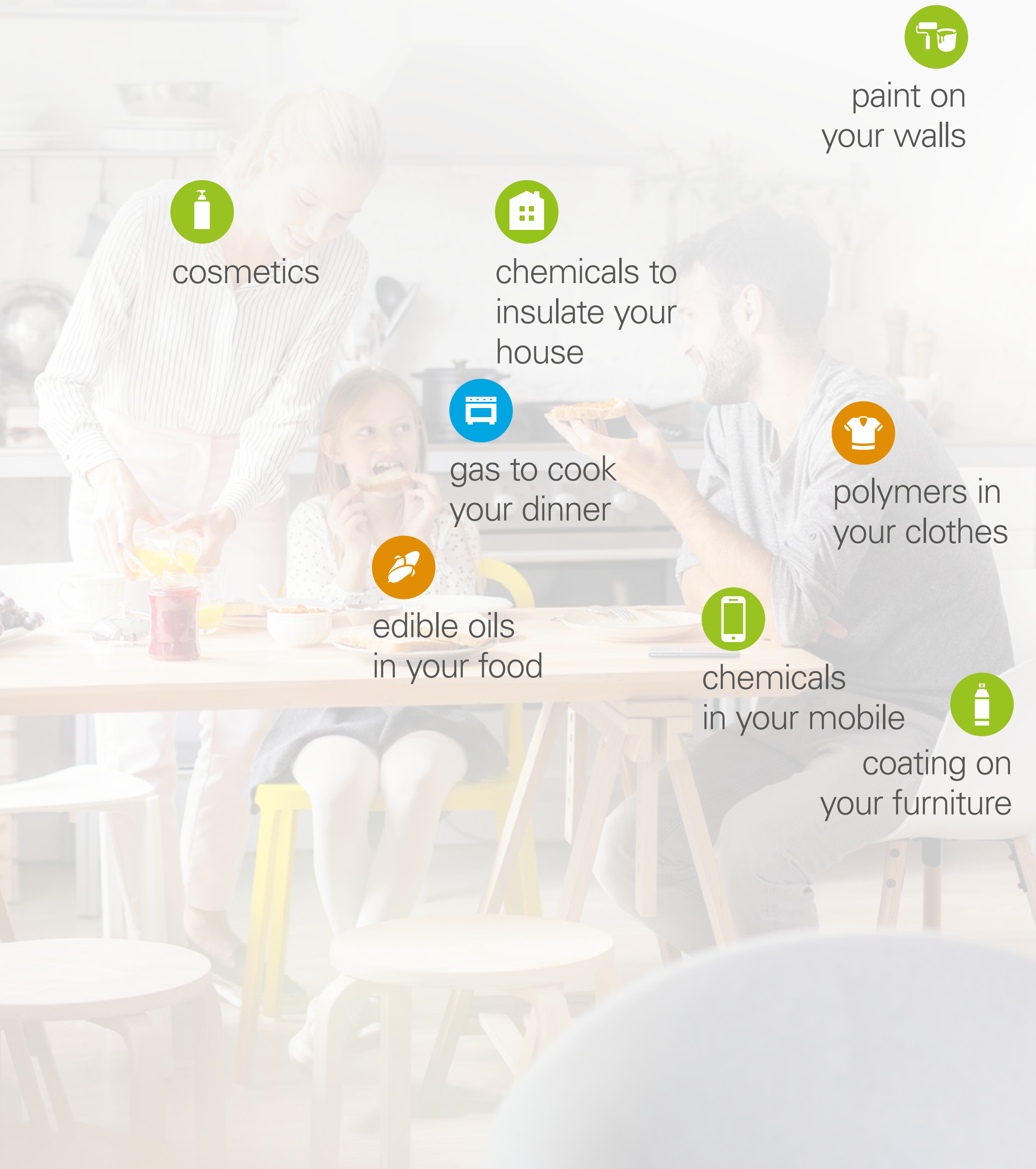
Storing vital products with care

ANNUAL REPORT 2017

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 these vital products with care.



Contents

Storing vital products with care

We ensure safe, efficient and clean storage and handling of products that are needed to meet the basic needs of people. This is what our stakeholders expect from us. This is what they value us for. **We store vital products with care.**

Introduction

Vopak at a glance

At year-end 2017

Number of terminals
66

Number of countries
25

Storage capacity
In million cbm
35.9
35.9 34.7
2017 2016

Market capitalization
In EUR billions
4.7

Number of employees
In FTE
5,730
84% 16%

Total Injury Rate (TIR)
In 200,000 hours worked
own personnel and contractors
0.38
0.38 0.29
2017 2016

FY 2017
Revenues in EUR millions
1,306
Compared to 2016
-3%

FY 2017
EBITDA in EUR millions
-excluding exceptional items-
763
Compared to 2016
-7%

FY 2017
CFROGA
-excluding exceptional items-
9.5%
Compared to 2016
-1.0pp

Key figures

	2017	2016
Safety performance		
Total Injury Rate (TIR) per 200,000 hours worked for own personnel and contractors	0.38	0.29
Lost Time Injury Rate (LTIR) per 200,000 hours worked for own personnel and contractors	0.14	0.13
Process Safety Events Rate (PSER) per 200,000 hours worked for own personnel and contractors	0.26	0.23
Financial results (in EUR millions)		
Revenues	1,305.9	1,346.9
Group operating profit before depreciation and amortization (EBITDA)	695.3	1,023.2
Group operating profit before depreciation and amortization (EBITDA) -excluding exceptional items-	763.2	822.3
Group operating profit (EBIT)	422.5	759.3
Group operating profit (EBIT) -excluding exceptional items-	490.4	558.4
Net profit attributable to holders of ordinary shares	235.4	534.0
Net profit attributable to holders of ordinary shares -excluding exceptional items-	287.4	326.1
Cash flows from operating activities (gross)	713.8	783.2
Capital employed (in EUR millions)		
Total investments	448.5	442.4
Average gross assets	7,018.0	6,796.5
Average capital employed	4,101.7	4,057.9
Capital and financing (in EUR millions)		
Equity attributable to owners of parent	2,480.0	2,399.7
Net interest-bearing debt	1,533.9	1,804.2
Ratios (excluding exceptional items)		
EBITDA margin excluding result of joint ventures and associates	49.1%	51.3%
Cash Flow Return On Gross Assets (CFROGA) -before interest, after tax-	9.5%	10.5%
Return On Capital Employed (ROCE)	12.0%	13.6%
Return On Equity (ROE)	11.8%	14.8%
Senior net debt : EBITDA	2.02	2.04
Interest cover (EBITDA : net finance costs)	6.4	7.6
Key figures per ordinary share (in EUR)		
Basic earnings	1.85	4.19
Basic earnings -excluding exceptional items-	2.25	2.56
Diluted earnings	1.84	4.18
Diluted earnings -excluding exceptional items-	2.25	2.55
(Proposed) dividend	1.05	1.05
Company data		
Number of employees end of period subsidiaries (in FTE)	3,639	3,580
Number of employees end of period joint ventures and associates (in FTE)	2,091	2,092
Total number of employees end of period (in FTE)	5,730	5,672
Storage capacity end of period for subsidiaries (in million cbm)	19.6	19.7
Storage capacity end of period for joint ventures and associates (in million cbm)	12.5	12.2
Storage capacity end of period operatorships (in million cbm)	3.8	2.8
Occupancy rate subsidiaries (average rented storage capacity)	90%	93%
Contracts > 3 years (as a percentage of revenues)	44%	45%
Contracts > 1 year (as a percentage of revenues)	79%	77%
Information on a proportionate basis		
Group operating profit before depreciation and amortization (EBITDA) -excluding exceptional items-	852.6	916.9
Cash Flow Return On Gross Assets (CFROGA) -before interest, after tax-	9.1%	10.2%
Occupancy rate subsidiaries, joint ventures and associates	90%	94%
Number of shares outstanding		
Basic weighted average	127,541,590	127,498,822
Weigthed average including dilutive effect	127,686,590	127,715,702
Total including treasury shares end of period	127,835,430	127,835,430
Treasury shares end of period	190,000	370,000

On the **right course**

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

CEO statement

During the last few years, the Executive Board has felt inspired and yet somewhat uneasy when considering the major disruptions of our time. We were searching for answers to questions like: what does the digital transformation mean for our company, and how should we respond to the energy transition? Today, I firmly believe that we have set our company on the right course to continue creating long-term value for all our stakeholders.

We have taken strategic decisions regarding technology in the past and we are making substantial investments to deliver the full benefits of the digital transformation in future years to our customers and shareholders. We are developing our own software for core processes, merging operational technology with information technology, and equipping our operators and sales teams with new devices and newly designed interfaces in order to further improve our service to customers and to make Vopak future proof for the new era.

"The question today is no longer *if* a global energy transition is taking place, but *how* and *how fast*."

The successful implementation of our in-house developed Terminal Management System at our terminal in Savannah (United States) has enabled us to take the next step in the global roll-out of our new digital systems. Working with real-time data results in safer and more efficient operations, while the ensuing transparency increases the level of trust with our customers. I strongly believe that these type of investments will make our company more agile and competitive.

At the same time, we are embracing the changing dynamics of the energy transition. The question today is no longer if a global energy transition is taking place, but how and how fast. As an infrastructure and service provider, we do not drive market choices, but facilitate energy flows. We help introduce infrastructure and logistic solutions for cleaner and efficient fuels. Although we do not know which energy products and technologies will prevail in decades to come, as the global leader in tank storage, we want to be at the forefront of key developments. Our assets, deep knowledge of global supply chains, and operational expertise in strategic ports around the world have ideally positioned us to develop key infrastructure solutions for the world's energy systems of today and tomorrow.

Long-term positioning requires a sound understanding of climate related risks and opportunities for our operations and what the responsibilities of Vopak should be. We are resolved to improve our sustainability, including our safety performance, which flows from our commitment to store vital products with care. We will step up discipline at all levels in the organization to ensure that every person at our terminals returns home safely after each workday.

Vopak will work on further reducing the negative impact of our operations on neighboring communities and the environment. We will define targets for delivering on the UN Sustainable Developments Goals that we selected, and we are actively considering the final recommendations of the Task-force on Climate-related Financial Disclosures.

Despite challenging market conditions, particularly in the oil markets, and following a strong performance in 2016, we had a satisfactory performance in 2017. We aim to identify and seize growth opportunities swiftly, ensure timely completion of projects under development and step up the global roll-out of our new digital systems. These steps will improve our financial performance by 2019.

Our projects under development will add 3.1 million cbm of storage capacity to our global network by 2019. We announced new growth projects with a total capacity of 862,000 cbm in South Africa, Brazil, Canada and Malaysia in 2017. Vopak's growth strategy is directed towards chemical (industrial) terminals and gas markets, while facilitating the increasing demand for fuels in emerging countries. We will continue to explore and find new possibilities within the LNG infrastructure market, to expand our role as a service provider in the LNG value chain.

In 2018, we will continue our focus on short-term improvements that strengthen our ability to create long-term value for all our stakeholders and respond to the opportunities that are being created by the digital transformation and the energy transition. We are committed to continue storing vital products with care.

On behalf of the Executive Board, I would like to thank our colleagues and contractors for their commitment and hard work. I also thank our shareholders, customers, partners and local communities for their support and confidence.

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

Profile, mission and strategy

Storing vital products with care

A world leader

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, efficient and clean storage and handling of bulk liquid products and gases for our customers.

We enable the delivery of vital products ranging from oil, chemicals, 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 of which some 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, but facilitate energy flows. Our mission is to connect the supply of and demand for these products by providing safe, efficient and clean 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.

66 Terminals **25** Countries **24** Joint ventures and associates

Vision and strategy

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 oil, gas and petrochemicals 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. Through our global network of terminals, Vopak connects the supply of and demand for these 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, while showing leadership in the 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, gas, distribution and hub 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 lowest possible 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

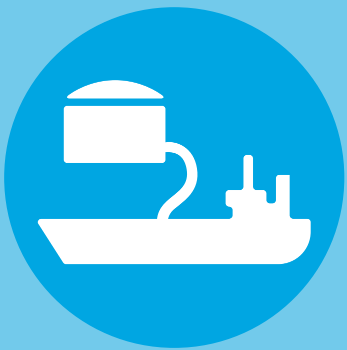
3 Service leadership
While safety is our first and foremost priority, we help to improve our customers' business performance by maximizing operational productivity and increasing efficiency to keep costs down, for instance by shortening idle times. High customer satisfaction indicates that we are on 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. This includes introducing new technology, in particular digital technology like smart robots and mobile devices, 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
We need to lead in our investment decisions, in our care for the planet and people, and in living our values. 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.

New bunkering services in Singapore

"Enabling seamless, safe and efficient logistic processes in the entire supply chain"



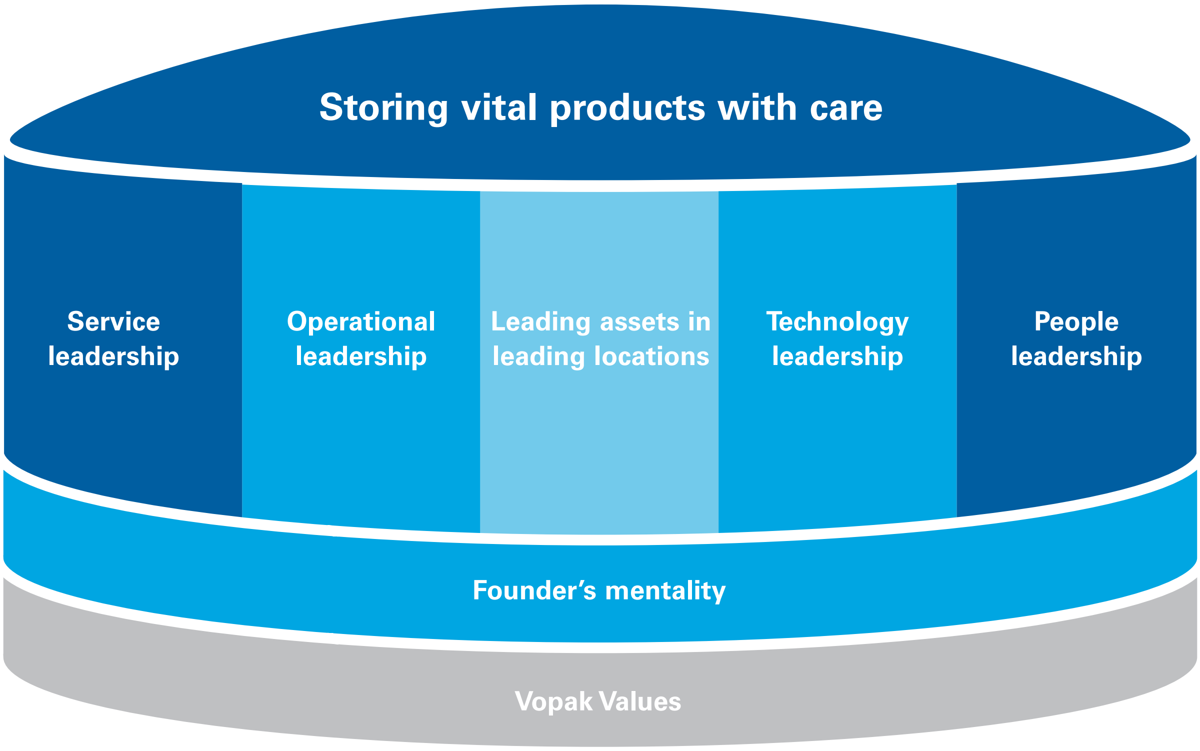
Vopak introduced new bunkering services at its Sebarok terminal in Singapore allowing vessels to receive bunkers from bunker barges simultaneously while loading or discharging at the terminal. This eliminates the shifting time for vessels to anchorages for their bunkering and makes the scheduling of bunker supply more predictable. The new concurrent bunkering service is in line with Maritime and Port Authority of Singapore's directive to improve port efficiency. Prior to this new service, vessels were required to sail to the anchorage to receive their bunkers.

Vopak Terminals Singapore's Managing Director Tan Soo Koong commented: "This new bunkering service is a continuation of Vopak's strategy to help unlock logistic value for our customers, enabling seamless, safe and efficient logistic processes in the entire supply chain."

The successful and safe introduction of this new bunkering service is the result of the excellent collaboration with BW Pacific, Sinanju Marine Services, and Unicore Fuel. This new service will be progressively expanded to Vopak's other terminals in Singapore.

Located close to the Eastern anchorage where a large part of the bunkering activity takes place, Vopak's Sebarok terminal is a strategic hub connecting the supply of bunker fuels and the flow of vital oil products.

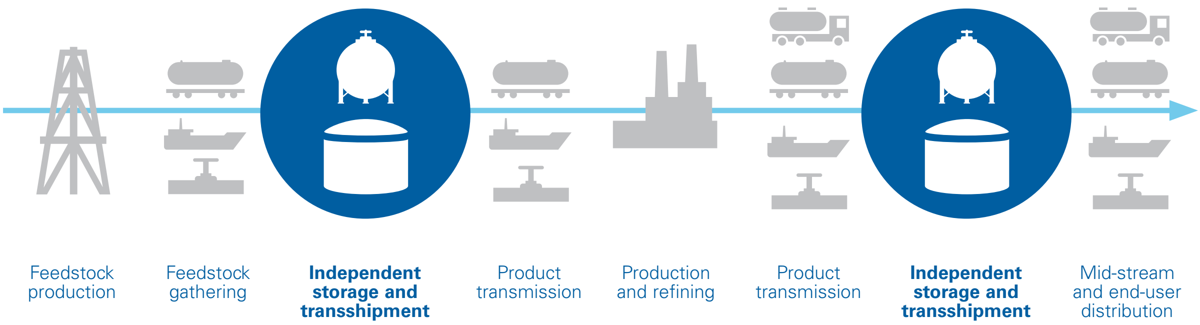
Five leadership areas



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.

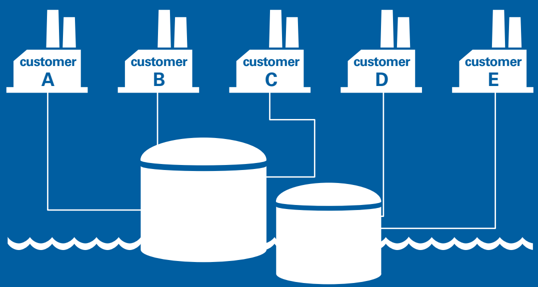
Vopak's role in the different supply chains

We ensure safe, efficient and clean storage and provide infrastructure services in different supply chains for oil, chemicals, gases, biofuels and vegoils in three end markets: Energy, Manufacturing and Food & Agriculture. This is further explained in the chapters Business environment, Leading assets in leading locations and Service leadership in this Annual Report.



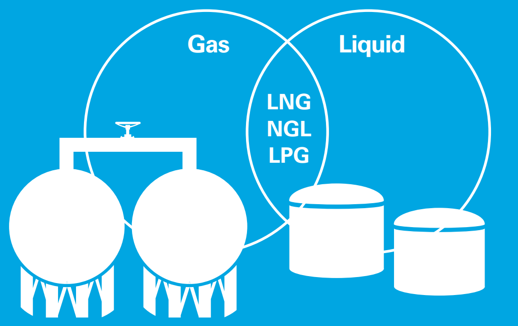
Vopak's four strategic terminal types

Industrial terminals



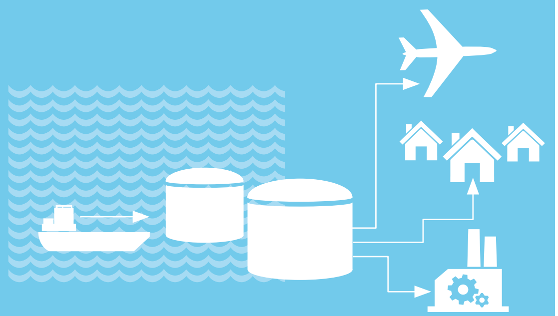
Vopak has more than 40 years of experience in industrial terminalling and is the leading independent operator of industrial terminals. These often large terminals exclusively support chemical clusters in the Americas, Europe, Middle East and Asia. We also operate terminals that have significant long-term 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.

Gas terminals



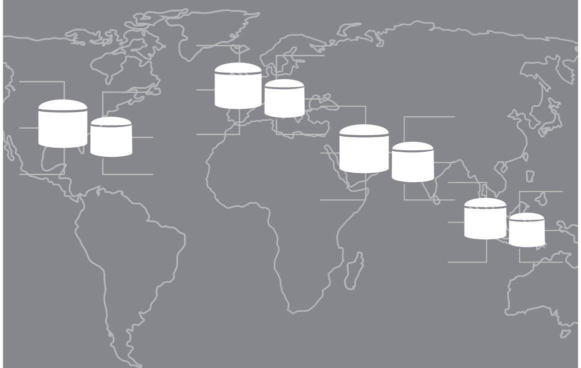
Demand for gas is increasing, driven by petrochemical and plastics production, for gas-fired power plants and for transportation purposes. This led Vopak to increase its focus on facilitating growth in global gas markets. By introducing infrastructure and logistic solutions for cleaner and efficient 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 two LNG facilities in Mexico and the Netherlands.

Distribution terminals



Capacity for refining and petrochemical production is expected to decline significantly in certain countries such as Mexico, Indonesia and Australia because they lack competitive production capabilities. Yet these countries, will continue to have a high demand for energy, such as oil and gas, and continue to consume more plastics and chemicals driven by population and GDP growth. Vopak plays an important role in the import and distribution of vital products in major markets with structural deficits.

Hub terminals



Hub terminals are strategically located along major shipping routes, where many suppliers and customers are active and where efficient supply chain management processes are of utmost importance. We have strengthened our position in these terminals in recent years, making them safer, more efficient and better able to deliver higher service levels in a dynamic market environment. The four main hubs in our network are: Houston, the Amsterdam-Rotterdam-Antwerpen (ARA) region, Fujairah and the Singapore Strait.

Innovation award for Thai Tank Terminal

"This award is a clear testament of our leadership in innovation and is a real motivation boost"

The Vopak Thai Tank Terminal (TTT) won the award this year for the 'most innovative company' in the field of Logistics awarded by the Netherlands-Thai Chamber of Commerce.

Deputy Managing Director, Martijn Schouten commented: "The award is a clear testament of our leadership in innovation and is a real motivation boost."

The terminal was the first to use automated jetty planning in Thailand allowing real-time jetty planning online for customers, agents and surveyors. It was also the first terminal to install a Certified Ultra-Low Emissions Burner reducing emissions by 99.9% and also the first to install a permanent oil boom. This is illustrative of its approach to sustainability: maximize operational safety and minimize our environmental footprint.

Additionally, TTT offers innovations in truck automation such as all truck activities being web-based, paperless and with no human interface. Radio Frequency Identification is used to identify trucks for permission to be on-site and check whether the driver has passed the safety training.

Executive Board report

Executive Board members

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. Mr 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.

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, Mr 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.

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. Mr Paulides has been a member of the Executive Board and Chief Financial Officer since February 2018.

Report of the Executive Board

From left to right: Gerard Paulides, Eelco Hoekstra, Frits Eulderink

Report of the Executive Board

In 2017 our business was influenced by various developments, including the recovery of the oil price, continued geopolitical unrest and market uncertainty regarding the implementation of the International Maritime Organization's global sulphur cap as of 1 January 2020. At the same time, we look back on a year in which we made progress in realizing our growth ambition. We are on track with our digital agenda and have taken the next steps towards enhancing our key systems and core processes in order to be more agile and innovative in an evolving and dynamic marketplace.

Safety performance

Regrettably, we have not been able to continue the positive trend of our personal and process safety performance in 2017. We had two fatal accidents, both involving well-respected and valued contractors. As a company, we need to keep on improving our safety culture, systems and hardware. A safety dialogue with our employees and contractors was kicked-off at the start of 2018 to improve the safety performance. The outcome of these discussions will help us get a better understanding which long-term actions we have to work on in order to ensure a safe working place for everyone at all times.

Sustainable Development Goals

We reviewed the 17 Sustainable Development Goals of the United Nations (SDGs) and their 169 subgoals. Aligned with our purpose 'Storing vital products with care', and the key sustainability topics of our materiality matrix, we embrace the following four specific SDGs. First, we facilitate access to energy and cleaner fuels and embrace the energy transition by exploring ways to develop solutions for a low-carbon future (SDG 7: Affordable and clean energy). Second, to live up to our purpose, our first and foremost priority is the safety of our people and neighbors (SDG 8: Decent work and economic growth), while minimizing any negative impacts on our environment, in particular reducing releases to air, water and soil (SDG 12: Responsible consumption and production). To store the products entrusted to us with care, we also maintain and operate a reliable and sustainable terminal infrastructure in key ports around the world. This includes substantial investments in digitization and new technology (SDG 9: Industry, innovation and infrastructure). Having defined these goals as our own, our next step will be to establish targets for these SDGs, which we will pursue in the years to come in order to deliver on our commitment to the SDGs.

Financial performance

Despite challenging market conditions, particularly in the oil markets, and following a strong performance in 2016, we had a satisfactory performance in 2017. The revenues in the hub locations were mainly impacted by the less favorable oil market structure. We also faced some operational challenges, such as the infrastructure issues at our Rotterdam chemical terminals and the collision damage to a jetty in Singapore. Changes in statutory tax rates in the United States and Belgium led to significant one-off gains in 2017, which will also have a positive effect on our net result going forward. A deterioration of the business environment for our joint venture terminals in Tallinn (Estonia) and in Hainan (China) resulted in impairments for these non-strategic assets, which are currently under strategic review. Our efficiency program to further strengthen our competitiveness and reduce our cost base by at least EUR 25 million is well underway. This adds to a strong balance sheet and provides sufficient financial flexibility to support our future growth. Overall, the 2017 financial performance is in line with our expectations communicated at the start of the year.

Strategy execution

During the year, we realized many important milestones that will result in further strengthening of our competitive position in the industry. We further sharpened the portfolio with the partial divestment of Vopak Terminal Eemshaven, in addition to several investment decisions to capture future growth, both through brownfield as well as greenfield projects. Recently, we announced the expansion of our joint venture terminal in Jakarta (Indonesia). This will add 100,000 cbm of storage capacity for clean petroleum products and biofuels to support customers in complying with Indonesia's mandatory biofuel blending regulations.

We are aware that the world around us is changing rapidly. The impressive pace of technological change, along with the need to tackle pollution and climate change, is transforming many industries across the globe. We are confident that our investments in new technology and innovation projects, together with the replacement of our IT systems, will drive productivity improvements. As we are becoming more reliant on IT when managing and operating connected terminals and assets, cybersecurity is an important topic on our digital agenda. We have implemented IT controls for cybersecurity and have initiated a comprehensive cybersecurity program, named COINS, that addresses the convergence of IT and OT (Operational Technology). Related to this, and arguably the most critical element of any transformation, we continued to invest in our people in 2017. We launched the company-wide program 'LEAD' (Leadership Excellence And Development) to further develop the skill set and capabilities of our senior leadership teams and prepare them for the future. This two-year program is delivered in collaboration with Saïd Business School, University of Oxford, to foster new ways of thinking and stimulate our people to seek out new opportunities.

Last, we are pleased to have secured the long-term senior financing for the PT2SB industrial terminal in Pengerang, State of Johor (Malaysia). This capital efficient funding of the project creates significant additional financial flexibility for our company to achieve its strategic objectives.

Composition of the Executive Board

Gerard Paulides has taken office as a member of the Executive Board and CFO as of 1 February 2018. Gerard succeeds Jack de Kreij, who decided to step down as per the same date, after serving the company for 15 years as Vice-Chairman of the Executive Board and CFO. Jack has played a key role in successfully building Vopak into a global leader in the tank storage business. We would like to express our appreciation for his significant contribution to Vopak and we wish him all the best.

Looking ahead

Financial performance in 2018 is expected to be influenced by currency exchange movements of primarily the USD and SGD, and the currently less favorable oil market structure, impacting occupancy rates and price levels in the hub locations.
Given the current 3.1 million cbm expansion program with high commercial coverage, in conjunction with the ongoing cost efficiency program, Vopak has the potential to significantly improve the 2019 EBITDA, subject to market conditions and currency exchange movements.

The Executive Board

Strengthening our leadership **through LEAD**

"In order to distinguish ourselves in the five leadership areas"

This year our Executive Board launched the company-wide program LEAD (Leadership Excellence And Development) to further strengthen our company through a challenging leadership journey for our Vopak Leaders. This two-year program will be delivered in collaboration with Saïd Business School, University of Oxford, to accelerate leadership growth across all of the regions to achieve the Vopak strategic objectives.

After the completion of the two-year program, our leaders will have improved their strategic thinking, improved their collective agility and established a collective agenda, methods and language globally, while achieving a step change in our leadership behavior.

This will all be made possible by encouraging each other, being less risk averse, speaking our minds, supporting courageous actions and taking crucial steps where necessary. A safe and open environment will be created for our Vopak Leaders to share best practices, learn from mistakes and form a strong and solid leadership foundation to tackle the challenges the future may hold.

Business environment

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

Global demand for energy and feedstock for the manufacturing industry continued to rise in 2017 supported by population and GDP growth. Increasing geographic imbalances between areas of production and consumption required more transportation of oil, gas and petrochemicals around the world and infrastructure to cater for these flows. The combination of these factors created a solid basis for Vopak's services in 2017.

Global themes and key developments in our industry

Our overall business environment in 2017 was influenced by the following global themes and key developments in our industry:

- **United States crude production and OPEC**
  The growth in US crude production gained momentum with, as a consequence, growing volumes of US crude and products that compete in world markets. OPEC countries and allies have so far imposed restrictions on exports with the aim to actively stabilize the market
- **Geopolitical unrest**
  Geopolitics played out in 2017 through numerous elections, continued polarization regarding economic issues and sustained volatility in the Middle East. Continued tensions between Russia, the EU and the Baltic states have led to a further deterioration of the business outlook in that region
- **Mergers & Acquisitions**
  A high level of M&A activity in the oil and chemical industry was seen last year, although not all proposed deals actually materialized. There are three main drivers for the high number of M&A deals: (1) to capture incremental growth in a low growth environment driven by revenue synergies and cost savings, (2) a greater emphasis on portfolio management and (3) readily available deal funding
- **Energy transition and climate change**
  We have seen more government policies and regulatory requirements being discussed and progressed in 2017. Examples that are relevant to Vopak include the IMO's 2020 global sulphur cap, the United Nation's SDGs, the Task-force on Climate-related Financial Disclosures and also government plans impacting the energy mix that is needed to meet growing energy demand in a sustainable manner
- **Competition in the hubs**
  Competition increased from existing (local) service providers as well as new entrants. Expansions and announcements for new capacity took place in the main hubs, especially in the ARA region for oil and chemical products.

Introduction
Executive Board report
Storing vital products with care
Key developments per division
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

Oil products

During 2017, the oil market saw robust growth in demand, supported by China and other developing regions. An upswing was also seen in the US and Europe underpinned by industrial and transport activity. On the supply side, the export cuts by OPEC and their allies had their effect and are planned to be extended over 2018. We observed steady flows of crude oil being stored at our hub locations, mainly utilized by customers with a structural underlying business model supplying refineries. We experienced soft short-term markets for the storage of gasoline and middle distillates, although these markets are still supported by solid long-term demand drivers, linked to the growing petrochemical and transportation sector. The energy transition changes overall mix in demand for oil products and IMO 2020 will impact global fuel oil and bunker markets causing transition challenges in the short-term, but is expected to provide new opportunities in the mid- to long-term.

Chemicals

Global activity in 2017 firmed broadly. Manufacturing and trade picked up, confidence improved and international financing conditions remained supportive for business. An upbeat mood in both the developed and emerging economies underpinned the global recovery. Chemicals demand growth was supported by favorable conditions in consumer-led sectors such as packaging, automotive and construction. Chemical shipping costs for the major trade routes declined last year, stimulating growth of global trade. These developments had an overall positive effect on our industrial terminals in 2017.

Relatively low oil prices in combination with robust derivative markets supported the economics of naphtha crackers, which are predominantly found in Europe and Asia. After many years of rationalizations, investments returned to Europe on the back of solid derivative markets and high margins.

2017 was another strong year for the US petrochemical industry. Access to cheap ethane made the US, together with the Middle East, the most competitive region to produce ethylene.

Two new ethane fed crackers came on stream in the Gulf Coast and another three are under construction and will be operational next year. The increase in total production of bulk liquid chemicals supported our Deer Park terminal in Houston.

In 2017, a main part of Sadara (Saudi Arabia), the world's largest chemicals complex built in a single phase, came on stream. Vopak handles the product flows from and to the 26 integrated world-scale manufacturing plants through our associate Chemtank. China, a major consumer of base and intermediate chemicals, took further steps to meet its growing demand by its own production. However, overall chemical imports in China continued to increase as a result of robust demand growth.

Gases

The global oversupply in the LPG market decreased slightly, but LPG remained a competitive feedstock in the summer months when prices were low. European cracker operators and Chinese propane dehydrogenation (PDH) plants were the main consumers of LPG in the petrochemical sector.

Residential consumption, which is the largest demand sector for LPG, increased steadily due to fast growing GDP and population in countries such as India, Pakistan, Indonesia and China. Commercial use of LPG increased in 2017 mainly due to smaller industries and small-scale power generation in emerging markets.

LNG

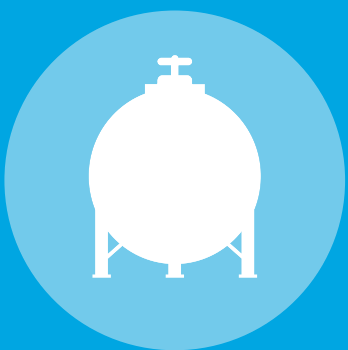
The LNG market in 2017 saw a robust growth in production, mainly coming from Australia and the United States. Demand was particularly strong in China, but the mature Korean and Japanese markets also remained strong. In Europe, demand was mainly supported by countries in the Mediterranean. In the Middle East, overall demand remained relatively flat and as for the Americas, lower demand in Brazil due to sufficient hydropower availability.

Vegoils and biofuels

US and EU policy changes in the biofuels markets created some uncertainty and led to a more volatile year. After a slow start in the beginning of the year, ethanol import volumes picked up in the second half of the year, while the lowering of EU anti-dumping duties on soy based biofuels supported our business towards the end of 2017.

Pilot project in Vlissingen

"New sensors allow us to manage our heat exchangers instead of our heat exchangers managing us"



One of the products that our Vlissingen Terminal stores is a gas that needs a special cooling system in order to preserve the product. In storing this product, heat exchangers are used with the primary function of cooling or quenching the liquid and this requires heavy monitoring by our operators. The operators check the heat exchangers and manually input this information which can often be cumbersome.

Our innovation team saw this as a perfect opportunity to implement a pilot project for wireless sensors to be installed on the heat exchangers. It enables the operators to manage the heat exchangers instead of our heat exchangers managing them while also reducing the margin for human error. Not only do the sensors make the work more efficient, the installation is relatively simple and requires no excavation.

The implementation of the sensors is a way to leverage digital technologies such as wireless networks and sensors enabling an increase in the amount of data-driven decisions within the company and helping us to remain competitive in the future.

Financial performance

Satisfactory performance in 2017 despite challenging market conditions

Revenues

In 2017, Vopak generated revenues of EUR 1,305.9 million, a decrease of EUR 41.0 million (-3%) compared to EUR 1,346.9 million in 2016. Excluding the negative currency translation effect of EUR 13.4 million, the decrease amounted to EUR 27.6 million. The effect of the divestments in the beginning of 2016 amounted to EUR 17.1 million. The lower revenues in the Netherlands and Asia were partially offset by higher revenues mainly in the Americas.

The average occupancy rate for Vopak's subsidiaries (i.e. excluding joint ventures and associates) for 2017 decreased to 90% compared to 93% in the same period in 2016.

Expenses

Personnel expenses

In 2017, personnel expenses -excluding exceptional items- amounted to EUR 338.0 million, a decrease of EUR 3.6 million (-1%) compared to EUR 341.6 million in 2016. Excluding the positive currency translation effect of EUR 3.2 million and the effect of the divestments of EUR 4.1 million in the beginning of 2016, the increase amounted to EUR 3.7 million. This increase can mainly be attributed to our operations in Panama which started in the third quarter of 2016.

During 2017, Vopak employed, in FTE, an average of 4,046 employees (2016: 3,913), excluding joint ventures and associates. This comprises 3,630 own employees (2016: 3,546) and 416 temporary employees (2016: 367). The increase in the average number of employees is primarily related to investments as part of our digital agenda and its related IT/OT and innovation projects.

Including exceptional items, total personnel expenses for 2017 amounted to EUR 338.0 million compared to EUR 342.2 million in 2016.

Other operating expenses

In 2017, other operating expenses -excluding exceptional items- amounted to EUR 337.9 million, which represents an increase of EUR 15.5 million (5%) compared to EUR 322.4 million in 2016. Excluding the positive currency translation effect of EUR 0.9 million, the increase amounted to EUR 16.4 million. This increase can mainly be attributed to our operations in Panama which started in the third quarter of 2016 and to higher insurance costs.

No exceptional items were recognized in Other operating expenses in 2017 (2016: loss of EUR 16.5 million).

The Group's other operating expenses -including exceptional items- for 2017 amounted to EUR 337.9 million compared to EUR 338.9 million in 2016.

Result of joint ventures and associates

In 2017, the result of joint ventures and associates -excluding exceptional items- amounted to EUR 111.3 million, a decrease of EUR 12.5 million (-10%) compared to EUR 123.8 million in 2016. Excluding the negative currency translation effect of EUR 2.0 million, the decrease amounted to EUR 10.5 million. This decrease was mainly due to lower results from the joint venture in Estonia, the joint ventures and associates in the Middle East, our associate in Haiteng (China) and our joint venture in Hainan (China).

In 2017, exceptional losses were recognized in the result of joint ventures and associates for the amount of EUR 91.8 million (2016: loss of EUR 63.9 million). This amount primarily comprises an impairment on our equity investment in the joint venture Vopak E.O.S. (Estonia) of EUR 52.0 million and an impairment of EUR 39.8 million on the joint venture terminal in Hainan (China).

In 2017, an exceptional gain was recognized of EUR 24.6 million due to the partial divestment of the joint venture Vopak Terminal Eemshaven (the Netherlands).

In 2017, the result of joint ventures and associates -including exceptional items- amounted to EUR 44.1 million compared to EUR 59.9 million in 2016.

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 2017 amounted to EUR 763.2 million, which is EUR 59.1 million (-7%) lower compared to EUR 822.3 million in 2016. Excluding the negative currency translation effect of EUR 11.5 million, the decrease amounted to EUR 47.6 million. The divestments had a negative impact of EUR 10.7 million.

Including exceptional items, Group operating profit before depreciation and amortization (EBITDA) for 2017 amounted to EUR 695.3 million compared to EUR 1,023.2 million in 2016.

ROCE -excluding exceptional items- of 12.0% compared to 13.6% in 2016 reflecting lower EBIT.

Cash flows from operating activities and working capital

Cash inflow from operating activities (gross) amounted to EUR 713.8 million in 2017 (2016: EUR 783.2 million). This decrease of EUR 69.4 million was primarily due to a decrease in revenues, additional operating expenditure, the effect of the divestments of 2016, and lower dividends received from joint ventures and associates.

Strategic investments and divestments

Cash flows from investing activities

In 2017 cash flows from investing activities amounted to a net cash outflow of EUR 320.6 million (2016: net cash inflow of EUR 114.7 million). Total investments amounted to EUR 448.5 million (2016: EUR 442.4 million), of which EUR 319.1 million was invested in property, plant and equipment (2016: EUR 328.0 million). Investments in joint ventures and associates, including acquisitions, amounted to EUR 23.3 million (2016: EUR 74.3 million).

As part of the strategic direction for the period 2017-2019, Vopak aims to spend a maximum of approximately EUR 750 million on sustaining and service improvement capex. In addition, Vopak has decided to invest approximately EUR 100 million in new technology and innovation programs as well as in replacing its IT systems. Service, maintenance and compliance capex for 2017 amounted to EUR 211.5 million (2016: EUR 238.4 million). IT capex amounted to EUR 27.4 million (2016: EUR 19.9 million).

Divestments

During 2017, the Group divested one business development project (2016: eight terminals and two business development projects). Furthermore, the Group partially divested its investment in the joint venture Vopak Terminal Eemshaven in 2017. This resulted in a total cash inflow from divestments of EUR 48.5 million (2016: EUR 464.6 million) and an exceptional gain of EUR 26.0 million before tax (2016: EUR 287.3 million). As at year-end 2017 there were no assets held for sale.

Depreciation and amortization

Depreciation and amortization expenses amounted to EUR 272.8 million in 2017, an increase of EUR 8.9 million (3%) compared to EUR 263.9 million in 2016. Of these total expenses, EUR 12.4 million (2016: EUR 9.4 million) related to amortization of intangible assets. Excluding the positive currency translation effect of EUR 1.2 million, the total increase of depreciation and amortization amounted to EUR 10.1 million.

Impairments

In 2017, total impairments (including impairments of joint ventures and associates) amounted to EUR 93.9 million (2016: EUR 65.8 million). This amount comprised full impairment of our equity investment in the joint venture Vopak E.O.S. (Estonia) of EUR 52.0 million and a full impairment of EUR 39.8 million on our equity investment in the joint venture in Hainan (China). Both terminals are currently under strategic review.

The impairment of Vopak E.O.S. was 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 impairment of the joint venture in Hainan (China) was caused by current uncertainties, market conditions and dependence on short-term trading contracts.

Capital structure

Equity

The equity attributable to holders of ordinary shares increased by EUR 80.3 million to EUR 2,480.0 million (31 December 2016: EUR 2,399.7 million). This increase resulted mainly from the addition of the net profit for the year of EUR 235.4 million, partially offset by the negative Other comprehensive income of EUR 22.4 million and dividend payments in cash of EUR 133.9 million.

Net debt

The net interest-bearing debt decreased to EUR 1,533.9 million compared to EUR 1,804.2 million at year-end 2016. Excluding the currency translation effect of EUR 214.1 million, the decrease amounted to EUR 56.2 million.

In addition to the scheduled repayment of USD 150 million (EUR 132.1 million) and EUR 20 million, a repayment of USD 200 million (EUR 169.8 million) was executed. The latter resulted in a make-whole payment of EUR 17.2 million. Furthermore, as part of the flexibility of the RCF, SGD 20 million (EUR 12.5 million) of drawdowns under this facility were repaid during 2017. The Corporate RCF of EUR 1 billion was fully available per year-end 2017; the first extension option of one year was exercised in 2017.

During 2018, regular repayments of long-term loans will amount to EUR 6.4 million.

As at 31 December 2017, an equivalent of EUR 1,464.0 million (2016: EUR 1,999.4 million) was drawn under private placement programs with an average remaining term of 7.9 years (2016: 7.7 years) in addition to EUR 62.6 million (SGD 100 million) funded by banks at the level of Vopak Terminals Singapore, with an average remaining term of 2.7 years.

The Senior net debt: EBITDA ratio amounted to 2.02 at year-end 2017 comparable to 2.04 at year-end 2016.

Net finance costs

In 2017, the Group's net finance costs -excluding exceptional items- amounted to EUR 98.5 million, a decrease of EUR 8.7 million (-8%) compared to EUR 107.2 million in 2016. This decrease can mainly be attributed to lower interest expenses due to debt repayments in 2016 and 2017, partially offset by a lower amount of capitalized interest.

The Group's net finance costs -including exceptional items- amounted to EUR 122.0 million. This included a make-whole payment of EUR 17.2 million in relation to the repayment of the 2007 USPPs and EUR 6.3 million relating to a constructive obligation to provide additional funding to the joint venture in Hainan (China) while the terminal is under strategic review.

The average interest rate over the reporting period was 4.4% (2016: 4.3%). The fixed-to-floating ratio of the long-term interest-bearing loans, including interest rate swaps, amounted to 94% versus 6% at year-end 2017, compared to 99% versus 1% at year-end 2016.

Cash flows from financing activities

Cash flows from financing activities amounted to a net cash outflow of EUR 538.8 million (2016: net cash outflow of EUR 602.2 million). This amount consisted mainly of dividend payments of EUR 172.8 million to ordinary shareholders and non-controlling interests, interest payments of EUR 143.5 million and the net repayment of borrowings of EUR 248.4 million.

Income taxes

Income tax expenses -excluding exceptional items- amounted to EUR 64.7 million in 2017, a decrease of EUR 14.6 million (-18%) compared to EUR 79.3 million in 2016. The effective tax rate -excluding exceptional items- was 16.5% compared to 17.6% in 2016. The main driver behind the decrease was changes in estimates of prior year tax positions.

Income tax expenses -including exceptional items- amounted to EUR 25.3 million in 2017, a decrease of EUR 47.2 million (-65%) compared to EUR 72.5 million in 2016. The effective tax rate -including exceptional items- was 8.4% compared to 11.1% in 2016. This decrease was mainly due to the effects of the changes in the corporate income tax rates in the United States and Belgium. Furthermore, the recovery of previously unrecognized tax receivables resulted in a tax gain of EUR 8.3 million in 2017.

Net profit attributable to holders of ordinary shares

Net profit attributable to holders of ordinary shares -excluding exceptional items- amounted to EUR 287.4 million, a decrease of EUR 38.7 million compared to EUR 326.1 million in 2016. Earnings per ordinary share -excluding exceptional items- amounted to EUR 2.25 in 2017, which was 12% lower compared to EUR 2.56 in 2016.

Net profit attributable to holders of ordinary shares -including exceptional items- amounted to EUR 235.4 million, compared to EUR 534.0 million in 2016. Earnings per ordinary share -including exceptional items- amounted to EUR 1.85 (2016: EUR 4.19).

For a full overview of the exceptional items, reference is made to note 2.2 of the Consolidated Financial Statements.

Dividend proposal

Barring exceptional circumstances, the principle underlying Vopak's dividend policy for ordinary shares is to pay an annual cash dividend of 25% to 50% of the net profit -excluding exceptional items- attributable to holders of ordinary shares. The net profit -excluding exceptional items-, may be adjusted for the financial effects of one-off events such as changes in accounting policies, acquisitions or reorganizations. A dividend of EUR 1.05 per ordinary share (2016: EUR 1.05), payable in cash, will be proposed to the Annual General Meeting of 18 April 2018. Excluding exceptional items, the payout ratio will amount to 47% of earnings per ordinary share (2016: 41%).

Royal Decoration

"A keen eye for long-term value creation"

On 14 December 2017, Jack de Kreij received a Royal Decoration from the mayor of Roosendaal. Mr De Kreij was appointed Officer in the Order of Orange-Nassau to honor him for his work at Vopak and the example he has set within the financial world.

As one of the founding fathers of present-day Vopak, Mr De Kreij has made an essential contribution to the company's growth to become a world leader in tank storage. Mayor of Roosendaal: "He achieved this through a combination of financial mastery and a keen eye for long-term value creation".

The Royal Decoration was presented to Jack de Kreij during a symposium, on the occasion of his retirement as Vice-Chairman of the Executive Board and CFO at Royal Vopak. Mr De Kreij: "I have served in the Executive Board since January 2003 and after an inspiring period and succesful growth of the company, I deem it a natural moment to transfer my duties after 15 years."

Storing vital products with care

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

Leading assets in leading locations

Further growth project announcements in 2017

Vopak continued to strengthen its global network of terminals in 2017, pursuing its long-term growth strategy with new announcements.

