



SOCEP S.A.
QUARTERLY REPORT
ON FINANCIAL STATEMENTS
AS AT 09/30/2019

Summary

- SYNTHESIS OF ECONOMIS AND FINANCIAL INDICATORS
 - STATEMENT OF FINANCIAL POSITION
 - STATEMENT OF COMPREHENSIVE INCOME
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**QUARTERLY REPORT
ON FINANCIAL STATEMENTS
COMPLYING TO A.S.F. REGULATION NO.5/2018
FOR THE THIRD QUARTER 2019**

Report Date	11/15/2019
Name of Shares Issuer	SOCEP S.A.
Registered Office	Constanța, Incinta Port, Dana 34
Phone/fax	0374.416142 / 0241 693759
Fiscal Code	RO 1870767
Company Number in the Trade Register	J 13 / 643 / 1991
Subscribed Share Capital	34,342,574.40 lei split in 343,425,744 registered dematerialized shares with a nominal value of 0.10 lei/share
Trading Market	B.V.B., Standard category, symbol SOCP

SYNTHESIS OF ECONOMIC AND FINANCIAL INDICATORS

1. FINANCIAL AND ECONOMIC STATE

a) **The main elements of the Balance Sheet** and of the Profit and Loss Account, compared to the same time period of the previous year, are below listed:

ECONOMIC INDICATORS		UNIT	09/30/2018	09/30/2019
I.	TOTAL ASSETS	lei	180,810,364	212,760,119
1.1.	Fixed Assets	”	126,671,006	151,727,010
1.2.	Stocks	”	1,862,498	1,321,304
1.3.	Receivables	”	13,348,473	17,952,783
1.4.	Cash and Bank Accounts	”	21,778,108	32,185,052
1.5.	Accruals and prepaid expenses	”	196,895	220,252
1.6.	Short Term Investments	”	16,953,384	9,353,718
II.	TOTAL LIABILITIES	lei	184,849,484	196,479,859
2.1.	Shareholders’ Equity	”	146,536,482	182,135,917
2.2.	Total Debts	”	33,761,305	30,087,665
2.3.	Upfront Revenues	”	26,220	18,214
2.4.	Provisions	”	486,357	518,323

b) Profit and Loss Account

	INDICATORS	UNIT	09/30/2018	09/30/2019
I.	TURNOVER	lei	53,962,945	57,637,415
II.	TOTAL REVENUES	”	56,348,652	70,116,952
III.	TOTAL EXPENSES	”	46,874,534	46,112,068
IV.	GROSS PROFIT	”	9,474,118	24,004,884

Following items are the assets with a minimum 10% share – out of total assets: buildings (16.08%), equipment and machinery (21.54%). Expense items with a minimum 10% share – out of net sales (turnover) are the personnel expense (33.77%), the external services expense (20.00%), the materials and supplies expense (10.11%) and the depreciation expenses (12.70%).

At the end of third quarter 2019 company recorded provisions in a total amount of lei 518,323, as follows:

- Provisions for employees benefits	= 512,539 lei
- Other types of provisions	= 5,784 lei.

Provision for employees benefits in an amount of 512.539 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	
		09/30/2018	09/30/2019
1. Current Ratio	Current Assets/Current Liabilities	4.47	4.55
2. Indebtedness degree	Loan Capital ----- x 100 Equity Capital	15.13	9.46
	Loan Capital ----- x 100 Committed Capital	13.14	8.64
3. Rotation Speed of Customers' debts	Customers' Average Balance ----- x 90 Turnover	56.18	77.00
4. Rotation Speed of Fixed Assets	Turnover/Fixed Assets	0.43	0.38

2. BUSINESS ANALYSIS

2.1. During the reported period the harbor cargo traffic increase by 2.07% compared to same period of previous year, meaning 47 thousand tons of cargo. The benchmarking on different types of cargo is below listed:

TYPES OF CARGO		UNIT	09/30/2018	09/30/2019
I.	HARBOR CARGO TRAFFIC	thousand tons	2,265	2,312
1.1.	General Cargo	”	978	879
1.2.	Containerized Cargo	”	785	844
1.3.	Mineral bulk cargo	”	502	589
II.	TOTAL NUMBER OF CONTAINERS		60,837	62,730
III.	TOTAL TEU-s		102,603	106,735

From the above mentioned benchmarking, it is noticeable a decrease of general cargo. On the other hand, the containerized cargo and mineral bulk cargo increase their share. The first types of cargo recorded a decrease by 10.12%, compared to same period of last year, while the containerized cargo scored an increase by 7.52% and cargo mineral bulk by 17.33%.

