



Financial report

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Supervisory Board

F.A. Verhoeven, Chairman

G. van de Rozenberg

J.H. Kamps

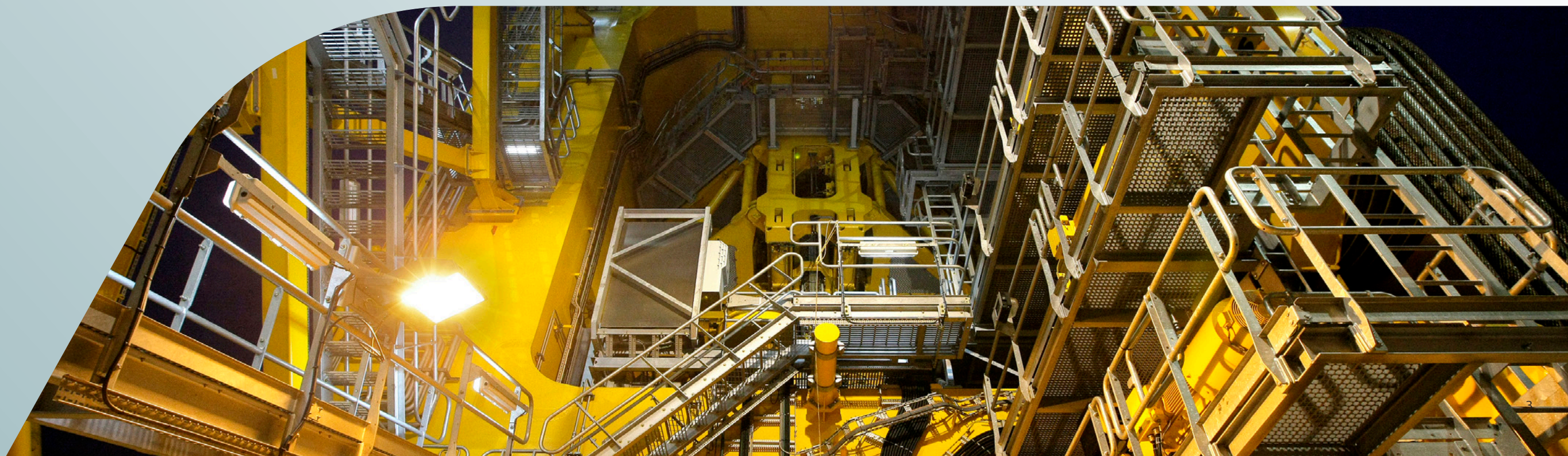
B.I. Otto

R.N. van den Bergh

Board of management

D.W. te Bokkel, CEO

B.J. ter Riet, COO





Corporate profile

Royal IHC is determined to play a leading role in making the maritime industry more efficient and sustainable.

Anchored in a rich Dutch maritime history, Royal IHC is a leading supplier and system integrator of maritime technology and expert craftsmanship.

With the right people and skills on board, and by presenting a broad spectrum of innovative solutions, we provide a competitive edge to our worldwide customers in the dredging, offshore, mining and defence industries. However, Royal IHC is much more than equipment, vessels and services. We deliver reliable, integrated solutions that improve operational efficiency and allow for a more sustainable performance.

All over the world, our people are deeply committed to technological innovation, supported by our long-standing experience in our core markets. Our experts work in close collaboration with multiple stakeholders to meet the specific needs of each customer.

As we navigate new waters in an ever-changing world, our aim remains unchanged: to discover the smartest and safest way forward for both our customers and our people.

Together, we create the maritime future.

IHC Merwede Holding B.V. is a private limited liability company and has its statutory seat in Kinderdijk (hereafter, the IHC Group or Royal IHC). All shares of IHC Merwede Holding B.V. are held by Stichting Continuïteit IHC and B.V. Finance Continuïteit IHC.

Key figures

Amounts in millions of euros, unless stated otherwise	2023*	2022 pro forma**	2022*	2021*	2020	2019
New orders	* 553.8	402.4	402.4	220.9	533.5	587.7
Revenue	* 312.3	354.0	354.0	380.9	737.7	1,069.7
Order portfolio as at 31 December	* 483.3	260.3	260.3	204.9	450.5	689.8
Profit or loss for the period	121.6	150.2	-35.1	-63.4	-300.1	-226.8
Profit or loss for the period attributable to owners of the Company	121.6	150.2	-35.1	-63.3	-300.7	-226.5
EBITDA	* -31.2	-23.9	-23.9	-37.3	-199.4	-111.5
Equity	140.4	193.9	15.4	46.4	-92.8	-42.5
Total assets	493.8	558.5	636.3	767.6	924.7	1,049.2
Equity/total assets	28%	35%	2%	6%	-10%	-4%
Equity/capital employed	57%	71%	6%	17%	-40%	-11%
Average number of employees (head count)	* 2,047	2,143	2,143	2,542	3,319	3,535

* For the years 2023, 2022 and 2021, these key figures do not include the discontinued operations.

** The 2022 pro forma overview shows the recalculated key figures for 2022 as if the divestment of IQIP was effectuated before 31 December 2022 instead of March 2023. The Profit or loss for the period attributable to owners of the company includes a gain of EUR 181 million on the sale of IQIP.

Report of the supervisory board

Introduction

The fiscal year 2023 was a period of strategic realignment and resilience for Royal IHC as the company navigated through the complexities of a recovering global economy. The focus remained steadfast on Royal IHC's core markets: dredging, offshore energy, mining, and defence, where the company continued to build on its legacy of excellence and innovation.

In response to the lingering effects of the COVID-19 pandemic and evolving geopolitical landscapes, Royal IHC undertook a comprehensive financial restructuring. This decisive action was critical in strengthening the company's balance sheet and positioning it for further recovery and sustainable future growth. A key component of this restructuring was the sale of the subsidiary IQIP Holding B.V. to HAL Investments B.V. (HAL Investments), a move that allowed Royal IHC to repay existing credit facilities and refinance the company. The sale of IQIP, a world leader in foundations and installations in the offshore wind market, involved the transfer of 100% of the shares and was an important step in strengthening Royal IHC's financial position.

In addition to the divestment, Royal IHC secured a loan of €30 million from HAL Investments in June 2023, with a repayment schedule extending to 2026. Furthermore, in October 2023, the company obtained, also from HAL Investments, a standby facility of up to €50 million, also with an

ultimate repayment date in 2026. Both the loan and part of the standby facility are subordinated to the secured creditors. These financial measures have provided Royal IHC with a solid foundation to continue its recovery and face the future with confidence.

The adoption of a new organisational structure was a key milestone, enhancing Royal IHC's operational agility and efficiency. This new structure is part of the broader strategy to optimise the company's global workforce and streamline processes. Throughout the year, Royal IHC maintained focus on operational performance, driving improvements that bolster the company's market position and financial health. The leadership team was instrumental in these efforts, providing the vision and direction needed to navigate the year's challenges.

Royal IHC also engaged in forward-looking discussions about the long-term strategic direction of the company, laying the groundwork for future success in an industry landscape under high pressure. Innovation continues to be a cornerstone of Royal IHC's operations, with significant investments in maritime technology projects that reinforce the company's commitment to leading-edge solutions. Compliance with regulatory standards and internal policies remain a top priority, ensuring that Royal IHC's business practices align with the highest ethical standards.

Acquisition of new orders for key projects, such as the construction of the 31,000m³ trailing suction hopper dredger for Boskalis that commenced early 2024 at the facilities in Krimpen aan den IJssel, as well as the two mining dredgers to be built for Kenmare at our yard in Kinderdijk, underscored Royal IHC's capabilities and expertise, further cementing the company's reputation as a leader in the maritime sector.

As Royal IHC closes the chapter on 2023, the company reflects on a year of challenges and achievements. The Supervisory Board remains dedicated to ensuring that Royal IHC continues to deliver value to its customers, shareholders, and employees.

Supervision

The Supervisory Board met 26 times during 2023, of which 11 were formal meetings and 1 informal, and 14 additional calls. The Audit Committee convened 4 times in 2023 and 3 of these meetings were also attended by the statutory auditor. The Technical and Investment Committee convened 8 times and the Remuneration Committee convened 4 times in 2023. On 15 December 2023, the Technical and Investment Committee changed its name to Tender Committee. In addition, the members of the Supervisory Board have attended the regular meetings between the Board of Management and the Works Council on a rotational basis. Overall, the Supervisory Board has been closely involved during this year.

The composition of the Supervisory Board evolved during the year, with the addition of Mr. Van de Rozenberg on 5 January 2023, the departure of Mr. Snel and Mr. Wentink on 14 March 2023, the addition of Mr. Kamps on 25 April 2023 and the addition of Ms. Otto on 1 November 2023. On 31 March of 2024, Mr. Van den Bergh was appointed, succeeding Mr. Korevaar, who resigned on the same date.

Noteworthy topics discussed by the Supervisory Board included the financial restructuring of the company, the sale of IQIP and the securing of financial support from HAL Investments. The Board also focused on Royal IHC's commitment to health and safety, sustainability, operational performance and compliance with regulatory standards, including those with respect to CSRD. Key projects, progress on operational improvement, cost reduction and risk management were highlighted.

Financial statements

The Supervisory Board hereby presents the Annual Report 2023. This incorporates the financial statements for the year as prepared by the Board of Management. The financial statements were audited and discussed with KPMG Accountants NV and approved by the Supervisory Board on 13 September 2024. The auditor issued an unqualified independent auditor's report on the 2023 financial statements with an emphasis of matter paragraph in relation to the material uncertainty related to going concern. The result of IHC Group for 2023 is € 121.6 million. Excluding IQIP, the EBITDA decreased from € 23.9 million negative in 2022 to € 31.2 million negative in 2023. The Board of Management proposes to add the net profit to the reserves. This proposal has been approved by the Supervisory Board.

