Port of Rotterdam

STAYING ON COURSE IN A CHANGING ENVIRONMENT.

MAKE IT HAPPEN.

PORT OF ROTTERDAM AUTHORITY

HIGHLIGHTS OF THE **2015 ANNUAL REPORT**

FOREWORD BY THE EXECUTIVE BOARD

2015: A RECORD YEAR WITH A STORY TO TELL

The port of Rotterdam showed very healthy growth figures in 2015. Throughput in the port increased by 4.9%, to an unprecedented volume of more than 466 million tonnes. This substantial growth can be almost entirely attributed to the increased throughput of crude oil and oil products. Thanks to low oil prices, the refineries are working at full steam which has resulted in large volumes of oil and oil products flowing in and out of the port. At the same time, we can also see the downside to low oil prices: investments are being substantially scaled down in view of diminished returns. These are therefore tough times for Rotterdam's marine and offshore sectors.

While Rotterdam's port and industrial complex owes a significant share of its growth to oil, the port is actually in a period of transition. In this phase, we are not only focusing on strengthening the existing, fossil fuel-based cluster and raising its level of sustainability, we are also making targeted investments in new sectors to ensure the port's resilience and growth in the long term. This is also reflected in the various investments that were either made or announced in the past year. For example, major customers such as Shell and ExxonMobil announced very sizeable investments in their Rotterdam refineries, while Neste started construction of a bio-propane production plant, and Sif and Verbrugge commenced building a facility at Maasvlakte 2 that will accommodate the production of pylons for offshore wind turbines. And the realisation of an LNG breakbulk terminal made good progress, so that in the near future bunker ships can swiftly replenish their supply of this relatively clean transport fuel. In other words: we facilitate new developments while cherishing and strengthening our existing assets. The latter strategy is also embodied in a programme that was launched with the aim of further reinforcing our port's chemical and refineries cluster. We work together with our customers, sector organisations and government authorities on measures to strengthen Rotterdam as a business location and realise further integration within our local chains.

2015 was the year in which climate change was at the centre of attention thanks to the climate summit in Paris, France. In Rotterdam, we are fully dedicated to reducing the environmental impact of fossil fuels and further developing renewable energy options. Indeed, it comes as no surprise that Rotterdam already has one of the most energy-efficient refinery and chemical clusters, as well as the largest bio-based cluster in the world. We aim to remain a frontrunner in this field, and to further build on our lead through major, high-profile projects such as the capture and sequestration of CO2 and the re-use of residual heat from port companies. Our existing facilities – including the new, cutting-edge coal-fired plants at Maasvlakte – can play an important role in both focus areas and contribute to the development of new knowledge that can benefit the world as a whole. In this context, our guiding concern should be to which extent developments may reduce the level of CO2 emissions, rather than which energy source they are based on.

Last year saw the official opening of two new container terminals at Maasvlakte 2, by APM Terminals and RWG respectively. However, the two terminals did not yet run at full capacity in 2015, which means that shipping companies have not yet shifted substantial volumes of cargo to the new facilities. Coupled with fierce international competition and a slower global economy, this resulted in a slight decrease in the port's total container throughput. We are confident that as these new terminals pick up steam, Rotterdam will be able to further strengthen its position in the container sector. Indeed, with our strong maritime accessibility and excellent facilities and services, we are favourably positioned for further growth in this area as well. For example, we are working hard to strengthen our rail product – which has resulted in an increase in rail transports. New rail services were launched and the frequency of existing connections was stepped up. Rotterdam not only strengthened its rail product, but also improved the position of its inland shipping options with the opening of the new Container Transferium at Alblasserdam. This intermodal transfer point allows larger numbers of containers handled at the Maasvlakte terminals to be transported to and from the hinterland via inland shipping.

In 2015, we also put a lot of time and energy into encouraging a social dialogue within the container sector. Our aim was to foster definite agreements between employers and unions in the sector to prevent possible redundancies as a result of the shift, to Maasvlakte 2, of cargo flows that up to now have been handled by terminals at Maasvlakte 1.

