

2017 HALF-YEARLY REPORT



PORT OF ROTTERDAM THROUGHPUT INCREASES BY 3,9%

- Growth primarily in container segment (+9.3% in TEU)
- Range of major investments announced by business and Port of Rotterdam Authority
- Revenue of Port of Rotterdam Authority increases slightly, net result constant
- Competitive position of the port an ongoing concern

With an increase in throughput of 3.9%, the port of Rotterdam can look back a good first half year. There was growth in eight of the ten market segments. The only falls were in the volumes of mineral oil products and other liquid bulk. In particular, the volume of containers handled (9.3% in TEU, 10.4% in tonnes) was the determining factor for the overall growth in throughput. Dry bulk increased (5.2%), liquid bulk decreased slightly (-1.0%) and break bulk was very much on the rise (10.8%). A total of 238.0 million tonnes of goods were handled in the first half of the year. The market share of Rotterdam by comparison with the other ports in the Hamburg-Le Havre range increased from 29.0% (Q1 2016) to 30.9% (Q1 2017) in the container sector.

Several companies announced major investments this half year, indicating business confidence in the Rotterdam port and industrial complex. Those investments consolidate the importance of the complex for the Dutch economy.

Sea port dues decreased by 0.4% (€0.6 million) to €146.0 million, while throughput increased by 3.9% because of a fall in some market segments of the average price per tonne due to the prevailing price structure. Income from contracts rose by 1.3% (€2.2 million) to €173.8 million. 'Other operating income' increased as a result of an accounting change and so revenue as a whole went up by €8.3 million to €342.3 million. To meet the corporation tax requirement effective 1-1-2017, 25% (€31.4 million) of the result has been earmarked, and profit after taxation is therefore €97.8 million. This is comparable with the result over the same period last year, when the interest rate swap was partially bought off for €32.0 million. The result is in line with expectations.

Ports in neighbouring countries receive considerably more support on a structural basis from their national governments than their Dutch counterparts. For example, there are now plans in Germany to halve the tariffs for rail transport, Dutch ports are the only ports that the European Commissioner requires to pay corporation tax, and the European limit for state aid has been raised to €150 million. In view of the importance of the port of Rotterdam and the challenges facing the port and industrial complex, support is needed that is comparable to neighbouring countries.

REPORT OF THE EXECUTIVE BOARD

THROUGHPUT AND DEVELOPMENTS IN THE PORT

In the first six months of 2016, throughput in the port of Rotterdam rose by 3.9%.

DRY BULK

The volume of ore and scrap increased by 1.9% due to a slight rise in German steel production. This suggests that the measures taken by the European Union against the dumping of steel on the European market are starting to bear fruit. The throughput of coal increased by 9.8%. In particular, more coal for power stations arrived and stocks on the terminals increased. The volume of agricultural bulk went up by 7.7%. The two main reasons were that



more maize arrived as a feedstock for the production of biofuels and that more soya beans were imported, particularly for the animal feed industry. The throughput of other dry bulk rose 1.5%. This market segment consists, among other things, of raw materials for the metal and chemical industries.

A total of 41.3 million tonnes of dry bulk were handled, 5.2% more than in the first half of 2016. The dry bulk accounts for 18% of total throughput in Rotterdam. Coal for power stations represents 3% of the total throughput.

LIQUID BULK

The volume of crude oil went up by 9.0%, reaching a record high of 54.9 million tonnes. This development was due to the low oil price, which allows the refineries to operate with large margins. The utilisation rates were therefore high during the past six months, both at the Rotterdam refineries and in Germany, Antwerp and Vlissingen, which receive their supplies of crude oil from Rotterdam. The throughput of mineral oil products fell by 8.5%, almost entirely as a result of a sharp decline in the amount of Russian fuel oil. Russia has introduced a tax on the export of fuel oil that encourages the refineries to modernise and therefore to produce less fuel oil. Just over a quarter of the volume of mineral oil products currently consists of Russian fuel oil, which is often exported via Rotterdam to

