

## FOREWORD FROM THE EXECUTIVE BOARD

## Room for today and tomorrow

Our world is changing radically and rapidly. Global developments - such as the energy and raw material transition, digitalisation and changing flows of goods - have far-reaching consequences for all our activities. So flexibility and adaptability are required in the further development and renewal of the Rotterdam port and industrial complex.

To maintain prosperity in our region, the Netherlands and Northwest Europe, we must create enough room for the developments of today and tomorrow. Accordingly, our strategy focuses primarily on innovative capacity, widening the portfolio and strengthening the business climate.

#### Robust and future-proof

We consolidated the growth of recent years in 2018. Total throughput increased slightly; the net profit before tax rose by 2.7% to €254.1 million. With a total throughput of 469.0 million tonnes, we are the largest port in Europe by far. Moreover, we are a port with major ambitions. We are constantly working on a robust port that is prepared for the major challenges ahead of us. Once again in 2018, we continued to invest in making the port more accessible, safer and more efficient. We also worked on numerous projects to make the energy transition a reality.

The preparations for the capture and storage of CO₂ exemplify our efforts here, demonstrating how we are making the port of Rotterdam ready to cope with the future. We have an and-and strategy to fulfil this goal. We provide the room that companies in the fossil industry need to develop sustainably. And we play an active role in the development of new markets. We prefer to attract companies that work sustainably or that contribute to making existing activities in the port more sustainable.

#### Safe

The safe handling of shipping is a top priority for the Port of Rotterdam Authority. There was one major nautical incident in 2018. A vessel collided with a jetty in the 3rd Petroleumhaven in June, leading to a leak of heavy fuel oil into the water. The incident had a major impact on the environment, companies and customers of these companies. A well-coordinated approach was organised by the Harbour Master and partners, limiting the negative impact. Sound teamwork and information exchanges between the numerous parties involved played a crucial role. We would like to express our thanks again here, especially for the fantastic efforts of all the volunteers.

## Digitalisation as the fifth modality

We are optimising the logistical processes in the port and industrial complex in various ways. For example, through agreements about the better distribution of goods across the various modalities. But particularly through digitalisation. The smart handling of up-to-date data is now our fifth modality alongside water, road, rail and pipelines. Our Digital Business Solutions (DBS) department was established in 2018, focusing specifically on optimising logistical processes in the port and logistics chains passing through Rotterdam. Data are the source of numerous innovative products. The aim is to facilitate companies and make processes more efficient in order to strengthen Rotterdam's competitive position.

## Strengthening the infrastructure

To continue facilitating and furthering economic growth, we are working with the national government and other partners on a number of major accessibility projects. The construction of the Theemsweg route, the construction of the Princess Amalia Viaduct, the start of the construction of the Container Exchange Route and the deepening of the Nieuwe Waterweg are striking examples of this. They will improve the quality of the port as a business location, and accessibility in and around the port for the various modalities. These are all important phases in raising our added value for the Netherlands.

#### Substantial added value

The fact that we contribute substantial added value for the Netherlands was confirmed last year by a study from the Erasmus University: it showed that the port of Rotterdam contributes €45.6 billion, or 6.2%, to Dutch GDP.

That is twice as much as indicated by calculations in the past. This new finding is due to the fact the latest study included all the activities made possible elsewhere in the Netherlands by the presence of the port of Rotterdam.

A second important conclusion of the study was that the earning capacity of the port will continue to be healthy in the future, particularly in the context of digitalisation and the energy transition, with strong growth opportunities for the maritime manufacturing industry and business services in Rotterdam. This relevance can only increase further if the port of Rotterdam is allowed to maintain its position and contribute to the latest challenge facing society: ongoing efforts to making the Dutch economy more sustainable. We are working hard to achieve that goal.

Clean, renewable and sustainable

We are slowly but surely changing into a port and industrial complex where the energy transition is taking shape. In

2018 we published the report 'In three steps towards a sustainable Rotterdam-Moerdijk industrial cluster in 2050' as

a member of the Rotterdam-Moerdijk consultation body (which is active under the national draft Climate Agreement).

