



SOCEP S.A.
QUARTERLY REPORT
ON FINANCIAL STATEMENTS
AS AT 03/31/2018

Summary

- SYNTHESIS OF ECONOMIS AND FINANCIAL INDICATORS
 - STATEMENT OF FINANCIAL POSITION
 - STATEMENT OF COMPREHENSIVE INCOME
 - SPECIFIC EXPLANATORY NOTES

b) Profit and Loss Account

INDICATORS		UNIT	03/31/2017	03/31/2018
I.	TURNOVER	lei	15,256,098	20,649,823
II.	TOTAL REVENUES	”	15,929,485	21,648,441
III.	TOTAL EXPENSES	”	14,423,440	16,295,648
IV.	GROSS PROFIT	”	1,506,045	5,352,793

Following items are the assets with a minimum 10% share – out of total assets: buildings (21.87%), equipment and machinery (29.02%). Expense items with a minimum 10% share – out of net sales (turnover) are the personnel expense (32.93%), the external services expense (19.06%), the materials and supplies expense (10.01%) and the depreciation expenses (13.11%).

At the end of first quarter 2018 company recorded provisions in a total amount of lei 486,357, as follows:

- Provisions for employees benefits	= 480,573 lei
- Other types of provisions	= 5,784 lei.

Provision for employees benefits in an amount of 480,573 lei has been created for the bonuses granted to the employees at the retirement date – according to SOCEP Labor Contract (*Contract Colectiv de Muncă la nivel de societate*) – meaning the equivalent of three basic wages.

c) Financial and Economic Indicators

INDICATORS	CALCULATION PROCEDURE	RESULTS	
		03/31/2017	03/31/2018
1. Current Ratio	Current Assets/Current Liabilities	5,32	4,78
	Loan Capital ----- x 100 Equity Capital	17,01	17,17
2. Indebtedness degree	Loan Capital ----- x 100 Committed Capital	14,54	14,65
3. Rotation Speed of Customers' debts	Customers' Average Balance ----- x 90 Turnover	87,26	50,29
4. Rotation Speed of Fixed Assets	Turnover/Fixed Assets	0,13	0,16

2. BUSINESS ANALYSIS

2.1. During the reported period the harbor cargo traffic increased with 65% compared to same period of previous year, meaning 393 thousand tons of cargo. The benchmarking on different types of cargo is below listed:

TYPES OF CARGO		UNIT	03/31/2017	03/31/2018
I.	HARBOR CARGO TRAFFIC	thousand tons	604	997
1.1.	General Cargo	”	424	474
1.2.	Containerized Cargo	”	177	254
1.3.	Bauxite	“	3	269
II.	TOTAL NUMBER OF CONTAINERS		17,323	20,437
III.	TOTAL TEU-s		31,871	35,579

From the above mentioned benchmarking, it is noticeable a significant increase of bauxite in the share of general cargo. This type of cargo increased with 266 thousand tons, compared to same period of last year. Both containerized cargo and general cargo have increased, compared to first quarter of last year.

The benchmarking on different types of services has following results:

TYPES OF SERVICES		UNIT	03/31/2017	03/31/2018
I.	TOTAL TURNOVER	lei	15,256,098	20,649,823
1.1.	Handling Operation	”	14,158,812	17,899,280
1.2.	Storage Operation	”	938,955	2,589,904
1.3.	Other types of services	”	92,976	131,000
1.4.	Zona Sud Agigea	”	65,355	29,639

Within the total turnover, each service type maintained its share, compared to same quarter of last year. However, benchmarking shows a significant increase of both turnover and gross profit in 2018 compared to same period of 2017.

2.2. Capital expenses until 03/31/2018 have aimed mainly purchasing of one mobile conveyer belt for our bulk cargo terminal and also one 50 tons hook beam for our container terminal.

In same respect, company is pursuing its investment policy by acquiring new equipment in order to improve productivity.

Capital expenses are also to be found in the Investment Program and have been paid from company resources and loans.

2.3. For the near future there are no events, transactions or economic changes which might significantly alter operating revenues.

3. SIGNIFICANT TRANSACTIONS

Not applicable.

4. APPROVALS AND ANNEXES

Present Report has been authorized for publication by the Management Board, on 05/14/2018. The explanatory notes are part of the individual financial statements.

Annexes:

- Statement of Financial Position on 03/31/2018
- Statement of Comprehensive Income la 03/31/2018
- Explanatory Notes to the Financial Statements on 03/31/2018.

The Individual Financial Statements as at 03/31/2018 are drawn up in accordance with International Financial Reporting Standards adopted by European Union and O.M.F.P. No.2844/2016, as amended and subsequently supplemented.

Financial Reports are not audited.

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31-st 2018

		= Lei =	
	NOTE	01/01/2018	03/31/2018
NON-CURRENT ASSETS			
- Tangible assets	1	97,413,682	95,160,323
- Intangible assets	2	708,419	626,536
- Financial assets available for sale	3	469,313	471,956
- Investments in subsidiaries and associates	4	30,018,447	30,018,447
- Other long term investments	5	2,336,727	2,335,691
- Real estate investments	1	1,643,853	1,643,853
TOTAL NON-CURRENT ASSETS		132,590,441	130,256,806
CURRENT ASSETS			
- Stocks	6	1,746,509	1,915,361
- Clients and other receivables	7	8,659,964	13,640,455
- Profit tax receivables	14	140,731	-
- Accrued charges	8	145,367	494,506
- Cash and cash equivalents	9	37,682,443	38,542,356
TOTAL CURRENT ASSETS		48,375,014	54,592,678
TOTAL ASSETS		180,965,455	184,849,484
EQUITY			
- Share capital	10	34,342,574	34,342,574
- Share capital adjustment	10	164,750,632	164,750,632
- Reserves	11	45,774,486	45,231,677
- Retained earnings	12	66,967,919	71,963,280
- Retained earnings from the adoption of IAS 29	10	(164,750,632)	(164,750,632)
- Other elements of equity	13	(3,599,727)	(3,510,657)
TOTAL EQUITY		143,485,252	148,026,874
LIABILITIES			
Non-current liabilities			
- Deferred tax liabilities	14	3,299,130	3,214,021
- Deferred income	16	-	-
- Provisions for employee benefits	18	480,573	480,573
- Long term bank loans	15	23,255,853	21,715,043
TOTAL NON-CURRENT LIABILITIES		27,035,556	25,409,637