CARGO THROUGHPUT (GREATER ROTTERDAM) (x 1,000 METRIC TONS)	JAN-JUN 2017	JAN-JUN 2016	DIFFERENCE IN %
Iron ore and scrap	15,696	15,401	1.9%
Coal	13,993	12,750	9.8%
Agribulk	5,619	5,217	7.7%
Other dry bulk	5,960	5,913	0.8%
SUBTOTAL DRY BULK	41,342	39,313	5.2%
Crude oil	54,877	50,335	9.0%
Mineral oil products	42,323	46,241	-8.5%
LNG	878	861	2.0%
Other liquid bulk	13,763	15,583	-11.7%
SUBTOTAL LIQUID BULK	111,841	113,020	-1.0%
CONTAINERS	69,553	63,026	10.4%
Roll-on/Roll-off	11,729	11,118	5.5%
Other general cargo, lash	3,517	2,643	33.1%
SUBTOTAL BREAKBULK	15,246	13,760	10.8%
TOTAL THROUGHPUT (x 1,000 METRIC TONS)	237,982	229,120	3.9%
CONTAINER THROUGHPUT (IN TEU x 1,000)	6,662	6,094	9.3%

Singapore. The volume of LNG increased by 2.0%. The category of other liquid bulk declined by 11.7%. This was the outcome of a number of different developments, such as a fall in chemical products and a rise in biofuels.

A total of 111.8 million tonnes of dry bulk were handled, 1.0% more than in the first half of 2016. The wet bulk accounts for 47% of total throughput in Rotterdam.

Major investments are now being made in this market segment in Rotterdam. ExxonMobil, Shell and Gunvor are together putting about €2 billion into the modernisation of their refineries. A number of tank terminals are increasing or modernising their capacity. A new development this half year was the announcement by HES International that it will be building a tanker terminal on the Hartelstrook, with BP as a major customer. This means that BP will be concentrating its activities in Rotterdam. The location will be home to 52 tanks with a combined capacity of approximately 1.3 million m³. The Port of Rotterdam Authority will be building a quay measuring 1,100 metres here for seagoing vessels. There will be nine berths in the Hudson harbour for inland shipping. AkzoNobel has announced that it will be investing in 'zero gap technology' for its chlorine production activities in the Botlek. This technology cuts energy consumption by up to 10%. Huntsman and Evides have decided to build a heat transfer pipeline to use residual heat from Huntsman.

CONTAINERS AND BREAK BULK

Container throughput developed very positively during the first six months, with an increase of 9.3% in TEU (the unit for containers) and 10.4% in tonnes. Total throughput was 6.7 million TEU, with a combined weight of 69.6 million tonnes. Rotterdam is growing faster in this market segment than surrounding ports. The productivity of the two terminals on Maasvlakte 2 has increased significantly,

allowing them, with the terminals on Maasvlakte 1, to attract cargo from elsewhere. This is reflected in the new shipping schedules of the shipping alliances, which went into effect in April. Rotterdam has been frequently included in the schedules as the first or last port of call because vessels can arrive or leave here fully laden, which is not always the case in other ports. This development is related to the ongoing increases in scale in container shipping. Given its location on the coastline and excellent infrastructure, Rotterdam is more easily accessible for the largest vessels than other ports. There was therefore a sharp increase in feeder traffic (22.6%), with intercontinental cargoes (deep sea: +6.3%) arriving in Rotterdam being taken to smaller ports in Northwest Europe and vice-versa. About one third of the 'moves' on the terminals involve these transshipment containers. The recovery of the European economy is reflected in the fact that export volumes increased slightly faster than imports during this half year. Short sea shipping rose by 9.7%. This is intra-European traffic. In particular, volumes to and from Scandinavia and the countries around the Baltic Sea increased. Transport to and from the United Kingdom has not yet been affected by the Brexit. Rotterdam's market share in the container sector rose from 29.0% (Q1 2016) to 30.9% (Q1 2017) of ports in the Hamburg-Le Havre range. This is the highest market share in the past 15 years. At the end of June, the sector was shaken by a computer virus that shut down two terminals for several days. The incident indicates the importance of security for computer systems and networks, precisely now, when automation and digitalisation are becoming ever more important. It should be pointed out that this is true not only for the logistics sector but also for industry. The FERM platform, that includes the Port of Rotterdam Authority, DeltaInqs, the municipality and the police, is working on raising awareness and sharing knowledge in this area. Alongside unremitting efforts to ensure that systems cannot be hacked, the biggest challenge facing the container sector is the optimisation of hinterland logistics: boosting the share of rail transport, particularly to and from Germany,



