyard joined the IHC Caland Group at the beginning of 1993. The company has a history of more than one hundred years and in general a very high level of client satisfaction.

Merwede Shipyard is convinced that satisfactory results can only be achieved in markets for complicated custom-built ships designed in close cooperation with demanding owners.

The types of vessels it focuses on are:

River cruise ships

Extensive luxury accommodation and short delivery periods for custom-built ships suit the Merwede Shipyard's production facilities.

Luxury river cruise vessel built by Merwede Shipyards for Viking River Cruises.

Tailor-made specialist vessels

Classic type fully rigged cruise passenger sailing ships like the Royal Clipper.

Dredgers

Merwede Shipyard has a good track record in the field of hopper dredgers.

Ferries

An interesting category of ships suitable for the shipyard's own design offices and shipbuilding facilities. Whereas van der Giessen-de Noord operates in the market for Ro-Pax ferries, Merwede Shipyard can play an interesting role in this sector for smaller ferries.

Taking the above into account, it is not surprising that in 2001 Merwede Shipyard will be giving high priority to newbuilding enquiries from these niche markets.

The following major orders were obtained in 2000:

- four river cruise vessels for K.D. Triton AG, a subsidiary of Viking River Cruises. These four vessels represent a new design made in close cooperation with the customer in order to further adapt the vessels to their trade and clients;

- a 4900 m^3 trailing hopper dredger for Westminster Dredging Company Ltd. (UK), a subsidiary of Royal Boskalis Westminster N.V. This vessel is identical to a vessel delivered in 1999.

The following orders were completed:

- three river cruise vessels for Viking River Cruises;

- the five mast sailing vessel delivered to Star Clippers Ltd., USA, whose main office is in Monaco.

The order book at the end of 1999 secured a very satisfactory occupancy for the newbuilding division in 2000. With the present order book, and taking into account the new DEME order for a copy of the 13000 m^3 hopper dredger, the 'Lange Wapper', the workload will be high until mid 2002. The high level of interior works on the river cruise vessels gives a good occupancy for the Interior Builders business unit. This division with its high quality craftsmanship improves Merwede Shipyard's chances to take a prominent position in building river cruise vessels and small sea-going cruise vessels.
The business units Repair and Valves achieved only moderate occupancy in the year 2000, which was slightly below expectations.

A reasonable profit was realised in spite of a loss on one of the vessels delivered.

van der Giessen-de Noord N.V.

VAN DER GIESSEN-DE NOORD N.V.

Management:
D.J. Brink, *President*
W. Stout, *Managing Director*
W. van der Graaf, *Director*

van der Giessen-de Noord builds custom-built vessels with a high degree of complexity, such as Ro-Ro ferries, fast Ro-Pax ferries, working vessels for the offshore industry and cablelay vessels. In addition, since its acquisition by IHC Caland in 1997, van der Giessen-de Noord builds very large hopper dredgers which cannot be built by IHC Caland's other shipyards because of the dimensions of the slipway required.

The main competitors of van der Giessen-de Noord are Aker Finyards (Finland), Fincantieri (Italy), H.D.W. and Flender (Germany), IZAR (Spain) and Hyundai Mipo (Korea).

The following major orders were obtained in 2000:
- a chemical tanker for ALINA Shipping Ltd, Isle of Man;
- a luxury passenger vessel for SETE Triton Ltd, Cayman Islands;
- a Ro-Pax ferry for Société d'Armement Maritime du Calvados (Brittany Ferries), France;
- a cable maintenance vessel for Global Marine Systems Ltd, England;
- a multi-purpose offshore working vessel for Toisa Ltd, Bermuda;
- a Ro-Pax ferry for Société Nationale Maritime Corse Méditerranée, France.

The following orders were completed:
- two Ro-Pax cruise ferries for Strintzis Lines, Greece;
- the 2000 m^3 hopper dredger for Compagnie Européenne de Transports de L'Atlantique, France, in cooperation with IHC Holland.

Technological highlights

van der Giessen-de Noord has a modern covered slipway 250 metres long and 50 metres wide. The adjoining construction floor enables van der Giessen-de Noord to join smaller blocks into pre-outfitted heavy blocks of a weight up to 1000 tons. These blocks are then moved onto the slipway by rolling transport. This new method of construction was first used for the two ferries for Strintzis Lines. Because of the length of the slipway, two vessels can be built simultaneously. This way of building vessels gives a very competitive construction period.

Besides ongoing improvements of the method of construction, plans have been developed in the year 2000 to improve the cutting and forming of plates, the first stage of construction. The improvements include, amongst others, connecting the CAD/CAM system to cutting and forming machines and the introduction of a logistic control system. The construction activities for this project have started.