Current liabilities

- Suppliers and other liabilities	17	4,171,565	4,404,115
- Long term bank loans	15	6,163,242	6,163,242
- Interest on long-term loans	15	72,960	55,214
- Current income tax owed	14	-	758,192
- Provisions	18	5,784	5,784
- Deferred income	16	31,096	26,426
TOTAL CURRENT LIABILITIES		10,444,647	11,412,973
TOTAL LIABILITIES		37,480,203	36,822,610

TOTAL EQUITY AND LIABILITIES		180,965,455	184,849,484
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**STATEMENT OF COMPREHENSIVE INCOME
AS AT MARCH 31-st 2018**

= Lei =

	Note	03/31/2017	03/31/2018
Income	19	15,256,098	20,649,823
Other income	20	294,198	194,876
Raw materials and consumables	21	(2,111,086)	(2,067,089)
Cost of sold goods	22	(1,660)	(9,528)
Services provided by third parties	23	(4,152,135)	(3,935,503)
Employee benefits expense	24	(5,987,570)	(6,800,369)
Impairment and amortization expense	25	(1,747,835)	(2,707,257)
Other expenses	26	(176,634)	(241,544)
Other gains/losses from operations - net	27	138,155	599,225
Profit/(loss) from operation		1,511,531	5,682,634
Financial income	28	9,228	52,392
Financial expense	29	-	(169,306)
Other financial gains/losses (net)	30	(14,714)	(212,927)
Profit before tax		1,506,045	5,352,793
Income tax expense	14	(193,995)	(813,391)
PROFIT FOR FIRST QUARTER		1,312,050	4,539,402
OTHER COMPREHENSIVE INCOME ELEMENTS			
- elements to be subsequently reclassified under profit or loss			
Gains or losses on financial assets available for sale	3	8,061	2,643
Deferred income tax related to other comprehensive income elements	14	(1,290)	(423)
OTHER COMPREHENSIVE INCOME ELEMENTS FOR FIRST QUARTER (without tax)		6,771	2,220
TOTAL COMPREHENSIVE INCOME FOR FIRST QUARTER		1,318,821	4,541,622

Notes on Individual Financial Statements

As at March 31-st 2018

All the amount are mentioned in Lei (RON) unless otherwise stated

OVERVIEW

Founded in 1991 as a joint stock company that was based on a functional terminal specialized in container and raw materials operation for metallurgy, SOCEP SA is one of the largest port operators in Constanta Port, Its activity is structured on two distinct operating terminals: container terminal (500 000 TEU - annual operating capacity) and general cargo terminal (3 million tons general cargo per unit and bulk cargo - annual operating capacity),

SOCEP S.A. has the following identification data:

- Registered office: Constanța, Incinta Port, Dana 34;
- Trade Register number: J 13/643/1991;
- Tax Identification Number: RO 1870767;
- Main business: cargo handling, NACE code 5224;
- Share capital: 34,342,574.40 lei, divided in 343,425,744 uncertified shares; the nominal value of one share is 0.10 lei;
- Legal form: joint stock company, listed on Bucharest Stock Exchange Standard category, symbol "SOCP";
- Type of ownership: private capital owned by individuals and legal entities.

In accordance with the decision of the Extraordinary General Meeting of Shareholders dated 14 December 2012, starting from 15 December 2012, the company is managed in a two-tier system by a duly operating Supervisory Board and Management Board. Both Boards are acting within the framework of law.

The Supervisory Board consists of 5 members. The Supervisory Board members are:

- Dușu Nicolae - President
- Dușu Ion - Vice-President
- Samara Stere - Member
- Carapiti Dumitru - Member
- Stanciu Ion - Member.

Since 01/08/2018, according to Supervisory Board decision, the Executive Board consists of 5 members. The members of the Executive Board are:

- Barbarino Marius - General Manager
- Codeț Gabriel - Operations Manager
- Nebi Camelia - Financial Manager
- Teodorescu Lucian Ștefan - Maintenance Manager
- Pavlicu Ramona - Human Resources Manager.

Mr. Marius Barbarino holds the office of Management Board President.

FUNDAMENTALS OF PREPARATION

Declaration of Conformity

The financial statements of SOCEP S.A. have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Fundamentals of evaluation

The financial statements have been prepared under the historical cost convention, except for re-valued fixed assets (buildings). When transition to International Financial Reporting Standards implementation completed, the company's share capital was adjusted to inflation according to IAS 29 "Financial reporting in hyperinflationary economies". The adjustment was made until 31 December 2003, when the Romanian economy ceased to be considered hyperinflationary.

Business continuity

According to studies performed, management board members consider that the company has adequate resources to continue operating for the foreseeable future. Therefore, the company adopted principle of business continuity in preparing the financial statements.

Functional currency and presentation currency

The financial statements of the company are shown in lei (RON) and the presentation currency is the same as the functional currency.

Use of estimates and professional judgments

The preparation of financial statements according to IFRS requires the management to use certain estimates, judgments and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and on other factors deemed reasonable in the context of such estimates. The results of these estimates form the basis for judgments about the carrying amounts of assets and liabilities that cannot be obtained from other sources of information. Actual results may differ from these estimates.