The benchmarking on different types of services has following results:

TYPES OF SERVICES		UNIT	09/30/2018	09/30/2019
I.	TOTAL TURNOVER	lei	53,963,035	57,637,415
1.1.	Handling Operation	”	46,575,269	45,409,050
1.2.	Storage Operation	”	6,758,800	11,540,841
1.3.	Other types of services	”	465,982	522,160
1.4.	South Agigea Area	”	162,984	165,364

Within the total turnover, there has been a change of all the elements' ratio, compared to same quarter of last year. Therefore, compared to same period of 2018, the company registered an increase of both the turnover, with 6.80% and of the gross profit, with 24.43%.

2.2. Capital expenses until 09/30/2019 have aimed mainly purchasing of pieces of equipment. However, the major ratio is represented by the planned starting of Grain Terminal investment.

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

Capital expenses are to be found in the Investment Program and have been paid from company's own resources.

2.3. For the near future there are no foreseeable events, transactions or economic changes which might significantly alter operating revenues, except for the fact that: on 03/05/2019 GSEM has approved in principle the merger by absorption of the company Casa de Expeditii PHOENIX SA. SOCEP SA is to absorb mentioned entity located in Constanta, Incinta Port, Constanta County, number in the Trade Register J 13/703/1991, fiscal Code RO1878000, at its assessed value.

3. SIGNIFICANT TRANSACTIONS

GSEM held on 03/05/2019 has approved in principle the merger by absorption of the company Casa de Expeditii PHOENIX SA. SOCEP SA is to absorb, at its assessed value, the mentioned entity having following identification data: registered office in Constanta, Incinta Port, Constanta County; number in the Trade Register J 13/703/1991; fiscal Code RO1878000.

4. APPROVALS AND ANNEXES

Present Report has been authorized for publication by the Management Board, on 11/15/2019. The explanatory notes are part of the individual financial statements.

Annexes:

- Statement of Financial Position on 09/30/2019
- Statement of Comprehensive Income la 09/30/2019
- Explanatory Notes to the Financial Statements on 09/30/2019.

The Individual Financial Statements as at 09/30/2019 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.

General Manager
Dorinel Cazacu

Financial Manager
Cristian-Mihai Ududec

STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30-st 2019

			= Lei =
	NO TE	01/01/2019	09/30/2019
NON-CURRENT ASSETS			
- Tangible assets	1	91,718,178	97,470,623
- Intangible assets	2	379,906	140,806
- Financial assets available for sale	3	466,445	475,364
- Investments in subsidiaries and associates	4	40,871,551	40,871,551
- Other long term investments	5	688,507	9,557,936
- Real estate investments	1	3,210,730	3,210,730
TOTAL NON-CURRENT ASSETS		137,335,317	151,727,010
CURRENT ASSETS			
- Stocks	6	863,563	1,321,304
- Clients and other receivables	7	15,205,514	17,952,783
- Profit tax receivables	14	0	0
- Accrued charges	8	170,948	220,252
- Cash and cash equivalents	9	44,316,871	41,538,770
TOTAL CURRENT ASSETS		60,556,896	61,033,109
TOTAL ASSETS		197,892,213	212,760,119
EQUITY			
- Share capital	10	34,342,574	34,342,574
- Share capital adjustment	10	164,750,632	164,750,632
- Reserves	11	43,896,954	42,373,804
- Retained earnings	12	76,203,623	99,293,033
- Retained earnings from the adoption of IAS 29	10	-164,750,632	-164,750,632
- Other elements of equity	13	5,875,310	6,126,506
TOTAL EQUITY		160,318,461	182,135,917
LIABILITIES			
Non-current liabilities			
- Deferred tax liabilities	14	4,479,495	4,241,079
- Deferred income	16	0	0
- Provisions for employee benefits	18	512,539	512,539
- Long term bank loans	15	17,092,611	12,470,180
TOTAL NON-CURRENT LIABILITIES		22,084,645	17,223,798