During the past year we also finalised our new Business Strategy, which covers the next five years. The heart of this strategy is formed by our newly-formulated mission: we create economic and social value by working together with customers and stakeholders to realise sustainable growth in a world-class port. In the coming years, our day-to-day activities will be determined to a large degree by the priorities set down in our new Business Strategy. We will work to both consolidate and strengthen our port's position in mature markets, growth markets and new markets. In line with these priorities, our port needs to continue playing a leading role in the sustainability of chains and clusters. And we need to make optimal use of the available infrastructure, to ensure that cargo is handled as efficiently and safely as possible via all modes of transport. This requires us to innovate in a wide range of areas.

The further growth of throughput in the port has allowed the Port of Rotterdam Authority to report a healthy financial result for 2015. This, in turn, enables us to continue investing in the port. Providing high-quality infrastructure is what we consider to be the most significant way of contributing to Rotterdam's appeal as a location for the international business community. And our efforts are paying off. Over the past few years, every euro invested by the Port Authority in the port of Rotterdam was matched by five to seven euro invested by the local private sector. And Rotterdam's status as one of the world's very best ports when it comes to infrastructure is also widely acknowledged: once again, the World Economic Forum has placed the Netherlands and Rotterdam at the very top of its global ranking of countries with the best port infrastructure. Our ambition is to maintain this leading position, so that Rotterdam will remain the most attractive port worldwide.

Rotterdam's focus on efficiency and safety is also reflected in the relatively small number of significant nautical incidents that occurred in the port of Rotterdam. This is important for a port that sets great store by the swift and safe handling of shipping movements. Once again, this is an area in which Rotterdam distinguishes itself in a positive way.

We would like to conclude by thanking our staff for the dedication, strong involvement and flexibility that they have shown in 2015. In the year ahead, we will once again be counting on their commitment to our joint goal of making 2016 another successful year for the port of Rotterdam.

Port of Rotterdam Authority
Rotterdam, 26 February 2016

Executive Board
Allard Castelein, Ronald Paul and Paul Smits

KEY FIGURES

TOTAL THROUGHPUT

466.4

Million tonnes of throughput in 2015.

TURNOVER

676.9

Million euro of turnover in 2015.

MARKET SHARE

38.0%

Market share in Hamburg - Le Havre range in 2015 (Q1 - Q3).

CLEAN SHIPS

1,786

Port calls with ESI discount.

MODAL SPLIT

46.2%

of the containers leaving Maasvlakte in the first half of 2015 were transported via road haulage.

CO2-FOOTPRINT

10.6%

CO_2-reduction in comparison with 2010.

PORT AREA

5,968

ha of port area in 2015 (including rentable sites at Maasvlakte 2).

NUMBER OF EMPLOYEES

1,113

Year-end 2015.

MILESTONES

OPENING OF THE SUBMARINE WHARF AT RDM

Opening of the Submarine Wharf as a new events venue following major renovations.

RECEPTION OF THE FIRST LNG-POWERED VESSEL

The first LNG-powered mega container ship, the UASC Barzan, calls on the port of Rotterdam.

LAUNCH OF PORTXL

Launch of the start-up accelerator programme PortXL in partnership with various internationally renowned parties.

LAUNCH OF POR ONLINE

The Port Authority launches a new, service-oriented website for clients and visitors to the port of Rotterdam.

INVESTMENT DECISIONS REGARDING THE CONTAINER EXCHANGE ROUTE AND THE THEEMSWEG ROUTE

The Supervisory Board formally adopts the investment plans for the Container Exchange Route (CER) and the Theemsweg route.

FUTURELAND WELCOMES 750,000TH VISITOR

The FutureLand information centre receives its 750.000th visitor.