SIGNIFICANT ACCOUNTING POLICIES AND METHODS

Transactions in foreign currency

Foreign currency transactions are exchanged into the functional currency using the exchange rates at the dates of the transactions. Gains and losses resulting from foreign exchange differences on the settlement of such transactions and from the conversion of monetary assets and liabilities expressed in foreign currencies at the exchange rate from the date of statement of financial position are reflected in profit or loss for that period.

Monetary assets and liabilities denominated in foreign currency at the date of statement of financial position are converted into the functional currency using the exchange rate on the date of statement of financial position.

Gains and losses on exchange rate, related to cash and cash equivalents, are presented in the statement of comprehensive income under "other financial gains or losses, net". All other gains and losses on exchange rate are presented under "other operating gains and losses, net".

Segment reporting

Reporting by business segment is made in a manner consistent with internal reporting to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of operating segments, is the Supervisory Board.

Tangible assets

Tangible assets are initially recognized at their respective cost, which includes costs directly attributable to their acquisition or production.

Subsequent to initial recognition, buildings are assessed at re-valued amount, determined by periodic assessments conducted every three years by external independent assessors, less subsequent amortization and impairment. During building revaluation, any accrued impairment at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is recorded as re-valued amount of the asset. Increases in the carrying amount arising from the revaluation of buildings are credited to revaluation reserve reflected under the equity category. Reductions compensating increases in value related to the same asset are reflected in the debit of revaluation reserves and other reductions are reflected in profit or loss for the period. The amounts recorded in the revaluation reserve are transferred to retained earnings as the asset is being depreciated. All other tangible assets are assessed subsequent to initial recognition at their cost, less accrued impairment and impairment adjustment.

Expenses subsequent to initial recognition of a tangible asset are added to their carrying amount only when future economic benefits associated to that asset are likely to be entered and the cost of the asset can be assessed reliably.

Repair and maintenance expenses are recorded in the period in which they are incurred.

Land is not depreciated. Impairment of other items of tangible assets is determined based on linear impairment method and useful lives are as follows:

- | | |
|--|-------------|
| - Special buildings and structures: | 8-60 years; |
| - Technological equipment: | 4-18 years; |
| - Devices and equipment for measurement, control and adjustment: | 5-18 years; |
| - Means of transport: | 2-15 years; |
| - Furniture, office equipment, protective equipment for human and material values and other tangible assets: | 4-15 years; |
| - Computers and peripherals: | 2-4 years. |

Since the company's management estimates that the tangible assets will be used to the end of their physical life, their residual value is zero.

Intangible Assets

On initial recognition, intangible assets are valued at cost determined on the basis of IAS 38 "Intangible Assets". Subsequent to initial recognition, intangible assets are measured at cost less the accumulated impairment. The company has not conducted any revaluations of intangible assets.

Licenses acquired for the rights of using computer software are capitalized on the basis of the costs incurred with the acquisition and commissioning of the software in question. These costs are amortized over their estimated useful life (usually 3 years).

The costs of maintaining computer software programs are recognized as expenses in the period in which they are incurred.

Impairment of non-financial assets

Assets subject to amortization are reviewed for impairment losses whenever there are circumstances that indicate that their carrying amount may not be recoverable. An impairment loss is the difference between the carrying amount and the recoverable amount of that asset. The recoverable amount is the greater between the asset's usage value and its fair value, less any sale costs.

Financial instruments

Financial assets and liabilities include equity instruments as financial assets available for sale, equity instruments in subsidiaries and associates, customers and other receivables, cash and cash equivalents, suppliers and other debts.

Financial assets available for sale

Financial assets available for sale are non-derivatives that are specifically classified in this category or not fit in another category of financial assets. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the end of the reporting period.

Financial assets available for sale are valued at cost.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are valued at their respective cost. The company did not recognize impairment adjustments for them.

Receivables from customers and similar accounts

Receivables from customers and similar accounts are non-derivative financial assets with fixed or determinable receipts that are not listed on an active market. They are included under current assets (customers and other receivables).

Stocks

Stocks are stated at the lower between cost and net realizable value. Cost is determined using the weighted average cost method (CMP). In the normal course of business, net realizable value is estimated based on selling price less costs involved.

Trade receivables (customers)

Customer receivables are usually collected in a period of less than one year and are therefore treated as current assets.

Cash and cash equivalents

Cash and cash equivalents consist of liquidities in cash and current accounts, deposits with a maturity of less than 3 months and other securities. The available foreign currency cash and bank deposits in foreign currencies are measured and presented in the statement of financial position using the exchange rate announced by the NBR and valid at the date of the financial position statement.

Share capital

The share capital includes ordinary shares recorded at nominal value. Any excess of fair value received over the nominal value of issued shares is recognized as share premium.

The company recognizes changes in share capital under the terms specified by the legislation in force and only after their approval by the General Meeting of Shareholders and their registration with the Trade Register.

Dividend distribution

The distribution of dividends is recognized as a liability in the company's financial statements for the period in which such dividends are approved by shareholders.

Trade payables (suppliers)

Trade payables are obligations to pay for goods or services acquired in the ordinary course of business from suppliers. They are classified as current liabilities. Payables arising from foreign currency transactions are measured in lei based on the exchange rate at the transaction date. Payables in foreign currency are measured using the exchange rate as communicated by NBR and valid at the date of the financial position statement.

Deferred current income tax

Tax expense for the period includes current tax and deferred tax.

Current income tax expense is calculated based on tax regulations in force at the date of the statement of financial position.

Deferred income tax is determined taking into account the temporary differences arising between the carrying amounts and tax bases of assets and liabilities. Deferred income tax is determined using tax rates provided by the legislation in force to apply in the period when the temporary difference is achieved.