the efficient handling of inland shipping and the digitalisation of logistical chains.

Roll-on/roll-off traffic grew by 5.5% to 11.7 million tonnes. The number of destinations and frequency of services to Portugal, the United Kingdom, Scandinavia and Iceland increased. There was slightly more traffic to and from the UK. Other break bulk rose by no less than an 33.1% to 3.5 million tonnes. The main reason was the arrival of a large quantity of steel slabs from Brazil.

ENERGY TRANSITION

One of the main challenges facing the Rotterdam industrial cluster is the energy transition. The Port of Rotterdam Authority is tackling this challenge on two fronts: we aim to reduce the carbon footprint of existing Rotterdam industry by using residual heat and by capturing and storing CO₂ (CCS), and we are developing new, sustainable industrial activities such as renewable energy, biobased production and circular initiatives. Progress has been made in the various projects, particularly behind the scenes. The low price for carbon emission credits is one of the main factors slowing down the realisation of projects.

It was announced in June that ROAD, the demonstration project for carbon capture and storage, was to come to an end. However, CCS is an excellent way of rapidly reducing carbon emissions to the atmosphere. The Port Authority is therefore investigating the possibility of installing a pipeline for CO₂ throughout the port area, in combination with an organisation to manage greenhouse-gas storage. This will relieve the burden on companies and allow us to start capturing CO₂ where that can be organised in the simplest and quickest way.

The VNPI (the industry organization for the refinery industry) has studied the availability of residual heat at the refineries. The study showed that it can be made available in the coming years for between 230,000 and 420,000 households. To use industrial residual heat in the region, the Province of Zuid-Holland, Eneco, Warmtebedrijf Rotterdam, Gasunie and the Port of Rotterdam Authority have joined forces in the Zuid-Holland Heat Alliance to set up the infrastructure and the associated governance.

Sif delivered the first monopiles for wind turbines at sea at the beginning of this year. The Port Authority completed the last part of the quay for this company in Q2. The construction of wind farms in the North Sea is expected to increase dramatically in the years to come. That opens up opportunities for the offshore sector. Given this development, and the decommissioning of drilling platforms, the Port Authority has decided to sandfill 70 hectares on Maasvlakte 2 and to build 1,600 metres of quay. The associated work will begin in Q3.

INTERNATIONAL COMPETITIVENESS

While the Netherlands has the world's best port infrastructure (according to the World Economic Forum) and an optimal location on the estuary of the Rhine, ports in neighbouring countries receive financial support in various ways to compensate for their geographical and infrastructure drawbacks by comparison with Rotterdam. Rotterdam's competitive position therefore continues to be a concern. For example, the Port Authority has been subject to corporation tax with effect from this year, while port companies in neighbouring countries are exempt or receive compensation for their losses. In the long term, this will put pressure on the capacity of the Port Authority to invest. European studies of financing flows between governments and port authorities are advancing only slowly, and the European Commission has raised the 'state aid threshold' for government investment in ports to €150 million. At the same time, payments for the use of the rail network in Germany have been halved, which is beneficial for ports in North Germany. In view of the importance for the economy and jobs, and the challenges facing the port and industrial complex (especially the energy transition), the port needs to receive support from the national government that is comparable with competing ports.

