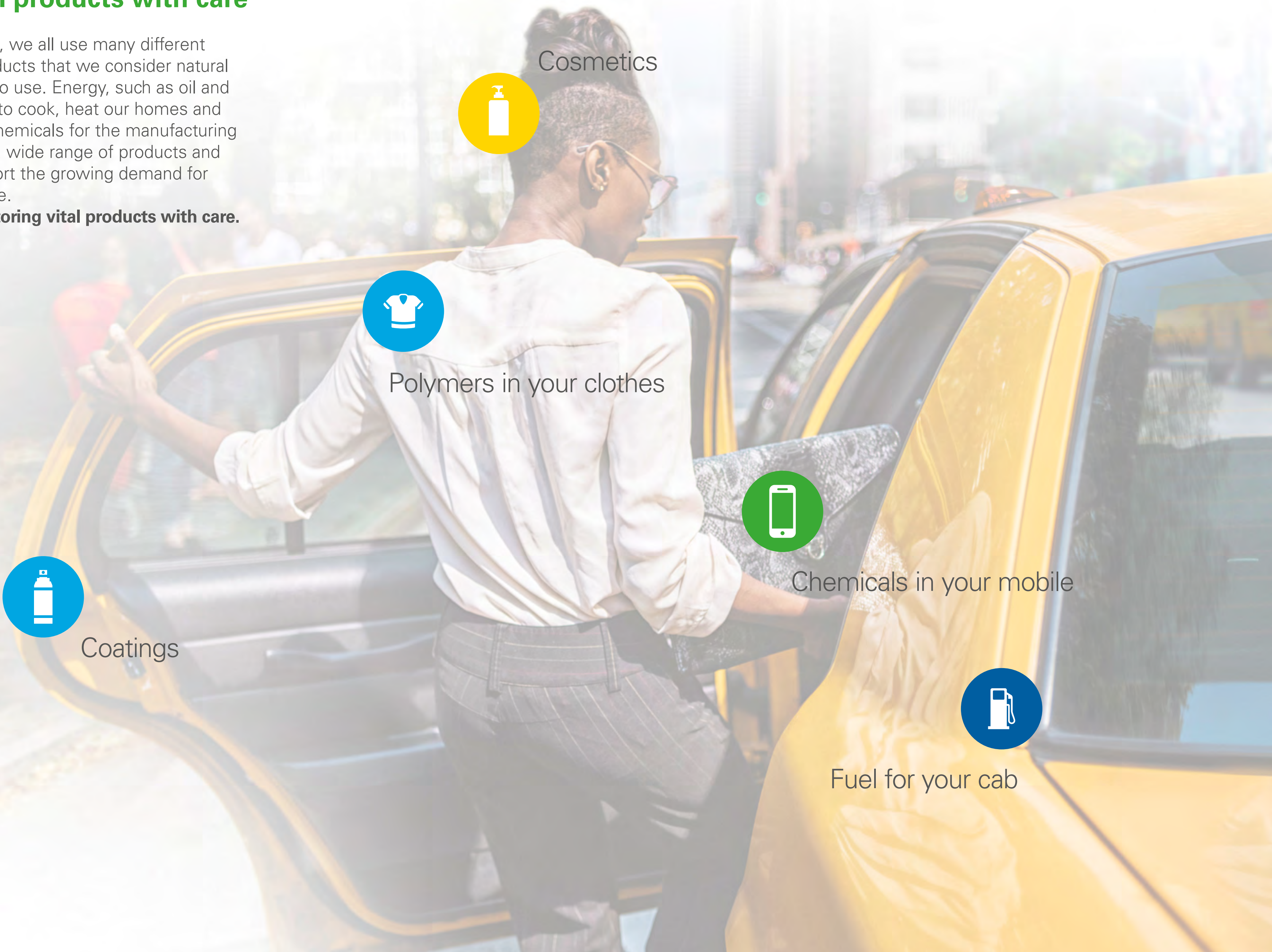
# Storing vital products with care

ANNUAL REPORT 2018

Vopak

## Storing vital products with care

In our everyday life, we all use many different vital products. Products that we consider natural to have or normal to use. Energy, such as oil and gas that allows us to cook, heat our homes and travel the world. Chemicals for the manufacturing industry to use in a wide range of products and edible oils to support the growing demand for food and agriculture.
**We take pride in storing vital products with care.**



# Contents

# Storing vital products with care

Royal Vopak is the world's leading independent tank storage company. We operate a global network of terminals located at strategic locations along major trade routes. With over 400 years of history and a strong focus on safety, we ensure safe, clean and efficient storage and handling of bulk liquid products and gases for our customers. By doing so, we enable the delivery of products that are vital to our economy and daily lives, currently ranging from chemicals, oil, gases and LNG to biofuels and vegoils. Vopak is listed on the Euronext Amsterdam stock exchange and is headquartered in Rotterdam, the Netherlands.

# Introduction

# Vopak at a glance

At year-end 2018

**Number of terminals**

**68**

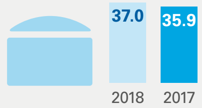
**Number of countries**

**25**



**Storage capacity**
In million cbm

**37.0**




**Market capitalization**
In EUR billions

**5.1**

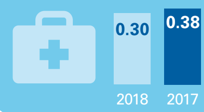
**Number of employees**
In FTE

**5,733**

84% 16%

**Total Injury Rate (TIR)**
In 200,000 hours worked own personnel and contractors

**0.30**




**FY2018 Revenues**
in EUR millions

**1,255**

Compared to 2017
-4%

**FY2018 EBITDA**
in EUR millions
-excluding exceptional items-

**734**

Compared to 2017
-4%

**FY2018 ROCE**
-excluding exceptional items-

**11.6%**

Compared to 2017
-0.4pp

# Key figures

| | 2018 | 2017 |
|---|---|---|
| **Safety performance** | | |
| Total Injury Rate (TIR) per 200,000 hours worked for own personnel and contractors | 0.30 | 0.38 |
| Lost Time Injury Rate (LTIR) per 200,000 hours worked for own personnel and contractors | 0.12 | 0.14 |
| Process Safety Events Rate (PSER) per 200,000 hours worked for own personnel and contractors | 0.12 | 0.26 |
| **Financial results** (in EUR millions) | | |
| Revenues | 1,254.5 | 1,305.9 |
| Group operating profit before depreciation and amortization (EBITDA) | 754.8 | 695.3 |
| Group operating profit before depreciation and amortization (EBITDA) -excluding exceptional items- | 734.3 | 763.2 |
| Group operating profit (EBIT) | 481.7 | 422.5 |
| Group operating profit (EBIT) -excluding exceptional items- | 463.3 | 490.4 |
| Net profit attributable to holders of ordinary shares | 254.5 | 235.4 |
| Net profit attributable to holders of ordinary shares -excluding exceptional items- | 289.5 | 287.4 |
| Cash flows from operating activities (gross) | 687.0 | 713.8 |
| **Capital employed** (in EUR millions) | | |
| Total investments | 614.1 | 448.5 |
| Average gross assets | 7,164.7 | 7,018.0 |
| Average capital employed | 4,005.7 | 4,101.7 |
| **Capital and financing** (in EUR millions) | | |
| Equity attributable to owners of parent | 2,682.8 | 2,480.0 |
| Net interest-bearing debt | 1,825.0 | 1,533.9 |
| **Ratios** (excluding exceptional items) | | |
| Return On Capital Employed (ROCE) | 11.6% | 12.0% |
| Return On Equity (ROE) | 11.2% | 11.8% |
| EBITDA margin excluding result of joint ventures and associates | 48.2% | 49.1% |
| Senior net debt : EBITDA | 2.49 | 2.02 |
| Interest cover (EBITDA : net finance costs) | 8.5 | 6.4 |

| | 2018 | 2017 |
|---|---|---|
| **Key figures per ordinary share** (in EUR) | | |
| Basic earnings | 1.99 | 1.85 |
| Basic earnings -excluding exceptional items- | 2.27 | 2.25 |
| Diluted earnings | 1.99 | 1.84 |
| Diluted earnings -excluding exceptional items- | 2.27 | 2.25 |
| (Proposed) dividend | 1.10 | 1.05 |
| **Company data** | | |
| Number of employees end of period subsidiaries (in FTE) | 3,663 | 3,639 |
| Number of employees end of period joint ventures and associates (in FTE) | 2,070 | 2,091 |
| Total number of employees end of period (in FTE) | 5,733 | 5,730 |
| Storage capacity end of period for subsidiaries (in million cbm) | 19.6 | 19.6 |
| Storage capacity end of period for joint ventures and associates (in million cbm) | 13.5 | 12.5 |
| Storage capacity end of period operatorships (in million cbm) | 3.9 | 3.8 |
| Occupancy rate subsidiaries (average rented storage capacity) | 86% | 90% |
| Contracts > 3 years (as a percentage of revenues) | 51% | 44% |
| Contracts > 1 year (as a percentage of revenues) | 85% | 79% |
| **Information on a proportionate basis** | | |
| Group operating profit before depreciation and amortization (EBITDA) -excluding exceptional items- | 821.6 | 852.6 |
| Occupancy rate subsidiaries, joint ventures and associates | 84% | 90% |
| Net interest-bearing debt | 2,592.4 | 2,339.8 |
| **Number of shares outstanding** | | |
| Basic weighted average | 127,659,039 | 127,541,590 |
| Weigthed average including dilutive effect | 127,782,646 | 127,686,590 |
| Total including treasury shares end of period | 127,835,430 | 127,835,430 |
| Treasury shares end of period | 170,597 | 190,000 |

# Delivering value today and **creating value for tomorrow**

**Eelco Hoekstra**

Chairman of the Executive Board and CEO of Royal Vopak

# CEO statement

In 2018, we made significant progress in shifting the portfolio, realizing our digital transformation and ensuring that we deliver value today and create value for tomorrow.

What drives us is the realization that people around the world need energy, chemicals and edible oils to meet many of their basic needs. We play a modest, but crucial role in society by enabling these vital products to enter and exit markets. The products we handle, enable people to cook, heat their homes and travel the world. We are well aware that the products in our tanks can endanger people's health and the environment if stored or handled inappropriately. Therefore, our first responsibility is to ensure safe, clean and efficient storage. We must ensure that our employees and contractors can return home safely after each working day, and create value for all our stakeholders, from shareholders to neighboring communities. We store vital products with care.

**"Storing vital products with care."**

With a growing world population, increasing urbanization and a rising middle class, people will need more energy, manufactured goods and food in a sustainable manner. We are committed to continuing to help meet those needs. We are excited that we have been able to announce 14 growth projects in the last two years. Our strategy execution is shifting our portfolio further towards industrial terminals, chemicals, LNG, LPG and chemical gases. Expansion projects in these areas are currently underway in Malaysia, Indonesia, Canada, Brazil and the Netherlands. Furthermore, we commissioned new chemical capacity in Houston, the United States. In 2019, we will continue our journey along this path. The shift towards lighter fuels, chemicals and gases allows us to create value for stakeholders around the globe, as societies wrestle with the challenge of meeting people's needs while reducing pollution and carbon emissions.

**"Our strategy execution is shifting our portfolio further towards industrial terminals, chemicals, LNG, LPG and chemical gases."**

We are particularly proud of the opportunities that we are capturing in building and operating industrial terminals that service entire petrochemical clusters. Through our skills and experience we can increase efficiency, reliability and safety, while reducing costs for our customers. The partners who entrust us with running logistics services, for liquid products, of their mega-projects recognize this. In 2018, we commissioned the last phase of our industrial terminal in Jubail, Saudi Arabia, as well as the first phase of the terminal in Pengerang, Malaysia, serving the integrated petrochemical RAPID complex.

Looking further ahead, we continue to explore opportunities to contribute to the energy transition. One example is the H-vision project in which 16 parties in the Rotterdam port industrial complex study the feasibility of using hydrogen to replace natural gas as a source of low-carbon energy for the industry and power sector.

One more reason for excitement is the progress that we have made in realizing our digital transformation. Our new unique cloud-based digital terminal management system, which will replace the existing software at the majority of our terminals, is now in place at the first terminals in Americas and Asia. This kicked off the global roll-out of a system that we have been developing in-house for our key operational and IT processes. We strengthened our cybersecurity program. Finally, we have conducted over 100 Proofs of Concept at various locations, experimenting with the use of sensors, drones, tablets, 3D photography and blockchain technology. We believe that this kind of digital innovation is key to growing our competitive edge and capturing the opportunities of the digital era.

Taking a close look at our financial performance, we delivered solid financial results thanks to our commercial focus and cost management program. In an adverse oil market and highly competitive environment, we had to work even harder to maintain last years profitability. We were impacted, in particular, by the uncertainty around the implementation of the International Maritime Organization's new lower sulphur requirements for fuel oil per 2020 (IMO 2020). Having said that, we are not sitting back waiting for developments. We are proud to serve our customers by investing in more flexible storage for lower sulphur fuel oil in Rotterdam, Fujairah and Singapore.

For 2019 and beyond, we are convinced that we will deliver short-term performance while seizing long-term opportunities, delivering value today and creating value for tomorrow.

On behalf of the Executive Board, I would like to thank our colleagues, contractors and partners for their commitment and hard work. I also thank our customers, shareholders, neighbors and the authorities for challenging us to outperform ourselves, for supporting us and for renewing their confidence at every step.

**Eelco Hoekstra**
Chairman of the Executive Board and CEO of Royal Vopak

# Purpose and strategy

Storing vital products with care

Royal Vopak is the world's leading independent tank storage company. We operate a global network of terminals located at strategic locations along major trade routes. With a history of over 400 years, and a strong focus on sustainability, we ensure safe, clean and efficient storage and handling of bulk liquid products and gases for our customers.

We handle vital products ranging from chemicals, oil, gases and LNG to biofuels and vegoils. Vopak is listed on the Euronext Amsterdam stock exchange and is headquartered in Rotterdam, the Netherlands. Including our joint ventures and associates, we employ an international workforce of over 5,700 people.

## Building on our heritage

Vopak's history dates back to 1616. Our earliest ancestors stored and handled coffee, tea, cocoa, sugar, silk, spices and other products from all over the world for trading companies such as the Dutch East India Company, the world's first multinational company. Since then, much has changed. Dry bulk gave way to liquid bulk and the company grew, eventually establishing a presence on all the inhabited continents. Unchanged is that we are still loading and unloading ships and storing and handling products for multiple customers. We have thus been connecting global trade flows for over 400 years. Looking forward, we will continue to enable the delivery of vital products by building on our heritage and living the five Vopak Values: Care for Safety, Health and the Environment, Integrity, Team Spirit, Commitment and Agility.

## Sustainability at the core

We store and handle products that are crucial to people's lives, yet some of which can endanger their health and the environment if stored or handled inappropriately. This comes with a huge responsibility. As a service provider, we do not drive market choices, we facilitate energy and chemical flows. Our mission is to connect the supply of and demand for these products by providing safe, clean and efficient storage and handling services for our customers. By fulfilling our mission with care, we strive to be the partner of choice for all our stakeholders, from customers, business partners and investors, to governments, local communities and society at large.

Our ambition is to be a strong link in our customers' value chains and a leader in our industry. We realize that our long-term success depends on our ability to innovate and adapt to new demands from both the market and society. This is why we proactively engage with our stakeholders and explore ways to facilitate the introduction of more sustainable technologies, processes and products. We believe that putting sustainability at the core of our decisions and operations will enable us to remain relevant to society and to continue to store and handle vital products for future generations.

## Long-term value creation

Sustainable long-term value creation for all stakeholders is inherent to Vopak's business. We have flourished for more than 400 years by staying relevant to society thanks to our long-term focus, our ability to change and our entrepreneurial mentality. Our Value Creation Model captures what resources and expertise we use to create sustainable long-term value and share this with our stakeholders.

# How we create value for all stakeholders

## Input

### People
Our employees are part of an inclusive workforce that provide the company with their expertise, talent and resources. We invest in training, talent development and diversity.
- **5,733 employees and 18+ million contractor man-hours**
- **Annual average of 48 training hours per employee**

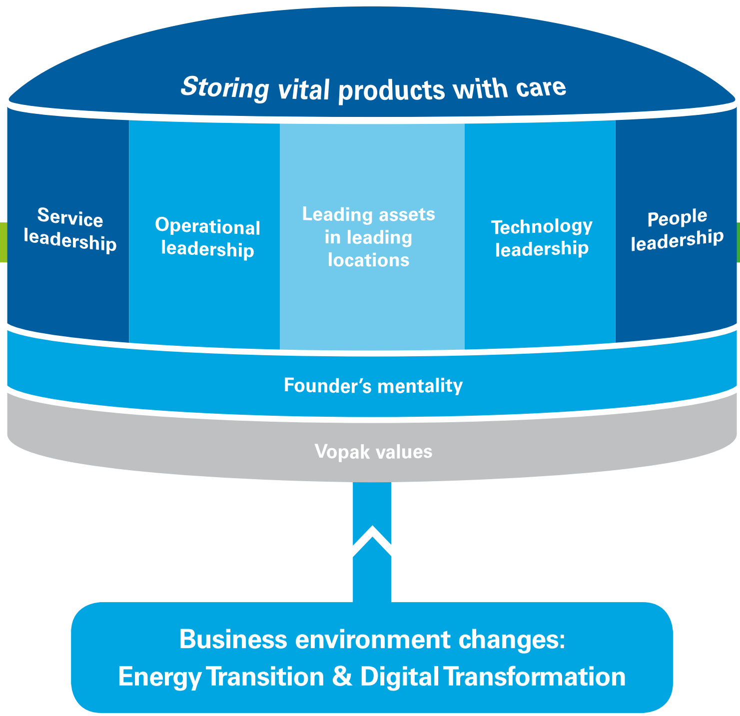
### Knowledge
Our processes and procedures ensure that we handle products safely and efficiently. We develop our own software & IT systems and have embedded Vopak Standards globally.
- **EUR 100 million IT investment program**
- **Vopak Standards and blueprints**

### Social & relationship
We engage with various stakeholders such as customers, suppliers, governments, unions, local communities and society at large. Together, these relationships provide our social 'license to operate and grow'.
- **40+ long-term joint venture partners**
- **Participation in local communities**

### Financial
Our shareholders and creditors provide the funds that we use to create value by investing to grow our business.
- **EUR 2.7 billion shareholder's equity**
- **EUR 1.8 billion net debt**

### Tank terminal assets
We operate and maintain a well-diversified portfolio of tank terminal assets around the world to facilitate product movements and connect supply and demand market.
- **68 terminals in 25 countries**
- **37.0 million cbm of storage capacity**

### Natural
Our business makes use of natural resources such as energy and water. We hold land and sea to build and operate our tank terminal assets.
- **11.4 Giga Joule of direct and indirect energy use**
- **61% renewable energy**




## Output

### People
We have a highly motivated, skilled, agile and diverse Vopak team and inspire our people. We aim for a safe working environment for all employees and contractors.
- **85% Engagement score**
- **0.30 Total Injury Rate**

### Knowledge
We strive to continuously improve service delivery to our customers and become more digital in all our activities in order to operate in a safe and efficient way.
- **Real-time data driven terminal management system (Myservice)**
- **Top quartile customer satisfaction (NPS: 61)**

### Social & relationship
We enable safely delivery of vital products like energy, chemicals and food towards society to meet human needs.
- **174 million ton of vital products delivered towards society**
- **Facilitate access to energy and cleaner fuels**

### Financial
We create cash flow from operations which we use to run our business and invest in growth. We use our free cash flow to pay interest, tax and shareholder dividend.
- **11.6% Return on Capital Employed**
- **EUR 375 million Free Cash Flow before growth**

### Tank terminal assets
We maintain and enhance our global terminal assets and invested in growth projects to facilitate additional product movements.
- **EUR 237 million sustaining and service improvement capex in 2018**
- **EUR 1 billion growth investment program**

### Natural
We aim to minimize our negative impacts on the environment, in particular reducing releases to air, water and soil.
- **2% higher relative carbon emissions**
- **Over EUR 40 million investment program to lower vapor emmissions (VOCs)**

## Storage demand drivers

As the world population is growing and becoming more affluent, vital products like energy, chemicals and food are in growing demand. Yet these products are not always locally available. We see a growing geographic imbalance between areas of production and areas of consumption of such products. This leads to transportation of chemicals, oil and gases over longer distances around the world and a growing demand for storage and handling of bulk liquids and gases at key locations along global marine trade routes.

## Strategy

Through our global network of terminals, Vopak connects the supply of and demand for vital products and resources. This requires that we respond to constantly changing markets and product flows as a result of various major developments, such as ambitious climate policies, geopolitical shifts and the development of new energy sources and cleaner fuels. Determining the best locations for our terminals requires a long-term vision on the products that society needs, while evolving customer demands require flexibility and short-term action in the day-to-day work at the terminals. In such a dynamic context, our success depends on our ability to store vital products with care, by showing leadership in five key areas.

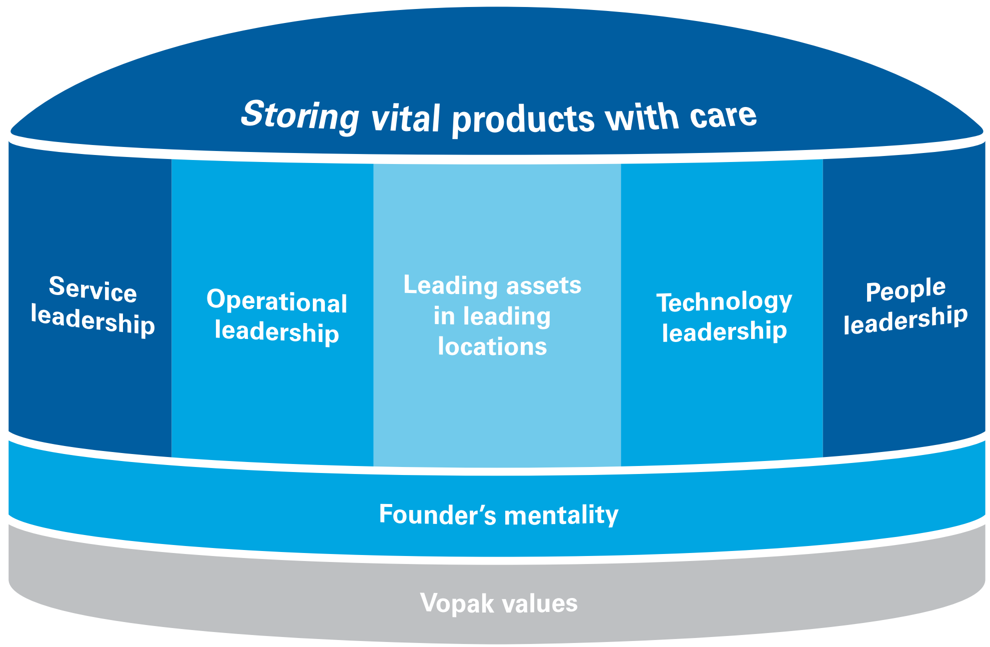
**1. Leading assets in leading locations**
Over the years, we have grown our global portfolio and sharpened our value proposition for our strategic terminal types: industrial, LNG, LPG and chemical gases, chemical and oil terminals. At the same time, we keep instilling the 'Vopak way' in different geographies, resulting in a well-diversified and strong asset base at a competitive cost of ownership.

**2. Operational leadership**
Vopak takes a leading role in operating capabilities and sets the standard in the field of safety and sustainability, service and costs. We abide by existing rules and regulations as a minimum and adopt best practices whenever possible. We explore ways to facilitate the introduction of more sustainable technologies, processes and products.

**3. Service leadership**
While safety is our first and foremost priority, we help to improve our customers' business performance by maximizing operational productivity and increasing efficiency to keep costs down, for instance by shortening idle times. High customer satisfaction indicates that we are on the right track. Yet our aim is to perform even better, by continuing to listen to our customers and by anticipating their future needs.

**4. Technology leadership**
We innovate in the way we design, construct, maintain and operate our terminals to improve safety, service and costs. This includes introducing new technology, in particular digital technology, mobile devices, changing our IT and OT landscape to stay better connected with our customers. Innovation will help us reduce safety incidents, improve service through better traceability and planning, and lower costs by working more efficiently and saving energy.

**5. People leadership**
Care for people and the planet, and living our values, need to be leading in all our decisions. This requires that we inspire and challenge our people and help them develop the right capabilities and leadership skills. We aim for a highly motivated, skilled, agile and diverse Vopak team.



## Foundation
For all this, we find a foundation in a history dating back to 1616 and our 'founder's mentality'. This reminds us that we must not limit ourselves to what we know now and what has worked in the past, but be open to new solutions and opportunities, with an entrepreneurial mindset. This, in combination with the 'Vopak Values', enables us to work every day as if each one of us is the founder or owner of Vopak, investing in the company's success.

## Business environment changes
The energy transition will structurally change the oil and gas industry, including the role of infrastructure and storage. As global leader in tank storage, Vopak already facilitates the energy transition around the globe, by providing access to energy and cleaner fuels. We are committed to also contribute to a low-carbon future. With our network of independent terminals, our in-depth knowledge of global energy supply chains, and our expertise in operating energy infrastructure in ports around the world, Vopak is ideally positioned to develop key infrastructure solutions for the world's energy systems of tomorrow.

Digitalization presents opportunities for our industry. Vopak has engaged in a digital transformation that enables us to remain relevant in the digital age and to reap the benefits of digital innovation, so that we can differentiate ourselves from competitors, add more value for our customers and become even better at storing vital products with care.

## Vopak's role in different value chains
We ensure safe, clean and efficient storage and provide infrastructure services in different value chains for chemicals, oil, gases, biofuels and vegoils in three end markets: energy, manufacturing and food & agriculture. We serve countless people and communities around the world as end-user of these different value chains. These value chains span from production of feedstock to end-user distribution. Our terminal infrastructure plays a key role in connecting our customers' products to their markets.

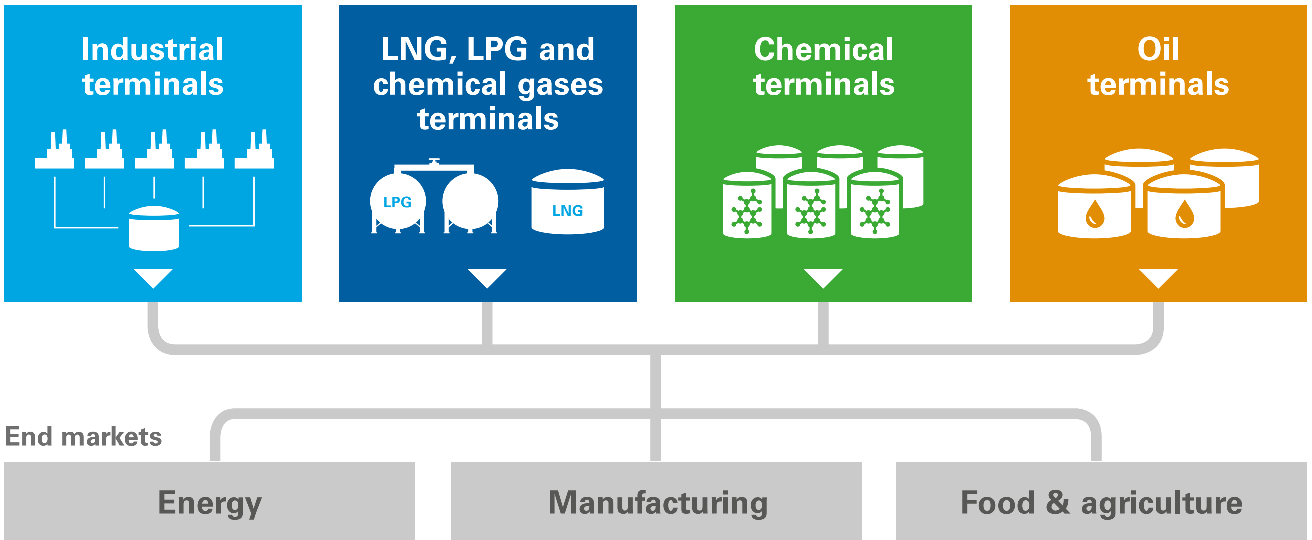
At our terminals, we receive products by vessel, barge, pipeline, truck or rail and unload them for storage in our tanks. We store these products under the right conditions to maintain product quality. Upon request of our customers, we blend products to a certain product specification. Based on service orders from our customers, products are then transferred from our storage tanks via the same modes of transport (vessel, barge, pipeline, truck, rail) to users, such as industrial complexes, petrochemical plants, distributors who process products in their manufacturing units or deliver products to market.

## The products we store
As an independent service provider, we do not own the products that we store for our customers. Neither do we determine what types of products are in use. At the same time, we strive to be a responsible member of the communities in which we operate. We adhere to permits, national and international regulations as a minimum and commit to safe, clean and effective storage. We also explore ways to facilitate the introduction of more sustainable technologies, processes and products.

## Our customers
The customers we serve include producers, distributors and traders of oil products, chemicals, gasses, biofuels, edible oils and LNG. Based on their geographic footprint, they can be divided into three categories; global, regional and local customers. We have an integrated global approach for our largest global customers supported by dedicated global key account relationships established within the commercial teams.

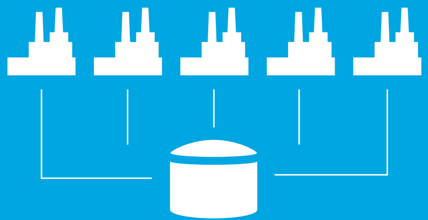
## Our suppliers
Our suppliers vary from global qualified vendors, used for equipment and IT automation, to local service and construction suppliers. We aim for long-term partnerships and ensure continuous improvement on quality, efficiency and safety. In line with our sustainability policy and Vopak's Code of Conduct, we require from our suppliers, contractors and their sub-tier suppliers and contractors to adhere to our Supplier Code.

**Vopak's strategic terminal types in different value chains**



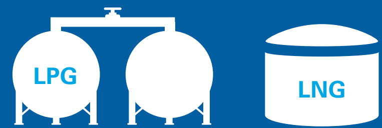
## Vopak's four strategic terminal types

### Industrial terminals



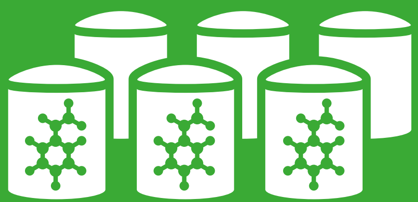
Vopak has more than 40 years of experience with industrial terminals. These often large terminals exclusively support chemical clusters in the Americas, Europe, Middle East and Asia. We also operate terminals that have significant long-term pipeline connections and serve global and regional plants. We provide a centralized fit-for-purpose solution and deliver value to customers and local authorities through economies of scale.

### LNG, LPG and chemical gases terminals




Demand for gas is increasing, driven by petrochemical and plastics production, for gas-fired power plants and for transportation purposes. This led Vopak to increase its focus on facilitating growth in global gas markets. By introducing infrastructure and logistic solutions for cleaner and efficient fuels like LPG and LNG, Vopak is contributing to the energy transition. We own and operate LPG storage terminals for example in the Netherlands, China and Singapore. Vopak operates LNG facilities in Mexico, the Netherlands and Pakistan.

### Chemical terminals



The strong growth of global chemicals demand is leading to an increased need for chemical storage capacity. Vopak has a strong presence in key chemical hub locations, including Antwerp, Rotterdam, Singapore and Houston and operates a global chemical distribution network. Besides our growth opportunities in chemicals, we are continuously searching for opportunities to improve our competitive position by further optimization of our infrastructure to service customers better.

### Oil terminals

Oil import, distribution and hub terminals remain an important part of our business. Oil hub terminals are strategically located along major shipping routes, where many suppliers, customers and traders are active and where efficient supply chain solutions are of utmost importance. Our oil hubs are located in Rotterdam, Fujairah and the Singapore Strait. GDP and population growth drive the consumption of energy products. Vopak plays an important role in the import and distribution of energy products in major oil markets with structural deficits.

# Executive Board report

# Connecting the world

***"I am proud that all over the world we store fuels that are vital for the mobility of people. Like the ability to travel to work, to connect with other people, and to experience many different cultures. To connect with people across borders is something I would like to pass on to future generations. It is positive that there are many developments for cleaner fuels around the world."***

**Eelco Hoekstra**
Chairman of the Executive Board and CEO of Royal Vopak

**Nationality:** Dutch
**Year of birth:** 1971
**Education:** Master's Degree in Economics
**Career:** Eelco Hoekstra has been active in the international tank storage industry since 1995 and joined Vopak in 2003. At Vopak, he held various management positions in the Middle East, Latin America and Asia. Eelco Hoekstra was President of Vopak Asia until his appointment to the Executive Board in November 2010. He has been Chairman of the Executive Board and Chief Executive Officer of Royal Vopak since January 2011.

# Report of the Executive Board

The growing world population and further urbanization lead to an increasing demand for vital products like energy, chemicals, and food, which often are not available locally. Vopak connects the supply of and demand for these vital products around the world. In 2018, we delivered solid financial performance in our existing business by a relentless focus on sales and cost management. At the same time, we created long-term value by seizing opportunities in the digital realm and executing our growth strategy by developing new business and portfolio management.

## Delivering on our strategy

The execution of our strategy is well on track. We are transforming our portfolio of terminals, announcing new projects and progressing with our growth portfolio. We commenced major service improvement projects to strengthen our chemical storage positions globally and are investing in our oil hub terminals in preparation for the International Maritime Organization's global sulphur cap as of 2020 (IMO 2020). In 2018, we commissioned the last part of the industrial terminal in Jubail, Saudi Arabia, restarted operations at our Haiteng terminal, commissioned the first phase of our new industrial terminal in Pengerang, Malaysia, and expanded our chemical presence in Houston. In the LNG, LPG and chemical gases segments, we acquired a share in Pakistan's first LNG import facility. Furthermore, we are expanding our LPG storage capacity in Canada and the Netherlands. In line with our strategic focus on growing our portfolio in the four strategic terminal types, we started a strategic review and are testing the market value of our terminals in Algeciras, Amsterdam, Hamburg and Tallinn.


# H2, vital today and tomorrow

***"Hydrogen (H2) is vital for many industries. For me as an astronomer, hydrogen has always been a part of my life. I strongly believe that the role of hydrogen will grow due to the global energy transition; there are many opportunities to explore. As Vopak we are part of this journey."***

**Frits Eulderink**
Member of the Executive Board and COO of Royal Vopak

**Nationality:** Dutch
**Year of birth:** 1961
**Education:** PhD in Astrophysics and two cum laude Master's Degrees in Mathematics and in Astronomy
**Career:** Frits Eulderink joined the Royal Dutch Shell Group in 1990, where he held various technical and management positions in the Netherlands, North America, Africa and the Middle East, including in the fields of Research, Manufacturing, Exploration and Production. Until the end of 2009, Frits Eulderink was Vice-President Unconventional Oil in Houston (United States). He has been a member of the Executive Board and Chief Operating Officer of Royal Vopak since April 2010.

We are confident that our investments in new technology and innovation projects, together with the replacement of our IT systems, will improve safety, provide better service to our customers and enable us to use our assets more efficiently and effectively. As the digital transformation of our company is progressing, we invested in upgrading the protection of our networks and implemented IT controls for cybersecurity. We started the global roll-out of the digital terminal management system for our core processes, which we have been developing in-house over the past years. We are convinced that this will further strengthen our competitive position.

We continued to invest in our people to develop their skills and capabilities and prepared our leadership teams through our Leadership Excellence And Development (LEAD) program for a future that will be increasingly digital, sustainable and transparent.

## Performance

Our business was put under strain by some challenging conditions in 2018, including backwardated oil prices, geopolitical tensions and unsettlement in fuel oil markets in the face of the upcoming IMO 2020 regulations.

## People

Regrettably, we were not able to deliver on our safety promise in terms of personal safety in 2018. Two contractors lost their lives as a result of two tragic incidents. In order to improve our safety performance, we launched the global 'Trust and Verify' program. Taking personal responsibility and demonstrating leadership on safety should help us prevent severe incidents from occurring and enable us to ensure a safe working environment for everyone at all times. Vopak's success is ultimately realized by the commitment and dedication of our people.

## Planet

Vopak is keen to stay relevant to society by storing vital products with care. Products that people need today and new products that people want tomorrow. We will therefore continue to seek opportunities to reduce our environmental footprint. The largest effect of our operations are the emissions of volatile organic compounds (VOCs). We initiated projects, with an investment value of over EUR 40 million, to reduce vapor emissions at various locations with the aim to meet new legislation and reduce the societal impact of our VOC emissions.

Lastly, we set steps to deliver on the four United Nations Sustainable Development Goals (SDGs) that we embraced last year: SDG 7 - Affordable and clean energy, SDG 8 - Decent work and economic growth, SDG 9 - Industry, innovation, and infrastructure and SDG 12 - Responsible consumption and production.

# In case weight matters

***"Acrylonitrile is vital for the production of carbon fibers, a very lightweight but strong material. As an avid cyclist, I know the importance of lightweight material. Lightweight carbon fibers have many applications, it is for example also used in advanced windmills. Acrylonitrile is one of the products that is stored in Caojing, China and in Rotterdam, the Netherlands."***

**Gerard Paulides**
Member of the Executive Board and CFO of Royal Vopak

**Nationality:** Dutch
**Year of birth:** 1963
**Education:** Master's Degree in Business Economics
**Career:** Before joining Vopak, Gerard Paulides was a senior finance executive within Royal Dutch Shell for 30 years fulfilling several Finance, Investor Relations and M&A related positions. He led the IPO for Shell Midstream Partners MLP and was in charge of the Royal Dutch Shell and BG Group transaction. Gerard Paulides has been a member of the Executive Board and Chief Financial Officer since February 2018.

We are continuing our dialogue with stakeholders on how we can create more value for all our stakeholders.

We expressed our support to the Task Force on Climate-related Financial Disclosures (TCFD) and started applying the principles of the framework in 2018. We assessed that our strategy adequately addresses the current risks and opportunities emerging from the physical and transitional effects of climate change. We will continue to engage with stakeholders to improve disclosures on climate-related risks and opportunities, taking into consideration the recommendations of the TCFD and other relevant organizations.

## Profit

Given the market conditions in 2018, we delivered solid financial results and increased earnings per share. Occupancy rates and revenues in the hub locations reflected the oil market conditions. Other products, such as chemicals, vegoil and gases showed stable occupancy rates and revenues on the back of good tank storage demand drivers. Our efficiency program to support margin development and reduce Vopak's future cost base by at least EUR 25 million was delivered in 2018 and has been increased to EUR 40 million. Our balance sheet remains strong and provides financial flexibility to support the growth projects currently under construction.

## Looking ahead

Given our 3.2 million cbm expansion program over 2018 and 2019, with high commercial coverage, in conjunction with the cost efficiency program, Vopak has the potential to significantly improve the 2019 EBITDA, subject to market conditions and currency exchange movements. At the end of Q4 2018, 1.1 million cbm was commissioned and 2.1 million cbm will be delivered over the course of 2019.
Our efficiency program to support margin development and reduce Vopak's future cost base was increased to EUR 40 million by the end of 2019. As a result the cost base for 2019 including EUR 15 million additional cost from growth projects, is expected to be below the 2017 reported operating expenses of EUR 676 million subject to currency exchange movements, activity levels and portfolio decisions.

**The Executive Board**

In 2018, Gate terminal (a joint venture between Gasunie and Vopak) handled a record number of 104 ship operations. Vessels arrived from a wide range of countries, including Algeria, Angola, France, Norway, Peru, Qatar, Russia and the United States.

Vessels embarked from Gate terminal for destinations such as Brazil, Canada, China, Egypt, Emirates, India, Pakistan and South Korea, while smaller vessels went to Finland, Sweden, the Netherlands and Spain. In addition, customers nominated 2.5 BCM for regasification into the national gas transmission network and a record of more than 2,800 trucks were loaded for distribution across Europe.

# LNG records in Rotterdam

# Business environment

Soft short-term oil markets, while growth path continues globally for chemicals and gases

Global demand for energy and feedstock for the manufacturing industry continued to rise in 2018 supported by GDP and population growth. Increasing geographic imbalances between areas of production and consumption required more transportation of chemicals, oil and gases around the world and infrastructure to cater for these flows. The combination of these factors created a solid basis for Vopak's services in 2018.

## Global themes and key developments in our industry

Our overall business environment in 2018 was influenced by the following global themes and key developments in our industry:

- **US crude production and OPEC**
  The crude oil market structure has been backwardated for the majority of 2018. Record oil production levels were driven by the world's top three oil producers, the US, Russia and Saudi Arabia, even though Iranian output fell as a result of US sanctions. Crude oil inventories increase, as global oil supply outpaced demand, pressuring crude oil prices towards the end of the year.

- **Refinery Petchem integration**
  A slowdown in the growth of the traditional end markets for oil has led to increased interest from oil companies in petrochemicals. The surge in new-built refinery petchem integrated complexes enables refineries to benefit from the solid growth projections in the chemical industry. These new integrated complexes provide opportunities for Vopak to offer industrial terminal services.

- **Environmental and sustainability issues**
  The focus on cleaner fuels is clearly visible in the power and transport sector. Power markets are shifting away from coal towards natural gas and renewables.

  In the European transportation sector, there is a shift in passenger cars from diesel-powered vehicles towards gasoline as well as a stronger momentum for electric vehicles. More stringent marine fuel regulations aim to reduce emission levels in the shipping industry.

  A growing major concern for the chemical industry is the problem of plastic waste, especially marine litter. Governments increased their emphasis on plasticmanage-ment with the EU's proposed ban on 10 single-use plastic products and China's ban on processing plastic waste imported from other countries.

- **Geopolitical tensions**
  Geopolitics played out in 2018 through continued tensions between Russia, the EU and the Baltic states which have led to a further deterioration of the business outlook in that region. Also, the US reinstated sanctions to Iran per November 2018, which prohibits all business with any Iranian person or entity and the handling of any Iranian origin products.

**68** Terminals

**25** Countries

**27** Joint ventures

## Chemicals

The global economic environment continued to expand at a healthy level in 2018. Growth rates of the US and Asian economies improved further while economic growth in Europe and China leveled off as central banks gradually discontinued their post-crisis accommodating policies.

Petrochemical demand followed the strength in economic global growth path which resulted in another solid year for the industry. Global chemical production grew by 2.8% in 2018. Chemical shipping rates remained at relatively low levels last year, stimulating product movement and supporting global trade flows. These developments resulted in 5% higher chemical throughput volume at Vopak terminals in 2018.

There has been a visible upturn in petrochemical investments in the world. The surge in project development is mainly due to the increased level of urbanization that is taking place in the world. Our two largest petrochemical clusters, Houston and Antwerp, saw an increased demand for services. Capacity expansions in the US are mainly driven by access to cheap ethane feedstock. The competitive environment at our chemical hub terminals in Singapore increased as competitors started to market their smaller oil tanks for chemicals and base oils.

Strong production growth in Asia, mainly China, was driven by its close proximity to fast-growing end markets. This development had a positive effect on the performance of Vopak's chemical distribution terminals in the region. The direct impact of the trade war between the US and China on our business so far has been marginal due to small exposure to affected chemicals.

In 2018, the first part of RAPID (Malaysia), a more than USD 20 billion integrated refinery and petrochemical complex, started commissioning. Upon its completion in 2019, the Petronas and Saudi Aramco joint venture will be home to a 300k b/d refinery with petrochemical plants yielding an estimated annual production capacity of 3.6 million tons of petrochemical products. Vopak with its partners, handle the product flows from and to these world-scale manufacturing plants through our joint venture terminal PT2SB.

In the Middle East, relatively low oil prices and exhaustion of the cheapest feedstock (ethane) continued to restrict growth compared to other parts of the world. With the completion of the Sadara complex in 2018, the Middle East is further shifting away from basic petrochemicals toward higher-value specialty products.

## Oil products

During 2018, oil demand growth remained strong driven by China, the US and India, while Europe saw a slight decline in overall demand. On the supply side, the three largest oil producers Russia, Saudi Arabia and, in particular, the US saw a strong increase in production pushing global crude oil production levels above 100 mb/d. The market structure for crude oil was mainly backwardated in 2018, putting pressure on some of our crude storage positions. On the other hand, physical demand remained strong supported by solid flows of crude oil at our hub locations for customers with a structural underlying business model of supplying refineries.

In the oil product markets, hub positions experienced soft short-term markets for fuel oil as markets were tight with low stocks due to decreasing supply and healthy demand for bunkers. Vopak fuel distribution terminals remain supported by solid long-term drivers linked to the demand from the transportation sector with insufficient refinery

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supply locally available. Jet fuel demand remains strong across the world as air travel expands and becomes more accessible.

Focus on sustainability can affect the overall mix in demand for oil products in various markets. Global oil and bunker markets are affected by the upcoming low sulphur IMO 2020 regulations. Vopak prepares its network to accommodate the product flows resulting from the marine fuel regulations (IMO 2020), which can also support storage demand for a wider range of bunker fuels.

## Vegoils and biofuels

The European biofuels market continued to grow driven by the EU biofuels policy. This resulted in significantly higher import volumes at our Rotterdam terminals. In Brazil, an increase in biodiesel mandates led to higher run rates for local production. Biodiesel production in the US grew and as a result, imports declined impacting volumes at our US terminals that replaced storage capacity by chemical products. Ethanol supply and demand in the US remained stable with the surplus being exported. The vegoils market was favorable in Europe with growing imports of sunflower and tropical oils which resulted in a strong performance at our Vlaardingen terminal.

## LPG and chemical gases

In 2018, global oversupply of LPG continued, driven by US exports. The trade war between the US and China caused a reshuffling of global trade flows. Driven by the 25% tariff that China imposed on US sourced propane and butane, US LPG exports to China decreased to nearly zero at the end of 2018. The Middle East, as another major production area, filled the gap left by the US in China. The additional LPG surplus of the US was absorbed by demand centers in other markets, such as Japan, South Korea and Europe. The shuffle in global trade flows did not have a negative impact on the competitiveness of LPG as a feedstock for crackers. In European crackers, LPG was favored during the largest part of the year. Additionally, in 2018, Asian crackers maximized LPG feedstock in the summer months as well, when LPG demand for heating purposes was low.

The largest demand for LPG comes from the residential sector. Demand from this sector continues to increase in southeast Asia and China. These are fast-growing GDP and population countries where the use of LPG in households is stimulated by government subsidies to replace traditional heating and cooking fuels such as wood and kerosene, which have substantially more adverse health effects.

## LNG

The LNG market saw strong growth in production in 2018, mainly coming from Australia, the US and Russia. The LNG market continues to be supported by strong demand growth in Asia, particularly China and South Korea absorbed substantial volumes. In Europe, demand remained relatively weak in spite of robust re-export volumes to Asia. In the Middle East, overall imports declined, with the Americas experiencing flat import levels compared to 2017.


# First Crude cargo **Pengerang**

Our industrial terminal PT2SB in Pengerang (Malaysia) celebrated a huge milestone - receiving the first crude cargo for the world-scale RAPID project in Malaysia. PT2SB will have an initial storage capacity of 1.5 million cubic meters for crude, refined products, petrochemical products and LPG. The marine infrastructure includes 12 berths and, with a draft of 24 meters, it can accommodate very large crude carriers.

# Financial performance


Solid financial performance in 2018

## Operating results

### Revenues
In 2018, Vopak generated revenues of EUR 1,254.5 million, a decrease of EUR 51.4 million (-4%) compared to EUR 1,305.9 million in 2017. Excluding the negative currency translation effect of EUR 29.7 million, the decrease amounted to EUR 21.7 million, reflecting lower rented capacity and pricing effects at the oil hub terminals in the Netherlands and Singapore caused by a less favorable fuel oil market for storage. This effect was partly offset by higher revenues from chemicals, vegetable oils and gases.

The average occupancy rate for Vopak's subsidiaries (excluding joint ventures and associates) for 2018 decreased to 86% compared to 90% in 2017. This movement was for a large part attributable to the oil hub terminals.

Vopak's worldwide storage capacity increased with 1.1 million cbm from 35.9 million cbm per the end of 2017 to 37.0 million cbm per the end of 2018.

## Expenses

### *Personnel expenses*
In 2018, personnel expenses -excluding exceptional items- amounted to EUR 336.3 million, a decrease of EUR 1.7 million (-1%) compared to EUR 338.0 million in 2017. Excluding the positive currency translation effect of EUR 6.2 million, the increase amounted to EUR 4.5 million and can mainly be attributed to increased business development activities and investment projects.

During 2018, Vopak employed, in FTEs, an average of 4,063 employees (2017: 4,046), excluding joint ventures and associates. This comprises 3,710 own employees (2017: 3,630) and 353 temporary employees (2017: 416). The increase in the average number of employees is primarily related to investments as part of our digital transformation and its related IT/OT and innovation projects.

Including exceptional items, total personnel expenses for 2018 amounted to EUR 317.2 million compared to EUR 338.0 million in 2017. An exceptional gain of EUR 19.1 million is related to the settlement of the defined benefit pension plan in the Netherlands.

### Other operating expenses
In 2018, other operating expenses -excluding exceptional items- amounted to EUR 329.7 million, which represents a decrease of EUR 8.2 million (-2%) compared to EUR 337.9 million in 2017. Excluding the positive currency translation effect of EUR 6.9 million, the decrease amounted to EUR 1.3 million.

An exceptional loss of EUR 0.9 million in 2018 is related to the deconsolidation of our terminal in Venezuela (2017: no exceptional items).

The Group's other operating expenses -including exceptional items- for 2018 amounted to EUR 330.6 million compared to EUR 337.9 million in 2017.

### Result of joint ventures and associates
In 2018, the result of joint ventures and associates -excluding exceptional items- amounted to EUR 113.9 million, an increase of EUR 2.6 million (2%) compared to EUR 111.3 million in 2017. Excluding the negative currency translation effect of EUR 2.3 million, the increase amounted to EUR 4.9 million. This increase was mainly due to good performance at the joint ventures of the LNG division and the resuming of operations at our Haiteng terminal

(China & North Asia division), including a settlement of a part of the historical positions of this terminal that were previously not recognized, while negotiations on the remaining balance is still ongoing. These increases were to a large extent offset by the lower results of the joint ventures and associates of the Asia & Middle East division in connection with market conditions at the oil terminals.

In 2018, no exceptional items were recognized in the result of joint ventures and associates (2017: EUR 67.2 million loss).

### Group operating profit before depreciation and amortization

Group operating profit before depreciation and amortization (EBITDA) -excluding exceptional items- and including the net result of joint ventures and associates for 2018, amounted to EUR 734.3 million, which is EUR 28.9 million (-4%) lower compared to EUR 763.2 million in 2017. Excluding the negative currency translation effect of EUR 19.2 million, the decrease amounted to EUR 9.7 million. The decrease in revenue was to a large extent offset by the increase in other income primarily in connection with settlements of legal and commercial positions in the Asia & Middle East division.

Including exceptional items, Group operating profit before depreciation and amortization (EBITDA) for 2018 amounted to EUR 754.8 million compared to EUR 695.3 million in prior year.

ROCE -excluding exceptional items- of 11.6% compared to 12.0% in 2017 reflected lower EBIT.

### Cash flows from operating activities and working capital

Cash flow from operating activities (gross) amounted to EUR 687.0 million in 2018 (2017: EUR 713.8 million). This decrease of EUR 26.8 million was mainly related to the decrease of the EBITDA and the one-off payment of EUR 18.0 million related to the settlement of the defined benefits pension plan in the Netherlands.

## Strategic investments and divestments

### Cash flows from investing activities

In 2018 cash flows from investing activities amounted to a net cash outflow of EUR 589.4 million (2017: net cash outflow of EUR 320.6 million). Total investments amounted to EUR 614.1 million (2017: EUR 448.5 million), of which EUR 504.0 million was invested in property, plant and equipment (2017: EUR 319.1 million). Investments in joint ventures and associates, including acquisitions, amounted to EUR 81.8 million (2017: EUR 23.3 million).

Vopak continued to strengthen its global network of terminals, pursuing its long-term growth strategy, and invested EUR 341.0 million in the expansion of existing terminals and the construction of new terminals in 2018 (2017: EUR 127.4 million).

As part of the strategic direction for the period 2017-2019, Vopak has decided to invest approximately EUR 100 million in the period 2017-2019 in new technology and innovation programs as well as replacing its IT systems. In 2018 EUR 28.3 million (2017: EUR 27.4 million) was invested in IT projects.

Vopak's sustaining and service improvement capex budget of EUR 750 million for the period 2017-2019 includes the budget for major service improvement projects and the expected investment of EUR 40 million in our fuel oil network to convert capacity to the desired flexibility and cubic meters to profitably serve the bunker market. Service, maintenance and compliance capex for 2018 amounted to EUR 237.3 million (2017: EUR 208.4 million).

### Divestments

During 2018 no divestments occurred. In 2017, one business development project was divested and the Group partially divested its investment in the joint venture Vopak Terminal Eemshaven in 2017.

### Depreciation and amortization

Depreciation and amortization expenses -excluding exceptional items- amounted to EUR 271.0 million in 2018, a decrease of EUR 1.8 million (-1%) compared to EUR 272.8 million in prior year. Of these total expenses, EUR 15.9 million (2017: EUR 12.4 million) related to amortization of intangible assets. Excluding the positive currency translation effect of EUR 5.2 million, the total increase of depreciation and amortization amounted to EUR 3.4 million. This increase primarily related to the IT projects that were taken in use during the year.

### Impairments

In 2018, the total net gain from (reversal of) impairments (including impairments of joint ventures and associates) amounted to EUR 0.2 million (2017: net loss of EUR 93.9 million). An exceptional gain of EUR 4.8 million was recognized in connection with a reversal of impairment at Vopak Vietnam. This gain was offset by a partial impairment of EUR 4.6 million at our terminal in India.

## Capital structure

### Equity

The equity attributable to holders of ordinary shares increased by EUR 202.8 million to EUR 2,682.8 million (31 December 2017: EUR 2,480.0 million). This increase resulted mainly from the addition of the net profit for the year of EUR 254.5 million and the Other comprehensive income of EUR 80.3 million, partially offset by the dividend payments in cash of EUR 134.0 million.

### Net debt

The net interest-bearing debt increased to EUR 1,825.0 million compared to EUR 1,533.9 million at year-end 2017. Excluding the upward currency translation effect of EUR 63.2 million, the increase amounted to EUR 227.9 million.

Repayments of interest-bearing loans and short-term borrowings during 2018 amounted to EUR 107.5 million.

Proceeds from interest-bearing loans amounted to EUR 286.5 million. The Revolving Credit Facility of EUR 1 billion was utilized for the amount of EUR 200 million as at year-end 2018 (2017: nil).

During 2019, regular repayments of long-term loans will amount to EUR 90.5 million.

As at 31 December 2018, an equivalent of EUR 1,521.4 million (2017: EUR 1,464.0 million) was drawn under private placement programs with an average remaining term of 7.3 years (2017: 7.9 years) in addition to EUR 63.9 million (SGD 100 million) funded by banks at the level of Vopak Terminals Singapore, with an average remaining term of 1.7 years.

The Senior net debt : EBITDA ratio amounted to 2.49 at year-end 2018 compared to 2.02 at year-end 2017. This increase is mainly caused by the capital expenditures during the year.

### Net finance costs

In 2018, the Group's net finance costs -excluding exceptional items- amounted to EUR 82.4 million, a decrease of EUR 16.1 million (-16%) compared to EUR 98.5 million in 2017. The main drivers of this decrease were the lower interest expenses due to debt repayments in the second half of 2017, together with higher capitalized interest expenditures in connection with the construction projects, of which the majority will be commissioned during 2019.

The Group's net finance costs -including exceptional items- amounted to EUR 132.6 million (2017: EUR 122.0 million). This amount contained an exceptional loss of EUR 50.1 million related to the recycling of historical unrealized currency translation losses from equity to the income statement resulting from the deconsolidation of Vopak Venezuela.

In 2017, an exceptional loss was recognized of EUR 23.5 million, primarily related to the make-whole payment of EUR 17.2 million relating to the voluntary early repayment of the USPP 2007 loan.

The average interest rate over the reporting period was 4.1% (2017: 4.4%). The fixed-to-floating ratio of the long-term interest-bearing loans, including interest rate swaps, amounted to 85% versus 15% at year-end 2018, compared to 94% versus 6% in prior year.

### Cash flows from financing activities

Cash flows from financing activities amounted to a net cash outflow of EUR 97.5 million (2017: net cash outflow of EUR 538.8 million). This amount consisted mainly of dividend payments of EUR 171.6 million to ordinary shareholders and non-controlling interests, interest payments of EUR 90.5 million and the net proceeds of borrowings of EUR 179.0 million.

## Income taxes

Income tax expenses -excluding exceptional items- amounted to EUR 55.4 million in 2018, a decrease of EUR 9.3 million (-14%) compared to EUR 64.7 million in 2017. The effective tax rate -excluding exceptional items- was 14.5% compared to 16.5% in 2017. The main drivers behind the overall decrease was a lower average statutory tax rate and the effects of the change in corporate income tax rates in the Netherlands.

Income tax expenses -including exceptional items- amounted to EUR 58.6 million in 2018, an increase of EUR 33.3 million (132%) compared to EUR 25.3 million in 2017. The effective tax rate -including exceptional items- was 16.8% compared to 8.4% in 2017. This increase was mainly due to the non-deductible character of the Venezuela deconsolidation results and the effects of the changes in the corporate income tax rates in the United States and Belgium accounted for in 2017.

## Net profit attributable to holders of ordinary shares

Net profit attributable to holders of ordinary shares -excluding exceptional items- amounted to EUR 289.5 million, an increase of EUR 2.1 million (1%) compared to EUR 287.4 million in 2017. Earnings per ordinary share -excluding exceptional items- amounted to EUR 2.27 in 2018, which was 1% higher compared to EUR 2.25 in 2017.

Net profit attributable to holders of ordinary shares -including exceptional items- amounted to EUR 254.5 million compared to EUR 235.4 million in 2017. Earnings per ordinary share -including exceptional items- amounted to EUR 1.99 (2017: EUR 1.85).

## Dividend proposal

Vopak's dividend policy targets to pay an annual stable to rising cash dividend in balance with a management view on a payout ratio range of 25-75% of the net profit excluding exceptional items attributable to holders of ordinary shares and subject to market circumstances. The net profit excluding exceptional items that forms the basis for dividends to be declared may be adjusted for instance for the financial effects of one-off events, changes in accounting policies, acquisitions and divestments.

A dividend of EUR 1.10 per ordinary share (2017: EUR 1.05), payable in cash, will be proposed to the Annual General Meeting of 17 April 2019. Excluding exceptional items, the payout ratio will amount to 48% of earnings per ordinary share (2017: 47%).

# Storing vital products with care

**Leading assets in leading locations**
**Operational leadership**
**Service leadership**
**Technology leadership**
**People leadership**

# Leading assets in leading locations

A global well-diversified portfolio

Vopak continued to strengthen its global network of terminals in 2018, pursuing its long-term growth strategy with new announcements.

## Highlights 2018

- Industrial terminals: full commissioning of our associate Chemtank terminal in Jubail (Saudi Arabia) as well as commissioning of the first phase of the PT2SB industrial terminal in Pengerang (Malaysia).
- Gas terminals: continuation of the construction of a propane export terminal in Western Canada and the acquisition of a stake in an LNG import terminal in Pakistan. We also announced that we will further expand our Vlissingen terminal (the Netherlands).
- Chemical terminals: expansion of our Merak terminal (Indonesia), this project will increase capacity to meet the higher demand for chemicals. In addition, we will expand our Botlek terminal (the Netherlands) with new capacity.
- Oil terminals: we started converting some of our oil capacity in the hub locations to prepare for the new IMO regulations on bunker fuels. In Sebarok (Singapore) we are constructing additional storage capacity for marine gas oil. In addition, we are expanding our terminal in Jakarta (Indonesia) for clean petroleum fuels.

## Megatrends

As part of our continuous strategic focus, we monitor relevant global megatrends and examine the impact of these developments on our customers' end markets. This enables us to identify future growth opportunities in different product-market combinations.

We believe that the following five megatrends will have a significant impact on the end markets that are relevant to Vopak:

1. **Urbanization**
   Migration from rural areas to cities continues. There is generally a positive correlation between rising levels of urbanization and income, resulting in a higher GDP and a higher demand for the vital products that we store.

2. **Changing demographics**
   Population growth levels vary across regions and countries. While growth is typically slowing down in OECD countries, a number of non-OECD countries are showing strong growth. Another development which is seen especially in OECD countries, is an aging population that consumes less relative to a younger population.

3. **Geopolitical developments and global trade**
   International trade has grown considerably over the last decade due to the increasing interconnectivity of global and regional value chains. However, recent political polarization and the rise in protectionist policies could contribute to uncertainty, affecting markets and disrupting efficiencies that are currently supporting global trade.

4. **New and disruptive technologies**
   Technological advances and the increasing speed of the adoption of new technologies require companies to monitor these developments more closely. For instance, the large-scale adoption of electrical or hybrid vehicles will impact fuel demand in OECD countries, more so than in non-OECD countries.

**Sustainability and climate change**
The Paris Agreement and the annual United Nations Climate Change Conferences have further strengthened

the resolution to limit global warming. Extreme weather, the effects of excessive pollution in certain cities, and natural disasters, to name a few, have all led to increased awareness among companies and customers of the need to tackle climate change and reduce emissions.

## End markets

Vopak is active in providing infrastructure services for vital products used in three end markets:

- **Energy**
  Energy demand is expected to continue to grow over the next decades. Depending on the speed of technological advancement and costs, renewable sources, such as solar and wind are expected to grow the most. However, from a much smaller base. Gas is expected to grow significantly given its availability and competitiveness. For the transport sector, oil is expected to continue to constitute a large part of the energy mix.
  However, energy efficiency improvements and alternative fuels will cap oil demand growth. Furthermore, growth patterns will look very different depending on the different regions.

- **Manufacturing**
  Main market sectors such as construction, automotive and advanced industry use chemicals as feedstock for their manufacturing. These sectors are expected to grow significantly over the next few decades, creating opportunities to provide additional industrial infrastructure as well as distribution services in end markets.

- **Food & agriculture**
  Population growth and rising wealth levels drive the demand for food and agriculture. Our vegoil business is closely connected to this sector, although we have limited exposure to this segment.

## Expected impact on Vopak's business environment

We expect that a growing population, urbanization and increasing wealth levels will drive demand in these end markets, especially in non-OECD countries. Demand for chemicals, gas and edible oils is forecasted to increase the most, as well as the demand for oil and oil products, albeit at a slower pace, and only in specific regions. Given the fact that production centers for different product groups are generally not located near demand areas, this will further increase trade flows. The changes in these flows and the possible substitution of products mean that we have to examine each region and location within these regions separately. As part of our review process, we will continuously monitor these trends and anticipate their impact on our business at a local level.

## Opportunities per strategic terminal type

We continuously use our insights to further sharpen our value proposition for the four terminal types through which we serve our customers:

1. **Industrial terminals**
   New large-scale petrochemical complexes and refining centers are expected to arise in feedstock-advantaged regions (i.e. the US and the Middle East) and/or close to growing end markets such as Asia. State-owned oil and chemical companies, as well as other customers serving the oil and chemical majors, are increasingly interested in contracting storage and handling services that are integrated into their industrial processes but executed by specialists like Vopak under long-term agreements.

2. **LNG, LPG and chemical gases terminals**
   Gas will play an increasingly important role in the global energy mix. Based on the shale gas developments in the US, the global growth in liquefaction (LNG) and the diversification of energy and feedstock in the Middle East, we expect that gas will become a more globally traded vital product. In order to optimize supply chains, additional infrastructure will be required that facilitates the growing trade in these products.

3. **Chemical terminals**
   The strong growth of global chemicals demand is leading to an increased need for chemical storage capacity. To benefit from this development, Vopak has a strong presence in key chemical hub locations, including Antwerp, Rotterdam, Singapore and Houston. Vopak is expanding its storage capacity in developing countries with fast-growing end markets such as Indonesia and Brasil. Besides growth, we are continuously searching for opportunities to improve our competitive position by further optimization of our assets and industrial integration with our customers in these locations.

4. **Oil terminals**
   Oil import, distribution and hub terminals remain an important part of Vopak's business. For oil products hubs, most growth is expected to take place in non-OECD countries. The diverse product specifications mean that hubs such as Rotterdam, Fujairah and Singapore will remain relevant as locations to blend, break bulk and make bulk. Looking ahead for import and distribution terminals, non-OECD markets provide opportunities mainly arise from increasing demand for transport fuels in markets without sufficient refining capacity. This, in combination with the deregulation of markets, offers new possibilities for the storage and distribution of fuels.

# Growth - Leading assets leading location

**February**
- Vopak and its partner PT AKR Corporindo announced to expand their import-distribution terminal in the Port of Jakarta, Indonesia. The expansion will add 100,000 cbm of storage capacity for clean petroleum products and biofuels supporting customers to comply with Indonesia's biofuel blending mandate regulations.
- Vopak announced to expand its Sebarok terminal in Singapore with 67,000 cbm. The expansion mainly caters for storage and handling of marine gas oil to strengthen the position of our Sebarok terminal with the flexibility of handling multiple fuels following the implementation of the International Marine Organization's global sulphur cap as of 1 January 2020.

**April**
- Vopak announced that it will expand its wholly-owned Botlek terminal which is located in the Port of Rotterdam, the Netherlands. The expansion will add 15 new stainless steel tanks with a capacity of 63,000 cbm for styrene and other chemical products.

**August**
- Vopak announced that it will expand its chemical terminal in Merak, Indonesia, with 50,000 cbm to 131,000 cbm.
- Vopak announced that it will further strengthen its global chemical storage positions. A new jetty will be constructed at Vopak Terminal Linkeroever in Antwerp, Belgium, enabling planned future growth. Furthermore, a major service improvement project will commence at Vopak Terminal Penjuru in Singapore, to service the chemical market in Singapore.
- Vopak announced to invest in its Europoort terminal in Rotterdam, the Netherlands, to support 0.5% low sulphur fuel oil bunkering. This investment is supported by customer commitments.

**November**
- Vopak announced that it will expand its wholly-owned gas terminal in Vlissingen (the Netherlands) by 9,200 cbm of capacity for LPG and chemical gases to serve the NWE market.
- Vopak and its partner Reatile announced that they will further expand their activities in South Africa by investing in a new LPG import and distribution terminal with an initial capacity of 15,000 cbm in Richards Bay, subject to final conditions. This investment facilitates further imports of a cleaner energy source into South Africa.

**December 2018/January 2019**
- Vopak acquired a 29% share in the associate Engro Elengy Terminal on 25 December 2018. On 23 January 2019, Vopak acquired an additional share of 15%, bringing the total share in this joint venture to 44%. This LNG import facility consists of an LNG jetty and high-pressure gas pipeline and holds a 15 year Floating Storage and Regasification Unit (FSRU) time charter.
- On 25 January 2019, Vopak acquired an additional 35% share in Vopak Terminal Ningbo, bringing the total share in this chemicals terminal to 85%.

**February (2019)**
- Vopak announced that it will expand its terminal in Veracruz in Mexico with 110,000 cbm for the storage and handling of clean petroleum products. Mexico is a deficit market which has recently been opened.
- Vopak announced that it will expand its terminal in Vietnam with 20,000 cbm for the storage and handling of chemicals.

# Growth perspective

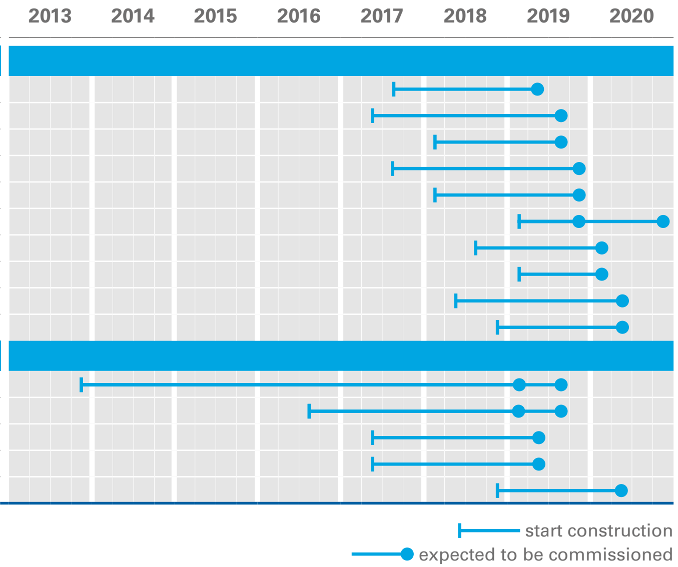
## Storage capacity development

| Country | Terminal | Vopak's ownership | Products | Capacity (cbm) | Commissioned |
|---|---|---|---|---|---|
| **Storage capacity per 31 December 2017** | | | | **35.9** | |
| **New and existing terminals** | | | | | |
| Saudi Arabia | Chemtank Jubail | 25% | Chemicals | 74,000 | Q2 2018 |
| Malaysia | PT2SB (Pengerang) | 29.7% | Chemicals/oil products/LPG | 743,000 | Q3 2018 |
| Pakistan | Elengy Terminal Pakistan | 29%[1] | LNG | 151,000 | Q4 2018 |
| United States | Deer Park | 100% | Chemicals | 138,000 | Q4 2018 |
| **Net change for the period as per 31 December 2018** | | | | **1.1** | **million cbm** |
| **Total Storage capacity per 31 December 2018** | | | | **37.0** | **million cbm** |

Total storage capacity including announced developments up to and including 2019: 39.1 million cbm.

## Announced storage capacity developments

| Country | Terminal | Vopak's ownership | Products | Capacity (cbm) |
|---|---|---|---|---|
| **Existing terminals**[2] | | | | |
| Malaysia | Pengerang Independent Terminals (PITSB) | 44.1% | Oil products | 430,000 |
| Brazil | Alemoa | 100% | Chemicals/oil products | 106,000 |
| Singapore | Sebarok | 69.5% | Oil products | 67,000 |
| South Africa | Durban | 70% | Oil products | 130,000 |
| Indonesia | Jakarta | 49% | Oil products | 100,000 |
| Mexico | Veracruz | 100% | Chemicals/oil products | 110,000 |
| Indonesia | Merak | 95% | Chemicals | 50,000 |
| Vietnam | Vopak Vietnam | 100% | Chemicals | 20,000 |
| Netherlands | Rotterdam Botlek | 100% | Chemicals | 63,000 |
| Netherlands | Vlissingen | 100% | LPG and chemical gases | 9,200 |
| **New terminals** | | | | |
| Malaysia | PT2SB (Pengerang) | 29.7% | Chemicals/oil products/LPG | 753,000 |
| Panama | Panama Atlantic | 100% | Oil products | 360,000 |
| Canada | Ridley Island Propane Export Terminal | 30% | LPG | 96,000 |
| South Africa | Lesedi | 70% | Oil products | 100,000 |
| South Africa | Richards Bay[3] | 70% | LPG | 15,000 |




[1] In January 2019 Vopak expanded its share in this associate terminal with 15%, bringing the total equity participation to 44%.
[2] In January 2019, Vopak acquired an additional 35% equity share in Vopak Terminal Ningbo (China) bringing the total share in equity to 85% and effectively obtaining control. The storage capacity of this terminal was already part of the capacity of the Vopak network.
[3] On 5 November 2018, Vopak and its partner Reatile announced that they will invest in a new LPG import and distribution terminal in Richards Bay, subject to final conditions.

# Operational leadership

**The right people, high quality assets and robust processes**

Vopak aims to be an industry leader in the areas of:
- Designing and engineering of new assets
- Project management for the development of new assets
- Commissioning of new assets
- Operating and maintaining assets throughout the network.

In all of these areas, we distinguish ourselves from the competition by setting the standard in the field of sustainability, service delivery and efficiency.

We have developed and we maintain policies, standards, core processes (blueprints), systems, toolkits and training programs to support our leadership ambition in these areas.

## Trusted partner

Vopak stores vital products with care. These products are crucial to people's lives but can endanger their health and the environment if stored or handled inappropriately. We abide by existing rules and regulations as a minimum and adopt best practices whenever possible. Safety is our first and foremost priority.

## Health and safety

Our ambition is to perform as good as our best-performing customers. Our 'License to Operate' and our 'License to Grow' are conditional upon our ability to design, construct and operate safely and responsibly.

Process safety and the health and safety of our own employees and our contractors are our top priorities. We have developed a thorough understanding in designing and constructing our terminals as well as in designing core processes with the appropriate level of controls, and in following a robust maintenance regime. As from the development stage, all our terminals are governed by an extensive set of global standards that also meet the local regulatory requirements. Where there are differences, our approach is to adopt the more stringent requirements.

### Assure program – accident prevention

The Assure program is one of our core programs and provides a framework to prevent major process accidents that have a high potential impact on our people, contractors and facilities. During 2017 and 2018, Assure audits were performed on all eligible terminals after which terminals would be declared compliant or not compliant with our own internal standard. The audits were preceded by extensive efforts of all terminal teams to assess and resolve deficiencies. Deficiencies identified in the audit must be resolved within a given timeframe. The Assure program not only prioritizes and helps us to 'do the right things', it also helps to demonstrate conformance with the Vopak standards.

### Trust and Verify Program

Over the last few years, our safety performance has stabilized around the same levels. In order to make real progress in this area, we launched the new safety program 'Trust and Verify'. This program centers around two key questions: 'Am I in control?' and 'How do I know?'. By answering these two key questions, we will drive improvements and address the root causes of the most common types of incidents.

The program introduces a robust verification process aiming to:
- Drive continuous safety improvement
- Strengthen accountability, ownership and responsibility in executing our tasks, from operator to Executive Board
- Instill discipline that 'we always do what we say we are going to do'
- Increase awareness, knowledge and understanding of how/why we do things and what is key in keeping us safe.

We started the roll-out of the program in December 2018 and we expect the program to last for two to three years.

### Equipping our people – Vopak fundamentals and core processes

We have developed a system called MLO (My Learning Operations) to train and assess our operational employees on our core operational processes, such as shipping and trucking. All our core e-modules related to our operational activities were uploaded in 2018. These training programs will also be administered and monitored through our MLO system.

### Contractor management

Our construction and maintenance activities are often performed by contractors under our supervision. Driven by the many greenfield projects, as well as maintenance activities at our existing terminals, our contractors' exposure hours equal and mostly exceed that of our own employees, making contractor management equally important as that of Vopak employees.

The process starts with the selection of contractors for which safety performance and experience are critical qualifying criteria. We require our contractors and their subcontractors to behave responsibly and uphold at least the minimum standards defined in our Supplier Code which covers care for safety, health and the environment, integrity and compliance with human rights and labor conventions.

We have identified locations where labor rights related risks are higher, in which case we take on an extended role to check that minimum conditions are being met. Our contractor development efforts are mainly in the area of health and safety, human rights, labor conditions and business ethics and integrity.

## Environmental Management

Vopak operates storage terminals in countries involving directly as well as indirectly thousands of people and over 1,500 hectare of land. This brings with it responsibilities for the surroundings, not just with respect to soil, water and air, but also towards the local communities and neighbors.

Our operations can adversely impact the environment through emissions, which in our case are related to Volatile Organic Compounds (VOCs), through soil contamination (and consequently groundwater pollution) as well as through water pollution. Although carbon dioxide emissions are not a key topic, Vopak has chosen to report on these voluntarily.

Our approach is to reduce the risks of environmental impact first through design, supported by robust processes to prevent such occurrences. Additionally, we have an ongoing process to ensure the integrity of our assets covering safety critical equipment, such as tanks and pipelines. Our approach also involves continuous engagement with each stakeholder during the construction phase and operational phase of each terminal. This stakeholder engagement is addressed locally.

The majority of our spills are contained and recovered due to the provision of secondary containment.

## Environmental Management System

The environmental program is reflected in our internal Vopak standards (Environmental Impact Assessment and Soil and Groundwater management).

The structure is based on:

- Prevention of new emissions through increasing the integrity of our assets and mitigation systems such as impermeable containment of liquids to prevent soil and surface water contamination as well as vapor treatment techniques for controlling air emissions
- Controlling of existing (soil and water) contaminations from spreading
- Remediation of non-acceptable risks and situations and follows the requirements of the ISO 14001 standard.

### Biodiversity

Biodiversity is not only care for the environment. Within Vopak, biodiversity is placed in a much wider context. Within our set of global standards, we describe how to assess the impact that Vopak has on its surroundings. This can either be an environmental impact and/or a social impact. Important topics that are addressed in these standards are air quality (odors, VOC emissions, $SO_x$ and $NO_x$ emissions), soil and groundwater use, light (effects on bird migrations), impact on areas with high biodiversity, noise and archeological artifacts. Wastewater treatment and the amount and quality of waste are also part of this impact assessment.

Our hazardous waste is regulated through the Waste handling standard, which every terminal should apply, even when the specific country requires a lower standard.

## Monitoring framework for safety, health and the environment

We use API RP 754 and OSHA 1904 as frameworks and the basis for monitoring safety, health and environment-related performance. The typical KPIs related to measuring performance are lagging indicators, which measure past performance. They are used actively at all our facilities. These include reporting incidents and near misses, sickness and absenteeism rates, contractor performance.

Our monitoring framework includes programs to monitor the health of our operations. This is further secured through our THA program, which is based on the Chemical Distribution Institute audit protocol for Terminals (CDI-T). This audit covers broad areas from site management and asset integrity to conformance with Vopak standards, and this audit is repeated every three years. We will carry out another improvement cycle during 2019 with the objective of defining an adjusted THA program, based on our Assure parameters.

Likewise, we have programs to monitor our safety culture. We conduct external safety culture surveys at least every five years. We also aim to conduct an employee engagement survey every two years.

In terms of people, some of our programs are literally monitoring the health of our employees, especially personnel at the terminals who have to perform physical activities on site. For example, within our Netherlands division, which has a higher percentage of older employees, the 'Vopak Vital' program was initiated to encourage physical exercise.

