

HALF-YEAR REPORT 2019



CONTAINERS DRIVE THROUGHPUT GROWTH IN PORT OF ROTTERDAM

More throughput in crude oil and LNG – decline in throughput of mineral oil products – rise in operating result and profits of the Port of Rotterdam Authority

Highlights

- Total throughput of 240.7 million tonnes, a new record
- Increase in container throughput to 7.5 million TEU (+6.4% in TEU, +4.8% in tonnes)
- Moderate increase (+4.0%) in revenue of the Port of Rotterdam Authority to € 357.8 million
- Clear increase (+7.0%) in operating result to € 134.8 million
- Ongoing high investments (€ 177.1 million) in infrastructure

The port of Rotterdam achieved throughput of 240.7 million tonnes in the first six months of 2019. That is 3.4% more than in the first six months of 2018. Container throughput, one of the strategic priorities of the Port Authority, rose by 4.8% (in tonnes, +6.4% in TEU) by comparison with the first six months of 2018, which is also a new throughput record. That growth was mainly due to higher import and transshipment volumes.

Other positive highlights were in the crude oil (+2.8%) and LNG (+94%) market segments. The rise in crude oil was driven by more imports of cheaper oil from the United States. LNG benefited mainly from more exports of American gas to Europe. Falls were seen in the first half year in the mineral oil products (-5.8%) and agribulk (-7.2%) market segments.

FINANCIAL RESULTS OF THE PORT AUTHORITY

The financial results of the Port of Rotterdam Authority were good in the first half of 2019. Revenue from port dues, and rental and leasehold income from issued land, increased slightly, leading to a rise in revenue of 4.0% to € 357.8 million, with liquid bulk making the largest contribution. Partly because operating expenses rose less than revenue, the result from ordinary activities before taxation improved by 7.0% to € 134.8 million.

CEO Allard Castelein: ‘Throughput in the port is doing well, particularly in the strategically important container market segment. The financial results of the Port Authority are good. We can therefore continue to invest in the port, in physical infrastructure and in digital solutions for trade and logistics’.

ENERGY TRANSITION

Over the past six months, significant progress has been made once again in the port of Rotterdam in the field of the energy transition. There has been considerable interest from the business community, for example, in participating in the Porthos project for the storage of CO₂ in depleted gas fields under the North Sea. And a feasibility study for H-Vision was presented recently. H-Vision is the large-scale production and application in industrial processes of hydrogen produced in carbon-neutral ways. It is also known as ‘blue hydrogen’. It will allow for a reduction in carbon emissions of between two and four megatonnes before 2030.

The Dutch government’s proposed climate agreement, which was published in late June, will generate opportunities and threats. CEO Allard Castelein: ‘The proposed cluster approach, and the focus on infrastructure and hydrogen, actually represent opportunities for industry in Rotterdam. The Port of Rotterdam Authority is eager to work on the details with the national government in the near future. However, we think it is very important for the introduction of a CO₂ tax to be accompanied by the construction of the required physical infrastructure so that companies are given opportunities to reduce their carbon footprint. That is good for the business climate and competitive position of the Netherlands’.

INVESTMENTS IN INFRASTRUCTURE

The level of investment in the first six months of 2019 remained high (€ 177.1 million).

The Port of Rotterdam Authority is actively collaborating on the enhancement of reliability in the logistics chain. The first pile was driven for the Container Exchange Route in May. The construction of the Theemsweg route, which involves rerouting a section of the port railway line, is on schedule.

DIGITISATION

The Port of Rotterdam Authority is taking the lead in the digital transformation of the port and logistics. This will enhance efficiency in the major trade routes, reduce costs and cut carbon emissions. The port of Gdansk has switched to Navigate, the route planner for shipping developed by the Port of Rotterdam Authority. In May, the sensor-equipped Container 42 left the port of Rotterdam for a two-year trip around the world. With the help of real-time information, waiting times can be reduced and berthing, loading, unloading and departure times can be optimised. The efficiency insights generated by the collected data will be applied in the port of Rotterdam to further strengthen its competitive position.

PROSPECTS

CEO Allard Castelein: ‘In the macroeconomic field, relations between the world’s major trading blocs remain strained. There is also ongoing uncertainty about the introduction of trade tariffs post-Brexit. Both developments are rendering the prospects for the further growth of world trade uncertain. Given the global uncertainties mentioned here, the Port of Rotterdam Authority expects a slight weakening of the growth in cargo throughput in the second half of 2019’.