We want to show the way for other ports and industrial areas in the world. With our well thought-out decisions in the

past year, we are working on a strategy that puts more and more emphasis on clean, renewable and sustainable

practices. That is true not only for the re-use of industrial heat, and the capture and storage of CO<sub>2</sub>, but also for the

sustainability of the transport and logistics sector through the smart use of data and the use of ever cleaner fuels. In

addition to reducing carbon emissions, we are also aiming to increase the social and economic added value of the

port and its industry.

**Teamwork** 

Every day, we work with a growing group of like-minded people. The number of alliances based on our sustainable

vision is growing steadily. We are grateful for this development, which boosts our confidence in a wonderful future.

We equally appreciate the unceasing commitment of our own organisation. No company can exist without

competent, motivated and loyal staff. We are building a sustainable and robust future thanks to the efforts of all our

employees and we wish to express our sincere gratitude for all their work. We also wish to thank our customers and

other stakeholders - for whom we ultimately work - for their commitment, the trust they place in us and their

cooperation. We are eager to maintain these sound relationships in 2019.

Port of Rotterdam Authority

Rotterdam, 21 February 2019

The Executive Board

Allard Castelein, Ronald Paul and Paul Smits

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## **2018 IN NUMBERS**



## **Goods throughput**

Throughput rose by 0.3% in 2018, mainly because of the growth in container throughput.



#### Financial result

The Port of Rotterdam Authority's revenue declined by 0.7% in 2018 to €707.2 million.



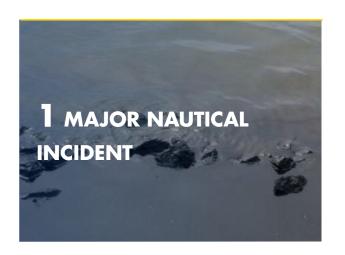
## Added value

The added value of the port of Rotterdam amounted to more than €45.6 billion in 2017 (last known figure).



## **Employment**

In 2017 (last known figure) the port of Rotterdam provided employment for 385,000 people (directly and indirectly).



## **Safety**

There was serious water pollution in the 3<sup>rd</sup>

Petroleum Harbour in the Botlek area of the port of Rotterdam on 23 June 2018.



#### Port calls

The number of seagoing vessels decreased and the number of ship movements increased in 2018.



## **Investments**

The Port of Rotterdam Authority invested in clientrelated and public infrastructure,

in business assets and in participating interests.



## Sustainable business operations

The staff survey showed that 46.6% of our employees are committed and passionate.

## **MILESTONES IN 2018**



#### **Princess Amalia Viaduct**

In late 2018, we officially opened the Princess

Amalia Viaduct on Maasvlakte 2. The new viaduct improves traffic flows on the Maasvlakteweg.



## **Energy in Transition Summit**

In the spring of 2018, we organised the 'Energy in Transition' Summit, which spotlighted the decarbonisation of the transport and logistics sectors.



## Residual heat initiative

The Pernis Residual Heat Initiative was launched in the Rotterdam Katendrecht area this year. With this initiative, Shell, the Port of Rotterdam Authority and the Rotterdam Heat Company (Warmtebedrijf Rotterdam) made a joint contribution to the acceleration of the Dutch energy transition by heating 16,000 Rotterdam households with residual heat from the Pernis refinery.



## Port Authority in Pecém, Brazil

We acquired a minority interest in the port of Pecém, Brazil, in 2018. The aim is to develop Pecém into a self-sufficient, growing, and profitable port complex.



#### New radar tower

In October, the Port of Rotterdam Authority commissioned the 70-metre-high radar tower on Maasvlakte 2.



## **Launch of Pronto**

In 2018, we launched the first version of the digital application Pronto. The application reduces waiting times for vessels by 20%.



## **Port Cyber Reporting Centre**

Mayor Aboutaleb of Rotterdam officially opened 010 - 252 1005, the telephone number of the Port Cyber Reporting Centre, on 11 June. All companies subject to the ISPS (International Ship and Port Facility Security Code) must report large-scale IT incidents to the centre.



## **ESPO Award**

The Port of Rotterdam Authority won the 2018 ESPO Award. The European Sea Ports Organisation believes that we have the best programme to make the port the most attractive working environment for everyone.