Current liabilities

- Suppliers and other liabilities	17	8,470,703	6,226,660
- Long term bank loans	15	6,163,242	6,163,242
- Interest on long-term loans	15	75,204	54,708
- Current income tax owed	14	751,695	931,796
- Provisions	18	5,784	5,784
- Deferred income	16	22,479	18,214
TOTAL CURRENT LIABILITIES		15,489,107	13,400,404
TOTAL LIABILITIES		37,573,752	30,624,202

TOTAL EQUITY AND LIABILITIES		197,892,213	212,760,119
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General Manager
Dorinel Cazacu

Financial Manager
Cristian-Mihai Ududec

**STATEMENT OF COMPREHENSIVE INCOME
AS AT SEPTEMBER 30-st 2019**

= Lei =

	Note	09/30/2018	09/30/2019
Income	19	53,962,945	57,666,910
Other income	20	558,449	442,077
Raw materials and consumables	21	-5,847,420	-5,827,711
Cost of sold goods	22	-28,666	-88,495
Services provided by third parties	23	-11,235,303	-11,527,426
Employee benefits expense	24	-19,634,761	-19,467,372
Impairment and amortization expense	25	-7,974,820	-7,320,037
Other expenses	26	-728,723	-885,125
Other gains/losses from operations - net	27	679,709	119,816
Profit/(loss) from operation		9,751,410	23,594,361
Financial income	28	189,584	10,731,106
Financial expense	29	-723,872	-592,962
Other financial gains/losses (net)	30	256,996	754,104
Profit before tax		9,474,118	24,004,885
Income tax expense	14	-1,438,886	-2,194,920
PROFIT FOR THREE QUARTER		8,035,232	21,809,965
OTHER COMPREHENSIVE INCOME ELEMENTS			
- elements to be subsequently reclassified under profit or loss			
Gains or losses on financial assets available for sale	3	-5,153	8,919
Deferred income tax related to other comprehensive income elements	14	824	-1,472
OTHER COMPREHENSIVE INCOME ELEMENTS FOR THREE QUARTER (without tax)		-4,329	7,447
TOTAL COMPREHENSIVE INCOME FOR THREE QUARTER		8,030,903	21,817,412

General Manager
Dorinel Cazacu

Financial Manager
Cristian-Mihai Ududec

Notes on Individual Financial Statements

As at September 30-st 2019

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 3 members. The Supervisory Board members are:

- | | |
|----------------|-------------------|
| - DUȘU NICULAE | - President |
| - DUȘU ION | - Vice-President |
| - SAMARA STERE | - Vice-President. |

Since 11/01/2018, according to Supervisory Board decision, the Executive Board consists of 5 members. The members of the Executive Board are:

- | | |
|----------------------------|------------------------------------|
| - Cazacu Dorinel | - President of the Executive Board |
| - Teodorescu Lucian Ștefan | - Member |
| - Codeț Gabriel | - Member |
| - Pavlicu Ramona | - Member |
| - Ududec Cristian Mihai | - Member. |

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 displayed 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/current 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 the other gains and losses on exchange rate are displayed 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 key 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 until 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 having the right 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 lowest value between cost and net realizable value. The cost is determined using the weighted average cost method (CMP/ACM). In the normal course of business, net realizable value is estimated based on selling price less the involved costs.

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.