Board of Management composition

The Supervisory Board appointed Mr Te Bokkel as CEO of Royal IHC with effect from 1 November 2023, combining his role of CEO with his role of CFO, which he has been holding since 1 April 2023. Mr. Te Bokkel took over the role of CEO from Mr. Klaver, who remained a member of the Board until 1 March 2024. Earlier, in March 2023, Mr. Te Bokkel was engaged to assist the Board of Management with the development of a future-proof business model, which was part of the financial restructuring plan agreed with the stakeholders. After the financial restructuring in March 2023, CFO Mr. Van der Harten and CRO Mr. De Roover resigned. Mr. Ter Riet was appointed as Chief Operations Officer of Royal IHC with effect from 16 March 2024.

Conclusion

Reflecting on 2023, Royal IHC has navigated a year of strategic transformation, reinforcing its commitment to core sectors and achieving financial stability. The successful restructuring, including the divestment of IQIP and the securing of financial support from HAL Investments, has positioned Royal IHC for further recovery and future growth.

The Supervisory Board extends its sincere thanks to all of Royal IHC's key stakeholders—employees, customers, shareholders, and partners—for their unwavering support and dedication. It is through our collective efforts that Royal IHC continues to excel and innovate within the maritime industry.

Looking ahead, the Supervisory Board remains committed to steering Royal IHC towards stability and prosperity.

Kinderdijk, 13 September 2024

F.A. Verhoeven, Chairman
G. van de Rozenberg
J.H. Kamps
B.I. Otto
R.N. van den Bergh



Report of the board of management

Composition of the board

Following the implementation of a new finance structure after the favourable outcome for the company of the Dutch scheme procedure (WHOA: “Wet Homologatie Onderhands Akkoord”) on the 14th of March 2023, Mr. P. van de Harten, CFO, left the board and was replaced by Mr. D.W. te Bokkel. In November 2023, a role change was conducted between the board members, with Mr. J.P. Klaver taking up the role of COO, and Mr. Te Bokkel as successor taking up also the role of CEO in combination with his responsibilities as CFO. In March 2024, Mr. Klaver left the company on his own request and was succeeded by Mr. B.J. ter Riet, an experienced shipbuilder, in the role of COO.

Restructuring, refinancing and rebound

In spite of the sale of IQIP, as agreed in the refinancing documentation underlying the WHOA process, and as consequence the cash inflow has primarily been used to repay outstanding loans, the business performance remained challenging over the second and third quarter. Confidence from clients, suppliers and guarantors had suffered during the years leading up to the WHOA process. Order intake until mid-year was at a record low with a sustained negative operational cashflow as a consequence.

The Board of Management decided therefore to prepare for yet another restructuring and cost-saving exercise and acquired in parallel additional funding in form of subordinated loans, which were partly taken up in June 2023.

As business picked up again after summer and in combination with the actions above, confidence by clients was restored. Following a lengthy review of organisational capability, financing structure, and strategy, Boskalis decided to award the order for the 31,000 m3 hopper at the end of Q3. This restored market confidence and normalised the order intake going forward. As a consequence of the very high order intake in the second half of 2023, the planned restructuring was reduced in size.

In parallel to the strategic actions above, a series of operational and organisational optimisation actions were started. These targeted financial control (cash management, realistic budgeting and forecasting, timely reporting), reduction of organisational complexity as consequence of earlier restructuring projects (matrix organisation) and commercial coordination directed both toward strengthening the market positioning and early-stage risk management (key account policies, bid-no-bid decision making). These projects are being managed by a newly installed strategy team, comprised of members of the Board of Management and business directors.

The market strategies of all entities were reviewed during the 2024 budget cycle and confirmed the overall strategy of Royal IHC. The key goal of the company remains business continuity as a designer and builder of integrated vessels, equipment and services in a rapidly changing economic, environmental and geopolitical context for the dredging, offshore, mining, and defence industry. This strategy has been underwritten by all stakeholders early 2024 and is currently being translated in detailed supporting actions.

Looking back

The result of Royal IHC for 2023 is € 121.6 million. Excluding IQIP, the EBITDA decreased from € 23.9 million negative in 2022 to € 31.2 million negative in 2023. In the EBITDA for 2022, an amount of EUR 24.0 million has been included, which pertains to income from government support measures (NOW-support). The results stem from difficult years in which a rapidly changing environment made clear that a new strategic approach is vital for continuity of the business. Over the past years a large number of actions to realise above goals have been taken and completed among which:

- scaling down the organisation from 3,100 to 1,700 FTE, while keeping design & estimating and engineering capabilities intact
- restructuring the organisation along market-product lines (PMGs)

- concentration of the entire organisation in the Netherlands on location Kinderdijk and mothballing the location Krimpen
- rationalising Royal IHC’s international organisation/footprint
- investments in harmonised IT solutions across the business.

Looking ahead

As labour and energy cost have risen sharply over the past years, the cost level for construction in The Netherlands remains a point of discussion. International competition, especially from China, remains fierce, and China continues to increase its market share in shipbuilding. As Chinese shipyards increasingly also target complex ships, and certain maritime construction companies are willing to invest in Chinese-made assets, Royal IHC’s clients are increasingly asking about the alternative of building in lower-cost areas of the world.

In a major change of strategy, Royal IHC decided in 2023 to move towards a two-pillar building strategy. Shipbuilding for projects with short lead times, highly complex vessels or naval customers will be continued in the Netherlands. Projects for commercial clients with lower risks and/or longer lead times will be moved abroad. For this purpose, a shipyard in Vietnam has been selected, and the first shipbuilding contract in this new strategy was concluded in spring 2024.

The Royal IHC commercial strategy is built around the following blocks:

- a portfolio designed around core capabilities in shipbuilding, integrated design of vessels and mission equipment, underwater excavation and slurry transport, material handling on- and offshore
- a position as system yard within the Dutch maritime cluster, sharing resources and expertise with noncompeting yards
- differentiation on technology and customer intimacy against increasing competition from China
- lifelong support of the delivered assets, from cradle to the grave.

This entails as main drivers of strategic success:

- outside-in focus supported by enhanced commercial activities with focus on sales, marketing, product development and innovation
- excellent engineering skills and focus on technical expertise as key resource and pillar for long term continuity
- a stable flow business generating a long-term baseline income with reasonable margins at limited risk
- improved competitive positioning by:
 1. rebalancing fixed cost base in high cost areas in Europe with sourcing from attractive low-cost areas
 2. investments in higher efficiency / productivity
 3. increased cooperation and cost sharing with the local maritime ecosystem in NL
- improve service level to clients globally.

Key actions for the next three years are therefore:

- development of a “two-pillar” industrial shipbuilding footprint through development of low-cost building propositions abroad
- redefine the role of Royal IHC for key dredging & offshore contracting customers as a service partner, accommodating their specific needs, including assisting them in low-cost building scenario’s
- continue to invest further development in a steadily growing and profitable flow business, consisting of services (including engineering), spares, maintenance & asset management contracts, equipment and smaller projects.

Organisation and personnel

With the sale of the Sliedrecht yards (Molendijk and Industrieweg) and the subsequent relocation of IHC Systems and IHC SAS - Hytop, most activities are now concentrated on the Kinderdijk yard, with positive effects on synergies and improved cooperation between entities.

At the end of 2023 the conclusion was drawn that an important step in both strengthening the flow business and at the same time reducing organisational cost resulting from complexity, would be the merger of the equipment companies (IHC Dredge Equipment, IHC Systems, IHC Sas - Hytop and IHC Services) into one operational entity. This project was started with the decision to merge the ERP infrastructure and is currently being finalised. As around 20% of total business volume of Royal IHC is generated by these companies, this project is of strategic importance for a stable future.

Early 2024, the Krimpen yard was reopened, following the start of the construction of the Boskalis THSD. Krimpen will remain a project facility.

There is no substitute for good people, which is nowhere as relevant as in the shipbuilding industry, especially with one-off projects. Much in our company is dependent on the skill of R&D specialists, engineers, project managers and execution specialists building vessels and equipment and servicing the vessels under sometimes difficult conditions all over the world. We care for our people and strive for prosperous business development in order to be able to offer them a future and career prospects. We will continue to invest in education and development, while also sharing resources with colleagues in the region.

Market developments and projects

Dredging

In 2022 and 2023, the dredging industry demonstrated its resilience, steadily recovering despite the challenges posed by the war in Ukraine. The long-term forecast for the dredging market remains optimistic, bolstered by economic growth and a surge in maritime trade. Ports are making significant investments in marine infrastructure to accommodate larger vessels. With the world’s population projected to grow by 2 billion over the next three decades, urban development and tourism in coastal areas are set to expand, necessitating further land reclamation. Countries are initiating dredging

projects to mitigate the damage caused by climate change, in response to the anticipated rise in sea levels and an increase in the frequency of extreme events such as storms, surges, floods, and droughts.

Data holds enormous potential to enhance dredging operations, optimise efficiency, and achieve sustainable results. In 2022, we introduced operations monitoring for all new Beaver® cutter suction dredgers, plain suction dredgers, delta marine craft workboats, and booster stations. The year 2023 marked the 60th anniversary of our successful range of standardised cutter suction dredgers, with over 1,000 units delivered on all continents except Antarctica. In 2023, we expanded operations monitoring to include all newly built dredging vessels. Henceforth, every trailing suction hopper dredger and cutter suction dredger will generate operational insights to further increase the operational efficiency of dredging projects.

In 2023, Royal IHC made significant strides in developing its knowledge on alternative fuels, culminating in an R&D development known as the fuel tool. This tool enables us to evaluate different drive trains based on a wide variety of alternative fuels and determine the best fit for the customer over the lifespan of the vessel.