## THE PORT AREA



With a total throughput of 469.0 million tonnes of goods, the port of Rotterdam was, once again, Europe's largest seaport in 2018. The port owes its leading position to a range of factors that include excellent accessibility by sea, ample room for development, good hinterland connections and an increasing focus on social infrastructure.

With a maximum water depth of 24 metres, it is the only one of the four largest ports in the Hamburg-Le Havre range with unlimited access for the vessels with the deepest draughts. The port brings together shipping, inland shipping, rail, road and pipeline modalities. In 2018, 29,476 seagoing vessels and 123,859 inland vessels arrived in the port of Rotterdam.

# **ADDED VALUE**

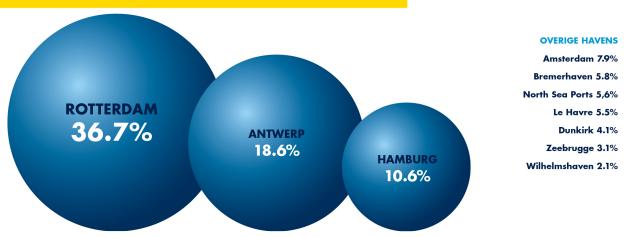


The added value of the port of Rotterdam amounted to more than €45.6 billion in 2017 (last known figure).

That is 6.2% of the Dutch gross domestic product (GDP). Source: 'The Rotterdam Effect - Impact of mainport Rotterdam on the Dutch economy' by Erasmus University Rotterdam.

## MARKET POSITION





In 2018, Rotterdam retained our position as the market leader in the Hamburg-Le Havre range in terms of total throughput. By comparison with 2017, market share fell from 37.2% to 36.7% (up to and including the third quarter of 2018) because of a decline in dry and wet bulk. The figures show that Rotterdam is the largest port in Europe by far. At 469.0 million tonnes, total throughput in the port of Rotterdam (including the seaport of Dordrecht) rose marginally in 2018 (2017: 467.4 million tonnes). Container handling accounted for most growth, with a tonnage increase of 4.5%. In TEUs, the standard size for containers, the increase was 5.7% and the annual total was 14.5 million TEU. The largest container port in Europe is therefore strengthening its position in this strategically important market segment.

There was underlying variation between the goods segments. Container throughput expanded while ore, crude oil, mineral oil products and agribulk throughput declined. The throughput of LNG (Liquified Natural Gas) (+163.6%) and biomass (+31.6%) rose sharply in 2018.

## Dry bulk

The port of Rotterdam provides enough facilities for the transhipment of dry bulk. Due to the location and depth of the port, vessels can enter Rotterdam without any difficulties. The market was under severe pressure, leading in a 3.2% fall in throughput. In the coal subcategory, the consolidation strategy that has been initiated seems to be working out well for Rotterdam: throughput increased by 2.3%. Coal for power

stations was at the same level as last year and coke throughput increased due to the increase in cargo packages. Iron ore throughput fell due to a range of factors, including the renovation of a blast furnace and stagnating demand from the steel industry. The fall in the throughput of agribulk in Rotterdam was caused in part by the shift of cargo packages to Amsterdam.

## Liquid bulk

The volume of throughput in wet bulk goods declined in 2018. Crude oil throughput fell off slightly, in part due to slightly lower refining margins. It is remarkable that, despite this, throughput exceeded 100 million tonnes for the fourth year in a row. Rotterdam is important for the transhipment of crude oil in Northwest Europe. The incoming oil almost all goes to five refineries in the port itself and to five in the hinterland.

The throughput of mineral oil products was 4.8% down, mainly due to fall in incoming and outgoing flows of fuel oil. The increase in LNG throughput was primarily due to transshipments of LNG from the Yamal field (Northern Russia) from ice-class LNG tankers to 'normal' LNG tankers, which transported the cargo further to, among other places, Asia.

#### **Containers**

In the first two quarters of 2018, 99% of container throughput in the Netherlands was in the port of Rotterdam. Although the growth rate was less spectacular than in 2017, container throughput increased strongly again in 2018, and a higher market share was acquired in the Hamburg-Le Havre range. A driving force behind the rise in 2018 was the increase in transshipment and full-import containers. Container exports developed less strongly, partly in response to Chinese import restrictions on waste flows. The shortsea segment was hampered by slower growth in the British and Russian economies.

