

HALF-YEAR REPORT 2018

SUSTAINED GROWTH IN CONTAINER THROUGHPUT DID NOT FULLY OFFSET DECLINING THROUGHPUT IN OTHER SECTORS

Total throughput in port of Rotterdam: 2.2% down on first half of 2017

- Increase in container throughput continues (+5.9%)
- Clear fall in throughput of crude oil (-7.6%) and coal (-11.9%), partly as a result of the planned closure of coal-fired power plants
- Revenue and operating result of Port Authority stable, net result strongly influenced by one-off 'paper' benefit associated with accounting for the fiscal opening balance sheet
- Important steps made for the Energy Transition

The port of Rotterdam achieved throughput of 232.8 million tonnes in the first six months of 2018. That is 2.2% less than in the first six months of 2017. Container throughput, one of the strategic priorities of the Port Authority, rose by 5.9% (in tonnes, 6.2% in TEU) by comparison with the first six months of 2017, including a new throughput record in May.

The market share of Rotterdam by comparison with the other ports in the Hamburg-Le Havre range increased from 30.9% (Q1 2017) to 31.2% (Q1 2018)¹.

However, the rise in container handling did not offset the fall in the throughput of wet and dry bulk. The decline in bulk goods was mainly seen in the throughput of coal, crude oil and mineral oil products such as fuel oil. Coal transshipment fell because of, among other things, the closure of coal-fired power plants, lower energy production by plants that were still in operation and a reduction in the flow of cokes for the steel industry. Striking growth segments were LNG and biomass, which more than doubled by comparison with throughput volumes in the same period last year.

The financial position of the Port Authority was stable in the first half of 2018. Revenue from port dues fell off slightly but rental and leasehold income from issued land increased slightly. The result before taxation remained virtually unchanged at € 126.1 million.

¹ At present, the transshipment figures for all ports are not yet available for the second quarter. It is therefore not possible to calculate market shares for the first half of 2018 at present.

Nevertheless, the net result was strongly influenced by a one-off gain as a result of the fiscal opening balance sheet, a consequence in turn of the Port Authority's tax liability. This one-off positive result is entirely an accounting phenomenon and it is a direct consequence of the application of legislation and regulations. It does not provide the Port Authority with any additional cash or room for investment. On the contrary: the Port Authority did not have to pay corporation tax in the past but it is liable to pay corporation tax with retroactive effect from 2017 onwards. The only significance of the one-off 'paper' profit is that, in the future, the Port Authority will be required to pay less tax for a limited period of time.

ENERGY TRANSITION

Significant progress has been made in the past six months in the field of the Energy Transition. For example, a Climate Act was passed by the Lower House of the Dutch Parliament. In order to fulfil the ambitions set out in that Act, a large number of measures have been identified at the Rotterdam-Moerdijk Industrial Table that could result in a reduction of carbon emissions by 10 million tonnes. The Port Authority does not work at the national level only in terms of assuming its responsibility to contribute to the energy transition that is needed. Internationally also, the Port of Rotterdam Authority also seeks to collaborate with other ports that wish to lead the way in terms of sustainability and efficiency.

The authority is collaborating with leading ports in the world to develop a joint programme to improve efficiency and reduce carbon emissions, and also to promote the use of clean fuels and clean technologies in shipping.

PROSPECTS

The global economy benefits from free trade and measures that promote free trade. Import tariffs and trade quotas interfere with global trade and are therefore bad for the global economy. Relations between large trading blocks in the world are currently strained. In addition, it is uncertain whether negotiations between the European Union and the United Kingdom will lead to a new trade agreement after Brexit. Both developments are rendering the prospects for the further growth of world trade uncertain. The fluctuations in volume in the Port of Rotterdam would not, for the time being, seem to be caused by recent trade restrictions, the impact of which will be felt only after some time. The Port of Rotterdam Authority is continuing to monitor developments closely.

For more information:

Leon Willems

leon.willems@portofrotterdam.com

M +31 (0)6 2574 6662

REPORT OF THE EXECUTIVE BOARD

THROUGHPUT AND DEVELOPMENTS IN THE PORT

In the first six months of 2018, throughput in the port of Rotterdam rose by 2.2%.

DRY BULK

Overall, the port of Rotterdam handled 37.0 million tonnes of dry bulk, 10.5% less than in the first half of 2017. Falls in volume were seen for all types of goods in this segment with the exception of biomass. Dry bulk goods accounted for 15.9% of total throughput in Rotterdam in the first half of 2018.