Employees' 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 yet 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:

lei

	Land and buildings	Plant and machinery	Furniture, accessories and other equipment	Real estate investment	Assets in progress	Tangible assets advances	Total
As at 01/01/2019							
Cost or reassessed value	40,157,181	101,739,403	565,405	3,210,730	4,579,654	68,778	150,321,151
Cumulative amortization	-3,421,570	-51,580,655	-390,018	0	0	0	-55,392,243
Net carrying value	36,735,611	50,158,748	175,387	3,210,730	4,579,654	68,778	94,928,908
As at 01/01/2019							
Initial net carrying value	36,735,611	50,158,748	175,387	3,210,730	4,579,654	68,778	94,928,908
Receipts	13,751	238,088	12,619	0	12,468,181	389,577	13,122,216
Disbursements	0	-72,122	-2,155	0	-283,573	-15	-357,865
Amortization for disbursements	0	66,876	2,155	0	0	0	69,031
Amortization expense	-2,499,019	-4,544,934	-36,984	0	0	0	-7,080,937
Final net carrying value	34,250,343	45,846,656	151,022	3,210,730	16,764,262	458,340	100,681,353
As at 09/30/2019							
Cost or reassessed value	40,170,932	101,905,369	575,869	3,210,730	16,764,262	458,340	163,085,502
Cumulative amortization	-5,920,589	-56,058,713	-424,847	0	0	0	-62,404,149
Net carrying value	34,250,343	45,846,656	151,022	3,210,730	16,764,262	458,340	100,681,353



Tangible assets have been recognized at the time of entry, at their cost, and subsequent revaluations were performed based on HG. 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 09/30/2019 total investments in an amount of 264,458 lei have been put into operation, as follows:

- In the BULK CARGO terminal - investments with a value of 233,082 lei;
- In the CONTAINER terminal - investments with a value of 22,401 lei;
- In the REPAIR SHOP - investments with a value of 5,529 lei;
- In the ADMINISTRATIVE - investments with a value of 3,446 lei;

In the three quarters of 2019 there have been no fixed assets modernization works.

Also, in the same period of 2019 fixed assets outflows were recorded:

- In the ADMINISTRATIVE, 40,317 lei;
- In the CONTAINER terminal, 14,444 lei;
- In the BULK CARGO terminal 19,516 lei;

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

	lei
	<u>Computer licenses and software</u>
As at 01 January 2019	
Cost	1,186,588
Accumulated amortization	-862,385
Net carrying value	324,203
01 January 2019	
Initial net carrying value	324,203
Receipts	0
Disbursements	0
Amortization for disbursements	0
Amortization expense	-239,100
Final net carrying value	85,103
As at 30 September 2019	
Cost	1,186,588
Accumulated amortization	-1,101,485
Net carrying value	85,103

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 09/30/2019, 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.

- ELECTRICA SA. The share granted by these is 0.002 %. Equity Shares are listed on BSE and are measured at fair value.

lei

	ROCOMBI SA	ROFERSPED SA	ELECTRICA SA	TOTAL
Value as at 01/01/2019	125,293	277,064	64,088	466,445
Value increases	-	-	-	-
Fair value increases	-	-	10,571	10,571
Value decreases	-	-	-1,652	-1,652
Value as at 03/31/2019	125,293	277,064	73,007	475,364

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 %	04/02/2012	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	Total
As at 01/01/2019	40,871,551	40,871,551
Receipts	-	-
Disbursements	-	-
As at 09/30/2019	40,871,551	40,871,551

lei

NOTE 5. OTHER LONG TERM INVESTMENTS

At the end of the third quarter of the current year, the company had a total amount of 9,557,935.94 lei as committed guarantees, resulting from:

- 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 guarantees, with total amount of 703,650 lei
- two deposits, a collateral bank deposit in the amount of 500,000 euros, equivalent to 2,375,550 lei, and another collateral bank deposit in the amount of 1.490,000 usd, equivalent to 6,479,712 lei related to the letter of credit opened for cereal terminal investment.