For more information:

Leon Willems

lahj.willems@portofrotterdam.com

+31 (0)6 2574 6662

REPORT OF THE EXECUTIVE BOARD

THROUGHPUT AND DEVELOPMENTS IN THE PORT

In the first half of 2019, throughput in the port of Rotterdam amounted to 240.7 million tonnes. That was an increase of 3.4% over last year.

CARGO THROUGHPUT (GROOT ROTTERDAM) (X 1,000 METRIC TONNES)	JAN-JUN 2019	JAN-JUN 2018	DIFFERENCE IN %
Agricultural bulk	4,850	5,225	-7.2%
Iron ore and scrap	14,237	14,111	0.9%
Coal	12,492	12,330	1.3%
Biomass	387	212	82.8%
Other dry bulk	6,108	5,141	18.8%
SUBTOTAL DRY BULK	38,075	37,019	2.9%
Crude oil	52,166	50,721	2.8%
Mineral oil products	37,981	40,307	-5.8%
LNG	3,801	1,960	93.9%
Other liquid bulk	16,064	14,039	14.4%
SUBTOTAL LIQUID BULK	110,012	107,028	2.8%
CONTAINERS	77,190	73,666	4.8%
Roll-on/Roll-off	12,336	12,007	2.7%
Other general cargo, lash	3,066	3,075	-0.3%
TOTAL BREAK BULK	15,402	15,081	2.1%
TOTAL THROUGHPUT (X 1,000 METRIC TONNES)	240,679	232,794	3.4%
CONTAINER THROUGHPUT (IN TEU x 1,000)	7,529	7,077	6.4%

DRY BULK

The throughput of dry bulk amounted to 38 million tonnes, an increase of 2.9% over the first half of 2018. Dry bulk accounted for 15.8% of total throughput. Coal throughput rose by 1.3% in the first half of the year, primarily because of stockpiling. A falling trend can be seen in the use of coal for power stations.

Monthly throughput of iron ore and scrap was very erratic but there was eventually a slight increase. Shortages on the supply side of the ore market (caused by a mine disaster in Brazil and cyclones in Australia) drove up the price of iron ore to approximately \$100 per tonne. In Western Europe, steel production declined and demand stagnated, particularly in the automotive industry, while steel imports continue to be high despite the anti-dumping measures taken by the EU.

Throughput of agricultural bulk was down on last year. The agribulk market is very dependent on weather factors and the quality of the

harvest. In the first half of the year, less was imported to Europe because the harvest was higher in Europe itself than last year.

The throughput of Other dry bulk increased sharply, especially in the early months of the year. This flow consists primarily of raw





materials for industry and construction, and the increase was a reflection of the good economic conditions during this time. During the final months of the first half year, there was less growth in these types of goods, possibly in anticipation of downwardly-adjusted production expectations in the Netherlands and Germany. Biomass rose sharply as co-firing in coal-fired power stations took off well.

LIQUID BULK

The throughput volume for liquid bulk was 110 million tonnes in the first six months of 2019, 3 million more than in the first six months of 2018, an increase of 2.8 %. Liquid bulk accounted for 45.7% of total throughput.

The throughput of crude oil increased by 1.4 million tonnes over the first half of 2018, a rise of 2.8%. The refineries produced more in the early months of 2019. A striking development in crude oil was the sharp increase in imports of oil from the USA. This oil was cheaper than Brent oil and so it yielded higher margins.

Mineral oil products declined by 5.8% by comparison with last year. This corresponds to a throughput reduction of 2.3 million tonnes. The fall was mainly attributable to less trade in fuel oil between Russia and Asia via Rotterdam. This is in line with the declining trend for fuel oil production in Russia in recent years. In addition, it is more economical for some parties to sail directly to Asia with smaller vessels than to make transshipments to larger vessels in Rotterdam.

The throughput of LNG rose sharply again. By comparison with 2018, LNG throughput increased by 93.9% to 3.8 million tonnes in the first half of 2019. Price effects led to an increase in imports of gas from the United States and the Atlantic Basin. The price difference between Asia and Europe is very small. Given the transport costs, exports of LNG to Asia are therefore less appealing than exports to Europe, particularly for market players in the Atlantic basin.