The throughput of iron ore and scrap fell by 10.1%, mainly because blast furnace companies in the hinterland depleted their ore stocks. Coal throughput also decreased, in this case by 11.9%, because of, among other things, the planned closure of coal-fired power plants on the Maasvlakte and in Germany. Another factor is that the coal-fired plants that are still operational are producing less energy because of the strong growth in the use of renewable energy sources such as solar and wind. A third reason for the fall in coal throughput is the decline in the flow of cokes for the steel industry.

The throughput of agribulk (-7.0%) was mainly affected by a reduction in the flow of soy from South America. The throughput of



CARGO THROUGHPUT (GROOT ROTTERDAM) (X 1,000 METRIC TONNES)	JAN-JUN 2018	JAN-JUN 2017	DIFFERENCE IN %
Iron ore and scrap	14,111	15,696	-10.1%
Coal	12,330	13,993	-11.9%
Agricultural bulk	5,225	5,619	-7.0%
Other dry bulk	5,141	5,960	-13.7%
SUBTOTAL DRY BULK	37,019	41,342	-10.5%
Crude oil	50,721	54,877	-7.6%
Mineral oil products	40,307	42,323	-4.8%
LNG	1,960	878	123.2%
Other liquid bulk	14,039	13,763	2.0%
SUBTOTAL LIQUID BULK	107,028	111,841	-4.3%
CONTAINERS	73,666	69,553	5.9%
Roll-on/Roll-off	12,007	11,729	2.4%
Other general cargo, lash	3,075	3,517	-12.6%
TOTAL BREAK BULK	15,081	15,246	-1.1%
TOTAL THROUGHPUT (X 1,000 METRIC TONNES)	232,794	237,982	-2.2%
CONTAINER THROUGHPUT (IN TEU x 1,000)	7,077	6,662	6.2%

other dry bulk goods began moderately early this year, mainly due to lower production levels at buyers of minerals. This market segment consists, among other things, of raw materials for the metal, chemical and construction industries.

A positive exception is the throughput of biomass. Growth looks spectacular at 187.6% by comparison with the first half of 2017 but volumes are still modest. The limited growth in terms of absolute volume is partly due to problems with the unloading of biomass at one of the power stations in the hinterland.

LIQUID BULK

A total of 107.0 million tonnes of dry bulk were handled, 4.3% less than in the first half of 2017, with falls in the two largest of the four goods categories. Wet bulk goods accounted for 46.0% of total throughput in Rotterdam in the first half of 2018.

The transshipment of crude oil fell by 7.6% to 50.7 million tonnes: levels were exceptionally high in the first half of 2017 by comparison with the first half of 2018. The volume until now in 2018 has been in line with expectations. Refinery margins in the past six months were at the average level of the past five years. The throughput of mineral oil products was 4.8% down, mainly due to a fall in incoming and outgoing flows of fuel oil.

A strong positive development was seen in the throughput of LNG, with an increase of 123.2% by comparison with the first six months of 2017. This increase was mainly caused by the transshipment of LNG from the Yamal field in Northern Russia from ice-class tankers to 'normal' LNG tankers that take the cargo to Asia. The increase in the throughput of LNG confirms the increasing importance of Rotterdam as an LNG port. The throughput of other wet bulk goods is more or less in line with last year, with slight growth of 2.0%.

CONTAINERS AND BREAK BULK

Container throughput developed very positively for the fifth half year in succession, with an increase of 6.2% in TEU (the unit for containers) and 5.9% in tonnes. Total throughput was 7.1 million TEU, with a combined weight of 73.7 million tonnes. Growth was healthy in all segments (deep sea, feeder and short sea).

A new record was established in May, with the throughput of 1,242 million TEU of containers. In short sea, the volume was below last year's level for the first time this year in June. Developments in the three short sea trade lanes were mixed, with the services to England and Ireland falling since the beginning of this year by comparison with last year. Growth was particularly strong on the routes to Iberia and the Mediterranean, with a sudden decline in June.

Transshipment in Roll-on/Roll-off (RoRo) transport is still increasing slightly, primarily owing to the growth of RoRo services to and from the Iberian peninsula and the expansion of an existing service to Ireland.

There was a clear fall in the general cargo segment to 3.1 million tonnes (-12.6%). The main reason in the first quarter of 2018 was the cessation of a temporary flow of slabs that was seen in 2017 in connection with the renovation of a blast furnace in Germany. In the second quarter, this decline was partially offset by the outgoing flow of foundation piles for wind turbines on the North Sea.