In addition to improvements in the production process, attention is continuously given to product development, a good example being the two Ro-Pax ferries for Strintzis Lines delivered in 2000. The speed (up to 29 knots) of these vessels and the accompanying power of the engines, combined with demanding limitations on levels of vibration and noise, require in-depth knowledge of hull shape, propulsion, materials and construction. The success of these vessels was one of the reasons van der Giessen-de Noord received two new orders for fast Ro-Pax ferries.

The yard is fully booked until almost the end of 2002. Because of the high capacity utilisation and process improvements, the pre-tax result for 2000 was higher than the year before.

Ro-Pax ferry Blue Star I, built by van der Giessen-de Noord for Strintzis Lines, Greece.

NKI GROUP B.V.

Management:
G. Aerts, *Managing Director*
B. den Bezemer, *Director*

Over the past 25 years, NKI has built a reputation for quality and excellence in the airport market. The company has been involved in more than 350 airport terminal projects in 65 different countries, both in new airports, and in extension and renovation projects for existing airports.

NKI's core competence lies in the design, engineering, manufacturing, installation, and project management of integrated turnkey airport terminal projects.
Its scope of work comprises complete check-in islands, directional signs, airport shop areas and waiting lounges. The NKI taxiway guidance signs fully comply with the latest ICAO (International Civil Aviation Organisation) regulations and recommendations.

In 2000, NKI took over Aviobridge, which is now operating under the name NKI Aviobridge. Aviobridge was founded in 1959, and was the first European company to manufacture and install passenger-loading bridges.

The 7% annual increase in passenger and cargo air traffic requires a permanent renovation and extension effort from all major airports in the world. In addition, due to growing attention to environmental issues as well as the implementation of government safety regulations for air traffic in densely populated areas, the importance of several regional airports is increasing substantially, and here also many extensions are planned.

The development of ultra large planes such as the Airbus 380 will also require modification to airport terminals and equipment.

Finally, the continuing privatisation of airports together with the globalisation of the world market will result in a very competitive market environment in which price will be the key factor. Nevertheless, market expectations for 2001 are positive.

Some recovery is already evident in Asia, although the expansion of the airport market in Eastern Europe and the CIS countries is much slower than expected. The repositioning of NKI in the American market is developing well.

The following major orders were obtained in 2000:
- renovation of ten Avio passenger-bridges, at Heathrow Airport, London;
- delivery of Avio passenger-bridges for E-pier, Schiphol Airport, Amsterdam;
- interior renovation contracts for Fort Lauderdale and Atlanta Airports in the USA;
- various renovation projects at Domodedovo Airport in Moscow;
- renovation project for three airports in Namibia;
- contract for the interior of the new terminal at Ben Gurion Airport, Israel;
- contract for the delivery and installation of 20000 guidance signs for the railway stations of the New West Rail for KCRC (Kowloon Canton Railway Corporation) in Hong Kong;
- renovation project for Warsaw Airport, Poland;
- various orders for taxiway guidance signs.

The following orders were completed:
- supply of interior for the new Sparta Airport, Athens, Greece;
- extension at Chek Lap Kok Airport, Hong Kong;
- various renovation projects at Domodedovo Airport, Moscow;
- various projects at Schiphol Airport, Amsterdam;
- renovation project at Changi Airport, Singapore.

For various reasons, including the integration of Aviobridge, 2000 was not financially successful for the company. It is hoped that 2001 will show an improvement.

Conclusion

As is clear from the above report, the Group has mixed feelings about the year 2000. While the offshore division was busy bringing two new lease units onstream, the new order intake was low because of continuing delays in offshore project decisions. The situation in the dredger/shipbuilding activities was quite the opposite, with order intake reaching a new peak, and all the Group's yards fully occupied.
Nevertheless, the profit forecast was achieved, and there was a strong increase in cash flow. In addition, considerable efforts were put into bidding for a large number of projects, which while not bringing any results in 2000, is certainly laying the foundations for the future. All of this could only be achieved through the hard work and dedicated motivation of the employees of the Group.

The Board of Management fully recognises this, and would like to express its appreciation to the Management of the Group companies and their employees for the results achieved.

Schiedam, 30 March 2001

Board of Management
J.J.C.M. van Dooremalen, President and CEO
G. Docherty, Managing Director and CFO
D. Keller, Managing Director
F. Blanchelande, Director
D.J. van der Zee, Director

Shareholders information regarding the Supervisory Board

For the benefit especially of our UK and USA based shareholders, we feel that it is useful to explain that in the Netherlands, companies have a two-tier management system. IHC Caland is managed by a Board of Management with a President and Chief Executive Officer as its Chairman. In addition there is a Supervisory Board, consisting only of outside non-executive members, which supervises and advises the Board of Management. Certain issues specified in the by-laws of the company such as the appointment/dismissal and remuneration of the members of the Board of Management, are the exclusive responsibility of the Supervisory Board, while investments above a certain level, divestments, issuing of shares, etc. also require its approval. 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.