Deferred tax recorded as receivable is recognized only in as much as a future taxable profit is likely to be obtained, from which temporary differences can be deducted.

Employee benefits

In the normal course of business, the company makes payments to the Romanian State on behalf of its employees for pension, health and unemployment funds. All company employees

are members of the Romanian State pension plan. Wages, salaries, contributions to pension funds and social security of the Romanian state, annual leave and paid sick leave, bonuses and non-monetary benefits are accumulated during the year in which the related services are rendered by company employees.

The company grants to its employees, in case of retirement or early retirement, an end-of-career reward of three base monthly salaries as received in the retirement month.

Provisions

Provisions are recognized when the company has a legal or implicit obligation arising from past events, when a disbursement of resources incorporating economic benefits is necessary to settle the obligation, and when a reliable estimate can be made regarding the amount of the obligation.

Provisions are measured at the updated value of the expenses expected to be required to settle that obligation using a pre-tax rate that reflects current market assessments of the time value of money and the obligation-specific risks. Increase in the provision due to passage of time is recognized as financial charges on provision updating.

Income recognition

Income is assessed at the fair value of the amount received or to be received from the sale of goods and provision of services in the company's ordinary course of business.

Income is recognized when their value can be reliably assessed, when future economic benefits are likely to be achieved for the entity and when specific criteria are met for the recognition of each category of income.

a) Income from provided operations

Income from provided port operations is recognized according to the stage of completion of the transaction at the end of the reporting period. Thus, income is recognized in the accounting periods in which services are provided.

The operations under way, not invoiced to customers, are recorded into account 418 "Customer invoices to be issued" and are presented in the statement of financial position under "customers and other receivables".

b) Income from sale of goods

Income from sale of goods is recognized when the company transfers the significant risks and rewards related to the ownership of goods. In case of the company, the transfer of ownership right occurs upon delivery of products.

c) Interest income

Interest income is recognized using accrual accounting effective interest method.

d) Income from rents

Income from rents is recognized on an accrual basis in accordance with the economic substance of the contracts involved.

NOTE 1. TANGIBLE ASSETS

Change in gross value, amortization and book value for each category of fixed assets is as follows:

	Land and buildings	Plant and machinery	Furniture, accessories and other equipment	Real estate investment	Assets in progress	Tangible assets advances	Total
As at 01/01/2018							
Cost or reassessed value	41,292,021	101,097,115	560,083	1,643,853	745,288	2,327	145,340,687
Cumulative amortization		(45,950,755)	(332,397)	-	-	-	(46,283,152)
Net carrying value	41,292,021	55,146,360	227,686	1,643,853	745,288	2,327	99,057,535
As at 03/31/2018							
Initial net carrying value	41,292,021	55,146,360	227,686	1,643,853	745,288	2,327	99,057,535
Receipts	-	251,906	2,521	-	373,464	81,992	709,883
Disbursements	(680)	(63,390)	-	-	(253,748)	(84,319)	(402,137)
Amortization for disbursements	12	63,390	-	-	-	-	63,402
Amortization expense	(861,615)	(1,748,427)	(14,465)	-	-	-	(2,624,507)
Final net carrying value	40,429,738	53,649,839	215,742	1,643,853	865,004	0	96,804,176
As at 03/31/2018							
Cost or reassessed value	41,291,341	101,285,631	562,604	1,643,853	865,004	0	145,648,433
Cumulative amortization	(861,603)	(47,635,792)	(346,862)	-	-	-	(48,844,257)
Net carrying value	40,429,738	53,649,839	215,742	1,643,853	865,004	0	96,804,176



Tangible assets have been recognized at the time of entry, at their cost, and subsequent revaluations were performed based on H.G. 26/92, H.G. 500/94, H.G. 983/98, H.G. 403/2000 and H.G. 1553/2004.

The company constructions were last revaluated on 31 December 2017 by an independent assessor, as follows:

- 7,504,683 lei – representing value increase and recorded within the credit of unrealized revaluation reserves account;
- 92,288 lei – representing value reduction and recorded within the debit of existing unrealized reserves account;
- 13,218 lei – representing value reduction and recorded within the profit and loss account.

The evaluation report had as main goal estimation of fair value according to International Evaluation Standards SEV 2014 – Tangible Assets Evaluation for Financial Reporting, with the specific purpose of accounting recording in order to comply with GD (HG) 276/21.05.2013 and it's implementation rules. The applied methodology is in absolute compliance with International Accounting Standards – IFRS 13 related to accounting records of tangible assets including carrying value of the assets using the revaluation based pattern.

For the revaluation differences deferred taxes have been also taken into account.

Up to 03/31/2018 total investments in an amount of 236,573 lei have been put into operation, as follows:

- In the BULK CARGO terminal - investments with a value of 163,983 lei meaning one mobile conveyer belt;
- In the CONTAINER terminal - investments with a value of 65,603 lei meaning one 50 tons hook beam.
- In the non-productive department - investments with a value 6,987 lei meaning one laptop with license and one mobile phone.

In the first quarter of 2018 fixed assets modernization works have been finalized, amounting 17,174 lei. Also, in the same period of 2018 the company sold 2 portal cranes BOCSA which have been taken out from service.

The company has no tangible assets acquired in financial leasing.

According to Loan Contract with BRD for financing the PACECO project, the company has mortgaged the RTG equipment and the two STS cranes. In the same time the mortgage of the four KOMATSU loaders and HYSTER forklift has been cancelled.