The throughput of Other liquid bulk increased by 2 million tonnes over last year, a rise of 14.4%. There was growth in the sub-segments of chemicals, edible oils and biofuels. The latter category in particular was responsible for a sharp upturn in the first half of the year in

response to increased demand for blending and the termination of the levy on imports from Argentina and Indonesia.

CONTAINERS AND BREAK BULK

Container throughput increased by 4.8% over 2018, which corresponds to 3.5 million tonnes more cargo. This is a throughput record. Measured in TEU, growth was even stronger: 452,000 more TEU, a rise of 6.4%. The share of containers amounted to 32% of total throughput in the first half of 2019.

The sharp increase in container throughput over 2018 was largely due to an increase in transshipment, in other words intercontinental cargo transported to and from European destinations via Rotterdam. In addition, the volume of full import containers from Asia increased, a sign of a growing economy in which more consumer goods, semi-finished products and parts are imported for consumption and production in Europe. The strong growth in TEU was related to the increased need to reposition empty containers as a result of the imbalance in trade between Europe and Asia.

Short sea declined, particularly to the eastern Mediterranean. The causes were a re-routing of shipping lines and the downturn of the Turkish economy.

Break bulk grew by 2.1% in the first half year. RoRo throughput increased by 2.7% but the first half of 2019 presented a mixed picture because of the threat of a hard Brexit. Companies also took steps to prepare for a hard Brexit in March by stockpiling extensively in the first quarter of 2019. That led to very rapid growth in RoRo. After the postponement of Brexit, throughput fell in the second quarter as companies drew on their available stocks. There was almost no change in Other break bulk by comparison with 2018: the difference was only 8,000 tonnes.

FINANCE

A result after tax of € 100.4 million was booked in the first half of 2019. The result for the first half of 2018 (€ 1.3 billion) was affected to a major extent by the formation of the deferred tax asset of € 1.3 billion. The profit on ordinary activities before taxation was € 134.8 million for the first half of 2019, an increase of 7.0% by comparison with the first half of 2018 (€ 126.1 million).

Revenue in the first half of 2019 increased by 4.0% million (€ 13.6 million) by comparison with the first six months of the previous year. Revenue from contracts rose by € 5.3 million due to new contracts and indexation. Sea port dues increased by € 5.4 million because of a rise in goods throughput of 3.4%. The effect of the increase in throughput was offset by an increase in discounts.

Operating expenses in the first half of 2019 were 3.6% higher (€ 4.5 million) than in the first half of 2018, mainly due to an increase in labour costs (€ 4.2 million). One of the reasons for this increase was a one-off charge of € 1.6 million for the provision for the participation scheme for the elderly introduced this year. Depreciation and amortisation increased slightly by € 1.4 million, mainly because of an increase in investments. Financial income and expenses fell by € 1.1 million as a result of, among other things, interest income of € 1.8 million on the loan granted in 2018 to a holding company established in the Netherlands.