FINANCE

A result before tax of € 126.1 million was booked in the first half-year of 2018, a slight increase by comparison with the first half of 2017 (€ 125.7 million). The corporate tax due as at 1 January 2017 and the agreement recently reached with the Dutch tax authorities with respect to the fiscal opening balance sheet led, in the first half of 2018, to the inclusion of deferred and current corporation tax in the income statement. The deferred tax relates to a deferred tax claim of € 1.2 billion that was established for the difference between the fiscal valuation and the commercial valuation of assets and liabilities. The current corporation tax amount of € 16.4 million comprises the corporation tax for the first half of 2018 and the change in the estimate of the current corporation tax due for 2017. The outcome of the above is a result after taxation of € 1.3 billion.

Revenue in the first half of 2018 increased by € 1.8 million by comparison with the first six months of the previous year. This is mainly due to an increase in income from contracts of € 6.0 million owing to new contracts and indexation. Sea port dues decreased by € 3.8 million because of a decline in goods throughput of 2.2% and an increase in discounts.

Operating expenses in the first half of 2018 were € 4.1 million (3.4%) higher than in the first half of 2017, mainly due to an increase in labour costs (€ 4.7 million) and higher operating expenses (€ 6.2 million). Both increases were primarily caused by an increase in costs for the 'strategic themes': digitisation, innovation and the energy transition. On the other hand, other operating expenses fell by € 6.8 million, mainly due to a reduction in the contribution of € 4.6 million by the Port of Rotterdam Authority to the social dialogue with the container sector in 2017: to € 1.0 million in 2018.

Depreciation and amortisation increased slightly by € 2.2 million, mainly because of an increase in investments.

Financial income and expenses decreased by € 4.8 million as a result of normal repayments, and, in October 2017, the early repayment of loans and the partial cancellation of the interest rate swap.

The result on operating activities before taxation is as expected and it provides the solid foundation needed to fulfil our investment ambitions.

The main investments in the first half of 2018 were the construction of a quay for the HES Hartel Tank Terminal, the construction of the Theemsweg route and the construction of a flyover junction on Maasvlakte 2. An increase in the investments in the first two projects and the investment in the Container Exchange Route (CER) mean that total investments for 2018 will exceed the 2017 level (2017: € 213.8 million).

The Port Authority requires a healthy cash flow to meet commitments and continue investing in the port's infrastructure. The operating cash flow of € 86.8 million was € 82.0 million lower in the first half of 2018 than in the first half of 2017, mainly due to the advance payments for corporation tax for 2017 and 2018. Investments (€ 126.8 million) and dividend (€ 94.6 million) constituted the largest share of the cash flow for investment activities and financing activities in the first half of 2018. On balance, total cash and cash equivalents was € 136.1 million lower than at year-end 2017.



HALF-YEAR FIGURES FOR 2018

CONDENSED BALANCE SHEET AS AT 30 JUNE 2018

(before result appropriation)

ASSETS	30-6-2018	31-12-2017
(AMOUNTS X € 1,000)		
Fixed assets		
Tangible fixed assets	3,744,743	3,713,427
Financial fixed assets	1,269,388	92,329
	5,014,131	3,805,756
Current assets		
Inventory	612	625
Accounts receivable	326,972	288,643
Cash and cash equivalents	92,779	228,870
	420,363	518,138
TOTAL ASSETS	5,434,494	4,323,894
LIABILITIES		
(AMOUNTS X € 1,000)		
Shareholders' equity	3,911,878	2,686,233
Provisions	62,827	63,853
Long-term debts	1,089,668	1,092,579
Short-term debts	370,121	481,229
TOTAL LIABILITIES	5,434,494	4,323,894

CONDENSED INCOME STATEMENT FOR FIRST HALF OF 2018

INCOME STATEMENT	JAN-JUN 2018	JAN-JUN 2017
(AMOUNTS X € 1,000)		
Total operating income	344,162	342,316
Total operating expenses	123,876	119,786
EARNINGS BEFORE INTEREST, DEPRECIATION AND TAXES	220,286	222,530
Depreciation and impairment of tangible fixed assets	72,332	70,159
OPERATING RESULT	147,954	152,371
Financial income and expenses	-21,898	-26,650
RESULT FROM ORDINARY ACTIVITIES BEFORE TAXATION	126,056	125,721
Taxation	1,191,487	-31,430
Results from participating interests	843	3,531
RESULT AFTER TAXATION	1,318,386	97,822