Highlights 2017

- Industrial terminals: partial commissioning of our associate Chemtank terminal in Jubail (Saudi Arabia). Furthermore, we secured USD 1.25 billion for the long-term project financing of the PT2SB industrial terminal in Pengerang (Malaysia)
- Gas terminals: started construction of a propane export terminal in western Canada and the decision was made to no longer pursue the FSRU transaction between Vopak and Exmar
- Distribution terminals: approval of two new projects in South Africa and a brownfield expansion in the port of Santos (Brazil)
- Hub terminals: progress made in Panama (greenfield terminal under construction) and announced brownfield expansion in Pengerang (Malaysia) for refined petroleum products.

Megatrends

As part of our 'Beyond 400' strategy update conducted earlier in 2016, we mapped relevant global megatrends and explored the impact of these developments on our customers' end markets. This has formed the basis of an extensive study on future growth opportunities in different product-market combinations.

The five megatrends that we believe 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
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
5. **Sustainability and climate change**
   The Paris Agreement and the United Nations Climate Change Conferences of recent years further strengthened the resolution to limit global warming. Extreme weather, the effect of excessive pollution in certain cities and natural disasters, to name a few, have all led to increased awareness among companies and consumers 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 its growth. Furthermore, growth patterns will look very different depending on the different regions
- **Manufacturing**
  Main market sectors such as construction, automotive and advanced industries 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 services
- **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 the above-mentioned end markets, especially in non-OECD countries. Demand for chemicals, gas and edible oils is forecast to increase the most, as well as demand for oil and oil products, albeit at a slower pace, and only in specific regions. Given the fact that production centers for the 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 have used these insights to further sharpen our value proposition for the four strategic terminal types through which we serve our customers:

1. **Industrial terminals**
   New large-scale petrochemical complexes and refining centres are expected to arise in feedstock advantaged regions (i.e. United States 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/chemical majors, are increasingly interested in contracting storage and handling services that are integrated in their industrial processes but executed by specialists like Vopak
2. **Gas 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, including LNG and LPG, 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. **Distribution terminals**
   Oil and chemical import-distribution terminals remain an important part of Vopak's business. Looking ahead, OECD markets provide opportunities due to refinery closures and oil majors that are divesting infrastructure. For non-OECD markets, opportunities mainly arise from increasing demand for transport fuels in markets without sufficient refining capacity. This, in combination with the deregulation of markets, enables new possibilities for the storage and distribution of fuels
4. **Hub terminals**
   For oil products, most growth is expected to be in non-OECD countries. The diverse product specifications as well as underdeveloped infrastructure mean that hubs such as Fujairah and Singapore will continue to be relevant as locations to blend, break bulk and make bulk. For chemicals, Vopak has been expanding its presence in key hub locations, including Antwerp, Rotterdam and Houston. Besides growth, we are continuously searching for opportunities to improve our position by further optimization of our assets and integration with our customers.

Announcements related to leading assets in leading locations

February - Vopak and its partner Reatile announced that they will expand their activities in South Africa to meet the increasing demand for petroleum products and to improve the security of fuel supply by facilitating the import of cleaner fuels. The expansion comprises two projects; a new 100,000 cbm inland terminal in Lesedi, close to Johannesburg, connected to Vopak Terminal Durban via the Transnet Multi Product Pipeline, and an expansion of Vopak Terminal Durban with 130,000 cbm.

April - Vopak announced that it will expand its wholly-owned terminal in Alemoa, which is located in Brazil's Port of Santos, Latin America's largest port. The expansion will add 16 new tanks with a capacity of 61,000 cbm.
In addition, five additional truck loading bays will be constructed, which can handle up to 130 additional trucks per day.

Vopak and Exmar jointly concluded the acquisition by Vopak of Exmar's participation in FSRU assets would no longer be pursued.

May - Vopak and AltaGas entered into a joint venture agreement and will invest together in the development of the Ridley Island Propane Export Terminal (RIPET). RIPET will be the first propane export facility off the west coast of Canada. The project is designed to ship 1.2 million tonnes of propane per annum, with approximately 96,000 cubic meters of storage capacity. Vopak has a 30 percent interest in RIPET.

July - Gasunie LNG Holding B.V., Oiltanking GmbH and Vopak LNG Holding B.V. obtained the approval under the EU Merger Regulation to establish a joint venture for owning and operating a liquefied natural gas (LNG) terminal in Northern Germany. To attract interest from the market, an Open Season was launched later on January 17, 2018.

August - Vopak and its joint venture partners announced the expansion of their independent storage terminal (PITSB) in Pengerang, Johor in southern Malaysia. PITSB will be expanded with 430,000 cubic meters to a total capacity of 1.7 million cubic meters.

Vopak announced that it will further expand its wholly-owned terminal in Alemoa.
This expansion is in addition to the expansion announced earlier in April. The expansion will add another 44,900 cbm to Vopak's Alemoa Terminal. The total capacity of the terminal after the expansion will be 279,900 cbm.

September - Whitehelm Capital and Vopak announced a change in ownership in Vopak Terminal Eemshaven, a joint venture terminal in the Netherlands. Whitehelm Capital acquired 90% of the shares in the company from Vopak and its partner. Vopak will retain 10 percent of the shares and will continue to manage and operate the terminal.

The decommissioning of Vopak Terminal Tianjin (38,000 cbm) was started in Q3 2017.
This smaller joint venture terminal is located at the port of Tianjin, China.

February (2018) - Vopak and its partner PT AKR Corporindo will expand their strategically located 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.

February (2018) - Vopak announced that it will expand its Sebarok terminal in Singapore with 67,000 cbm. The expansion mainly caters for storage and handling of MGO to strengthen the position of our Sebarok terminal as the bunker hub of choice with flexibilities of handling multiple fuels following the implementation of IMO regulations in 2020.

Growth perspective

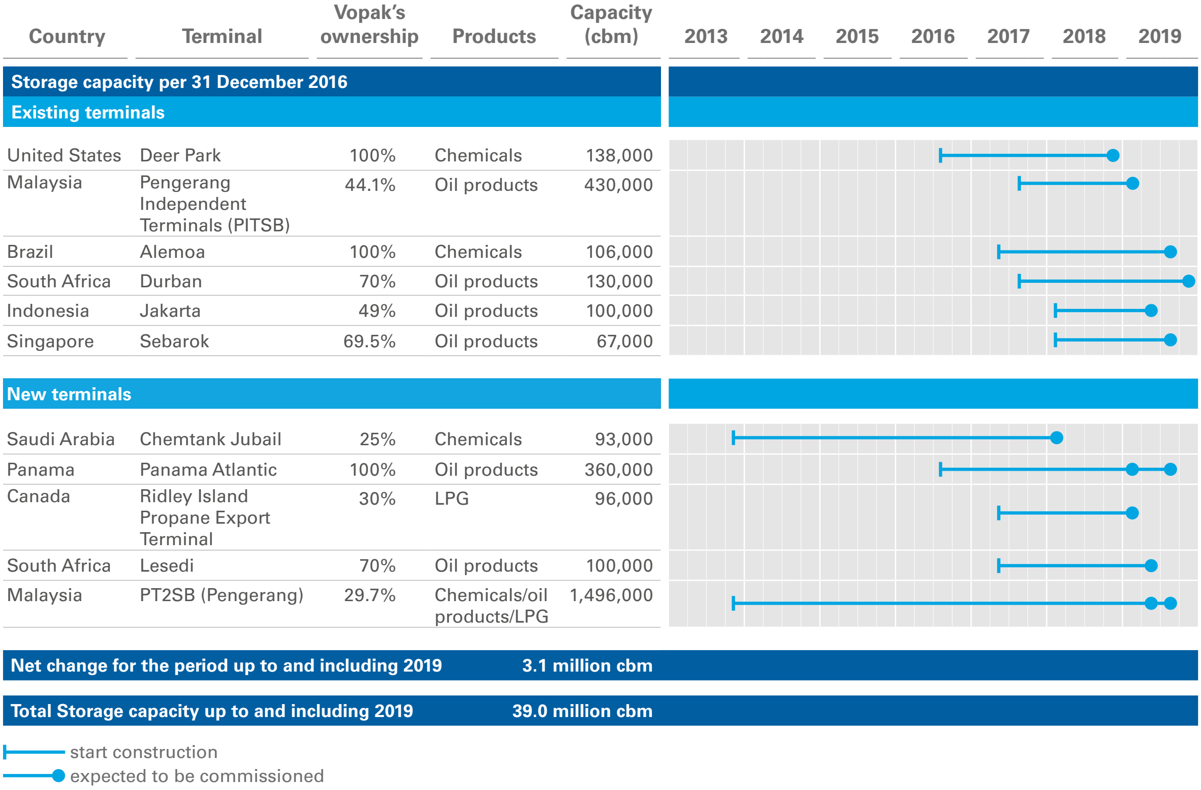
Storage capacity development 2017

Country	Terminal	Vopak's ownership	Products	Capacity (cbm)	Commissioned
Storage capacity per 31 December 2016				**34.7**	**million cbm**
New and existing terminals					
Singapore	Banyan Cavern Storage Services	n.a.[1]	Oil products	990,000	Q1 2017
Saudi Arabia	Chemtank Jubail	25%	Chemicals	284,000	Q1 2017-Q4 2017
China	Caojing	50%	Chemicals	24,000	Q3 2017-Q4 2017
Various	Net change at various terminals including decommissioning of capacity		Various	- 97,500	
Decommisioned terminals					
China	Vopak Terminal Tianjin	50%	Chemicals	- 38,000	Q3 2017
Net change for the period as per 31 December 2017				**1.2**	**million cbm**
Total Storage capacity per 31 December 2017:				**35.9**	**million cbm**

[1] Only acting as operator

Announced storage capacity developments for the period up to and including 2019

Country	Terminal	Vopak's ownership	Products	Capacity (cbm)
Storage capacity per 31 December 2016				
Existing terminals				
United States	Deer Park	100%	Chemicals	138,000
Malaysia	Pengerang Independent Terminals (PITSB)	44.1%	Oil products	430,000
Brazil	Alemoa	100%	Chemicals	106,000
South Africa	Durban	70%	Oil products	130,000
Indonesia	Jakarta	49%	Oil products	100,000
Singapore	Sebarok	69.5%	Oil products	67,000
New terminals				
Saudi Arabia	Chemtank Jubail	25%	Chemicals	93,000
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
Malaysia	PT2SB (Pengerang)	29.7%	Chemicals/oil products/LPG	1,496,000
Net change for the period up to and including 2019			**3.1 million cbm**	
Total Storage capacity up to and including 2019			**39.0 million cbm**	



Expansion in strategically located Pengerang terminal

"The expansion of PITSB is aligned with Vopak's strategy to invest in strategic hub locations"

Scheduled to be commissioned in Q1 2019, the Pengerang Independent Terminals Sdn Bhd (PITSB) in Pengerang will undergo an expansion of 430,000 cbm to a total capacity of 1.7 million cubic meters. PITSB, one of Vopak's joint venture terminals, provides storage, blending and distribution services for crude oil and clean petroleum products. The expansion relates to the storage of clean petroleum products. In total, 24 new tanks will be built ranging from 10,000 cbm to 25,000 cbm. In addition to the extra capacity, one extra berth will be taken into operation, bringing the total number of operating berths to six. PITSB has the capacity to handle Very Large Crude Carriers.

The Pengerang region is strategically located at the most southeastern tip of Johor, Malaysia, along the international shipping routes and is part of the Singapore oil hub, the main oil trading center of Asia, where there is a growing need for storage capacity. Another strategic advantage of PITSB is that the terminal is connected with pipelines to the industrial terminal Pengerang Terminals (Two) Sdn Bhd (PT2SB) and can thus benefit from Asia's growing need for new storage capacity for clean petroleum products.

Operational leadership

The right people, high quality assets and robust repeatable processes

As an integral part of our customers' value chain, we have to make sure that we do the right things right, each and every step of the way. Vopak has a leading role in operating capabilities and aims to set the standard in the field of safety, service and efficiency.

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.

High quality assets in the right locations, manned by the right people, and robust repeatable processes in order to deliver high quality and efficient service; this is what distinguishes us from our competitors. 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. We will deliver and install dashboarding tools at most of our terminals during 2018 to enhance our ability to monitor our operational performance.

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. These key processes are described in our One Vopak Experience (OVE) blueprint and our Standards. In order to ensure that we have the right checks and balances in place, our operations and internal control systems are based on internally developed protocols.

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 occupational 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, in designing core processes with the appropriate level of controls, and in following a robust maintenance regime. All our terminals are governed by an extensive set of global standards which also meet the local regulatory requirements. Where there are differences, our approach is to adopt the more stringent requirements.

Our global standards also cover key operational and maintenance processes. In the daily operation and maintenance of our terminals, we encounter non-routine activities, which are managed with additional control measures such as control of work procedures. Every Vopak employee, contractor and service provider are required to adhere to our Safety, Health and Environmental requirements, formalized through employment and service contracts, in all locations and at all times. Safety committees are organized on a terminal level at all terminals.

All levels of employees and contractors are represented through these committees.

Assure program – major accident prevention

The Assure program is one of our core programs and provides a framework to guard against major process accidents that have the highest potential impact on our people, contractors and facilities. This program was initially launched in 2014 as an asset-integrity program (i.e. checks on safety critical devices, tanks and pipelines) and as part of our periodic improvement reviews. The scope was subsequently broadened and now also includes people (such as training and assessment on Vopak Fundamentals) and process aspects.

Asset integrity remains the core element of our Assure program, and 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.

The Assure program applies global standards, information from our Maintenance Management System (ME2) and existing global toolkits such as learning and assessment modules within My Learning Operations (MLO). Following self assessments, nearly all terminals were audited by cross regional teams during the course of 2017. The audits were preceded by extensive efforts of all terminal teams to assess and close gaps. The program not only prioritizes and helps us 'do the right things', it also helps to demonstrate conformance with the Vopak standards.

Equipping our people – Vopak fundamentals and core processes

Care for Safety, Health and Environment is a fundamental expectation of Vopak from all its employees throughout the organization and the contractors working at the terminals. It is part of our company values. MLO has been one of our most effective tools to train and assess proficiency in our Vopak Fundamentals. In 2017, 4,792 people were using the system, of which 85% 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 have a small number of locations, which have not deployed MLO, but which follow the same guidance in terms of safety training.

We are also using MLO to train and assess our operational employees on our core operational processes, such as shipping and trucking. We expect to complete all our core e-modules related to our operational activities in 2018. These trainings will also be administered and monitored through our MLO system.

Contractor management

Our construction and maintenance activities are in many instances 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.

Our expectations with regard to health and safety are equally binding for our contractors and our own employees. It is very common in Vopak today to see active and equal participation of contractors in our safety committees and initiatives, including surveillance checks at worksites.

We have identified locations where labor rights 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 care

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 core management approach is to reduce the risks of environmental impact first through design, supported by a robust process 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. The majority of our spills are contained and recovered due to the provision of secondary containment. Our target continues to be a year-on-year improvement of our Process Safety Event Rate (PSER) and a reduction of spill quantities.

This also involves continuous engagement with each stakeholder during construction phase and operational phase of each terminal. This stakeholder engagement is addressed locally.

Volatile Organic Compounds (VOCs)

Our prime responsibility is to comply with (local) legislation on air emissions. Our objective is to further reduce our VOC emissions. For this objective, we believe we need to focus our efforts on those areas where the social impact is largest. As field measurement is not feasible, in 2017 we developed a model 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. For more information, reference is made to note 5 on VOC emissions in the Sustainability chapter of this Annual Report.

Soil and groundwater pollution

As the owner and/or user of approximately 1,550 hectares of land, with more than 4,500 tanks, Vopak is responsible 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.

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.

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

Water pollution

As 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. 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.

Carbon dioxide

Despite the fact that reporting on our carbon emissions is stated as not material, we believe that reporting is a public requirement. As Vopak, we report on our scope 1 (direct emissions from own combustions) and scope 2 (indirect emissions from purchase of energy e.g. electricity and steam).

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. For instance, the switch from coal to fuel oil and the use of fuel oil with a lower sulfur content.

Energy efficiency is also seen as another means to reduce our carbon dioxide footprint. As heating is a large component of our energy consumption, we launched an energy-efficiency program for all our terminals in the Netherlands in 2016 for the years 2017-2020. The first intermediate results will be reviewed in the course of 2018, and we will evaluate ways to further deploy this in other locations.

Biodiversity

Biodiversity is not only care for the environment, but is seen within Vopak in a much wider context. Within our set of global standards we describe how to assess the influences Vopak has on its surroundings. This will either be environmental impacts and/or social impacts. 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. Also wastewater treatment and the amount and quality of waste is 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 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 of incidents and near misses, sickness and absenteeism rates, contractor performance etc.

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 perform another improvement cycle during 2018 with the objective to define an adjusted THA program, based on our Assure parameters.

Likewise, we have programs to monitor the health of our safety culture, conducted through external surveys every two to five years. We also conduct an employee engagement survey every two years and, based on these results, we see improving trends.

In terms of people, some of our programs are literally monitoring the health of our people, especially those 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, which are representing 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 closure.

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.

Security, including cybersecurity

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.

As we are becoming more reliant on information technology and 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 by viruses and malware, 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 personnel data, through the development and roll-out of a privacy policy. Breaches of physical security, cybersecurity and loss or improper exchange of sensitive data can lead to operational disruptions, have an impact on our reputation and ultimately have a financial impact.

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 use 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.

Best practice sharing

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 2017, we formally trained 309 individuals on our VPM version 8.0.

The most effective sharing of learnings has been within the area of safety, primarily driven by our ambition for zero incidents. We can quickly distribute alerts from incidents and high potential near misses.

Safety performance and learnings are shared globally every two to three months. We expanded this in 2017 to include sharing of technical learnings and alerts partly through our Learning system, and partly through separate safety alerts. Knowledge management is an area on which we intend to focus more in 2018. In addition, we are developing internal indicators to monitor our progress in sharing best practices.

Singapore terminals use innovative sensors

"An innovative way of monitoring pump health status"

Vopak Banyan and Sakra terminals recently implemented the use of a Semiotic Labs sensor to help detect early signs of pump failure. The pilot project led by our Innovation team will help to further improve the pump maintenance strategy of the two terminals.

This sensor derives a physical vibration profile of the pump from high frequency (20 kHz) power usage measurements that are performed in the switch house, outside any areas where hazardous explosive atmospheres can occur. The sensor measures continuously and is connected to the supplier's cloud platform where analysis of the data is being performed by an algorithm that predicts the time and type of pump failures.

The sensor was first tested earlier in the year at the Vopak Terminal Chemiehaven before implementation began on a larger scale in Singapore. The sensors have been installed on 51 pumps at Sakra and eight pumps at Banyan terminal that run 24/7 and the algorithm has been enriched with data that was collected. The results will be benchmarked against their current maintenance strategy and evaluated.

Service leadership

Offering distinct value through a trusted network

A global network with strong partnerships

Vopak offers a trusted network with service leadership to a variety of customers. Our customers appreciate a global network of terminals connecting production and demand centers and global trade markets. Vopak covers the connection with all major shipping lanes and is present in major ports.

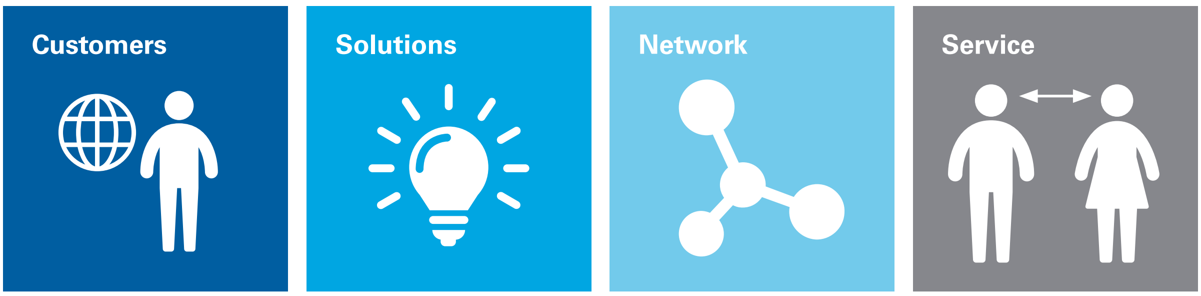
Our customers' products are valuable and, in some cases, intrinsically dangerous. This means they need to be handled with proper care to assure product integrity and minimize risk to people and negative exposure to the environment. Our customers require care for products in a consistent way. No matter where in the world, we apply the same know-how and experience to develop, build, operate and maintain terminals. The cooperation with local partners allows us to combine international operating standards with local in-depth market knowledge.

We continue to be successful in establishing new partnerships, such as the announced development of the gas export terminal in western Canada together with a strong local partner.

Balanced portfolio of customers

Through our network, we provide storage and related handling services for liquid bulk products and gases. Our customers are active in energy, manufacturing and food supply chains with activities ranging from exploration and production to trade and distribution. Among our customers are large international oil and gas companies, national oil and chemical companies, chemical producers, traders, distributors and organizations responsible for holding strategic stocks in connection with the security of the energy supply as part of national security. The value drivers of their businesses vary and they rely on our services for shorter or longer periods. This provides a balanced portfolio with a variety of customers that entrust their vital products to Vopak to be stored and handled with care.

Serving our customers



Successful service delivery

Key to a successful service delivery is adding value to the supply chain of our customers. We do so in the safest and most efficient way, thus contributing to their success. Offering a high level of service requires a thorough understanding of our customers' critical business issues and their ambitions to develop their business even further. It is crucial to determine the specific service expectations for each customer.

We engage with our customers in regular business and operational review meetings in order to determine expectations and ensure our service delivery meets their expectations. Moreover, we regularly gauge the satisfaction level of our customers through surveys. This engagement provides us with the tools and insights to realign our ambitions in service delivery and to stay focused on what is important and valued by our customers.

Crucial elements are efficiency improvements and the ease of doing business. The application of global terms and conditions drives an efficient commercial contracting process. At the same time, we facilitate tailor-made solutions for specific situations. Our capabilities in digital connectivity for the exchange of day-to-day and periodic information creates transparency and instant information in our service delivery. A prime example is the development of 'MyVopak', a customer-friendly portal providing accurate data and relevant information to our customers, to track and follow activities.

Technology leadership

Unparalleled opportunities for sustainable value creation

Digital transformation is recognized as a driver of sweeping change in the world around us, yet our industry's approach to digital transformation is expected to be evolutionary rather than revolutionary. Developments in technologies such as the cloud, social media, sensors, blockchain, big data and analytics are driving trends that have immense potential. These trends provide Vopak with unparalleled opportunities for sustainable value creation, while at the same time presenting key business challenges to overcome in the short- to mid-term.

Digitalization as an enabler

Since the first industrial revolution, our industry has played a pivotal role in the economic transformation of the world, fuelling the need for heat, light and mobility of the world's population. Today, we have the opportunity to redefine boundaries through digitalization, which we see as an enabler to tackle challenges and provide value to all stakeholders.

Our cloud-computing initiatives are improving business agility by breaking down silos of corporate business functions. Big data and advanced analytics are helping us with analyzing large quantities of data from disparate sources, and generating real-time insights. Being able to work real-time will contribute to a more safe operational environment as well as further optimizations of our processes within and outside our terminals interacting with a variety of stakeholders such as customers, customs, logistic service providers and port authorities. Sensor technologies at our terminals are supplying new insights to operate more safely as well as enabling predictive maintenance and real-time energy savings. Mobile technology enables new operational business scenarios, while social channels enhance relationships with customers by potentially making these connections quicker, more direct and cheaper.

A culture of innovation and technology adoption

Within Vopak, digital transformation is sponsored from the top. We have a clear vision, committing an appropriate level of funding and resources, and at the same time actively championing the change management effort associated with it. We aim to drive a culture of innovation and technology adoption and continue to be open to new ideas and ways of working. We invest in human capital and development programs that promote new, digital thinking. Ultimately, a digital-savvy workforce is both a fundamental enabler of transformation and a key driver for maximizing value capture.

Digitalization is not about reducing headcount, but it is about making operations safer and more efficient. For example, we successfully executed tank inspections and tank cleaning in 2017 with the support of robotics as an enhancement to our employees' safety when working in confined spaces. Digitalization will create new jobs, but it will also change the type and nature of jobs.

Digital capabilities

While we consider digitalization to be an enabler of positive change, we are at the same time exposed to the challenges of building sufficient digital capabilities. For that reason, we have put in place a methodical approach for developing and/or industrializing new capabilities. This includes decisions about whether to build or buy capabilities.

In 2015, we decided to strategically develop our own software for planning and execution in house on an innovative low code development platform. Our first terminal has been operational with this new software since 2016 and we are working on migrating other terminals over the next three years as a part of a program-management approach called MOVES. This allows us to scale up technology and digital platforms.

Data management

Data is at the heart of our digital transformation, so the harmonization, integration and interoperability of our data platforms are critical. As such, we have developed a new Vopak data architecture to meet future demands for large amounts of data, while taking into account the risks around data privacy and security, including cybersecurity.

Given our reliance on information technology systems for our operations, we continuously monitor external developments and share information on threats and security incidents. Vopak employees and contract staff are subject to mandatory courses and regular awareness campaigns aimed at protecting us against cyber threats. We periodically review and adapt our disaster recovery plans and security response processes, and seek to enhance our security monitoring capability. In 2017, we successfully executed our global COINS (Converged OT/IT Network Securely) program and successfully centralized our network and security services. These initiatives ensure that our IT security remains at a high level.

Vopak continuously seeks to create a more open, standardized and cost effective OT and IT landscape. This includes among others the further outsourcing and ongoing reductions of the number of OT and IT systems.

Reference is made to our Risk Management and Internal Control paragraph, which discusses the risks related to the delivery of OT/IT systems, as well as the scope and nature of the services delivered by these systems.

People leadership

We aim to inspire and challenge our people

We are dedicated to demonstrate leadership in this ever-changing world, which means adapting and organizing our company to meet the new 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. These developments make it even more important to reinforce our Vopak Values, since these values support us in making decisions in difficult circumstances.

We have reemphasized the importance of our Vopak Values during 2017 and further clarified the linkage with our Code of Conduct. A Code of Conduct communication campaign was started in the Americas division, which will be followed up by a company-wide campaign in 2018. A new Code of Conduct training program has been developed and all Vopak employees will be attending this training program every two years as of 2018.

Privacy protection of all Vopak employees is part of Vopak's Code of Conduct and details have been described in the Vopak Privacy Manual, based on (European) legislation and validated and confirmed by the European Data Protection Supervisor and several Vopak Works Councils.

Talent attraction and retention

Attracting, developing and retaining talent are critical to our success. Vopak's environment is changing rapidly so 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 known outside the industry. These are often the countries of high growth or higher growth potential.

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

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 growing careers internally 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 steering long-term development. Many Vopak employees participate in this process. In 2017, we introduced a new performance management process, which is more simple 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 a new program called LEAD (Leadership Excellence And Development). We believe that leadership behavior is crucial in embedding and sustaining the Vopak Values in the organization. The Vopak leadership profile is therefore based on the Vopak Values.

Critical capabilities

Vopak encourages continuous improvement and innovation. We have identified areas of focus which 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 those strategic focus areas, which we believe will support future success. One of the most notable achievements in 2017 was the successful development of 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 is a company that 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.

Our experience in increasing talent diversity in other dimensions such as nationalities, ethnicity and background comes with varying degrees of success. Our intent has always been a well-balanced international representation in our global operations. Our global leadership is mainly comprised of Dutch nationals, a majority of whom have extensive international experience. For many years now, our terminal and divisional management teams have been composed of different nationalities, many of which with Dutch as a minority.

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 will also provide 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 cash bonuses 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 Nation's Universal Declaration on Human Rights including 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. Living Wages focus on meeting basic living needs for associates and their families, where legal minimum wages tend to focus on poverty levels for individuals.

During 2017, we reviewed the salary data for all Vopak employees in 24 countries, excluding Venezuela. In all the countries reviewed, with the exception of one, we have concluded from our review that wages are meeting or exceeding the 'living wage' for that particular country and/or region. In one country, we found exceptions which have subsequently been addressed.

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 2017.

Enhancing HR capabilities

We continued with the implementation of a new global HR infrastructure platform in 2017, of which certain elements were already implemented in 2016. 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 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.

Trainees paving **the way for innovation**

"Seeking out ways to increase our agility in the ever-changing market"

With our management trainee program, 25 young trainees are placed at various locations within the company and tasked with taking on a challenge that cannot easily be solved with existing technology. The trainees are expected to explore and find out what the innovation market has to offer.

Through the exploration of the innovation market, our trainees find solutions for the specific challenges and implement a proof of concept (POC). The POC is then submitted and a process begins to implement this solution in the business via a pilot program.

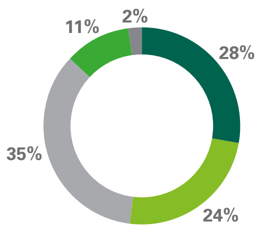
Some of the POCs that our trainees have developed this year include VR glasses for working on pipe maintenance and robotic tank inspections with drones, both technologies are designed to improve efficiency and safety.

Our market is changing and with the inevitable energy transition and developments in digital technology, we need to seek out ways to increase our agility in the ever-changing market. Our management trainees help us do just that by positioning us better in the market, with an even better service.

Key developments per division

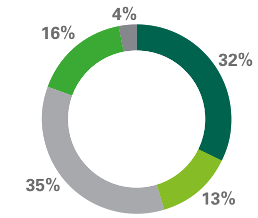
Overview

A global company organized in five divisions



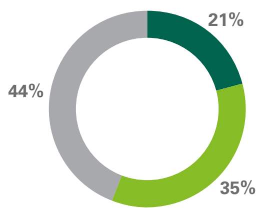
Capacity per division

In million cbm	2017	2016
Netherlands	10.0	10.0
EMEA	8.7	8.5
Asia	12.5	11.5
Americas	3.9	3.9
LNG	0.8	0.8
Total Vopak	**35.9**	**34.7**



EBITDA per division

In EUR million, -excluding exceptional items-	2017	2016
Netherlands	249.4	286.5
EMEA	106.1	121.1
Asia	274.1	296.7
Americas	129.9	120.5
LNG	33.1	28.0
Global functions, corporate activities and other	*-29.4*	*-30.5*
Total Vopak	**763.2**	**822.3**



Original contract duration

In percentage of revenues	2017	2016
Contracts < 1 year	21	23
Contracts 1-3 years	35	32
Contracts > 3 years	44	45
Total Vopak	**100**	**100**

Note: Vopak further streamlined its divisional structure per 1 January 2018. Going forward, this will result in a situation where Vopak will report the following five divisions: Europe & Africa, Asia & Middle East, China & North Asia, Americas and LNG.

Netherlands

Investing in the integrity and modernization of our assets

Vopak Netherlands operates ten terminals, located in Rotterdam, Vlaardingen, Amsterdam, Eemshaven and Vlissingen. Besides its terminals, Vopak Netherlands also offers agency services via a network of offices in Northwest Europe and Singapore.

Jan Bert Schutrops, Division President Netherlands:

Market developments

"Compared with 2016, the story for us this year is mainly about unfavorable fuel oil markets. Significantly less fuel oil was received in Rotterdam as, unlike previous years, arbitrage to Singapore offered limited opportunities for our customers. Combined with forward prices for fuel oil being lower than prompt pricing, demand for fuel oil storage decreased significantly. Fuel oil revenues declined gradually during the year as long-term contracts agreed in previous years expired. However, we did experience a pick up in interest for short-term fuel oil storage towards the end of 2017.

With regard to other oil products, support for storage was lower in 2017 compared to the previous year as markets were in backwardation. Nevertheless, apart from fuel oil, utilization rates for crude and oil products were similar to 2016. For chemicals, the more challenging market conditions in the second half of 2016 continued in the first half of 2017 after which interest in chemical storage improved leading to a stronger second half of the year. For vegoils, biofuels and gases, demand for storage was more or less in line with 2016."

Sustainability

"We continued our focus on the improvement of our safety and sustainability performance. Investing in people and their capabilities as well in our assets is a key success factor in this process. We continuously strive to live up to the confidence of all our stakeholders, inch by inch, every day. Despite our efforts, both our personal safety performance measured by the total incident rate as well as process safety performance measured by the process safety event rate worsened compared to 2016. This has only strengthened our efforts to make sure we continue to improve our long-term performance. Noteworthy is that various investments have been successfully executed to reduce emissions and to improve the energy efficiency of our operations."

Highlights of 2017

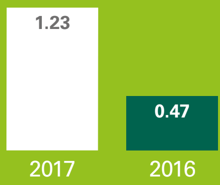
"We continued to invest in the integrity and modernization of our assets in order to improve our service offering to our customers. For instance, we started with the expansion of our jetty infrastructure of our Westpoort terminal to further improve the capabilities of this high throughput terminal. Capacity for seagoing vessels as well as for barges will be significantly increased once the new jetties will be put in service towards the end of 2018.

After our successful partial divestment of our shareholding in Vopak Terminal Eemshaven, we continued to manage and operate this modern storage terminal for strategic storage in the north of the Netherlands.

Total Injury Rate (TIR)

In 200,000 hours worked for own personnel and contractors

1.23

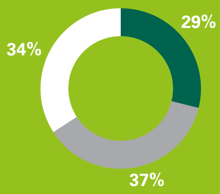


Process Safety Events Rate (PSER)

In 200,000 hours worked for own personnel and contractors

0.61

Original contract duration



The Netherlands

10

Number of terminals

In EUR millions	2017	2016
Revenues	471.6	496.4
Operating profit before depreciation and amortisation (EBITDA) [1]	249.4	286.5
Operating profit (EBIT) [1]	140.5	180.8
Average gross assets	2,396.5	2,272.1
Average capital employed	1,253.6	1,205.0
Occupancy rate subsidiaries	90%	95%
Storage capacity (cbm)	9,966,600	10,010,300

1. Excluding exceptional items.

Jan Bert Schutrops (51) is President of Vopak Netherlands. 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.

The decision was taken in 2017 to change Vopak's divisional structure whereby Vopak Netherlands will join forces with all other terminals in Europe and Africa, creating a new and streamlined Europe & Africa division."

Performance

"The differences in the financial results in 2017 compared to 2016 are largely due to an unfavorable market for fuel oil. The full effect of these market conditions became gradually visible in our financial results as long-term contracts expired during the course of 2017.

Apart from the challenging fuel oil market, chemical revenues were under pressure largely due to infrastructural challenges at our chemical terminals, which are in the process of being resolved.
As a result, a part of our chemical capacity was not available for our customers during the year."

2018 and beyond

"With sufficient storage capacity already available to serve markets, combined with announced capacity additions by competitors, we expect an increased competitive environment going forward in the Netherlands. Therefore, it is key to further differentiate ourselves from our competitors in order to maintain our competitive edge. We will focus on having the right assets in the right place, with the right organization and capabilities.

We expect 2018 to be another challenging year for fuel oil storage in Rotterdam, yet we remain optimistic in the new market opportunities that it brings, which will become more visible towards the implementation date of IMO 2020."

Europe, Middle East & Africa

Facilitating the transition to cleaner fuels

Vopak EMEA operates 14 terminals. In Europe, these are located in Belgium, Germany, Spain and Estonia. It has five terminals in the Middle East, including Saudi Arabia, Pakistan and the United Arab Emirates. Vopak EMEA also operates a terminal in South Africa.

Dick Meurs, Division President EMEA:

Market developments

"Optimization of the supply chain remains a key topic for our customers. Fuel distribution is still growing in mature markets, especially by rail from our Hamburg terminal to neighboring countries in Central and Eastern Europe. Also in emerging markets, such as South Africa, we see an increasing demand for petroleum products and, together with our partners, we are working on facilitating the transition to cleaner fuels.

The continuing refinery upgrade trend in Russia combined with the IMO 2020 implementation was the cause of uncertainty in the bunker and fuel oil market in 2017. This had some impact on occupancy rates and pricing levels at our terminals in Spain and the UAE. The reduction in fuel oil supply from Russia, combined with the current geopolitical situation, continued to negatively affect the volumes at our terminal in Estonia.

The Middle East continues to adjust its strategic plans to the reality of an improving but 'lower-for-longer' crude outlook. Major suppliers of crude oil are looking to diversify their oil and gas portfolios to include more refined products and petrochemicals, in a region geared for the export markets. We managed to capture some of these flows at our facilities in Saudi Arabia, also contributing to a slight increase in imports at our terminals in Belgium and Spain. The economic climate for the chemicals industry in Europe is improving, which is a positive development in a mature market where competition remains fierce."

Sustainability

"We experienced two tragic incidents in 2017. Early in the year, there was a contractor fatality at Vopak Terminal ACS (Belgium). In September, there was another contractor fatality at Vopak Terminal Hamburg (Germany). These incidents are a tough reminder to us all that we have to stay focused and continue to work hard in order to further improve our safety culture, systems and hardware. Safety Improvement Plans are finalized taking into account the outcomes of the culture surveys and are being put into execution to realize a safer working environment."

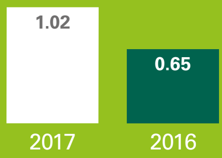
Highlights 2017

"I am particularly pleased with the progress made at our terminal in South Africa. Together with our partners and key customers, we celebrated the commissioning of an expansion project in Vopak Terminal Durban. At the same time, we also took two new investment decisions. First, to further expand our fuel distribution capabilities in Durban and second, to construct a new inland terminal in Lesedi, close to Johannesburg. This terminal in Lesedi will be connected to our Durban terminal via a pipeline in order to improve the security of fuel supply in the Gauteng province (including two of the country's largest cities, Johannesburg and Pretoria).

Total Injury Rate (TIR)

In 200,000 hours worked for own personnel and contractors

1.02

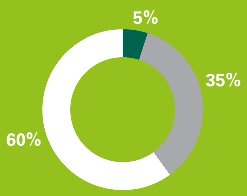


Process Safety Events Rate (PSER)

In 200,000 hours worked for own personnel and contractors

0.49

Original contract duration



● <1 year ● 1-3 years ● > 3 years

Europe, Middle East & Africa

14

Number of terminals

In EUR millions	2017	2016
Revenues	176.3	189.9
Operating profit before depreciation and amortisation (EBITDA) [1]	106.1	121.1
Operating profit (EBIT) [1]	61.9	80.3
Average gross assets	1,189.3	1,115.9
Average capital employed	800.8	771.9
Occupancy rate subsidiaries	92%	96%
Storage capacity (cbm)	8,737,000	8,478,900

1. Excluding exceptional items.

Furthermore, in order to help advance the service levels of our inland distribution infrastructure within our chemical hub in Belgium, the decision was taken to upgrade and expand the railway capabilities of Vopak Terminal ACS. An improvement of the capacity of the railway infrastructure in Vopak Terminal Hamburg was also approved."

Performance 2017

"The overall service levels to our customers, our frontline execution, improved in a number of operating companies. The project execution of a number of improvements in the existing terminals continued and is demonstrating the commitment of the division to continuously strive for the highest customer satisfaction and safety levels in our operations.
In order to support our ambition to grow our business in the Middle East and Africa, additional investments were made in resources and in developing competencies and strategies to improve the effectiveness of the business development activities."

Dick Meurs (56) is President of Vopak EMEA. He has a degree in Civil Engineering. Dick has held various management positions in the maritime and logistics industry in Asia, Europe and Latin America.

2018 and beyond

"Further streamlining of Vopak's divisional structures resulted in the formation of Europe & Africa, Asia & Middle East, and effectively, the dissolvement of the EMEA division. This will be impactful for many people working at the divisional office as well as the terminals. Looking forward, I am confident that the successful integration with the Netherlands and Asia division will help optimize our cost competitiveness, while capturing new opportunities to improve revenues at our terminals.

Safety and customer service will remain key priorities for 2018. We will continue to pay close attention to the process safety improvements at our terminals and optimized use of our reporting systems. At the same time, competition is increasing, especially in Antwerp and Rotterdam, putting pressure on tariffs and showing the need to have best-in-class infrastructure."

Asia

Changing energy mix and growing demand

Vopak Asia operates 22 terminals. These are widely spread and are located in India, China, Korea, Thailand, Vietnam, Malaysia, Singapore, Indonesia, and Australia.

Dick Richelle, Division President Asia:

Market developments

"While the overall demand for oil products continued to grow in Asia, we faced temporary pressure in the Singapore Straits from the less favorable oil market structure, new storage capacity added to the market and availability of floating storage as an alternative to land-based storage.

China's self-sufficiency for chemical production continued to put pressure on trade flows. However, competitive feedstock and high refinery runs have given a boost to our chemical business in the region. End markets with structural deficit continued to see a rise in import flows of commodity and specialty chemicals supported by expanding economies and growing populations, such as in India and Indonesia."

Sustainability

"Our continuous efforts in safety have resulted in an overall good performance. However, we are not resting on our laurels and will continue the current initiatives with the objective to prevent incidents and we will focus on promoting a strong safety culture in our operating companies and among our contractors. I am proud that several of our terminals booked significant achievements in 2017. Sakra (Singapore) and Thailand completed over 10 years without an LTI while Kandla (India), Singapore and Kertih (Malaysia) secured external safety excellence awards. We have also embarked on regional sustainability initiatives on energy and waste reduction to minimize our environmental footprint.

In addition, we supported a number of projects in the local communities in which we operate. For example, in India, Indonesia, Malaysia, Singapore and Vietnam, we helped young people develop skills and knowledge through enrichment courses and training."

Highlights of 2017

"Vopak announced the expansion of Pengerang Independent Terminals Sdn Bhd (PITSB) by 430,000 cubic meters to a total of 1.7 million cubic meters. This expansion is aimed at addressing the changing energy mix and the growing structural need for clean petroleum products in Asia. In line with the Maritime Port Authority of Singapore's (MPA) vision to increase port efficiency, Sebarok Terminal Singapore launched concurrent bunkering in October 2017. This service will significantly reduce the time required to refuel tankers and decongest the port.

Total Injury Rate (TIR)

In 200,000 hours worked for own personnel and contractors

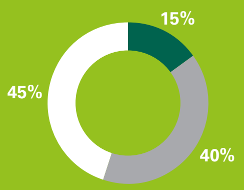
0.17

Process Safety Events Rate (PSER)

In 200,000 hours worked for own personnel and contractors

0.15

Original contract duration



● <1 year ● 1-3 years ● > 3 years

Asia

22

Number of terminals

In EUR millions	2017	2016
Revenues	370.1	385.2
Operating profit before depreciation and amortisation (EBITDA) [1]	274.1	296.7
Operating profit (EBIT) [1]	210.3	230.4
Average gross assets	2,251.2	2,277.2
Average capital employed	1,337.3	1,407.6
Occupancy rate subsidiaries	88%	91%
Storage capacity (cbm)	12,463,000	11,487,900

1. Excluding exceptional items.

Our Pengerang Terminals (Two) Sdn Bhd (PT2SB) achieved two key milestones as it received the first LNG ship in August 2017 and signed the financing agreement of USD 1.25 billion on 12 December 2017. PT2SB is a 1.5 million cubic meter industrial terminal (currently under construction) with a deep-water berth and 12 jetties being built to serve Refinery and Petrochemical Integrated Development (RAPID)."

Performance

"A currently less favorable oil market structure reduced our EBITDA in comparison with 2016. However, the impact was largely mitigated by an improving market for chemicals storage. Demand for base oil storage increased driven largely by improving prices, increasing flows from China and refinery expansion in Singapore. Other chemicals have benefited from lower feedstock prices resulting in storage demand by manufacturers."

Dick Richelle (47) is President of Vopak Asia. After obtaining his degree in Business Economics, Dick joined Vopak and he has held various management positions in the Netherlands and the Americas region.

2018 and beyond

"As we begin 2018 with the new Asia & Middle East division covering Australia, India, Indonesia, Malaysia, Thailand, Singapore, Saudi Arabia, Pakistan and the United Arab Emirates, we have great opportunities to drive a more cost competitive and service-driven organization while investing in future growth and digitalization."

Americas

Dynamic market offering interesting opportunities

Vopak Americas operates 18 terminals of which four terminals 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 to operate in a dynamic market that offers interesting opportunities. On the one hand, Latin American countries, which are sometimes volatile, offered opportunities through deregulation of fuel imports. On the other hand, North America's continued shale play provided stimulating outlooks on chemicals, gases and oil products. Our overall expectation is that intercontinental and regional trade flows will continue to support our existing businesses and to provide opportunities for expansion."

Sustainability

"We reemphasized the importance of compliance through an awareness campaign aimed at providing guidance to employees on how to conduct themselves and make sound business decisions.

We also extended our support towards the local communities in which we operate. In the United States, we partnered with Junior Achievement, one of the world's largest youth-serving NGOs, to provide young people with the knowledge and skill set to help make smart academic and economic choices. We also hosted a summer workshop in Mexico, for young people between the ages of 7 and 19. This workshop consisted of a series of activities whereby Vopak employees were able to teach values and skills to the participants and bring them into contact with the outside world. In Brazil, we continued to support the Vila Alemoa community through various activities including teaching English and Spanish to children and youngsters and instilling the value of respect for different cultures. All of these projects are supported through Vopak's WeConnect foundation.

To further reduce our energy use in Savannah (United States) we launched a new project called 'Atomiton'. This project comprises the implementation of new software, with which the terminal can obtain insight into its energy usage, improve its predictive capabilities, and save up to 25% in energy costs. Such improvements contribute to our commitment to reducing our environmental footprint through fit-for-purpose reduction plans."

Highlights of 2017

"We are pleased with the safety records we achieved during this year; however, we will never be completely satisfied. The safety of our people, terminals and neighboring areas will always be our top priority.

We entered into a 30% joint venture at the start of 2017 to invest in the development of the Ridley Island Propane Export Terminal (RIPET), located near Prince Rupert, British Columbia, and will be the first propane export facility off the west coast of Canada. We also decided to expand our wholly-owned terminal in Alemoa (Brazil). These investments will strengthen Vopak's position as an independent import and export location for fuels.

Total Injury Rate (TIR)

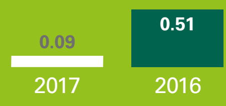
In 200,000 hours worked for own personnel and contractors

0.18

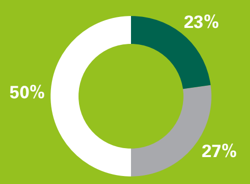
Process Safety Events Rate (PSER)

In 200,000 hours worked for own personnel and contractors

0.09



Original contract duration



Americas

18

Number of terminals

In EUR millions	2017	2016
Revenues	286.0	273.8
Operating profit before depreciation and amortisation (EBITDA) [1]	129.9	120.5
Operating profit (EBIT) [1]	83.4	76.2
Average gross assets	949.0	928.3
Average capital employed	509.5	499.2
Occupancy rate subsidiaries	89%	91%
Storage capacity (cbm)	3,893,900	3,883,100

1. Excluding exceptional items.

Following Mexico's energy reform, we are proud to state that Vopak Mexico obtained the first issued permit for a private terminal to provide services to oil companies. In the United States' Gulf Coast, we are halfway done with the expansion of our chemical hub in Deer Park, Texas, which will further strengthen our chemical position in this international hub.

Hurricane Harvey caused serious flooding in the Houston Greater Area where the Deer Park terminal and the Americas headquarters are located. Both locations took the necessary precautions in preparation for the storm and the terminal followed the emergency response plan. A special operating crew stayed at the terminal to monitor the situation on the ground during the hurricane. Thanks to the hard work, dedication and courage of this crew, the terminal was safeguarded and we were able to continue to provide services to our customers under extreme weather conditions. The crew carried out these duties while their own homes were threatened. This shows the strong commitment of our employees and the pride they take in fulfilling their duties and caring for our customers."

Boudewijn Siemons (53) 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.

Performance 2017

"I am pleased with our overall performance in 2017. We have initiated strategic projects and have achieved cost and energy reductions. The effects of a dynamic market environment were again partially offset thanks to a well-balanced product mix and geographic spread."

