
BUILDING A SUSTAINABLE FUTURE. MAKE IT HAPPEN.

PORT OF ROTTERDAM AUTHORITY
HIGHLIGHTS OF THE
2016 ANNUAL REPORT



FOREWORD BY THE EXECUTIVE BOARD

The Port of Rotterdam Authority's mission statement is "to create economic and social value by working together with customers and stakeholders to realise sustainable growth in a world-class port". As manager and developer of Europe's largest port and industrial complex, it goes without saying that we take economic and social aspects into account and constantly discuss these aspects with our stakeholders. Together with our key stakeholders, we explain how the port is performing in areas ranging from added value to employment and air quality in our annual "State of the Port" publication. Integrated control has been embedded in our operations for many years. The annual report has therefore included an integrated audit opinion since 2010, something that was unprecedented at the time.

In view of the social approach of projects and investments, we adopted a new corporate social responsibility (CSR) statement in 2016 that replaced the one adopted in 2006. The CSR statement describes how we work to achieve a positive social impact and the action that we take to fulfil our responsibility to society. The logic of taking both the social and economic aspects into account when addressing developments and projects is becoming even more compelling because of the two major challenges that we are facing, namely digitisation and the energy transition.

Digitisation and automation provide major opportunities to specifically make logistics processes more efficient. This greater efficiency reduces both costs and the burden on the environment, and is also good in terms of competitiveness. In close cooperation with the business community, we launched a range of pilot projects in 2016 aimed at making data more transparent and, based on that greater transparency, increasing the efficiency of container transport between the port and inland destinations. In the port itself, we are working on making planning information for the handling of sea-going vessels available in real time in order to increase the efficiency of the services provided to those vessels.

The ratification of the Paris agreement on climate change gave a powerful boost to the energy transition. As a society in general and as a port and industrial complex in particular, we have the complex task of reducing CO₂ emissions to virtually zero by 2050. The Port of Rotterdam Authority believes that the pace of this transition should be accelerated in the Netherlands and has the ambition to make the port area a frontrunner in the development and large-scale application of current and new technologies aimed at reducing the environmental impact of fossil-fuel consumption on the one hand, and fostering circular processes and the use of renewable energy on the other.

Therefore, last year we worked hard on several projects in both areas. For example, an agreement was concluded with Shell for the delivery of residual heat to the city's district heating system and the supply of industrial heat from the western part of the port to the Westland region and The Hague is being studied. As yet, not all the signals are green for Europe's only project to capture and store CO₂ on a large scale. The most important hurdle is the continuing lack of political clarity regarding the phasing out of coal-fired power stations. For LNG, a much cleaner fuel than diesel and fuel oil, a quay has been built at the Gate terminal to supply bunker vessels. The completion of Sif Group's plant for the production of monopiles (masts) for wind turbines stands out as an example of the efforts being made in the field of renewable energy. The development of wind farms at sea is providing opportunities to the offshore sector, which is suffering heavily from a lack of investment in oil extraction due to the continuing low oil price. Another relevant development is the possible construction of a waste-2-chemicals plant in the Botlek area to convert plastic waste into building blocks for the chemical industry.

We are able to make such investments because 2016, like previous years, was a financially stable and healthy year. At 675.4 million euro, turnover remained fairly stable (-/ 0.2%), as did the EBITDA of 447.6 million euro (+ 2.1%). Our capacity to make investments in the port that enable sustainable economic and social value creation has therefore increased. In the spring, part of the interest rate derivative was surrendered. A few minor non-recurring balance sheet changes ultimately resulted in a higher profit, which amounted to 222.2 million euro (+ 5.0%) in 2016. Because Dutch ports will have to pay corporation tax from 2017, net profit will decrease significantly. Corporation tax on the one hand and investments in infrastructure and developments like digitisation and the energy transition on the other, mean that we will have to control our expenditure even more tightly than we did in the past. Our investments in infrastructure in particular play an important part in ensuring an attractive investment climate for our customers and must therefore be maintained.

The fact that the port has a favourable investment climate is shown by current investments of around two billion euro in the three oil refineries of ExxonMobil, Shell and Gunvor. At the same time however, the ongoing political debate regarding the closure of coal-fired power stations that were only recently put into operation creates uncertainty about the reliability and course of government policy. This uncertainty also affects the dry bulk sector. The transfer of dry bulk, particularly of coal and ore, decreased relative to 2015. The transfer of containers increased by 1.2% to 12.4 million TEUs (TEU stands for twenty-foot

equivalent unit, the unit used for containers) and 0.6% in terms of weight to 127.1 million tonnes. The transfer of containers improved considerably in the second half of the year: there was a 4.9% increase relative to the same period of the previous year. The investments of recent years in container terminals on Maasvlakte appear to be bearing fruit. The new sailing schedules of the container shipping companies that will take effect in the course of this year show that Rotterdam, particularly in terms of the routes to the Far East, which account for half of the total container volume, is in a strong position relative to surrounding ports.