OPENING OF THE CONTAINER TRANSFERIUM

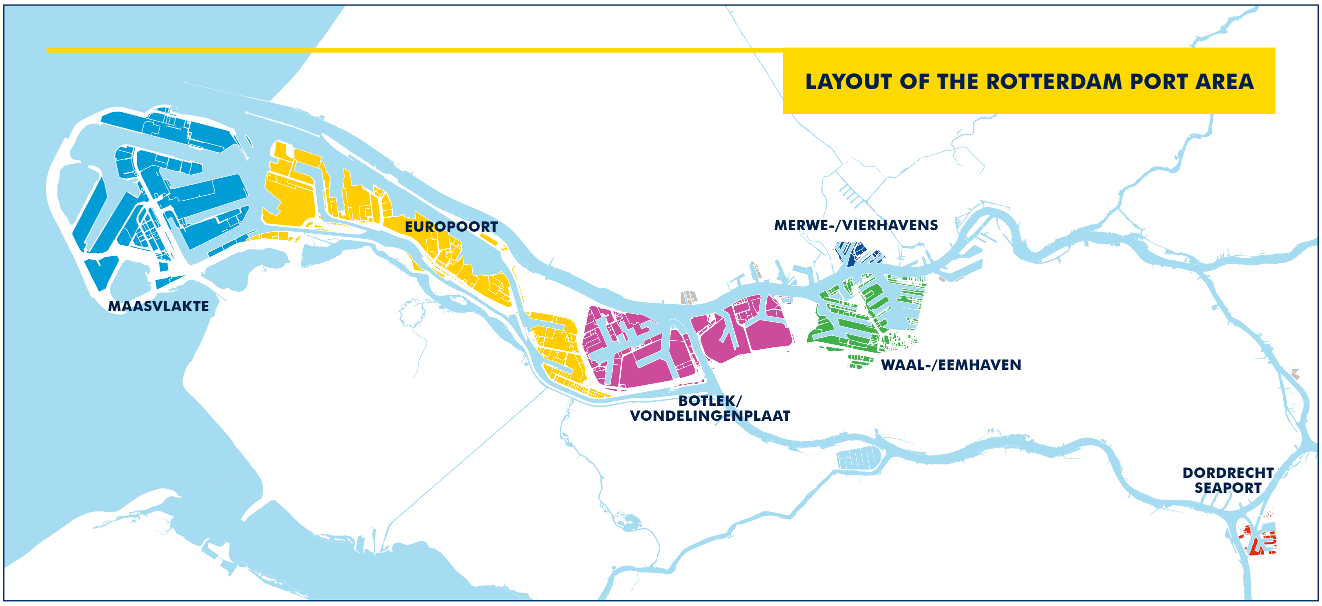
Opening of the BCTN Container Transferium in Alblasserdam.

EXPANSION OF LOCAL WE-NOSE NETWORK

The we-nose network is expanded from 89 to 152 ‘electronic noses’.

FACTS AND FIGURES

Profile of the port	
Total surface area of the port	12,606 ha
Land surface area	7,796 ha
Of which rentable sites	5,968 ha
Water surface area	4,810 ha
Total length of Rotterdam's port area	42 km
Water depth in NAP (maximum)	24 m
Quay walls	74.5 km
Jetties for ocean and inland shipping	116
Number of port calls	
Sea-going vessels	29,122
Ship movements (ocean shipping)	76,527
Sea port-related added value and employment (including Dordrecht Seaport) (source: Havenmonitor 2014.	
Direct and indirect added value	EUR 21.5 billion
As a percentage of the Dutch national total	3.2%
Direct and indirect employment	184.269
As a percentage of the Dutch national total	2.1%



MARKET POSITION

The port of Rotterdam is the largest sea port in Europe. Our objective is to both maintain and further strengthen Rotterdam's position as market leader. Since Rotterdam plays an important role in the throughput of many different commodities, the port's overall throughput is less vulnerable to market fluctuations in specific sectors.

In 2015, Rotterdam once again managed to further strengthen its position as market leader in the Hamburg-Le Havre range. Rotterdam's market share increased from 36.8% in 2014 to 38.0% in 2015. It achieved this growth thanks to an increase in the throughput of liquid bulk, a market segment in which Rotterdam has traditionally enjoyed a strong position.