NOTE 2. INTANGIBLE ASSETS

	<u>Computer licenses and software</u>
As at 01 January 2018	
Cost	1,216,757
Accumulated amortization	(564,041)
Net carrying value	652,716
First quarter 2018	
Initial net carrying value	652,716
Receipts	879
Disbursements	-
Amortization for disbursements	-
Amortization expense	(82,762)
Final net carrying value	570,833
As at 31 March 2018	
Cost	1,217,636
Accumulated amortization	(646,803)
Net carrying value	570,833

The intangible assets include software licenses and one trademark. Licenses are depreciated in a linear manner over a useful life of maximum 3 years and the trademark over 8 years.

Intangible assets are measured at cost reduced by accumulated depreciation.

As at 03/31/2018, the company had advances in total amount of 55,703 lei for intangible assets. This amount represents a payment in advance for the software acquired for General cargo Terminal.

NOTE 3. FINANCIAL ASSETS AVAILABLE FOR SALE

Financial assets available for sale include equity instruments held in:

- ROCOMBI SA BUCHAREST and ROFERSPED SA BUCHAREST companies. The share granted by these is 4.2857% in ROCOMBI SA BUCHAREST and 3.0909% in ROFERSPED SA BUCHAREST. The securities of the two companies are not listed on BSE and are net asset value-measured.
- INVESTIȚII ȘI MANAGEMENT PORT CONSTANȚA company. The share granted by these is 7.58 % of the company's share capital. Shares are not listed on BSE and are net asset value -measured.
- ELECTRICA SA. The share granted by these is 0.002 %. Shares are listed on BSE and are measured at fair value.

EQUITY SECURITIES

	ROCOMBI SA	ROFERSPED SA	INVESTIȚII ȘI MANAGEMENT PORT CONSTANȚA	ELECTRICA SA	TOTAL
Value as at 01/01/2018	112,071	275,918	6,665	74,659	469,313
Value increases	-	-	-	-	-
Fair value increases	-	-	-	2,643	2,643
Value decreases	-	-	-	-	-
Value as at 03/31/2018	112,071	275,918	6,665	77,302	471,956

Financial assets available for sale listed on BSE are quarterly revaluated, depending on the rate in that quarter's last trading day.

NOTE 4. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The company holds equity instruments (shares) in the following companies:

Company name	Type of relation	Country of incorporation	Percentage held (%)	Reference date for relation	Type of combination
SOCEFIN S.R.L.	Subsidiary	Romania	100.00 %	02.04.2012	Contribution to the establishment
TRANSOCEP TERMINAL S.A.	Associated entity	Romania	22.22 %	18.01.1996	Contribution to the establishment

Investments in subsidiaries and associates are valued at their cost. The company did not recognize adjustments for their impairment.

	Equity securities SOCEFIN	Equity securities TRANSOCEP	Total
As at 01/01/2018	30,000,000	18,447	30,018,447
Receipts	-	-	-
Disbursements	-	-	-
As at 03/31/2018	30,000,000	18,447	30,018,447

According to the Decision no.36 (published in the Official Gazette - IV Part/13.11.2017) it was decided with unanimity of votes the liquidation and the deletion of SC TRANSOCEP TERMINAL SA and the appointment of the external authorized liquidator in the person of Mrs. POPESCU ADINA.

NOTE 5. OTHER LONG TERM INVESTMENTS

In order to comply with Rental Agreement C.N. "A.P.M." -00082-IDP-01 concluded between SOCEP and C.N. Maritime Ports Administration S.A. Constanta, the company has constituted guarantee-bank deposits, both by bank guarantee – consignment of the amounts into a C.N. "A.P.M." -S.A. current account and by a letter of guarantee with total amount of 2,335,691 lei.

NOTE 6. STOCKS

Stocks held on 03/31/2018 are mainly composed of consumables. Their values were:

	01/01/2018	03/31/2018
Consumables	2,290,936	2,459,839
Goods	832	781
Adjustments for stock impairment	(545,259)	(545,259)
Total	1,746,509	1,915,361

It should be noted that stocks category includes some spare parts purchased in previous years, which are slowly moving. Specifically for them the company formed some adjustments for stock impairment amounting to 545,259 lei.

NOTE 7. CUSTOMERS AND OTHER RECEIVABLES

	01/01/2018	03/31/2018
Trade receivables (customers)	9,129,705	13,948,696
Adjustments for customer receivables impairment	(918,049)	(909,813)
Trade receivables – carrying value	8,211,656	13,038,883
Other receivables	2,252,839	2,406,103
Adjustments for impairment sundry debtors	(1,804,531)	(1,804,531)
Other receivables - carrying value	448,308	601,572
Total	8,659,964	13,640,455

Both trade receivables and other receivables are current assets.

The evolution of adjustments for customer receivables impairment and for sundry debtors impairment in the first quarter of 2018 was as follows:

	03/31/2018	
	Adjustments for impairment of customer receivables	Adjustments for impairment of sundry debtors
Balance as at 1 January 2018	918,049	1,804,531
Increases	406	-
Decreases	(8,642)	-
Balance as at 31 March 2018	909,813	1,804,531

Income resulting from the adjustment for trade receivables impairment is included under other gains/losses from operations – net.

Other receivables include:

	01/01/2018	03/31/2018
Advances for stocks and services	37,013	37,392
Taxes and charges to recover and other receivables	45,125	109,482
VAT to be recovered	-	-
Sundry debtors	2,170,701	2,259,229
Total	2,252,839	2,406,103

NOTE 8. ACCRUED CHARGES

Accrued charges were generated by the advance payment of local taxes and fees, of insurance for tangible assets and liability insurance, subscriptions, contributions and various fees.

NOTE 9. CASH AND CASH EQUIVALENTS

	01/01/2018	03/31/2018
Cash and bank accounts	9,804,833	12,175,539
Short-term bank deposits	27,877,610	26,366,817
Total	37,682,443	38,542,356

Cash and cash equivalents in foreign currency were measured in the financial statements based on exchange rates valid on 03/31/2018, i.e. 4.6576 lei/Euro and 3.7779 lei/USD.