The developments outlined above in existing, major sectors like container shipping, tank storage and refinery operations, new developments in terms of digitisation and the energy transition and the introduction of corporation tax in combination with our financial position and results, also in terms of CSR, mean that we are facing the future with confidence.

We thank our employees for their commitment, high level of engagement and flexibility in 2016. In 2017, we count once again on their dedication to work together towards building a sustainable future for the port of Rotterdam. Finally, we thank our customers, with whom we have worked in 2016 to achieve sustainable growth.

Port of Rotterdam Authority

Rotterdam, 22 February 2017

The Executive Board

Allard Castelein, Ronald Paul and Paul Smits

2016 IN FIGURES



Throughput of cargo

In 2016, throughput decreased by 1.1%, mainly because of a decrease in the transfer of dry bulk.



Financial result

In 2016, the Port of Rotterdam Authority's turnover decreased by 0.2% to 675.4 million euro.



Investments

The Port of Rotterdam Authority invested in customer-related and public infrastructure and in business assets.



Green shipping

The Port of Rotterdam Authority encourages green shipping by rewarding vessels with ESI (Environmental Ship Index) or Green Award certification with discounts on port charges.

2016 IN FIGURES (CONTINUED)



0 MAJOR INCIDENTS

Safety

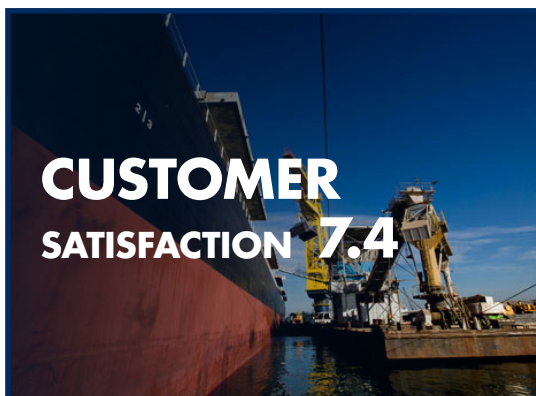
Safety is one of our top priorities. No major nautical incidents occurred in 2016.



29,022 SEA-GOING VESSELS

Port calls

The number of sea-going vessels that called at the port and the number of vessel movements remained virtually the same in 2016 relative to the previous year.



CUSTOMER SATISFACTION 7.4

Customer satisfaction

Our customers gave us a customer satisfaction score of 7.4 in the customer experience survey. There is room for improvement in terms of the ease of doing business.



ENTHUSIASTIC AND ENGAGED EMPLOYEES 39.5 %

People and organisation

The 2016 employee survey shows that the percentage of enthusiastic and engaged employees increased from 33% to 39.5%.

MILESTONES IN 2016



Opening of RAMLAB

On 30 November 2016 RAMLAB was opened at RDM Rotterdam. This is the first field lab with 3D metal printers that focuses on port-related industry.



Sif production location put into operation

Sif has put its Maasvlakte 2 production location for monopiles (masts) for the offshore wind industry into operation.



First sea-going vessel bunkers LNG

In 2016, we gave an additional discount on port charges for the first time – to Ternsund, a sea-going vessel, for the bunkering of LNG in Rotterdam.



Appointment Port Cyber Resilience Officer

To increase resilience against cyberattacks, the (Government) Harbour Master was appointed Port Cyber Resilience Officer (Port CRO).

MILESTONES IN 2016 (CONTINUED)



Acceleration of the energy transition

The Port of Rotterdam Authority calls for an acceleration of the energy transition and wants to play a leading role in that respect.



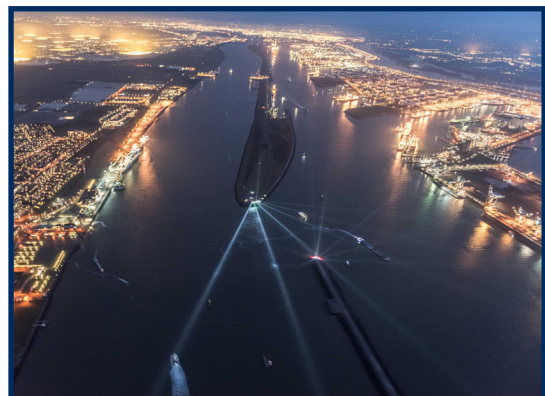
Employment security agreement

The trade unions, the Rotterdam container companies and the Port of Rotterdam Authority reached an agreement on employment in the container sector.