PROSPECTS

No structural improvement is expected in the market for dry bulk. Maintenance shutdowns in the refineries are expected in the liquid bulk sector. The second half of 2016 was better than the first half year for containers. Growth throughout the year is therefore expected to be between 1 and 2%.



FINANCES

Turnover in the first half of 2017 was €8.3 million less than in the first six months of the previous year. This is mainly due to the transfer of income from sand trading, third-party work and soil transport from operational costs to other operating income (total for 2017: €6.9 million). Sea port dues decreased slightly because of a decline in the price per tonne and an increase in discounts. On the other hand, throughput has increased by 3.9%, particularly in the container segment. Revenue from contracts mainly rose due to new contracts and indexation.

Operating expenses in the first half of 2017 were €8.2 million higher than in the first half of 2016, mainly because of the transfer referred to above from operational costs to other operating income. In addition, there was an increase in costs for the 'strategic themes': digitalisation, innovation and the energy transition. Finally, a one-off amount of €4.6 million has been booked in 2017 for the contribution of the Port of Rotterdam Authority to the social dialogue with the container sector.

Financial income decreased due to the partial cancellation of the interest rate swap agreed in the first half year of 2016. This involved a payment of €59.4 million last year, €32.0 million of which was included as interest charges in the result for the first half year of 2016.

The above developments led to an increase in the pre-tax profit in the first half year of 2017 of €31.7 million by comparison with the

first half of the previous year. Due to the corporate tax requirement effective from 1 January 2017, the Port of Rotterdam Authority has booked a tax burden of 25% of the result from ordinary activities (€31.4 million), leading to a profit after tax of €97.8 million. That matches expectations and provides the solid foundation needed to fulfil our investment ambitions.

The most important investments in the first half of 2017 were the quay walls for the Sif Group and StenaLine, the construction of new berths in the Caland Canal, the Maasvlakte Plaza truck park and the start of the construction of the Theemsweg rail link. With the expected construction of an Offshore Centre on Maasvlakte 2 and quay walls for the HES Hartel Tank Terminal, as well as the deepening of the Botlek, the Port of Rotterdam Authority will maintain investment at between €150 million and €200 million annually in the years to come.

The Port Authority requires a healthy cash flow to meet commitments and continue investing in the port's infrastructure. The operating cash flow of €168.8 million was €52.0 million higher in the first half of 2017 than in the first half of 2016, mainly due to the cancellation of the interest rate swap in 2016. Investments (€75.4 million) and dividend (€92.8 million) constituted the largest part of the cash flow from investing activities and financing activities in the first half of 2017. On balance, total cash and cash equivalents decreased by €5.1 million since the start of the financial year.



HALF-YEAR FIGURES FOR 2017

CONDENSED BALANCE SHEET AS AT 30 JUNE 2017

(before result appropriation)

ASSETS	30-6-2017	31-12-2016
(AMOUNTS x € 1,000)		
Fixed assets		
Tangible fixed assets	3,684,325	3,679,246
Financial fixed assets	94,829	99,416
	3,779,154	3,778,662
Current assets		
Inventories	622	597
Accounts receivable	174,212	166,981
Cash and cash equivalents	265,009	270,103
	439,843	437,681
TOTAL ASSETS	4,218,997	4,216,343
LIABILITIES		
(AMOUNTS x € 1,000)		
Shareholders' equity	2,601,393	2,602,893
Provisions	58,781	62,609
Long-term debts	1,152,109	1,163,248
Short-term debts	406,714	387,593
TOTAL LIABILITIES	4,218,997	4,216,343

CONDENSED STATEMENT OF INCOME FOR FIRST HALF OF 2017

STATEMENT OF INCOME	JAN-JUN 2017	JAN-JUN 2016
(AMOUNTS x € 1,000)		
Total operating income	342,316	333,983
Total operating expenses	-119,786	-111,612
EARNINGS BEFORE INTEREST, DEPRECIATION AND TAXES	222,530	222,371
Depreciation on tangible fixed assets	-70,159	-68,447
OPERATING RESULT	152,371	153,924
Financial income and expenses	-26,650	-59,972
RESULT FROM ORDINARY ACTIVITIES BEFORE TAXATION	125,721	93,952
Tax on result from ordinary activities	-31,430	-
Income from participating interests	3,531	3,550
RESULT AFTER TAXATION	97,822	97,502