Background information on the individual Members of the Supervisory Board

H. Langman – Nationality: Dutch
A former Minister of Economic Affairs of the Kingdom of the Netherlands and a former member of the Executive Board of ABN-AMRO Bank N.V.

Supervisory directorships:
Chairman of the Supervisory Board of Getronics NV
Chairman of the Supervisory Board of HAL Holding N.V.
Chairman of the Supervisory Board of Moeara Enim N.V.
Chairman of the Supervisory Board of Siemens Nederland N.V.
Chairman of the Supervisory Board of Vendex NV
Chairman of the Supervisory Board of Van Lanschot Bankiers N.V.
Member of the Supervisory Board of Oranje Nassau Group B.V.

First appointment 1990.
Current term of office: 1998-2002.

J.M.H. van Engelshoven – Nationality: Dutch
A former Group Managing Director of
Royal Dutch Petroleum Company.

Supervisory directorships:
Chairman of the Supervisory Board of
Royal Schelde Group B.V. (Until August 2000)
Chairman of the Supervisory Board of
Internatio-Müller NV
Chairman of the Supervisory Board of
Smit Internationale NV
Chairman of the Supervisory Board of
Royal Tropical Institute
Chairman of the Supervisory Board of N.V. SEP
Member of the Supervisory Board of
Royal Dutch Petroleum Company (Until July 2000)
Member of the Supervisory Board of
ABN-AMRO Holding N.V.
Member of the Supervisory Board of
Delta Lloyd Insurance Group N.V.
Member of the General Energy Board

First appointment 1991.
Current term of office: 1999-2003.

A.P.H. van Baardewijk – Nationality: Dutch
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 GTI nv
Member of the Supervisory Board of
Van Oord Group N.V.

First appointment 1993.
Current term of office: 1997-2001.

J.D. Bax – Nationality: Dutch
A former President and CEO of IHC Caland N.V.

Supervisory directorships:
Chairman of the Supervisory Board of
TBI Holdings B.V.
Chairman of the Supervisory Board of
Oranjewoud Beheer BV
Chairman of the Supervisory Board of
Mammoet Holding BV
Vice-Chairman of the Supervisory Board of VIB N.V.
Member of the Supervisory Board of
AON Group Nederland BV
Member of the Supervisory Board of
Koninklijke Frans Maas Groep N.V.
Member of the Supervisory Board of
Smit Internationale NV
Member of the Supervisory Board of
the Netherlands Pilotage Association
Member of the Supervisory Board of
Heerema Fabrication Group
Member of the Supervisory Board of
Handelsveen Beheer BV

First appointment 1999.
Current term of office: 1999-2003.

D. Goguel-Nyegaard – Nationality: French
A former Senior Vice-President of Elf Aquitaine.
Ethics Mediator for Total Fina Elf.

Supervisory directorships:
Chairman of the Board of
Elf Hydrocarbons Holding n.v.

First appointment 1999.
Current term of office: 1999-2003.

A.G. Jacobs – Nationality: Dutch
A former Chairman of the Executive Board of
ING Group N.V.

Supervisory directorships:
Chairman of the Supervisory Board of
Joh. Enschede B.V.
Vice-Chairman of the Supervisory Board of
NV Verenigd Bezit VNU
Vice-Chairman of the Supervisory Board of
Buhrmann N.V.
Member of the Supervisory Board of
ING Group N.V.
Member of the Supervisory Board of
Royal Dutch Petroleum Company
Member of the Supervisory Board of
Nederlandse Spoorwegen N.V.
Member of the Supervisory Board of
Strukton Group N.V.
Member of the Supervisory Board of Euronext N.V.

First appointment 1998.
Current term of office: 1998-2002.

Annual Accounts 2000

Consolidated profit and loss account

in thousands of euros

	Notes	2000		1999	
Net turnover	1	**827,719**		1,229,224	
Changes in stocks and work in progress		**30,258**		(141,884)	
Own work capitalised		**149,865**		207,595	
Other operating income		**8,388**		5,983	
Operating income			**1,016,230**		1,300,918
External costs	2	**643,612**		957,855	
Wages and salaries	3	**146,579**		136,239	
Social security costs	4	**28,033**		28,446	
Depreciation	8	**85,040**		62,631	
Other operating costs		**13,245**		30,108	
Operating costs			**916,509**		1,215,279
Operating profit	5		**99,721**		85,639
Share of results of associated companies	9	**32**		52	
Other financial income/(expense)	6	**(10,534)**		1,930	
Financial income/(expense)			**(10,502)**		1,982
Profit before taxation			**89,219**		87,621
Taxation	7		**13,689**		17,712
			75,530		69,909
Minority interests			**346**		414
Net profit			**75,184**		69,495

Weighted average number of shares outstanding	**28,084,722**	27,656,305
Net profit per share	**€ 2.68**	€ 2.51
Fully diluted net profit per share	**€ 2.66**	€ 2.50

(Calculated in accordance with IAS 33)