Waste-2-chemicals plant

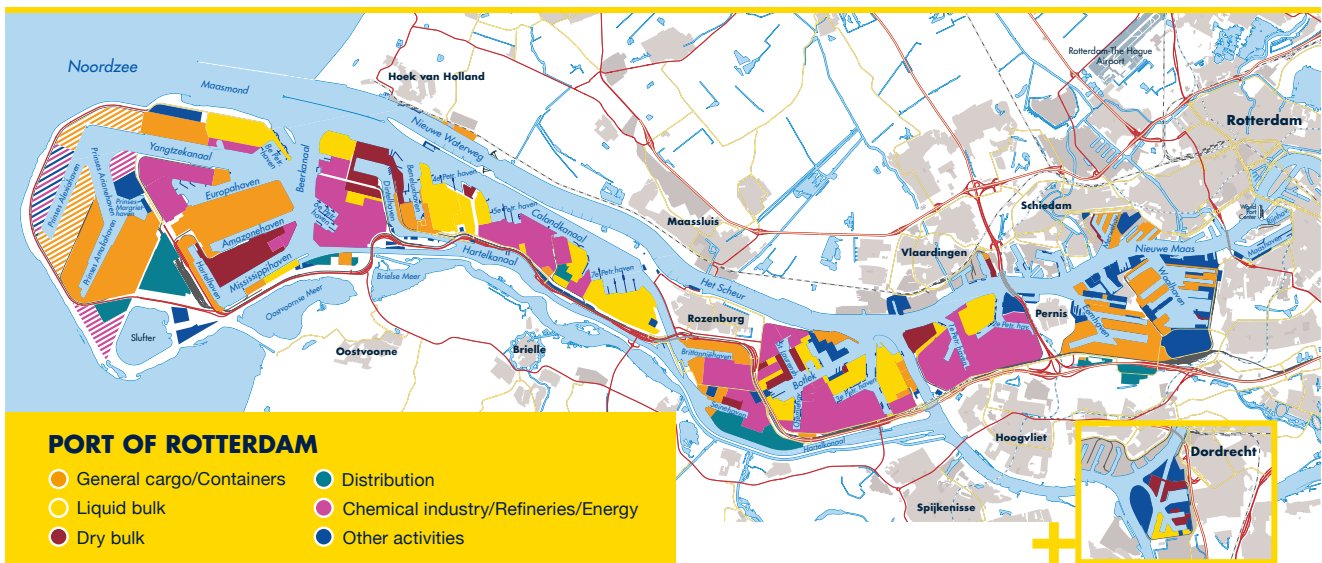
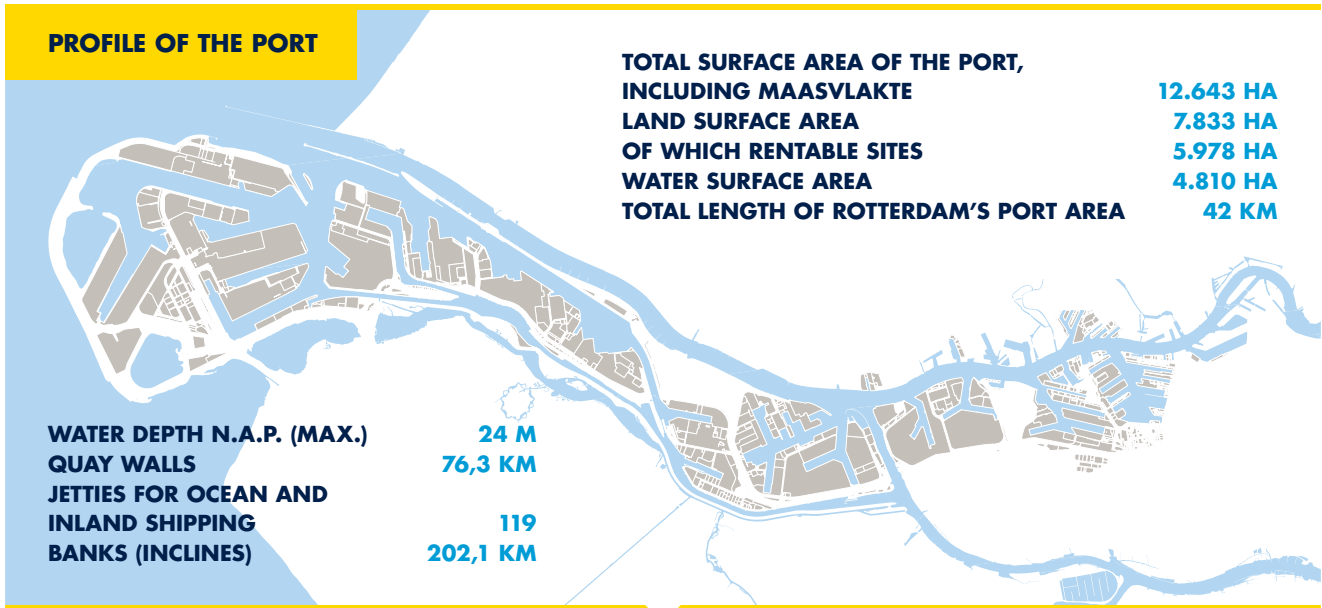
The Port of Rotterdam is the intended location for a waste-2-chemicals plant based on the Enerkem process.