CONDENSED CASH FLOW STATEMENT FOR FIRST HALF OF 2017

CASH FLOW STATEMENT	JAN-JUN 2017	JAN-JUN 2016
(AMOUNTS x € 1,000)		
OPERATING RESULT	152,371	153,924
Depreciation and amortisation, changes in provisions	62,106	72,591
Changes in working capital	-19,255	-49,393
CASH FLOW FROM OPERATING ACTIVITIES	195,222	177,122
Interest received and interest paid	-26,413	-60,360
CASH FLOW FROM OPERATING ACTIVITIES	168,809	116,762
Gross cash flow from investment activities	-87,477	-58,214
Subsidies and other changes	12,098	2,022
Disposals	1,596	568
CASH FLOW FROM INVESTMENT ACTIVITIES	-73,783	-55,624
CASH FLOW FROM FINANCING ACTIVITIES	-100,120	-99,456
NET CASH FLOW	-5,094	-38,318
Balance of cash and cash equivalents as at 1 January	270,103	101,985
Balance of cash and cash equivalents as at 30 June	265,009	63,667
CHANGE IN CASH AND CASH EQUIVALENTS	-5,094	-38,318

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 State (29.17%).

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 creates economic and social value by investing in new port sites, public infrastructure such as roads in the port area, and client-specific infrastructure such as quay walls and jetties. To ensure the optimal handling of shipping traffic in the port area, the Port of Rotterdam Authority also invests in a local traffic guidance system, patrol vessels and incident management.

The Port of Rotterdam Authority's main sources of income are ground lease payments and port dues. The Port of Rotterdam Authority leases out land under long-term contracts to companies in the port area such as storage companies, terminal operators and the chemical industry. International shipping companies pay port dues when their vessels call on the port of Rotterdam.

ACCOUNTING PRINCIPLES APPLIED IN THE HALF-YEARLY REPORT

The half-yearly figures have been prepared in accordance with the financial reporting requirements of Part 9 Book 2 of the Dutch 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 therefore must be read in conjunction with the 2016 Annual Report/Financial Statements. The same accounting policies used to prepare the 2016 Financial Statements were used to value assets and liabilities and to determine the results for these half-yearly figures, with the exception of the valuation of the redemption of the ground lease (see changes in accounting policies and accounting estimates).

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

As of 2017, a change was made in the allocation method for the processing of the 'redemption of the ground lease'. Leaseholders may buy off their ground leases at present value by paying a single sum for the entire duration of the contract. The lump sums received have been booked under long-term debt as advance lease payments.

Until the end of 2016, the imputed interest was added annually to the remaining balance of advance lease payments and the gross advance lease payments were credited to income on a linear basis. In addition, the imputed interest for advance lease payments was booked under interest charges.

With effect from 2017 the guideline for Leasing will be applied more strictly. The net advance lease payments will be credited to the result on a linear basis for the duration of the contract. This change in the principles has been applied retrospectively in the 2017 half-yearly report.

The impact of the change in the allocation method on shareholders' equity is €29.3 million positive as at 31 December 2016. This effect was credited as a direct change in equity to the other reserves in shareholders' equity as at 1 January 2017. For the purposes of comparison, the comparative figures have been adjusted and so income from contracts and interest charges for the first half of 2016

