CONTENT OF YEARLY REPORT

According to CNVM Regulation No.1/2006

For the financial year 2016

AGOA 04/27/2017

ad SOCEP PORT OPERATOR

CHAP. I YEARLY REPORT
Complying to C.N.V.M. REGULATION NO.1/2006
FOR 2016

NAME OF SHARES ISSUER	: SOCEP SA
REGISTERED OFFICE	: CONSTANŢA, INCINTA PORT Dana 34
PHONE/FAX	: 0241/602242; 0241/693759
FISCAL CODE	: RO 1870767
COMPANY NUMBER IN THE TRADE REGISTER	: J 13/643/1991
TRADING MARKET	: B.V.B. Standard category, symbol SOCP
SUBSCRIBED SHARE CAPITAL	: 34.342.574,4 lei split in 343.425.744 registered dematerialized shares with a nominal value of 0.10 lei/share

1. SOCEP S.A. BUSINESS

1.1. OVERVIEW

a) The main business of the company is providing of port services, namely: loading operations, unloading operations, storage, forwarding of general cargo and containers and also other operations/services connected to maritime transport.

These services are defined as "handlings" under "5224" NACE (CAEN) Code.

b) COMPANY FOUNDATION DATE is 02/01/1991 under and according to H.G. (Government Decision) No.19/1991 based upon which the former operating company (the entire Port of Constanța) belonging to Ministry of Transport split up.

As result of splitting of this state company, several companies have been set up, with their share capital entirely state property, including SOCEP SA.

In 1996 SOCEP SA was fully privatized, 60% based on mass privatization program (free coupons awarded to Romanian citizens) and 40% based on buying the shares from the state by company employees, the Employee Association.

Presently, the Association was disbanded and the shares have been nominally distributed to association members.

c) MERGERS, SUBSIDIARIES, REORGANIZATIONS: In 2012, SOCEP S.A. founded as sole shareholder the limited liability company - SOCEFIN S.R.L. Constanţa, having as main business CAEN code 6420 – activities of the holdings and a share capital in an amount of 30.000.000 lei.

d) PURCHASE OR SALE OF ASSETS: In the last three years, the company purchased or sold assets, as listed below:

Lei

Year	*Purchases*	*Sales/disposals*
2014	*1,646,426*	*130,935*
2015	*5,301,527*	*1,021,833*
2016	*5,626,432*	*103,575*

Main acquisitions of tangible assets which have been put into operation during 2016 were:

- ✓ 8 mobile belt conveyors in total amount of 674.150 lei
- ✓ IT computer equipment in total amount of 309.977 lei
- ✓ 4 TERBERG tractor units in total amount of 1.212.197 lei
- ✓ 2 truck scales in total amount of 376.760 lei
- ✓ 1 PZM-150 grain loaders in total amount of 34.489 lei
- ✓ 2 bulk cargo unloading facilities in total amount of 258.775 lei
- ✓ 1 bagging equipment in total amount of 228.966 lei
- ✓ Wireless network for the container terminal in total amount of 218.014 lei
- ✓ 4 HOUCON semitrailers in total amount of 431.832 lei.

Tangible assets amounting to 94.169 lei were taken out of service by disposal.

The company has no tangible assets acquired with financial leasing.

According to BRD Loan Contract for financing PACECO project, the company mortgaged four KOMATSU loaders and a HYSTER in total amount of 3,125,079 lei.

Mortgage remains valid until SOCEP SA becomes the rightful owner of the assets acquired with this contracted loan, namely one PORTAINER crane (STS) and two TRANSTAINER cranes (RTG)

Company policy concerning acquisitions is aimed both at purchasing new equipment in order to increase/improve the efficiency/productivity and to enlarge the operation capacity, by purchasing a Super Postpanamax 22 rows container crane (bridge type) and by starting construction of grain silo with 100.000 tons capacity.