CONDENSED CASH FLOW STATEMENT FOR FIRST HALF OF 2018

CASH FLOW STATEMENT	JAN-JUN 2018	JAN-JUN 2017
(AMOUNTS X € 1,000)		
OPERATING RESULT	147,954	152,371
Depreciation and amortisation, and changes in provisions	75,108	62,106
Changes in working capital	-44,891	-19,255
CASH FLOW FROM OPERATING ACTIVITIES	178,171	195,222
Interest received and interest paid	-21,885	-26,413
Corporation tax paid	-69,486	-
CASH FLOW FROM OPERATING ACTIVITIES	86,800	168,809
Cash flow from investment activities	-126,750	-82,088
Subsidies and other changes	2,471	6,709
Repayments for long-term receivables	1,272	1,596
CASH FLOW FROM INVESTMENT ACTIVITIES	-123,007	-73,783
CASH FLOW FROM FINANCING ACTIVITIES	-99,884	-100,120
NET CASH FLOW	-136,091	-5,094
Balance of cash and cash equivalents as at 1 January	228,870	270,103
Balance of cash and cash equivalents as at 30 June	92,779	265,009
CHANGE IN CASH AND CASH EQUIVALENTS	-136,091	-5,094

PRINCIPLES FOR VALUATION AND PROFIT/LOSS DETERMINATION

ACTIVITIES OF THE COMPANY

The Port of Rotterdam Authority is responsible for the management, operation and development of Rotterdam's port and industrial area. As a public company, the Port of Rotterdam Authority has two shareholders: the City of Rotterdam (with a holding of 70.83%) and the Dutch State (29.17%).

The Port of Rotterdam Authority creates economic and social value by achieving sustainable growth in the port in collaboration with clients and stakeholders.

The Port of Rotterdam Authority's core tasks under its articles of association are:

- the development, construction, management and operation of the port and industrial area in Rotterdam;
- the promotion of the safe, effective and efficient handling of shipping in the port of Rotterdam and the offshore approaches to the port.

The Port of Rotterdam Authority invests in the development of land and in the port infrastructure such as quay walls, jetties, roads and waterways, and cable and pipeline facilities. The infrastructure renders the site accessible and allows for the transshipment of freight. The land and infrastructure in the port are rented or issued to companies on a long lease. This is one of our main sources of income. Another important source of income is port dues. International shipping companies pay port dues when their vessels call on the port of Rotterdam.

ACCOUNTING PRINCIPLES APPLIED IN THE HALF-YEAR REPORT

The half-year figures have been prepared in accordance with the financial reporting requirements of Part 9 Book 2 of the Netherlands Civil Code and the statements in the Dutch Guideline for Annual Reporting on Interim Reports (RJ 394) issued by the Dutch Accounting Standards Board. As provided for in RJ 394, this interim half-yearly report does not contain all of the information required to be provided in the full financial statements and it should therefore be read in conjunction with the 2017 Annual Report/Financial Statements. The same accounting policies used to prepare the 2017 Financial Statements were used to value the Port of Rotterdam Authority's assets and liabilities and determine the Port Authority's results for these half-yearly figures. The only addition consists of the accounting principles for corporation tax (see corporation tax section).

EXEMPTION FROM CONSOLIDATION REQUIREMENT

The Port of Rotterdam Authority has made use of the exemption from the requirement to consolidate the details of participating interests, if the participating interests jointly have a financial significance in the consolidation which is negligible to the Port of Rotterdam Authority as a whole (RJ 217.304).

CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

In the first half of 2018, no changes were made in the adopted accounting policies or accounting estimates that have an impact on the Port of Rotterdam Authority's capital position or earnings.

JUDGEMENTS AND ESTIMATES

When applying the principles and rules for the drafting of the half-year report, the management of the Port of Rotterdam Authority makes various judgements and estimates. In the first half of 2018, there were no significant changes in the approach to these judgements and estimates.

SEASONAL FACTORS

To a limited degree, throughput volumes are subject to seasonal factors such as an increase in coal throughput in the winter months and the impact of the Chinese New Year (in February) on container throughput. Seasonal factors have little impact on revenues from rental and lease contracts or operational costs, if any.

CORPORATION TAX

With effect from 1 January 2017, the Port of Rotterdam Authority has been liable to corporation tax. The Port of Rotterdam Authority lodged an objection with the European Court of Justice to the uneven playing field. In its decision on 31 May 2018, the court rejected the appeal against the decision of the European Commission of 21 January 2016. The Port of Rotterdam Authority decided not to appeal against the court's decision.