EFFECTS OF CHANGE IN ACCOUNTING PRINCIPLES INCLUDED IN COMPARATIVE FIGURES FOR 2016 (AMOUNTS x € 1,000)	STATEMENT OF INCOME		BALANCE SHEET	
	DEBIT	CREDIT	DEBIT	CREDIT
Shareholders' equity (other reserves)	-	-	-	29,280
Long-term obligation for redemption of leasehold	-	-	29,280	-
Revenues from contracts	2,913	-	-	-
Interest charges (imputed interest for redemption of leasehold)	-	3,839	-	-
TOTAL	2,913	3,839	29,280	29,280
IMPACT ON RESULT (POSITIVE)		926		

in the 2017 half-yearly report are, respectively, €2.9 million and €3.8 million lower than in the 2016 half-yearly report. This means that the result for the first half of 2016 in the 2017 half-yearly report is €0.9 million higher than the result stated for the same period in the 2016 half-yearly report.

OPINIONS AND ESTIMATES

When applying the policies and rules for drawing up the half-yearly Report, the management of the Port of Rotterdam Authority makes various judgements and estimates. In 2017, there were no significant changes in the approach to these judgements and estimates that affected equity or the result.

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 pay corporation tax. The Port of Rotterdam Authority has been making preparations for the introduction of corporate tax for some time. Tax legislation requires a valuation of all balance sheet positions at fair value when the tax obligation begins.

The Port of Rotterdam Authority has made an estimate of the valuation for tax purposes and is engaged in consultations with the tax authorities. There is currently no agreement with the tax authorities about the valuation of assets and liabilities for tax purposes. The opening balance can be used to determine the financial impact, including the amount of corporation tax to be paid and the amount of deferred taxation. Given these considerations, it is not possible at present to arrive at a reliable assessment of the scope of the financial impact. As soon as a realistic estimate of the fiscal opening balance is available a provision will be created for deferred taxation on the difference between the amount of equity for tax purposes and the amount of commercial equity. A tax rate of 25% has been adopted for 2017.

EXPLANATORY NOTE TO THE CONDENSED BALANCE SHEET AND STATEMENT OF INCOME

TANGIBLE FIXED ASSETS

TANGIBLE FIXED ASSETS (AMOUNTS x € 1,000)	CARRYING AMOUNT 31-12-2016	COMMISSIONING 2017	DEPRECIATION IN 2017	DISPOSALS	CARRYING AMOUNT 30-6-2017
Lands and infraplus	1,338,296	1,974	-11,354	-	1,328,916
Public infrastructure, port basins etc.	733,589	16,347	-19,270	-	730,666
Quay walls, stone slopes etc.	1,144,014	65,140	-23,489	-	1,185,665
Property, plant and equipment, and other	337,960	16,395	-16,046	-	338,309
FIXED ASSETS	3,553,859	99,856	-70,159	-	3,583,556
		COMMISSIONING	INVESTMENTS	CAPITALISED INTEREST DURING CONSTRUCTION	
Assets under construction	125,387	-99,856	73,945	1,293	100,769
TOTAL	3,679,246				3,684,325

Tangible fixed assets increased by €5.1 million in the first half of 2017 due to investments (€75.2 million including capitalised interest during construction) and depreciation (-/- €70.2 million). The largest investments in 2017 were: the construction of the Theemsweg rail link, the construction of new berths in the Caland Canal, the Maasvlakte Plaza truck park and quays for the Sif Group and StenaLine. A total of €3.4 million in labour costs was capitalised in the first six months of 2017 (first half 2016: €2.3 million). This relates to 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 27. The results of this test were favourable, indicating that there are no impairments that need to be taken into account.

FINANCIAL FIXED ASSETS

Financial fixed assets decreased by €4.6 million in the first half of 2017 due to a fall in the value of the participating interests (-/- €3.0 million) and in long-term receivables due to the receipt of normal repayments (-/- €1.6 million). The decrease in the participating interests is due to a fall in the local currency with respect to the euro, which has reduced the value of the interests as stated in euros (-/- €6.5 million.). On the other hand, there was a positive result of €3.5 million from the participating interests. In May 2017, the Port of Rotterdam Authority purchased the shares of Portshuttle for €1. Portshuttle is a neutral rail service that connects all container terminals in the port of Rotterdam by rail.