## If things go wrong

### Emergency preparedness

Our terminals are equipped and tested once a year on their emergency and crisis management response. Emergency preparedness is an important aspect within our operations and our emergency response and business continuity plans account for scenarios including disasters. A typical Emergency Response Plan (ERP) at a terminal includes various scenarios and their recommended response steps, the necessary contacts (e.g. neighbors, support and organizations) and escalation channels should the incident require this. In defining these ERPs, local authorities are involved that represent local communities.

### Incident reporting and learnings

All employees, including contractors and service providers, are expected to participate in safety dialogues, which also include reporting observations and incidents. We follow the reporting guidelines of API RP 754 tracking both lagging as well as leading indicators. Incidents and high potential near misses are reviewed, with actions tracked to ensure that these are resolved.

Sharing learnings forms an important part of creating awareness and influencing a safer behavior through improved insights. Key incidents and learnings are reported quarterly, and form part of the management topics discussed at the highest levels within the organization. In striving to reach all levels within the organization, key learnings are converted into 'Safety Alerts', which are shared internally across our terminals.

## Best practice sharing

The most effective sharing of learnings has been within the area of safety, primarily driven by our zero incidents ambition. We can quickly distribute alerts following incidents and high potential near misses.
Safety performance, alerts and learnings are shared globally every two to three months. A Google+ platform was set up during 2018 to facilitate the sharing of best practices and learning.

## Project management for the development of new assets

The project certainty (safe, on time, within scope and budget) of our assets under development around the globe improved further during 2018. The successful start-up at our largest project site at Pengerang (PT2SB), the successful (re)start-up in Haiteng, the commissioning of our new jetty at Westpoort are just a few examples of projects delivered. Our increased experience and competencies in the area of project management, our proficiency in the Vopak Project Management blueprint and our strict adherence to gating criteria have helped to improve our performance in this area. During 2018, we also introduced a new program to further develop our project managers and directors in all divisions. In cooperation with IPMA (International Project Management Association), we are developing the skills and competencies of around 65 staff members globally.

## Designing and engineering new assets

We aim to be industry leaders in this area, by focusing on improving time to market and delivering on a first-time-right principle. We have developed and maintain our Repeatable Formula and Flow Modelling tools, in combination with our Terminal Automation Blueprint to support our ambition.

We are continuously evaluating how we design, build, operate, maintain and improve our facilities in order to ensure that our services remain relevant to changing market needs. We aim to apply a common approach in all these different phases, supported with the right toolkits, ensuring that we follow key processes with people who are trained in their respective roles.

During 2018, we launched our Global Engineering set-up. A team located in two hubs (Rotterdam and Singapore) which provides conceptual engineering services for all our growth projects worldwide. This set-up will help us to reduce the time to market at a more competitive cost level.

## Operating and maintaining assets throughout the network

High-quality assets in the right locations, manned by the right people, and robust repeatable processes in order to deliver at expected service levels, efficiently; this is what distinguishes us from our competitors. These key processes are described in our One Vopak Experience (OVE) blueprint and our Standards.

The OVE blueprint, as well as the product movement standard and stock standard form the basis for our newly developed operations system MyService. This system covers the whole Order to Cash process, including the Arrivals to Departure process of the various modalities calling at our terminals. We have successfully implemented the first version of MyService at Savannah, Los Angeles, Long Beach and Pengerang (PT2SB) during 2018 and will continue with the further development and implementation of MyService over the coming years.

We aim to have Operational Review Meetings with our customers on a regular basis in order to evaluate our service levels. We measure our customer satisfaction through our annual Net Promoter Score (NPS) survey and draw up action plans from the feedback that we receive. During 2018, we started delivering, installing and using dashboarding tools at terminals in the Europe & Africa, Americas and Asia & Middle East division to enhance our ability to monitor our daily operational performance.

In addition to the OVE blueprint, we have in place a blueprint describing the Maintain to Operate process (ME2). We will define and implement a Maintenance Improvement Plan in 2019, focusing on further professionalisation in the area of Maintenance Management.


# **Trust and Verify!** SHE Day 2018

Safety is of the highest priority at Vopak and for our annual Global SHE Day, we invite colleagues, contractors and stakeholders to explore a theme which reiterates the importance of Safety, Health and Environment at our terminals. This year's SHE Day theme was 'Trust and Verify', a program that supports our ambition of zero incidents, zero injuries and zero spills at our terminals.

The program encourages engagement and observation at both the front line among our operators, as well as among leadership to review the Safety Management System in place. SHE Day is the perfect opportunity to raise awareness on the importance of maintaining a safe working environment.

# Service leadership

Further improving frontline execution

## Frontrunner in tank storage

Vopak is a market leader with its global presence and its ability to continuously set the standard. It is our aim to be 'best-in-port'. Our customers expect this from us as a frontrunner in tank storage. Vopak delivers and continuously improves its services by actively engaging with customers and other stakeholders. Our structured engagement approach includes regular contacts with customers such as in operational review meetings and stewardship meetings. This is complemented with our recently implemented customer survey approach providing continuous feedback and stimulating dialogue with a wide range of people who experience our services in their organizations, from operational to boardroom level. In line with our customer-centric approach, we segmented our service offering to customers so that we can provide tailored services.

## Consistent customer experience

We recognize that our customers expect Vopak to consistently deliver the highest service levels throughout the customer journey. Our services are experienced and appreciated on the basis of trusted operations at all our terminals around the world. Our focus on safety and sustainability, combined with advanced sanction compliance programs, ensures that our customers can place their trust in our services.

## Enhanced service through connectivity

Vopak plays a fundamental role in the supply chain of our customers and aims to add value, driven by an efficient exchange of information and real-time data availability. We feel responsible for delivering the insights and information to our customers in a smooth, secure and efficient way. Easy access to information is an integral part of our service offering. Our commitment to innovating our services through digitization and connectivity enables us to deliver on this promise.

Your most reliable business partner maximizing supply chain value by connecting real-time and forward-looking data in the center of activity while storing vital products with care

Vopak MyService is delivering on our ambition to improve service delivery capabilities and to meet customer needs for more transparent, real-time and easily accessible information. A modern user interface, the integration with our field equipment and equipping operators with modern mobile devices are key elements to meet these customer needs. This helps us all to work smarter, safer and more efficiently.

With Vopak MyService, we can serve our customers even better: stock information is more accurate and available near real-time, allowing customers to be more in control. The MyVopak customer interface is clear, more intuitive and designed in accordance with the new security regulations. In the US and Asia, the first terminals in our network are already successfully using Vopak MyService.

# **Real-time data** in Vopak MyService

# Technology leadership

Becoming digital in all our activities

Becoming digital in all our activities will contribute to our high safety standards and will enable us to operate in an efficient and effective way. By embedding new technologies, such as I-IoT sensors, blockchain, artificial intelligence and machine learning, we can differentiate our services to our clients. Moreover, our increasingly agile operating environment enables us to continually adapt to proactively meet customer expectations on a global scale.

Our strategic decision to develop our own terminal management software, called MyService, for processes where we can make the difference, has been rolled out successfully in the first locations. By sharing data in real time, we contribute to cost savings for our clients as this enables them to improve their supply chain planning by minimizing delays. In our MyServices software, we also embed real-time tank measurement applications.

## Making legacy assets smart

I-IoT technology enables us to create smart assets and a digital copy of our terminals. We have developed a state-of-the-art edge computing architecture to handle large volumes of data to operate and maintain our assets. The algorithms that we develop in our cloud environment based on new data insights can be delegated and operated at the edge. Being able to work real time will contribute to a safer operational environment as well as a further optimization of our processes within and outside our terminals, interacting with a variety of stakeholders such as customers, customs, logistic service providers and port authorities. We strongly believe that further commercialization of API-based data flows will improve global supply chains. As sensors are a key new technology in supply chain management, we continue to invest in smart solutions that are being developed by start-ups and scale-ups around the world.

## Technology works, people need to change

We are well underway with changing our IT and OT landscape. The migration to cloud-based SaaS, PaaS and IaaS solutions has provided a very robust and safe operating environment with high performance levels across the world. As a consequence, we can change our processes and working procedures by applying these new technologies. However, in order to do so, we have to invest in change management. Training sessions were held in 2018 to increase the digital awareness of our leaders and their ability to translate new technological developments into the Vopak way of working.

## Innovation

Over the last year, we continued to invest in accelerating innovation. We set up ten 'lighthouse terminals' to combine the different technologies and examine the impact on terminal operations and the processes involved. In 2018, we started to scale up our pilot projects, such as our digital vessel-clearance process, and the roll-out of our digital Control and Permit to Work process, which is linked in real time to our maintenance management process. This enables a paperless process with higher safety while executing at lower costs.

In December 2018, we executed the world's first robotic tank inspection while having product in the tank. In this way, tanks do not have to be taken out of service as the ATEX robot can operate without the need to empty the tank and so serve our clients better.

## Data-driven company

In 2018, we further strengthened our data analytics team to inject and analyze our new data flows. We have made our data available to our staff and launched the use of self-service analytic tools. These visual tools have contributed to relevant and valuable data insights for our customers, using timestamps of processes real time. This also enabled us to approach our maintenance in a predictive way enabling us to manage our assets better, smarter and more cost-efficiently. Through our new API-based platform, we can now easily integrate external data sources into our own software at high speed. These API-based data exchanges will eventually replace the traditional exchange-to-exchange (E2E) connection with customers and envisioned interactions with third parties in the value chain and beyond.

## Cybersecurity: our COINS program

Our assets and our people are becoming increasingly interconnected, which means that we must give the highest priority to protecting our assets against cyber attacks. In 2018, we successfully implemented a centrally-managed firewall platform with a Network Operating Center in Rotterdam (the Netherlands). As a result, we now have 24/7 monitoring control of all data flows at our terminals. In the event of security incidents, we have lowered our global response time to minutes instead of days. We will continue to further increase the level of security of our OT environments in 2019 by upgrading the physical network infrastructures.

## Vopak Ventures

In June 2018, we founded Vopak Ventures aimed to take participations in innovative companies. With Vopak Ventures, we are able to gain access to new technologies and enhance our intellectual property and the (potential) value thereof that we are developing in cooperation with tech start-ups and scale-ups as investor and partner. This initiative will help us accelerate innovative change within Vopak.

# People leadership

We aim to inspire and challenge our people

We are dedicated to demonstrating leadership in this ever-changing world, which means adapting and organizing our company to meet the needs of the future. We aim to inspire and challenge our people, without losing sight of our strong core competencies and values.

## Sharing the Vopak Values

Our business environment has become increasingly competitive and volatile, with additional governance and legal requirements to adhere to. Given these developments, it is even more important to reinforce our Vopak Values, since these values support us in making decisions in difficult circumstances.

We re-emphasized the importance of our Vopak Values and Code of Conduct during 2018. We further strengthened the knowledge and awareness about these important topics through Code of Conduct related online training sessions and a Code of Conduct global awareness campaign. Many topics were addressed such as inclusiveness, compliance with sanctions, anti-bribery, privacy and cybersecurity. We will further enhance the awareness and knowledge of the Code of Conduct in 2019 with special attention for inclusive behavior and speaking up.

The General Data Protection Regulation (GDPR) came into effect in May 2018, which was also the moment that Vopak formally launched its Privacy Code. In order to increase the awareness and knowledge of the Vopak Privacy Manual, we also launched an online training for local privacy officers, we further enhanced our global privacy counsel network and we organized several activities including workshops and presentations.

## Talent attraction and retention

Attracting, developing and retaining talent is critical to our success. Vopak's environment is changing rapidly, therefore different skills and backgrounds are needed, now and in the future. At the same time, we need to retain critical skills to build on our existing experience and knowledge. This is even more challenging outside Europe where the Vopak brand is less visible and less well known outside our industry. Whereas, these are often the countries of high growth or higher growth potential.

Our approach to talent management is having a strong development focus and facilitating learning on the job. This also allows us to rejuvenate our workforce. We believe in growing careers internally and therefore, we focus as much as possible on promoting career development within the company.

**Care for Safety, Health & Environment**
Sustainability is at the core of every decision

**Integrity**
We can look ourselves in the mirror every day

**Team spirit**
We work together, we excel together

**Commitment**
We say what we do and we do what we say

**Agility**
We learn, adjust, improve and change

## People development

Our people development efforts are all geared towards having the right people with the right skills in the right place at the right time, in order to strengthen our organization and enable further growth. Opportunities for growth and development are a key component for staff retention.

Our performance review process not only focuses on measuring past performance but also on steering long-term development. In 2018, we completed the new performance management process which is simpler than the previous one and has a stronger focus on performance delivery and the Vopak Values.

Development needs are identified and translated into plans based on a yearly cycle. This development process includes job rotation, which allows teams to rejuvenate either with people from other positions within Vopak or external hires.

We have made further efforts to strengthen leadership development through our LEAD (Leadership Excellence And Development) program. We also launched the Accelerate 2LEAD for managers program in 2018. We believe that leadership behavior is crucial in embedding and sustaining the Vopak Values in the organization. Consequently, the Vopak leadership profile is based on the Vopak Values.

## Critical capabilities

Vopak encourages continuous improvement and innovation. We have identified areas of focus that are strategically important but where we are traditionally less well-equipped as an organization, or where our internal development pipeline lacks capacity. Technology leadership is one of these strategic focus areas, which we believe will support future success. One of the most notable achievements in 2018 was the successful development of our cloud-based solutions to support our core Finance, Procurement and HR execution processes.

The team that developed this consisted of a group of internal professionals with in-depth knowledge of our processes in combination with external experts familiar with the new technology.

## Diversity

Vopak operates in many countries. Therefore, our workforce is very diverse in terms of nationalities, ethnicity, gender, beliefs, age, educational background, competencies and skills. Increasing diversity reflects the society we live in, ensures that all employees can develop their potential to the full and improves the way we solve problems. Furthermore, it widens our access to talent while at the same time contributing to retention.

The oil and gas industry traditionally has an imbalance in terms of gender representation, and therefore a very basic route to widen our access to talent is to focus on this issue.

We have achieved varying degrees of success in increasing talent diversity in other dimensions such as nationalities, ethnicity, and background. Our intention is to have a well-balanced international representation in our global operations. Our global leadership is mainly comprised of Dutch nationals, the majority of whom have extensive international experience, while our terminal and divisional management teams are comprised of a variety of nationalities.

As a network company, many individuals within a local team have the opportunity to participate regionally and globally. Short-term as well as long-term assignments outside one's own home country are common. This development opportunity also provides returns in terms of sharing best practices and experience globally, in addition to meeting both business and career enrichment needs.

## Compensation and benefits

Vopak's compensation philosophy is to provide market-competitive pay and benefits while rewarding employees for their individual performance. At the same time, the company constantly aims to maintain a balance between costs and market competitiveness. The organization's compensation package includes a base salary and may include incentives, such as variable cash incentives and share-based compensation for senior management. It also includes comprehensive benefits, which vary by country, depending on the local market practice and the tax and social security structure.

Vopak has a non-discriminatory compensation policy, which is based purely on the requirements of the job and the experience and competencies of the individual.

## Living wage

Vopak supports the 'living wage' principle in the United Nations Universal Declaration on Human Rights stating that everyone who works, has the right to just and favorable remuneration. Vopak seeks to pay fair wages meeting or exceeding the amount for basic living needs in line with its UN Global Compact commitment. A living wage is the minimum income necessary for workers to meet their basic needs, whereas a minimum wage is the lowest remuneration that employers can legally pay their workers.

During 2018, we reviewed the salary data for all Vopak employees in all 25 countries except for Venezuela. In all the countries we concluded from our review that our wages meet or exceed the 'living wage' for that particular country and/or region. In addition to our own employees, during 2018, we have added the living wage' principle in our Supplier Code.

Venezuela was excluded from the living wage survey due to the lack of official indicators and no accurate benchmarks available to measure basic work and humanitarian dimensions as a result of the continuing economic crisis in 2018. However, we maximize our efforts to provide wages that allow our employees to meet their basic living needs.

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Storing vital products with care
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## Enhancing HR capabilities

We continued with the implementation of a new global HR infrastructure platform in 2018, including recruitment and learning. Certain elements were already implemented in 2016-2017. This platform, which we call MyPulse, serves as a springboard for employees to steer their own performance, targets, training, and career optimally and it also enables line managers to obtain in-depth and relevant insight into all details of their organization. MyPulse has been rolled out globally in most Vopak entities reaching over 4,500 employees and has standardized and simplified all key HR processes.

## Human rights

Vopak respects human rights as described in the United Nations (UN) Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, and accepts the responsibility to ensure that all our entities respect human rights when conducting business.

Major investment proposals are required to be screened for human rights issues. Our screening is based on the country in which the project is being carried out and the characteristics of the investment proposal. The screening includes an assessment of the areas where the risks of human rights issues are high. For these projects, specific agreements are made between all the stakeholders in the project which detail the manner in which parties will uphold human rights.

All partners, contractors and suppliers are required to adhere to the Vopak Code of Conduct, which also covers human rights.

## Labor rights

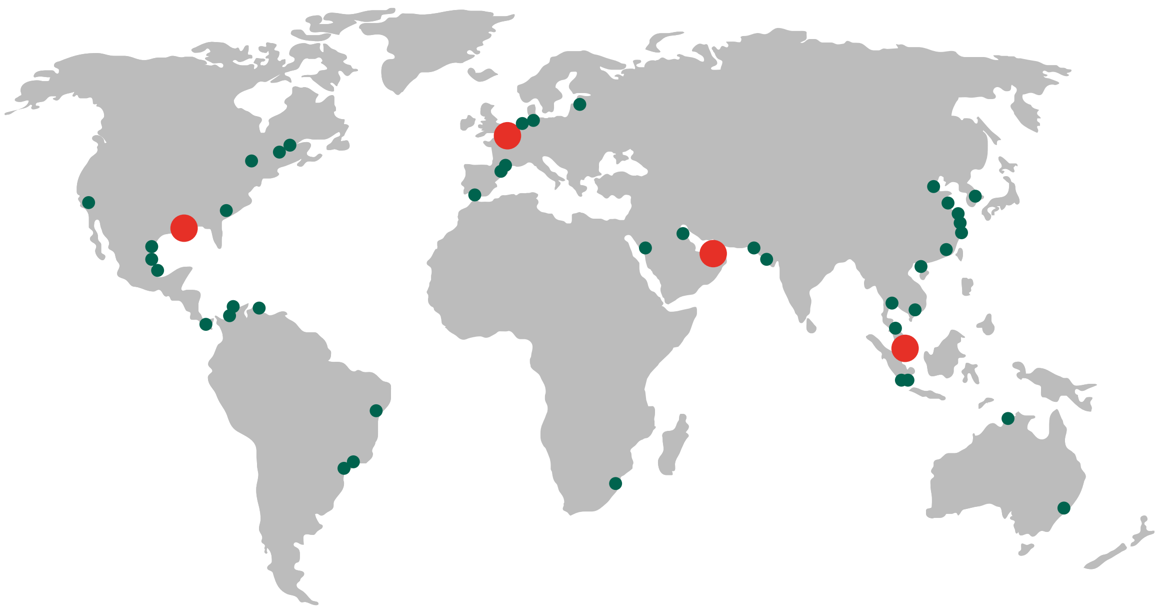
In line with the aforementioned UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, we base our labor rights commitments on the International Covenant on Civil and Political Rights, on the International Covenant on Economic, Social and Cultural Rights and on the fundamental rights set out in the International Labor Organization's Declaration on Fundamental Principles and Rights at Work.

We seek to uphold these rights in our operations and in our relationships with our suppliers, our business partners, works councils and unions within the boundaries of local laws and regulations.

# Key developments per division

# Overview

Per 1 January 2018, Vopak further streamlined its divisional structure, our 68 terminals, in 25 countries, are structured in 5 divisions. Going forward, Vopak reports the following five divisions: Europe & Africa, Asia & Middle East, China & North Asia, Americas and LNG.



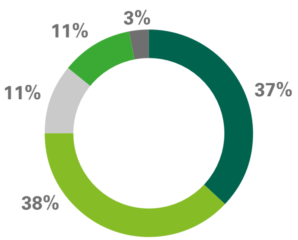
**Number of terminals**
**68**

**Number of countries**
**25**

**Number of joint ventures**
**27**

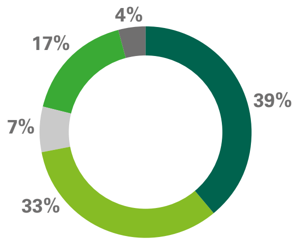
**Number of divisions**
**5**


### Capacity per division



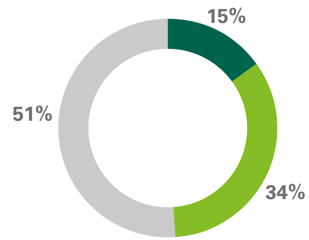

| In million cbm | 2018 | 2017 |
|---|---|---|
| Europe & Africa | 13.7 | 13.7 |
| Asia & Middle East | 14.1 | 13.3 |
| China & North Asia | 4.2 | 4.2 |
| Americas | 4.0 | 3.9 |
| LNG | 1.0 | 0.8 |
| **Total Vopak** | **37.0** | **35.9** |

### EBITDA per division




| In EUR million, -excluding exceptional items- | 2018 | 2017 |
|---|---|---|
| Europe & Africa | 302.8 | 326.7 |
| Asia & Middle East | 256.0 | 279.8 |
| China & North Asia | 53.4 | 23.2 |
| Americas | 129.0 | 129.9 |
| LNG | 34.9 | 33.1 |
| *Global functions, corporate activities and other* | *- 41.8* | *- 29.5* |
| **Total Vopak** | **734.3** | **763.2** |

### Original contract duration




| In percentage of revenues | 2018 | 2017 |
|---|---|---|
| Contracts < 1 year | 15 | 21 |
| Contracts 1-3 years | 34 | 35 |
| Contracts > 3 years | 51 | 44 |
| **Total Vopak** | **100** | **100** |

# Europe & Africa

Investing in distinct service capabilities

Vopak's Europe & Africa division operates 19 terminals in six countries. In Europe, terminals are located in Belgium, Germany, Spain, Estonia and the Netherlands. In Africa, Vopak operates a terminal in South Africa. Besides its terminals, Vopak Europe & Africa also offers agency services via a network of offices in Northwest Europe and Singapore.

Jan Bert Schutrops, Division President Europe & Africa:

## Market developments

"Similar to last year, the fuel oil markets suffered from reduced exports from Russia, continuing impact of refinery upgrades, limited arbitrage opportunities towards Singapore and a lower forward oil price. This resulted in reduced demand for fuel oil storage.

While crude consumption remained healthy, both gasoline output and diesel demand were under pressure. The gradual move away from diesel in passenger cars combined with increased fuel efficiency is resulting in a stagnating Western European demand for diesel, while fuel distribution into Central and Eastern Europe continue to be healthy.

Europe remains a major petrochemical market supported by steady internal demand and is, therefore, attracting new investments. Low water levels in the Rhine during the third quarter affected production in Germany which had to struggle with cutbacks and higher transportation costs.

Demand for vegoil, baseoil and gas was healthy during 2018, though here as well, it was impacted towards the end of the year by low water levels in the Rhine."

## Sustainability

"We continued our focus on safety and sustainability in 2018. Our personal safety performance (measured in TIR) and our process safety performance (measured in PSER) was better compared to 2017. In order to continue improvements, we have started in our region the Vopak Trust and Verify program.

In 2018, we invested in an emission reduction plan and worked on various projects for the future energy supply. In the Netherlands, we joined the H-vision project with 15 other partners in the port of Rotterdam to conduct a feasibility study on how hydrogen can be used as low-carbon energy source for the industry in the Port of Rotterdam."

## Highlights of 2018

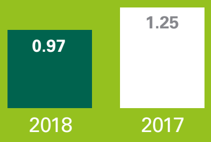
"We announced several expansions this year to further strengthen our chemical storage positions in this region. In the Netherlands, we are expanding in Rotterdam-Botlek with 15 new stainless steel tanks with a capacity of 63,000 cbm for styrene and other chemical products. In Antwerp, we opened a new loading station for loading block trains at our Vopak ACS terminal, significantly increasing the capacity to handle tank wagons. At Vopak Terminal Linkeroever in Antwerp, a new jetty is being constructed, enabling future growth of the terminal.

Turning to the fuel markets, we are investing in our Europoort terminal in Rotterdam to support the new 0.5% low sulphur fuel oil bunkering market that will be created as a result of the IMO 2020 regulations. This investment is supported by customer commitments and will be completed in the second half of 2019.

**Total Injury Rate** (TIR)

In 200,000 hours worked for own personnel and contractors

**0.97**




**Process Safety Events Rate** (PSER)

In 200,000 hours worked for own personnel and contractors

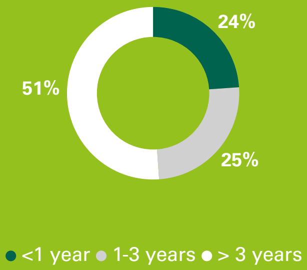
**0.34**


**Europe & Africa**

Number of terminals

**19**

**Original contract duration**




Vopak and the Port of Amsterdam successfully invested in additional vessel handling infrastructure at Vopak Terminal Amsterdam Westpoort, bringing the total number of berths to four for seagoing vessels and ten for barges. This investment improves the overall service and efficiency in the port of Amsterdam.

To strengthen our position in the LPG and chemical gases, we announced two expansions in 2018, in Richards Bay (South Africa) and in Vlissingen (the Netherlands)."

## Performance

"The differences in the financial results in 2018 compared to 2017 were mainly due to the unfavorable oil markets which were only partially compensated by other markets. Revenues in vegoil, biofuels, LPG and chemical gases increased. Our costs efforts and lower personnel expenses have contributed to our results in 2018."

| In EUR millions | 2018 | 2017 |
|---|---|---|
| Revenues | 626.1 | 647.9 |
| Operating profit before depreciation and amortisation (EBITDA) [1] | 302.8 | 326.7 |
| Operating profit (EBIT) [1] | 149.4 | 173.5 |
| Average gross assets | 3,535.5 | 3,422.3 |
| Average capital employed | 1,830.1 | 1,885.1 |
| Occupancy rate subsidiaries | 85% | 91% |
| Storage capacity (cbm) | 13,724,700 | 13,740,700 |

1 Excluding exceptional items.

## 2019 and beyond

"European storage markets will continue to be competitive whereby especially in the Netherlands, investments are required to comply with new regulations and to ensure good operational performance. In Europoort our IMO 2020 investments will be commissioned while in South Africa both our expansions in Durban as well as our new terminal in Lesedi will come on stream.

We will continue to focus on safety and customer service in all markets to become 'best-in-port'."

**Jan Bert Schutrops** is President of Vopak Europe & Africa. He studied Economics and holds an MBA from IMD in Lausanne. Jan Bert has held various management positions in the Netherlands, the UK, Malaysia and China within Vopak.

# Asia & Middle East

Delivering further growth in 2019

Vopak Asia & Middle East operates 19 terminals. These are widely spread and are located in India, Indonesia, Australia, Malaysia, Singapore and Thailand. It has 5 terminals in the Middle East, including Saudi Arabia, Pakistan, and the United Arab Emirates.

Dick Richelle, Division President Asia & Middle East:

## Market developments

"Demand for oil products continued to grow in Asia and the Middle East, new capacity additions, availability of floating storage and trade volatility put pressure on our performance at oil hubs, while strong demand for transport fuels at consumption markets positively impacted the performance of our fuel distribution terminals.

Demand for chemicals continued to grow in line with GDP. Revised environmental guidelines in China and recent geopolitical developments created strong demand for storage in our chemical hub in Singapore. Urbanization and growth of middle-class population continued to drive the import flow of chemicals and storage demand in the structurally deficit emerging markets of Asia."

## Sustainability

"The fatal incident at our Sebarok terminal on 23 June has made the personal safety statistics irrelevant as a measure of the safety performance in 2018. Every incident shows the importance of having a continuous focus on personal and process safety.

Our terminals in Jakarta and Merak both received the 'Zero Accident award' from the Indonesia Ministry of Manpower.

In Asia & Middle East, many terminals actively participated in Vopak WeConnect projects, to help the local communities. These include youth empowerment projects in India, Indonesia, Malaysia, Pakistan and Singapore. The Malaysian project 'Windows to the World 3.0' in Pengerang was even nominated for the WeConnect Award 2018."

## Highlights of 2018

"One of the main highlights of 2018 was the commissioning of the first phase of our industrial terminal in Pengerang (PT2SB) which will serve the new world-scale refinery and petrochemical complex RAPID that is currently under construction. The total capacity of this industrial terminal will be 1.5 million cbm for crude, refined products, petrochemical products and LPG.

In anticipation of the implementation of a 0.5% sulphur cap on bunker fuels by the International Marine Organization, we are investing to strengthen Vopak's long-term competitive position. Our terminals in Singapore will be fully ready to support new market requirements and is currently adding 67,000 cbm for marine gas oil.

2018 was also the year in which we celebrated our 35-year anniversary at our Vopak Terminals Singapore. Starting out in 1983 with one terminal with only around 30 tanks and with five terminals with nearly 500 tanks today, our Singapore terminals have grown into a leading tank storage services provider at a major hub location.

**Total Injury Rate** (TIR)

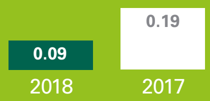
In 200,000 hours worked for own personnel and contractors

# 0.12


**Process Safety Events Rate** (PSER)

In 200,000 hours worked for own personnel and contractors

# 0.09

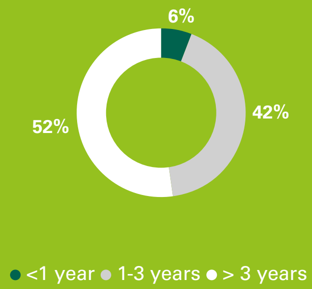



**Asia & Middle East**

Number of terminals

# 19

**Original contract duration**




In Indonesia, we are expanding our Jakarta terminal with 100,000 cbm for the storage of gasoline and biofuels to serve the import and distribution market in the greater Jakarta region. The import of fuel products, particularly gasoline, has been growing rapidly in Indonesia in recent years and is expected to grow further driven by the economic growth of Indonesia and its growing population. In Merak, we started to expand our terminal for storage of chemicals with 50,000 cbm."

## Performance

"Our financial performance was impacted by the backwardated oil market structure throughout 2018 affecting our oil hub positions in Fujairah and the Singapore Strait. The impact was partially mitigated by a strong market for chemical storage. Australia positively contributed to our financial performance. Disciplined execution of our sustainable cost savings initiative resulting in further cost savings."

| In EUR millions | 2018 | 2017 |
|---|---|---|
| Revenues | 312.9 | 340.0 |
| Operating profit before depreciation and amortisation (EBITDA) [1] | 256.0 | 279.8 |
| Operating profit (EBIT) [1] | 204.0 | 225.3 |
| Average gross assets | 1,884.0 | 1,881.3 |
| Average capital employed | 1,074.3 | 1,070.6 |
| Occupancy rate subsidiaries | 86% | 91% |
| Storage capacity (cbm) | 14,095,600 | 13,276,300 |

1 Excluding exceptional items.

## 2019 and beyond

"Our growth momentum is supported by the execution of 6 expansion projects in the Asia & Middle East division. Safe and timely delivery of these projects is one of our key priorities for this year. In addition, we will continue to invest in growing our well-diversified portfolio and digitizing our processes."

**Dick Richelle** is President of Vopak Asia & Middle East. After obtaining his degree in Business Economics, Dick joined Vopak and he has held various management positions in the Netherlands and the Americas region.

# China & North Asia

Petchem investments support storage demand

Vopak China & North Asia operates 9 terminals, one terminal in Korea, one terminal in Vietnam and seven terminals across China.

Chen Yan, Division President China & North Asia:

## Market developments

"China's petrochemical industry performed well in 2018, thanks to an increase in demand. Our industrial customers, typically leaders in their respective sectors, enjoyed high capacity utilization. Leveraging on our strong brand and good track record, our distribution business also delivered solid performance despite overcapacity in the marketplace.

Attracted by the healthy margins in the petrochemical industry, we are seeing new investments in this industry. A number of mega-size (multi-billion dollar) integrated petchem complexes were announced in 2018. These new investments provide excellent opportunities for Vopak to expand its footprint and business in China, where we have established a good relationship with almost all major manufacturers.

Storage markets in Vietnam and South Korea have been strong due to growing demand and tight supply for tank storage. This trend is expected to continue into 2019."

## Sustainability

"Unfortunately, we experienced one tragic contractor fatality in 2018, which took place on September 10th at Haiteng terminal (China). This incident is a sad and painful reminder to us all that safety is paramount and is, therefore, our first and foremost priority. we have to stay focused and continue to improve our safety culture, systems and hardware.

We have upgraded our VOC treatment facilities and focused on energy consumption reduction opportunities. We have also invested in wastewater treatment units at multiple terminals and we continue to seek opportunities to reduce our impact on the environment. In 2018, we stayed clear from process safety incidents, measured using the PSER.

We continue to maintain the strong brand we have established as 'best-in-port' terminals at all our locations."

## Highlights of 2018

"Our Tianjin Lingang terminal successfully discharged a Very Large Gas Carrier (VLGC) carrying both cryogenic Propylene and Propane. According to our customer, this was the first time that Propylene and Propane were carried simultaneously in one vessel. Our colleagues in Lingang worked very closely with our customer, the charterer and the shipping company for the smooth and successful handling. This successful handling will significantly reduce the transportation costs for our customer.

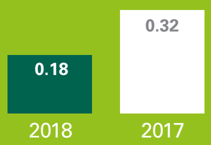
Using innovative technology, Caojing terminal improved the efficiency in operation and maintenance with handheld tablet devices. This innovation is being implemented in other terminals.

The main customer of Haiteng terminal restarted production in Q4 2018. We completed the upgrade and improvements in Haiteng and provided solid support for the customer's restart."

**Total Injury Rate** (TIR)

In 200,000 hours worked for own personnel and contractors

# 0.18




**Process Safety Events Rate** (PSER)

In 200,000 hours worked for own personnel and contractors

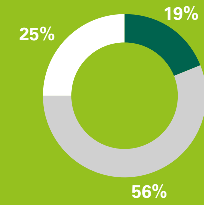
# 0.00


**China & North Asia**

Number of terminals

# 9

**Original contract duration**




## Performance

"Our frontline execution and overall service levels to our customers remained very high. We restarted operations at our industrial terminal in Haiteng in China in June. This asset had not been operating since the second quarter of 2015. Furthermore, our financial performance benefited from more spot business across our terminals. We also implemented productivity improvement projects across all the terminals with sustainable results."

| In EUR millions | 2018 | 2017 |
|---|---|---|
| Revenues | 33.2 | 30.2 |
| Operating profit before depreciation and amortisation (EBITDA) [1] | 53.4 | 23.2 |
| Operating profit (EBIT) [1] | 44.3 | 13.9 |
| Average gross assets | 522.2 | 533.3 |
| Average capital employed | 378.4 | 435.9 |
| Occupancy rate subsidiaries | 75% | 70% |
| Storage capacity (cbm) | 4,151,100 | 4,149,600 |

1 Excluding exceptional items.

## 2019 and beyond

"In 2018 we have seen good occupancy rates among our industrial customers and we expect this trend to continue in 2019. We have seen increasing petrochemical investment and will seize the opportunities for continuous growth in China and North Asia.

In the meantime, we will reinforce the contractor safety management procedures and implement the Vopak Trust and Verify program. Safety and customer service remain key priorities."

**Chen Yan** is President of Vopak China & North Asia. He holds a Master's Degree in Business Administration from the University of Texas. Chen Yan joined Royal Vopak in 2010 and held various management positions in multinational corporations in China before joining Vopak.

# Americas

Dynamic markets with opportunities

Vopak Americas operates 18 terminals of which four are located in the United States, four in Canada, three in Brazil, three in Mexico, two in Colombia, one in Venezuela and one in Panama.

Boudewijn Siemons, Division President Americas:

## Market developments

"Vopak Americas continued its strong performance in the (industrial) chemical and fuel distribution markets. We operate in a dynamic market that offers interesting opportunities. In the US, we have seen an upturn in petrochemical investments driven by the continued shale revolution in North America, resulting in an abundance of resources, supplying cheap feedstock. In Latin America, a structural fuel deficit with deregulating markets offering new distribution opportunities for Vopak. Our overall expectation is that intercontinental and regional trade flows will continue to support our existing business and provide further growth opportunities."

## Sustainability

"Vopak Americas actively participated in Vopak's WeConnect Foundation with 4 projects. Our Alemoa's project 'Go Alemoa Go' and Venezuela's project 'Puerto Cabello Young Leaders' were among the three nominees for the 2018 Global WeConnect Award where 'Puerto Cabello Young Leaders' was named the winner. I am very proud of all the teams that have put time and effort in projects helping communities that surround the terminals.

Our terminals in Mexico were awarded the 'Clean Industry Certification' by the Mexico Federal Agency of Environmental Protection, for demonstrating good environmental management practices and compliance with legislation. The Veracruz terminal was also awarded the Stock Management Systems Certification by Mexico's Energy Regulatory Commission and in June Vopak Americas was among the winners of the International Liquid Terminals Association's Safety Excellence Awards for its safety performance. I am confident that we are on the right track to remain a frontrunner in sustainability."

## Highlights of 2018

"I am pleased with the good progress we made to deliver our growth projects. In the US Gulf Coast, we strengthened our chemical position as international hub location with the recent commissioning of our new capacity in Houston.

Construction of the first propane export facility off the west coast of Canada in Prince Rupert, British Columbia, is progressing with expected commissioning in Q2 2019. In Alemoa, Brazil, we are strengthening our competitive position in Latin America's biggest port by expanding our terminal to facilitate ethanol exports and fuel imports. Furthermore, we decided to expand our Veracruz terminal to capture the opening fuels market following Mexico's energy reform."

**Total Injury Rate** (TIR)

In 200,000 hours worked for own personnel and contractors

**0.17**


**Process Safety Events Rate** (PSER)

In 200,000 hours worked for own personnel and contractors

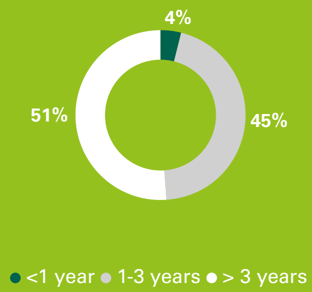
**0.06**


**Americas**

Number of terminals

**18**

**Original contract duration**




## Performance

"I am pleased with our performance in 2018. Our safety performance was above industry standards and we will continue to strive for zero incidents as safety remains our top priority. To underline that, we started with the roll-out of the Trust and Verify program end of 2018.

We continued our strong business performance in 2018. Last year, we achieved robust business and financial results and realized good occupancy rates. Furthermore, we made good progress with our portfolio of growth projects."

| In EUR millions | 2018 | 2017 |
|---|---|---|
| Revenues | 281.3 | 286.0 |
| Operating profit before depreciation and amortisation (EBITDA) [1] | 129.0 | 129.9 |
| Operating profit (EBIT) [1] | 85.6 | 83.4 |
| Average gross assets | 940.0 | 949.0 |
| Average capital employed | 477.9 | 509.5 |
| Occupancy rate subsidiaries | 89% | 89% |
| Storage capacity (cbm) | 4,030,500 | 3,893,900 |

1 Excluding exceptional items.

## 2019 and beyond

"In 2019 and beyond, safety will remain our top priority, together with our customer focus. We will concentrate our efforts on delivering our growth projects while being cost-effective and innovating our processes.

We are well-positioned to capture further growth in the Americas as the dynamic market, with US shale and Latin America opening their markets, offers interesting opportunities."

**Boudewijn Siemons** is President of Vopak Americas. He graduated from the Royal Netherlands Naval College and obtained a degree in Mechanical Engineering. Boudewijn joined Vopak in 2006 and he has held several management positions in the Netherlands, Europe and the Middle East.


# LNG

Growing a global LNG footprint

Vopak jointly owns and operates two land-based storage and regasification terminals: the Gate Terminal in the Port of Rotterdam (the Netherlands), and the TLA terminal in Altamira (Mexico). Since 2018, we also jointly own a floating storage and regasification terminal in Port Qasim in Pakistan. Vopak is actively looking to expand its service offering in LNG.

Kees van Seventer, Division President Vopak LNG:

## Market developments

"Global LNG markets have proved to be resilient in the face of the ongoing build out and commissioning of liquefaction capacity, with new supply being comfortably absorbed. Although the market welcomed two new importing countries (Panama and Bangladesh), demand was overwhelmingly driven by established markets in Asia in 2018. In particular, China absorbed a substantial part of the additional supply.

Vopak LNG's current focus is on LNG import projects where the market is largely driven by demand for power production. This builds on megatrends such as electrification and a number of important drivers such as the energy transition in emerging markets. Furthermore, Vopak sees potential in increased demand for LNG as a fuel, such as in heavy-duty road transport and to a lesser extent in bunkering of vessels. Growth in LNG as a fuel for heavy-duty trucking looks particularly promising, with China currently leading this trend. A third driver supporting LNG import projects and existing terminals is an increased role of diversity and security of supply as well as growing trading-related activities."

## Sustainability

"LNG import infrastructure supports the use of LNG as a more environmentally friendly fuel for industry, households and shipping. In 2018, we entered Pakistan's LNG import market to supply Pakistan with cleaner fuels.

Our LNG terminals pay the highest attention to running their operations in a sustainable manner. We strive to operate our terminals as zero-emission terminals without natural gas venting and/or flaring during normal operations.

At our TLA terminal, we worked with ASEA (an authority in matters of safety, energy and environment) to create new regulations related to safety, environment, design, construction, pre-start, operation and maintenance of LNG storage and regasification facilities.

Unfortunately, we had a personal safety incident at our TLA terminal in 2018. This incident interrupted the terminal's track record of almost 2 years without Lost Time Incidents. We are proud to report there have been no Process Safety Events this year keeping the PSER at zero."

## Highlights of 2018

"With regards to growth, there have been a number of notable events in 2018. In Pakistan, we acquired a share in the Engro Elengy Terminal that owns an LNG facility which is located in Port Qasim adjacent to the Engro Vopak chemical terminal. The facility has been in operation since 2015 and is the first LNG import facility in Pakistan. The facility consists of an LNG jetty including a 7.5 km high-pressure gas pipeline connected to the grid of the sole customer Sui Southern Gas Company, a Pakistan government-owned entity. Engro Elengy Terminal holds a 15-year Floating Storage and Regasification Unit (FSRU) time charter. Pakistan is a market with more than

**Total Injury Rate** (TIR)

In 200,000 hours worked for own personnel and contractors

**0.29**


**Process Safety Events Rate** (PSER)

In 200,000 hours worked for own personnel and contractors

**0.00**


**LNG**

Number of terminals

**3**

200 million people and has a growing energy demand in which the share of gas is expected to increase.

In the Netherlands, Gate terminal invested to increase the ship loading flow rate at the jetties for large ships. Loading of LNG in ships and transshipment activities in Northwest Europe have increased over the years. With this investment, Gate terminal has strengthened its pivotal role as the LNG hub terminal in Northwest Europe.

In Germany, a successful open season was concluded, the feedback from the market is very positive. Together with our joint venture partners, the next steps are being taken in the development of Germany's first LNG terminal. RWE has signed a Heads of Agreement that guarantees RWE access to substantial annual capacity."

## Performance

"Our results from joint ventures improved and we continued to operate safely in 2018. The higher EBITDA contribution results from higher revenues from additional transshipments and truck loading activities at our Gate terminal and successful cost-saving programs. We increased our business development efforts in 2018, which is reflected in our cost level."

| In EUR millions | 2018 | 2017 |
|---|---|---|
| Operating profit before depreciation and amortisation (EBITDA) [1] | 34.9 | 33.1 |
| Operating profit (EBIT) [1] | 34.9 | 33.1 |
| Average gross assets | 196.9 | 171.0 |
| Average capital employed | 196.3 | 169.6 |
| Storage capacity (cbm) | 991,000 | 840,000 |

1 Excluding exceptional items.

## 2019 and beyond

"We will continue with the steps that we have taken to increase our business development efforts while continuing to focus on safety and sustainability at our existing terminals. Our terminals are well-positioned for the long-term future as the markets they serve have positive outlooks and we are in an excellent position to serve them. We made promising steps in various stages of business development in 2018 that support our ambition to become the most successful LNG infrastructure company globally, growing via greenfield and brownfield projects and acquisitions."

**Kees van Seventer** is President of Vopak LNG. Kees studied Business Administration. He has held various management positions within Vopak, including his previous role as Commercial President of Royal Vopak.


# 35 years in Singapore

Our colleagues in Singapore achieved a huge milestone, celebrating 35 years of business. With the support of our joint venture partner, PSA Singapore, Vopak has grown significantly since developing the nation’s first independent storage terminal in 1983. From one terminal with about 30 tanks in 1983 to five terminals with nearly 500 tanks today.

Vopak is proud to be the leading tank storage services provider at this major hub location with over 350 professionals storing vital products with care from chemicals to oil and gases.

# Sustainability

# Sustainability

# Sustainable development

We believe it is each citizen's and each organization's responsibility to do what is reasonably possible to maximize their contribution to society and the environment and minimize their negative impact on both.

For Vopak, this means creating value for all our stakeholders, while living the Vopak Values and staying true to our business ethics. We commit to safeguard operational safety. We work hard to reduce our environmental footprint and minimize any negative impact of our operations on people's safety, health and wellbeing. In our view, sustainability is about caring for **people** and **planet** while sustaining **profit**. It boils down to a simple question: if we continue to do the things that we do today, will we still be a leader and partner of choice tomorrow? Sustainability means keeping our company relevant, healthy and fit for the future.

Four centuries of corporate history can only be achieved by ensuring long-term responsibility prevails over short-term interests. At Vopak, with our tradition of sustainable entrepreneurship, we strive to be a responsible member of the communities in which we operate. Our choices today must contribute to our long-term relevance to society and the well-being and development of future generations.

The United Nations has set a common priority agenda for sustainable development that meets the needs of the present without compromising the ability of future generations to meet their own needs. To contribute to a more sustainable society, we explore ways to facilitate the introduction of more sustainable technologies, processes and products while at the same time facilitating the energy transition. Our **Vopak Values** and **Code of Conduct** serve as our moral compass and we embrace the selected **UN Sustainable Development Goals (SDGs)** to create a focus on where we can contribute to society. Our ambition is to be the sustainability leader in our industry and to be as good as the safest and most sustainable of our customers. In this chapter, the sustainability information is reported in accordance with the GRI Standards.

| SDG | Description | Ambitions / targets | Reference to progress |
|---|---|---|---|
| 7 AFFORDABLE AND CLEAN ENERGY | We facilitate the energy transition by creating reliable access to energy and cleaner fuels and by exploring ways to develop storage and handling solutions for a low-carbon future. We aim to reduce our own footprint and improve our energy efficiency. | • **Daily:** Reducing our environmental footprint<br>• **For the short to medium term:** facilitating, where possible, the introduction of lighter, less polluting fuels<br>• **To 2050:** Developing infrastructure solutions for a sustainable, low-carbon future | • Reference is made to the Environmental section in this Sustainability chapter<br>• Reference is made to the CEO statement |
| 8 DECENT WORK AND ECONOMIC GROWTH | In storing vital products today and tomorrow, safety is our first and foremost priority. This includes ensuring a safe and secure working environment for all people working at and for Vopak. | • **For the short to medium term:** zero fatalities and a reduced Total Injury Rate and improve the diversity of our management positions (gender and nationalities) | • Reference is made to the Social section in this Sustainability chapter |
| 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | To realize our purpose, we develop, maintain and operate reliable, sustainable terminal infrastructure in ports around the world. We adopt and invest in environmentally sound technologies and processes. We explore the introduction of more sustainable technologies and processes and work on the digital transformation of our company. | • **For the short to medium term:** Being the industry leader in the areas of<br>  • Setting the standard in the field of sustainability, service delivery and efficiency<br>  • Designing and engineering of new assets<br>  • Project management for the development of new assets<br>  • Commissioning of new assets<br>  • Operating and maintaining assets throughout the network | • Reference is made to the Executive Board |
| 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | We strive for environmentally sound management of the products we store and handle, and we work hard to minimize any negative impact on the environment, in particular by reducing releases to air, water and soil. | • **For the short to medium term:** Reducing our Process Safety Event Rate and releases of harmful products to the environment and no (uncontained) spills | • Reference is made to the Environmental section in this Sustainability chapter |

# Stakeholder engagement and materiality assessment

Vopak aims for transparency and an open dialogue with its stakeholders. Transparency is key to creating trust. An open dialogue provides us with valuable insights into our business and operating environments, and helps us to be a responsive and responsible member of the communities in which we operate.

## Stakeholder engagement

Throughout our organization, Vopak colleagues maintain direct and regular contact with a wide range of stakeholders around the world, at a local, regional, national and international level. A comprehensive overview of how we engage the relevant stakeholders can be found in Stakeholder expectations and interests.

Every two to three years, we ask our stakeholders directly about the key sustainability topics that they want us to address. The most recent materiality survey was conducted in 2016, as detailed on the next page and in previous Annual Reports. In 2018, we continued to focus on the key topics identified by our stakeholders, in particular, Volatile Organic Compounds (VOCs) (reference is made to Note 6. VOC emissions). In parallel, continuous contacts with our stakeholders allow us to detect other topics that did not appear clearly or that were not yet taken into account in the last materiality survey. In 2018, we continued to focus on our contribution to the energy transition, as highlighted in the CEO statement.

Customers, suppliers, business partners, authorities and employees are stakeholder groups with whom we are in continuous contact. Interaction with these groups is embedded in the daily work processes and subject to regular review meetings. In addition, we highly value the employee and customer satisfaction surveys as a tool to verify the implementation of earlier suggestions, comments and recommendations, as well as to gather additional feedback and identify new topics.

Invaluable information is also obtained from external and internal stakeholders through numerous audits. These are initiated and carried out by Vopak itself (Global Insurance Audit, Assure Audit, Global Internal Audit, Terminal Health Assessments or equivalent and Project Post Implementation Reviews) as well as by our customers and various authorities. These audits aim to validate control for internal purposes, confirm the integrity of our terminals and processes, assess implementation plans and take corrective or preventive measures.

Participation in various benchmarks, as well as feedback from the organizations behind them, also trigger reflection and action on sustainability topics. Although benchmarks certainly have a clear added value, completing the questionnaires requires time and effort that cannot be devoted to other activities. We, therefore, decided to limit our active participation to benchmarks that are either leading at a global level or relevant in a local context. These include the Dow Jones Sustainability Index, the Carbon Disclosure Project, EcoVadis, VBDO Tax Transparency Benchmark and the Dutch Transparency Benchmark. Also useful to strengthen our reflection and action on sustainability are the local, regional, national and international dialogues we engage in through governmental and non-governmental organizations, as well as various international organizations, sustainability organizations, industry associations, think tanks, research institutes and business coalitions. For more details on the external benchmarks and partnerships, reference is made to Note 12. Application of best practices.

While topics identified through the materiality survey are relevant to Vopak's operations worldwide, other topics are essentially at a local level. This concerns topics ranging from the preservation of archeological sites to mitigating the impact of truck movements during construction activities. Such concerns are commonly raised through regular contacts with our neighbors, local communities and authorities. In 2018, several Vopak terminals, once again invited neighbors and other external stakeholders to participate in our annual SHE Day. The desire to build sustainable relations with our communities and maintain our commitment to empowering young people, led us to continue our commitment to the Vopak WeConnect Foundation. While local topics are commonly addressed locally by Vopak affiliates, some topics appear to be relevant to several locations and require a global approach. One such example is our response to climate change, as described in Note 10. Our response to climate change.

Finally, we actively pursue partnerships at a national and international level to contribute to accelerating both the global energy transition and our own digital transformation. We are participating in several feasibility studies to explore the potential of hydrogen as a source of low-carbon energy for the industry and power sector in the Netherlands, through the H-vision project in Rotterdam and the Institute for Sustainable Process Technology (ISPT). In 2018, we became supporting members of the international Hydrogen Council and continued our membership of the Dutch H2ydrogen Platform, while exploring other possible partnerships to develop renewables, Carbon Capture Storage and Usage, power-to-heat, power-to-product and power-to-liquids. We continued our participation in the Dutch LNG Platform and in the TransitieCoalitie, which aims to accelerate the energy transition in the Netherlands. In the field of innovation, our partnerships include SmartPorts, which support the port of Rotterdam in its ambition to develop into Europe's leading port and industrial complex of the future, as well as PortXL and iTanks, which foster innovation in the port and accelerate startups. Finally, we engaged in dialogues and studies about sustainability, climate change and the energy transition in the Clingendael International Energy Program (CIEP), the International Energy Forum (IEF), the World Energy Council (WEC) and the World Economic Forum (WEF). We value these platforms and partnerships, as we realize that they are becoming increasingly important to keep our company relevant, healthy and fit for the future, and help us deliver on our commitment to continue storing the vital products that society will need tomorrow.

## Materiality assessment

Based on previous exercises, the wealth of feedback received from roadshows, employee and customer surveys and additional desk research, we arrived at a short list of 26 most relevant topics. In 2016, our stakeholders were asked to rank each topic on a scale of one to five, with the opportunity to add comments and missing topics. All stakeholders who can impact or influence our business and those that could be impacted by our operations have been categorized into groups based on their common interest. Each stakeholder group is weighted equally. We plan to perform a full materiality assessment again in 2019.

### *Stakeholder expectations and interests*

The following table summarizes the expectations and interests of our stakeholders and the topics that they regard as key topics. It should be noted that this reflects the overall outcome per stakeholder group. The expectations, interests and key topics may, therefore, vary for each individual stakeholder.

| Stakeholder group | Expectations | Key topics | How we engage them |
|---|---|---|---|
| Customers | Increasingly put sustainability high on their agenda and require Vopak, as an important link in their supply chain, to at least align its sustainability policy with theirs. | • Business ethics and integrity<br>• Process safety<br>• Occupational health and safety | • Face-to-face meetings<br>• Call, emails, conferences<br>• Net Promoter Score (NPS) survey to measure customer satisfaction<br>• Internal & external audits |
| Business partners | Looking for long-term relationships to realize growth based on mutual trust and value creation. | • Application of best practices<br>• Process safety<br>• Customer acceptance and continuation | • Face-to-face meetings<br>• Call, emails, conferences<br>• Internal & external audits |
| Authorities | Issue stricter regulations and increase inspections for the industry as a whole. | • Business ethics and integrity<br>• Process safety<br>• VOC emissions, Soil and groundwater pollution and Water pollution | • Face-to-face meetings<br>• Written contacts<br>• Information on our website<br>• Open houses & site visits<br>• Participation in public hearings & conferences |
| Financial and capital markets | Increasingly take a long-term appreciative view of companies that aim for sustainable profitability. | • Financial performance<br>• (Cyber) security threats<br>• Process safety | • Presentations, webcasts, roadshows with analysts and investors at least every quarter,<br>• Individual meetings<br>• Capital Markets Day<br>• General Meeting of Shareholders |
| Neighbors and local communities | Increasingly require Vopak to engage with them to address issues such as stench and odors. | • VOC emissions, Soil and groundwater pollution and Water pollution<br>• Business ethics and integrity<br>• Process safety | • Face-to-face meetings<br>• Written contacts<br>• Information on our website<br>• Open houses & site visits<br>• Participation in public hearings & conferences<br>• Vopak WeConnect projects |
| NGOs | NGOs expect Vopak to be a responsible, transparent, cooperative and trustworthy partner. | • VOC emissions, Soil and groundwater pollution and Water pollution<br>• Business ethics and integrity<br>• Process safety | • Face-to-face meetings<br>• Written contacts<br>• Information on our website<br>• Open houses & site visits<br>• Participation in public hearings & conferences |
| Employees | Value a company that cares, helps to develop their talents and offers training programs to develop the full potential of every individual. | • Business ethics and integrity<br>• Financial performance<br>• (Cyber) security threats | • Daily work relationships<br>• Training and human resources cycles (reference is made to People Leadership),<br>• Bi-annual employee engagement survey |
| Senior management | Determines the overall long-term strategy on our 'License to Operate' and our expansion plans. | • Business ethics and integrity<br>• Process safety<br>• (Cyber) security threats | • Ongoing internal dialogues<br>• LEAD program |
| Suppliers | Suppliers of assets value long-term relationships. Suppliers of services (e.g. contractors) expect a safe and healthy workspace and fair treatment. | • Occupational health and safety<br>• Process safety<br>• Business ethics and integrity | • Face-to-face meetings<br>• Contracts<br>• Site visits<br>• Suppliers visits |

Our response to the key topics and concerns of our stakeholders is embedded in the notes to the topics, reference is made to the Sustainability performance section.

### *Materiality matrix*

According to the ranking of topics determined as most important across stakeholder groups (vertical axis), and ranked as most impactful to our business (horizontal axis), nine key topics emerged as being the most material. The Executive Board identified three additional topics of increasing material importance:

- **$CO_2$ emissions** We believe that reporting on $CO_2$ emissions is a public requirement
- **Diversity** We have signed, together with several CEOs from the oil and gas industry, a declaration expressing a call to action to close the gender gap at the World Economic Forum in 2016
- **Financial performance** We see financial performance as inherently linked to sustainability.

This Sustainability chapter has been structured according to the 26 topics:

- **Key topics** We aim to fulfill a leading role with regard to these topics and have translated these topics into strategic sustainability priorities going forward
- **Topics to monitor** We want to demonstrate our social responsibility with regard to these topics. We measure and (partly) report on these topics in our report
- **Other topics** These are important topics for Vopak and are managed accordingly.

We report in detail on the nine key topics and the three additional topics. On the remaining fourteen topics, we report on how we manage them without presenting any numbers.

## Materiality matrix


**Environmental topics**

1. VOC emissions
2. Soil and groundwater pollution
3. Water pollution
4. Waste
5. $CO_2$ emissions
6. Energy use
7. Water use
8. Biodiversity

**Financial and governance topics**

9. Business ethics and integrity
10. Application of best practices
11. (Cyber) security threats
12. Threats of natural disasters
13. Customer acceptance and continuation
14. Financial performance
15. Innovation
16. Remuneration
17. Supplier acceptance and continuation
18. Taxation

**Social topics**

19. Process safety
20. Occupational health and safety
21. Talent attraction and retention
22. Nuisance
23. Labor conditions
24. Human rights
25. Diversity
26. Community engagement and charity

# Sustainability performance

| | Note | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| **Social** | | | | | |
| **Occupational health and safety** | 1 | | | | |
| Fatalities, own employees and contractors | | 2 | 2 | 0 | 1 |
| Total Injury Rate (TIR), own employees and contractors (per 200,000 hours worked) | | 0.30 | 0.38 | 0.29 | 0.39 |
| Lost Time Injury Rate (LTIR), own employees and contractors (per 200,000 hours worked) | | 0.12 | 0.14 | 0.13 | 0.12 |
| Sickness absence rate own employees | | 2.3% | 2.4% | 2.2% | 2.0% |
| **Process safety** | 2 | | | | |
| Process Safety Events Rate (PSER), own employees and contractors (per 200,000 hours worked) | | 0.12 | 0.26 | 0.23 | 0.27 |
| Total Tier 1 process safety events | | 6 | 10 | 12 | 9 |
| Total Tier 2 process safety events | | 13 | 21 | 17 | 29 |
| **Talent attraction and retention** | 3 | | | | |
| Annual training hours per employee | | 48 | 52 | 47 | 42 |
| Employee turnover rate | | 11.3% | 10.4% | 16.7% | 8.9% |
| **Diversity** | 4 | | | | |
| Total number of employees (in headcount) | | 5,833 | 5,657 | 5,555 | 5,930 |
| - Percentage of men | | 84% | 84% | 85% | 84% |
| - Percentage of women | | 16% | 16% | 15% | 16% |
| **Environmental** | | | | | |
| **VOC emissions** | 6 | | | | |
| Total VOC emissions | | Q.R. | Q.R. | Q.R. | N.R. |
| Total $NO_x$ emissions (metric tons) | | 492 | 498 | 514 | 527 |
| Total $SO_x$ emissions (metric tons) | | 3 | 3 | 3 | 3 |
| **Soil and groundwater pollution** | 7 | | | | |
| Total number of reportable spills | | 44 | 58 | 44 | N.R. |
| Total amount of reportable spills (metric tons) | | 216 | 1,011 | 776 | 894 |
| **Water pollution** | 8 | | | | |
| Total number of reportable spills | | 4 | 1 | 9 | N.R. |
| Total amount of reportable spills (metric tons) | | 1 | 1 | 18 | N.R. |
| **$CO_2$ emissions (including energy use)** | 9 | | | | |
| Direct carbon emissions - scope 1 (kiloton) | | 165 | 166 | 186 | 189 |
| Indirect carbon emissions - scope 2 (kiloton) | | 252 | 235 | 240 | 260 |
| Total carbon emissions (kiloton) | | 417 | 401 | 426 | 449 |
| Total relative carbon emissions (kt/million cbm) | | 12.5 | 12.3 | 13.7 | 14.3 |
| **Financial and governance** | | | | | |
| **Application of best practices** | 12 | Q.R. | Q.R. | Q.R. | N.R. |
| **(Cyber) security threats** | 13 | Q.R. | Q.R. | Q.R. | N.R. |
| **Business ethics and integrity** | 14 | | | | |
| Number of fines from permit violations | | 0 | 2 | 2 | 3 |
| Monetary value of fines from permit violations (in EUR thousands) | | 0 | 2,124 | 96 | 27 |
| Total number of incidents of discrimination, fraud, corruption and bribery | | 3 | 8 | 3 | 12 |
| Total number of vapor, odor and stench complaints | | 27 | 224 | 54 | 17 |
| **Financial performance** | 15 | Q.R. | Q.R. | Q.R. | N.R. |

N.R. Not reported as not in sustainability reporting scope before 2016
Q.R. Only qualitative reporting

# Basis of preparation

We aim to be clear and transparent towards our stakeholders regarding our vision, our sustainability policy and our sustainability performance.

The Executive Board determines Vopak's vision and ambition with regard to sustainability and is ultimately responsible for the implementation of Vopak's Sustainability Policy. This responsibility is delegated to division management and to the management of our operating companies. All Vopak employees have a shared responsibility with regard to sustainability as laid down in the Vopak Values, Code of Conduct, and our Sustainability Policy.

Vopak informs its stakeholders actively about its sustainability performance. This has two benefits:

- It enhances the support for and credibility with regard to the way Vopak manages its sustainability goals and related topics
- It enables a dialogue with stakeholders and the communities in which Vopak operates, which helps us gain insights and improve our performance in the area of sustainability.

The purpose of the sustainability information in our Annual Report (including the GRI Content Index as published on our website: www.vopak.com/sustainability), covering the financial year 2018, is to inform our stakeholders about our sustainability policy and performance, in connection with our main strategic objectives and targets. The GRI Content Index specifies the references to the indicators in scope, as well as any omissions and reasons therefore. This report specifically reviews the developments and performance in 2018 and is based on topics identified as material for Vopak.

Our interpretation of people (social), planet (environmental) and profit (financial and governance), and our acknowledgment of their interdependencies are measured in the key focus areas on which we report. These reflect our performance in areas that are material to Vopak's business and operations and for which consistent and reliable information is internally available.

This section contains the disclosures relevant for understanding the basis of preparation of the consolidated sustainability performance.

## Reporting period

The reporting period for the sustainability information in this Annual Report is the 2018 financial year, covering Vopak's activities from 1 January 2018 to 31 December 2018. This report builds on the previous Annual (Sustainability) Reports.

## Reporting process and assurance

As in previous years, Vopak has requested its external auditor to provide limited assurance on its sustainability reporting. The external auditor has taken the findings of the internal auditor into consideration, to the extent relevant. Reference is made to Assurance report of the independent auditor.

The sustainability data have mainly been obtained from our global consolidation and management reporting system and additionally from the HR management system, compliance management system and operational (safety and environment) management reporting system.

The data are consolidated by our Global Operations department and reviewed by the Global Control and Business Analysis department. The responsibility for reporting on sustainability is currently assigned to the Global Operations department. We have a continuous focus to further embed the material themes into the responsibilities of the relevant departments, strengthen our non-financial data collection process and proceed with further integration into the financial reporting process. On a quarterly basis, key sustainability topics are reported to the Executive Board and the Supervisory Board. Key topics and concerns have been discussed in the Supervisory Board meetings, for their reporting reference is made to the Supervisory Board report.

For further details on the governance and control framework, reference is made to the Governance, risk and compliance chapter.

## Reporting criteria

In recognition of the fact that sustainability is a core element of our strategy and operations, we continue to combine our Sustainability Report with our Annual Report.

This report on Vopak's sustainability performance has been prepared in accordance with the Sustainability Reporting Standards Comprehensive option of the Global Reporting Initiative (GRI Standards as published in 2016, unless stated otherwise), which create a common language for organizations and stakeholders, with which the economic, environmental and social impacts of organizations can be communicated and understood. The Standards are designed to enhance the global comparability and quality of information on these impacts, thereby enabling greater transparency and accountability for organizations.

We subscribe to the view that good corporate reporting should result in the communication of a clear, concise and integrated story that explains how all of the company's resources are creating value for its stakeholders. As such, Vopak's Annual Report applied the principles of the Integrated Reporting Framework by the International Integrated Reporting Council (IIRC).

The climate-related disclosures have been prepared by using the framework as issued by the Task force on Climate-related Financial Disclosures (TCFD).

The financial KPIs are reported based on the financial information as included in the Financial Statements, which have been prepared in accordance with IFRS as endorsed by the European Union.

## Connectivity

The set-up of this sustainability chapter is based on the topics and outcome from the materiality assessment. The table below reconciles the nine key topics and three additional topics to our strategic leadership areas, the corresponding disclosures on management approach, performance and outlook and the topic-specific GRI Standards.

For more information on our strategic leadership areas, reference is made to the Storing vital products with care chapter. Our governance with regard to the sustainability related risks and opportunities is integrated in our governance and risk management processes, reference is made to the Governance, risk and compliance chapter.

The Social section links to the People Capital element in our Value Creation Model, the Environmental section to the Natural Capital element and the Financial and governance section to the Financial Capital element. In the notes on the topics, links are made to the four selected UN Sustainable Development Goals where we focus on our contribution to society. The references for all GRI disclosures are shown in the GRI Content Index on our website.

| Topics Vopak | Corresponding strategic leadership area | Corresponding disclosures on management approach, performance & outlook | Corresponding GRI Standard |
|---|---|---|---|
| **Social** | | | |
| Occupational health and safety | Operational leadership | Note 1. Occupational health and safety | • GRI 403: Occupational Health and Safety (2018 version) |
| Process safety | Operational leadership | Note 2. Process safety | No corresponding GRI topic-specific standard |
| Talent attraction and retention | People leadership | Note 3. Talent attraction and retention | • GRI 401: Employment<br>• GRI 404: Training and Education |
| Diversity | People leadership | Note 4. Diversity | • GRI 405: Diversity and Equal Opportunity |
| **Environmental** | | | |
| VOC emissions | Operational leadership | Note 6. VOC emissions | No corresponding GRI topic-specific standard |
| Soil and groundwater pollution | Operational leadership | Note 7. Soil and groundwater pollution | No corresponding GRI topic-specific standard |
| Water pollution | Operational leadership | Note 8. Water pollution | No corresponding GRI topic-specific standard |
| $CO_2$ emissions | Operational leadership | Note 9. $CO_2$ emissions (including energy use) | No corresponding GRI topic-specific standard |
| **Financial and governance** | | | |
| Application of best practices | Operational leadership | Note 13. Application of best practices | No corresponding GRI topic-specific standard |
| (Cyber) security threats | Operational leadership and Technology leadership | Note 14. (Cyber) security threats | • GRI 418: Customer Privacy |
| Business ethics and integrity | People leadership | Note 15. Business ethics and integrity | • GRI 205: Anti-corruption<br>• GRI 307: Environmental Compliance<br>• GRI 419: Socioeconomic Compliance |
| Financial performance | All | Note 16. Financial performance | • GRI 201: Economic Performance |

## Reporting principles

Our sustainability reporting principles are based on the GRI Standards, supported by internally developed standards and guidelines unless otherwise specified. Throughout the Annual Report, we have indicated how we applied the GRI reporting principles, such as materiality, stakeholder inclusiveness and reliability.

## Change in reporting policies for 2018

The Group has not applied any new reporting standards for 2018. However, the Group has elected to apply a change in reporting policy in relation to API RP 754 prospectively as from 1 January 2018 in order to align with the second edition of API RP 754 that was published in 2016.

## Reporting adjustments

There have been no adjustments to information provided in previous reports.

## Basis of consolidation

For sustainability reporting purposes, Vopak consolidates data from its headquarters, division offices, Vopak Agencies and those terminals under its operational control unless acquired within the last 12 months and from terminals that report voluntarily although they are not under our operational control. A terminal under operational control implies:

- Application of Vopak´s operational standards
- Adoption of Vopak´s Code of Conduct
- Being part of the three-year cycle of Vopak´s Terminal Health Assessments (THA) or equivalent.

This basis of consolidation in accordance with the following principles:

- **Greenfield** Undeveloped land that is acquired to build a new terminal is within the reporting scope from the first day of acquisition
- **Brownfield** When an existing terminal is expanded, the entity is immediately within the scope of sustainability reporting
- **Acquisition** When a terminal is acquired and operations are continued, there will be a grace period of one calendar year before the terminal is within the scope of sustainability reporting. During this year, all data must be reported and monitored in our internal reporting system
- **Divestment** When terminals are closed or sold, they are no longer within the scope of sustainability reporting as of the date of divestment.

This means that, unless otherwise stated, the sustainability information includes all information for the principal subsidiaries, joint ventures and associates (as noted in Note 9.11 Principal subsidiaries, joint ventures, associates and investments of the Consolidated Financial Statements) that meets these consolidation criteria, is accounted for and consolidated based on a 100% basis.

## Consolidation

One terminal does not meet the consolidation criteria (as stated in the basis of consolidation), but does report sustainability information voluntarily: Vopak Terminals Korea.

The entities that do not meet the consolidation criteria are shown in the table below, which reconciles the storage capacity reported in the financial statements to that used for sustainability reporting purposes:

| In million cbm | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| **Total storage capacity according to Vopak Financial Statements** | **37.0** | **35.9** | **34.7** | **34.3** |
| Bahia Las Minas, Panama[1] | 0.0 | 0.0 | -0.5 | NA |
| Sabtank (Jubail), Saudi Arabia[2] | -1.5 | -1.5 | -1.5 | -1.4 |
| Sabtank (Yanbu), Saudi Arabia[2] | -0.3 | -0.3 | -0.3 | -0.3 |
| Chemtank (Jubail), Saudi Arabia | -0.5 | -0.5 | -0.2 | -0.2 |
| Maasvlakte Olie Terminal (MOT), The Netherlands | -1.1 | -1.1 | -1.1 | -1.1 |
| Elengy Terminal Pakistan | -0.2 | NA | NA | NA |
| Ridley Island Propane Export Terminal (RIPET), Canada | NA | NA | NA | NA |
| Estonian Railway Services (ERS - part of Vopak E.O.S.), Estonia | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total out of scope for sustainability reporting** | **-3.6** | **-3.4** | **-3.6** | **-3.0** |
| **Total storage capacity according to the sustainability reporting scope** | **33.4** | **32.5** | **31.1** | **31.3** |

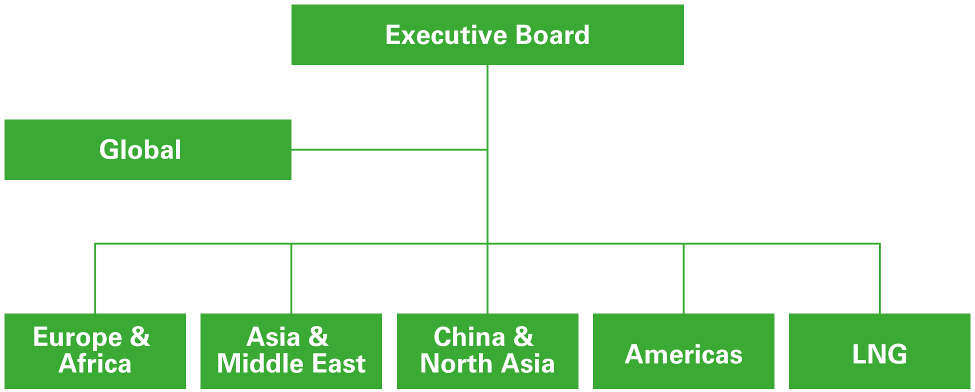
1 In 2016, Vopak started to manage and operate Chevron's existing 509,000 cbm terminal at Bahia Las Minas, in Panama. According to the consolidation criteria, the terminal is in scope for sustainability reporting as from 1 January 2017.

2 The Sabtank terminals report voluntary on safety data only. This is included for internal reporting purposes, but excluded for external reporting purposes since we started sustainability reporting in 2008.

For capacity developments, reference is made to the Storage capacity developments 2018 overview in the Leading assets in leading locations section of the Annual report, and notes 3.1 and 3.4 of the Consolidated Financial Statements.

## Divisional structure

Effective as of 1 January 2018, Vopak streamlined its divisional structure, resulting in a situation where the Group comprises five divisions. Reference is made to Note 2.1 Segment information of the Consolidated Financial Statements.



# Venezuela Terminal
# WeConnect Award Winners 2018

Vopak's WeConnect Foundation awarded the first WeConnect Award this year. Three projects in Brazil, Malaysia and Venezuela were nominated for the prize. The team in Puerto Cabello, Venezuela, won the WeConnect Award 2018 for their outstanding dedication and commitment.

They organized a ten-week summer camp for youngsters in Puerto Cabello. Under difficult circumstances, the team persevered and truly brought many positive experiences and smiles to the children of the community.

# Social (People)

This section comprises notes which provide specifications and explanations to Vopak's management approach and performance on social impacts for the year 2018 and the outlook for 2019 and beyond. Each note starts with the definition, the Group's reporting policies and boundaries.

The following notes are presented in this section:
- 1 Occupational health and safety
- 2 Process safety
- 3 Talent attraction and retention
- 4 Diversity
- 5 How we manage the other social topics

## Note 1. Occupational health and safety

### Definition, reporting policies and boundaries

**Materiality matrix no. 20**

8 DECENT WORK AND ECONOMIC GROWTH

*Refers to a healthy and safe workplace for Vopak's employees, contractors and key global suppliers. This includes fatalities, incidents, sickness, exposures to operating hazards and long-term exposure to chemicals.*

***Reporting policies***

Occupational health and safety are managed and reported according to OSHA 1904.

***Boundaries***

Safety relates not only to Vopak employees, but also to the employees of our contractors when they are working on our sites. Sickness is only reported for our own employees.

### Management approach

At Vopak, we operate at a global network of terminals and we handle a wide range of liquid products and feedstock for the chemical, petrochemical and agricultural industry. If handled incorrectly the products that we store can be a threat to the health and safety of our employees, contractors and everyone within the community surrounding our facilities. Therefore, we store and handle these products according to the latest standards and best practices and relevant legislation. It is our responsibility to keep our employees, contractors and neighbors safe from any incident occurring during the operations of our facilities and storage of the products.

Our global standards cover key operational and maintenance processes. In the daily operation and maintenance of our terminals, we encounter non-routine activities that are managed with additional control measures such as control of work procedures. Every Vopak employee, contractor and service provider is required to adhere to our Safety, Health and Environmental requirements, which have been formalized through employment and service contracts, in all locations and at all times. Safety committees are organized on a terminal level at all terminals. In addition to safety, we strive for a healthy workforce. In several countries, Vopak stimulates its employees to incorporate more healthy elements into their lifestyle through, for instance, company sports events, health checks, advice on diet, a healthy variety of food in the company's canteens and work-life balance initiatives.

We monitor and report any safety incident at our facilities involving our own employees, our contractors and third parties. We also monitor our employees periodically for any effects of exposure to the chemicals we handle and store. It is the obligation of everyone at a Vopak facility to report any (potential) health issue in the reporting system Enablon that every employee has access to.

We strongly believe that all incidents can be prevented and are committed to the goal of zero personal incidents.

### How we performed

Regrettably, two fatal incidents occurred during 2018:
- During underwater demolition work at our Sebarok terminal in Singapore on 23 June 2018 a diver under contract with a subcontractor suffered an accident and lost his life
- At our Haiteng terminal in China, a contractor fell into the sea during scaffolding dismantling work at the jetty and drowned.

In both cases, extensive tripod investigations were conducted leading to a number of recommendations that were shared and actively discussed through our safety alerts throughout the organization.

This is a reminder to all of us that safety is our first and foremost priority. At the end of each working day, each person at our terminals is entitled to return safely to their homes and families. It emphasizes again that we have to keep on focusing on how we can further improve our safety culture, systems and hardware to ensure a safe working place for all.

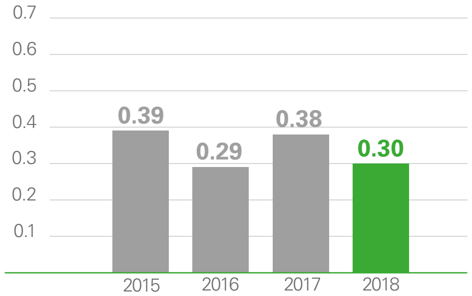
| Commitment | Achievement |
|---|---|
| Strive to achieve a Total Injury Rate (TIR) of 0.31 or less per 200,000 working hours for own employees and contractors in 2018 | The TIR was 0.30 in 2018 |

### *Safety performance*

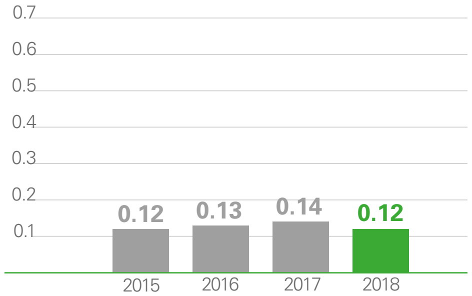
| | Total Injury Rate | | Lost Time Injury Rate | | Sickness Rate % | |
|---|---|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** |
| Europe & Africa | 0.97 | 1.25 | 0.43 | 0.56 | 4.3 | 4.5 |
| Asia & Middle East | 0.12 | 0.13 | 0.04 | 0.01 | 1.5 | 1.7 |
| China & North Asia | 0.18 | 0.32 | 0.09 | 0.09 | 0.6 | 0.9 |
| Americas | 0.17 | 0.18 | 0.03 | 0.04 | 1.3 | 1.2 |
| LNG | 0.29 | 0.00 | 0.29 | 0.00 | 3.4 | 3.3 |
| Global HQ | 0.00 | 0.00 | 0.00 | 0.00 | 3.5 | 4.2 |
| **Total** | **0.30** | **0.38** | **0.12** | **0.14** | **2.3** | **2.4** |

From a statistical perspective, the personal safety performance in 2018, measured through the Total Injury Rate, improved compared to 2017 and met the target of 0.31 set for 2018.