Consolidated balance sheet

in thousands of euros (after proposed appropriation of profit)

	Notes	31 December 2000		31 December 1999	
Fixed assets					
Tangible fixed assets	8	**771,226**		609,600	
Financial fixed assets	9	**7,782**		4,445	
	14		**779,008**		614,045
Current assets					
Stocks		**31,179**		29,965	
Work in progress less instalments received	10	**92,485**		76,562	
		123,664		106,527	
Receivables	11	**157,437**		226,191	
Securities	12	**16,332**		13,329	
Cash and cash equivalents	13	**252,963**		185,915	
	14	**550,396**		531,962	
Current liabilities	15/19	**501,468**		465,978	
Net current assets			**48,928**		65,984
Net assets			**827,936**		680,029
Long-term debt	16/19		**413,955**		319,312
Provisions	17/19		**8,332**		9,974
Investment premium equalisation account	18/19		**8,790**		9,370
Group equity					
Shareholders' equity	20	**394,796**		339,056	
Minority interests		**2,063**		2,317	
			396,859		341,373
Capital employed			**827,936**		680,029

Consolidated statement of cash flows

in thousands of euros

		2000		1999	
Operations					
Trade debtors		**962,663**		968,827	
Trade creditors		**(464,003)**		(736,997)	
Wages and salaries, social security costs		**(173,223)**		(169,465)	
Vessel operating costs		**(23,227)**		(15,540)	
Other operating costs		**(184,589)**		(169,127)	
Other receipts / (payments), net		**(8,486)**		2,711	
		109,135		(119,591)	
Own work capitalised (included in Investments in tangible fixed assets)		**149,865**		207,595	
Cash flow from operations			**259,000**		88,004
Dividends from associated companies		**61**		98	
Interest income		**15,785**		11,908	
Interest expense		**(33,416)**		(13,495)	
			(17,570)		(1,489)
Taxation			**(13,153)**		(12,135)
			228,277		74,380
Investments					
Investments in tangible fixed assets		**(207,891)**		(224,081)	
Disposals of tangible fixed assets		**455**		2,030	
Investments in associated companies		**(1,146)**		(1,100)	
Goodwill paid		**(628)**		(3,915)	
Disposals / repayments associated companies		**234**		–	
			(208,976)		(227,066)
			19,301		(152,686)
Financing					
Issue of share capital		**6,707**		3,828	
Dividends paid		**(22,304)**		(19,056)	
Additions to long-term debt		**318,419**		181,886	
Reductions in long-term debt		**(246,881)**		(26,461)	
Investments in other financial fixed assets		**(4,096)**		(264)	
Disposals / repayments other financial fixed assets		**135**		380	
			51,980		140,313
Net in/(out)flow			**71,281**		(12,373)
Currency differences			**(1,230)**		17,491
Increase / (decrease) in cash and cash equivalents, securities			**70,051**		(5,118)
Reconciliation Operating profit / Cash flow from operations	Operating profit		**99,721**		85,639
	Depreciation		**85,040**		62,631
	(Increase) / decrease in stocks and work in progress less instalments received	**(17,137)**		42,197	
	(Increase) / decrease in receivables	**68,754**		(123,050)	
	Increase / (decrease) in current liabilities	**35,490**		48,275	
	Movement in other net current assets		**87,107**		(32,578)
	Included in movement in other net current assets, but not related to operations		**(12,868)**		(27,688)
	Cash flow from operations		**259,000**		88,004

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 € 1.06 (1999: € 0.99).

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.
The mechanics of the conversion are that assets and liabilities, with the exception of FPSO's/FSO'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 FPSO's/FSO'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.

Principles of valuation and 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 costs 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.

Tangible fixed assets
Tangible fixed assets are stated at historical cost less 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, sub-contractors, 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 FPSO's/FSO's and the dynamically positioned diving support vessel 'Dynamic Installer'.
Depreciation of long-term leased FPSO's/FSO'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:

Land and buildings	30-50 years
Vessels and floating equipment (almost entirely FPSO's/FSO's):	
• Newbuilt FPSO's/FSO's	20 years
• FPSO's/FSO's based on converted tankers, including refurbishment Amortised to scrap value over their remaining useful life;	10-15 years
• 'Non-recoverable' investments 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;	3-15 years

- Other FPSO/FSO 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;

Machinery and equipment	5-20 years
Other fixed assets	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, in which year this company was restructured. A similar writedown took 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.
The difference between cost and net assets value of acquired interests in Group and associated companies is accounted for against shareholders' equity as goodwill in the year of acquisition.

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

Net turnover comprises amounts invoiced for completed orders delivered in the year and the total of the day-rates earned in the year from long-term FPSO/FSO lease/operate contracts.

Determination of results

Profit on orders is not taken until the order has been delivered to the client. The only exception is in respect of long-term leases of FPSO's/FSO's, where profit is taken on an annual basis 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.