## Roll-on Roll-off and other general cargo

The port of Rotterdam is an important logistics hub for the imports and exports of RoRo cargo (Roll-on Roll-off). In RoRo throughput, which increased slightly, the British RoRo trade grew more slowly, probably due to the impact of Brexit uncertainty on the British economy. The throughput of other general cargo fell slightly by comparison with volume in 2017.

# **PORT OF ROTTERDAM THROUGHPUT**

(Gross weight x 1,000 tonnes)	2017	2018	Difference (#)	Difference (%)
Ore and scrap metal	31,166	30,059	-1,107	-3.6%
Coal	25,752	26,356	604	2.3%
Agribulk	11,143	9,853	-1,290	-11.6%
Biomass	414	545	131	31.6%
Other dry bulk cargo	11,694	10,802	-892	-7.6%
Dry bulk cargo subtotal	80,168	77,615	-2,554	-3.2%
Crude oil	104,179	100,294	-3,885	-3.7%
Mineral oil products	79,207	77,673	-1,534	-1.9%
LNG	1,986	5,234	3,248	163.6%
Other liquid bulk cargo	28,911	28,640	-271	-0.9%
Liquid bulk cargo subtotal	214,282	211,840	-2,442	-1.1%
TOTAL BULK CARGO	294,450	289,455	-4,995	-1.7%
Deep-sea cargo	89,172	93,062	3,890	4.4%
Feeder cargo	25,389	27,640	2,251	8.9%
Short-sea cargo	28,082	28,406	324	1.2%
Containers	142,642	149,111	6,469	4.5%
Roll-on/roll-off cargo	23,805	24,057	252	1.1%
Other general cargo	6,456	6,361	-95	-1.5%
Break bulk	30,262	30,418	156	0.5%
TOTAL GENERAL CARGO	172,904	179,529	6,625	3.8%
TOTAL CARGO THROUGHPUT	467,354	468,984	1,630	0.3%
Total numbers of containers	8,194,232	8,635,782	441,550	5.4%
Total TEUs	13,734,334	14,512,661	778,327	5.7%

<sup>\*</sup>Including throughput on the north side of the river (Hook of Holland, Schiedam and Vlaardingen). These throughput figures for 2018 represent approximately 3.8% of the total throughput volume. The associated seaport charges do not accrue to the Port of Rotterdam Authority and are therefore not included in the financial report.

# FOCUS ON SAFETY, ENERGY TRANSITION AND DIGITAL SERVICES

The port faces major challenges in order to remain dynamic and competitive. The scale increase in logistics, the impact of digital technologies and the transition to sustainable energy are placing ever stricter, and in some case still unknown, demands on the port and industrial complex. In 2018, our focus was on safety, the energy transition and digital services.

### Safety

Safety is a top priority in our port. Obviously for shipping, but also for local residents, employees in the port, companies and users (including leisure users) of the port area. We work on nautical safety, transport and environmental safety, flood risk management and cyber security.

#### **Major incident**

On Saturday, 23 June 2018, there was serious water pollution in the 3rd Petroleumhaven in the port of Rotterdam. A vessel collided with a jetty. Heavy fuel oil entered the water. The Port of Rotterdam Authority and the emergency services placed oil-retaining screens around the vessel as quickly as possible to prevent the further spread of oil. This response was successful but some of the oil had already spread beyond the vicinity of the incident: from the Hook of Holland to the Spijkenisse Bridge and to the Benelux Tunnel. Most of the oil was in the 3rd Petroleumhaven. The clean-up and cleaning work demanded extra efforts from everyone concerned. Volunteers were also involved. All of the work required will continue until mid-2019.



## **Energy transition**

In 2016, the Port of Rotterdam Authority introduced the Energy Transition programme with the aim of transforming the port and industrial complex into a carbon-neutral cluster. In addition to cutting carbon emissions, we strive to maintain and increase the social and economic added value of the port. In tackling this challenge, we also work as a driver of economic innovation in the Rotterdam port and industrial complex, with the additional ambition of developing our port into the place where the energy transition takes shape.



The Port of Rotterdam Authority aims to develop the port into the location where the energy transition takes shape.