NOTE 10. SHARE CAPITAL

The company's share capital is fully subscribed and has a value of 34,342,574.40 lei. It consists of 343,425,744 dematerialized registered shares. The nominal value of a share is 0.10 lei. After the application of IFRS, the company's share capital was adjusted to inflation. The adjustment amount is 164,750,632 lei.

NOTE 12. RESERVES

Company reserves consist of unrealized revaluation surplus and reserves.

After the transition to IFRS implementation, company policy is to recognize for retained earnings the revaluation surplus for depreciable assets as they are amortized or sold.

	Reserves from revaluation of tangible assets	Legal reserves	Reserves from distribution of net profit	Reserves from tax reductions and exchange rate differences	TOTAL
As at 01/01/2018	24,134,953	6,868,515	10,047,519	4,723,499	45,774,486
Profit distribution (earnings for first qtr.)	-	-	-	-	-
Surplus from revaluation realized	(542,809)	-	-	-	(542,809)
Investment property revaluation reserve at fair value	-	-	-	-	-
Reserves from reinvested profit	-	-	-	-	-
As at 03/31/2018	23,592,144	6,868,515	10,047,519	4,723,499	45,231,677

Reserves from asset revaluation consist of differences from revaluation of unrealized tangible assets.

Legal reserves were formed under the law.

Reserves from profit distributions come from the legal distribution of a portion of the net profit from its own funding sources for the period 2001-2005.

Reserves from tax reductions and foreign exchange differences amounting 4,723,499 lei come from:

- Tax reductions as per H.G. 402/2000 and Law 189/2001	= 3,858,117 lei
- Amount related to exchange rate differences resulting from the assessment of liquidity in foreign currencies calculated according to Decision No.3 / 2002 of the Ministry of Public Finance	= 452,887 lei
- Reserves from reinvested profit	= 412,495 lei.

NOTE 12. RETAINED EARNINGS

	Retained earnings from undistributed profits	Retained earnings from first-time adoption of IAS 29	Retained earnings from surplus realized from revaluation reserves	Retained earnings from implementation of IFRS, less IAS 29	TOTAL
As at 01/01/2018	53,025,453	(1,282,715)	13,385,684	1,839,497	66,967,919
Result for the quarter	4,539,402	-	-	-	4,539,402
The revaluation surplus realized	-	-	542,809	-	542,809
Income tax related to the revaluation surplus realized	-	-	(86,849)	-	(86,849)
As at 03/31/2018	57,564,855	(1,282,715)	13,841,644	1,839,497	71,963,280

NOTE 13. OTHER EQUITY ELEMENTS

	Deferred income tax recognized in equity account	Differences from the change in fair value of financial assets available for sale	TOTAL
As at 01/01/2018	(3,911,472)	311,745	(3,599,727)
Deferred tax income related to change in fair value of financial assets available for sale	(423)	-	(423)
Change in fair value of financial assets available for sale	-	2,643	2,643
Deferred income tax related to revaluation surplus realized	86,849	-	86,849
As at 03/31/2018	(3,825,045)	314,388	(3,510,657)

NOTE 14. DEFERRED INCOME TAX AND CURRENT INCOME TAX

a) Deferred income tax

Deferred tax assets were recognized for stock adjustments, receivables adjustments and provisions.

Deferred tax liabilities were recognized in reserves from revaluation and changes in fair value of financial assets available for sale.

Change of assets and liabilities related to deferred income tax during first quarter of 2018, without taking into account the compensation of balances related to the same tax authority, is:

Deferred income tax assets

Deferred income tax assets	Stocks (stock adjustments)	Receivables (receivable adjustments)	Provisions	Shares depreciation adjustments	Total
As at 01/01/2018	87,241	435,613	77,817	11,670	612,341
Recorded/credited in profit or loss for the period	-	-	-	-	-
Recorded/debited in profit or loss for the period	-	(1,318)	-	-	(1,318)
As at 03/31/2018	87,241	434,295	77,817	11,670	611,023

Deferred income tax liabilities

Deferred income tax liabilities	Revaluation reserves	Financial assets available for sale	Total
As at 01/01/2018	3,861,592	49,879	3,911,471
Recorded/credited in profit or loss for the period	-	-	-
Recorded/debited in profit or loss for the period	(86,849)	-	(86,849)
Recorded/credited in other elements of comprehensive income	-	423	423
Recorded/debited in other elements of comprehensive income	-	-	-
As at 03/31/2018	3,774,743	50,302	3,825,045

b) Current income tax

	03/31/2017	03/31/2018
Balance on 01 January	(45,886)	(140,731)
Increases	211,393	898,923
Decreases	-	-
Balance on 31 March	165,507	758,192

c) Expense with current income tax

	03/31/2017	03/31/2018
Profit before tax	1,506,045	5,352,793
Deductions - reserve fund	(75,302)	-
Nontaxable income	(209,762)	(8,642)
Nondeductible expenses	171,603	24,565
Elements similar to income	304,158	542,809
Taxable profit	1,696,742	5,911,525
Income tax calculated by 16%	271,479	945,844
Sponsorships carried from 2016/2017	(37,186)	(46,207)
Sponsorships current year	(11,500)	-
Deduction of reinvested profit	(11,400)	(714)
Current income tax expense	211,393	898,923

d) Income tax expenses

	03/31/2017	03/31/2018
Current income tax expenses	211,393	898,923
Deferred income tax expense	33,562	1,383
Deferred income tax revenues	(50,960)	(86,915)
Income tax expenses	193,995	813,391

NOTE 15. BANK LOANS

The company has contracted a bank loan amounting to 35,090,000 lei on 10/05/2015 from BRD. This loan was used for partial payment of the import letter of credit amounting to 8,710,550 Euro (opened at BRD on the request of SOCEP, in favor of beneficiary PACECO ESPAÑA S.A., as per credit letter issue contract no. 209763/05.10.2015). Until 03/31/2018, the credit balance was 27,878,285 lei, out of which the amount of 6,163,242 lei has a maturity less than 1 year. Balance for interest related to the loan as recorded on 03/31/2018 is in an amount of 55,214 lei.