**Total Injury Rate**




**Lost Time Injury Rate**



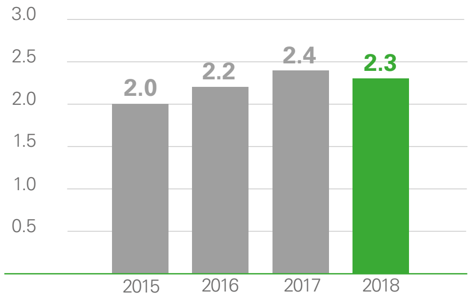

| | Process incidents | | Non-process incidents | | Total incidents | |
|---|---|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** |
| Lost time injury (LTI) | 1 | 3 | 22 | 19 | 23 | 22 |
| Restricted work case (RWC) | 0 | 2 | 18 | 21 | 18 | 23 |
| Medical treatment case (MTC) | 0 | 0 | 15 | 16 | 15 | 16 |
| **Total** | **1** | **5** | **55** | **56** | **56** | **61** |

Evaluation of the root causes of the personal incidents learns us that most cases occurred due to manual handling activities, slips, trips and falls.

The percentage of people exposed to higher work-related risks related to their occupation (operational and maintenance staff at our terminals) was 47% of the total workforce in 2018 (2017: 48%).

### *Sickness percentage*

**Sickness Rate**
in %




There were no reported cases of employees suffering from occupational diseases.

## 2019 and beyond

Over the last decades, we have made a great journey, where over the last few years our safety performance has stabilized. Primarily driven by our ambition of zero fatalities and a reduced Total Injury Rate, we launched the safety program 'Trust and Verify' to drive the next level of sustainable improvement in this area.

For 2019, we strive not to exceed a Total Injury Rate (TIR) of 0.27 per 200,000 working hours for own employees and contractors.

## Note 2. Process safety

### Definition, reporting policies and boundaries

**Materiality matrix no. 19**

*Refers to the process safety of Vopak's operations. This includes incidents of contaminations, damages and loss of primary containment.*

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

***Reporting policies***

Process safety of our operations is managed and reported according to the API standard RP 754 and events are measured based on the significance of the incident, with Tier 1 as the most significant.

According to our materiality assessment, the topic of process safety includes incidents of contaminations, damages and loss of primary containment (LOPC).

Contaminations and damages could be both process and non-process related. Both types of incidents are reported in this note.

All Tier 1 and Tier 2 LOPCs are reported in this note. For more detailed reporting on spills, reference is made to Note 7. Soil and groundwater pollution and Note 8. Water pollution. Both terms, 'spills' and 'LOPCs' are used to refer to the same definition: an unplanned or uncontrolled release of any material from primary containment, including non-toxic and non-flammable materials.

***Boundaries***

All Tier 1 and Tier 2 process safety events are reported in this note. This includes process-related personal incidents concerning own employees, contractors and third parties.

With regard to damages, we have only included damages larger than EUR 50,000.

### Management approach

The processes of storing and handling liquids and gases at a Vopak facility requires different safety measures to prevent any incident related to the operations. We report every incident relating to products, assets and the environment according to the API 754 standards and additional internal standards. It is the obligation of everyone at a Vopak facility to report any process safety event in the reporting system Enablon that every employee has access to.

The Assure 2016 program that we have been driving in the past few years is all about major accident prevention and being able to demonstrate it. Asset integrity is at the core of this program. The program has enabled us to prioritize our process safety initiatives and helped us to make sure we meet our own expectations. This includes not only having the right, well-maintained assets, but also assuring that they are operated by well-trained people using safety and efficient procedures within their operating permits and legal requirements.

Assure 2016 is based on global Vopak tools that were already available within our company. These include a selection of the 'Vopak Way Standards', 'Vopak Fundamentals' and key modules from 'My Learning Operations'. The program focuses on compliance in four areas:

- **Assets**: focusses on adequate maintenance of safety critical assets and ensuring that new assets are properly designed and commissioned
- **People**: focusses on having a workforce with sufficient essential skills to safely operate and maintain our terminals; whilst generating and maintaining a good safety culture
- **Processes**: focusses on having in place the key organizational processes controlled through procedures and methodologies to safely operate and maintain our terminals
- **Legal**: requirement focuses on compliance to all legislation that relates to major accident prevention. Implicit in this requirement is to know what legislation is to be complied with, what the legislation demands and to know that there are no gaps.

Asset integrity is secured through the 3-Year Maintenance Program (3YMP), in which a risk-based approach is used to determine the level of maintenance required for key assets such as tanks, pipelines and plant control systems. The 3YMP is reviewed annually during the budget cycle, in addition to the routine maintenance activities.

Consequently, the progress made is measured quarterly and benchmarked against the original plan, as part of the divisional review. In cases where additional maintenance is required, these requests are assessed and resourced to ensure that asset integrity is not at risk.

Of all the products that we store at our terminals, we require Material Safety Data Sheets, from our customers in order to appropriately store and handle these products.

Another core element is the constant monitoring and reporting of every process incident at our facilities and investigating the root cause in order to prevent similar incidents. We share the results of these investigations with all of our facilities by means of a written alert.

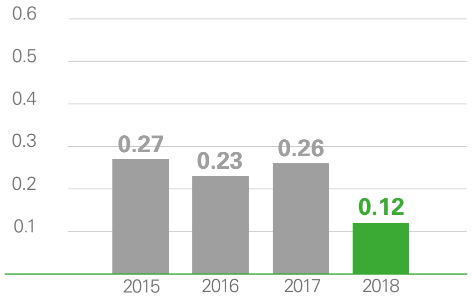
We strongly believe that all incidents can be prevented and we are committed to the goal of zero process incidents.

## How we performed

| Commitment | Achievement |
| --- | --- |
| Reduce the Process Safety Events Rate (PSER) to a maximum of 0.23 incidents per 200,000 working hours | The PSER was 0.12 in 2018 |

| | Tier 1 PSE Count | | Tier 2 PSE Count | | Tier 1 & Tier 2 PSER | |
| --- | --- | --- | --- | --- | --- | --- |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Europe & Africa | 4 | 7 | 7 | 13 | 0.34 | 0.63 |
| Asia & Middle East | 2 | 1 | 4 | 6 | 0.09 | 0.19 |
| China & North Asia | 0 | 1 | 0 | 0 | 0.00 | 0.05 |
| Americas | 0 | 0 | 2 | 2 | 0.06 | 0.09 |
| LNG | 0 | 1 | 0 | 0 | 0.00 | 0.27 |
| **Total** | **6** | **10** | **13** | **21** | **0.12** | **0.26** |

### Process Safety Event Rate




The total number of Tier 1 and Tier 2 incidents in 2018 (19) showed a decrease of 39% compared to 2017 (31). The table Process safety events by type show the type of incidents that occurred.

The significant improvement in our process safety performance is partially explained by the changed threshold levels of API RP 754. Our process safety incident classification has been aligned with the new API 754 standard. This means that some incidents have been downscaled to a lower tier classification, due to the impact of the incident (such as non-flammable edible oils). The impact of the application of the new standard in 2018 is that six LOPCs occurred in 2018, are now classified as Tier 3 instead of Tier 2.

| | Tier 1 PSE Count | | Tier 2 PSE Count | | Tier 1 & Tier 2 PSE | |
| --- | --- | --- | --- | --- | --- | --- |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Fatality | 0 | 0 | 0 | 0 | 0 | 0 |
| Lost time injury (LTI) | 1 | 4 | 0 | 0 | 1 | 4 |
| Restricted work case (RWC) | 0 | 0 | 0 | 2 | 0 | 2 |
| Medical treatment case (MTC) | 0 | 0 | 0 | 0 | 0 | 0 |
| Loss of primary containment (LOPC) | 5 | 6 | 13 | 19 | 18 | 25 |
| Fire | 0 | 0 | 0 | 0 | 0 | 0 |
| PRD activation | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **6** | **10** | **13** | **21** | **19** | **31** |

The two fatalities are not reported as part of the Process Safety Event Rate as they are reported as Non-Process related events.

## Product contaminations

| | 2018 | | | 2017 | | |
| --- | --- | --- | --- | --- | --- | --- |
| | PSE | Non-PSE | Total | PSE | Non-PSE | Total |
| Europe & Africa | 2 | 14 | 16 | 3 | 14 | 17 |
| Asia & Middle East | 2 | 7 | 9 | 0 | 0 | 0 |
| China & North Asia | 0 | 1 | 1 | 0 | 2 | 2 |
| Americas | 3 | 1 | 4 | 0 | 2 | 2 |
| LNG | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **7** | **23** | **30** | **3** | **18** | **21** |

## Damages

| | 2018 | | | 2017 | | |
| --- | --- | --- | --- | --- | --- | --- |
| | Property | Product | Total | Property | Product | Total |
| Europe & Africa | 10 | 2 | 12 | 8 | 2 | 10 |
| Asia & Middle East | 1 | 0 | 1 | 3 | 0 | 3 |
| China & North Asia | 0 | 0 | 0 | 2 | 0 | 2 |
| Americas | 2 | 0 | 2 | 2 | 0 | 2 |
| LNG | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **13** | **2** | **15** | **15** | **2** | **17** |

## 2019 and beyond

Over the last decades, we have made a great journey, where over the last few years our safety performance has stabilized. During 2018 we have seen a significant improvement compared to previous years. Primarily driven by our ambition of no uncontained releases of harmful products to the environment and a reduced Process Safety Event Rate, we continued to execute the Assure program. It is too early to make a direct connection between the improved performance and the Assure program, however, we do see a positive contribution of the massive efforts behind the program to our process safety.

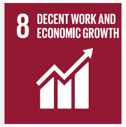
For 2019, we strive not to exceed a Process Safety Event Rate (PSER) of 0.20 per 200,000 working hours.

# Note 3. Talent attraction and retention

## Definition, reporting policies and boundaries

**Materiality matrix no. 21**

*Relates to the attraction and retention of the best people to create an agile and solution-driven culture.*




### *Reporting policies*

The starting point of the Vopak sustainability program is that every person employed by a Vopak-operated entity is counted as one person.

All reported number of employees in the Sustainability chapter of this Annual Report are based on headcount, unless stated otherwise.

### *Boundaries*

The data reported in this note only reflects our own employees for all in-scope entities as noted in Basis of preparation.

The compensation ratios will be reported for the Netherlands, United States and Singapore. As part of our stakeholder engagement and materiality assessment, we have asked our stakeholders whether reporting on additional locations is necessary. Based on the feedback of this assessment, we have concluded that we do not have to report on additional locations.

## Management approach

Attracting, developing and retaining talent are critical to our success. Vopak's environment is changing rapidly, therefore, different skills and backgrounds are needed, now and in the future. At the same time, we need to retain critical skills to build on our existing experience and knowledge. This is even more challenging outside Europe where the Vopak brand is less visible and less well known outside the industry. Whereas these are often the countries of high growth or higher growth potential.

Our core approach to talent management is having a strong development focus and facilitating learning on the job, which also allows us to rejuvenate our workforce. Another important program that we have used successfully is our Management Trainee program.

We believe in internal career growth and development and therefore we focus as much as possible on recruitment from within the company where possible to fill our vacancies.

### *People development*

Our people development efforts are all geared towards having the right people with the right skills in the right place at the right time in order to strengthen our organization and enable further growth. Opportunities for growth and development are also a key component for retention of our staff.

Our performance review process not only focuses on measuring past performance but also on steering long-term development. Many Vopak employees participate in this process. The Vopak performance management process has a strong focus on performance delivery, (360 degree) feedback and the Vopak Values.

Development needs are identified and translated into plans based on a yearly cycle.

We believe that leadership behavior is crucial in embedding and sustaining the Vopak Values in the organization. We have made further efforts to strengthen leadership development through our LEAD (Leadership Excellence And Development) program for senior management and high potential leaders.

### *Equipping our people - Vopak fundamentals and processes*

Care for Safety, Health and Environment is a fundamental expectation of Vopak of all its employees throughout the organization and the contractors working at the terminals. It is part of our company values. My Learning Operation (MLO) has been one of our most effective tools to train and assess proficiency in our Vopak Fundamentals on Safety. In 2018, 5,304 people were using the system, of which 85.3% are up to date with their Vopak Fundamentals (based on our annual recertification requirement). In addition to our Vopak Fundamentals, we have other safety-critical modules available within MLO, which are also used to train and assess our field employees.

We are also using MLO to train and assess our operational employees on our core operational processes, such as ship and truck handling. We expect to complete all e-modules related to our core operational activities in 2019. These training programs will also be administered and monitored through our MLO system.

In 2018, we introduced an online Code of Conduct training for all Vopak employees. More than 80% of invited employees have completed this training. This training will be done bi-annually, alternated with a new online training in 2019 focusing on inclusive behavior.

## How we performed

### *Employee hires and turnover*

| | Joiners | Relative joiners | Leavers | Relative leavers |
|---|---|---|---|---|
| Europe & Africa | 237 | 12.1% | 211 | 10.7% |
| Asia & Middle East | 210 | 14.3% | 163 | 11.1% |
| China & North Asia | 106 | 11.3% | 108 | 11.5% |
| Americas | 191 | 18.3% | 138 | 13.2% |
| LNG | 10 | 5.9% | 9 | 5.3% |
| Global HQ | 48 | 17.0% | 33 | 11.7% |
| **Total** | **802** | **13.7%** | **662** | **11.3%** |

The relative turnover slightly increased compared to 2017 (10.4%). 80% of the leavers were voluntary.

The staff turnover rate is acceptable for the markets we operate in and we believe, as also apparent from the employee engagement survey, that the intention to stay with the company is strengthened by good leadership, good career and development opportunities and working together based on our values and a positive working environment. When a divestment is made, Vopak will do its utmost to ensure that the employees working at the specific location are transferred under the same contractual arrangements as of when they were working for Vopak.

### *Training hours per employee*

| | 2018 | 2017 |
|---|---|---|
| Europe & Africa | 44 | 44 |
| Asia & Middle East | 65 | 72 |
| China & North Asia | 49 | 61 |
| Americas | 37 | 40 |
| LNG | 91 | 75 |
| Global HQ | N.R. | N.R. |
| **Total** | **48** | **52** |

The number of training hours per division shows that Vopak employees spend a significant amount of time on training over the years. Besides formal training as measured by the hour, training and coaching on the job and best practice sharing are also an important, informal way, of training.

### *Compensation ratio*

The definition for the calculation of the compensation ratio is consistent with that used to calculate the CEO Pay Ratio as shown in the Remuneration report.

| | 2018 ratios [1] | 2017 ratios [1] | Increase to 2017 [2] |
|---|---|---|---|
| Global CEO Pay Ratio | 20.8 | 17.3 | 20.2% |
| *Pay ratio The Netherlands* | *14.1* | *11.4* | *23.7%* |
| *Pay ratio Singapore* | *8.6* | *10.6* | *-18.9%* |
| *Pay ratio United States* | *3.7* | *3.1* | *19.4%* |

1 The ratio is defined as the salary of highest paid job holder/average salary excluding highest salary

2 Increase in annual total compensation for the highest-paid individual to the average percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country in 2018 compared to 2017

## 2019 and beyond

We will continue to increase the accessibility to (formal) training in 2019 via the new HR digital platform. In addition, we will continue with the training sessions of talent pools and plan to launch a new online training on inclusive behavior.

# Note 4. Diversity

## Definition, reporting policies and boundaries

**Materiality matrix no. 25**

8 DECENT WORK AND ECONOMIC GROWTH

*The diversity of the Vopak workforce and its joint ventures.*
*This includes diversity in gender, culture, age, physical abilities and competencies.*

### *Reporting policies*

The starting point of the Vopak sustainability program is that every person employed by a Vopak-operated entity is counted as one headcount. All reported numbers of employees in the Sustainability chapter of this Annual Report are based on headcount unless stated otherwise. All reported numbers of contractors in the Sustainability chapter of this Annual Report are based on man-years.

### *Boundaries*

The data reported in this note only reflect our own employees for all in-scope entities as noted in Basis of preparation.

## Management approach

Vopak operates in many countries. Therefore, our workforce is very diverse in terms of nationalities, ethnicity, gender, beliefs, age, educational background, competencies and skills. Increasing diversity reflects the society we live in, ensures that all employees can develop their potential to the full and improves the way we solve problems. Furthermore, it widens our access to talent while at the same time contributing to retention.

The oil and gas sector traditionally has an imbalance in terms of gender representation, and therefore a very basic route to widen our access to talent is to focus on this issue.

We have achieved varying degrees of success in increasing talent diversity in other dimensions such as nationalities, ethnicity, and background. Our intention is to have a well-balanced international representation in our global operations. Our global leadership is mainly comprised of Dutch nationals, the majority of whom have extensive international experience, while our terminal and divisional management teams are comprised of a variety of nationalities.

As a network company, many individuals within a local team have the opportunity to participate regionally and globally. Short-term as well as long-term assignments outside one's own home country are common. This development opportunity also provides returns in terms of sharing best practices and experience globally, in addition to meeting both business and career enrichment needs.

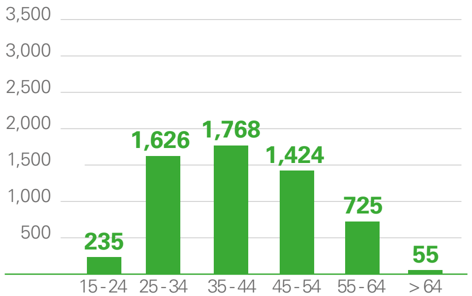
## How we performed

| | Headcount | Gender | | Employment type | | Employment contract | |
|---|---|---|---|---|---|---|---|
| | 31-Dec-18 | Men | Women | Full-time | Part-time | Permanent | Fixed term |
| Europe & Africa | 1,949 | 85% | 15% | 92% | 8% | 92% | 8% |
| Asia & Middle East | 1,448 | 86% | 14% | 99% | 1% | 93% | 7% |
| China & North Asia | 967 | 84% | 16% | 100% | 0% | 50% | 50% |
| Americas | 1,040 | 82% | 18% | 100% | 0% | 98% | 2% |
| LNG | 169 | 85% | 15% | 93% | 7% | 96% | 4% |
| Global HQ | 260 | 71% | 29% | 83% | 17% | 90% | 10% |
| **Total** | **5,833** | **84%** | **16%** | **96%** | **4%** | **86%** | **14%** |

| | Executive Board | | Terminal and divisional management teams | | Global staff directors | | Global staff HQ | |
|---|---|---|---|---|---|---|---|---|
| % employees | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| *Gender* | | | | | | | | |
| Men | 100% | 100% | 79% | 81% | 62% | 64% | 77% | 77% |
| Women | 0% | 0% | 21% | 19% | 38% | 36% | 23% | 23% |
| *Nationality* | | | | | | | | |
| Dutch | 100% | 100% | 29% | 28% | 92% | 93% | 83% | 87% |
| Other | 0% | 0% | 71% | 72% | 8% | 7% | 17% | 13% |

The diversity numbers still do not show the balance that Vopak believes would be the right reflection of the society that we are part of.

### Age distribution per 31 December 2018




Approximately 42% (2017: 40%) of our employees are employed under a Collective Labor Agreement (CLA), most of these employees work in the operations and maintenance departments at our terminals. We strive for long-lasting relationships with unions and works councils all over the world in the best interest of our employees and the Company.

***Number of contractors***

During 2018, Vopak hired contractors for in total over 10,000 man-years.

## 2019 and beyond

Increasing the diversity both in nationality and gender is part of the 2019 agenda and several actions will be taken to improve the balance and, where needed, increase inclusiveness.

In 2019, Vopak will launch a Global online training for Inclusive behavior in order to increase the awareness amongst our employees. This will be part of a bi-annual training with the code of conduct training.

## Note 5. How we manage the other social topics

| Materiality matrix no. | Topic | Management approach |
|---|---|---|
| **Materiality matrix no. 22**<br>*Refers to stench, odors and noise coming from Vopak's terminals and also from ships of third parties at Vopak's terminals which could affect local communities.* | *Nuisance* | *Noise prevention is addressed during the design of our terminals. We determine the nuisance sound contours around the terminal and locate the sources in such a way that any nuisance is avoided. Stench and odors are mitigated locally at terminal level. We monitor and analyze any stench, odor and sound complaint and take any mitigation to prevent the complaints in the future.* |
| **Materiality matrix no. 23**<br>*Refers to labor conditions, including (but not limited to) participation in collective labor agreements.* | *Labor conditions* | *Labor conditions are set in the Code of Conduct.* |
| **Materiality matrix no. 24**<br>*Refers to human rights, including (but not limited to) the rights of indigenous people and land use rights.* | *Human rights* | *The behavior of Vopak with regard to human rights is laid down in our Code of Conduct and our Suppliers Code (OECD and ILO).* |
| **Materiality matrix no. 26**<br>*Refers to engaging with the communities in which Vopak operates. This includes community projects (with a focus on youth) and aid & charitable donations.* | *Community engagement and charity* | *To enable customization, the initiatives and execution take place at the local operational offices.* |

# Care **for air**

A new state-of-the-art Vapor Recovery Unit (VRU) was commissioned at our terminal in Sydney, Australia. This unit significantly reduces the emissions of Volatile Organic Components (VOCs) during truck loading at our terminal. The new VRU comes with two new carbon beds, new continuous emission monitoring systems and instrumentation to check velocity. The truck loading facilities of the import and distribution terminal enable the delivery of fuel in the greater Sydney Metropolitan area, Australia's largest demand market, and the state of New South Wales.

# Environmental (Planet)

This section comprises notes which provide specifications and explanations to Vopak's management approach and performance on environmental impacts for the year 2018 and the outlook for 2019 and beyond. Each note starts with the definition, the Group's reporting policies and boundaries.

The following notes are presented in this section:
- 6 VOC emissions
- 7 Soil and groundwater pollution
- 8 Water pollution
- 9 $CO_2$ emissions (including energy use)
- 10 Our response to climate change
- 11 How we manage the other environmental topics

## Note 6. VOC emissions

### Definition, reporting policies and boundaries

**Materiality matrix no. 1**

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

*Volatile Organic Compound emissions resulting from Vopak's own operations. In addition to VOC emissions, this note includes the other air emissions: $NO_x$ and $SO_x$.*

***Reporting policies***

As field measurement to obtain a complete picture is not yet feasible, we make use of globally acknowledged calculation programs (TANKS 4.0 and Caruso) for the assessment of Volatile Organic Compound (VOC) emissions. These emissions are due to and occur during the storage and handling of products and are therefore an effect of our own operations.

The $NO_x$ (this reflects our $N_2O$ emissions) and $SO_x$ emissions are calculated based on our energy consumption. We have applied the following conversion factors:
- $SO_x$ emissions: *2015 Specific emission factors per energy source stream*
- $NO_x$ emissions: *IPCC guidelines for National Greenhouse Gas Inventories*

***Boundaries***

Data in this note include the information for all in-scope entities as noted in Basis of preparation.

### Management approach

Our prime responsibility is to comply with (local) legislation on air emissions. Our objective is to further reduce our VOC emissions beyond our legal obligation. For this objective, we believe we need to focus our efforts on those areas where the social impact is largest. As field measurement to obtain a complete picture is not yet feasible, we developed a model in 2017 to provide guidance to the organization on possible reduction measures and their societal impact (according to the True Value method) to ensure that our efforts and investments, beyond what is required from a regulatory perspective, are put in place there where the impact on society is largest.

### How we performed

VOCs (Volatile Organic Compounds) are generally released upon evaporation of organic substances and through incomplete combustion. At Vopak, we store organic liquids that can release volatile organic compounds.

Vopak aims to be a responsible employer and neighbor. This entails responsibilities for our own staff and our surroundings, in terms of the environment (soil, water and air), as well as the local communities and our neighbors.

We have installed and invested in various emission-reducing measures such as internal floating roofs and vapor treatment installations throughout parts of our network and this will continue in the coming years. Our objective is to further reduce emissions, including those of VOC and odor. In pursuing this objective, our aim is to adhere to guidelines set out in operating licenses, legislation and our own global standards.

In prior year, we analyzed the VOC emissions over 2016 for our largest 17 terminals. We estimated that these represent roughly 75% of our emissions globally. For this assessment, we applied the emission calculation model used by the authorities in the Netherlands (Caruso 4.0). Approximately 15-20% of the emissions at these terminals is related to standing emissions from storage. The remaining 80-85% is due to handling (loading, unloading, roof landings).

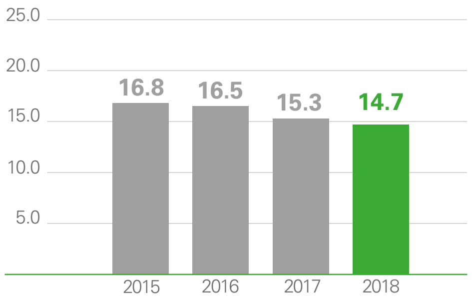
In 2018, there were seven projects started at five locations with a total spent of over EUR 10 million to reduce our vapor emissions.

### $NO_x$ and $SO_x$ emissions

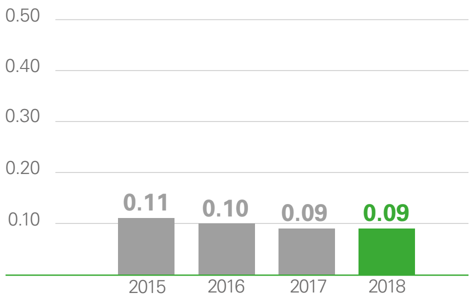
| In metric tons | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Total $NO_x$ emissions | 492 | 498 | 514 | 527 |
| *of which Europe & Africa* | *146* | *149* | *176* | *198* |
| *of which Asia & Middle East* | *205* | *213* | *201* | *195* |
| *of which China & North Asia* | *7* | *10* | *18* | *30* |
| *of which Americas* | *133* | *125* | *118* | *103* |
| *of which LNG* | *1* | *1* | *1* | *1* |
| Total $SO_x$ emissions | 2.9 | 2.8 | 3.2 | 3.4 |
| *of which Europe & Africa* | *1.0* | *1.1* | *1.4* | *1.7* |
| *of which Asia & Middle East* | *1.1* | *0.9* | *0.6* | *0.4* |
| *of which China & North Asia* | *0.0* | *0.0* | *0.3* | *0.5* |
| *of which Americas* | *0.8* | *0.8* | *0.9* | *0.8* |
| *of which LNG* | *0.0* | *0.0* | *0.0* | *0.0* |

Main contributors for $NO_x$ emissions are natural gas and gas oil/diesel oil. $SO_x$ emissions are mainly related to the use of natural gas and heating fuel.

**$NO_x$ emissions intensity**
Metric tons per million cbm storage capacity




**$SO_x$ emissions intensity**
Metric tons per million cbm storage capacity




### 2019 and beyond

As part of our ambition to minimize our environmental footprint, it is our objective to further reduce our VOC emissions, beyond what is legally required. We believe we need to focus our efforts on those areas where the societal impact is largest (in addition to fulfilling legislative requirements). We continue to apply our societal and environmental impact model (True Value Model: TV-model).

We have planned more than 25 projects (with a total investment of over 40 million euro) to mitigate vapor emissions with the aim to meet new legislation and reduce the societal impact by more than 20%.

Over the next years, we will use this model as a basis for determining our priorities and investments in terms of emission-reducing measures.

## Note 7. Soil and groundwater pollution

### Definition, reporting policies and boundaries

**Materiality matrix no. 2**

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

*Prevention of spills and soil contaminations, controlling existing soil contaminations and remediation in the event that an accident occurs.*

#### *Reporting policies*

All spills of more than 200kg are reported as reportable spills. This also includes the process safety-related Tier 1 and Tier 2 loss of primary containment according to API RP 754.

The identification and remediation of emissions to soil and groundwater are guided by local legislation and the requirements stated in our Vopak Way Standards 'Spill control' and 'Soil and groundwater management'.

#### *Boundaries*

Data in this note include the information for all in-scope entities as noted in Basis of preparation.

### Management approach

As the owner and/or user of approximately 1,550 hectares of land, with almost 5,000 tanks, Vopak has a responsibility for taking care of this land. The majority of our tanks are equipped with a secondary protection system to prevent spills and other contaminants from entering the soil and groundwater.

#### *Vopak Principles on soil contamination*

The principles of our Environmental Management System (EMS) as set out in our Vopak Way standards, which are based on international laws and regulations, are:

- Prevention: for soil contamination, this means that secondary containment, which is mandatory at every new terminal, should also be implemented at our older terminals (whenever this can be implemented simultaneously with our maintenance schedules)
- A spill response program applicable to both soil and water.

Specific locations where the risk of spillage is higher, such as pumping pits, truck loading stations and jetty manifolds, are already equipped with secondary containment to prevent damage to the environment. We continue to improve the coverage of secondary containment and, led by a risk-based approach, we continue to improve the protection of the subsoil and groundwater at our terminals. In this risk-based approach, we took into account that 78% of our terminals are in the vicinity of areas of high biodiversity and that extra precautions are taken to prevent any contamination of these areas.

If a spill or any unwanted discharge takes place, emergency mitigation procedures are in place at all our terminals, in accordance with the Vopak Standards: 'Spill control' and 'Soil and groundwater management'.

## How we performed

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Contained | Uncon-tained | Total | Contained | Uncon-tained | Total |
| Total number of reportable spills | 40 | 4 | 44 | 51 | 7 | 58 |
| Total amount of reportable spills (metric tons) | 187 | 29 | 216 | 986 | 25 | 1,011 |

In 2018, in our emissions to soil and groundwater, we had 44 spills representing a total of 216 metric tons product (2017: 58 spills representing 1,011 metric tons) of which two major spills:

- Spill of 75 metric tons of naphtha at our Europoort terminal (The Netherlands)
- Spill of 37 metric tons of gasoline at our Banyan terminal (Singapore).

In total, 86% of the total metric tons spilled during 2018 (2017: 98%) was contained. The increase of the uncontained release of product is mainly due to the naphtha spill at our Europoort terminal of which approximately 30 metric tons was uncontained.

All spills were remediated immediately according to the requirements stated in our Vopak Way standards 'Spill control' and 'Soil and groundwater management'; however, our aim is no uncontained spills.

According to these standards, all terminals are required to have secondary containment (containment of hazardous liquids in order to prevent soil pollution and water pollution) in place at locations where the risk of spillage and loss of containment is apparent (such as tank pits, pump pits and loading stations).

Besides prevention, Vopak is also engaged in a process of remediation of 16 existing contaminated locations, reference is made to environmental provisions in Note 9.5 Provisions of the Consolidated Financial Statements.

As all 2018 spills were remediated immediately, these did not lead to the addition of the provisions during 2018. The cost of remediation is reported as part of environmental, safety and cleaning expenses in Note 2.6 Other operating expenses of the Consolidated Financial Statements.

### 2019 and beyond

Primarily driven by our ambition of no uncontained spills of harmful products and to reduce the number of contained spills, we strive to continuously improve the quality of our conformance with our existing standards.

In 2019, we will continue to monitor the total surface area with secondary containment and, led by a risk-based approach, we will continue to improve the protection of the subsoil and groundwater at our terminals by identifying and setting targets on terminal level.

In addition to the prevention of new contamination, we will proceed with the remediation at the 16 existing contaminated locations.

## Note 8. Water pollution

### Definition, reporting policies and boundaries

**Materiality matrix no. 3**

*Pollution of surface and sewage water caused by Vopak's operations. Including the quantity and quality of discharge in surface water.*

***Reporting policies***

All spills of more than 200kg are reported as reportable spills. This also includes the process safety-related Tier 1 and Tier 2 loss of primary containment according to API RP 754.

***Boundaries***

Data in this note include the information for all in-scope entities as noted in Basis of preparation.

## Management approach

As almost all our terminals are situated at open waterways, we particularly seek to avoid any unwanted discharge of product to the surface water. Prevention takes place through our focus on asset integrity, adherence to operational procedures, specifically designed containment and drainage facilities at the jetties and piers. In the event that product is discharged to the surface water, mitigation will take place through specific equipment present at every pier or jetty, supported by services to recover and prevent further spread of contaminants.

### *Vopak principles on water pollution*

The principles of our Environmental Management System (EMS) as set out in our Vopak Way Standards, which are based on international laws and regulations, are:

- Prevention: for soil contamination, this means that secondary containment, which is mandatory at every new terminal, should also be implemented at our older terminals (whenever this can be implemented simultaneously with our maintenance schedules)
- A spill response program applicable to both soil and water.

We measure the effectiveness of the prevention of spills to surface and sewage water as part of our Assure and Terminal Health Assessment (THA) programs.

## How we performed

| | 2018 | 2017 |
|---|---|---|
| Total number of reportable spills | 4 | 1 |
| Total amount of reportable spills (metric tons) | 1 | 1 |

We had four reportable spills into surface and sewage water in 2018 (2017: one), with a total of one metric ton of product being spilled. Where possible, all product that was spilled into water was removed. The spills did not lead to any formal permit violation.

The cost of remediation is reported as part of environmental, safety and cleaning expenses in Note 2.6 Other operating expenses of the Consolidated Financial Statements.

## 2019 and beyond

We aim to have no uncontained spills of harmful products and reduce the number of contained spills.

# Note 9. $CO_2$ emissions (including energy use)

## Definition, reporting policies and boundaries

### Materiality matrix no. 5

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

*Derived from the energy use at the individual terminals, including construction projects. Refers to $CO_2$ emissions from direct energy use in own operations (Scope 1) and indirect energy use from electricity purchased (Scope 2). Please note that travel by company car and air travel are not included, as these comprise only 0.60% of combined Scope 1 and 2.*

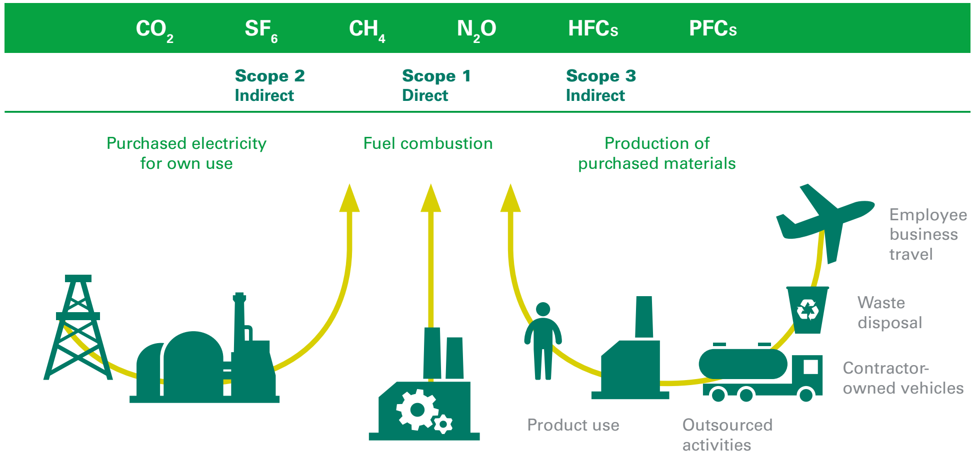
### Materiality matrix no. 6

7 AFFORDABLE AND CLEAN ENERGY

*The energy use of Vopak's own operations. This includes energy derived from natural gas, LNG/propane, heating fuel, gas/diesel oil, bio fuels, purchased steam, district heating and electricity.*

### *Reporting policies*

Vopak's reporting on carbon emissions (calculated based on energy use), encompasses Scope 1 (direct energy use and emissions from the combustion of fossil fuels) and Scope 2 emissions (indirect energy use and emissions from electricity purchased for our own use). Despite the fact that this was considered not material for Vopak during the materiality assessment, we decided to report on parts of the GRI Standards requirements as far as they are applicable to Vopak and deliver more insight to stakeholders. Therefore, our reporting on emissions includes carbon dioxide ($CO_2$) and methane ($CH_4$) as well as other air emissions ($NO_x$, $SO_x$ and not yet reported VOC).

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We report our $N_2O$ emissions as $NO_x$ emissions, reference is made to Note 6. VOC emissions. Other greenhouse gas emissions such as hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride ($SF_6$) or related source products are not stored or handled within Vopak.

We have applied the following conversion factors for the calculation of energy:
- Conversion of consumption to energy: *Dutch list of fuels and standard $CO_2$ emission factors, version January 2016 (from the Netherlands Enterprise Agency)*
- Conversion of natural gas consumption to energy: *the Energy Information Administration (EIA) and for Belgium and Singapore location-specific conversion factors*.

We have applied the following conversion factors for the calculation from energy to carbon emissions:
- Direct energy conversion to carbon emissions: *Dutch list of fuels and standard $CO_2$ emission factors, version January 2016 (from the Netherlands Enterprise Agency)*
- Conversion of electricity to carbon emissions: *the International Energy Agency (IEA)*.

### *Boundaries*
Data in this note include the information for all in-scope entities as noted in Basis of preparation.

Vopak does not report on its Scope 3 (other indirect) emissions as this is not material compared to our total carbon emissions. The total of our scope 3 emissions is less than 5% of our total $CO_2$ emissions.

## Management approach
Despite the fact that reporting on our carbon emissions is stated as not material, we believe that reporting is a public requirement. The majority of our carbon dioxide emissions are generated through operational processes such as pumping and heating. The most direct step that we have taken is to switch to cleaner fuels for these type of activities.

Energy efficiency is also seen as another means to reduce our carbon dioxide footprint and we are driving various efficiency improvement projects in different parts of our network. As heating is a large component of our energy consumption, we are looking for methods to reduce our energy consumption for this purpose.
One of the examples of this is the energy-efficiency program in the Netherlands (reduction of the energy consumption with 8 % over 2017 - 2020) which will serve as a blueprint to increase the energy efficiency around the globe.

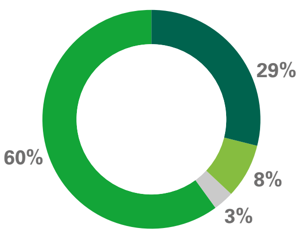
## How we performed
The $CO_2$ emissions over 2018, as well as the relative $CO_2$ emissions (per cbm) slightly increased compared to 2017. The main contributor to this the increased electricity consumption at our LNG terminals in The Netherlands and Mexico.

| In kilotons | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Direct carbon emissions (scope 1) | 165 | 166 | 186 | 189 |
| *of which Europe & Africa* | *74* | *76* | *90* | *101* |
| *of which Asia & Middle East* | *29* | *30* | *27* | *26* |
| *of which China & North Asia* | *2* | *3* | *4* | *6* |
| *of which Americas* | *60* | *57* | *65* | *56* |
| *of which LNG* | – | – | – | – |
| Indirect carbon emissions (scope 2) | 252 | 235 | 240 | 260 |
| *of which Europe & Africa* | *75* | *78* | *73* | *87* |
| *of which Asia & Middle East* | *50* | *47* | *48* | *44* |
| *of which China & North Asia* | *47* | *46* | *64* | *62* |
| *of which Americas* | *23* | *23* | *23* | *24* |
| *of which LNG* | *57* | *41* | *32* | *43* |
| **Total carbon emissions** | **417** | **401** | **426** | **449** |
| **Total relative carbon emissions (kt/million cbm)** | **12.5** | **12.3** | **13.7** | **14.3** |

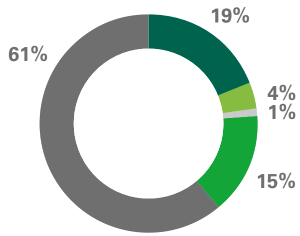
Our $CO_2$ emissions are measured and calculated based on our energy consumption and can be split into two separate categories, liquid bulk operations and LNG operations. The main reason for this is that the LNG operations are more process-oriented than the conventional liquid bulk storage and handling operations. The amount of energy required for the regasification of LNG is a major part of the total energy consumption.

As regasification of LNG requires a significant consumption of energy, Vopak is using a renewable energy source for this process. At Gate Terminal (the Netherlands), we convert the imported LNG into gas using process water from a nearby electrical power plant. At our LNG Terminal in Altamira (Mexico), we use regular (i.e. unprocessed) sea water. This means that the terminals do not have to use additional energy sources to heat and vaporize LNG at the terminals. The electricity used in the LNG operations is mainly used for pumping. Direct carbon emissions from the LNG operations is negligible, reference is made to the graphs below.

### Carbon emissions mix




### Energy use mix




Natural gas · Fuel/Gas oil · LPG · Electricity · Process water

The energy consumption of our conventional liquid bulk storage and handling operations is used for the production of steam for heating purposes (gas consumption) or through electricity consumption for powering our pumps and, on a lower level, for heating and cooling. The amount depends on (1) the products we store for our customers, (2) the weather conditions and (3) the amount of product pumped (electricity consumption).

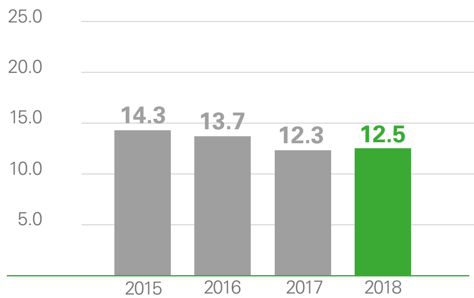
Short-term energy-saving programs focus therefore on improving the processes of heat exchange and efficiencies within the system.

| In terajoules (TJ) | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Total direct energy | 2,749 | 2,772 | 3,138 | 3,198 |
| *of which Natural Gas* | *2,143* | *2,180* | *2,589* | *2,610* |
| *of which LPG / Propane* | *171* | *150* | *148* | *173* |
| *of which Heating Fuel* | *19* | *15* | *18* | *19* |
| *of which Gas / Diesel Oil* | *416* | *427* | *383* | *396* |
| *of which Biofuel* | *0* | *0* | *0* | *0* |
| Total indirect energy | 8,654 | 5,721 | 4,627 | 7,326 |
| *of which Electricity* | *1,706* | *1,595* | *1,578* | *1,695* |
| *of which District Heating* | *0* | *0* | *0* | *0* |
| *of which Steam* | *4* | *1* | *13* | *20* |
| *of which Renewable Energy* | *6,944* | *4,125* | *3,036* | *5,611* |
| **Total energy** | **11,403** | **8,493** | **7,765** | **10,524** |
| **Total renewable energy as % of total energy** | **61%** | **49%** | **39%** | **53%** |

The total energy consumption, as well as the energy use intensity (per cbm capacity storage), increased compared to 2017. This is mainly driven by the increased consumption of process water at our LNG terminals, which has no impact on our carbon emissions.

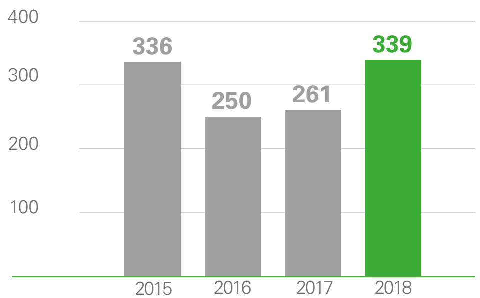
### $CO_2$ emissions intensity

Kilotons per million cbm storage capacity




### Energy use intensity

Terajoules per million cbm storage capacity



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### *Other greenhouse gas emissions*

In order to be transparent with regard to our emissions, the table below shows the emissions from venting in our LNG operations. This includes not only emissions due to occasional upset conditions or specific maintenance outages, but also two unwanted releases to air, which resulted in one metric ton of methane ($CH_4$) emissions.

| | 2018 | 2017 |
|---|---|---|
| Methane ($CH_4$) - metric tons | 22 | 23 |
| $CO_2$ equivalent of methane - metric tons | 550 | 575 |

### 2019 and beyond

We aim to reduce our carbon emissions by the regional and local energy-efficiency initiatives within the Group. This will be offset by an increase in Vapor Treatment Units (VTUs) in order to reduce the VOC emissions as support gas combustion (mostly LPG) is needed.

## Note 10. Our response to climate change

We acknowledge the Intergovernmental Panel on Climate Change (IPCC) assessment, the human influence is clear and physical impacts are already manifesting themselves. This results in a growing need for governments, business and citizens to adapt to and mitigate the physical impacts of climate change.

As citizens of this planet, we share concerns with people around the world, which are how the world can be provided with the energy it needs while reducing pollution and greenhouse gas emissions.

Our purpose is storing vital products with care. To continue fulfilling our purpose in a world that is combating climate change, the products that we store and the services that we deliver may change.
We know that Vopak has what it takes to adapt successfully and remain relevant to society. Change has been a constant in our 400-year history. Also, the way we define 'care' may change. We believe that the world must pursue both objectives of limiting climate change to well below 2 degrees Celsius, in line with the Paris agreements, while providing access to affordable, acceptable and sustainable energy for all.

In 2018, Vopak conducted a stress test of our strategy, including growth and our asset portfolio against the International Energy Agency scenarios (transitional) and the IPCC scenarios (physical). This note presents the main risks and opportunities to Vopak that were identified.

### *Governance and risk management*

The determination of threats and opportunities driven by climate change forms an integral part of the company's strategic planning cycle. Our governance with regard to climate-related risks and opportunities is integrated in our governance and risk management processes, reference is made to the Governance, risk and compliance chapter.

### *Strategy*

Based on the stress test and subsequent analysis in 2018, we are confident that our current strategy sufficiently addresses both the risks and opportunities to Vopak emerging from the physical effects of climate change, as well as those related to the transition to a low-carbon economy. We will continue to aim for growth acceleration in the chemical and gas markets. In addition, we are engaging in development opportunities around new energy supply chains to facilitate low-carbon solutions for a sustainable energy future.

### *Climate-related risks and opportunities*

The risks and opportunities can be categorized into the following segments:
- **Transition**: this includes changes in market dynamics, policy actions, reputation and new technology and product developments
- **Physical risks**: this includes acute risks such as increased severity of extreme weather events and chronic risks such as rising sea levels, temperature and precipitation changes.

**Transitional risks and opportunities**

The international commitment to combat climate change and lower $CO_2$ emissions is having a profound impact on energy markets and industries. This development represents risks for Vopak, as most of our business relates to fossil fuels. At the same time, we see tremendous opportunities, given the fact that the daily and seasonal fluctuations in wind and solar energy are likely to increase the need for storage of low-carbon and clean energy sources like hydrogen, as well as $CO_2$ storage solutions, pipeline infrastructure and new technologies.

In stress-testing our strategy against the IEA New Policy scenario of 2017 as well as the IEA Sustainable Development scenario of 2017, the main insights were that:
- Under all scenarios, the petrochemical and gas markets continue to grow, with a possible decline in gas markets in Europe and North America beyond 2040 under the sustainable development scenario
- The transition to electric vehicles and consequent decline in traditional fuels has accelerated in the New Policy (2017) and Sustainable Development (2017) scenarios, but this still has a limited impact on the oil markets. We are confident that Vopak's growth strategy adequately addressing these trends, but may have to adapt for the pace of change going forward
- There are growing opportunities in serving the new energy and renewable markets and in facilitating low-carbon product flows.

**Physical risks and opportunities**

To assess the physical climate-related risks, Vopak has analyzed the potential impact of three IPCC scenarios for 2050 (RCP 2.6, 4.5/6.0, 8.5), which are based on global warming of respectively 2 degrees, 3 degrees and 4.5 degrees Celsius. The sensitivity analysis demonstrated potential acute and chronical impact on our current assets in the following areas by 2050:

- Possible damage and business interruptions from storms and hurricanes in the Gulf of Mexico, South China and Southeast Asia
- Rising sea levels possibly affecting our operation in Houston (United States) and Jakarta (Indonesia)
- Rising sea levels and drought possibly affecting our operation in Sydney (Australia) and Spain
- Smog and extreme heat possibly affecting health and operation in Canada and California (United States).

The consequence of these potential developments could be an increase in (preventive and maintenance) investments and an increase in insurance costs for these areas. These concern not only Vopak, but also other actors in concerned port areas.

### *2019 and beyond*

Our ambition is to further develop our business in support of the Paris climate goals. We welcome and support the new initiatives to improve and drive the convergence of standards and practices in business disclosures related to climate risks, such as the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosure (TCFD).

Based on the stress test and subsequent analysis in 2018, we are confident that our current strategy sufficiently addresses both the risks and opportunities emerging from the physical effects of climate change, as well as those related to the transition to a low-carbon economy. We will continue to aim for growth acceleration in the chemical and gas markets. In addition, we engage in developing opportunities to facilitate low-carbon solutions for a sustainable energy future. In this respect, we defined three lines of action to play our role in the energy transition:

I - Reducing our environmental footprint and lowering carbon emissions
II - Facilitating, where possible, the introduction of lighter, less polluting fuels
III - Developing infrastructure solutions for a sustainable, low-carbon future

We will continue to engage with investors and other stakeholders in order to further improve our disclosures of material climate-related risks and opportunities, taking into consideration the recommendations of the TCFD and other relevant developments.

## Note 11. How we manage the other environmental topics

| Materiality matrix no. | Topic | Management approach | |
|---|---|---|---|
| **Materiality matrix no. 4**<br>*Refers to both hazardous and non-hazardous waste resulting from Vopak's operations and demolition of tanks. This specifically includes the quantity of hazardous waste. Other waste, such as demolition waste of tanks, is re-used.* | *Waste* | *Hazardous waste such as slobs from tanks are mostly returned to the owner of the product. Demolition waste, e.g. steel from the tanks is directly recycled by the contractor, according to the Vopak Way Standard on Waste Management.* | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION |
| **Materiality matrix no. 7**<br>*Refers to the amount of water used in Vopak's operations, e.g. for tank cleaning.* | *Waste use* | *The water used during operation is recycled through a water treatment plant (at Vopak or outside Vopak) before released into the surface water or sewers.* | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION |
| **Materiality matrix no. 8**<br>*Refers to potential damage to areas of ecological diversity which are within five miles of Vopak's terminals (this applies to 80% of the Vopak terminals) and classified as:*<br>• *Natura 2000 sites (Europe)*<br>• *Areas falling under the UNSECO and the Biosphere Program*<br>• *Areas defined by BirdLife International*<br>• *Wetlands according to the Ramsar Convention* | *Biodiversity* | *Reference is made to the Environmental Management System disclosure in the Operational leadership chapter.* | |


# Hydrogen study in Rotterdam

In the H-vision project, Vopak is working together with fifteen partners on a feasibility study into the production and application of blue hydrogen in the Port of Rotterdam's industrial complex. With blue hydrogen, the industry can already contribute in the short term to a substantial reduction of $CO_2$ emissions. Blue hydrogen is obtained by splitting natural gas or residual gases from the industry into hydrogen and $CO_2$.

The $CO_2$ will be captured and safely stored in depleted gas fields under the North Sea. The infrastructure and installations for blue hydrogen can eventually be used for green hydrogen, made by solar and wind energy driving electrolysis. With H-vision, the industry is investing in the future.

# Financial and governance (Profit)

This section comprises notes which provide specifications and explanations to Vopak's management approach and performance on financial and governance impacts for the year 2018 and the outlook for 2019 and beyond. Each note starts with the definition, the Group's reporting policies and boundaries.

The following notes are presented in this section:

- 12 Application of best practices
- 13 (Cyber) security threats
- 14 Business ethics and integrity
- 15 Financial performance
- 16 Our responsibility towards taxation
- 17 How we manage the other financial and governance topics

## Note 12. Application of best practices

### Definition, reporting policies and boundaries

**Materiality matrix no. 10**

*Registration and standardization of best practices around the world.*

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

### *Reporting policies*

No additional topic-specific reporting policies for this note.

### *Boundaries*

Data in this note include the information for all in-scope entities as noted in Basis of preparation.

### Management approach

Application of best practices is an essential aspect, especially for a network organization where rich local knowledge is leveraged globally. The basic approach is to gather learnings and experiences from both good and bad outcomes and share this across our network. This accelerates learning and prevents the recurrence of incidents.

Designing and building our facilities is one of our competitive strengths. In our design toolkit, we have our global standards and repeatable formula. Additionally, we follow our Vopak Project Management (VPM) standard, which secures the necessary peer reviews. These standards are continuously updated. In 2018, we formally trained 21 individuals on our VPM version 8.2. Also, an (advanced) IPMA-Project management training has been given to project managers within the Europe & Africa, Asia & Middle East, Americas and LNG division, in total 18 project managers were trained through this module.

### How we performed

#### *External certifications*

Our Vopak Way Standards contains the Vopak minimum requirements for the implementation of a Vopak Integrated Management System (VIMS). Complementing these standards, many Group companies also have external certifications for their management systems, which are subject to external audits.

| in % of group companies | 2018 | 2017 |
|---|---|---|
| **EMS Certifications** | | |
| ISO 14001 - Environmental management | 41 | 42 |
| International Sustainability & Carbon Certification[1] | 14 | 11 |
| **Health & Safety Certifications** | | |
| ISO 9001 - Quality management systems[2] | 68 | 77 |
| OSHA 18001 - Occupational health and safety assessment series | 33 | 34 |

1 Currently nine terminals are storing sustainable biofuels under the EU (European) and DE (German) ISCC Vopak Multisite certification and two joint ventures are certified through our partner. This is 100% of the terminals that store sustainable biofuels

2 The decrease in ISO 9000 certification is caused by the fact that the certification has lapsed during the last quarter of 2018 and re-audit has not taken place in 2018 (3 terminals)

### *External benchmarks*

As part of our efforts for continuous improvement and application of best practices, we participate in a range of external benchmarks. Participating in these benchmark studies gives us valuable feedback and information regarding Vopak's performance in the areas of sustainability. A summary of these benchmark results is presented in the table below.

| Benchmark | Brief description | Rating | Strengths | Weaknesses |
|---|---|---|---|---|
| Dow Jones Sustainability | As part of its Corporate Sustainability Assessment, RobecoSAM analyzes the sustainability performance of over 3,400 listed companies every year. This involves assessing companies on the basis of environmental, social and economic criteria. | 2018: **56**<br>(industry average: 38)<br>Economic dimension: 57<br>Environmental dimension: 52<br>Social dimension: 56<br>(rating scale: 0 – 100) | Occupational Health and Safety, Materiality, Customer relationship management, Environmental reporting and Social reporting | Human Capital Development, Human rights, Corporate Citizenship and Philanthropy, Supply chain management, Policy Influence |
| CDP | CDP represents institutional investors with invested assets of USD 87 trillion; its aim is to offer transparent guidance to investors on climate-related opportunities and risks for companies. | 2018: **C-**<br>(rating scale: D – to A) | | |
| EcoVadis | EcoVadis operates the first online platform providing Supplier Sustainability Ratings for global supply chains that enables companies to monitor the CSR performance of their suppliers worldwide. EcoVadis analyses CSR policy, implementation and performance with respect to environmental and social aspects, in the area of ethics and supply chain responsibility. | 2017: **56**<br>(rating scale: 0 – 100) | Labor practices | Sustainable procurement |
| FTSE4Good | The FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices, used by a wide variety of market participants when creating or assessing sustainable investment products. | 2018: **3.7**<br>(rating scale: 0 – 5) | Corporate governance and Climate change | Pollution & resources, health & safety and anti-corruption |
| MSCI ESG Rating | MSCI ESG Ratings assess a company's performance based on environmental, social and governance (ESG) themes, focusing on key ESG issues identified for the industry. | 2018: **AAA**<br>(rating scale: CCC to AAA) | | |
| ISS | ISS QualityScore is a data-driven scoring and screening solution designed to help institutional investors (1) to review a company's governance quality and assess risk and (2) to measure and identify areas of Environmental and Social risk through company disclosure. | 2018:<br>Governance: **1**<br>Environmental: **1**<br>Social: **2**<br>(10 is High risk, 1 is Low risk) | Governance: Board Structure, Audit & Risk Oversight,<br>Environmental: Risks & Opportunities, Carbon and Climate<br>Social: Labor, Health and safety | Shareholder rights: 5<br>Compensation: 4<br>Natural resources: 3 |
| VBDO Tax | The Dutch Tax Transparency provides an overview of Dutch stock listed companies' fiscal transparency and is based on the principles for good tax governance. Each principle is further specified into various elements and converted into measurable criteria. These measurable criteria were tested against publicly available info. | 2018: **20**<br>(rating scale: 0 – 35) | A Define and communicate a clear strategy<br>C Respect the spirit of the law. Tax-compliant behavior is the norm<br>D Know and manage tax risks | B Tax must be aligned with the business and is not a profit center by itself<br>F. Provide tax assurance |

*Participations and partnerships*
Vopak participates in numerous forums, industry associations, think tanks and research institutes, technical working groups, corporate networks and public-private partnerships, at local, national, regional and international levels. These partnerships and memberships help us to stay tuned to changing stakeholder demands and societal needs, signal new laws and changing market conditions, share best practices, learn from other individuals or organizations, and finally participate in national and international debates about topics like digitization and the energy transition (reference is made to Stakeholder engagement).

These partnerships contribute in part to achieving our commitment to storing vital products with care. This includes the Dutch and European associations of tank storage companies (VOTOB and FETSA), that aim in particular to lift industry safety standards; various national and regional associations of the chemical, gas or petrochemical industries; technical affiliations like the Chemical Distribution Institute - Terminals (CDI-T); the Oil Companies International Marine Forum (OCIMF), a voluntary association of oil companies with an interest in the shipment and storage of crude oil, oil products, petrochemicals and gases; the Engineering Equipment and Materials Users' Association (EEMUA); the Nederlands Normalisatie Instituut which sets guidelines and technical standards in the Netherlands (NEN); and a subcommittee of the World Association for Waterborne Transport Infrastructure (PIANC), where we helped design technical guidelines for marine terminal infrastructure.

## 2019 and beyond
Vopak's standards and procedures are continuously updated, not only based on new and amended laws and regulations, but also according to the best practice sharing and feedback.

We will continue to participate in external associations and organizations to develop and update our internal standards and programs, in particular for the tank storage industry.

# Note 13. (Cyber) security threats

## Definition, reporting policies and boundaries

**Materiality matrix no. 11**

*Refers to potential threats to tanks and terminals and applies to our own operation as well as to our suppliers. This includes; physical security of our assets, cybersecurity and third-party security (not natural disasters)*

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

*Reporting policies*
No additional topic-specific reporting policies for this note.

*Boundaries*
Data in this note include the information for all in-scope entities as noted in Basis of preparation.

## Management approach
Security of our terminals is a core element of terminal management given the nature and value of the products that we store.

We use a common approach: leveraging on engineering and technology, making sure that we have robust processes and protocols in place, and making sure that our people are trained and equipped. For example, securing the physical integrity of our terminals is already a long-standing requirement mandated by Vopak as well as local authorities (e.g. customs and port authorities). This has been further enhanced in compliance with the International Ship and Port Security Code (ISPS) mandated by the United States. Protection is assured via the implementation of physical fencing and cameras, surveillance by security officers and guards, and audits following the ISPS protocol. For more information, a reference is made to the Vopak Annual Report 2018 sections: Introduction Executive Board report, Storing vital products with care, Key developments per division, Sustainability and Governance, risk and compliance.

As we are becoming increasingly reliant on information technology and we have adopted a strategy to further digitize our terminals, cybersecurity is an important topic on our digital agenda. Cybersecurity breaches can lead to corruption of our systems, loss of data or disruption of our operations either through intentional attacks, unintentional accidents or disasters. Another important aspect of security concerns data integrity and data security. The exchange of data between our operating entities and external entities has increased thereby introducing new risks. We have increased our focus on customer data and personal data security, through the development and roll-out of a privacy policy. Breaches of physical security, cybersecurity and data can lead to operational disruptions and could have an impact on our reputation, safety and finance.

To combat cyber threats and to protect data, we have defined and implemented an Information Technology Control Framework that defines (cybersecurity) controls, which enables the proper operation and protection of our information technology systems. We use a risk-based approach to secure our IT systems in combination with the Vopak minimum security standard. We also hire external companies to monitor the protection of our IT systems. We have initiated a comprehensive cybersecurity program, named COINS, that addresses the convergence of IT and OT (Operational Technology). The program addresses infrastructure security, access control, awareness and monitoring, including a review of legacy plant control systems.

### How we performed
In 2018, we further enhanced our monitoring capability. Vopak applies a company-wide system to report and monitor incidents related to cybersecurity data leakage, data theft or other loss of data. During 2018 one incident over all our activities has been reported and filed with the Privacy Authority. This was not an external security risk and did not have a material impact.

### 2019 and beyond
For our Operational Technology systems, we are implementing a security policy framework with related controls based on the ISA/IEC-62443 Cybersecurity for Industrial Automation and Control Systems.

## Note 14. Business ethics and integrity

### Definition, reporting policies and boundaries

**Materiality matrix no. 9**

*Refers to ethical behavior within Vopak in accordance with the Code of Conduct and in relation to all stakeholders. Including; anti-corruption, bribery, compliance with legislative regulations, prevention of fraud and bribery and cases of political funding.*

***Reporting policies***
All significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social, environmental and economic area are reported.

Despite the fact that vapor, odor and stench complaints are not by choice or lack of ethics or integrity, we aim to be transparent about any external complaint received from a governmental body or private parties, such as neighbors or other companies.

***Boundaries***
Data in this note include the information for all in-scope entities as noted in Basis of preparation.

### Management approach
In order to fulfill our role in society, we consider it vital that employees, contractors, suppliers and joint venture partners understand and share our Vopak Values, i.e. Care for Safety, Health & Environment, Integrity, Team Spirit, Commitment and Agility. We expect them to continuously act accordingly when conducting business.

The company stimulates that any concern or doubt about what is proper conduct in a specific situation is raised. This can be with the direct manager, the Vopak contact person (for external parties) or the designated Trusted Independent Person. Concerns raised are addressed with care, confidentiality and respect.

According to our Code of Conduct, we do not pay contributions to any political nor related purposes, worldwide.

In 2018, all employees in MyPulse were engaged in company-wide training on all aspects of the Code of Conduct, including anti-corruption, and are expected to have the training completed in 2019.

## How we performed

### *Incidents of discrimination, fraud, corruption and bribery*

In 2018, 35 whistleblower cases were reported to the confidential officer. All whistleblower cases were followed up and reported to the Executive Board and Supervisory Board. Appropriate action was taken including further strengthening of internal controls where necessary. One of the whistleblower cases related to discrimination. A total of three cases of fraud have come to the attention of the company, one of which was via the whistleblower channel. None of the fraud cases have had a material financial consequence. All our employees are required to adhere to our anti-corruption and anti-bribery policy and our Code of Conduct.

### *Permit violations*

In general, permit violations and fines are related to three compliance issues:
- Non-compliance with operating permits (or expired permits)
- Non-compliance with environmental regulations and/or limits
- Non-compliance with safety regulations.

None of the permit violations that were issued to Vopak in 2018 resulted in a fine or non-monetary sanction.

### *Vapor, odor and stench complaints*

| | 2018 | 2017 |
|---|---|---|
| Europe & Africa | 22 | 210 |
| Asia & Middle East | 4 | 12 |
| China & North Asia | 0 | 0 |
| Americas | 1 | 2 |
| LNG | 0 | 0 |
| Global HQ | 0 | 0 |
| **Total** | **27** | **224** |

We achieved significant progress towards resolving our vapor issues and the implementation of Vapor Treatment Units at Vopak Terminal Europoort (the Netherlands). During 2018, we received 27 stench complaints (2017: 224) of which 9 (2017: 192) were related to Vopak Terminal Europoort (the Netherlands), due to the loading of ships previously carrying crude.

## 2019 and beyond

We strive to have no permit violations. Our Assure program will further improve the integrity of our assets and the control of our processes. This should reduce our environmental impact resulting in the mitigation of permit violations.

For contingencies regarding environmental obligations and other legal proceedings and risks, reference is made to Note 9.8 Contingent assets and contingent liabilities of the Consolidated Financial Statements.

# Note 15. Financial performance

## Definition, reporting policies and boundaries

**Materiality matrix no. 14**

*Refers to the long-term profitability of Vopak.*

### *Reporting policies*

All financial data have been reported based on the financial information as included in the Financial Statements, which have been prepared in accordance with IFRS as endorsed by the European Union.

## How we performed

Reference is made to the Executive Board report and the Consolidated Financial Statements for our financial performance.

## 2019 and beyond

For further information with regard to our financial performance outlook, reference is made to the Report of the Executive Board.

## Note 16. Our responsibility towards taxation

Vopak's Global Tax policy, which includes the company's tax strategy, views taxation as an integral part of the business and as an important contributor to Vopak's position in the marketplace and society, by reflecting the company's attitude towards taxation as part of its corporate social responsibility towards a wide range of stakeholders. As such, tax is an integral part of the company's sustainability policy:

- Vopak's business strategy is leading: Vopak aims to achieve an effective tax rate that does not exceed the weighted average statutory tax rate by avoiding double taxation, that does not trigger anti-abuse regulations and that does not result in losing loss utilization opportunities. In addition, Vopak aims to optimize the use of tax incentives and investment schemes for the purposes for which these have been designed. In striving to achieve this goal, Vopak will only optimize real business structures and transactions and will not set-up legal entities or transactions solely for the purpose of tax savings or tax avoidance. The business strategy is leading. Vopak acts in line with the letter and the spirit of the law
- Vopak aims to fully comply with laws and regulations in technical and procedural matters. Tax positions benefiting Vopak are only taken when sufficiently substantiated. Intercompany transactions are conducted 'at arm's length'
- Vopak aims to minimize its cash tax rate to clear funds for sustainable growth. This is achieved, for example, by making use of tax deferral facilities
- Vopak does not use 'tax havens', unless real economic activity takes place in the country
- Taxes that are merely collected by Vopak should not impact profit or interfere with the day-to-day business. Automation of these collecting activities should be maximized for the purpose of efficiency improvement and cost reduction
- Reliability and efficiency are key in Vopak's service offering. As Vopak and its customers are continuously faced with customs and other duties during primary processes, Vopak aims to achieve reliable, fast and cost-efficient handling of customs and other duties without disturbing primary processes, when possible by applying for an Authorized Economic Operator qualification or standards set for non-EU equivalents
- In ensuring and further improve the accuracy and reliability of all its tax and customs processes and the related tax reporting, Vopak strives to make use of innovative information technology to the extent that there is a proper balance between the investment and the return. Examples are the use of XBRL filings and data analytics
- Vopak maintains and builds mutual professional and respectful relations with local tax authorities based on open and transparent communications both verbal and in writing. Where possible, Vopak aims to enter into cooperative compliance programs (e.g. In the Netherlands, the company participates in the 'Horizontaal Toezicht' program, which is a cooperative compliance program with the Dutch tax authorities)
- To support the above, 'tax surprises' are unwanted (irrespective whether positive or negative) as these could have a financial and reputational impact. Tax risks not aligned with the company's risk appetite are undesirable. Tax risk management and management of tax opportunities are embedded in the (tax) control framework as well as in our enterprise risk management process. Adherence to the company's risk appetite is also monitored by, among other, the Global Risk Committee
- Vopak will always adhere to the Vopak Values when executing its tax policy. In the unlikely situation that 'ethical dilemmas' regarding tax occur within the Group, these are dealt with in accordance with the Vopak Values, the Company's Code of Conduct and the Global Tax Policy. Observed tax dilemma's which are not aligned with the Vopak Values, can also be reported via the whistleblower line. Such dilemmas did not occur in the years reported on. Vopak staff is periodically trained on the Vopak Values. As part of the informal ethical dilemma dialogues throughout the year, tax is addressed as a standard topic. This approach ensures that our staff is sufficiently equipped to identify and address tax dilemmas when encountered.

The tax policy applies to all countries where Vopak operates and where it is able to control adherence to this policy. Adherence to the tax policy is monitored by the Global Tax department supported by other Global functions where relevant. For operating companies where the company has joint control or only significant influence, the company strives to apply the concepts of the tax policy as it cannot unilaterally enforce compliance.

The tax policy was further updated and approved by the Executive Board and implemented in 2017.

Vopak's approach to tax has been discussed with our stakeholders as part of the stakeholder engagement dialogue. For more information on this dialogue, reference is made to the section Stakeholder engagement and materiality assessment. This dialogue did not result in a revision of the Global Tax policy.

Vopak took the required actions to be able to comply with the newly introduced requirements for country-by-country reporting. As IFRS requires that the Vopak Group is consolidated in the financial statements of HAL Holding N.V. (HAL), a company listed and traded on Euronext in Amsterdam, Vopak is not entitled to file its own company country-by-country report with the tax authorities and has provided the required information to HAL. HAL has confirmed to Vopak that it filed the HAL country-by-country report, which includes the Vopak information.

## Effective tax rate per main country

Vopak pays a fair tax in the countries in which it operates. The largest operations are located in the Netherlands, Singapore and the United States.

For an overview of the effective tax rate per main country per (geographical) division, reference is made to the table below and the Financial performance chapter where a narrative explanation on the effective tax rate for the year is provided. For more information on the segments and other financial information per segment, reference is made to note 2.1 of the Consolidated Financial Statements. For more information on the total tax position and tax charge of the Group (including the weighted average statutory tax rate and the mandatory effective tax rate reconciliation), reference is made to section 8 of the Consolidated Financial Statements.

| | Including exceptionals | | Excluding exceptionals | |
|---|---|---|---|---|
| | Statutory tax rate | Effective tax rate | Statutory tax rate | Effective tax rate |
| **Europe, Middle East & Africa** | **26.5%** | **4.0%** | **27.6%** | **12.9%** |
| *of which:* | | | | |
| Netherlands (incl. head office) | 24.9% | -1.3% | 24.9% | -6.9% |
| Belgium | 29.6% | 31.0% | 29.6% | 31.0% |
| Germany | 33.0% | 32.8% | 33.0% | 32.8% |
| **Americas** | **9.8%** | **66.4%** | **24.9%** | **25.0%** |
| *of which:* | | | | |
| United States of America | 21.0% | 23.2% | 21.0% | 23.2% |
| Mexico | 30.0% | 29.9% | 30.0% | 29.9% |
| Brazil | 34.0% | 19.5% | 34.0% | 19.5% |
| Venezuela | 34.0% | -0.3% | 34.0% | 41.7% |
| **Asia & Middle East** | **20.1%** | **17.3%** | **20.4%** | **17.7%** |
| *of which:* | | | | |
| Australia | 30.0% | 30.7% | 30.0% | 30.7% |
| Singapore | 16.9% | 16.8% | 16.9% | 16.8% |
| **China & North Asia** | **24.4%** | **7.0%** | **24.8%** | **7.8%** |
| **LNG** | **25.0%** | **0.0%** | **25.0%** | **0.0%** |
| **Total Vopak** | **21.0%** | **16.8%** | **22.7%** | **14.5%** |

## Risk and risk management

The principal risks of Vopak and the mitigating actions applied by management are disclosed in this Annual Report. Although the company has no principal risks relating specifically to tax, tax is an integral part of the risk management process of the company. For an overview of the principal risks of the company, reference is made to the section Risk management and internal control in the Governance, risk and compliance chapter.

Furthermore, Vopak's Key Control Framework has a dedicated section stipulating the internal controls, which address the risks related to tax and which enforce compliance with the global tax policy. The In-control statement by the Executive Board, as included in this Annual Report, is based on the effectiveness of Vopak's internal controls, including those relating to tax. For more information, including the involvement of Global Internal Audit in the monitoring of the effectiveness of internal controls, reference is made to section Risk management and internal control in the Governance, risk and compliance chapter.

## Note 17. How we manage the other financial and governance topics

| Materiality matrix no. | Description | Topic | Management approach |
|---|---|---|---|
| 12 | *Refers to potential threat of natural disasters on Vopak's tanks and terminals.* | *Threats of natural disasters* | *The design codes (standards and repeatable formulas) for building our assets are regular updated to mitigate these threats.* |
| 13 | *Refers to having responsible partnerships with Vopak's customers. This includes customer satisfaction, and customer acceptance and continuation in relation to adherence with Vopak's Code of Conduct.* | *Customer acceptance and continuation* | *We conduct a customer satisfaction survey and through the Ecovadis benchmark we inform our customers about our status and progress of Vopak's efforts on social responsibilities.* |
| 15 | *Refers to the stimulation of innovation in Vopak's own operations and entire supply chain. This includes innovation in the areas of energy transition, efficiency, safety and logistics.* | *Innovation* | *We have dedicated terminals which are assigned for proof of concepts and pilots (terminals referred to as 'lighthouses'). The domains we focus on are based on priorities set by operations. Progress is monitored and discussed with all stakeholders involved.* |
| 16 | *Refers to the remuneration level of employees of Vopak's global operations and the fairness and transparency in remuneration of the management, including long-term incentives.* | *Remuneration* | *The Vopak long-term incentive plan is based on financial performances and is applicable on specific senior management levels and will be party a cash remuneration and party a remuneration in shares. For more information, a reference is made to the Remuneration report.* |
| 17 | *Refers to having responsible partnerships with Vopak's suppliers. This includes supplier acceptance and continuation in relation to adherence to Vopak's Suppliers Code.* | *Supplier acceptance and continuation* | *Vopak has a suppliers qualification process, any approved supplier will be placed on the international Vendor List. Criteria are: safety performance, adherence to Vopak Code of Conduct and quality.* |
| 18 | *Refers to a responsible tax policy.* | *Taxation* | *Vopak's Global Tax policy views taxation as an integral part of the business and as an important contribution to Vopak's position in the marketplace and society, by reflecting its attitude towards taxation as part of its corporate social responsibility towards a wide range of stakeholders. As such, tax is an integral part of the company's sustainability policy.* |

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

# Governance, risk and compliance

# Supervisory Board report

## Supervision

The Supervisory Board oversees and advises the Executive Board in performing its management tasks and guides the company's operational and financial development. In performing their duties, the members of the Supervisory Board are guided by the interests of Vopak and all its stakeholders.

The Supervisory Board met six times face-to-face in regular meetings during 2018, next to four additional meetings to discuss investment proposals. All of these meetings were held jointly with the full Executive Board present. Almost all plenary sessions of the Supervisory Board were accompanied by an executive session with the CEO in attendance and by a session held solely between the members of the Supervisory Board. Between meetings, the Chairman of the Supervisory Board had regular contact with the CEO to discuss the current state of affairs of the company and to prepare for meetings.

None of the Supervisory Board members were absent from the Supervisory Board regular meetings. In 2018, the average attendance at the regular and additional meetings combined was 96%.

Strategy is one of the Supervisory Board's main priorities and is an integral part of its considerations and decision making processes. In 2018, a two-day session was fully dedicated to discussing the execution of the Vopak strategy with the Executive Board centering around growth, competitive efficiency and the application of innovative technologies aimed at long-term value creation. By means of an in-depth and permanent dialogue, the Supervisory Board is constantly involved in developing, regularly monitoring and evaluating the company's strategy. For instance, new business opportunities are always assessed against their strategic rationale and the principal risks both for the short and long-term are evaluated thoroughly. Choices proposed by the management can thereby be challenged and the underlying arguments weighed against each other. The Supervisory Board approved the strategy as being effectuated by the Executive Board. In executing the strategy, the company will make clear choices while continuing to allocate the available capital in the right manner and to the right locations.

During its 2018 meetings, the Supervisory Board discussed a number of recurring topics at each meeting. The Supervisory Board lends particular importance to sustainability (safety, environment and people) in its discussions. Other topics included the company's operational and financial objectives and financial performance, financing of the company and succession planning for senior management.

The Supervisory Board discussed and approved the 2019 budget, quarterly reports and numerous investment proposals related to greenfield projects, expansions at several existing locations and acquisition opportunities. The Supervisory Board also reviewed the progress of ongoing projects and the portfolio of new projects.

External auditors were present at two meetings of the Supervisory Board in which the annual results and half-year results were discussed. The interim report and auditor's report issued by the external auditors were reviewed during these meetings. The minutes of all the meetings of the Audit Committee, Remuneration Committee and the Selection and Appointment Committee were shared with and reviewed by the Supervisory Board.

The Supervisory Board discussed the operation of the company's risk management and control systems. In the absence of the Executive Board members, the Supervisory Board discussed the performance of the Executive Board and the proposal by the Remuneration Committee for the remuneration of the Executive Board.

The Supervisory Board evaluated its own performance in 2018 and that of its committees. In preparation and as part of the self-assessment procedure, each member completed a questionnaire. Observations in regard to the functioning of the Supervisory Board, its relationship with the Executive Board and other stakeholders of the company were hereby taken into account. This was discussed and assessed by the Supervisory Board during the meeting held in December 2018. Main topics and conclusions of the evaluation related to the effectiveness of the Supervisory Board in fulfilling its tasks, the effectiveness of the committees and of the individual members. Where necessary required actions were taken. The relationship with the Executive Board and engagement with the organization were also included in the evaluation process. The outcome of the evaluation process showed that it meets the governance requirements.

## Composition of the Supervisory Board

The Supervisory Board currently comprises five members: Mr Noteboom (Chairman), Mr Groot (Vice-Chairman), Mrs Foufopoulos - De Ridder, Mr Van der Veer and Mr Zwitserloot. At the AGM held on 18 April 2018, Mrs Foufopoulos - De Ridder and Mr Van der Veer were appointed as members of the Supervisory Board for a term of four years. At this AGM, Mr Groot was reappointed as a member of the Supervisory Board for a term of four years.

In accordance with the resignation schedule, Mr Van den Driest and Mr Cremers stepped down from the Supervisory Board following the AGM held on 18 April 2018. The Supervisory Board would like to thank Mr Van den Driest and Mr Cremers for their valuable contributions to the company during their multiple year tenure. In February 2018 it was announced that Mrs Sørensen decided to step down as a member of the Supervisory Board of Vopak. During the AGM to be held on 17 April 2019, it will be proposed to appoint Mrs Giadrossi as member of the Supervisory Board as per that date for a term of four years.