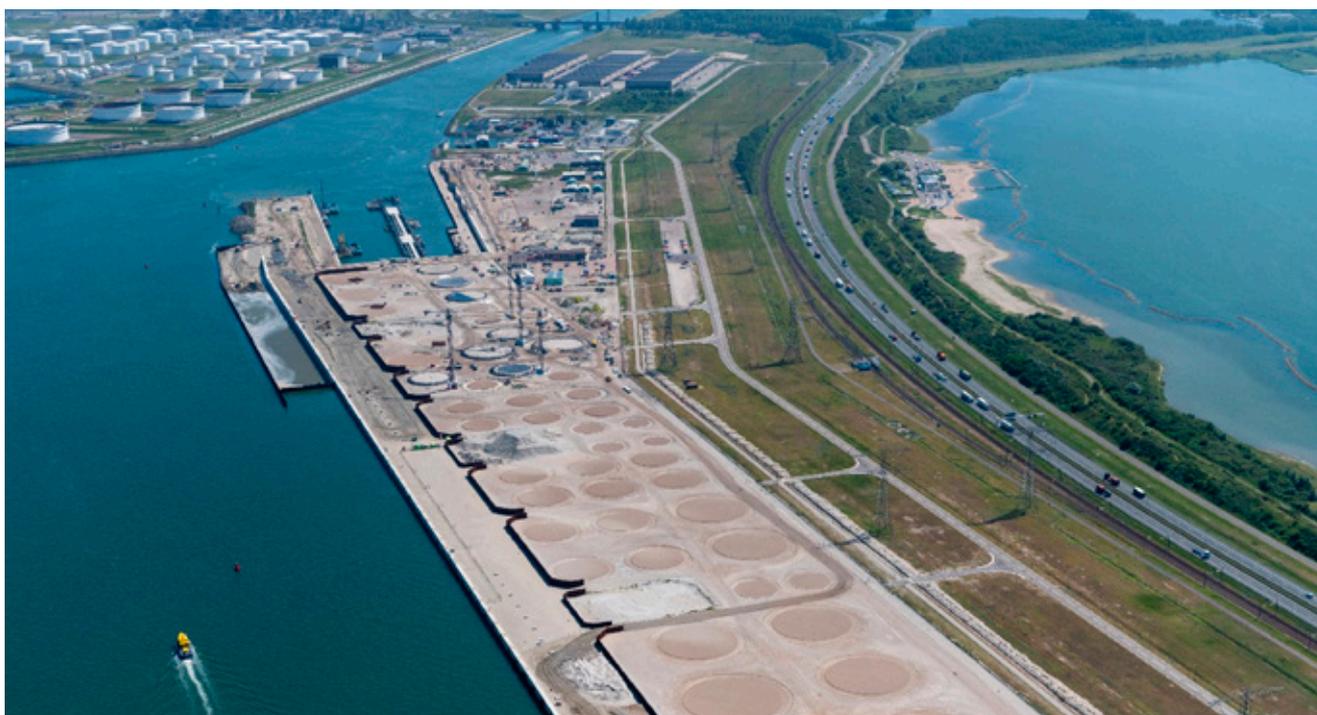
The result on operating activities before taxation provides the solid foundation needed to fulfil our investment ambitions.

The main investments in the first half of 2019 were the construction

of a quay for the HES Hartel Tank Terminal, the construction of the Theemsweg route and the construction of the Container Exchange Route (CER). An increase in the investments in these projects means that total investments for 2019 will exceed the 2018 level (2018: € 318.8 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 € 161.3 million was € 74.5 million higher in the first half of 2019 than in the first half of 2018, mainly due to the advance payments in the first half year of 2018 for corporation tax for 2017 and 2018.

Investments (€ 156.9 million) and dividend (€ 96.5 million) constituted the largest share of the cash flow for investment and financing in the first half of 2019. On balance, total cash and cash equivalents was € 76.0 million lower than at year-end 2018.



HALF-YEAR FIGURES FOR 2019

BALANCE SHEET AS AT 30 JUNE 2019

(before result appropriation)

ASSETS	30-6-2019	31-12-2018
(AMOUNTS X € 1,000)		
Fixed assets		
Tangible fixed assets	3,865,261	3,824,130
Financial fixed assets	1,234,502	1,247,563
	5,099,763	5,071,693
Current assets		
Inventory	665	677
Accounts receivable	214,786	214,753
Cash and cash equivalents	59,721	135,736
	275,172	351,166
TOTAL ASSETS	5,374,935	5,422,859
LIABILITIES		
(AMOUNTS X € 1,000)		
Shareholders' equity	3,816,334	3,810,430
Provisions	60,794	59,779
Long-term debts	1,309,303	1,298,531
Short-term debts	188,504	254,119
TOTAL LIABILITIES	5,374,935	5,422,859

CONDENSED STATEMENT OF INCOME FOR FIRST HALF OF 2019

INCOME STATEMENT	JAN-JUN 2019	JAN-JUN 2018
(AMOUNTS X € 1,000)		
Total operating income	357,779	344,163
Total operating expenses	128,356	123,876
EARNINGS BEFORE INTEREST, DEPRECIATION AND TAXES	229,423	220,287
Depreciation and impairment of tangible fixed assets	73,758	72,332
OPERATING RESULT	155,665	147,955
Financial income and expenses	-20,818	-21,898
RESULT FROM ORDINARY ACTIVITIES BEFORE TAXATION	134,847	126,057
Taxation	-33,234	1,191,487
Results from participating interests	-1,257	843
RESULT AFTER TAXATION	100,356	1,318,387