The throughput of liquid bulk showed an exceptionally strong increase of 10.9% in 2015. This growth mainly relates to the throughput of mineral oil products (+18.0%) – and fuel oil in particular. The volume of crude oil that was imported for the refineries based in the port area and its hinterland (two refineries in Germany, two in Belgium and one in Vlissingen) also increased substantially, by +8.1%. Key contributor to this growth was the low price of oil. This means that the refineries were able to utilise a large share of their productive capacities and convert more crude oil into oil products, including fuel oil. In addition, the volume of fuel oil entering the port increased further thanks to higher export volumes from Russia, particularly in the first half of 2015. This increase was the result of a reduced demand for fuel oil for the generation of electrical power and industrial processes in Russia itself, leading to the surplus being exported. Since liquid bulk forms nearly half of Rotterdam's total throughput, the combination of both factors means that the growth in this segment has a strong impact on the port's overall market share. The increase in Rotterdam's market share was already achieved in the first quarter of 2015 and remained stable for the rest of the year.

The volume of cargo put through the port of Rotterdam (including Dordrecht Seaport) in 2015 increased by 4.9% to 466.4 million tonnes.

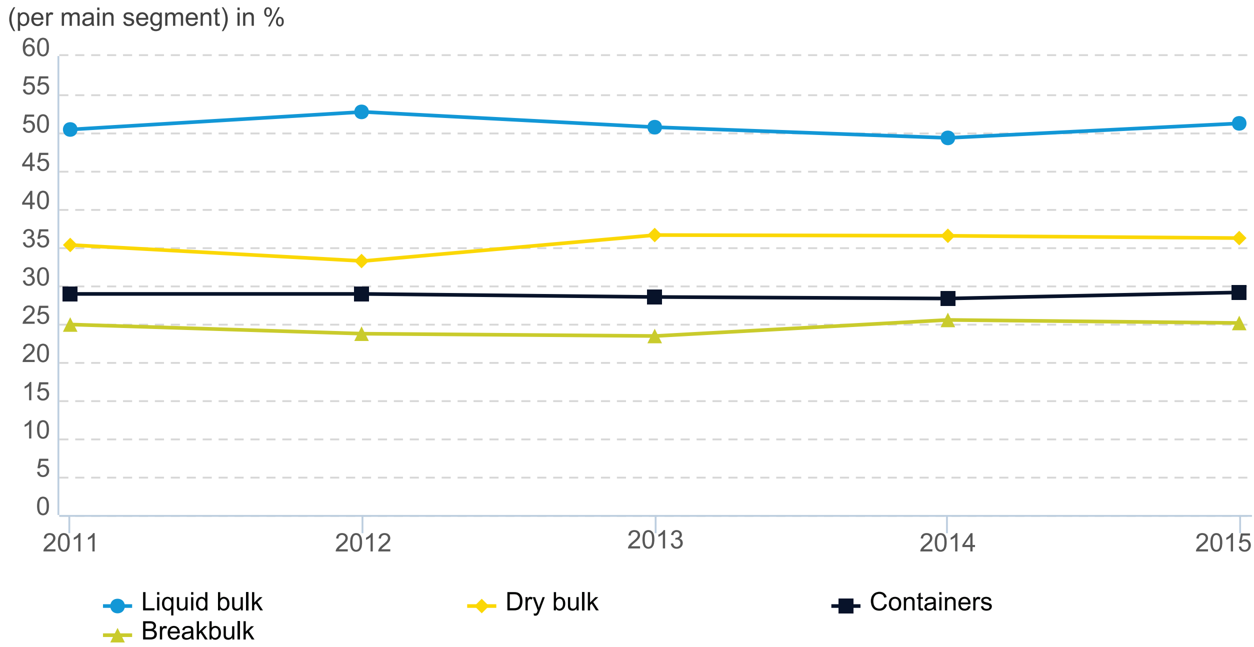
THROUGHPUT OF CARGO IN THE PORT OF ROTTERDAM*

(gross weight x 1,000 metric tonnes)	2015	2014	2013	2012	2011
Ores and scrap	33,865	34,075	35,944	32,742	37,449
Coal	30,691	30,401	30,675	25,282	26,708
Agribulk	10,834	11,266	10,318	8,050	9,870
Other dry bulk goods	12,349	12,850	12,249	12,029	13,299
Dry bulk	**87,739**	**88,593**	**89,186**	**78,103**	**87,326**
Crude oil	103,091	95,388	91,054	98,324	92,807
Mineral oil products	88,496	75,006	81,608	81,814	73,448
LNG	2,307	1,206	756	560	569
Other liquid bulk	30,746	30,899	33,381	33,515	31,700
Liquid bulk	**224,640**	**202,498**	**206,799**	**214,213**	**198,525**
Total Dry	**312,379**	**291,091**	**295,986**	**292,316**	**285,851**
Containers	**126,245**	**127,598**	**121,250**	**125,428**	**123,556**
Roll On/Roll Off	22,030	20,005	18,512	17,919	17,450
Other general goods	5,709	6,039	4,716	5,865	7,693
Breakbulk	**27,739**	**26,044**	**23,228**	**23,784**	**25,143**
TOTAL GENERAL CARGO	**153,984**	**153,642**	**144,478**	**149,211**	**148,699**
TOTAL THROUGHPUT	**466,363**	**444,733**	**440,464**	**441,527**	**434,550**
Total in number of containers	7,329,640	7,386,528	7,006,301	7,183,675	7,184,197
Total in number of TEU	12,234,535	12,297,570	11,621,249	11,865,916	11,876,900

*The stated throughput figures include throughput at terminals to the north of the river (Hoek van Holland, Schiedam, Vlaardingen). In 2015, this throughput concerned approximately 3.4% of the total throughput volume of incoming and outflowing cargo. The associated port tariffs are not paid to the Port of Rotterdam Authority and are consequently not included in the Port Authority's financial accounts.