2018 and beyond

"In 2018 and beyond, safety will remain our top priority together with our customer-centric mentality. We will concentrate our efforts on being more cost effective, while innovating in our processes and continue to strengthen our growth projects. Additionally, we will continue to support the Vopak culture by acting in accordance with our core values and developing our leadership skills."

LNG

Expanding our target scope for new expansion projects

Vopak has earmarked storage and handling of gas as one of its strategic focus areas and is therefore looking for strategic opportunities to strengthen its presence as a service provider in the LNG infrastructure market. 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) and is actively looking to expand its service offering in LNG.

Kees van Seventer, Division President Vopak LNG:

Market developments

"The market landscape for LNG did not change dramatically in 2017, although the market was much more balanced than expected compared to 2016 due to strong growth in demand coming from China. Production and supply of LNG are expected to exceed demand for at least another five years or more, depending on new to be announced liquefaction projects.

Vopak LNG's current focus is on LNG import projects where the market is largely driven by demand for power production. This builds on a number of important market drivers such as the energy transition in emerging markets. These markets are facing a number of significant energy challenges, for instance, the lack of reliable and sustainable power production via wind, hydro-power and solar.

A second major challenge is the high percentage of local wood and waste burning to provide households with energy. Furthermore, action has to be taken to realize the desired reduction of domestic coal fired power plants for environmental reasons. In the more developed economies there is a fourth reason for new LNG demand being the decline of nuclear power production. All these drivers are supporting the use of imported LNG for domestic gas consumption."

Sustainability

"Providing LNG import infrastructure supports the use of LNG as a more environmentally friendly fuel for the industry, for households and in ships. Both our LNG terminals pay the highest attention to running their operations in a sustainable manner. As methane is a greenhouse gas, we strive to operate both our terminals as zero-emission terminals, i.e. no natural gas venting and/or flaring during normal operations. Venting or flaring will then only occur during an occasional upset condition or due to a specific maintenance outage. The Gate Terminal extracts the heat required for the regasification process from the cooling water from the nearby industry. This process represents additional savings for the environment as it utilizes the lost energy in the heated cooling water."

Highlights of 2017

"With regard to our growth efforts, there are a number of notable events to look back at in 2017. We received approval from the European Commission to set up a joint venture and develop an LNG import facility in northern Germany. This decision was an important milestone within the feasibility study of the project we are currently conducting together with our partners.

Total Injury Rate (TIR)

In 200,000 hours worked for own personnel and contractors

0.00

0.00	0.25
2017	2016

Process Safety Events Rate (PSER)

In 200,000 hours worked for own personnel and contractors

0.27

0.27	0.25
2017	2016

LNG

2

Number of terminals

In EUR millions	2017	2016
Operating profit before depreciation and amortisation (EBITDA) [1]	33.1	28.0
Operating profit (EBIT) [1]	33.1	28.0
Average gross assets	171.0	161.6
Average capital employed	169.6	154.0
Storage capacity (cbm)	840,000	840,000

1. Excluding exceptional items.

After careful consideration, we also concluded that the closing of the FSRU transaction with Exmar would no longer be pursued and called off the deal. The finalization of the deal was subject to consent and cooperation of multiple stakeholders which was not reached. Nevertheless, since then, we have increased our business development efforts beyond on-shore tank projects only. Infrastructure projects including jetties and pipelines for industrial type LNG projects are now also part of our target scope for new expansion projects. This fits in nicely with the expertise of our existing LNG regasification terminals, as well as our broad experience with the most reliable industrial terminals and our extensive network of 300 jetties worldwide. FSRU participation in such projects is being considered in particular."

Performance

"Our result from joint ventures improved and we continued to operate safely in 2017. The higher EBITDA contribution is primarily the result of higher revenues at Gate in Rotterdam, related to the enhanced break bulk infrastructure and services at the terminal among others for marine bunkering, improved results at the TLA terminal in Altamira and lower business development costs compared to last year."

Kees van Seventer (51) 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.

2018 and beyond

"We will continue with the steps that we have taken to enhance and broaden our scope and service offering and we will continue to focus on safety and sustainability at our existing terminals. These terminals are well-positioned for their long-term future as the markets they serve have positive outlooks and we are in an excellent position to serve them. We have the ambition to become the most successful LNG infrastructure company globally growing via greenfield and brownfield projects, and acquisitions."

Waterfront upgrade for Vopak ACS Antwerp

"The upgrade ensures flexibility for our customers and safer operations"

The Vopak ACS terminal in Antwerp, Belgium, successfully completed its waterfront upgrade offering interconnection lines between its jetties and new jetty module. This new set-up ensures more flexibility and optimization of jetty occupancy for our customers.

And most importantly, operations will be safer to execute for staff, surveyors and crews of barges and vessels. The ACS jetties will now be capable of handling deep-sea, coastal and inland water bound traffic with sufficient connections between each other to efficiently spread occupancy. The terminal is set up to be first-in-class for the storage of Acetyls and HACCP products.

Sustainability

Sustainability performance

	Note	2017	2016	2015	2014
Social					
Occupational health and safety	1				
Fatalities, own employees and contractors		2	0	1	0
Total Injury Rate (TIR), own employees and contractors (per 200,000 hours worked)		0.38	0.29	0.39	0.39
Lost Time Injury Rate (LTIR), own employees and contractors (per 200,000 hours worked)		0.14	0.13	0.12	0.13
Sickness absence rate own employees		2.4%	2.2%	2.0%	1.8%
Process safety	2				
Process Safety Events Rate (PSER), own employees and contractors (per 200,000 hours worked)		0.26	0.23	0.27	0.20
Total Tier 1 process safety events		10	12	9	12
Total Tier 2 process safety events		21	17	29	24
Talent attraction and retention	3				
Annual training hours per employee		52	47	42	N.R.
Employee turnover rate		10.4%	16.7%	8.9%	8.8%
Diversity	4				
Total number of employees (in headcount)		5,657	5,555	5,930	5,779
- Percentage of men		84%	85%	84%	85%
- Percentage of women		16%	15%	16%	15%
Environmental					
VOC emissions	5				
Total VOC emissions		Q.R.	Q.R.	N.R.	N.R.
Total NO_x emissions (metric tons)		498	514	527	547
Total SO_x emissions (metric tons)		3	3	3	13
Soil and groundwater pollution	6				
Total number of reportable spills		58	44	N.R.	N.R.
Total amount of reportable spills (metric tons)		1,011	776	894	260
Water pollution	7				
Total number of reportable spills		1	9	N.R.	N.R.
Total amount of reportable spills (metric tons)		1	18	N.R.	N.R.
CO_2 emissions (including energy use)	8				
Direct carbon emissions - scope 1 (kiloton)		166	186	189	189
Indirect carbon emissions - scope 2 (kiloton)		235	240	260	231
Total carbon emissions (kiloton)		401	426	449	420
Total relative carbon emissions (kg/cbm)		12.3	13.7	14.3	14.2
Financial and governance					
Application of best practices	10	Q.R.	Q.R.	N.R.	N.R.
(Cyber) security threats	11	Q.R.	Q.R.	N.R.	N.R.
Business ethics and integrity	12				
Number of fines from permit violations		2	2	3	2
Monetary value of fines from permit violations (in EUR thousands)		2,124	96	27	10
Total number of incidents of discrimination, fraud, corruption and bribery		8	3	12	2
Total number of vapor, odor and stench complaints		224	54	17	22
Financial performance	13	Q.R.	Q.R.	N.R.	N.R.

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

Business to society

Staying true to our business ethics

We believe it is each citizen´s and each organization´s responsibility to do what they can to maximize their contribution to and minimize their negative impact on society and the environment.

To Vopak, this means creating value for all our stakeholders, from customers, business partners and investors, to governments, local communities and society at large, without causing any human suffering or unacceptable negative social and environmental impact, while living the Vopak Values and staying true to our business ethics.

Four centuries of corporate history can only be achieved by making long-term responsibility prevail over short-term interests. At Vopak, we are working on being an integral part of the societies in which we operate and – with our tradition of sustainable entrepreneurship – making a meaningful contribution to our stakeholders. Our choices today must contribute to our long-term relevance to society.

The United Nations has set a common priority agenda for development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

We have reviewed the 17 Sustainable Development Goals of the United Nations (SDGs) and their 169 sub-goals, in order to determine where Vopak can make a positive, material contribution to their realization. Our approach was threefold. First, we reviewed which goals best reflect what our stakeholders expect from us, what they value us for: storing vital products with care. Second, we reviewed the goals and sub-goals against the key sustainability topics of our materiality matrix, which we had defined in dialogues with our stakeholders. Reference is made to Stakeholder engagement and materiality assessment. Third, we analyzed where we may contribute to realizing the goals embraced by the sectors in which we operate.

This analysis led us to embrace four SDGs that correspond most with what Vopak stands for. We facilitate access to energy and cleaner fuels and embrace the energy transition by exploring ways to develop solutions for a low-carbon future (SDG 7 - Affordable and clean energy). In storing the vital products of today and tomorrow, our first priority is always the safety of our people and neighbors (SDG 8 - Decent work and economic growth) and minimizing any negative impacts on our environment, in particular reducing releases to air, water and soil (SDG 12 - Responsible consumption and production). To realize our purpose, we maintain and operate reliable and sustainable terminal infrastructure in ports around the world; this includes substantial investments in digitization and new technology (SDG 9 - Industry, innovation and infrastructure).

Having defined these goals, our next step will be to establish what concrete targets we will pursue in years to come to deliver on our commitment to the SDGs.

Introduction
Executive Board report
Storing vital products with care
Key developments per division
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

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.

This section provides more detailed information on the stakeholder engagement and materiality assessment process.

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.

Every two to three years, we ask our stakeholders directly about the key sustainability topics that they want us to address. We performed the last materiality survey in 2016, as detailed on the next page and in last year's Annual Report. In 2017, we continued to focus on the key topics identified, in particular Volatile Organic Compounds (VOCs) (reference is made to Note 5. VOC emissions). In parallel, continuous contacts with our stakeholders allow us to detect other topics that did not appear clearly or were not yet taken into account in the last materiality survey. In 2017, we focused on our role in and possible 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. We ensure sustained engagement with and commitment of our employees through the daily work relationships, training and human resources cycles (reference is made to People leadership), as well as through a biannual employee engagement survey. Similarly, we assess customer needs not only through face-to-face meetings, calls, e-mails and conferences, but we also measure customer satisfaction through our yearly Net Promoter Score (NPS) survey. The aim of the employee and customer satisfaction surveys is to verify the implementation of earlier suggestions, comments and recommendations, as well as to gather additional feedback and detect 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 triggers reflection and action on sustainability topics. One such example is questions posed by the Dutch Association of Investors for Sustainable Development (VBDO), which prompted Vopak to review whether it does effectively pay a living wage at all its locations. The outcome of this examination is presented in the People leadership chapter of this Annual Report. Although benchmarks certainly have a clear added value, filling them out requires time and effort that cannot be devoted to other activities. We therefore decided to limit our active participation to the following benchmarks, which are either leading at a global level or relevant in a local context, such as: Dow Jones Sustainability Index, Carbon Disclosure Project, EcoVadis, VBDO Tax Transparency Benchmark and the Dutch Transparency Benchmark. For more details on the external benchmarks, reference is made to Note 10. Application of best practices.

To inform and maintain a dialogue with our shareholders and other financial stakeholders, we organize presentations, webcasts, roadshows and individual meetings with analysts and investors at least every quarter, after publication of our annual, half year and quarterly results. In 2017, in addition to the General Shareholders' Meeting, we called for an Extraordinary Shareholders' Meeting in December to ask for approval of the appointment of Gerard Paulides as Vopak's new CFO as per 1 February 2018.

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. These contacts are maintained both face-to-face and in writing, through information on our website, in meetings with government officials and community representatives, through participation in public hearings and by organizing site visits. In 2017, several Vopak terminals invited neighbors and other external stakeholders to participate in our annual SHE Day.
The aim to build sustainable relations with our communities and maintain our commitment to empowering young people, led us to establish the Vopak WeConnect Foundation. Local topics are commonly addressed locally by Vopak affiliates. In some cases, the same topics appear to be relevant to several locations and require a global approach. One such example is our response to climate change.

Finally, we engage in local, regional, national and international dialogues by maintaining contacts with governmental and non-governmental organizations (NGOs), and by participating in various international organizations, sustainability organizations, industry associations, think tanks, research institutes and business coalitions. For more details, a reference is made to Note 10. Application of best practices.

Materiality assessment

Stakeholder expectations and interests

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.

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
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 • Process safety • Occupational health and safety
Business partners	Looking for long-term relationships to realize growth based on mutual trust and value creation.	• Application of best practices • Process safety • Customer acceptance and continuation
Authorities	Issue stricter regulations and increase inspections for the industry as a whole.	• Business ethics and integrity • Process safety • VOC emissions, Soil and groundwater pollution and Water pollution
Financial and capital markets	Increasingly take a long-term appreciative view of companies that aim for sustainable profitability.	• Financial performance • (Cyber) security threats • Process safety
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 • Business ethics and integrity • Process safety
NGOs	NGOs expect Vopak to be a responsible, transparent, cooperative and trustworthy partner.	• VOC emissions, Soil and groundwater pollution and Water pollution • Business ethics and integrity • Process safety
Employees	Value a company that cares, helps to develop their talents and offers training programs to develop the full potential of every individual.	• Business integrity and ethics • Financial performance • (Cyber) security threats
Senior management	Determines the overall long-term strategy on our 'License to Operate' and our expansion plans.	• Business ethics and integrity • Process safety • (Cyber) security threats
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 • Process safety • Business ethics and integrity

Our response to the key topics and concerns of our stakeholders is embedded in our Management Approach. For the Disclosures on Management Approach (DMA) on the relevant topics, reference is made to the reference table in the Basis of preparation section.

Materiality matrix

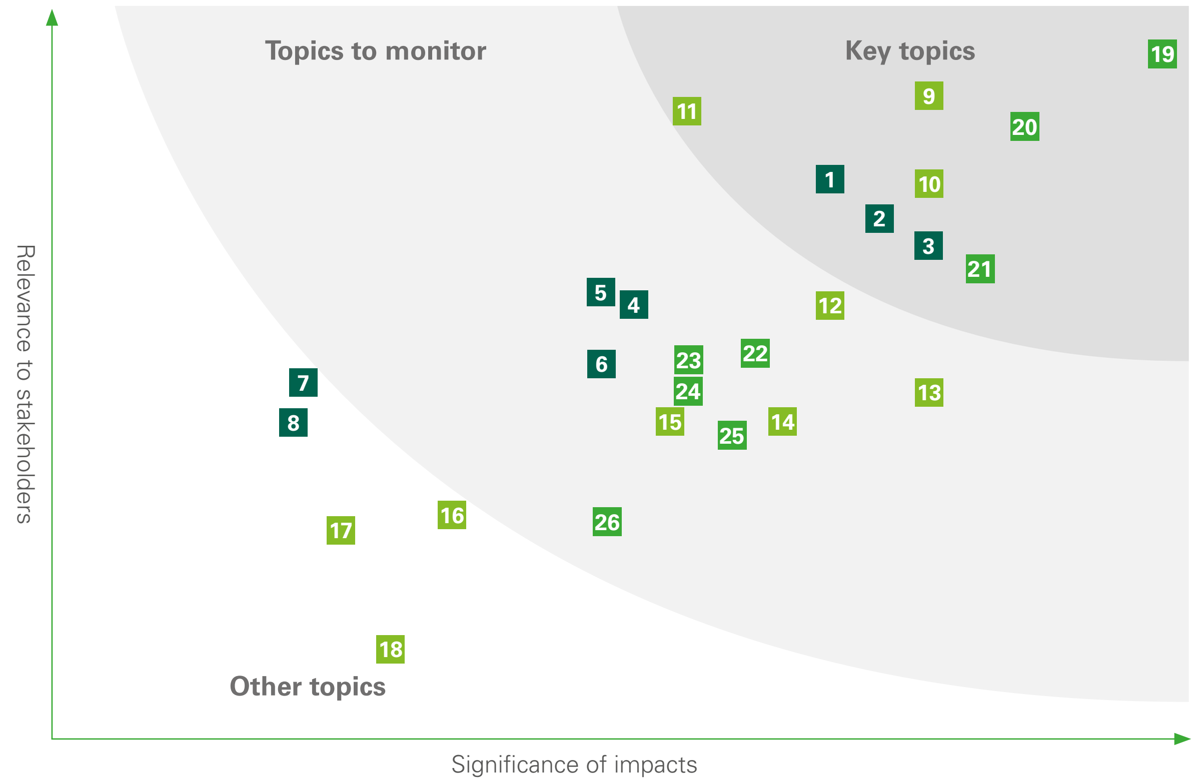
According to the ranking of topics determined as most important across stakeholder groups (vertical axis), and ranked as most impactful to our business (horizontal axis), nine key topics emerged as being the most material. The Executive Board identified three additional topics of increasing material 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 these twelve 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 accordingly managed but currently not reported.

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 Consumer 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

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 Code of Conduct, that was updated in 2017, and our Sustainability Policy.

Informing stakeholders about Vopak's sustainability performance 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 2017, 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 2017 and is based on topics identified as material for Vopak.

Our interpretation of people (social), planet (environmental) and profit (financial and governance), and our acknowledgement 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 2017 financial year, covering Vopak's activities from 1 January 2017 to 31 December 2017. This report builds on the previous Annual (Sustainability) Reports. In recognition of the fact that sustainability is a core element of our strategy and operations, we continue to combine our Sustainability Report with the Annual Report.

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, the company has to ambition to prepare its Annual Report in accordance with the Integrated Reporting Framework as issued by the International Integrated Reporting Council (IIRC) the coming years. As part of the journey of realizing this ambition the company already combined its Annual Report with the Sustainability Report in 2014, applies the GRI Standards for reporting on its sustainability performance and many of the principles and requirements of the Integrated Reporting Framework have already been applied in this Report. However this Annual Report has not yet been prepared in accordance with the Integrated Reporting Framework.

Reporting process and assurance

As in previous years, sustainability information has been subject to an internal audit. In addition, 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

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), 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.

The former GRI G4 Guidelines have been superseded by the GRI Standards and, with this development, the use of the GRI G4 Sector Disclosures is recommended for organizations using the GRI Standards, but is not a requirement for preparing a report in accordance with the GRI Standards. As there are no GRI G4 Sector Disclosures available for our sector, we have used the GRI G4 Oil and Gas Sector Disclosures as reference to the extent relevant for our sustainability reporting.

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 (EU).

Reference table

The table below reconciles the key areas in Vopak's own terminology to the disclosures on management approach (DMA), the disclosures on performance and outlook and to the topic-specific GRI Standards. The references for all GRI disclosures are shown in the GRI Content Index on our website.

Topics Vopak	Corresponding disclosures on management approach (DMA)	Corresponding disclosures on performance & outlook	Corresponding GRI Standard
Social			
Occupational health and safety	Operational leadership: • Health and safety • If things go wrong	Note 1. Occupational health and safety	• GRI 403: Occupational Health and Safety
Process safety	Operational leadership: • Health and safety • If things go wrong	Note 2. Process safety	No corresponding GRI topic-specific standard
Talent attraction and retention	People leadership: • Talent attraction and retention • People development	Note 3. Talent attraction and retention	• GRI 401: Employment • GRI 404: Training and Education
Diversity	People leadership: • Diversity	Note 4. Diversity	• GRI 405: Diversity and Equal Opportunity
Environmental			
VOC emissions	Operational leadership: • Environmental care: Volatile Organic Compounds (VOCs)	Note 5. VOC emissions	No corresponding GRI topic-specific standard
Soil and groundwater pollution	Operational leadership: • Environmental care: Soil and groundwater pollution	Note 6. Soil and groundwater pollution	No corresponding GRI topic-specific standard
Water pollution	Operational leadership: • Environmental care: Water pollution	Note 7. Water pollution	No corresponding GRI topic-specific standard
CO_2 emissions	Operational leadership: • Environmental care: Carbon dioxide	Note 8. CO_2 emissions (including energy use)	No corresponding GRI topic-specific standard
Financial and governance			
Application of best practices	Operational leadership: • Environmental care: Best practice sharing	Note 10. Application of best practices	No corresponding GRI topic-specific standard
(Cyber) security threats	Operational leadership: • Security, including cybersecurity	Note 11. (Cyber) security threats	• GRI 418: Customer Privacy
Business ethics and integrity	Governance and compliance: • Corporate governance, Internal control and risk management	Note 12. Business ethics and integrity	• GRI 205: Anti-corruption • GRI 307: Environmental Compliance • GRI 419: Socioeconomic Compliance
Financial performance	• Financial statements • Financial performance	Note 13. 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 2017

The Group did not apply any new reporting policies in 2017. The company is also required to report disclosures of non-financial and diversity information according to the EU Directive that has been implemented in Dutch law. This did not lead to changes in sustainability reporting.

In the disclosures on compensation ratio per country, we decided to apply the calculation method as used for the CEO pay ratio in the Remuneration Report. Therefore, the 2016 comparative figures deviate from the figures presented in the 2016 Annual Report. For more information and details, reference is made to Note 3 Talent attraction and retention.

Reporting adjustments
There have been no adjustments to information provided in previous reports, except for the item mentioned above.

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 8.11 Principal subsidiaries, joint ventures and associates of the Consolidated Financial Statements) that meets these consolidation criteria, is accounted for and consolidated based on a 100% basis.

Divisional structure
Effective per 1 January 2018, Vopak will streamline its divisional structure, resulting in a situation where the Group will comprise five divisions instead of the current six. The five divisions will be Europe & Africa, Asia & Middle East, China & North Asia, Americas and LNG. Reference is made to Note 2.1 Segment information of the Consolidated Financial Statements.

Consolidation
One terminal does not meet the consolidation criteria, but does report voluntary on the sustainability information: Vopak Terminals Korea (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	2017	2016
Total storage capacity according to Vopak Financial Statements	**35.9**	**34.7**
Bahia Las Minas, Panama [1]	0.0	-0.5
Sabtank (Jubail), Saudi Arabia [2]	-1.5	-1.5
Sabtank (Yanbu), Saudi Arabia [2]	-0.3	-0.3
Chemtank (Jubail), Saudi Arabia	-0.5	-0.2
Maasvlakte Olie Terminal (MOT), The Netherlands	-1.1	-1.1
Ridley Island Propane Export Terminal (RIPET), Canada	0.0	0.0
Estonian Railway Services (ERS - part of Vopak E.O.S.), Estonia	0.0	0.0
Total out of scope for sustainability reporting	**-3.4**	**-3.6**
Total storage capacity according to the sustainability reporting scope	**32.5**	**31.1**

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 2017 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.

Social (People)

This section comprises notes which provide specifications and explanations to Vopak's performance on social impacts for the year 2017 and the outlook for 2018 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

Note 1. Occupational health and safety

Definition, reporting policies and boundaries

Materiality matrix no.	Definition
20	Refers to a healthy and safe workplace for Vopak's employees and contractors. 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, whereby:
- An **employee** is any person who has a permanent, temporary or unwritten employment contract with a Vopak company or one of its subsidiaries, joint ventures or associates
- 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.

Sickness is only reported for our own employees.

How we performed

The year 2017 started off with a regretful and deeply tragic fatal accident due to a fall from height at our ACS terminal in Antwerp (Belgium) involving one of our experienced contractors.

We regret to report a second fatality at our Hamburg terminal (Germany) in September. During railcar shunting activities, an experienced and qualified contractor received fatal injuries as a result of an accidental collision.

In both cases, extensive tripod investigations were conducted leading to a number of recommendations that were shared 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 to continue to further improve our safety culture, systems and hardware to ensure a safe working place for all.

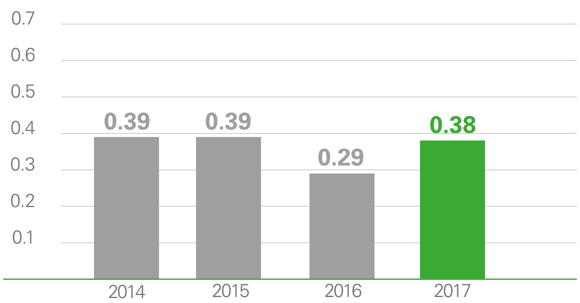
Commitment	Achievement
Strive to achieve a Total Injury Rate (TIR) of 0.31 or less per 200,000 working hours for own employees and contractors in 2017	The TIR was 0.38 in 2017

Safety performance

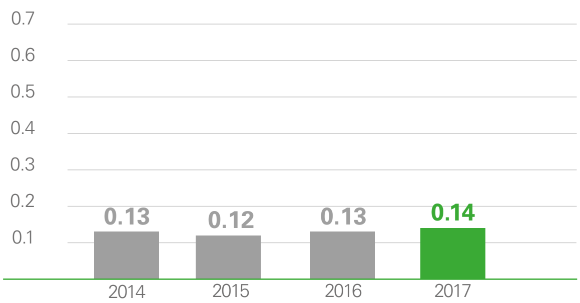
	Total Injury Rate		Lost Time Injury Rate		Sickness Rate %	
	2017	2016	2017	2016	2017	2016
Netherlands	1.23	0.47	0.43	0.18	5.5	5.4
Europe, Middle East & Africa	1.02	0.65	0.54	0.31	3.1	2.8
Asia	0.17	0.13	0.03	0.03	1.4	1.2
Americas	0.18	0.36	0.04	0.20	1.2	1.2
LNG	0.00	0.25	0.00	0.25	3.3	3.0
Global HQ	0.00	0.35	0.00	0.35	4.2	2.4
Total Vopak	**0.38**	**0.29**	**0.14**	**0.13**	**2.4**	**2.2**

Overall, the personal safety performance in 2017 worsened significantly compared to 2016 and did not meet the target of 0.31 set for 2017. This was mainly driven by an increase in injury cases in the Northwestern Europe region.

Total Injury Rate



Lost Time Injury Rate



We were not able to sustain the improved performance of 2016.

	Process incidents		Non-process incidents		Total incidents	
	2017	2016	2017	2016	2017	2016
Lost time injury (LTI)	3	2	19	19	22	21
Restricted work case (RWC)	2	0	21	18	23	18
Medical treatment case (MTC)	0	0	16	8	16	8
Total Vopak	**5**	**2**	**56**	**45**	**61**	**47**

Evaluating the root causes of the personal incidents teaches us that these mostly did not occur during product movement related activities. Most personal injuries occur 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 48% of the total workforce in 2017.

Sickness percentage
There were no reported cases of employees suffering from occupational diseases. Despite the fact that there was no specific reason for the minor increase in the sickness rate of 2.4% compared to 2.2% in 2016, this rising trend over the years is an area of attention.

2018 and beyond
Primarily driven by our ambition of zero personal incidents, Vopak will keep on strengthening its safety culture, systems and hardware to ensure a safe working place for all. In line with this drive for improvement, Vopak strives not to exceed a Total Injury Rate (TIR) of 0.31 per 200,000 working hours for own employees and contractors in 2018. To achieve this in 2018, we will continue our Assure program, develop a Global Contractor Safety program and launch a Safety Leadership program.

Introduction
Executive Board report
Storing vital products with care
Key developments per division
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

Note 2. Process safety

Definition, reporting policies and boundaries

Materiality matrix no.	Definition
19	Refers to the process safety of Vopak's operations. This includes incidents of contaminations, damages and loss of primary containment

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, whereby:

- **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
- **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.

All Tier 1 and Tier 2 LOPCs are reported in this note. For more detailed reporting on spills, reference is made to Note 6. Soil and groundwater pollution and Note 7. 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.

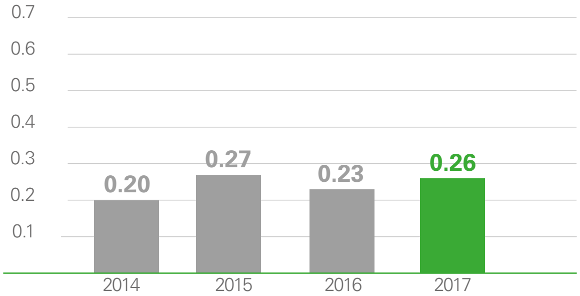
How we performed

Commitment	Achievement
Reduce the Process Safety Events Rate (PSER) to a maximum of 0.25 incidents per 200,000 working hours	The PSER was 0.26 in 2017

	Tier 1 PSE Count		Tier 2 PSE Count		Tier 1 & Tier 2 PSER	
	2017	2016	2017	2016	2017	2016
Netherlands	3	4	7	3	0.61	0.41
Europe, Middle East & Africa	4	2	6	4	0.49	0.21
Asia	2	1	6	4	0.15	0.10
Americas	0	4	2	6	0.09	0.51
LNG	1	1	0	0	0.27	0.25
Global HQ	0	0	0	0	0.00	0.00
Total Vopak	**10**	**12**	**21**	**17**	**0.26**	**0.23**

Introduction
Executive Board report
Storing vital products with care
Key developments per division
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

Process Safety Event Rate



We were not able to sustain the improved performance of 2016. In line with personal safety, this is mainly due to process safety incidents in the Northwestern Europe region.

The total number of Tier 1 and Tier 2 incidents showed an increase of 7% compared to 2016 (29). The table below shows the type of incidents occurred.

	Tier 1 PSE Count		Tier 2 PSE Count		Tier 1 & Tier 2 PSE	
	2017	2016	2017	2016	2017	2016
Fatality	0	0	0	0	0	0
Lost time injury (LTI)	4	2	0	0	4	2
Restricted work case (RWC)	0	0	2	0	2	0
Medical treatment case (MTC)	0	0	0	0	0	0
Loss of primary containment (LOPC)	6	10	19	17	25	27
Fire	0	0	0	0	0	0
PRD activation	0	0	0	0	0	0
Total Vopak	**10**	**12**	**21**	**17**	**31**	**29**

Product contaminations

	2017		
	PSE	Non-PSE	Total
Netherlands	2	8	10
Europe, Middle East & Africa	1	6	7
Asia	0	2	2
Americas	0	2	2
LNG	0	0	0
Global HQ	0	0	0
Total Vopak	**3**	**18**	**21**

Damages

	2017		
	Property	Product	Total
Netherlands	7	2	9
Europe, Middle East & Africa	2	0	2
Asia	4	0	4
Americas	2	0	2
LNG	0	0	0
Global HQ	0	0	0
Total Vopak	**15**	**2**	**17**

2018 and beyond

Primarily driven by our ambition of zero process incidents, Vopak will keep on strengthening its safety culture, systems and hardware to ensure a safe working place for all. In line with this drive for improvement, Vopak strives not to exceed the Process Safety Event Rate (PSER) of 0.23 per 200,000 working hours in 2018.

Note 3. Talent attraction and retention

Definition, reporting policies and boundaries

Materiality matrix no.	Definition
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 actual headcount, unless stated otherwise.

Boundaries

The data reported in this note only reflects our own employees.

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.

How we performed

Employee hires and turnover

	Joiners	Relative joiners	Leavers	Relative leavers
Netherlands	113	12.1%	86	9.3%
Europe, Middle East & Africa	102	7.5%	102	7.5%
Asia	275	13.6%	292	14.5%
Americas	107	10.8%	76	7.7%
LNG	19	11.4%	17	9.8%
Global HQ	37	13.9%	22	8.2%
Total Vopak	**653**	**11.4%**	**595**	**10.4%**

The relative turnover was lower compared to 2016 (16.7%), mainly due to divestments in the United Kingdom, Japan, China and the Netherlands during 2016.

The staff turnover rate is acceptable for the markets we operate in and we believe, as also apparent from the 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 when they were working for Vopak.

Training hours per employee

	2017	2016
Netherlands	56	44
Europe, Middle East & Africa	34	44
Asia	69	55
Americas	40	43
LNG	75	60
Global HQ	N.R.	N.R.
Total Vopak	**52**	**47**

The number of training hours per division shows that Vopak employees spend an increasing 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 section.

	2017 ratios [1]	2016 ratios [1]	Change to 2016 [2]
The Netherlands	11.4	15.5	- 26.5%
Singapore	10.6	10.1	5.0%
United States	3.1	3.2	- 3.1%

1. The ratio is defined as the salary of highest paid job holder/average salary excluding highest salary.
2. Change in annual total compensation for the highest-paid individual to the average percentage change in annual total compensation for all employees (excluding the highest-paid individual) in the same country in 2017 compared to 2016.

2018 and beyond

We will further increase the accessibility to (formal) training in 2018 via the new HR digital platform.

Note 4. Diversity

Definition, reporting policies and boundaries

Materiality matrix no.	Definition
25	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 actual 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 reflects our own employees.

How we performed

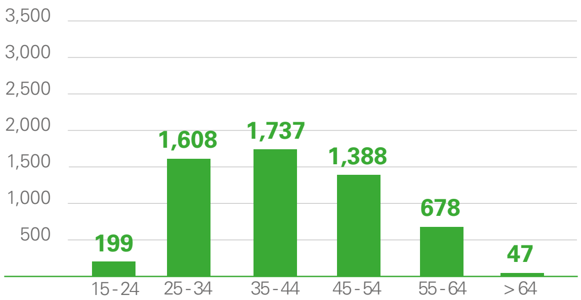
	Headcount	Gender		Employment type		Employment contract	
	31-Dec-17	Men	Women	Full-time	Part-time	Permanent	Fixed term
Netherlands	972	87%	13%	91%	9%	92%	8%
Europe, Middle East & Africa	1,127	86%	14%	96%	4%	95%	5%
Asia	2,156	84%	16%	99%	1%	73%	27%
Americas	985	82%	18%	100%	0%	98%	2%
LNG	165	84%	16%	94%	6%	95%	5%
Global HQ	252	72%	28%	83%	17%	83%	17%
Total Vopak	**5,657**	**84%**	**16%**	**96%**	**4%**	**86%**	**14%**

% employees	Executive Board 2017	Executive Board 2016	Terminal and divisional management teams 2017	Terminal and divisional management teams 2016	Global staff directors 2017	Global staff directors 2016	Global staff HQ 2017	Global staff HQ 2016
Gender								
Men	100%	100%	81%	80%	64%	64%	77%	79%
Women	0%	0%	19%	20%	36%	36%	23%	21%
Nationality								
Dutch	100%	100%	28%	13%	93%	93%	87%	84%
Other	0%	0%	72%	87%	7%	7%	13%	16%

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

Approximately 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.

Age distribution per 31 December 2017



Number of contractors

During 2017, over 10,000 man-years of contractors worked for Vopak.

2018 and beyond

Increasing the diversity both in nationality and gender is part of the 2018 agenda and several actions will be taken to improve the balance and, where needed, increase the inclusiveness.

Introduction
Executive Board report
Storing vital products with care
Key developments per division
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

Environmental (Planet)

This section comprises notes which provide specifications and explanations to Vopak's performance on environmental impacts for the year 2017 and the outlook for 2018 and beyond. Each note starts with the definition, the Group's reporting policies and boundaries.

The following notes are presented in this section:
- 5 VOC emissions
- 6 Soil and groundwater pollution
- 7 Water pollution
- 8 CO_2 emissions (including energy use)
- 9 Our response to climate change

Note 5. VOC emissions

Definition, reporting policies and boundaries

Materiality matrix no.	Definition
1	Refers to the VOC emissions, which include NO_x and SO_x emissions of Vopak

Reporting policies
As field measurement is not 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 limited to 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.

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 evaporate 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.

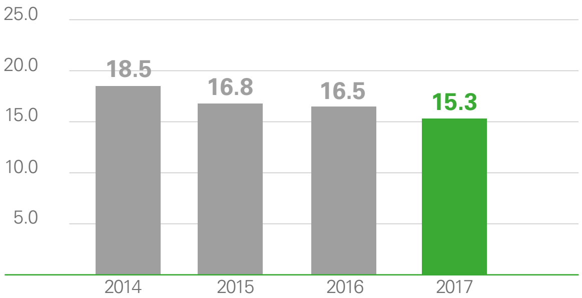
During 2017, we analyzed the VOC emissions over 2016 for our largest 17 terminals. We estimate that these represent roughly 75% of our emissions globally. For this assessment, we applied the emission calculation model used by the authorities in the Netherlands (Caruso 4.0). Approximately 15-20% of the emissions at these terminals is related to standing emissions from storage. The remaining 80-85% is due to handling (loading, unloading, roof landings).

NO_x and SO_x emissions

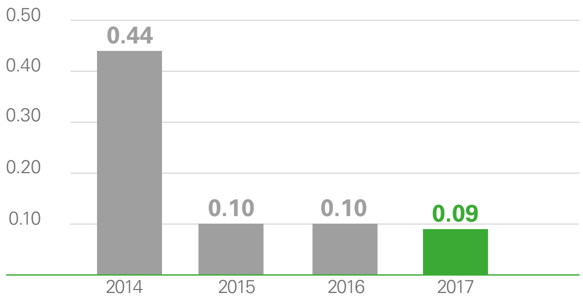
In metric tons	2017	2016	2015	2014
Total NO_x emissions	498	514	527	547
Total SO_x emissions	3	3	3	13

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



During 2014, we stopped the consumption of coal and switched to natural gas. Consequently, the amount of SO_x emissions is significantly lower as from 2015.

2018 and beyond

As it is our objective to further reduce our VOC emissions, we believe we need to focus our efforts on those areas where the social impact is largest (in addition to fulfilling legislative requirements). In order to determine this, we developed a societal and environmental impact model (True Value Model: TV-model) together with a consulting company.

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 6. Soil and groundwater pollution

Definition, reporting policies and boundaries

Materiality matrix no.	Definition
2	Refers to 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 containments 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 includes the information for all in-scope entities as noted in Basis of preparation.

How we performed

	2017			2016		
	Contained	Uncontained	Total	Contained	Uncontained	Total
Total number of reportable spills	51	7	58	19	25	44
Total amount of reportable spills (metric tons)	986	25	1,011	631	145	776

Introduction
Executive Board report
Storing vital products with care
Key developments per division
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

In our emissions to soil and groundwater, we had 58 spills representing a total of 1,011 metric tons product (2016: 44 spills representing 776 metric tons) of which two major (recovered) spills:

- Spill of 450 metric tons of gasoil at our Eurotank terminal (Belgium)
- Spill of 225 metric tons of transformer oil at our Deer Park terminal (United States).

In total, 98% of the total metric tons spilled during 2017 was contained.

We are concerned about this trend in relation to our ambition of zero process incidents and our continuous improvement aim.

All spills were remediated immediately according to the requirements stated in our Vopak 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 15 existing contaminated locations, reference is made to environmental provisions in Note 8.5 Provisions of the Consolidated Financial Statements.

As all spills were remediated immediately, there were no additions to the provisions during 2017. 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.

2018 and beyond

Primarily driven by our ambition of zero process incidents, we strive to continuously improve the quality of our conformance with our existing standards. In line with this ambition, Vopak strives to have no uncontained spills and to reduce the number of contained spills in 2018 and beyond.

In 2018, 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 15 existing contaminated locations.

Note 7. Water pollution

Definition, reporting policies and boundaries

Materiality matrix no.	Definition
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 containments according to API RP 754.

Boundaries

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

How we performed

	2017	2016
Total number of reportable spills	1	9
Total amount of reportable spills (metric tons)	1	18

We had one reportable spill into surface and sewage water in 2017, with a total of one metric ton of product being spilled. All product that was spilled into water was removed and the spill did not lead to a 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.

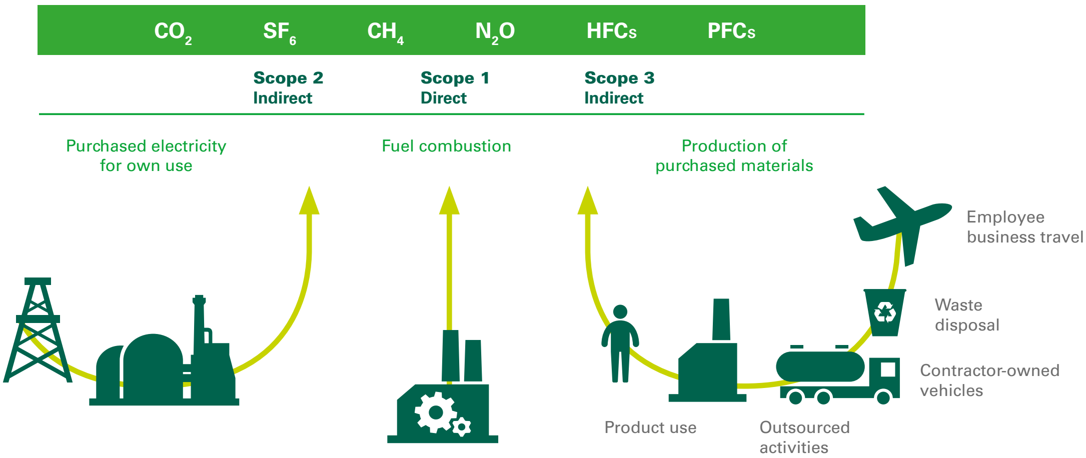
2018 and beyond
We aim to have zero spills to surface and sewage water.

Note 8. CO_2 emissions (including energy use)

Definition, reporting policies and boundaries

Materiality matrix no.	Definition
5	Derived from the energy use at the individual terminals

Reporting policies
Vopak's reporting on carbon emissions (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 to 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 added value to stakeholders. Therefore, our reporting on emissions includes carbon dioxide (CO_2) and methane (CH_4) as well as other emissions (NO_x, SO_x and not yet reported VOC).



We report our N_2O emissions as NO_x emissions, reference is made to Note 5. 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)*.

Introduction
Executive Board report
Storing vital products with care
Key developments per division
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

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.

How we performed

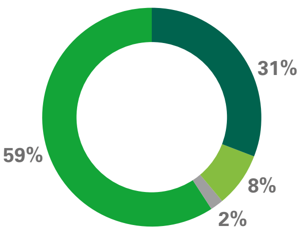
The CO_2 emissions over 2017, as well as the relative CO_2 emissions (per cbm) decreased compared to 2016. Main contributors to this reduction are the decreased natural gas consumpion at Vopak Terminal Europoort (the Netherlands) and Vopak Terminal Deer Park (United States) and the decreased electricity consumption at Vopak Terminal Haiteng (China). This is partially offset by the increased electricity consumption at LNG Terminal de Altamira de S. de R.L. (Mexico).

In kilotons	2017	2016	2015	2014
Direct carbon emissions (scope 1)	166	186	189	189
Indirect carbon emissions (scope 2)	235	240	260	231
of which Liquid bulk and other gases operations	*194*	*208*	*217*	*189*
of which LNG operations	*41*	*32*	*43*	*42*
Total carbon emissions	**401**	**426**	**449**	**420**
Total relative carbon emissions (kg/cbm)	**12.3**	**13.7**	**14.3**	**14.2**

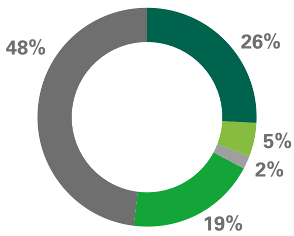
Vopak's carbon emissions reporting is split into two separate categories, liquid bulk operations and LNG operations. The main reason for this is that the LNG operations are more process-oriented than the conventional liquid bulk storage and handling operations. The amount of energy required for the regasification 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 LNG Terminal de Altamira de S. de R.L. (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, a reference is made to the graphs below.

Carbon emissions mix



Energy use mix



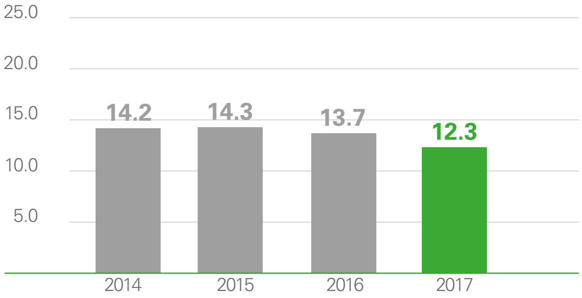
Natural gas   Fuel/Gas oil   LPG   Electricity   Process water

Our CO_2 emissions are measured and calculated based on our energy consumption. The majority is generated during 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. This depends on the products we store for our customers, the weather conditions and 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.

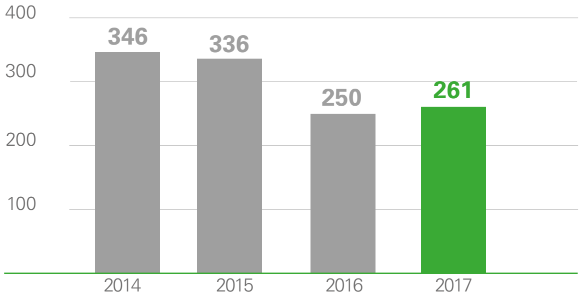
In terajoules (TJ)	2017	2016	2015	2014
Total direct energy	2,772	3,138	3,198	3,177
Total indirect energy	5,721	4,627	7,326	7,027
of which renewable energy	*4,125*	*3,036*	*5,611*	*5,412*
Total energy	**8,493**	**7,765**	**10,524**	**10,204**
Total renewable energy as % of total energy	**49%**	**39%**	**53%**	**53%**

The total energy consumption, as well as the energy use intensity (per cbm capacity storage), increased compared to 2016. This is mainly driven by the increased consumption of process water at our LNG terminals and partially offset by the beforementioned main contributors to the reduction of carbon emissions.

CO_2 emissions intensity
Kilotons per million cbm storage capacity



Energy use intensity
Terajoules per million cbm storage capacity



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 three unwanted releases to air, which resulted in one metric ton of methane (CH_4) emissions.

	2017
Methane (CH_4) - metric tons	23
CO_2 equivalent of methane - metric tons	575

2018 and beyond
The energy consumption will be impacted by an increase in Vapor Treatment Units (VTUs) in order to reduce the VOC emissions as support gas combustion is needed. We fully encourage all regional and local energy-efficiency initiatives in the Group.

Note 9. Our response to climate change
Governments, communities and industries around the world are faced with the combined challenge of continuing economic growth, in particular in emerging economies, and a significant reduction in global greenhouse gas emissions. Even as the world addresses climate change, it is expected that fossil fuels will likely continue to supply the majority of the world's need for energy for years to come, also in a world where we meet the objectives of the Paris Agreement. Therefore, the world must find ways to improve energy efficiency, reduce emissions from the use of fossil fuels, increase the share of renewable energy sources and find solutions to store vast amounts of wind and solar energy.

As an infrastructure and service provider, Vopak actively supports the energy transition around the world. We facilitate access to energy and better cooking fuels, help introduce cleaner fuels to improve air quality and advance solutions to lower carbon emissions. Our key assets are our global network of independent terminals, our role in and deep knowledge of global energy supply chains, and our expertise in operating energy infrastructure in ports around the world. We do not know which energy products and technologies will prevail in decades from now; and as a service provider, we do not ***drive*** market choices, we ***facilitate*** energy flows. However, as the global leader in tank storage, we want to be at the forefront of developments.

Long-term positioning requires a sound understanding of climate-related risks and opportunities.

Governance and risk management

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.

Our assessment of current and long-term impacts of these risks and opportunities on our business and our assets around the globe are presented in this section.

Strategy

The determination of threats and opportunities driven by climate change forms an integral part of the company's strategy cycle and was part of the strategic review that was carried out in 2016. The orientation towards growth acceleration in the chemical and gas markets was a direct outcome of this strategic review.

Climate-related risks

Climate change is a global issue that presents risks and opportunities for Vopak. The risks can be categorized into the following segments:

- **Transition risks**: 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.

The risks, their current impacts and potential future impacts on Vopak are shown in the table below. For the mitigation actions, a reference is made to the Governance, risk and compliance chapter.