In parallel with the appeal proceedings, we had discussions with the tax authorities on several occasions about the fiscal opening balance sheet. Agreement was reached recently with the authorities in this respect and the details were set out in a draft settlement agreement that is expected to be signed in the near future. There are no remaining uncertainties with respect to the valuation and the valuation differences between the commercial and fiscal balance sheets as of 1 January 2017. The final discussions with the tax authorities will address the details relating to realisation.

DEFERRED TAXATION

The fiscal opening balance sheet in the settlement agreement states a total difference of € 4.9 billion between the fiscal assets as at 1 January 2017 of € 7.5 billion and the commercial assets as at that date of € 2.6 billion. Since the valuation differences relating to assets and liabilities were still present as at 30 June 2018, a deferred tax asset claim must be included on the basis of the Guidelines for Annual Reporting in the 2018 half-year figures for the difference between the fiscal value and the commercial value. A higher depreciation amount is stated for tax purposes every year, leading to a reduction in the amount of corporation tax to be paid (the 'current' amount).

A deferred tax asset must be stated on the positive side of the profit and loss account for 2018 insofar as it is probable that the taxable profit will be adequate to cover the settlement options. As a result, a one-off gain of € 1.2 billion has been included in the half-year figures for 2018. It represents the differences between the valuation of assets and liabilities in the fiscal balance sheet and the market value as at 1 January 2017 and between the commercial balance sheet and historical cost price (the lower figure). The deferred tax asset will be released in the following instalments:

TERMS FOR RELEASE OF TAX ASSET	< 1 YEARS	1 YEARS	5-10 YEARS	> 10 YEARS	30 JUN 2018
(AMOUNTS X € 1,000)					
Deferred tax assets	31,938	127,751	159,688	855,718	1,175,094
TOTAL	31,938	127,751	159,688	855,718	1,175,094

TAXATION

The taxes in the income statement for the first half of 2018 consist of latent and current taxes. The deferred taxes consist of the deferred tax asset of € 1.2 billion and the release of the deferred tax asset for 2017 and the first half year of 2018 of € 47.9 million in total. The current taxes consist of a change in the estimate of the current corporate tax in 2017 (€ 31.9 million) and the current corporate income tax for the first half of 2018 (–€ 15.5 million).

TAXATION	JAN-JUN 2018
(AMOUNTS X € 1,000)	
Deferred taxation	
Additions to deferred taxation	1,223,001
Release of deferred taxation for 2017 and JAN-JUN 2018	–47,906
	1,175,094
Current taxes	
Approach to estimating the current corporation tax for 2017	31,938
Current corporation tax JAN-JUN 2018	–15,545
	16,393
TOTAL	1,191,487

The effective tax burden is the result before taxation divided by taxation (current and deferred taxes): –945%.

EFFECTIVE TAX BURDEN	
(AMOUNTS X € 1,000)	
Result from ordinary activities before taxation	126,056
Taxes incl. one-off benefit of fiscal opening balance sheet	–1,191,487
EFFECTIVE TAX BURDEN	–945%

ACCOUNTING PRINCIPLES

The tax on the result includes the tax on the result of the year under review and deferred taxes.

The tax on the result is calculated on the result before tax in the income statement, taking into account available losses that may be carried forward from previous financial years (insofar as they have not been included in the deferred tax assets) and exempted profit elements, and after the inclusion of non-deductible expenses. In addition, changes in deferred tax assets and deferred tax liabilities due to changes in the applicable tax rate are taken into account. The tax on the result is recognised in the income statement.

Deferred tax assets and liabilities are stated for temporary differences between the value of the assets and liabilities based on fiscal regulations on the one hand and the book values adopted in these financial statements on the other. The deferred tax assets and liabilities are calculated using the tax rates prevailing at the end of the financial year or the rates that apply in the coming years, insofar as they have already been established by law.

Deferred tax assets are valued if it is probable that the taxable profit will be adequate for offsetting losses and for settlement purposes.

Deferred tax liabilities are recognised at nominal value.

The deferred tax assets and liabilities are netted to the extent that the assets and liabilities are included in the same fiscal entity and insofar as they have the same term.

TAX ENTITY

The Port of Rotterdam Authority (Havenbedrijf Rotterdam N.V.) is part of a fiscal entity with Mainport Holding Rotterdam N.V., Mainport Foreign Investments BV., MHR Commanditaire Venoot B.V., MHR Silent Partner B.V., Cruise Port Rotterdam B.V., Portshuttle Rotterdam B.V. and Blockchain Fieldlab B.V. for corporation tax and is therefore jointly and severally liable for the tax liabilities of the fiscal entity as a whole. The corporation tax due is paid through the Port of Rotterdam Authority.