1. Net turnover

By geographical area:

	2000		1999	
		%		%
The Netherlands	**56,241**	**7**	62,094	5
Rest of Europe	**402,137**	**49**	354,382	29
North, Middle and South America	**108,591**	**13**	30,602	2
Africa	**75,184**	**9**	379,552	31
Middle-East / Asia / Australia	**185,566**	**22**	402,594	33
	827,719	**100**	1,229,224	100

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:

	2000		1999	
		%		%
Offshore	**272,406**	**33**	550,567	45
Dredger/specialised shipbuilding	**555,313**	**67**	678,657	55
	827,719	**100**	1,229,224	100

2. External costs

External costs are net of government subsidies ('Generieke steun') of € 20.9 million in respect of the Group's dredger/shipbuilding activities (1999: € 8.4 million).

Direct research and development costs amounted to € 6.9 million (1999: € 9.8 million). Considerable research and development 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 € 2.4 million (1999: € 2.6 million). Also included is the remuneration of a former Managing Director.
The performance related part of the remuneration equals 27% (1999: 43%).

The remuneration of the Supervisory Board amounted to € 117,000 (1999: € 108,000).

The number of employees was as follows:

	2000		1999	
	Average	**Year-end**	Average	Year-end
The Netherlands	**2,591**	**2,609**	2,414	2,573
Abroad	**929**	**952**	876	906
	3,520	**3,561**	3,290	3,479

4. Social security costs

Included are pension premiums amounting to € 7.3 million (1999: € 8.9 million).
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. Operating profit

By business segment:	**2000**		**1999**	
		%		*%*
Offshore	**71,815**	**72**	56,162	65
Dredger/specialised shipbuilding	**32,267**	**32**	34,889	41
Holding	**(4,361)**	**(4)**	(5,412)	(6)
	99,721	**100**	85,639	100

6. Other financial income/(expense)

	2000	**1999**
Income from financial fixed assets	**157**	172
Interest received	**15,413**	12,065
Interest paid *)	**(26,104)**	(10,307)
	(10,534)	1,930

**) Net of € 6,168 (1999: € 6,928) capitalised under Investments in tangible fixed assets.*

7. Taxation

	2000	**1999**
Taxation due	**14,610**	17,821
Movement provision for deferred taxation	**(921)**	(109)
	13,689	17,712

As a result of Group's fiscal policy the overall effective tax burden of 15.3% (1999: 20.2%) is significantly lower than the weighted average nominal tax rate of the major countries from which it is operating.
The tax burden for this financial year is adjusted by a positive amount of € 1.0 million in respect of previous years' accruals.

8. Tangible fixed assets

	Land and buildings	Vessels and floating equipment	Machinery and equipment	Other fixed assets	Under construction	**Total**
At 1 January						
Cost	141,582	682,368	68,427	57,495	145,565	1,095,437
Accumulated depreciation	(100,561)	(286,515)	(57,223)	(41,538)	–	(485,837)
Book value	41,021	395,853	11,204	15,957	145,565	**609,600**
Movements						
Investments	1,783	343,836	4,943	4,517	(141,020)	214,059
Disposals	–	(591)	(206)	547	–	(250)
Depreciation	(3,077)	(75,313)	(2,777)	(3,874)	–	(85,041)
Currency differences	98	16,246	–	41	10,581	26,966
Other movements	(17)	5,349	637	(65)	(12)	5,892
	(1,213)	289,527	2,597	1,166	(130,451)	161,626
At 31 December						
Cost	143,429	975,480	71,438	58,888	15,114	1,264,349
Accumulated depreciation	(103,621)	(290,100)	(57,637)	(41,765)	–	(493,123)
Book value	39,808	685,380	13,801	17,123	15,114	**771,226**

'Land and buildings' includes harbours and slipways.

'Vessels and floating equipment' at year-end include:
- six integrated floating production, storage and offloading systems (FPSO's), each consisting of a converted tanker, a processing plant and a mooring system including the swivel stack;
- five floating storage and offloading systems (FSO's), consisting of a converted tanker and a mooring system including the fluid transfer system;
- the 'Dynamic Installer', a dynamically positioned diving support vessel;
- the 'Jamestown', a second-hand FPSO.

An amount of € 6,168 third party interest has been capitalised during the financial year under review.

The items 'Vessels and floating equipment' and 'Under construction' relate almost entirely to offshore oil activities. The other items are predominantly related to dredger/specialised shipbuilding activities.