NOTE 6. STOCKS

Stocks held on 03/31/2019 are mainly composed of consumables. Their values were:

	01/01/2019	09/30/2019
		lei
Consumables	2,388,382	2,840,250
Goods	455	6,782
Adjustments for stock impairment	-1,540,322	-1,540,322
Advanced for goods	15,048	14,594
Total	863,563	1,321,304

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 1,540,322 lei.

NOTE 7. CUSTOMERS AND OTHER RECEIVABLES

	01/01/2019	09/30/2019
		lei
Trade receivables (customers)	15,071,084	17,806,342
Adjustments for customer receivables impairment	-746,133	-722,001
Trade receivables – carrying value	14,324,951	17,084,341

Other receivables	2,624,506	2,612,385
Adjustments for impairment sundry debtors	-1,743,943	-1,743,943
Other receivables - carrying value	880,563	868,442
Total	15,205,514	17,952,783

Both trade receivables and other receivables are current assets.

The evolution of adjustments for customer receivables impairment and for sundry debtors' impairment in the three quarters of 2019 was as follows:

lei

09/30/2019

	Adjustments for impairment of customer receivables	Adjustments for impairment of sundry debtors
Balance as at 1 January 2019	746,133	1,743,943
Increases	2,209	0
Decreases	-26,341	0
Balance as at 30 September 2019	722,001	1,743,943

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

Other receivables include:

lei

	01/01/2019	09/30/2019
Advances for stocks and services	0	9,226
Taxes and charges to be recovered and other receivables	264,402	253,021
VAT to be recovered	0	0
Sundry debtors	2,360,104	2,350,138
Total	2,624,506	2,612,385

NOTE 8. ACCRUED CHARGES

Accrued charges were generated by the advance payment of local taxes and fees, of insurances for tangible assets and liability insurance, subscriptions, contributions and various fees, amounting the value of 220,251,73 lei.

NOTE 9. CASH AND CASH EQUIVALENTS

	lei	
	01/01/2019	09/30/2019
Cash and bank accounts	18,137,698	32,185,052
Short-term bank deposits	26,179,174	9,353,718
Total	44,316,872	41,538,770

Cash and cash equivalents in foreign currency were measured in the financial statements based on exchange rates valid on 09/30/2019, i.e. 4.7511 lei/Euro and 4.3488 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 11. 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 01/01/2019	22,013,966	6,868,515	10,047,519	4,966,954	43,896,954
Profit distribution (earnings for three qtr.)					0
Surplus from revaluation realized	-1,523,150				-1,523,150
Investment property revaluation reserve at fair value					0
Reserves from reinvested profit					0
As at 09/30/2019	20,490,816	6,868,515	10,047,519	4,966,954	42,373,804

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

Legal reserves have been set up in full accordance with the legal provisions.

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 4,966,954 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 = 655,950 lei.

NOTE 12. RETAINED EARNINGS

lei

	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 01/01/2019	60,479,528	-1,282,715	15,167,313	1,839,497	76,203,623
Result for the quarter	21,809,964	0	0	0	21,809,964
The revaluation surplus realized	0	0	1,523,150	0	1,523,150
Income tax related to the revaluation surplus realized	0	0	-243,704	0	-243,704
As at 09/30/2019	82,289,492	-1,282,715	16,446,759	1,839,497	99,293,033

NOTE 13. OTHER EQUITY ELEMENTS

lei

	Deferred income tax recognized in equity account	Differences from the change in fair value of financial assets available for sale	TOTAL
As at 01/01/2019	-5,312,243	11,187,553	5,875,310
Deferred tax income related to change in fair value of equities valued at fair value through other items of the comprehensive result	-1,691		-1,691
Changing the fair value of equities valued at fair value through other items of the comprehensive result		8,919	8,919
Deferred income tax related to revaluation surplus realized	243,968		243,968
As at 09/30/2019	-5,069,966	11,196,472	6,126,506

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 at the end at the third quarter of 2019, without taking into account the compensation of balances related to the same tax authority, is:

Deferred income tax assets

	lei					
Deferred income tax assets	Stocks (stock adjustments)	Receivables (receivable adjustments)	Provisions	Shares depreciation adjustments	Reinvested Profit	Total
As at 01/01/2019	246,452	398,412	82,932	0	104,952	832,748
Recorded/credited in profit or loss for the period	0	-4,215	0	0	0	-4,215
Recorded/debited in profit or loss for the period	0	353	0	0	0	353
As at 09/30/2019	246,452	394,550	82,932	0	104,952	828,886

Deferred income tax liabilities

	lei		
Deferred income tax liabilities	Revaluation reserves	Financial assets available for sale	Total
As at 01/01/2019	3,522,234	1,790,008	5,312,242
Recorded/credited in profit or loss for the period	0	0	0
Recorded/debited in profit or loss for the period	-243,704	0	-243,704
Recorded/credited in other elements of comprehensive income	0	1,427	1,427
Recorded/debited in other elements of comprehensive income	0		0
As at 09/30/2019	3,278,530	1,791,435	5,069,965

b) Current income tax

	lei	
	09/30/2018	09/30/2019
Balance on 01 January	-140,731	751,695
Increases	1,680,288	2,434,762
Decreases	-1,127,646	-2,254,661
Balance on 30 September	411,911	931,796

c) Expense with current income tax

	lei	
	09/30/2018	09/30/2019
Profit before tax	9,474,118	24,004,884
Deductions - reserve fund	0	0
Nontaxable income	-208,604	-10,508,065
Nondeductible expenses	192,546	372,244
Elements similar to income	1,596,606	1,523,150
Taxable profit	11,054,666	15,392,213
Income tax calculated by 16%	1,768,747	2,462,754
Sponsorships carried from 2017/2018	-46,207	0
Sponsorships current year	-10,000	-16,600
Deduction of reinvested profit	-32,252	-11,392
Current income tax expense	1,680,288	2,434,762

d) Income tax expenses

	Lei	
	09/30/2018	09/30/2019
Current income tax expenses	1,680,288	2,434,762
Deferred income tax expense	14,400	4,215
Deferred income tax revenues	-255,802	-244,057
Income tax expenses	1,438,886	2,194,920

NOTE 15. BANK LOANS

The company has contracted a bank loan amounting to 35,090,000 lei on 10/05/2015 from BRD. Till now the amount of 32,152,074,80 lei has been withdrawn and used. 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 issuance contract no.209763/05.10.2015). Until 03/31/2019, the credit balance was 18,633,421.80 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 09/30/2019 is in an amount of 54,708.25 lei.

NOTE 16. DEFERRED INCOME

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

	lei	
	01/01/2019	09/30/2019
Donations for investments	-	-
Other revenues	22,478	18,214
TOTAL	22,478	18,214

NOTE 17. SUPPLIERS AND OTHER LIABILITIES

The suppliers and other payables statement is as follows:

	lei	
	01/01/2019	09/30/2019
Trade payables, out of which:	4,642,124	2,993,157
Suppliers for fixed assets	3,120,525	554,322
Salaries due	525,672	585,724



Unclaimed Dividends	844,084	817,357
Social security and other taxes	1,954,799	1,411,995
Other payables	504,025	418,427
Total	8,470,704	6,226.660

Social security and other taxes, which are due in October 2019, have the following values:

	lei	
	01/01/2019	03/31/2019
Social security	823,684	774,033
Salary tax	145,658	132,284
VAT	985,457	535,678
Tax on dividends	0	0
TOTAL	1,954,799	1,411,995

On 03/09/2019, 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:

	lei	
	01/01/2019	09/30/2019
Provisions for employee benefits	512,539	512,539
Other provisions	5,784	5,784
TOTAL	518,323	518,323

The provision for employee benefits in the amount of 512,539 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.

	lei	
	30.09.2018	30.09.2019
Income from performed port operations	53,364,307	57,082,396
Income from rents	406,859	273,607
Other income, of wich:	191,779	310,907
sale of goods	191,779	281,412
production of fixed assets	0	29,495
TOTAL	53,962,945	57,666,910