Widening of Breiddiep

The width of the waterway between Calandkanaal and Nieuwe Waterweg was increased from 75 to 350 metres, resulting in a greater transit capacity.

THE PORT AREA



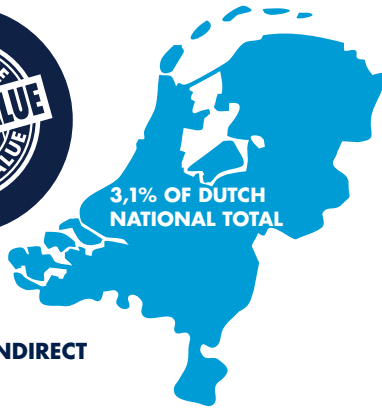
The map above shows the different activities in the port. The hatched areas are reserved for the activities referred to.

SEAPORT-RELATED ADDED VALUE AND EMPLOYMENT

(including Dordrecht)

ADDED VALUE OF 20,782 MLN EURO

181,220 EMPLOYEES



DIRECT AND INDIRECT
ADDED VALUE



DIRECT AND INDIRECT
EMPLOYMENT

source: Havenmonitor

In 2015, the most recent year for which figures are available, the added value of the port of Rotterdam amounted to almost 21 billion euro, which is 3.1% of Dutch GDP.

MARKET POSITION

The port of Rotterdam is Europe's largest port. Our aim is to maintain and strengthen Rotterdam's position as market leader. In 2016, Rotterdam was able to maintain its market leadership in the Hamburg–Le Havre range, but could not further strengthen it. Rotterdam's market share dropped slightly, from 38.0% in 2015 to 37.6% in 2016 (up to and including the third quarter).

Throughput of cargo in the port of Rotterdam (including Dordrecht Seaport) decreased in 2016 by 1.1% to 461.2 million tonnes compared to 2015, mainly because of a decline in the throughput of dry bulk, particularly coal and ore. Supply of iron ore for the German steel industry dropped in 2016 as imports from China led to a reduced demand for crude steel products. This had a negative effect on the market for German steel producers and therefore less steel was produced. This development has also affected the supply and transshipment of coking coal for the steel industry. Transshipment of coal further decreased as a result of the closure of a few older coal-fired power stations in the Netherlands.

The liquid bulk sector succeeded in maintaining its high level of 2015, when it grew by more than 10%. Container throughput increased slightly by 1.2% (in TEUs). Roll on/roll off and general cargo (break bulk) also showed growth.

Container throughput increased gradually throughout most of the year, particularly in the deep sea and feeder markets. While throughput decreased by over 2% in the first half of the year relative to 2015, in the second half of the year it increased by almost 4% for deep-sea containers and by almost 17% for feeder containers. This is partly the result of growing throughput volumes at the container terminals on Maasvlakte 2 and of the rerouting to Rotterdam of feeder services that originally called at other European ports. The transfer of short-sea containers decreased relative to 2015, caused mainly by the continuing negative effect of the weak Russian economy on international trade. In addition, uncertainty around the intended Brexit is playing a role which, among other things, has led to a drop in the value of the British pound. For a large part of the year throughput remained under the 2015 level, but in December it showed positive growth.