We kicked off 2023 with the delivery of the Teunis Huibertus, a Beagle® 4, to the Dutch family business Gebr. van der Lee. In Vietnam, our collaboration with DACINCO Investment Construction Company Limited continued to

evolve with the delivery of a second Beaver® 65 DDSP cutter suction dredger and a contract for a third Beaver®. Beavers® were also delivered to Poland and Thailand. We made significant progress in our ambition to design and build the first trailing suction hopper dredger to run entirely on hydrogen. Rijkswaterstaat, responsible for the construction and maintenance of primary infrastructure facilities in the Netherlands, awarded Royal IHC the contract for the concept design and basic engineering of this 4,200 m3 multi-purpose H2 hopper.

In October 2023, we signed a contract with Boskalis for the construction of a 31,000 m3 trailing suction hopper dredger, building on a collaboration that began in earnest in 2020. The mega hopper will be constructed at Royal IHC's shipyard in Krimpen a/d IJssel, Netherlands, with delivery scheduled for mid-2026. In the United States, we signed a contract with the Port of Portland for the concept design of a new cutter suction dredger. The R.B. Weeks, a locally built 6,540m³ TSHD, was successfully delivered to Weeks Marine.

We concluded the year with a handshake agreement with De Boer / Dutch Dredging B.V. for the design and construction of a custom-built trailing suction hopper dredger with a hopper capacity of 2,300 m3 (an upgrade of the LESSE). We also secured a contract to deliver a Beagle® 4 trailing suction hopper dredger and a Beaver® 65 DDSP cutter suction dredger to Indonesia's PT. Jhonlin Marine Trans.

Offshore Energy

The energy market continues to be dynamic, with conflicts in Ukraine and the Middle East, geopolitical developments in the Far East, and climate change measures impacting the financing of fossil fuel-related developments. There remains an urgent need for investment in energy infrastructure, encompassing both conventional and sustainable resources.

Petrobras, the Brazilian oil giant, plans to deploy a series of 16 Floating Production Storage and Offloading (FPSO) units in Brazilian waters over the coming years. The company will require flexible Pipe Laying Support Vessels (PLSVs) for subsea operations. In January 2023, Sapura awarded Royal IHC a contract for multiple upgrade packages for the Sapura Ônix & Sapura Jade PLSVs. The project scope includes upgrades to parts of the flex lay system and general vessel improvements to enhance safety and reduce the number of personnel on deck.

In China, Royal IHC made significant progress in delivering and commissioning pipelaying equipment on two Chinese-built pipelay vessels. West Africa is also developing its natural oil and gas resources. In March 2023, Royal IHC secured a contract to supply a Cargo Offloading System for the Agogo FPSO of Yinson.

Natural gas plays a pivotal role in the energy transition. IHC Offshore Energy has established itself as a trusted partner to EConnect and its client New Fortress Energy, with two orders for twin LNG reel systems and Hydraulic Power Unit

(HPU) equipment in 2022, which were successfully delivered in 2023.

There has been substantial growth in offshore wind, with many countries intensifying efforts to meet their self-imposed 2030 installation targets. In 2022, Boskalis awarded a contract to Royal IHC for the supply of an advanced modular cable laying spread, which was delivered in 2023 and is being successfully used for the installation of inter-array power cables and its cable protection system in offshore wind farms. For the emerging US offshore wind market, Royal IHC won a contract to supply Caldwell Marine, a US marine contractor, with a Hi-Traq trencher to support their cable burial operations.

The global subsea fibre optic market is projected to grow by 2030, driven by the increasing demand for high-speed internet connectivity and the growing trend of digitisation propelled by internet giants. Royal IHC was awarded a significant contract to provide a fibre optic cable plough and cable lay equipment to an Indonesian contractor. Additionally, Royal IHC's equipment rental proposition continues to expand.

Mining

The global mining market was under pressure from the raging conflict between Russia and Ukraine as well as from a slowing growth in both the US and China. Whilst the war caused gold prices to reach historic heights, the slowing economic growth put pressure on commodity markets. Lithium, cobalt and nickel were especially hit, as a lower (short-term) demand resulted in lower metal prices.

Geo-politics continued to increase their influence on the industry. In Panama, the government ordered the closure of Cobre de Panama, sending a shockwave through the copper market. In most other segments, Chinese dominance in the supply of refined products was reason for continued concern on the availability of supplies of critical raw materials to the rest of the world. Despite volatility in the commodity prices, the long-term trends towards energy transition and electrification keep supporting the markets for minerals and metals as they remain essential to facilitate energy transition, limit climate change and address sustainability issues.

The increasing desire of governments to secure their supply of raw materials independently from China becomes more and more visible in policies on various levels, including the EU, European national governments, and the US Inflation Reduction Act. In 2023 their impact was still limited, but that is mostly due to the long-term development of new mining projects. Research demonstrated an average lead time of 18 years for mines that started in 2020-23, highlighting the long-term nature of the business.

Environmental impact, health and safety issues and sustainability continue to be key focus areas in the mining market, with ESG (environmental, social and governance) issues high on the agenda.

We see growing interest in our portfolio of projects and contracts, and we ended 2023 with a healthy order book and a large portfolio of viable projects for 2024 and beyond. In addition

to activities in our core business such as heavy minerals and precious minerals such as gold and diamonds, we see growing interest in tailings processing, salt, silica sand and deep-sea mining resulting from interest in battery minerals. Projects are mainly for dredge mining equipment, although mineral processing equipment including recycling, evaluation studies and long-term maintenance contracts are also important.

In terms of deliveries in 2023, we completed a conceptual design for a deep-sea mining crawler for CRC (Cobalt Rich Crust). In light of the expected completion of regulations for deep-sea mining, there was increased interest in Royal IHC's technology. For the underwater mining of diamonds in Canada, we delivered the first phase of the pilot project, consisting of the LARS support platform. Work on the mining crawler continued during 2023, to be completed in 2024. In addition, much of the flow business – consisting of spare parts orders and other service-related activities, mineral processing and other types of equipment – was delivered.

IHC Mining's solutions for the rehandling of mine tailings continued to gain more interest from the market. We remained involved with Vale on a number of both ongoing and new projects. A test Tailings Slurrification Unit (TSU) was positioned at one of their tailings ponds, and commissioning, start-up and testing was successfully performed in 2023. We delivered a new Beaver 45, for dredging works on the Paraopeba river as part of the clean-up efforts after the Brumadinho dam disaster.

Despite subdued market conditions in the mineral sands industry (titanium and zirconium minerals), we secured the order for two new large mining cutter suction dredgers for Kenmare Resources. The dredgers will replace two Royal IHC dredgers in 2025, as the mine transitions to a more compact ore body, requiring heavier duty equipment. The difficult market conditions in mineral sands did slow down a number of projects from our clients, in turn delaying advisory, engineering and process plant opportunities.

In the potash industry, we won the order for a salt harvester for Arab Potash Company in Jordan. The project marks our continued success at APC with our fifth mining vessel now on order.

Defence

The persistent conflict in Ukraine continues to drive European nations to ramp up their defence budgets. In response to humanitarian, economic, and military aid needs, numerous EU governments, with Germany at the forefront, have pledged substantial increases in defence spending.

In June 2022, the Dutch Minister of Defence released a defence memorandum titled "A Stronger Netherlands, A Safer Europe". The memorandum announced that the cabinet plans to augment the defence budget by a total of €14.8 billion between 2022 and 2025. From 2026 onwards, the budget will see a structural increase of €5 billion annually. This marks the largest investment in defence since the Cold War.

The Ministry of Defence (MoD) has stated that the escalating global threats and the war in Ukraine underscore the fact that peace and security are not guaranteed.

On July 28, Naval Group, in partnership with Royal IHC, submitted their bid for the replacement of the Dutch submarine capability. Competitors Saab Kockums with Damen and ThyssenKrupp Marine Systems also submitted their offers. On the same day, all three companies submitted their plans for the Industrial Cooperation Agreement to the Ministry of Economic Affairs. On March 15, 2024, based on predefined requirements and award criteria, the MoD decided to commission Naval Group to construct the submarines.

As part of the maintenance of the RNN fleet, Royal IHC was awarded a dock-related maintenance contract for the overhaul of two hydrographic vessels, HNLMS Snellius and HNLMS Luymes, and the torpedo recovery vessel HNLMS Mercur. This project is being executed in close cooperation with Neptune Repair. The first ship, HNLMS Luymes, began its overhaul in November.

In December, Royal IHC was awarded the contract for the design and construction of six winch and handling systems for the new build ASWF, HNLMS Johan de Witt, and HNLMS Karel Doorman. As part of a contract, Royal IHC continued to support the Dutch Command Material and IT agency (COMMIT) by seconding technical staff to the customer's Maritime Systems Division (AMS).

In the wake of the Nord Stream gas pipeline sabotage, the protection of data and power cables, as well as oil and gas production and transport infrastructure, has become a top priority for the government. Military intelligence officials from the UK and US have repeatedly warned that not enough is being done to secure internet cables, and that the Russian navy is frequently active near these cables.

An agreement, in the form of a Memorandum of Understanding (MOU), has been forged with multiple maritime collaborators. This agreement, signed in 2024, pertains to a program that is designed to replace eight support vessels currently in service with the Royal Netherlands Navy (RNN). Royal IHC's role in this project involves the construction of four seagoing vessels, two of which will be outfitted at Royal IHC facilities. Royal IHC capacity centres will participate in all related projects. The contract is anticipated to be awarded in the second quarter of 2025, with the first delivery scheduled for 2028.

Royal IHC designs, manufactures, and supplies a variety of solutions to protect undersea infrastructure, offering high-quality, reliable equipment for inspection, detection, repair, and mitigation. Therefore, Royal IHC, in close cooperation with Naval Group Belgium, participated in the request for funding from the European Defence Fund to develop a seabed crawler, based on existing technology within Royal IHC, suitable for conducting surveys on the seabed to protect critical underwater infrastructure.