1.1.1. ELEMENTS FOR OVERALL ASSESSMENT

The key elements for the overall assessment in the past three years are the following:

No.	Elements	Unit	2014	2015	2016
1.	Share capital	lei	34,342,574	34,342,574	34,342,574
2.	Port traffic (containers not included)	mii to	1,972	1,681	1,725
3.	Number of containers	mii	63	78	82
4.	TEU-s (containere)	mii	101	130	144
5.	% (percentage) of gained market	%	≈ 5	≈ 5	≈ 5
6.	Average number of employees	pers.	450	447	432
7.	Turnover	lei	63,087,614	62,665,648	64,802,898
8.	Total income	lei	67,201,802	68,090,877	68,770,653
9.	Total expenses	lei	58,331,996	55,118,513	56,287,708
10.	Gross Profit	lei	8,869,806	12,972,364	12,482,945
11.	Cash and cash equivalent	lei	29,037,147	33,017,721	34,250,754

Achieved port traffic during 2016 has recorded a slight increase by 2%. This increase was influenced by the decrease in port traffic from Bauxite with 73.6%. Lowering the bauxite was diluted by increasing traffic to the container with 4.3%, increasing traffic at bulk goods 31% especially in cereals and general cargo at 10%.

Worth mentioning is the fact that the traffic at the grain grew from 855 thousand tons in 2015, at 1,128 tons in 2016-physical units and with 32% percent, compared to last year.

The containers have also recorded an increase from the previous year. The growth of the container has been registered at the number of operated TEU-s, respectively 144,165 TEU-s with 13,771 TEU-s more than in 2015.

1.1.2. ASSESMENT OF TECHNOLOGY DEGREE, PROVIDED PORT OPERATIONS AND OF THE MARKET

The most important operations provided by SOCEP S.A. are:

- cargo handling, meaning loading/unloading of bulk solid cargo or bagged cargo, including containers;
- cargo storage;
- other connected services.

Sales Market for these services/operations is limited within Constanţa Port şi Constanţa Sud Agigea Port range.

Evolution of these services' proportion in company turnover within the last three years is presented below:

SERVICES	2014		2015		2016	
	Lei	%	Lei	%	Lei	%
1. Handling	57.785.963	91,6	56.315.550	89,9	58.720.458	90,6
2. Storage	4.595.531	7,3	5.492.121	8,8	5.472.077	8,4
3. Other services	706.120	1,1	857.977	1,3	610.363	1,0
TOTAL	**63.087.614**	**100**	**62.665.648**	**100**	**64.802.898**	**100**

Changes in cargo traffic through Constanţa Port also reflect upon the proportion of main services in the achieved turnover.

We believe that, although there is a fierce competition onto this port services market, SOCEP SA will manage to maintain a market share of about 5%.

At this point, there are no new envisaged products which would require allocation of a significant volume of assets in the next financial year.

We have to point out that in the next two years we have planned a major investment (a grain silo), which implies a considerable financial effort. In 2015 the PACECO Project has started. It consist in acquisition of a Super Postpanamax 22 rows container crane (bridge type), 2 RTG-s and implementation of TOS (terminal operation software). PACECO Project has its completion deadline the second quarter of 2017.

1.1.3. SUPPLY OF EQUIPMENT AND NECESSARY CONSUMABLES

Port operations and services provided by SOCEP S.A. require utilities supplies (electricity, thermal energy, water, communication), acquisition of fuel, equipment spare partsand various consumables.

Utilities are provided by Port Adiminstration company and other suppliers as well. Thei are delivered on agrred contract basis, in the requested quantities. The rest of supplies such as fuel and consumables or materials are purchased from inside port companies or from the local market of Constanţa City.

Purchase prices are usually fluctuating, difficult to maintain them steady for long periods of time and the most efficient used method is the selection of offers.

1.1.4. ASSESMENT OF SALES

Main business of the company consists of providing services (cargo handling) and not selling products.

For the time being, within Constanţa Port the most significant competitors are CHIMPEX S.A., ROMTRANS S.A. and Constanţa South Container Terminal. Our market share is 5% fom the volume of carfo handled through Port of Constanţa.

As far as the proportion of our major three customers concerns, they are within 10-15% range - from total turnover, each of them.