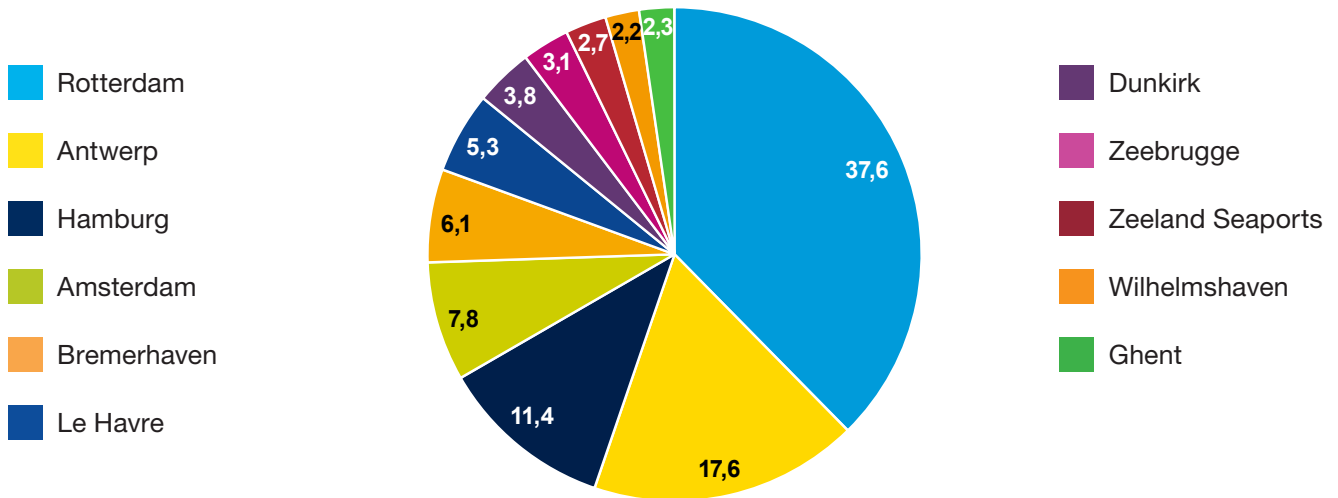
THROUGHPUT OF CARGO IN THE PORT OF ROTTERDAM*

Gross weight x 1,000 metric tonnes	2012	2013	2014	2015	2016
Ores and scrap	32,742	35,944	34,075	33,865	31,229
Coal	25,282	30,675	30,401	30,691	28,443
Agribulk	8,050	10,318	11,266	10,834	10,449
Biomass	-	475	281	75	56
Other dry bulk goods	12,029	12,249	12,850	12,274	12,123
Subtotal Dry bulk	78,103	89,186	88,593	87,739	82,301
Crude oil	98,324	91,054	95,388	103,091	101,858
Mineral oil products	81,814	81,608	75,006	88,496	88,761
LNG	560	756	1,206	2,307	1,705
Other liquid bulk	33,515	33,381	30,899	30,746	31,195
Subtotal Liquid bulk	214,213	206,799	202,498	224,640	223,519
TOTAL BULK	292,316	295,986	291,091	312,379	305,820
Deep-sea	81,271	78,041	82,650	80,935	81,322
Feeder	21,607	18,650	18,993	19,266	20,471
Short-sea	22,550	24,559	25,954	26,044	25,270
Containers	125,428	121,250	127,598	126,245	127,063
Roll-on/roll-off	17,919	18,512	20,005	22,030	22,412
Other general goods	5,865	4,716	6,039	5,709	5,881
Breakbulk	23,784	23,228	26,044	27,739	28,293
TOTAL GENERAL CARGO	149,211	144,478	153,642	153,984	155,356
TOTAL THROUGHPUT	441,527	440,464	444,733	466,363	461,176
Total in number of containers	7,183,675	7,006,301	7,386,528	7,329,640	7,413,548
Total in number of TEUs	11,865,916	11,621,249	12,297,570	12,234,535	12,385,168

*The stated throughput figures include throughput at the terminals on the north side of the river (Hoek van Holland, Schiedam, Vlaardingen). For 2016, these throughput figures represent approximately 3.5% of the total throughput of incoming and outflowing cargo. The associated seaport dues do not accrue to the Port of Rotterdam Authority and are therefore not included in the financial report.