NOTE 16. DEFERRED INCOME

Under the deferred income category, the company recognizes donations for investments and revenues from rents invoiced in advance.

	01/01/2018	03/31/2018
Donations for investments	-	-
Other revenues	31,096	26,426
TOTAL	31,096	26,426

NOTE 17. FURNIZORI ȘI ALTE DATORII

The suppliers and other payables statement is as follows:

	01/01/2018	03/31/2018
Trade payables, out of which:	1,620,663	1,697,531
Suppliers for fixed assets	6,664	85,278
Salaries due	542,192	595,767
Unclaimed Dividends	346,348	345,394
Social security and other taxes	1,127,318	1,346,259
Other payables	535,044	419,164
Total	4,171,565	4,404,115

Social security and other taxes, which are due in April 2018, have the following values:

	01/01/2018	03/31/2018
Social security	734,341	928,205
Salary tax	261,006	167,385
VAT	131,971	250,669
Tax on dividends	-	-
TOTAL	1,127,318	1,346,259

On 03/31/2018, the company has no outstanding debts for which interests or late payment penalties should be paid.

NOTE 18. PROVISIONS

The situation of provisions is as follows:

	01/01/2018	03/31/2018
Provisions for employee benefits	480,573	480,573
Other provisions	5,784	5,784
TOTAL	486,357	486,357

The provision for employee benefits in the amount of 480,573 lei is formed for the amounts to be granted to company employees, equivalent to three base salaries for each, as received on retirement date.

NOTE 19. INCOME (Turnover)

The company has achieved over 99% of its turnover from operations carried out in our terminals, general cargo terminal and container terminal.

	03/31/2017	03/31/2018
Income from port performed port operations	15,123,310	20,507,988
Income from rents	128,923	91,371
Other income (sale of goods)	3,865	50,464
TOTAL	15,256,098	20,649,823

Turnover detailed by port terminals as determined by company management, is as follows:

	03/31/2017	03/31/2018
I. GENERAL CARGO		
Cargo handling	8,666,958	11,380,227
Storage	886,443	2,529,048
Other services	73,297	108,151
Zona Sud Agigea	65,355	29,639
TOTAL	9,692,053	14,047,065
II. CONTAINERS		
Handlings	5,491,854	6,519,053
Storage	52,512	60,856
Other services	19,679	22,849
TOTAL	5,564,045	6,602,758
III. TOTAL COMPANY		
Handlings	14,158,812	17,899,280
Storage	938,955	2,589,904
Other services	92,976	131,000
Zona Sud Agigea	65,355	29,639
TOTAL	15,256,098	20,649,823

NOTE 20. OTHER INCOME

	03/31/2017	03/31/2018
Dispatch and penalties	152,498	123,557
Income from dividends	-	-
Miscellanea	141,700	71,319
TOTAL	294,198	194,876

Other income included amounts from invoicing dispatch (due for early operation of ships), i.e. 122,883 lei and penalties calculated for failure to pay in due time for provided port operations and invoiced to customers, in the amount of 674 lei.

NOTE 21. RAW MATERIALS AND CONSUMABLES

	03/31/2017	03/31/2018
Expenses with consumables	1,611,100	1,570,596
Expenses with other materials	114,553	34,834
Expenses with materials not stored	474	676
Expenses with energy and water	384,959	460,983
TOTAL	2,111,086	2,067,089

NOTE 22. COST OF SOLD GOODS

	03/31/2017	03/31/2018
Expenses with goods	1,660	9,528

NOTE 23. SERVICES PROVIDED BY THIRD PARTIES

	03/31/2017	03/31/2018
Maintenance and repair expenses	222,413	129,968
Rent expenses	1,296,163	1,466,641
Insurance expenses	67,626	58,045
Protocol and advertising expenses	48,964	23,369
Expenses with charges and fees	305,793	323,225
Cargo and staff transportation expenses	29,482	29,018
Travel expenses	30,658	3,055
Postal and telecommunication expenses	28,479	28,988
Bank service expenses	8,909	9,527
Rail cars shifting expenses	126,519	84,885
Port service expenses	1,443,124	1,108,356
Sanitation expenses	93,155	103,827
Occupational safety expenses	21,083	17,931
Fire protection, safety expenses	239,316	237,877
Computer service expenses	33,858	92,442
Expenses with subscriptions, contributions	15,644	15,766
Audit, consultancy, BSE expenses	57,885	75,532
Expenses with authorizations	27,366	23,505
Schooling/training expenses	5,733	22,896
Other expenses	49,965	80,650
TOTAL	4,152,135	3,935,503

NOTE 24. EMPLOYEE BENEFIT COST

EXPENSES	03/31/2017	03/31/2018
Salaries and meal vouchers	4,850,614	6,511,961
Social security expenses	1,136,956	288,408
TOTAL	5,987,570	6,800,369

Benefits for Management Board and Supervisory Board members:

CHELTUIELI	03/31/2017	03/31/2018
Management Board benefits	148,525	184,845
Social security related to Executive Board benefits	35,476	2,274
Supervisory Board benefits	122,400	221,875
Social security related to Supervisory Board benefits	26,464	4,992
TOTAL	332,865	413,986

AVERAGE NUMBER OF EMPLOYEES	03/31/2017	03/31/2018
	431	398

NOTE 25. AMORTIZATION EXPENSES

	03/31/2017	03/31/2018
Expenses with the amortization of intangible assets	83,128	82,762
Expenses with the amortization of tangible assets	1,664,707	2,624,495
TOTAL	1,747,835	2,707,257

NOTE 26. OTHER EXPENSES

Other expenses include expenses with other taxes, losses on bad debts, compensation of damages, fines and penalties, donations and other operating expenses.