1.1.5. EMPLOYEES

The number of employed personnel, by occupational category and training/qualification level is structured pending on business volume, used technologies and other criteria according to specificity of port operation activity.

In the last three years, evolution of the most important categories of employees was:

Category / occupation	2014	2015	2016
1.Dockers, equipment operators	238	238	226
2.Berth operators, warehouse administrators	86	83	80
3.Auxiliary and maintenance personnel	67	66	70
4. Company Management, administrative staff	59	60	56
TOTAL:	**450**	**447**	**432**

The number of employees is directly influenced by the port traffic/volume evolution and structure.

Degree of syndication of the employees is around 60%. Managemnt relationship with the employees and trade union are not conflictual, as long as the terms of collective labor contract are fulfilled. The labor contract is negotiated on a yearly basis between the two parties – the management and the trade union.

1.1.6. IMPACT OF SOCEP S.A. ACTIVITY ON THE ENVIRONMENT

SOCEP S.A. operates only with permits and licenses obtained from environmental authorities, thus complying with the environmental protection legislation. From this point of view, the company is controlled by the specialized state institutions, it was not penalized and there is no dispute in this regard.

1.1.7. RESEARCH AND DEVELOPMENT ACTIVITY

Due to the specific activity of the company, no expenditures for research and development have been made in financial year 2016. In 2017 such costs are not expected.

1.1.8. RISK MANAGEMENT ACTIVITY

SOCEP S.A. is exposed to the following financial instrument risks:

a) credit risk;
b) liquidity risk; and
c) market risk.

The company management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the company. The company does not use derivative financial instruments to hedge against risk exposure.

a) Credit risk

Credit risk is the risk that the company should bear a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This results mainly from receivables to customers and cash and cash equivalents.

When assessing credit risk for banks and financial institutions, company management takes as its basis, independent assessments regarding their rating. For customers, there is no independent assessment; company management evaluates the financial condition of customers in terms of: reliability, past experience and other factors. Individual risk limits are set based on internal ratings, according to the limits established by the company management.

The maximum exposure to credit risk was as follows:

		Lei
	12/31/2015	**12/31/2016**
Customers and other receivables	15.995.887	10.168.495
Cash and cash equivalents	33.017.721	34.250.754
Total	**49.013.608**	**44.419.249**

b) Liquidity risk

Riscul de lichiditate este riscul pe care societatea poate să-l întâmpine cu privire la îndeplinirea obligaţiilor asociate datoriilor financiare a căror decontare se realizează în numerar sau alte active financiare. Managementul societăţii urmăreşte previziunile privind necesarul de lichidităţi al societăţii pentru a se asigura că există numerar suficient pentru a răspunde nevoilor operaţionale. Conducerea societăţii investeşte surplusul de numerar în depozite la termen cu o scadenţă de maximum 3 luni, asigurându-se astfel o lichiditate suficientă. Datoriile societăţii sunt constituite din datorii faţă de furnizori, salariaţi, bugetul statului şi bugetul asigurărilor sociale.

Societatea a contractat un credit bancar în valoare de 35.090.000 lei în data de 05.10.2015 de la BRD. Destinaţia creditului a fost de plată parţială a acreditivului documentar de import în valoare de 8.710.550 Euro (deschis de BRD la cererea SOCEP, în favoarea beneficiarului PACECO ESPAŇA S.A., conform contract emitere acreditiv nr. 209763/05.10.2015). Până la 31.12.2016 valoarea utilizată din credit a fost 23.004.755 RON.

c) Market risk

- Foreign currency risk

The company is exposed to foreign currency risk related mainly to the Euro and the US dollar (USD). Foreign currency risk is related to receivables, cash and cash equivalents in foreign currency. The company is not hedged against foreign currency risk, but the management regularly receives predictions about the evolution of the RON/EURO and RON/USD exchange rates. Since financial assets denominated in foreign currencies are higher than financial liabilities denominated in foreign currencies, the company is exposed to foreign currency risk only if the domestic currency is appreciated.