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

	lei	
	09/30/2018	09/30/2019
I. GENERAL CARGO		
Cargo handling	28,141,988	24,822,194
Storage	6,501,555	11,061,902
Other services	391,397	442,712
South Agigea Area	162,894	165,364
TOTAL	35,197,834	36,492,172
II, CONTAINERS		
Handlings	18,433,281	20,586,856
Storage	257,245	478,939
Other services	74,585	79,448
TOTAL	18,765,111	21,145,243
III, TOTAL COMPANY		
Handlings	46,575,269	45,409,050
Storage	6,758,800	11,540,841
Other services	465,982	522,160
South Agigea Area	162,894	165,364
TOTAL	53,962,945	57,637,415

NOTE 20, OTHER INCOME

	lei	
	09/30/2018	09/30/2019
Dispatch and penalties	273,587	141,140
Income from dividends	100,158	0
Miscellaneous	184,704	300,937
Earnings from fair value assessment inv, assets	0	0
TOTAL	558,449	442,077

Other income included amounts from invoicing dispatch (due for early operation of ships), i.e. 141,140 lei, refunds of amounts by the authorities, local taxes, material recoveries, and refactoring services in the amount of 300,937 lei.

NOTE 21. RAW MATERIALS AND CONSUMABLES

	lei	
	09/30/2018	09/30/2019
Expenses with consumables	4,577,446	4,456,893
Expenses with other materials	212,076	180,195
Expenses with materials not stored	2,578	94
Expenses with energy and water	1,055,320	1,190,529
TOTAL	5,847,420	5,827,711

NOTE 22. COST OF SOLD GOODS

	lei	
	09/30/2018	09/30/2019
Expenses with goods	28,666	88,495

NOTE 23. SERVICES PROVIDED BY THIRD PARTIES

	lei	
	09/30/2018	09/30/2019
Maintenance and repair expenses	460,869	730,914
Rent expenses	4,390,162	4,406,037
Insurance expenses	170,965	186,878
Protocol and advertising expenses	84,362	91,486
Expenses with charges and fees	972,793	781,157
Cargo and staff transportation expenses	87,166	88,415
Travel expenses	66,209	185,977
Postal and telecommunication expenses	84,888	84,651
Bank service expenses	27,723	67,715
Rail cars shifting expenses	395,690	446,121
Port service expenses	2,747,123	2,602,702
Sanitation expenses	241,402	311,048
Occupational safety expenses	49,813	39,882
Fire protection, safety expenses	718,496	761,074
Computer service expenses	279,904	204,248
Expenses with subscriptions, contributions	56,068	63,174
Audit, consultancy, BSE expenses	126,795	201,643
Expenses with authorizations	74,293	94,740
Schooling/training expenses	60,291	24,185
Other expenses	140,291	153,379
TOTAL	11,235,303	11,527,426

NOTE 24. EMPLOYEE BENEFIT COST

	lei	
EXPENSES	09/30/2018	09/30/2019
Salaries and meal vouchers	19,010,146	18,558,881
Social security expenses	624,615	908,491
TOTAL	19,634,761	19,467,372

Benefits for Management Board and Supervisory Board members:

	lei	
EXPENSES	09/30/2018	09/30/2019
Management Board benefits	581,035	692,391
Social security related to Executive Board benefits	9,317	15,583
Supervisory Board benefits	628,915	663,099
Social security related to Supervisory Board benefits	14,151	14,920
TOTAL	1,233,418	1,385,993
	09/30/2018	09/30/2019
AVERAGE NUMBER OF EMPLOYEES	397	383

NOTE 25. AMORTIZATION EXPENSES

	lei	
	09/30/2018	09/30/2019
Expenses with the amortization of intangible assets	248,055	239,100
Expenses with the amortization of tangible assets	7,726,765	7,080,937
TOTAL	7,974,820	7,320,037

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.

	lei	
	09/30/2018	09/30/2019
Expenses with taxes and charges	587,330	605,917
Losses from receivables	242	-
Damages/Indemnities, fines, penalties	12,182	235,870
Donations	-	-