Safety, Health and Environment (SHE)

Operational excellence can only be achieved in a safe working environment where there is no harm to people, assets, and the environment. This is why Royal IHC continued the I-CARE (I Create A Right Environment) safety awareness program in 2023.

The objective of I-CARE remains consistent: to ensure that everyone at Royal IHC returns home safely every day. Leadership and Learning from Incidents were identified as two key areas. To implement this, several practical improvement actions were identified by operational department managers. All action plans are backed and monitored by our Management Team and facilitated by our Safety, Health, and Environment discipline.

The importance of creating a safe working environment is evident when reflecting on our SHE performance: 17 Lost Time Injuries (LTIs) were reported in 2023. This is a slight increase compared to the 15 LTIs reported in 2022, and equivalent to the year before that. An LTI indicates that the injured person is seriously hurt and unable to work the next day. On the other hand, the number of environmental incidents continues to decrease significantly: 5 were reported in 2023, compared to 10 in 2022.

Whether on our yards, at a client site, or on a vessel, Royal IHC is committed to continually improving the standard of Safety, Health & Environment in the maritime industry, across the Dredging, Mining, Offshore & Defence markets. This is achieved through our I-CARE program and by actively incorporating SHE compliance and risk management into our project preparation and execution.



Financing

In the financial restructuring in 2023, part of the facilities was repaid and cancelled, other parts have been amended and new facilities have been agreed, along with a number of other amendments including additional security. Based on the amendments, the facilities as from 9 March 2023 onwards are as follows:

In thousands of euros	Amount	Maturity date	Amortisation	Type	Drawn per 31 December 2023
Guarantee facilities (senior debt) - Boskalis	200,000	3 June 2025	Not applicable	Committed	60,887
Guarantee facilities (senior debt) - Covered	150,000	3 June 2025	Not applicable	Committed	41,327
Guarantee facilities (senior debt) - Uncovered	100,000	3 June 2025	Not applicable	Committed	56,323
Guarantee facilities	450,000				158,537
Incremental projects facility	25,000	3 June 2025	Bullet	Committed	-
Loan facilities	25,000				-

The Senior Facilities Agreement (SFA) is set to expire on June 3, 2025, with Royal IHC planning to commence the refinancing process in October 2024. Further details on this can be found in the chapter "Outlook" of this report.

In addition to the above, the IHC Group received from HAL Investments B.V. (i) in June 2023, a loan amounting to € 30 million with an ultimate repayment date in 2026 and (ii) in October 2023, a standby facility for an amount up to € 50 million with an ultimate repayment date in 2026. The loan and the standby facility are subordinated to the secured creditors.



Financial

Revenue and result development

In 2023, revenue decreased by 11% to € 312.3 million (2022: € 354.0 million). The external costs decreased by 14% to € 171,4 million (2022: € 201.2 million). These expenses amounted to 55% of revenue, which is a decrease of 2% compared with 2022 (57%). Employee expenses increased € 10.2 million compared with last year, partly as a result of the government grants received under the NOW scheme in 2022 (amounting to € 24.0 million). Employee expenses as a percentage of revenue increased from 45% to 53%. An amount of € 185.1 million was recognised as results of discontinued operations. This amounts relates to the results of IQIP up to the moment of the sale to HAL and the realised gain on the sale consisting of the sale of the IQIP group and the property Molendijk situated in Sliedrecht.

The average salary cost per employee amounted to € 76,000 – a decrease of 2% compared to 2022. Depreciation and impairment of property, plant and equipment decreased from € 17.0 million in 2022 to € 11.4 million in 2023. Amortisation and impairment of intangible assets decreased from € 7.3 million in 2022 to € 5.1 million in 2023. The result from operating activities, plus the depreciation and impairment of property, plant and equipment, and amortisation and impairment of intangible assets (EBITDA) amounted to negative € 31.2 million (negative € 23.9 million in 2022).

Order book

The order book as of 31 December 2023 amounted to € 483.0 million, which is 86% higher than the order book on 31 December 2022 (€ 260.0 million). Order intake in 2023 amounted to € 553.0 million (2022: € 402.0 million).

Working capital

Working capital amounted to minus € 30.5 million as of 31 December 2023 (minus € 58.6 million on 31 December 2022). Fluctuations in working capital are due to the project-related characteristics of the company, as the work in progress is financed either on a milestone payment schedule by the customer or by an agreed payment schedule with a consortium of financial institutions. Depending on the payment schedule with the customer, and the stage of completion of the projects under construction, the amount of contract assets and contract liabilities, or the amount of trade receivables, may differ substantially.

Investments

Investments in property, plant and equipment in 2023 were as follows:

In millions of euros	
Docks, slipways, dry docks, business premises, floating equipment	1.0
Plant and machinery	1.9
Other assets	0.4
	3.3

Balance sheet ratios

The condensed balance sheet as of 31 December is as follows:

In millions of euros	31 Dec	31 Dec	Difference
	2023	2022	
Non-current assets	172.5	184.5	-12.0
Working capital	-30.5	-58.6	28.1
Disposal group and assets held for sale	1.3	91.5	-90.2
Cash and cash equivalents	104.6	28.6	76.0
Net assets	247.9	246.0	1.9
Non-current liabilities	107.5	230.6	-123.1
Equity	140.4	15.4	125.0
Financing	247.9	246.0	1.9
Current ratio (current assets / liabilities)	1.31	1.16	
Solvency (total equity / assets)	28%	2%	

Research and development

In 2023, Royal IHC maintained a focus on knowledge and technology-driven R&D, product development, and product maintenance to sustain and enhance our position across various markets. These activities are carried out in multiple areas within the company. Our specialist in-house R&D institute, IHC Technology, primarily focuses on the utilisation and development of knowledge that can be applied in product development trajectories. The responsibility for order-related innovation and product maintenance lies with the various commercially operating Product Market Groups and Business Units.

Annually, Royal IHC aims to invest approximately 4-6% of its revenue in activities directed towards innovation. In 2023, a significant portion of our

R&D efforts was dedicated to developing applications of alternative fuel systems in our equipment to lower emissions and reduce the impact of operations on the environment. Other areas of focus included data gathering and usage, automation and control including autonomous operation, and improving the operational efficiency of different types of equipment. Royal IHC participates in several (subsidised) programs, collaborating on projects with our clients, supply chain partners, scientific organisations, and universities.

Risk management

Royal IHC's risk profile is influenced by strong market dynamics and fierce competition, resulting in pressure on prices and margins. It seeks to manage this through close cooperation with and understanding of its customers' needs, and by strong contract and project management. Embedding effective risk management into Royal IHC's processes is critical to achieving a balance between mitigating threats and exploiting opportunities. The intent is not to impose this as an extra requirement, but to integrate it in a logical, natural and practical way across the organisation.

Governance and culture

The Board of Management maintains the corporate policies and drives the culture of risk management. Senior management is responsible for embedding these procedures into Royal IHC's business units, as well as fostering a culture in which risks can be identified and escalated if necessary.

The Supervisory Board oversees how the Board of Management monitors compliance with the IHC Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced.

Royal IHC puts great value on maintaining its core values of Commitment, Partnership and Innovation, and is committed to doing business honestly and with integrity. Important pillars for this are our code of conduct, anti-bribery and corruption policy, sanctions and export controls screening process, third party due diligence procedure and our commitment to maintaining an open and communicative culture, supported by our SpeakUp line. These reflect Royal IHC's risk attitude and response to mitigation and provide guidance on how to act in situations that could potentially conflict with the company's policies.

Royal IHC provides leadership and onboarding programmes to its management and workforce that continuously draw attention to its core values, codes and regulations, and expected behaviour. In addition, a performance management framework is in place to ensure the translation of Royal IHC's objectives into unit, departmental and personal objectives. These are then measured on a continuous basis by means of reporting on performance indicators, performance reviews and action plans.

Strategy and objective setting

The Board of Management is responsible for defining a strategic plan. The targets for the top building blocks are cascaded down into the organisation and further definition takes place in the annual cycle of the operational and financial plans. The identification of the main opportunities and threats, as well as the management's reaction on how to handle these, are an integral part of this process.

Principal risks and uncertainties

In general, the following main types of risks inherent within the IHC Group's business are identified and monitored. This overview of risks is not exhaustive. There may be other risks which we currently do not consider to be significant but which at a later stage may manifest themselves as such.

Market, operational and strategic risks

Royal IHC sells capital goods to a broad base of customers in various markets, which are cyclical in nature and may be affected by the state of the economy and geopolitical risks. Inherently, the order intake is volatile and there are risks regarding the company's supply chain, production and sales processes, and its dependence on a few production sites worldwide. Changes in market conditions, the competitive environment and any disruption to production and/or supply chain may have an adverse effect on Royal IHC.

We consider the long-term growth prospects for our markets to be positive, but they can be negatively influenced by factors outside our control, especially for the short and medium term. These factors outside our control include geopolitical developments, such as political instability in e.g. the Middle East and Eastern Europe, trade barriers resulting from sanctions, volatility in the energy and commodities markets, high inflation and calamities.

The company's order intake for high-end integrated products is non-linear and difficult to plan. A flexible, balanced workforce – with insourcing and outsourcing capabilities – is necessary to optimise capacity with the expected workload. Royal IHC's approach to mitigate utilisation risk following the current non-linear order intake is to develop a more installed base-driven portfolio, with equipment, services, consultancy and engineering orders, as well as flexible financing arrangements for customers.

Human resources

Our people are the cornerstone of our innovation. In the face of tight labour markets, hiring and retaining skilled staff pose challenges for every company. Additionally, technological advancements demand that our workforce continually acquire new skills. For specific strategies to mitigate these risks, we recommend referring to the chapter on 'Human Resources (HR)'.