- Price risk

SOCEP S.A. is exposed to price risk related to equity instruments of other companies, valued at their cost.

- Interest rate risk

The interest rate risk to which the company is exposed is minimal, since it granted no loans bearing interest. The company's bank deposits with a maturity of less than 3 months have a fixed interest rate.

1.1.9. ELEMENTE DE PERSPECTIVĂ ALE ACTIVITĂŢII SOCEP S.A.

Fluctuating trends in port trafic and turnover figures over the last three years will also occur in 2016. Maintaining the values of the reference tariffs in Euro will influence the turnover under the unpredictable evolution of foreign exchange rates.

It is important to be mentioned that changeover to RON rates can not be done very easily, as our business partners require their comparability with external tariffs. Capital expenditures that are going to be programmed in the coming years will in particular aim at replacing obsolete machinery with new ones or upgrading existing ones to ensure that operation capacity is maintained at competitive standards and also aim at building the grain silo.

We estimate that there are currently no events, transactions, economic changes that significantly affect earnings coming from the main business.

2. TANGIBLE ASSETS OF SOCEP S.A.

The main tangible assets owned by SOCEP S.A. are the buildings, the equipment and the machineries located onto Piers II and III and also on the platforms in-between those piers, from Constanta North Port. All these cover an area of about 330 thousand sqm from the public sector of the harbour.

Buildings have following purposes and areas:
- offices .... 5.000 sqm, out of which owned by SOCEP ….. 5.000 sqm
- warehouses for cargo storage .. 71.000 sqm, out of which owned by SOCEP … 42.000 sqm
- platforms - cargo storage .. 212.000 sqm, out of which owned by SOCEP .. 125.000 sqm
- repair workshop .... 2.200 sqm, out of which owned by SOCEP .... 2.200 sqm
- technological platforms ...... 45.500 sqm, out of which owned by SOCEP .... 0 (zero) sqm

Buildings which are not SOCEP S.A property, are in fact rented from Port Authority until 2050.

Port operation equipment includes: shore cranes, mobile cranes, forklifts, tractors, gantry cranes, specific equipment for operation of bauxite.

The fleet of equipment and machineries is entirely SOCEP property.

Average wear level of tangible assets, by groups of assets, at 12/31/2016, is the following:
- buildings : ≈ 44%
- port equipment and machineries : ≈ 70%

On the date hereof, there are no potential issues related to SOCEP properties.

3. THE MARKET OF SHARES ISSUED BY SOCEP S.A.

Shares (transferable securities) issued by SOCEP S.A. in an amount of 343,425,744 dematerialized nominative shares with a nominal value of 0.10 lei per share, are traded on Bucharest Stock Exchange, Standard category, symbol “socp”, since October 2005. The company did not issue bonds or any other debt securities.

From 2012, SOCEP S.A. is sole shareholder in SOCEFIN SRL CONSTANTA – a limited liability company, based on General Meeting of Shareholders’ Decision issued on 23-rd of February 2012. SOCEFIN SRL Constanta has as main business CAEN code 6420 – activities of holding companies and a share capital in an amount of 30,000,000 lei.

In 2016 dividends amounting 1,098,962.38 lei have been distributed, related to 2015 profit. It is worth mentioning that during 2017 dividends are not to be distributed.

SOCEP has no intention in 2016 to issue any bonds or shares.

4. MANAGEMENT OF SOCEP S.A.

According to General Meeting of Shareholders' Decision issued on 14-th of December 2012, the company is managed in a dual system, by a Supervisory Board and an Executive Board. Both Managing Boards carry out their activity in absolute compliance with the law in force.

The Supervisory Board has 5 members. They are:

- DUŞU NICULAE	-	President, age 61 years, economist, over 20 years experience in leading positions, does not own SOCEP shares;
- DUŞU ION	-	Vice-president, age 59 years, engineer, over 20 years experience in leading positions, does not own SOCEP shares;
- SAMARA STERE	-	Member, age 64 years, economist, over 20 years experience in leading positions, owning 36.114.550 SOCEP shares;
- CARAPITI DUMITRU	-	Member, age 50 years, legal adviser, over 15 years experience in leading positions, does not own SOCEP shares;
- STANCIU ION	-	Member, age 55 years, economist, 10 years experience in leading positions, does not own SOCEP shares.