	2000		**1999**	
Investments by geographical area:		*%*		*%*
Europe	**12,669**	**6**	15,736	7
North, Middle and South America	**125,529**	**59**	111,228	48
Africa	**18,266**	**8**	59,974	26
Middle-East / Asia / Australia	**57,595**	**27**	44,072	19
	214,059	**100**	231,010	100
Book value by geographical area:		*%*		*%*
Europe	**114,292**	**15**	120,719	20
North, Middle and South America	**250,658**	**33**	137,772	23
Africa	**149,983**	**19**	143,788	23
Middle-East / Asia / Australia	**256,293**	**33**	207,321	34
	771,226	**100**	609,600	100

9. Financial fixed assets

	Participations in associated companies	Owed by associated companies	Other receivables	**Total**
Book value at 1 January	1,752	91	2,602	**4,445**
Investments	–	1,146	4,096	5,242
Disposals / repayments	(234)		(135)	(369)
Share of results	32	–	–	32
Dividends	(61)	–	–	(61)
Other movements	(89)	(1,146)	(272)	(1,507)
Book value at 31 December	**1,400**	**91**	**6,291**	**7,782**

10. Work in progress less instalments received

	2000	**1999**
Work in progress	**370,591**	341,549
Instalments received	**(278,106)**	(264,987)
	92,485	76,562

11. Receivables

Trade debtors	**86,199**	161,060
Other debtors	**16,303**	14,469
Prepayments and accrued income	**54,935**	50,662
	157,437	226,191

12. Securities

Bonds	**13,138**	13,138
Other securities	**3,194**	191
	16,332	13,329

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 € 13.4 million.

13. Cash and cash equivalents

	2000	**1999**
Cash and bank balances	**13,106**	20,042
Short-term deposits	**239,857**	165,873
	252,963	185,915

14. Assets

By business segment:

	2000		**1999**	
		%		*%*
Offshore	**952,569**	**72**	808,246	70
Dredger/specialised shipbuilding	**359,827**	**27**	329,913	29
Holding	**17,008**	**1**	7,848	1
	1,329,404	**100**	1,146,007	100

15. Current liabilities

	2000	1999
Trade creditors	**102,392**	110,104
Taxation and social security costs	**28,995**	31,968
Pension costs	**2,339**	1,592
Proposed dividend	**38,369**	35,152
Owed to associated companies	**24**	24
Other creditors	**62,175**	40,142
Unrealised forex results	**5,225**	7,045
Advance payments in respect of orders	**79,570**	49,077
Accruals in respect of delivered orders	**49,020**	53,777
Other accruals and deferred income	**133,359**	137,097
	501,468	465,978

16. Long-term debt

	2000		1999	
	Total	Instalments due after more than 5 years	Total	Instalments due after more than 5 years
Amounts owed to credit institutions	**413,955**	**45,302**	319,312	4,988

This item includes:

	Drawn	Repayment period	Interest per annum	
US$ limited recourse project finance facilities	February 1997	7 years	8 % fixed	53,070
	1999 and 2000	5 years	6.59%	57,036
	Mid 2000	10 years	9 %	44,519
	December 2000	6 years	9.53%	201,666
				356,291
US$ loan	1999	7 1/2 years	7.49% fixed	25,598
US$ revolving credit facility		7 years	7.01%	26,535
Other long-term debt, including mortgage				5,531
				413,955

Amounts falling due in 2001 included in the above amount total € 71.2 million.
Interest paid on long-term debt during 2000 amounted to € 24.5 million (1999: € 9.3 million).

The Group has no 'off-balance' financing. All liabilities are consolidated in the Consolidated balance sheet.

17. Provisions

	Deferred taxation	Pensions	Environmental liability	**Total**
Balance at 1 January	6,580	1,105	2,289	**9,974**
Release	(921)	(721)	–	(1,642)
Balance at 31 December	5,659	384	2,289	**8,332**

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

18. Investment premium equalisation account

	2000	**1999**
Balance at 1 January	**9,370**	9,974
Release	**(580)**	(604)
Balance at 31 December	**8,790**	9,370

19. Liabilities

	2000		**1999**	
By business segment:				
		%		*%*
Offshore	**624,924**	**67**	518,624	64
Dredger/specialised shipbuilding	**250,379**	**27**	237,641	30
Holding	**57,242**	**6**	48,369	6
	932,545	**100**	804,634	100

20. Shareholders' equity

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

21. Commitments not provided in the balance sheet

Obligations in respect of rights of recourse amount to € 6.1 million. These relate to medium-term debtors assigned to banks. Of these a total of € 5.2 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:

	2000				**1999**
	< 1 year	1-5 years	> 5 years	**Total**	Total
Operational lease	**1,493**	**2,035**	**–**	**3,528**	2,856
Rental	**2,305**	**3,610**	**3**	**5,918**	5,561
Leasehold	**157**	**469**	**599**	**1,225**	1,277
	3,955	**6,114**	**602**	**10,671**	**9,694**

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., properties of these Group companies have been mortgaged and movable assets and current assets have been given in lien to the Group's bankers.

In respect of the Employee Share Ownership Plan (ESOP) no major exposure exists. The shares in the ESOP are purchased on the stock market and held by a foundation. Any exposure of the Group is limited to outstanding interest free loans to the ESOP participants, at year-end amounting to € 1.1 million (1999: € 1.0 million).