Risk	Implications	(Potential) Impacts
Transition		
Policy and legal		
Increased pricing of GHG emissions	• Emissions Trading System (ETS) costs The costs of carbon emissions are expected to increase due to extra carbon taxes. For example, the policy proposition of the Dutch government to introduce an extra carbon tax of EUR 43 per ton carbon emissions for electricity producers • Indirect 'Carbon leakage' Customers could decide to switch their plants to countries that do not have an emission-trading system, this is referred to as carbon leakage	• Higher operating expenses • Potential loss of customers and less demand for storage capacity could result in lower occupancy rates and loss of revenues
Enhanced emission reporting obligations	• We are currently reporting to the authorities (ETS program) on the GHG emissions of seven terminals. These reporting requirements go far beyond our measurements as included in Note 8 CO_2 emissions (including energy use). We expect that these requirements will be extended to other locations • We expect that government and society will increasingly demand the reporting of VOC emissions	• Higher personnel expenses and consultancy costs to meet additional reporting requirements
Mandates on and regulation of services provided and products stored	• The International Maritime Organization (IMO) has set the maximum sulphur content of fuel oil to 0.5% effective as of 2020, whereas in Sulphur Emission Control Areas (SECA) the maximum concentration has already been lowered to 0.1% sulphur. This affects the quality of heavy fuel oil and the storage as bunker fuel. It can be expected that the demand for storage of high sulphur fuel oil will significantly decrease after 2020. Strictly, this is not climate related, but a regulatory issue related to emissions. Therefore, we have added this as risk	• This can potentially disrupt the global fuel oil and bunker markets. At present, it is still uncertain how the market will respond. In 2017, this had some impact on occupancy rates and pricing levels for some terminals in the hub locations • This could change our product portfolio and possibly require us to change or adjust storage infrastructure, tanks may have to be refurbished to store other products • Requirement for investments in tank refurbishments
Enhanced regulation and exposure to litigation	• Going forward, we can expect stricter regulations related to emissions, in our case, in particular related to VOC emissions • Additional efforts in governance and audits to comply with laws and regulations	• Increase in investment levels to meet requirements of new legislation • Increase in personnel and operating costs

Risk	Implications	(Potential) Impacts
Reputation		
Stigmatization of sector	• As we are storing fossil fuels and (petro) chemicals, we could anticipate more reputational impact if we do not take adequate measures to respond to and facilitate the energy transition	• This requires stronger engagement efforts with all stakeholders
Market		
Energy transition (changing customer behavior) which will manifest itself differently by region.	• The energy transition will take place, but how and how fast is still uncertain. This could lead to changes in the demand for our storage services. It is important that we continue to follow and where possible to facilitate this development to enable us to react timely to changing demands from the market and society • As a service provider to the energy markets, we monitor demand for existing services as well as renewable energy opportunities for which market demand for storage will emerge. We also contribute our storage and logistics expertise to various feasibility study groups to help enable the energy transition • For the long term, Vopak is exploring the changes to its markets and business. New developments will be examined such as Power to Gas and Power to Liquid. To this end, Vopak is participating in a number of platforms and organizations, where we contribute in particular our knowledge of global supply-chains and global product flows between areas that generate (alternative) energy and areas that consume energy	• In spite of mixed market signals, in the long term, the portfolio of the products that we store is likely to change • This might lead to divestments or adjustments to and investments in our infrastructure to meet the market developments
Technology		
Cost to transition to lower emissions	• Switch to use of renewable energy	• Additional investments in energy infrastructure at the terminals
Physical		
Acute		

Increasing severity of extreme weather conditions	• Increasing frequency of extreme weather:
	  • Increasing frequency of extreme wind speeds and/or extreme rainfall, leading to increasing frequency of flash floods and large-area floods in coastal regions
	  • Increasing risk of drought in some regions (e.g. Australia and the Mediterranean), and seasonal droughts in other regions (e.g. Central Europe and Central America)
		• Higher insurance cost
		• Business interruption resulting in loss of revenues
		• Damage and safety issues resulting in investments in mitigation measures
		• Variations in crop yield that affect our biofuels and vegoil markets

Chronic		
Rising sea levels	• Increasing chance of flooding of our terminals will lead to extra costs for mitigation such as the flood-walls built at our Hamburg terminal in Germany	• Extra investments in infrastructure or increase of expenses payable to port authorities

Rising temperatures	• This will lead to:
	  • Less heating of products, and more cooling requirements
	  • Ambient temperature increase will lead to an increase in vapor pressure from the products we store (liquid chemicals), therefore we could be confronted with more vapor emissions and smell mitigation issues
		• Increasing investments in cooling and in vapor treatment facilities

Changing precipitation patterns and humidity	• Increasing frequency of flash floods.	• Investments in terminal infrastructure (such as storm sewers etc.).

Climate-related opportunities

Efforts to mitigate and adapt to climate change can, however, also present opportunities for Vopak. These opportunities, their current impacts and potential future impacts are shown in the table below.

Opportunity	Implications	(Potential) Impacts
Resource efficiency / Energy source		
Use of more efficient or renewable sources (own consumption)	• Vopak is striving to adapt its energy consumption to lower emissions. One of the initiatives in the past was to change our coal-fired installations to lower carbon emissions by switching to gas. We already use 50% renewable energy at our LNG terminals	• Reduction in operating expenses
Markets		
Development of new storage markets	• An opportunity arising from changes in government policy, regulations and legislation is Carbon Capture and Storage (CCS) and Carbon Capture and Usage (CCU). Vopak has been participating in a number of CCS and CCU initiatives. This requires a higher premium on carbon emissions and a reduction in required capex and opex levels to become more financially feasible	• New markets / other business will result in opportunities for growth of our business
Storage and handling of LNG and LPG	• With the growing interest in more sustainable energy and the ample supply of LNG and LPG, the demand for natural gas (and regasification) facilities is expected to increase in the future. Vopak's LNG business will benefit from such market growth and we see opportunities in LNG import terminals as well as in new business segments such as LNG breakbulk, transshipment and truckloading services	• Increased demand for storage of cleaner and low-carbon emissions fuels will result in new opportunities and growth of our LNG and LPG business
Storage and handling of bio liquids	• We already see a growth in new products, such as biofuels, despite the issues and discussions surrounding the first generation of biofuels. This trend could possibly accelerate with the introduction of 2nd and 3rd generation biofuels, such as oil from algae. We are expanding our services in this specific field. We started already in 2007, by building dedicated storage facilities in various countries e.g. Brazil, the Netherlands, Malaysia, United States etc.	• Increased demand for storage of bio-based liquids is expected to result in new opportunities and growth of our business
Energy transition (changing customer behavior and societal demands) which will manifest itself differently by region.	• Vopak is exploring the changes to its business. New developments will be examined such as Power to Gas and Power to Liquid. To this end, Vopak is participating in a number of platforms and organizations, where we contribute in particular our knowledge of global supply-chains and global product flows between areas that generate (alternative) energy and areas that consume energy	• Increased demand for storage of products which facilitate the energy transition. As this is manifesting itself differently in different regions, the opportunities to grow our business will also differ from one region to another. In OECD countries, we see an opportunity to position ourselves in the changing energy market through storage of low-carbon energy carriers (like H_2, Formic Acid, Ammonia). In other markets, this will create opportunities in the LPG market
Resilience		
Participation in Energy Programs	• For the short term, Vopak is participating in the EU Energy Efficiency Plan, to strive for a higher energy efficiency at our terminals. In order to achieve this we are committed to a number of energy efficiency initiatives to reduce our energy consumption per cubic meter storage with 20% up to 2020 compared to 2005 • For the long term, we participate in energy transition platforms focused on Power to Chemicals and Power to Gas (Voltachem and ISPT in the Netherlands), which are active in the field of research, proof of concepts, demonstration and implementation programs.	• Development of a new position in the energy markets, through storage of low-carbon energy carriers (like H_2, Formic Acid, Ammonia). This is expected to result in investments and changes in our portfolio mix

Metrics and targets

We currently report on our key environmental impacts in the notes of this environmental section. We aim to develop targets to manage climate-related risks and opportunities and performance against targets based on scenario analysis as recommended by the Task Force on Climate-Related Financial Disclosures.

Introduction
Executive Board report
Storing vital products with care
Key developments per division
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

Financial and governance (Profit)

This section comprises notes which provide specifications and explanations to Vopak's performance on financial and governance impacts for the year 2017 and the outlook for 2018 and beyond. Each note starts with the definition, the Group's reporting policies and boundaries.

The following notes are presented in this section:
- 10 Application of best practices
- 11 (Cyber) security threats
- 12 Business ethics and integrity
- 13 Financial performance
- 14 Our responsibility towards taxation

Note 10. Application of best practices

Definition, reporting policies and boundaries

Materiality matrix no.	Definition
10	Registration and standardization of best practices around the world

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.

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	2017
EMS Certifications	
ISO 14001 - Environmental management	42
International Sustainability & Carbon Certification [1]	11
Health & Safety Certifications	
ISO 9001 - Quality management systems	77
OSHA 18001 - Occupational health and safety assessment series	34

1. This includes both, EU (European) and DE (German) certification.

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.

		Results	
	Score	**Strengths**	**Areas for improvement**
Dow Jones Sustainability Index (DJSI)	59 out of 100	• Corporate governance • Customer relationship management • Environmental reporting • Social reporting	• Human Capital Development • Human rights • Talent attraction & retention • Supply chain management
Carbon Disclosure Project (CDP)[1]	C	–	–
EcoVadis	56 out of 100	• Labor practices	• Sustainable procurement
Transparancy benchmark NL	129 out of 200	• Relevance	• Responsiveness and coherence
VBDO Tax assessment	28 out of 37	Vopak clearly describes its tax planning strategy while also explicitly mentioning that it acts in line with the letter and spirit of the law	–
FTSE Russell	2.8 out of 5	• Corporate governance • Climate change	• Pollution & resources • Biodiversity • Health & safety • Anti-corruption
Sustainalytics	N/A	• GHG emissions • Health and Safety management • Governance	• Human capital development • EMS & social certifications • Tax disclosure

1. From CDP we did not receive detailed qualitative feedback.

Awards received

In 2017, Vopak entities received, among others, the following awards:

- Vopak Mexico - Veracruz terminal (Mexico) was awarded the ‘Clean Industry Certification’ by the environmental regulator Mexico Federal Agency of Environmental Protection (PROFEPA) for demonstrating good environmental management practices and compliance with legislation. Both Altamira Terminal (Mexico) and Coatzacoalcos Terminal (Mexico) have been similarly certified
- Vopak Terminal Savannah (United States) received the Norfolk Southern Corporation’s ‘Thoroughbred Chemical Safety Award’ for 2016. Norfolk Southern recognizes chemical manufacturers and plants that ship at least 1,000 carloads of hazardous products over the railroad without a single incident
- The TLA terminal in Altamira (Mexico) was nominated as a Socially Responsible Business by the Mexican Centre of Philanthropy for the third consecutive year
- In June 2017, Vopak Americas won the Safety Excellence Award of the International Liquid Terminal Association (ILTA) for its safety performance in 2016
- On 19 July 2017, Vopak Terminal Merak (Indonesia) was proud to receive the prestigious ‘Zero Accident National Level’ award from the Indonesia Ministry of Manpower
- Vopak Terminal Jakarta (Indonesia) received the Certificate of Appreciation SMK3 (local requirement equivalent to OHSAS) from the Indonesian Ministry of Employment in recognition of the terminal’s compliance with the SMK3 standards, one of the mandatory standards in this industry in Indonesia
- On 29 August 2017, in recognition of its completion of more than 2 million hours without lost time injuries from 1 April 2010 to 31 March 2017, Vopak Terminal Jakarta (Indonesia) received the Patra Nirbhaya Karya Utama Adi Nugraha I Award from the Ministry of Energy and Mineral Resources
- Vopak Terminal Zhangjiagang (China) was awarded by Methanex for its outstanding safety practice and performance
- On 20 October 2017, Vopak Mexico received the Award for Excellence in Responsible Care for terminals during the ANIQ FORUM. This award is delivered to the companies with the most outstanding performance in the implementation of the Responsible Care Management System® awarded by the National Association of the Chemical Industry
- On 2 December 2017, Thai Tank Terminal (Thailand) was proud to receive a prestigious award for the most innovative company in the field of logistics in Thailand
- Caojing Terminal (China) was honored with the title of Shanghai Employees’ Innovation Workshop by Shanghai Municipal Federation of Trade Unions for the year of 2017.

Introduction
Executive Board report
Storing vital products with care
Key developments per division
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

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.

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.

Other partnerships help us deliver on our commitment to store the vital products of today and tomorrow. In 2017, we sought to activate existing memberships and initiate new partnerships relating to the energy transition and the digital transformation. As we explore how we can contribute to solutions for a low-carbon economy and a sustainable energy future, we are part of the Netherlands Hydrogen Platform (NWP), and the Institute for Sustainable Process Technology (ISPT), which includes initiatives to develop renewables, Carbon Capture 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 engage in dialogues about sustainability and energy transition in the Clingendael International Energy Program (CIEP), the International Energy Forum (IEF) and the World Economic Forum (WEF).

2018 and beyond
Vopak's standards and procedures are continuously updated, not only based on updated legislation, 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 11. (Cyber) security threats

Definition, reporting policies and boundaries

Materiality matrix no.	Definition
11	Refers to potential threats to tanks and terminals. This includes; cybersecurity and third-party security (not natural disasters)

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.

How we performed
Vopak applies a company-wide system to report and monitor incidents related to data leakage, data theft or other loss of data. No incidents were reported during 2017. Although, there were two incidents with regard to cybersecurity; however, they did not have a material impact.

2018 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 12. Business ethics and integrity

Definition, reporting policies and boundaries

Materiality matrix no.	Definition
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 in terms are reported, if occurred.

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 party, 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.

How we performed

Incidents of discrimination, fraud, corruption and bribery

In 2017, 30 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 changes in internal controls where necessary. None of the whistleblower cases related to discrimination. A total of eight cases of fraud have come to the attention of the company, one of which was via the whistleblower channel. None of the eight frauds 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.

Two permit violations were issued to Vopak in 2017 resulting in a fine:
- At our Deer Park terminal (United States), the permit violation regarding excess emissions of vapors (VOC) was settled with the United States Environmental Protection Agency (EPA), the United States Department of Justice, the Texas Commission on Environmental Quality and the Texas Attorney General. This resulted in a fine of USD 2.5 million. The consent decree is not an admission of liability but rather represents an agreement between Vopak Terminal Deer Park and the government on a range of new controls and processes. As part of the agreement, Vopak Terminal Deer Park is investing in capital upgrades at its facility, including enhanced operations procedures and improved tank covers. The company is also investing in advanced technologies such as the usage of Forward Looking Infrared (FLIR) optical gas imaging cameras
- As announced in our 2016 Annual Report, the oil spill that occurred at dock on 31 March 2016 at Vopak Terminal Los Angeles (United States) resulted in a second fine that was substantiated in 2017 for an amount of USD 36,500.

Vapor, odor and stench complaints

	2017	2016
Netherlands	193	34
Europe, Middle East & Africa	17	14
Asia	12	6
Americas	2	0
LNG	0	0
Global HQ	0	0
Total Vopak	**224**	**54**

During 2017, we received 224 stench complaints (2016: 54) of which 192 were related to Vopak Terminal Europoort (the Netherlands), due to loading of ships previously carrying crude.

Despite the significant progress towards resolving our vapor issues and the implementation of Vapor Treatment Units at Vopak Terminal Europoort (the Netherlands), we had twelve incidents during 2017 resulting in 192 complaints (2016: four incidents resulting in 32 complaints). As from mid-September until the end of December, no stench complaints were received at Vopak Terminal Europoort.

The stench complaints in EMEA are related to our Durban terminal (South Africa), resulted from the handling of ethyl acrylates, and our Algeciras terminal (Spain).

2018 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 mitigation of permit violations.

In order to minimize the stench complaints at Vopak Terminal Europoort, we continue to align our processes to external circumstances and optimize the use of our Vapor Treatment systems.

For contingencies regarding environmental obligations and other legal proceedings and risks, reference is made to Note 8.8 Contingent assets and contingent liabilities of the Consolidated Financial Statements.

Note 13. Financial performance

Definition, reporting policies and boundaries

Materiality matrix no.	Definition
14	Refers to the long-term profitability of Vopak

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 (EU).

How we performed

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

2018 and beyond

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

Note 14. Our responsibility towards 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:

- 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 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
- 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. the Netherlands)
- 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'
- 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
- We will always adhere to the Vopak Values when executing our 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. Such dilemmas did not occur in the years reported on.

The tax policy applies to all countries where Vopak operates and where it is able to control adherence to this policy. 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 company's 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 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.

In the Netherlands, the company participates in the 'Horizontaal Toezicht' program, which is a cooperative compliance program with the Dutch tax authorities.

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. For more information on the segments and other financial information per segment, reference is made to note 2.1 of the Consolidated Financial Statements.

	Including exceptionals		Excluding exceptionals	
	Statutory tax rate	**Effective tax rate**	**Statutory tax rate**	**Effective tax rate**
The Netherlands (incl. Global HQ)	**25.0%**	**-138.6%**	**25.0%**	**-5.2%**
Europe, Middle East & Africa	**-81.8%**	**429.4%**	**29.1%**	**7.5%**
of which:				
Belgium	34.0%	-69.9%	34.0%	35.7%
Germany	33.0%	32.0%	33.0%	32.0%
Spain	25.0%	18.9%	25.0%	18.9%
Americas	**36.7%**	**4.7%**	**36.7%**	**36.7%**
of which:				
United States	35.0%	-6.3%	35.0%	36.0%
Mexico	30.0%	36.9%	30.0%	36.9%
Brazil	34.0%	12.4%	34.0%	12.4%
Asia	**18.2%**	**23.1%**	**19.7%**	**18.1%**
of which:				
China	25.0%	21.2%	25.0%	21.2%
Australia	30.0%	30.1%	30.0%	30.1%
Singapore	17.0%	16.2%	17.0%	16.2%
Indonesia	25.1%	38.6%	25.1%	38.6%
India	33.8%	61.1%	33.8%	61.1%
Total Vopak	**25.3%**	**8.4%**	**25.2%**	**16.5%**

The effective tax rate of EMEA contains the effect of the change in the tax rate in Belgium and recovery of previously unrecognized tax receivables and confirmed past tax payables. The effective tax rate in Americas contains the effect of the recent change in the tax rate in the United States. For a more detailed reconciliation between the weighted average statutory tax rate and the effective tax rate of the Group, including an explanation of the differences, reference is made to note 7.1 of the Consolidated Financial Statements.

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.

Cybersecurity protecting the customers of our customers

> "FERM helps raise awareness among companies about cyber risks"

With the continued increase in digitization of our operations comes more risk and a greater need for cybersecurity. A cybercrime common in our industry is storage spoofing – a non-existent company set up online to scam companies on the basis of their non-existent storage capacities, resources and materials and services at the terminals in the Rotterdam port area.

To help prevent companies from falling victim to this type of cybercrime and other types of cybercrime, the Rotterdam Port Cyber Resilience program set up the FERM project. FERM helps raise awareness among companies about cyber risks and it has compiled a storage spoofing blacklist on its website. The blacklisted websites are unreliable and often based on existing companies in the Rotterdam port area.

Target companies for this type of fraud include national and multinational companies that either operate or are looking for storage facilities in the port area or buyers of the goods stored at these terminals. The goods and services are offered to companies but are non-existent.

FERM also focuses on monitoring the development of this type of cybercrime and identifying trends that can then also be used to improve their prevention program.

Governance, risk and compliance

Supervisory Board members

Mr Ben Noteboom

Chairman
Chairman of the Selection and Appointment Committee and 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., Royal Ahold Delhaize and Stichting Holland Festival. He is also Chairman of Stichting Prioriteit Ordina Groep and a board member of Cancer Center Amsterdam. He owns 3,500 Vopak shares.

Mr Mel Groot

Vice-Chairman
Member of the Audit Committee and 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 2018. 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.

Mr Frans Cremers

Member
Chairman of the Audit Committee
Nationality Dutch
Year of birth 1952
Career Mr Frans Cremers was previously a member of the Executive Board and CFO of VNU N.V. Mr Cremers was first appointed to the Supervisory Board on 1 October 2004. His current term ends in 2018. He is Chairman of the Supervisory Board of SBM Offshore N.V. and Wolters Kluwer N.V. He is also a member of the Board of Directors of Stichting Preferente Aandelen Philips, Stichting Preferente Aandelen Heijmans and Stichting Preferente Aandelen B KPN. He does not own any Vopak shares.

Mr Carel van den Driest

Member
Member of the Selection and Appointment Committee
Nationality Dutch
Year of birth 1947
Career Mr Carel van den Driest is Director of Carelshaven B.V. Mr Van den Driest previously held the position of Chairman of the Executive Board of Royal Vopak and was first appointed to the Supervisory Board on 27 April 2006. His current term ends in 2018. He is a member of the Supervisory Boards of Anthony Veder Group N.V. (Chairman), Van Oord N.V. (Chairman) and Teslin Capital Management B.V. (Chairman). He does not own any Vopak shares.

Mrs Hanne Sørensen

Member
Member of the Audit Committee
Nationality Danish
Year of birth 1965
Career Mrs Hanne Sørensen was previously CEO of Damco International B.V. and Maersk Tankers. Mrs Sørensen was first appointed to the Supervisory Board on 19 April 2017. Her current term ends in 2021. She is a member of the Non-Executive Board of LafargeHolcim Ltd. and Tata Motors Ltd. and a member of the Board of Directors of Ferrovial S.A. and Delhivery Pvt. Ltd. She does not own any Vopak shares.

Mr 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. and Vroon Group B.V. He does not own any Vopak shares.

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 2017 next to three 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 or held solely with the members of the Supervisory Board present. 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 2017, the average attendance at these meetings was 100%.

Strategy is one of the Supervisory Board's main priorities and is an integral part of its considerations and decision making processes. In 2017, a two-day session was fully dedicated to discussing the execution of the Vopak Beyond 400 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 Beyond 400 company 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 made by the company 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 2017 meetings the Supervisory Board discussed a number of recurring topics at each meeting. The Supervisory Board lends particular importance to sustainability 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. In addition the Supervisory Board reviewed the further improvement and optimization of the organizational efficiencies by streamlining the divisional structure. An important choice was made by the Supervisory Board regarding the nomination of Mr G.B. Paulides to be appointed as Member of the Executive Board and CFO for a period of four years effective 1 February 2018.

The Supervisory Board discussed and approved the 2018 budget, quarterly reports and various investment proposals related to expansions at several existing locations and acquisition opportunities. The Supervisory Board also reviewed the progress of ongoing projects and the pipeline 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 auditors 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 are 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 2017 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 2017. Main topics and conclusions of the evaluation relate 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 such as the introduction directly after every regular meeting of a closed session with only Supervisory Board members present. The relationship with the Executive Board and engagement with the organization are also included in the evaluation process. The outcome of the evaluation process shows that it meets the governance requirements.

Composition of the Supervisory Board

The Supervisory Board currently comprises six members: Mr Noteboom (Chairman), Mr Groot (Vice-Chairman), Mr Cremers, Mr Van den Driest, Mrs Sørensen and Mr Zwitserloot. At the AGM held on 19 April 2017, Mrs Sørensen was appointed as member of the Supervisory Board for a term of four years. Mr Zwitserloot was reappointed as a member of the Supervisory Board for a term of four years. In accordance with the resignation schedule, Mr Van Rossum stepped down from the Supervisory Board following the AGM held on 19 April 2017. He was succeeded as Chairman of the Supervisory Board by Mr Noteboom who qualifies as independent in the meaning of best practice provisions 2.1.8 and 2.1.9 of the Dutch Corporate Governance Code. The Supervisory Board would like to thank Mr Van Rossum for his valuable contribution to the company during his ten-year tenure.

In accordance with the resignation schedule, Messrs C.J. van den Driest and F.J.G.M Cremers will step down from the Supervisory Board following the Annual General Meeting to be held on 18 April 2018. It will be proposed to appoint Mrs L. Foufopoulos - De Ridder and Mr B. van der Veer as members of the Supervisory Board for a term of four years and to reappoint Mr M.F. Groot as Vice-Chairman of the Supervisory Board also for a term of four years. Furthermore, on 16 February 2018 it was announced that Hanne B. Sørensen decided to step down as a member of the Supervisory Board of Vopak as per 16 February 2018, following her decision to accept another board opportunity outside the Netherlands.

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.

The Supervisory Board has taken note of the revised Dutch Corporate Governance Code and was advised that it does not bring fundamental changes to the company's corporate governance structure. Where necessary the company's regulations have been amended to comply with the amended Code.

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 2017, 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 2017. The average attendance rate was 93.3%. All meetings were attended by the CFO, the Global Director Control and Business Analysis and the Global Director Internal Audit. The external auditor was also present at all of these meetings. In general, the Audit Committee, together with the external auditor, discusses at the end of of each meeting, 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, 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 for 2017, voluntarily prepayment of the USPP 2007 notes and the company's views on notifications from Dutch corporate governance platform organizations and the Dutch regulator (AFM).

The Audit Committee considered the 2017 audit plan of the external auditor and the Internal Audit department's plan for 2018. Both audit plans were approved by the Supervisory Board. The main topics of the 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 2017 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 letters and the relationship with the external auditor. Deloitte Accountants B.V. has been appointed as the external auditor of the company to audit the annual statements of the company for the financial year ending 31 December 2017. The Audit Committee monitored the independence of the external auditor. During 2017, 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 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 2017, Mr Cremers continued to act 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 2017. The average 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 2017 the Selection and Appointment Committee performed 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 based on consultation of 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 was supported by the full Supervisory Board.

Introduction
Executive Board report
Storing vital products with care
Key developments per division
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

The main assignment for the Selection and Appointment Committee in 2017 was the recruitment process for the CFO role to fill the vacancy in the Executive Board following the decision of Mr De Kreij to step down as per 1 February 2018. The Supervisory Board is grateful to Mr De Kreij for his significant contributions to the company during his 15 year tenure of serving as CFO since January 2003 and as Vice-Chairman of the Executive Board. In addition, 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.

It was announced on 17 October 2017 that the Supervisory Board of Vopak will nominate Mr Paulides to be appointed as Member of the Executive Board and CFO for a period of four years effective 1 February 2018. During the Extraordinary General Meeting held on 15 December 2017, the nomination of Mr Paulides was approved by the General Shareholders Meeting.

In its search for a successor of Mr Cremers in the role of financial expert, the Selection and Appointment Committee has proposed to the Supervisory Board to nominate Mr Van der Veer to be appointed as a new member of the Supervisory Board. Mr Van der Veer has gained extensive senior management experience in various executive and non-executive functions at internationally operating companies.

Remuneration Committee

The Remuneration Committee met three times in regular meetings and held one extra meeting in 2017. The average 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 actual short-term incentive for 2016
- The targets for the short-term and long-term incentive plans 2017
- The annual base salary of Executive Board members in 2018
- The incentive plans opportunities and targets for the Short-Term Incentive Plan 2018 and the Long-Term Incentive Plan 2018-2020.

In line with the strategic competitiveness initiative of the company, the Committee felt it appropriate to review the key performance indicators for the short-term incentive program focusing on profitability (EBIT), efficiency (cost levels), front-line execution (safety and customer service) and growth (EB effectiveness) and proposed a new framework that suitably reflected these objectives.

With respect to the Long-Term Incentive Plan, the Committee proposed a comprehensively revised set of Framework Plan Rules and supporting documentation, in line with market best practice and in conformity with legal provisions with effect from the 2017-2019 Plan. The Committee also proposed to maintain EPS as the key performance criterion for the LTIP 2018-2020 Plan and will carry out a detailed review of the criteria in the course of 2018.

The Remuneration Committee conducted a 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 findings of the benchmark confirmed that the short-term and long-term incentive opportunity levels were well-aligned with the peer group benchmark and with the Vopak Remuneration policy which:

- Has a focus on long-term value creation
- Takes into account the internal pay ratios within Vopak on a total remuneration basis
- Takes into account the scenario analyses carried out to validate payout outcomes.

The Remuneration Committee also took note of the views of the individual EB members on the structure and amount of their total remuneration when drafting the remuneration proposal for 2018 as required in the 2016 Corporate Governance Code.

For further details on the remuneration policy, reference is made to the Vopak website. For further details on the actual remuneration during 2017 and the shareholding positions of the Executive Board and the Supervisory Board, reference is made to the Remuneration report. The Supervisory Board would like to express its sincere appreciation to the Executive Board and all the company's employees for their dedication and hard work in achieving a successful 2017.

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.

Rotterdam, 15 February 2018

The Supervisory Board
B.J. Noteboom (Chairman)
M.F. Groot (Vice-Chairman)
F.J.G.M. Cremers
C.J. van den Driest
H.B.B. Sørensen
R.G.M. Zwitserloot

2017 attendance at regular Supervisory Board and committee meetings for the appointment period

Member	Supervisory Board	Audit Committee	Selection and Appointment Committee	Remuneration Committee
A. van Rossum	100%		100%	100%
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%	
H.B.B. Sørensen	100%	80%		
R.G.M. Zwitserloot	100%			100%

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 2017.

Remuneration Policy 2017

The Supervisory Board decides annually on a total remuneration package for the Executive Board, which is designed in a manner that ensures external competitiveness and internal consistency. This package is composed of the following four elements:

- An annual fixed base salary
- A short-term variable remuneration
- A long-term variable remuneration
- A pension plan

External competitiveness

In defining the remuneration packages, the Remuneration Committee benchmarks with the help of an external advisor, the total remuneration of the Executive Board members of Vopak with those of similar positions in terms of job levels of Dutch listed large and medium size companies (AEX and AMX).

Internal consistency

The Supervisory Board considers the internal consistency as important as the external consistency with the reference market, recognizing that this is the responsibility of the Executive Board. The total remuneration packages for the Executive Board members and senior management are for the larger part aligned in terms of the remuneration elements and the design and targets of the short-term and long-term variable remuneration plans.

In addition to the external competitiveness and internal consistency alignment, the overall total remuneration of the CEO takes into consideration factors like the size of the Company, global presence, profile of the CEO and complexity of the business. Expressed as a ratio to the average total remuneration of Vopak employees globally, the CEO Pay Ratio for 2017 is 17.3 (2016: 23.4). This ratio is based on the total CEO remuneration including STIP, 3 year average IFRS cost of LTIP and pensions versus the total personnel costs (minus the total CEO remuneration) divided by the average FTE.

The characteristics of the short-term and long-term variable remuneration plans are summarized in the following table in terms of the type of incentive (cash or shares), the performance criteria (financial and non-financial) and the annualized incentive opportunities related to the targets set at the beginning of the year.

Variable component	Type of incentive	Performance criterion		Incentive as % of annual base salary		
				Threshold [2]	Target	Maximum
Short-term variable remuneration	Cash	50% [1]: Financial target (EBITDA) +/- 10% discretionary range on the financial incentive result	Chairman	15%	60%	90%
		50% [1]: Non-financial targets Safety (personal and process safety); Customer satisfaction; EB effectiveness	Member	12.5%	50%	75%
Long-term variable remuneration	Shares [3]	Financial target (EPS) +/- 10% discretionary range on the financial incentive result	Chairman	50%	100%	150% [4]
			Member	40%	80%	120% [4]

1. 50%-50% distribution at target level. No payout of non-financial component in case performance is below target levels, for non-financial targets.
2. Threshold only applies to financial targets. No variable remuneration is paid below the threshold level.
3. Payout for the Long Term Share Plan 2015-2017 will be 50% in Shares and 50% in Cash, while the payout for the LTSP 2016-2018 and the LTSP 2017-2019, will be fully in shares, with the exception of Mr De Kreij, for whom the Plan will be cash-settled as per Plan rules, due to his retirement in 2018.
4. Annualized values of an award as a percentage of the average salary during the plan period.

Introduction
Executive Board report
Storing vital products with care
Key developments per division
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

In April 2017, the Annual General Meeting approved the proposal of the Supervisory Board to further align the incentive packages with the Dutch AEX/AMX job-level based market with an increase in the incentive opportunity from January 2017 as shown below.

Variable compensation 2017

		Short-term variable remuneration		Long-term variable remuneration		Total variable remuneration	
		Target	Max	Target	Max	Target	Max
E.M. Hoekstra	2017	60%	90%	100%	150%	160%	240%
	2016	60%	90%	90%	135%	150%	225%
J.P. de Kreij and F. Eulderink	2017	50%	75%	80%	120%	130%	195%
	2016	50%	75%	70%	105%	120%	180%

In continuation of the 'roof tile' plan structure of Long-Term Share Plans which started with the Long-Term Share Plan 2014-2016, another 'roof tile' Plan has been granted in terms of the Long-Term Share Plan 2017-2019.

Long-Term Share Plan	Plan period and year of actual award					
	2015	2016	2017	2018	2019	2020
Long Term Share Plan 2015-2017				Award		
Long Term Share Plan 2016-2018					Award	
Long Term Share Plan 2017-2019						Award

In determining the set-up of the variable remuneration plans, the likely scenarios on possible outcomes and consequences of these outcomes on the total remuneration packages were analyzed and taken into consideration.

The pension plan for the Executive Board remained unchanged in 2017.

For further details of the Remuneration Policy 2017, reference is made to the Vopak website.

Actual remuneration entitlements Executive Board 2017

The table below shows the actual remuneration to which each member of the Executive Board was entitled in 2017. The actual costs for the period incurred by the company for the remuneration of the Executive Board including accrued amounts for the long-term incentive plans are disclosed separately.

	Annual base salary		Short-Term Incentive		Long-Term Incentive		Pension		Total	
In EUR thousands	2017	2016	2017	2016[1]	2017	2016	2017	2016	2017	2016[1]
E.M. Hoekstra	625	625	156	563	220	1,916	144	121	1,145	3,225
J.P. de Kreij	520	520	108	390	149	1,196	189	190	966	2,296
F. Eulderink	500	500	104	375	143	1,135	163	136	910	2,146
G.B. Paulides[2]	38	n/a	n/a	n/a	n/a	n/a	8	n/a	46	n/a
Total	**1,683**	**1,645**	**368**	**1,328**	**512**	**4,247**	**504**	**447**	**3,067**	**7,667**

1. The short-term incentive amounts 2017 include the incentive for the customer service part assumed at target levels, since the actual NPS result will be available in March 2018. The total actual amount will be presented at the Annual General Meeting 2018.
2. Mr Paulides has been employed by Vopak from 1 December 2017 but has formally become part of the Executive Board as CFO from 1 February 2018 replacing Mr De Kreij who retired as of that date.

With regard to the long-term incentive program, the 2014-2016 incentive plan vested fully and was settled 50% in cash and 50% in performance shares as per Plan rules, with a one-off multiplier of 3 to bridge the gap between the last long-term incentive payout in 2014 and the next payout in 2017 since no new plans were granted in interim years.

Annual Base salary 2017

Results of external benchmarking on total compensation against similar positions in the AEX and AMX companies in the Netherlands indicated that the fixed pay levels of the Executive Board were generally in line with the market. The salaries of the Executive Board members, therefore, remained unchanged.

Short-term variable remuneration 2017

The achievements on the pre-set short-term incentive (STI) targets for 2017 were evaluated beginning of 2018. The table below shows the results for each board member on the various performance criteria, both in target and actual percentage of the annual base salary.

	Base Salary	Target results								Total STI 2017			
		Financial		Safety		Customer satisfaction		Effectiveness		Opportunity		Actual [1]	
In EUR thousands	2017	Target	Actual	Target	Actual	Target	Actual[1]	Target	Actual	Target	Max	in %	In EUR
E.M. Hoekstra	625	30%	0%	10%	5%	10%	10%	10%	10%	60%	90%	25%	156
J.P. de Kreij	520	25%	0%	8.33%	4.17%	8.33%	8.33%	8.33%	8.33%	50%	75%	20.83%	108
F. Eulderink	500	25%	0%	8.33%	4.17%	8.33%	8.33%	8.33%	8.33%	50%	75%	20.83%	104
G.B. Paulides[2]	38	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

1. The actual short-term incentive 2017 including the result on customer satisfaction, will be presented at the AGM 2018.
2. Mr Paulides has been employed by Vopak from 1 December 2017 but has formally become part of the Executive Board as CFO from 1 February 2018 replacing Mr De Kreij who retired as of that date.

Financial

With regard to the financial target, EBITDA -excluding exceptional items- for 2017 amounted to EUR 763.2 million, which did not meet the threshold of the range set at the beginning of the year, after considering specific adjustments, which among others related to the impact of the divested terminals.

For details on the EBITDA development during 2017, reference is made to the section Financial performance in the Executive Board report chapter. The Supervisory Board decided not to use the +/-10% discretionary range on the financial incentive result.

Results on the pre-set non-financial performance targets for the short-term incentive, related to safety (personal safety and process safety), customer satisfaction and effectiveness of the Executive Board as a team, 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 or to the environment. Process safety and the occupational health and safety of employees and contractors is the Company's top priority. Further initiatives have been introduced during 2017 like measuring key performance based upon actual and potential incident severity, measuring actual performance through lagging indicators and increasing the use of leading indicators to drive improvements.

The 2017 personal safety target measured by the Total Injury Rate (TIR) was not met, notably due to two fatalities and unsatisfactory safety performances in Vopak China, Vopak EMEA and Vopak Netherlands with the other divisions showing year-on-year improvement as compared to target. The process safety performance was overall in line with the internal target set for the year based on the consolidation principles for sustainability reporting purposes.

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

Customer Satisfaction

Our customer service improvement efforts have further increased in 2017 in order to remain in the top league of service providers in the world. Vopak further intensified the service dialogues with its customers and also other service providers to its customers operating in the same supply chain and having interactions with various terminals, focusing on driving the service level performance to the next level in order to reach the Best in Port ambition. Finally Vopak strives to accelerate the performance of their lowest performing terminals to reduce the gap against their top performers.

Since the customer satisfaction survey measuring the Net Promoter Score runs until end of February 2018, actual data for the STI 2017 are not yet available and therefore assumed at target levels in the STI calculations. The actual STI amounts will be reported at the Annual General Meeting of Shareholders in April 2018.

Team effectiveness

Based on individual evaluation meetings with the Executive Board, on the implementation and realization of the agenda of the Executive Board for 2017 as set at the beginning of the year, the Supervisory Board evaluated the team performance of the Executive Board as 'effective'.

Long-term variable remuneration 2017

The EPS realization for the Long-Term Share Plan 2015-2017 was above threshold level and will result in a vesting payout in 2018.

For further details on the Long-Term Incentive Plans, reference is made to the Remuneration Policy 2017 on the Vopak website and note 6.2 of the Consolidated Financial Statements.

Share ownership

The share portfolios of each of the Executive Board members at year-end 2016 and 2017 are indicated in the following table. The table distinguishes between privately invested shares acquired at the own cost and risk of the individual Executive Board members over the past years, and performance shares acquired on a net basis as rewards under the long-term incentive plans vested since 2011.

The overview does not include potentially awarded shares under the Long-Term Share Plans 2015-2017, 2016-2018 and 2017-2019. These plans will be settled respectively in 2018, 2019 and 2020.

In number of shares	Rewarded performance shares year-end 2017	Privately invested shares year-end 2017	Total shares year-end 2017	Total shares year-end 2016
E.M. Hoekstra	34,698	9,582	44,280	22,871
J.P. de Kreij	63,652	300,000	363,652	350,286
F. Eulderink	17,100	1,750	18,850	5,173

1. The Vopak share price at the end of 2017 and 2016 was EUR 36.57 and EUR 44.88 respectively.

The performance shares may be sold by the Executive Board members. However, the remaining value of the portfolio of performance shares must be equal to two years' annual base salary for the CEO and one year base salary for the CFO and COO. Thus with a 3-year performance period of each Long Term Plan and the additional portfolio requirement of two years for the CEO and one year for the CFO and COO, a long-term element has been sufficiently incorporated.

In accordance with its policy, Vopak did not provide any personal loans, advances or guarantees to the Executive Board members.

Reference is also made to note 6.3 of the Consolidated Financial Statements.

Introduction
Executive Board report
Storing vital products with care
Key developments per division
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

Remuneration of the Supervisory Board 2017

The Remuneration of the Supervisory Board was fixed for a two-year period (2017 and 2018) and was approved by the shareholders in the Annual General Meeting in 2017. The table below shows the amounts each member received in 2017, resulting in a total cost to the company of EUR 0.49 million, as compared to EUR 0.41 million in 2016. The increase in cost was due to changes to the remuneration levels and Board composition.

In EUR thousands	Supervisory Board	Audit Committee	Selection and Appointment Committee	Remuneration Committee	Total 2017	Total 2016
A. van Rossum (Chairman upto 19-4-2017)	29.36		2.11	2.11	33.57	91.50
B.J. Noteboom (Chairman from 20-4-2017)	87.71	2.56	4.89	4.89	100.06	47.70
M.F. Groot (Vice Chairman)	65.00	8.50	5.00		78.50	68.50
F.J.G.M. Cremers	65.00	15.00			80.00	70.00
C.K. Lam (upto 01-3-2016)						10.40
H.B.B. Sørensen (from 20-4-2017)	45.20	5.94			51.14	-
C.J. van den Driest	65.00		5.00		70.00	61.75
R.G.M. Zwitserloot	65.00			10.00	75.00	65.00
Total	**422.27**	**32.00**	**17.00**	**17.00**	**488.27**	**414.85**

In accordance with the policy, Supervisory Board members did not receive any fixed allowance or performance-related incentives.

The company reimbursed travel costs for Supervisory Board members living outside the Netherlands, which is not included in the table above.

Vopak did not provide any personal loans, advances or guarantees to Supervisory Board members. No Supervisory Board member held any Vopak shares at year-end 2017, except for Mr Noteboom, who held 3,500 shares at year-end 2017. Reference is also made to note 6.3 of the Consolidated Financial Statements.

Additional information

Cost of the remuneration of the Executive Board 2017 (audited)

The total cost for the company for Executive Board remuneration as recognized in the 2017 Consolidated Statement of Income decreased in 2017 from EUR 6.2 million to EUR 2.1 million. The amounts for annual base salary and pension are equal to the amounts the Executive Board members are entitled to for 2017, including those for Mr Paulides who joined the Executive Board per 1 February 2018. However, the short-term incentive and long-term incentive amounts refer to the recognized IFRS costs accrued by the company during the financial year 2017 for the Long-Term Incentive Plans.

For further details on the cost of the Long-Term Incentive Plans reference is made to note 6.2 to the Consolidated Financial Statements.

	Annual base salary		Short-Term Incentive		Long-Term Incentive		Pension		Total	
In EUR thousands	2017	2016	2017	2016[1]	2017	2016	2017	2016	2017	2016[1]
E.M. Hoekstra	625	625	156	563	-237	1,191	144	121	689	2,500
J.P. de Kreij	520	520	108	390	-78	814	189	190	740	1,914
F. Eulderink	500	500	104	375	-148	726	163	136	619	1,737
G.B. Paulides[2]	38	n/a	n/a	n/a	n/a	n/a	8	n/a	46	n/a
Total	**1,683**	**1,645**	**368**	**1,328**	**-463**	**2,731**	**504**	**447**	**2,094**	**6,151**

1. The short-term incentive amounts 2017 include the incentive for the customer service part assumed at target levels, since the actual NPS result will be available in March 2018. The total actual amount will be presented at the Annual General Meeting 2018.
2. Mr Paulides has been employed by Vopak from 1 December 2017 but has formally become part of the Executive Board as CFO from 1 February 2018 replacing Mr De Kreij who retired as of that date.

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.

A new Vopak code of conduct was introduced in 2017 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.

As Vopak is an international holding company, the Dutch 'large company regime' does not apply.

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.

In addition to the authority to appoint, suspend and dismiss members of the Executive Board and Supervisory Board, the General Meeting has 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 2017 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

Introduction
Executive Board report
Storing vital products with care
Key developments per division
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

2 **Best practice provision 2.2.1 (Appointment and reappointment periods – management board members)**
The term of Mr De Kreij's contract of employment is not in accordance with this provision. The contract was concluded for an indefinite period of time and before the Code came into effect. 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

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 will step down from the Supervisory Board following the Annual General Meeting to be held on 18 April 2018. This deviation is therefore of a temporary nature

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 (LTIP). 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 is not in accordance with this provision. In the event of his dismissal, Mr De Kreij will be 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 have been amended in line with the Code, recent legislative amendments 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.

Introduction
Executive Board report
Storing vital products with care
Key developments per division
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

Anti-takeover 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 2017, 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 2017.

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 6.3 of the Consolidated Financial Statements.

System of control over employee share plans

Information on share plans can be found in note 6.2 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 2017, no authorization to issue shares had been granted to the Executive Board.

The Executive Board is authorized until 18 October 2018 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 2017). 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 5.6 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 and the Corporate Governance section.

Corporate Governance Statement

Introduction

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 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 members' in the 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 have been posted on the Vopak website (www.vopak.com), in the section Our Corporate Governance.

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 the 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 law 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 the Vopak website.

Details of the remuneration of the members of the Executive Board can be found in section 'Remuneration report' of the Annual 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) achievement of the Vopak objectives, (ii) the Vopak strategy and 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; and (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 law case of a conflict of interest of one or more Supervisory Board members and Vopak. The Rules of the Supervisory Board have been posted on the Vopak website.

Details of the remuneration of the members of the Supervisory Board can be found in section 'Remuneration report' in the subsection 'Remuneration of the Supervisory Board 2017' of the Annual Report.

Details on the committees of the Supervisory Board can be found in 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 the Vopak 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 section 'Corporate Governance' of the Annual Report.

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.

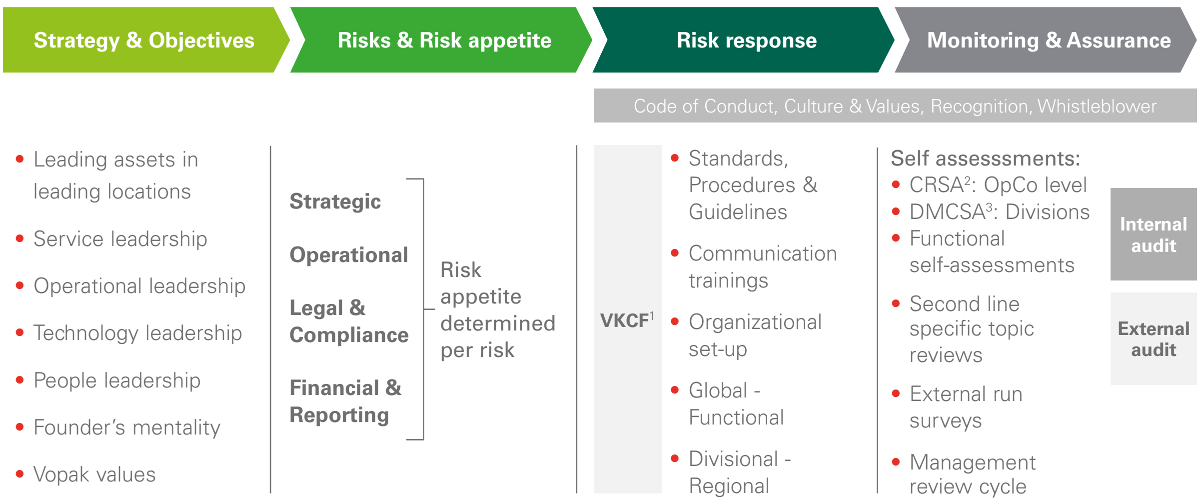
The Executive Board is assisted in carrying out these responsibilities by senior management who are accountable for effective internal controls and risk management for those activities under their responsibility, the monitoring activities by respective Global functions, the advisory roles of the Risk Committee and Compliance Committee and the assurance role of Global Internal Audit.

The principles of the COSO Integrated framework - Internal Control and Risk Management are applied by the Group to evaluate risks and opportunities and structure its management of internal controls.
An integrated cohesive approach is applied.