HAMBURG-LE HAVRE RANGE MARKET SHARE IN 2016

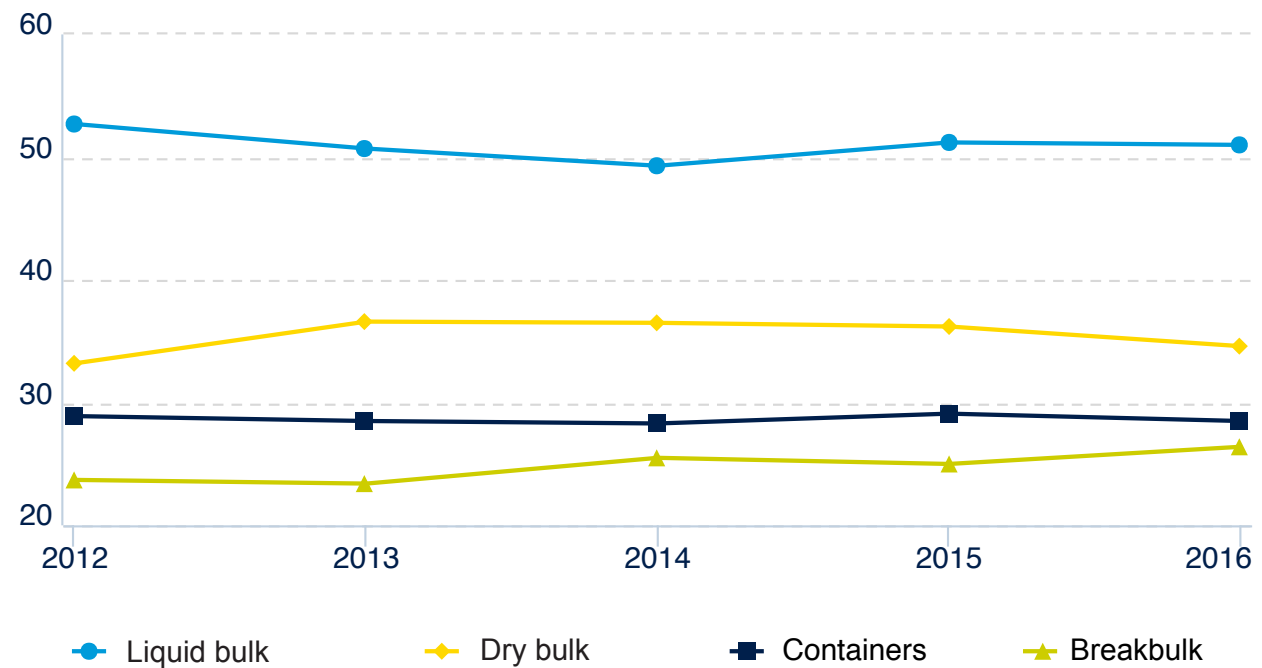
(in %)



The market shares are based on throughput figures up to and including the third quarter.

ROTTERDAM MARKET SHARE IN HAMBURG-LE HAVRE RANGE

(per type of commodity in %)



The market shares are based on throughput figures up to and including the third quarter.

FOCUS ON ENERGY TRANSITION AND DIGITISATION

In view of the current dynamism of the environment the Port of Rotterdam Authority must be able to respond quickly to achieve our objectives. In addition to our core tasks of managing shipping operations and operating the port, we devoted additional attention in 2016 to accelerating the energy transition and digitisation.

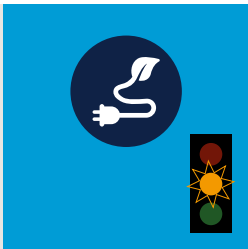
Energy transition

To a large extent the port depends on fossil fuels, whether it concerns industry or logistics. The Paris agreement on climate change (Paris Agreement) is therefore of great importance to the port. The agreement calls for accelerated action to sharply reduce the emission of greenhouse gases such as CO₂. If, against this background, the port wants to continue to thrive in the future, an energy transition is necessary. The Port of Rotterdam Authority wants to develop the port of Rotterdam into the heartland of the energy transition.

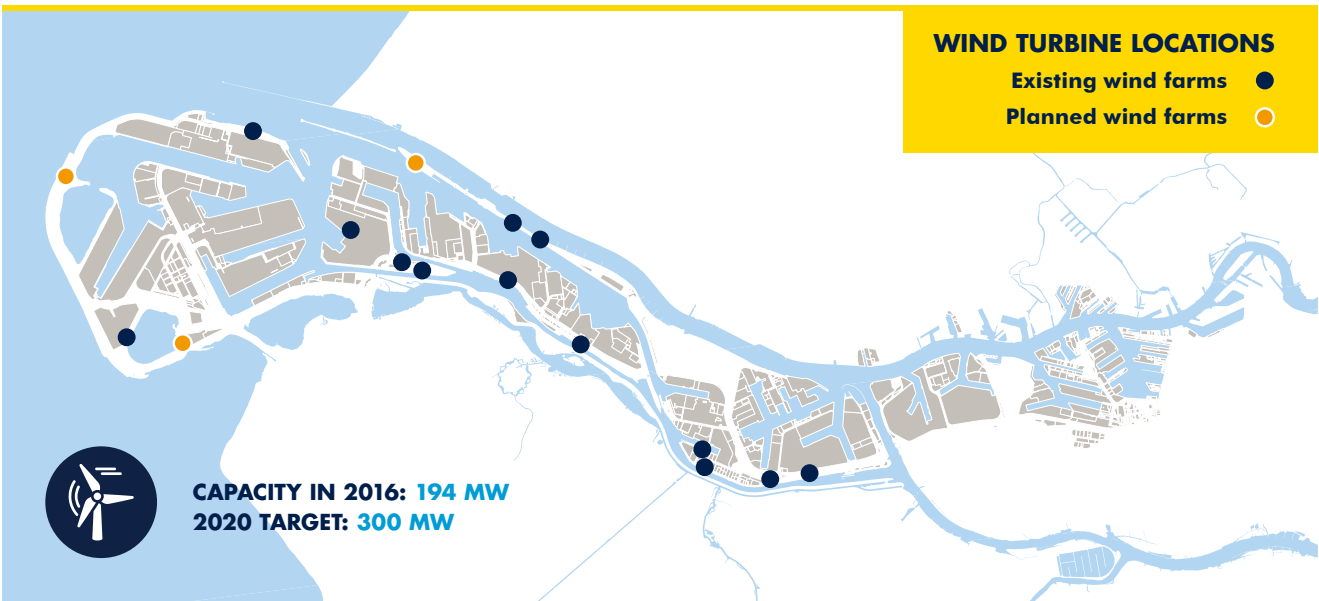
In this transition, making the existing industrial sector greener goes hand in hand with building new activities. We are investing in a unique infrastructure for heat, steam, electricity and CO₂ – for instance by supplying residual heat generated by industrial activity as district heating for households in Rotterdam (energy infrastructure under the Delta Plan). We encourage green shipping (through LNG infrastructure, shore power and discounts for green vessels) and provide space for sustainable energy generation (solar, wind). We also aim to attract new activities, such as those associated with the offshore wind industry, bio-based chemical industry, circular industry, clean fuels and innovations in the transport sector, thus contributing to strengthening the business climate for the industrial sector, making the industrial area more energy efficient and reducing CO₂ and NO_x emissions.