The Executive Board has 5 members.

Between 01/01/2016 – 03/13/2016 the Executive Board had following members:

- Marius Barbarino - General Manager and Chairman of the E.B.
- Camelia Nebi - Member of the E.B.
- Victor Rohan - Member of the E.B.
- Lucian Teodorescu - Member of the E.B.
- Stefanescu Fanel - Member of the E.B.

Between 03/13/2016 – 03/21/2016 the Executive Board had following members:

- Victor Rohan - Member of the E.B.
- Lucian Teodorescu - Member of the E.B.
- Stefanescu Fanel - Member of the E.B.

Between 03/21/2016 – 07/10/2016 the Executive Board had following members:

- Marius Barbarino - General Manager and Chairman of the E.B.
- Camelia Nebi - Member of the E.B.
- Victor Rohan - Member of the E.B.
- Lucian Teodorescu - Member of the E.B.
- Stefanescu Fanel - Member of the E.B.

Between 07/11/2016 - 10/10/2016 the Executive Board had following members:

- Marius Barbarino - General Manager and Chairman of the E.B.
- Camelia Nebi - Member of the E.B.
- Lucian Teodorescu - Member of the E.B.
- Stefanescu Fanel - Member of the E.B.

Between 10/11/2016 – 12/31/2016 the Executive Board had following members:

- Marius Barbarino - General Manager and Chairman of the E.B.

- Camelia Nebi - Member of the E.B.
- Lucian Teodorescu - Member of the E.B.
- Stefanescu Fanel - Member of the E.B.
- Nadrag Corneliu - Member of the E.B.

Members of the Executive Board have been appointed according to the provisions of the Constitutive Act of SOCEP SA, based on Supervisory Board decisions.

Members of the Executive Board carry out their activity based on mandate contracts approved by the Supervisor Board.

Mr. Marius Barbarino holds the position of chairman of the Executive Board. Managers carry out their activity based on mandate contracts agreed in total compliance with the legislation in force. They have not been and are not involved in court litigations or administrative proceedings.

5. FINANCIAL AND ACCOUNTING REPORT

Individual financial reports drawn up at 12/31/2016 are enclosed. They have been prepared in accordance to International Financial Reporting Standards (IFRS) as endorsed by European Union. Reports have been audited by JPA AUDIT&CONSULTANTA SRL, legally represented by Mr. Toma Florin, according to attached report.

a) Financial position statement:

Lei

	2014	2015	2016
TOTAL ASSETS **Out of which:**	**121,307,442**	**132,124,264**	**163,197,785**
- fixed assets	80,910,473	82,517,722	118,019,540
- stocks	386,833	458,739	591,879
- customers and other receivables	10,863,773	15,995,887	10,214,381
- prepaid expenses	109,216	134,195	121,231
- cash and cash equivalent	29,037,147	33,017,721	34,250,754
TOTAL EQUITY AND LIABILITIES **Out of which**	**121,307,442**	**132,124,264**	**163,197,785**
- equity	114,013,231	123,576,597	133,506,358
- suppliers and other payables	3,794,335	4,502,911	4,087,941
- deferred income tax liabilities and current income tax	2,722,003	3,258,286	2,114,535
- long term bank loans (including interest)	-	-	23,032,092
- provisions	773,328	747,236	456,679
- deferred revenues	4,545	39,234	180

b) Profit & Loss Account

Lei

	2014	2015	2016
Turnover	63,087,614	62,665,648	64,802,898
Total Income	67,201,802	68,090,877	68,770,653
Total Expenditure	58,331,996	55,118,513	56,287,708
Gross profit	8,869,806	12,972,364	12,482,945