22. 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 FPSO's/FSO'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 turnkey 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. The estimated market value of these financial instruments as at year-end equals the nominal value.

Financial instruments not accounted for in the balance sheet

The market value of forward exchange contracts outstanding as at 31 December 2000, calculated at the exchange rates prevailing at the end of the financial year amounts to € 625 million, and have a nominal value of € 522 million. Taking into account the currency differences already recognised in the Accounts, the remaining unrealised negative result amounts to € 40 million.

The market value of the long-term debt portfolio, for which interest rate swaps have been put in place, as at 31 December 2000 is € 5 million lower than the nominal value.

Company balance sheet

in thousands of euros (after proposed appropriation of profit)

	Notes	31 December 2000		31 December 1999	
Fixed assets					
Tangible fixed assets		**158**		220	
Financial fixed assets	1	**442,181**		391,658	
			442,339		391,878
Current assets					
Receivables	2	**5,112**		2,644	
Cash and cash equivalents		**12,692**		4,983	
		17,804		7,627	
Current liabilities	3	**64,023**		59,125	
Net current assets			**(46,219)**		(51,498)
Net assets			**396,120**		340,380
Provisions			**1,324**		1,324
Shareholders' equity					
Issued capital	4	**25,579**		25,109	
Share premium account	5	**109,691**		103,455	
Other reserves	6	**259,526**		210,492	
			394,796		339,056
Capital employed			**396,120**		340,380

Company profit and loss account *)

in thousands of euros

	Notes	2000	1999
Company result		**(1,303)**	(1,743)
Results Group companies (including currency differences)	1	**76,487**	71,238
Net profit		**75,184**	69,495

**) 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

	2000	1999
Participations in Group companies	**439,604**	389,081
Participations in associated companies	**36**	36
Amounts owed by Group companies	**2,541**	2,541
	442,181	391,658

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

Balance at 1 January		**389,081**
Results	**56,829**	
Currency differences	**19,658**	
		76,487
Dividends		**(25,336)**
Goodwill paid		**(628)**
Balance at 31 December		**439,604**

2. Receivables

	2000	1999
Amounts owed by Group companies	**193**	1,289
Other debtors	**4,919**	1,355
	5,112	2,644

3. Current liabilities

	2000	1999
Amounts owed to Group companies	**22,182**	23,077
Taxation and social security costs	**3,149**	606
Proposed dividend	**38,369**	35,152
Other creditors	**323**	290
	64,023	59,125

4. Share capital

The authorised share capital amounts to NLG 200,000,000.– divided into 50,000,000 ordinary shares and 50,000,000 preference shares, each of NLG 2.–.

During the financial year 241,550 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 28,184,612.

	2000	1999
Balance at 1 January	**25,109**	24,770
Stock dividend	**251**	325
Share options exercised	**219**	14
Balance at 31 December	**25,579**	25,109

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 100 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. 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 and more specific 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 50,000 share options were issued to the Board of Management of the Company, and 220,000 to the management and senior staff of its subsidiaries.

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

Year of issue	Number	Strike price	Expiry date
1996	81,500	30.58	29 March 2001
1997	109,100	45.65	4 April 2002
1998	120,000	55.68	3 April 2003
1999	260,250	33.00	9 April 2004
2000	268,400	44.70	31 March 2005
	839,250	(of which held by the Board of Management: 148,850)	

5. Share premium account

	2000	**1999**
Balance at 1 January	**103,455**	103,420
Stock dividend	**(251)**	(325)
Share options exercised	**6,487**	360
Balance at 31 December	**109,691**	103,455

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

6. Other reserves

	2000	**1999**
Balance at 1 January	**210,492**	162,138
Reversal re stock dividend	**13,037**	14,471
Share options exercised	**–**	3,455
Dividend re share options exercised	**(190)**	–
Goodwill paid	**(628)**	(3,915)
Proposed appropriation of profit	**36,815**	34,343
Balance at 31 December	**259,526**	210,492

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 FPSO/FSO long-term lease/operate contracts.

Schiedam, 30 March 2001

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
J.M.H. van Engelshoven, Vice-Chairman
A.P.H. van Baardewijk
J.D. Bax
D. Goguel-Nyegaard
A.G. Jacobs

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 twelve 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	75,184,000.–
In accordance with Article 22 clause 3 to be transferred to Other reserves	36,815,000.–
Remains	38,369,000.–
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 NLG 56,369,224.–	1,023,000.–
At the disposal of the General Meeting of Shareholders	37,346,000.–

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 8 June 2001, under agenda item number 5 and in the notes thereto.

Auditors' report

Introduction We have audited the financial statements 2000 of IHC Caland N.V., Schiedam. 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. 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 2000 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, 30 March 2001
KPMG Accountants N.V.