CASH AND CASH EQUIVALENTS

The cash and cash equivalents consist of bank and current account balances that are freely available. The changes in the cash and cash equivalents have been included in the cash flow statement.

SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY (AMOUNTS x € 1,000)	ISSUED SHARE CAPITAL	SHARE PREMIUM RESERVES	STATUTORY RESERVES	OTHER RESERVES	RESULT FOR APPROPRIATION	TOTAL
31 DECEMBER 2015	900,000	391,200	42,609	894,156	211,576	2,439,541
Earnings Jan-Jun 2016	-	-	-	-	96,575	96,575
Dividend paid 2015	-	-	-	-	-90,959	-90,959
2015 net income	-	-	-	120,617	-120,617	-
Exchange rate reserve	-	-	-718	-	-	-718
Reserve for participating interests	-	-	986	-986	-	-
Change in accounting principles for redemption of leasehold 2017	-	-	-	28,353	-	28,353
TOTAL CHANGES JAN-JUN 2016	-	-	268	147,984	-115,001	33,251
30 JUNE 2016	900,000	391,200	42,877	1,042,140	96,575	2,472,792
Earnings Jul-Dec 2016	-	-	-	-	125,673	125,673
Exchange rate reserve	-	-	3,509	-8	-	3,501
Reserve for participating interests	-	-	3,897	-3,897	-	-
Change in accounting principles for redemption of leasehold 2017	-	-	-	927	-	927
TOTAL CHANGES	-	-	7,406	-2,978	125,673	130,101
31 DECEMBER 2016	900,000	391,200	50,283	1,039,162	222,248	2,602,893
Earnings 2017	-	-	-	-	97,822	97,822
Dividend paid 2016	-	-	-	-	-92,779	-92,779
2016 net income	-	-	-	131,323	-131,323	-
Exchange rate reserve	-	-	-6,543	-	-	-6,543
Reserve for participating interests	-	-	4,214	-4,214	-	-
TOTAL CHANGES	-	-	-2,329	127,109	-126,280	-1,500
30 JUNE 2017	900,000	391,200	47,954	1,164,417	97,822	2,601,393

The impact of the change in the allocation method for the redemption of the leasehold on equity is €29.3 million positive as at 31 December 2016. 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 €40.1 million, and a provision for employee schemes to the amount of €18.6 million. The decrease in the provisions of €3.8 million is mainly due to the completion of remediation work (€2.9 million).

LONG-TERM DEBTS

LONG-TERM DEBTS	30-6-2017	31-12-2016
(AMOUNTS x € 1,000)		
Loans Municipality of Rotterdam	53,719	55,812
Loans from credit institutions	982,379	987,627
LOAN PORTFOLIO	1,036,098	1,043,439
Redemption of leasehold	116,011	117,579
Redemption on transfer bridges and locks	-	2,230
OTHER LONG-TERM DEBTS	116,011	119,809
TOTAL	1,152,109	1,163,248

Long-term debts in the first six months of 2017 decreased by €11.1 million, mainly as the result of regular repayments on the Port of Rotterdam Authority's existing loan portfolio (to the amount of €7.3 million) and regular repayments for the operation, maintenance and servicing of bridges and locks (to the amount of €2.2 million).

The short-term component of the long-term liabilities (with a term < 1 year) relates to a debt total of €25.0 million.

Annual interest rates on the loans issued by the Municipality of Rotterdam range between 4.81% and 5.99%.

Interest rates paid for loans from credit institutions are based on the 3-month Euribor reference rate plus a surcharge. This interest rate was capped to a fixed interest percentage by means of an interest rate swap (we refer you to the section on financial instruments and risk management). No collateral was issued for these facilities. Ratios have been agreed with financiers. As was the case in 2016, the ratios arranged in 2017 amply satisfy the agreed norms.

OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

The Port of Rotterdam Authority has entered into 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, Dordrecht Seaport, Rotterdam's Stadshavens district and internal operational management. We refer you to the 2016 Annual Report for a more detailed explanation. No new contingent schemes or material multi-annual financial entitlements and commitments were entered into in the first half of 2017.