	03/31/2017	03/31/2018
Expenses with taxes and charges	141,638	191,820
Losses from receivables	-	242
Damages, fines, penalties	1,500	2,500
Donations	-	-
Sponsorships	11,500	-
Other operating expenses	21,996	46,982
TOTAL	176,634	241,544

NOTE 27. OTHER OPERATIONAL GAINS/LOSSES – NET

	03/31/2017	03/31/2018
Income from disposal of assets	-	591,794
Expenses on disposal of assets	-	-
Income from provisions	-	-
Expenses from provisions	-	-
Income from adjustments of stocks and customer receivables	209,762	8,642
Expenses for adjustments of stocks and customer receivables	(14,345)	(406)
Income from exchange rate differences, less those for cash and cash equivalents	43,427	12,109
Expenses from exchange rate differences, less those for cash and cash equivalents	(100,689)	(12,914)
TOTAL	138,155	599,225

NOTE 28. FINANCIAL INCOME

Financial income includes income from interests and other income.

	03/31/2017	03/31/2018
Income from interests	8,900	33,629
Other financial income	328	18,763
TOTAL	9,228	52,392

NOTE 29. FINANCIAL EXPENSE

	03/31/2017	03/31/2018
Interest expense	-	169,306
TOTAL	-	169,306

NOTE 30. OTHER FINANCIAL GAINS/LOSSES – NET

The net financial gain (loss) is determined as the difference between income and expenses related to different exchange rates applied to cash and cash equivalents in foreign currency.

	03/31/2017	03/31/2018
Income from different exchange rates	326,533	147,447
Expenses from different exchange rates	(341,247)	(360,374)
Net financial gains (losses)	(14,714)	(212,927)

NOTE 31. TRANSACTIONS WITH AFFILIATED PARTIES

In the first quarter of 2018, the company had transactions with the following affiliated parties: SC TRANSOCEP TERMINAL SA CONSTANȚA, SC CASA DE EXPEDIȚII PHOENIX S.A. CONSTANȚA, SC CELCO CONSTANȚA SA, SC SULINA ESTIVAL 2002 SA and DDN GLOBAL SRL CONSTANȚA. The connection with TRANSOCEP TERMINAL S.A. CONSTANȚA is generated by the 22.22% stake in the capital and the presence in the Management Board of TRANSOCEP TERMINAL S.A. The connection with CASA DE EXPEDIȚII PHOENIX SA CONSTANȚA, CELCO CONSTANȚA SA and DDN GLOBAL SRL CONSTANȚA is resulting from the existence of common members in their management bodies.

Sales of goods and services

Company	03/31/2017	03/31/2018
Transocep Terminal SA	-	-
Sales of goods	-	-
Sales of services	4.001	-
Sales of fixed assets	-	-
TOTAL (VAT included)	4.001	-

Company	03/31/2017	03/31/2018
Casa de Expediții Phoenix S.A.		
Sales of goods	-	-
Sales of services	83.501	99.426
Sales of fixed assets	-	-
TOTAL (VAT included)	83.501	99.426
CELCO S.A.		
Sales of goods	-	-
Sales of services	33.045	-
Sales of fixed assets	-	-
TOTAL (VAT included)	33.045	-
Purchases of goods and services		
Societatea	31.03.2017	31.03.2018
Transocep Terminal SA		
Purchases of goods	-	-
Purchases of services	48.814	-
Purchases of fixed assets	-	-
TOTAL (VAT included)	48.814	-
Casa de Expediții Phoenix S.A.		
Purchases of goods	298.391	33.496
Purchases of services	554.630	190.625
Purchases of fixed assets	-	-
TOTAL (VAT included)	853.021	224.121

Societatea	31.03.2017	31.03.2018
DDN GLOBAL		
Purchases of goods	-	-
Purchases of services	32.080	43.102
Purchases of fixed assets	-	-
TOTAL (VAT included)	32.080	43.102
SULINA ESTIVAL		
Purchases of goods	420	-
Purchases of services	-	-
Purchases of fixed assets	420	-
TOTAL (VAT included)		

Balances on 31 March 2018 resulting from sales/purchases of goods/services

a) TRANSOCEP TERMINAL SA CONSTANȚA (associated entity)

	03/31/2017	03/31/2018
Receivable	-	-
Payable	58,088	-
TOTAL	(58,088)	-

b) CASA DE EXPEDIȚII PHOENIX SA CONSTANȚA

	03/31/2017	03/31/2018
Receivable	-	-
Payable	291,039	52,532
TOTAL	(291,039)	(52,532)

NOTE 32. ECONOMIC AND FINANCIAL INDICATORS

INDICATORS	CALCULATION PROCEDURE	RESULTS	
		03/31/2017	03/31/2018
1. Current liquidity	Current assets/Current liabilities	5.32	4.78
	Borrowed capital ----- x 100	17.01	17.17
	Equity		
2. Indebtedness	Borrowed capital ----- x 100	14.54	14.65
	Committed capital		
3. Rotation speed of customers debts	Average balance of customers ----- x 90 Turnover	87.26	50.29
4. Rotation speed of fixed assets	Turnover/Fixed assets	0.13	0.16

EVENTS OCCURRED AFTER THE REPORTING PERIOD

We specify that subsequent to preparation of financial statements, no events have occurred which could significantly influence the financial position and company performances.

Quarterly Financial Statements are not audited.