Sponsorships	10,000	16,600
Other operating expenses	118,969	26,738
TOTAL	728,723	885,125

NOTE 27. OTHER OPERATIONAL GAINS/LOSSES – NET

	09/30/2018	lei 09/30/2019
Income from disposal of assets	605,190	0
Expenses on disposal of assets	-947	-5,246
Income from provisions	72,938	0
Expenses from provisions	-	0
Income from adjustments of stocks and customer receivables	17,062	26,342
Expenses for adjustments of stocks and customer receivables	-2157	-2209
Income from exchange rate differences, less those for cash and cash equivalents	46,000	195,856
Expenses from exchange rate differences, less those for cash and cash equivalents	-58,377	-94,927
TOTAL	679,709	119,816

NOTE 28. FINANCIAL INCOME

Financial income includes income from interests, other income and income from dividends.

	09/30/2018	09/30/2019
Income from interests	164,556	213,682
Other financial income	6,581	35,700
Income from dividends	18,447	10,481,724
TOTAL	189,584	10,731,106

NOTE 29. FINANCIAL EXPENSE

	09/30/2018	09/30/2019
Interest expense	632,487	592,962
Expenses for transfer of financial assets available for sale	91,385	
TOTAL	723,872	592,962

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.

	09/30/2018	09/30/2019
Income from different exchange rates	913,546	1,081,003
Expenses from different exchange rates	-656,550	-326,899
Net financial gains (losses)	256,996	754,104

NOTE 31. TRANSACTIONS WITH AFFILIATED PARTIES

In the three quarters of 2019 compared to same period of 2018, the company had transactions with the following affiliated parties: SC CASA DE EXPEDIȚII PHOENIX S.A. CONSTANȚA, DDN GLOBAL SRL CONSTANȚA, and CELCO S.A. CONSTANȚA. The connection with CASA DE EXPEDIȚII PHOENIX SA CONSTANȚA, DDN GLOBAL SRL CONSTANȚA, CELCO S.A. CONSTANȚA is resulting from the existence of common members in their management bodies.

Sales of goods and services

lei

Company	09/30/2018	09/30/2019
Casa de Expediții Phoenix S.A.		
Sales of goods	0	0
Sales of services	368,418	545,084
Sales of fixed assets	0	0
TOTAL (VAT included)	368,418	289,620

Purchases of goods and services

lei

Company	09/30/2018	09/30/2019
Casa de Expediții Phoenix S.A.		
Purchases of goods	91,754	59,024
Purchases of services	295,152	161,589
Purchases of fixed assets	0	0
TOTAL (VAT included)	386,906	220,613

Company	09/30/2018	09/30/2019
DDN GLOBAL		
Purchases of goods	0	0
Purchases of services	127,229	59,084
Purchases of fixed assets	0	0
TOTAL (VAT included)	127,229	59,084

Company	09/30/2018	09/30/2019
CELCO		
Purchases of goods	0	1,673
Purchases of services	0	0
Purchases of fixed assets	0	0
TOTAL (VAT included)	0	1,673

Balances on 30 September 2019 resulting from sales/purchases of goods/services

CASA DE EXPEDIȚII PHOENIX SA CONSTANȚA

lei

	09/30/2018	09/30/2019
Receivable	0	37,520
Payable	6,446	23,205
TOTAL	-6,446	14,315

NOTE 32. ECONOMIC AND FINANCIAL INDICATORS

INDICATORS	CALCULATION PROCEDURE	RESULTS	
		09/30/2018	09/30/2019
1. Current Ratio	Current Assets/Current Liabilities	4.47	4.55
	Loan Capital ----- x 100 Equity Capital	15.13	9.46
2. Indebtedness degree	Loan Capital ----- x 100 Committed Capital	13.14	8.64
3. Rotation Speed of Customers' debts	Customers' Average Balance ----- x 90 Turnover	56.18	77.00
4. Rotation Speed of Fixed Assets	Turnover/Fixed Assets	0.43	0.38

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.

General Manager
Dorinel Cazacu

Financial Manager
Cristian-Mihai Ududec