CONDENSED CASH FLOW STATEMENT FOR FIRST HALF OF 2019

CASH FLOW STATEMENT	JAN-JUN 2019	JAN-JUN 2018
(AMOUNTS X € 1,000)		
OPERATING RESULT	155,665	147,954
Depreciation and amortisation, and changes in provisions	89,939	80,798
Changes in working capital	-41,968	-54,259
CASH FLOW FROM OPERATING ACTIVITIES	203,636	174,493
Interest received and interest paid	-18,448	-18,207
Corporation tax paid	-23,896	-69,486
CASH FLOW FROM OPERATING ACTIVITIES	161,292	86,800
Cash flow from investment activities	-156,876	-126,750
Subsidies and other changes	15,405	2,471
Repayments for long-term receivables	5,886	1,272
CASH FLOW FROM INVESTMENT ACTIVITIES	-135,585	-123,007
CASH FLOW FROM FINANCING ACTIVITIES	-101,722	-99,884
NET CASH FLOW	-76,015	-136,091
Balance of cash and cash equivalents as at 1 January	135,736	228,870
Balance of cash and cash equivalents as at 30 June	59,721	92,779
CHANGE IN CASH AND CASH EQUIVALENTS	-76,015	-136,091

With effect from 31-12-2018, the long-term components of the current debts and receivables have been classified under the long-term debts and receivables respectively. The comparative figures have been restated accordingly.

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'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 achieving sustainable growth in the port in collaboration with clients and stakeholders.

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. This 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 revenue. Port dues represent another important source of revenue. Shipping companies (national and international) 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 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-year 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 2018 Annual Report/Financial Statements. The same accounting policies used to prepare the 2018 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.

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

In the first half of 2019, no changes were made in the adopted accounting policies 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 2019, 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 rental and lease contracts or operational costs, if any.



EXPLANATORY NOTE TO THE CONDENSED BALANCE SHEET AND STATEMENT OF INCOME

TANGIBLE FIXED ASSETS

TANGIBLE FIXED ASSETS	BOOK VALUE 31 DEC 2018	COMMISSIONING JAN-JUN 2019	DEPRECIATION JAN-JUN 2019	DES- INVESTMENTS JAN-JUN 2019	BOOK VALUE 30 JUN 2019
(AMOUNTS X € 1,000)					
Land and infraplus	1,326,726	933	-11,504	-5,504	1,310,651
Public infrastructure, port basins, etc.	696,911	54,794	-20,248	8	731,465
Quay walls, stone slopes, etc.	1,174,944	71,467	-24,002	-	1,222,409
Property, plant and equipment, and miscellaneous	354,992	28,396	-17,203	-	366,185
FIXED ASSETS	3,553,573	155,590	-72,957	-5,496	3,630,710
		COMMISSIONING	WRITE-OFF	INVESTMENTS	
Assets under construction	270,557	-155,590	-801	120,385	234,551
TOTAL	3,824,130		-73,758	120,385	3,865,261

In the first half of 2019, tangible fixed assets increased by € 41.1 million owing to investments (€ 120.4 million including capitalised interest during construction) and depreciation and impairment (-/- € 73,8 million) and the sale of assets (€ 5.5 million). The largest investments in the first half of 2019 were the construction of a quay for the HES Hartel Tank Terminal, the construction of the Theemsweg route and the construction of the Container Exchange Route (CER).

A total of € 5.9 million in labour costs was capitalised in the first six months of 2019 (first half 2018: € 4.4 million). This relates to the personnel costs that can be directly attributed to the production of assets.

An impairment test was performed as at 30 June 2019 for all material fixed assets of the Port of Rotterdam Authority in the Harbour Industrial Complex. 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 fell by € 13.1 billion in the first half of 2019 due to the release of the HY1 2019 part of the deferred tax asset of € 16.0 million. This was offset by an increase in long-term receivables (€ 1.5 million), participating interests (€ 0.8 million) and other long-term items (€ 0.7 million).