THROUGHPUT ROTTERDAM PER QUARTER

MARKET SHARE OF ROTTERDAM IN THE HAMBURG-LE HAVRE RANGE*

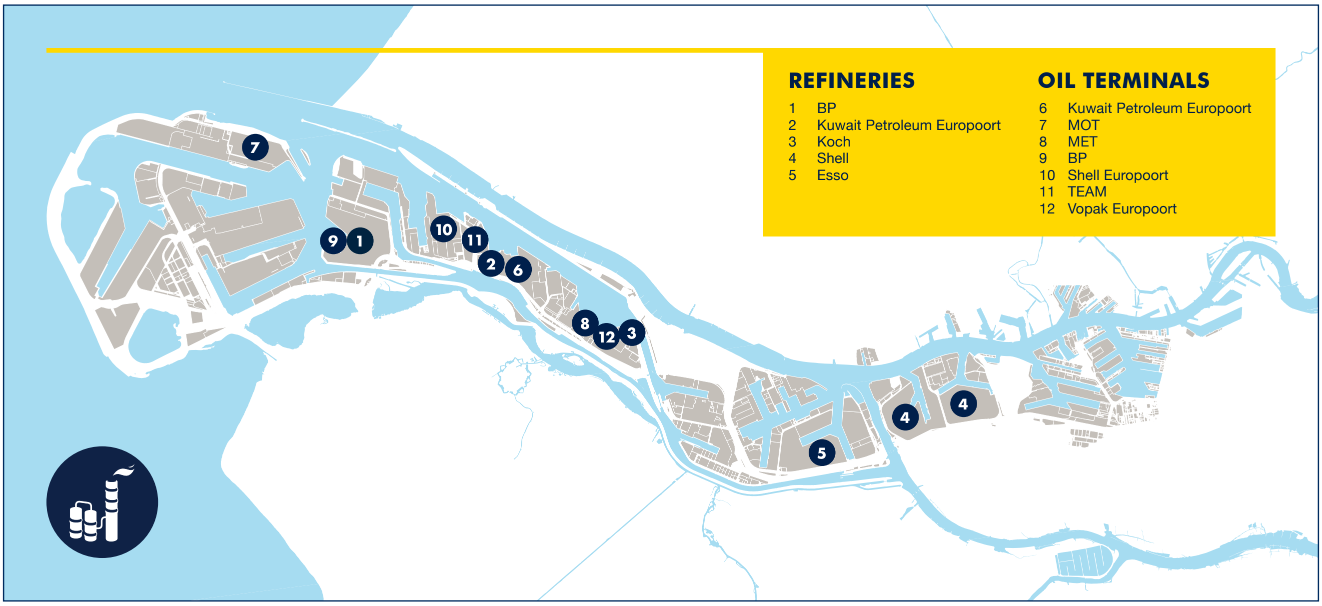