Key figures

in millions of euros, unless stated otherwise

	Notes	**2000**	1999	1998	1997	1996
Value of production		**1007.8**	1294.9	879.8	753.7	705.4
Net turnover (delivered orders)		**827.7**	1229.2	646.9	627.1	691.1
New orders		**1388.6**	830.7	1453.2	761.1	732.7
Order portfolio at 31 December		**2849.1**	2169.1	2534.5	1740.1	1377.7
Results						
Net profit	1	**75.2**	69.5	66.3	53.2	42.3
Dividend		**38.4**	35.2	33.4	27.0	21.7
Shareholders' equity at 31 December		**394.8**	339.1	290.3	253.3	241.2
Cash flow	1	**160.2**	132.1	118.1	91.8	60.2
Investments in tangible fixed assets		**214.1**	231.0	111.4	106.5	162.9
Depreciation		**85.0**	62.6	51.8	38.6	17.9
Number of employees (average)		**3520**	3290	2892	2251	1969
Wages and salaries, social security costs		**174.6**	164.7	142.1	109.6	92.9
Ratios (%)						
Shareholders' equity : net assets		**48**	50	64	65	79
Current ratio		**110**	114	107	100	109
Return on average capital employed	1	**13.3**	14.9	16.9	17.4	20.7
Return on average equity	1	**19.5**	20.9	23.0	20.4	21.4
Operating profit : net turnover		**12.0**	7.0	12.8	10.2	6.1
Net profit : net turnover		**9.1**	5.7	10.3	8.5	6.1
Cash flow : average equity	1	**42**	40	41	35	30
Cash flow : average capital employed	1	**21**	23	27	25	26
Long-term debt : shareholders' equity		**105**	94	49	47	24
Shareholders' equity : value of production		**39**	26	33	34	34
Shareholders' equity : new orders		**28**	41	20	33	33
Information per share (€)	2					
Net profit	1/3	**2.68**	2.51	2.44	1.98	1.66
Dividend		**1.36**	1.27	1.23	1.00	0.82
Shareholders' equity at 31 December	4	**14.01**	12.26	10.64	9.36	9.07
Cash flow	1/3	**5.71**	4.78	4.34	3.42	2.36
Share price – 31 December		**50.00**	36.25	35.39	47.74	44.79
– highest		**61.40**	49.20	57.72	62.17	46.74
– lowest		**31.00**	26.40	29.95	41.97	23.78
Price / earnings ratio	4	**18.7**	14.4	14.6	24.3	28.2
Net profit : market capitalisation at 31 December (%)		**5.3**	6.9	6.9	4.1	3.6
Number of shares issued (x 1,000)		**28185**	27666	27293	27053	26596
Market capitalisation (€ mln)		**1409.2**	1002.9	966.0	1291.5	1191.2
Turnover by volume (x 1,000, in double counting)		**48418**	58401	40706	48244	33110
Number of options exercised		**241,550**	156,425	36,350	311,325	401,800
Number of shares issued re stock dividend		**277,302**	357,906	211,892	145,314	–

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

1995	1994	1993	1992	1991
621.7	408.6	404.0	322.1	204.5
421.1	402.2	351.6	252.8	205.7
844.4	791.1	321.2	480.8	286.8
1344.2	921.2	540.0	554.0	326.8
34.2	29.1	24.3	20.6	14.8
17.3	15.0	12.8	11.0	10.5
131.9	114.0	101.4	93.6	84.8
55.0	55.5	56.2	35.8	22.6
56.8	9.9	25.7	63.6	20.2
20.8	26.4	31.9	15.2	7.8
1888	1830	1796	1308	1211
82.7	79.3	77.1	59.4	48.9
93	91	68	71	78
106	115	114	106	134
24.5	21.9	19.0	17.4	16.1
26.0	25.3	23.3	21.8	18.0
8.0	8.1	7.2	6.4	6.0
8.1	7.2	6.9	8.2	7.2
42	48	54	38	27
39	38	38	29	21
3	4	39	32	9
21	28	25	29	41
16	14	32	19	30
1.44	1.24	1.03	0.89	0.64
0.73	0.64	0.54	0.48	0.45
5.54	4.82	4.31	4.04	3.66
2.32	2.36	2.39	1.55	0.98
24.50	19.92	17.65	9.81	6.21
25.00	20.74	19.29	10.03	7.62
15.25	15.75	9.85	6.22	4.49
17.0	16.2	17.1	11.0	9.7
5.9	6.2	5.8	9.1	10.3
23799	23642	23509	23159	23159
583.2	471.0	415.0	227.3	143.7
27437	26615	22915	23478	30257
157,800	132,300	350,000	–	200
–	–	–	–	–

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.

IHC CALAND N.V.

Post address
P.O. Box 31
3100 AA Schiedam
The Netherlands

Visitors address
's-Gravelandseweg 557
3119 XT Schiedam
The Netherlands

Telephone (+31) 10 2466980
Fax (+31) 10 2466990
E-mail ihcc@ihccaland.nl

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

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.