CASH AND CASH EQUIVALENTS

The cash and cash equivalents consist of bank and current account balances of € 59.7 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)						
1 JAN 2018	900,000	391,200	63,261	1,240,646	1,215,323	3,810,430
Result jan-jun 2018	-	-	-	-	1,318,387	1,318,387
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	1,131,406	1,225,646
30 JUN 2018	900,000	391,200	70,793	1,327,354	2,346,729	5,036,076
Result jul-dec 2018	-	-	-	-	(103,064)	(103,064)
Exchange rate reserve	-	-	1,615	-	-	1,615
Reserve for participating interests	-	-	5,242	(5,242)	-	-
TOTAAL MUTATIES JUL-DEC 2018	-	-	6,857	(5,242)	(103,064)	(101,449)
31 DEC 2018	900,000	391,200	63,261	1,240,646	1,215,323	3,810,430
Result jan-jun 2019	-	-	-	-	100,356	100,356
Dividend paid 2018	-	-	-	-	(96,474)	(96,474)
Result appropriation 2018	-	-	-	1,118,849	(1,118,849)	-
Exchange rate reserve	-	-	2,022	-	-	2,022
Reserve for participating interests	-	-	1,660	(1,660)	-	-
TOTAL CHANGES JAN-JUN 2019	-	-	3,682	1,117,189	1,114,967	5,904
30 JUN 2019	900,000	391,200	66,943	2,357,835	100,356	3,816,334

The profit on ordinary activities before taxation was € 134.8 million (first half 2018: € 126.1 million). The result for the first half of 2018 includes the formation of the deferred tax asset of € 1.2 billion. For further information, see 'Taxation'.

PROVISIONS

The provisions entry relates to the provision for future soil remediation activities to the amount of € 40.6 million (31-12-2018: € 40.5 million) and the provision for employee schemes amounting to € 20.2 million (31-12-2018: € 19.3 million).

LONG-TERM DEBTS

LONG-TERM DEBTS	30 JUN 2019	31 DEC 2018
(AMOUNTS X € 1,000)		
Loans from credit institutions	961,386	966,634
Capital market debt	80,000	80,000
LOAN PORTFOLIO	1,041,386	1,046,634
Redemption of leasehold	126,696	116,180
Other long-term debt	141,221	135,717
OTHER LONG-TERM DEBTS	267,917	251,897
TOTAL	1,309,303	1,298,531

Debts owed to credit institutions have declined pursuant to 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 (underlying value of € 750 million). No collateral was issued for the facilities for long-term debts. Ratios have been agreed with financiers. As in 2018, the Port of Rotterdam Authority complied with the agreed norms.

The redemption of leasehold has increased due to an incoming redemption and other long-term items associated with reservation fees received.

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 2018 Financial Statements for further details.

One new conditional arrangement and one new long-term commitment were entered into in the first six months of 2019: through the Climate-Friendly Shipping Incentive Scheme, the Port of Rotterdam Authority has made € 5.0 million available for projects in Rotterdam involving the use of new climate-friendly fuels in the shipping industry. In addition, the municipality of Goedereede has received a guarantee that the Slijkgat, the navigation channel connecting the port of Stellendam to the open sea, will be kept at a depth of 5.5 metres.

TAX ENTITY

The Port of Rotterdam Authority (Havenbedrijf Rotterdam N.V.) is part of a fiscal entity for the purposes of corporation tax with the following participating interests:

- Mainport Holding Rotterdam N.V.
- Cruise Port Rotterdam B.V.

- Rotterdam Fieldlab Additive Manufacturing B.V.
- Portshuttle Rotterdam B.V.
- Blockchain Fieldlab B.V.
- Nextlogic B.V.
- PortXchange Products B.V.
- Mainport Foreign Investments BV.
- Port of Pecém Participations B.V.
- MHR Commanditaire Vennot B.V.
- MHR Silent Partner B.V.
- The Green Near Future 4 B.V.

The Port of Rotterdam Authority is therefore jointly and severally liable for the tax liability of the tax entity as a whole. The corporation tax due is paid through the Port of Rotterdam Authority.

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 2019 totalled –€398.0 million (as at 31 December 2018: –€ 339.4 million). The increase in the negative value is due to a fall 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 2018 Financial 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 2018 annual report. The main risks were updated early this year as part

of the strategic planning process. They remained largely unchanged from 2018. The risk of the 'Maasvlakte terminal operation' has been included in the risk of 'Congestion in and around the port (Available infrastructure & accessibility)'. A new risk is the 'Compliance issues relating to foreign participating interests', which is related to the increase in the number of foreign participating interests and the associated rise in the risk of exposure to compliance issues, including corruption. In addition to measures such as pre-screening countries and potential foreign partners, this subject will now be discussed periodically at the management team level as a leading risk in the Port of Rotterdam Authority's risk landscape. In addition, a control framework for participating interests is being drawn up in 2019. It will focus on the management of financial reporting risks in participating interests (particularly in other countries) and compliance risks in foreign participating interests.