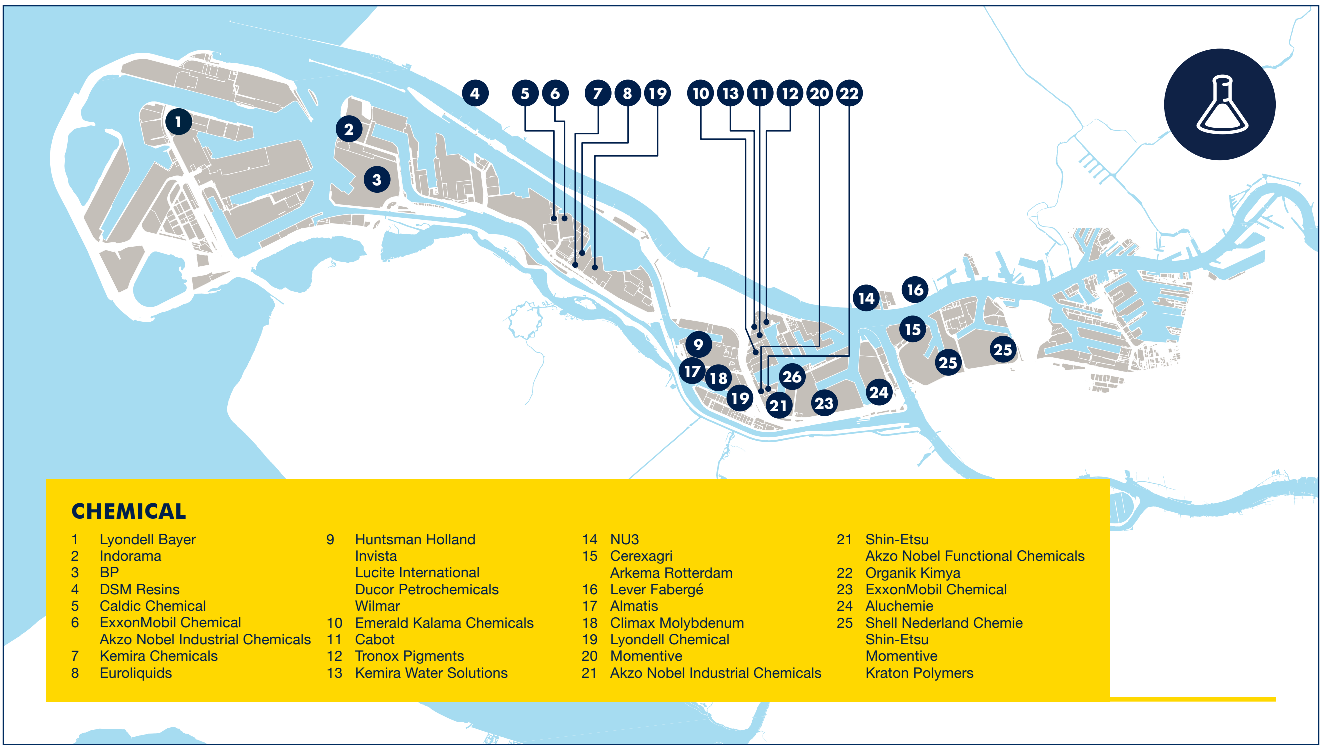
*Market shares are based on the throughput figures in Q1-Q3.