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 swap as of 30 June 2017 is - €435.1 million (as at 31 December 2016: - € 481.7 million). The decrease in the negative value is mainly 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 2016 Annual Report for a more detailed explanation.

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 2016 annual report. The main risks for 2017 were updated early this year as part of the strategic planning process. They remained largely unchanged from 2016.

The risk of a cyber attack targeting the port became a reality in the first half of 2017. The port of Rotterdam was not an explicit target. Companies and institutions worldwide were targets in an attack using the Petya ransomware. The Port of Rotterdam Authority was not affected. However, a container terminal company in the port of Rotterdam did succumb to the attack. The assessment of the attack is still ongoing and it will be discussed with the companies in the port. Although the responsibility for cyber security resides with the individual companies, the Port of Rotterdam Authority, together with the municipality of Rotterdam, the police and Deltalinqs provides support through the FERM programme. FERM involves knowledge-sharing and joint exercises to enhance digital resilience in the port. Companies are encouraged to report incidents and share experiences with the aim of making each other stronger.

TOTAL OPERATING INCOME

TOTAL OPERATING INCOME	JAN-JUN 2017	JAN-JUN 2016
(AMOUNTS x € 1,000)		
Net revenue		
Sea port dues	145,994	146,587
Inland port dues	7,223	7,065
Revenues from contracts	173,752	171,589
TOTAL NET REVENUE	326,969	325,241
Other operating income	15,347	8,742
TOTAL	342,316	333,983

Revenue from sea port dues was lower than in the first half of 2016 because of a fall in the price per tonne and an increase in discounts. On the other hand, throughput has increased by 3.9%. Revenues from contracts (including rental, leasehold and quay dues) increased due to new contracts and indexation.

Other operating income increased due to the transfer of income from sand trading, third-party work and soil transport from operational costs to other operating income.

In addition, other operating income also includes a contribution received for the Traffic Guidance System.

TOTAL OPERATING EXPENSES

TOTAL OPERATING EXPENSES	JAN-JUN 2017	JAN-JUN 2016
(AMOUNTS x € 1,000)		
Wages, salaries and social security	-50,859	-52,549
Operational costs	-62,395	-60,230
Other operating expenses	-6,532	1,167
TOTAL	-119,786	-111,612

The 'other operating expenses' category mainly includes incidental expenses and income. €4.6 million was booked in 2017 for the contribution of the Port of Rotterdam Authority to the social dialogue with the container sector.

FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME AND EXPENSES	JAN-JUN 2017	JAN-JUN 2016
(AMOUNTS x € 1,000)		
Interest income long-term receivables	172	144
Other interest income	159	84
TOTAL FINANCIAL INCOME	331	228
Interest charges for financing	-26,625	-60,655
Imputed interest charges	-427	17
Capitalised interest on tangible fixed assets under construction	1,293	886
Other interest charges	-1,222	-448
TOTAL FINANCIAL EXPENSES	-26,981	-60,200
TOTAL	-26,650	-59,972

The capitalised 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 2017 is 2.01% (2016: 2.09%).

The interest charges for financing fell due to the cancellation of the interest rate swap in 2016. €32.0 million of the lump-sum payment of €59.4 million for the notional sum of €100 million related to the component of the interest rate swap that would have become ineffective if there had been no cancellation. This amount was booked as interest charges in 2016.

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 2017 is €97.8 million. It has been included in the 2017 half-yearly figures as 'Result for appropriation' under shareholders' equity. Further to the resolution adopted by the Annual General Meeting of Shareholders in March 2017, the 2016 dividend (€92.8 million including dividend tax) was distributed in June 2017, with the remaining net result from 2016 (€131.3 million) being added to 'Other reserves'.

EVENTS AFTER THE BALANCE-SHEET DATE

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

Port of Rotterdam Authority

19 July 2017

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)