TOTAL OPERATING INCOME

TOTAL OPERATING INCOME	JAN-JUN 2019	JAN-JUN 2018
(AMOUNTS X € 1,000)		
Net revenue		
Sea port dues	147,569	142,211
Inland port dues	7,189	6,709
Revenue from contracts	185,027	179,725
TOTAL NET REVENUE	339,785	328,645
Other operating income	17,994	15,518
TOTAL	357,779	344,163

Revenue from sea port dues rose by comparison with the first half of 2018 because of an increase in goods throughput of 3.4%. This was offset by 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 2019	JAN-JUN 2018
(AMOUNTS X € 1,000)		
Wages, salaries and social security	59,765	55,595
Operating expenses	69,861	68,591
Other operating expenses	-1,270	-310
TOTAL	128,356	123,876

Wages and salaries include a one-off charge of € 1.6 million for the provision for the participation scheme for the elderly introduced this year. The other operating expenses consist mainly of incidental expenses and income.

FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME AND EXPENSES	JAN-JUN 2019	JAN-JUN 2018
(AMOUNTS X € 1,000)		
Interest income on long-term receivables	1,971	136
Other interest income	448	1,155
TOTAL FINANCIAL INCOME	2,419	1,291
Interest charges for financing	23,732	23,577
Calculated interest charges	416	481
Capitalised interest on tangible fixed assets under construction	-2,045	-1,505
Other interest charges	1,134	636
TOTAL FINANCIAL EXPENSES	23,237	23,189
TOTAL	20,818	21,898

The increase in interest income on long-term receivables relates to the interest on the loan of € 75.3 million granted in 2018 to a holding company established in the Netherlands for the acquisition of the shares in the port of Pecém in Brazil.

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 2019 is 1.36% (2018: 1.82%).

INCOME FROM PARTICIPATING INTERESTS

The income from participating interests for the first half of 2019 was –€ 1.3 million (first half of 2018: € 0.8 million). The fall in the result is mainly attributable to a negative deferred result of € 1.6 million from Sohar due to the penalty interest associated with the redemption of existing loans in the context of a refinancing operation.

TAXATION

The taxes in the income statement for the first half of 2019 consist of deferred and current taxes. The deferred taxes consist of the release of the deferred tax asset for the first half year of 2019 (–€ 16,0 million). The current taxes consist the current corporate tax for the first half of 2019 (–€ 17.3 million).

TAXATION	JAN-JUN 2019
(AMOUNTS X € 1,000)	
Deferred taxation	
Release of deferred taxation JAN-JUN 2019	-15,969
	-15,969
Current taxes	
Estimated imminent corporate taxation JAN-JUN 2019	-17,265
	-17,265
TOTAL	-33,234

The result for the first half of 2018 includes the formation of the deferred tax asset of € 1.2 billion. On 30 June 2019, the deferred tax asset was € 943.0 million. 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	TOTAL
(AMOUNTS X € 1,000)					
	31,938	107,511	130,944	672,625	943,018
30 JUN 2019	31,938	107,511	130,944	672,625	943,018

The effective tax rate is the tax (current and deferred) divided by the result before tax. This results in an effective tax rate of 25.1%.

EFFECTIVE TAX BURDEN	
(AMOUNTS X € 1,000)	
Result of the fiscal union Corporate Tax before taxation	132,310
Taxes	33,234
EFFECTIVE TAX BURDEN	25.1%

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 2019 was € 100.4 million. It has been included in the 2019 half-year figures as 'Result for appropriation' under shareholders' equity. The result for the first half of 2018 (€ 1.3 billion) includes the formation of the deferred tax asset of € 1.2 billion. The profit on ordinary activities before taxation was therefore € 134.8 million for the first half of 2019 (first half of 2018: € 126.1 million). Further to the resolution adopted by the Annual General Meeting of Shareholders in March 2019, the 2019 dividend (€ 96.5 million including dividend tax) was distributed in June 2019, with the remaining net result from 2018 (€ 1.1 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

22 July 2019

Executive Board

Drs. A.S. (Allard) Castelein	- Chief Executive Officer (CEO)
Ing. R. (Ronald) Paul	- Chief Operating Officer (COO)
Drs. V.D.I.V. (Vivienne) de Leeuw	- Chief Financial Officer (CFO)