EXPLANATORY NOTE TO THE CONDENSED BALANCE SHEET AND INCOME STATEMENT

TANGIBLE FIXED ASSETS

TANGIBLE FIXED ASSETS	BOOK VALUE 31 DEC 2017	COMMISSIONING JAN-JUN 2018	DEPRECIATION JAN-JUN 2018	DIS- INVESTMENTS JAN-JUN 2018	BOOK VALUE 30 JUN 2018
(AMOUNTS X € 1,000)					
Land and infraplus	1,323,900	95	-11,354	-	1,312,641
Public infrastructure, port basins, etc.	720,035	8,790	-19,489	-	709,336
Quay walls, stone slopes, etc.	1,184,584	22,246	-24,216	-	1,182,614
Property, plant and equipment, and miscellaneous	334,775	18,018	-16,833	-	335,960
FIXED ASSETS	3,563,294	49,149	-71,892	-	3,540,551
		COMMISSIONING	WRITE-OFF	INVESTMENTS	
Assets under construction	150,133	-49,149	-440	103,648	204,192
TOTAL	3,713,427		-72,332	103,648	3,744,743

In the first half of 2018, tangible fixed assets increased by € 31.3 million owing to investments (€ 103.6 million including capitalised interest during construction) and depreciation (approximately € 72.3 million). The largest investments in the first half of 2018 were: the construction of a quay for the HES Hartel Tank Terminal, the construction of the Theemsweg route and the construction of a flyover junction on Maasvlakte 2.

A total of € 4.4 million in labour costs was capitalised in the first six months of 2018 (first half 2017: € 3.4 million). This consists of a reasonable share of the personnel costs that can be directly attributed to the production of assets.

An impairment test was performed as at 30 June 2018. The results of this test were favourable, indicating that there are no impairments that need to be taken into account.

FINANCIAL FIXED ASSETS

The financial fixed assets increased by € 1.2 billion in the first half of 2018 due to the formation of the deferred tax asset. For further details, see the 'Principles for valuation and profit/loss determination'. The value of the participating interests increased by € 2.7 million due to an increase in the value of local currency with respect to the euro (+ € 1.9 million) and the result from participating interests (+ € 0.8 million). A write-down of € 2.1 million as been included in the result from participating interests.

The long-term receivables fell by € 0.8 million due to an early repayment and regular repayments.

CASH AND CASH EQUIVALENTS

The cash and cash equivalents consist of bank and current account balances of € 42.8 million and deposit of € 50 million. The changes in the cash and cash equivalents have been included in the cash flow statement.

SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY	ISSUED SHARE CAPITAL	SHARE PREMIUM	LEGAL RESERVES	OTHER RESERVES	RESULT FOR APPROPRIATION	TOTAL
(AMOUNTS X € 1,000)						
31 DEC 2016 (BEFORE CHANGE IN ACCOUNTING PRINCIPLES)	900,000	391,200	50,283	1,009,882	222,248	2,573,613
Change in accounting principles for redemption of leasehold 2017	-	-	-	27,426	1,854	29,280
1 JAN 2017 (AFTER CHANGE IN ACCOUNTING PRINCIPLES)	900,000	391,200	50,283	1,037,308	224,102	2,602,893
Result jan-jun 2017	-	-	-	-	97,822	97,822
Dividend paid 2016	-	-	-	-	-92,779	-92,779
Result appropriation 2016	-	-	-	131,323	-131,323	-
Exchange rate reserve	-	-	-6,543	-	-	-6,543
Reserve for participating interests	-	-	4,214	-4,214	-	-
TOTAL CHANGES JAN-JUN 2017	-	-	-2,329	127,109	-126,280	-1,500
30 JUN 2017	900,000	391,200	47,954	1,164,417	97,822	2,601,393
Result jul-dec 2017	-	-	-	-	89,159	89,159
Exchange rate reserve	-	-	-4,319	-	-	-4,319
Reserve for participating interests	-	-	5,237	-5,237	-	-
TOTAL CHANGES JUL-DEC 2017	-	-	918	-5,237	89,159	84,840
31 DEC 2017	900,000	391,200	48,872	1,159,180	186,981	2,686,233
Result jan-jun 2018	-	-	-	-	1,318,386	1,318,386
Dividend paid 2017	-	-	-	-	-94,635	-94,635
Result appropriation 2017	-	-	-	92,346	-92,346	-
Exchange rate reserve	-	-	1,894	-	-	1,894
Reserve for participating interests	-	-	5,638	-5,638	-	-
TOTAL CHANGES JAN-JUN 2018	-	-	7,532	86,708	1,131,405	1,225,645
30 JUN 2018	900,000	391,200	56,404	1,245,888	1,318,386	3,911,878

A change was made in 2017 in the allocation method for the processing of the redemption of the ground lease. We refer you to the 2017 annual statements for further details.