Safety, health and environment risks

In the maritime sector, the presence of occupational health, safety, and environmental hazards is a constant reality. The key to achieving operational excellence lies in our ability to identify these hazards, evaluate the associated risks, and implement effective mitigation measures. The Safety, Health, and Environment (SHE) discipline plays a crucial role in this process by providing the necessary tools, methods, processes, and systems, as well as offering advice to the Royal IHC business.

The I-CARE (I Create A Right Environment) programme is a strategic initiative aimed at enhancing the safety culture within the organisation. It focuses on two primary areas: Leadership and Learning from Incidents. Senior management plays an active role in both SHE performance and the I-CARE initiatives, demonstrating their commitment to creating a safer and healthier work environment.

Contract risks

Royal IHC enters into large-scale, medium- to long-term contracts with its customers and supply chain, which contain significant risks. Assessments are completed by a cross-functional bid team before binding offers are issued, and these are reviewed by the Board of Management and Tender Committee. The assessments cover technical and execution risks, as well as financial, legal and compliance risks, and the mitigation measures that need to be taken for an acceptable residual risk.

Project risks

If customer demands are not met, the consequences could be severe, both in the short term (additional costs or liquidated damages) and long term (reputation). Royal IHC seeks to mitigate these risks and is further strengthening its project management and control functions. The risk register is included in the project reports, which are shared with the Management Team.

Materialised operational and financial risks have resulted in negative results in recent years. Although the current projects are to a large extent de-risked, operational and financial risks cannot be completely eliminated. With the objective of balancing risks and margins in a better way, tight control during the acceptance of projects is now embedded within the Royal IHC's processes. In combination with operational excellence, this should lower future project risks.

Claims and legal cases

Royal IHC is involved in several legal proceedings that are subject to inherent uncertainties.

International compliance risks

As an international business operating globally, trade compliance is a key area of attention for Royal IHC and we are committed to not knowingly violating any applicable sanctions and export restrictions.



Our compliance program furthermore covers customs compliance as well as specifics related to export controls that apply to the export of military and dual-use goods, services and technology.

Where our activities are not managed by Royal IHC's local management, we may use the services of local intermediaries or sales representatives. To help mitigate risks related to the use of local partners, the group has an internal risk management and control system in place, consisting of a third party due diligence procedure, which is supported by specific third party due diligence policy, a training and awareness program, and the principles set forth in our Royal IHC Code of Conduct.

All contracts with intermediaries and local sales representatives include a requirement to sign for compliance with anti-bribery and corruption laws and regulations. Questions or concerns about

(un)ethical behaviour, suspected misconduct or alleged violation of our code of conduct can be reported via various routes, including management, HR and the Compliance Team or through using the SpeakUp line.

IT risks

Royal IHC depends on the reliability and availability of its software solutions, databases and infrastructure. The company's IT department has a dedicated team that is responsible for maintaining the IT landscape, ensuring business continuity and implementation of IT security measures.

To increase employee awareness of security risks, the IT department sends out appropriate alerts, provides guidance on how to act, and blocks vulnerabilities. In addition, the security measures are reviewed for effectiveness by a third party and reported to the Board of Management.

Interest rates and currency risk

Royal IHC concludes foreign exchange transactions and interest rate swaps with the aim of covering risks that derive from normal business activities. The central aim is to protect the company against the risk of the cash flow being affected negatively by exchange rates or interest fluctuations.

Royal IHC follows a policy of ensuring that its exposure to changes in interest rates on loans and borrowings is on a fixed-rate basis. This is done by entering interest rate swaps for almost all loans and borrowings with variable interest rates.

The company is exposed to currency risk on order book, purchases and borrowings that are denominated in a currency other than the respective functional currencies of its entities, primarily the euro. At any point in time, it covers most foreign currency exposures. It uses forward exchange and insurance contracts, and options to cover its currency risk, most with a maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity.

Credit risk

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

Liquidity risk

In light of business performance and the competitive environment, Royal IHC faces certain financing and liquidity risks. Maintaining up-to-date and accurate accounting records mitigates liquidity risks, as well as managing cash positions by preparing short- and long-term cash flow projections. However, in the organisation's core business, it has proven to be inherently difficult to forecast liquidity over a longer period. Moreover, liquidity will be dependent on improvements in Royal IHC's results and the mitigation of the risks mentioned above. Based on forecasts and after the sale of IQIP, management believes the liquidity to be sufficient. We refer to the Outlook paragraph for further information.

Tax risks

Tax risks are managed by Royal IHC's tax department, which assists the business units in day-to-day tax questions, manages foreign tax risks for projects abroad and ensures together with the Finance department overall compliance with tax rules and regulations.

Review and revision

The Board of Management has overall responsibility for the risk management and control framework within Royal IHC. The CEO acts as the formal representative and is advised by his team, aided by information from the risk management system. The adequacy and effectiveness of the framework are regularly reviewed, considering any changes in external business dynamics, as well as within the company.

Human resources (HR)

At Royal IHC, we acknowledge that our employees are the cornerstone of our vision to shape the future of maritime. Regrettably, as part of the restructuring program announced in June 2023, we initiated a global reduction of 100 employees. The Works Council approved this decision in September 2023, and we reached an agreement on a social plan for our employees in The Netherlands with the unions. While it is difficult to part with valuable team members, Royal IHC strived to provide a robust support system to guide redundant employees from one job to another through this social plan.

The year 2023 demonstrated the resilience and dedication of our employees amidst a dynamic environment. Collectively, we worked towards restructuring the organisation to become future-ready. The pride in our products and technical solutions serves as a strong foundation for this transformation.

Maintaining a high level of craftsmanship is crucial for future relevance. We are committed to equipping our employees with a diverse skill set. Through cross-functional exposure and training programs, we foster multiskilling and empower our workforce to adapt to evolving challenges. As we were still facing underutilisation, we preserved craftsmanship by creating an ecosystem where other companies could benefit from the skills of our staff until we could employ them again.

By establishing a skills matrix across multiple technical disciplines, we have laid the groundwork for understanding the technical skills within our organisation. This information serves as a foundation for setting up development programs to enhance technical skills in the coming years.

Through regular performance reviews and team sessions, we maintain a connection with our employees, ensuring alignment with organisational goals and necessary development. These dialogues enable us to acknowledge achievements, address concerns, and identify growth opportunities.

Our commitment extends beyond professional development. We prioritize the well-being of our team members. Initiatives such as stress management workshops, flexible work arrangements, and access to mental health resources highlight our dedication to holistic health.

As we progress, our focus remains on nurturing a supportive, agile, and resilient workforce. Together, we lay the groundwork for sustained success.



Sustainability

Royal IHC has an active sustainability policy, and acknowledges that many social, governance and environmental topics remain of high importance, especially in light of recent developments on climate and governance legislation regarding the maritime industry. The foundation of the company's sustainability strategy is to be a reliable partner for sustainable innovation to its customers and other stakeholders. This is reflected in its ability to provide alternative fuel options (for example LNG, hydrogen and methanol) to help reduce customers' carbon footprints, and conform to stricter emissions regulations. Further, first steps are being taken into an improved circularity by offering retrofit packages and by collecting worn out wear parts and recycling them in a dedicated manner at our foundry, Allard.

In 2022 and 2023 the steps towards our sustainability ambitions were defined, based on the analysis of megatrends, our materiality matrix and sector developments. This resulted in a corporate sustainability roadmap, where we focus in four main themes:

1. sustainable energy and reduced water use
2. reducing emissions of our product portfolio
3. improving circularity and
4. sustainable working conditions and care for local communities.

The domains where Royal IHC will make its steps on sustainability are:

- **Products and services:** everything that we design, produce, sell and help to maintain over its entire life cycle. For example, developing efficient, zero-emission and circular vessels, equipment and services. Furthermore, our efforts to reduce, reuse, recycle, and explore new sustainable business models. We also support our customers (and their customers) with sustainable products and services to enable them to achieve their sustainability goals.
- **Operations:** everything related to how we conduct our business and work together, as well as our offices and how we manufacture our products. From using sustainable energy to our efforts to reduce waste, improve production processes, business objectives and incentives. Also to reduce the carbon footprint of our employees and positively impact the communities we are active in. We want to be a company that people are proud to work for, not just because of the products we make, but also because of our culture and how we do business.

- **supply chain:** everything related to our supply chain, suppliers and purchases. The type of equipment and kinds of materials we use, where they come from and the sourcing of semi-finished products. Also, all aspects of sustainability that are important for our customers, and how we support them in pursuit of their sustainable activities. We aim to identify and apply more environmentally friendly and socially sustainable alternatives, and involve our suppliers to jointly move forward.

These steps are not something we can do alone. It requires cooperation through the entire value chain, from our customers' customers to our supplier's suppliers. We believe that we can only achieve our sustainability goals by collaborating within the entire ecosystem. This means that we actively seek out partnerships that will move us closer to our goal of becoming a fully sustainable company. We will actively approach our customers to assist them in the pursuit of their sustainability goals.

Corporate Sustainability Reporting Directive (CSRD)

In January 2023, the European Union's CSRD guidelines came into effect, meaning that they will also apply to Royal IHC from 2025. The CSRD legislation arose from the need to provide transparency about the sustainability activities of companies and should provide better quality sustainability information.

To meet the requirements in 2025, a targeted project has been launched under the leadership and responsibility of the finance department in cooperation with technology and sustainability. A working group has been formed to ensure implementation, with a steering group that is responsible for the choices and decision-making. In addition to a few permanent staff, the working group consists of so-called "sustainability business partners", colleagues selected for this purpose, who thus represent all aspects of the organisation and who are deployed in a targeted manner through workshops, surveys and interviews.

In addition, an experienced implementation partner has been contracted, who participates integrally in the working group and contributes the right knowledge and experience. Finally, CSRD and the progress of the project are a permanent item on the agenda of the audit committee.

By combining efforts and knowledge in this way, to arrive at reliable sustainability reporting, a conscious choice is made for the most effective and efficient approach, suitable for Royal IHC.