Assets with a share of minimum 10% from the total value of assets are the buildings (19,3%) and the transportation equipment (35,1%). The Expenditure elements with a share of minimum 20%

from the total net sales value (turnover) are the employee benefits expense (37,9%) and the purchased services expense (21,5%).

c) Cash flows

Lei

Element name	12/31/2014	12/31/2015	12/31/2016
CASH FLOWS FROM PORT OPERATION BUSINESS			
Receipts from customers	71,883,920	63,991,009	78,352,424
Payments to suppliers and employees	(53,668,394)	(47,567,754)	(49,820,392)
Paid interests	-	-	-
VAT and other taxes (income tax excluded)	(623,966)	(2,177,260)	(2,769,163)
Paid income tax	(1,984,647)	(1,378,199)	(2,911,046)
Other receipts	475,525	295,329	490,738
Other payments	(1,163,849)	(742,960)	(3,782,648)
I. NET CASH FROM PORT OPERATION BUSINESS	**14,918,589**	**12,420,165**	**19,559,913**
CASH FLOWS FROM INVESTMENTS			
Payments for intangible assets acquisition	(24,646)	(24,551)	(958,509)
Payments for tangible assets acquisition	(1,313,708)	(9,265,687)	(40,246,467)
Payments for shares acquisition	(475,000)	-	-
Receipts from changes in the value of equity instruments	-	467,875	-
Receipts from tangible assets sale	138,233	143,504	48,077
Interest receipts	201,969	84,621	45,511
Receipts from dividends	37,617	98,095	104,136
II. NET CASH FROM INVESTMENTS	**(1,435,535)**	**(8,496,143)**	**(41,007,252)**
CASH FLOWS FROM FINANCING			
Receipts from issue of shares	-	-	23,004,755
Receipts from long term loans	-	-	-
Paid dividends	(1,172)	(1,196,811)	(926,253)
III. NET CASH FROM FINANCING	**(1,172)**	**(1,196,811)**	**22,078,502**
IV. NET INCREASE OF CASH AND CASH EQUIVALENT (I + II + III)	**13,481,882**	**2,727,211**	**631,163**
V. VARIANCE FREQUENCY OF CURRENCY EXCHANGE RATE	**1,135,400**	**1,253,363**	**601,870**
VI. CASH AND CASH EQUIVALENT AT THE BEGINNING OF FINANCIAL YEAR	**14,419,865**	**29,037,147**	**33,017,721**
VII. CASH AND CASH EQUIVALENT AT 31.12.	**29,037,147**	**33,017,721**	**34,250,754**

6. FINANCIAL AND ECONOMIC INDICATORS

	INDICATORS	CALCULATION PROCEDURE	RESULTS 2015	RESULTS 2016
1.	Current liquidity	Current assets/Current debts	8.50	6.59
2.	Indebtedness degree	Borrowed capital / Equity x 100	2.20	17.11
		Borrowed capital / Committed capital x 100	2.15	14.61
3.	Rotation speed of customers debts	Average balance of customers / Turnover x 360	86.13	87.22
4.	Rotation speed of fixed assets	Turnover/Fixed assets	0.76	0.55

7. CHANGES AFFECTING COMPANY CAPITAL AND MANAGING PROCESS

7.1. Within the reporting period there were no events of infringement of company payment obligations towards creditors or employees.

7.2. Compared to 12/31/2015, the structure of most significant shareholders or groups of shareholder as at 12/31/2016 is as follows:

	SHAREHOLDERS (GROUPS)		12/31/2015	12/31/2016
1.	GRUPUL DD SA CONSTANŢA	%	31.8473	32,3737
2.	CELCO SA	%	24.6427	24,6427
3.	SAMARA STERE	%	10.5160	10,5160
4.	PERSOANE FIZICE	%	21.7225	21,6357
5.	PERSOANE JURIDICE	%	11.2715	10,8319
	TOTAL	%	100,0000	100.0000

CHAP. II DECLARATION OF THE PERSONS RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS AND RELATED REPORTS

According to art.30 of Accountancy Law No. 82/1991-updated and republished, we hereby declare that we take full responsibility for the financial statements of the financial year 2016 and therefore we are confirming that:

a) Accounting Policies used for preparing the annual financial statements are in total compliance with accounting regulations approved by OMFP No.2844/2016 applicable to companies which have their shares/equity admitted to trading on a regulated market.
b) Prepared financial statements as at 12/31/2016 are presenting a true image of the assets, of the obligations in the financial position and of the profit & loss account of SOCEP S.A.
c) SOCEP S.A. is carrying out its business activity in terms of continuity.