The result for the first half of 2018 includes the formation of the deferred tax asset of € 1.2 billion. The profit on ordinary activities before taxation was therefore € 126.1 million (first half 2017: € 125.7 million). For further details, see the 'Principles for valuation and profit/loss determination'.

PROVISIONS

The provisions entry relates to a provision for future soil remediation activities to the amount of € 40.5 million, and a provision for employee schemes to the amount of € 22.3 million.

LONG-TERM DEBTS

LONG-TERM DEBTS	30 JUN 2018	31 DEC 2017
(AMOUNTS X € 1,000)		
Loans from credit institutions	971,882	977,131
LOAN PORTFOLIO	971,882	977,131
Redemption of leasehold	117,786	115,448
OTHER LONG-TERM DEBTS	117,786	115,448
TOTAL	1,089,668	1,092,579

The short-term component of the long-term liabilities (with a term < 1 year) amounts to € 213.7 million.

Debts owed to credit institutions have declined as a result of regular repayments.

Interest rates paid for loans from credit institutions are based on the 3-month Euribor reference rate plus a surcharge. This variable interest rate has been capped by means of an interest rate swap with a fixed interest percentage to a value of € 750 million (we refer you to the section on financial instruments). No collateral was issued for the facilities for long-term debts. Ratios have been agreed with financiers. As was the case in 2017, the ratios arranged in 2018 amply satisfy the agreed norms.

OFF-BALANCE-SHEET COMMITMENTS AND CONTINGENCIES

The Port of Rotterdam Authority has agreed a number of contingent schemes and multi-year financial entitlements and commitments with municipal authorities, external parties and participating interests. These schemes and commitments mainly relate to the development, maintenance and servicing of the Rotterdam port and industrial complex, Rotterdam's Stadshavens district and internal operational management. We refer you to the 2017 annual statements for further details. One long-term commitment was entered into in the first six months of 2018: a loan agreement with PortXL for an amount of € 1.5 million. PortXL is an accelerator established to boost the innovation ecosystem in the port of Rotterdam.

FINANCIAL INSTRUMENTS

The Port of Rotterdam Authority has interest rate swap contracts with a number of credit institutions. The interest rate swaps serve to cover the interest rate risk for the Port of Rotterdam Authority on the variable loans as well as the long-term financing requirement that follows from the strategic ambitions of the Port of Rotterdam Authority.

The calculated market value of the interest rate swaps as at 30 June 2018 totalled –€345.1 million (as at 31 December 2017: –€ 353.5 million). The decrease in the negative value is due to the increase in the long-term variable interest rate. The Port of Rotterdam Authority does not intend to prematurely terminate the entire interest rate swap position since the interest swap covers the interest rate risk.

The Port of Rotterdam Authority uses cost-price hedge accounting. We refer you to the 2017 annual statements for further details.

RISK MANAGEMENT

The Port of Rotterdam Authority has a risk management and control system for the identification, management and reporting of risks.

The system is based on the internationally accepted standards of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and it is described in the 2017 annual report. The main risks were updated early this year as part of the strategic planning process. They remained largely unchanged from 2017.

The risk of 'lagging behind in terms of innovation' was removed from the risk landscape as a leading risk. Innovation remains a strategic theme. The Port of Rotterdam Authority will continue to focus on raising, and maintaining, awareness of innovation in the port.

A new leading risk is 'Brexit as at 30 March 2019'. The consequences for operations in the port of Rotterdam in areas such as customs, inspections and the introduction of import tariffs could push up costs and have a negative impact on the competitive position of the Port of Rotterdam Authority and the port of Rotterdam. The Port of Rotterdam Authority adopted a role in the Brexit lobby in 2017 that will continue in 2018, describing the impact and making the necessary preparations in collaboration with DeltaInqs, terminals, NWWA, the customs authorities and the Dutch government.