For more information about the Supervisory Board members, reference is made to the Supervisory Board members section in this Annual Report.

The Supervisory Board recognizes its own role in the company's corporate governance structure, with members receiving updates and information to adequately fulfill their roles and responsibilities. Ongoing education is an important part of good governance. As part of the induction program, new members of the Supervisory Board visit various terminal locations and meet with divisional and local management. They also attend induction sessions at which they are informed about financial, reporting, internal audit, HR, commercial and business development, IT, legal and governance related affairs.

All Supervisory Board members, except for one, as permitted by the Code, qualify as independent in the meaning of best practice provision 2.1.7 of the Dutch Corporate Governance Code. Mr Groot does not satisfy all independence criteria. In 2018, there was no actual or potential conflict of interest between Vopak, any Supervisory Board or Executive Board member.

The Supervisory Board has three committees: the Audit Committee, the Selection and Appointment Committee and the Remuneration Committee. Their roles are described below in more detail. The committees generate, review and discuss detailed information and prepare recommendations relating to their specific areas while the full Supervisory Board retains overall responsibility and always takes the final decisions. In each case, the Committee Chair reports the Committee's main considerations and findings to the full Supervisory Board, usually immediately after the relevant Committee meeting.

The Audit Committee assists the Supervisory Board in its responsibility to oversee Vopak's financing, financial statements, financial reporting, compliance and system of internal business controls, risk management and audit findings. Non-financial topics are also reviewed as part of risk management including whistleblower cases. The Remuneration Committee primarily makes recommendations regarding the remuneration and the remuneration policy of the Executive Board and the Supervisory Board.

## Audit Committee

The Audit Committee met five times in 2018. The attendance rate was 100%. All meetings were attended by the CFO, the Global Director Control and Business Analysis and except for one by the Global Director Internal Audit. The external auditor was also present at all of these meetings. The Audit Committee discusses with the external auditor at the end of the meetings for the half year and full year, without management being present, its assessment of Vopak's activities, risk assessment and internal control systems as well as collaboration with the Executive Board and the organization.

A core task of the Audit Committee was to extensively review the financial reports and the budget before consideration by the full Supervisory Board. The Audit Committee also discussed topics related to Vopak's financing structure, analyses of the financial ratios, pensions, status of legal claims and proceedings, tax matters, sustainability, fraud and whistleblowing reports, reports on the risks associated with the company's operational, commercial, financial and other activities, compliance matters as well as the company's management reporting. It also discussed the dividend proposal and the company's views on notifications from Dutch corporate governance platform organizations and the Dutch regulator (AFM).

The Audit Committee considered the 2018 audit plan of the external auditor and the Internal Audit department's plan for 2019. Both audit plans were approved by the Supervisory Board. The main topics of the external audit plan include the materiality levels, the audit scope, the key audit risks and the key elements of the audit approach as well as the auditor's assessment of the risk of fraud within the company. The audit reports from Internal Audit performed during 2018 and the progress realized in implementing recommendations from audits, were also considered. The Audit Committee reviewed the risk management and internal control processes and discussed the recommendations in the management letter and the relationship with the external auditor. Deloitte Accountants B.V. was appointed as the external auditor of the company to audit the annual statements of the company for the financial year ending 31 December 2018. The Audit Committee monitored the independence of the external auditor. During 2018, non-audit services were not provided by the group's external auditor but only audit or audit-related services were provided. The performance of the external auditor was assessed based on a satisfaction survey conducted among the divisions, operating

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companies and relevant global functions. This assessment included a consideration of the quality of the audit work, the expertise and composition of the audit team, the audit fee and the quality control within the audit firm.

Finally, the Audit Committee assessed its own performance throughout the year and its regulations, supported by an extensive questionnaire that was discussed by all Audit Committee members. The Audit Committee's performance met the requirements in all areas. During 2018, Mr Cremers and his successor Mr Van der Veer acted as financial expert.

## Selection and Appointment Committee

The Selection and Appointment Committee is primarily tasked with advising on candidates to fill vacancies in both the Executive Board and the Supervisory Board. An important activity of the Selection and Appointment Committee is also succession planning of senior management up to and including the members of the Executive Board. The Selection and Appointment Committee met two times in 2018. The attendance rate was 100%. During these meetings the Selection and Appointment Committee discussed various relevant topics in detail.

This includes diversity-related topics to ensure that the composition of both Boards represents a good balance in terms of diversity (including experience, gender, and nationality). Diversity in a broad sense continues to be a topic on the Supervisory Board agenda and is therefore discussed by the Selection and Appointment Committee on a regular basis. In line with the company's diversity program the Supervisory Board supports the efforts of the company to strive for a global workforce that is a reflection of society and to create a working environment where all employees feel included. As part of its regular activities, the Selection and Appointment Committee discussed extensively, among others, the rotation schedule, the future composition of the Supervisory Board and the specific profiles of the Supervisory Board members. In 2018 the members of the Selection and Appointment Committee performed on behalf of the Supervisory Board an evaluation of the effectiveness of the Executive Board members both individually as well as performing as a team in leading the company and implementing the strategy. This evaluation was performed in consultation with the Executive Board members and based on the Supervisory Board members' own knowledge and opinions. The conclusion of this evaluation was positive and no major actions were considered necessary in view of the conclusions of the evaluations which conclusion was supported by the full Supervisory Board.

The Selection and Appointment Committee has been actively looking for new Supervisory Board members. Diversity is an important aspect in the search for the right candidates. The recruitment process makes use of the specific profiles for the various positions within the Executive Board and the Supervisory Board. These profiles are drawn up against the background of the full Executive and Supervisory Board's profile. These profiles take into account the specific nature of the company, its stakeholders and its activities. The desired expertise and background relating to economic, environmental and social topics are also considered. The process is aimed at maintaining a composition consisting of a well-balanced mix of competencies and experienced professionals who deal with key areas in an appropriate manner. External search agencies are being engaged for the fielding of candidates for succession and nomination.

The Selection and Appointment Committee has proposed to the Supervisory Board to nominate Mrs Giadrossi to be appointed as a new member of the Supervisory Board. Mrs Giadrossi has gained a broad international experience in executive and non-executive roles in the oil & gas industry.

## Remuneration Committee

The Remuneration Committee met three times in regular meetings and held one extra meeting in 2018. The attendance rate was 100%. In addition, the Committee held regular informal consultations and consulted professional internal and external advisors. For the following topics that recur annually, proposals were developed and submitted to the Supervisory Board for approval:

- The annual base salary and incentive plans opportunities in 2019
- The key performance indicators and target setting for the 2019 short-term incentive plan and the 2019-2021 long-term incentive plan
- The actual short-term incentive for 2018 (performance results and payout)
- The vesting of the long-term incentive plan 2016-2018 and the conditional awards of the long-term incentive plan 2018-2020.

With respect to the short-term incentive plan 2019, the Remuneration Committee proposed to maintain the 2018 set-up. In line with the strategic portfolio plans of the company, the Remuneration Committee reviewed the key performance indicators for the long-term incentive plans to reflect the company's strategic objectives.
The Remuneration Committee conducted its annual comprehensive and in-depth analysis of the total compensation levels and individual components thereof, of the Executive Board, against the benchmark sets of companies with the help of external consultants. The Remuneration Committee took into consideration various benchmarks and other market data, as well as information on internal equity and the CEO pay ratio. The 2018 and proposed 2019 remuneration packages of the Executive Board are well positioned against relevant peers and:

- have a focus on long-term value creation
- take into account the internal pay ratios within Vopak on a total remuneration basis
- are reflective of the outcomes of scenario analyses carried out to validate payout results.

The Remuneration Committee also took note of the views of the individual Executive Board members on the structure and amount of their total remuneration when drafting the remuneration proposal for 2019 as required in the Dutch Corporate Governance Code.

For further details on the actual remuneration during 2018 and the shareholding positions of the Executive Board and the Supervisory Board, reference is made to the Remuneration report. For further details on the remuneration policy, reference is made to the Vopak website.

The members of the Supervisory Board have signed the financial statements in order to comply with the statutory obligation pursuant to article 2:101 paragraph 2 of the Dutch Civil Code.

The Supervisory Board would like to express its sincere appreciation to the Executive Board and all Vopak employees for their dedication and hard work in achieving a successful 2018.

Rotterdam, 12 February 2019

**The Supervisory Board**
B.J. Noteboom (Chairman)
M.F. Groot (Vice-Chairman)
L.J.I. Foufopoulos - De Ridder
B. van der Veer
R.G.M. Zwitserloot

**2018 attendance at regular Supervisory Board and committee meetings for the appointment period**

| Member | Supervisory Board | Audit Committee | Selection and Appointment Committee | Remuneration Committee |
|---|---|---|---|---|
| B.J. Noteboom | 100% | 100% | 100% | 100% |
| M.F. Groot | 100% | 100% | 100% | |
| F.J.G.M. Cremers | 100% | 100% | | |
| C.J. van den Driest | 100% | | 100% | |
| L.J.I. Foufopoulos - De Ridder | 100% | 100% | | 100% |
| H.B.B. Sørensen | 100% | 100% | | |
| B. van der Veer | 100% | 100% | | |
| R.G.M. Zwitserloot | 100% | | | 100% |

# Supervisory Board members

## Ben Noteboom

**Chairman**
Chairman of the Selection and Appointment Committee
Member of the Remuneration Committee
**Nationality** Dutch
**Year of birth** 1958
**Career** Mr Ben Noteboom was previously CEO of Randstad Holding N.V. Mr Noteboom was first appointed to the Supervisory Board on 20 April 2016. His current term ends in 2020. He is a member of the Supervisory Boards of Wolters Kluwer N.V., Aegon N.V. and Royal Ahold Delhaize. He is also Chairman of Stichting Prioriteit Ordina Groep and a board member of Cancer Center Amsterdam. He owns 3,500 Vopak shares.

## Mel Groot

**Vice-Chairman**
Member of the Audit Committee
Member of the Selection and Appointment Committee
**Nationality** Dutch
**Year of birth** 1959
**Career** Mr Mel Groot is Chairman of the Executive Board of HAL Holding N.V. Mr Groot was first appointed to the Supervisory Board on 18 December 2014. His current term ends in 2022. He is a member of the Supervisory Boards of GrandVision N.V. and Anthony Veder Group N.V. Mr Groot is also a Non-Executive Director of Safilo SpA. He does not own any Vopak shares.

## Lucrèce Foufopoulos - De Ridder

**Member**
Member of the Audit Committee
Member of the Remuneration Committee
**Nationality** Belgian
**Year of birth** 1967
**Career** Mrs Lucrèce Foufopoulos - De Ridder is currently member of the Executive Board of Borealis AG as Executive Vice President Polyolefins and Innovation & Technology. Mrs Foufopoulos - De Ridder was first appointed to the Supervisory Board on 18 April 2018. Her current term ends in 2022. She holds no other Supervisory Board positions. She does not own any Vopak shares.

## Ben van der Veer

**Member**
Chairman of the Audit Committee
**Nationality** Dutch
**Year of birth** 1951
**Career** Mr Ben van der Veer was previously Chairman of the Executive Board of KPMG N.V., until September 2008. Mr Van der Veer was first appointed to the Supervisory Board on 18 April 2018. His current term ends in 2022. He is a member of the Supervisory Boards of Aegon N.V. and Royal FrieslandCampina N.V. He is also a Non-Executive Director of RELX, Plc and Chairman of Stichting De Rode Olifant. He does not own any Vopak shares.

## Rien Zwitserloot

**Member**
Chairman of the Remuneration Committee
**Nationality** Dutch
**Year of birth** 1949
**Career** Mr Rien Zwitserloot was previously Chairman of the Executive Board of Wintershall Holding A.G. Mr Zwitserloot was first appointed to the Supervisory Board on 1 October 2009. His current term ends in 2021. He is a member of the Supervisory Boards of TenneT Holding B.V., ACT Commodities Group B.V., ACT Financial Solututions B.V. and Vroon Group B.V. He does not own any Vopak shares.

# Remuneration report

This section of the Annual Report provides an overview of the implementation of Vopak's remuneration policy for the members of the Executive Board and the Supervisory Board during 2018.

The remuneration policy for the Executive Board is designed in a manner that reflects the Vopak Values and ensures a focus on value creation for the company and its stakeholders both in the short- and longer-term. The Remuneration Committee advises the Supervisory Board on this policy, the individual remuneration packages and any changes therein.

## Executive Board Remuneration in 2018

The 2018 Executive Board remuneration policy has been applied as follows. For a full account of the 2018 Executive Board remuneration policy, reference is made to the company's website.

### Executive Board Remuneration - components

The remuneration packages of individual Executive Board members are designed in a manner that ensures external competitiveness and internal consistency. The remuneration packages comprise the following main elements:

- Annual base salary
- Variable compensation
  - Short-term variable compensation; an annual cash-based incentive opportunity related to the achievement of financial and non-financial targets for the financial (performance) year
  - Long-term variable compensation; a share-based incentive opportunity related to the achievement of financial targets during a three-year performance period
- Pension arrangements.

### 2018 Actual total remuneration

The table on the next page shows the actual remuneration to which each member of the Executive Board was entitled in 2018, as well as the related costs for the company.

Gerard Paulides joined the Executive Board as CFO on 1 February 2018. For clarity and transparency purposes, the remuneration he received during the whole of 2018 is shown in the table on the next page. Jack de Kreij stepped down from the Board as CFO on 31 January 2018. The amounts of his 2018 remuneration shown in the table on the next page reflect the month of January 2018 only.

The total costs for the company related to the remuneration of the Executive Board and as recognized in the 2018 Consolidated Statement of Income are stated in the table on the next page, divided into the various remuneration components. Overall costs increased from EUR 2.09 million in 2017 to EUR 4.33 million in 2018. For further details on the costs of the Long-Term Share Plans, reference is made to note 7.2 to the Consolidated Financial Statements.

### 2018 CEO pay ratio

The CEO Pay Ratio was 20.8 in 2018 (2017: 17.3).

This ratio reflects the value of the CEO's total remuneration package related to the financial year 2018 as a percentage of the value of the average 2018 total remuneration package for Vopak employees globally. The CEO's total remuneration package includes the short-term incentive related to 2018, the value of the long-term incentive awards which were awarded, outstanding and vested in 2018 (based on the historical 3-year average IFRS costs), and the 2018 company costs for the employer contributions to the pension arrangements in which the CEO participates. The average 2018 total remuneration package for Vopak employees globally is calculated as the total remuneration-related costs for all Vopak employees globally spent in the financial year (minus the CEO's remuneration package) divided by the average number of employees (on a full-time-equivalent basis) during the financial year (minus the CEO).

### 2018 annual base salary

In 2018, the annual base salaries of Eelco Hoekstra and Frits Eulderink were increased by 1.5% compared to 2017. This increase was based on internal consistency and on the results of external benchmarking of their total compensation against similar positions in AEX and AMX listed companies in the Netherlands.

The annual base salary of the CFO was not increased: Gerard Paulides had just joined the company on 1 December 2017; Jack de Kreij retired early as of 1 February 2018.

## 2018 Executive Board remuneration entitlements[1] and IFRS costs (audited) for the company

| | Annual base salary | | Short-term incentive plan | | Long-term incentive | | Pension contributions[2] | | Total[3] | |
|---|---|---|---|---|---|---|---|---|---|---|
| In EUR thousands | 2018 | 2017 | 2018[4] | 2017[5] | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| **E.M. Hoekstra** | | | | | | | | | | |
| entitlement | 634 | 625 | 542 | 156 | 296[6] | 220[9] | 146 | 144 | 1,618 | 1,145 |
| costs (IFRS) | | | | | 504[7] | -237[10] | | | 1,826 | 689 |
| **F. Eulderink** | | | | | | | | | | |
| entitlement | 508 | 500 | 362 | 104 | 184[6] | 143[9] | 165 | 163 | 1,219 | 910 |
| costs (IFRS) | | | | | 316[7] | -148[10] | | | 1,351 | 619 |
| **G.B. Paulides** | | | | | | | | | | |
| entitlement | 460 | 38 | 328 | NA | NA | NA | 80 | 8 | 868 | 46 |
| costs (IFRS) | | | | | 70[7] | | | | 938 | |
| **J.P. de Kreij** | | | | | | | | | | |
| entitlement | 43 | 520 | NA | 108 | 182[6,8] | 149[9] | 16 | 189 | 241 | 966 |
| costs (IFRS) | | | | | 160[7,8] | -78[10] | | | 219 | 740 |
| **Total entitlements** | **1,645** | **1,683** | **1,232** | **368** | **662[6]** | **512[9]** | **407** | **504** | **3,946** | **3,067** |
| **Total costs (IFRS)** | | | | | **1,050[7]** | **-463[10]** | | | **4,334** | **2,094** |

1 Entitlements are defined as payments (cash) and vestings (shares) which relate to the financial year in question. In this table, these are the fixed remuneration elements received in 2018 (annual base salary and pension contributions), the short-term variable incentive related to the performance year 2018 which will be paid out in 2019, and the long-term variable incentive of which the performance period ended on 31 December, 2018 (2016 – 2018 LTSP), and which is scheduled to vest (if applicable) in 2019.

2 For Executive Board members who were in service prior to 1 January 2015 (in 2018: Eelco Hoekstra, Frits Eulderink, and Jack de Kreij), the difference between the Vopak contributions to the current pension plan and the Vopak contributions to the pension arrangement in place prior to 1 January 2015, is compensated for by a separate pension contribution allowance paid out to the individual, subject to statutory tax withholdings. The gross value of these allowances is included in the pension contributions as stated in this table. Also, in the disclosures regarding the FY 2017, 2016 and 2015, the value of these allowances were included in the total amounts of company pension contributions and related costs.

3 In addition to these amounts of total remuneration, also certain perquisites, such as a life-cycle allowance and the payout of unused leave days, were provided for to individual Executive Board members in 2018. For Eelco Hoekstra, the total cash value of these perquisites amounted to EUR 12,666 gross (2017: EUR 12,252); for Frits Eulderink EUR 4,500 gross (2017: EUR 3,750); for Gerard Paulides EUR 12,820 gross (2017: EUR 2,370); and for Jack de Kreij EUR 1,225 (2017: EUR 4,500). The IFRS costs to the company of these perquisites are equal to these amounts.

4 This is the actual payout of the STIP related to the 2018 performance year which will be paid out in 2019. The 2018 short-term incentive amounts include a year-to-date, at-target result for Customer Satisfaction, since the final actual 2018 NPS result will only be available in April 2019. The final total 2018 STIP amounts will be presented at the Annual General Meeting on 17 April 2019.

5 This is the actual payout of the STIP related to the 2017 performance year which was paid out in 2018.

6 This is the year-end value of the 2016 – 2018 LTIP performance shares based on the performance realized and the closing share price at 31 December 2018 of EUR 39.68. These shares are scheduled to vest in April 2019.

7 This amount reflects the recognized IFRS costs accrued by the company during the financial year 2018 for the unvested conditional awards of performance shares made to individual Executive Board members under Long-Term Share Plans 2016 – 2018, 2017 – 2019 and 2018 - 2020.

8 Because the termination of Jack de Kreij's Board membership was due to early retirement, he remained eligible for full vesting of the 2015 – 2017 LTIP.

9 This is the EUR value of the 2015 – 2017 LTSP which vested in 2018, as established at the time of vesting.

10 This amount reflects the recognized IFRS costs accrued by the company during the financial year 2017 for the unvested conditional awards of performance shares made to individual Executive Board members under Long-Term Share Plans 2015 – 2017, 2016 – 2018, and 2017 – 2019.

## 2018 Short-term variable compensation

The achievements on the pre-set short-term incentive (STIP) targets for 2018 were evaluated at the beginning of 2019. The table below shows the results for each Board member on the various performance criteria, both in target and actual percentage of their annual base salary.

The Supervisory Board decided not to apply any discretionary adjustment to the results on the financial KPIs.

The payout of the 2018 STIP will take place in April 2019, after approval of the 2018 financial results at the Annual General Meeting.

### *Financial KPIs*

With regard to the realization of EBIT in 2018 – excluding exceptional items – a performance of EUR 463.3 million EUR was realized. This is an outcome exceeding the maximum of the target range, resulting in a payout at maximum on this KPI.

For further details on the EBIT development during 2018, reference is made to the section Financial performance in the Executive Board report chapter.

The target level of the Cost KPI was met, resulting in the realization of the maximum payout opportunity related to this KPI.

### *Non-financial KPIs*

Target realization on the non-financial KPIs Safety (injury and process safety ratios), Customer Satisfaction and Executive Board effectiveness, are as follows:

**Safety**

Vopak's 'License to Operate' and its 'License to Grow' are conditional upon its ability to operate safely and responsibly. The long-term aim is zero incidents and no harm to anybody working at a Vopak facility. Process safety and the occupational health and safety of employees and contractors are the company's top priorities. During 2018 the Assure program was completed and the Trust and Verify program was initiated.

The 2018 target on the personal safety KPI, measured by the Total Injury Ratio (TIR) for Vopak as a whole was met, yet the pay-out on this KPI for Executive Board members was reduced to zero due to two fatal incidents during the performance year.

The 2018 target with regard to the company's overall process safety performance was met and significant improvements were made in this area compared to previous years.

For further details on our results on Safety, reference is made to the Sustainability chapter in this Annual Report.

**Customer Satisfaction**

Vopak focuses on driving service performance to the next level in order to achieve its 'best-in-port' ambition. The realization of our Customer Satisfaction goals are directed by ambitious Net Promoter Scores set at various levels in the organization, as well as for Vopak as a whole.

As part of our customer-oriented efforts in 2018, our service dialogues with our customers and with other service providers of our customers have been intensified and response times have been shortened, ensuring improved interactions between all parties operating in the same supply chain. We have also undertaken improvement actions to accelerate the performance of our lowest performing terminals to reduce the gap between them and our top performers. On a year-to-date basis, this resulted in meeting the 2018 NPS target for Vopak as a whole.

### 2018 STIP for the Executive Board

| | 2018 payout opportunity | | | 2018 realized performance as a % of payout [1] | | | | | | | | | | Total 2018 STIP [1] | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 Target | 2018 Target [2] | Max | EBIT | | Cost [2] | | Safety | | Customer Satisfaction | | EB Effectiveness | | Actual payout | |
| | % of base salary | | | Target | Actual | Target | Actual | Target | Actual | Target | Actual | Target | Actual | % [3] | In EUR |
| E.M. Hoekstra | 60% | 72% | 90% | 18% | 36% | 24% | 24% | 9% | 4.5% | 9% | 9% | 12% | 12% | 85.5% | 542 |
| F. Eulderink | 50% | 60% | 75% | 15% | 30% | 20% | 20% | 7.5% | 3.75% | 7.5% | 7.5% | 10% | 10% | 71.25% | 362 |
| G.B. Paulides | 50% | 60% | 75% | 15% | 30% | 20% | 20% | 7.5% | 3.75% | 7.5% | 7.5% | 10% | 10% | 71.25% | 328 |

1 The realized 2018 STIP results as shown in this table include an assumed at-target result on customer satisfaction. The actual STIP realization will be reported at the Annual General Meeting of Shareholders on 17 April 2019.
2 The 2018 at-target payout opportunity percentage for which the individual Executive Board members are eligible, includes a payout at maximum for the Cost KPI, which is applicable if the 2018 Cost target is met.
3 Expressed as a percentage of their 2018 annual base salary.

Since the customer satisfaction survey measuring the 2018 Net Promoter Score will run until the beginning of March, 2019, actual NPS data for the entire performance year 2018 were not available yet at the time of publication of this 2018 Annual Report. Therefore, any 2018 STIP amount or percentage stated in this Remuneration Report is based on the year-to-date at-target performance for Customer Satisfaction. The final STIP realization will be reported at the Annual General Meeting of Shareholders in April 2019.

**Executive Board effectiveness**

Based on individual evaluation meetings with the Executive Board, in which the implementation and realization of the agenda of the Executive Board for 2018 as set at the beginning of the year was discussed, the Supervisory Board assessed the performance of the Executive Board as effective.

## 2018 Long-term variable compensation

After the Annual General Meeting of shareholders on 18 April 2018, the 2015 – 2017 Long-Term Share Plan vested above threshold and was settled in cash (50%) and shares (50%) in accordance with the Plan rules. The value of these vestings to each Executive Board member is shown in the table '2018 Executive Board remuneration entitlements and IFRS costs for the company' in this Remuneration Report.

The performance period of the conditional awards made under the Long-Term Share Plans 2016 – 2018, ended on 31 December 2018. As a result of the company's EPS performance compared to the target during the performance period, the minimum (threshold) was met. The Supervisory Board decided not to apply any discretionary adjustment.

At the beginning of the year, a conditional award of performance shares under the 2018 – 2020 LTSP plan was made to each Executive Board member. These conditional awards are scheduled to vest in 2021, subject to performance realization. During the whole of 2018, the conditional awards of performance shares made under the Long-Term Share Plans 2017 – 2019 were outstanding. These conditional awards are scheduled to vest in 2020, subject to performance realization and the average base salary earned by each Executive Board member during the entire performance period.

Reference is made to note 7.2 of the Consolidated Financial Statements for more details on these outstanding awards.

## Pension arrangements

Executive Board members participate in the same company pension plan as other staff employed by Vopak in the Netherlands. The company contributions made in respect of each Executive Board member are shown in the table '2018 Executive Board remuneration entitlements and IFRS costs for the company' in this Remuneration Report. These equal the costs for the company as stated in the same table. For more details, reference is also made to note 9.4 to the Consolidated Financial Statements.

## Share ownership

The Vopak share portfolios of each of the Executive Board members at year-end 2018 and 2017 are shown in the table below. This table sets out the details of shares acquired by the individual Executive Board members as a result of performance shares vesting under the company's long-term share plans, and any additional ordinary shares bought at their own expense (personal investments). The CEO is required to keep a portfolio of Vopak shares to the value of two years annual base salary. For the CFO and COO, this requirement is set at the value of one year annual base salary.

### Vopak shares owned by individual Executive Board members

| Number of shares | # of vested performance shares on December 31, 2018 [1] | Privately invested shares on December 31, 2018 | Total # of shares owned on December 31, 2018 [2] | Total # of shares owned on December 31, 2017 [3] |
|---|---|---|---|---|
| E.M. Hoekstra | 37,730 | 9,582 | 47,312 | 44,280 |
| F. Eulderink | 19,064 | 1,750 | 20,814 | 18,850 |
| G.B. Paulides | NA | 5,200 | 5,200 | NA |
| J.P. de Kreij (former member) | NA | NA | NA | 363,652 |

1 These numbers consist of any performance shares that have vested under the company's LTSP plans to individual Executive Board members, and have not been sold by them yet, including the vesting of any performance shares under the 2015 – 2017 LTSP in April, 2018, for which the CEO and COO were eligible.
2 The share price at the end of 2018 was EUR 39.68.
3 The share price at the end of 2017 was EUR 36.57.

## Other

Vopak has not provided any personal loans, advances or guarantees to Executive Board members during 2018.

Jack de Kreij retired early on 1 February 2018, and was not eligible for any severance payment.

# Remuneration of the Supervisory Board

The remuneration policy and levels for the Supervisory Board for 2017 and 2018 were approved by the shareholders at the Annual General Meeting in 2017.

The table below shows the gross amounts each member received in 2018, resulting in a total cost to the company of EUR 0.45 million, as compared to EUR 0.51 million in 2017. The decrease in costs was due to changes in the composition of the Board.

In addition to the remuneration as stated in the table below, the company reimbursed Supervisory Board members living outside the Netherlands for actual travel expenses made. Supervisory Board members did not receive any other fixed allowances or performance-related incentives (neither in cash nor in shares), nor any other remuneration, such in accordance with the policy.

Vopak did not provide any personal loans, advances or guarantees to Supervisory Board members.

No Supervisory Board members held any Vopak shares at year-end 2018, except for Ben Noteboom, who held 3,500 shares at year-end 2018 (2017: 3,500).

For further details, reference is made to note 7.3 of the Consolidated Financial Statements.

## 2018 Supervisory Board remuneration

| In EUR thousands | Supervisory Board | Audit Committee | Selection and Appointment Committee | Remuneration Committee | Total 2018 | Total 2017 |
|---|---|---|---|---|---|---|
| B.J. Noteboom (Chairman) | 97.5 | – | 7.0 | 7.0 | 111.5 | 100.1 |
| M.F. Groot (Vice-Chairman) | 65.0 | 8.5 | 5.0 | – | 78.5 | 78.5 |
| L.J.I. Foufopoulos – De Ridder (member as of 18 April 2018) | 45.6 | 6.0 | – | 4.9 | 56.5 | NA |
| B. van der Veer (member as of 18 April 2018) | 65.0 | 13.0 | – | – | 78.0 | 18.4 |
| R.G.M. Zwitserloot (member) | 65.0 | – | – | 10.0 | 75.0 | 75.0 |
| F.J.G.M. Cremers (member until 18 April 2018) | 19.4 | 4.5 | – | – | 23.9 | 80.0 |
| C.J. van den Driest (member until 18 April 2018) | 19.4 | – | 1.5 | – | 20.9 | 70.0 |
| H.B.B. Sørensen (member until 16 February 2018) | 8.4 | 1.1 | – | – | 9.5 | 51.1 |
| A. van Rossum (Chairman until 19 April 2017) | NA | NA | NA | NA | NA | 33.6 |
| **Total** | **385.3** | **33.1** | **13.5** | **21.9** | **453.8** | **506.7** |

Note: N. Giadrossi nominated for appointment as of 17 April 2019, received remuneration of EUR 21,666 in 2018.

# Corporate Governance

Vopak is incorporated and based in the Netherlands. As a result, Vopak's governance structure is based on the requirements of Dutch legislation including securities laws, the company's articles of association, complemented by internal policies and procedures. Given the worldwide exposure of its businesses, the international context is of vital importance and relevant international developments are closely monitored.

Good corporate governance is a key component of Vopak's way of doing business and is embedded in its core values. The corporate governance is supported by a strong focus on integrity, transparency and clear and timely communication. Good governance and proper supervision are important prerequisites for generating and maintaining trust in the company.

Vopak's business, financial and investor strategy is focused on long-term value creation for the company and its affiliated enterprises as formulated by the Executive Board under the guidance of the Supervisory Board. Value creation is closely connected with the culture within the company, the view on sustainability matters and long-term value creation requires a culture aimed at that. Long-term value creation also requires awareness and anticipation of new developments in technology that can contribute to the continuing success of the company. All stakeholder interests are hereby taken into careful consideration.

The leadership style within Vopak stimulates a culture that promotes desired behavior and encourages employees to act with integrity and to lead by example. By communicating this culture with its corresponding values, incorporating it into the enterprise and maintaining it, guidance is provided in making everyday decisions and monitoring ethical conduct by people in all tiers of the organization. The top of the company has regular contact with employees at all levels of the company as it is essential to know how the culture is experienced within the organization. Culture is also monitored via the employee engagement survey. More information on the culture within Vopak is provided in the People Leadership chapter.
The Vopak Code of Conduct is based on the Vopak corporate values to provide the conditions for a healthy culture and effectively encourage an atmosphere of openness. Neither leadership nor culture are considered tick the box items or treated as such. All Vopak employees, partners, contractors and suppliers are required to adhere explicitly to the Code of Conduct. Compliance is regularly checked for example as part of the CRSA and internal business audits. These monitoring tools also show and measure the effectiveness of the Code of Conduct.

Vopak complies with the vast majority of the principles and best practices laid down in the 2016 Dutch Corporate Governance Code (the Code). The exceptions are explained in the following paragraphs.

## Set-up and policy

Vopak aims to strike a sound balance between the interests of the company's various stakeholders. Integrity, openness, supervision, transparent reporting and accountability are the cornerstones of our corporate governance policy. The company has also developed a clear policy with regard to reporting for financial matters and sustainability. For details of the Sustainability Policy, reference is made to the Vopak website.

Vopak confirms that the principles reflected in the Code are applied by Vopak except for the deviations from the Code that are explained in the following paragraphs.

Vopak has a two-tier governance structure requiring a well-managed relationship between the Executive Board solely composed of executive directors and the Supervisory Board solely composed of non-executive directors. The two Boards are independent of each other and have their own roles and responsibilities in the governance structure.

The Executive Board is responsible for the management of the company and for the realization of its objectives. These include the objectives for strategy and policy, health, safety, the environment (part of sustainability), quality, as well as results.

The Executive Board is assisted in fulfilling its responsibilities by the Risk Committee, the Compliance Committee and the Disclosure Committee. The activities of the Risk Committee include facilitating and challenging risk reporting within the company, providing oversight of main risks and related risk management activities. The primary objective of the Compliance Committee is to support and advise the Executive Board in fulfilling its oversight responsibilities on all compliance matters relevant to Vopak's activities. The Disclosure Committee assists the Executive Board with ensuring that information is disclosed accurately and timely to the outside world in line with the applicable laws and regulations.

The Supervisory Board reviews Vopak's overall performance, including the policies pursued and results achieved by the Executive Board, the company's financial situation, its financial statements, key risks and opportunities. The Supervisory Board also reviews and approves the strategy of Vopak, as proposed by the Executive Board. Similarly, it approves important proposals for capital expenditure, acquisitions and divestments, changes in financial and other corporate policies and the annual budget. The Supervisory Board evaluates the performance of the Executive Board as a whole and that of its individual members, and proposes any changes to the composition of the Executive Board to the General Meeting. Similarly, the Supervisory Board reviews its own performance annually and proposes changes to the composition of the Supervisory Board to the General Meeting. Finally, the Supervisory Board ensures that the company's policies are formulated and pursued in the interest of all its stakeholders, including shareholders and employees, and that these policies are sustainable and meet the highest ethical standards.

The Supervisory Board is carefully selected to include members with diverse backgrounds and experience in areas relevant to Vopak's core business and the foreign markets in which it operates. Their experience ranges from economic, financial, technical, operational and social areas, to political and business-related areas. The Supervisory Board, in performing its duties, focuses on the realization of the objectives of the company, the strategy and its implementation. The Supervisory Board appoints an Audit Committee, a Remuneration Committee and a Selection and Appointment Committee from among its members. In accordance with the provisions of the Code, Vopak has further specified the role and powers of these committees in specific regulations that apply to them.

The General Meeting has the authority to appoint, suspend and dismiss members of the Executive Board and Supervisory Board and other authorities such as passing resolutions for legal mergers and split-offs, adopting financial statements, and the appropriation of profits available for distribution on ordinary shares. Furthermore, the General Meeting determines the remuneration policy for the Executive Board and has to approve any significant amendments to this policy. The General Meeting also sets the remuneration of the members of the Supervisory Board.

The remuneration of the members of the Executive Board is set by the Supervisory Board on the basis of a proposal from the Remuneration Committee, in accordance with the remuneration policy as adopted by the General Meeting. Vopak will continue to facilitate proxy voting. Dutch law provides for a mandatory registration date to exercise voting and attendance rights 28 days before the date of the General Meeting.

## The Dutch Corporate Governance Code

Vopak has evaluated its corporate governance structure against the Code and concluded that in 2018 it satisfied the principles and best practice provisions of the Code, with the exception of the following five items:

1. **Principle 2.1 and best practice provision 2.1.1 (Composition, size and profile of the Supervisory Board)**
   These provisions relate to diversity and state that the Supervisory Board should strive for a diverse composition as to gender and age and should formulate concrete targets to achieve this. The Supervisory Board of Vopak strives to achieve a diverse composition of its members and has formulated key elements of its membership profile. These elements are available in the Corporate Governance section of the Vopak website. Vopak does not strictly follow the recommendation to set an explicit target for diversity in terms of gender or age. This deviation could therefore continue for more than one financial year without a set time period for when to comply with this best practice provision. As an alternative measure attaining the purpose of this best practice provision, for diversity in terms of gender, age or area of expertise the overriding principle for Vopak is that the Supervisory Board has a diverse composition of members taking into account various factors including a valuable contribution in terms of broad international management experience and knowledge of the oil, petrochemical or LNG industries in the regions in which Vopak is active, or other relevant business knowledge for the independent tank terminal business. Diversity in a broad sense is a topic on the Supervisory Board agenda and is discussed in the Selection and Appointment Committee meetings.

2. **Best practice provision 2.2.1 (Appointment and reappointment periods – management board members)**
   The term of Mr De Kreij's contract of employment was not in accordance with this provision as it was concluded before the Code came into effect. Mr De Kreij stepped down as per 1 February 2018. This deviation therefore applies only for one month in 2018.

3 **Best practice provision 2.2.2 (Appointment and reappointment periods – Supervisory Board members)**
With respect to this best practice provision, it should be noted that although Mr Cremers reached the maximum of three four-year terms, the AGM held on 20 April 2016 reappointed Mr Cremers as a member of the Supervisory Board for an additional period of two years. The Articles of Association provide that the General Meeting may decide otherwise, which it did in the case of Mr Cremers, based on his valuable contributions to the Supervisory Board as financial expert and his relevant financial knowledge and experience gained at internationally operating companies. The transitional provision of the Code concerning best practice provision 2.2.2 is not applicable. Mr Cremers has stepped down from the Supervisory Board following the Annual General Meeting held on 18 April 2018. This deviation is therefore of a temporary nature.

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4. **Best practice provision 3.1.2 (blocking period of five years for shares granted to the Executive Board without financial consideration)**
   The blocking period of five years is not included in the Long-Term Incentive Plans (LTIPs). This deviation will continue for more than one financial year without a set time period for when to comply with this best practice provision. As an alternative measure, the remaining value of the portfolio of performance shares must be at least equal to two years annual base salary for the CEO and one year base salary for the CFO and COO.

5. **Best practice provision 3.2.3 (maximum severance pay)**
   The employment contract between Vopak and Mr De Kreij was not in accordance with this provision. In the event of his dismissal, Mr De Kreij was contractually entitled to at least two years' salary. Such severance pay may also become due if Mr De Kreij cannot reasonably be asked to fulfill his duties as a result of changes in circumstances, for example if a public bid is made. The contract was concluded before the Code came into effect and existing rights may not be impaired. On 15 November 2016, it was announced that Mr De Kreij has informed the Supervisory Board that he has decided to step down as per 1 February 2018. This deviation is therefore of a temporary nature.

Vopak has several regulations in place governing the performance of its various bodies and ensuring implementation of the rules applicable within Vopak. These regulations are drafted in line with the Code, applicable legislation and decisions made by the Executive Board and the Supervisory Board. The regulations can be found in the Corporate Governance section of the Vopak website.

These regulations concern:
- Regulations of the Executive Board
- Regulations of the Supervisory Board
- Regulations of the Audit Committee of the Supervisory Board
- Regulations of the Remuneration Committee of the Supervisory Board
- Regulations of the Selection and Appointment Committee of the Supervisory Board
- Vopak Insider Trading Policy
- Regulations on suspected irregularities ('whistleblower regulations')
- Diversity policy.

The following items also appear on the Vopak website:
- Articles of Association
- Information on the members of the Executive Board and Supervisory Board and the composition of the core committees
- Profile of the Supervisory Board
- Retirement schedule for the Supervisory Board members
- Retirement schedule for the Executive Board members
- Policy related to bilateral contacts with shareholders
- Code of Conduct
- Sustainability Policy
- Corporate Governance Compliance Manual
- Remuneration report, containing the main points of the remuneration policy.

## Response measures

Vopak's principal defense against a (hostile) takeover is the ability to issue cumulative preference shares ('protective preference shares') to Stichting Vopak. Such defensive preference shares will be issued in the event that Stichting Vopak exercises its option right. On 18 October 1999, the General Meeting decided to grant Stichting Vopak the right to take up protective preference shares up to a maximum nominal amount equal to 100% of the share capital issued at that time to third parties in the form of ordinary and financing preference shares, less one ordinary share. Vopak and Stichting Vopak further formalized their relationship with regard to the option right in an option agreement of 1 November 1999. This agreement was amended on 5 May 2004, whereby the original put option granted to Vopak was cancelled. In light of the possible introduction in the future of other classes of shares, the Extraordinary General Meeting of 17 September 2013 resolved to expand Stichting Vopak's right to acquire protective preference shares in such a way that it is not only related to share capital issued to third parties in the form of ordinary and financing preference shares at the time Stichting Vopak exercises this, but to all shares in the share capital of Vopak issued to third parties at such time, less one ordinary share. The option agreement with Stichting Vopak was amended on 17 September 2013 to reflect this change. Exercise by Stichting Vopak of its option right in part does not affect its right to acquire the remaining protective preference shares under the option granted to Stichting Vopak. The option agreement provides that in the event that Stichting Vopak exercises its option right and the results thereof are fully or partially cancelled (for instance as a result of the cancellation of the protective preference shares issued), Stichting Vopak will continue to be able to exercise its option right.

The granting of the call option to Stichting Vopak has been entered in the Company Registry. The objective of Stichting Vopak is to promote the interests of Vopak and companies affiliated to the Vopak group. It does this in a way that safeguards the interests of Vopak and its stakeholders to the greatest possible extent and, to the best of its ability, it resists influences opposing those interests, which could impair the independence and/or continuity and/or identity of Vopak. It undertakes all actions relating to or conducive to these objectives. The board of Stichting Vopak therefore determines whether and when it is necessary to issue the protective preference shares. These measures can be taken for example (but not necessarily limited to) in the event of a (hostile) takeover bid if the board of Stichting Vopak believes it is in the interest of Vopak and its stakeholders to establish its position in respect of the hostile party and its plans, and to create opportunities to seek alternative scenarios.

## Information referred to in Section 1 of the Takeover Directive (Article 10) Decree

### Capital structure
A description of Vopak's capital structure, the various classes of shares and the rights and obligations attached to them can be found in note 5.1 to the Consolidated Financial Statements. At 31 December 2018 a total of 127,835,430 ordinary shares had been issued with a nominal value of EUR 0.50 each. No financing preference shares and no protective preference shares have been issued at 31 December 2018.

### Restrictions on the transfer of shares
Vopak's Articles of Association do not provide for a restriction on the transfer of ordinary shares. They do, however, provide for a restriction on the transfer of financing preference shares. Financing preference shares may only be transferred to natural persons, subject to specific exceptions for a legal entity holding the financing preference shares for the purpose of administration and other parties pursuant to Article 10A, paragraph 7 of the Articles of Association. With regard to the protective preference shares, the Articles of Association provide that any transfer requires the approval of the Executive Board.

### Major holdings subject to mandatory disclosure
More information on major shareholdings that are subject to mandatory disclosure pursuant to the Financial Markets Supervision Act can be found in the section Shareholder information. Furthermore, additional information on the transactions with major shareholders can be found in note 7.3 of the Consolidated Financial Statements.

### System of control over employee share plans
Information on share plans can be found in note 7.2 to the Consolidated Financial Statements of this Annual Report.

### Rules governing the appointment and dismissal of members of the Executive Board and Supervisory Board and the amendment of the Articles of Association
Under Vopak's Articles of Association, members of the Executive Board and Supervisory Board are appointed and dismissed by the General Meeting. The Supervisory Board makes a non-binding nomination for the appointment of members of the Executive Board. Upon the appointment of members of the Supervisory Board, the Supervisory Board may make a non-binding nomination.

The General Meeting may only resolve to amend the Articles of Association following a proposal from the Executive Board that is subject to approval by the Supervisory Board. Such a resolution of the General Meeting requires a majority of at least two-thirds of the number of votes validly cast.

### Share issuance and repurchase
The General Meeting or the Executive Board, if so designated by the General Meeting, resolves or decides on the issuance of shares. Any share issuance is subject to approval by the Supervisory Board. At 31 December 2018, no authorization to issue shares had been granted to the Executive Board.

The Executive Board is authorized until 18 October 2019 to repurchase fully paid-up ordinary shares in Vopak's capital, subject to approval by the Supervisory Board. Any repurchase must be limited to the maximum number held by virtue of the law and the Articles of Association (10% at 31 December 2018). Their purchase price must be between the nominal value of the ordinary shares and 110% of the average share price listed on the five most recent trading days prior to the date of the purchase.

### Key agreements containing change of control provisions
Reference is made to the change of control provisions in connection with loans in note 5.5 to the Consolidated Financial Statements.

With respect to agreements entered into with members of the Executive Board and employees that provide for payment upon termination of their employment following a public bid, reference is made to the description of the remuneration policy on the Vopak website.

# Corporate Governance statement

This statement is included in pursuance of Section 2a of the Decree of 23 December 2004 for the adoption of further regulations governing the contents of the management report (the 'Decree'). It sets out the statements referred to in Sections 3, 3a, and 3b of the Decree.

## Compliance with the Dutch Corporate Governance Code

Vopak complies with the 2016 Dutch Corporate Governance Code (the 'Code') and has amended its rules and policies accordingly. The English and Dutch versions of the Code can be downloaded from www.commissiecorporategovernance.nl. The statement on compliance with the principles and best practice provisions of the Code addressed specifically to the Executive Board or Supervisory Board can be found in the 'Corporate Governance' section of the Annual Report.

## Management and control systems

The statement on the principal features of the management and control systems of Vopak and of the group whose financial information is included in its financial statements can be found in the 'Risk management and internal control' section of the Annual Report.

## The General Meetings

Vopak's shareholders exercise their rights in the Annual and Extraordinary General Meetings. The Annual General Meeting must be held no later than 30 June each year. The agenda for the meeting must state certain subjects as described in Vopak's Articles of Association or in the law, including the adoption of the financial statements. Extraordinary General Meetings are held at the request of the Executive Board, the Supervisory Board, or one or more holders of shares or depositary receipts that, solely or jointly, represent at least one tenth of the company's issued share capital.

A subject for which discussion has been requested in writing by one or more holders of shares or depositary receipts that, solely or jointly, represent at least one-hundredth of the company's issued share capital, will be stated in the convocation of the meeting or announced in the same manner, provided that Vopak receives such request no later than on the sixtieth day before the date of the meeting.
In General Meetings, resolutions may be passed by absolute majority of the number of votes cast, unless Vopak's Articles of Association or the law prescribe a larger majority.

The principal powers of the General Meeting are:
- Adopting the financial statements
- Approving a dividend proposal
- Discharging members of the Executive Board from liability
- Discharging members of the Supervisory Board from liability
- Adopting the remuneration policy with respect to the members of the Executive Board
- Adopting the remuneration of the members of the Supervisory Board
- Appointing, suspending, and dismissing members of the Executive Board
- Appointing, suspending, and dismissing members of the Supervisory Board
- Appointing an external auditor
- Authorizing the Executive Board to repurchase shares
- Issuing shares and granting rights to acquire shares (option rights), and designating the Executive Board as the body competent to make such decisions during a set period
- Excluding or limiting shareholders' rights of first refusal when issuing shares and granting rights to acquire shares, and designating the Executive Board as the body competent to make such decisions during a set period
- Approving decisions taken by the Executive Board pertaining to a major change in Vopak's identity, nature or enterprise
- Resolving to amend Vopak's Articles of Association, dissolve Vopak, or enter into a merger or demerger.

## Membership and working methods of the Executive Board

Details of the members of the Executive Board can be found in section 'Executive Board report' of the Annual Report.

The members of the Executive Board are collectively responsible for managing Vopak as well as for its general affairs and that of the group companies affiliated with it. In doing so, they aim to create long-term shareholder value.

A more detailed description of the working methods of the Executive Board can be found in the Executive Board Rules, which can be found on Vopak's website.

The responsibilities of the Executive Board include:

- Evaluating Vopak's objectives from time to time and, where appropriate, adjusting them
- Achieving Vopak's objectives
- Determining the strategy and associated risk profile and the policy designed for the achievement of Vopak's objectives
- Managing Vopak's general affairs and results;
- The financing of Vopak
- Identifying and managing the risks connected to the business activities
- Seeking to make ongoing improvements to safety, health, and environmental performance
- Considering corporate social responsibility issues that are relevant to Vopak's activities
- Ensuring effective internal risk management and control systems and reporting on this in the Annual Report
- Adopting values that contribute to a culture aimed at long-term value creation for Vopak
- Making preparations for and managing the financial reporting process, which includes safeguarding the quality and completeness of the financial reports to be published
- Closely involving the Supervisory Board in a takeover process if a takeover bid for the shares in Vopak is under preparation or has been made
- Complying with legislation and regulations
- Complying with the Code and maintaining Vopak's corporate governance structure
- Publishing in Vopak's Annual Report, on its website and otherwise, the corporate governance structure and other information required under the Code and providing an explanation regarding compliance with the Code
- Preparing Vopak's financial statements, annual budget and important capital investments
- Rendering advice for the nomination of Vopak's external auditor.

The Executive Board Rules include rules for internal decision-making, which are in compliance with the relevant provisions of the Code and follow broadly applicable laws and regulations in case of a conflict of interest of one or more members of the Executive Board. Both Vopak's Articles of Association and the Executive Board Rules can be found on Vopak's website.

Details of the remuneration of the members of the Executive Board can be found in the 'Remuneration report'.

## Membership and working methods of the Supervisory Board and its committees

Details of the members of the Supervisory Board and membership of its committees can be found in the section 'Supervisory Board members' of the Annual Report.

The Supervisory Board's duty is to supervise and advise on the management of Vopak and the general affairs of Vopak and the enterprise connected with it. In discharging its duties, the Supervisory Board is guided by the interests of Vopak and its group companies, taking into account the relevant interests of Vopak's stakeholders (which include its shareholders), aimed at creating long-term value for Vopak. The Supervisory Board is responsible for the quality of its own performance.

The responsibilities of the Supervisory Board include:

- Supervising, monitoring and advising the Executive Board on: (i) the achievement of Vopak's objectives, (ii) Vopak's strategy and the risks inherent to its business activities, (iii) the structure and management of the internal risk management and control systems including the internal audit function, (iv) the financial reporting process, (v) the application of information and communication technology (ICT), (vi) compliance with legislation and regulations; (vii) the relationship with shareholders; (viii) a takeover process if a takeover bid for the shares in Vopak is under preparation or has been made; (ix) the aspects of corporate social responsibility that are relevant to the enterprise and (x) the values that contribute to a culture aimed at long-term value creation for Vopak
- Disclosing, complying with and enforcing Vopak's corporate governance structure
- Approving Vopak's annual accounts, annual budget, and major capital expenditures
- Selecting, nominating and evaluating Vopak's external auditor
- Selecting and nominating members of the Executive Board for appointment, proposing the remuneration policy for members of the Executive Board for adoption by the general meeting, setting the remuneration (in accordance with the remuneration policy) and the contractual terms and conditions of employment of the members of the Executive Board
- Selecting and nominating members of the Supervisory Board for appointment by the general meeting and proposing the remuneration of its members for adoption by the general meeting
- Evaluating and assessing the functioning of the Executive Board and the Supervisory Board as well as their individual members, and evaluating the profile for the Supervisory Board and the induction, education and training program
- Handling and deciding on reported (potential) conflicts of interest between Vopak, on the one hand, and members of the Executive Board, the external auditor, or the major shareholder(s), on the other
- Handling and deciding on reported alleged irregularities that relate to the functioning of the Executive Board.

The Supervisory Board Rules include rules for internal decision-making which are in compliance with the relevant provisions of the Code and follow broadly applicable laws and regulations in case of a conflict of interest of one or more Supervisory Board members and Vopak. The Supervisory Board Rules can be found on Vopak's website.

Details of the remuneration of the members of the Supervisory Board can be found in the 'Remuneration report'.

Details on the committees of the Supervisory Board can be found in the section 'Supervisory Board report' of the Annual Report.

The Supervisory Board has drawn up a diversity policy for the composition of the Executive Board and the Supervisory Board addressing the diversity aspects, the specific objectives set in relation to diversity, and the policy implementation. The diversity policy can be found on Vopak's website.

For information referred to in Section 1 of the Takeover Directive (Article 10) Decree, reference is made to the statement in this respect as included in the Annual Report in the section 'Corporate Governance' of the Annual Report.

# Risk management and internal control

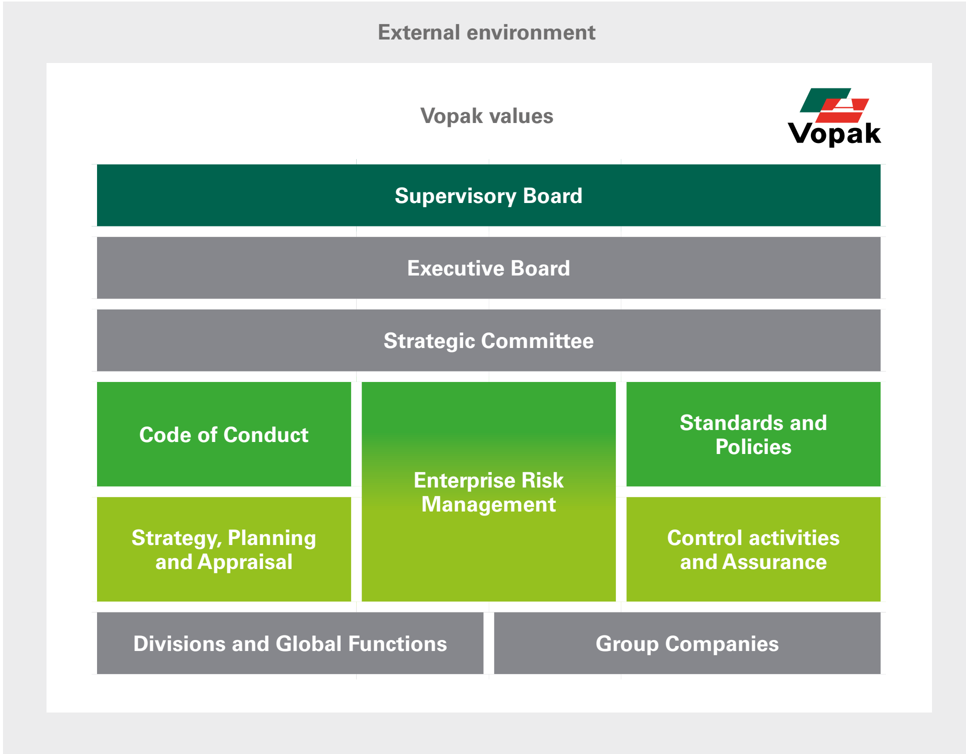
## Risk Management and Internal Control

The Executive Board, under the supervision of the Supervisory Board, bears the ultimate responsibility for identifying and managing the risks associated with the company's strategy and activities. The Executive Board is assisted in carrying out these responsibilities by senior management across the business in managing (line management), monitoring (Global Functions), advising (Risk Committee and Compliance Committee) and assurance (Global Internal Audit) activities.

Vopak applies the principles of the COSO Integrated framework - Internal Control and Risk Management - resulting in an integrated cohesive approach starting with identifying the key risks to achieving the strategic objectives and then determining Vopak's risk appetite and how the identified risks are to be managed through internal controls.

Risk Management and internal controls are at the core of the Vopak Control Framework. This comprehensive framework is applied at all layers and locations within the Group.

## Vopak Control Framework




- The foundation elements of the Vopak control framework define the principles that underpin the Vopak Group's activities.
- The management processes define activities critical to an effective control framework.
- The organization component defines how divisions and global functions organize and manage their activities and how the various OpCos involved relate to each other.

## A cohesive approach: Managing risks and internal control

**Strategy & Objectives**

- Leading assets in leading locations
- Service leadership
- Operational leadership
- Technology leadership
- People leadership
- Founder's mentality
- Vopak values

**Risks & Risk appetite**

- **Strategic**
- **Operational**
- **Legal & Compliance**
- **Financial & Reporting**

Risk appetite determined per risk

**Risk response**

**Vopak Key Control Frame-work**[1]

- Standards, Procedures & Guidelines
- Communication trainings
- Organizational set-up
- Global - Functional
- Divisional - Regional

**Monitoring & Assurance**

Self assesssments:

- CRSA[2]: OpCo level
- DMCSA[3]: Divisions
- Functional self-assessments
- Second line specific topic reviews
- External run surveys
- Management review cycle

**Internal audit**

**Code of Conduct, Culture & Values, Recognition, Whistleblower**

1 Vopak's Key Control Framework covering 16 processes providing for effective management through effective controls for risks to be within the risk appetite.
2 Control Risk Self-Assessment.
3 Divisional Monitoring Controls Self-Assessment.

## Enterprise Risk Management

Our Enterprise Risk Management (ERM) Framework, which is based on the principles of the COSO ERM model, is embedded within the quarterly functional (commercial, operational and financial) performance review meetings, the divisional performance meetings and the mandatory Enterprise Risk Management (ERM) reporting which takes place on a biannual basis.

## Vopak's Risk Management Framework

**Risk exposures aligned with the strategic objectives**

**1. Identify**

- Risks identified by the individual terminals and divisions
- Strategic risk discussions with global senior management
- Global principal risks reviewed by the Risk Committee and agreed with the Executive Board

**2. Measure**

- Risk appetites of all principal risks are determined by the Executive Board and shared within the organization
- A standard risk management methodology facilitates communication within the group

**3. Manage**

- Mitigating actions are established for the identified risks and reviewed by the Risk Committee
- Separate action plans are established and executed for risks, which exceed the risk appetite

**4. Monitor**

- Effectiveness of the mitigating actions is monitored across the three lines of defense
- Risk Committee reviews effectiveness of risk management process and acts as the steward of risk management

**5. Report**

- The Risk Committee informs the Executive Board and the Supervisory Board on the principal risks and the effectiveness of the risk management process

**Embedded in a risk conscious culture**

Vopak's ERM process is guided and overseen by the Risk Committee. The ERM process is aimed at ensuring the timely identification and mitigation of risks and risk trends. It requires all operating companies to assess and report their principal risks, the likelihood, financial impact and the mitigating actions in place plus an assessment of the effectiveness of these actions. Divisions review, discuss, supplement and report on these risks as the basis for the biannual discussions between Division Management and representatives of the Risk Committee. A dialogue also takes place with Global Directors and the outcome of the whole process is shared with the full Risk Committee. The dialogue with the Executive Board concludes the process prior to sharing and discussion with the Audit Committee and the Supervisory Board.

Confirmation of the process is provided through the work of Global Internal Audit, which ensures that operating companies have sound ERM process at the local level and our Control Risk Self-Assessment (CRSA). Management accordingly considers our ERM process to be effective.

The Risk Committee, in addition to performing an advisory role to the Executive Board on the identified risks, commits itself to further embedding a 'risk-conscious' culture. 'Risk Moments' are a standard agenda topic of each Risk Committee meeting, business persons are invited to discuss specific risks at the Committee (for example, environmental risks, the process used for categorizing overall project risk for governance purposes) and consistent risk-impact assessments are used for the biannual risk dialogues. The Risk Committee also recognizes that whereas risk management is a topic owned by the business with the Committee performing a coordination and advisory role, numerous meetings held by the Executive Board and Senior Management also cover risks and opportunities even if not specifically labeled as such. Communication is considered key and having performed a self-assessment to determine gaps in relation to the COSO ERM Integrating Strategy and Performance framework, it has been agreed within the Committee to focus on the topic of 'Communication and Information Sharing' per the COSO framework in the forthcoming year. The Risk Committee met nine times during the year.

## Risk-reward appetite

The applicable risk-reward appetite for each risk category (in accordance with COSO) is defined by the Executive Board. The risk appetite reflects the amount and type of risk that Vopak is willing to take in order to meet its strategic objectives, while ensuring compliance with laws and regulations. Our risk-reward appetite throughout 2018 remained unchanged compared to prior year.

| Risk Category (COSO) | Strategic themes | Vopak's risk-reward appetite |
|---|---|---|
| **Strategic risks** | • Leading assets in leading locations | **Low to high:** Vopak evaluates the risk-return profile on a case-by-case basis by consistently applying appropriate metrics taking into account the value creation opportunities existing in both the short and longer term. |
| **Operational risks** | • Operational leadership<br>• Service leadership<br>• Technology leadership<br>• People leadership | **Very low:** on safety and sustainability issues.<br><br>**Moderate:** on other areas/topics with alignment of targets and related cost, and a clear focus on sustainable EBIT growth. |
| **Legal and compliance risks** | • Operational leadership<br>• People leadership | **Very low:** we operate with the objective to ensure full compliance with legal and regulatory environments. |
| **Financial and reporting risks** | | **Low:** on financial risks. Aligned with the long-term nature of the business, the company's objective is to ensure a robust financing position and solid cash flow performance and remain compliant with the debt covenants. Furthermore, the objective is to ensure full compliance with financial and non-financial reporting laws and regulations. |

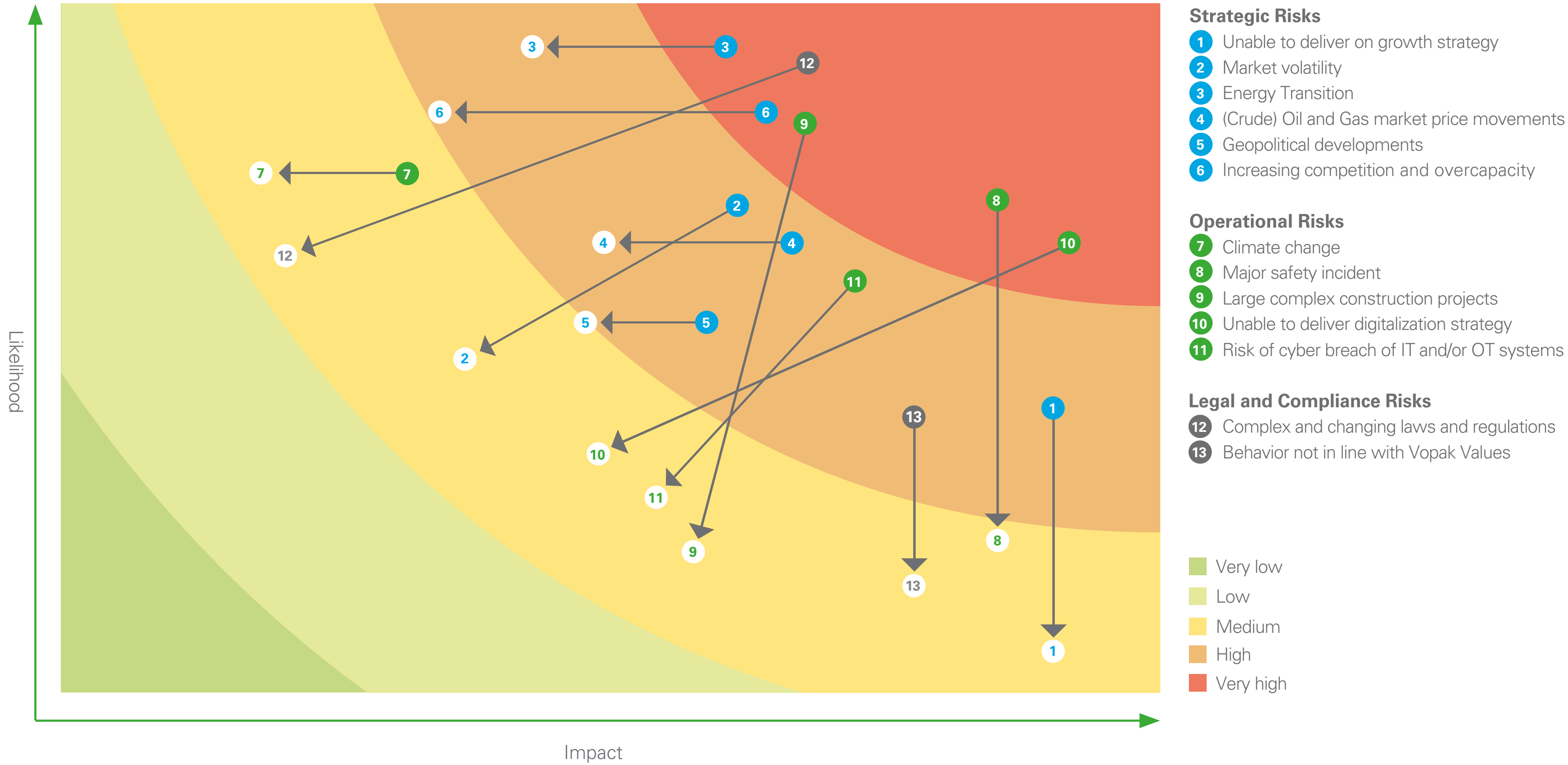
## Our principal risks and uncertainties and how we mitigate these

The principal risks that could prevent Vopak from achieving its strategic objectives are described in this section. Mitigating actions applied are also described. When identifying our principal risks, we also take into account the industry-related trends that could lead to future opportunities and uncertainties as described in the chapter 'Storing vital products with care' of this Annual Report. Thirteen principal risks are reported; two risks recognized as being more prevalent compared to the 2017 Annual Report are the potential impact of the energy transition in certain regions and inherent risks of increasing digitization arising in today's operating model.

The nature of Vopak's business model is long-term, resulting in many risks being enduring in nature. Nonetheless, risks may develop and evolve over time due to internal and external developments. The risk overview can be read carefully when making an assessment of the company's business model, its historical and potential future performance, and the forward-looking statements contained in this Annual Report. Although the risk management process followed is considered to be effective, there is no absolute certainty that the mitigating actions with respect to the principal risks will be effective or that other risks may be prevented from occurring.

The following matrix and table provide an overview of the principal risks of the company and management's current view of the effects of the mitigating actions in place:

## From Gross Risks to Residual Risks



## Strategic risks

| Strategic theme | Risk description | Risk appetite | Mitigating actions |
|---|---|---|---|
| **Leading assets in leading locations** | 1 **Unable to deliver on our growth strategy**<br>**Non-success could be due to:**<br>• Not being able to find the right locations and right partners<br>• Not having the right skills and capabilities to enable successful business development execution given the complexities involved<br>• Anticipated project returns not meeting risk/return requirements<br>• Not being able to successfully convert existing terminals to meet customer demands due to changing product flows. | **Low to high** | **Clear growth strategy in place; fully understood by all relevant staff; Project evaluation criteria on a merit-by-merit basis (not one size fits all)**<br>• Dedicated Divisional Business Development Teams supported by the Global Commercial and Business Development<br>• Growth Funnel Execution Focus<br>• Relationship programs with customers, port authorities and other potential partners for growth projects<br>• Founder's Mentality instilled in our culture, among others via the LEAD program for senior management<br>• Shift to a multi-dimensional and disciplines risk/return approach to growth opportunities. Ensuring appropriate project resources. One Vopak Project Management approach (VPM) and use of a Global engineering department. Support from Global Projects and Global Procurement during execution phase. |
| **Leading assets in leading locations** | 2 **Market volatility resulting in changing product flows with, in some circumstances, unprecedented speed of market change.**<br>Changing industry market dynamics leading to structural changes in product flows and increased volatility which are not adequately addressed timely by the company. Noteworthy developments are:<br>• Increasing use of gas and renewable energy and the increasing number of electric vehicles<br>• IMO 2020 relating to bunker fuels for the shipping industry<br>• Changing regulations regarding the use of biofuels<br>• Shipping economics<br>• Asia & China: softening economic growth<br>• Rationalisation in the refinery and petrochemical sector<br>• US shale gas developments resulting in cheap chemical feedstock. | **Low to high** | **Successful execution of our strategy:**<br>Maintaining (including divesting and expanding) a well-diversified global terminal network based on clear strategic criteria for terminals taking long-term scenario considerations into account for certain product/market combinations:<br>• Industrial terminals<br>• LNG, LPG and Chemical gases terminals<br>• Chemical terminals<br>• Oil terminals.<br><br>Continuous in-depth analyses of scenarios and global trends by Global Commercial and Business Development in conjunction with Divisions and Local teams with the objective that the company is able to timely identify changing market developments and respond accordingly.<br><br>Measures may include acquiring and divesting terminals, changing existing infrastructure and reassessing project scope in projects under development, growing in LNG and other gas-related areas, and differing contract durations. |
| **Leading assets in leading locations** | 3 **Energy Transition brings both opportunities and uncertainties.**<br>The speed and precise direction of the energy transition is not fully known and remains unclear. However, it is clear that this development impacts global products flows and Vopak:<br>• Increased environmental legislation leading to higher capital expenditure levels (e.g.: improved vapor recovering treatment systems) and changing operating requirements<br>• Demand for oil-based fuels decreasing in specific regions due to lower economic growth, electrification of vehicles, changes in oil-based fuels (diesel v gasoline) and more fuel-efficient cars and overall negative sentiment towards fossil fuel usage. This can for example have a negative impact on recruitment possibilities as potential employees inappropriately consider the company a pure fossil fuel player<br><br>Opportunities exist through:<br>• Environment-induced regulations also create opportunities (e.g. IMO 2020) with the need for further segregation of products considered to increase in storage tank demand<br>• Further facilitation of structural imbalance in energy needs and related storage in the LNG market. LNG being considered a 'cleaner' fossil fuel<br>• Opportunities for providing hydrocarbon storage. | **Low** (legislation and infrastructure protection) **to high** (opportunities and adapting to changing market needs) | **Strategic assessment program takes into account the long-term impact of the energy transition. Dedicated focus in considering potential energy market transition impacts and opportunities (e.g. future of hydrocarbon fuel). Active role in developments demonstrating commitment to opportunities that the energy transition could bring:**<br>• Emphasising the company as logistics service provider of vital products for end consumer use demonstrating a broad product base<br>• Continuous assessment of the impact on Vopak and the oil and gas industry of agreements and directions per United Nations Global Climate Change Conference (latest being COP24) and development of other international and national agreements<br>• Sustainability being 'top of mind' in many decision being made by the company.<br><br>Effective monitoring of:<br>• Existing and changing compliance requirements in place and follow up of requirements as necessary<br>• Need for reinforcements of infrastructure against adverse weather and climate induced conditions and leverage of Global expertise and technical knowledge for optimal cost-effective solutions. |

| Strategic theme | Risk description | Risk appetite | Mitigating actions |
|---|---|---|---|
| **Leading assets in leading locations** | 4 **Exposure to (crude) oil and gas market price developments leading to risks and opportunities**<br>Fluctuating movements in (crude) oil and gas market pricing has consequences for our customers putting pressure on the value chain although this can offer storage opportunities in the short term. Differences per regions are observed. | **Low to high** | **Continued focused strategy execution:**<br>• Providing storage and handling services for structural product flows; limiting exposure to potentially more volatile trading markets<br>• Well-diversified global terminal network supporting different roduct/market combinations<br>• Operational and Service leadership focus; continuous Net Promoter Score (NPS) measure introduced end 2018 enabling real-time follow up. Appropriate pricing strategies matching the service leadership and operational leadership. |
| **Leading assets in leading locations** | 5 **Geopolitical developments, unpredictable by nature, continue to present challenges to our business going forward in both emerging and non-emerging markets.**<br>Geopolitical developments such as trade sanctions and renegotiation of trade agreements (eg: USMCA, China/US) can lead to unexpected and significant changes in product flows. New governments (eg: Brazil, Mexico)) can lead to uncertainty due to a potentially changing stance towards energy programs by Governments. | **Low to medium** | • Having a well-diversified global terminal network supporting different product/ market combinations; not highly dependent on a limited number of specific locations<br>• Avoiding business development projects in countries with an undue high geopolitical risk profile unless the risk can be mitigated or is compensated by higher returns<br>• Optimizing our terminal portfolio via (partial) divestments<br>• Developments continuously monitored including impact assessments by a combination of local management, division and Global. |
| **Service leadership** | 6 **Increasing competition and overcapacity can affect our market position and earnings potential**<br>Increasing competition (increased storage capacity constructed by existing and new competitors) puts pressure on our occupancy rates, pricing and contract durations. The extent varies per location.<br><br>Furthermore, 'newer' terminals have the opportunity to achieve higher service levels by applying increased efficiencies and newer technologies. | **Low to medium** | **Service Leadership and Operational Leadership are cornerstones of our competitive position.**<br>• Service improvement objectives, meeting customer needs, and optimisation of assets are key elements of our strategy to at least maintain our competitive position in each market in which we operate<br>• Continuous Net Promoter Score (NPS) survey replacing the previous annual survey end 2018<br>• Good insight into existing markets combined with local entrepreneurship which ensure that we capture business development opportunities before the competition does<br>• All senior management participating in two-year Leadership program (LEAD) aimed at harnessing a better competitive position and improving our way of doing business<br>• The successful realization of the cost-efficiency program in the 2017-2019 period will reduce Vopak's future cost base by at least EUR 40 million<br>• Continuous assessment whether highest value can be realized via either divestment or continued operation of the terminal within the Vopak network.<br>• Increasing digitisation (MOVES) moving to real-time data to improve service performance and cost efficiency<br>• Dedicated program to invest in innovation and new technologies adding to service and operational leadership offering. |

## Operational risks

| Strategic theme | Risk description | Risk appetite | Mitigating actions |
|---|---|---|---|
| **Leading assets in leading locations** | **7 Climate Change: a global issue presenting both risks and opportunities for Vopak. The risks can be categorized into the following segments:**<br>• Transition risks: this includes changes in market dynamics, policy actions, reputation and new technology and product developments<br>• Physical risks: this includes acute risks such as increased severity of extreme weather events and chronic risks such as rising sea levels and temperature and precipitation changes<br>• Legal risks: this includes reputational risks and legislation (e.g. carbon trading)<br>• Increased financial risk of limited capital market access due to the trend of increasingly negative investor sentiment regarding investments in carbon and carbon-related industries. | **Low to high** | • Senior Leadership involved in understanding the various aspects of climate change over different time horizons<br>• Process established with multi-disciplinary team (operational, insurance, legal, public affairs, commercial and financial) to continuously assess developments and create awareness. Engagement on an annual basis with senior leadership. The outcome of the initial engagement is a complete, extended risk- and opportunity- assessment based on the scenarios from the IPCC and the IEA. Aligned also with the TCFD framework<br>• Crisis management plans and investments in place for short-term adverse weather conditions and other climate-related events enabling optimal continuation of operations (eg: floodwall Hamburg. Flexible loading arms Fujairah). |
| **Operational leadership** | **8 Occurrence of a major personal and/or process safety incident and environmental risk.**<br>Incidents negatively affect the lives and health of not only staff working at a Vopak location but also those in close proximity. Our 'License to Operate' could be affected impacting our earnings. Indicidents expose the company to potential liabilities and will most likely have an adverse effect on the company's reputation. | **Very low** | **Safety has our highest priority**<br>• Continuous attention to ensuring our safety culture is at the required level regardless of geographical location and whether it concerns own employees or contractors. Vopak Fundamentals, Safety Standards, Vopak Way Standards are critical tools for clearly providing procedures and instructions for safe working practices<br>• Mandatory application of Vopak standards at all locations even in the situation where local laws and regulations are less strict<br>• Constant reiteration that safety is of the highest priority, e.g. via Global SHE Day and the annual assessment of the Vopak Fundamentals<br>• Specific 'Assure' audit program run by Global Operations focussing on the prevention of serious safety incidents through process, assets and persons.<br>• Robust maintenance and sustaining capex programs are in place ensuring the highest asset integrity<br>• Introduction of 'Trust and Verify' Program; the objective is that Leadership verify that tasks are undertaken in line with the prescribed approach (tools and management systems)<br>• Behavioral Safety Reviews focusing on local safety culture at the terminal included as part of the Annual Audit Plan. |
| **Technology leadership** | **9 Large complex construction projects**<br>Most projects under development represent sizeable long-term investments and are recognized as being individually complex due to different business, engineering, financing, environmental, cultural and political circumstances.<br><br>When projects are not effectively managed in terms of safety, cost, time and quality, increased costs and lost revenues can be detrimental to the desired end result. Key is ensuring correct skills and competencies. | **Low** | **Vopak Project Management standard for mandatory application to all projects that fit within the criteria for its usage.**<br>• A robust multi-disciplinary (capital disciplined) investment proposal decision-making process is in place<br>• Guidance is provided by the global functions and external experts during all stages of the project. The level of governance support by Global Projects and Engineering during a project is determined at the Investment Proposal stage by application of a risk classification (Risk category A, B or C)<br>• The use of Global Engineering and Global Projects provides a common approach and the sharing of experience in developing new projects<br>• Embedded (independent) quality assurance processes (e.g: health check, project readiness reviews, and lessons learned sessions at different stages of project development ensure timely rectification as needed<br>• Lessons learned reviews are performed and shared within the company for future developments. |

| Strategic theme | Risk description | Risk appetite | Mitigating actions |
| --- | --- | --- | --- |
| **Technology leadership** | 10 **Unable to deliver digitalization strategy**<br>Key to our strategy is effective digitalization including innovation, organized centrally providing improved service offering and process efficiency through real-time data availability. The impact on our current way of working and organizational change is significant but necessary in order to harness the full benefits. This requires clear leadership embracing the changes and opportunities offered.<br><br>Legacy systems until full roll-out of new systems have to be maintained but are aging with the risk of disruption which could negatively impact service delivery. Timing of new roll-out is essential for business improvement. | **Low** | **Dedicated approach and governance structure for program management in place for MOVES with full Senior Leadership Focus:**<br>• Full embedding of system usage is critical for success<br>• Dedicated sessions at Leadership courses to ensure Senior Leadership is trained to embrace and drive the change that successful digitalisation requires<br>• Full Business Impact Analyses taking place at each location enabling full impact of new systems to be assessed prior to roll-out. Key for ensuring continued operations<br>• Ownership of roll-out by the business supported by Global teams.<br>• Robust project management approach unilaterally applied<br>• Robust governance in place ensuring sufficient attention given to the needs of legacy systems. |
| **Technology leadership** | 11 Risk of cyber breach of our IT and/or OT systems, an increasingly common phenomenon via virus and malware attacks, ransomware and unauthorized access attempts leading to confidentiality, integrity and availability (data) issues for the company, impacting negatively on our reputation, financial position, operations, and, potentially lead to costs related to recovery and forensic activities. | **Low** | • On-going execution of the IT/OT security program (project name COINS) in place to address IT and OT security globally, addressing cyber risk including dedicated IT-risk office. All companies in network are in scope<br>• Daily monitoring of 'cyber' attacks on our global systems for follow up<br>• Clear accountability and ownership of converging IT and OT, centrally managed by the Global Director ICT supported by Global function Operations, Divisions and Operating Companies. |

## Legal and compliance risks

| Strategic theme | Risk description | Risk appetite | Mitigating actions |
|---|---|---|---|
| **Operational leadership** | **12 Complex and changing laws and regulations can negatively impact being Business, Operational and Environmental compliant**<br>Obtaining, renewal and/or revisions to permits and licenses for product storage from local and national governments, as well as compliance with local laws and regulations are essential to start or continue operating our terminals. Governments are becoming stricter often due to failings/incidents in the industry, regulations are frequently changing and/or can be unclear making 100% compliance at all times at all locations globally a challenge. However, Vopak's objective is to ensure full compliance. Uncertainties given changing or unclear requirements can also arise when applying for permit renewals/applications.<br><br>More stringent demands on environmental requirements as required by our permits may lead to additional sustaining capex investments.<br><br>Fines and penalties in the event of being non-compliant can be sizeable. | **Very low** | **Operating and Business compliance is non-negotiable**<br>• Terminal management is primarily responsible for maintaining a robust general and permit compliance program. Division/Global support and involvement of external specialists are used when unclear<br>• Monitoring operating permit compliance at various levels within the company is a critical element of Vopak's Global Assure program<br>• Permit status is considered a critical path in all project development activity and is actively monitored through Steering Committees<br>• Global policies and guidelines are in place addressing business compliance requirements. The compliance committee, through functional owners, ensures that appropriate compliance processes are in place for dedicated compliance topics (sanctions compliance, anti-bribery and corruption, anti-fraud and whistleblower, anti-competition, permits and licenses, privacy, insider trading) and that the principal compliance risks are identified and mitigated. |
| **Leading assets in leading locations**<br><br>**Operational leadership** | **13 Behavior not in line with Vopak values**<br>Individuals and/or groups of individuals can behave in a manner that is not in line with our values which can lead to financial, business and reputational consequences. It is recognized that certain regions/countries are more susceptible to having a culture not in line with the Vopak Values.<br>The risk is not increasing, and persons are actively requested to report irregularities which increases the number of matters coming to management's attention and action. | **Very low** | **Clear guidance on culture, values and behavior for every employee; incidents investigated**<br>• At all levels of the company management sets the highest standards in respect of desired culture, values and behavior based on the five global Vopak Values (Care for Safety, Health & Environment, Integrity, Team Spirit, Commitment and Agilty) and the Vopak Code of Conduct<br>• Vopak values are positively and actively embedded in the culture and expected to be demonstrated by all<br>• The Vopak values are Globally implemented. A revised Code of Conduct has been rolled out in 2017 and a Code of Conduct awareness training was completed by Vopak company employees in the first half of 2018. Whistleblower rules are available globally for all terminals. All whistleblower cases are followed up in line with the company policies<br>• Status of Code of Conduct is monitored via Global Internal Audit<br>• All reported incidents investigated; appropriate actions taken; learnings from (potential) irregularities are actively shared throughout the organization anonymously. |

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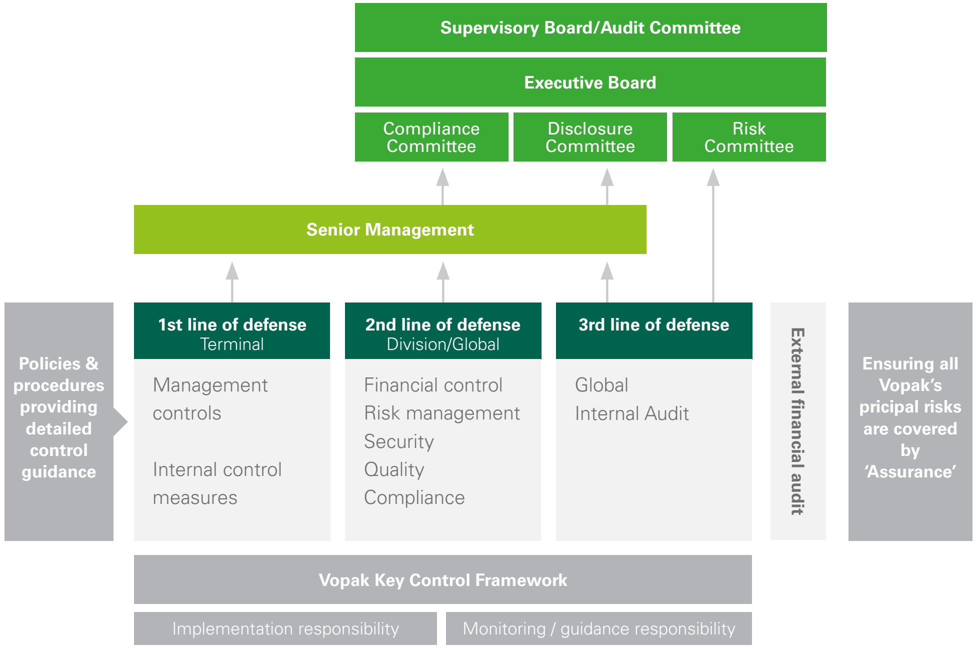
## Other general (inherent) risks not considered principal risks

| Strategic theme | Description |
|---|---|
| **Foreign Exchange** | As a globally-operated company, Vopak is confronted with money flows that are not in its functional (Euro) currency. Operating globally provides an extent of 'natural hedging' but foreign exchange exposure risk exists. This risk is continuously reviewed and measures taken to limit the exposure in line with the foreign exchange policy of Global Treasury.<br><br>Our financial risks are described in detail in Section 6 of the Consolidated Financial Statements. |
| **Refinancing and liquidity** | Vopak is a capital-intensive company with long-term investments. Long-term access to funds is critical for achieving the strategic objectives of the company. Refinancing and liquidity risks are not considered principal risks due to the effectiveness of the mitigating actions. Vopak's funding strategy is focused on ensuring continued access to capital markets so that funding capital is available at a time of our choice and at acceptable cost. The development of our Senior Net Debt: EBITDA ratio is continuously monitored and discussed on a regular basis in the Strategic Finance Committee, the Executive Board, the Audit Committee and the Supervisory Board to ensure that the company remains within its covenant ratios. A clear funding policy with respect to subsidiaries and joint ventures is in place. Group liquidity requirements are monitored continuously. Long-term liquidity risks are reviewed each quarter and before every significant investment. Active cash management takes place on a daily basis.<br><br>Liquidity risks are described in more detail in Section 6 of the Consolidated Financial Statements. |
| **Insurance** | A general business risk exists that losses are suffered due to inappropriate coverage of the incident by third-party insurers. Our Global Insurance Policy aims to strike the right balance between arranging insurance to cover Vopak's risks and financing adverse implications ourselves. The principal factors underlying our insurance policy are risk tolerance and risk transfer costs. On this basis, Vopak has purchased worldwide insurance cover for a wide range of risks, such as environmental and third-party liability, property damage, business interruption and cyber-related activities. The financial credit ratings of the insurance companies involved are reviewed on a regular basis and, where appropriate, risks are spread across several insurance companies. |
| **Tax and Tax related** | Vopak operates terminals and other activities in many different countries. As tax laws and regulations differ per country and can be complex, the company runs the inherent risk of non-compliance with the local tax legislation and the tax policy of the company. The Vopak Control Framework has a dedicated section stipulating the internal controls to address the risks related to tax and which enforce compliance with the group tax policy. Furthermore, the Global Tax department assist local and divisional management in complying with the tax requirements and monitoring the effectiveness of the internal controls relating to tax as well as the tax position of the group.<br><br>The company has no principal risks related to taxes. |

## Internal Control

Vopak has identified sixteen key business processes and has internal controls, designed in a principle-based manner, to address risks foreseen in each of the processes. This principle-based internal control framework is rolled out to all operating companies. Local management ('first line'), supported by Divisions and Global Functions, is responsible for ensuring this framework is implemented, operating effectively and key risks are managed. Divisions and Global Functions are 'second line' responsible for the monitoring of internal controls locally including assessing their effectiveness. The 'third line' is Global Internal Audit providing independent assurance on internal control existence and effectiveness.