We measure our progress in this respect on the basis of investment decisions that have an impact on carbon emissions. Examples are Waste-to-Chemicals and the Heat Hub (Warmterotonde).

In 2018, we made joint progress with several parties but were unable as yet to achieve the stated objectives.

To establish a clearer picture of the complex challenges involved in the energy transition, the German Wuppertal Institute developed scenarios for the decarbonisation of the Rotterdam port and industrial complex on behalf of the Port of Rotterdam Authority. These scenarios were the central focus of the first 'Energy in Transition' summit in 2017. In the spring of 2018, that summit was followed by the following 'Energy in Transition' summit, where the decarbonisation of transport and logistics was the central theme. The results of the two studies show that the transition to virtually carbon-neutral industry and logistics is possible. We emphasise that the energy transition is a process that will require many steps, large and small, from many parties over a long period of time. Organising the energy transition will require, for example, new forms of collaboration, governance and financing.

In the meantime, we are already making preparations to limit the harmful effects of carbon emissions as much as possible in the short term, an example being the Porthos project for the use of CO<sub>2</sub> in greenhouses and the subsea storage of CO<sub>2</sub>. This will give industrial sectors time to implement more structural changes in their business processes, preventing unnecessary value losses and maintaining a dynamic port with a competitive international position.

In 2018, we made progress towards advancing three of the most impactful initiatives to a final investment decision: the CO<sub>2</sub> capture and storage (Porthos) initiative referred to above, heat networks and Waste-to-Chemicals. These are projects which demonstrate our commitment to accelerating the achievement of climate objectives.

## **Digital services**

In addition to our statutory responsibility for the handling of shipping, the Port of Rotterdam Authority assumes an active role in ensuring, together with customers and our partners (nautical and otherwise), the perfect coordination of arrivals, planning of services, terminal operation and transhipment to the hinterland. The aim is to improve the competitive position of the port of Rotterdam. Digitalisation plays an important role here. We have an active role in making data and information available, and developing applications that can benefit logistics and our clients. This role includes investing in the acquisition of the data required and teaming up with customers on digital services and products.



Increasing digitalisation of the logistics chain is an important way to improve the competitive position of the port of Rotterdam. In collaboration with clients, we are developing innovative pilots in our Digital Business Solutions department.

In terms of the number of pilots/proofs of concept with users, we were unable to achieve our objective. We were successful in achieving our objective for the number of pilots to phase 1 (product phase).

Our Digital Business Solutions (DBS) department, which was established in early 2018, plays an important role in developing and offering digital services and products. The DBS initiatives target two areas. On the one hand, solutions for improvements in the management of the port and port infrastructure. On the other, projects that focus on establishing a clearer picture of the efficiency of logistical processes. In both areas, the applications developed can lead to international applications on a commercial basis because digital services can be used worldwide in ports and logistical chains from the sea to the hinterland. This generates new income streams and earning models for the Port of Rotterdam Authority that we develop and exploit under the name PortForward.

## FINANCIAL RESULTS AND INVESTMENT PORTFOLIO 2018

The Port of Rotterdam Authority must continue to invest as an enterprising developer in the port infrastructure and respond to the opportunities provided by the energy transition, digitalisation and innovation. Adequate investment capacity is therefore crucial. The financial scope to invest depends on, among other things, operating costs and revenue, the returns on our investments, the size of our investment portfolio (past, present and future) and agreements with our financiers.

## **Financial position**

We strengthened our financial position in 2018. The result before tax was €254.1 million, which is €6.8 million (+2.7%) more than in 2017. This is mainly due to lower financing costs as a result of the surrender of part of the interest rate swap and the early repayment of loans in 2017.

#### Focus on strategic themes

As in 2017, we released additional funds for our strategic themes in 2018 with the aim of accelerating the development of the opportunities afforded by the strategic themes for the port of Rotterdam. In this area, we are working on preparations for projects such as Waste-to-Chemicals, large-scale CO<sub>2</sub> capture and storage, the development of open infrastructure for residual heat transport and a range of solutions to improve the supply chain and port operation, such as Pronto.