The risk of a 'land/water incident' became a reality in the first half of 2018. There was serious water pollution in the 3rd Petroleum Harbour in the Botlek area of the port of Rotterdam on 23 June. The Bow Jubail vessel collided with the jetty during mooring in this harbour. The Bow Jubail was not carrying a cargo but the fuel tank of the ship was punctured during the collision and more than 200 tonnes of fuel oil leaked into the water. The Port of Rotterdam Authority and Rijkswaterstaat are coordinating the clean-up. Most of the leaked oil has now been cleared away. All measures are geared to maintaining safety, preventing further environmental damage and minimising economic damage. The Port of Rotterdam Authority has held the owner of the tanker liable. The evaluation of the incident, which is part of the regular incident handling procedure, will follow in due course.

TOTAL OPERATING INCOME

TOTAL OPERATING INCOME	JAN-JUN 2018	JAN-JUN 2017
(AMOUNTS X € 1,000)		
Net revenue		
Sea port dues	142,211	145,994
Inland port dues	6,709	7,223
Revenue from contracts	179,724	173,752
TOTAL NET REVENUE	328,644	326,969
Other operating income	15,518	15,347
TOTAL	344,162	342,316

Revenue from sea port dues has fallen by comparison with the first half of 2017 because of a fall in goods throughput of 2.2% and an increase in discounts. Revenue from contracts (including rental, leasehold and quay dues) increased as a result of new contracts, indexation and price changes.

The other operating income consists mainly of proceeds from sand sales, dredging activities for third parties, sludge storage for third parties and the contribution for the Traffic Guidance System.

TOTAL OPERATING EXPENSES

TOTAL OPERATING EXPENSES	JAN-JUN 2018	JAN-JUN 2017
(AMOUNTS X € 1,000)		
Wages, salaries and social security	55,595	50,859
Operating expenses	68,591	62,395
Other operating expenses	-310	-6,532
TOTAL	123,876	119,786

The other operating expenses consist mainly of incidental expenses and income. By comparison with the € 4.6 million booked in 2017 for the contribution of the Port of Rotterdam Authority to the social dialogue with the container sector, the amount booked for the first six months of 2018 was € 1.0 million.

FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME AND EXPENSES	JAN-JUN 2018	JAN-JUN 2017
(AMOUNTS X € 1,000)		
Interest income on long-term receivables	136	172
Other interest income	1,235	159
TOTAL FINANCIAL INCOME	1,371	331
Interest charges for financing	23,577	26,625
Calculated interest charges	481	427
Capitalised interest on tangible fixed assets under construction	-1,505	-1,293
Other interest charges	716	1,222
TOTAL FINANCIAL EXPENSES	23,269	26,981
TOTAL	21,898	26,650

Interest on tangible fixed assets under construction is capitalised during the period of the asset's production. This capitalised interest is calculated on the basis of the weighted average interest rate of loan capital attracted by the Port of Rotterdam Authority. The percentage adopted for 2018 is 1.82% (2017: 2.01%).

INCOME FROM PARTICIPATING INTERESTS

The income from participating interests for the first half of 2018 was € 0.8 million (first half of 2017: € 3.5 million). The fall in the result was mainly caused by a write-off of € 2.1 million.

RELATED-PARTY TRANSACTIONS

All participating interests, as well as members of the executive board, the supervisory board and shareholders (the Municipality of Rotterdam and the State) are considered to be related parties. All related-party transactions were conducted under normal market conditions.

APPROPRIATION OF THE RESULT

The result after tax for the first half of 2018 was € 1.3 million. It has been included in the 2018 half-year figures as 'Result for appropriation' under shareholders' equity. The result for the first half of 2018 includes the formation of the deferred tax asset of € 1.2 billion. The profit on ordinary activities before taxation was € 126.1 million.

Further to the decision of the Annual General Meeting of Shareholders in March 2018, the dividend for 2017 (€ 94.6 million including dividend tax) was distributed in June 2018, with the remaining net result from 2017 (€ 92.3 million) being added to 'Other reserves'.

EVENTS AFTER THE BALANCE-SHEET DATE

There were no events after the balance-sheet date resulting in further information about the actual situation as at the balance-sheet date or that are relevant to the judgement to be made by readers of the half-year report.

Port of Rotterdam Authority

19 July 2018

Executive Board

Drs. A.S. (Allard) Castelein	- Chief Executive Officer (CEO)
Ing. R. (Ronald) Paul	- Chief Operating Officer (COO)
Ir. P.R.J.M. (Paul) Smits CMA CTP	- Chief Finance Officer (CFO)