### Internal control framework




In addition to audits executed by Global Internal Audit, which includes a separate fraud vulnerability assessment when a business process audit is executed, the maturity of key control implementation per operating company is assessed each year through the completion of the Control Risk Self-Assessment (CRSA). The CRSA covers all sixteen key processes and related controls including those specifically directed at fraud and corruption. Complementing the CRSA, are a number of additional functional specific monitoring activities undertaken throughout the year by the Global Functions (e.g.: Operational (Assure) audits by the Global Operations Department, Sourcing and Procurement Self-Assessments by Global Procurement, Commercial Reviews by Global Commercial and Business Development, Insurance reviews by Global Insurance); all with the objective to assess the extent of implementation and effectiveness of expected controls and establish further improvements from a functional responsibility perspective.

Policies continued to be updated as appropriate during 2018. Monitoring of timely updates is undertaken by the Compliance Committee supported by Global Internal Audit. Adding to the further effectiveness of existing working practices and guidance are 'alerts' distributed by various functions throughout the year. Notable are those distributed by Global Operations following incidents and Global Internal Audit on specific fraud topics. The introduction of new (automated IT) systems via the MOVES program improves our control environment through the further standardization of processes, systems and allowing for increased transparency and monitoring of actions.

Our Divisional governance structure requires Divisions to execute monitoring activities of terminals. The effectiveness of these activities is assessed on an annual basis through the Divisional Monitoring Control Self-Assessment, which is also coordinated by Global Internal Audit at the same time as the CRSA.

As referred to in the Corporate Governance chapter, the Executive Board is assisted in fulfilling its responsibilities by the Risk Committee, the Compliance Committee and the Disclosure Committee. These three Committees have an important role in the company's overall internal control framework by providing cross-functional and cross-divisional advisory insight on key topics directly to the Executive Board.

## Internal Controls Periodically Updated

The principle-based internal control framework is reviewed and updated periodically to ensure control design and guidance remains relevant and effective for the organization. This process is coordinated with the Global Functions through the joint effort of Global Control & Business Analysis and Global Internal Audit. A thorough review was undertaken in 2017 resulting in a revised absolute number of key controls and additional explicit guidance being given as to what is expected for a given maturity level per control. A maturity scale of 1 to 5 is used. This additional guidance serves to both educate and assist in fair (self) assessments. The 2018 framework includes limited updates given the extent of the 2017 review. It is expected that future updates are likely to include increased reference to the self-monitoring opportunities enabled by the new IT systems in development. Furthermore, the initiative to centralize the transactional finance activities together with the implementation of new finance systems will lead to a more standardized and sharpened internal control framework.

## Management Review Cycle

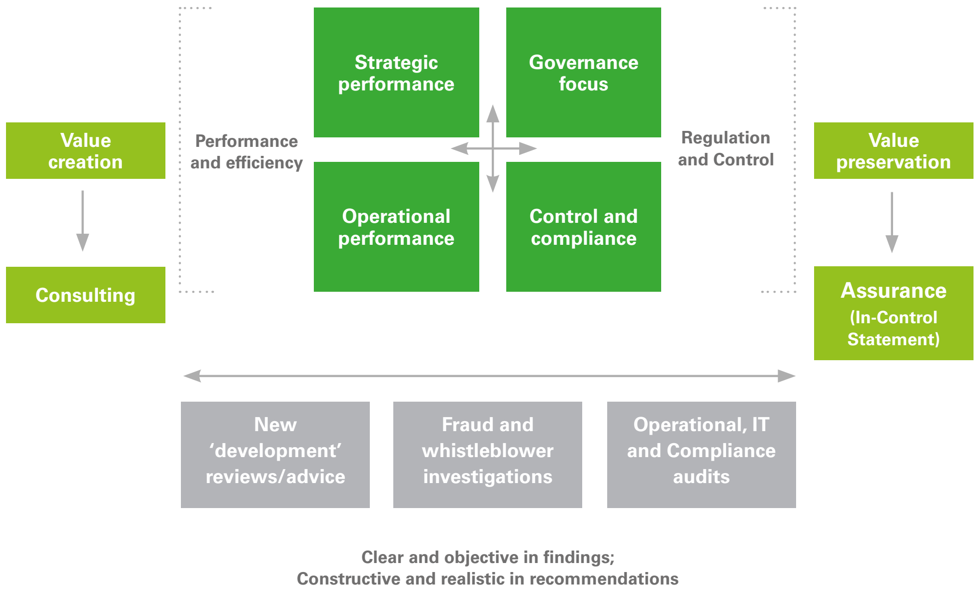
Key to the control process is the regular reporting cycle. Monthly and quarterly management reports are prepared by all operating companies and Divisions including joint ventures in line with clearly defined mandatory reporting requirements. The reports and related discussions between senior management, including but not limited to the Executive Board, cover not only financial but also key operational, sustainability, human resources and commercial performance indicators aimed at monitoring the achievement of strategic objectives. A critical element of these discussions is comparing progress against prior-year performance and Vopak's Annual Budget which, together with the two subsequent plan years, is reviewed and approved by the Executive Board for all Divisions and operating companies each year.

Executive Board members both collectively and individually visit terminals and Divisions in the course of the year outside of the periodic (fixed) management review cycle. This includes, for example, the annual full Executive Board two-to-three day Comprehensive Review for each Division, Joint Venture Board meetings attendance, Annual Safety Day terminal visits and additional visits. These and similar interactions by Global Directors provide valuable insight into the performance (including behavioral, cultural and internal control factors) of the company.

## Role of Internal Audit

The primary role of Global Internal Audit is to provide independent assurance and advise the Executive Board in its responsibility of ensuring both the existence and effectiveness of internal controls, in order to safeguard the company's strategic goals. A broad range of audits are executed of an operational, investigative and compliance nature with the audit of external financial statements being the responsibility of Vopak's external auditor. The Executive Board in addition to internal audit outcomes, recognize the themes of the external auditor's management letter and follow up accordingly. Advising (consulting) activities also take place providing internal control input to key projects undertaken by the organization (e.g. new system implementations such as those falling under MOVES) supporting the functional owners, the expected controls and monitoring that can be expected of Global Functions and Divisions and in addition the expected maturity levels of internal control requirements based on the principal based internal control framework.

### Internal audit to preserve and create value




Global Internal Audit reports directly to the full Executive Board. Its activities are also overseen by the (Audit Committee of the) Supervisory Board. The Internal Audit Charter is endorsed by the Executive Board and the Audit Committee. A core audit team is located at the Global Head office, often supplemented by subject matter experts either from the business or external support as appropriate.

The annual internal audit plan executed by Global Internal Audit is developed using a risk-based approach focusing on key strategic objectives of the company and risks relating to those objectives. The Global Internal audit universe includes all processes, entities and activities within the company, including Global and Divisional functions. The plan is developed in dialogue with Senior Leadership. Throughout the year, the results of all audits and advisory activities are shared and discussed with the Executive Board and discussed each quarter with the Audit Committee. Progress against the plan is reported.

The follow up of audit findings is the responsibility of the auditee with monitoring thereof and subsequent closure being the responsibility of the Division and/or Global as appropriate. The outcome of this process is formalized biannually with reporting to Global Internal Audit through the 'audit findings follow-up' system. Exceptions to what is expected are followed up proactively with Divisions by Global Internal Audit. The audit findings follow-up meetings also take into account follow-up from reviews undertaken by commercial and external financial auditors.

Continuous evaluation of the Global Internal Audit function takes place through various stakeholder feedback tools such as evaluation forms completed by both the auditee and subject matter experts. The results are reported to the Executive Board and Audit Committee on an annual basis. In addition, an externally performed quality assurance audit by the Dutch Institute of Internal Auditors takes place on a five-year basis. The first review at the end of 2016 was positive and re-confirmed that work is performed in accordance with the International Internal Auditing Standards. An evaluation of the function by the Executive Board and the Audit Committee has taken place.

## Management assessment, Letters of Representation and In-Control Statement

Management consider that the processes in place as described including those in the Corporate Governance chapter are of a maturity that enables implementation and effectiveness of risk management and internal control to be assessed with the view that there have been no material deficiencies in the internal risk management and control systems relating to the risks observed during the financial year. Further improvements noted, such as policy refinement and automated systems, serve to further improve our maturity level and not to change the processes. The view that there are no material deficiencies is underpinned by the Letter of Representation that is signed by Terminal Management, Divisional Finance Directors, Division Presidents and Global Directors at the end of each half year and full year. This Letter represents the key elements of internal control and full disclosure of deviations to that control as appropriate. The results of this process including deviations are specifically discussed with the Executive Board and, together with the results of the various monitoring and assurance activities as described above (which are explicitly re-evaluated by both Global Control & Business Analysis and Global Internal Audit for the purposes of the In-Control Statement at year end) provide input for the In-control statement issued by our Executive Board.

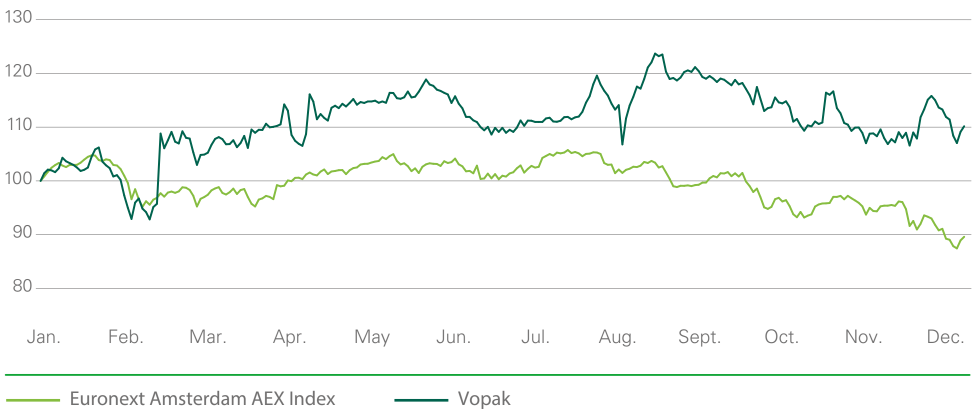
The In-Control Statement issued by the Executive Board is included directly after the Financial Statements.

# Shareholder information

| In EUR | 2018 | 2017 |
|---|---|---|
| Share price start of the year | 36.74 | 44.88 |
| Highest share price | 44.88 | 45.66 |
| Average share price | 40.30 | 39.48 |
| Lowest share price | 32.94 | 33.83 |
| Share price at year-end | 39.68 | 36.57 |
| Free float | 52% | 52% |
| Average number of shares traded per day | 383,574 | 478,354 |
| Market capitalization at year-end (in EUR billion) | 5.1 | 4.7 |

### Share price movement in 2018

In %




## Investor Relations

Vopak is transparent and non-discriminatory in disclosing information to investors and other stakeholders. A separate agreement on information sharing has been concluded with our major shareholder HAL Holding N.V. We refer to note 7.3 of the Consolidated Financial Statements for more information. Our objective is to provide information to stakeholders about material developments at Vopak and to ensure that this information is equally and simultaneously accessible to all parties. Information is disclosed through annual and half-year reports, interim updates, press releases and presentations, which are all available on the Vopak website.

Members of the Executive Board, together with the Investor Relations team, held approximately 300 meetings with shareholders, as well as interested investors during 2018, including (reverse) roadshows, conferences, and telephone calls. In addition, a Capital Markets Day was organized in Houston (United States) on 27 November 2018 to provide an update on Vopak's strategy execution and financial framework. Vopak held press conferences in connection with the publication of its annual results and half-year results and organized a meeting with financial analysts following the publication of the annual results. The publications of the quarterly results were followed by a telephone conference with analysts. These sessions could be attended via an audio webcast available on Vopak's website. Information presented at these meetings was also published on the company's website. Vopak complies with the rules and regulations of the Dutch Financial Markets Authority (AFM) and International Financial Reporting Standards (IFRS), as endorsed by the European Union, in all its publications.

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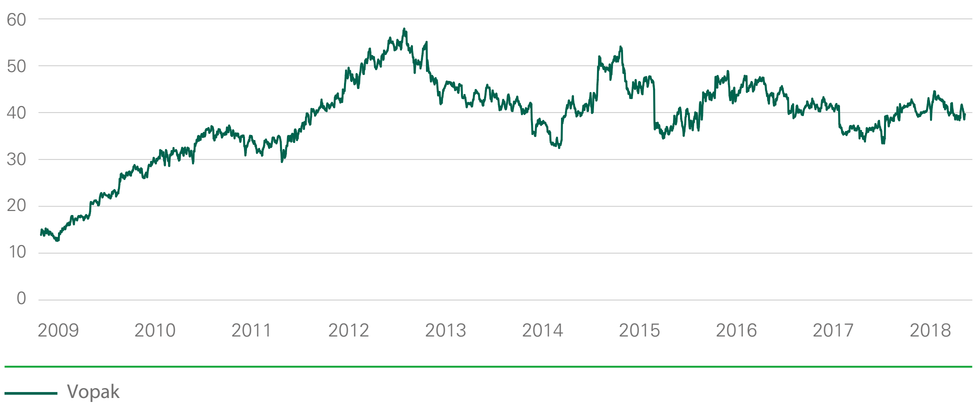
## Information per ordinary share of EUR 0.50

| In EUR | 2018 | 2017 |
|---|---|---|
| Basic earnings | 1.99 | 1.85 |
| Basic earnings -excluding exceptional items- | 2.27 | 2.25 |
| Diluted earnings | 1.99 | 1.84 |
| Diltuted earnings -excluding exceptional items- | 2.27 | 2.25 |
| Equity attributable to holders of ordinary shares | 21.01 | 19.43 |
| Dividend (proposal 2017) | 1.10 | 1.05 |
| Payout ratio -excluding exceptional items- | 48% | 47% |

## Shares outstanding

| | 2018 | 2017 |
|---|---|---|
| Basic weighted average number of ordinary shares | 127,659,039 | 127,541,590 |
| Weighted average number of ordinary shares including dilutive effect | 127,782,646 | 127,686,590 |
| **Total number of shares outstanding (including treasury shares end of period)** | **127,835,430** | **127,835,430** |
| Treasury shares end of period | 170,597 | 190,000 |
| **Total voting rights at year-end** | **127,664,833** | **127,645,430** |

### Share price movement last 10 years
In EUR




## Stock exchange listing
Vopak shares are listed on the Euronext stock exchange in Amsterdam, the Netherlands, and Vopak is a constituent of the Amsterdam Exchange Index (AEX), ticker symbol VPK (ISIN no. NL0009432491). Options on Vopak shares are also traded on Euronext Amsterdam.

## Silent periods
Silent periods are the periods prior to the publication of financial results. In principle, no meetings are held with and no presentations are given to financial analysts and investors during this period. No other communication with analysts and investors takes place unless it relates to the factual clarification of previously disclosed information. The length of the silent period is four weeks prior to full-year results (and the publication of the Annual Report), the half-year results and Q1 and Q3 interim updates.

## Bilateral contracts
Vopak may engage in bilateral contacts with existing and potential shareholders. The main objective would be to explain Vopak's strategy and operational performance and answer questions. Vopak takes the Dutch Corporate Governance Code (December 2016) into account when engaging in bilateral contacts with shareholders.

The following guidelines apply:
- A dialogue with shareholders outside the context of a formal shareholders' meeting can be useful for both investors and Vopak
- Vopak reserves the right to determine, at its sole discretion, whether it will accept invitations from shareholders, or parties representing shareholders, to engage in such a dialogue. Vopak may ask for further clarification of the views, aims and investment objectives of such shareholders before accepting or rejecting an invitation to engage in dialogue outside the context of a formal shareholders' meeting
- Vopak communicates as openly as possible to maximize transparency
- Responses to third-party publications, such as analyst reports or draft reports, are only given by referring to public information and published guidance. Comments on these reports are given only with regard to incorrect factual information
- Vopak's contacts with investors and sell-side analysts shall, at all times, comply with the applicable rules and regulations, in particular those concerning selective disclosure, price sensitive information and equal treatment.

## Dividend policy

Vopak updated its dividend policy on 14 December 2018. Vopak targets to pay an annual stable to rising cash dividend in balance with a management view on a payout ratio range of 25-75% of the net profit -excluding exceptional items- attributable to holders of ordinary shares and subject to market circumstances.

The net profit -excluding exceptional items- that form the basis for dividends to be declared may be adjusted, for instance, for the financial effects of one-off events, such as changes in accounting policies, acquisitions and divestments.

## Royal Vopak shareholders

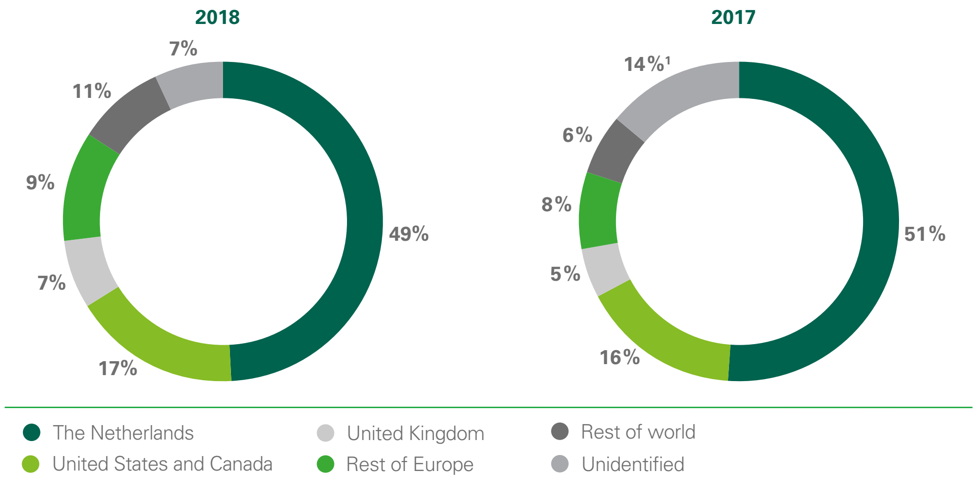
Pursuant to the Financial Supervision Act, a shareholding of 3% or more in a Dutch company must be disclosed. Vopak has received the following notifications concerning such holdings of shares as at 12 February 2019.

| | Ordinary shareholdings | Date of notification |
|---|---|---|
| HAL Trust | 48.15% | 01-01-2015 |
| Maple-Brown Abbott | >3.00% | 10-10-2017 |

## Financial calendar

| 2019 | |
|---|---|
| 17 April 2019 | Publication of 2019 first-quarter interim update |
| 17 April 2019 | Annual General Meeting |
| 23 April 2019 | Ex-dividend quotation |
| 24 April 2019 | Dividend record date |
| 26 April 2019 | Dividend payment date |
| 31 July 2019 | Publication of 2019 half-year results |
| 4 November 2019 | Publication of 2019 third-quarter interim update |
| 12 February 2020 | Publication of 2019 full-year results |

### Geographical distribution of holders of ordinary shares outstanding




1 In 2017, Vopak only conducted a shareholder identification of its top shareholders.

# Working together to ensure **Cyber Security**

Under the name CyberNautics2018, FERM organized a cybersecurity drill in the Port of Rotterdam. Vopak and several other parties that are active in the Port of Rotterdam participated in this drill.

The drill was aimed at strengthening mutual cooperation and making organizations involved in the planning of marine traffic in the port, their customers and users of the port more resilient to digital threats. The drill was set up in close collaboration with the National Cyber Security Center under the guidance of Berenschot and Fox-IT.

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# Consolidated Financial Statements

## Consolidated Statement of Income

| In EUR millions | Note | 2018 | 2017 |
|---|---|---|---|
| Revenues | 2.3 | 1,254.5 | 1,305.9 |
| Other operating income | 2.4 | 31.9 | 23.3 |
| **Total operating income** | | **1,286.4** | **1,329.2** |
| Personnel expenses | 2.5 | 317.2 | 338.0 |
| Depreciation and amortization | 3.6 | 273.1 | 272.8 |
| Impairment | 3.7 | -2.3 | 2.1 |
| Other operating expenses | 2.6 | 330.6 | 337.9 |
| **Total operating expenses** | | **918.6** | **950.8** |
| **Operating profit** | | **367.8** | **378.4** |
| Result joint ventures and associates | 2.7 | 113.9 | 44.1 |
| **Group operating profit (EBIT)** | | **481.7** | **422.5** |
| Interest and dividend income | 5.6 | 9.4 | 12.6 |
| Finance costs | 5.6 | -142.0 | -134.6 |
| **Net finance costs** | | **-132.6** | **-122.0** |
| **Profit before income tax** | | **349.1** | **300.5** |
| Income tax | 8.1 | -58.6 | -25.3 |
| **Net profit** | | **290.5** | **275.2** |
| Net profit attributable to non-controlling interests | 5.4 | -36.0 | -39.8 |
| **Net profit attributable to holders of ordinary shares** | | **254.5** | **235.4** |
| **Basic earnings per ordinary share (in EUR)** | 9.1 | **1.99** | **1.85** |
| **Diluted earnings per ordinary share (in EUR)** | 9.1 | **1.99** | **1.84** |

## Consolidated Statement of Comprehensive Income

| In EUR millions | Note | 2018 | 2017 |
|---|---|---|---|
| **Net profit** | | **290.5** | **275.2** |
| Exchange differences on translation of foreign operations | 5.2, 5.4 | 17.5 | -165.8 |
| Net investment hedges | 5.2 | -22.7 | 73.2 |
| Effective portion of changes in fair value of cash flow hedges | 5.2, 5.4 | 14.0 | 4.2 |
| Use of exchange rate differences on translation of foreign operations and use of net investment hedges | 5.2, 5.4 | 52.9 | -1.5 |
| Use of effective portion of cash flow hedges to statement of income | 5.2 | -2.1 | -0.5 |
| Share in other comprehensive income of joint ventures and associates | 5.2 | -2.1 | 14.2 |
| **Other comprehensive income that may be reclassified to statement of income in subsequent periods** | | **57.5** | **-76.2** |
| Fair value change other investments | 5.2 | 9.4 | – |
| Remeasurement of defined benefit plans | 5.3, 8.2, 9.4 | 15.5 | 45.4 |
| **Other comprehensive income that will not be reclassified to statement of income in subsequent periods** | | **24.9** | **45.4** |
| **Other comprehensive income, net of tax** | | **82.4** | **-30.8** |
| **Total comprehensive income** | | **372.9** | **244.4** |
| *Attributable to:* | | | |
| Holders of ordinary shares | | 334.8 | 213.0 |
| Non-controlling interests | | 38.1 | 31.4 |
| **Total comprehensive income** | | **372.9** | **244.4** |

Items are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 8.1.

# Consolidated Statement of Financial Position

| In EUR millions | Note | 31-Dec-18 | 31-Dec-17 |
|---|---|---|---|
| **ASSETS** | | | |
| Intangible assets | 3.2 | 155.9 | 148.8 |
| Property, plant and equipment | 3.3 | 3,736.3 | 3,488.1 |
| - Joint ventures and associates | 3.4 | 1,081.7 | 968.7 |
| - Finance lease receivable | 9.2 | 27.9 | 29.2 |
| - Loans granted | 9.2 | 25.1 | 19.8 |
| - Other financial assets | | 11.2 | 0.9 |
| Financial assets | | 1,145.9 | 1,018.6 |
| Deferred taxes | 8.2 | 7.6 | 4.8 |
| Derivative financial instruments | 6.2 | 23.4 | 16.3 |
| Other non-current assets | 9.3 | 23.8 | 24.8 |
| **Total non-current assets** | | **5,092.9** | **4,701.4** |
| Trade and other receivables | 4.2 | 288.9 | 253.7 |
| Loans granted | 9.2 | – | 8.8 |
| Prepayments | | 27.2 | 17.9 |
| Derivative financial instruments | 6.2 | 28.4 | 2.7 |
| Cash and cash equivalents | 5.5 | 77.5 | 130.0 |
| **Total current assets** | | **422.0** | **413.1** |
| **Total assets** | | **5,514.9** | **5,114.5** |

| In EUR millions | Note | 31-Dec-18 | 31-Dec-17 |
|---|---|---|---|
| **EQUITY** | | | |
| - Issued capital | 5.1 | 63.9 | 63.9 |
| - Share premium | 5.1 | 194.4 | 194.4 |
| - Treasury shares | 5.1 | -7.3 | -8.0 |
| - Other reserves | 5.2 | -124.5 | -189.3 |
| - Retained earnings | 5.3 | 2,556.3 | 2,419.0 |
| **Equity attributable to owners of parent** | | **2,682.8** | **2,480.0** |
| Non-controlling interests | 5.4 | 161.5 | 155.9 |
| **Total equity** | | **2,844.3** | **2,635.9** |
| **LIABILITIES** | | | |
| Interest-bearing loans | 5.5 | 1,731.1 | 1,551.4 |
| Derivative financial instruments | 6.2 | 19.5 | 83.8 |
| Pensions and other employee benefits | 9.4 | 49.4 | 111.3 |
| Deferred taxes | 8.2 | 207.7 | 183.0 |
| Provisions | 9.5 | 32.0 | 23.8 |
| Other non-current liabilities | | 20.5 | 24.2 |
| **Total non-current liabilities** | | **2,060.2** | **1,977.5** |
| Bank overdrafts and short-term borrowings | 5.5 | 81.9 | 107.1 |
| Interest-bearing loans | 5.5 | 89.5 | 5.4 |
| Derivative financial instruments | 6.2 | 22.6 | 15.5 |
| Trade and other payables | 4.3 | 338.6 | 287.3 |
| Taxes payable | | 47.0 | 49.5 |
| Pensions and other employee benefits | 9.4 | 1.3 | 1.4 |
| Provisions | 9.5 | 29.5 | 34.9 |
| **Total current liabilities** | | **610.4** | **501.1** |
| **Total liabilities** | | **2,670.6** | **2,478.6** |
| **Total equity and liabilities** | | **5,514.9** | **5,114.5** |

# Consolidated Statement of Changes in Equity

| In EUR millions | Note | Equity attributable to owners of parent | | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | | Issued capital | Share premium | Treasury shares | Other reserves | Retained earnings | Total | | |
| **Balance at 31 December 2016** | | **63.9** | **194.4** | **-13.2** | **-121.5** | **2,276.1** | **2,399.7** | **159.3** | **2,559.0** |
| Net profit | | – | – | – | – | 235.4 | 235.4 | 39.8 | 275.2 |
| Other comprehensive income, net of tax | | – | – | – | -67.8 | 45.4 | -22.4 | -8.4 | -30.8 |
| **Total comprehensive income** | | **–** | **–** | **–** | **-67.8** | **280.8** | **213.0** | **31.4** | **244.4** |
| Dividend paid in cash | 5.3, 5.4 | – | – | – | – | -133.9 | -133.9 | -38.9 | -172.8 |
| Capital injection | 5.4 | – | – | – | – | – | – | 4.1 | 4.1 |
| Purchase treasury shares | 5.1 | – | – | -1.6 | – | – | -1.6 | – | -1.6 |
| Sale treasury shares | 5.1 | – | – | 3.2 | – | – | 3.2 | – | 3.2 |
| Measurement of equity-settled share-based payment arrangements | 5.3, 7.2 | – | – | – | – | -0.4 | -0.4 | – | -0.4 |
| Vested shares under equity-settled share-based payment arrangements | 5.3, 7.2 | – | – | 3.6 | – | -3.6 | – | – | – |
| **Total transactions with owners** | | **–** | **–** | **5.2** | **–** | **-137.9** | **-132.7** | **-34.8** | **-167.5** |
| **Balance at 31 December 2017** | | **63.9** | **194.4** | **-8.0** | **-189.3** | **2,419.0** | **2,480.0** | **155.9** | **2,635.9** |
| Net profit | | – | – | – | – | 254.5 | 254.5 | 36.0 | 290.5 |
| Other comprehensive income, net of tax | | – | – | – | 64.8 | 15.5 | 80.3 | 2.1 | 82.4 |
| **Total comprehensive income** | | **–** | **–** | **–** | **64.8** | **270.0** | **334.8** | **38.1** | **372.9** |
| Dividend paid in cash | 5.3, 5.4 | – | – | – | – | -134.0 | -134.0 | -37.6 | -171.6 |
| Capital injection | 5.4 | – | – | – | – | – | – | 5.1 | 5.1 |
| Measurement of equity-settled share-based payment arrangements | 5.3, 7.2 | – | – | – | – | 2.0 | 2.0 | – | 2.0 |
| Vested shares under equity-settled share-based payment arrangements | 5.3, 7.2 | – | – | 0.7 | – | -0.7 | – | – | – |
| **Total transactions with owners** | | **–** | **–** | **0.7** | **–** | **-132.7** | **-132.0** | **-32.5** | **-164.5** |
| **Balance at 31 December 2018** | | **63.9** | **194.4** | **-7.3** | **-124.5** | **2,556.3** | **2,682.8** | **161.5** | **2,844.3** |

# Consolidated Statement of Cash Flows

| In EUR millions | Note | 2018 | 2017 |
|---|---|---|---|
| **Cash flows from operating activities (gross)** | 2.9 | **687.0** | **713.8** |
| Interest received | 5.6 | 4.1 | 5.9 |
| Dividend received | 5.6 | 0.9 | 0.9 |
| Income tax paid | | -52.4 | -51.7 |
| **Cash flows from operating activities (net)** | | **639.6** | **668.9** |
| *Investments:* | | | |
| Intangible assets | 3.2 | -20.7 | -23.9 |
| Property, plant and equipment - growth capex | 3.3 | -259.2 | -104.1 |
| Property, plant and equipment - service, maintenance, compliance and IT capex | 3.3 | -244.8 | -215.0 |
| Joint ventures and associates | 3.4 | -48.0 | -7.4 |
| Loans granted | 9.2 | -7.5 | -82.0 |
| Other non-current assets | | -0.1 | -0.2 |
| Acquisitions of joint ventures and associates | 3.4 | -33.8 | -15.9 |
| **Total investments** | | **-614.1** | **-448.5** |
| *Disposals and repayments:* | | | |
| Property, plant and equipment | 3.3 | 0.8 | 1.3 |
| Joint ventures and associates | 3.4 | 23.9 | – |
| Loans granted | 9.2 | 8.9 | 63.2 |
| Finance lease receivable | 9.2 | 4.7 | 4.9 |
| Assets held for sale/divestments | 3.1 | – | 48.5 |
| **Total disposals and repayments** | | **38.3** | **117.9** |
| **Cash flows from investing activities (excluding derivatives)** | | **-575.8** | **-330.6** |
| Settlement of derivatives (net investment hedges) | | -13.6 | 10.0 |
| **Cash flows from investing activities (including derivatives)** | | **-589.4** | **-320.6** |

| In EUR millions | Note | 2018 | 2017 |
|---|---|---|---|
| *Financing:* | | | |
| Proceeds from interest-bearing loans | 5.5 | 286.5 | 6.8 |
| Settlement of derivative financial instruments | | -19.5 | 20.2 |
| Proceeds and repayments in short-term financing | 5.5 | -21.0 | 79.7 |
| Repayment of interest-bearing loans | 5.5 | -86.5 | -334.9 |
| Finance costs paid | | -90.5 | -143.5 |
| Dividend paid in cash | 5.3 | -134.0 | -133.9 |
| Dividend paid to non-controlling interests | 5.4 | -37.6 | -38.9 |
| Capital addition non-controlling interests | 5.4 | 5.1 | 4.1 |
| Sale/purchase treasury shares | 5.1 | – | 1.6 |
| **Cash flows from financing activities** | | **-97.5** | **-538.8** |
| **Net cash flows** | | **-47.3** | **-190.5** |
| Exchange differences | | -0.6 | -4.4 |
| Net change in cash and cash equivalents due to deconsolidation | | -0.4 | – |
| **Net change in cash and cash equivalents (including bank overdrafts)** | | **-48.3** | **-194.9** |
| **Net cash and cash equivalents (including bank overdrafts) at 1 January** | | **102.9** | **297.8** |
| **Net cash and cash equivalents (including bank overdrafts) at 31 December** | 5.5 | **54.6** | **102.9** |

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# Section 1 Basis of preparation

Taking into account the characteristics of Vopak's business and business model, the notes to the financial statements have been grouped into eight thematic sections rather than in consecutive order based on line items in the Consolidated primary statements. Each note in a section starts with the Group's accounting policies as well as the critical accounting estimates and judgments made.

This section contains the disclosures relevant for understanding the basis of preparation of the Consolidated financial statements:

- Reporting entity
- Statement of compliance
- Functional and presentation currency
- Basis of measurement
- Changes in accounting policies for 2018
- Going concern
- Basis of consolidation
- Foreign currency translation
- Hyperinflation accounting
- Accounting policies, not attributable to a specific section
- Use of key accounting estimates and judgments.

## Note 1.1 Basis of preparation

### Reporting entity

Koninklijke Vopak N.V. (Royal Vopak) has its registered office in Rotterdam (the Netherlands). Vopak is listed on the Euronext Amsterdam. The Consolidated financial statements of the company for the year ending on 31 December 2018 contain the financial figures of the company and its subsidiaries (jointly referred to as the 'Group'), as well as the interests of the Group in joint ventures and associates.

Vopak is the world's leading independent tank storage provider, specialized in the storage and handling of liquid chemicals, gases and oil products.

### Statement of compliance

The Consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code, as far as applicable. The accounting policies based on IFRS, as described in this section, have been applied consistently for the years presented by all entities. There were no material changes in the accounting policies applied compared to the previous year.

The financial statements were prepared by the Executive Board and approved by the Supervisory Board on 12 February 2019 and are subject to adoption by the shareholders during the Annual General Meeting.

### Functional and presentation currency

The Consolidated financial statements are presented in euros (EUR), which is the functional and presentation currency of the Vopak Group. All amounts are presented in EUR million and have been rounded to the nearest EUR 100k, unless otherwise stated.

### Basis of measurement

The Consolidated financial statements are based on the historical cost basis except for the following assets and liabilities, which are measured at fair value: derivative financial instruments, financial assets available for sale, assets held for sale (when measured at fair value less cost of disposal), and defined benefit pension plans (plan assets measured at fair value).

### Changes in accounting policies for 2018

The applied accounting principles adopted in the preparation of the Consolidated financial statements are consistent with those described in Vopak's 2017 Annual Report, except for the following:

#### *IFRS 15 - Revenue from contracts with customers*

IFRS 15 'Revenue from contracts with customers' contains principles that an entity applies to determine the measurement of revenue and timing when revenue is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This new standard was applied by the Group as of 1 January 2018 and has no material effect.

The additional disclosures required by the new standard can be found in note 2.3 and were to a large extent already voluntarily provided in the 2017 Annual Report.

#### *IFRS 9 - Financial instruments*

IFRS 9 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. This new standard replaces the guidance in IAS 39. This new standard was applied by the Group as of 1 January 2018. As disclosed in the 2017 Annual Report, the new hedge accounting requirements provide more flexibility to the company as these are more in line with the financial risk management policies of the company, at the same time the direct financial effects of the new standard - including those relating to the new impairment requirements - are immaterial.

Furthermore, as at year-end 2017, the Group had a 10% share in the equity of SabTank (Saudi Arabia) for the amount of EUR 0.9 million which was classified as an investment and which was at that time measured at cost. IFRS 9 requires that investments in equity instruments are measured at fair value and does not allow at cost measurement. Early 2018, on initial application of IFRS 9, the Group made the irrevocable election to present all fair value changes on this individual investment in Other comprehensive income. The fair value of all investments amounted to EUR 11.2 million as per 31 December 2018 and has a very limited effect on the consolidated balance sheet of the Group.

Several IFRS amendments apply for the first time in 2018; however, these do not materially impact the Group's Consolidated financial statements.

For an overview of the estimated effect of issued, but not yet effective new and amended IFRS standards and IFRICs on the Vopak Group, reference is made to note 9.10.

## Going concern

The Executive Board has assessed the going-concern assumptions, during the preparation of the Group's Consolidated financial statements. The Executive Board believes that no events or conditions give rise to doubt about the ability of the Group to continue in operation in the next reporting period. This conclusion is drawn based on knowledge of the Group, the estimated economic outlook and identified risks and uncertainties in relation thereto. Furthermore, this conclusion is based on a review of the budget for the next financial year, including expected developments in liquidity and capital, current credit facilities available including contractual and expected maturities and covenants. Consequently, it has been concluded that it is reasonable to apply the going-concern concept as the underlying assumption for the financial statements.

## Basis of consolidation

***Subsidiaries*** are entities controlled by the Group. Vopak controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Consolidated financial statements from the date on which control commences until the date on which control ceases, using consistent accounting policies.

***Non-controlling interests*** in equity and in results are presented separately. Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with shareholders. For purchases of non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of the net asset of the subsidiary is recorded directly in equity. Gains or losses on disposals of non-controlling interests are also recorded directly in equity.

Upon initial recognition, a non-controlling interest is measured either at its proportionate interest in the fair value of the net assets acquired or full fair value, which is elected on a transaction-by-transaction basis.

The Group's interests in equity-accounted investees comprise interests in joint ventures and associates.

A ***joint venture*** is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

***Associates*** are entities in which the Group has significant influence, but no control or joint control, over the financial and operating policies.

Upon ***loss of control***, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income are reclassified to the income statement.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

***Transactions eliminated on consolidation***: all inter-company balances and transactions, including unrealized gains and losses on transactions, are eliminated on consolidation. Unrealized gains arising from transactions with joint ventures and associates are eliminated to the extent of the Group's interest in the equity. Unrealized losses are eliminated in the same manner as unrealized gains, but only to the extent that there is no evidence of impairment.

For a list of the principal subsidiaries, joint ventures and associates, reference is made to note 9.11 of this report.

## Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

Foreign currency transactions are translated into the functional currency using the exchange rate at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income, except when deferred in other comprehensive income as qualifying cash flow hedges or net investment hedges.

Upon consolidation, the assets and liabilities of non-euro entities, including goodwill and fair value adjustments at the time of the acquisition, are translated into euros at the year-end rates of exchange (closing exchange rates). The items of the statement of income of foreign activities, excluding foreign operations in hyperinflationary economies, are translated at the average exchange rates for the reporting period. The resulting translation differences of the net investments in foreign operations are recognized as foreign currency translation reserve (translation reserve) in other comprehensive income. The same applies to exchange differences arising from loans drawn and other financial instruments to the extent that these hedge the currency risk related to the net investment.

Upon disposal of all or part of an interest in an entity, or upon liquidation of an entity, cumulative currency translation differences related to that entity are recognized in the income statement. When the Group disposes of only part of its interest in a subsidiary with a foreign operation, while retaining control, the relevant portion of the cumulative amount is not transferred to profit or loss but reattributed to non-controlling interests. Upon disposal of a foreign activity with a non-controlling interest, the cumulative amount relating to the non-controlling interests shall be derecognized, but shall not be reclassified to profit or loss. A share capital or share premium distribution by an entity is not considered to be a partial disposal when the Group retains its relative legal share in the entity.

The following main exchange rates are used in the financial statements:

| | Closing exchange rate | | Average exchange rate | |
|---|---|---|---|---|
| EUR 1.00 is equivalent to | 2018 | 2017 | 2018 | 2017 |
| US dollar | 1.14 | 1.19 | 1.18 | 1.13 |
| Singapore dollar | 1.56 | 1.60 | 1.59 | 1.56 |
| Chinese yuan | 7.87 | 7.80 | 7.81 | 7.63 |
| Australian dollar | 1.62 | 1.53 | 1.58 | 1.47 |
| Brazilian real | 4.43 | 3.96 | 4.31 | 3.60 |

## Hyperinflation accounting

Vopak applied hyperinflation accounting during 2018 for its terminal in Venezuela until the end of September when the terminal was deconsolidated. The effects of this hyperinflation accounting on the consolidated financial figures of the Group were negligible. For more information on the deconsolidation of the Venezuelan entity, reference is made to note 3.1.

## Accounting policies, not attributable to a specific section

The Group's significant accounting policies are described in the relevant individual notes to the Consolidated financial statements or otherwise stated below. A list of the notes is shown in the table of contents preceding the financial statements.

### *Offsetting of financial instruments*

Financial assets and liabilities are offset and the net amount is reported in the balance sheet only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

### *Cash flow statement*

The cash flow statement is prepared based on the indirect method. Cash flows denominated in foreign currencies are translated at average exchange rates. Exchange and translation gains and losses on cash and cash equivalents (including current liabilities arising from credit facilities) are presented separately.

The Consolidated statement of cash flows shows the Group's cash flows from operating, investing and financing activities for the year.

### Use of key accounting estimates and judgments

Preparing the Consolidated financial statements means that the Group must use insights, estimates and assumptions that could affect the reported assets and liabilities and the information provided on contingent assets and liabilities as at the statement of financial position date as well as the reported income and expenses. The actual results may ultimately differ from these estimates. The estimates and the underlying assumptions are reviewed on a regular basis. Adjustments are made in the period in which the estimates were reviewed if the adjustment affects that period, or in the relevant period and the future periods if the adjustment affects both current and future periods.

Management insights, estimates and assumptions that could have a major impact on the financial statements are:

- Assets held for sale (note 3.5)
- Useful life and residual value of property, plant and equipment (note 3.6)
- Impairment tests (note 3.7)
- Determining the recoverable value of our associate Vopak Terminal Haiteng (note 3.7)
- Derivative financial instruments (note 6.2)
- Deferred tax (note 8.2)
- Pension and other employee benefits (note 9.4)
- Provisions (note 9.5).

# Section 2 Group operating performance

This section comprises notes which provide specifications and explanations related to the Group's operating performance for the year, including disclosures on segmentation.

The following notes are presented in this section:

- 2.1 Segment information
- 2.2 Exceptional items
- 2.3 Revenues
- 2.4 Other operating income
- 2.5 Personnel expenses
- 2.6 Other operating expenses
- 2.7 Result of joint ventures and associates
- 2.8 Translation and operational currency risk
- 2.9 Cash flows from operating activities (gross)

## Note 2.1 Segment information

### Accounting policies

The accounting policies of the reportable segments are the same as the Group's accounting policies described throughout the notes when relevant.

### Reportable segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Board, which is the chief operating decision maker. The division structure is primarily based on geographical markets. Business activities that cannot be allocated to any other segment are reported under 'Global functions, corporate activities and others'. These include primarily the head office costs, the Global IT costs and expenses related to other interests.

Effective per 1 January 2018, Vopak streamlined its divisional structure, resulting in a situation where the Group comprises five divisions (operating segments) instead of the previous six. The five divisions are Europe & Africa, Asia & Middle East, China & North Asia, Americas and LNG. This is part of the organizational and operational efficiency programs in relation to the earlier announced strategic direction for the period 2017-2019. The comparative figures of the segment information have been updated to reflect this change in segmentation.

The EBITDA and Group operating profit of the divisions include the net effects of the company-wide cost allocations. Costs that cannot be allocated to the divisions are part of the 'Global functions, corporate activities and others'. The actual allocated costs can differ per reporting period.

## Statement of income

| In EUR millions | Revenues [1] 2018 | Revenues [1] 2017 | Result of joint ventures and associates 2018 | Result of joint ventures and associates 2017 | EBITDA 2018 | EBITDA 2017 | Group operating profit (EBIT) 2018 | Group operating profit (EBIT) 2017 |
|---|---|---|---|---|---|---|---|---|
| Europe & Africa | 626.1 | 647.9 | 2.7 | 1.1 | 302.8 | 326.7 | 149.4 | 173.5 |
| *of which Netherlands* | *444.8* | *471.6* | *1.1* | *1.8* | *231.0* | *249.2* | *122.1* | *140.3* |
| Asia & Middle East | 312.9 | 340.0 | 34.6 | 57.1 | 256.0 | 279.8 | 204.0 | 225.3 |
| *of which Singapore* | *242.2* | *264.2* | *0.7* | *0.8* | *169.8* | *191.8* | *131.3* | *151.5* |
| China & North Asia | 33.2 | 30.2 | 35.7 | 15.4 | 53.4 | 23.2 | 44.3 | 13.9 |
| Americas | 281.3 | 286.0 | 1.0 | 1.1 | 129.0 | 129.9 | 85.6 | 83.4 |
| *of which United States* | *171.0* | *167.1* | *0.8* | *0.7* | *82.5* | *82.3* | *59.4* | *57.4* |
| LNG | – | – | 39.7 | 36.5 | 34.9 | 33.1 | 34.9 | 33.1 |
| Global functions, corporate activities and others | 1.0 | 1.8 | 0.2 | 0.1 | -41.8 | -29.5 | -54.9 | -38.8 |
| **Total excluding exceptional items** | **1,254.5** | **1,305.9** | **113.9** | **111.3** | **734.3** | **763.2** | **463.3** | **490.4** |
| *Exceptional items:* | | | | | | | | |
| Europe & Africa | | | | | | | 14.2 | -29.5 |
| Asia & Middle East | | | | | | | -4.6 | – |
| China & North Asia | | | | | | | 4.8 | -38.4 |
| Americas | | | | | | | -0.9 | – |
| Global functions, corporate activities and others | | | | | | | 4.9 | – |
| **Total including exceptional items** | | | | | | | **481.7** | **422.5** |
| **Reconciliation consolidated net profit [2]** | | | | | | | | |
| Group operating profit (EBIT) | | | | | | | 481.7 | 422.5 |
| Net finance costs | | | | | | | -132.6 | -122.0 |
| **Profit before income tax** | | | | | | | **349.1** | **300.5** |
| Income tax | | | | | | | -58.6 | -25.3 |
| **Net profit** | | | | | | | **290.5** | **275.2** |

1 The Group has one single global customer who contributed in 2018 to just above 10% of the consolidated revenues. All divisions provided services to this single global customer in 2018.
2 As the Group neither allocates interest expenses to segments, nor accounts for taxes in them, there is no segmented disclosure of the net profit.

## Statement of financial position at 31 December

| In EUR millions | Assets of subsidiaries | | Joint ventures and associates | | Total assets | | Total liabilities | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Europe & Africa | 2,308.5 | 2,197.4 | 19.8 | 19.4 | 2,328.3 | 2,216.8 | 270.9 | 254.7 |
| *of which Netherlands* | *1,536.3* | *1,480.4* | *2.2* | *1.8* | *1,538.5* | *1,482.2* | *118.9* | *108.5* |
| Asia & Middle East | 904.3 | 895.7 | 449.5 | 449.4 | 1,353.8 | 1,345.1 | 249.2 | 251.1 |
| *of which Singapore* | *632.9* | *634.6* | *1.2* | *1.3* | *634.1* | *635.9* | *210.0* | *211.0* |
| China & North Asia | 174.3 | 158.3 | 263.7 | 251.7 | 438.0 | 410.0 | 24.3 | 22.7 |
| Americas | 870.6 | 706.8 | 101.5 | 67.5 | 972.1 | 774.3 | 200.5 | 176.6 |
| *of which United States* | *357.7* | *309.2* | *46.4* | *42.6* | *404.1* | *351.8* | *111.3* | *97.4* |
| LNG | 3.2 | 0.4 | 246.7 | 181.4 | 249.9 | 181.8 | 1.4 | 1.9 |
| Global functions, corporate activities and others | 172.3 | 187.2 | 0.5 | -0.7 | 172.8 | 186.5 | 1,924.3 | 1,771.6 |
| **Total** | **4,433.2** | **4,145.8** | **1,081.7** | **968.7** | **5,514.9** | **5,114.5** | **2,670.6** | **2,478.6** |

## Investments[1]

| In EUR millions | Intangible assets | | Property, plant and equipment | | Other non-current assets | | Joint ventures and associates | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Europe & Africa | 2.1 | 2.7 | 248.7 | 163.3 | – | – | 0.5 | 0.1 | 251.3 | 166.1 |
| *of which Netherlands* | *1.6* | *2.4* | *142.0* | *108.0* | – | – | *0.5* | – | *144.1* | *110.4* |
| Asia & Middle East | 0.2 | 0.3 | 56.9 | 45.7 | 0.1 | – | 5.1 | – | 62.3 | 46.0 |
| *of which Singapore* | *0.1* | *0.3* | *46.3* | *36.4* | *0.1* | – | – | – | *46.5* | *36.7* |
| China & North Asia | – | – | 13.5 | 3.8 | – | – | – | – | 13.5 | 3.8 |
| Americas | 0.1 | 0.2 | 195.7 | 106.9 | 0.1 | 0.2 | 32.3 | 7.3 | 228.2 | 114.6 |
| *of which United States* | – | – | *56.7* | *61.4* | – | – | *1.1* | – | *57.8* | *61.4* |
| LNG | – | – | – | – | – | – | 9.1 | – | 9.1 | – |
| Global functions, corporate activities and others | 19.4 | 20.7 | 2.7 | 2.0 | – | – | 1.0 | – | 23.1 | 22.7 |
| **Total** | **21.8** | **23.9** | **517.5** | **321.7** | **0.2** | **0.2** | **48.0** | **7.4** | **587.5** | **353.2** |

1 Excluding loans granted, finance lease receivable and acquisition of subsidiaries, joint ventures and associates.

# Note 2.2 Exceptional items

## Group policy

The items in the statement of income include items that are exceptional by nature from a management perspective based on their size and/or nature. For the definition of exceptional items applied by the company, reference is made to the Glossary. The material exceptional items are disclosed separately in the notes when relevant in order to increase transparency.

## Exceptional items

| In EUR millions | Note | 2018 | 2017 |
|---|---|---|---|
| Gains on assets held for sale/divestments | 2.4 | – | 1.4 |
| Loss on assets held for sale/divestments | 2.6 | -0.9 | – |
| Depreciation | 3.7 | -2.1 | – |
| Impairments | 3.7 | -4.6 | -2.1 |
| Reversal impairments | 3.7 | 6.9 | – |
| Personnel expenses | 2.5 | 19.1 | – |
| **Operating profit** | | **18.4** | **-0.7** |
| Impairments joint ventures and associates | 2.7, 3.7 | – | -91.8 |
| Exceptional items included in Result joint ventures and associates | 2.7 | – | 24.6 |
| **Group operating profit** | | **18.4** | **-67.9** |
| Finance costs | 5.6 | -50.2 | -23.5 |
| **Profit before income tax** | | **-31.8** | **-91.4** |
| Tax on above-mentioned items | 8.1 | -3.2 | 4.8 |
| Release deferred taxes due to change in tax rates | 8.1 | – | 34.6 |
| **Total effect on net profit** | | **-35.0** | **-52.0** |

For more information on the individual exceptional items, including their amount and nature, reference is made to the corresponding notes. A reconciliation between the income statement based on IFRS and the income statement excluding exceptional items, is presented in the table below.

| | 2018 | | | 2017 |
|---|---|---|---|---|
| In EUR millions | IFRS figures | Exceptional items | Excluding exceptional items | Excluding exceptional items |
| Revenues | 1,254.5 | – | 1,254.5 | 1,305.9 |
| Other operating income | 31.9 | – | 31.9 | 21.9 |
| **Total operating income** | **1,286.4** | **–** | **1,286.4** | **1,327.8** |
| Personnel expenses | -317.2 | 19.1 | -336.3 | -338.0 |
| Impairment | 2.3 | 2.3 | – | – |
| Other operating expenses | -330.6 | -0.9 | -329.7 | -337.9 |
| Result joint ventures and associates | 113.9 | – | 113.9 | 111.3 |
| **Group operating profit before depreciation and amortization (EBITDA)** | **754.8** | **20.5** | **734.3** | **763.2** |
| Depreciation and amortization | -273.1 | -2.1 | -271.0 | -272.8 |
| **Group operating profit (EBIT)** | **481.7** | **18.4** | **463.3** | **490.4** |
| Interest and dividend income | 9.4 | – | 9.4 | 12.6 |
| Finance costs | -142.0 | -50.2 | -91.8 | -111.1 |
| **Net finance costs** | **-132.6** | **-50.2** | **-82.4** | **-98.5** |
| **Profit before income tax** | **349.1** | **-31.8** | **380.9** | **391.9** |
| Income tax | -58.6 | -3.2 | -55.4 | -64.7 |
| **Net profit** | **290.5** | **-35.0** | **325.5** | **327.2** |
| Non-controlling interests | -36.0 | – | -36.0 | -39.8 |
| **Net profit holders of ordinary shares** | **254.5** | **-35.0** | **289.5** | **287.4** |
| **Basic earnings per ordinary share (in EUR)** | **1.99** | | **2.27** | **2.25** |
| **Diluted earnings per ordinary share (in EUR)** | **1.99** | | **2.27** | **2.25** |

## Note 2.3 Revenues

The Group operates bulk liquids and gas storage terminals in key strategic ports. The Group owns and operates specialized facilities including product tanks, jetties, truck loading stations and pipelines, and provides access to road and rail networks. In many instances, the Group stores the customers´ products for extended periods at the terminals, often under strictly specified conditions such as controlled temperatures. The Group also blends components according to customer specifications.

The Group ensures safe, clean and efficient storage and handling of bulk liquid products and gases for its customers. By doing so, the Group enables the delivery of vital products, ranging from chemicals, oil, gases and LNG to biofuels and vegoils.

### Accounting policies

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services or goods. Revenues excludes amounts collected on behalf of third parties and are net of discounts and value added taxes. Monthly storage rates and prices for other services are contractually agreed before the services are rendered and do not contain material variable components. When it is probable that the future economic benefits will flow to the Group, the recognition in the statement of income is in proportion to the stage of the rendered performance as at the end of the reporting period.

The Group has a right to a consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's services completed to date. Tank storage rentals, including minimum guaranteed throughputs, are recognized on a straight-line basis over the contractual period during which the services are rendered. Revenues from excess throughputs, heating/cooling, homogenization, product movements and other services are recognized when these services are rendered. Customers simultaneously consume and benefit from the services at the moment that these are rendered. Modifications of property, plant and equipment upfront paid by customers are accounted for as prepaid revenues and recognized in the statement of income over the contractual period on a straight-line basis.

Storage fees are mostly invoiced upfront in the month preceding the month to which the storage fees relate. Handling and other services are generally invoiced afterwards, based on the actual usage. Invoices are generally paid by customers at relatively short notice in agreement with the payment terms of the contracts.

Within the revenue related to storage and handling services, the following categorization is made:

- *Storage services*: relates to revenues from renting of storage capacity
- *Product movements*: revenues related to product movements
- *Storage and handling related services*: relates to revenues for storage and handling related services, such as blending, homogenization, temperature control
- *Other services*: primarily relates to the agency services that vopak provides to customers via Vopak Agencies.

The Group does not make any significant judgments with regards to revenue recognition, among others due to the nature of the business.

As per 1 January 2018, the Group applied the new revenue recognition accounting standard IFRS 15 *'Revenue from Contracts with Customers'*. The application of this new standard had no material effects on the Vopak Group. For more information, reference is made to note 1.1.

### Revenues

The table below provides an overview of the revenue per type of service that the Group provides to its customers.

| In EUR millions | 2018 | 2017 |
|---|---|---|
| Storage services | 996.4 | 1,052.5 |
| Product movements | 99.2 | 100.2 |
| Storage and handling related services | 109.5 | 93.2 |
| Other services | 49.4 | 60.0 |
| **Revenues** | **1,254.5** | **1,305.9** |

The table below provides an overview of the revenues per product type per reportable segment (product-market combinations).

| | Europe & Africa | | Asia & Middle East | | China & North Asia | | Americas | | Other | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| In EUR millions | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Oil Products | 326.3 | 366.4 | 148.5 | 181.4 | 1.2 | 1.3 | 83.2 | 84.6 | – | – | 559.2 | 633.7 |
| Chemical Products | 178.8 | 170.9 | 137.8 | 130.0 | 31.7 | 28.3 | 145.6 | 133.6 | – | – | 493.9 | 462.8 |
| Vegoils & Biofuels | 69.6 | 63.7 | 2.6 | 3.3 | – | – | 35.9 | 53.0 | – | – | 108.1 | 120.0 |
| Gas Products | 32.7 | 28.1 | 9.0 | 9.1 | 0.3 | 0.3 | – | – | – | – | 42.0 | 37.5 |
| Other | 18.7 | 18.8 | 15.0 | 16.2 | – | 0.3 | 16.6 | 14.8 | 1.0 | 1.8 | 51.3 | 51.9 |
| **Revenues** | **626.1** | **647.9** | **312.9** | **340.0** | **33.2** | **30.2** | **281.3** | **286.0** | **1.0** | **1.8** | **1,254.5** | **1,305.9** |

The table below provides an overview of the assets and liabilities recognized in relation to contracts with customers and their movements during the periods presented.

| | 2018 | | | | 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| In EUR millions | Trade Receivables | Provision for impairment | Deferred Revenues | Total | Trade Receivables | Provision for impairment | Deferred Revenues | Total |
| Balance at 1 January | 108.0 | -1.9 | -28.0 | 78.1 | 111.5 | -3.2 | -38.5 | 69.8 |
| Recognized as revenue in current period | 1,226.5 | – | 28.0 | 1,254.5 | 1,267.4 | – | 38.5 | 1,305.9 |
| Payments | -1,231.1 | – | -21.8 | -1,252.9 | -1,264.3 | – | -28.0 | -1,292.3 |
| Impairments | – | -0.1 | – | -0.1 | – | -0.2 | – | -0.2 |
| Reversal of impairments | – | 0.2 | – | 0.2 | – | 0.2 | – | 0.2 |
| Receivables written off during the year as uncollectible | -1.0 | 1.0 | – | – | -1.0 | 1.1 | – | 0.1 |
| Exchange differences | -0.5 | – | – | -0.5 | -5.6 | 0.2 | – | -5.4 |
| **Balance at 31 December** | **101.9** | **-0.8** | **-21.8** | **79.3** | **108.0** | **-1.9** | **-28.0** | **78.1** |

## Note 2.4 Other operating income

### Accounting policies

Gains on the sale of assets and the divestment of interests in other entities are deemed realized at the time the benefits and the risks of the assets are entirely borne by the buyer and there is no uncertainty as to whether the agreed payment will be received. Gains on the sale of subsidiaries, joint ventures and associates are realized at the time control respectively joint-control or significant influence is no longer exercised.

### Other operating income

| In EUR millions | 2018 | 2017 |
|---|---|---|
| Management fee joint ventures and associates | 9.1 | 10.9 |
| Gains on sale of property, plant and equipment | 0.2 | 0.4 |
| Gains on assets held for sale/divestments | – | 1.4 |
| Other | 22.6 | 10.6 |
| **Total** | **31.9** | **23.3** |

Due to the absence of divestments, there were no gains from divestments in 2018 (2017: EUR 1.4 million).

In the first half year of 2018, legal and commercial positions in Australia were settled in favor of Vopak, resulting in a total net gain of EUR 9.8 million that was recognized as Other operating income.

## Note 2.5 Personnel expenses

### Accounting policies

*Short-term employee benefits*: wages, salaries, social security contributions, annual leave and sickness absenteeism, incentives and non-monetary benefits are recognized in the year in which the related services are rendered by employees.

*Termination benefits* are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognizes a restructuring provision that involves the payment of termination benefits.

The Group recognizes a provision for *incentive plans* where contractually obliged or where there is a past practice that has created a constructive obligation.

For the accounting policies related to share-based compensation, other types of remuneration and pensions and other employee benefits reference is made to the notes 7.2 and 9.4.

### Personnel expenses

| In EUR millions | Note | 2018 | 2017 |
|---|---|---|---|
| Wages and salaries | | 278.1 | 267.4 |
| Social security charges | | 34.4 | 33.7 |
| Contribution to pension schemes (defined contribution) | | 15.9 | 7.6 |
| Pension charges (defined benefit plans) | 9.4 | -0.3 | 35.5 |
| Long-term incentive plans | 7.2 | 4.0 | -1.9 |
| Early retirement | | 4.2 | 3.9 |
| Other personnel expenses | | 34.0 | 36.2 |
| Capitalized personnel expenses | | -53.1 | -44.4 |
| **Total** | | **317.2** | **338.0** |

The 2018 line-item Pension Charges (defined benefit plans) contains an exceptional gain of EUR 19.1 million related to the settlement of the Dutch defined benefit pension plan. For more information reference is made to note 9.4.

In 2018, expenses of EUR 4.2 million, (2017: EUR 2.8 million) were recognized in connection with organizational alignments at various locations within the Group.

### Average number of employees (in FTEs)

During the year under review, the Group employed on average 4,063 employees and temporary staff (in FTEs) (2017: 4,046). The movements in the number of own employees at subsidiaries (in FTEs) were as follows:

| In FTEs | 2018 | 2017 |
|---|---|---|
| **Number at 1 January** | **3,639** | **3,580** |
| Joiners | 602 | 423 |
| Leavers | -437 | -364 |
| Deconsolidation | -141 | – |
| **Number at 31 December** | **3,663** | **3,639** |

## Note 2.6 Other operating expenses

### Accounting policies

Operating expenses are recognized in the income statement when incurred. They are caused by a decrease in future economic benefits related to a decrease of an asset or an increase of a liability that has arisen and can be measured reliably.

Losses on the sale of assets are presented under Other operating expenses and are recognized as soon as they are foreseen. Costs relating to the identification and selection phases of business development projects are recognized in the statement of income in the year in which the costs are incurred.

Leased assets, of which the benefits and risks remain substantially with the lease provider, are regarded as operating leases. Payments made for operating leases are charged to the statement of income on a straight-line basis over the term of the lease. If an operating lease is terminated early, any financial obligation or penalty owed to the owner will be recognized in the statement of income in the period in which the lease was terminated.

### Other operating expenses

| In EUR millions | 2018 | 2017 |
|---|---|---|
| Maintenance | 59.1 | 62.4 |
| Energy and utilities | 42.8 | 41.0 |
| Operating lease | 52.5 | 54.9 |
| Environmental, safety and cleaning | 36.4 | 34.3 |
| Advisory fees | 22.4 | 20.8 |
| Insurance | 16.1 | 20.2 |
| Rents and rates | 18.8 | 19.4 |
| Third party logistics | 11.4 | 8.9 |
| IT | 19.0 | 16.8 |
| Other | 52.1 | 59.2 |
| **Total** | **330.6** | **337.9** |

***2018***

In 2018, other operating expenses were recognized as exceptional items for the total amount of EUR 0.9 million in connection with the deconsolidation of the terminal in Venezuela. For more information, reference is made to note 3.1.

During 2018, advisory costs of EUR 2.0 million were recognized as Other operating expenses in relation to the strategic review and testing of the market value of the terminals in Algeciras, Amsterdam, Hamburg and Tallinn. In addition, an amount of EUR 5.7 million was recognized in relation to environmental provisions at the Europe & Africa division. For more information, reference is made to note 3.5 and note 9.5.

***2017***

There are no exceptional items included in Other operating expenses for 2017.

## Note 2.7 Result of joint ventures and associates

### Accounting policies

Joint ventures and associates are accounted for using the equity method. For the accounting policies relating to joint ventures and associates, reference is made to note 3.4.

### Result of joint ventures and associates

| In EUR millions | Note | 2018 | 2017 |
|---|---|---|---|
| Result of joint ventures and associates (excluding exceptional items) | 3.4 | 113.9 | 111.3 |
| Impairments joint ventures and associates (exceptional items) | 3.4, 3.7 | – | -91.8 |
| Gains on sale of joint ventures and associates | 3.4 | – | 24.6 |
| **Total** | | **113.9** | **44.1** |

Joint ventures are an important part of the Group. Summarized financial information of our joint ventures and associates on an IFRS basis is presented in note 3.4. In addition, the effects of unaudited non-IFRS proportionate consolidation on the statement of financial position and statement of income of the Group are presented under 'Additional information' accompanying this report.

In 2018, a total one-off gain (net Vopak share) was recognized at our associate Vopak Terminal Haiteng (China & North Asia division) for the amount of EUR 6.3 million. This total amount related to a prepayment on the settlement of historical positions that is currently being negotiated and the recognition of previously unrecognized tax balances that are now considered to be recoverable. For more information on this terminal, reference is made to note 3.7.

## Note 2.8 Translation and operational currency risk

The Group is exposed to a low level of currency risk on the transaction level, since operating income and operating expenses are, as a rule, largely denominated in the same currency. However, in some countries (in particular, in Latin America and Asia), a substantial portion of the income flow is in US dollars, whereas the operating expenses are denominated in local currencies. In these countries, the aim is to hedge the transaction risk naturally. Any material net transaction position can be hedged in full by means of forward exchange contracts.

The Group is, however, exposed to risk in connection with the translation of income statements and net assets of foreign entities into euros, since a significant portion of the Group's results is generated in foreign entities.

### Sensitivity to exchange rates arising from the translation of the results of foreign currency operations

The translation risk of converting the net result of foreign entities into euros mainly concerns the Singapore dollar and the US dollar. The sensitivity to these currencies, based on a reasonable change in the exchange rate at the reporting date, is as follows:

A 10 dollar cent change in the EUR/USD exchange rate approximately affects Vopak’s figures as follows (based on figures for 2018, excluding exceptional items):

- Revenues would differ by EUR 18.7 million (2017: EUR 19.4 million)
- Group operating profit before depreciation and amortization (EBITDA) would differ by EUR 10.8 million (2017: EUR 12.0 million)
- Group operating profit (EBIT) would differ by EUR 8.1 million (2017: EUR 9.0 million)
- Net profit would differ by EUR 6.7 million (2017: EUR 6.5 million).

A 10 dollar cent change in the EUR/SGD exchange rate approximately affects Vopak’s figures as follows (based on figures for 2018 excluding exceptional items):

- Revenues would differ by EUR 15.3 million (2017: EUR 17.0 million)
- Group operating profit before depreciation and amortization (EBITDA) would differ by EUR 10.6 million (2017: EUR 12.9 million)
- Group operating profit (EBIT) would differ by EUR 8.2 million (2017: EUR 10.3 million)
- Net profit would differ by EUR 4.5 million (2017: EUR 6.0 million).

## Note 2.9 Cash flows from operating activities (gross)

| In EUR millions | Note | 2018 | 2017 |
|---|---|---|---|
| **Net profit** | | **290.5** | **275.2** |
| *Adjustments for:* | | | |
| - Depreciation and amortization | 3.6 | 273.1 | 272.8 |
| - Impairment | 3.7 | -2.3 | 2.1 |
| - Net finance costs | 5.6 | 132.6 | 122.0 |
| - Income tax | 8.1 | 58.6 | 25.3 |
| - Movements in other non-current assets | | 1.0 | 1.2 |
| - Movements in other long-term liabilities | | 2.7 | -1.3 |
| - Movements in provisions excluding deferred taxes | | -39.9 | 12.7 |
| - Result joint ventures and associates | 2.7 | -113.9 | -44.1 |
| - Measurement of equity-settled share-based payment arrangements | 5.3 | 2.0 | -0.4 |
| - Result on sale of property, plant and equipment | 2.4 | 0.9 | 3.7 |
| - Result on sale of assets held for sale | 2.4 | | -1.4 |
| **Total adjustments** | | **314.8** | **392.6** |
| Realized value adjustments of derivative financial instruments | | 10.0 | - 4.5 |
| Movements in other current assets (excluding cash and cash equivalents) | 4.1 | -47.3 | -22.2 |
| Movements in other current liabilities (excluding bank overdrafts and dividends) | 4.1 | 40.4 | -9.3 |
| Dividend received from joint ventures and associates | 3.4 | 81.0 | 81.9 |
| Effect of changes in exchange rates on other current assets and liabilities | | -2.4 | 0.1 |
| **Cash flows from operating activities (gross)** | | **687.0** | **713.8** |

# Section 3 Strategic investments and divestments

This section presents details on the core operating assets that form the basis for the activities of the Vopak Group, including the main developments with regard to these assets during the financial years presented.

The following notes are presented in this section:
- 3.1 Acquisition and divestment of subsidiaries
- 3.2 Intangible assets
- 3.3 Property, plant and equipment
- 3.4 Joint ventures and associates
- 3.5 Assets held for sale
- 3.6 Depreciation and amortization
- 3.7 Impairment tests and impairments

## Note 3.1 Acquisition and divestment of subsidiaries

### Accounting policies

***Business combinations***

Acquired businesses are recognized in the Consolidated financial statements from the acquisition date, which is the date when the Group effectively obtains control of the acquired business. Businesses that are divested or wound up are recognized in the Consolidated financial statements until the date of divestment or winding-up. Comparative figures are not restated for businesses acquired, divested or wound up.

When the Group obtains control of a business, the acquisition method is applied. The identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognized if separable or if they arise from contractual or other legal rights. Deferred tax related to fair value adjustments is also recognized.

Any excess of the fair value of the consideration transferred, the recognized amount of any non-controlling interests and the fair value of any existing equity interest in the acquired entity over the fair value of identifiable assets, liabilities and contingent liabilities, is recognized as goodwill. When the excess is negative, a bargain purchase gain is recognized in the statement of income at the acquisition date.

If parts of the consideration are conditional upon future events (contingent consideration) or satisfaction of agreed terms, these parts are recognized at fair value at the acquisition date. Transaction costs that the Group incurs in connection with the business combination are expensed as incurred under Other operating expenses.

***Divestments***

Gains or losses on the divestments or winding-up of subsidiaries, joint ventures or associates are measured as the difference between the consideration received adjusted for directly related divestment or winding-up costs and the carrying amount of the net assets at the time of disposal or winding-up including any carrying amount of allocated goodwill.

### Acquisitions of subsidiaries

There were no acquisitions of subsidiaries in 2018 and 2017.

The Group acquired an additional 35% equity share in the joint venture Vopak Terminal Ningbo (China) in January 2019, bringing the total share in equity in 2019 to 85% and obtaining control. For more information reference is made to note 9.12 Events after the reporting period.

### Divestments and deconsolidations

The table below provides an overview of all divestments completed during 2018 and 2017, including joint ventures and associates, as well as the results realized on these divestments that were recognize in the Group operating profit (EBIT).

| In EUR millions | 2018 | 2017 |
|---|---|---|
| Business development joint venture DJK | – | 1.4 |
| Vopak Terminal Eemshaven partial divestment | – | 24.6 |
| **Total** | **–** | **26.0** |

The gains on divestments of subsidiaries were recognized as Other operating income. Reference is also made to note 2.2.

There were no cash proceeds from divestments and deconsolidations in 2018. In 2017 the total net cash proceeds (excluding tax effects) from divestments amounted to EUR 48.5 million. For more information on the cash proceeds, reference is made tothe Consolidated Statement of Cash Flows.

The deconsolidation of Vopak Venezuela as of the end of September 2018 had no direct effect on the cash flows of the Group.