Enterprise Risk Management

Our Enterprise Risk Management (ERM) Framework is based on the principles of the COSO ERM model, which focuses primarily on the identification and mitigation of risks that could prevent the realization of our strategic objectives. ERM is embedded within our quarterly performance management processes and includes a 'critical issue reporting' and an interlinked mandatory Enterprise Risk Management (ERM) reporting on a biannual basis.

A cohesive approach: Managing risks and internal control



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.

Vopak's Risk Management Framework

Risk exposures aligned with the strategic objectives

1. Identify	2. Measure	3. Manage	4. Monitor	5. Report
• 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	• 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	• 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	• 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	• 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

Our ERM process, guided and overseen by the Risk Committee requires all operating companies in our network to assess and report their principal risks, the likelihood, financial impact and the mitigating actions in place to address the risks together with an assessment of the effectiveness of these mitigating actions. Operating company and project risks are initially reviewed by, discussed with and supplemented by the respective Divisions. Separate meetings are held twice a year between Division Management and representatives of the Risk Committee in which the Divisional risk reporting is discussed with the consolidated outcome being shared with the Risk Committee and other Global Functions for additional insight and reflection.
A dialogue with the Executive Board concludes the process prior to sharing and discussing this with the Audit Committee and the Supervisory Board.
By following this process and having a risk management system in place, we aim to ensure that timely identification and mitigation of risks (and risk trends) takes place. Confirmation of the process is also provided through the work of Global Internal Audit and our Control Risk Self-Assessment (CRSA). Management accordingly considers our ERM process to be effective.

In addition to performing an advisory role in terms of challenging and providing centralized oversight of both 'bottom up' and 'top down' identified risks, the Risk Committee is committed to further embedding a 'risk-conscious' culture. In 2016/2017, this meant for example introducing 'top of mind' risk moments in the Risk Committee identified by each Committee member, business development teams being invited to discuss specific project risks based on certain criteria (e.g.: new product, technology, country projects) and providing further ERM support to the business through the introduction of visuals that easily identify the likelihood of the risk and its financial impact including the monitoring of their usage. An additional improvement is the inclusion of a global risk impact assessment in this chapter. The Risk Committee met five times during the year.

It is also recognized that maintaining both the maturity and effectiveness of the ERM process is an on-going process. The Risk Committee with its aim to realize a continuous fit-for-purpose improvement process has begun its assessment of the extent in which the Group's risk management process complies with the guidance of the revised 2017 COSO ERM - Integrating with Strategy and Performance framework. The outcome will be taken into account in determining our next 'incremental' improvement steps for 2018 and beyond.

Risk-reward appetite

When formulating the company's strategy, the Executive Board also defines an applicable risk-reward appetite for each risk category identified in accordance with the COSO framework.

The risk appetite reflects the amount and type of risk that Vopak is willing to take in order to realize its strategic objectives, while ensuring compliance with laws and regulations. Our risk-reward appetite in 2017 is comparable to that of the previous year:

Vopak's risk-reward appetite

Risk Category (COSO)	Strategic themes	Vopak's risk-reward appetite
Strategic risks	• Leading assets in leading locations	**Low to high:** Dependent on the fit-for-purpose value creation opportunities and the corresponding future incremental expansion and growth options, the company evaluates the entrepreneurial risk-return profiles on an individual merit basis by consistently applying different metrics for different purposes.
Operational risks	• Operational leadership • Service leadership • Technology leadership • People leadership	**Very low:** on safety and sustainability issues. **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 • People leadership	**Very low:** objective is 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 want to ensure a robust financing position and solid cash flow performance. Furthermore the objective is to ensure full compliance with financial and non-financial reporting laws and regulations.

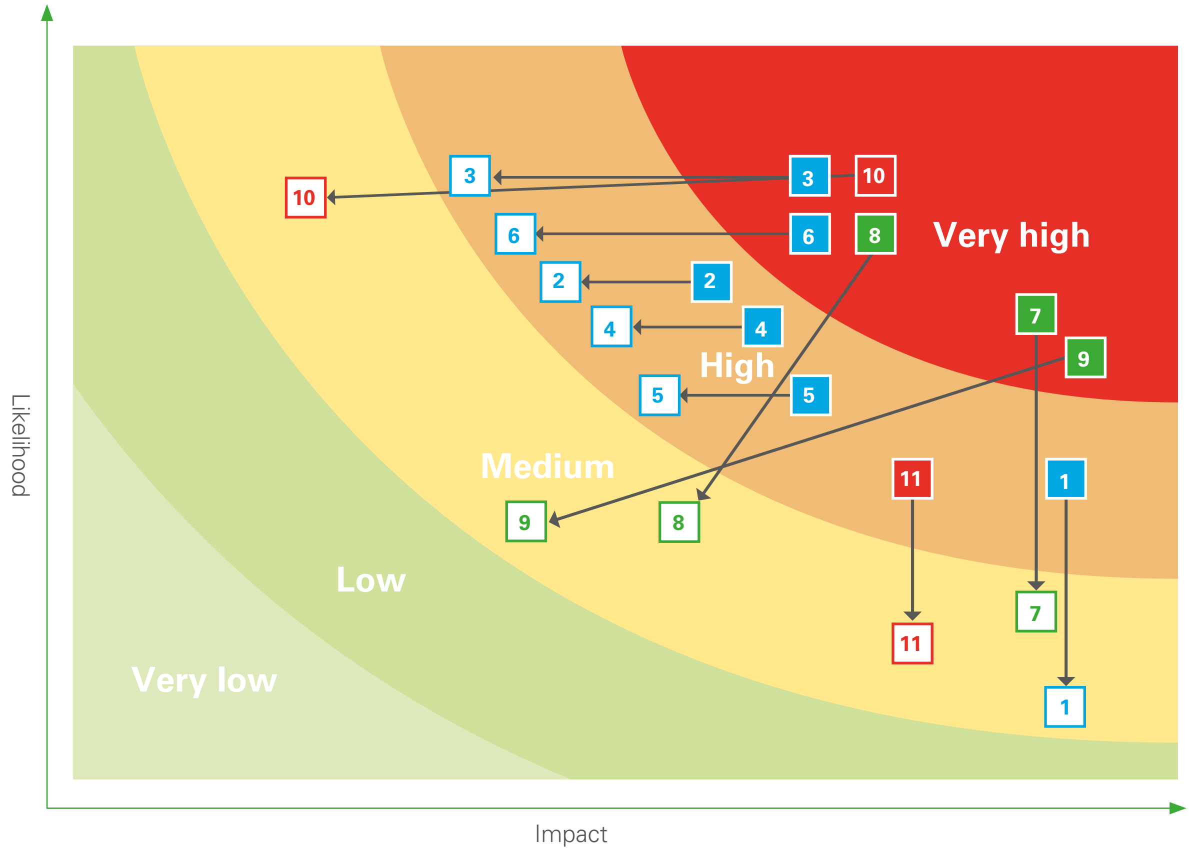
Our principal risks and uncertainties and how we mitigate these

The principal risks that could prevent the company from realizing its objectives are described in this section. These are linked to the company's strategy and the mitigating actions applied are also described. When identifying our principal risks, we take into account 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. Eleven principal risks are reported and, although streamlined for presentation purposes, there are practically no changes in the principal risks compared to those reported in the 2016 Annual Report.

The nature of our business model is long term, resulting in many of our risks being enduring in nature. Nonetheless, the company's risks may develop and evolve over time due to internal and external developments. Furthermore, our risk overview should be read carefully when evaluating the company's business model, its historical and future performance and the forward-looking statements contained in this Annual Report. Although we consider our risk management to be effective, there can be no absolute certainty that our mitigating activities with regard to our principal risks will be effective or that other risks may be prevented from occurring. In addition, the risks described in this section are not the only risks the company faces; these risks are based on management's assessment of the current principal risks of the company.

The following matrix and tables provide an overview of the principal risks of the company and management's view of the effects of the mitigating actions in place:

From Gross Risks to Residual Risks



Strategic Risks

1 Right location, right partners
2 Market volatility
3 Energy Transition
4 Oil and gas price movements
5 Geopolitical developments
6 Increasing competition

Operational Risks

7 Major safety incident
8 Large complex projects
9 IT/OT changes and cyber risk

Legal and Compliance Risks

10 Complex changing regulations & compliance
11 Behavior not in line with Vopak Values

Strategic risks

Strategic theme	Risk description	Risk appetite	Mitigating actions
Leading assets in leading locations	**1 Unable to find the right location (and partners) for future growth projects** A limiting factor to new growth projects could be the lack of right locations or projects. We aim to see market changes earlier than others and offer the right service at the right time, in the right place. This allows us to capture new business development opportunities.	**Low to high**	**Clear growth strategy; clear focus on specific product/market combination in line with that strategy** • Dedicated Divisional Business Development Teams supported by the Global Commercial and Business Development Department • Growth Funnel Execution Focus • Relationship programs with customers, port authorities and other potential partners for growth projects • Founder's Mentality instilled in our culture, among others via the LEAD program for senior management.
Leading assets in leading locations	**2 Market volatility resulting in changing product flows with [in some circumstances] [unprecedented] speed of market change** Changing market dynamics in our industry may lead to structural changes in product flows and increased volatility. Noteworthy developments are: • Increasing use of gas and renewable energy and the increasing number of electric vehicles • The impact of the new bunker fuel regulations per 2020 (IMO 2020) relating to bunker fuels for the shipping industry • Changing regulations on use of biofuels • Shipping economics • Asia and China: softening economic growth • Rationalisation in the refinery and petrochemical sector • United States shale gas developments resulting in cheap chemical feedstock.	**Low to high**	**Successful execution of our strategy:** Maintaining (including 'divesting') and expanding a diversified global terminal network based on clear strategic criteria for terminals: • Industrial and chemical terminals in Americas, Middle East and Asia • Terminals facilitating growth in global gas markets • Import and distribution terminals • Major hubs Continuous in-depth analyses of scenarios and global trends by Global Commercial & 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 Measures may include divesting terminals, changing existing infrastructure and re-assessing project scope in projects under development, growing in LNG and other gas-related areas, differing contract durations.
Leading assets in leading locations	**3 Energy transition and increased global 'climate change' awareness brings uncertainties and opportunities.** The climate change awareness and related energy transition is a fact. Yet, the speed and precise direction of change is not fully known and remains unclear. However it is clear that this development impacts Vopak: • Increased environmental legislation leading to higher capital expenditure levels (eg: improved vapor recovering treatment systems) and changing operating requirements • Demand for oil-based fuels maturing in specific regions due to lower growth, electrification of the car park and more fuel-efficient cars • Extreme weather conditions (eg: Hurricanes) and rising sea levels can potentially impact our on-going operations depending on the location of the terminals. Additional preventive investments (eg: floodwall protection) may also be required Opportunities exist through: • Further facilitation of structural imbalance in energy needs and related storage in the LNG market. LNG being considered a 'cleaner' fossil fuel • Environmental induced regulations also creates opportunities (IMO 2020) with the need for further segregation of product considered to increase storage tank demands • Opportunities for providing carbon storage.	**Low to high***	**Strategic assessment programme 'Vopak Beyond 400' taking into account long-term impact of climate change:** • Continued dedicated focus in considering potential energy market transition and timing thereof (e.g. future of carbon fuel) continuously driven by Global Commercial and Business Development Department. Investment proposals and terminal master plans to take into account potential scenarios on case by case basis • Continuous assessment of the impact on Vopak and oil and gas industry of agreements and directions per United Nations Global Climate Change Conference (latest being COP23) and development of other international and national agreements • Sustainability being 'Top of mind' of many decision being made by the company Effective monitoring of: • (Changing) compliance requirements in place and follow up of requirements as necessary • Need for reinforcements of infrastructure against adverse (weather/climate induced) conditions and leverage of Global expertise and technical knowledge for optimal cost effective solutions • Crisis management plans in place for short term adverse weather conditions enabling optimal operations.

* Low (legislation and infrastructure protection) to High (opportunities and adapting to changing market needs)

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** Downward movements in (crude) oil and gas market pricing has consequences for our customers putting pressure on the value chain although it can offer storage opportunities. Differences per regions are noted.	**Low to high**	**Continued focused execution of our strategy:** • Providing storage and handling services for the structural product flows of our customers and therefore limiting our exposure to the more volatile trading markets • Well-diversified global terminal network supporting different market/product combinations • Continuous improvement ambition for our service leadership and operational excellence through listening to and delivering on customer needs supported through innovation and improved technology. Active relationship management in place is an integral tool for understanding those needs; measured annually through Net Promoter Score (NPS) survey and follow up • Appropriate pricing strategies matching the service leadership and operational excellence ambition that we wish to offer customers and be the vital link in their supply chains.
Leading assets in leading locations	**5 Geopolitical developments, unpredictable by nature, continue to present challenges to our business going forward** Geopolitical developments such as trade sanctions can lead to unexpected and significant changes in product flows. For example related to Russia and the Middle East.	**Low to medium**	• Having a well-diversified global terminal network supporting different market/product combinations and not being highly dependent on certain locations • Avoiding business development projects in countries with a high geopolitical risk profile unless the risk can be mitigated or is compensated via higher returns • Optimizing our terminal portfolio via (partial) divestments and investments • Global Commercial and Business Development Department together with Global Legal monitoring geopolitical developments. Impact assessments by Global, Division and local.
Service leadership	**6 Increasing competition and overcapacity can affect our market position and earnings potential** Increasing competition among others due to increased storage capacity constructed by existing and new competitors puts pressure on our occupancy rates, pricing and contract durations. Extent varies per location. 'Newer' terminals furthermore have the opportunity to achieve higher service levels through applying increased efficiencies.	**Low to medium**	**Top quality service and operational excellence are cornerstones of our competitive position.** • Service improvement objectives meeting customer needs and optimisation of our 'hard-ware' (assets) are a key element of our strategy to at least maintain our competitive position in each market we operate • On an annual basis customer satisfaction is formally evaluated through the customer survey resulting in a 'Net Promoter Score' and 'Vopak Service Quality Index'. Results are thoroughly assessed and improvement actions executed • Good insight in existing markets combined with local entrepreneurship which ensure that business development opportunities are captured before the competition does • All senior management participating in two year Leadership program (LEAD) aimed at harnessing a more improved competitive position and our way of doing business • The successful realization of the cost efficiency program in the 2017-2019 period will reduce Vopak's future cost base with at least EUR 25 million • Continuous assessment whether highest value can be realized via divestment or continued operation of the terminal within the Vopak network.

Operational risks

Strategic theme	Risk description	Risk appetite	Mitigating actions
Operational leadership	**7 Occurrence of a major (personal and/or process) safety incident and environmental risk** Incidents negatively affect the lives and health of our staff and business partners. Our 'License to Operate' could be affected impacting our earnings, exposing 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** • Continuous attention to ensuring safety culture is to the standard required regardless of geographical location and whether it concerns own employees or contractors. Vopak Fundamentals, Safety Standards and Vopak Way Standards are critical tools for clearly providing the procedures and instructions for safety working practices • Application of Vopak standards even in the situation if local legislations are less strict • Constant reiteration that safety is of the highest priority, amongst others via Global SHE Day and Vopak Fundamentals annual assessment • 2017 specific 'Assure' audit program run by Global Operations aims at 100% terminal coverage either through pre-audit assessment and/or audit itself. Focus on the prevention of serious safety incidents through process, assets and persons • Robust maintenance and sustaining capex programs are in place ensuring the highest asset integrity.
Technology leadership	**8 Inherent risks exist in the execution of (large) growth project** 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. Should projects not be effectively managed in terms of safety, cost, time and quality, increased costs and lost revenues can be detrimental to the desired end result.	Low	• Vopak Project Management standard for mandatory application to all projects that fit within the criteria for its usage • A robust multi-disciplinary (capital disciplined) investment proposal decision making process is in place • Guidance is provided by the global functions and external experts during all stages of the project • The introduction of Global Engineering and Global Projects falling under Global Operations provides a common approach and sharing of experience in developing new projects • Embedded (independent) quality assurance processes (eg: Health check, project readiness reviews, post-investment reviews and lessons learned sessions at different stages of project development ensure timely rectification as needed • Lessons learnt reviews are performed and shared for future developments.
Technology leadership	**9 Failure to deliver on increasingly complex Information and Operational technology (IT/OT) topics, the success of which are critical for the ongoing success of the company.** Our strategy recognizes that automation and standardization through Information Technology developments (MOVES program) and innovation are critical for maintaining long-term profitability: • process efficiency • improved service offering • organizational change Risks relate to timing, global coverage, ensuing full alignment between systems, additional non-budgeted project costs and non-alignment of business requirements and IT solutions and change management. Legacy systems until full roll out of new systems need to be maintained but are ageing with the risk of disruption which could negatively impact service delivery. Timing of new roll out is essential for business improvement.	Low	**Separate program management office reporting to a cross-functional staffed Program Board chaired by the COO fully dedicated to the success of the MOVES program. The ICT Board chaired by the CFO ensures MOVES Program board decisions are supported by full business representation (Division Presidents) prior to full Executive Board approval.** Actions in place to manage the program and in doing so mitigate the risks include: • Separate business identified project teams led by senior business managers working in tandem with IT solution delivery managers • Agile working methods ensuring applications meet changing business needs • New systems piloted prior to full roll-out • In-depth business impact analyses per terminal to be completed prior to roll out of the new operational systems • Accountability for successful implementation with Divisions yet tooling, educating, monitoring with Global Program office • Appropriate interfacing with common systems (new financial system (oracle cloud), customer relationship management, HR tooling) • Common master data and architecture considered critical and dedicated resource made available.

(Operational risk continued)

Strategic theme	Risk description	Risk appetite	Mitigating actions
Technology leadership	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) our reputation, financial position, operations, and, potentially lead to costs related to recovery and forensic activities. A (security) breach could potentially also lead to violation of privacy regulations (personal data loss) in the various countries we operate, leading to potential litigation and fines.	**Low**	Governance in place ensuring sufficient attention given to the needs of legacy systems. Execution of the IT security program in place to address IT and OT security globally addressing cyber risk including dedicated IT-risk officer; Global information security policy roll out; ISO 27001 standard implementation and increasingly involvement of functional staff to ensure mitigation measures in place should there be a breach: appropriate contractual clauses, crisis communication plans reflecting cyber risk, increased employee awareness including but not limited to reference in the Code of Conduct.

Legal and compliance risks

Strategic theme	Risk description	Risk appetite	Mitigating actions
Operational leadership	**10 Compliance: complex and changing laws and regulations can negatively impact being Business, Operational and Environmental compliant** Obtaining, renewal and/or revisions to permits and licenses for product storage from local and national governments, as well as compliance to 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 aimed to ensure compliance. Uncertainties giving changing or unclear requirements can also arise when applying for permit renewals/applications. More stringent demands on environmental requirements as required by our permits may lead to additional sustaining capex investments. Fines and penalties in the event of being non-compliant can be sizeable.	**Low**	**Operating and Business compliance is non-negotiable** • Terminal management is responsible for maintaining a robust (permit) compliance program. Division/Global support and involvement of external specialists are used when unclear • Monitoring operating permit compliance is a critical element of Vopak's Global Assure program • Permit status is considered a critical path in all project development activity and is actively monitored through Steering Committees. Global policies and guidelines are in place addressing business compliance requirements. The compliance committees ensure that appropriate compliance processes are in place and that the principal compliance risks are identified and mitigated.
Leading assets in leading locations **Operational leadership**	**11 Behavior not in line with Vopak values** Individuals and/or Group of individuals can have a behavior not in line with our values which can lead to financial and reputational consequences.	**Low**	**Clear guidance on values and behaviour for every employee** 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 (Integrity, Care for Safety, Health and Environment, Agility, Team Spirit and Commitment) and the Vopak Code of Conduct. The Vopak values are Globally implemented. A revised Code of Conduct has been rolled out in 2017 and a Code of Conduct awareness training will be completed by all employees in the first half of 2018. Whistleblower rules and a dedicated email address support the Code of Conduct and the Fraud policy.

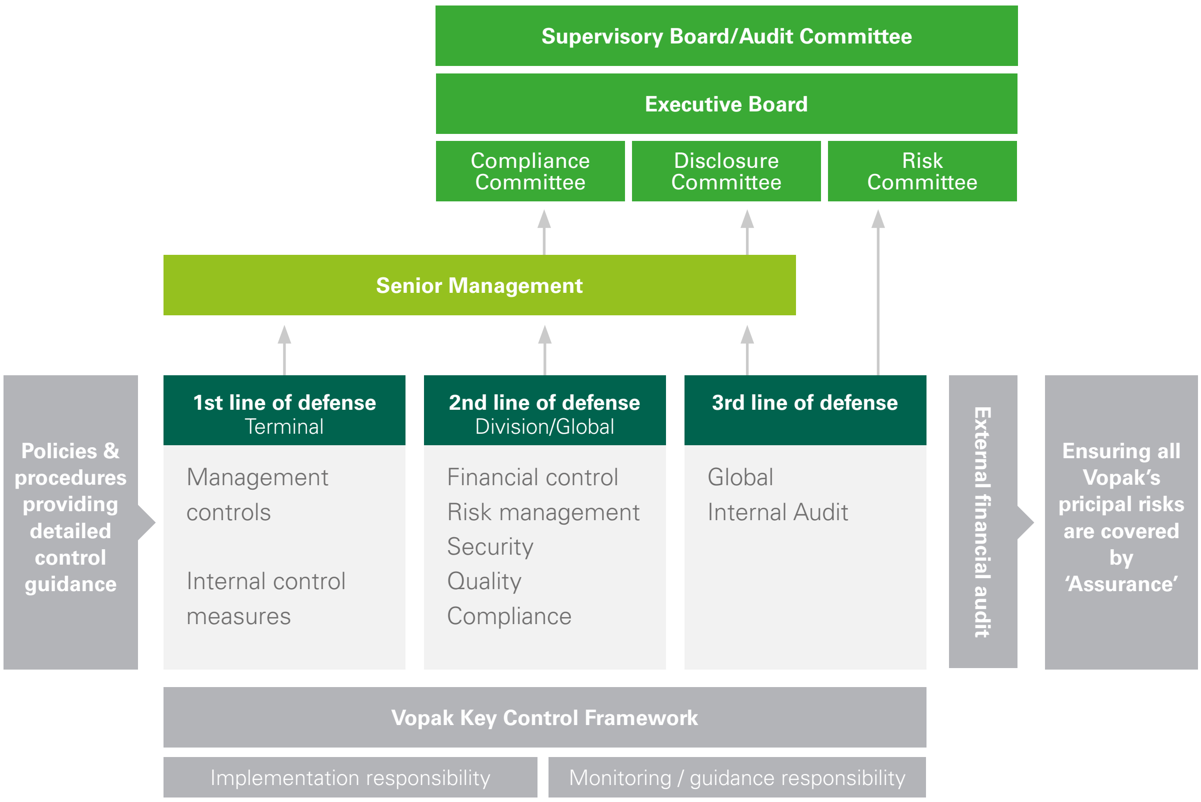
Other general (inherent) risks not considered principal risks

Strategic theme	Description
Foreign Exchange	Vopak being a globally operated company incurs cash flows 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 are taken to limit the exposure in line with the foreign exchange policy of Global Treasury. Our financial risks are described in more detail in Section 5 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 continuous 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. Liquidity risks are described in more detail in Section 5 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 finance adverse implications ourselves. The principal factors underlying our insurance policy are risk tolerance and risk transfer costs. On this basis, Vopak has purchased world-wide 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 (customs) 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. Vopak's Key Control Framework has a dedicated section stipulating the internal controls which are addressing the risks related to tax and which enforce compliance with the group tax policy. Furthermore, the highly skilled tax experts at the Global Tax department assist local and divisional management in complying with the tax requirements and monitor effectiveness of the internal controls relating to tax as well as the tax position of the group. The company has no principal risks related to taxes.

Internal Control

All activities of the management in implementing the company strategy and objectives and the management of risks to achieve our objectives are to be carried out in line with our internal control principles set out in the Vopak Key Control Framework ('VKCF'). Sixteen key processes covering all aspects of our business are covered by this principle-based framework.

Internal control framework



Local management ('first line of defense'), supported by Divisions and Global Functions, is responsible for ensuring that the internal controls relating to these processes are implemented and operating effectively and thus for managing their key risks. Our Governance framework enables Divisions and Global Functions to act as the 'second line of defense' and in doing so they are responsible for the monitoring of internal controls locally including assessing their effectiveness. Global Internal Audit acts as the 'third line of defense' performing audits to provide assurance on the existence and effectiveness of internal controls.

In addition to the independent audits executed by Global Internal Audit, which include a separate fraud vulnerability assessment for each business process review, the maturity of key control implementation per operating company is assessed annually through the completion of the Control Risk Self-Assessment (CRSA). This covers all key processes and controls in the VKCF including the control environment and those specifically directed at fraud and corruption. While the CRSA covers all processes, a number of Global functions also perform additional function-specific monitoring activities such as Assure audits by the Global Operations Department, Sourcing and Procurement Self-Assessments by Global Procurement, and Commercial Reviews by Global Commercial and Business Development, all with the objective to assess the extent of implementation and effectiveness and establish further improvements from a functional responsibility perspective. During 2017, various policies were further improved, including the renewing of the Code of Conduct which will be followed by an updated awareness training program in 2018 to be completed by all employees. 'Alerts' distributed by various functions throughout the year contribute to the further effectiveness of existing working practices and guidance.

In particular, the alerts that are distributed by Global Operations following incidents. The introduction of new (automated IT) systems via the MOVES program will improve our control environment through the further standardization of processes and systems enabling increased transparency and monitoring of actions. Our Divisional governance structure requires Divisions to carry out monitoring activities with regard to terminals. The effectiveness of these activities are assessed on an annual basis through the Divisional Monitoring Control Self-Assessment, also coordinated by Global Internal Audit at the same time as the CRSA.

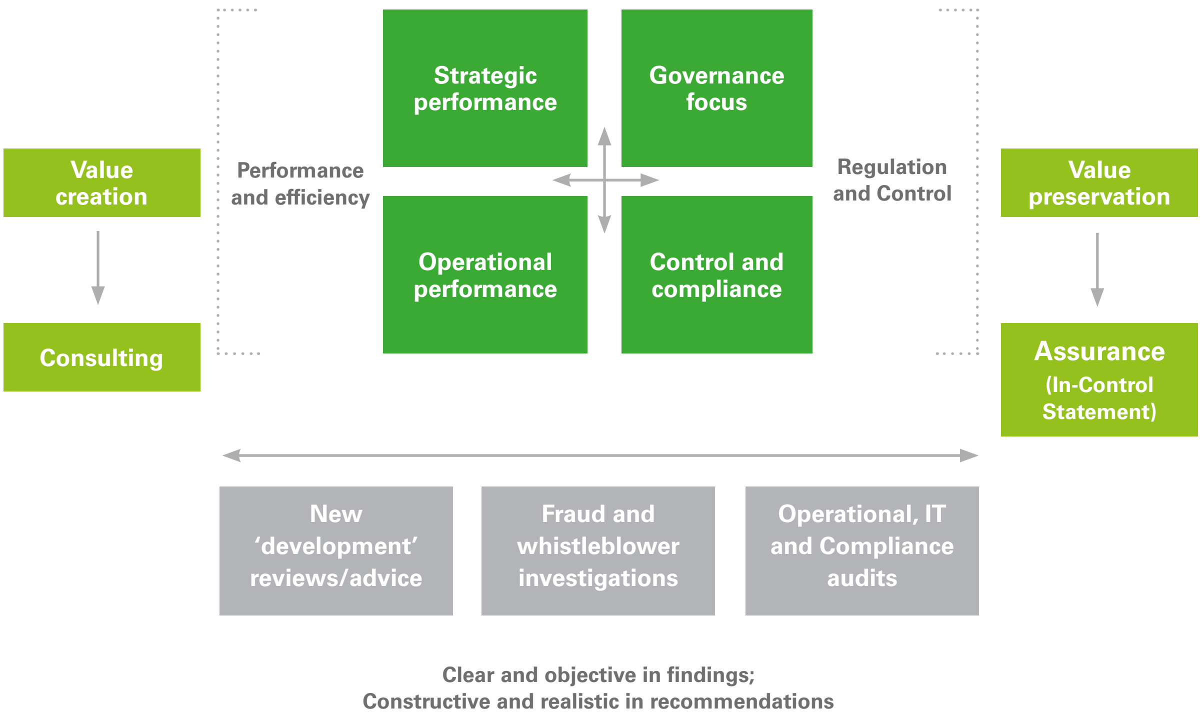
As referred to in the Corporate Governance chapter, the Executive Board is assisted in fulfilling its responsibilities by the Risk Committee, the Compliance Committee and the Disclosure Committee. These three Committees play an important role in the company's overall internal control framework by providing cross-functional and cross-divisional advisory insight on key topics directly to the Executive Board. For example, the Compliance Committee focuses on a number of global compliance topics with each relevant function being represented in the committee. Progress on actions and effectiveness are shared. A confirmatory action of both the Compliance and Risk Committees is renewing the group-wide accessibility of company policies. The effectiveness of the committees is assessed by means of a self-assessment at the end of the calendar year with feedback to the Executive Board.

Internal Controls periodically updated

Our VKCF is reviewed periodically to ensure that the design of the controls and guidance remains relevant and effective for the organization while remaining principle based. This process is coordinated through the joint effort of Global Control & Business Analysis and Global Internal Audit with Global functions being responsible for the individual processes under their responsibility. A thorough review was undertaken in 2017 with the objective of reviewing the relevancy of the controls with respect to the key risks and control effectiveness. This process resulted in a revised absolute number of key controls and additional guidance being given as to which activities are expected to be implemented for a given maturity level per control. A maturity scale of 1 – 5 is used. This additional guidance serves to both educate and assist in fair external assessments and self-assessments.

Further maturity of VKCF in 2018 and beyond is likely to include increased reference to the self-monitoring opportunities enabled by the new (automated IT) systems in development.

Internal audit to preserve and create value



Management Review Cycle

The regular reporting cycle is key to our control process. Monthly and quarterly management reports are prepared by all operating companies and Divisions including joint ventures in line with clearly defined, mandatory reporting requirements with regular consultations across all the management layers involved. The reports and related discussions between senior management, including but not limited to the Executive Board, cover not only the financial results but also key operational, sustainability, human resources and commercial performance indicators aimed at realizing the strategic objectives and mitigating the accompanying risks. 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. As noted in the Corporate Governance section, the streamlining of the divisional structure will further improve and optimize organizational efficiency and therefore also management controls.

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 insights into the performance (including behavioral, cultural and internal control factors) of the company.

Role of Internal Audit

The role of Global Internal Audit is to provide assurance and advice to the Executive Board in its responsibility for the existence and effectiveness of internal controls that are in place to safeguard the company's strategy including that of risk management at operating company level.

Independent and objective assurance activities relating to the design, application and effective functioning of governance, risk management and internal controls fall under the category of value preservation. Value creation refers to the advising activities designed to add value and improve operations and the set up. Internal Audit primarily executes audits of an operational, IT, investigative and compliance nature with the audit of financial external reports being the responsibility of Vopak's external auditor. Internal Audit reports directly to the full Executive Board and its activities are also overseen by the Supervisory Board and in particular the Audit Committee of the Supervisory Board. The Internal Audit Charter has been endorsed by the Executive Board and the Audit Committee. Internal Audit consists of a core team located at the Global Head office and, in order to ensure full effectiveness, is 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 the key risks in alignment with the ERM process and the level of assurance by means of various activities carried out by the company in monitoring those risks.

An assessment of the extent that our principal risks are 'assured' not only by Global Internal Audit but also by Global functions was carried out in 2017 as input for the 2018 audit plan. The Global Internal Audit universe includes all processes, entities and activities within the company including joint ventures, associates and projects. Global and Divisional functions are also in scope. The process for development of the plan includes dialogues with Divisional Management teams, Global Directors, the Executive Board and the Audit Committee, the outcome of the company's enterprise risk process, critical factors for achieving company success and the results of monitoring activities by the Global Functions as described. 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 in relation to 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. This process is formalized biannually by Global Internal Audit through the 'audit findings follow-up process', the outcome of which is reported to the Executive Board and the Audit Committee. This process provides for an independent view on the progress of both the implementation and effectiveness of recommendations. The audit findings follow-up meetings also take into account follow-up from reviews undertaken by other functions such as Assure and Commercial reviews.

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 the 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 reconfirmed that internal audits are performed in accordance with the International Internal Auditing Standards. An evaluation of the function by the Executive Board and Audit Committee has taken place.

Management assessment, Letters of Representation and In-Control Statement

Management is of the opinion 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 conclusion that there have been no major failings in the internal risk management and control systems relating to the risks observed during the financial year. Additional improvements, such as policy refinement and automated systems, serve to further improve our maturity level and not change the processes.

The conclusion that there were no major failings 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 discussed with the Executive Board and, together with the results of the various monitoring and assurance activities as described above which are explicitly reevaluated by both Global Control & Business Analysis and Global Internal Audit for the purposes of the In-Control Statement at year end, give input and advice to the In-Control Statement issued by our Executive Board.

For our In-Control Statement, reference is made to the statement issued by the Executive Board, included directly after the Financial Statements.

Shareholder information

In EUR	2017	2016
Share price start of the year	44.88	39.67
Highest share price	45.66	48.89
Average share price	39.48	44.08
Lowest share price	33.83	36.17
Share price at year-end	36.57	44.88
Free float	51.5%	51.5%
Average number of shares traded per day	478,354	338,318
Market capitalization at year-end (in EUR billion)	4.7	5.7

Share price movement in 2017
In %

Share price movement last 10 years
In EUR

Information per ordinary share of EUR 0.50

In EUR	2017	2016
Basic earnings	1.85	4.19
Basic earnings -excluding exceptional items-	2.25	2.56
Diluted earnings	1.84	4.18
Diltuted earnings -excluding exceptional items-	2.25	2.55
Equity attributable to holders of ordinary shares	19.43	18.83
Dividend (proposal 2017)	1.05	1.05
Payout ratio -excluding exceptional items-	47%	41%

Shares outstanding

	2017	2016
Basic weighted average number of ordinary shares	127,541,590	127,498,822
Weighted average number of ordinary shares including dilutive effect	127,686,590	127,715,702
Total number of shares outstanding (including treasury shares end of period)	**127,835,430**	**127,835,430**
Treasury shares end of period	190,000	370,000
Total voting rights at year-end	**127,645,430**	**127,465,430**

Investor Relations

Vopak is transparent and non-discriminatory in disclosing information to investors and other stakeholders. A separate agreement on information sharing has been made with our major shareholder HAL Holding N.V. Reference is made to note 6.3 of the Consolidated Financial Statements for more information. Our objective is to provide information to stakeholders about 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 250 meetings during (reverse) roadshows, conferences and phone calls with shareholders, as well as interested investors, during 2017. In addition, an Analyst Day was organized on 12 December 2017 in Rotterdam (the Netherlands) to provide Vopak's view on the developments in the oil, chemicals and gas markets. Vopak held press conferences coinciding with the publication of its annual results and half-year results, and organized meetings with financial analysts following the publication of the annual results. The publication of first, second and third quarter results was followed by a telephone conference with analysts. These sessions could be attended via the company's website in either a video or audio webcast, and 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.

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 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 have been established:
- 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 any invitation to engage in a 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 will at all times comply with the applicable rules and regulations, in particular those concerning selective disclosure, price sensitive information and equal treatment.

Dividend policy
Barring exceptional circumstances, the principle underlying Vopak's dividend policy for ordinary shares is to pay an annual cash dividend of 25% to 50% of the net profit -excluding exceptional items- attributable to holders of ordinary shares.

The net profit -excluding exceptional items-, which is the basis for dividend payments, may be adjusted for the financial effects of one-off events such as changes in accounting policies, acquisitions, divestments or reorganizations.

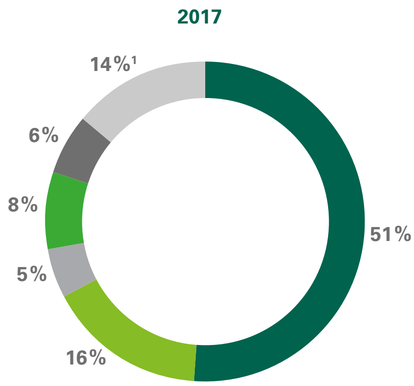
In setting the dividend amount, Vopak takes into account the target capital ratios and financing structure, as well as the flexibility that it requires to successfully pursue its growth strategy. At the same time, Vopak aims to pursue a consistent dividend policy for its shareholders.

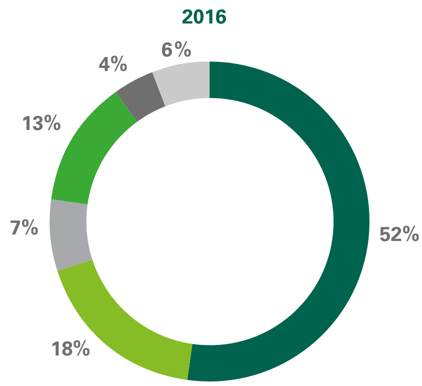
Royal Vopak shareholders

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 February 2018.

	Ordinary shareholdings	Date of notification
HAL Trust	48.15%	01-01-2015
OppenheimerFunds, Inc.	4.27%	01-01-2015
Maple-Brown Abbott	3.12%	10-10-2017
Ruane, Cunniff & Goldfarb Inc.	3.06%	21-10-2017

Geographical distribution of holders of ordinary shares outstanding





- The Netherlands
- Rest of world
- United States and Canada
- Rest of Europe
- United Kingdom
- Unidentified

[1] In 2017, Vopak only conducted a shareholder identification of its top 50 shareholders

Financial calendar

2018		2019	
16 February 2018	Publication of 2017 full-year results	14 February 2019	Publication of 2018 full-year results
18 April 2018	Publication of 2018 first-quarter interim update	17 April 2019	Publication of 2019 first-quarter interim update
18 April 2018	Annual General Meeting	17 April 2019	Annual General Meeting
20 April 2018	Ex-dividend quotation	23 April 2019	Ex-dividend quotation
23 April 2018	Dividend record date	24 April 2019	Dividend record date
25 April 2018	Dividend payment date	26 April 2019	Dividend payment date
17 Augustus 2018	Publication of 2018 half-year results	16 August 2019	Publication of 2019 half-year results
5 November 2018	Publication of 2018 third-quarter interim update	4 November 2019	Publication of 2019 third-quarter interim update

Financial Statements

Financial Statements and notes

Consolidated Financial Statements

Consolidated Statement of Income

In EUR millions	Note	2017	2016
Revenues	2.3	1,305.9	1,346.9
Other operating income	2.4	23.3	303.2
Total operating income		**1,329.2**	**1,650.1**
Personnel expenses	2.5	338.0	342.2
Depreciation and amortization	3.6	272.8	263.9
Impairment	3.7	2.1	5.7
Other operating expenses	2.6	337.9	338.9
Total operating expenses		**950.8**	**950.7**
Operating profit		**378.4**	**699.4**
Result of joint ventures and associates	2.7	44.1	59.9
Group operating profit (EBIT)		**422.5**	**759.3**
Interest and dividend income	5.10	12.6	11.4
Finance costs	5.10	- 134.6	- 118.6
Net finance costs		**- 122.0**	**- 107.2**
Profit before income tax		**300.5**	**652.1**
Income tax	7.1	- 25.3	- 72.5
Net profit		**275.2**	**579.6**
Net profit attributable to non-controlling interests	5.4	- 39.8	- 45.6
Net profit attributable to holders of ordinary shares		**235.4**	**534.0**
Basic earnings per ordinary share (in EUR)	8.1	**1.85**	**4.19**
Diluted earnings per ordinary share (in EUR)	8.1	**1.84**	**4.18**

Introduction
Executive Board report
Storing vital products with care
Key developments per division
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

Consolidated Statement of Comprehensive Income

In EUR millions	Note	2017	2016
Net profit		**275.2**	**579.6**
Exchange differences on translation of foreign operations	5.2, 5.4	- 165.8	37.7
Net investment hedges	5.2	73.2	- 18.2
Use of exchange rate differences on translation of foreign operations and use of net investment hedges	5.2, 5.4	- 1.5	0.5
Effective portion of changes in fair value of cash flow hedges	5.2	4.2	- 0.8
Use of effective portion of cash flow hedges to statement of income	5.2	- 0.5	- 5.5
Share in other comprehensive income of joint ventures and associates	5.2	14.2	- 1.1
Other comprehensive income that may be reclassified to statement of income in subsequent periods		**- 76.2**	**12.6**
Remeasurement of defined benefit plans	5.3, 7.2, 8.4	45.4	- 26.2
Other comprehensive income that will not be reclassified to statement of income in subsequent periods		**45.4**	**- 26.2**
Other comprehensive income, net of tax		**- 30.8**	**- 13.6**
Total comprehensive income		**244.4**	**566.0**
Attributable to:			
Holders of ordinary shares		213.0	518.7
Non-controlling interests		31.4	47.3
Total comprehensive income		**244.4**	**566.0**

Items are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 7.1.

Consolidated Statement of Financial Position

In EUR millions	Note	31-Dec-17	31-Dec-16
ASSETS			
Intangible assets	3.2	148.8	145.8
Property, plant and equipment	3.3	3,488.1	3,553.0
- Joint ventures and associates	3.4	968.7	1,091.7
- Finance lease receivable	8.2	29.2	30.5
- Loans granted	8.2	19.8	14.5
- Other financial assets		0.9	1.1
Financial assets		1,018.6	1,137.8
Deferred taxes	7.2	4.8	15.7
Derivative financial instruments	5.9	16.3	94.2
Other non-current assets	8.3	24.8	27.5
Total non-current assets		**4,701.4**	**4,974.0**
Trade and other receivables	4.2	253.7	224.6
Loans granted	8.2	8.8	–
Prepayments		17.9	16.4
Derivative financial instruments	5.9	2.7	35.9
Cash and cash equivalents	5.5	130.0	306.0
Assets held for sale	3.5	–	25.1
Total current assets		**413.1**	**608.0**
Total assets		**5,114.5**	**5,582.0**
EQUITY			
- Issued capital	5.1	63.9	63.9
- Share premium	5.1	194.4	194.4
- Treasury shares	5.1	- 8.0	- 13.2
- Other reserves	5.2	- 189.3	- 121.5
- Retained earnings	5.3	2,419.0	2,276.1
Equity attributable to owners of parent		**2,480.0**	**2,399.7**
Non-controlling interests	5.4	155.9	159.3
Total equity		**2,635.9**	**2,559.0**
LIABILITIES			
Interest-bearing loans	5.5	1,551.4	1,938.7
Derivative financial instruments	5.9	83.8	71.2
Pensions and other employee benefits	8.4	111.3	169.0
Deferred taxes	7.2	183.0	221.3
Provisions	8.5	23.8	23.8
Other non-current liabilities		24.2	28.8
Total non-current liabilities		**1,977.5**	**2,452.8**
Bank overdrafts and short-term borrowings	5.5	107.1	8.5
Interest-bearing loans	5.5	5.4	163.0
Derivative financial instruments	5.9	15.5	11.0
Trade and other payables	4.3	287.3	302.1
Taxes payable		49.5	47.9
Pensions and other employee benefits	8.4	1.4	1.5
Provisions	8.5	34.9	36.2
Total current liabilities		**501.1**	**570.2**
Total liabilities		**2,478.6**	**3,023.0**
Total equity and liabilities		**5,114.5**	**5,582.0**

Consolidated Statement of Changes in Equity

In EUR millions	Note	Equity attributable to owners of parent: Issued capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 31 December 2015		**63.9**	**194.4**	**- 9.4**	**- 127.7**	**1,888.2**	**2,009.4**	**151.0**	**2,160.4**
Net profit		–	–	–	–	534.0	534.0	45.6	579.6
Other comprehensive income, net of tax		–	–	–	10.9	- 26.2	- 15.3	1.7	- 13.6
Total comprehensive income		**–**	**–**	**–**	**10.9**	**507.8**	**518.7**	**47.3**	**566.0**
Dividend paid in cash	5.3, 5.4	–	–	–	–	- 127.5	- 127.5	- 41.3	- 168.8
Capital injection	5.4	–	–	–	–	–	–	2.3	2.3
Purchase treasury shares	5.1	–	–	- 3.8	–	–	- 3.8	–	- 3.8
Release revaluation reserve	5.2, 5.3	–	–	–	- 4.7	4.7	–	–	–
Measurement of equity-settled share-based payment arrangements	5.3, 6.2	–	–	–	–	2.9	2.9	–	2.9
Total transactions with owners		**–**	**–**	**- 3.8**	**- 4.7**	**- 119.9**	**- 128.4**	**- 39.0**	**- 167.4**
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, 6.2	–	–	–	–	- 0.4	- 0.4	–	- 0.4
Vested shares under equity-settled share-based payment arrangements	5.3, 6.2	–	–	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**

Consolidated Statement of Cash Flows

In EUR millions	Note	2017	2016
Cash flows from operating activities (gross)	2.9	**713.8**	**783.2**
Interest received	5.10	5.9	3.0
Dividend received	5.10	0.9	1.0
Income tax paid		- 51.7	- 70.9
Cash flows from operating activities (net)		**668.9**	**716.3**
Investments:			
Intangible assets	3.2	- 23.9	- 16.2
Property, plant and equipment - growth capex	3.3	- 104.1	- 85.8
Property, plant and equipment - service, maintenance, compliance and IT capex	3.3	- 215.0	- 242.2
Joint ventures and associates	3.4	- 7.4	- 74.3
Loans granted	8.2	- 82.0	- 3.3
Other non-current assets		- 0.2	- 0.1
Acquisitions of subsidiaries, including goodwill	3.1	–	- 20.5
Acquisitions of joint ventures and associates	3.4	- 15.9	–
Total investments		**- 448.5**	**- 442.4**
Disposals and repayments:			
Property, plant and equipment	3.3	1.3	10.5
Loans granted	8.2	63.2	85.9
Finance lease receivable	8.2	4.9	5.0
Assets held for sale/divestments	3.1	48.5	464.6
Total disposals and repayments		**117.9**	**566.0**
Cash flows from investing activities (excluding derivatives)		**- 330.6**	**123.6**
Settlement of derivatives (net investment hedges)		10.0	- 8.9
Cash flows from investing activities (including derivatives)		**- 320.6**	**114.7**
Financing:			
Proceeds from interest-bearing loans	5.5	6.8	4.0
Settlement of derivative financial instruments		20.2	–
Proceeds and repayments in short-term financing	5.5	79.7	- 58.4
Repayment of interest-bearing loans	5.5	- 334.9	- 273.3
Finance costs paid		- 143.5	- 101.9
Dividend paid in cash	5.3	- 133.9	- 127.5
Dividend paid to non-controlling interests	5.4	- 38.9	- 41.3
Capital addition non-controlling interests	5.4	4.1	–
Sale/purchase treasury shares	5.1	1.6	- 3.8
Cash flows from financing activities		**- 538.8**	**- 602.2**
Net cash flows		**- 190.5**	**228.8**
Exchange differences		- 4.4	1.7
Net change in cash and cash equivalents (including bank overdrafts)		**- 194.9**	**230.5**
Net cash and cash equivalents (including bank overdrafts) at 1 January		**297.8**	**67.3**
Net cash and cash equivalents (including bank overdrafts) at 31 December	5.5	**102.9**	**297.8**

Section 1 Basis of preparation

Taking into account the characteristics of Vopak's business, the notes in 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 of 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 2017
- 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
- Financial risk management

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 2017 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 approved by the Executive Board and the Supervisory Board on 15 February 2018 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 Vopak's functional and presentation currency. 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 2017

The Group has not applied any new accounting standards in 2017. However, the Group has elected to apply a change in accounting policy in relation to IFRS 2 ***'Share-based payment'*** in 2017. This change in accounting policy does not have a material effect on the financial statements. For more information, reference is made to note 8.10.

Several IFRS amendments apply for the first time in 2017; however, these do not materially impact the Group's Consolidated financial statements.