FACILITATING ENERGY TRANSITION

PROGRESS OF DECISION PROCESS TO INVEST IN ENERGY INFRASTRUCTURE



The Port of Rotterdam Authority intends to develop the port of Rotterdam into the heartland of the energy transition. To us, energy transition means that by 2050 virtually no greenhouse gases will be emitted and the primary energy sources and raw materials will be renewable. Our aim is to develop a robust energy infrastructure. While decision making concerning the necessary investments is on schedule, the uncertainty with respect to coal-fired power stations is an issue.



Digitisation

Trends and developments in digitisation are changing the environment in which we and our customers operate. Increased interconnectivity and digital technologies are among the forces to boost the growth of global flows in the coming decades, according to a study by McKinsey, an international consultancy firm. That is why parties in the port's industrial chain see opportunities for digitisation. Digitisation is also an important theme in view of the overcapacity in the container sector and the pressure on prices.

The exchange of data and information between parties in the total chain can improve the coordination of activities and prevent the waste of time, money and resources and therefore strengthen the port of Rotterdam's competitive position.

The Port of Rotterdam Authority wants to make the difference through digitisation. We want to increase the efficiency and reliability of the chain. To achieve this, we have made digitisation a strategic theme. We assume an active role in making data and information available and developing applications that can benefit the logistics chain and our customers. We do this through such things as investing in obtaining the data required and cooperating with customers in pilot projects.

DIGITISATION

NUMBER OF PILOTS / PROOFS OF CONCEPT WITH USERS (standard: start 10 pilots / proofs of concept with users)

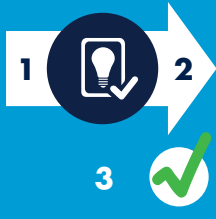


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We consider digitisation of the logistics chain to be an important way of improving the port of Rotterdam's competitive position. Our aim is to develop ten pilots/proofs of concept with customers each year within Rotterdam Logistics Lab, our corporate start-up. In 2016 we achieved this standard.

NUMBER OF PILOTS TO PHASE 2 (standard: further develop at least 3 of the 10 pilots)



Based on the results of a pilot, the decision to further develop or discontinue the project is made together with the customer. The aim is to further develop at least 3 pilots a year. We achieved this aim in 2016.

2016 FINANCIAL RESULTS

To be able to continue to invest as an enterprising developer in the port infrastructure and respond to the opportunities provided by the energy transition, digitisation and innovation, adequate investment capacity is of crucial importance to the Port of Rotterdam Authority. The financial scope to invest depends on such things as the operating costs and revenue development, the returns on our investments, the size of (completed and planned) investments and agreements with suppliers of equity and debt capital.

In 2016, we have been able to further strengthen our financial position. Net turnover slightly increased to 675.4 million euro as a result of the indexation of current contracts. The conclusion of new contracts has also contributed positively to turnover. In addition, we have managed to keep costs down by carefully selecting our activities and paying close attention to our internal costs. Profit rose by 5.0% to 222.2 million euro. To ensure that we continue to reduce costs in the coming years, a cost-savings programme was launched in 2016. The objective of this programme is to make costs future-proof by scrutinising activities, processes and organisational aspects and seeking optimisation.