The results realized on the divestment of subsidiaries are disclosed in the paragraph below. For an overview of the results realized on the divestment of joint ventures and associates, reference is made to note 3.4.

### *Divestments and deconsolidations of subsidiaries*

**2018**

**Deconsolidation of Vopak Venezuela**

At the end of September 2018, Vopak deconsolidated its wholly-owned terminal in Venezuela (Americas division), reflecting the conclusion that the Group no longer has control from an accounting perspective. It was observed that the economic, legal, social and political environment in which the terminal operates was continuously deteriorating. Strict currency controls continued to be applicable and inflation exceeded one million percent in 2018. This triggered the reassessment of the accounting treatment of this terminal as of the end of the third quarter of 2018.

This event led to recycling of historical unrealized currency translation losses from equity to the income statement. In total the reported net income was reduced with EUR 51.1 million as an exceptional item. Of the total exceptional loss EUR 0.9 million was included in the EBITDA as Other operating expenses and the remainder in the net finance costs. After deconsolidation, the participation in the terminal is accounted for as an investment measured at fair value through OCI (FVOCI).

Vopak will continue to monitor the situation and will periodically assess whether facts and circumstances have changed and whether control has been regained over the entity in Venezuela.

Vopak remains the 100% shareholder in the entity and will continue to operate the company in line with Vopak's standards. Reference is also made to note 1.1 and note 2.8 of the 2017 Annual Report.

**2017**

There were no divestments of subsidiaries in 2017.

Reference is made to note 3.5 for information on the subsidiaries and joint ventures classified as 'held for sale' at year-end.

## Note 3.2 Intangible assets

### Accounting policies

Intangible assets include goodwill, internally developed software, contractual relationships, concessions and favorable leases ensuing from business combinations. Goodwill represents the difference between the purchase price and Vopak's share in the fair value of the acquired identifiable assets, liabilities and contingent liabilities of the company acquired at the time Vopak obtains control (acquisition method). Goodwill is carried at cost less accumulated impairments.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the operating segments (divisions), which represents the lowest level within the Vopak Group at which the goodwill is monitored for internal management purposes.

Goodwill relating to an associate or joint venture is included in the carrying amount of the investment in the associate or joint venture and is not tested for impairment separately, but is part of the impairment testing of the investment in the associate or joint venture.

Software is carried at historical cost, net of straight-line amortization based on its expected useful life and any potential impairment.

Other intangible assets are carried at their initial fair value at the time of the acquisition, net of straight-line amortization and impairments.

Other items are mainly licenses that are carried at historical cost, net of straight-line amortization.

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## Movements in intangible assets

| In EUR millions | Note | Goodwill | Software | Other | Total |
|---|---|---|---|---|---|
| Purchase price of operating assets | | 43.0 | 107.6 | 67.5 | 218.1 |
| Accumulated amortization and impairment | | – | -76.6 | -9.6 | -86.2 |
| **Carrying amount in use** | | **43.0** | **31.0** | **57.9** | **131.9** |
| Purchase price under construction | | – | 13.9 | – | 13.9 |
| **Carrying amount at 31 December 2016** | | **43.0** | **44.9** | **57.9** | **145.8** |
| *Movements:* | | | | | |
| Additions | | – | 23.9 | – | 23.9 |
| Amortization | 3.6 | – | -10.2 | -2.2 | -12.4 |
| Exchange differences | | -2.6 | -0.1 | -5.8 | -8.5 |
| **Carrying amount at 31 December 2017** | | **40.4** | **58.5** | **49.9** | **148.8** |
| Purchase price of operating assets | | 40.4 | 128.8 | 58.8 | 228.0 |
| Accumulated amortization and impairment | | – | -80.2 | -8.9 | -89.1 |
| **Carrying amount in use** | | **40.4** | **48.6** | **49.9** | **138.9** |
| Purchase price under construction | | – | 9.9 | – | 9.9 |
| **Carrying amount at 31 December 2017** | | **40.4** | **58.5** | **49.9** | **148.8** |
| *Movements:* | | | | | |
| Additions | | – | 21.8 | – | 21.8 |
| Disposal | | -0.7 | – | – | -0.7 |
| Amortization | 3.6 | – | -14.0 | -1.9 | -15.9 |
| Exchange differences | | – | 0.3 | 1.6 | 1.9 |
| **Carrying amount at 31 December 2018** | | **39.7** | **66.6** | **49.6** | **155.9** |
| Purchase price of operating assets | | 39.7 | 146.5 | 60.3 | 246.5 |
| Accumulated amortization and impairment | | – | -94.1 | -10.7 | -104.8 |
| **Carrying amount in use** | | **39.7** | **52.4** | **49.6** | **141.7** |
| Purchase price under construction | | – | 14.2 | – | 14.2 |
| **Carrying amount at 31 December 2018** | | **39.7** | **66.6** | **49.6** | **155.9** |

The increase in intangible assets in 2018, primarily related to internally developed IT projects.

## Note 3.3 Property, plant and equipment

### Accounting policies

Property, plant and equipment mainly relate to the terminals assets of the company which are used to service the customers in the various countries where the Group operates. Property, plant and equipment are broken down into their components and carried at historical cost, net of accumulated straight-line depreciation and less any impairment losses. Interest during construction is capitalized (see also note 5.6). Historical cost includes the initial acquisition cost plus other direct acquisition costs (such as unrecoverable taxes or transport) and construction costs that can be allocated directly (such as hours of own employees and advisory fees). To the extent that dismantling obligations exist at the end of the useful life, these estimated costs and any amendments thereto are included in the cost of the assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. Costs of repairs and maintenance that do not increase the future economic benefits and are part of the day-to-day servicing of the assets are recognized as expenses.

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

## Movements in property, plant and equipment

| In EUR millions | Note | Land | Buildings | Tank storage terminals | Machinery and equipment | Total |
|---|---|---|---|---|---|---|
| Purchase price of operating assets | | 48.6 | 298.4 | 5,298.9 | 219.0 | 5,864.9 |
| Accumulated depreciation and impairment | | – | -145.7 | -2,302.3 | -137.3 | -2,585.3 |
| **Carrying amount in use** | | **48.6** | **152.7** | **2,996.6** | **81.7** | **3,279.6** |
| Purchase price under construction | | 18.0 | 21.2 | 229.4 | 4.8 | 273.4 |
| **Carrying amount at 31 December 2016** | | **66.6** | **173.9** | **3,226.0** | **86.5** | **3,553.0** |
| *Movements:* | | | | | | |
| Additions | | – | 61.7 | 245.1 | 14.9 | 321.7 |
| Disposals | | – | – | -4.8 | -0.2 | -5.0 |
| Reclassification | | – | 0.5 | -0.8 | 0.3 | – |
| Depreciation | 3.6 | – | -12.0 | -231.4 | -17.0 | -260.4 |
| Impairment | 3.7 | – | – | -2.1 | – | -2.1 |
| Exchange differences | | -7.0 | -7.4 | -99.8 | -4.9 | -119.1 |
| **Carrying amount at 31 December 2017** | | **59.6** | **216.7** | **3,132.2** | **79.6** | **3,488.1** |
| Purchase price of operating assets | | 43.8 | 293.9 | 5,293.9 | 211.3 | 5,842.9 |
| Accumulated depreciation and impairment | | – | -144.6 | -2,412.4 | -136.5 | -2,693.5 |
| **Carrying amount in use** | | **43.8** | **149.3** | **2,881.5** | **74.8** | **3,149.4** |
| Purchase price under construction | | 15.8 | 67.4 | 250.7 | 4.8 | 338.7 |
| **Carrying amount at 31 December 2017** | | **59.6** | **216.7** | **3,132.2** | **79.6** | **3,488.1** |
| *Movements:* | | | | | | |
| Additions | | 0.2 | 64.5 | 436.5 | 16.3 | 517.5 |
| Disposals | | – | -0.1 | -1.5 | -0.1 | -1.7 |
| Reclassification | | – | -81.0 | 96.3 | -15.3 | – |
| Deconsolidation | | – | – | -0.1 | – | -0.1 |
| Depreciation | 3.6 | – | -12.5 | -230.7 | -14.0 | -257.2 |
| Impairment | 3.7 | – | 0.5 | 1.7 | 0.1 | 2.3 |
| Exchange differences | | -0.3 | 2.5 | -14.5 | -0.3 | -12.6 |
| **Carrying amount at 31 December 2018** | | **59.5** | **190.6** | **3,419.9** | **66.3** | **3,736.3** |
| Purchase price of operating assets | | 43.0 | 309.7 | 5,578.0 | 163.3 | 6,094.0 |
| Accumulated depreciation and impairment | | – | -150.9 | -2,659.1 | -109.3 | -2,919.3 |
| **Carrying amount in use** | | **43.0** | **158.8** | **2,918.9** | **54.0** | **3,174.7** |
| Purchase price under construction | | 16.5 | 31.8 | 501.0 | 12.3 | 561.6 |
| **Carrying amount at 31 December 2018** | | **59.5** | **190.6** | **3,419.9** | **66.3** | **3,736.3** |

The Group leased assets with a total book value of EUR 21.5 million at 31 December 2018 (2017: EUR 21.5 million), of which substantially all risks and rewards lie within the Group.

The related finance lease obligation for the amount of EUR 23.1 million (2017: EUR 22.7 million) was recognized under interest-bearing loans (see note 5.5).

For an overview of the investment commitments of the Group in relation to property, plant and equipment reference is made to note 9.7.

## Note 3.4 Joint ventures and associates

Vopak's interest in the principal joint ventures and associates at year-end 2018 consists of 28 (2017: 26) unlisted joint ventures and 8 (2017: 6) unlisted associates. Although the Group conducts a large part of its activities by means of these joint ventures and associates, none of these entities are currently individually material for the Group. The nature of, and changes in, the risks associated with its interests in joint ventures and associates is primarily linked to the region and/or the activities. For the disclosure of the nature, extent and financial effects of our joint ventures and associates, we make a distinction in the activities of the divisions Europe & Africa (limited number of oil and chemical terminals), Asia & Middle East (all types of storage terminals, except LNG), LNG (joint ventures with long-term contracts), and China & North Asia (mainly industrial terminals). The Americas division currently has no material joint ventures and associates.

No significant judgments were made by the Group with regard to the classification of joint ventures and associates. All material joint arrangements are currently classified as joint ventures because joint control is established by contract and the Group only has rights to the net assets of these entities. The Group currently has no material investment in a joint operation.

The Group has two majority ownerships which qualify as joint ventures: a 60% majority ownership in LNG Terminal Altamira in Mexico and a 51% majority ownership in Vopak Terminals Korea Ltd. In Mexico, the Group has 50% of the voting rights. In Korea, the partner owns an exercisable call option right at any time of 1% of the shares and therefore the substantive voting rights of the Group are limited to 50%.

The Group has a 10% equity interest in Vopak Terminal Eemshaven in the Netherlands which is classified as an associate as it was concluded that the Group has significant influence. The Group has been appointed as operator of this terminal. As operator, Vopak has the right to appoint the management board of the terminal. In addition, as 10% shareholder in the entity, Vopak is entitled to appoint one of the three members of the Supervisory Board and is able to participate in the decision-making process of the entity.

Reference is made to note 9.11 for an overview of the principal joint ventures and associates.

### Accounting policies

Joint ventures and associates are accounted for using the equity method, which involves recognition in the Consolidated statement of income of Vopak's share of the net result of the joint ventures and associates for the year. Accounting policies of joint ventures and associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Vopak's interest in a joint venture or associate is carried in the statement of financial position at its share in the net assets of the joint venture or associate together with goodwill paid on acquisition, less any impairment loss. When the share in the losses exceeds the carrying amount of an equity-accounted company (including any other receivables forming part of the net investment in the company), the carrying amount is written down to nil and recognition of further losses is discontinued, unless we have incurred legal or constructive obligations relating to the company in question.

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## Group's share of the total comprehensive income and the carrying amount of joint-ventures and associates

| In EUR millions | | Joint ventures 2018 | Joint ventures 2017 | Associates 2018 | Associates 2017 | Total 2018 | Total 2017 |
|---|---|---|---|---|---|---|---|
| Vopak's share in net assets | | 655.1 | 771.5 | 243.2 | 244.4 | 898.3 | 1,015.9 |
| Goodwill on acquisition | | 64.4 | 69.5 | 6.0 | 6.3 | 70.4 | 75.8 |
| **Carrying amount at 1 January** | | **719.5** | **841.0** | **249.2** | **250.7** | **968.7** | **1,091.7** |
| Share in profit or loss | 2.7 | 97.7 | 109.2 | 16.2 | 2.1 | 113.9 | 111.3 |
| Impairments | 2.7, 3.7 | – | -91.8 | – | – | – | -91.8 |
| **Net profit** | | **97.7** | **17.4** | **16.2** | **2.1** | **113.9** | **19.5** |
| Other comprehensive income | 5.2 | 3.1 | 11.4 | -4.4 | – | -1.3 | 11.4 |
| **Comprehensive income** | | **100.8** | **28.8** | **11.8** | **2.1** | **112.6** | **30.9** |
| Dividends received | 2.9 | -75.7 | -94.6 | -0.5 | – | -76.2 | -94.6 |
| Investments | | 8.0 | 0.1 | 40.0 | 7.3 | 48.0 | 7.4 |
| Acquisitions | | – | – | 33.8 | 15.9 | 33.8 | 15.9 |
| Redemption share capital | | – | – | -23.9 | – | -23.9 | – |
| Reclassification to assets held for sale | | – | -0.7 | – | – | – | -0.7 |
| Exchange differences | | 14.2 | -55.1 | 4.5 | -26.8 | 18.7 | -81.9 |
| **Carrying amount at 31 December** | | **766.8** | **719.5** | **314.9** | **249.2** | **1,081.7** | **968.7** |
| Vopak's share in net assets | | 700.7 | 655.1 | 309.0 | 243.2 | 1,009.7 | 898.3 |
| Goodwill on acquisition | | 66.1 | 64.4 | 5.9 | 6.0 | 72.0 | 70.4 |
| **Carrying amount at 31 December** | | **766.8** | **719.5** | **314.9** | **249.2** | **1,081.7** | **968.7** |

Other comprehensive income is primarily related to the effective portion of changes in the fair value of cash flow hedges within the joint ventures, which are recognized through the Consolidated statement of comprehensive income.

For more information on the impairments recognized on the investments in joint ventures and associates, reference is made to note 3.7.

### *Investments and divestments of joint ventures and associates*

**2018**

**Pakistan - acquisition**

The Group acquired a 29% share in the associate Engro Elengy Terminal Pakistan Ltd. (EETPL) in December 2018. This LNG import facility, located in Port Qasim, consists of an LNG jetty and high pressure gas pipeline. EETPL holds a 15 year Floating Storage and Regasification Unit (FSRU) time charter (capacity of 151,000 cbm).

The total consideration paid for this initial 29%, including transaction costs, amounted to EUR 33.8 million.

As a subsequent event, Vopak acquired in January 2019 an additional 15% share in this associate, bringing to the total equity participation in this associate to 44%. For more information reference is made to note 9.12.

**China - step-acquisition**

As a subsequent event, the Group acquired on 25 January 2019, an additional 35% share in Vopak Terminal Ningbo bringing the total share the Group has in the equity of the terminal to 85%. By means of this transaction the Group obtained in 2019 control over the terminal and the interest held in the terminal was classified as a subsidiary and no longer as a joint venture.

For more information on this step acquisition, reference is made to note 9.12.

**2017**

**Canada - newly formed associate**

In the second quarter of 2017, Vopak entered into an associate and will invest together with its partner Altagas in the development of the Ridley Island Propane Export Terminal (RIPET). RIPET is expected to be the first propane export facility off the west coast of Canada. The project is to be designed to ship 1.2 million tons of propane per annum, with approximately 96,000 cubic meters of storage capacity. The facility is expected to be commissioned in Q1 2019.

Vopak has a 30 percent interest in RIPET. Vopak's investment is underpinned by long-term customer contracts and is fully aligned with Vopak's long-term strategy where storage and handling of gas have been earmarked as one of the strategic focus areas. Canada has a structural surplus in gas and natural gas liquids for which Asia is an important market to export these energy products.

**China - divestment**

In the third quarter of 2017, Vopak divested a business development joint venture in China which was already classified as Held for sale per year-end 2016. The exceptional gain on this divestment amounted to EUR 1.4 million.

**Netherlands - partial divestment**

On 28 September 2017, Whitehelm Capital and Royal Vopak announced a change in ownership in Vopak Terminal Eemshaven, a joint venture terminal in the Netherlands between Vopak and NIBC European Infrastructure Fund I C.V. ("NEIF"). Whitehelm Capital, one of the world's most experienced independent infrastructure investment managers, acquired 90% of the shares in the company from Vopak and NEIF on behalf of two pension fund investors. Vopak retained 10% of the shares.

From an accounting perspective, the 10% ownership of Vopak in the terminal is classified as an investment in an associate. The cash proceeds for Vopak amounted to EUR 29.0 million. This partial divestment resulted in a net exceptional gain of EUR 24.6 million.

## Summarized information of joint ventures and associates on a 100% basis

The following information reflects the amounts presented in the financial statements of the joint ventures and associates adjusted for differences in accounting policies between the Group and the joint ventures and associates and, when applicable, the effects of the purchase price allocation performed by the Group with regard to the acquisition of the joint venture or associate.

### *Summarized statement of total comprehensive income*

| | Europe & Africa joint ventures | | Asia & Middle East joint ventures | | China & North Asia joint ventures | | Americas joint ventures | | LNG joint ventures | | Other joint ventures | | Total joint ventures | | Total associates | | Total associates & joint ventures | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| In EUR millions | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenues | 56.1 | 74.9 | 247.5 | 303.1 | 155.7 | 170.8 | 6.1 | 4.2 | 224.2 | 223.9 | – | – | 689.6 | 776.9 | 225.8 | 139.0 | 915.4 | 915.9 |
| Operating expenses | -40.7 | -56.4 | -86.0 | -85.9 | -47.8 | -48.3 | -5.5 | -3.3 | -39.0 | -42.1 | 0.3 | 0.4 | -218.7 | -235.6 | -66.5 | -57.7 | -285.2 | -293.3 |
| Depreciation, amortization and impairment | -7.8 | -130.2 | -58.4 | -60.1 | -35.9 | -120.0 | -0.6 | -0.8 | -46.7 | -45.6 | – | – | -149.4 | -356.7 | -60.3 | -38.0 | -209.7 | -394.7 |
| **Operating profit (EBIT)** | **7.6** | **-111.7** | **103.1** | **157.1** | **72.0** | **2.5** | **–** | **0.1** | **138.5** | **136.2** | **0.3** | **0.4** | **321.5** | **184.6** | **99.0** | **43.3** | **420.5** | **227.9** |
| Net finance costs | -0.8 | -1.7 | -13.7 | -16.0 | 4.1 | -14.7 | 2.6 | 2.6 | -36.5 | -41.1 | – | – | -44.3 | -70.9 | -26.9 | -15.4 | -71.2 | -86.3 |
| Income tax | -0.9 | 10.5 | -19.1 | -21.2 | -21.7 | -21.1 | -0.4 | -0.4 | -27.7 | -26.7 | – | – | -69.8 | -58.9 | -13.4 | -9.9 | -83.2 | -68.8 |
| **Net profit** | **5.9** | **-102.9** | **70.3** | **119.9** | **54.4** | **-33.3** | **2.2** | **2.3** | **74.3** | **68.4** | **0.3** | **0.4** | **207.4** | **54.8** | **58.7** | **18.0** | **266.1** | **72.8** |
| Other comprehensive income | – | 0.2 | 2.4 | -4.6 | – | – | – | – | 4.1 | 21.1 | – | – | 6.5 | 16.7 | -14.7 | 13.1 | -8.2 | 29.8 |
| **Total comprehensive income** | **5.9** | **-102.7** | **72.7** | **115.3** | **54.4** | **-33.3** | **2.2** | **2.3** | **78.4** | **89.5** | **0.3** | **0.4** | **213.9** | **71.5** | **44.0** | **31.1** | **257.9** | **102.6** |
| Vopak's share of net profit | 2.3 | -50.9 | 28.2 | 47.2 | 26.2 | -16.8 | 1.1 | 1.1 | 39.8 | 36.5 | 0.1 | 0.3 | 97.7 | 17.4 | 16.2 | 2.1 | 113.9 | 19.5 |
| Vopak's share of other comprehensive income | – | 3.0 | 1.1 | -2.2 | – | – | – | – | 2.0 | 10.6 | – | – | 3.1 | 11.4 | -4.4 | – | -1.3 | 11.4 |
| **Vopak's share of total comprehensive income** | **2.3** | **-47.9** | **29.3** | **45.0** | **26.2** | **-16.8** | **1.1** | **1.1** | **41.8** | **47.1** | **0.1** | **0.3** | **100.8** | **28.8** | **11.8** | **2.1** | **112.6** | **30.9** |

### *Summarized statement of financial position at 31 December*

| In EUR millions | Europe & Africa joint ventures | | Asia & Middle East joint ventures | | China & North Asia joint ventures | | Americas joint ventures | | LNG joint ventures | | Other joint ventures | | Total joint ventures | | Total associates | | Total Joint ventures & associates | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Non-current assets | 87.0 | 83.3 | 1,096.4 | 998.5 | 670.2 | 700.7 | 154.8 | 145.8 | 1,044.9 | 1,076.9 | – | – | 3,053.3 | 3,005.2 | 2,157.0 | 1,839.8 | 5,210.3 | 4,845.0 |
| Cash and cash equivalents | 14.9 | 15.2 | 68.1 | 89.5 | 100.5 | 85.5 | 2.2 | 1.6 | 66.5 | 73.4 | 0.6 | 1.0 | 252.8 | 266.2 | 210.4 | 149.9 | 463.2 | 416.1 |
| Other current assets | 14.1 | 15.1 | 102.8 | 32.2 | 32.8 | 31.0 | 2.1 | 0.4 | 15.3 | 23.8 | 0.1 | 0.1 | 167.2 | 102.6 | 135.8 | 109.7 | 303.0 | 212.3 |
| **Total assets** | **116.0** | **113.6** | **1,267.3** | **1,120.2** | **803.5** | **817.2** | **159.1** | **147.8** | **1,126.7** | **1,174.1** | **0.7** | **1.1** | **3,473.3** | **3,374.0** | **2,503.2** | **2,099.4** | **5,976.5** | **5,473.4** |
| Financial non-current liabilities | 33.1 | 34.8 | 240.8 | 283.7 | 306.3 | 329.7 | – | – | 570.9 | 638.3 | – | – | 1,151.1 | 1,286.5 | 1,168.3 | 1,036.6 | 2,319.4 | 2,323.1 |
| Other non-current liabilities | 3.3 | 3.9 | 25.7 | 28.9 | 10.7 | 10.5 | – | – | 193.7 | 205.6 | 0.9 | 1.6 | 234.3 | 250.5 | 69.9 | 48.0 | 304.2 | 298.5 |
| Financial current liabilities | 12.2 | 12.2 | 52.3 | 69.8 | 12.1 | 6.3 | – | – | 71.3 | 67.8 | – | – | 147.9 | 156.1 | 65.4 | 57.4 | 213.3 | 213.5 |
| Other current liabilities | 24.5 | 21.0 | 259.6 | 87.2 | 48.7 | 50.9 | 1.8 | 0.9 | 23.3 | 37.2 | 0.8 | 0.8 | 358.7 | 198.0 | 123.6 | 107.7 | 482.3 | 305.7 |
| **Total liabilities** | **73.1** | **71.9** | **578.4** | **469.6** | **377.8** | **397.4** | **1.8** | **0.9** | **859.2** | **948.9** | **1.7** | **2.4** | **1,892.0** | **1,891.1** | **1,427.2** | **1,249.7** | **3,319.2** | **3,140.8** |
| **Net assets** | **42.9** | **41.7** | **688.9** | **650.6** | **425.7** | **419.8** | **157.3** | **146.9** | **267.5** | **225.2** | **-1.0** | **-1.3** | **1,581.3** | **1,482.9** | **1,076.0** | **849.7** | **2,657.3** | **2,332.6** |
| Vopak's share of net assets | 19.8 | 19.4 | 278.0 | 262.5 | 210.1 | 207.1 | 48.0 | 44.1 | 145.3 | 122.7 | -0.5 | -0.7 | 700.7 | 655.1 | 309.0 | 243.2 | 1,009.7 | 898.3 |
| Goodwill on acquisition | – | – | 5.5 | 5.1 | 0.5 | 0.5 | – | – | 60.1 | 58.8 | – | – | 66.1 | 64.4 | 5.9 | 6.0 | 72.0 | 70.4 |
| **Vopak's carrying amount of net assets** | **19.8** | **19.4** | **283.5** | **267.6** | **210.6** | **207.6** | **48.0** | **44.1** | **205.4** | **181.5** | **-0.5** | **-0.7** | **766.8** | **719.5** | **314.9** | **249.2** | **1,081.7** | **968.7** |

On 12 December 2017, PT2SB, a partnership (associate) between Petroliam Nasional Berhad (PETRONAS), Dialog Group Berhad (Dialog), the State of Johor (SSI) and Royal Vopak announced that it signed a USD 1.25 billion senior financing agreement with a banking syndicate of nine international banks. The financing facilities will be used to finance the PT2SB industrial terminal in Pengerang, State of Johor, Malaysia. This resulted in the repayment of the shareholder loan to the Vopak Group of EUR 63.2 million in 2017.

### *Contingent assets and liabilities*

For an overview of the contingent liabilities relating to our joint ventures and associates, reference is made to note 9.8.

## Note 3.5 Assets held for sale

### Accounting policies

Non-current assets and disposal groups are classified as held for sale when their carrying amount is to be recovered principally through a sales transaction and a sale is considered highly probable at the end of the reporting period. They are stated at the lower value of the carrying amount and the fair value less expected selling costs. When the criteria for the held for sale classification have been met, the non-current assets subject to depreciation and amortization are no longer depreciated or amortized. In addition, equity accounting for joint ventures and associates ceases once classified as held for sale.

### Key accounting estimates and judgments

At the end of the reporting period, management has to assess if the value of the assets will be recovered principally through a divestment transaction rather than through continued use and what the likelihood is that an asset will be divested within a year. This assessment is based on the facts and circumstances at that date. These facts and circumstances may change and could result in a situation where assets are divested, which were not classified as held for sale at year-end.

When classifying non-current assets as held for sale, management makes estimates of their fair value (sales price and expected costs to sell). Depending on the nature of the non-current assets, the estimated fair value may be associated with uncertainty and possibly adjusted subsequently. Measurement of the fair value of non-current assets is categorized as level 2 in the fair value hierarchy as measurement is not based on observable market data.

### Assets and liabilities classified as held for sale

For the divestments realized during 2018 and 2017, reference is made to note 3.1. and note 3.4.

***2018***

In August 2018, the Group announced that it would conduct a strategic review and test the market value of its terminals in Algeciras, Amsterdam, Hamburg and Tallinn (Europe & Africa division). This strategic review is still ongoing. However, based on the facts and circumstances as at 31 December 2018 it was at that date not highly probably that these terminals would be divested within 12 months. As a result, none of these terminals met the held for sale criteria.

***2017***

As at year-end 2017 there were no assets and liabilities classified as held for sale.

## Note 3.6 Depreciation and amortization

### Accounting policies

The expected useful life of software is normally subject to a maximum of seven years. Amortization of other intangible assets and licenses is based on the term of the validity of the contract or term of the validity period and varies from 5-30 years.

Depreciation of property, plant and equipment is computed from the date the asset is available for use, using the straight-line method over the expected useful life and taking the estimated residual value into account. The useful life of the main assets is as follows: for buildings 10-40 years, for main components of tank storage terminals 10-40 years, for IT hardware 3-5 years, for machinery, equipment and fixtures 3-10 years. Land is not depreciated.

The residual value and useful life of intangible assets and property, plant and equipment are reviewed annually and adjusted if necessary.

### Key accounting estimates and judgments

Property, plant and equipment form a substantial part of the total assets of the company, while periodic depreciation charges form a substantial part of the annual operating expenses. The useful life and residual value determined by the Executive Board based on its estimates and assumptions have a major impact on the measurement and determination of results of property, plant and equipment. The useful life of property, plant and equipment is partly estimated based on their useful productive lives, experiences related to such assets, the maintenance history and the period during which the company has the economic benefits from the utilization of the assets. Periodic reviews show whether changes have occurred in estimates and assumptions as a result of which the useful life and/or residual value need to be adjusted. Such an adjustment will be made prospectively.

### Depreciation and amortization

| In EUR millions | Note | 2018 | 2017 |
|---|---|---|---|
| Amortization intangible assets | 3.2 | 15.9 | 12.4 |
| Depreciation property, plant and equipment | 3.3 | 257.2 | 260.4 |
| **Total** | | **273.1** | **272.8** |

# Note 3.7 Impairment tests and impairments

## Accounting policies

The carrying amount of goodwill is tested for impairment annually in the fourth quarter (unless there is reason to do so more frequently), while all assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts for those assets may not be recoverable. If it is determined that assets are impaired, the carrying amounts of those assets are written down to their recoverable amount, which is the higher of fair value less costs of disposal and value in use.

Impairments of a cash-generating unit are allocated to the assets of the cash-generating unit on a proportionate basis. Impairments of intangible assets and property, plant and equipment are presented in the statement of income under Impairment. Impairments, except those related to goodwill, are reversed as applicable to the extent that the events or circumstances that triggered the original impairment have changed.

All financial assets, including joint ventures and associates, are reviewed for impairment. If there is objective evidence of impairment as a result of one or more events after initial recognition, an impairment loss is recognized in the statement of income. The impairments for joint ventures and associates are presented under Result of joint ventures and associates.

### Estimates used to measure the recoverable amount

Value in use is determined as the amount of estimated discounted future cash flows. For this purpose, assets are grouped into cash-generating units based on separately identifiable and largely independent cash flows. The cash flow projections are based on revenues, operating expenses and sustaining capital expenditures of the approved budget for the coming year and the two subsequent planning years. Cash flows beyond the previously mentioned period of three years are extrapolated, using a stable or decreasing growth rate, unless an increasing rate can be substantiated. Given that the cash flows are estimated before taxes, the discount rates used to calculate the present value of the cash flows are pre-tax rates based on the risk-free rates for 15-year bonds issued by the government in the relevant market, adjusted for a risk premium and specific risks relating to the countries and risks specific to the assets. The 15-year bonds period reflects the average remaining useful life of the principal assets. As a company based in Europe, the Group assumes the long-term market equity risk premium to be 6.0% (2017: 6.0%).

## Key accounting estimates and judgments

*Impairment analyses*

When performing an impairment test, management makes an assessment of whether the cash-generating unit (mostly an individual terminal) will be able to generate positive net cash flows that are sufficient to support the value of the intangible assets, property, plant and equipment, and financial assets.

For value in use, the assessment is based on estimates of future expected cash flows (value in use) made on the basis of the budget for the coming year and two subsequent plan years, which form the basis for the 15-year period discounted cash flow model. Key assumptions applied are the expected occupancy, the estimated storage rate per cbm (for revenues not covered by long-term contracts), sustaining capex expenditures, expected growth rates and the estimated terminal value after the 15-year period, together with the applied discount rates.

Fair value less cost of disposal is primarily based either on comparable market-multiples and/or (indicative) (non-)binding bids or discounted cash flow models from the perspective of a willing buyer in an orderly transaction.

In certain situations, the fair value less cost of disposal of a terminal may be based on (preliminary) offers received from interested parties (level 2 fair value). Although such offers are conditional/preliminary by nature, management considers whether these offers may be representative of the fair value of the terminals concerned and assesses whether it is probable that these terminals will be sold in the coming 12 months after the reporting period, resulting in a situation where the carrying amount will be recovered principally through a sale instead of through continued use.

These key assumptions are based on the current facts and circumstances and information available to management. By nature, these assumptions are subject to developments and change in later periods. This could potentially lead to (reversal of) impairments of individual terminals going forward.

*Vopak Terminal Haiteng (China)*
In April 2015, an incident occurred at the production facility of the main customer of our associate Vopak Terminal Haiteng, as disclosed in the Annual Report 2015. This led to a situation where this industrial terminal was not able to recognize most of its revenues since that date.

The terminal restarted operations in June 2018 and the main customer of Vopak Terminal Haiteng restarted its production in the fourth quarter of 2018. Revenue recognition has recommenced in June 2018.

Now that the main customer has restarted operations, negotiations have started on the settlement of historical positions related to the periods in which the main customer did not make use of the services of the terminal. A prepayment on this settlement was agreed in December 2018 and has led to the recognition of a one-off net result from this associate of EUR 4.8 million (net Vopak share).

Furthermore, now that the terminal has resumed normal operations, previously unrecognized tax positions have been recognized, resulting in a gain of EUR 1.5 million (net Vopak share).

The final settlement of historical positions may lead to additional gains from this associate going forward, due to the fact that certain revenues, which were not recognized after the incident, may still be recovered from the associate's customers. The final outcome of these negotiations is currently unknown.

The maximum risk exposure amounts to the Group's equity investment in the company of EUR 47.2 million at year-end 2018 (2017: EUR 44.1 million). Now that operations have been resumed by the terminal and its main customer, the risk of impairment is considered to be remote.

## Impairment test results

| In EUR millions | Note | 2018 | 2017 |
|---|---|---|---|
| Property, plant and equipment | 3.3 | 4.6 | 2.1 |
| Reversal impairment property, plant and equipment | 3.3 | -6.9 | – |
| **Impairment** | | **-2.3** | **2.1** |
| Joint ventures and associates | 3.4 | – | 91.8 |
| **Total** | | **-2.3** | **93.9** |

### *Intangible assets - Goodwill*
A summary of the carrying amount of goodwill by geographical area, which is equal to the operating segments, is presented below. An operating segment is also the level at which goodwill is tested for impairment.

| In EUR millions | 2018 | 2017 |
|---|---|---|
| Europe & Africa | 1.8 | 1.8 |
| Asia & Middle East | 18.9 | 18.5 |
| China & North Asia | 4.3 | 4.1 |
| Americas | 14.7 | 16.0 |
| **Carrying amount at 31 December** | **39.7** | **40.4** |

The Group has limited goodwill balances as it mostly develops its own greenfield terminals instead of acquiring new terminals.

The deconsolidation of the terminal in Venezuela as per the end of September 2018 led to an impairment of goodwill of EUR 0.7 million. No impairments of goodwill were recognized in 2017.

### Assumptions applied
The recoverable value of an operating segment, which includes goodwill, is based on the value in use. In the impairment tests, the growth factors for years four through fifteen were based on the inflation rate within the range of 2.1% to 3.3% depending on the operating segment (2017: 1.8% to 2.8%). The pre-tax discount rate used depends on the (average) risk profile of the cash-generating unit and was 8.7% (2017: 8.7%) for Asia & Middle East, 11.5% (2017: 11.5%) for Americas and 9.8% (2017: 9.8%) for China & North Asia. The operating profit included in the calculations is based on the approved budget for 2019 and the subsequent plan years.

### Sensitivity
The value in use calculations indicated more than sufficient headroom, such that a reasonably possible change in key assumptions would not result in an impairment of the related goodwill.

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### *Other intangible assets*

No material impairments were recognized on intangible assets in 2018 and 2017.

### *Property, plant and equipment*

**Cancelled projects**

**2018**

There were no impairment related to cancelled projects in 2018.

**2017**

In the first half year of 2017, a minor impairment of EUR 2.1 million, related to a scope change of a business development project in the Netherlands was recognized.

**Terminals in operation**

Based on consistently applied methodology, management has assessed based on consistently applied methodology, that the value in use for a very limited number of terminals in operation, is lower than the carrying amount. For these individual terminals, the fair value less cost of disposal has been calculated in order to assess whether this value exceeds the value in use and the carrying amount of the assets. In such situations, the fair value less cost of disposal for terminals or assets which are actively being marketed by the company, may be based primarily on offers received from interested parties (level 2 fair value). For the other terminals, the fair value less cost of disposal is primarily based on a combination of the estimated normalized EBITDA and transaction multiples observable in the merger and acquisition (M&A) markets for comparable terminals (level 2 fair value) together with discounted cash flow models (level 3 fair value). The value in use and fair value less cost of disposal assessments may change over time and when applicable could result in (partial) reversal of recognized impairments.

**2018**

The above-mentioned approach resulted in the (reversal) of impairment for the following subsidiary terminals in operation in 2018.

**Vopak Terminal Vietnam - reversal of impairment**

A reversal of an impairment of EUR 6.9 million, offset by depreciation expenses of EUR 2.1 million, resulted in an exceptional item of EUR 4.8 million in 2018. This reversal of the historical impairment results from the structural performance improvement of the terminal, aided among others by favorable market conditions due to strong domestic consumption and a robust manufacturing sector.

**Vopak Terminal Kandla (India) - impairment**

An impairment of EUR 4.6 million was recognized due to the uncertainty this terminal is experiencing in relation to the renewal of the concessions for some of its land leases. Due to this situation some of the tank capacity is currently not permitted to be upgraded and is therefore not in operation.

**2017**

There were no (reversals of) impairments for subsidiary terminals in operation in 2017.

**Terminals under strategic review**

In August 2018, the company announced that it is performing a strategic review on Vopak Terminal Algeciras, Vopak Terminal Amsterdam Westpoort, Vopak Terminal Hamburg and Vopak E.O.S. (Europe & Africa division) potentially leading to divestment. This strategic review is progressing on schedule. However at year-end 2018, it is not highly probable that a transaction will take place.

Based on the facts and circumstances available at year-end 2018, including management's view on the estimated future cash flows and future market developments, it was concluded that for all four terminals the value in use exceeded their carrying value. The carrying value of Vopak E.O.S. amounted to nil at year-end 2018, due to the full impairment in 2017. However, in a situation where these terminals will be divested, the carrying amount of these terminals will be principally recovered through a sale instead of by continuing use. In such a situation, the recoverable value will be based on the consideration agreed upon at the end of the divestment process, which represents the fair value of the terminals at that date. In a situation where this fair value that a buyer is willing to pay is lower than the value in use which Vopak is able to create with these terminals, this may potentially lead to an impairment.

Reference is also made to note 3.5. Assets held for sale.

### *Joint ventures and associates*

**2018**

There were no impairments recognized on joint ventures and associates in 2018.

**2017**

**Vopak E.O.S. (Estonia)**

In the fourth quarter of 2017, an impairment of the book value of the equity participation in the joint venture terminal Vopak E.O.S. (Europe & Africa division) was recognized for the amount of EUR 52.0 million. The impairment primarily related to a further structural deterioration of the business environment in which the terminal operates, which is heavily dependent on the flows of Russian oil products. The oil market structure together with structural changes in product flows and the preference to use Russian ports for product flows from Russia, limit demand for terminal services. The overcapacity in the Baltic region has led to a further structural increase in competition and significant pressure on storage and terminal service rates. It is not expected that these structural adverse market circumstances will reverse in the coming years.

The carrying value of Vopak's investment in the joint venture after impairment amounted to nil at year-end 2018. The Group has not provided any financial guarantees in relation to this joint venture and does not have any legal obligation to support the joint venture with additional funding. As such, the Group is not exposed to further losses from this joint venture going forward. Although currently not foreseen, the Group may decide to voluntary provide additional funding to the joint venture at a later moment.

**Vopak SDIC Yangpu Terminal (China)**

During 2017, an impairment was recognized on the joint venture Vopak SDIC Yangpu Terminal (part of China & North Asia Division) for EUR 39.8 million. Due to uncertainties, market conditions and dependence on short-term trading contracts, an impairment was recognized. The carrying value of Vopak's investment in the joint venture after impairment amounted to nil at year-end 2018.

The Group has not provided any financial guarantees in relation to this joint venture and does not have any legal obligation to support the joint venture with additional funding.

However, given that the joint venture Vopak SDIC Yangpu Terminal (China) has been under strategic review since the end of 2017, the Group had at that time the intention to positively consider a future decision to provide additional funding to the terminal during 2018 for the amount of EUR 6.3 million. Of this amount EUR 4.5 million has been spent during 2018. The remaining amount is still expected to be invested. As such, the remaining constructive obligation amounted to EUR 1.8 million and was recognized under the other provisions as at year-end 2018. Any additional funding at a future date, may result in additional impairments going forward for the maximum amount of the provided additional funding.

The terminal is currently still under strategic review.

# Section 4 Working capital

This section presents details on the working capital items that the Group uses for operating our assets and providing services to our customers. In line with the nature of the business, the net working capital is only a relatively small part of the total assets of the Group.

This section comprises notes to understand the developments in working capital:

- 4.1 Changes in working capital
- 4.2 Trade and other receivables and related credit risk
- 4.3 Trade and other payables

## Note 4.1 Changes in working capital

| In EUR millions | Note | 2018 | 2017 |
|---|---|---|---|
| Movements in other current assets (excluding cash and cash equivalents) | 2.9 | -47.3 | -22.2 |
| Movements in other current liabilities (excluding bank overdrafts and dividends) | 2.9 | 40.4 | -9.3 |
| **Total** | | **-6.9** | **-31.5** |

## Note 4.2 Trade and other receivables and related credit risk

Trade and other receivables are exposed to credit risk which could result in impairment losses. This note includes general information about trade and other receivables as well as specifications and explanations of the related risk.

### Accounting policies

Trade receivables are amounts due from customers for services rendered in the ordinary course of business. Trade and other receivables are recognized initially at fair value. The Group holds trade receivables with the objective to collect the contractual cash flows and therefore the Group measures them subsequently at amortized cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current.

The group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

Trade receivables are written off (impaired) when objective evidence indicates that there is no reasonable expectation of recovery. This is based on an individual review for impairment due to an increase of the credit risk of the customer, past due amounts and taking into account any retention right on product stored for this customer.

The creation and release of a provision for impaired trade receivables are recognized under Other operating expenses in the income statement.

Other receivables also include the dividend receivables from joint ventures and associates for which the decision about dividend distribution was taken before year-end.

### Trade and other receivables

| In EUR millions | 2018 | 2017 |
|---|---|---|
| Trade debtors gross | 101.9 | 108.0 |
| Provision for impairment of trade debtors | -0.8 | -1.9 |
| **Trade debtors net** | **101.1** | **106.1** |
| Taxes receivable | 40.6 | 24.2 |
| Other receivables | 147.2 | 123.4 |
| **Total** | **288.9** | **253.7** |

The effect of the recognized expected credit losses is negligible for both years presented. There was no indication as at the statement of financial position date that these receivables will not be recovered, other than as already provided for. The Group does not have a significant credit risk exposure on a single customer. For more information reference is also made to note 2.3.

### *Trade receivables*

#### Ageing of trade receivables

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| In EUR millions | Gross | Provision | Net | Gross | Provision | Net |
| Not past due | 69.9 | – | 69.9 | 70.9 | – | 70.9 |
| Past due up to 3 months | 28.7 | -0.1 | 28.6 | 31.8 | – | 31.8 |
| Past due 3 to 6 months | 1.0 | – | 1.0 | 1.2 | – | 1.2 |
| Past due more than 6 months | 2.3 | -0.7 | 1.6 | 4.1 | -1.9 | 2.2 |
| **Total** | **101.9** | **-0.8** | **101.1** | **108.0** | **-1.9** | **106.1** |

### *Provision for bad debt*

| In EUR millions | 2018 | 2017 |
|---|---|---|
| **Balance at 1 January** | **-1.9** | **-3.2** |
| Impairments | -0.1 | -0.2 |
| Reversal of impairments | 0.2 | 0.2 |
| Receivables written off during the year as uncollectible | 1.0 | 1.1 |
| Exchange differences | – | 0.2 |
| **Balance at 31 December** | **-0.8** | **-1.9** |

Exposure to bad debts is mostly related to rendering services to international manufacturers and traders. The value of the products stored for these customers usually exceeds the value of the receivables and Vopak generally has the right of retention.

Historically, amounts written off as uncollectible have been very low, in line with the nature of the business model, which is also the case for the years presented.

### *Other receivables*

The total dividend receivable from joint ventures and associates amounted to EUR 8.2 million at the end of 2018 (2017: EUR 12.7 million). There were also no amounts overdue nor impaired for the other items included in the Other receivables.

## Note 4.3 Trade and other payables

### Accounting policies

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. They are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Trade and other payables are initially recognized at their fair value and subsequently measured at amortized cost using the effective interest method.

### Trade and other payables

| In EUR millions | 2018 | 2017 |
|---|---|---|
| Trade payables | 36.7 | 46.1 |
| Accrued expenses | 134.5 | 105.1 |
| Deferred revenues | 21.8 | 28.0 |
| Accrued interest expenses | 4.9 | 4.8 |
| Wage tax and social security charges | 6.4 | 6.9 |
| Other creditors | 134.3 | 96.4 |
| **Total** | **338.6** | **287.3** |

# Section 5 Capital structure

Vopak is a capital-intensive company. Vopak's funding strategy is focused on ensuring continuous access to capital markets so that funding capital is available at a time of the company's choice and at an acceptable cost. The notes in this section provide insight into the capital structure and financing items of the Group.

In this section, the following notes are presented:

**Equity:**
- 5.1 Issued capital, share premium, treasury shares and capital management
- 5.2 Other reserves
- 5.3 Retained earnings
- 5.4 Non-controlling interests

**Borrowings:**
- 5.5 Interest-bearing loans and net debt
- 5.6 Net finance costs

The financial risk management applied by the Group can be found in Section 6 Financial Risk Management.

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## Note 5.1 Issued capital, share premium, treasury shares and capital management

### Accounting policies

Treasury shares that are reacquired are recognized at cost and deducted from equity until the shares are cancelled or reissued. Upon cancellation, treasury shares are deducted from the share capital at their nominal value of EUR 0.50 per share. Any difference between the carrying amount and the consideration received when treasury shares are reissued, is recognized directly in equity.

### Share capital

The company´s authorized share capital amounted to EUR 190,800,000 as at 31 December 2018 divided into 140,000,000 ordinary shares, 190,800,000 protective preference shares and 50,800,000 cumulative finance preference shares, all with a nominal value of EUR 0.50 each.

The issued share capital at 31 December 2018 consisted of 127,835,430 ordinary shares, of which 170,597 shares are held in the treasury stock in connection with existing commitments under the long-term incentive plans. No cumulative finance preference shares were issued at year-end 2018.

| | Numbers | | | | Amounts in EUR millions | | |
|---|---|---|---|---|---|---|---|
| | Issued ordinary shares | Financing preference shares | Total shares | Treasury shares | Issued capital | Share premium | Treasury shares |
| **Balance at 31 December 2016** | **127,835,430** | **–** | **127,835,430** | **-370,000** | **63.9** | **194.4** | **-13.2** |
| Purchase treasury shares | – | – | – | -40,000 | – | – | -1.6 |
| Sale treasury shares | – | – | – | 101,599 | – | – | 3.2 |
| Vested shares under equity-settled share-based payment arrangements | – | – | – | 118,401 | – | – | 3.6 |
| **Balance at 31 December 2017** | **127,835,430** | **–** | **127,835,430** | **-190,000** | **63.9** | **194.4** | **-8.0** |
| Vested shares under equity-settled share-based payment arrangements | – | – | – | 19,403 | – | – | 0.7 |
| **Balance at 31 December 2018** | **127,835,430** | **–** | **127,835,430** | **-170,597** | **63.9** | **194.4** | **-7.3** |

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### Capital management

Vopak is a capital-intensive company. Vopak's financing policy is directed at establishing and maintaining an optimal financing structure that takes due account of the current asset base and the current and future investment programs. Vopak seeks access to capital markets and flexibility at acceptable finance costs.

A solid capital structure supports Vopak's objective to create long-term shareholder value while meeting the agreed debt covenants (see note 5.5) and other requirements with its other capital providers. Vopak aims to maintain a healthy financial position through capital-disciplined investment decisions, effective working capital management, long-term funding and a balanced dividend policy and is continuously reviewing its capital structure options, including but not limited to equity(-linked) or other (debt) capital instruments, to effectively finance the future growth that Vopak aims for. The Group works actively to maintain and further develop the already established diversified funding base, with regard to the number of markets and the number of investors.

## Note 5.2 Other reserves

| In EUR millions | Translation reserve | Revaluation reserve derivatives | Revaluation reserve assets | Other reserves | Total other reserves |
|---|---|---|---|---|---|
| **Balance at 31 December 2016** | **14.8** | **-137.6** | **–** | **1.3** | **-121.5** |
| Exchange differences on net investments | -151.4 | – | – | – | -151.4 |
| Effective part of hedges of net investments | 73.2 | – | – | – | 73.2 |
| Tax effect on exchange differences and hedges | -6.0 | – | – | – | -6.0 |
| Use of exchange differences on net investments (to statement of income) | -1.5 | – | – | – | -1.5 |
| Movements in effective part of cash flow hedges | – | 6.1 | – | – | 6.1 |
| Tax effect on movements in cash flow hedges | – | -1.9 | – | – | -1.9 |
| Use of effective part of cash flow hedges (to statement of income) | – | -1.5 | – | – | -1.5 |
| Tax effect on use of cash flow hedges | – | 1.0 | – | – | 1.0 |
| Movements in effective part of cash flow hedges joint ventures | – | 14.2 | – | – | 14.2 |
| **Balance at 31 December 2017** | **-70.9** | **-119.7** | **–** | **1.3** | **-189.3** |
| Exchange differences on net investments | 14.7 | – | – | – | 14.7 |
| Effective part of hedges of net investments | -22.7 | – | – | – | -22.7 |
| Tax effect on exchange differences and hedges | 0.9 | – | – | – | 0.9 |
| Use of exchange differences on net investments (to statement of income) | 52.9 | – | – | – | 52.9 |
| Fair value change other investments | – | – | 9.4 | – | 9.4 |
| Movements in effective part of cash flow hedges | – | 22.8 | – | – | 22.8 |
| Tax effect on movements in cash flow hedges | – | -9.0 | – | – | -9.0 |
| Use of effective part of cash flow hedges (to statement of income) | – | -2.8 | – | – | -2.8 |
| Tax effect on use of cash flow hedges | – | 0.7 | – | – | 0.7 |
| Movements in effective part of cash flow hedges joint ventures | – | -2.1 | – | – | -2.1 |
| **Balance at 31 December 2018** | **-25.1** | **-110.1** | **9.4** | **1.3** | **-124.5** |

The translation reserve includes all exchange differences resulting from the translation of the financial statements of foreign entities. It also includes the exchange differences on liabilities and the effective currency component of fair value changes of derivative financial instruments (net of tax), to the extent that they hedge the net investments of the Group in foreign entities and hedge accounting is applied.

The Group has elected to recognize changes in the fair value of specific investments in equity securities in other comprehensive income. These changes are accumulated within the Revaluation reserve assets. Amounts are transferred from this reserve to retained earnings when the equity securities concerned are derecognized.

The revaluation reserve derivatives contains the effective part of the accumulated change in the fair value of the cash flow hedges, net of tax, in respect of which the hedged future transaction has not yet taken place. The table below provides an overview of the estimated maturity profile of the revaluation reserve derivatives.

| In EUR millions | 2019 | 2020 | 2021 | 2022 | 2023 | > 2023 | Total |
|---|---|---|---|---|---|---|---|
| Use of revaluation reserve derivatives | 225.9 | 158.1 | -9.1 | -10.9 | 21.2 | -275.1 | 110.1 |

## Note 5.3 Retained earnings

| In EUR millions | 2018 | 2017 |
|---|---|---|
| **Balance at 1 January** | **2,419.0** | **2,276.1** |
| Dividend paid in cash | -134.0 | -133.9 |
| Remeasurements of defined benefit plans | 15.5 | 45.4 |
| Measurement of equity-settled share-based payment arrangements | 2.0 | -0.4 |
| Vested shares under equity-settled share-based payment arrangements | -0.7 | -3.6 |
| Net profit attributable to owners of parent | 254.5 | 235.4 |
| **Balance at 31 December** | **2,556.3** | **2,419.0** |

Of the reserves, EUR 2,040.3 million (2017: EUR 1,889.4 million) can be distributed freely (see note 4 of the Company Financial Statements). The actual dividend paid in cash per ordinary share in 2018 was EUR 1.05 (2017: EUR 1.05).

For the proposed dividend per share, reference is made to the paragraph Profit Appropriation.

## Note 5.4 Non-controlling interests

| In EUR millions | 2018 | 2017 |
|---|---|---|
| **Balance at 1 January** | **155.9** | **159.3** |
| Net profit | 36.0 | 39.8 |
| Dividend paid in cash | -37.6 | -38.9 |
| Capital injection | 5.1 | 4.1 |
| Movements in effective part of cash flow hedges | 0.2 | – |
| Exchange differences | 1.9 | -8.4 |
| **Balance at 31 December** | **161.5** | **155.9** |

The Group has one subsidiary with a material non-controlling interest (NCI). The aggregated information of NCI and the information of the material subsidiary is shown in the table below.

| | NCI % | | Profit allocated to NCI (in EUR millions) | | Dividends paid to NCI (in EUR millions) | | Accumulated NCI (in EUR millions) | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 31-Dec-18 | 31-Dec-17 |
| **Total** | | | **36.0** | **39.8** | **37.6** | **38.9** | **161.5** | **155.9** |
| of which Vopak Terminals Singapore Pte. Ltd. | 30.5% | 30.5% | 32.4 | 38.1 | 35.1 | 34.3 | 115.4 | 115.0 |

The summarized financial information (at 100%) regarding Vopak Terminals Singapore Pte. Ltd. is as follows:

| In EUR millions | 31-Dec-18 | 31-Dec-17 |
|---|---|---|
| Total non-current assets | 559.6 | 541.4 |
| Cash and cash equivalents | 9.9 | 22.4 |
| Other current assets | 44.7 | 49.1 |
| **Total assets** | **614.2** | **612.9** |
| Current liabilities | 53.8 | 62.4 |
| Total non-current liabilities | 202.8 | 198.7 |
| **Total liabilities** | **256.6** | **261.1** |
| **Total net assets** | **357.6** | **351.8** |

| In EUR millions | 2018 | 2017 |
|---|---|---|
| Revenues | 242.2 | 264.2 |
| Net profit | 104.7 | 123.1 |
| Other comprehensive income | 9.3 | -21.0 |
| **Total comprehensive income** | **114.0** | **102.1** |
| Operating cash flow | 137.5 | 162.7 |
| Increase/decrease (-) in cash and cash equivalents | -12.5 | 1.0 |

BORROWINGS

## Note 5.5 Interest-bearing loans and net debt

### Accounting policies

Interest-bearing loans and borrowings are recognized initially at fair value net of directly attributable transaction costs. After initial recognition, these items are subsequently measured at amortized cost, applying the effective interest method unless the interest rate has been converted in a hedge relation from fixed into floating by means of a fair value hedge. In that case, the carrying amount is adjusted for the fair value changes caused by the hedged risk.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as pre-payment for liquidity services and amortized on a straight-line basis over the period of the facility to which it relates.

### Net debt reconciliation

| In EUR millions | Cash and cash equivalents | Short-term borrowings | Interest-bearing loans | Net interest-bearing debt |
|---|---|---|---|---|
| **Carrying amount at 31 December 2016** | **297.8** | **-0.3** | **-2,101.7** | **-1,804.2** |
| Cash flows | -190.5 | -79.7 | 328.1 | 57.9 |
| Other non-cash movements | – | – | -1.7 | -1.7 |
| Exchange differences | -4.4 | – | 218.5 | 214.1 |
| **Carrying amount at 31 December 2017** | **102.9** | **-80.0** | **-1,556.8** | **-1,533.9** |
| Cash flows | -47.3 | 21.0 | -200.0 | -226.3 |
| Other non-cash movements | -0.4 | – | -1.2 | -1.6 |
| Exchange differences | -0.6 | – | -62.6 | -63.2 |
| **Carrying amount at 31 December 2018** | **54.6** | **-59.0** | **-1,820.6** | **-1,825.0** |
| | | | | |
| Current assets | 77.5 | – | – | 77.5 |
| Non-current liabilities | – | – | -1,731.1 | -1,731.1 |
| Current liabilities | -22.9 | -59.0 | -89.5 | -171.4 |
| **Carrying amount at 31 December 2018** | **54.6** | **-59.0** | **-1,820.6** | **-1,825.0** |

During 2018, only regular planned repayments on the net interest-bearing debt took place.

In December 2017, the Group voluntarily prepaid the remaining USD 200 million (EUR 169.8 million) on the USPP 2007 loans (contractual maturity dates in 2019 and 2022), including a make-whole amount of EUR 17.2 million. The early repayment eliminated the most restrictive covenants of the corporate financing programs, positively impacting future financing expenses and further optimizing Vopak's long-term financial flexibility.

### Financial ratios reconciliation

To provide insight into how financial ratios for debt covenant purposes are calculated and on how these reconcile to the IFRS figures, a financial ratios reconciliation is provided in the table below:

| In EUR millions | Note | 2018 | 2017 |
|---|---|---|---|
| **EBITDA** | | **754.8** | **695.3** |
| -/- Result joint ventures and associates | | 113.9 | 111.3 |
| Gross dividend received from joint ventures and associates | | 84.1 | 90.5 |
| -/- Exceptional items | | 20.5 | -67.9 |
| **EBITDA for ratio calculation** | | **704.5** | **742.4** |
| | | | |
| **Net interest-bearing debt** | | **-1,825.0** | **-1,533.9** |
| Derivative financial instruments (currency) | | 67.5 | 25.9 |
| Credit replacement guarantees | 9.8, 9.9 | -84.2 | -91.6 |
| Cash equivalent investments | | – | 8.8 |
| -/- Subordinated loans | | -90.5 | -87.8 |
| **Senior net debt for ratio calculation** | | **-1,751.2** | **-1,503.0** |
| | | | |
| **Financial ratios** | | | |
| Senior net debt : EBITDA | | 2.49 | 2.02 |
| Interest cover [1] | | 8.5 | 6.4 |

1 Interest cover is the ratio of the EBITDA and the net finance costs.

With a Senior net debt : EBITDA ratio of 2.49 (2017: 2.02) and an interest cover ratio of 8.5 (2017: 6.4), Vopak met the applicable financial ratios as at 31 December 2018 comfortably.

## Average remaining maturities and main covenant ratios

At year-end 2018, the interest-bearing loans mainly consisted of unsecured Private Placements (PPs) in the US and Asian market, the Revolving credit facility of Royal Vopak as well as a bank loan and a credit facility of Vopak Terminal Singapore Pte Ltd. (VTS).

The USPPs consisted of various financing programs entered into in 2009 and 2012. For further details on currency and interest rate risks, reference is made to notes 6.3 and 6.4 and 9.9.

| | Interest-bearing loans | | | | | | |
|---|---|---|---|---|---|---|---|
| In EUR millions | USPPs | Asian PPs | VTS bank loan | RCFs | Other | Bank loans | Total |
| Non-current | 1,315.7 | 148.3 | 62.6 | 6.3 | 18.5 | – | 1,551.4 |
| Current | – | – | – | – | 5.4 | 80.0 | 85.4 |
| **Carrying amount at 31 December 2017** | **1,315.7** | **148.3** | **62.6** | **6.3** | **23.9** | **80.0** | **1,636.8** |
| Average remaining terms (in years) | 6.2 | 23.0 | 2.7 | 2.7 | 34.1 | – | 7.7 |
| Non-current | 1,273.8 | 158.4 | 63.9 | 205.1 | 29.9 | – | 1,731.1 |
| Current | 89.2 | – | – | – | 0.3 | 59.0 | 148.5 |
| **Carrying amount at 31 December 2018** | **1,363.0** | **158.4** | **63.9** | **205.1** | **30.2** | **59.0** | **1,879.6** |
| Average remaining terms (in years) | 5.2 | 22.0 | 1.7 | 4.4 | 32.0 | – | 6.6 |
| **Required ratios** | | | | | | | |
| Senior net debt : EBITDA (maximum) | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | |
| Interest cover (minimum) [1] | 3.50 | 3.50 | 3.50 | 3.50 | 3.50 | 3.50 | |

1 Interest cover is the ratio of the EBITDA and the net finance costs.

The Other category in the table above primarily comprises the financial lease liabilities of the Group. The fair value of the interest-bearing loans is disclosed in note 9.9.

## Change of control clauses

Certain lenders have the right to demand complete repayment of the outstanding amounts in case any person or any group of persons acting together, except for the shareholders with a shareholding of more than 5% as at the end of 2010, acquires control of more than 50% of the voting rights of Koninklijke Vopak N.V.

## Cash and cash equivalents

| In EUR millions | 31-Dec-18 | 31-Dec-17 |
|---|---|---|
| Cash and bank | 76.8 | 86.0 |
| Short-term deposits | 0.7 | 44.0 |
| **Total** | **77.5** | **130.0** |

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Cash and cash equivalents include all cash balances, short-term deposits and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of specific outstanding bank overdrafts when they are considered an integral part of the Group's cash management. The effective interest rate on short-term deposits at year-end 2018 was 0.0% (2017: 0.58%); these deposits have an average term of 0 days (2017: 76 days) and are subject to limited value changes.

The reconciliation with the Consolidated Cash Flow Statement and the net debt reconciliation is as follows:

| In EUR millions | 31-Dec-18 | 31-Dec-17 |
|---|---|---|
| Cash and cash equivalents | 77.5 | 130.0 |
| Bank overdrafts | -22.9 | -27.1 |
| **Total** | **54.6** | **102.9** |

The cash and cash equivalents were at the free disposal of the Group for the years presented.

## Note 5.6 Net finance costs

### Accounting policies

General and specific borrowing costs, including the cost of hedging, that are directly attributable to the acquisition or construction of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time (> 1 year) to get ready for their intended use or sale. Other borrowing costs are expensed in the period in which they are incurred.

Interest income from granted loans and dividends from other financial assets (over whose financial and operating policies the Group has no significant influence) are presented under Interest and dividend income. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Dividend income is recognized when the right to receive payment is established. All dividend income is related to dividends from equity investments held at FVOCI.

Finance costs consist primarily of interest, fair value gains/losses on derivatives not in a hedge relationship and exchange differences on loans drawn and of results on hedging instruments recognized in the statement of income. Interest expenses are recognized in the period to which they relate, taking into account the effective interest rate.

### Net finance costs

| In EUR millions | 2018 | 2017 |
|---|---|---|
| Interest income | 8.5 | 11.7 |
| Dividends on other financial assets | 0.9 | 0.9 |
| **Interest and dividend income** | **9.4** | **12.6** |
| Interest expense [1] | 90.0 | 101.4 |
| Capitalized interest | -14.6 | -2.6 |
| Interest component of provisions | 0.3 | 0.4 |
| Fair value movements of (part of) derivative financial instruments (no hedge accounting) | -51.7 | 118.3 |
| Exchange differences on underlying items [2] | 111.3 | -109.3 |
| Other | 6.7 | 26.4 |
| **Finance costs** | **142.0** | **134.6** |
| **Net finance costs** | **132.6** | **122.0** |

1 Interest expense includes the impact of interest rate derivatives that are part of a fair value hedge accounting relationship and/or the recycling of results from the cash flow hedge reserve.

2 Exchange differences on underlying items includes the impact of foreign currency derivatives that are part of a fair value hedge accounting relationship and/or the recycling of results from the cash flow hedge reserve.

***2018***
In 2018, the Group's net finance costs -excluding exceptional items- amounted to EUR 82.4 million, a decrease of EUR 16.1 million (-16%) compared to EUR 98.5 million in 2017. The main drivers of this decrease were the lower interest expenses due to debt repayments in the second half of 2017, together with higher capitalized interest expenditures in connection with construction projects, of which the majority will be commissioned during 2019.

The finance costs also include an exceptional loss for the amount of EUR 50.2 million related to the deconsolidation of the operations in Venezuela. This event led to recycling of historical unrealized currency translation losses from equity to the income statement. For more details, reference is made to note 3.1.

In 2018, capitalized interest during construction was subject to an average interest rate of 6.2% (2017: 5.9%).

***2017***
In 2017, a make-whole payment of EUR 17.2 million was recognized under the finance expenses relating to the voluntary early redemption of the USPP 2007 loan. This item was classified as an exceptional item.

Furthermore, the Group recognized a constructive obligation of EUR 6.3 million in 2017 in relation to the joint venture terminal Vopak SDIC Yangpu terminal in China, which was recognized under the provisions with a corresponding loss in the net finance expenses. This item was classified as an exceptional item. For more information, reference is made to note 3.7.

# Section 6 Financial risk management

As a global player in the capital-intensive tank terminal industry, the Vopak Group is exposed to a number of financial risks inherent in the nature of its operations. This section comprises the disclosures on the Group's financial risk management objectives and policies, as well as the Vopak Group's exposure to currency risk, interest rate risk, equity securities price risk, liquidity risk and credit risk together with the policies and procedures established to monitor and manage these risks.

In addition, a sensitivitiy analysis is also provided in this section detailing how these risks could affect the Group's future financial performance.

The following notes are presented in this section:
- 6.1 General
- 6.2 Derivatives and hedge accounting
- 6.3 Currency risk
- 6.4 Interest rate risk
- 6.5 Equity securities price risk
- 6.6 Credit risk
- 6.7 Liquidity risk

## Note 6.1 General

### Overview of financial risk management by the Group
The table below provides an overview of the financial risks to which the Group is exposed, where these financial risks are arising from and how these risks are measured and managed by the Group.

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| Note | Risk | Where is the risk exposure arising from | How is the risk exposure measured | How is the risk management by the Group |
|---|---|---|---|---|
| 6.3 | **Currency risk** (market risk) | • Recognized financial assets and liabilities denominated in a currency other than the functional currency of the entity concerned<br>• Future transactions<br>• Net investments in foreign operations | • Sensitivity analysis<br>• Cash flow forecasting | Primarily by use of forward exchange contracts, cross-currency interest rate swaps (CCIRSs).<br>Of the total interest-bearing debt denominated in another currency than the functional currency concerned, 100% was hedged by means of cash flow hedges per year-end 2018.<br>Of the total net investments in foreign currencies held by the Group in 66% was under a net investment hedge. |
| 6.4 | **Interest rate risk** (market risk) | • Net interest bearing debt at variable interest rates | • Sensitivity analysis<br>• Fixed-to-floating ratio | Use of interest rate swaps (IRSs) and cross-currency interest rate swaps (CCIRSs).<br>Per year-end 2018, taking into account the IRSs and CCIRSs, 85% of the total interest-bearing loans was financed at a fixed interest rate. |
| 6.5 | **Equity securities price risk** (market risk) | • Investments in equity securities | • Sensitivity analysis | The group has two equity investments which are measured at fair value through OCI. The total carrying value of these investments is immaterial. |
| 6.6 | **Credit risk** (customer and counterparty) | • Cash and cash equivalents<br>• Trade and other receivables<br>• Finance lease receivables<br>• Derivatives<br>• Loans granted<br>• Committed credit facilities | • Aging analysis<br>• Credit ratings<br>• Exposure per counterparty | • Operational receivables: relatively short payment periods, combined with in many instances a retention right on the stored product in connection with trade receivables.<br>• Loans granted relate to financing of Vopak network companies (joint ventures and associates).<br>• Spreading of liquidity investments across a select group of high rated financial institutions limiting undue exposure to one financial institution.<br>• During the years presented no material impairments were recognized on financial receivables. |
| 6.7 | **Liquidity risk** | Net interest bearing debt, other (current) liabilities and off-balance sheet commitments | • Long-term scenario planning<br>• Cash flow forecasts (incl. annual budget cycle) | Diversified funding and availability of committed and uncommitted credit facilities.<br>At year-end 2018 the Group had unused committed credit facilities of EUR 858.8 million. |

## Financial risk management

The Group is exposed to a number of financial risks inherent in its day-to-day operations. These risks are connected with the effects of movements in exchange rates and interest rates. The Group is also exposed to credit risk and liquidity risk.

Financial risk management, except for customer credit risk and operational working capital management, is controlled by Global Treasury, the central treasury department, based on policies approved by the Executive Board. Global Treasury identifies the financial risks and discusses these, together with the related hedge proposals, in detail with the CFO. The Executive Board provides written principles for overall risk management as well as written policies covering specific areas such as foreign exchange risk, interest risk, counterparty credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. Reports on risk and risk management are submitted on a regular basis.

Hedging alternatives are discussed by the Global Treasury and Global Control departments in close co-operation with the CFO prior to approval being requested from the Executive Board.

In order to control the risks attached to fluctuations in foreign currencies and interest rates, Vopak uses derivative financial instruments in accordance with a currency risk management policy approved by the Executive Board. This financial policy is designed to control the effects of such risks on cash flows, equity and results. Derivatives are used exclusively for hedging purposes and are not permitted to be used as trading or speculative instruments.

The areas involving the most significant financial risks are trade and other receivables, foreign currency exchange risk arising from future commercial transactions, recognized assets and liabilities and net investments in foreign operations, net finance costs resulting from fluctuations in market interest rates and liquidity risks.

Detailed information on the specific risk exposures is included in the relevant disclosure notes in this section.

The Group has not identified additional financial risk exposures in 2018 compared to the previous year. The approach to capital management and financial risk management activities remained unchanged compared to prior year. Reference is also made to note 5.1.

## Note 6.2 Derivatives and hedge accounting

In order to control the risks attached to fluctuations in foreign currencies and interest rates, Vopak uses derivative financial instruments in accordance with a financial policy approved by the Executive Board. This financial policy is designed to control the effects of such risks on cash flows, equity and results. Speculative positions are not allowed.

The main derivative financial instruments used by the Group are forward exchange contracts (Forwards), interest rate swaps (IRSs) and cross-currency interest rate swaps (CCIRSs).

Hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognizing interest expense at a fixed interest rate for the hedged loans, and removing the currency exposure from loans and receivables as well as purchases of property, plant and equipment at the fixed foreign currency rate for the hedged items.

### Accounting policies

Derivative financial instruments are recognized in the statement of financial position on the transaction date and measured at fair value. Changes in fair value are recognized in the statement of income unless hedge accounting is applied. With respect to hedge accounting, Vopak makes a distinction between fair value hedges, cash flow hedges and hedges of net investments in foreign operations.

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedging criteria, they are classified as 'held for trading' for accounting purposes.

At the inception of the hedging transaction, the Group formally designates and documents the economic relationship between eligible hedging instruments and hedged items to which it will apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

### *Fair value hedges*

The Group only applies fair value hedge accounting for hedging fixed-interest risk on loans drawn. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The gain or loss relating to the effective portion of the derivative is recognized in the income statement within Net finance costs, together with changes in the fair value of the hedged fixed-rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognized in profit or loss within Finance cost.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to the income statement over the period to maturity using a recalculated effective interest rate.

### *Cash flow hedges*

A cash flow hedge is applicable for those derivatives qualifying and designated as a hedge of the change in cash flows to be received or paid relating to a recognized asset or liability or a highly probable forecasted transaction. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and thus a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the dollar offset method to assess effectiveness.

The effective parts of changes in the fair value of derivative financial instruments are recognized in Other comprehensive income. Ineffectiveness on cash flow hedges is recognized where the cumulative change in the designated component value of the hedging instrument exceeds, on an absolute basis, the change in value of the hedged item attributable to the hedged risk.

The gain or loss as a result of ineffectiveness and the interest component that is a result of the time value of money in the valuation of the derivative financial instrument are recognized directly in the statement of income. This also applies to the credit risks on derivatives, unless the cumulative change in the fair value of the hedging instrument is lower than the hedged item.

Amounts accumulated in equity are reclassified to profit or loss at the same date as the hedged transaction affects profit or loss or if the hedged transaction is no longer probable. The effects are shown under Finance costs. If the established agreement or the foreseeable transaction that is hedged results in the recognition of a non-financial asset, the accumulated gains or losses previously deferred in equity are reclassified from equity and recognized in the initial recognition of the asset or liability.

If a hedging instrument or the hedge relationship is terminated but the hedged transaction is still expected to take place, the accumulated gains or losses will remain in equity at that time and will subsequently be recognized in the statement of income when the previously hedged transaction takes place.

### *Net investment hedges*

Net investments in foreign operations can be hedged (net investment hedge) by qualifying and designated derivative financial instruments or debt instruments denominated in foreign currency. Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in the translation reserve (equity component) via OCI to the extent that they relate to the hedging of net investments in foreign activities. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Reversal through the statement of income takes place proportionately if all or part of the underlying position is sold. The ineffective part and the interest component are recognized directly in the statement of income.

### *Derivatives that do not qualify for hedge accounting*

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in the income statement and are included in the Finance costs. This mainly comprises derivatives that are used to hedge the foreign currency risk on intra-group positions. Although the derivatives have not been designated in a hedge relationship, they act as an economic hedge and will offset the underlying transactions when they occur.

### Key accounting estimates and judgments

The fair value of a derivative financial instrument not traded on active markets is measured as the present value of the expected future cash flows under the contract (level 2 fair value). In determining this value, a valuation model is used that is based on the interest rates and the exchange rates as at the end of the reporting period. Reference is made to note 9.9 for more information.

## Reconciliation of derivative financial instruments

| | | 31 December 2018 | | | 31 December 2017 | | |
|---|---|---|---|---|---|---|---|
| In EUR millions | Note | Assets | Liabilities | Total | Assets | Liabilities | Total |
| Currency part derivative financial instruments | 6.3 | 84.7 | 15.1 | 69.6 | 54.0 | 40.9 | 13.1 |
| Interest part derivative financial instruments | 6.4 | – | 59.9 | -59.9 | – | 93.4 | -93.4 |
| **Total derivative financial instruments** | | **84.7** | **75.0** | **9.7** | **54.0** | **134.3** | **-80.3** |
| Offsetting | | -32.9 | -32.9 | – | -35.0 | -35.0 | – |
| **Total** | | **51.8** | **42.1** | **9.7** | **19.0** | **99.3** | **-80.3** |
| Non-current | | 23.4 | 19.5 | 3.9 | 16.3 | 83.8 | -67.5 |
| Current | | 28.4 | 22.6 | 5.8 | 2.7 | 15.5 | -12.8 |
| **Total** | | **51.8** | **42.1** | **9.7** | **19.0** | **99.3** | **-80.3** |

The next table shows the effects of combining the currency part of the derivative financial instruments (see note 6.3) and the interest part of the derivative financial instruments (see note 6.4) as well as the offsetting applied on the individual contractual positions and a reconciliation to the Consolidated statement of financial position.

The table below shows the movements tn the Group's total derivative portfolio for the year.

| In EUR millions | Note | Forwards | Swaps | Others | Total |
|---|---|---|---|---|---|
| **Carrying amount at 31 December 2017** | | **-12.8** | **-67.5** | **–** | **-80.3** |
| Settlement of derivatives | 2.9 | 3.6 | 19.5 | – | 23.1 |
| Effective part of hedges of net investments to other comprehensive income | 5.2 | -4.8 | – | – | -4.8 |
| Effective part of cash flow hedges to other comprehensive Income | 5.2 | – | 22.8 | – | 22.8 |
| Ineffective part of cash flow hedges to income statement | | – | -2.8 | – | -2.8 |
| Fair value movement of derivatives not in a hedge relationship | 5.6 | 51.7 | – | – | 51.7 |
| **Carrying amount at 31 December 2018** | | **37.7** | **-28.0** | **–** | **9.7** |

For an overview of the movements in the hedging reserve in shareholders' equity, reference is made to note 5.2.

## Note 6.3 Currency risk

The Group is exposed to foreign currency exchange risks. These arise mainly from the US dollar (USD) and Singapore dollar (SGD). Foreign currency exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The primary objective of the currency risk management policy is to protect Vopak against fluctuations in the value of the assets, liabilities and expected cash flows caused by changes in currency exchange rates. Account is taken of future cash flows from investments and disposals as well as cash flows from operating and financing activities. Each quarter, currency risks are identified and the hedging strategy is reviewed and subsequently presented to the Executive Board for approval. The main derivative financial instruments used by the Group to hedge currency risks are forward exchange contracts and cross-currency interest rate swaps (CCIRSs).

The table below provides an overview of the items of the interest-bearing loans that are denominated in a foreign currency.

| | Local currency | | Euro | |
|---|---|---|---|---|
| In millions | 2018 | 2017 | 2018 | 2017 |
| Euro (EUR) | 274.1 | 72.8 | 274.1 | 72.8 |
| US dollar (USD) | 1,444.6 | 1,444.7 | 1,258.0 | 1,204.3 |
| Pound sterling (GBP) | 35.0 | 35.0 | 38.8 | 39.4 |
| Canadian dollar (CAD) | 25.0 | 25.0 | 16.0 | 16.7 |
| Singapore dollar (SGD) | 108.0 | 110.0 | 69.0 | 68.9 |
| Japanese yen (JPY) | 20,000.0 | 20,000.0 | 158.4 | 148.3 |
| India Rupee (INR) | 500.0 | 493.4 | 6.3 | 6.4 |
| **Total** | | | **1,820.6** | **1,556.8** |

### Currency risk arising from operating activities

The risks associated with commercial transaction positions arising from operating activities are limited for Vopak, as operating income and operating expenses are, as a rule, largely denominated in the same currency. However, in some countries (in particular, in Latin America), a substantial portion of the income flow is in US dollars whereas the operating expenses are denominated in local currencies. In these countries, the aim is to hedge the transaction risk naturally. Any material net transaction position can be hedged in full by means of forward exchange contracts.

### Intra-group financing

All intra-group long-term financing is provided by Vopak's Global Treasury function which acts as an in-house bank. In principle, all intra-group financing is denominated in the functional currency of the local entity concerned. This set-up exposes the Vopak Group to foreign currency risk for long-term intra-group positions which are not part of a net-investment. Following the Group's currency risk management policy this currency risk is fully hedged by means of derivatives where possible. The derivatives used to hedge this position are not included in a hedge relationship, movements in the fair value of these derivatives are directly recognized in the income statement. The timing of these fair value movements coincides with the timing of the recognition of the foreign currency gains/losses on the intra-group loans and receivables denominated in a currency other than the Euro, which are effectively offset.