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 8.11 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 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	2017	2016	2017	2016
US dollar	1.19	1.05	1.13	1.11
Singapore dollar	1.60	1.52	1.56	1.53
Chinese yuan	7.80	7.34	7.63	7.35
Australian dollar	1.53	1.45	1.47	1.49
Brazilian real	3.96	3.43	3.60	3.85

Hyperinflation accounting

Vopak applies hyperinflation accounting only for the terminal in Venezuela. The effects of this hyperinflation accounting on the consolidated financial figures of the Group are limited. The operations in Venezuela represent an insignificant part of the total assets and the Group operating profit of Vopak. The terminal in Venezuela is fully licensed, operates in accordance with the Vopak Standards and has a solid performance.

The results and financial position of our terminal in Venezuela are translated from bolivar to euros for the reporting periods presented based on the closing exchange rate at year-end applied by the company because the entity has the currency of a hyperinflationary economy, the bolivar, as its functional currency.

The index used to apply hyperinflation accounting is the monthly Consumer Price Index (CPI) published by the Banco Central de Venezuela.

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 might 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 5.9)
- Deferred tax (note 7.2)
- Pension and other employee benefits (note 8.4)
- Provisions (note 8.5)

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 risks are identified by Global Treasury, the central treasury department, and discussed 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, 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 Strategic Finance Committee, a body comprising representatives from the various financial disciplines at the head office, prior to approval for the transactions 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 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, interest rate swaps and cross-currency interest rate swaps (CCIRSs).

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. Information about the Group's objectives, policies and processes for measuring and managing the risk exposures related to these items is included in the following notes:

- Trade and other receivables and related credit risk (note 4.2)
- Liquidity risk (note 5.6)
- Currency risk (note 5.7)
- Interest rate risk (note 5.8)
- Financial assets and liabilities and related credit risk (note 8.9)

The Group has not identified additional financial risk exposures in 2017 compared to the previous year, and the approach to capital management and risk management activities remained unchanged compared to the prior year.

The Group is exposed to risk in relation to the translation of the results of foreign operations, which is not mitigated. This risk is described in the following note:

- Translation and operational currency risk (note 2.8)

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 st ructure 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 and expenses related to other interests.

The operating segments (divisions) Asia and China have historically been aggregated into the reportable segment 'Asia' as their terminal portfolios have similar economic characteristics, among others, in the area of profitability, and provide similar services to a similar type of customer. The China operating segment represents a small part of the Asia reportable segment.

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 will be 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 Group will revise the segmental comparative figures in 2018 when the divisional change will be effective.

Statement of income

In EUR millions	Revenues [1] 2017	Revenues [1] 2016	Depreciation and amortization 2017	Depreciation and amortization 2016	Result of joint ventures and associates 2017	Result of joint ventures and associates 2016	Group operating profit (EBIT) 2017	Group operating profit (EBIT) 2016
Netherlands	471.6	496.4	108.9	105.7	1.8	1.9	140.5	180.8
Europe, Middle East & Africa	176.3	189.9	44.2	40.8	30.1	38.2	61.9	80.3
Asia	370.1	385.2	63.8	66.3	41.7	49.9	210.3	230.4
of which Singapore	*264.2*	*278.9*	*40.3*	*41.9*	*0.8*	*0.6*	*151.5*	*161.9*
of which China	*26.7*	*28.9*	*8.8*	*9.4*	*12.6*	*20.0*	*11.0*	*18.8*
Americas	286.0	273.8	46.5	44.3	1.1	0.5	83.4	76.2
of which United States	*167.1*	*171.3*	*24.9*	*24.8*	*0.7*	*0.5*	*57.4*	*56.2*
LNG	–	–	–	–	36.5	32.8	33.1	28.0
Global functions, corporate activities and others	1.9	1.6	9.4	6.8	0.1	0.5	- 38.8	- 37.3
Total excluding exceptional items	**1,305.9**	**1,346.9**	**272.8**	**263.9**	**111.3**	**123.8**	**490.4**	**558.4**
Exceptional items:								
Netherlands							22.5	0.9
Europe, Middle East & Africa							- 52.0	226.3
Asia							- 38.4	- 16.5
Americas							–	- 2.7
LNG							–	–
Global functions, corporate activities and others							–	- 7.1
Total including exceptional items							**422.5**	**759.3**
Reconciliation consolidated net profit [2]								
Group operating profit (EBIT)							422.5	759.3
Net finance costs							- 122.0	- 107.2
Profit before income tax							**300.5**	**652.1**
Income tax							- 25.3	- 72.5
Net profit							**275.2**	**579.6**

1. There are no single external customers that represent 10% or more of the Group's total revenues.
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 2017	Assets of subsidiaries 2016	Joint ventures and associates 2017	Joint ventures and associates 2016	Total assets 2017	Total assets 2016	Total liabilities 2017	Total liabilities 2016
Netherlands	1,480.4	1,479.8	1.8	0.3	1,482.2	1,480.1	108.5	116.2
Europe, Middle East & Africa	729.9	699.8	175.7	240.5	905.6	940.3	146.5	151.9
Asia	1,041.1	1,128.4	543.0	632.7	1,584.1	1,761.1	273.5	290.7
of which Singapore	*635.6*	*670.5*	*1.3*	*1.0*	*636.9*	*671.5*	*211.0*	*232.7*
of which China	*146.0*	*182.6*	*220.7*	*287.5*	*366.7*	*470.1*	*22.4*	*17.7*
Americas	706.8	732.4	67.5	49.0	774.3	781.4	176.6	210.2
of which United States	*309.2*	*310.5*	*42.6*	*47.7*	*351.8*	*358.2*	*97.4*	*129.9*
LNG	0.4	0.7	181.4	170.0	181.8	170.7	1.9	3.1
Global functions, corporate activities and others	187.2	449.2	- 0.7	- 0.8	186.5	448.4	1,771.6	2,250.9
Total	**4,145.8**	**4,490.3**	**968.7**	**1,091.7**	**5,114.5**	**5,582.0**	**2,478.6**	**3,023.0**

Investments [1]

In EUR millions	Intangible assets 2017	Intangible assets 2016	Property, plant and equipment 2017	Property, plant and equipment 2016	Other non-current assets 2017	Other non-current assets 2016	Joint ventures and associates 2017	Joint ventures and associates 2016	Total 2017	Total 2016
Netherlands	2.4	1.2	108.0	147.3	–	–	–	0.7	110.4	149.2
Europe, Middle East & Africa	0.3	0.9	55.4	87.2	–	–	0.1	0.1	55.8	88.2
Asia	0.3	0.2	49.4	38.2	–	–	–	72.5	49.7	110.9
of which Singapore	*0.3*	*0.1*	*36.4*	*22.7*	–	–	–	–	*36.7*	*22.8*
of which China	–	–	*3.5*	*3.4*	–	–	–	*6.7*	*3.5*	*10.1*
Americas	0.2	0.1	106.9	48.4	0.2	0.1	7.3	1.0	114.6	49.6
of which United States	–	–	*61.4*	*23.0*	–	–	–	*1.0*	*61.4*	*24.0*
LNG	–	–	–	–	–	–	–	–	–	–
Global functions, corporate activities and others	20.7	13.8	2.0	6.9	–	–	–	–	22.7	20.7
Total	**23.9**	**16.2**	**321.7**	**328.0**	**0.2**	**0.1**	**7.4**	**74.3**	**353.2**	**418.6**

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	2017	2016
Gains on assets held for sale/divestments	2.4	1.4	287.6
Loss on assets held for sale/divestments	2.6	–	- 1.0
Impairments	3.7	- 2.1	- 5.7
Write-off receivables	2.6	–	- 5.3
Legal costs	2.6	–	- 3.6
Vopak 400 stakeholder events	2.5, 2.6	–	- 7.2
Operating profit		**- 0.7**	**264.8**
Impairments joint ventures and associates	2.7, 3.7	- 91.8	- 63.1
Reversal impairments joint ventures and associates	2.7, 3.7	–	3.0
Exceptional items included in Result joint ventures and associates	2.7	24.6	- 3.8
Group operating profit		**- 67.9**	**200.9**
Finance costs	5.10	- 23.5	–
Profit before income tax		**- 91.4**	**200.9**
Tax on above-mentioned items	7.1	4.8	6.8
Release deferred taxes due to change in tax rates	7.1	34.6	–
Total effect on net profit		**- 52.0**	**207.7**

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.

	2017			2016
In EUR millions	IFRS figures	Exceptional items	Excluding exceptional items	Excluding exceptional items
Revenues	1,305.9	–	1,305.9	1,346.9
Other operating income	23.3	1.4	21.9	15.6
Total operating income	**1,329.2**	**1.4**	**1,327.8**	**1,362.5**
Personnel expenses	- 338.0	–	- 338.0	- 341.6
Impairment	- 2.1	- 2.1	–	–
Other operating expenses	- 337.9	–	- 337.9	- 322.4
Result joint ventures and associates	44.1	- 67.2	111.3	123.8
Group operating profit before depreciation and amortization (EBITDA)	**695.3**	**- 67.9**	**763.2**	**822.3**
Depreciation and amortization	- 272.8	–	- 272.8	- 263.9
Group operating profit (EBIT)	**422.5**	**- 67.9**	**490.4**	**558.4**
Interest and dividend income	12.6	–	12.6	11.4
Finance costs	- 134.6	- 23.5	- 111.1	- 118.6
Net finance costs	**- 122.0**	**- 23.5**	**- 98.5**	**- 107.2**
Profit before income tax	**300.5**	**- 91.4**	**391.9**	**451.2**
Income tax	- 25.3	39.4	- 64.7	- 79.3
Net profit	**275.2**	**- 52.0**	**327.2**	**371.9**
Non-controlling interests	- 39.8	–	- 39.8	- 45.8
Net profit holders of ordinary shares	**235.4**	**- 52.0**	**287.4**	**326.1**
Basic earnings per ordinary share (in EUR)	**1.85**		**2.25**	**2.56**
Diluted earnings per ordinary share (in EUR)	**1.84**		**2.25**	**2.55**

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 efficient, safe and clean 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 oil, chemicals, gases and LNG to biofuels and vegoils.

Accounting policies

Revenue represents the fair value of the consideration received or receivable for services provided in the normal course of business, stated 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 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 & handling related services:* relates to revenues for storage and handling related services, such as blending, homogenization, temperature control.

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 will apply the new revenue recognition accounting standard IFRS 15 *'Revenue from Contracts with Customers'*. Reference is made to note 8.10 for an overview of the financial effects of the initial application of this standard.

Revenues

The table below provides an overview of the revenue per type of service that the Group provides to its customers.

In EUR millions	2017	2016
Storage services	1,052.5	1,090.6
Product movements	100.2	106.9
Storage and handling related services	93.2	96.4
Other services	60.0	53.0
Revenues	**1,305.9**	**1,346.9**

The table below provides an overview of the revenues per product type per reportable segment (product-market combinations).

	Netherlands		Europe, Middle East & Africa		Asia		Americas		Other		Total	
In EUR millions	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Oil Products	278.9	298.7	87.5	95.1	182.7	190.8	84.6	83.8	–	–	633.7	668.4
Chemical Products	86.9	92.1	84.0	89.4	158.3	165.8	133.6	132.9	–	–	462.8	480.2
Vegoils & Biofuels	62.9	64.5	0.8	1.5	3.3	5.1	53.0	51.4	–	–	120.0	122.5
Gas Products	27.8	26.2	0.3	0.6	9.4	8.4	–	–	–	–	37.5	35.2
Other Services	15.1	14.9	3.7	3.3	16.4	15.1	14.8	5.7	1.9	1.6	51.9	40.6
Revenues	**471.6**	**496.4**	**176.3**	**189.9**	**370.1**	**385.2**	**286.0**	**273.8**	**1.9**	**1.6**	**1,305.9**	**1,346.9**

Introduction
Executive Board report
Storing vital products with care
Key developments per division
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

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.

In EUR millions	2017				2016			
	Trade Receivables	Provision for impairment	Deferred Revenues	Total	Trade Receivables	Provision for impairment	Deferred Revenues	Total
Balance at 1 January	**111.5**	**- 3.2**	**- 38.5**	**69.8**	**104.9**	**- 3.0**	**- 35.8**	**66.1**
Recognized as revenue in current period	1,267.4	–	38.5	1,305.9	1,311.1	–	35.8	1,346.9
Payments	- 1,264.3	–	- 28.0	- 1,292.3	- 1,304.4	–	- 38.5	- 1,342.9
Impairments	–	- 0.2	–	- 0.2	–	- 1.2	–	- 1.2
Reversal of impairments	–	0.2	–	0.2	–	0.9	–	0.9
Receivables written off during the year as uncollectible	- 1.0	1.1	–	0.1	- 0.1	0.1	–	–
Exchange differences	- 5.6	0.2	–	- 5.4	–	–	–	–
Balance at 31 December	**108.0**	**- 1.9**	**- 28.0**	**78.1**	**111.5**	**- 3.2**	**- 38.5**	**69.8**

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	2017	2016
Management fee joint ventures and associates	10.9	7.5
Gains on sale of property, plant and equipment	0.4	2.8
Gains on assets held for sale/divestments	1.4	287.6
Other	10.6	5.3
Total	**23.3**	**303.2**

The divestments that were completed during 2017 resulted in an exceptional gain on divestment of EUR 1.4 million (2016: EUR 287.6 million). For more information on the 2016 gains on assets held for sale/divestments, reference is made to note 3.1 and note 3.4.

Note 2.5 Personnel expenses

Accounting policies

Short-term employee benefits: wages, salaries, social security contributions, annual leave and sickness absenteeism, bonuses 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 *bonus 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 6.2 and 8.4.

Personnel expenses

In EUR millions	Note	2017	2016
Wages and salaries		267.4	265.0
Social security charges		33.7	33.6
Contribution to pension schemes (defined contribution)		7.6	9.0
Pension charges (defined benefit plans)	8.4	35.5	29.9
Long-term incentive plans	6.2	- 1.9	10.5
Early retirement		3.9	2.3
Other personnel expenses		36.2	29.0
Capitalized personnel expenses		- 44.4	- 37.1
Total		**338.0**	**342.2**

In 2017 EUR 2.8 million (2016: nil) of expenses was 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 an average of 4,046 employees and temporary staff (in FTEs) (2016: 3,913). The movements in the number of own employees at subsidiaries (in FTEs) were as follows:

In FTEs	2017	2016
Number at 1 January	**3,580**	**3,639**
Joiners	423	419
Leavers	- 364	- 341
Acquisition	–	33
Deconsolidation	–	- 170
Number at 31 December	**3,639**	**3,580**

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	2017	2016
Maintenance	62.4	57.1
Energy and utilities	41.0	41.9
Operating lease	54.9	53.0
Environmental, safety and cleaning	34.3	31.4
Advisory fees	20.8	31.5
Insurance	20.2	13.4
Rents and rates	19.4	20.2
Third party logistics	8.9	8.6
IT	16.8	15.1
Other	59.2	66.7
Total	**337.9**	**338.9**

2017
There are no exceptional items included in Other operating expenses for 2017.

2016
In 2016, other operating expenses were recognized as exceptional items for the amount of EUR 16.5 million. The total amount of exceptional items primarily relates to the following:

The divestment of our interest in the joint venture Nippon Vopak, resulted in a divestment loss of EUR 1.0 million. Reference is also made to note 3.4.

A write-down of a receivable relating to a legal dispute in the Asia division has resulted in an exceptional loss of EUR 3.1 million. Furthermore, EUR 3.6 million was recognized as legal expenses in connection with a legal case resulting from a dispute with a contractor in the Asia division.

In addition, the Group provided additional funds of EUR 2.2 million to the joint venture Vopak Terminal Dongguan during 2016. These additions to the total net investment in the joint venture have been fully impaired, as they were used for funding the pre-operating losses of the company prior to the divestment.

An amount of EUR 7.2 million was recognized as an exceptional item on expenditures relating to the Vopak 400 stakeholder events, of which EUR 6.6 million was recognized as Other operating expenses.

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	2017	2016
Result of joint ventures and associates (excluding exceptional items)	3.4	111.3	120.0
Impairments joint ventures and associates (exceptional items)	3.4, 3.7	- 91.8	- 63.1
Reversal of impairments joint ventures and associates (exceptional items)	3.4, 3.7	–	3.0
Gains on sale of joint ventures and associates	3.4	24.6	–
Total		**44.1**	**59.9**

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.

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 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 2017, excluding exceptional items):

- Revenues would differ by EUR 19.4 million (2016: EUR 19.2 million)
- Group operating profit before depreciation and amortization (EBITDA) would differ by EUR 12.0 million (2016: EUR 12.1 million)
- Group operating profit (EBIT) would differ by EUR 9.0 million (2016: EUR 9.1 million)
- Net profit would differ by EUR 6.5 million (2016: EUR 6.7 million).

A 10 dollar cent change in the EUR/SGD exchange rate approximately affects Vopak's figures as follows (based on figures for 2017 excluding exceptional items):

- Revenues would differ by EUR 17.0 million (2016: EUR 18.5 million)
- Group operating profit before depreciation and amortization (EBITDA) would differ by EUR 12.9 million (2016: EUR 13.8 million)
- Group operating profit (EBIT) would differ by EUR 10.3 million (2016: EUR 11.1 million)
- Net profit would differ by EUR 6.0 million (2016: EUR 9.2 million).

Accounting estimates and judgments

In Venezuela, the Group is exposed to exchange controls and currency exchange rate fluctuations. The country of Venezuela currently operates a number of alternative exchange mechanisms, the official 'DIPRO' rate and the 'DICOM' rate. Due to the exceptional situation where two different exchange rates exist, management has to apply judgment to assess which rate applies to the company. Based on the current facts and circumstances, management has assessed the most appropriate exchange rate for the years presented. It was concluded that the 'DICOM' rate was the most likely exchange rate at which future dividends may be remitted and consequently for translating the financial figures of our Venezuela terminal into euros.

In this multiple foreign exchange rate system, Vopak is exposed to the risk that the exchange rate will further devalue. Because the Venezuelan bolivar-denominated assets, liabilities, income and expenses of our Venezuelan operations are translated into euros for consolidation purposes, a further devaluation of the Venezuelan bolivar going forward could result in lower translated results, assets and liabilities in Vopak's consolidated figures, which are presented in euros. As the Venezuela operations represent an insignificant part of the Vopak Group, the effects of a devaluation would be limited. The accumulated amount of unrealized currency translation losses recognized in equity via Other comprehensive income amounted to EUR 47.3 million per year-end 2017.

Although our operation in Venezuela is subject to exchange controls, the impact on the company is limited. The total cash and cash equivalents balance at year-end 2017 in Venezuela is limited (EUR 0.5 million). This is also because Vopak is constantly pursuing growth opportunities and therefore cash balances are continuously reinvested in the company.

Note 2.9 Cash flows from operating activities (gross)

In EUR millions	Note	2017	2016
Net profit		**275.2**	**579.6**
Adjustments for:			
- Depreciation and amortization	3.6	272.8	263.9
- Impairment	3.7	2.1	5.7
- Net finance costs	5.10	122.0	107.2
- Income tax	7.1	25.3	72.5
- Movements in other non-current assets		1.2	0.8
- Movements in other long-term liabilities		- 1.3	- 5.5
- Movements in provisions excluding deferred taxes		12.7	9.5
- Movements in non-controlling interests	5.4	–	2.3
- Result joint ventures and associates	2.7	- 44.1	- 59.9
- Measurement of equity-settled share-based payment arrangements	5.3	- 0.4	2.9
- Result on sale of property, plant and equipment	2.4	3.7	2.5
- Result on sale of assets held for sale	2.4	- 1.4	- 293.0
Total adjustments		**392.6**	**108.9**
Realized value adjustments of derivative financial instruments		- 4.5	- 8.6
Movements in other current assets (excluding cash and cash equivalents)		- 22.2	- 1.1
Movements in other current liabilities (excluding bank overdrafts and dividends)		- 9.3	- 7.2
Dividend received from joint ventures and associates	3.4	81.9	112.7
Effect of changes in exchange rates on other current assets and liabilities		0.1	- 1.1
Cash flows from operating activities (gross)		**713.8**	**783.2**

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 2017 and 2016.

2017

Earlier announced acquisition of FSRU business no longer pursued

On 21 December 2016, Vopak and Exmar announced that they reached a conditional agreement on the acquisition by Vopak of Exmar's participation in FSRU assets. As previously stated, the finalization of the deal was subject to consent and cooperation of multiple stakeholders.

On 26 April 2017, after careful consideration, Vopak and Exmar concluded that these requirements will not be met in the envisaged transaction. Therefore, parties have decided to no longer pursue the closing of the FSRU transaction between Vopak and Exmar.

2016

Panama - asset transaction

As part of the agreement with Chevron for the operatorship of Chevron's existing terminal at Bahia Las Minas in Panama, Vopak also acquired several assets via the acquisition of a legal entity in the second half of 2016. As the acquired entity did not constitute a business, this transaction was treated as an asset deal. The 2016 cash outflow relating to this transaction amounted to EUR 20.5 million. Vopak will develop and construct an independent oil terminal at this location.

Divestments

The table below provides an overview of all divestments completed during 2017 and 2016, including joint ventures and associates, as well as the results realized on these divestments.

In EUR millions	2017	2016
UK terminals	–	282.9
Vopak Terminal Dongguan	–	2.4
Result formation of joint venture	–	2.1
Nippon terminals	–	- 1.0
Business development joint venture DJK	1.4	–
Vopak Terminal Eemshaven partial divestment	24.6	–
Others	–	0.9
Total	**26.0**	**287.3**

The total net cash proceeds (excluding tax effects) from the divestments amounted to EUR 48.5 million (2016: EUR 464.6 million). The gains on divestments of subsidiaries are recognized as Other operating income. Reference is also made to note 2.2.

The divestments in the period 2014 - 2016, except for the UK transaction, were in line with Vopak's earlier decision to divest around 15 primarily smaller terminals. This program was completed in 2016.

For an overview of the results realized on the divestment of joint ventures and associates, reference is made to note 3.4.

Divestments of subsidiaries

2017

There were no divestments of subsidiaries in 2017.

2016

United Kingdom

In the first quarter of 2016, Vopak completed the earlier announced divestment of all of its assets in the United Kingdom (EMEA division). The divestment comprised the three wholly-owned terminals: Vopak Terminal London, Vopak Terminal Teesside and Vopak Terminal Windmill and Vopak's 33.3% investment in the business development joint venture Thames Oilport. The divestment resulted in a net exceptional gain on divestment of EUR 282.9 million.

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, capitalized software costs, 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 each of the cash-generating units (CGUs; normally an individual terminal), or groups of CGUs, which are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Vopak Group at which the goodwill is monitored for internal management purposes. Goodwill is monitored by the management at the operating segment level and is therefore allocated to the operating segments for impairment testing 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.

Movements in intangible assets

In EUR millions	Note	Goodwill	Software	Other	Total
Purchase price of operating assets		44.5	94.5	19.2	158.2
Accumulated amortization and impairment		- 2.9	- 69.6	- 7.2	- 79.7
Carrying amount in use		**41.6**	**24.9**	**12.0**	**78.5**
Purchase price under construction		–	11.3	–	11.3
Carrying amount at 31 December 2015		**41.6**	**36.2**	**12.0**	**89.8**
Movements:					
Acquisitions		–	–	47.8	47.8
Additions		–	16.2	–	16.2
Amortization	3.6	–	- 7.7	- 1.7	- 9.4
Impairment	3.7	–	–	- 0.4	- 0.4
Exchange differences		1.4	0.2	0.2	1.8
Carrying amount at 31 December 2016		**43.0**	**44.9**	**57.9**	**145.8**
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**

The increase in intangible assets in 2017, primarily relates to internally developed IT-projects. In 2016 intangible assets were acquired as part of the acquisition of assets in Panama. For the latter, reference is made to note 3.1.

Note 3.3 Property, plant and equipment

Accounting policies

Property, plant and equipment mainly relates 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 5.10). 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		45.1	263.5	4,967.5	208.6	5,484.7
Accumulated depreciation and impairment		- 0.2	- 129.8	- 2,098.9	- 126.3	- 2,355.2
Carrying amount in use		**44.9**	**133.7**	**2,868.6**	**82.3**	**3,129.5**
Purchase price under construction		50.2	28.9	284.1	3.3	366.5
Carrying amount at 31 December 2015		**95.1**	**162.6**	**3,152.7**	**85.6**	**3,496.0**
Movements:						
Acquisitions		5.9	–	1.2	–	7.1
Additions		–	35.9	276.6	15.5	328.0
Disposals		–	- 0.5	- 12.2	- 0.3	- 13.0
Reclassification to assets held for sale/ divestments	3.5	- 38.4	- 16.6	- 1.2	- 0.7	- 56.9
Reclassification		–	2.2	- 2.4	0.2	–
Depreciation	3.6	–	- 11.8	- 227.2	- 15.5	- 254.5
Impairment	3.7	–	–	- 5.3	–	- 5.3
Exchange differences		4.0	2.1	43.8	1.7	51.6
Carrying amount at 31 December 2016		**66.6**	**173.9**	**3,226.0**	**86.5**	**3,553.0**
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**

The Group leased assets with a total book value of EUR 21.5 million at 31 December 2017 (2016: EUR 20.0 million), of which substantially all risks and rewards lie within the Group. The related finance lease obligation for the amount of EUR 22.7 million (2016: EUR 20.6 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 8.7.

Note 3.4 Joint ventures and associates

Vopak's interest in the principal joint ventures and associates at year-end 2017 consists of 26 (2016: 28) unlisted joint ventures and 6 (2016: 4) 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, we make a distinction in the activities of the divisions Europe, Middle East & Africa (mainly oil storage terminals), LNG (joint ventures with long-term contracts), and Asia (mainly industrial terminals).

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 and 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 8.11 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.

Group's share of the total comprehensive income and the carrying amount

		Joint ventures		Associates		Total	
In EUR millions		2017	2016[1]	2017	2016[1]	2017	2016
Vopak's share in net assets		771.5	814.1	244.4	165.8	1,015.9	979.9
Goodwill on acquisition		69.5	81.6	6.3	6.6	75.8	88.2
Carrying amount at 1 January		**841.0**	**895.7**	**250.7**	**172.4**	**1,091.7**	**1,068.1**
Share in profit or loss	2.7	109.2	112.9	2.1	7.1	111.3	120.0
Impairments	2.7, 3.7	- 91.8	- 63.1	–	–	- 91.8	- 63.1
Reversal of impairments	2.7, 3.7	–	3.0	–	–	–	3.0
Net profit		**17.4**	**52.8**	**2.1**	**7.1**	**19.5**	**59.9**
Other comprehensive income	5.2	11.4	- 0.3	–	–	11.4	- 0.3
Comprehensive income		**28.8**	**52.5**	**2.1**	**7.1**	**30.9**	**59.6**
Dividends received	2.9	- 94.6	- 112.7	–	–	- 94.6	- 112.7
Investments		0.1	8.5	7.3	65.8	7.4	74.3
Acquisitions		–	42.5	15.9	–	15.9	42.5
Reclassification to assets held for sale		0.7	- 50.0	–	–	- 0.7	- 50.0
Exchange differences		- 55.1	4.5	- 26.8	5.4	- 81.9	9.9
Carrying amount at 31 December		**719.5**	**841.0**	**249.2**	**250.7**	**968.7**	**1,091.7**
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 31 December		**719.5**	**841.0**	**249.2**	**250.7**	**968.7**	**1,091.7**

1. Revised due to reclassification of associate PT2SB.

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

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 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.

2016

United Kingdom - divestment

In the first quarter of 2016, Vopak completed the earlier announced divestment of all of its UK assets, including Vopak's 33.3% investment in the joint venture Thames Oilport. The divestment result from this divestment was limited as the company already impaired its investment in the joint venture to the estimated recoverable value of approximately nil per year-end 2015.

Japan - divestment

Vopak divested its 40% ownership in the joint venture Nippon Vopak in the second quarter of 2016. Nippon Vopak owned and operated five terminals in Japan with a combined operational capacity of 203,200 cbm. The agreed net cash proceeds, based on the debt-free enterprise value of the divested ownership, amounted to EUR 26.6 million (after capital gains tax). The divestment resulted in a net exceptional loss of EUR 1.0 million.

Netherlands - divestment

Vopak divested its 50% ownership in the joint ventures Cosco Container Lines B.V. and Cross-Ocean C.V. in the third quarter of 2016. The proceeds and divestment results from these divestments were limited.

China - divestment

In the fourth quarter of 2016, Vopak divested its 50% ownership in the joint venture Vopak Terminal Dongguan. The proceeds as well as the result from this divestment were limited as the company had already impaired its investment in the joint venture to the estimated recoverable value of approximately nil at year-end 2015. The positive divestment result included EUR 1.7 million of realized foreign currency exchange results, previously recognized in equity via OCI.

United States - investment

In the first quarter of 2016, the establishment of a project development joint venture in the Americas division, and the subsequent contribution of assets from a Vopak subsidiary to this joint venture, led to an exceptional gain of EUR 2.1 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

	EMEA joint ventures		Asia joint ventures		LNG joint ventures		Other joint ventures		Total joint ventures		Total associates	
In EUR millions	2017	2016	2017	2016[1]	2017	2016	2017	2016	2017	2016[1]	2017	2016[1]
Revenues	193.1	211.1	349.9	373.3	223.9	217.1	10.0	28.9	776.9	830.4	139.0	103.6
Operating expenses	- 87.8	- 81.5	- 100.6	- 116.6	- 42.1	- 39.6	- 5.1	- 12.7	- 235.6	- 250.4	- 57.7	- 23.7
Depreciation, amortization and impairment	- 157.7	- 157.2	- 151.8	- 78.5	- 45.6	- 45.5	- 1.6	- 5.7	- 356.7	- 286.9	- 38.0	- 22.8
Operating profit (EBIT)	**- 52.4**	**- 27.6**	**97.5**	**178.2**	**136.2**	**132.0**	**3.3**	**10.5**	**184.6**	**293.1**	**43.3**	**57.1**
Net finance costs	- 3.5	- 3.6	- 28.6	- 30.3	- 41.1	- 42.1	2.3	- 2.7	- 70.9	- 78.7	- 15.4	- 13.0
Income tax	5.8	12.6	- 37.5	- 35.9	- 26.7	- 28.4	- 0.5	- 1.1	- 58.9	- 52.8	- 9.9	- 12.1
Net profit	**- 50.1**	**- 18.6**	**31.4**	**112.0**	**68.4**	**61.5**	**5.1**	**6.7**	**54.8**	**161.6**	**18.0**	**32.0**
Other comprehensive income	0.4	0.1	- 4.8	- 3.9	21.1	2.4	–	0.5	16.7	- 0.9	13.1	–
Total comprehensive income	**- 49.7**	**- 18.5**	**26.6**	**108.1**	**89.5**	**63.9**	**5.1**	**7.2**	**71.5**	**160.7**	**31.1**	**32.0**
Vopak's share of net profit	- 31.8	- 30.1	9.5	47.1	36.5	32.8	3.2	3.0	17.4	52.8	2.1	7.1
Vopak's share of other comprehensive income	0.1	0.1	- 2.3	- 1.8	10.6	1.2	3.0	0.2	11.4	- 0.3	–	–
Vopak's share of total comprehensive income	**- 31.7**	**- 30.0**	**7.2**	**45.3**	**47.1**	**34.0**	**6.2**	**3.2**	**28.8**	**52.5**	**2.1**	**7.1**

1. Revised due to reclassification of associate PT2SB.

Summarized statement of financial position at 31 December

	EMEA joint ventures		Asia joint ventures		LNG joint ventures		Other joint ventures		Total joint ventures		Total associates	
In EUR millions	2017	2016	2017	2016[1]	2017	2016	2017	2016	2017	2016[1]	2017	2016[1]
Non-current assets	430.5	610.4	1,340.0	1,548.2	1,076.9	1,162.4	157.8	253.9	3,005.2	3,574.9	1,839.8	1,609.6
Cash and cash equivalents	34.9	40.1	152.2	170.2	73.4	67.4	5.7	11.2	266.2	288.9	149.9	118.4
Other current assets	23.8	24.1	53.0	59.4	23.8	25.3	2.0	9.4	102.6	118.2	109.7	77.1
Total assets	**489.2**	**674.6**	**1,545.2**	**1,777.8**	**1,174.1**	**1,255.1**	**165.5**	**274.5**	**3,374.0**	**3,982.0**	**2,099.4**	**1,805.1**
Financial non-current liabilities	44.0	80.4	598.3	693.7	638.3	716.0	5.9	80.0	1,286.5	1,570.1	1,036.6	725.6
Other non-current liabilities	6.0	18.4	37.3	37.6	205.7	250.4	1.5	18.2	250.5	324.6	48.0	34.1
Financial current liabilities	41.3	48.2	46.0	48.8	67.8	68.6	1.0	5.8	156.1	171.4	57.4	67.4
Other current liabilities	77.4	61.9	78.9	84.1	37.2	25.7	4.5	4.5	198.0	176.2	107.7	125.9
Total liabilities	**168.7**	**208.9**	**760.5**	**864.2**	**949.0**	**1,060.7**	**12.9**	**108.5**	**1,891.1**	**2,242.3**	**1,249.7**	**953.0**
Net assets	**320.5**	**465.7**	**784.7**	**913.6**	**225.1**	**194.4**	**152.6**	**166.0**	**1,482.9**	**1,739.7**	**849.7**	**852.1**
Vopak's share of net assets	117.4	185.0	369.7	431.1	122.7	106.9	45.3	48.5	655.1	771.5	243.2	244.4
Goodwill on acquisition	5.1	5.8	0.6	0.6	58.7	63.1	–	–	64.4	69.5	6.0	6.3
Vopak's carrying amount of net assets	**122.5**	**190.8**	**370.3**	**431.7**	**181.4**	**170.0**	**45.3**	**48.5**	**719.5**	**841.0**	**249.2**	**250.7**

1. Revised due to reclassification of associate PT2SB.

On 12 December 2017, PT2SB, a partnership 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 9 international banks. The financing facilities will be used to finance the PT2SB industrial terminal in Pengerang, State of Johor, Malaysia. This event resulted in the repayment of the shareholder loan to the Vopak Group of EUR 63.2 million.

On 22 February 2016, the associate Jubail Chemicals Storage and Services Company (JCSSC) entered into a non-recourse project financing. As a consequence, the initial proportionate shareholder loan from Vopak of approximately EUR 86 million was repaid during the first quarter of 2016.

Introduction
Executive Board report
Storing vital products with care
Key developments per division
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

Contingent assets and liabilities

For an overview of the contingent liabilities relating to our joint ventures and associates, reference is made to note 8.8.

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

In EUR millions	31-Dec-17	31-Dec-16
Property, plant and equipment	–	5.5
Joint ventures	–	19.6
Net assets held for sale of disposal groups	**–**	**25.1**

In 2014, the Group initiated a divestment program of around 15 primarily smaller terminals, with the objective of further aligning our global network. This program resulted in various divestments in 2016 and 2015. This program was completed in 2016.

For the divestments realized during 2017 and 2016, reference is made to note 3.1. and note 3.4.

2017

As per year-end 2017 there were no assets and liabilities classified as held for sale.

2016

The assets held for sale as at year-end 2016, comprise a business development joint venture in China and fixed asset components in the Netherlands. Both were divested during 2017.

Note 3.6 Depreciation and amortization

Accounting policies

The expected useful life of software is 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	2017	2016
Amortization intangible assets	3.2	12.4	9.4
Depreciation property, plant and equipment	3.3	260.4	254.5
Total		**272.8**	**263.9**

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% (2016: 6.0%).

Key accounting estimates and judgments

Impairment analyses

In performing the 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.

Sometimes the fair value less cost of disposal of a terminal is based on (preliminary) offers received from interested parties (level 2 fair value). Although such offers are conditional/preliminary, management always assesses that these offers are representative of the fair value of the terminals concerned and assesses whether it is probable that these terminals will be sold in the near future, 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)

As a result of the incident that occurred in April 2015 at the production facility of the main customer of our associate Vopak Terminal Haiteng, as disclosed in the Annual Report 2016, the customer has not yet resumed operations. Based on the current facts and circumstances available, including the estimated long-term demand for the product manufactured at the facility, the technological state of the facility/terminal and information from the customer and authorities, management has assessed that it is most likely that the facility will be taken into operation again. The date on which the facility, on which the terminal is dependent, will be taken into production again is estimated to be in the second half year of 2018.

In the unlikely event that the production facility will not be taken into operation again, this may result in a significant impairment on our investment in the associate Vopak Terminal Haiteng, which is an industrial terminal. The maximum risk exposure amounts to the Group's equity investment in the company of EUR 44.1 million per year-end 2017 (2016: EUR 54.8 million). Please note that additional proportionate shareholder funding may be required going forward in relation to required repair and maintenance. If such funding occurs, the maximum risk exposure increases and as such, the risk of impairment could increase. Furthermore, changes in the facts and circumstances, among others, related to the timing and conditions of the restart, could potentially lead to one-offs and/or exceptional losses in the coming years within the aforementioned range of the maximum exposure. A successful restart could result in additional gains from this associate, due to the fact that certain revenues, which were not recognized after the incident, could still be recovered from the associate's customers.

Introduction
Executive Board report
Storing vital products with care
Key developments per division
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

Impairment test results

In EUR millions	Note	2017	2016
Intangible assets	3.2	–	0.4
Property, plant and equipment	3.3	2.1	5.3
Joint ventures and associates	3.4	91.8	63.1
Reversal impairment joint ventures and associates	3.4	–	- 3.0
Total		**93.9**	**65.8**

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	2017	2016
Europe, Middle East & Africa	1.8	1.8
Asia	22.7	24.2
Americas	15.9	17.0
Carrying amount at 31 December	**40.4**	**43.0**

The Group has limited goodwill balances as it mostly develops its own greenfield terminals instead of acquiring new terminals. No impairments of goodwill were recognized in 2017 and 2016.

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 factor for years four through fifteen were based on the inflation rate within the range of 1.8% to 2.8% depending on the operating segment (2016: 1.9% to 2.6%). The pre-tax discount rate used depends on the (average) risk profile of the cash-generating unit and was 8.7% (2016: 8.7%) for Asia, 11.5% (2016: 11.5%) for Americas and 8.7% (2016: 8.7%) for the other segments. The operating profit included in the calculations is based on the approved budget for 2017 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.

Other intangible assets

No material impairments were recognized on intangible assets in 2017 and 2016.

Property, plant and equipment

Cancelled projects
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.

2016
The cancellation of a business development project in the EMEA division and a scope change in a construction project in the Americas division led to a total impairment on Property, plant and equipment of EUR 5.3 million.

Terminals in operation
For a very limited number of terminals in operation, management has assessed based on consistently applied methodology, that the value in use 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. For terminals or assets which are actively being marketed by the company, the fair value less cost of disposal is 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 & 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.

The above-mentioned approach did not result in any impairment of the subsidiary terminals in operation for the years presented.

Joint ventures and associates

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 was recognized for the amount of EUR 52.0 million.

The joint venture terminal Vopak E.O.S. (EMEA division) is currently under strategic review. The impairment is 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 continued low oil product prices and premiums together with structural changes in product flows and the preference to use Russian ports for products flow from Russia, limit demand for terminal services. The overcapacity in the Baltic region has led to a further 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 recoverable value was based on the value in use, management's best estimate of the future cash flows of the terminal, for which the expected performance for the coming year was the basis. In 2016 an impairment was already recognized for the amount of EUR 55.7 million. The carrying value of Vopak's investment in the joint venture after impairment amounted to nil at year-end 2017.

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 in Hainan (part of Asia Division) for EUR 39.8 million.

The terminal is currently under strategic review. Since commissioning in the third quarter of 2015, the terminal experienced mostly healthy occupancy levels. However, due to current uncertainties, market conditions and dependence on short-term trading contracts, an impairment was recognized.

As part of the strategic review and discussion currently ongoing for this terminal, management is considering various options, including a divestment of the terminal. In case the future economic performance of the terminal will improve or a fair value is available that supports a higher recoverable amount, a (partial) reversal of the impairment will be recognized.

The impairment was recognized based on the value in use, which includes an assumption of an unchanged oil market environment and structure, no major changes in the regulatory environment and the assumption that the terminal will continue to be operated as an independent third party storage terminal. The fair value of the terminal, taking into account the specific characteristics of the assets and their strategic value for other players and potential changes in the oil market environment may be higher than the value in use that Vopak as an independent terminal operator is able to generate from this terminal. Discussions regarding the strategic review and a potential higher fair value are not sufficiently progressed hence; management based the recoverable value of the terminal on the value in use.

In 2015 already an impairment was recognized on this investment of EUR 15.0 million. The carrying value of Vopak's investment in the joint venture after impairment amounted to nil at year-end 2017.

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. Given that the terminal is under strategic review and discussions regarding the fair value continue, the Group currently has the intention to positively consider a future decision to provide additional funding to the joint venture during 2018 for the amount of EUR 6.3 million. This has resulted in a constructive obligation per year-end 2017 and a corresponding (exceptional) loss in the net finance expenses. Any additional funding at a future date, may result in additional impairments going forward for the maximum amount of the provided additional funding.

2016

Besides the 2016 impairment recognized with respect to the joint venture terminal Vopak E.O.S., the following impairment and partial reversal of an impairment were recognized in 2016:

Vopak Terminal Tianjin (China)

An impairment of EUR 7.4 million and EUR 3.8 million of exceptional expenses were recognized for one of the smaller joint venture terminals in China (Asia division) relating to changes in the markets in which this terminal operates and a revision in the estimate of the decommissioning date of this terminal.

This terminal was decommissioned in the third quarter of 2017.

Vopak Terminal Dongguan (China)

The divestment of this entity in 2016 led to a partial reversal of the historical impairment for the amount of EUR 2.9 million. The Group divested this joint venture on 21 October 2016. As part of this divestment, the (indirect) financial guarantee of EUR 33.2 million provided in connection with this terminal has been revoked. For more details on the divestment of this entity and the former (indirect) financial guarantee provided, reference is made to note 3.4 and note 8.8.

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	2017	2016
Movements in other current assets (excluding cash and cash equivalents)	2.9	- 22.2	- 1.1
Movements in other current liabilities (excluding bank overdrafts and dividends)	2.9	- 9.3	- 7.2
Total		**- 31.5**	**- 8.3**

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. Subsequent to initial recognition, receivables are measured at amortized cost, using the effective interest method, less any provision for impairment.

Impairment losses are recognized when objective evidence indicates that a receivable is uncollectible and therefore impaired. 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	2017	2016
Trade debtors gross	108.0	111.5
Provision for impairment of trade debtors	- 1.9	- 3.2
Trade debtors net	**106.1**	**108.3**
Taxes receivable	24.2	28.3
Other receivables	123.4	88.0
Total	**253.7**	**224.6**

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

In EUR millions	2017			2016		
	Gross	Provision	Net	Gross	Provision	Net
Not past due	70.9	–	70.9	79.0	- 0.1	78.9
Past due up to 3 months	31.8	–	31.8	25.5	–	25.5
Past due 3 to 6 months	1.2	–	1.2	3.7	–	3.7
Past due more than 6 months	4.1	- 1.9	2.2	3.3	- 3.1	0.2
Total	**108.0**	**- 1.9**	**106.1**	**111.5**	**- 3.2**	**108.3**

Provision for bad debt

In EUR millions	2017	2016
Balance at 1 January	**- 3.2**	**- 2.9**
Impairments	- 0.2	- 1.2
Reversal of impairments	0.2	0.9
Receivables written off during the year as uncollectible	1.1	–
Exchange differences	0.2	–
Balance at 31 December	**- 1.9**	**- 3.2**

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, aligned with the nature of the business model, very low, which is also the case for the years presented.

Other receivables

The total dividend receivable from joint ventures and associates amounted to EUR 12.7 million at the end of 2017 (2016: EUR 1.5 million). There are 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 amortised cost using the effective interest method.

Trade and other payables

In EUR millions	2017	2016
Trade payables	46.1	43.6
Accrued expenses	105.1	108.4
Deferred revenues	28.0	38.5
Accrued interest expenses	4.8	6.0
Wage tax and social security charges	6.9	7.1
Other creditors	96.4	98.5
Total	**287.3**	**302.1**

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, financing items, available credit facilities and the financial risk management of the company.

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 Liquidity risk
- 5.7 Currency risk
- 5.8 Interest rate risk
- 5.9 Derivative financial instruments
- 5.10 Net finance costs

EQUITY

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. At 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 2017 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 2017 consisted of 127,835,430 ordinary shares, of which 190,000 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 2017.

	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 2015	**127,835,430**	**–**	**127,835,430**	**- 290,000**	**63.9**	**194.4**	**- 9.4**
Purchase treasury shares	–	–	–	- 80,000	–	–	- 3.8
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**

Capital management

Vopak is a capital-intensive company. The 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 2015	**- 3.5**	**- 130.2**	**4.7**	**1.3**	**- 127.7**
Exchange differences on net investments	36.6	–	–	–	36.6
Effective part of hedges of net investments	- 18.2	–	–	–	- 18.2
Tax effect on exchange differences and hedges	- 0.6	–	–	–	- 0.6
Use of exchange differences on net investments (to statement of income)	0.7	–	–	–	0.7
Use of effective part of hedges of net investments (to statement of income)	1.9	–	–	–	1.9
Tax on release exchange differences and hedges	- 2.1	–	–	–	- 2.1
Movements in effective part of cash flow hedges	–	- 1.0	–	–	- 1.0
Tax effect on movements in cash flow hedges	–	0.2	–	–	0.2
Use of effective part of cash flow hedges (to statement of income)	–	- 7.4	–	–	- 7.4
Tax effect on use of cash flow hedges	–	1.9	–	–	1.9
Movements in effective part of cash flow hedges joint ventures	–	- 1.1	–	–	- 1.1
Release on revaluation of assets	–	–	- 5.9	–	- 5.9
Tax effect on release on revaluation of assets	–	–	1.2	–	1.2
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**

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 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.

In EUR millions	2018	2019	2020	2021	2022	> 2022	Total
Use of revaluation reserve derivatives	28.3	- 21.9	- 26.3	8.8	10.2	120.6	119.7

Note 5.3 Retained earnings

In EUR millions	2017	2016
Balance at 1 January	**2,276.1**	**1,888.2**
Dividend paid in cash	- 133.9	- 127.5
Remeasurements of defined benefit plans	45.4	- 26.2
Measurement of equity-settled share-based payment arrangements	- 0.4	2.9
Vested shares under equity-settled share-based payment arrangements	- 3.6	–
Release of revaluation reserve	–	4.7
Net profit attributable to owners of parent	235.4	534.0
Balance at 31 December	**2,419.0**	**2,276.1**

Of the reserves, EUR 1,889.4 million (2016: EUR 1,860.3 million) can be distributed freely (see note 4 of the Company Financial Statements). The actual dividend paid in cash per ordinary share in 2017 was EUR 1.05 (2016: EUR 1.00).

For the proposed dividend per share, reference is made to the paragraph Profit Appropriation.