EUROPE'S INDUSTRIAL CLUSTER

The Port of Rotterdam Authority aims to make Rotterdam's industrial and energy complex the largest, most modern and most sustainable petrochemical and energy complex in Europe. The complex is able to compete at a global level thanks to its major cluster advantages, integrated supply chains and energy efficiency. The transition to sustainable energy generation and bio-based chemicals is in full swing.

The port is presently going through a period of transition. Approximately 90% of CO_2 emissions in Rotterdam is produced by the port's industrial sector (including the generation of energy). Carbon emissions in Rotterdam are growing at a lower rate than the local port economy. In the period 2005-2014, CO_2 emissions increased by 5%, whereas the throughput of cargo (in tonnes) rose by 20%, added value by 22% and employment by 16%. This is thanks to the increasing energy efficiency of systems in the port resulting from on-going improvements in existing processes and the replacement of old industrial plants and plant components by new ones. Rotterdam aims to ultimately separate its economic expansion and CO_2 emissions altogether – in other words, achieve truly sustainable growth. The geographical density and scale of emissions in the Rotterdam port area also present opportunities for efficient, large-scale solutions.





To realise sustainable growth, the Port of Rotterdam Authority works to increase efficiency in the utilisation of existing fossil energy and chemical technology, to stimulate sustainable energy, bio-based industry and the circular economy and to realise CO2 capture and sequestration. And to promote the further development of Europe's Industrial Cluster, we are also working to both attract new customers to the region and maintain our productive relationship with existing customers. In addition, we are developing new commercial products and concepts. Moreover, the Port of Rotterdam Authority plays a key role when it comes to encouraging collaboration – be it between different ports, within port areas or between individual companies.

FINANCIAL RESULTS IN 2015

The Port of Rotterdam Authority aims to reinvest revenue from sea port tariffs, ground rent charges and rents in the port in order to realise sustainable economic and social added value. In this context, we are making an active commitment together with our partners to the move towards a future-proof port economy. Also from that perspective, 2015 proved to be a good year.

Our income rose, thanks in particular to the increased throughput in the port. Operating expenses also rose in comparison to the preceding year. This was caused in part by a number of non-recurring items, including a more substantial contribution to the repair work at Nassaukade, the redevelopment of the Rozenburg peninsula and the upgrading of our employee benefits. Within our operating expenses we have also created room for innovation, with initiatives such as the PortXL acceleration programme, the Port Innovation Lab, the Philips Innovation Award and SmartPort.

Depreciations increased, to account for an impairment resulting from the premature termination of our contract with Shtandart TT. As in 2014, our financial income and expenses incorporate the repayment of a fixed-rate note. Our results from holdings in 2015 were higher than the previous year – mainly due to the fact that the 2014 results included the preparation costs of the new joint venture in Brazil. On balance, our net result decreased by EUR 3.8 million – in other words, 1.8% compared to 2014.

MAXIMUM INVESTMENTS

Totalling EUR 151.1 million, our investments in 2015 were lower than the preceding year. This was due to the premature end of development on the Tank Terminal Europoort West project and the completion of Maasvlakte 2. More and more of our investments relate to new or quickly-expanding activities such as the LNG breakbulk terminal or Sif and Verbrugge's new site for offshore-related production. Our realised investments in the RDM complex are yielding returns, thanks in part to the key role the complex plays in the focus on innovation. The Port of Rotterdam Authority will continue to invest in the quality of the port infrastructure through projects such as the widening of Breeddiep and the redevelopment of the Waalhaven/Eemhaven district. With the previously-announced realisation of the Container Exchange Route and the Theemsweg route, the Port of Rotterdam Authority will keep its annual investment level at somewhere between EUR 150 million and 200 million in the years ahead. As such, we will continue to give concrete shape to our ambition to make maximum investments in the port and industrial complex.