#### Investment portfolio

In 2018, we invested €408.1 million: €318.8 million euros in tangible fixed assets and €89.3 million in financial fixed assets. We invested €75.3 million of the financial assets in Pecém. The remaining amount of €14 million was invested through the intermediate holding company in the other participating interests. These investments relate to the development of infrastructure for our new and existing clients, and the development of the public part of the Rotterdam port and industrial complex. Investments for new and existing clients generate a direct financial return; investments in the public domain do not. We monitor the balance between the two. In 2018, the share of public investments was 41.3%. Our investment portfolio is well filled at more than €1 billion for the next five years. We are prioritising the most promising ideas. In 2018, we introduced the Opportunity Funnel Management approach to put this into practice in concrete ways.

The port of the future depends crucially on plans that involve more than infrastructural developments alone: we must also focus on commercial digitalisation, the energy transition, national and international alliances and new business models. The Port of Rotterdam Authority has ambitious goals in these areas. There are opportunities and our portfolio is becoming richer and more complex. Structure, transparency and prioritisation are needed for these ideas.

## All ratios well above the standard values

The Port of Rotterdam Authority aspires to the financial position appropriate to an A rating to achieve our investment ambitions and to maintain our operating activities in the event of unexpected negative developments. The most important financial ratios that we follow are: net debt in relation to EBITDA, solvency and the interest coverage ratio. All ratios are well above the standard values stated in the financing contracts.

## Impact of Bow Jubail oil spill

The Bow Jubail oil spill led to cleaning costs for the Port of Rotterdam Authority. The financial damage amounted to €2.5 million in 2018. In many cases, it is more effective and cheaper to replace the polluted slopes completely instead of having them cleaned.

## **Corporation tax**

With the decision of the European Commission that Dutch seaports are required to pay corporation tax with effect from 1 January 2017, the effect on the Port of Rotterdam Authority became visible for the second time in 2018. We had discussions with the tax authorities on several occasions in the course of both 2017 and 2018 about the establishment of the fiscal opening balance sheet. This resulted in a settlement agreement for the fiscal opening balance sheet. The Executive Board signed this agreement in early September 2018. A deferred tax asset of €959.0 million has been recognised.

# **BALANCE SHEET**

	31-12-2018		31-12-2017	
Assets				
Fixed assets				
Tangible fixed assets	3,824,130		3,713,427	
Financial fixed assets	1,247,563		221,195	
		5,071,693		3,934,622
Current assets				
Inventories	677		625	
Accounts receivable	214,753		159,777	
Cash and cash equivalents	135,736		228,870	
		351,166		389,272
Total assets		5,422,859		4,323,894
Liabilities				
Shareholders' equity				
Subscribed capital	900,000		900,000	
Share premium reserve	391,200		391,200	
Statutory reserves	63,261		48,872	
Other reserves	1,240,646		1,159,180	
Result for appropriation	1,215,323		186,981	
		3,810,430		2,686,233
Provisions		59,779		63,853
Provisions Long-term debts		59,779 1,298,531		63,853 1,249,146
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(Amounts x €1,000)

# **INCOME STATEMENT**

	2018	2017	
Net revenue	676,169	681,216	
Other operating income	31,077	30,911	
Total operating income		707,246	712,127
Wages, salaries and social security costs	-109,256	-110,655	
Depreciation and impairment of non-current assets	-146,322	-147,855	
Other operating expenses	-158,584	-150,394	
Total operating expenses		-414,162	-408,904
Operating result		293,084	303,223
Financial income and expenses		-43,834	-61,816
Result from ordinary operations before taxation		249,250	241,407
Taxation on result from ordinary operations		961,178	-60,352
Result from participating interests		4,895	5,926
Result		1,215,323	224,102

(Amounts x €1,000)

## PORT OF ROTTERDAM AUTHORITY

The aim of the Port of Rotterdam Authority is to strengthen the competitive position of the port of Rotterdam as a logistics hub and a world-class industrial complex. The Port of Rotterdam Authority manages, operates and develops the Rotterdam port and industrial complex in terms of both size and quality. The Port Authority is responsible for maintaining the safe and smooth handling of shipping. We invest in the development of the existing port area, in new port areas, public infrastructure and in the handling of shipping.

Read the full annual report on www.jaarverslag2018.portofrotterdam.com

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