After an inventory of the situation in the field of sustainability reporting and previous initiatives in this area, it was decided to implement a structured step-by-step approach to CRSD within Royal IHC. This concerns the following steps:

1. scoping of CRSD for Royal IHC (2024 Q2)
2. double Materiality Analysis (DMA) (2024 Q2)
3. reporting Set-Up (ESRS + EU Taxonomy) (2024 Q3)
4. setting up CRSD data collection & Reporting System (2024 Q4)
5. CRSD implementation and Data Collection (2025)
6. reporting (2026)

Parallel to this, the mapping of the CO2 scope emissions will take place in 2024 Q3, and the elaboration of all policies, targets, action plans

and transition plans will take place in 2024 and 2025.

Each step is a process that takes place via structured sub-steps towards the right conclusions and products. To date, the project is running according to plan and all deadlines have been met. Steps 1 and 2 have been completed and step 3 is work in progress. Progress has also been made with the mapping of the CO2 scope 1,2 & 3 emissions.

The ambition is that the above structured and targeted approach, in combination with the organised correct input of knowledge and experience, will result in an effective and efficient way, suitable for Royal IHC, in being able to meet the CRSD guidelines.

Outlook

In 2023 Royal IHC took measures to improve the liquidity position and amended the financing arrangements with its lenders. One of the measures taken is the divestment of IQIP in March 2023. As a result of the divestment of IQIP in March 2023, the balance sheet was significantly strengthened.

Based on the current order book and in expectation of successfully concluding final contractual discussions on a number of larger opportunities, Royal IHC foresees an uplift of order intake and further improvement of results in 2024 and 2025. The most recent cash forecast, based on the assumptions of the Board of Management, shows no cash shortage for the upcoming period (up to and including December 2025), including compliance with the minimum cash bank covenant.

Royal IHC however continues to face significant risks and uncertainties that need to be mitigated to achieve this forecast:

- to return to profitability, to be able to meet its obligations under the financing agreement and to increase the cash position, Royal IHC needs a balanced increase in the order book and finalise the process to become a leaner, more efficient organisation. Royal IHC will continue to focus on the flow business to achieve this, while still designing, engineering, and producing large integrated vessels and equipment for large vessels. Additionally, in 2024, Royal IHC signed

several contracts to design and construct vessels at external yards. This approach mitigates risk for Royal IHC while allowing the company to focus on its strategic strengths: engineering and delivering high-tech components. The operational and financial outlook for Royal IHC depends on a stable order intake from flow business. Moreover, the prospects for a profitable year hinge on the materialisation of a few large, currently unsecured orders, in addition to what has already been secured.

- market and other conditions outside Royal IHC's control could impact its operations. Royal IHC's business continues to be affected by geopolitical developments, such as political turmoil, government-imposed trade barriers and volatility in energy and commodities markets. These developments give rise to significant levels of uncertainty. New investments from the IHC group's major (dredging) customers can be negatively impacted by those developments, also affecting the group's future order intake from other customers. The Board of Management addresses this situation by keeping in contact with key customers and markets to pre-empt their requirements.
- Royal IHC's risk profile is influenced by markets and competition, leading to price and margin pressure. Royal IHC seeks to manage this pressure by adding value to customers and meeting their requirements in all project phases.

- operational and financial risks that have materialised have led to significant negative results in past years. The IHC group now has controls in place to balance risks, and margins are better balanced when accepting projects. This and operational excellence should reduce future project risks. The IHC group prepares liquidity forecasts sensitised to existing and future risks, including the impact of order intake. These are based on a more balanced project risk-return ratio and improvements in 'on-specification-on-budget-on-time' delivery.
- as mentioned before, the most recent cash forecast, based on the assumptions of the Board of Management, shows no cash shortage for the upcoming period (up to and including December 2025), including compliance with the minimum cash bank covenant. In the business of Royal IHC, however, it is inherently challenging to forecast liquidity over a more extended period. Liquidity will depend on meeting the expected order intake in challenging market conditions, improving Royal IHC's results, and mitigating the abovementioned risks by implementing the measures as described in the paragraphs above.

The Senior Facilities Agreement (SFA) expires on June 3, 2025. Royal IHC intends to start the refinancing process in October 2024 which will mainly focus on securing guarantees. The company is developing fall back scenarios for the situation that it is not able to timely and successfully conclude the discussions with the current banking group. Such fall back scenarios are mainly based on the support by other existing financial stakeholders, such as HAL Investments B.V., members of the Stichting Continuïteit IHC, Atradius and in addition potentially other surety providers. Although not certain, the Board of Management expects that sufficient support for such fall back scenarios could be secured.

Conclusion

The ability of Royal IHC to continue as a going concern depends on its ability to mitigate the significant risks and uncertainties described above and the continuing support of the stakeholders as mentioned in the previous paragraph. These risks and uncertainties do indicate the existence of a material uncertainty, which may cast significant doubt with respect to the IHC Group's ability to continue as a going concern. However, the Board of Management believes that there is sufficient basis for the going concern assumption to be maintained and therefore the financial statements have been prepared on that basis.

Kinderdijk, 13 September 2024

Board of Management:

D.W. te Bokkel, CEO

B.J. ter Riet, COO



Abbreviated financial statements 2023

Consolidated statement of profit or loss for the year ended 31 December 2023

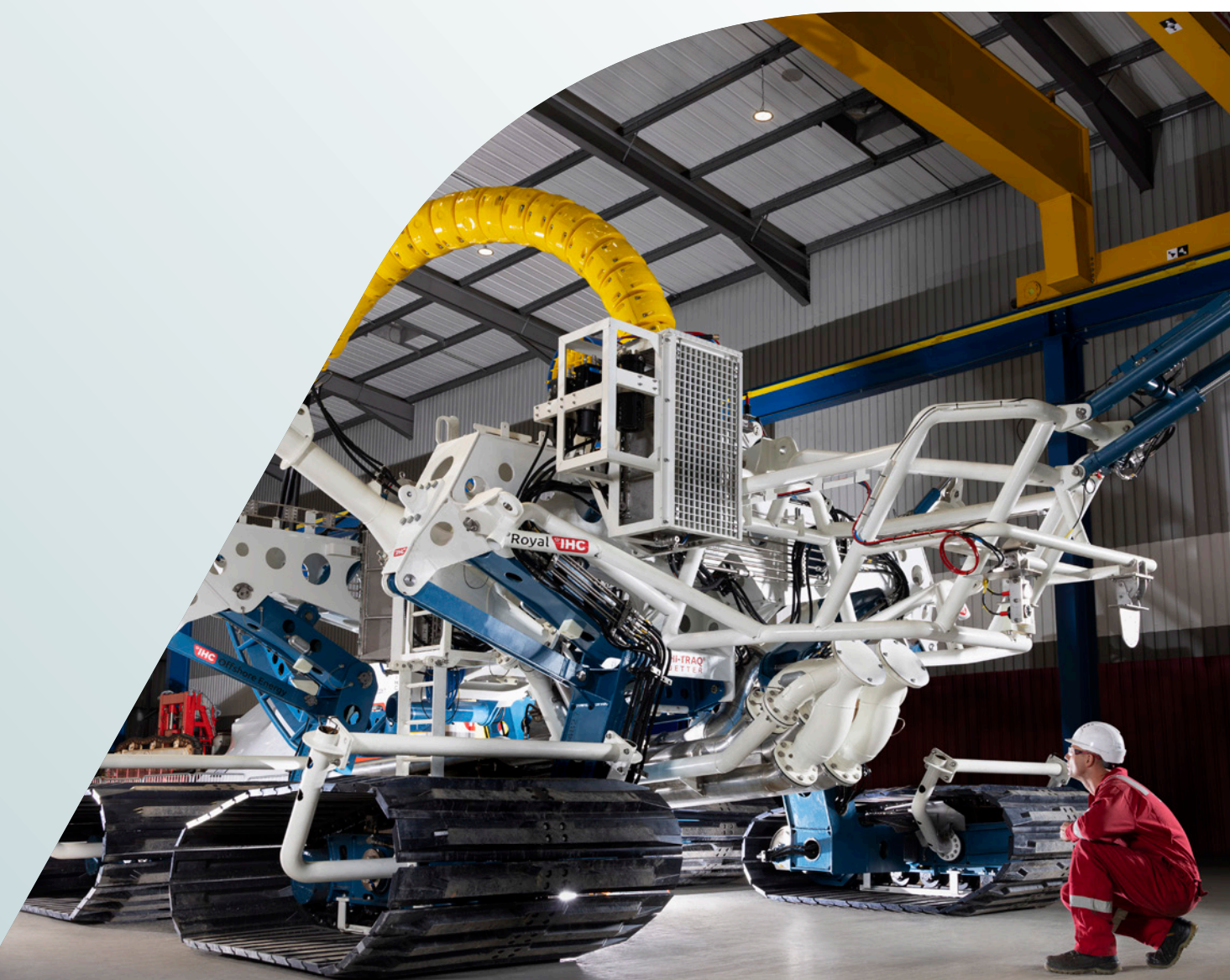
In thousands of euros	2023	2022
Revenue	312,328	354,004
Other income	2,048	-
Operating income	314,376	354,004
External costs	171,357	201,205
Employee expenses	167,969	157,703
Depreciation and impairment of property, plant and equipment, right-of-use assets and Investment property	11,430	16,985
Amortisation and impairment of intangible assets	5,075	7,293
Impairment on trade receivables and contract assets	1,789	347
Other expenses	4,459	18,605
Operating expenses	362,079	402,138
Result from operating activities	-47,703	-48,134
Finance income	1,287	1,567
Finance expenses	-12,700	-8,859
Net finance expense	-11,413	-7,292
Share of result of equity-accounted investees, net of tax	-	2,439
Profit / (loss) before income tax	-59,116	-52,987
Income tax (expense) / income	-4,347	1,624
Profit / (loss) for the period from continuing operations	-63,463	-51,363
Profit / (loss) for the period from discontinuing operations	185,057	16,251
Profit / (loss) for the period	121,594	-35,112
Profit / (loss) attributable to:		
Owners of the Company	121,594	-35,100
Non-controlling interests	-	-12
	121,594	-35,112