### Currency risk arising from the investments in foreign operations
Net investment in foreign activities are hedged by loans in the same currency and/or forward exchange contracts, while applying net investment hedge accounting. The amount of the hedge is determined mainly by limiting the maximum net exposure per currency taking into account a maximum impact on the total net investment position.

### Currency risk arising from net-debt position
Due to the Private Placements and other net-debt items in foreign currency, the Group is exposed to currency risk. It is the Group's policy to hedge this exposure to leave the Group with no material risks by making use of foreign currency contracts, cross-currency swaps and natural hedges (net investment hedges). All currency hedges for 2018 and 2017 were highly effective.

The effects of the foreign currency related hedging instruments on the Group's financial position and financial results are shown in the table below:

| | | Carrying amount | | | | | |
|---|---|---|---|---|---|---|---|
| In EUR millions | Maturity | Assets [1] | Liabilities [1] | Notional amount | Hedge ratio | Change in value of hedged item | Ineffectiveness recognized in income statement |
| **31 December 2017** | | | | | | | |
| Forward foreign currency contracts [2] | < 1 year | 0.6 | 0.8 | 340.3 | 100% | 1.9 | – |
| **Total net investment hedges** | | **0.6** | **0.8** | **340.3** | **100%** | **1.9** | |
| Forward foreign currency contracts | < 1 year | 2.1 | 14.7 | 435.0 | 100% | -4.4 | – |
| Cross currency swaps [3] | < 1 year | – | – | – | 100% | -45.6 | – |
| Cross currency swaps [3] | 1-5 years | 34.6 | – | 385.0 | 100% | -55.8 | 1.5 |
| Cross currency swaps [3] | > 5 years | 16.7 | 25.4 | 346.3 | 100% | -5.4 | – |
| **Total cash flow hedges** | | **53.4** | **40.1** | **1,166.3** | **100%** | **-111.2** | **1.5** |
| **Total derivative financial instruments** | | **54.0** | **40.9** | **1,506.6** | **100%** | **-109.3** | **1.5** |
| **31 December 2018** | | | | | | | |
| Forward foreign currency contracts [2] | < 1 year | 1.3 | 0.3 | 234.0 | 100% | 0.8 | – |
| **Total net investment hedges** | | **1.3** | **0.3** | **234.0** | **100%** | **0.8** | |
| Forward foreign currency contracts | < 1 year | 3.8 | 2.8 | 688.4 | 100% | 12.2 | – |
| Cross currency swaps [3] | < 1 year | 28.1 | 6.0 | 266.9 | 100% | 29.3 | – |
| Cross currency swaps [3] | 1-5 years | 51.5 | 6.0 | 418.8 | 100% | 38.6 | 2.8 |
| Cross currency swaps [3] | > 5 years | – | – | – | 100% | 7.2 | – |
| **Total cash flow hedges** | | **83.4** | **14.8** | **1,374.1** | **100%** | **87.3** | **2.8** |
| **Total derivative financial instruments** | | **84.7** | **15.1** | **1,608.1** | **100%** | **88.1** | **2.8** |

1 At fair value.
2 Foreign currency forwards accounted for as hedges on net investments.
3 Cross currency swaps accounted for as cash flow hedges are used to hedge currency (2018: USD 771 million and JPY 10 billion; 2017: USD 771 million and JPY 15 billion) on fixed debt denominated in foreign currency.

The total nominal amount of net investments (hedged items) included in a net investment hedge relationship amounted to EUR 1.206.5 million as at year-end 2018 (2017: EUR 1,234.8 million). Of this amount EUR 535.1 million (2017: EUR 397.3 million) was hedged via foreign currency interest bearing debt and EUR 671.1 million (2017: EUR 837.5 million) via derivatives. Also taking into account the investment in EUR entities, the total unhedged position amounted to EUR 1,176.6 million or 35% (2017: EUR 954.5 million or 30%).

Reference is made to note 6.2 for a reconciliation between the amounts presented in the table above and the amounts recognized in the Consolidated Statement of Financial Position.

For all cash flow hedges related to currency risk, a loss of EUR 110.1 million, net of tax was recognized in equity via OCI up to 31 December 2018 (2017: loss of EUR 119.7 million) (see note 5.2).

## Currency translation risk

Furthermore, a foreign currency translation risk results from investments in foreign operations of which the net assets are exposed to foreign currency translation risk. The Group result is also impacted by translating the results of these foreign currency operations. This non-economic currency risk is caused by the accounting conventions applied for translating the net assets and results of foreign operations to the presentation currency of the Group, which is the euro. For more information, reference is made to note 2.8.

### *Sensitivity of exchange rate changes of financial instruments on net profit and equity*

The value of debt and hedging instruments denominated in currencies other than the functional currency of the entities holding them is subject to exchange rate movements. The sensitivity analysis for the main currencies and their positions at 31 December 2018 and 31 December 2017 shows how changes in exchange rates by 10% affect net profit and equity, while taking into account the effect of the use of derivatives and the hedge accounting applied.

| | Depreciation [1] | | Appreciation [1] | |
|---|---|---|---|---|
| In EUR millions | Net profit | Equity | Net profit | Equity |
| **31 December 2017** | | | | |
| USD | -0.7 | -22.4 | 0.8 | 27.4 |
| SGD | – | -5.2 | – | 6.4 |
| CNY | -0.4 | -29.0 | 0.5 | 35.4 |
| BRL | -0.1 | -7.4 | 0.1 | 9.0 |
| JPY | – | -5.2 | – | 6.4 |
| **Total effect** | **-1.2** | **-69.2** | **1.4** | **84.6** |
| **31 December 2018** | | | | |
| USD | -0.9 | -27.6 | 1.1 | 33.7 |
| SGD | 0.4 | -27.5 | -0.5 | 33.6 |
| CNY | – | -25.3 | -0.1 | 31.0 |
| BRL | – | -7.6 | 0.1 | 9.2 |
| JPY | – | -3.7 | – | 4.5 |
| **Total effect** | **-0.5** | **-91.7** | **0.6** | **112.0** |

1 Foreign currency against the euro.

## Note 6.4 Interest rate risk

Vopak's policy on interest rate risks aims to control the interest expenses resulting from fluctuations in the financial market interest rates, to protect the projected gross result of Vopak and taking into account the long-term profile of the company. Fixed-rate debt exposes the Group to fair value risk. Floating-rate debt exposes the Group to cash flow risk. The specification of the total interest-bearing loans is disclosed in note 5.5. It is Vopak's long-term policy to manage its interest exposure to an acceptable level of fixed/floating to optimize net finance expenses and reduce volatility on the net result within the bandwidth of the interest related financial covenants.

Interest rate swaps are used in order to minimize the interest rate risks associated with the financing of the Group and at the same time optimize the net interest costs. Interest rate risks are identified and possible hedges considered when obtaining or providing new financing.

As at 31 December 2018, taking into account the interest rate swaps, 85% (2017 94%) of the total interest-bearing loans and bank loans of EUR 1,879.6 million (2017: EUR 1,636.8 million) was financed at a fixed interest rate with remaining terms of up to twenty-one years (2017: 22 years).

All interest rate swaps were highly effective hedging instruments in 2018 and 2017. The average fixed interest and the average floating interest on the interest-bearing loans and bank loans at 31 December 2018 were 4.1% (2017: 4.4%) and 0.7% (2017: 0.8%) respectively. The following statement provides insight into the interest repricing calendar for the interest-bearing loans and the bank loans at the statement of the financial position date, while taking into account the effects of the derivatives and the hedge accounting applied.

| | 31 December 2018 | | | 31 December 2017 | | |
|---|---|---|---|---|---|---|
| In EUR millions | Floating | Fixed | Total | Floating | Fixed | Total |
| < 1 year | -59.0 | -89.5 | -148.5 | -85.4 | – | -85.4 |
| 1-2 years | -5.1 | -242.4 | -247.5 | – | -86.9 | -86.9 |
| 2-3 years | – | -131.1 | -131.1 | -6.3 | -232.9 | -239.2 |
| 3-4 years | – | -0.3 | -0.3 | – | -125.1 | -125.1 |
| 4-5 years | -206.3 | -263.6 | -469.9 | – | – | – |
| > 5 years | – | -882.3 | -882.3 | – | -1,100.2 | -1,100.2 |
| **Total [1]** | **-270.4** | **-1,609.2** | **-1,879.6** | **-91.7** | **-1,545.1** | **-1,636.8** |

1 Of which currency component derivatives amounts to EUR 151.1 million (2017: EUR 26.0 million).

The effects of the foreign interest rate related hedging instruments on the Group's financial position and financial results are shown in the table below:

| | | Carrying amount | | | | | | |
|---|---|---|---|---|---|---|---|---|
| In EUR millions | Maturity | Assets [1] | Liabilities [1] | Notional amount | Hedge Ratio | Change in value of hedged item | Ineffectiveness recognized in income statement | Weighted average hedged rate for the year |
| **31 December 2017** | | | | | | | | |
| Cross currency interest rate swaps [2] | < 1 year | – | – | – | 100% | -45.6 | – | 6% |
| Cross currency interest rate swaps [2] | 1-5 years | – | 18.3 | 385.0 | 100% | -55.8 | 1.5 | 4% |
| Cross currency interest rate swaps [2] | > 5 years | – | 75.1 | 346.3 | 100% | -5.4 | – | 4% |
| **Total cash flow hedges** | | **–** | **93.4** | **731.3** | **100%** | **-106.8** | **1.5** | **4%** |
| **Total derivative financial instruments** | | **–** | **93.4** | **731.3** | **100%** | **-106.8** | **1.5** | **4%** |
| **31 December 2018** | | | | | | | | |
| Cross currency interest rate swaps [2] | < 1 year | – | 18.3 | 266.9 | 100% | 29.3 | – | 4% |
| Cross currency interest rate swaps [2] | 1-5 years | – | 41.6 | 418.8 | 100% | 38.6 | 2.8 | 4% |
| Cross currency interest rate swaps [2] | > 5 years | – | – | – | 0% | 7.2 | – | 0% |
| **Total cash flow hedges** | | **–** | **59.9** | **685.7** | **100%** | **75.1** | **2.8** | **4%** |
| **Total derivative financial instruments** | | **–** | **59.9** | **685.7** | **100%** | **75.1** | **2.8** | **4%** |

1 At fair value.
2 Cross currency swaps accounted for as cash flow hedges are used to hedge future cash flow interest rate risks (2018: USD 771 million and JPY 10 billion; 2017: USD 771 million and JPY 15 billion) on fixed debt denominated in foreign currency.

Reference is made to note 6.2 for a reconciliation between the amounts presented in the table above and the amounts recognized in the Consolidated Statement of Financial Position.

For all cash flow hedges related to interest rate risk, a loss of EUR 110.1 million, net of tax was recognized in equity via OCI up to 31 December 2018 (2017: loss of EUR 119.7 million) (see note 5.2).

### *Sensitivity to changes in market interest rates*

The sensitivity analysis shows how changes in market interest rates affect net profit and equity, while taking into account the effects of the derivatives and the hedge accounting applied and assuming that all other variables remain constant. Due to the volatility of market interest rates, Vopak has used a fixed percentage of 25% as a reasonable change at year-end 2018 and year-end 2017.

| | | Increase 25% | | Decrease 25% | |
|---|---|---|---|---|---|
| In EUR millions | Closing level 3-month | Net profit | Equity [1] | Net profit | Equity [1] |
| **31 December 2017** | | | | | |
| EUR | -0.35% | -0.1 | 18.0 | 0.1 | -14.7 |
| USD | 1.43% | – | -8.8 | – | 10.9 |
| SGD | 1.15% | 0.5 | 1.8 | -0.5 | -1.8 |
| JPY | -0.05% | – | -3.9 | – | 4.2 |
| **Total effect** | | **0.4** | **7.1** | **-0.4** | **-1.4** |
| **31 December 2018** | | | | | |
| EUR | -0.31% | -0.4 | 9.7 | 0.3 | -10.1 |
| USD | 2.81% | – | -1.1 | – | 1.7 |
| SGD | 1.92% | 0.5 | 1.4 | -0.5 | -1.4 |
| JPY | -0.07% | – | -2.4 | – | 2.5 |
| **Total effect** | | **0.1** | **7.6** | **-0.2** | **-7.3** |

1 Revaluation reserve derivatives through Other comprehensive income.

## Note 6.5 Equity securities price risk

### Accounting policies

Equity investments that are not classified as a subsidiary, joint venture or associate are measured at fair value (level 3). Gains and losses on these investments will either be recorded in the Income statement or Other comprehensive income, depending on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The fair value is based on the discounted cash flow approach.

Where the Group has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the income statement following the divestment of equity investment. Dividends from equity investments are recognized in the income statement as Interest and dividend income when the Group's right to receive payments is established.

The Group has two equity investments, namely in SabTank (Saudi Arabia) and Vopak Venezuela. The total amount of equity investments was small and amounted to EUR 11.2 million at year-end 2018 (2017: EUR 0.9 million). The Group elected to measure both investments at fair value through Other comprehensive income as these entities are part of the Vopak network, provide storage and handling (related services) and are not held for trading.

## Note 6.6 Credit risk

Credit risk arises when a customer or other counterparty of a financial instrument fails to discharge its contractual obligation.

Vopak's credit risk arises primarily from loans granted, trade and other receivables, cash and cash equivalents, and derivative financial instruments. Vopak's maximum exposure to credit risks is the carrying amount of these financial assets, amounting to EUR 443.3 million (2017: EUR 431.3 million), and the credit replacing guarantees amounting to EUR 84.2 million (2017: EUR 91.6 million). Of this amount, nil was recognized in the statement of financial position at year-end 2018 (2017: EUR 0.1 million).

No loans were granted to joint ventures and associates at year-end 2018. Loans to other third parties are generally secured.

For more information on the credit risk of the trade receivables, reference is made to note 4.2.

## Risk management

The credit risk with regard to trade receivables and lease receivables from customers is limited as the value of the product stored for these clients usually exceeds the value of the receivables and Vopak generally has the right of retention although other claims may have priority ranking over the right of retention in a bankruptcy case. Vopak constantly monitors the outstanding receivables and the value of the stored products. See note 4.2 for further details.

Vopak has spread its cash and cash equivalents and other liquidity investments across a select group of high rated financial institutions while daily limiting the cash and cash equivalents within the Group and assessing the exposure to each financial institution. Vopak applies credit limits per institution, depending on their credit ratings and credit default swap spread, and regularly reviews these limits. These treasury activities are concluded with financial institutions that have at least an A- Standard & Poor's credit rating. At 31 December 2018, the maximum risk in the event of the default of a single financial institution amounted to EUR 29.3 million (2017: EUR 38.7 million).

The derivative financial instruments will be settled on a gross basis. The credit risk of derivative financial instruments with a positive value is mitigated by ISDA Master Agreements with counterparties, which have the option to settle all gross amounts on a net basis in the event of a default of the counterparty, and by setting qualitative and financial limits for the derivative counterparties. For JPY CCIRSs, which have an initial maturity of 30 years, break clauses are applicable to reduce the credit risk to a period shorter than 10 years. The Group maintains a control system that includes the authorization, reporting and monitoring of derivative activities including the Credit Default Swaps developments of counterparties observed on the secondary market. Vopak believes there are no material credit risks to the Group's financial position. At year-end 2018, the derivatives with a counterparty credit risk amounted to EUR 8.4 million (2017: EUR 19.0 million).

Assessing the financial positions of customers and other counterparties is part of the Group's credit risk management and tendering process; however, this cannot exclude all credit risk.

# Note 6.7 Liquidity risk

The primary objective of liquidity management is providing sufficient cash and cash equivalents at all times to enable Vopak to meet its payment obligations.

## Cash management

The liquidity requirements are monitored continuously and funding is planned in such a way as to avoid excessive short-term financing needs. The long-term liquidity risk is assessed prior to every major investment obligation. Active cash management is a daily responsibility and the liquidity requirements are identified each quarter based on thorough scenario planning. Surplus cash is invested, if available, in interest-bearing current accounts and deposit accounts.

Vopak's Global Treasury function acts as an in-house bank that allocates funds internally, which are raised centrally, within the Group. Surplus cash held by the operating entities over and above balances required for working capital management is transferred to Global Treasury and operating companies are normally funded by a combination of equity and inter-company loans. Exceptions to this are the bank loan of EUR 63.9 million (SGD 100 million), drawdowns under the revolving credit facilities of EUR 5.1 million (SGD 8 million) of Vopak Terminals Singapore Pte. Ltd. and the bank loan of EUR 6.3 million (INR 500 million) of our terminal in India which have been raised locally.

Joint ventures and associates, where possible, are normally funded optimally with external debt on a non-recourse basis for Vopak, taking into account local circumstances and contractual obligations. Reference is made to note 9.8 for more information with regard to commitments and guarantees provided to joint ventures and associates.

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## Available credit facilities

At year-end 2018, the company had two revolving credit facilities (RCFs) which provide flexibility to finance Vopak´s long-term growth strategy.

| | | 31 December 2018 | | | 31 December 2017 | | |
|---|---|---|---|---|---|---|---|
| In EUR millions | Maturity | Total facility [1] | Used | Unused | Total facility [1] | Used | Unused |
| Royal Vopak - Revolving credit facility | < 5 years | 1,000.0 | 200.0 | 800.0 | 1,000.0 | – | 1,000.0 |
| VTS - Revolving credit facility | < 3 years | 63.9 | 5.1 | 58.8 | 62.6 | 6.3 | 56.3 |
| **Total committed facilities** | | **1,063.9** | **205.1** | **858.8** | **1,062.6** | **6.3** | **1,056.3** |
| Royal Vopak - Bank loan facility | < 1 year | 230.0 | 59.5 | 170.5 | 230.0 | 80.0 | 150.0 |
| **Total uncommitted facilities** | | **230.0** | **59.5** | **170.5** | **230.0** | **80.0** | **150.0** |
| **Total facilities** | | **1,293.9** | **264.6** | **1,029.3** | **1,292.6** | **86.3** | **1,206.3** |

1 At nominal value.

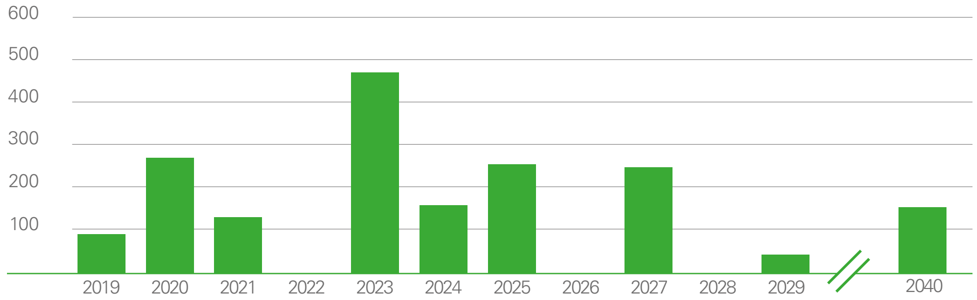
On 1 June 2018, Vopak reached agreement with all 15 lenders of the EUR 1 billion senior unsecured multicurrency revolving credit facility regarding a second extension of the facility. The maturity date has been extended until 1 June 2023. This facility was utilized for the amount of EUR 200 million at year-end 2018 (2017: fully unutilized).

At 31 December 2018, the Group also had unused lines of credit of EUR 170.5 million (2017: EUR 150.0 million) that are available to meet short-term liquidity needs. There are no significant restrictions on the use of these facilities.

## Maturity analysis

The graph below provides an overview of the repayment profile of the Group's interest-bearing loans based on the contractual undiscounted cash flows.

**Repayment Schedule Long-Term Debt**



The table below analyzes the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity categories based on the remaining period at the end of the reporting period to the contractual maturity date. Derivative financial instruments are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The table also analyzes the maturity profile of financial assets in order to provide a complete overview of the contractual commitments and liquidity. The amounts disclosed in the table are the contractual undiscounted cash flows. The financial guarantees and securities issued (see note 9.8) are included for their full amount and it is assumed for disclosure purposes that these can be called within one year.

| | < 1 year | | 1-2 years | | 2-5 years | | > 5 years | |
|---|---|---|---|---|---|---|---|---|
| In EUR millions - at 31 December | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Cash and cash equivalents | 77.5 | 130.0 | – | – | – | – | – | – |
| Trade and other receivables | 288.9 | 253.7 | – | – | – | – | – | – |
| Loans to joint ventures and associates | – | – | – | – | – | – | 2.0 | 2.0 |
| Other loans | – | 8.8 | – | – | – | – | 23.1 | 17.8 |
| Finance lease receivable | 4.8 | 5.0 | 5.0 | 5.1 | 21.2 | 21.9 | 57.7 | 66.8 |
| **Total undiscounted financial assets (excluding gross settled derivatives)** | **371.2** | **397.5** | **5.0** | **5.1** | **21.2** | **21.9** | **82.8** | **86.6** |
| Bank overdrafts | 22.9 | 27.1 | – | – | – | – | – | – |
| Redemption of interest-bearing loans | 89.5 | 5.4 | 245.9 | 86.9 | 599.7 | 364.3 | 884.2 | 1,100.2 |
| Short-term borrowings | 59.0 | 80.0 | – | – | – | – | – | – |
| Interest payments | 70.2 | 66.9 | 60.8 | 66.7 | 145.3 | 153.4 | 153.5 | 142.0 |
| Interest rate swaps | 6.0 | 0.4 | 3.2 | 0.7 | 6.9 | 8.7 | – | 76.6 |
| Trade and other creditors (excluding non-financial instruments) | 177.4 | 149.4 | – | – | – | – | – | – |
| **Total undiscounted financial liabilities (excluding gross settled derivatives)** | **425.0** | **329.2** | **309.9** | **154.3** | **751.9** | **526.4** | **1,037.7** | **1,318.8** |
| Derivative financial instruments outflow | -266.9 | – | -209.2 | -221.4 | -209.6 | -163.7 | – | -346.3 |
| Derivative financial instruments inflow | 288.9 | – | 228.1 | 239.0 | 236.1 | 180.7 | – | 337.6 |
| **Total undiscounted gross settled derivatives** | **22.0** | **–** | **18.9** | **17.6** | **26.5** | **17.0** | **–** | **-8.7** |
| Financial guarantees and securities issued | 176.2 | 206.9 | – | – | – | – | – | – |
| **Total financial guarantees and securities** | **176.2** | **206.9** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Liquidity movements** | **-208.0** | **-138.6** | **-286.0** | **-131.6** | **-704.2** | **-487.5** | **-954.9** | **-1,240.9** |

# Section 7 Governance

This section comprises notes related to the Governance of the company, including Board Remuneration, External Auditor fees and transactions with related parties.

The following notes are presented in this section:
- 7.1 Remuneration of Board members
- 7.2 Long-term incentive plans (LTIPs)
- 7.3 Related parties
- 7.4 Fees paid to auditors appointed at the Annual General Meeting.

## Note 7.1 Remuneration of Board members

Reference is made to the section of the remuneration report for information regarding the remuneration and related costs of the Supervisory Board members and the Executive Board members.

## Note 7.2 Long-term incentive plans (LTIPs)

At year-end 2018, as in prior year, the Group operated three Long-Term Share Plans (LTSPs) and Long-Term Cash Plans (LTCPs). For the Executive Board, all share-based payment plans are 100% equity-settled. As an exception, the LTSP 2016-2018 and the LTSP 2017-2019 were amended into fully cash-settled for the former Executive Board member Jack de Kreij in accordance with the plan rules, following his decision and announcement to step down early 2018.

For eligible senior management, the LTSPs consist of equity-settled share-based compensation plans, with the exception of the LTSP 2016-2018 which is 50% equity-settled and 50% cash-settled.

The LTCPs are other long-term remuneration plans settled in cash. The periods to which the plans relate are presented below:
- LTSP and LTCP 2016-2018
- LTSP and LTCP 2017-2019
- LTSP and LTCP 2018-2020

The LTSP and LTCP 2015-2017 were vested and settled during 2018.

### Accounting policies

#### *Share-based compensation*

The fair value of equity-settled share-based compensation plans is determined at the date of granting and expensed in the statement of income based on the Group's estimate of the shares that will eventually vest over the period in which the service is rendered (vesting period) with a corresponding adjustment directly in equity. The fair value of cash-settled share-based compensation plans is determined at the date of granting and is remeasured at each reporting date until the liability is settled and is recognized over the vesting period as an expense to the extent to which participants have rendered services to date.

Generally, the compensation cost is recognized on a straight-line basis over the vesting period. The amounts expensed are adjusted over the vesting period for changes in the estimate of the number of shares and the equivalent in cash that will eventually vest. Adjustments are made at the end of each reporting period to reflect expected and actual forfeitures during the vesting period due to the failure to satisfy service conditions or non-market performance conditions, such as profitability growth targets and remaining an employee of the Group over a specified time period.

An equity-settled share-based payment award with a net settlement feature for withholding tax obligations is treated as equity-settled in its entirety.

#### *Other long-term remuneration*

Long-term remuneration settled in cash that depends on the development of the earnings per ordinary share (EPS) during a period of three years is allocated to these years based on the latest estimates of the EPS. Liabilities are remeasured at the end of each reporting period.

## Costs of long-term incentive plans

| In EUR thousands | LTSP 2018 equity-settled | LTSP 2017 equity-settled | LTSP 2017 cash-settled [1] | LTSP 2016 equity-settled | LTSP 2016 cash-settled [1] | Cash Plan | Total 2018 | Total 2017 [2] |
|---|---|---|---|---|---|---|---|---|
| E.M. Hoekstra | 120.0 | 48.8 | NA | 334.9 | NA | NA | 503.7 | -237.0 |
| F. Eulderink | 76.8 | 31.2 | NA | 208.3 | NA | NA | 316.3 | -148.3 |
| G.B. Paulides | 69.6 | NA | NA | NA | NA | NA | 69.6 | NA |
| **Members Executive Board** | **266.4** | **80.0** | **NA** | **543.2** | **NA** | **NA** | **889.6** | **-385.3** |
| J.P. de Kreij (retired) | NA | NA | -31.2 | NA | 190.7 | NA | 159.5 | -78.3 |
| **Former members Executive Board** | **NA** | **NA** | **-31.2** | **NA** | **190.7** | **NA** | **159.5** | **-78.3** |
| Eligible senior management | 415.3 | 155.7 | -5.6 | 585.0 | 599.4 | 1,236.3 | 2,986.1 | -1,422.7 |
| **Total** | **681.7** | **235.7** | **-36.8** | **1,128.2** | **790.1** | **1,236.3** | **4,035.2** | **-1,886.3** |

1 The total carrying amount of liabilities for cash-settled share-based payment at 31 December 2018 was EUR 1.0 million (31 December 2017: EUR 1.0 million).
2 Negative costs of LTIPs related to accounting remeasurement caused by a change in the estimated vesting percentages.

Gerard Paulides was appointed as Chief Financial Officer and member of the Executive Board for a period of four years, effective 1 February 2018. The LTSP 2018-2020 is the first plan in which he participates.

For the former Executive Board member Jack de Kreij, the service period for the LTSP 2016-2018 and the LTSP 2017-2019 ended on 31 January 2018 due to his resignation. The costs of these LTSPs were recognized in the income statement on a pro-rata basis from the start of the service period to the end of the service period in January 2018.

For more information on the remuneration policy and the remuneration of the Executive Board members and the Supervisory Board members, reference is made to the remuneration report as included in the Governance and compliance chapter.

### *Long-Term Share Plans*

The current LTSPs reward participants for the increase in Vopak's Earnings per Share (EPS) performance during the three-year performance period, respectively from start date of the plan to the end date of the plan (either 2016-2018, 2017-2019 or 2018-2020), at pre-set EPS targets. If a considerable, ambitious improvement in the EPS has been achieved during the three-year performance period, a long-term remuneration will be awarded based on a percentage of their (average) annual salaries for all plans that are active.

The incentive ranges that apply to the various plans for the different groups of participants are presented in the following table.

| Incentive opportunities | LTSP 2018 [1] | LTSP 2017 [1] | LTSP 2016 [1] |
|---|---|---|---|
| E.M. Hoekstra | 0% to 150% | 0% to 150% | 0% to 135% |
| F. Eulderink | 0% to 120% | 0% to 120% | 0% to 105% |
| G.B. Paulides | 0% to 120% | NA | NA |
| J.P. de Kreij (retired) | NA | 0% to 120% | 0% to 105% |
| Eligible senior management | 0% to 60% / 0% to 45% | 0% to 60% / 0% to 45% | 0% to 60% / 0% to 45% |

1 In accordance with the plan rules, all plans are 100% equity-settled for the Executive Board. For senior management, all plans are 100% equity-settled, except for the LTSP 2016, which is 50% equity-settled and 50% cash-settled.

### *Long-Term Cash Plans*

For other senior managers who are not eligible to participate under the LTSP but who contribute significantly to the company´s shareholder value, three-year Cash Plans have been granted. The LTCPs provide for additional pay in the form of deferred compensation under the terms and conditions of the plan after the vesting period. The financial performance is measured by the EPS development during the three-year performance period, the incentive can rise from 0% to a maximum of 22.5% or 30.0% per annum of the (average) salary over the vesting period.

### *Movements in the number of conditional awards*

| In numbers | E.M. Hoekstra | F. Eulderink | G.B. Paulides | J.P. de Kreij (retired) | Other | Total |
|---|---|---|---|---|---|---|
| **Outstanding at 31 December 2016** | **62,086** | **37,907** | **–** | **39,597** | **226,712** | **366,302** |
| Vested | -34,530 | -20,446 | – | -21,558 | -117,680 | -194,214 |
| Change in expected average salary [1] | -496 | -314 | – | -227 | -316 | -1,353 |
| Forfeited | – | – | – | – | -1,447 | -1,447 |
| Newly awarded | 14,217 | 9,099 | – | 9,322 | 53,541 | 86,179 |
| **Outstanding at 31 December 2017** | **41,277** | **26,246** | **–** | **27,134** | **160,810** | **255,467** |
| Vested and settled | -12,128 | -7,856 | – | -8,198 | -49,212 | -77,394 |
| Change in expected average salary [1] | – | – | – | – | -394 | -394 |
| Forfeited | – | – | – | – | -448 | -448 |
| Newly awarded | 17,554 | 11,235 | 10,183 | – | 65,194 | 104,166 |
| **Outstanding at 31 December 2018** | **46,703** | **29,625** | **10,183** | **18,936** | **175,950** | **281,397** |

1 The conditional awards under the LTSP 2016-2018 are based on an average salary over the 3-year performance period. For this Plan, the estimated average salaries are updated annually, which could result in an increase or decrease of the number of conditional awards at target level.

## Valuation and cost allocation

### Long-term incentive plans (LTIPs) valuation (former) EB members

| In EUR thousands | Conditional awards [1] Number | Conditional awards [1] Value at grant | Number of expected shares [2] Number | Number of expected shares [2] Value at vesting | Number of expected shares [2] Value for cost allocation | Allocated cost to [3] 2018 | Allocated cost to [3] 2017 |
|---|---|---|---|---|---|---|---|
| **E.M. Hoekstra** | | | | | | | |
| LTSP 2018, equity-settled (conditional) | 17,554 | 701.7 | 10,006 | NA | 399.9 | 120.0 | – |
| LTSP 2017, equity-settled (conditional) [1] | 14,217 | 560.8 | 7,108 | NA | 280.4 | 48.8 | 119.5 |
| LTSP 2016, equity-settled (conditional) | 14,932 | 669.7 | 7,466 | 296.3 | 334.9 | 334.9 | -242.6 |
| LTSP 2015, equity-settled (conditional) | 6,064 | 278.5 | 3,032 | 110.8 | 139.2 | – | -46.4 |
| LTSP 2015, cash-settled (conditional) | 6,064 | 278.5 | 3,032 | 109.6 | 109.6 | – | -67.5 |
| | **58,831** | **2,489.2** | **30,644** | **516.7** | **1,264.0** | **503.7** | **-237.0** |
| **F. Eulderink** | | | | | | | |
| LTSP 2018, equity-settled (conditional) | 11,235 | 449.1 | 6,404 | NA | 256.0 | 76.8 | – |
| LTSP 2017, equity-settled (conditional) [1] | 9,099 | 358.9 | 4,549 | NA | 179.4 | 31.2 | 76.4 |
| LTSP 2016, equity-settled (conditional) | 9,291 | 416.7 | 4,645 | 184.3 | 208.3 | 208.3 | -150.9 |
| LTSP 2015, equity-settled (conditional) | 3,928 | 180.4 | 1,964 | 71.8 | 90.2 | – | -30.1 |
| LTSP 2015, cash-settled (conditional) | 3,928 | 180.4 | 1,964 | 71.0 | 71.0 | – | -43.7 |
| | **37,481** | **1,585.5** | **19,526** | **327.1** | **804.9** | **316.3** | **-148.3** |
| **G.B. Paulides** | | | | | | | |
| LTSP 2018, equity-settled (conditional) | 10,183 | 407.0 | 5,804 | NA | 232.0 | 69.6 | – |
| | **10,183** | **407.0** | **5,804** | **–** | **232.0** | **69.6** | **–** |
| **Members Executive Board** | **106,495** | **4,481.7** | **55,974** | **843.8** | **2,300.9** | **889.6** | **-385.3** |
| **J.P. de Kreij (retired)** | | | | | | | |
| LTSP 2017, cash-settled (conditional) [1 4] | 9,322 | 367.7 | 4,661 | NA | 180.2 | -31.2 | 211.4 |
| LTSP 2016, cash-settled (conditional) [4] | 9,614 | 431.2 | 4,807 | 190.7 | 190.7 | 190.7 | -212.6 |
| LTSP 2015, equity-settled (conditional) | 4,099 | 188.2 | 2,049 | 74.9 | 94.1 | – | -31.4 |
| LTSP 2015, cash-settled (conditional) | 4,099 | 188.2 | 2,049 | 74.0 | 74.0 | – | -45.7 |
| | **27,134** | **1,175.3** | **13,566** | **339.6** | **539.0** | **159.5** | **-78.3** |
| **Former members Executive Board** | **27,134** | **1,175.3** | **13,566** | **339.6** | **539.0** | **159.5** | **-78.3** |
| **Total LTIPs (former) members Executive Board** | **133,629** | **5,657.0** | **69,540** | **1,183.4** | **2,839.9** | **1,049.1** | **-463.6** |
| Of which vested and settled in 2018 | 28,182 | 1,294.2 | 14,090 | 512.1 | 578.1 | – | -264.8 |
| **Outstanding LTIPs 31 December 2018** | **105,447** | **4,362.8** | **55,450** | **671.3** | **2,261.8** | **1,049.1** | **-198.8** |

1 On a target level of 100%. For the LTSPs based on the average salary over the vesting period since date of appointment, the value at grant is the conditional number of shares multiplied by the average share price at the grant date.
2 The value for cost allocation for the equity-settled LTSPs is based on the number of expected or vested shares and multiplied by the fair value per share award at the grant date, which has been reduced with the expected discounted future dividends payable during the respective vesting periods since the holders of shares are not entitled to receive dividends during the vesting period. The value for cost allocation for the cash-settled LTSPs is based on the number of expected or vested shares and multiplied by the fair value per award at the reporting date less discounted expected future dividend payments. Expected dividends have been applied in accordance with the dividend policy of the company. The estimated vesting percentages of the LTSPs are based on a Monte Carlo simulation scenario analysis.
3 The (fair) value of the employee services received in exchange for the awards is recognized rateably over the vesting period of the plan.
4 On 15 November 2016, Mr. de Kreij, Chief Financial Officer and Vice Chairman of the Executive Board has informed the Supervisory Board that he has decided to step down as per 1 February 2018. The recognition of the LTSP 2016 was amended into fully cash settled for Mr De Kreij in accordance with the plan rules, due to his announced resignation early in 2018. The costs of the LTSP were allocated to the remaining period of service.

## Long-term incentive plans (LTIPs) valuation (former) other senior executives

| In EUR thousands | Conditional awards [1] | | Number of expected shares [2] | | | Allocated cost to [3] | |
|---|---|---|---|---|---|---|---|
| | Number | Value at grant | Number | Value at vesting | Value for cost allocation | 2018 | 2017 |
| **Other senior executives** | | | | | | | |
| LTSP 2018, equity-settled (conditional) | 65,194 | 2,505.1 | 36,027 | NA | 1,384.4 | 415.3 | – |
| LTSP 2017, equity-settled (conditional) | 50,554 | 2,016.0 | 24,447 | NA | 974.9 | 155.7 | 429.2 |
| LTSP 2017, cash-settled (conditional) | 2,494 | 99.5 | 1,083 | NA | 41.9 | -5.6 | 53.8 |
| LTSP 2016, equity-settled (conditional) | 27,714 | 1,170.1 | 13,856 | 549.8 | 585.0 | 585.0 | -443.7 |
| LTSP 2016, cash-settled (conditional) | 29,994 | 1,266.3 | 15,106 | 599.4 | 599.4 | 599.4 | -450.0 |
| LTSP 2015, equity-settled (conditional) | 24,606 | 1,072.6 | 12,303 | 449.9 | 536.3 | – | -176.5 |
| LTSP 2015, cash-settled (conditional) | 24,606 | 1,072.6 | 12,303 | 444.6 | 444.6 | – | -262.9 |
| **Other senior executives** | **225,162** | **9,202.2** | **115,125** | **2,043.7** | **4,566.5** | **1,749.8** | **-850.1** |
| Of which vested and settled in 2018 | 49,212 | 2,145 | 24,606 | 895 | 981 | – | -439.4 |
| **Outstanding LTIPs 31 December 2018** | **175,950** | **7,057.0** | **90,519** | **1,149.2** | **3,585.6** | **1,749.8** | **-410.7** |

1 On a target level of 100%. For the LTSPs based on the average salary over the vesting period since date of appointment, the value at grant is the conditional number of shares multiplied by the average share price at the grant date.
2 The value for cost allocation for the equity-settled LTSPs is based on the number of expected or vested shares and multiplied by the fair value per share award at the grant date, which has been reduced with the expected discounted future dividends payable during the respective vesting periods since the holders of shares are not entitled to receive dividends during the vesting period. The value for cost allocation for the cash-settled LTSPs is based on the number of expected or vested shares and multiplied by the fair value per award at the reporting date less discounted expected future dividend payments. Expected dividends have been applied in accordance with the dividend policy of the company. The estimated vesting percentages of the LTSPs are based on a Monte Carlo simulation scenario analysis.
3 The (fair) value of the employee services received in exchange for the awards is recognized rateably over the vesting period of the plan.

## Note 7.3 Related parties

### Transactions with Supervisory Board members and Executive Board members

For the remuneration of Supervisory Board members and Executive Board members, the key management of the Group, reference is made to the sections Remuneration Supervisory Board and Actual Remuneration 2018 of the remuneration report, which are deemed part of these financial statements.

No loans, advances or guarantees have been provided to current or former members of the Supervisory Board and the Executive Board.

For both years presented, the Group has not conducted any transactions with companies in which Executive Board members and/or persons closely related to them have a significant financial interest.

### Transactions with joint ventures and associates

The transactions with our joint ventures and associates, other than providing equity and receiving dividends, principally consist of fees for services provided by the Group, loans issued by the Group and the related interest income.

| In EUR millions | Joint ventures | | Associates | | Total | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Other operating income | 7.1 | 10.6 | 1.9 | 0.4 | 9.0 | 11.0 |
| Interest income on borrowings | – | – | – | 1.6 | – | 1.6 |
| Amounts owed by | 2.0 | 2.0 | – | – | 2.0 | 2.0 |

## Transactions with major shareholders
Besides the annual dividend distribution, no related party transactions have been entered into with the major shareholders during the years presented.

Vopak has been informed by HAL Holding N.V. ('HAL'), that it is technically required for HAL to consolidate Vopak in its Consolidated financial statements as from 1 January 2014. Accordingly, HAL has requested Vopak to provide detailed accounting information with respect to the Consolidated financial statements in order for HAL to be able to consolidate Vopak in its Consolidated statements. To facilitate HAL in complying with its obligations under IFRS 10, a Memorandum of Understanding was signed between Vopak and HAL with respect to confidentiality, the process of exchanging information, subsequent events procedures, external auditor involvement and attendance rights to the Audit Committee meetings for an independent financial expert on behalf of HAL.

## Transactions with pension funds
Related party transactions with Vopak's pension funds are presented in note 9.4.

## Note 7.4. Fees paid to auditors appointed at the Annual General Meeting
The fees listed in the table below relate to the procedures applied to the company and its consolidated Group entities by Deloitte Accountants B.V., the Netherlands, the external auditor as referred to in Section 1(1) of the Dutch Accounting Firms Oversight Act (Dutch acronym: Wta), as well as by other Dutch and foreign-based Deloitte individual partnerships and legal entities, including their tax services and advisory groups.

| In EUR millions | 2018 | 2017 |
|---|---|---|
| Financial statements audit fees | 1.4 | 1.2 |
| Other assurance fees | 0.1 | 0.1 |
| Tax fees | – | – |
| **Total** | **1.5** | **1.3** |

The financial statements audit fees include the aggregate fees in 2018 and 2017 for professional services rendered for the audit of Vopak's annual financial statements and annual statutory financial statements of subsidiaries or services that are normally provided by the auditor in connection with the audits.

The other assurance fees include the aggregate fees invoiced for assurance and services for other audit services, which generally only the company's independent auditor can reasonably provide, such as comfort letters.

In line with the Dutch independence legislation, no tax advisory, compliance services or other non-audit services were provided in 2018 and 2017.

The total fees charged by Deloitte Accountants B.V., the Netherlands to the company and its consolidated Group entities amounted to EUR 0.8 million in 2018 (2017: EUR 0.6 million). Of the 2018 fees, an amount of EUR 0.2 million relates to non-recurring fees for the 2018 audit.

# Section 8 Income taxes

This section comprises all relevant disclosures and specifications regarding tax recognized in the Consolidated financial statements.

The following notes are presented in this section:

- 8.1 Income taxes
- 8.2 Deferred taxes

## Note 8.1 Income taxes

### Accounting policies

Taxes on profit or loss for the financial year comprise current and deferred taxes. Taxes are recognized in the statement of income unless they relate to items directly recognized in Other comprehensive income or directly in equity.

***Current taxes*** are the expected taxes payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, plus any adjustments to prior-year tax payable.

***Deferred taxes*** are provided for, using the liability method, whereby provisions are made for all taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. No deferred taxes are provided for the following temporary differences: goodwill not deductible for tax purposes; the initial recognition of assets and liabilities that neither affect accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future. The calculation is based on tax rates enacted or substantively enacted, at the end of the reporting period.

Deferred tax assets, including assets arising from losses carried forward, are recognized to the extent that it is probable that future taxable profits will be available against which these temporary differences or unused tax losses can be utilized. Deferred tax assets and liabilities are stated at nominal value.

The Group recognizes liabilities for potential tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters differs from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

A provision is formed for tax, principally regarding withholding tax, for which a liability might arise in connection with the distribution of retained earnings if a decision has been made to distribute such earnings.

### Income tax recognized in the Consolidated statement of income

| In EUR millions | 2018 | 2017 |
|---|---|---|
| **Current taxes** | | |
| Current financial year | 54.7 | 68.7 |
| Adjustments for prior years | -3.5 | -1.3 |
| | **51.2** | **67.4** |
| **Deferred taxes** | | |
| Adjustments for prior years | 3.2 | -7.0 |
| Temporary differences | 15.6 | 5.5 |
| Recognition of tax losses and tax credits | -5.0 | -6.0 |
| Changes in tax rates | -6.4 | -34.6 |
| | **7.4** | **-42.1** |
| **Tax on profit** | **58.6** | **25.3** |
| Income tax paid | 52.4 | 51.7 |
| Movements in current and deferred tax balances | 6.2 | -26.4 |
| **Income tax expense** | **58.6** | **25.3** |

In 2018, EUR 3.2 million of exceptional expenses were recognized in the income tax expenses (2017: income of EUR 39.4 million). For 2018, these related to the tax effects on the exceptional items.
In 2017, due to the income tax rate changes as per January 1, 2018 in the United States (from 35% to 21%) and in Belgium (2018: from 33.99% to 29.58% and 2020: to 25%), a release of the deferred tax position of EUR 34.6 million was recognized as a gain in the income statement. These changes in income tax rate were classified as an exceptional item. The remainder of the exceptional gains in the income tax expenses related to the tax effects on the exceptional items included in the profit before tax.

The remaining difference between the tax expenses for the year and the current tax charge was caused by deferred tax expenses mostly related to differences in the depreciation rates of Property, plant and equipment. For further details on the deferred tax position, reference is made to note 8.2.

### *Tax expenses per share*

The tax expense per share amounted to EUR 0.46 (2017: EUR 0.20).

## Reconciliation of effective tax rate

| In EUR millions | 2018 | | 2017 | |
|---|---|---|---|---|
| Profit before income tax | | 349.1 | | 300.5 |
| Tax on profit | | 58.6 | | 25.3 |
| **Effective tax rate** | | **16.8%** | | **8.4%** |
| *Composition:* | *Amount* | *%* | *Amount* | *%* |
| Weighted average statutory tax rate | 75.5 | 21.6 | 76.0 | 25.3 |
| Participation exemption | -28.2 | -8.1 | -9.4 | -3.1 |
| Non-deductible expenses | 22.6 | 6.5 | 6.1 | 2.0 |
| Changes in tax rates | -6.5 | -1.8 | -34.6 | -11.5 |
| Recognition of tax losses and tax credits | -1.7 | -0.5 | 0.3 | 0.1 |
| Tax facilities | -1.4 | -0.4 | -0.8 | -0.3 |
| Movements in prior-year taxes | -0.3 | -0.1 | -8.3 | -2.8 |
| Other effects | -1.4 | -0.4 | -4.0 | -1.3 |
| **Effective tax (rate)** | **58.6** | **16.8** | **25.3** | **8.4** |

The income tax expense for 2018 amounted to EUR 58.6 million (2017: EUR 25.3 million). The effective tax rate increased from 8.4% in 2017 to 16.8% in 2018. This increase was mainly due to the non-deductible character of the Venezuela deconsolidation results and the effects of the changes in the corporate income tax rates in the United States and Belgium accounted for in 2017, while such large tax gains were not present in 2018. Furthermore, the recovery of previously unrecognized tax receivables and confirming past tax payables resulted in a minor tax gain of EUR 0.3 million in 2018 (2017: EUR 8.3 million).

Excluding exceptional items, the effective tax rate for 2018 was 14.5% (2017: 16.5%).

## Income tax recognized in other comprehensive income

| In EUR millions | Note | 2018 | 2017 |
|---|---|---|---|
| On changes in the value of cash flow hedges | 5.2 | 9.0 | 1.9 |
| On exchange differences and hedges | 5.2 | -0.9 | 6.0 |
| On use of cash flow hedges | 5.2 | -0.7 | -1.0 |
| On remeasurements of defined benefit plans | | 5.2 | 20.8 |
| **Total** | | **12.6** | **27.7** |

# Note 8.2 Deferred taxes

### Key accounting estimates and judgments

Deferred tax assets, including those arising from carry-forward losses, are recognized if it is likely that taxable profit is available against which losses can be offset. In determining this, Vopak uses estimates and assumptions that also affect the measurement of the deferred tax assets. A maturity schedule of the unrecognized carry-forward losses is shown on the next page.

### Accounting policies

Deferred tax assets and liabilities are offset against each other to the extent that this is a legally enforceable right and the deferrals belong to the same fiscal unit. The decision to account for deferred tax assets is taken periodically for each fiscal unit after critically assessing whether conditions are sufficient to realize these deferred tax assets, based on the strategic plans and related tax plans.

## Deferred tax assets and liabilities

| In EUR millions | Carry forward losses | Temporary differences: Property, plant and equipment | Temporary differences: Loans granted | Temporary differences: Employee benefits | Temporary differences: Other | Other | Offset assets and liabilities | Statement of financial position |
|---|---|---|---|---|---|---|---|---|
| Assets | 4.1 | 6.7 | – | 50.6 | 35.0 | 0.6 | -81.3 | 15.7 |
| Liabilities | – | -276.8 | -0.5 | -0.1 | -25.2 | – | 81.3 | -221.3 |
| **Balance 31 December 2016** | **4.1** | **-270.1** | **-0.5** | **50.5** | **9.8** | **0.6** | **–** | **-205.6** |
| *Movements:* | | | | | | | | |
| - Statement of income | 6.3 | 32.9 | 0.2 | 1.2 | 1.8 | -0.2 | | 42.2 |
| - Other comprehensive income | – | – | – | -20.8 | -2.2 | – | | -23.0 |
| - Exchange differences | -2.9 | 11.9 | – | -1.6 | 0.9 | -0.1 | | 8.2 |
| **Balance 31 December 2017** | **7.5** | **-225.3** | **-0.3** | **29.3** | **10.3** | **0.3** | | **-178.2** |
| Assets | 7.5 | 6.2 | – | 29.4 | 32.4 | 0.3 | -71.0 | 4.8 |
| Liabilities | – | -231.5 | -0.3 | -0.1 | -22.1 | – | 71.0 | -183.0 |
| **Balance 31 December 2017** | **7.5** | **-225.3** | **-0.3** | **29.3** | **10.3** | **0.3** | **–** | **-178.2** |
| *Movements:* | | | | | | | | |
| - Statement of income | 4.9 | -4.2 | – | -10.4 | 2.4 | -0.3 | | -7.6 |
| - Other comprehensive income | – | – | – | -5.2 | -8.3 | – | | -13.5 |
| - Exchange differences | -1.0 | -1.4 | – | 0.3 | 1.3 | – | | -0.8 |
| **Balance 31 December 2018** | **11.4** | **-230.9** | **-0.3** | **14.0** | **5.7** | **–** | | **-200.1** |
| Assets | 11.4 | 1.2 | – | 14.2 | 23.2 | – | -42.4 | 7.6 |
| Liabilities | – | -232.1 | -0.3 | -0.2 | -17.5 | – | 42.4 | -207.7 |
| **Balance 31 December 2018** | **11.4** | **-230.9** | **-0.3** | **14.0** | **5.7** | **–** | **–** | **-200.1** |

In determining the deferred tax liabilities, withholding tax and any other tax due for unremitted earnings of subsidiaries were not recognized. These earnings have been permanently reinvested.

In 2017, due to the tax rate changes in the United States and Belgium as of 1 January 2018, a release of the deferred tax position of EUR 34.6 million was recognized. Such large one-off items are not present in 2018.

### Deferred tax assets not recognized in the Consolidated statement of financial position

Carry-forward losses for which deferred tax assets have not been recognized amounted to EUR 6.9 million at 31 December 2018 (2017: EUR 24.0 million). The maturity schedule is as follows:

| In EUR millions | 2019 | 2020 | 2021 | 2022 | 2023+ | unlimited | Total |
|---|---|---|---|---|---|---|---|
| Offsettable carry-forward losses | – | – | 1.4 | – | 5.0 | 0.5 | 6.9 |

Deferred tax assets regarding these carry-forward losses have not been recognized because it is not probable that sufficient taxable profit will be available to utilize the deferred tax asset in time.

# Section 9 Other disclosures

This section provides details on items that are not included in other sections, but which are of statutory or secondary importance for understanding the Group's financial performance of the Group due to their nature. A list of principal subsidiaries, joint ventures and associates of the Vopak Group is also included in this section.

The following notes are presented in this section:

- 9.1 Earnings per ordinary share - number of shares
- 9.2 Loans granted and finance lease receivables
- 9.3 Other non-current assets
- 9.4 Pensions and other employee benefits
- 9.5 Provisions
- 9.6 Operating leases
- 9.7 Investment commitments undertaken
- 9.8 Contingent assets and contingent liabilities
- 9.9 Financial assets and liabilities and credit risk
- 9.10 New standards and interpretations not yet implemented
- 9.11 Principal subsidiaries, joint ventures and associates
- 9.12 Events after the reporting period

## Note 9.1 Earnings per ordinary share - number of shares

Basic earnings per ordinary share are calculated by dividing the net profit attributable to holders of ordinary shares by the time-weighted average number of outstanding ordinary shares (excluding the average number of treasury shares). The weighted average number of outstanding shares was 127,659,039 in 2018 (2017: 127,541,590).

In calculating the diluted earnings per ordinary share, the weighted average number of outstanding shares is adjusted for the dilutive effects of all dilutive potential ordinary shares, such as share-based payment arrangements.

The composition of the weighted average number of outstanding shares and of the diluted weighted average number of outstanding shares is as follows:

| In thousands | Note | 2018 | 2017 |
|---|---|---|---|
| Outstanding ordinary shares at 1 January | 5.1 | 127,645 | 127,465 |
| Purchase treasury shares | 5.1 | – | -34 |
| Sale treasury shares | 5.1 | 14 | 111 |
| **Basic weighted average number of ordinary shares** | | **127,659** | **127,542** |
| Dilutive effect of LTSPs (equity-settled part) | | 124 | 145 |
| **Weighted average number of ordinary shares including dilutive effect** | | **127,783** | **127,687** |

At 31 December 2018, the company owned 170,597 treasury shares (2017: 190,000). The treasury shares have no voting rights attached to them, nor are they eligible for dividends during the period when these are held by the company.

When the vesting conditions of the equity-settled share-based payment arrangements are met, the settlement will result in an increase of the number of shares outstanding, which will have a dilutive effect. During 2018, the LTSP 2015-2017 share-based payment arrangement was settled resulting in the transfer of 19,403 treasury shares to eligible employees (2017: 2014-2016 plan was settled).

The LTSP 2016-2018 will be settled in 2019. For more information, reference is made to note 7.2.

## Note 9.2 Loans granted and finance lease receivable

### Accounting policies

The Group classifies its loans granted and other debt investments at amortized cost only if both of the following criteria are met:

- the asset is held within a business model with the objective of collecting the contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

All loans granted and other debt investments meet these criteria and are measured at amortized cost.

At initial recognition, the Group measures loans granted at its fair value plus directly attributable transaction costs. Subsequently, these items are carried at amortized cost using the effective interest method.

Assets held under a finance lease are presented in the Statement of financial position as a receivable at an amount equal to the net investment in the lease. The income on the finance lease receivable is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease and is presented as Other income.

The expected credit losses associated with its loans granted and other issued debt instruments carried at amortized cost are assessesed by the Group on a forward looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

| | Loans to joint ventures and associates | | Other loans | | Total loans granted | | Finance lease receivable | |
|---|---|---|---|---|---|---|---|---|
| In EUR millions | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| **Carrying amount at 1 January** | **2.0** | **2.0** | **26.6** | **12.5** | **28.6** | **14.5** | **29.2** | **30.5** |
| *Movements:* | | | | | | | | |
| Loans granted | – | 67.7 | 7.5 | 14.3 | 7.5 | 82.0 | – | – |
| Repayments | – | -63.2 | -8.9 | – | -8.9 | -63.2 | -4.7 | -4.9 |
| Finance lease interest income | – | – | – | – | – | – | 5.1 | 5.5 |
| Exchange differences | – | -4.5 | -2.1 | -0.2 | -2.1 | -4.7 | -1.7 | -1.9 |
| **Carrying amount at 31 December** | **2.0** | **2.0** | **23.1** | **26.6** | **25.1** | **28.6** | **27.9** | **29.2** |
| Non-current receivables | 2.0 | 2.0 | 23.1 | 17.8 | 25.1 | 19.8 | 27.9 | 29.2 |
| Current receivables | – | – | – | 8.8 | – | 8.8 | – | – |
| **Carrying amount at 31 December** | **2.0** | **2.0** | **23.1** | **26.6** | **25.1** | **28.6** | **27.9** | **29.2** |

Loans granted do not include any subordinated loans.

**2018**

There were no material movements in the loans granted and finance lease receivables during 2018.

**2017**

On 12 December 2017, the associate Pengerang Terminals Two (PT2SB), which is an industrial terminal located in Malaysia, entered into a non-recourse project financing of USD 1.25 billion (approx. EUR 1.1 billion). As a consequence, the initial proportionate shareholder loan from Vopak of EUR 63.2 million was repaid in the fourth quarter of 2017. Other loans in 2017 contained SGD 14.0 million (EUR 8.8 million) of deposits with a maturity of more than 3 months.

Reference is made to note 9.9 for the fair value information and note 6.7 on the remaining period at the end of the reporting period to the contractual maturity date.

With respect to the loans granted and the finance lease receivables, which are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

## Note 9.3 Other non-current assets

The other non-current assets primarily relate to prepaid land use rights. These prepaid land use rights are allocated to the period to which they relate. The terms remaining at 31 December 2018 vary between 3 to 45 years (2017: 4 to 46 years).

## Note 9.4 Pensions and other employee benefits

The majority of employees are either covered by defined benefit plans, defined contribution plans or mandatory external pension plans. The defined benefit plans are plans that apply in the United States, Germany and Belgium. These countries mostly operate final-pay pension plans, administrated by pension funds separate from the company.

### Accounting policies

*Defined benefit plans*

The Group's net pension obligation is calculated by an independent actuary, using the projected unit credit method. This calculation is performed separately for each plan by estimating the amount of the benefit that employees have earned in relation to their past services. The liability recognized in the balance sheet is the present value of these benefits at the end of the reporting period (defined benefit obligation) less the fair value of plan assets. The defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds with durations matching the terms of the benefits.

The increase in the defined benefit obligation due to the passage of time and the expected return on plan assets, using the same interest rate as for the defined benefit obligation, are included in the pension costs.

Past-service costs are recognized immediately in the statement of income. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity via other comprehensive income in the period in which they arise.

When a plan is changed, settled or when a plan is curtailed, the resulting change in the defined benefit obligation that relates to past-service or the gain or loss on curtailment is recognized immediately in the statement of income under Personnel expenses. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

*Defined contribution plans*

Contributions to defined contribution plans are recognized in the statement of income as incurred.

### Key accounting estimates and judgments

The defined benefit obligation is determined on the basis of assumptions for future developments in variables such as salary increase, price index increase, life expectancy and discount rate. All assumptions are assessed at the reporting date. Changes in the assumptions may significantly affect the liabilities and pension costs under the defined benefit plans. The weighted average of these assumptions as well as sensitivities of key assumptions are disclosed in this note.

### Pensions and other employee benefits

| | The Netherlands | | Foreign | | Total | |
|---|---|---|---|---|---|---|
| in EUR millions | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Funded defined benefit obligation | – | 1,136.0 | 127.3 | 131.8 | 127.3 | 1,267.8 |
| Fair value of plan assets | – | -1,081.8 | -97.5 | -95.6 | -97.5 | -1,177.4 |
| **Deficit of funded plans** | **–** | **54.2** | **29.8** | **36.2** | **29.8** | **90.4** |
| Unfunded defined benefit obligation | – | – | 18.0 | 18.6 | 18.0 | 18.6 |
| **Total deficit of defined benefit plans** | **–** | **54.2** | **47.8** | **54.8** | **47.8** | **109.0** |
| Net pension obligation under defined contribution plans | 2.9 | 2.7 | – | 1.0 | 2.9 | 3.7 |
| **Net pension obligation recognized at 31 December** | **2.9** | **56.9** | **47.8** | **55.8** | **50.7** | **112.7** |
| Current liabilities | | | | | 1.3 | 1.4 |
| Non-current liabilities | | | | | 49.4 | 111.3 |
| **Net pension obligation recognized at 31 December** | | | | | **50.7** | **112.7** |

### *Settlement of Dutch Defined Benefit Pension Plan*

In July 2018, Vopak formalized the agreement regarding a new pension plan in the Netherlands effective per 1 January 2018. The new pension plan qualifies as a defined contribution plan under IAS 19. Going forward, Vopak has the sole obligation to pay a contribution based on a fixed percentage of the pensionable salary. This agreement resulted in the third quarter of 2018 in an additional cash contribution by the company to the Dutch pension fund of EUR 18.0 million. The total exceptional (non-cash) net gain before tax for the year from the release of the IAS 19 pension provision was EUR 19.1 million. Of this total exceptional gain, an amount of EUR 3.8 million was already recognized as an exceptional loss in the first half of the year. This amount is the difference between the IFRS defined benefit costs and the actual defined contribution cash outflows for the period that were agreed effective per 1 January 2018.

## Recognized cost of defined benefit plans

The following table summarizes the effects of the pension expenses of defined benefit plans recorded in the Consolidated statement of income and the remeasurements of these plans which were directly recognized in equity through other comprehensive income.

| | | The Netherlands | | Foreign | | Total | |
|---|---|---|---|---|---|---|---|
| in EUR millions | Note | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Current service costs | | 14.9 | 27.0 | 5.0 | 4.6 | 19.9 | 31.6 |
| Past service costs and gains (-) and losses from settlements | | -22.9 | – | – | -0.7 | -22.9 | -0.7 |
| Administration costs and taxes | | 0.5 | 1.0 | 0.4 | 0.4 | 0.9 | 1.4 |
| **Service costs** | | **-7.5** | **28.0** | **5.4** | **4.3** | **-2.1** | **32.3** |
| Net interest expenses | | 0.5 | 1.7 | 1.3 | 1.5 | 1.8 | 3.2 |
| **Components of defined benefit costs recorded in profit or loss** | 2.5 | **-7.0** | **29.7** | **6.7** | **5.8** | **-0.3** | **35.5** |
| *Remeasurement of net defined benefit liability:* | | | | | | | |
| Return on plan assets (excluding interest income on plan assets) | | -11.4 | -47.7 | 9.5 | -9.5 | -1.9 | -57.2 |
| Actuarial gains (-) and losses from changes in demographic assumptions | | – | – | -2.6 | -1.5 | -2.6 | -1.5 |
| Actuarial gains (-) and losses arising from experience | | – | -11.6 | 0.1 | 0.3 | 0.1 | -11.3 |
| Actuarial gains (-) and losses arising from changes in financial assumptions | | -5.6 | -5.5 | -11.2 | 9.3 | -16.8 | 3.8 |
| **Components of defined benefit costs recorded in other comprehensive income** | | **-17.0** | **-64.8** | **-4.2** | **-1.4** | **-21.2** | **-66.2** |
| **Total of components of defined benefit costs** | | **-24.0** | **-35.1** | **2.5** | **4.4** | **-21.5** | **-30.7** |

Market volatility had a positive impact on the Group's defined benefit plans in 2018, which resulted in remeasurement gains (gross) of EUR 21.2 million (2017: gains of EUR 66.2 million), being recorded, net of tax, in other comprehensive income. These remeasurements were mostly caused by the higher than expected return on plan assets and the defined benefit obligation impact of deviations from the assumptions set at the beginning of the year.

## Changes in defined benefit obligation

| | The Netherlands | | Foreign | | Total | |
|---|---|---|---|---|---|---|
| in EUR millions | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| **Defined benefit obligation at 1 January** | **1,136.0** | **1,141.3** | **150.4** | **156.3** | **1,286.4** | **1,297.6** |
| *Movements:* | | | | | | |
| Current service costs | 14.9 | 27.0 | 5.0 | 4.6 | 19.9 | 31.6 |
| Interest expenses | 12.1 | 20.4 | 4.5 | 5.0 | 16.6 | 25.4 |
| Actuarial gains (-) and losses from changes in demographic assumptions (remeasurement) | – | – | -2.6 | -1.5 | -2.6 | -1.5 |
| Actuarial gains (-) and losses from experience | – | -11.6 | 0.1 | 0.3 | 0.1 | -11.3 |
| Actuarial gains (-) and losses from changes in financial assumptions (remeasurement) | -5.6 | -5.5 | -11.2 | 9.3 | -16.8 | 3.8 |
| Benefits paid from the pension fund | – | -38.3 | -4.0 | -4.1 | -4.0 | -42.4 |
| Benefits paid directly by the employer | -23.0 | – | -1.6 | -1.8 | -24.6 | -1.8 |
| Employees' contributions | 1.0 | 1.7 | – | – | 1.0 | 1.7 |
| Administration costs and taxes | 0.5 | 1.0 | 0.4 | 0.4 | 0.9 | 1.4 |
| Settlements | -1,135.9 | – | – | -4.2 | -1,135.9 | -4.2 |
| Exchange differences | – | – | 4.3 | -13.9 | 4.3 | -13.9 |
| **Defined benefit obligation at 31 December** | **–** | **1,136.0** | **145.3** | **150.4** | **145.3** | **1,286.4** |
| *Allocated to the plans' participants:* | | | | | | |
| Active members | – | 379.1 | 68.6 | 70.3 | 68.6 | 449.4 |
| Deferred members | – | 227.0 | 26.0 | 28.4 | 26.0 | 255.4 |
| Pensioners | – | 529.9 | 50.7 | 51.7 | 50.7 | 581.6 |
| **Defined benefit obligation at 31 December** | **–** | **1,136.0** | **145.3** | **150.4** | **145.3** | **1,286.4** |

## Change in the fair value of plan assets and major classes of plan assets

The following tables summarize the changes in the fair value of the plan assets and the composition of the characteristics/main elements of the plan assets at 31 December.

| | The Netherlands | | Foreign | | Total | |
|---|---|---|---|---|---|---|
| in EUR millions | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| **Movement in fair value of plan assets** | | | | | | |
| **Fair value of plan assets at 1 January** | **1,081.8** | **1,035.9** | **95.6** | **96.0** | **1,177.4** | **1,131.9** |
| *Movements:* | | | | | | |
| Interest income | 11.6 | 18.7 | 3.2 | 3.5 | 14.8 | 22.2 |
| Return on plan assets excluding interest income (remeasurement gains and losses) | 11.4 | 47.7 | -9.5 | 9.5 | 1.9 | 57.2 |
| Employer's contributions | 30.2 | 16.1 | 10.3 | 6.5 | 40.5 | 22.6 |
| Employees' contributions | 1.0 | 1.7 | – | – | 1.0 | 1.7 |
| Benefits paid | -23.0 | -38.3 | -5.7 | -5.8 | -28.7 | -44.1 |
| Settlements | -1,113.0 | – | – | -3.5 | -1,113.0 | -3.5 |
| Exchange differences | – | – | 3.6 | -10.6 | 3.6 | -10.6 |
| **Fair value of plan assets at 31 December** | **–** | **1,081.8** | **97.5** | **95.6** | **97.5** | **1,177.4** |
| **Major classes of plan assets** | | | | | | |
| AAA | – | 203.3 | 26.1 | 14.1 | 26.1 | 217.4 |
| AA | – | 153.9 | 4.2 | 5.1 | 4.2 | 159.0 |
| A | – | 53.4 | 8.8 | 15.7 | 8.8 | 69.1 |
| BBB and lower | – | 182.3 | 20.7 | 22.0 | 20.7 | 204.3 |
| Not rated | – | 58.9 | 2.5 | 0.1 | 2.5 | 59.0 |
| **Bonds** | **–** | **651.8** | **62.3** | **57.0** | **62.3** | **708.8** |
| - Europe | – | 86.9 | 6.4 | 7.6 | 6.4 | 94.5 |
| - North America | – | 150.4 | 28.2 | 30.3 | 28.2 | 180.7 |
| - Asia-Pacific | – | 43.4 | 0.6 | 0.6 | 0.6 | 44.0 |
| - Emerging markets | – | 62.4 | – | 0.1 | – | 62.5 |
| **Equity instruments** | **–** | **343.1** | **35.2** | **38.6** | **35.2** | **381.7** |
| - Europe | – | 35.5 | – | – | – | 35.5 |
| - North America | – | 22.5 | – | – | – | 22.5 |
| - Asia-Pacific | – | 11.5 | – | – | – | 11.5 |
| **Real estate** | **–** | **69.5** | **–** | **–** | **–** | **69.5** |
| - Interest rate swaps | – | 15.5 | – | – | – | 15.5 |
| - Forward foreign exchange contracts | – | 1.9 | – | – | – | 1.9 |
| **Derivatives** | **–** | **17.4** | **–** | **–** | **–** | **17.4** |
| **Fair value of plan assets at 31 December** | **–** | **1,081.8** | **97.5** | **95.6** | **97.5** | **1,177.4** |

The investments consist of participations in investment funds from reputable asset managers and are therefore well-diversified, such that the failure of any single investment would not have a material impact on the overall value of the investment fund.

The pension fund has not invested directly in shares of Royal Vopak, parts of the Group or in real estate of the Group.

## Expected maturity, contribution and impact on result

The expected maturity analysis of undiscounted pension benefits at 31 December 2018 is as follows:

| In EUR millions | 2019 | 2020 | 2021 | 2022 | 2023 | 2024+ | Total |
|---|---|---|---|---|---|---|---|
| Undiscounted pension benefits | 5.7 | 5.9 | 6.5 | 7.0 | 6.3 | 237.1 | 268.5 |

The employer's contribution for defined benefit plans increased from EUR 22.6 million in 2017 to EUR 40.5 million in 2018. This increase was primarily related to the one-off payment of EUR 18.0 million related to the settlement of the defined benefit pension plan in the Netherlands. Based on the latest funding agreements, the employer's contribution is expected to be around EUR 2.5 million in 2019.

## Assumptions and sensitivity analysis

### *Assumptions*

| | The Netherlands | | Foreign | | Total | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| **Assumptions based on weighted average at 31 December** | | | | | | |
| Discount rate on net liability | – | 1.85% | 3.52% | 3.02% | 3.52% | 1.99% |
| Expected general salary increase | – | 2.75% | 4.17% | 4.10% | 4.17% | 2.91% |
| Expected price index increase | – | 1.75% | 2.63% | 2.63% | 2.63% | 1.85% |
| Life expectancy in years: | | | | | | |
| Age 65 for men | – | 21.7 | 20.6 | 20.6 | | |
| Age 65 for women | – | 24.1 | 23.0 | 23.1 | | |
| Age 65 in 20 years for men | – | 24.0 | 22.1 | 22.1 | | |
| Age 65 in 20 years for women | – | 26.4 | 24.4 | 24.6 | | |

The discount rates used in the determination of defined benefit obligations and pension expenses are based on high quality corporate bonds (AA) with a duration matching the duration of the pension liabilities.

In addition, the calculations were based on recent mortality tables, taking future developments in mortality rates into account through projections or surpluses. Local historical data were used for employee turnover and disability assumptions.

The liabilities and pension expenses related to defined benefit plans are subject to risks regarding changes in discount rates, plan assets and returns derived from these assets, future salary increases, inflation and life expectancy. Such changes can negatively or positively influence the liabilities and necessitate additional future pension charges under IAS 19. The table below shows the estimated impact on the defined benefit obligations for defined benefit plans for each risk variable.

### *Sensitivity analysis*

| In EUR millions | Change | Increase | Decrease |
|---|---|---|---|
| **Sensitivity assumptions** | | | |
| Price inflation | 1.0% | 6.9 | -6.0 |
| Salary growth | 0.25% | 1.5 | -1.4 |
| Discount rates | 1.0% | -19.2 | 24.2 |
| Life expectation | 1 year | 4.2 | NA |

The sensitivity analysis is based on changes that are realistically possible as at the end of the financial year. Each change in a significant actuarial assumption was analyzed separately as part of the test. Interdependencies were not taken into account.

## Note 9.5 Provisions

Provisions are recognized for legal or constructive obligations that arose in the past, the amount of which, though uncertain, can be reliably estimated and where it is probable that the settlement of the obligations will entail a cash outflow. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

In accordance with current legislation, environmental plans and other measures to be adopted are agreed with local, regional and national authorities as appropriate. As soon as such plans are approved or other statutory obligations arise, a provision is formed based on the most reliable estimate possible of the future expenses.

A provision for reorganization is formed when Vopak has approved a detailed and formalized reorganization plan and when the reorganization has either commenced or been announced.

Provisions for other deferred long-term employee benefits, other than pensions and other employee benefits, for example, redundancy benefits, anniversary incentives and long-term remuneration settled in cash, are calculated using the method for defined benefit plans. Any actuarial results arising are recognized immediately in the statement of income. The same applies to any changes relating to past service.

### Key accounting estimates and judgments

The amount recognized as a provision is management's best estimate of the amount required to settle the obligation. The outcome depends on future events that are uncertain by nature. In assessing the likely outcome of lawsuits and tax disputes, management also bases its assessment on external legal assistance and established precedents.

The Group is exposed to risks regarding environmental obligations arising from past activities. For example, a number of sites have to be decontaminated before being handed back at the end of the contractual period. Under current legislation, environmental plans and any other measures to be adopted have to be agreed with local, regional and national authorities as appropriate. As soon as such plans are approved or other legal obligations arise, a provision is formed based on the most reliable estimate of possible future expenses. Given the degree of difficulty in making estimates, this does not guarantee that no additional costs will arise in the future.

## Movements in provisions

| In EUR millions | Environmental liabilities | Other | Total |
|---|---|---|---|
| Non-current liabilities | 7.8 | 16.0 | 23.8 |
| Current liabilities | 4.9 | 30.0 | 34.9 |
| **Balance at 31 December 2017** | **12.7** | **46.0** | **58.7** |
| *Movements:* | | | |
| Additions | 7.9 | 7.8 | 15.7 |
| Withdrawals | -3.1 | -8.3 | -11.4 |
| Releases | -0.4 | -1.3 | -1.7 |
| Interest accrual | 0.3 | -0.1 | 0.2 |
| **Balance at 31 December 2018** | **17.4** | **44.1** | **61.5** |
| Non-current liabilities | 12.8 | 19.2 | 32.0 |
| Current liabilities | 4.6 | 24.9 | 29.5 |
| **Balance at 31 December 2018** | **17.4** | **44.1** | **61.5** |
| **Expected withdrawals** | | | |
| < 1 year | 4.6 | 24.9 | 29.5 |
| 2nd year | 4.1 | 10.6 | 14.7 |
| 3rd year | 0.9 | 1.2 | 2.1 |
| 4th year | 0.7 | 0.8 | 1.5 |
| 5th year | 0.5 | 1.1 | 1.6 |
| > 5th year | 6.6 | 5.5 | 12.1 |
| **Total** | **17.4** | **44.1** | **61.5** |

### *Environmental provisions*

Vopak is obliged to clean up soil contamination at different locations. In general, an accurate and reliable estimate of the provision for this environmental risk can only be made after conducting a thorough survey and drawing up a management plan for the site, on the basis of which the governmental authorities issue an order.

The environmental provisions primarily relate to historical contaminations. Financial exposures to potential new soil contaminations in relation to products spills are very limited. If a spill or any unwanted discharge takes place, emergency mitigation procedures are in place at all the terminals which contain and remediate the spill immediately, according to the Vopak Standards.

At year-end 2018, the total provision for environmental liabilities amounted to EUR 17.4 million (2017: EUR 12.7 million). The provision mainly related to environmental liabilities at various terminals in the divisions Europe & Africa and Americas. During 2018 an amount of EUR 5.7 million was recognized in relation to environmental provisions for a terminal in Belgium and our Botlek terminal, both part of the Europe & Africa division.

### *Other provisions*

The other provisions primarily relate to legal and claims-related provisions and the provisions for the LTIPs. Many of the claims-related provisions concern insured events, for which the receivable on the insurance company is recognized separately under the Other receivables.

**LTIPs**

Other provisions included an amount of EUR 1.7 million (2017: EUR 1.2 million) for the LTCPs (see note 7.2), and EUR 1.0 million (2017: EUR 1.0 million) for the cash-settled share-based payments of the LTSPs (see note 1 to the first table of note 7.2). EUR 1.5 million of the total provision in relation to the LTIPs will be settled in 2019 (2018: 1.5 million).

The movement in the provisions in connection with the LTIPs recognized in the income statement amounted to EUR 2.0 million in 2018 (2017: release of EUR 1.4 million). Reference is also made to note 7.2.

**Other**

At year-end 2018, EUR 39.6 million (2017: EUR 37.5 million) was recognized under the Other provisions, which primarily comprises various smaller legal cases and claim settlements mainly in the divisions Europe & Africa and Americas, of which the larger part was related to insured events. For more information, reference is also made to note 2.6. On balance, EUR 5.1 million (2017: EUR 16.1 million) was added for expected claims in 2018.

Furthermore, given that the joint venture Vopak SDIC Yangpu Terminal (China) has been under strategic review since the end of 2017, the Group had at that time the intention to positively consider a future decision to provide additional funding to the terminal during 2018 for the amount of EUR 6.3 million. Of this amount EUR 4.5 million was spent during 2018. The remaining amount is still expected to be invested. As such, the remaining constructive obligation amounted to EUR 1.8 million and was recognized under the other provisions at year-end 2018. For more information, reference is made to note 3.7.

No other individual items within the remaining provisions are considered to be individually material. The company expects that the current cases provided for will be substantively resolved within the coming five years.

## Note 9.6 Operating leases

The minimum lease payments due in respect of non-cancellable operating leases are as follows:

| In EUR millions | 2018 | 2017 |
|---|---|---|
| Less than 1 year | 54.3 | 56.8 |
| Between 1 and 5 years | 182.9 | 213.0 |
| More than 5 years | 755.6 | 875.5 |
| **Total** | **992.8** | **1,145.3** |

The lease amounts due are mainly in respect of the leasehold on land and the lease of buildings. The amounts also contain lease extension options which are legally not yet exercised, but for which management has assessed that it is reasonably certain that these options will be exercised by the Group in the future.

In 2018, EUR 63.4 million was recognized as expenses in the statement of income relating to operating leases and hires (2017: EUR 65.7 million).

## Note 9.7 Investment commitments undertaken

The investment commitments undertaken by the Group for subsidiaries amounted to EUR 458.6 million as at 31 December 2018 (2017: EUR 265.8 million), and were primarily related to property, plant and equipment.

## Note 9.8 Contingent assets and contingent liabilities

### Contingencies in respect of joint ventures and associates

| | Joint ventures | | Associates | | Total | |
|---|---|---|---|---|---|---|
| In EUR millions | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| Commitments to provide debt or equity funding | 21.9 | 55.7 | 33.0 | 72.2 | 54.9 | 127.9 |
| Guarantees and securities provided | 104.5 | 114.2 | 57.0 | 89.3 | 161.5 | 203.5 |

The 2018 commitments related primarily to expansion projects in the Asia & Middle East division and RIPET (Canada).

The 2017 commitments for joint ventures and associates mainly related to the expansion of PITSB in Pengerang (Malaysia) and RIPET (Canada).