Note 5.4 Non-controlling interests

In EUR millions	2017	2016
Balance at 1 January	**159.3**	**151.0**
Net profit	39.8	45.6
Dividend paid in cash	- 38.9	- 41.3
Capital injection	4.1	2.3
Exchange differences	- 8.4	1.7
Balance at 31 December	**155.9**	**159.3**

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)	
	2017	2016	2017	2016	2017	2016	31-Dec-17	31-Dec-16
Total			**39.8**	**45.6**	**38.9**	**41.3**	**155.9**	**159.3**
of which Vopak Terminals Singapore Pte. Ltd.	30.5%	30.5%	38.1	40.1	34.3	37.1	115.0	92.7

The summarized financial information (at 100%) regarding Vopak Terminals Singapore Pte. Ltd. is as follows:

In EUR millions	31-Dec-17	31-Dec-16
Total non-current assets	541.4	522.7
Cash and cash equivalents	22.4	21.4
Other current assets	49.1	35.2
Total assets	**612.9**	**579.3**
Current liabilities	62.4	51.8
Total non-current liabilities	198.7	223.6
Total liabilities	**261.1**	**275.4**
Total net assets	**351.8**	**303.9**

In EUR millions	2017	2016
Revenues	264.2	271.0
Net profit	123.1	131.4
Other comprehensive income	- 21.0	4.4
Total comprehensive income	**102.1**	**135.8**
Operating cash flow	162.7	164.8
Increase/decrease (-) in cash and cash equivalents	1.0	- 8.5

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.

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 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 2015	**67.3**	**- 56.0**	**- 2,306.9**	**- 2,295.6**
Cash flows	228.8	55.7	266.2	550.7
Other non-cash movements	–	–	- 1.3	- 1.3
Exchange differences	1.7	–	- 59.7	- 58.0
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**
Current assets	130.0	–	–	130.0
Non-current liabilities	–	–	- 1,551.4	- 1,551.4
Current liabilities	- 27.1	- 80.0	- 5.4	- 112.5
Carrying amount at 31 December 2017	**102.9**	**- 80.0**	**- 1,556.8**	**- 1,533.9**

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.

In 2016, the Group already early repaid USD 30 million (EUR 27.3 million) as part of the USPP 2012 loan at par and prepaid SGD 225 million (EUR 146.8 million) on the 2010 Asian PP loan. The latter resulted in a make-whole payment of EUR 4.4 million.

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	2017	2016
EBITDA		**695.3**	**1,023.2**
-/- Result joint ventures and associates		111.3	123.8
Gross dividend received from joint ventures and associates		90.5	119.8
-/- Exceptional items		- 67.9	200.9
-/- Divestments full year adjustment		–	9.1
EBITDA for ratio calculation		**742.4**	**809.2**
Net interest-bearing debt		**- 1,533.9**	**- 1,804.2**
Derivative financial instruments (currency)		25.9	158.2
Credit replacement guarantees	8.8, 8.9	- 91.6	- 100.4
Cash equivalent investments		8.8	–
-/- Subordinated loans		- 87.8	- 96.4
Senior net debt for ratio calculation		**- 1,503.0**	**- 1,650.0**
Financial ratios			
Senior net debt : EBITDA		2.02	2.04
Interest cover [1]		6.4	7.6

1. Interest cover is the ratio of the EBITDA and the net finance costs.

With a Senior net debt : EBITDA ratio of 2.02 (2016: 2.04) and an interest cover ratio of 6.4 (2016: 7.6), Vopak comfortably met the applicable financial ratios as at 31 December 2017.

Average remaining maturities and main covenant ratios

At year-end 2017, the interest-bearing loans mainly consist of unsecured Private Placements (PPs) in the US and Asian market as well as a bank loan and a credit facility of Vopak Terminal Singapore Pte Ltd. (VTS). The USPPs consist of various financing programs entered into in 2009 and 2012. For further details on currency and interest rate risks, reference is made to notes 5.7 and 5.8 and 8.9.

In EUR millions	USPPs	Asian PPs	VTS bank loan	RCFs	Other	Bank loans	Total
	Interest-bearing loans						
Non-current	1,669.8	162.7	65.8	17.0	23.4	–	1,938.7
Current	162.7	–	–	–	0.3	0.3	163.3
Carrying amount at 31 December 2016	**1,832.5**	**162.7**	**65.8**	**17.0**	**23.7**	**0.3**	**2,102.0**
Average remaining terms (in years)	6.3	24.0	3.7	3.7	38.7		7.9
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
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 fair value of the interest-bearing loans is disclosed in note 8.9.

Cash and cash equivalents

In EUR millions	31-Dec-17	31-Dec-16
Cash and bank	86.0	93.0
Short-term deposits	44.0	213.0
Total	**130.0**	**306.0**

Cash and cash equivalents include all cash balances and short-term deposits, which are immediately redeemable, 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 2017 was 0.58% (2016: 0.77%); these deposits have an average term of 76 days (2016: 31 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-17	31-Dec-16
Cash and cash equivalents	130.0	306.0
Bank overdrafts	- 27.1	- 8.2
Total	**102.9**	**297.8**

The cash and cash equivalents were at the free disposal of the Group for the years presented.

Note 5.6 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 and the current financing policy is reviewed on the basis of this assessment and adjusted where necessary. Active cash management is a daily responsibility and the liquidity requirements are identified each quarter based on thorough scenario planning. Surplus cash is invested in interest-bearing current accounts and deposit accounts.

Vopak's Global Treasury function acts as an in-house bank that allocates funds, which are raised centrally, internally 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 62.6 million (SGD 100 million), drawdowns under the revolving credit facilities of EUR 6.3 million (SGD 10 million) of Vopak Terminals Singapore Pte. Ltd. and the bank loan of EUR 6.4 million (INR 493 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 8.8 for more information with regards to commitments and guarantees provided to joint ventures and associates.

Available credit facilities

At year-end 2017, the company had two revolving credit facilities (RCFs) which provide flexibility to finance Vopak´s long-term growth strategy.

		31 December 2017			31 December 2016		
In EUR millions	Maturity	Total facility [1]	Used	Unused	Total facility [1]	Used	Unused
Royal Vopak - Revolving credit facility	< 5 years	1,000.0	–	1,000.0	1,000.0	–	1,000.0
VTS - Revolving credit facility	< 4 years	62.6	6.3	56.3	65.8	19.7	46.1
Total committed facilities		**1,062.6**	**6.3**	**1,056.3**	**1,065.8**	**19.7**	**1,046.1**
Royal Vopak - Bank loan facility	< 1 year	230.0	80.0	150.0	180.0	–	180.0
Total uncommitted facilities		**230.0**	**80.0**	**150.0**	**180.0**	**–**	**180.0**
Total facilities		**1,292.6**	**86.3**	**1,206.3**	**1,245.8**	**19.7**	**1,226.1**

1. At nominal value.

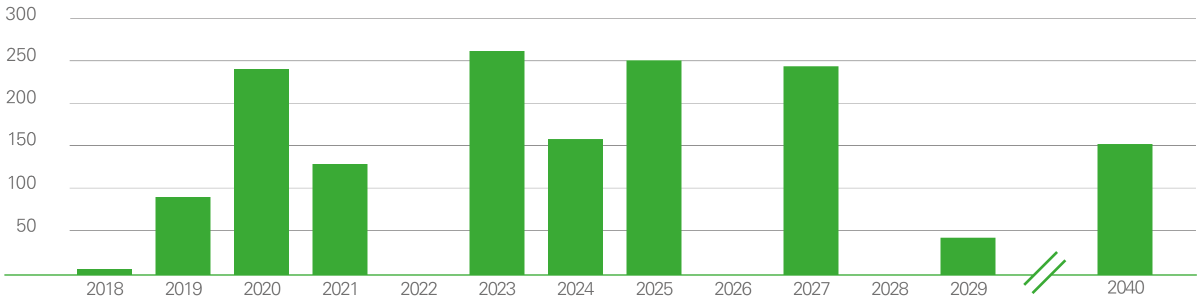
On 1 June 2016, Vopak renewed the EUR 1 billion senior unsecured multicurrency revolving credit facility (RCF). This facility replaced the previous RCF of EUR 1 billion, which was in place since February 2011. The RCF had an initial maturity of five years with two extension options of one year each. In 2017 the first option to extend with one year has been exercised. This facility was unutilized at year-end 2017.

At 31 December 2017, the Group also had unused lines of credit of EUR 150.0 million (2016: EUR 180 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 interest-bearing loans of the Group 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 (see note 8.8) 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	2017	2016	2017	2016	2017	2016	2017	2016
Cash and cash equivalents	130.0	306.0	–	–	–	–	–	–
Trade and other receivables	253.7	224.6	–	–	–	–	–	–
Loans to joint ventures and associates	–	–	–	–	–	–	2.0	2.0
Other loans	8.8	–	–	–	–	–	17.8	12.5
Finance lease receivable	5.0	5.2	5.1	5.3	21.9	22.5	66.8	76.5
Total undiscounted financial assets (excluding gross settled derivatives)	**397.5**	**535.8**	**5.1**	**5.3**	**21.9**	**22.5**	**86.6**	**91.0**
Bank overdrafts	27.1	8.2	–	–	–	–	–	–
Redemption of interest-bearing loans	5.4	163.0	86.9	1.6	364.3	608.1	1,100.2	1,329.0
Short-term borrowings	80.0	0.3	–	–	–	–	–	–
Interest payments	66.9	93.1	66.7	86.8	153.4	219.1	142.0	259.8
Interest rate swaps	0.4	- 5.6	0.7	- 3.3	8.7	- 3.3	76.6	76.9
Trade and other creditors (excluding non-financial instruments)	149.4	149.2	–	–	–	–	–	–
Total undiscounted financial liabilities (excluding gross settled derivatives)	**329.2**	**408.2**	**154.3**	**85.1**	**526.4**	**823.9**	**1,318.8**	**1,665.7**
Derivative financial instruments outflow	–	- 156.1	- 221.4	–	- 163.7	- 385.0	- 346.3	- 355.4
Derivative financial instruments inflow	–	190.3	239.0	–	180.7	477.0	337.6	387.4
Total undiscounted gross settled derivatives	**–**	**34.2**	**17.6**	**–**	**17.0**	**92.0**	**- 8.7**	**32.0**
Financial guarantees and securities issued	206.9	126.5	–	–	–	–	–	–
Total financial guarantees and securities	**206.9**	**126.5**	**–**	**–**	**–**	**–**	**–**	**–**
Liquidity movements	**- 138.6**	**35.3**	**- 131.6**	**- 79.8**	**- 487.5**	**- 709.4**	**- 1,240.9**	**- 1,542.7**

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.

Note 5.7 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 table below provides an overview of the items of the interest-bearing loans which are denominated in a foreign currency.

	Local currency		Euro	
In millions	2017	2016	2017	2016
Euro (EUR)	72.8	90.7	72.8	90.7
US dollar (USD)	1,444.7	1,794.7	1,204.3	1,700.9
Pound sterling (GBP)	35.0	35.0	39.4	41.1
Canadian dollar (CAD)	25.0	25.0	16.7	17.7
Singapore dollar (SGD)	110.0	130.0	68.9	85.6
Japanese yen (JPY)	20,000.0	20,000.0	148.3	162.7
India Rupee (INR)	493.4	215.8	6.4	3.0
Total			**1,556.8**	**2,101.7**

The primary objective of the currency risk policy is to protect the value of Vopak's cash flows. 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 risks associated with commercial transaction positions arising from operating activities are limited for Vopak, 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), 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 main foreign currency 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 result of foreign currency operations, which is described in note 2.8.

Translation risk arising from the investments in foreign operations

Net investments in foreign activities are, in principle, hedged by loans in the same currency and forward exchange contracts, while applying net investment hedge accounting. The amount of the hedge is determined mainly by the expected net financing position : EBITDA ratio of subsidiaries for the next three years and interest differential.

Due to the Private Placements 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).

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. Reversal through the statement of income takes place proportionately if all or part of the underlying position is sold. Both the ineffective part and the interest component are recognized directly in the statement of income. All currency hedges for 2017 and 2016 were highly effective (between 80% and 125%).

The market value of the currency part of derivative financial instruments at 31 December 2017 and 31 December 2016 in order of maturity date is shown below:

In EUR millions	Maturity	31 December 2017 Assets [1]	Liabilities [1]	Notional amount	31 December 2016 Assets [1]	Liabilities [1]	Notional amount
Forward foreign currency contracts [2]	< 1 year	0.6	0.8	340.3	0.3	2.4	395.3
Total net investment hedges		**0.6**	**0.8**	**340.3**	**0.3**	**2.4**	**395.3**
Forward foreign currency contracts	< 1 year	2.1	14.7	435.0	1.7	8.6	454.0
Cross currency swaps [3]	< 1 year	–	–	–	34.3	–	156.1
Cross currency swaps [3]	1-5 years	34.6	–	385.0	92.1	–	385.0
Cross currency swaps [3]	> 5 years	16.7	25.4	346.3	47.7	15.7	355.4
Total cash flow hedges		**53.4**	**40.1**	**1,166.3**	**175.8**	**24.3**	**1,350.5**
Total derivative financial instruments		**54.0**	**40.9**	**1,506.6**	**176.1**	**26.7**	**1,745.8**

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 (2017: USD 771 million and JPY 15 billion; 2016: USD 971 million and JPY 16 billion) on fixed debt denominated in foreign currency.

Reference is made to note 5.9 for a reconciliation between the amounts presented in the table above and the amounts recognized in the Consolidated Statement of Financial Position.

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 are subject to exchange rate movements. The sensitivity analysis for the main currencies and their positions at 31 December 2017 and 31 December 2016 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.

In EUR millions	Depreciation [1] Net profit	Equity	Appreciation [1] Net profit	Equity
31 December 2016				
USD	- 1.5	- 20.9	1.9	25.6
SGD	0.1	- 4.6	- 0.2	5.7
CNY	- 0.2	- 32.2	0.3	39.3
BRL	–	- 7.1	–	8.7
JPY	–	- 6.8	–	8.3
Total effect	**- 1.6**	**- 71.6**	**2.0**	**87.6**
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**

1. Foreign currency against the euro.

Note 5.8 Interest rate risk

Vopak's policy on interest rate risks aims to control the net finance costs resulting from fluctuations in market interest rates, taking into account the long-term profile of the company. Fixed-rate debt results in fair value interest rate risk. Floating-rate debt results in cash flow interest rate 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 a level of fixed/floating within the bandwidth of the interest coverage ratio, which aims to optimize net finance expenses and reduce volatility on the net result.

Interest rate swaps are used aiming at minimizing the interest rate risks associated with the financing of the Group and at the same time optimizing the net interest costs. Interest rate risks are identified and possible hedges considered when obtaining or providing new financing.

As at 31 December 2017, taking into account the interest rate swaps, 94% (2016: 99%) of the total interest-bearing loans and bank loans of EUR 1,636.8 million (2016: EUR 2,101.7 million) was financed at a fixed interest rate with remaining terms of up to twenty-five years.

The CCIRSs as described earlier under currency risks and risk management, are also part of the interest rate risk policy. The objective of these hedges is to restrict fluctuations in interest expenses due to changes in the currency exchange rates and interest rates. The fair value changes relating to the fixed interest flows are recognized in equity via OCI under the revaluation reserve derivatives by means of hedge accounting (cash flow hedges). A loss of EUR 119.7 million, net of tax had been recognized in equity via OCI up to 31 December 2017 (2016: EUR 137.6 million) (see note 5.2).

All interest rate swaps were highly effective hedging instruments in 2017 and 2016 (between 80% and 125%).

The average fixed interest and the average floating interest on the interest-bearing loans and bank loans at 31 December 2017 were respectively 4.4% (2016: 4.3%) and 0.8% (2016: 2.4%). The following statement provides insight into the interest repricing calendar for the interest-bearing loans and bank loans at the statement of the financial position, while taking into account the effects of the derivatives and the hedge accounting applied.

	31 December 2017			31 December 2016		
In EUR millions	Floating	Fixed	Total	Floating	Fixed	Total
< 1 year	- 85.4	–	- 85.4	–	- 163.0	- 163.0
1-2 years	–	- 86.9	- 86.9	- 1.6	–	- 1.6
2-3 years	- 6.3	- 232.9	- 239.2	–	- 190.3	- 190.3
3-4 years	–	- 125.1	- 125.1	- 19.8	- 256.1	- 275.9
4-5 years	–	–	–	–	- 141.9	- 141.9
> 5 years	–	- 1,100.2	- 1,100.2	–	- 1,329.0	- 1,329.0
Total [1]	**- 91.7**	**- 1,545.1**	**- 1,636.8**	**- 21.4**	**- 2,080.3**	**- 2,101.7**

1. Of which currency component derivatives amounts to EUR 26.0 million (2016: EUR 158.2 million).

The market value of the interest rate part of the derivative financial instruments, including credit risk, and in order of maturity date are shown below.

		31 December 2017			31 December 2016		
In EUR millions	Maturity	Assets [1]	Liabilities [1]	Notional amount	Assets [1]	Liabilities [1]	Notional amount
Cross currency interest rate swaps [2]	< 1 year	–	–	–	–	0.4	156.1
Cross currency interest rate swaps [2]	1-5 years	–	18.3	385.0	–	18.5	385.0
Cross currency interest rate swaps [2]	> 5 years	–	75.1	346.3	–	82.6	355.4
Total cash flow hedges		**–**	**93.4**	**731.3**	**–**	**101.5**	**896.5**
Total derivative financial instruments		**–**	**93.4**	**731.3**	**–**	**101.5**	**896.5**

1. At fair value.
2. Cross currency swaps accounted are used to hedge future cash flow interest rate risks (2017: USD 771 million and JPY 15 billion; 2016: USD 971 million and JPY 16 billion) on fixed debt denominated in foreign currency.

Reference is made to note 5.9 for a reconciliation between the amounts presented in the table above and the amounts recognized in the Consolidated Statement of Financial Position.

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 the market interest rates, Vopak has used a fixed percentage of 25% as a reasonable change at year-end 2017 and year-end 2016.

		Increase 25%		Decrease 25%	
In EUR millions	Closing level 3-month	Net profit	Equity [1]	Net profit	Equity [1]
31 December 2016					
EUR	-0.35%	- 0.2	17.4	0.2	- 16.5
USD	0.67%	0.3	- 13.0	- 0.3	13.3
SGD	0.94%	0.3	2.9	- 0.1	- 3.0
JPY	-0.04%	–	- 3.9	–	4.0
Total effect		**0.4**	**3.4**	**- 0.2**	**- 2.2**
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**

1. Revaluation reserve derivatives through Other comprehensive income.

Note 5.9 Derivative financial instruments

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, interest rate swaps and cross-currency interest rate swaps.

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.

The Group only applies ***fair value hedge*** accounting for hedging fixed interest risk on loans drawn. If a fair value hedge is used, the hedging instrument is carried at fair value and the changes in fair value are recognized in the statement of income. The hedged position is recognized at fair value to the extent that the movements in the fair value are caused by the hedged risk. These movements in value are likewise recognized directly in the statement of income.

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. The effective parts of changes in the fair value of derivative financial instruments are recognized in other comprehensive income.

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 investments in foreign operations can be hedged (***net investment hedge***) by qualifying and designated derivative financial instruments, which are accounted for in a way similar to cash flow hedges (see above). If a debt denominated in foreign currency hedges a net investment in a foreign operation in the same currency, the exchange differences due to translation of the net investment and the debt into euros are recognized in other comprehensive income, to the extent that the hedge is effective. The ineffective part is recognized in the statement of income under Finance costs. Accumulated exchange losses and gains in equity are reclassified at the time foreign activities are (partially) disposed of.

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. 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 8.9 for more information.

Reconciliation of derivative financial instruments

		31 December 2017			31 December 2016		
In EUR millions	Note	Assets	Liabilities	Total	Assets	Liabilities	Total
Currency part derivative financial instruments	5.7	54.0	40.9	13.1	176.1	26.7	149.4
Interest part derivative financial instruments	5.8	–	93.4	- 93.4	–	101.5	- 101.5
Total derivative financial instruments		**54.0**	**134.3**	**- 80.3**	**176.1**	**128.2**	**47.9**
Offsetting		- 35.0	- 35.0	–	- 46.0	- 46.0	–
Total		**19.0**	**99.3**	**- 80.3**	**130.1**	**82.2**	**47.9**
Non-current		16.3	83.8	- 67.5	94.2	71.2	23.0
Current		2.7	15.5	- 12.8	35.9	11.0	24.9
Total		**19.0**	**99.3**	**- 80.3**	**130.1**	**82.2**	**47.9**

The table above shows the effects of combining the currency part of the derivative financial instruments (see note 5.7) and the interest part of the derivative financial instruments (see note 5.8) as well as the offsetting applied on the individual contractual positions and a reconciliation to the Consolidated statement of financial position.

Note 5.10 Net finance costs

Accounting policies

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, using the effective interest method. Dividend income is recognized when the right to receive payment is established.

Finance costs consist primarily of interest 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.

Introduction
Executive Board report
Storing vital products with care
Key developments per division
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

Net finance costs

In EUR millions	2017	2016
Interest income	11.7	10.4
Dividends on other financial assets	0.9	1.0
Interest and dividend income	**12.6**	**11.4**
Interest expense [1]	101.4	97.8
Capitalized interest	- 2.6	- 4.9
Interest component of provisions	0.4	0.4
Fair value movements of (part of) derivative financial instruments (no hedge accounting)	118.3	- 3.3
Exchange differences on underlying items [2]	- 109.3	23.5
Other	26.4	5.1
Finance costs	**134.6**	**118.6**
Net finance costs	**122.0**	**107.2**

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.

2017

In 2017, the Group's net finance costs -excluding exceptional items- amounted to EUR 98.5 million, a decrease of EUR 8.7 million (-8%) compared to EUR 107.2 million in 2016. The decrease relates to a large extent to lower interest expenses due to the debt repayments in 2016 and 2017, partially offset by a lower amount of capitalized interest.

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 has recognized a constructive obligation of EUR 6.3 million in relation to the joint venture terminal in Hainan in China that is 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.

In 2017, capitalized interest during construction was subject to an average interest rate of 5.9% (2016: 7.5%).

2016

In 2016, a make-whole payment of EUR 4.4 million was recognized relating to the voluntary early redemption of the SGD Asian PP loan. In addition, the repayment of an intercompany loan which was historically part of the net investment by one of our terminals in the Americas division resulted in the recognition of a loss of EUR 4.5 million of foreign currency translation differences which were previously recognized in OCI. The lower interest expenses due to the repayment of interest-bearing loans during 2016, were partially offset by the lower amount of capitalized interest.

Introduction
Executive Board report
Storing vital products with care
Key developments per division
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

Section 6 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:

- 6.1 Remuneration of Board members
- 6.2 Long-term incentive plans (LTIPs)
- 6.3 Related parties
- 6.4 Fees paid to auditors appointed at the Annual General Meeting

Note 6.1 Remuneration of Board members

Reference is made to the section of the remuneration report for information regarding the remuneration of the Supervisory Board members and the Executive Board members.

Note 6.2 Long-term incentive plans (LTIPs)

At year-end 2017, as in 2016, 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 with the exception of the LTSP 2015-2017 which is 50% equity-settled and 50% cash-settled. For eligible senior management, the LTSPs consist of equity-settled share-based compensation plans for 50% and cash-settled share-based compensation plans for 50%. As an exception, the recognition of the LTSP 2016-2018 and the LTSP 2017-2019 were amended into fully cash-settled for Mr De Kreij in accordance with the plan rules, following his decision and announcement to step down early 2018.

The LTCPs are other long-term remuneration plans settled in cash. The periods to which the plans relate are presented below:

- LTSP and LTCP 2015-2017
- LTSP and LTCP 2016-2018
- LTSP and LTCP 2017-2019

The LTSP and LTCP 2014-2016 were vested and settled during 2017.

Accounting policies

Share-based compensation

For equity-settled share-based compensation plans, the fair value 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. For cash-settled share-based compensation plans, the fair value 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.

Introduction
Executive Board report
Storing vital products with care
Key developments per division
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

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

	LTSP 2017		LTSP 2016		LTSP 2015				
In EUR thousands	equity-settled	cash-settled [1]	equity-settled	cash-settled [1]	equity-settled	cash-settled [1]	Cash Plan	Total 2017 [2]	Total 2016
E.M. Hoekstra	119.5	–	- 242.6	–	- 46.4	- 67.5	–	- 237.0	1,190.7
J.P. de Kreij	–	211.4	–	- 212.6	- 31.4	- 45.7	–	- 78.3	814.4
F. Eulderink	76.4	–	- 150.9	–	- 30.1	- 43.7	–	- 148.3	725.5
Members Executive Board	**195.9**	**211.4**	**- 393.5**	**- 212.6**	**- 107.9**	**- 156.9**	**–**	**- 463.6**	**2,730.6**
Other	**429.2**	**53.8**	**- 443.7**	**- 450.0**	**- 176.5**	**- 262.9**	**- 572.6**	**- 1,422.7**	**7,765.5**
Total	**625.1**	**265.2**	**- 837.2**	**- 662.6**	**- 284.4**	**- 419.8**	**- 572.6**	**- 1,886.3**	**10,496.1**

1. The total carrying amount of liabilities for cash-settled share-based payment at 31 December 2017 was EUR 1.0 million (31 December 2016: EUR 7.2 million).
2. Negative costs of LTIPs related to accounting remeasurement caused by a change in the estimated vesting percentages.

For Mr 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 are recognized in the income statement on a pro-rata basis from the start of the service period to the end of the service period.

Mr Gerard Paulides has been appointed as Chief Financial Officer and member of the Executive Board for a period of four years, effective 1 February 2018. As per year-end 2017, he did not participate in any of the long-term incentive plans.

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 2015-2017, 2016-2018 or 2017-2019), 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 table below.

Incentive opportunities	LTSP 2017 [1]	LTSP 2016 [1]	LTSP 2015 [1]
E.M. Hoekstra	0% to 150%	0% to 135%	0% to 120%
J.P. de Kreij	0% to 120%	0% to 105%	0% to 97.5%
F. Eulderink	0% to 120%	0% to 105%	0% to 97.5%
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 the LTSP 2017 and the LTSP 2016 are 100% equity-settled for the Executive Board. For senior management, all plans are 50% equity-settled and 50% cash-settled except for the LTSP 2017, which is 100% equity-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 growth 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	J.P. de Kreij	F. Eulderink	Other	Total
Outstanding at 31 December 2015	**47,374**	**30,222**	**28,622**	**168,874**	**275,092**
Change in expected average salary [1]	- 596	- 384	- 240	- 1,642	- 2,862
Newly awarded	15,308	9,759	9,525	59,480	94,072
Outstanding at 31 December 2016	**62,086**	**39,597**	**37,907**	**226,712**	**366,302**
Vested and settled	- 34,530	- 21,558	- 20,446	- 117,680	- 194,214
Change in expected average salary [1]	- 496	- 227	- 314	- 316	- 1,353
Forfeited	–	–	–	- 1,447	- 1,447
Newly awarded	14,217	9,322	9,099	53,541	86,179
Outstanding at 31 December 2017	**41,277**	**27,134**	**26,246**	**160,810**	**255,467**

1. The conditional awards under the LTSPs are based on an average salary over the 3-year performance period. 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

In EUR thousands	Conditional awards [1] Number	Value at grant	Number of expected shares [2] Number	Value at vesting	Value for cost allocation	Allocated cost to [3] 2017	2016
E.M. Hoekstra							
LTSP 2017, equity-settled (conditional)	14,217	560.8	10,094	NA	398.2	119.5	–
LTSP 2016, equity-settled (conditional)	14,932	669.7	–	NA	–	- 242.6	242.6
LTSP 2015, equity-settled (unconditional)	6,064	278.5	3,032	110.8	139.2	- 46.4	91.9
LTSP 2015, cash-settled (unconditional)	6,064	278.5	3,032	109.6	109.6	- 67.5	100.1
LTSP 2014, equity-settled (settled)	17,265	560.2	21,409	960.8	694.7	–	287.3
LTSP 2014, cash-settled (settled)	17,265	560.2	21,409	955.5	955.5	–	468.8
	75,807	**2,907.9**	**58,976**	**2,136.7**	**2,297.2**	**- 237.0**	**1,190.7**
J.P. de Kreij							
LTSP 2017, cash-settled (conditional) [4]	9,322	367.7	6,619	NA	229.0	211.4	–
LTSP 2016, cash-settled (conditional) [4]	9,614	431.2	–	NA	–	- 212.6	212.6
LTSP 2015, equity-settled (unconditional)	4,099	188.2	2,049	74.9	94.1	- 31.4	62.1
LTSP 2015, cash-settled (unconditional)	4,099	188.2	2,049	74.0	74.0	- 45.7	67.7
LTSP 2014, equity-settled (settled)	10,779	349.8	13,366	599.9	433.7	–	179.3
LTSP 2014, cash-settled (settled)	10,779	349.8	13,366	596.5	596.5	–	292.7
	48,692	**1,874.9**	**37,449**	**1,345.3**	**1,427.3**	**- 78.3**	**814.4**
F. Eulderink							
LTSP 2017, equity-settled (conditional)	9,099	358.9	6,460	NA	254.8	76.4	–
LTSP 2016, equity-settled (conditional)	9,291	416.7	–	NA	–	- 150.9	150.9
LTSP 2015, equity-settled (unconditional)	3,928	180.4	1,964	71.8	90.2	- 30.1	59.9
LTSP 2015, cash-settled (unconditional)	3,928	180.4	1,964	71.0	71.0	- 43.7	65.2
LTSP 2014, equity-settled (settled)	10,223	331.7	12,677	568.9	411.4	–	170.9
LTSP 2014, cash-settled (settled)	10,223	331.7	12,677	565.8	565.8	–	278.6
	46,692	**1,799.8**	**35,742**	**1,277.5**	**1,393.2**	**- 148.3**	**725.5**
Members Executive Board	**171,191**	**6,582.6**	**132,167**	**4,759.5**	**5,117.7**	**- 463.6**	**2,730.6**
Senior management							
LTSP 2017, equity-settled (conditional)	50,554	2,016.0	35,893	NA	1,431.4	429.2	–
LTSP 2017, cash-settled (conditional)	2,494	99.5	1,770	NA	61.2	53.8	–
LTSP 2016, equity-settled (conditional)	27,895	1,177.7	–	NA	–	- 443.7	443.7
LTSP 2016, cash-settled (conditional)	30,655	1,294.3	–	NA	–	- 450.0	450.0
LTSP 2015, equity-settled (unconditional)	24,606	1,072.6	12,303	449.9	536.3	- 176.5	357.4
LTSP 2015, cash-settled (unconditional)	24,606	1,072.6	12,303	444.6	444.6	- 262.9	399.9
LTSP 2014, equity-settled (settled)	58,840	2,344.8	72,961	3,274.5	2,907.5	–	1,211.5
LTSP 2014, cash-settled (settled)	58,840	2,344.8	72,961	3,256.2	3,256.2	–	1,606.6
Others	**278,490**	**11,422.3**	**208,191**	**7,425.2**	**8,637.2**	**- 850.1**	**4,469.1**
Total LTIPs	**449,681**	**18,004.9**	**340,358**	**12,184.7**	**13,754.9**	**- 1,313.7**	**7,199.7**
Of which vested and settled in 2016	–	–	–	–	–	–	–
Of which vested and settled in 2017	194,214	7,173.0	240,826	10,778.1	9,821.3	–	4,495.7
Outstanding LTIPs 31 December 2017	**255,467**	**10,831.9**	**99,532**	**1,406.6**	**3,933.6**	**- 1,313.7**	**2,704.0**

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 Jack de Kreij, Chief Financial Officer and Vice-Chairman of the Executive Board informed the Supervisory Board that he decided to step down as per 1 February 2018. The recognition of the LTSP 2016 and LTSP 2017 were amended into fully cash-settled for Mr Jack de Kreij in accordance with the plan rules, due to his resignation early in 2018. The costs of the LTSP are allocated to the remaining period of service.

Note 6.3 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 2017 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.

	Joint ventures		Associates		Total	
In EUR millions	2017	2016	2017	2016	2017	2016
Other operating income	10.6	7.0	0.4	0.5	11.0	7.5
Interest income on borrowings to	–	–	1.6	0.6	1.6	0.6
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 8.4.

Note 6.4. 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	2017	2016
Financial statements audit fees	1.2	1.2
Tax fees	–	–
Other assurance fees	0.1	0.1
Total	**1.3**	**1.3**

The financial statements audit fees include the aggregate fees in 2017 and 2016 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 2017 and 2016.

The total fees of Deloitte Accountants B.V., the Netherlands, charged to the company and its consolidated Group entities amounted to EUR 0.6 million in 2017 (2016: EUR 0.7 million). Of the 2016 fees, an amount of EUR 0.2 million relates to non-recurring fees for the 2015 audit which were approved by the Audit Committee in 2016.

Introduction
Executive Board report
Storing vital products with care
Key developments per division
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

Section 7 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:
- 7.1 Income taxes
- 7.2 Deferred taxes

Note 7.1 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 equity through other comprehensive income.

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, as 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 is different 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	2017	2016
Current taxes		
Current financial year	68.7	66.5
Adjustments for prior years	- 1.3	- 5.5
	67.4	**61.0**
Deferred taxes		
Adjustments for prior years	- 7.0	- 4.6
Temporary differences	5.5	17.5
Recognition of tax losses and tax credits	- 6.0	- 1.5
Changes in tax rates	- 34.6	0.1
	- 42.1	**11.5**
Tax on profit	**25.3**	**72.5**
Income tax paid	51.7	70.9
Movements in current and deferred tax balances	- 26.4	1.6
Income tax expense	**25.3**	**72.5**

In 2017, EUR 39.4 million of exceptional gains was recognized in the income tax expenses (2016: income of EUR 6.8 million). 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 are classified as an exceptional item. The remainder of the exceptional gains in the income tax expenses relates 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 is 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 7.2.

Tax expenses per share

The tax expense per share amounts to EUR 0.20 (2016: EUR 0.57).

Reconciliation of effective tax rate

In EUR millions	2017		2016	
Profit before income tax		300.5		652.1
Tax on profit		25.3		72.5
Effective tax rate		**8.4%**		**11.1%**
Composition:	*Amount*	*%*	*Amount*	*%*
Weighted average statutory tax rate	76.0	25.3	143.8	22.0
Participation exemption	- 9.4	- 3.1	- 69.1	- 10.6
Non-deductible expenses	6.1	2.0	9.7	1.5
Changes in tax rates	- 34.6	- 11.5	–	–
Recognition of tax losses and tax credits	0.3	0.1	1.4	0.2
Tax facilities	- 0.8	- 0.3	–	–
Movements in prior-year taxes	- 8.3	- 2.8	- 10.1	- 1.5
Other effects	- 4.0	- 1.3	- 3.2	- 0.5
Effective tax (rate)	**25.3**	**8.4**	**72.5**	**11.1**

The income tax expense for 2017 amounted to EUR 25.3 million (2016: EUR 72.5 million). The effective tax rate decreased from 11.1% in 2016 to 8.4% in 2017. This decrease was mainly due to the effects of the changes in the corporate income tax rates in the United States and Belgium. Furthermore, the recovery of previously unrecognized tax receivables and confirming past tax payables have resulted in a tax gain of EUR 8.3 million in 2017. Excluding exceptional items, the effective tax rate for 2017 was 16.5% (2016: 17.6%).

Income tax recognized in other comprehensive income

In EUR millions	Note	2017	2016
On changes in the value of cash flow hedges	5.2	1.9	- 0.2
On exchange differences and hedges	5.2	6.0	0.6
On use of cash flow hedges	5.2	- 1.0	- 1.9
On use of exchange differences and hedges	5.2	–	2.1
On remeasurements of defined benefit plans		20.8	- 8.8
Total		**27.7**	**- 8.2**

Note 7.2 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 set off. 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 annually 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

		Temporary differences						
In EUR millions	Carry-forward losses	Property, plant and equipment	Loans granted	Employee benefits	Other	Other	Offset assets and liabilities	Statement of financial position
Assets	4.6	7.7	0.8	35.5	32.3	0.9	- 67.9	13.9
Liabilities	–	- 258.5	–	–	- 15.6	–	67.9	- 206.2
Balance 31 December 2015	**4.6**	**- 250.8**	**0.8**	**35.5**	**16.7**	**0.9**	**–**	**- 192.3**
Movements:								
- Statement of income	1.5	- 22.2	2.2	5.8	1.3	- 0.1		- 11.5
- Other comprehensive income	–	–	- 3.7	8.8	–	–		5.1
- Reclassification	–	8.7	–	–	- 8.6	- 0.1		–
- Exchange differences	- 2.0	- 5.8	0.2	0.4	0.4	- 0.1		- 6.9
Balance 31 December 2016	**4.1**	**- 270.1**	**- 0.5**	**50.5**	**9.8**	**0.6**		**- 205.6**
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**

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.

Due to the tax rate changes in the United States and Belgium as per 1 January 2018, a release of the deferred tax position of EUR 34.6 million has been recognized.

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 24.0 million at 31 December 2017 (2016: EUR 27.2 million). The maturity schedule is as follows:

In EUR millions	2018	2019	2020	2021	2022+	unlimited	Total
Offsettable carry-forward losses	8.5	0.6	–	1.6	12.8	0.5	24.0

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 8 Other disclosures

This section provides details on items which are not included in other sections, but which are of statutory or secondary importance for understanding the 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:
- 8.1 Earnings per ordinary share - number of shares
- 8.2 Loans granted and finance lease receivables
- 8.3 Other non-current assets
- 8.4 Pensions and other employee benefits
- 8.5 Provisions
- 8.6 Operating leases
- 8.7 Investment commitments undertaken
- 8.8 Contingent assets and contingent liabilities
- 8.9 Financial assets and liabilities and credit risk
- 8.10 New standards and interpretations not yet implemented
- 8.11 Principal subsidiaries, joint ventures and associates
- 8.12 Events after the reporting period

Note 8.1 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 127,541,590 in 2017 (2016: 127,498,822).

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	2017	2016
Outstanding ordinary shares at 1 January	5.1	127,465	127,545
Purchase treasury shares	5.1	77	- 46
Basic weighted average number of ordinary shares		**127,542**	**127,499**
Dilutive effect of LTSPs (equity-settled part)		145	217
Weighted average number of ordinary shares including dilutive effect		**127,687**	**127,716**

At 31 December 2017, the company owned 190,000 treasury shares (2016: 370,000). 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 2017 the LTSP 2014-2016 share-based payment arrangement was settled (2016: no plans settled) and 101,599 treasury shares were sold.

The LTSP 2015-2017 will be settled in 2018. For more information reference is made to note 6.2.

Note 8.2 Loans granted and finance lease receivable

In EUR millions	Loans to joint ventures and associates 2017	Loans to joint ventures and associates 2016	Other loans 2017	Other loans 2016	Total loans granted 2017	Total loans granted 2016	Finance lease receivable 2017	Finance lease receivable 2016
Carrying amount at 1 January	**2.0**	**87.9**	**12.5**	**7.8**	**14.5**	**95.7**	**30.5**	**29.3**
Movements:								
Loans granted	67.7	–	14.3	3.3	82.0	3.3	–	–
Repayments	- 63.2	- 85.9	–	–	- 63.2	- 85.9	- 4.9	- 5.0
Finance lease interest income	–	–	–	–	–	–	5.5	5.3
Exchange differences	- 4.5	–	- 0.2	1.4	- 4.7	1.4	- 1.9	0.9
Carrying amount at 31 December	**2.0**	**2.0**	**26.6**	**12.5**	**28.6**	**14.5**	**29.2**	**30.5**
Non-current receivables	2.0	2.0	17.8	12.5	19.8	14.5	29.2	30.5
Current receivables	–	–	8.8	–	8.8	–	–	–
Carrying amount at 31 December	**2.0**	**2.0**	**26.6**	**12.5**	**28.6**	**14.5**	**29.2**	**30.5**

Loans granted do not include any subordinated loans.

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. The 2017 Other loans contains SGD 14 million (EUR 8.8 million) of deposits with a maturity of more than 3 months.

2016
On 22 February 2016, the associate Jubail Chemicals Storage and Services Company (JCSSC) entered into a non-recourse project financing. As a consequence, the initial proportionate shareholder loan from Vopak of EUR 85.9 million was repaid during 2016.

Reference is made to note 8.9 for the fair value information and note 5.6 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 8.3 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 2017 vary between 4 to 46 years (2016: 5 - 44 years).

Note 8.4 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 Netherlands, the United States, Germany and Belgium. A hybrid pension plan, combining average-pay pensions and defined contributions, applies in the Netherlands, while the other countries mostly operate final-pay pension plans. Most of the defined benefit plans are administrated by pension funds separated from the company.

Introduction
Executive Board report
Storing vital products with care
Key developments per division
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

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 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.

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	2017	2016	2017	2016	2017	2016
Funded defined benefit obligation	1,136.0	1,141.3	131.8	137.1	1,267.8	1,278.4
Fair value of plan assets	- 1,081.8	- 1,035.9	- 95.6	- 96.0	- 1,177.4	- 1,131.9
Deficit of funded plans	**54.2**	**105.4**	**36.2**	**41.1**	**90.4**	**146.5**
Unfunded defined benefit obligation	–	–	18.6	19.2	18.6	19.2
Total deficit of defined benefit plans	**54.2**	**105.4**	**54.8**	**60.3**	**109.0**	**165.7**
Net pension obligation under defined contribution plans	2.7	3.8	1.0	1.0	3.7	4.8
Net pension obligation recognized at 31 December	**56.9**	**109.2**	**55.8**	**61.3**	**112.7**	**170.5**
Current liabilities					1.4	1.5
Non-current liabilities					111.3	169.0
Net pension obligation recognized at 31 December					**112.7**	**170.5**

Due to legislative changes in the Netherlands, the early retirement schemes for employees born on or after 1 January 1950 were curtailed as per 1 January 2006. These employees were offered a defined contribution plan and a contribution to a life-cycle savings scheme instead. A provision was formed in 2006 for future contributions that correspond to years of past service. The employer's contribution to the defined contribution plan amounted to EUR 2.3 million in 2017 (2016: EUR 2.6 million), of which EUR 1.2 million (2016: EUR 1.3 million) is compensated for by the release of the provision for the employer's contribution corresponding to years of past service.

Pension plan governance in the Netherlands

The Dutch pension fund holds 88% (2016: 88%) of the total defined benefit obligation. Therefore, detailed information regarding the Dutch pension plan on a local basis is provided below.

Through the pension fund, employees are insured against the consequences of old age, disability and death. The employer and the employees (as of 1 January 2008) each pay contributions to the pension plan. The pension fund has the legal structure of a foundation. The (actuarial) risks related to the pension plan consist of demographic risks (primarily life expectancy) and financial risks (primarily discount rate and return on plan assets), and are regularly reviewed by the board of trustees. The board of trustees is the most senior governing body of the pension fund and is composed of equal numbers of employer and employee representatives (including pensioners).

Pension plans in the Netherlands are subject to the Pension Act which includes the Financial Assessment Framework. This framework sets out minimum capital and buffer requirements for pension funds. A pension fund's financial position is reflected mainly in the funding level. This expresses the relationship between the fair value of plan assets and the present value on a local basis of the benefits relating to past service, averaged over the last twelve months. The minimum required funding level is 104%. In addition, a pension fund must hold sufficient buffers (equity) to be able to cope with financial setbacks. The greater the investment risks in the pension fund, the higher the buffer requirements. The buffer requirement for the Dutch pension fund is 116%.

The Dutch pension fund had a funding level of 112% at year-end 2016. Averaged out over the last twelve months, the funding level at year-end 2016 amounted to 109%. The funding level at 31 December 2017 was calculated preliminarily at 118%. Averaged out over the last twelve months the funding level at year-end 2017 amounted to 116%. At year-end 2017 the Dutch pension fund holds sufficient buffers and therefore a recovery plan is no longer applicable.

The annual report including an actuarial review of the plan is prepared in accordance with legal requirements and can be found on the website of the pension fund (https://pensioenfonds.vopak.com).

The plan assets are managed by independent asset managers who also execute the investment transactions. A fiduciary asset manager has been appointed for the overall asset management.

The risks and monitoring controls for the pension fund have been analyzed based on the risk analysis method of the DNB. An update of this analysis was performed in 2016 and was finalized in 2017. The risks of market-related fluctuations in the value of plan assets are managed by means of a prudent investment strategy and by monitoring the investments. The investment strategy is determined taking into account pension liabilities and local practice and derives from an asset-liability study executed in consultation with external advisors. In order to match liabilities, interest rate hedging and currency hedging strategies have been implemented and in order to stabilize returns, diversification is pursued. The monitoring covers, for example, risks related to changes in interest rates, equity values, currency rates and credit spreads.

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	2017	2016	2017	2016	2017	2016
Current service costs		27.0	20.3	4.6	5.1	31.6	25.4
Past service costs and gains (-) and losses from settlements		–	–	- 0.7	0.1	- 0.7	0.1
Administration costs and taxes		1.0	1.0	0.4	0.3	1.4	1.3
Service costs		**28.0**	**21.3**	**4.3**	**5.5**	**32.3**	**26.8**
Net Interest expenses		1.7	1.3	1.5	1.8	3.2	3.1
Components of defined benefit costs recorded in profit or loss	2.5	**29.7**	**22.6**	**5.8**	**7.3**	**35.5**	**29.9**
Remeasurement of net defined benefit liability:							
Return on plan assets (excluding interest income on plan assets)		- 47.7	- 64.5	- 9.5	- 3.3	- 57.2	- 67.8
Actuarial gains (-) and losses from changes in demographic assumptions		–	3.3	- 1.5	- 0.7	- 1.5	2.6
Actuarial gains (-) and losses arising from experience		- 11.6	5.8	0.3	- 1.6	- 11.3	4.2
Actuarial gains (-) and losses arising from changes in financial assumptions		- 5.5	90.2	9.3	5.8	3.8	96.0
Components of defined benefit costs recorded in other comprehensive income		**- 64.8**	**34.8**	**- 1.4**	**0.2**	**- 66.2**	**35.0**
Total of components of defined benefit costs		**- 35.1**	**57.4**	**4.4**	**7.5**	**- 30.7**	**64.9**

Market volatility had a positive impact on the Group's defined benefit plans in 2017, which resulted in remeasurement gains (gross) of EUR 66.2 million (2016: losses of EUR 35.0 million), being recorded, net of tax, in other comprehensive income. These remeasurements were mostly caused by the higher than expected return on 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	2017	2016	2017	2016	2017	2016
Defined benefit obligation at 1 January	**1,141.3**	**1,035.0**	**156.3**	**144.9**	**1,297.6**	**1,179.9**
Movements:						
Current service costs	27.0	20.3	4.6	4.3	31.6	24.6
Past service costs	–	–	–	0.1	–	0.1
Interest expenses	20.4	22.9	5.0	5.1	25.4	28.0
Actuarial gains (-) and losses from changes in demographic assumptions (remeasurement)	–	3.3	- 1.5	- 0.7	- 1.5	2.6
Actuarial gains (-) and losses from experience	- 11.6	5.8	0.3	- 1.6	- 11.3	4.2
Actuarial gains (-) and losses from changes in financial assumptions (remeasurement)	- 5.5	90.2	9.3	5.8	3.8	96.0
Benefits paid from the pension fund	- 38.3	- 38.6	- 4.1	- 3.8	- 42.4	- 42.4
Benefits paid directly by the employer	–	–	- 1.8	- 1.9	- 1.8	- 1.9
Employees' contributions	1.7	1.4	–	–	1.7	1.4
Administration costs and taxes	1.0	1.0	0.4	0.3	1.4	1.3
Settlements	–	–	- 4.2	–	- 4.2	–
Exchange differences	–	–	- 13.9	3.8	- 13.9	3.8
Defined benefit obligation at 31 December	**1,136.0**	**1,141.3**	**150.4**	**156.3**	**1,286.4**	**1,297.6**
Allocated to the plans' participants:						
Active members	379.1	388.9	70.3	66.4	449.4	455.3
Deferred members	227.0	217.3	28.4	36.3	255.4	253.6
Pensioners	529.9	535.1	51.7	53.6	581.6	588.7
Defined benefit obligation at 31 December	**1,136.0**	**1,141.3**	**150.4**	**156.3**	**1,286.4**	**1,297.6**

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	2017	2016	2017	2016	2017	2016
Movement in fair value of plan assets						
Fair value of plan assets at 1 January	**1,035.9**	**972.8**	**96.0**	**85.3**	**1,131.9**	**1,058.1**
Movements:						
Interest income	18.7	21.6	3.5	3.3	22.2	24.9
Return on plan assets excluding interest income (remeasurement gains and losses)	47.7	64.5	9.5	3.3	57.2	67.8
Employer's contributions	16.1	14.2	6.5	7.0	22.6	21.2
Employees' contributions	1.7	1.4	–	–	1.7	1.4
Benefits paid	- 38.3	- 38.6	- 5.8	- 5.7	- 44.1	- 44.3
Settlements	–	–	- 3.5	–	- 3.5	–
Exchange differences	–	–	- 10.6	2.8	- 10.6	2.8
Fair value of plan assets at 31 December	**1,081.8**	**1,035.9**	**95.6**	**96.0**	**1,177.4**	**1,131.9**
Major classes of plan assets						
AAA	203.3	247.4	14.1	12.7	217.4	260.1
AA	153.9	123.3	5.1	7.4	159.0	130.7
A	53.4	51.3	15.7	14.4	69.1	65.7
BBB and lower	182.3	166.2	22.0	21.5	204.3	187.7
Not rated	58.9	23.5	0.1	0.9	59.0	24.4
Bonds	**651.8**	**611.7**	**57.0**	**56.9**	**708.8**	**668.6**
- Europe	86.9	90.0	7.6	8.3	94.5	98.3
- North America	150.4	145.9	30.3	29.3	180.7	175.2
- Asia-Pacific	43.4	45.0	0.6	1.3	44.0	46.3
- Emerging markets	62.4	58.3	0.1	0.2	62.5	58.5
Equity instruments	**343.1**	**339.2**	**38.6**	**39.1**	**381.7**	**378.3**
- Europe	35.5	32.3	–	–	35.5	32.3
- North America	22.5	20.6	–	–	22.5	20.6
- Asia-Pacific	11.5	6.5	–	–	11.5	6.5
- Emerging markets	–	4.9	–	–	–	4.9
Real estate	**69.5**	**64.3**	**–**	**–**	**69.5**	**64.3**
- Interest rate swaps	15.5	20.5	–	–	15.5	20.5
- Forward foreign exchange contracts	1.9	0.2	–	–	1.9	0.2
Derivatives	**17.4**	**20.7**	**–**	**–**	**17.4**	**20.7**
Fair value of plan assets at 31 December	**1,081.8**	**1,035.9**	**95.6**	**96.0**	**1,177.4**	**1,131.9**

Investments are well-diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

Government Bonds generally have a credit rating that is not lower than 'A' and have quoted market prices in an active market (level 1 fair value classification). Corporate bonds are generally categorized in level 2 of the fair value hierarchy. Equity instruments represent investments in equity funds and direct investments. They are generally based on quoted market prices in an active market (level 1 fair value classification). Real estate consists of investments in (listed) real estate funds.