Consolidated statement of financial position as at 31 December 2023 (before appropriation of result)

In thousands of euros	31 December 2023	31 December 2022
Assets		
Property, plant and equipment	158,820	164,311
Investment property	272	272
Intangible assets and goodwill	9,457	14,497
Investments in equity-accounted investees	291	291
Deferred tax assets	1,858	1,308
Other non-current financial assets	1,812	3,776
Non-current assets	172,510	184,455
Contract assets	46,785	27,503
Inventories	101,828	124,669
Current tax assets	966	811
Trade and other receivables	65,854	75,736
Cash and cash equivalents	104,636	28,578
Disposal groups and assets held for sale	1,256	194,510
Current assets	321,325	451,807
Total assets	493,835	636,262
Equity		
Share capital	460,604	460,604
Share premium reserve	72,307	72,307
Reserves	-514,083	-419,103
Unappropriated result	121,594	-98,424
Equity attributable to owners of the Company	140,422	15,384
Non-controlling interests	-27	-27
Total equity	140,395	15,357
Liabilities		
Loans and borrowings	71,993	195,011
Derivatives	-	-
Provisions	26,330	28,289
Deferred tax liabilities	1,159	113
Other liabilities	7,977	7,145
Non-current liabilities	107,459	230,558
Contract liabilities	92,633	64,863
Current portion of loans and borrowings	3,100	38,089
Current tax liabilities	863	150
Trade and other payables	137,409	160,250
Liabilities directly related to disposal group held for sale	-	102,984
Provisions	11,976	24,011
Current liabilities	245,981	390,347
Total liabilities	353,440	620,905
Total equity and liabilities	493,835	636,262

Consolidated statement of cash flows for the year ended 31 december 2023

In thousands of euros	2023	2022
Profit / loss for the period	121,594	-35,112
<i>Adjustments for:</i>		
Depreciation, amortisation and impairment expenses	16,505	29,576
Loss/ (gain) on disposal group held for sale	-185,057	-1,792
Loss/ (gain) on assets held for sale	-2,066	-
Share of result of equity accounted investees	-	-2,439
Net interest expense	11,413	7,292
Income tax expense	4,347	-1,624
Changes in provisions	-13,994	-32,345
	-47,258	-36,444
Interest (paid) / received	-6,831	-5,980
Income tax (paid) / received		554
Net cash flow generated in operating activities (excluding changes in working capital)	-54,089	-41,870
<i>Changes in working capital:</i>		
- Acquisition of rental fleet	-	-33,566
- Inventories	22,841	25,142
- Contracts assets	-19,282	61,415
- Trade and other receivables	9,882	32,796
- Contract liabilities	27,770	33,658
- Trade and other payables	-22,193	2,578
Changes in working capital	19,018	122,023
Net cash flow used in operating activities	-35,071	80,153
Acquisitions of intangible assets and property, plant and equipment	-3,517	-8,837
Proceeds from divestments of property, plant and equipment	212	1,198
Proceeds from disposals of group companies, net of cash disposed	251,362	-
Proceeds from disposals of assets held for sale	24,731	-
Issue of loans and receivables	-	-2,778
Dividends received	1,301	950
Proceeds of loans and receivables	1,964	773
Net cash flow generated from investing activities	276,053	-8,694
Additions to loans and borrowings	54,322	139,382
Repayment of loans and borrowings	-214,494	-231,888
Payment of lease liabilities	-4,775	-7,509
Net cash flow from financing activities	-164,947	-100,015
Net increase / (decrease) in cash and cash equivalents	76,035	-28,556
Cash and cash equivalents as at 1 January	28,578	56,459
Movements in net cash and cash equivalents	76,034	-28,556
Effect of exchange rate fluctuations on cash held	24	675
Cash and cash equivalents as at 31 December	104,636	28,578



Notes to the abbreviated financial information

1. General

The abbreviated financial information is derived from the financial statements 2023, which are prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of The Netherlands Civil Code. The abbreviated financial information gives the headlines of the financial position of IHC Merwede Holding B.V. and its consolidated subsidiaries (together referred to as the 'Group') for the year ended 31 December 2023. For a better understanding of the IHC Group's financial position, Royal IHC's emphasises that the abbreviated financial information should be read in conjunction with the unabridged financial statements, from which the abbreviated financial information was derived. An unqualified auditor's report thereon dated 13 September 2024 was issued by KPMG Accountants N.V. The unabridged financial statements 2023 are available from the company or at the Chamber of Commerce in Rotterdam.

Going concern

In 2023 Royal IHC took measures to improve the liquidity position and amended the financing arrangements with its lenders. One of the measures taken is the divestment of IQIP in March 2023. As a result of the divestment of IQIP in March 2023, the balance sheet was significantly strengthened.

Based on the current order book and in expectation of successfully concluding final contractual discussions on a number of larger opportunities, Royal IHC foresees an uplift of order intake and further improvement of results in 2024 and 2025. The most recent cash forecast, based on the assumptions of the Board of Management, shows no cash shortage for the upcoming period (up to and including December 2025), including compliance with the minimum cash bank covenant.

Royal IHC however continues to face significant risks and uncertainties that need to be mitigated to achieve this forecast:

- to return to profitability, to be able to meet its obligations under the financing agreement and to increase the cash position, Royal IHC needs a balanced increase in the order book and finalise the process to become a leaner, more efficient organisation. Royal IHC will continue to focus on the flow business to achieve this, while still designing, engineering, and producing large integrated vessels and equipment for large vessels. Additionally, in 2024, Royal IHC signed several contracts to design and construct vessels at external yards. This approach mitigates risk for Royal IHC while allowing the company to focus on its strategic strengths: engineering and delivering

high-tech components. The operational and financial outlook for Royal IHC depends on a stable order intake from flow business. Moreover, the prospects for a profitable year hinge on the materialisation of a few large, currently unsecured orders, in addition to what has already been secured.

- market and other conditions outside Royal IHC's control could impact its operations. Royal IHC's business continues to be affected by geopolitical developments, such as political turmoil, government-imposed trade barriers and volatility in energy and commodities markets. These developments give rise to significant levels of uncertainty. New investments from the group's major (dredging) customers can be negatively impacted by those developments, also affecting the group's future order intake from other customers. The Board of Management addresses this situation by keeping in contact with key customers and markets to pre-empt their requirements.
- Royal IHC's risk profile is influenced by markets and competition, leading to price and margin pressure. Royal IHC seeks to manage this pressure by adding value to customers and meeting their requirements in all project phases.
- operational and financial risks that have materialised have led to significant negative results in past years. The IHC group now has controls in place to balance risks, and margins

are better balanced when accepting projects. This and operational excellence should reduce future project risks. The IHC group prepares liquidity forecasts sensitised to existing and future risks, including the impact of order intake. These are based on a more balanced project risk-return ratio and improvements in 'on-specification-on-budget-on-time' delivery.

- as mentioned before, the most recent cash forecast, based on the assumptions of the Board of Management, shows no cash shortage for the upcoming period (up to and including December 2025), including compliance with the minimum cash bank covenant. In the business of Royal IHC, however, it is inherently challenging to forecast liquidity over a more extended period. Liquidity will depend on meeting the expected order intake in challenging market conditions, improving Royal IHC's results, and mitigating the abovementioned risks by implementing the measures as described in the paragraphs above.

The Senior Facilities Agreement (SFA) expires on June 3, 2025. Royal IHC intends to start the refinancing process in October 2024 which will mainly focus on securing guarantees.

The company is developing fall back scenarios for the situation that it is not able to timely and successfully conclude the discussions with the current banking group. Such fall back scenarios are mainly based on the support by other existing financial stakeholders, such as HAL Investments B.V., members of the Stichting

Continuïteit IHC, Atradius and in addition potentially other surety providers. Although not certain, the Board of Management expects that sufficient support for such fall back scenarios could be secured.

2. Significant accounting policies

An abbreviation of a selection of the most significant accounting policies is included below. For a full overview of the accounting policies refer to the unabridged financial statements 2023.

Basis of preparation

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

Use of judgements and estimates

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates made and the related assumptions are based on management's experience and various other factors that can be considered reasonable under the circumstances. Those estimates and assumptions form the basis for judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual outcomes may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The most important estimates and assumptions in the financial statements concern the assessment of revenue recognition over time or at a point in time, measurement of inventories and contract assets and liabilities, assessment on contract modifications and assumptions on the expected result on contract assets and liabilities, impairment test of tangible fixed assets, intangible assets and goodwill, recognition of deferred tax assets, recognition and measurement of provisions and contingencies and measurement of expected credit loss allowance for trade receivables and contract assets.

Basis of consolidation

Subsidiaries are entities controlled by the IHC Group. The IHC Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The accounting policies of subsidiaries have been aligned with the policies adopted by the IHC Group.

Foreign currency

The assets and liabilities of foreign operations that are denominated in foreign currencies, including goodwill and fair value adjustments arising on acquisition, are converted to the euro

at exchange rates at the reporting date. The income and expenses of foreign operations are converted to the euro at exchange rates at the date of the transaction. Foreign currency differences are recognised in the currency translation reserve in equity. Exchange rate differences as a result of operational transactions and of the conversion at the end of the reporting period of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss in the reporting period.

Derivatives

The IHC Group holds derivative financial instruments to decrease its exposure to foreign currency risks and interest rate risks. Derivatives are measured at fair value and changes therein are recognised in the consolidated income statement, unless hedge accounting is applied. When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in the hedging reserve in equity. When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is

determined to be an effective hedge is recognised directly in the currency translation reserve in IHC Group equity.