In 2017, guarantees and securities provided on behalf of participating interests in joint ventures and associates increased due to a guarantee provided for RIPET (Canada) of EUR 89.3 million, offset by a decrease in guarantees due to the partial repayment of the loan to PT Jakarta Tank Terminal (Indonesia) and the fulfillment of conditions precedent with respect to the loan and exchange rate effects.

The amounts of guarantees and securities can potentially be called within one year.

***Guarantees and securities included in ratio calculations***
The notional amount of guarantees and securities provided on behalf of participating interests in joint ventures and associates, which is also included in ratios, decreased from EUR 91.6 million at 31 December 2017 to EUR 86.6 million at 31 December 2018. Of this amount, nil was recognized in the statement of financial position (2017: EUR 0.1 million). Reference is also made to note 5.5.

## Other contingencies

***Environmental obligations***
The Group is exposed to risks regarding environmental obligations arising from past activities. For example, a number of sites have to be decontaminated and restored to their original condition before being handed back at the end of the contractual period. Under current legislation, environmental plans and any other measures to be adopted have to be agreed with local, regional and national authorities as appropriate. As soon as such plans are approved or other legal obligations arise, a provision is formed based on the most reliable estimate possible of future expenses. The Executive Board is of the opinion that the provisions are adequate, based on information currently available. However, given the degree of difficulty in making estimates, this does not guarantee that no additional costs will arise going forward.

***Other legal proceedings and risks***
As a result of its day-to-day activities, the Group is involved in a number of other legal proceedings. The Executive Board is of the opinion that for the legal cases and risks for which no provisions have been recognized, it is not probable at year-end that the final outcome will result in a cash outflow, therefore no provisions have been formed. Furthermore, as explained in the Risks and risk management section, the Group can be held liable for any non-compliance with laws and regulations. The risks in connection with non-compliance, as well as the potential impact on the company, are disclosed in the Internal control and risk management section of this report.

As part of divestments of terminals and assets, Vopak has provided certain customary representations and warranties in the relevant sales purchase agreements. These representations and warranties will generally terminate, depending on their specific features, a number of years after the relevant transaction completion date. Based on the current facts and circumstances, management has determined that for the items for which no provision is currently recognized, the likelihood of a cash outflow relating to these items is considered to be remote.

## Note 9.9 Financial assets and liabilities and credit risk

### Financial assets and liabilities

| | | Carrying amount | | Fair value | |
|---|---|---|---|---|---|
| In EUR millions | Note | 2018 | 2017 | 2018 | 2017 |
| Other financial assets | | 11.2 | 0.9 | 11.2 | 0.9 |
| Currency derivatives | | 69.6 | 13.1 | 69.6 | 13.1 |
| Interest rate derivatives | | -59.9 | -93.4 | -59.9 | -93.4 |
| **Financial instruments at fair value** | | **20.9** | **-79.4** | **20.9** | **-79.4** |
| Loans granted | 9.2 | 25.1 | 28.6 | 25.1 | 28.6 |
| Trade and other receivables | 4.2 | 288.9 | 253.7 | 288.9 | 253.7 |
| Cash and cash equivalents | 5.5 | 77.5 | 130.0 | 77.5 | 130.0 |
| Finance lease receivable | 9.2 | 27.9 | 29.2 | 27.9 | 29.2 |
| **Loans and receivables** | | **419.4** | **441.5** | **419.4** | **441.5** |
| Bank overdrafts and short-term borrowings | 5.5 | -81.9 | -107.1 | -81.9 | -107.1 |
| US Private Placements | 5.5 | -1,363.0 | -1,315.7 | -1,477.4 | -1,365.0 |
| JPY Private Placement | 5.5 | -158.4 | -148.3 | -216.6 | -148.5 |
| Bank loans | 5.5 | -63.9 | -62.6 | -73.0 | -65.9 |
| Credit facilities and other long-term loans | 5.5 | -235.3 | -30.2 | -235.3 | -30.2 |
| Trade creditors | 4.3 | -36.7 | -46.1 | -36.7 | -46.1 |
| Other creditors | 4.3 | -134.3 | -96.4 | -134.3 | -96.4 |
| **Other financial liabilities** | | **-2,073.5** | **-1,806.4** | **-2,255.2** | **-1,859.2** |
| **Net at amortized cost** | | **-1,654.1** | **-1,364.9** | **-1,835.8** | **-1,417.7** |
| Standby credit facility | 5.5 | | | 858.8 | 1,056.3 |
| Standby bank facility | | | | 170.5 | 150.0 |
| **Unrecognized financial instruments** | | | | **1,029.3** | **1,206.3** |

### Determination of fair value for financial instruments

A number of the Group's accounting policies and disclosures require the determination of fair value for the financial instruments. A fair value measurement is an estimate of the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1). In the absence of such information, other observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices), are used to estimate fair values (level 2). No financial instruments were measured at fair value using level 3 (inputs not based on observable market data). Inputs derived from external sources are corroborated or otherwise verified, as appropriate.

The fair values of the Private Placements, revolving credit facility and other long-term bank loans are measured by discounting the future cash flows using observable market interest information (level 2) as no similar instrument is available due to the specific profiles of the instruments. The calculations include credit spreads based on the most recent borrowing contracts.

The fair values of interest rate swaps, cross-currency interest rate swaps and forward foreign exchange contracts are determined by discounting the future cash flows using the applicable period-end observable yield curve, taking into account credit risk and the risk of non-performance.

In view of the short-term nature or the magnitude of the amounts, the Group considers that the fair value of loans granted, trade and other receivables, cash and cash equivalents, bank overdrafts, credit facilities, other long-term loans and trade creditors are not materially different from their carrying value.

The initial measurement at the trade date of all financial instruments is the fair value. Except for derivatives, the initial measurement of financial instruments is adjusted for directly attributable transaction costs.

## Note 9.10 New standards and interpretations not yet implemented

### IFRS 16 - Leases

The IASB published IFRS 16 'Leases' in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed for lessees. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. Lessor accounting under IFRS 16 is substantially unchanged from current accounting. This new standard will be effective as of 1 January 2019 and has been endorsed by the European Union.

It has been concluded that in most cases the services that Vopak provides to its customers do not contain a lease due to the absence of an identified asset. As the definition of a lease under IFRS 16 is substantially the same as under the current lease standard IAS 17, this conclusion is the same under both standards. As such, Vopak does not act as a lessor for most contracts in line with the current accounting treatment.

The company has finalized the implementation of IFRS 16, including the implementation of a lease accounting tool, updated processes and internal controls and the data gathering of the lease contracts. The table below shows the estimated impact on the balance sheet of the Vopak Group as per 1 January 2019 and the estimated effects on the 2019 income statement.

| In EUR millions | Range | | |
|---|---|---|---|
| **Income statement** | | | |
| -/- Operating expenses | (45) | – | (55) |
| +/+ Depreciation expenses | 30 | – | 40 |
| +/+ Interest expenses | 15 | – | 25 |
| **Balance Sheet** | | | |
| +/+ Total assets | 550 | – | 600 |
| **Cash Flows** | | | |
| +/+ Cash flows from operating activities | 45 | – | 55 |
| -/- Cash flows from financing activities | (45) | – | (55) |
| **Cash Flows** | | | |
| EBITDA | | ▲ | |
| EBIT | | ▲ | |
| Net profit attributable to holders of ordinary shares | | ▼ | |
| Return on Capital Employed (ROCE) | Reported on adjusted basis | | |
| Senior net debt : EBITDA | frozen GAAP | | |

1 The Senior net debt : EBITDA for ratio calculation purposes is based on frozen GAAP and not impacted by IFRS 16.

**Important sensitivities and assumptions applied in the estimated effects on the 2019**
The estimated impact is based on the lease contract portfolio at year-end 2018 and will change going forward due to regular changes in the lease portfolio

- The estimate is based on the foreign currency rates and discount rates at year-end 2018
- The Group is in the process of renegotiating a number of material land lease contracts. These leases are currently classified as short-term leases but will be on-balance when renewed
- New projects, acquisitions and divestments going forward will most likely have a material effect on the lease portfolio going forward.

IFRS 16 has a material effect on the financial results and financial position, as the Group has a large portfolio of long-term land leases and leases of other non-current assets. The application of IFRS 16 has no effect on the debt covenants of the Group as the related ratios are based on the accounting policies that were applicable on the date of entering into the debt agreements ('frozen GAAP').

In applying IFRS 16, the Group has elected to apply the modified retrospective approach where the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings on 1 January 2019, with no restatement of comparative information. For the largest land lease contracts, the carrying amount of the right of use assets were calculated as if IFRS 16 had been applied since the commencement date, while applying the incremental borrowing as at 1 January 2019. For all other lease contracts the carrying value was determined at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments that were recognized in the consolidated balance sheet immediately before the date of initial application. Furthermore, the Group has elected to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group has elected to make use of the exemptions on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value (e.g. computers, printing and photocopying machines, furniture and communication equipment).

The table below provides a reconciliation between the operating lease commitments disclosed in note 9.6 of this annual report and the lease liability that has been recognized in the Consolidated statement of financial position of the Group at 1 January 2019.

| In EUR millions | |
|---|---|
| **Operating lease commitments disclosed as at 31 December 2018** | **992.8** |
| Short-term leases [1] | -3.2 |
| Low-value leases | -2.6 |
| Effect of discounting by using the incremental borrowing rate | -332.5 |
| Finance lease liabilities recognised as at 31 December 2018 | 23.1 |
| **Lease liability recognised as at 1 January 2019** | **677.6** |

1 The short-term leases contain an amount of EUR 3.1 million related to expired lease contracts which are in the process of being renegotiated.

## Other

There are no other new standards, amendments to existing standards or new IFRIC interpretations that are not yet effective that are expected to have a material impact on the Group.

# Note 9.11 Principal subsidiaries, joint ventures, associates and investments

Overview as per 31 December 2018.

## SUBSIDIARIES

## Europe, Middle East & Africa

### Belgium
Vopak Agencies Antwerpen NV
Vopak Terminal Eurotank NV
Vopak Chemical Terminals Belgium NV

### Germany
Vopak DUPEG Terminal Hamburg GmbH
Vopak Agencies Germany GmbH

### The Netherlands
Vopak Agencies Amsterdam B.V.
Vopak Agencies Rotterdam B.V.
Vopak Agencies Terneuzen B.V.
Vopak Chemicals Logistics Netherlands B.V.
Vopak EMEA B.V.
Vopak Europe & Africa B.V.
Vopak Finance B.V.
Vopak Global IT B.V.
Vopak Global Procurement Services B.V.
Vopak Global Shared Services B.V.
Vopak LNG Holding B.V.
Vopak Nederland B.V.
Vopak Terminal Amsterdam Westpoort B.V.
Vopak Terminal Botlek B.V.
Vopak Terminal Chemiehaven B.V.
Vopak Terminal Europoort B.V.
Vopak Terminal Laurenshaven B.V.
Vopak Terminals North Netherlands B.V.
Vopak Terminal TTR B.V.
Vopak Terminal Vlaardingen B.V.
Vopak Terminal Vlissingen B.V.
Vopak Ventures B.V.

### South Africa
Vopak Terminal Durban (Pty) Ltd. (70%)
Vopak South Africa Developments (Pty) Ltd. (70%)
Vopak Reatile Richards Bay (Pty) Ltd. (70%)

### Spain
Vopak Terminal Algeciras S.A. (80%)

### Switzerland
Monros AG

### United Kingdom
Vopak Holding Bacrippuls Ltd

## Asia Pacific

### Australia
Vopak Terminals Australia Pty Ltd.
Vopak Terminals Sydney Pty Ltd.
Vopak Terminal Darwin Pty Ltd.

### China
Vopak China Management Company Ltd.
Vopak Terminal Zhangjiagang Ltd.
Vopak Terminal Shangdong Lanshan (60%) [1]

### India
Vopak Terminals Kandla (CRL Terminals Pvt, Ltd.)

### Indonesia
PT Vopak Terminal Merak (95%)

### Singapore
Vopak Asia Pte. Ltd.
Vopak Terminals Singapore Pte. Ltd. (69.5%)[2]
Vopak Terminal Penjuru Pte. Ltd. (100%) [3]
Vopak Gas Terminal LLP (80%)[4]
Monros Insurance Pte. Ltd.

### Vietnam
Vopak Vietnam Co. Ltd.

## Americas

### Brazil
Vopak Brasil S.A.
VPK Partiçipacões e Serviçoes Portuários Ltda.

### Canada
Vopak Terminals of Canada Inc.
Vopak Terminals of Eastern Canada Inc.

### Colombia
Vopak Colombia S.A.

### Mexico
Vopak Mexico S.A. de C.V.

### Panama
Vopak Panama Atlantic Inc.

### United States
Vopak North America Inc.
Vopak Terminals North America Inc.
Vopak Terminal Deer Park Inc.
Vopak Terminal Savannah Inc.
Vopak Terminal Los Angeles Inc.
Vopak Terminal Long Beach Inc.
Vopak Agencies Americas Corp.

1. Vopak Terminal Penjuru Pte. Ltd. 60% ownership in Vopak Terminals Shangdong Lanshan.
2. Vopak Holding Singapore Pte. Ltd 69.5% ownership in Vopak Terminals Singapore Pte. Ltd.
3. Vopak Terminals Singapore Pte. Ltd. 100% ownership in Vopak Terminals Penjuru Pte. Ltd.
4. Vopak Terminals Singapore Pte. Ltd. 80% ownership in Vopak Gas Terminal LLP.

## JOINT VENTURES

### Europe, Middle East & Africa

**Estonia**
AS Vopak E.O.S. (50%)

**Germany**
German LNG Terminal GmbH (33.3%)

**The Netherlands**
Gate terminal B.V. (50%)
MultiCore CV (25%)

**Pakistan**
Engro Vopak Terminal Ltd. (50%)

**Spain**
Terminales Quimicos SA (Terquimsa) (50%)

**Sweden**
Vopak Agencies Sweden A.B. (50%)

**United Arab Emirates**
Vopak Horizon Fujairah Ltd. (33.33%)

### Asia Pacific

**China**
Vopak Terminal Ningbo Co. Ltd. (50%)
Vopak Shanghai Logistics Co. Ltd. (50%)
Vopak Nanjiang Petrochemicals Terminal Tianjin Co. Ltd. (50%)
Vopak Bohua (Tianjin) Terminal Co. Ltd. (50%)
Tianjin Lingang Vopak Bohua Jetty Co. Ltd. (30%)
Vopak Terminal SDIC Yangpu Co. Ltd. (49%)

**Indonesia**
PT Jakarta Tank Terminal (49%)

**Korea**
Vopak Terminals Korea Ltd. (51%)

**Malaysia**
Kertih Terminals Sdn. Bhd. (30%) [1]
Pengerang Terminals Sdn. Bhd. (49%) [2]
Pengerang Independent Terminals Sdn. Bhd. (90%) [3]

**Singapore**
Banyan Cavern Storage Services Pte. Ltd. (45%) [4]
Vopak TOS Agency Singapore Pte Ltd (50%)

**Thailand**
Thai Tank Terminal Ltd. (49%)

### Americas

**Brazil**
Uniao-Vopak Armazens Gerais Ltda. (50%)

**Mexico**
Terminal de Altamira de S. de R.L. de C.V. (60%)

**Panama**
Payardi Terminal Company S. de R.L. (50%)

## ASSOCIATES

**Canada**
Ridley Island LPG Export GP Inc. (30%)

**China**
Zhangzhou Gulei Haiteng Jetty Investment and Management Co. Ltd. (30%)

**Malaysia**
Pengerang Terminals (Two) Sdn. Bhd. (29.7%)

**Saudi Arabia**
Jubail Chemicals Storage & Services Company LLC / Chemtank (25%)

**Pakistan**
Engro Elengy Terminal Pakistan Ltd (29%)

**The Netherlands**
Vopak Terminal Eemshaven B.V. (10%)
Maasvlakte Olie Terminal N.V. (16.67%)

## INVESTMENTS

**Saudi Arabia**
SABIC Terminal Services Company Ltd / Sabtank (10%)

**Venezuela**
Vopak Venezuela S.A. (100%)

1. Vopak Terminal Penjuru Pte. Ltd. 30% ownership in Kertih Terminals Sdn. Bhd.
2. Vopak Terminal Pengerang B.V. 49% ownership in Pengerang Terminals Sdn. Bhd.
3. Pengerang Terminals Sdn Bhd. 89.8% ownership in Pengerang Independent Terminals Sdn. Bhd.
4. Vopak Terminals Singapore Pte. Ltd. 45% ownership in Banyan Cavern Storage Services Pte. Ltd.

## Note 9.12 Events after the reporting period

The following events occurred after 31 December 2018:

### Vopak expanded its equity share in LNG infrastructure in Pakistan by 15%

On 23 January 2019, the Group acquired an additional share of 15% in the associate Engro Elengy Terminal (LNG Division), bringing the total share in this associate to 44%. This LNG import facility, located in Port Qasim, consists of an LNG jetty and high pressure gas pipeline. EETPL holds a 15 year Floating Storage and Regasification Unit (FSRU) time charter (capacity of 151,000 cbm).

The total consideration paid for the entire 44% (29% in December 2018 and 15% in January 2019), including transaction costs, amounted to EUR 49.4 million. The Group is in the process of performing the notional purchase allocation for this associate.

### Vopak acquired an additional 35% in Vopak Terminal Ningbo

On 25 January 2019, the Group acquired an additional 35% share in Vopak Terminal Ningbo (China & North Asia division) bringing the total share the Group has in the equity of the terminal to 85%. By means of this transaction the Group obtained in 2019 control over the terminal and the interest held in the terminal was classified as a subsidiary and no longer as a joint venture.

The consideration paid for the additional 35% share amounted to EUR 4.5 million. The financial impact of this acquisition on the Group going forward is considered to be minor. Furthermore, this step-acquisition is expected to result in a minor exceptional gain. The Group is in the process of performing the purchase allocation for this subsidiary.

# Company Financial Statements

## Company Statement of Income

| In EUR millions | Note | 2018 | 2017 |
|---|---|---|---|
| Other operating income | | 0.7 | 0.9 |
| **Total operating income** | | **0.7** | **0.9** |
| Personnel expenses | 8 | 13.4 | 16.5 |
| Other operating expenses | | 26.6 | 24.1 |
| Depreciation and amortization | | 0.8 | 0.8 |
| **Total operating expenses** | | **40.8** | **41.4** |
| Interest and similar expenses | | -77.7 | -101.4 |
| **Result before income tax** | | **-117.8** | **-141.9** |
| Income tax | 9 | 31.4 | 37.5 |
| Share in result of subsidiaries and participations | | 340.9 | 339.8 |
| **Net profit** | | **254.5** | **235.4** |

## Company Statement of Financial Position before Profit Appropriation

| In EUR millions | Note | 31-Dec-18 | 31-Dec-17 |
|---|---|---|---|
| Participating interests in group companies | 2 | 2,004.9 | 3,384.7 |
| Property, plant & equipment | | 7.5 | 8.2 |
| Loans granted to Group companies | 3 | 2,233.8 | 660.3 |
| Derivative financial instruments | 6 | 23.4 | 16.3 |
| Deferred taxes | | – | 0.7 |
| **Total non-current assets** | | **4,269.6** | **4,070.2** |
| Trade and other receivables | | 2.1 | 14.3 |
| Taxes receivable | | 0.3 | – |
| Prepayments | | 0.9 | 0.1 |
| Derivative financial instruments | 6 | 24.2 | 0.6 |
| Cash and cash equivalents | | – | 39.6 |
| **Total current assets** | | **27.5** | **54.6** |
| Bank overdrafts | | 9.5 | 22.5 |
| Interest-bearing loans | 5 | 89.2 | – |
| Derivative financial instruments | 6 | 20.0 | 1.6 |
| Taxes payable | | – | 0.4 |
| Trade and other payables | | 22.9 | 10.3 |
| Pension and other employee benefits | 7 | 0.9 | 1.0 |
| Provisions | | 2.9 | 2.5 |
| **Total current liabilities** | | **145.4** | **38.3** |
| **Current assets less current liabilities** | | **-117.9** | **16.3** |
| **Total assets less current liabilities** | | **4,151.7** | **4,086.5** |

| In EUR millions | Note | 31-Dec-18 | 31-Dec-17 |
|---|---|---|---|
| Interest-bearing loans | 5 | 1,432.0 | 1,460.0 |
| Derivative financial instruments | 6 | 19.5 | 83.8 |
| Deferred taxes | | 8.8 | – |
| Pension and other employee benefits | 7 | 0.8 | 55.9 |
| Provisions | | 7.8 | 6.8 |
| Other non-current liabilities | | – | – |
| **Non-current liabilities** | | **1,468.9** | **1,606.5** |
| Share capital | | 63.9 | 63.9 |
| Share premium | | 194.4 | 194.4 |
| Legal reserve for participating interests | 4 | 306.9 | 272.5 |
| Translation reserve | | -25.1 | -70.9 |
| Revaluation reserve derivatives | | -110.1 | -119.7 |
| Revaluation reserve assets | | 9.4 | – |
| Transaction reserve non-controlling interest | | 1.3 | 1.3 |
| Other reserves | 4 | 1,987.6 | 1,903.1 |
| Unappropriated profit | 4 | 254.5 | 235.4 |
| **Shareholders' equity** | | **2,682.8** | **2,480.0** |
| **Total** | | **4,151.7** | **4,086.5** |

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# Notes to the Company Financial Statements

## Note 1. General

Koninklijke Vopak N.V. (Vopak) has its registered office in Rotterdam, the Netherlands. Vopak is listed on the Euronext Amsterdam. Vopak is the world's leading independent tank storage provider, specialized in the storage and handling of liquid chemicals, gases and oil products.

The company is registered at the Company Registry of the Rotterdam Chamber of Commerce under number 24295332.

All amounts are in EUR millions, unless stated otherwise.

### Accounting policies

The Company financial statements have been drawn up in accordance with Dutch law (Part 9 of Book 2 of the Dutch Civil Code). In doing so, the company made use of the possibility to apply the accounting policies (including the policies for the presentation of financial instruments as equity or loan capital) used in the Consolidated financial statements to the Company financial statements, as provided for in Section 362 (8) of Book 2 of the Dutch Civil Code.

The accounting policies applied in the Company financial statements are the same as those applied in the Consolidated financial statements, unless stated otherwise.

### Participating interests in Group companies

Interests in Group companies and other companies over which Vopak exercises control or which it manages are carried at net asset value. The net asset value is determined by measuring the assets, provisions and liabilities and calculating the result according to the accounting policies applied in the Consolidated financial statements.

## Note 2. Participating interests in Group companies

| In EUR millions | 2018 | 2017 |
|---|---|---|
| **Carrying amount at 1 January** | **3,384.7** | **3,389.2** |
| Investments | 12.8 | 19.9 |
| Disposal | – | -1.3 |
| Dividend | -1,813.9 | -220.9 |
| Exchange differences | 59.6 | -151.7 |
| Hedging | 16.7 | 8.3 |
| Unrealized actuarial gains and losses | 4.1 | 1.4 |
| Profit | 340.9 | 339.8 |
| **Carrying amount at 31 December** | **2,004.9** | **3,384.7** |

The majority of 2018 dividend relates to settlement of intra-group positions by intra-group dividends (upstreaming of dividends).

For an overview of the investments in subsidiaries, joint ventures and associates held (indirectly) by the company, reference is made to note 9.11 of the Consolidated financial statements.

## Note 3. Loans granted

| In EUR millions | 2018 | 2017 |
|---|---|---|
| **Carrying amount at 1 January** | **660.3** | **876.3** |
| Loans granted | 1,938.2 | 314.3 |
| Repayments | -364.7 | -530.3 |
| **Carrying amount at 31 December** | **2,233.8** | **660.3** |

Loans granted mainly related to various loans to subsidiaries. At 31 December 2018, loans granted did not include any subordinated loans (2017: nil).

## Note 4. Shareholders' equity

Reference is made to note 5.1 to the Consolidated Financial Statements for movements in the number of shares, share capital and share premium.

The share premium can be distributed in full, free of tax.

For the translation reserve, the revaluation reserve derivatives, the revaluation reserve assets and the transaction reserve of non-controlling interests (NCI), reference is made to note 5.2 to the Consolidated Financial Statements.

Movements in the remaining components of shareholders' equity for the years presented are shown in the following tables.

### Legal reserve for participating interests

| In EUR millions | 2018 | 2017 |
|---|---|---|
| **Carrying amount at 1 January** | **272.5** | **265.0** |
| Dotation from Other reserves | 34.4 | 7.5 |
| **Carrying amount at 31 December** | **306.9** | **272.5** |

### Other reserves

| In EUR millions | 2018 | 2017 |
|---|---|---|
| **Carrying amount at 1 January** | **1,903.1** | **1,463.9** |
| Profit appropriation from Unappropriated profit | 101.4 | 400.1 |
| Remeasurement of defined benefit plans | 15.5 | 45.4 |
| Measurement of equity-settled share-based payment arrangements | 1.3 | -4.0 |
| Purchase treasury shares | – | -1.6 |
| Sale treasury shares | – | 3.2 |
| Vested shares under equity-settled share-based payment arrangements | 0.7 | 3.6 |
| Release to Legal reserves | -34.4 | -7.5 |
| **Carrying amount at 31 December** | **1,987.6** | **1,903.1** |

### Unappropriated profit

| In EUR millions | 2018 | 2017 |
|---|---|---|
| **Carrying amount at 1 January** | **235.4** | **534.0** |
| Profit appropriation to Other reserves | -101.4 | -400.1 |
| Dividend in cash | -134.0 | -133.9 |
| Profit for the year | 254.5 | 235.4 |
| **Carrying amount at 31 December** | **254.5** | **235.4** |

After adjustment for the legal reserves at 31 December 2018, a total of EUR 2,040.3 million (2017: EUR 1,889.4 million) is freely distributable from reserves, including unappropriated profit for the year.

## Note 5. Interest-bearing loans

| | Nominal value in EUR millions | | > 5 years in EUR millions | | Average term in years | | Average interest in % | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Current portion | 89.2 | – | | | | | | |
| Non-current portion | 1,432.0 | 1,460.0 | | | | | | |
| **Total** | **1,521.2** | **1,460.0** | **–** | **1,079.1** | **7.3** | **7.9** | **4.0** | **4.0** |

## Note 6. Derivative financial instruments

| In EUR millions | Maturity | 31 December 2018 Assets [1] | 31 December 2018 Liabilities [1] | 31 December 2018 Notional amount | 31 December 2017 Assets [1] | 31 December 2017 Liabilities [1] | 31 December 2017 Notional amount |
|---|---|---|---|---|---|---|---|
| Forward foreign currency contracts [2] | < 1 year | 0.9 | 0.3 | 224.3 | 0.6 | 0.8 | 340.3 |
| **Total net investment hedges** | | **0.9** | **0.3** | **224.3** | **0.6** | **0.8** | **340.3** |
| Forward foreign currency contracts | < 1 year | – | 0.2 | 98.3 | – | 0.8 | 98.8 |
| Cross currency swaps [3] | < 1 year | 28.1 | 6.0 | 266.9 | – | – | – |
| Cross currency swaps [3] | 1-5 years | 51.5 | 6.0 | 418.8 | 34.8 | – | 385.0 |
| Cross currency swaps [3] | > 5 years | – | – | – | 16.7 | 25.5 | 346.3 |
| **Total cash flow hedges - currency part** | | **79.6** | **12.2** | **784.0** | **51.5** | **26.3** | **830.1** |
| Cross currency interest rate swaps [4] | < 1 year | – | 18.3 | 266.9 | – | – | – |
| Cross currency interest rate swaps [4] | 1-5 years | – | 41.6 | 418.8 | – | 18.5 | 385.0 |
| Cross currency interest rate swaps [4] | > 5 years | – | – | – | – | 75.0 | 346.3 |
| **Total cash flow hedges - interest part** | | **–** | **59.9** | **685.7** | **–** | **93.5** | **731.3** |
| **Total derivative financial instruments** | | **80.5** | **72.4** | **1,694.0** | **52.1** | **120.6** | **1,901.7** |
| Currency derivative financial instruments | | 80.5 | 12.5 | | 52.1 | 27.1 | |
| Interest derivative financial instruments | | – | 59.9 | | – | 93.5 | |
| **Total derivative financial instruments** | | **80.5** | **72.4** | | **52.1** | **120.6** | |
| Offsetting | | -32.9 | -32.9 | | -35.2 | -35.2 | |
| **Total** | | **47.6** | **39.5** | | **16.9** | **85.4** | |
| Non-current | | 23.4 | 19.5 | | 16.3 | 83.8 | |
| Current | | 24.2 | 20.0 | | 0.6 | 1.6 | |
| **Total** | | **47.6** | **39.5** | | **16.9** | **85.4** | |

1 At fair value.
2 Forward foreign currency contracts accounted for as hedges on net investments.
3 Cross currency swaps accounted for as cash flow hedges are used to hedge currency (2018: USD 771 million and JPY 10 billion; 2017: USD 771 million and JPY 15 billion) on fixed debt denominated in foreign currency.
4 Cross currency swaps are used to hedge future cash flow interest rate risks (2018: USD 771 million and JPY 10 billion; 2017: USD 771 million and JPY 15 billion) on fixed debt denominated in foreign currency.

## Note 7. Pension and other employee benefits provisions

| In EUR millions | 2018 | 2017 |
|---|---|---|
| Present value of funded defined benefit obligation | – | 1,136.0 |
| Fair value of plan assets | – | -1,081.8 |
| **Total deficit of defined benefit plans** | **–** | **54.2** |
| Net pension obligations under defined contribution plans | 1.7 | 2.7 |
| **Net pension obligations recognized at 31 December** | **1.7** | **56.9** |
| Non-current liabilities | 0.8 | 55.9 |
| Current liabilities | 0.9 | 1.0 |
| **Net pension obligations recognized at 31 December** | **1.7** | **56.9** |

Reference is made to note 9.4 Pensions and other employee benefits which contains further information on pensions and other employee benefits of the Netherlands.

## Note 8. Personnel expenses

During the year under review, the company employed an average of 148 employees and temporary staff (in FTEs) (2017: 152).

| In EUR millions | 2018 | 2017 |
|---|---|---|
| Wages and salaries | 22.5 | 21.3 |
| Social security charges | 1.4 | 1.3 |
| Contribution to pension schemes (defined contribution) | 11.7 | 2.8 |
| Pension charges (defined benefit plans) | -14.0 | 2.9 |
| Long-term incentive plans | 1.7 | -1.0 |
| Other personnel expenses | – | 0.9 |
| Recharged to group companies | -9.9 | -11.7 |
| **Total** | **13.4** | **16.5** |

## Note 9. Income taxes

Royal Vopak is the head of a fiscal unity which includes almost all Dutch wholly-owned subsidiaries. The company is therefore jointly and severally liable for the tax liabilities of the fiscal unity as a whole. The tax expense of Royal Vopak represents the tax impact of its share in the taxable income of the fiscal unity based on Royal Vopak's earnings.

| In EUR millions | 2018 | | 2017 | |
|---|---|---|---|---|
| Result before income tax | | -117.8 | | -141.9 |
| Income tax | | 31.4 | | 37.5 |
| **Effective tax rate** | | **26.7%** | | **26.4%** |
| *Composition:* | *Amount* | *%* | *Amount* | *%* |
| Weighted average statutory tax rate | 29.4 | 25.0 | 35.5 | 25.0 |
| Non-deductible expenses | 0.4 | 0.3 | 0.1 | 0.1 |
| Recognition of tax losses and tax credits | 1.6 | 1.4 | 1.9 | 1.3 |
| **Effective tax (rate)** | **31.4** | **26.7** | **37.5** | **26.4** |

The 2018 effective tax rate of 26.7% (2017: 26.4%) deviates slightly from the applicable tax rate of 25.0% as a result of non-deductible expenses.

## Note 10. Remuneration of Supervisory Board members and Executive Board members

For the remuneration of the Supervisory Board members and the Executive Board members, reference is made to the section of the Remuneration report.

## Note 11. Contingent liabilities

Guarantees and security provided on behalf of participating interests and third parties amounted to EUR 176.2 million (2017: EUR 206.9 million). Guarantees and security provided on behalf of Group companies amounted to EUR 52.8 million (2017: EUR 38.1 million).

Joint and several liability undertakings for an amount of EUR 80.0 million (2017: EUR 80.0 million) were issued for bank credits granted to Royal Vopak. Furthermore, joint and several liability undertakings for an amount of EUR 75.0 million (2017: EUR 72.6 million) were issued for bank credits granted to subsidiaries.

The company has filed joint and several liability undertakings (403 exemptions) for a number of its Dutch Group companies at the office of the Company Registry in whose area of jurisdiction the Group company concerned has its registered office. The list of interests filed at the office of the Company Registry for inspection states for which Group companies Royal Vopak has issued joint and several liability undertakings.

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The members of the Executive Board have signed the financial statements in order to comply with the statutory obligation pursuant to article 2:101 paragraph 2 of the Dutch Civil Code and article 5:25c sub c of the Act on Financial Supervision (Wft).

Rotterdam, 12 February 2019

**The Executive Board**
E.M. Hoekstra - Chairman of the Executive Board and CEO
F. Eulderink - Member of the Executive Board and COO
G.B. Paulides - Member of the Executive Board and CFO

**The Supervisory Board**
B.J. Noteboom (Chairman)
M.F. Groot (Vice-chairman)
B. van der Veer
L.J.I. Foufopoulos - De Ridder
R.G.M. Zwitserloot

# Executive Board declaration

## In-control statement

In the 'Internal control and risk management' paragraph, we set out in detail our risks and risk management framework, as well as the responsibilities of the Executive Board.

The Executive Board is responsible for the design and operation of the internal risk management and control systems and processes. In discharging this responsibility, the Executive Board has made an assessment of the effectiveness of the design and operation of the internal control and risk management systems and processes.

On the basis of this report and in accordance with best practice 1.4.3 of the Dutch corporate governance code of December 2016, and Article 5:25c of the Financial Supervision Act, the aforementioned assessment, the current state of affairs and to the best of its knowledge and belief, the Executive Board confirms that:

- the internal risk management and control systems and processes of the Group provide reasonable assurance that the financial statements give a true and fair view of the Group's financial position, profit or loss, and cash flows;
- there have been no material failings in the effectiveness of the internal risk management and control systems and processes of the Group;
- there are no material risks or uncertainties that could reasonably be expected to have a material adverse effect on the continuity of the Group's operations in the coming twelve months; and
- there is a reasonable expectation that the Group will be able to continue its operations and meet its liabilities for at least twelve months, therefore, it is appropriate to adopt the going concern basis in preparing the financial statements.

Please note that our internal risk management and control systems and processes are unable to offer absolute assurance that the strategic, operational and financial objectives will be fully achieved, or that laws and regulations are always complied with. Furthermore, the systems and processes cannot prevent all human errors of judgments and mistakes. It is also inherent that in business, cost-benefit assessments must be made for the acceptance of risks and the implementation of controls. We continuously monitor the effectiveness of our internal risk management and control systems and processes, and when needed these are further improved and optimized.

## Executive Board declaration

In view of all of the above, the Executive Board confirms that, to the best of its knowledge, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report ('***bestuursverslag***') in this Annual Report includes a fair review of the position at the balance sheet date and the development and performance of the business during the financial year, together with a description of the principal risks and uncertainties that the company faces.

Rotterdam, 12 February 2019

**The Executive Board**
E.M. Hoekstra - Chairman of the Executive Board and CEO
F. Eulderink - Member of the Executive Board and COO
G.B. Paulides - Member of the Executive Board and CFO

# External auditor’s reports

# Independent auditor's report

To the shareholders and Supervisory Board of Koninklijke Vopak N.V.

## Report on the audit of the Financial Statements 2018 included in the Annual Report

### Our Opinion

We have audited the accompanying financial statements 2018 of Koninklijke Vopak N.V. ("company" or "group"), based in Rotterdam, The Netherlands. The financial statements include the Consolidated Financial Statements and the Company Financial Statements.

In our opinion:

- The accompanying Consolidated Financial Statements included in the Annual Report give a true and fair view of the financial position of Koninklijke Vopak N.V. as at 31 December 2018, and of its result and its cash flows for 2018 in accordance with International Financial Reporting Standards as adopted by the European Union ("EU-IFRS") and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying Company Financial Statements included in the Annual Report give a true and fair view of the financial position of Koninklijke Vopak N.V. as at 31 December 2018, and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The Consolidated Financial Statements comprise:

- The Consolidated Statement of Financial Position as at 31 December 2018.
- The following statements for 2018: the Consolidated Statement of Income, Comprehensive Income, Changes in Equity and Cash Flows.
- The notes comprising a summary of the significant accounting policies and other explanatory information.

The Company Financial Statements comprise:

- The Company Statement of Financial Position before Profit Appropriation as at 31 December 2018.
- The Company Statement of Income for 2018.
- The notes comprising a summary of the accounting policies and other explanatory information.

### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Koninklijke Vopak N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in The Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 16.0 million. The materiality is primarily based on 5% of profit before income tax, adjusted for certain non-recurring items. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that uncorrected misstatements in excess of EUR 0.8 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

### Scope of the group audit

Koninklijke Vopak N.V. is the head of a group of entities. The financial information of this group is included in the Consolidated Financial Statements of Koninklijke Vopak N.V.

Because we are ultimately responsible for the opinion, we are responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit had to be carried out on the complete set of financial information or specific items.

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The group's financial statements are a combination of:
- Consolidated reporting entities, comprising the operating terminals under the group's control and centralized functions.
- Unconsolidated reporting entities comprised of operating terminals under joint control with unrelated parties (joint ventures) and operating terminals where the group exercises significant influence (associates); all accounted for under the equity method.

In establishing the overall group audit strategy and plan, we determined the type of work that needed to be performed at the reporting entities by the group engagement team, by component auditors from other Deloitte network firms and by component auditors from non-Deloitte network firms primarily working under our instruction at the joint ventures. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting entities so as to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. For each reporting entity we determined whether we required an audit of their complete financial information or whether other procedures would be sufficient. Those where a full audit was required included the three largest (consolidated) reporting entities (Netherlands, Singapore and United States of America), because they each make up more than 10% of the group's revenue or underlying profits.

We included additional reporting entities in the scope of our group audit to have audit coverage on the group's consolidated financial statements and to cover a geographic spread across the group's divisions.

### *Audit coverage*

- Audit coverage of consolidated revenues: 86%
- Audit coverage of group operating profit: 84%
- Audit coverage of total assets: 75%

In addition, we performed other procedures with respect to the remaining reporting entities.

The group consolidation, financial statement disclosures and a number of complex items were audited by the group engagement team at the head office. These include impairment testing of terminal assets and joint ventures, general IT controls, derivative financial instruments, hedge accounting, defined benefit pension plans, share-based payments and the impact disclosure of the new lease accounting standard IFRS 16. The group engagement team participated in component auditor closing meetings and also visited group entities in several countries to direct the planning, review the work undertaken and assess the findings.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

## Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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## Impairment testing of terminal assets and joint ventures

| Description | Our response | Our observations |
|---|---|---|
| The group controls a number of tank storage terminals with a total carrying value of property, plant and equipment of EUR 3,736.3 million as per 31 December 2018 (note 3.3). Furthermore, the group has an interest in a number of joint ventures and associates, with a total carrying value of EUR 1,081.7 million as per 31 December 2018 (note 3.4).<br><br>This area is significant to our audit as the determination whether these assets are not carried at more than their recoverable amounts is subject to significant management judgment. Such judgment focuses predominantly on future cash flows, which are, among others, dependent on economic conditions, the continued attractiveness of the terminal location for users along the major shipping routes and local market circumstances and is inherently surrounded by uncertainties. | Our impairment testing included, among others, evaluating the group's policies and procedures, including internal controls, to identify triggering events for potential impairment of terminal assets and joint ventures and associates.<br><br>For the terminal locations that triggered management's impairment testing, we evaluated the policies and procedures regarding impairment testing, we challenged management's primary cash flow assumptions and corroborated them by comparison to commercial contracts, customer relationship management information, available market reports, historic trend analyses or market multiples from recent tank terminal sales transactions in the region.<br><br>Further, we involved our valuation experts to validate the weighted average cost of capital as applied by the group and the appropriateness of certain assumptions in the applied value in use calculations or, where applicable, the fair value less cost of disposal calculations.<br><br>We further assessed whether the main assumptions and related uncertainties are appropriately reflected in the disclosures in the financial statements. | As described in note 3.7 of the financial statements, the group recognized impairments in 2018 at an amount of EUR 4.6 million.<br><br>The group has provided disclosures for its key accounting estimates in note 3.7 of the financial statements which include disclosures of:<br>• The uncertainties with respect to the recoverable amount of certain terminals under strategic review and disclosure that in a situation where the fair value that a buyer is willing to pay is lower than the value in use which Vopak is able to create with these terminals, this may potentially lead to an impairment.<br>• The impairment recognized on the joint venture Vopak Terminal Kandla (India).<br>• The uncertainties with respect to the recoverable value of the group's other investments.<br><br>Based upon our procedures performed we consider management's key assumptions in measuring the recoverable amounts to be reasonable in light of the measurement objectives of EU-IFRS and the recognized impairments are considered to be appropriate. We consider both the management's key assumptions and the recognized impairments are appropriately disclosed in the financial statements. By nature, the assumptions applied in measuring the recoverable amount are subject to developments and change in later periods. This could potentially lead to (reversal of) impairments of individual terminals going forward. |

## IFRS 16 'Leases' implementation and impact assessment

| Description | Our response | Our observations |
|---|---|---|
| IFRS 16 'Leases' is effective as per 1 January 2019, resulting in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed for lessees. As described in note 9.10 of the Financial Statements, the group has elected to apply the modified retrospective approach where the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of the comparative information.<br><br>Resulting from the large portfolio of long-term land leases and leases of other non-current assets, the implementation of IFRS 16 has a material effect on the financial results and financial position of the group as per 1 January 2019.<br><br>The implementation of IFRS 16 is considered a key audit matter due to the significant impact on the financial position as per 1 January 2019 and the estimated impact on the consolidated statement of income and management's judgment in establishing the key assumptions underlying the calculation of the lease liability and right-of-use asset. | Our procedures included, among others, evaluating the group's lease accounting policies and key judgments made by management including whether extension options are considered reasonably certain they will be exercised. Further, we validated the assessment of the lease liabilities and the right-of-use assets based on the contractual obligations and assessment of extension options.<br><br>We further involved our valuation experts to validate the appropriateness of the incremental borrowing rate applied by the group. | The group has appropriately disclosed the impact on the balance sheet of the group as per 1 January 2019 and the estimated effects on the 2019 income statement based on the lease portfolio and foreign currency exchange rates as per 31 December 2018. |

## Report on the other information included in the Annual Report

In addition to the financial statements and our auditor's report thereon, the Annual Report contains other information that consists of:

- Management report.
- Supervisory Board report.
- Remuneration report.
- Other information as required by Part 9 Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard on Auditing 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

## Report on other legal and regulatory requirements

### *Engagement*

We were engaged by the Annual General Meeting as auditor of Koninklijke Vopak N.V. on 23 April 2014 as of the audit for the year 2015 and have operated as statutory auditor ever since that financial year.

### *No prohibited non-audit services*

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

## Description of responsibilities regarding the financial statements

### Responsibilities of management and Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company's or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

### Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

## Consideration of fraud in the audit of financial statements

| Description | Our response |
|---|---|
| An auditor conducting an audit in accordance with Dutch Standards on Auditing is responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.<br><br>We have exercised professional judgement and have maintained professional skepticism throughout our audit in identifying and assessing the risks of material misstatement of the financial statements due to fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. | We performed the following procedures:<br>• We made inquiries of management, those charged with governance and others within Vopak regarding the risk of material misstatements in the financial statements due to fraud, their process for identifying and responding to the risk of fraud, the internal communication regarding their views on business practices and ethical behavior and whether they have knowledge of any actual, suspected or alleged fraud affecting the company.<br>• We obtained an understanding of how those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the company and the internal control that management has established to mitigate these risks.<br>• We evaluated whether unusual or unexpected relationships have been identified in performing analytical procedures, including those related to revenue accounts, that may indicate risks of material misstatement due to fraud.<br>• We held discussions amongst team members and component auditors to identify fraud risk factors and considered whether other information obtained from our risk assessment procedures indicated risks of material misstatement due to fraud.<br>• We determined overall responses to address the assessed risks of material misstatement due to fraud at the financial statement level or at the assertion level by:<br>a. assigning and supervising personnel with the adequate knowledge, skills and ability;<br>b. evaluating whether the selection and application of accounting policies by the group, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting;<br>c. incorporated an element of unpredictability in the selection of the nature, timing and extent of our audit procedures. Among others, these include a periodical reassessment of the group audit scope, visits of the group entities and expanding the group audit scope where appropriate. Reference is made to the section "Scope of the group audit";<br>d. tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;<br>e. evaluated whether the judgments and decisions made by management in making the accounting estimates included in the financial statements indicate a possible bias that may represent a risk of material misstatement due to fraud. Management insights, estimates and assumptions that might have a major impact on the financial statements are disclosed in note 1.1 of the financial statements. Impairment testing of terminal assets and joint ventures is a significant area to our audit as the determination whether these assets are not carried at more than their recoverable amounts is subject to significant management judgment. Reference is made to the section "Our key audit matters";<br>f. performed a retrospective review of management judgments and assumptions related to significant accounting estimates reflected in the 2017 financial statements;<br>g. for significant transactions evaluated whether the business rationale of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets. |

## Consideration of laws and regulations in the audit of financial statements

| Description | Our response |
|---|---|
| We are responsible for obtaining reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error taking into account the applicable legal and regulatory framework. However, we are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.<br><br>Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the auditing standards. In the context of laws and regulations, the potential effects of inherent limitations on the auditor's ability to detect material misstatements are greater for such reasons as the following:<br>• There are many laws and regulations, relating principally to the operating aspects of an entity, that typically do not affect the financial statements and are not captured by the entity's information systems relevant to financial reporting.<br>• Non-compliance may involve conduct designed to conceal it, such as collusion, forgery, deliberate failure to record transactions, management override of controls or intentional misrepresentations being made to the auditor.<br>• Whether an act constitutes non-compliance is ultimately a matter to be determined by a court or other appropriate adjudicative body.<br><br>Ordinarily, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognize the non-compliance. | We performed the following procedures:<br>• As part of obtaining an understanding of Vopak and its environment we obtained a general understanding of (i) the legal and regulatory framework applicable to Vopak and the industry in which it operates and (ii) how Vopak is complying with that framework.<br>• We obtained sufficient appropriate audit evidence regarding provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements such as tax and pension laws and regulations.<br>• Our procedures are more limited with respect to other laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements. These laws and regulations compliance may be fundamental to the operating aspects of the business, to Vopak's ability to continue its business, or to avoid material penalties (e.g., compliance with the terms of operating licenses and permits or compliance with environmental regulations) and therefore non-compliance with such laws and regulations may have a material effect on the financial statements. Our responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.<br>• Our procedures are limited to (i) inquiry of management, Supervisory Board and others within Vopak as to whether the company is in compliance with such laws and regulations and (ii) inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements. |

For an overview of our responsibilities we refer to NBA's website.

Rotterdam, 12 February 2019

**Deloitte Accountants B.V.**
Signed on the original: M.J. van der Vegte

# Assurance report of the independent auditor with respect to the 2018 Sustainability Information of Koninklijke Vopak N.V.

To the shareholders and Supervisory Board of Koninklijke Vopak N.V.

## Our Conclusion

We have reviewed the 2018 Sustainability Information included in the chapter 'Sustainability' in the 2018 Annual Report ("the sustainability information") of Koninklijke Vopak N.V. based in Rotterdam. A review is aimed at obtaining a limited level of assurance.

Based on our procedures performed nothing has come to our attention that causes us to believe that the sustainability information does not present, in all material respects, a reliable and adequate view of:

- the policy and business operations with regard to sustainability
- the thereto related events and achievements for the year 2018

in accordance with the reporting criteria as included in the section 'Reporting criteria'.

The sustainability information consists of the performance information in the chapter 'Sustainability' in the 2018 Annual Report.

## Basis for our conclusion

We have performed our review on the sustainability information in accordance with Dutch law, including Dutch Standard 3810N 'Assurance-opdrachten inzake maatschappelijke verslagen' (Assurance engagements relating to sustainability reports) which is a specified Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This assurance engagement is aimed at obtaining limited assurance. Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the sustainability information'.

We are independent of Koninklijke Vopak N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in The Netherlands. This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

## Reporting criteria

The sustainability information needs to be read and understood together with the reporting criteria. Koninklijke Vopak N.V. is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the sustainability information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria as disclosed in the chapter 'Sustainability, Basis of preparation' of the 2018 Annual Report.

## Responsibilities of management and the Supervisory Board for the sustainability information

Management is responsible for the preparation of the sustainability information in accordance with the reporting criteria as included in the section 'Basis of preparation' as disclosed in the chapter 'Sustainability', including the identification of stakeholders and the definition of material matters. The choices made by management regarding the scope of the sustainability information and the reporting policy are summarised in the chapter 'Sustainability' of the Annual Report.

Management is responsible for such internal control as management determines is necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the reporting process of Koninklijke Vopak N.V.

## Our responsibilities for the review of the sustainability information

Our responsibility is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in review is therefore substantially less than the assurance obtained in an audit.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the sustainability information. The materiality affects the nature, timing and extent of our review procedures and the evaluation of the effect of identified misstatements on our conclusion.

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS, Regulations for Quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

Our review engagement included:

- Performing an external media analysis to obtain insight into relevant social themes and issues.
- Evaluating the appropriateness of the reporting policy and its consistent application, including the evaluation of the results of the stakeholders' dialog and the reasonableness of management's estimates.
- Obtaining an understanding of the reporting processes for the sustainability information, including obtaining a general understanding of internal control relevant to our review .
- Obtaining an understanding of the procedures performed by the internal audit department of Koninklijke Vopak N.V.
- Identifying areas of the sustainability information with a higher risk of misleading or unbalanced information or material misstatements, whether due to fraud or error.
- Designing and performing further assurance procedures aimed at determining the plausibility of the sustainability information responsive to this risk analysis. These procedures consisted amongst others of :
  - Interviewing management and relevant staff at corporate (and business/division/cluster/local) level responsible for the sustainability strategy, policy and results;
  - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the sustainability information;
  - Determining the nature and extent of the review procedures for the group components and locations. For this, the nature, extent and/or risk profile of these components are decisive. Based thereon we selected the components and terminals to visit. The visits to terminals are aimed at, on a local level, validating source data and evaluating the design and implementation of internal controls and validation procedures;
    - Obtaining assurance information that the sustainability information reconciles with underlying records of the company;
    - Reviewing, on a limited test basis, relevant internal and external documentation;
    - Performing an analytical review of the data and trends;
- Evaluating the consistency of the sustainability information with the information in the Annual Report which is not included in the scope of our review.
- Evaluating the presentation, structure and content of the sustainability information;
- To consider whether the sustainability information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.
- Assessing whether the sustainability information has been prepared in accordance with the Sustainability Reporting Standards Comprehensive option of the Global Reporting Initiative.

We communicated with the Management and Supervisory Board regarding, among other matters, the planned scope, timing and outcome of the review and significant findings that we identified during our review.

Rotterdam, 12 February 2019

**Deloitte Accountants B.V.**
Signed on the original: M.J. van der Vegte

# **First in-service** robotic inspection

Vopak successfully executed an in-service robotic inspection in an operational low flash point product tank in Singapore. By using robots, we can avoid having to send staff into confined spaces, minimize the exposure of personnel to potentially hazardous conditions, reduce downtime and wastewater generation, and save resources. During the tank inspection, the tank remained available for Vopak's customer.

The in-service robot inspection was carried out in cooperation with the Netherlands-based Intero Integrity Services. This collaborative work was awarded the Sprint Robotics Award at the 1st World Conference for Inspection & Maintenance Robotics.

# Additional information

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# Non-IFRS proportionate financial information

## Proportionate information

### Basis of preparation

Vopak provides Non-IFRS proportionate financial information -excluding exceptional items- in response to requests by multiple investors to provide additional operational performance insights on a comparable basis for subsidiaries, joint ventures and associates. In this disclosure, the joint ventures and associates and the subsidiaries with non-controlling interests are consolidated based on the economic ownership interests of the Group in these entities.

In the tables in this section, we provide the proportionate financial information for the statement of income, the statement of financial position, and the segment information for each of our reportable segments. Where applicable, we show a reconciliation with our IFRS figures in order to create comparability with the proportionate information. Other information is based on the same principles as applied for the proportionate financial information.

## Statement of income

| | 2018 | | | | 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| In EUR millions | IFRS figures | Exclusion exceptional items | Effects proportionate consolidation | Proportionate consolidated | IFRS figures | Exclusion exceptional items | Effects proportionate consolidation | Proportionate consolidated |
| Revenues | 1,254.5 | – | 286.9 | 1,541.4 | 1,305.9 | – | 293.6 | 1,599.5 |
| Net operating expenses | -615.9 | 18.2 | -85.7 | -719.8 | -652.6 | 1.4 | -92.9 | -746.9 |
| Results of joint ventures and associates | 113.9 | – | -113.9 | – | 44.1 | -67.2 | -111.3 | – |
| Impairment | 2.3 | 2.3 | – | – | -2.1 | -2.1 | – | – |
| **Group operating profit before depreciation and amortization (EBITDA)** | **754.8** | **20.5** | **87.3** | **821.6** | **695.3** | **-67.9** | **89.4** | **852.6** |
| Depreciation and amortization | -273.1 | -2.1 | -68.1 | -339.1 | -272.8 | – | -70.4 | -343.2 |
| **Group operating profit (EBIT)** | **481.7** | **18.4** | **19.2** | **482.5** | **422.5** | **-67.9** | **19.0** | **509.4** |
| Net finance costs | -132.6 | -50.2 | -25.2 | -107.6 | -122.0 | -23.5 | -34.8 | -133.3 |
| Income tax | -58.6 | -3.2 | -30.0 | -85.4 | -25.3 | 39.4 | -24.0 | -88.7 |
| **Net profit** | **290.5** | **-35.0** | **-36.0** | **289.5** | **275.2** | **-52.0** | **-39.8** | **287.4** |
| Non-controlling interests | -36.0 | – | 36.0 | – | -39.8 | – | 39.8 | – |
| **Net profit owners of parent** | **254.5** | **-35.0** | **–** | **289.5** | **235.4** | **-52.0** | **–** | **287.4** |

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## Statement of financial position

| | 31-Dec-18 | | | 31-Dec-17 | | |
|---|---|---|---|---|---|---|
| In EUR millions | IFRS figures | Effects proportionate consolidation | Proportionate consolidated | IFRS figures | Effects proportionate consolidation | Proportionate consolidated |
| Non-current assets (excl. joint ventures and associates) | 4,011.2 | 1,804.6 | 5,815.8 | 3,732.7 | 1,706.8 | 5,439.5 |
| Joint ventures and associates | 1,081.7 | -1,081.7 | – | 968.7 | -968.7 | – |
| Current assets | 422.0 | 340.6 | 762.6 | 413.1 | 276.2 | 689.3 |
| **Total assets** | **5,514.9** | **1,063.5** | **6,578.4** | **5,114.5** | **1,014.3** | **6,128.8** |
| Non-current liabilities | 2,060.2 | 963.4 | 3,023.6 | 1,977.5 | 988.9 | 2,966.4 |
| Current liabilities | 610.4 | 261.6 | 872.0 | 501.1 | 181.3 | 682.4 |
| **Total liabilities** | **2,670.6** | **1,225.0** | **3,895.6** | **2,478.6** | **1,170.2** | **3,648.8** |
| Equity attributable to owners of parent | 2,682.8 | – | 2,682.8 | 2,480.0 | – | 2,480.0 |
| Non-controlling interests | 161.5 | -161.5 | – | 155.9 | -155.9 | – |
| **Total equity** | **2,844.3** | **-161.5** | **2,682.8** | **2,635.9** | **-155.9** | **2,480.0** |

## Other information

| | 2018 | 2017 |
|---|---|---|
| EBITDA margin -excluding exceptional items- | 52.4% | 52.9% |
| Occupancy rate subsidiaries, joint ventures and associates | 84% | 90% |
| Service, maintenance, compliance and IT capex (in EUR millions) | 279.6 | 245.2 |

## Net interest-bearing debt

| In EUR millions | 31-Dec-18 | 31-Dec-17 |
|---|---|---|
| Non-current portion of interest-bearing loans | 2,583.7 | 2,427.2 |
| Current portion of interest-bearing loans | 168.6 | 88.3 |
| **Total interest-bearing loans** | **2,752.3** | **2,515.5** |
| Short-term borrowings | 67.0 | 84.0 |
| Bank overdrafts | 22.9 | 27.1 |
| Cash and cash equivalents | -249.8 | -286.8 |
| **Net interest-bearing debt** | **2,592.4** | **2,339.8** |

## Segment information -excluding exceptional items-

| In EUR millions | Revenues | | EBITDA | | Group operating profit (EBIT) | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Europe & Africa | 642.1 | 674.6 | 301.5 | 327.6 | 147.8 | 167.1 |
| *of which Netherlands* | *448.0* | *476.6* | *232.0* | *249.7* | *122.5* | *140.2* |
| Asia & Middle East | 372.7 | 403.9 | 256.3 | 266.4 | 182.3 | 196.4 |
| *of which Singapore* | *169.7* | *184.9* | *117.4* | *132.7* | *91.0* | *105.0* |
| China & North Asia | 122.7 | 112.3 | 84.1 | 64.6 | 54.2 | 32.7 |
| Americas | 284.4 | 288.1 | 128.2 | 129.2 | 84.5 | 82.3 |
| *of which United States* | *171.0* | *167.1* | *81.5* | *81.4* | *58.2* | *56.2* |
| LNG | 118.5 | 118.8 | 93.3 | 92.9 | 68.7 | 68.8 |
| Global functions, corporate activities and others | 1.0 | 1.8 | -41.8 | -28.1 | -55.0 | -37.9 |
| **Total excluding exceptional items** | **1,541.4** | **1,599.5** | **821.6** | **852.6** | **482.5** | **509.4** |

## Revenue per Product Type per Reporting Segment

| In EUR millions | Oil Products | | Chemical Products | | Vegoils & Biofuels | | Gas Products | | Other Services | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Europe & Africa | 332.3 | 382.0 | 185.4 | 176.6 | 69.9 | 64.0 | 32.7 | 28.0 | 21.8 | 24.0 | 642.1 | 674.6 |
| Asia & Middle East | 165.7 | 206.6 | 174.8 | 167.4 | 2.6 | 3.3 | 8.5 | 8.4 | 21.1 | 18.2 | 372.7 | 403.9 |
| China & North Asia | 4.4 | 11.8 | 117.3 | 99.1 | – | – | 0.4 | 0.3 | 0.6 | 1.1 | 122.7 | 112.3 |
| Americas | 83.2 | 84.6 | 147.5 | 135.7 | 35.9 | 53.0 | – | – | 17.8 | 14.8 | 284.4 | 288.1 |
| LNG | – | – | – | – | – | – | 118.5 | 118.8 | – | – | 118.5 | 118.8 |
| Global functions, corporate activities and others | – | – | – | – | – | – | – | – | 1.0 | 1.8 | 1.0 | 1.8 |
| **Total** | **585.6** | **685.0** | **625.0** | **578.8** | **108.4** | **120.3** | **160.1** | **155.5** | **62.3** | **59.9** | **1,541.4** | **1,599.5** |

# Profit appropriation

## Articles of Association Provisions Governing Profit Appropriation

The Articles of Association provisions governing profit appropriation are contained in Articles 19 and 27.

The relevant paragraphs of these articles are as follows:

**Article 19.2.**
In the Annual General Meeting of Shareholders:
b. the annual accounts as prepared by the management board will be presented to the general meeting for adoption and the allocation of profits will – with due observance of the provisions of article 27 – be determined.

**Article 27.12.**
The profits remaining after application of the previous paragraphs shall be at the free disposal of the general meeting, with due observance of the fact that no dividend can be distributed when, at the time of the distribution, the dividend reserve finance preference shares has a positive balance and furthermore provided that no further distributions shall be made on the anti-takeover preference shares and the finance preference shares and no profits shall be (further) reserved for the account of the finance preference shares.

## Proposed Profit Appropriation

The proposal to the Annual General Meeting will be to distribute a dividend in cash of EUR 1.10 (2017: EUR 1.05 in cash) per ordinary share, with a nominal value of EUR 0.50. Provided that the Annual General Meeting adopts the financial statements, the dividend for the 2018 financial year will be made payable on 26 April 2019.

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# Stichting Vopak

The objectives of Stichting Vopak, established in Rotterdam, are to promote the interests of Koninklijke Vopak N.V. (Royal Vopak) and all those involved with the company and any of its affiliated companies in order to safeguard, among other things, Royal Vopak's and these companies' continuity and/or identity and/or independence.

During the year 2018, the Board of Stichting Vopak met twice. At these meetings, it discussed the protection of Vopak and its effectiveness, the composition of the members of the Board of Stichting Vopak as well as the financing of Stichting Vopak. Furthermore, the Board of Stichting Vopak was briefed by the Chairman of the Executive Board of Royal Vopak on developments in the company. The Chairman of the Supervisory Board attended these meetings as an observer.

The current members of the Board of Stichting Vopak are:
- Mr A. Schaberg, Chairman
- Ms A.P. Aris
- Mr J.H.M. Lindenbergh
- Mr J.C.M. Schönfeld

No cumulative preference shares in Royal Vopak had been issued at the date of the statement of financial position.

Cumulative preference shares will be issued if Stichting Vopak exercises its option right. On 18 October 1999, the AGM decided to grant the right to Stichting Vopak to acquire protective preference shares to a maximum amount of the full nominal value of the share capital issued to third parties in the form of ordinary and financing preference shares, less the nominal value of one ordinary share. Royal Vopak and Stichting Vopak have specified their mutual relationship with regard to the option in an option agreement dated 1 November 1999, which was amended on 5 May 2004 in such a manner that the original put option granted to Royal Vopak was cancelled.

On 17 September 2013, the EGM resolved to increase the right of Stichting Vopak to acquire cumulative preference shares in such a way that the right to acquire cumulative preference shares is related to all shares in the share capital of Vopak issued to third parties at such time, less one ordinary share. Pursuant to this Royal Vopak and Stichting Vopak amended the option agreement accordingly on 17 September 2013.

The Board of Stichting Vopak decides independently whether and when there is a need to exercise its option right for the issue of protective preference shares to Stichting Vopak.

Rotterdam, 12 February 2019

**Stichting Vopak**

## Declaration of independence

In the opinion of the Board of Stichting Vopak and the Executive Board of Royal Vopak, Stichting Vopak is independent as meant by Section 5:71(1c) of the Financial Supervision Act.

Rotterdam, 12 February 2019

**Stichting Vopak** **Koninklijke Vopak N.V. (Royal Vopak)**

# Principal company officers at 12 February 2019

## Europe & Africa
### Division management
- Jan Bert Schutrops - Division President
- Marcel van der Kar - Commercial & Business Development
- Age Reijenga - Operations & Technology
- René van Tatenhove - Finance & Control
- Edwin Taal - Human Resources

### Business units
- Walter Moone - Rotterdam Botlek, The Netherlands
- Janhein van den Eijnden - Rotterdam Europoort, The Netherlands
- Ard Huisman - Vlaardingen, The Netherlands
- Ramon Ernst - North Netherlands
- Tjeerd van der Voorn - Agencies
- Ian Ter Haar - Vlissingen, The Netherlands
- Paul Demeyere - Belgium
- Jos Steeman - Germany
- Paul Cox - South Africa
- Peter van der Brug - Algeciras, Spain

### Joint ventures and associates
- Arnout Lugtmeijer - Vopak E.O.S., Estonia
- Eduardo Sanudo - Terquimsa, Spain

## Asia & Middle East
### Division management
- Dick Richelle - Division President
- Casper Pieper - Commercial & Business Development
- Niek Verbree - Operations & Technology
- K.P. Aldridge - Finance & Control
- Mariah Ismail - Human Resources

### Business units
- Fulco van Geuns - Australia
- Wilfred Lim - Malaysia
- Tan Soo Koong - Singapore
- Deepak Dalvi - India
- Lars Schaumann - Indonesia

### Joint ventures and associates
- Ian Cochrane - SabTank, Saudi Arabia
- Say Huat Law - Vopak Horizon Fujairah, UAE
- Hashbal Al Shahrani - Jubail Chemicals Storage and Services Company (Chemtank), Saudi Arabia
- Jahangir Piracha - Engro Vopak Terminal, Pakistan
- Theerapol Muenpakdee - Thai Tank Terminal, Thailand
- Wilfred Lim - Pengerang Independent Terminals, Malaysia
- Aqeel Hussain - Pengerang Terminals 2, Malaysia

## China & North Asia
### Division management
- Yan Chen - Division President
- Chen Peng - Commercial & Business Development
- Mike Lai - Operations & Technology
- Wayne Wang - Finance & Control
- Whitney Wu - Human Resources

### Business units
- Yulin Yuan - Zhangjiagang, China
- Edwin Hui - Lanshan, China
- Patrick Trinh - Vietnam

### Joint ventures and associates
- Jeremy Pei - Vopak SDIC Terminal Yangpu, China
- Bo Teng - Zhangzhou Gulei Haiteng Terminals, China
- Xiaomei Liu - Tianjin Lingang, China
- Biwei Yan - Caojing Shanghai, China
- George Wang - Ningbo, China
- J.I. Lee - Ulsan, Korea

## Americas
### Division management
- Boudewijn Siemons - Division President
- Ralf van der Ven - Commercial & Business Development
- Gert-Jan Krispijn - Operations & Technology
- Wim Samlal - Finance & Control
- Hernán Rein - Human Resources

### Business units
- Chris Robblee - U.S. Southern Region, United States
- Mike LaCavera - West Coast, United States
- Ignacio González - Canada
- Christian Pérez - Mexico
- Michael Mulford - Venezuela
- Michael Mulford - Colombia
- Sjoerd Bazen - Brazil
- Alvaro Perez - Panama

## LNG
### Division management
- Kees van Seventer - Division President
- Jarmo Stoopman - General Manager
- Ton Floors - Commercial & Business Development
- Michaël Naert - Operations & Technology
- Joost Ketelaars - Finance & Control
- Stella Zerbo - Human Resources

### Joint ventures and associates
- Wim Groenendijk - Gate Terminal, The Netherlands
- José Luis Vitagliano Novoa - LNG Terminal Altamira, Mexico
- Jahangir Piracha - Elengy Terminal Pakistan Limited, Pakistan
- Rolf Brouwer - German LNG Terminal

## Global staff
- Karen Beuk - Communication & Investor Relations
- Wim Bloks - Sourcing & Procurement
- Leo Brand - Information Technology
- Michiel van Cortenberghe - Control & Business Analysis
- Michiel Gilsing - Commercial & Business Development
- Marjan Groeneveld - Treasury
- Elsbeth Janmaat - Human Resources
- Anne-Marie Kroon - Tax
- Dick Meurs - Moves IT Program
- Katie Slipper - Internal Audit
- Peter Paul Smid - Legal Affairs & Corporate Secretary
- Patrick van der Voort - Operations & Technology
- René Wiezer - Insurance

# Five-year consolidated summary

| In EUR millions | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| **Consolidated abridged statement of income** | | | | | |
| Revenues | 1,254 | 1,306 | 1,347 | 1,386 | 1,323 |
| Other operating income | 32 | 23 | 303 | 106 | 26 |
| **Total operating income** | **1,286** | **1,329** | **1,650** | **1,492** | **1,349** |
| Operating expenses | -647 | -676 | -681 | -737 | -676 |
| Depreciation and amortization | -273 | -273 | -264 | -256 | -239 |
| Impairment | 2 | -2 | -6 | -4 | -40 |
| **Total operating expenses** | **-918** | **-951** | **-951** | **-997** | **-955** |
| **Operating profit** | **368** | **378** | **699** | **495** | **394** |
| Result of joint ventures and associates | 114 | 44 | 60 | 54 | 74 |
| **Group operating profit (EBIT)** | **482** | **422** | **759** | **549** | **468** |
| Net finance costs | -133 | -122 | -107 | -105 | -90 |
| **Profit before income tax** | **349** | **300** | **652** | **444** | **378** |
| Income tax | -58 | -25 | -72 | -117 | -83 |
| **Net profit** | **291** | **275** | **580** | **327** | **295** |
| Non-controlling interests | -36 | -40 | -46 | -45 | -45 |
| **Net profit owners of parent** | **255** | **235** | **534** | **282** | **250** |
| Net profit holders of financing preference shares | – | – | – | – | -3 |
| **Net profit holders of ordinary shares** | **255** | **235** | **534** | **282** | **247** |
| **Consolidated abridged statement of income excluding exceptional items** | | | | | |
| **Operating profit** | **349** | **379** | **435** | **451** | **436** |
| Result of joint ventures and associates | 114 | 111 | 123 | 104 | 87 |
| **Group operating profit (EBIT)** | **463** | **490** | **558** | **555** | **523** |
| Net finance costs | -82 | -98 | -107 | -103 | -90 |
| **Profit before income tax** | **381** | **392** | **451** | **452** | **433** |
| Income tax | -55 | -65 | -79 | -82 | -91 |
| **Net profit** | **326** | **327** | **372** | **370** | **342** |
| Non-controlling interests | -36 | -40 | -46 | -45 | -45 |
| **Net profit owners of parent** | **290** | **287** | **326** | **325** | **297** |
| Net profit holders of financing preference shares | – | – | – | – | -3 |
| **Net profit holders of ordinary shares** | **290** | **287** | **326** | **325** | **294** |

| In EUR millions | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| **Consolidated abridged statement of financial position** | | | | | |
| Intangible assets | 156 | 149 | 146 | 90 | 92 |
| Property, plant and equipment | 3,736 | 3,488 | 3,553 | 3,496 | 3,622 |
| Financial assets | 1,146 | 1,019 | 1,138 | 1,108 | 1,001 |
| Deferred tax | 8 | 5 | 15 | 14 | 53 |
| Other | 47 | 41 | 122 | 148 | 47 |
| **Total non-current assets** | **5,093** | **4,702** | **4,974** | **4,856** | **4,815** |
| **Total current assets** | **422** | **413** | **608** | **641** | **593** |
| **Total assets** | **5,515** | **5,115** | **5,582** | **5,497** | **5,408** |
| **Total equity** | **2,844** | **2,636** | **2,559** | **2,160** | **1,903** |
| **Total non-current liabilities** | **2,060** | **1,978** | **2,453** | **2,762** | **2,775** |
| **Total current liabilities** | **611** | **501** | **570** | **575** | **730** |
| **Total liabilities** | **2,671** | **2,479** | **3,023** | **3,337** | **3,505** |
| **Total equity and liabilities** | **5,515** | **5,115** | **5,582** | **5,497** | **5,408** |

# Glossary

**3YMP**
Three-Year Maintenance Program

**AFM**
Dutch Authority for Financial Markets

**AGM**
Annual General Meeting

**API (connection)**
Application programming interface

**API RP 754**
American Petroleum Institute Recommended Practice 754, Process Safety Performance Indicators for the Refining and Petrochemical Industries

**Assure program**
Focuses on the prevention of major accidents and minimizing the consequences if such accidents would occur.

**Audit Committee**
Committee within the Supervisory Board that assists the Supervisory Board in performing the supervisory tasks relating to matters such as, the integrity of the financial statements, the financial reporting, the internal audit procedures and the relationship with and the independence of the external auditors

**Brownfield**
Expansion of an existing terminal

**Capex**
Capital expenditure

**Capital employed**
Total assets less current liabilities, excluding assets and current liabilities not related to operational activities

**Cbm**
Cubic meter

**CCIRS**
Cross-currency interest rate swap

**CDI-T**
The Chemical Distribution Institute audit protocol for Terminals

**Contamination**
Any situation where a customer's product is out of contract specification and cannot be used as intended or is reduced in value, or needs unplanned after treatment (e.g. mixing, blending, sparging), due to the action of another substance on that product and not classified as a process safety contamination. A contamination is independent of its financial loss

**Contractor**
A contractor is any person who is not an employee of Vopak but is providing contract-based services to the Vopak company or one of its subsidiaries, joint ventures or associates either on Vopak premises or off the Vopak premises, where Vopak exercises supervisory or procedural control

**COP24:**
The 2018 United Nations Climate Change Conference ('COP24'), held in Katowice, Poland, from 2 to 15 December 2018. It was the 24th Conference of the Parties ('COP') to the 1992 United Nations Framework Convention on Climate Change (UNFCCC)

**Corporate Governance**
The manner in which the company is managed and the supervision of management is structured

**COSO**
Committee of Sponsoring Organizations of the Treadway Commission, an international organization whose aim is to create a model for information on and management of business risks

**CRSA**
Control Risk Self-Assessment

**Damage**
The loss of, impaired functioning, or impaired condition of anything (except people) which is considered to have some value, including company assets, the environment, and third party losses

**DMCSA**
Divisional Monitoring Controls Self-Assessment

**EBIT - Earnings Before Interest and Tax**
Net income, before income taxes, and before net finance costs. This performance measure is used by the company to evaluate the operating performance of its operating entities

**EBITDA - Earnings Before Interest, Tax, Depreciation and Amortization**
Net income, before income taxes, before net finance cost, and before amortization and depreciation expenses. EBITDA is a rough accounting approximate of gross cash flows generated. This measure is used by the company to evaluate the financial performance of its operating entities

**EGM**
Extraordinary General Meeting of Shareholders

**Employee**
An employee is any person who has a permanent or temporary, written or unwritten employment contract with a Vopak company or one of its subsidiaries, joint ventures or associates

**EPS**
Earnings Per Share

**ERM**
Enterprise Risk Management

**ERP**
Emergency Response Plan

**Exceptional items**
A limited set of events pre-defined by the company which are not reflective of the normal business of the company and which are exceptional by nature from a management perspective. These exceptional items include impairments, reversed impairments, additions to and releases from provisions for restructuring, results on assets sold, gains on the sale of subsidiaries, joint ventures and associates, any other provisions being formed or released and any significant change in estimates

The Group does not apply a threshold for impairments, reversal of impairments, disposal of investments and discontinued operations. For the other items, the Group considers an event exceptional when the effect exceeds the threshold of EUR 10.0 million

**FSRU**
Floating Storage Regasification Unit

**GDP**
Gross Domestic Product

**GHG**
Greenhouse gases

**Greenfield**
Building a new terminal on undeveloped land

**GRI**
Global Reporting Initiative (for more information visit www.globalreporting.org)

**Gross assets / Gross capital employed**
Gross assets are based on the carrying amount of non-current assets, excluding loans granted, and are grossed up by means of adding back the accumulated depreciation, amortization and impairment. Subsequently, the net trade working capital (trade debtors minus trade creditors) is added. Balances related to assets under construction are excluded from the gross assets. The average historical investment is based on the quarter-end balances in the measurement period relevant to the quarter concerned

**Hub**
Regional storage and transport center

**IaaS**
Infrastructure as a Service

**IAS**
International Accounting Standards

**ICT**
Information and Communication Technology

**IFRS**
International Financial Reporting Standards

**IoT/I-IoT**
(Industrial) Internet of Things

**IMO**
International Maritime Organization

**IPCC**
Intergovernmental Panel on Climate Change

**IRS**
Interest Rate Swap

**ISDA**
International Swaps and Derivatives Association

**ISPS**
International Ship and Port Security Code mandated by the United States

**ISPT**
Institute for Sustainable Process Technology

**IT/OT**
Information Technology/Operational Technology

**LTI**
Lost Time Injury

**LTIP**
Long-term Incentive Plan

**LTIR**
Lost Time Injury Rate; number of accidents entailing absence from work per 200,000 hours worked (of own personnel and contractors at subsidiaries, joint ventures and associates)

**LTSP**
Long-term Share Plan

**Management Report**
The 'Management Report' ('bestuursverslag'), within the meaning of section 2:391 of the Dutch Civil Code, comprises the chapters CEO Statement up to and including Internal Control and Risk Management, with the exception of the chapters Supervisory Board Members, Supervisory Board Report and Remuneration Report

**ME2**
Vopak's Maintenance Management System

**MLO**
My Learning Operations

**NCI**
Non-Controlling Interest

**NGO**
Non-Governmental Organization

**$NO_x$**
$NO_x$ is a generic term for mono-nitrogen oxides NO and $NO_2$ (nitric oxide and nitrogen dioxide)

**NPS**
Net Promoter Score; a method of measuring the strength of customer loyalty for an organization

**N.R.**
Not reported

**OCI**
Other comprehensive income

**OECD**
Organization for Economic Cooperation and Development

**Other information**
The 'Other information' ('overige gegevens'), within the meaning of section 2:392 of the Dutch Civil Code, comprises the chapters Independent Auditor's Report, the Profit Appropriation and Stichting Vopak

**PaaS**
Platform as a Service

**PP**
Private Placement, US Private Placement (USPP), Asian Private Placement (APP)

**PSER**
Process safety incidents per 200,000 hours worked for own personnel and contractors

**Q.R.**
Qualitative reporting

**RCF**
Revolving Credit Facility

**ROCE - Return On Capital Employed Before Interest and Tax**
EBIT -excluding exceptional items- as a percentage of the average capital employed. This performance measure is used by the company to assess the profitability and the efficiency of its operations in relation to the capital employed

**ROE - Return On Equity After Interest and Tax**
Net income -excluding exceptional items- as a percentage of the average equity employed. This performance measure is used by the company to assess the return that the company generates with the equity funds provided by its shareholders

**SaaS**
Software as a Service

**SDG**
Sustainable Development Goal

**SHE**
Safety, Health and Environment

**$SO_x$**
$SO_x$ refers to all sulphur oxides, the two major ones being sulphur dioxide ($SO_2$) and sulphur trioxide ($SO_3$)

**THA**
Terminal Health Assessment

**Throughput**
Volume of a product handled by a terminal in a given period, calculated as (in + out)/2

**TIR**
Total number of injuries per 200,000 hours worked (own personnel)

**VOC**
Volatile Organic Compound

**VPM**
Vopak Project Management

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## Credits

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