Derivatives are only used for risk management purposes, no speculative positions were adopted. In the absence of quoted prices, other observable inputs are used to estimate fair value (level 2 fair value classification).

The pension fund has not invested directly in shares of Royal Vopak, parts of the Group or in real estate of the Group.

Introduction
Executive Board report
Storing vital products with care
Key developments per division
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

Expected maturity, contribution and impact on result

The expected maturity analysis of undiscounted pension benefits at 31 December 2017 is as follows:

In EUR millions	2018	2019	2020	2021	2022	2023+	Total
Undiscounted pension benefits	43.8	43.6	43.6	44.5	45.1	1,722.1	1,942.7

The employer's contribution for defined benefit plans increased from EUR 21.2 million in 2016 to EUR 22.6 million in 2017.

Assumptions and sensitivity analysis

Assumptions

	The Netherlands		Foreign		Total	
	2017	2016	2017	2016	2017	2016
Assumptions based on weighted average at 31 December						
Discount rate on net liability	1.85%	1.82%	3.02%	3.43%	1.99%	2.01%
Expected general salary increase	2.75%	2.75%	4.10%	4.47%	2.91%	2.96%
Expected price index increase	1.75%	1.75%	2.63%	2.64%	1.85%	1.86%
Life expectancy in years:						
Age 65 for men	21.7	21.5	20.6	20.9		
Age 65 for women	24.1	24.0	23.1	23.4		
Age 65 in 20 years for men	24.0	23.9	22.1	22.4		
Age 65 in 20 years for women	26.4	26.3	24.6	24.9		

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 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%	254.2	- 194.1
Salary growth	0.25%	2.0	- 2.0
Discount rates	1.0%	- 208.6	274.9
Life expectation	1 year	51.1	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.

Effect of change in Dutch pension plan in 2018

Early 2018 Vopak reached an agreement with the labour unions and the works council regarding a new pension plan in the Netherlands effective per 1 January 2018. This new pension plan will most likely qualify as a defined contribution plan. As such, the pension expenses for the defined benefit plans are expected to decrease from EUR 35.5 million in 2017 to approximately EUR 6.6 million in 2018, as it now only relates to the non-Dutch defined benefit plans. For more information, reference is made to note 8.12.

Note 8.5 Provisions

Accounting policies

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 made public.

Provisions for other deferred long-term employee benefits, other than pensions and other employee benefits, for example, redundancy benefits, anniversary bonuses 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	8.1	15.7	23.8
Current liabilities	10.3	25.9	36.2
Balance at 31 December 2016	**18.4**	**41.6**	**60.0**
Movements:			
Additions	0.2	23.9	24.1
Withdrawals	- 4.4	- 16.0	- 20.4
Releases	- 0.7	- 2.7	- 3.4
Interest accrual	0.3	–	0.3
Exchange differences	- 1.1	- 0.8	- 1.9
Balance at 31 December 2017	**12.7**	**46.0**	**58.7**
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**
Expected withdrawals			
< 1 year	4.9	30.0	34.9
2nd year	1.5	4.4	5.9
3rd year	1.1	1.4	2.5
4th year	0.8	1.8	2.6
5th year	0.5	0.3	0.8
> 5th year	3.9	8.1	12.0
Total	**12.7**	**46.0**	**58.7**

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 2017, the total provision for environmental liabilities amounted to EUR 12.7 million (2016: EUR 18.4 million). The provision mainly relates to environmental liabilities at various terminals in the divisions Netherlands, EMEA and Americas. No material additions to the environmental provision were made during 2017.

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 1.2 million (2016: EUR 7.3 million) for the LTCPs (see note 6.2), and EUR 1.0 million (2016: EUR 7.2 million) for the cash-settled share-based payments of the LTSPs (see note 1 to the first table of note 6.2). EUR 1.5 million of the provision in relation to the LTIPs will be settled in 2018 (2017: 11.1 million).

The release of the provisions in connection with the LTIPs amounted to EUR 12.3 million in 2017 (2016: addition of EUR 7.3 million). Reference is also made to note 6.2.

Other

Per year-end 2017, EUR 37.5 million (2016: EUR 27.1 million) was recognized under the Other provisions, which comprises primarily various smaller legal cases and claim settlements mainly in the divisions Netherlands, EMEA 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 16.1 million (2016: EUR 10.5 million) was added for expected claims in 2017.

Furthermore, given that the joint venture in Hainan (China) is under strategic review, the Group currently has 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. This has resulted in a constructive obligation that is recognized under the other provisions as per year-end 2017 and a corresponding loss in the net finance expenses. 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 8.6 Operating leases

The minimum lease payments due in respect of non-cancellable operating leases are as follows:

In EUR millions	2017	2016 [1]
Less than 1 year	56.8	65.4
Between 1 and 5 years	213.0	218.3
More than 5 years	875.5	927.0
Total	**1,145.3**	**1,210.7**

1. Revised following a reassessment of the likelihood of exercising the contractual extension options. The earlier reported total 2016 amount was EUR 739.0 million.

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 2017, EUR 65.7 million was recognized as expenses in the statement of income relating to operating leases and hires (2016: EUR 62.5 million).

Note 8.7 Investment commitments undertaken

The investment commitments undertaken by the Group for subsidiaries amounted to EUR 265.8 million as at 31 December 2017 (2016: EUR 106.1 million), and were primarily related to property, plant and equipment.

Note 8.8 Contingent assets and contingent liabilities

Contingencies in respect of joint ventures and associates

	Joint ventures		Associates		Total	
In EUR millions	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Commitments to provide debt or equity funding	55.7	–	72.2	71.4	127.9	71.4
Guarantees and securities provided	114.2	123.1	89.3	–	203.5	123.1

The 2017 commitments for joint ventures and associates mainly relate 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 2016 commitments for associates mainly related to the construction of the industrial terminal PT2SB in Pengerang (Malaysia).

In 2016, there was a sharp decrease in guarantees and securities provided mainly due to the cancellation of an (indirect) financial guarantee provided for the divested joint venture Vopak Terminal Dongguan (China) for the amount of EUR 33.2 million and 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 for the amount of EUR 19.8 million.

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 100.4 million at 31 December 2016 to EUR 91.6 million at 31 December 2017. Of this amount, EUR 0.1 million was recognized in the statement of financial position (2016: 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 as per year-end not probable 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 8.9 Financial assets and liabilities and credit risk

Financial assets and liabilities

		Carrying amount		Fair value	
In EUR millions	Note	2017	2016	2017	2016
Other financial assets		0.9	1.1	0.9	1.1
Currency derivatives		13.1	149.4	13.1	149.4
Interest rate derivatives		- 93.4	- 101.5	- 93.4	- 101.5
Financial instruments at fair value		**- 79.4**	**49.0**	**- 79.4**	**49.0**
Loans granted	8.2	28.6	14.5	28.6	14.5
Trade and other receivables	4.2	253.7	224.6	253.7	224.6
Cash and cash equivalents	5.5	130.0	306.0	130.0	306.0
Finance lease receivable	8.2	29.2	30.5	29.2	30.5
Loans and receivables		**441.5**	**575.6**	**441.5**	**575.6**
Bank overdrafts and short-term borrowings	5.5	- 107.1	- 8.5	- 107.1	- 8.5
US Private Placements	5.5	- 1,315.7	- 1,832.5	- 1,365.0	- 2,030.1
JPY Private Placement	5.5	- 148.3	- 162.7	- 148.5	- 178.0
Bank loans	5.5	- 62.6	- 65.8	- 65.9	- 69.0
Credit facilities and other long-term loans	5.5	- 30.2	- 40.7	- 30.2	- 40.7
Trade creditors	4.3	- 46.1	- 43.6	- 46.1	- 43.6
Other creditors	4.3	- 96.4	- 98.5	- 96.4	- 98.5
Other financial liabilities		**- 1,806.4**	**- 2,252.3**	**- 1,859.2**	**- 2,468.4**
Net at amortized cost		**- 1,364.9**	**- 1,676.7**	**- 1,417.7**	**- 1,892.8**
Standby credit facility	5.5			1,056.3	1,046.1
Standby bank facility				150.0	180.0
Unrecognized financial instruments				**1,206.3**	**1,226.1**

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). There were no financial instruments 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 to 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.

Credit risk and credit risk management

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 431.3 million (2016: EUR 675.2 million), and the credit replacing guarantees amounting to EUR 91.6 million (2016: EUR 100.4 million). Of this amount, EUR 0.1 million was recognized in the statement of financial position at year-end 2017 (2016: EUR 0.1 million).

Loans granted to joint ventures and associates are not secured by collateral.

The credit risk with regard to trade receivables and lease receivables 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 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 2017, the maximum risk in the event of the default of a single financial institution amounted to EUR 38.7 million (2016: EUR 87.9 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 cross-currency hedges, 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 2017, the derivatives with a counterparty credit risk amounted to EUR 19.0 million (2016: EUR 130.1 million).

Assessing the financial positions of counterparties is part of the Group's credit management and tendering process; however, this cannot exclude all credit risk.

Note 8.10 New standards and interpretations not yet implemented

IFRS 15 - Revenue from contracts with customers

The IASB published IFRS 15 '*Revenue from contracts with customers*' in May 2014. This standard contains principles that an entity will apply 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 will be effective as of 1 January 2018 and has been endorsed by the European Union. The company finalized its assessment of the effects of this new standard in 2016. It was concluded that the effects on the annual result will be immaterial, apart from the fact that additional disclosures will need to be provided. Some of these detailed disclosures are already voluntarily included in note 2.3.

IFRS 9 - Financial instruments

IFRS 9, '*Financial instruments*', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. This new standard replaces the guidance in IAS 39. This new standard will be effective as of 1 January 2018 and has been endorsed by the European Union. The company finalized its impact assessment of IFRS 9 *'Financial Instruments'* in 2016. It was concluded that the new hedge accounting requirements will provide more flexibility to the company as these are more in line with the financial risk management policies of the company, but that the direct financial effects of the new standard - including those relating to the new impairment requirements - will be immaterial.

Furthermore, as per year-end 2017 the Group has a 10% share in the equity of SabTank (Saudi Arabia) for the amount of EUR 0.9 million which is classified as an investment and which was measured at cost. IFRS 9 requires that investments in equity instruments are measured at fair value and does not allow the at cost measurement. On initial application of IFRS 9, the Group has made the irrevocable election to present all fair value changes on this individual investment in Other comprehensive income. The fair value of this investment amounts to EUR 9.9 million as per 1 January 2018 and will have a very limited effect on the consolidated balance sheet of the Group.

IFRS 16 - Leases
The IASB published IFRS 16 '*Leases*' in January 2016. IFRS 16 will require almost all leases of companies to be on the balance sheet of lessees and introduces a single income statement model which basically treats all leases as finance leases. Lessor accounting has not changed significantly. This new standard will be effective as of 1 January 2019 and has been endorsed by the European Union. The company is in the process of completing its impact assessment of this new standard and implementing the new requirements in its processes and systems.

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.

Furthermore, as the company has a large portfolio of long-term land leases and leases of other non-current assets, the impact on the statement of financial position and the result of the company of applying the new standard is estimated to be material from a lessee perspective. In 2017 the total operating leases expenses recognized as operating expenses amounted to EUR 65.7 million (9% of EBITDA). The total off-balance lease commitments amounted to EUR 1,145.3 million (22% of total assets). The 2016 comparative off-balance lease commitments were revised following a reassessment of the likelihood of exercising the contractual extension options. It is expected that the Group will be able to provide a detailed update on the impact, including quantitative effects and the elected transition method in the course of 2018.

Reference is also made to the presentation on the implications of IFRS 16 that was held during Vopak's Analyst Day on 12 December 2017, as included on the Company website (unaudited).

Change in accounting policy relating to net settlement features of share-based payments:
In 2017, aligned with the clarifications to IFRS 2 *'Share-based Payment'* related to the classification and measurement of share-based payment transactions, a share-based payment award with a net settlement feature for withholding tax obligations was treated as equity-settled in its entirety. This change is motivated by the fact that the 2017-2019 long-term incentive plan (LTIP) contains net settlement features.

This change in accounting policy did not materially affect the financial statements. Furthermore, as the net settlement features are only present in the LTIP 2017-2019, the change in accounting policy does not affect awards made in earlier years.

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 8.11 Principal subsidiaries, joint ventures and associates

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 Agency 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.

South Africa
Vopak Terminal Durban (Pty) Ltd. (70%)
Vopak South Africa Developments (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]

Vietnam
Vopak Vietnam Co. Ltd.

Americas

Brazil
Vopak Brasil S.A.
VPK Particpacões 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.
Terminal Atlantica de Panama S. de R.L.

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.

Venezuela
Vopak Venezuela S.A.

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
BALTIMAR Schiffahrt & Transport Gesellschaft GmbH (50%)

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%)

The Netherlands
Vopak Terminal Eemshaven B.V. (10%)
Maasvlakte Olie Terminal N.V. (16.67%)

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.

Introduction
Executive Board report
Storing vital products with care
Key developments per division
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

Note 8.12 Events after the reporting period

Early 2018 Vopak reached an agreement with the labour unions and the works council regarding a new pension plan in the Netherlands effective per 1 January 2018. The new pension plan – aimed to qualify as a defined contribution plan under IAS19 – will be formally implemented during the first half of 2018.

Although the formal agreements relating to the new plan are still in the process of being drafted, it was determined, based on the current facts and circumstances, that this new pension plan will most likely classify as a defined contribution plan, as the Group will have no other obligations other than paying fixed periodic contributions and has therefore no obligation to pay further contributions if the fund holds insufficient assets to fund future pension payments.

A classification as a defined contribution plan will result in the settlement of the pension liability during 2018. The net pension liability of the Dutch pension plan amounted to EUR 54.2 million per year-end 2017. The settlement of the pension liability may also lead to a final funding payment to the pension fund. The expected material gain resulting from the settlement of the pension liability will be classified as an exceptional item. Furthermore, the pension costs recognized in the financial statements will as of 2018 equal the contributions paid to the Dutch pension fund. The expected regular contributions to be paid to the Dutch Pension Fund in 2018 amounts to EUR 24.7 million.

Company Financial Statements

Company Statement of Income

In EUR millions	Note	2017	2016
Other operating income		0.9	1.1
Total operating income		**0.9**	**1.1**
Personnel expenses	8	16.5	22.5
Other operating expenses		24.1	27.3
Depreciation and amortization		0.8	1.1
Total operating expenses		**41.4**	**50.9**
Interest and similar expenses		- 101.4	- 103.1
Result before income tax		**- 141.9**	**- 152.9**
Income tax	9	37.5	38.7
Share in result of subsidiaries and participations		339.8	648.2
Net profit		**235.4**	**534.0**

Company Statement of Financial Position before Profit Appropriation

In EUR millions	Note	31-Dec-17	31-Dec-16
Participating interests in group companies	2	3,384.7	3,389.2
Property, plant & equipment		8.2	8.6
Loans granted	3	660.3	876.3
Derivative financial instruments	6	16.3	94.2
Deferred taxes		0.7	11.1
Total non-current assets		**4,070.2**	**4,379.4**
Trade and other receivables		14.3	0.5
Taxes receivable		–	0.5
Prepayments		0.1	0.9
Derivative financial instruments	6	0.6	34.4
Cash and cash equivalents		39.6	198.2
Total current assets		**54.6**	**234.5**
Bank overdrafts		22.5	7.9
Interest-bearing loans	5	–	162.7
Derivative financial instruments	6	1.6	2.5
Taxes payable		0.4	–
Trade and other payables		10.3	9.6
Pension and other employee benefits	7	1.0	1.2
Provisions		2.5	11.7
Total current liabilities		**38.3**	**195.6**
Current assets less current liabilities		**16.3**	**38.9**
Total assets less current liabilities		**4,086.5**	**4,418.3**
Interest-bearing loans	5	1,460.0	1,829.7
Derivative financial instruments	6	83.8	71.2
Pension and other employee benefits	7	55.9	107.9
Provisions		6.8	9.8
Non-current liabilities		**1,606.5**	**2,018.6**
Share capital		63.9	63.9
Share premium		194.4	194.4
Legal reserve for participating interests	4	272.5	265.0
Translation reserve		- 70.9	14.8
Revaluation reserve derivatives		- 119.7	- 137.6
Transaction reserve non-controlling interest		1.3	1.3
Other reserves	4	1,903.1	1,463.9
Unappropriated profit	4	235.4	534.0
Shareholders' equity		**2,480.0**	**2,399.7**
Total		**4,086.5**	**4,418.3**

Introduction
Executive Board report
Storing vital products with care
Key developments per division
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

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 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	2017	2016
Carrying amount at 1 January	**3,389.2**	**2,882.7**
Investments	19.9	0
Disposal	- 1.3	0
Dividend	- 220.9	- 178.0
Exchange differences	- 151.7	30.8
Hedging	8.3	5.7
Unrealized actuarial gains and losses	1.4	- 0.2
Tax on unrealized actuarial gains and losses	0	0
Profit	339.8	648.2
Carrying amount at 31 December	**3,384.7**	**3,389.2**

For an overview of the investments in subsidiaries, joint ventures and associates held (indirectly) by the company, reference is made to note 8.11 of the Consolidated financial statements.

Note 3. Loans granted

In EUR millions	2017	2016
Carrying amount at 1 January	**876.3**	**1,280.9**
Loans granted	314.3	371.7
Repayments	- 530.3	- 777.0
Exchange differences	–	0.7
Carrying amount at 31 December	**660.3**	**876.3**

Loans granted mainly relates to various loans to subsidiaries. At 31 December 2017, loans granted did not include any subordinated loans (2016: 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 2017 and 2016 are shown in the following tables.

Legal reserve for participating interests

In EUR millions	2017	2016
Carrying amount at 1 January	**265.0**	**271.6**
Dotation from Other reserves	7.5	–
Release to Other reserves	–	- 6.6
Carrying amount at 31 December	**272.5**	**265.0**

Other reserves

In EUR millions	2017	2016
Carrying amount at 1 January	**1,463.9**	**1,325.0**
Profit appropriation from Unappropriated profit	400.1	154.7
Remeasurement of defined benefit plans	45.4	- 26.2
Measurement of equity-settled share-based payment arrangements	- 4.0	2.9
Release revaluation reserve assets	–	4.7
Purchase treasury shares	- 1.6	- 3.8
Sale treasury shares	3.2	–
Vested shares under equity-settled share-based payment arrangements	3.6	–
Dotation from Legal reserves	–	6.6
Release to Legal reserves	- 7.5	–
Carrying amount at 31 December	**1,903.1**	**1,463.9**

Unappropriated profit

In EUR millions	2017	2016
Carrying amount at 1 January	**534.0**	**282.2**
Profit appropriation to Other reserves	- 400.1	- 154.7
Dividend in cash	- 133.9	- 127.5
Profit for the year	235.4	534.0
Carrying amount at 31 December	**235.4**	**534.0**

After adjustment for the legal reserves at 31 December 2017, a total of EUR 1,889.4 million (2016: EUR 1,860.3 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 %	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16	2017	2016
Current portion	0	162.7						
Non-current portion	1,460.0	1,829.7						
Total	**1,460.0**	**1,992.4**	**1,079.1**	**1,310.8**	**7.9**	**7.7**	**4.0**	**4.2**

Note 6. Derivative financial instruments

		31 December 2017			31 December 2016		
In EUR millions	Maturity	Assets [1]	Liabilities [1]	Notional amount	Assets [1]	Liabilities [1]	Notional amount
Forward foreign currency contracts [2]	< 1 year	0.6	0.8	340.3	0.3	2.4	395.3
Total net investment hedges		**0.6**	**0.8**	**340.3**	**0.3**	**2.4**	**395.3**
Forward foreign currency contracts	< 1 year	–	0.8	98.8	0.2	0.1	103.4
Cross currency swaps [3]	< 1 year	–	–	–	34.3	–	156.1
Cross currency swaps [3]	1-5 years	34.8	–	385.0	92.1	–	385.0
Cross currency swaps [3]	> 5 years	16.7	25.5	346.3	47.7	15.7	355.4
Total cash flow hedges - currency part		**51.5**	**26.3**	**830.1**	**174.3**	**15.8**	**999.9**
Cross currency interest rate swaps [4]	< 1 year	–	–	–	–	0.4	156.1
Cross currency interest rate swaps [4]	1-5 years	–	18.5	385.0	–	18.5	385.0
Cross currency interest rate swaps [4]	> 5 years	–	75.0	346.3	–	82.6	355.4
Total cash flow hedges - interest part		**–**	**93.5**	**731.3**	**–**	**101.5**	**896.5**
Total derivative financial instruments		**52.1**	**120.6**	**1,901.7**	**174.6**	**119.7**	**2,291.7**
Currency derivative financial instruments		52.1	27.1		174.6	18.2	
Interest derivative financial instruments		–	93.5		–	101.5	
Total derivative financial instruments		**52.1**	**120.6**		**174.6**	**119.7**	
Offsetting		- 35.2	- 35.2		- 46.0	- 46.0	
Total		**16.9**	**85.4**		**128.6**	**73.7**	
Non-current		16.3	83.8		94.2	71.2	
Current		0.6	1.6		34.4	2.5	
Total		**16.9**	**85.4**		**128.6**	**73.7**	

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 (2017: USD 771 million and JPY 15 billion; 2016: USD 971 million and JPY 16 billion) on fixed debt denominated in foreign currency.
4. Cross currency swaps are used to hedge future cash flow interest rate risks (2017: USD 771 million and JPY 15 billion; 2016: USD 971 million and JPY 16 billion) on fixed debt denominated in foreign currency.

Note 7. Pension and other employee benefits provisions

In EUR millions	2017	2016
Present value of funded defined benefit obligation	1,136.0	1,141.3
Fair value of plan assets	- 1,081.8	- 1,035.9
Total deficit of defined benefit plans	**54.2**	**105.4**
Net pension obligations under defined contribution plans	2.7	3.7
Net pension obligations recognized at 31 December	**56.9**	**109.1**
Non-current liabilities	55.9	107.9
Current liabilities	1.0	1.2
Net pension obligations recognized at 31 December	**56.9**	**109.1**

Reference is made to note 8.4 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 152 employees and temporary staff (in FTEs) (2016: 147).

In EUR millions	2017	2016
Wages and salaries	21.3	21.8
Social security charges	1.3	1.4
Contribution to pension schemes (defined contribution)	2.8	2.6
Pension charges (defined benefit plans)	2.9	2.0
Long-term incentive plans	- 1.0	4.8
Other personnel expenses	0.9	0.3
Recharged to group companies	- 11.7	- 10.4
Total	**16.5**	**22.5**

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	2017		2016	
Result before income tax		- 141.9		- 152.9
Income tax		37.5		38.7
Effective tax rate		**26.4%**		**25.3%**
Composition:	*Amount*	*%*	*Amount*	*%*
Weighted average statutory tax rate	35.5	25.0	38.3	25.0
Non-deductible expenses	0.1	0.1	- 1.3	- 0.8
Recognition of tax losses and tax credits	1.9	1.3	1.7	1.1
Effective tax (rate)	**37.5**	**26.4**	**38.7**	**25.3**

The 2017 effective tax rate of 26.4% (2016: 25.3%) deviates slightly from the applicable tax rate of 25.0% as a result of non-deductible expenses.

Introduction
Executive Board report
Storing vital products with care
Key developments per division
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

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 206.9 million (2016: EUR 126.5 million). Guarantees and security provided on behalf of Group companies amounted to EUR 38.1 million (2016: EUR 40.8 million).
Joint and several liability undertakings for an amount of EUR 80.0 million (2016: EUR 80.0 million) were issued for bank credits granted to Royal Vopak. Furthermore, joint and several liability undertakings for an amount of EUR 72.6 million (2016: EUR 75.2 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.

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, 15 February 2018

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)
F.J.G.M. Cremers
C.J. van den Driest
H.B.B. Sørensen
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, 15 February 2018

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

Assurance report of the independent auditor with respect to the 2017 Sustainability Information of Koninklijke Vopak N.V.

Introduction
Executive Board report
Storing vital products with care
Key developments per division
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

Independent auditor's report

To the shareholders and Supervisory Board of Koninklijke Vopak N.V.

Report on the audit of the Financial Statements 2017 included in the Annual Report

Our Opinion

We have audited the accompanying financial statements 2017 of Koninklijke Vopak N.V. ('company'), 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 2017, and of its result and its cash flows for 2017 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 2017, and of its result for 2017 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 2017;
- The following statements for 2017: the Consolidated Statement of Income, Comprehensive Income, Changes in Equity and Cash Flows; and
- 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 2017;
- The Company Statement of Income for 2017; and
- 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 judgment we determined the materiality for the financial statements as a whole at EUR 18.5 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 0.925 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 at 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.

The group's financial statements are a combination of:

- Consolidated reporting units, comprising the operating terminals under the group's control and centralized functions; and
- Unconsolidated reporting units 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 units 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 units 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 unit 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 units (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 units 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:	91%
Audit coverage of group operating profit:	90%
Audit coverage of total assets:	74%

In addition, we performed other procedures with respect to the remaining reporting units.

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, pensions and share-based payments. 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 judgment, 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.

Introduction
Executive Board report
Storing vital products with care
Key developments per division
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

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 3,488.1 million as per 31 December 2017 (note 3.3). Furthermore, the group has an interest in a number of joint ventures and associates, with a total carrying value of EUR 968.7 million as per 31 December 2017 (note 3.4). 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. 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. 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. 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 (net) impairments in 2017 at an amount of EUR 93.9 million. The company has provided disclosures for its key accounting estimates in note 3.7 of the financial statements which include disclosures of: • The uncertainties in relation to the recoverable value of the group's associate Vopak Terminal Haiteng (China); • The impairment recognized on the joint venture Vopak SDIC Yangpu Terminal (China); • The impairment recognized on the joint venture Vopak E.O.S. (Estonia); and • The uncertainties with respect to the recoverable value of the group's other investments. Based upon our procedures performed we consider management's key assumptions in measuring the recoverable amount to be reasonable, the recognized impairments are considered to be appropriate and both the management's key assumptions and the recognized impairments are appropriately disclosed in the financial statements.

Report on the other information included in the Annual Report

In addition to the financial statements and our auditor's report thereon, the annual accounts contain other information that consists of:

- Management report;
- Supervisory Board report;
- Remuneration report; and
- 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; and
- 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 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 date.

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 the 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 framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company 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 the 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.

For an overview of our responsibilities we refer to NBA's website https://www.nba.nl/Vaktechniek/Verklaringen/voorbeeldverklaringen-voorbeeldbrieven/ (Standard texts auditor's report).

Rotterdam, 15 February 2018

Deloitte Accountants B.V.
Signed on the original: M.J. van der Vegte

Assurance report of the independent auditor with respect to the 2017 Sustainability Information of Koninklijke Vopak N.V.

To the shareholders and Supervisory Board of Koninklijke Vopak N.V.

Our Conclusion

We have reviewed the 2017 Sustainability Information included in the chapter 'Sustainability'in the 2017 Annual Report ("sustainability information") of Koninklijke Vopak N.V. at 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; and
- the thereto related events and achievements for the year 2017

in accordance with the Sustainability Reporting Standards Comprehensive option of the Global Reporting Initiative (GRI Standards as published in 2016) and the applied supplemental reporting criteria as disclosed in the chapter 'Sustainability, Basis of preparation' in the 2017 Annual Report.

The sustainability information consists of performance information regarding Occupational health and safety, Process safety, Talent, Diversity, Emissions, Pollution (spills) and Business ethics and integrity.

The sustainability information consists of performance information regarding Occupational health and safety, Process safety, Talent attraction and retention, Diversity, Emissions, Spills to soil, groundwater, surface and sewage water, Application of best practices, (Cyber) security threats, Business ethics and integrity and Financial performance.

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 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 that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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 GRI Standards (Comprehensive option) and the applied supplemental reporting criteria as disclosed in the chapter 'Sustainability, Basis of preparation' in the 2017 Annual Report, including the identification of stakeholders and the definition of material matters. The choices made by the management board regarding the scope of the sustainability information and the reporting policy are in the chapter 'Sustainability, Basis of preparation' in the 2017 Annual Report.

Management is also responsible for such internal controls 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 company's reporting process.

Our responsibilities for the review of the sustainability information

Our responsibility is to plan and perform the assurance engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Procedures performed in an assurance engagement to obtain a limited level of assurance are aimed to determining the plausibility of information and are less extensive than a reasonable assurance engagement. The level of assurance obtained in assurance engagements with a limited level of assurance is therefore substantially less than the assurance obtained in audit engagements.

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 accountantskantoren ter zake van assurance opdrachten (RA/AA) (Regulations for professional accountants practices on assurance engagements) 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 judgment 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 environment analysis and obtaining insight into relevant social themes and issues, and the characteristics of the organisation.
- 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.
- Evaluating the design and implementation of the reporting systems and processes related to the sustainability information.
- Reviewing internal and external documentation to determine whether the information as included in the sustainability information, including the presentation and assertions made, is adequately supported.
- Interviewing management (or relevant staff) at group level responsible for the sustainability strategy and policy.
- Interviewing relevant staff responsible for providing the information in the sustainability information, carrying out internal control procedures on the data and consolidating the data in the sustainability information.
- An analytical review of the data and trends submitted for consolidation at corporate level.
- Visits to terminals to validate source data and to evaluate the design and implementation of internal control and validation procedures.
- Assessing whether the Report has been prepared in accordance with the Sustainability Reporting Standards Comprehensive option of the Global Reporting Initiative (GRI Standards as published in 2016).

We communicated with the Supervisory Board regarding, among other matters, the planned scope, timing and outcome of the review.

Rotterdam, 15 February 2018

Deloitte Accountants B.V.
Signed on the original: M.J. van der Vegte

Additional information

Non-IFRS proportionate financial information (unaudited)

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.

Definition of CFROGA

In order to assess the performance trend of its operations, the company also calculates the ***'Cash Flow Return on Gross Assets***' (CFROGA). CFROGA is defined as EBITDA minus the statutory income tax charge on EBIT divided by the average historical investment (gross assets).

Cash Flows are determined based on EBITDA from which the statutory income tax charges are subsequently subtracted. The year-to-date cash flows are annualized for all quarters except Q4.

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 to which the CFROGA relates.

Statement of income

	2017				2016			
In EUR millions	IFRS figures	Exclusion exceptional items	Effects proportionate consolidation	Proportionate consolidated	IFRS figures	Exclusion exceptional items	Effects proportionate consolidation	Proportionate consolidated
Revenues	1,305.9	–	293.6	1,599.5	1,346.9	–	305.3	1,652.2
Net operating expenses	- 652.6	1.4	- 92.9	- 746.9	- 377.9	270.5	- 86.9	- 735.3
Results of joint ventures and associates	44.1	- 67.2	- 111.3	–	59.9	- 63.9	- 123.8	–
Impairment	- 2.1	- 2.1	–	–	- 5.7	- 5.7	–	–
Group operating profit before depreciation and amortization (EBITDA)	**695.3**	**- 67.9**	**89.4**	**852.6**	**1,023.2**	**200.9**	**94.6**	**916.9**
Depreciation and amortization	- 272.8	–	- 70.4	- 343.2	- 263.9	–	- 72.9	- 336.8
Group operating profit (EBIT)	**422.5**	**- 67.9**	**19.0**	**509.4**	**759.3**	**200.9**	**21.7**	**580.1**
Net finance costs	- 122.0	- 23.5	- 34.8	- 133.3	- 107.2	–	- 39.8	- 147.0
Income tax	- 25.3	39.4	- 24.0	- 88.7	- 72.5	6.8	- 27.7	- 107.0
Net profit	**275.2**	**- 52.0**	**- 39.8**	**287.4**	**579.6**	**207.7**	**- 45.8**	**326.1**
Non-controlling interests	- 39.8	–	39.8	–	- 45.6	0.2	45.8	–
Net profit owners of parent	**235.4**	**- 52.0**	**–**	**287.4**	**534.0**	**207.9**	**–**	**326.1**

Statement of financial position

In EUR millions	31-Dec-17 IFRS figures	31-Dec-17 Effects proportionate consolidation	31-Dec-17 Proportionate consolidated	31-Dec-16 IFRS figures	31-Dec-16 Effects proportionate consolidation	31-Dec-16 Proportionate consolidated
Non-current assets (excl. joint ventures and associates)	3,732.7	1,706.8	5,439.5	3,882.3	1,918.7	5,801.0
Joint ventures and associates	968.7	- 968.7	–	1,091.7	- 1,091.7	–
Current assets	413.1	276.2	689.3	608.0	277.6	885.6
Total assets	**5,114.5**	**1,014.3**	**6,128.8**	**5,582.0**	**1,104.6**	**6,686.6**
Non-current liabilities	1,977.5	989.0	2,966.5	2,452.8	1,075.0	3,527.8
Current liabilities	501.1	181.3	682.4	570.2	188.9	759.1
Total liabilities	**2,478.6**	**1,170.3**	**3,648.9**	**3,023.0**	**1,263.9**	**4,286.9**
Equity attributable to owners of parent	2,480.0	–	2,480.0	2,399.7	–	2,399.7
Non-controlling interests	155.9	- 155.9	–	159.3	- 159.3	–
Total equity	**2,635.9**	**- 155.9**	**2,480.0**	**2,559.0**	**- 159.3**	**2,399.7**

Other information

	2017	2016
EBITDA margin -excluding exceptional items-	52.9%	55.1%
Cash Flow Return On Gross Assets (CFROGA)	9.1%	10.2%
Occupancy rate subsidiaries, joint ventures and associates	90%	94%
Service, maintenance, compliance and IT capex (in EUR million)	245.2	275.9

Segment information -excluding exceptional items-

In EUR millions	Revenues 2017	Revenues 2016	EBITDA 2017	EBITDA 2016	Group operating profit (EBIT) 2017	Group operating profit (EBIT) 2016
Netherlands	476.6	508.6	249.7	291.4	140.2	183.5
Europe, Middle East & Africa	272.3	289.9	129.4	147.5	63.8	84.1
Asia	441.9	461.4	279.5	298.7	192.2	209.0
of which Singapore	*184.9*	*194.7*	*132.7*	*141.0*	*105.0*	*112.3*
of which China	*99.4*	*106.0*	*59.9*	*66.8*	*29.1*	*35.1*
Americas	288.1	275.4	129.2	120.0	82.3	75.2
of which United States	*167.1*	*171.3*	*81.4*	*80.2*	*56.2*	*55.3*
LNG	118.8	115.4	92.9	89.7	68.8	65.5
Global functions, corporate activities and others	1.8	1.5	- 28.1	- 30.4	- 37.9	- 37.2
Total excluding exceptional items	**1,599.5**	**1,652.2**	**852.6**	**916.9**	**509.4**	**580.1**

Net interest-bearing debt

In EUR millions	31-Dec-17	31-Dec-16
Non-current portion of interest-bearing loans	2,427.2	2,865.9
Current portion of interest-bearing loans	88.3	257.5
Total interest-bearing loans	**2,515.5**	**3,123.4**
Short-term borrowings	84.0	3.0
Bank overdrafts	27.1	8.2
Cash and cash equivalents	- 286.8	- 457.7
Net interest-bearing debt	**2,339.8**	**2,676.9**

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 1.05 (2016: 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 2017 financial year will be made payable on 25 April 2018.

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 2017, 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

No cumulative protective preference shares in Royal Vopak had been issued at the date of the statement of financial position.

Protective 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, 15 February 2018

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, 15 February 2018

Stichting Vopak **Koninklijke Vopak N.V. (Royal Vopak)**

Principal company officers at 15 February 2018

Europe & Africa

Division management

Jan Bert Schutrops - Division President
Cees de Greve - 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
Dick Meurs - 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
Syed Mohammad Ali - Engro Vopak, Pakistan
Abdullah Al-Fardan - Jubail Chemicals Storage and Services Company (Chemtank), Saudi Arabia
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
Ferry Lupescu - 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
Buu Dinh - 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
Jeffrey Tan - Operations & Technology
Wim Samlal - Finance & Control
Hernán Rein - Human Resources

Business units

Chris Robblee - Gulf Coast, United States
Mike LaCavera - West Coast, United States
Charles Bradley - East 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

Joint Ventures

Rolf Brouwer - Gate Terminal, The Netherlands
David Lozano - LNG Terminal Altamira, Mexico

Global staff

Wim Bloks - Sourcing & Procurement
Leo Brand - Information Technology
Michiel van Cortenberghe - Control & Business Analysis
Michiel Gilsing - Commercial & Business Development
Elsbeth Janmaat - Human Resources
Anne-Marie Kroon - Tax
Patrick van der Voort - Operations & Technology
Dick Meurs - Moves IT Program
Katie Slipper - Internal Audit
Peter Paul Smid - Legal Affairs & Corporate Secretary
Marjan Groeneveld - Treasury
René Wiezer - Insurance
Karen Beuk - Communication & Investor Relations

Five-year consolidated summary

In EUR millions	2017	2016	2015	2014	2013
Consolidated abridged statement of income					
Revenues	1,306	1,347	1,386	1,323	1,295
Other operating income	23	303	106	26	27
Total operating income	**1,329**	**1,650**	**1,492**	**1,349**	**1,322**
Operating expenses	- 676	- 681	- 737	- 676	- 673
Depreciation and amortization	- 273	- 264	- 256	- 239	- 217
Impairment	- 2	- 6	- 4	- 40	- 21
Total operating expenses	**- 951**	**- 951**	**- 997**	**- 955**	**- 911**
Operating profit	**378**	**699**	**495**	**394**	**411**
Result of joint ventures and associates	44	60	54	74	123
Group operating profit (EBIT)	**422**	**759**	**549**	**468**	**534**
Net finance costs	- 122	- 107	- 105	- 90	- 105
Profit before income tax	**300**	**652**	**444**	**378**	**429**
Income tax	- 25	- 72	- 117	- 83	- 68
Net profit	**275**	**580**	**327**	**295**	**361**
Non-controlling interests	- 40	- 46	- 45	- 45	- 42
Net profit owners of parent	**235**	**534**	**282**	**250**	**319**
Net profit holders of financing preference shares	–	–	–	- 3	- 6
Net profit holders of ordinary shares	**235**	**534**	**282**	**247**	**313**
Consolidated abridged statement of income excluding exceptional items					
Operating profit	**379**	**435**	**451**	**436**	**431**
Result of joint ventures and associates	111	123	104	87	105
Group operating profit (EBIT)	**490**	**558**	**555**	**523**	**536**
Net finance costs	- 98	- 107	- 103	- 90	- 102
Profit before income tax	**392**	**451**	**452**	**433**	**434**
Income tax	- 65	- 79	- 82	- 91	- 74
Net profit	**327**	**372**	**370**	**342**	**360**
Non-controlling interests	- 40	- 46	- 45	- 45	- 42
Net profit owners of parent	**287**	**326**	**325**	**297**	**318**
Net profit holders of financing preference shares	–	–	–	- 3	- 6
Net profit holders of ordinary shares	**287**	**326**	**325**	**294**	**312**
Consolidated abridged statement of financial position					
Intangible assets	149	146	90	92	68
Property, plant and equipment	3,488	3,553	3,496	3,622	3,307
Financial assets	1,019	1,138	1,108	1,001	826
Deferred tax	5	15	14	53	20
Other	41	122	148	47	41
Total non-current assets	**4,702**	**4,974**	**4,856**	**4,815**	**4,262**
Total current assets	**413**	**608**	**641**	**593**	**561**
Total assets	**5,115**	**5,582**	**5,497**	**5,408**	**4,823**
Total equity	**2,636**	**2,559**	**2,160**	**1,903**	**1,928**
Total non-current liabilities	**1,978**	**2,453**	**2,762**	**2,775**	**2,320**
Total current liabilities	**501**	**570**	**575**	**730**	**575**
Total liabilities	**2,479**	**3,023**	**3,337**	**3,505**	**2,895**
Total equity and liabilities	**5,115**	**5,582**	**5,497**	**5,408**	**4,823**

Glossary

3YMP
Three-Year Maintenance Program

AFM
Dutch Authority for Financial Markets

AGM
Annual General Meeting

API RP 754
American Petroleum Institute Recommended Practice 754, Process Safety Performance Indicators for the Refining and Petrochemical Industries

ARA Region
Port area of the cities of Amsterdam, Rotterdam and Antwerp

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, among other things, the integrity of the financial statements, the financial reporting, the internal audit procedures and the relationship with and the independence of the external auditors

Biofuels/Biodiesel
Products of vegetable origin or from animal fats that are added to gasoline or diesel

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

CEO
Chief Executive Officer, the highest ranking executive with the overall responsibility for the organization

CFO
Chief Financial Officer, member of the Executive Board, specifically charged with Finance

CFROGA - Cash Flow Return on Gross Assets Before Interest and After Tax
The 'Cash Flow Return on Gross Assets' is defined as EBITDA -excluding exceptional items- minus the statutory income tax charge on EBIT divided by the average historical investment (gross assets). This measure is used by the company to assess the cash-flow based performance trend of its operations

CO_2
Carbon dioxide

COBIT
Control Objectives for Information and related Technology is a framework for the governance and management of enterprise IT

COO
Chief Operating Officer, member of the Executive Board, specifically charged with Operations & Technology

COP23
The 2017 United Nations Climate Change Conference ('COP 23'), held in Bonn, Germany, from 6 to 18 November 2017. It was the 23rd 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

DMA
Disclosures on Management Approach

DNB
De Nederlandsche Bank (Dutch Central Bank)

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

EMEA
Vopak division Europe, Middle East & Africa

EPS
Earnings per share

ERM
Enterprise Risk Management

ERP
Emergency Response Plan

EU
European Union

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

FTE
Full-time equivalent

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

HR
Human Resources

Hub
Regional storage and transport center

IAS
International Accounting Standards

ICT
Information and Communication Technology

IFRS
International Financial Reporting Standards

IMO
International Maritime Organization

IPCC
Intergovernmental Panel on Climate Change

Introduction
Executive Board report
Storing vital products with care
Key developments per division
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

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

LNG
Liquefied Natural Gas

LPG
Liquefied Petroleum Gas

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

NOx
NOx 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 External auditor's reports, the Profit Appropriation and Stichting Vopak

PDH
Propane dehydrogenation

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

SDG
Sustainable Development Goal

Shale gas
A natural gas formed as a result of being trapped within shale formations

SHE
Safety, Health and Environment

SOx
SOx 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)

UN
United Nations

US
United States

VKCF
Vopak Key Control Framework

VLCC
Very Large Crude Carrier

VOC
Volatile Organic Compound

VPM
Vopak Project Management

Cover page
Storing vital products with care

Page 8
Profile, mission & strategy
Vopak Terminal Europoort
(the Netherlands)

Page 20
Business environment
Vopak Singapore - Banyan Terminal
(Singapore)

Page 23
Financial performance
Vopak Terminal Vlaardingen
(the Netherlands)

Page 29
Leading assets in leading locations
Vopak Terminal Vlissingen
(the Netherlands)

Page 34
Operational leadership
Vopak Horizon Fujairah
(United Arab Emirates)

Page 40
Service leadership
Vopak Terminal TTR
(the Netherlands)

Page 42
Technology leadership
Vopak Terminal Europoort
(the Netherlands)

Page 44
People leadership
Vopak Terminal Terquimsa
Tarragona
(Spain)

Page 49
Overview
Pengerang Independent Terminals
(Malaysia)

Page 50
Netherlands
Vopak Terminal Europoort
(the Netherlands)

Page 52
Europe, Middle East & Africa
Vopak Horizon Fujairah
(United Arab Emirates)

Page 54
Asia
Vopak Singapore - Banyan Terminal
(Singapore)

Page 56
Americas
Ridley Island Propane Export Terminal
(Canada)

Page 58
LNG
Gate Terminal
(the Netherlands)

Page 63
Business to society
Vopak Shanghai - Caojing Terminal
(China)

Page 244
Contact us
Vopak Global head office
(the Netherlands)

Contact us

Royal Vopak

Global Communication & Investor Relations
Telephone: +31 (0)10 400 2911
Email: global.communication@vopak.com

Visiting address
Westerlaan 10
3016 CK Rotterdam
The Netherlands

Postal address
P.O. Box 863
3000 AW Rotterdam
The Netherlands

Media contact
Liesbeth Lans
Telephone: +31 (0)10 400 2777
Email: liesbeth.lans@vopak.com

Investor Relations contact
Laurens de Graaf
Telephone: +31 (0)10 400 2776
Email: laurens.de.graaf@vopak.com

Sustainability contact
Willem van der Zon
Telephone: +31 (0)10 400 2561
Email: willem.van.der.zon@vopak.com

Credits

Consultancy, concept and design
DartGroup, Amsterdam

Technical realization
DartGroup, Amsterdam

Photography of the Executive Board
Arno Massee Photography
Martin Dijkstra

Royal Vopak
Westerlaan 10
3016 CK Rotterdam
P.O.Box 863
3000 AW Rotterdam
The Netherlands

Telephone: +31 10 400 29 11
Email: global.communication@vopak.com
www.vopak.com