Investment portfolio

In 2016, we invested a total of 179.8 million euro in the development of port infrastructure. The largest investments in 2016 were the construction of quay walls for Sif Group, berths for Stena Line and Koole Terminals, the Maasvlakte Plaza area development and the upgrade and replacement of buoys. We monitor our portfolio in terms of the proportion of customer-related investments, public investments and investments in business assets, as well as in terms of the share of new markets. In 2016, public investments and investments in business assets had a share of 44%. This is more than the long term average of 34%. The share of new markets was 21%. This means an important first step has been taken. We will continue to focus on new markets in the coming years.

A rating

The Port of Rotterdam Authority aspires to an A rating to fulfil our investment ambitions and to be able to continue operations in the event of unexpected head wind. The most important financial ratios that we monitor are: net debt relative to gross profit (EBITDA) and operating cash flow to meet current liabilities. Both ratios remained stable in the year under review.

Impact of corporation tax

An important development that will have a negative impact on our financial scope is the decision of the European Commission that Dutch seaports must pay corporation tax from 1 January 2017. The Port of Rotterdam Authority is very unhappy about this decision. Based on the Port of Rotterdam Authority's current commercial result and a corporation tax rate of 25%, the gross effect of this decision will amount to between 50 million and 60 million euro. The potential impact on the financial scope is therefore considerable. The actual tax burden on the Port of Rotterdam Authority depends on the fiscal opening balance sheet as of 1 January 2017. A substantial amount of preparatory work was performed in this area. Discussions with the Tax and Customs Administration will continue in 2017 in order to obtain certainty about the financial impact of the corporation tax.

BALANCE SHEET

	31-12-2016	31-12-2015
Assets		
Fixed assets		
Tangible fixed assets	3,679,246	3,657,822
Financial fixed assets	99,416	82,604
	<u>3,778,662</u>	<u>3,740,426</u>
Current assets		
Inventories	597	605
Accounts receivable	166,981	123,901
Money market funds	-	25,019
Cash and cash equivalents	270,103	76,966
	<u>437,681</u>	<u>226,491</u>
Total assets	4,216,343	3,966,917
Liabilities		
Shareholders' equity		
Subscribed capital	900,000	900,000
Share premium reserve	391,200	391,200
Statutory reserves	50,283	42,609
Other reserves	1,009,882	894,156
Result for appropriation	222,248	211,576
	<u>2,573,613</u>	<u>2,439,541</u>
Provisions	62,609	54,780
Long-term debts	1,192,528	1,215,667
Short-term debts	387,593	256,929
Total liabilities	4,216,343	3,966,917

(Amounts x €1,000)

PROFIT AND LOSS ACCOUNT

	2016	2015
Net revenue	657,991	657,293
Other operating income	17,450	19,629
Total operating income	675,441	676,922
Wages, salaries and social insurance charges	-102,881	-104,931
Depreciation and impairment of fixed assets	-140,168	-146,667
Other operating expenses	-124,996	-133,648
Total operating expenses	-368,045	-385,246
Operating result	307,396	291,676
Financial income and expenses	-93,614	-88,955
Income from participating interests	8,466	8,855
Result	222,248	211,576

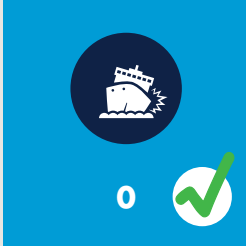
(Amounts x €1,000)

SAFETY

Safety is a top priority for us. The port of Rotterdam directly and indirectly provides work for 181,220 people and is located in a densely populated area. Safety in the port for employees and people living in the area is a basic condition for the functioning of and permission to operate the port of Rotterdam.

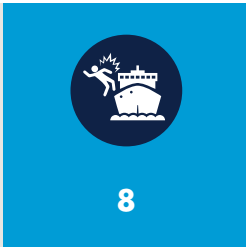
SAFETY IN 2016

MAJOR INCIDENTS IN THE PORT (standard: 0)



Safety is one of our top priorities. The Port of Rotterdam Authority strives for an entirely safe port in which no serious nautical accidents occur. We achieved this aim in 2016. No major (nautical) incidents occurred.

NUMBER OF ACCIDENTS INVOLVING PORT OF ROTTERDAM AUTHORITY EMPLOYEES AND RESULTING IN AN ABSENCE OF >1 DAY



The safety of our employees is our legal responsibility as an employer. Regrettably, in 2016, 8 accidents or sudden work-related events occurred as a result of which the employees concerned were unable to work for more than a day. Absence as a result of work-related accidents amounted to a total of 292 working days.

Port of Rotterdam Authority

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.

You can read the full version of the annual report (in Dutch) at <https://jaarverslag2016.portofrotterdam.com>

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