POSITIVE CASH FLOW

We need a healthy cash flow so that we can meet our commitments and continue to invest in the port infrastructure. For the second year in a row, we can report a positive operating cash flow after deduction of the investment cash flow and dividends – following many years of negative cash flows due to our large-scale investments in Maasvlakte 2.
We have improved our liquidity and solvency. As in 2014, we made accelerated payment on a fixed-rate note. The Port Authority also further improved its net debt/EBITDA ratio.

LEVEL PLAYING FIELD IS CRUCIAL

Similar to many other European and Dutch ports, the Port of Rotterdam Authority does not – or rather, does not yet – pay corporation tax. Moreover, the ports in neighbouring countries currently receive all sorts of government support that the port of Rotterdam has to do without. The European Commission announced on 21 January 2016 that as from 1 January 2017, the Port of Rotterdam Authority will be required to pay corporation tax. This will negatively affect Rotterdam's competitive position. It is important to tax the Dutch ports at the same time and in the same way as the ports in neighbouring countries, so that they can maintain their present competitive position and investment capacity.

BALANCE SHEET

	Ref.	12-31-2015		12-31-2014	
Assets					
Fixed assets					
Tangible fixed assets	1	3,657,822		3,661,335	
Financial fixed assets	2	82,604		68,795	
			3,740,426		3,730,130
Current assets					
Inventories		605		635	
Accounts receivable	3	123,901		113,377	
MMF	4	25,019		40,000	
Cash and cash equivalents	5	76,966		76,908	
			226,491		230,920
Total assets			**3,966,917**		**3,961,050**
Liabilities					
Shareholders' equity					
Subscribed capital	6	900,000		900,000	
Share premium reserve	6	391,200		391,200	
Statutory reserves	6	42,609		30,190	
Other reserves	6	894,156		774,581	
Result for appropriation	6	211,576		215,374	
			2,439,541		2,311,345
Provisions	7		54,780		55,351
Long-term debts	8		1,215,667		1,332,493
Short-term debts	9		256,929		261,861
Total liabilities			**3,966,917**		**3,961,050**

(amounts x € 1,000)

PROFIT AND LOSS ACCOUNT

	Ref.	2015		2014	
Net revenue	12	657,293		643,687	
Other operating income	12	19,629		16,142	
Total operating income			**676,922**		**659,829**
Wages, salaries and social insurance charges	13	-104,931		-103,437	
Depreciation and impairment of fixed assets	1	-146,667		-133,326	
Other operating expenses	14	-133,648		-129,325	
Total operating expenses			**-385,246**		**-366,088**
Operating result			**291,676**		**293,741**
Financial income and expenses	16		-88,955		-84,026
Income from participating interests	17		8,855		5,659
Result			211,576		215,374

(amounts x € 1,000)

HARBOUR MASTER

The Harbour Master of Rotterdam bears responsibility for the safe and efficient handling of shipping traffic in the port area. To this aim, he performs a number of public-law tasks. The Harbour Master's authorities have been devolved to him by the Dutch government and mandated by the Municipality of Rotterdam and a number of neighbouring municipalities. The Harbour Master stands for nautical order and legislation in the areas of environment, safety and port security. This is enforced by a variety of means, including patrol boats, traffic centres, on-water incident management and the Harbour Coordination Centre.

Port calls

The number of vessels calling on Rotterdam increased for the first time since 2007. In 2015, 29,122 sea-going vessels entered the port, compared to 29,014 in 2014. In 2007, the number of sea-going vessels calling on the port still amounted to 37,097.

The safe handling of shipping traffic is very important for the port of Rotterdam's competitive position. Over the past year, the number of significant incidents decreased from twelve to seven. As such, 2015 was an exceptionally safe year in nautical terms.

The objective of the Port of Rotterdam Authority is to enhance the port's competitive position as a logistics hub and world-class industrial complex. Not only in terms of size, but also with regard to quality. The core tasks of the Port Authority are to develop, manage and exploit the port in a sustainable way and to render speedy and safe services for shipping.

To read the full (Dutch) version of this year's Annual Report, please visit **www.jaarverslag2015.portofrotterdam.com**.

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