GENERAL MANAGER,	FINANCIAL MANAGER,
MARIUS BARBARINO	CAMELIA NEBI

2. Supervisory board report

- **Supervisory Board**

In accordance with the Articles of Association of the Company, as it was approved in the Extraordinary General Meeting of Shareholders dated 14.12.2014 and amended in the Extraordinary General Meeting of Shareholders on 05.18.2016, the Supervisory Board consists of five members.

During 2016, the structure of the Supervisory Board of SOCEP SA was as follows:

Dusu Niculae – President

Dusu Ion – Vice-president

Samara Stere – Member

Carapiti Dumitru – Member

Stanciu Ion – Member

In accordance with the provisions of Law 31/1990, we mention that all members of the Supervisory Board are non-executive members, since none of them holds an executive position in the company.

- **Executive Board members**

According to the decision of the Supervisory Board 10.07.2015, in accordance with Art. 17, paragraph 1 of the Articles of Association, the Executive SOCEP SA consists of five (5) members.

Between 01/01/2016 - 13/03/2016 Executive component SOCEP SA was as follows:

- Marius Barbarino- General Manager
- Camelia Nebi – Member
- Victor Rohan – Member
- Lucian Teodorescu - Member
- Stefanescu Fanel - Member

Between 13/03/2016- 21/03/2016 Executive component SOCEP SA was as follows:

- Victor Rohan – Member
- Lucian Teodorescu - Member

- Stefanescu Fanel - Member

Between 21/03/2016- 10/07/2016 Executive component SOCEP SA was as follows:

- Marius Barbarino- General Manager
- Camelia Nebi – Member
- Victor Rohan – Member
- Lucian Teodorescu - Member
- Stefanescu Fanel - Member

Between 11/07/2016- 10/10/2016 Executive component SOCEP SA was as follows:

- Marius Barbarino- General Manager
- Camelia Nebi – Member
- Lucian Teodorescu - Member
- Stefanescu Fanel - Member

Between 11/10/2016-31/12/2016 Executive component SOCEP SA was as follows:

- Marius Barbarino- Director general si Presedinte al Directoratului;
- Camelia Nebi – Membru in Directorat
- Lucian Teodorescu - Membru in Directorat
- Stefanescu Fanel - Membru in Directorat
- Nadrag Corneliu- Membru in Directorat

Board members were appointed in accordance with the Articles of Association of SOCEP SA, by decision of the Supervisory Board.

Board members operates under the mandate contracts approved by the Supervisory Board.

➢ SUPERVISORY BOARD ACTIVITY IN 2016

In 2016, the Supervisory Board carefully analyzed the position and prospects of the company and fulfilled powers assigned in accordance with law, the Articles of Association of SOCEP SA and its Regulation.

Throughout 2016, the Supervisory Board has coordinated with the Directorate regarding company management and constantly monitored the Executive Board activity.

Whenever it was considered as necessary or were referred by the Executive Board, the Supervisory Board was involved in making major decisions on the company's activities.

In all cases required by applicable law, the Articles of Association or internal regulations of the Company, the Supervisory Board adopted resolutions / decisions based on thorough analysis of situations brought to its attention.

In 2016, the Supervisory Board was convened 18 times, the meetings taking place at company headquarters in Constanta port, Dana 34.

At the meetings attended members of the Executive directors and heads of departments of the company. The Supervisory Board received detailed reports on a regular basis, with issues of importance to society, including BVC execution, the investment program, financial position and business strategy of the company.