Impairment

The carrying amount of the IHC Group's assets, excluding inventories, construction contracts, deferred tax assets and assets that are classified as held for sale, are reviewed on each balance sheet date to determine whether there is any indication of impairment. If there is any such indication, the assets' recoverable amount is estimated. The recoverable amount of goodwill, assets with an indefinite useful lifetime and intangible assets that are not yet available for use is estimated annually at the same time.

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

Property, plant and equipment

Land is measured at cost on initial recognition and subsequently at fair value less accumulated impairment losses. The fair value is defined as the estimated amount for which land could be exchanged between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably.

Disposal costs are not deducted in determining the fair value. The fair value of land is based on appraisals performed by an independent valuator or for recently acquired land the fair value is based on the cost value. Any surplus arising on revaluation is recognised in the revaluation reserve in equity except to the extent that the surplus reverses a previous revaluation deficit on the same asset recognised in profit or loss, in which case the credit to that extent is recognised in profit or loss. Any deficit on revaluation is recognised in profit or loss except to the extent that it reverses a previous revaluation surplus on the same asset, in which case the debit to that extent is recognised in the revaluation reserve in equity. The revaluation reserve is transferred to other reserves upon ultimate disposal of the asset. Land is not depreciated. Other classes of property, plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses. As a lessee, the Group leases assets including property, production equipment and vehicles. The Group recognises right-of-use assets and lease liabilities for most of these leases.

Intangible assets and goodwill

Expenditure on development activities, in which research findings are applied to a plan or design for new or improved products or software, is capitalised only if development costs can be measured reliably, the product or software is technically and commercially feasible, future economic benefits are probable, and the IHC Group is intending and able to complete

development and to use or sell it. Intangible assets acquired in business combinations (trade name, order backlog, customer relations, technology) are measured at cost, being the fair value at acquisition date less accumulated depreciation and accumulated impairment losses. Goodwill represents the excess of the cost of the acquisition over the IHC Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is measured at cost less any accumulated impairment losses.

Revenue

Construction projects of the IHC Group generate revenue from developing, building and delivering of vessels and equipment. The duration of the construction projects varies from approximately one month to several years. Contracts are agreements under which the IHC Group and the customer have mutually enforceable rights and obligations. A combination of contracts rarely occurs but contract modifications, such as those related to additional work, are common. Additional work included in the recognition of revenue is based on mutually agreed contract modifications. In most cases such modifications or extended services are not distinct and therefore form part of a single performance obligation that is partially completed at the time of the contract modification. Most often the contracts contain only one performance obligation. Performance obligations are the asset to be constructed for the customer. Revenue recognised is based on contract considerations, including fixed prices and variable prices,

possible claims, incentives or liquidated damages. If there is a right to variable remuneration, such as incentive agreements, this is taken into account to the extent that it is highly unlikely that it will be reversed at a later date. Payment terms for construction contracts vary from a small advance payment and the rest of the consideration on delivery to equal instalments over the duration of the contract. In the event that the period between payment and the performance provided, or the other way around, is less than one year, the IHC Group does not adjust the contract consideration for finance components.

Revenue is recognised over time when the customer simultaneously receives and consumes the benefits provided through the IHC Group's performance or when the IHC Group creates or enhances an asset that the customer controls. In addition revenue is recognized over time when the IHC Group creates or enhances an asset which does not have an alternative use to the group and the group has an enforceable right to payment for performance completed to date. The stage of completion is generally assessed on the basis of the cost incurred of the work performed in relation to the expected total costs of the project. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. If the IHC Group has recognised revenue but not issued an invoice, then the entitlement to consideration is recognised as a contract asset. The contract

asset is transferred to receivables when the entitlement to payment becomes unconditional, this usually occurs when the IHC Group issues an invoice to the customer.

Almost all contracts include a standard warranty clause to guarantee that the performance obligations comply with the agreed specifications. Based on historical data, the IHC Group recognised a provision for this warranty. Revenue from the sale of goods is recognised when the IHC Group transfers control of the goods to the customer. The transaction price includes the initial amount agreed in the contract plus any variations in contract work, variable considerations or an adjustment for the effects of time value of money. The timing of the transfer varies depending on the individual terms of the contract.

Revenue from rendering of services is recognised in profit or loss in proportion to the stage of completion of the transaction at reporting date. The stage of completion is generally assessed on the basis of the cost incurred of the work performed in relation to the expected total costs of the project. When the outcome cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss. Services are billed and paid on a periodic basis.



Revenue from rental contracts is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

3. Research and development expenses

Research & development expenses, net of grants received, amounted to € 8.3 million (2022: € 10.0 million) and are included in external costs and employee expenses.

4. Order book

The order book at year-end 2023 amounted to € 318.0 million (year-end 2022: € 260.0 million).

Report of the independent auditor

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

Our opinion

The abbreviated financial information of IHC Merwede Holding B.V. for 2023 (hereafter 'the abbreviated financial information') is derived from the audited financial statements of IHC Merwede Holding B.V. for 2023.

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

The abbreviated financial information comprises:

- 1 the consolidated statement of profit or loss for the year ended 31 December 2023;
- 2 the consolidated statement of financial position as at 31 December 2023;
- 3 the consolidated statement of cash flows for the year ended 31 December 2023; and
- 4 the notes to the abbreviated financial information.

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

statements of IHC Merwede Holding B.V. and our report thereon. The abbreviated financial information and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements of 13 September 2024.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements of IHC Merwede Holding B.V. for 2023 in our report dated 13 September 2024. That report also includes a material uncertainty related to going concern section that draws attention to the going concern paragraph in Note 1 of the audited consolidated financial statements which indicates that the going concern of the company is dependent on the development of the mentioned significant short and medium term risks and uncertainties that need to be mitigated. These short and medium term risks and uncertainties indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

Responsibilities of the Board of Management and the Supervisory Board for the abbreviated financial information

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

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

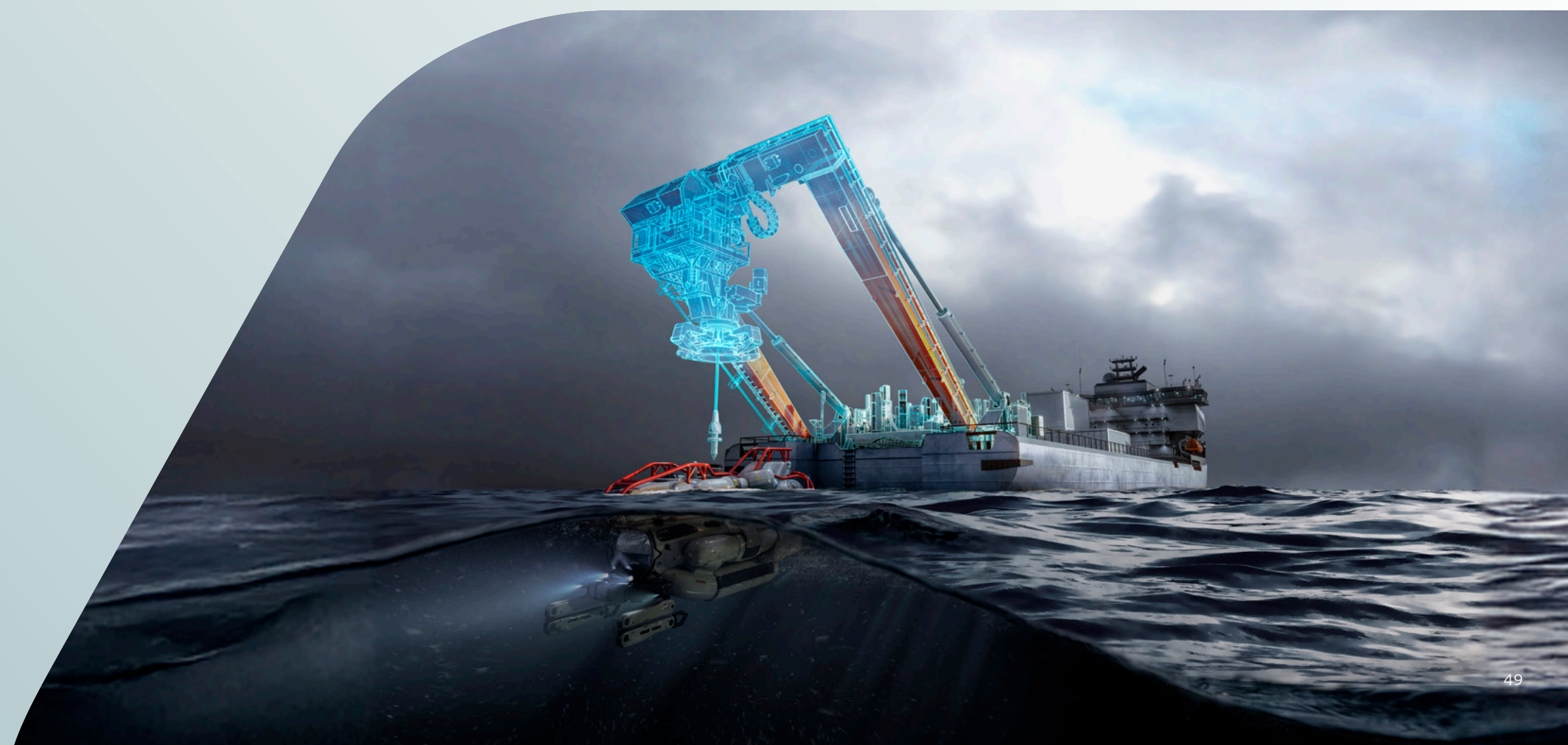
Our responsibilities for the audit of the abbreviated financial information

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

Rotterdam, 25 October 2024

KPMG Accountants N.V.

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