We present herein a summary of the most important decisions in the Supervisory Board meetings held in fiscal year 2016:

- Approval of the financial calendar submitted to BVB and ASF;
- Approval of BVC for 2016;
- Approval of the investment program of SOCEP SA;
- Amendment of Directors Regulation of SOCEP SA;
- Appointment of Board members and extending the mandate of the General Manager;
- Approval of the company's organizational structure;
- Approval of the remuneration scheme of SOCEP SA;
- Approval of the lease agreement signed between SOCEP SA and CN APM SA;
- Approval of share buy-back program;
- Approval of the collective work agreement;
- Approval of sponsoring agreements signed by the company;
- Approval of contracting aid funds for investments;
- Monitoring of the procurement contract of a new container bridge, with technical and operational capabilities of the latest generation, designed to grow operational capacity up to 10,000 TEU vessels;
- Approval of extension and rehabilitation of the rolling surface for containers in Berth 51 and Berth 52;

II.3 REPORT OF SOCEP S.A. EXECUTIVE BOARD

II.3.1 Report of Socep executive board for individual financial situations

- **IMPACT OF SOCEP S.A. ACTIVITY ON THE ENVIRONMENT**

SOCEP S.A. operates only with permits and licenses obtained from environmental authorities, thus complying with the environmental protection legislation. From this point of view, the company is controlled by the specialized state institutions, it was not penalized and there is no dispute in this regard.

- **CORPORATE GOVERNANCE STATEMENT**

Indicative	**Provisions to be observed**	**YES/NO**	
A1	All companies must have an internal regulation of the Board which includes the terms of reference/responsibilities of the Council and key management functions of the company, and which applies, among others, the General principles of section A.	**YES**	
A2	Provisions for managing conflicts of interests must be included in the Council regulation. In any case, Board members are required to notify the Board of any conflicts of interest that have arisen or may arise, and to refrain from participating in discussions (including by the summons, except where failure would prevent formation of quorum) and from voting the adoption of a decision concerning the matter generating that particular conflict of interests.	**YES**	
A3	Board of Directors or the Supervisory Board must consist of at least five members.	**YES**	
A4	Most of the members of this Board shall not have any executive position. At least one member of the Board of Directors or of the Supervisory Board shall be independent regarding companies in Standard category.	**YES**	
A4	Each independent member of the Board of Directors or of the Supervisory Board, as appropriate, shall submit a declaration at the time of his/her nomination for the purpose of election or re-election, and also when it occurs any status modification, showing the elements proving his/her independence in terms of personal character, own judgments and compliance following criteria: A4.1.-A4.9		**NO**
Up to this point this obligation had not been included in the Council regulation. The new BSE Code introduced it and therefore we are going to take necessary steps to modifying the Supervisory Board regulation in compliance to the Bucharest Stock Exchange Code.			
A5	Other professional commitments and obligations of a relatively permanent member of the Council, including executive and non-executive positions in other companies and non-profit institutions, must be disclosed to shareholders and potential investors before nomination, and during his/her membership term.		**NO**
Up to this point this obligation had not been included in the Council regulation. The new BSE Code introduced it and therefore we are going to take necessary steps to modifying the Supervisory Board regulation in compliance to the Bucharest Stock Exchange Code.			
A6	Any member of the Council is to submit information on any relationship with a shareholder who directly or indirectly holds shares representing more than 5% of all voting rights. This obligation refers to any kind of relationship that may affect the Member's position with regard to issues determined by the Council.		**NO**

Up to this point this obligation has not been expressly included in the Supervisory Council regulation. The new BSE Code introduced it and therefore we are going to take necessary steps to modifying the regulation of the Supervisory Board in compliance Bucharest Stock Exchange Code. However, in the table of contents of the regulation there is stipulated the obligation of Supervisory Board members to exercise their mandates with loyalty and to refrain from any attitude which may affect the Member's position with regard to issues determined by the Board.			
A7	The company must appoint a Secretary of the Board who is responsible for supporting the Board activity.	**YES**	
A8	Corporate governance Declaration will inform whether there has been an evaluation of the Board initiated by the Chairman or of the Nomination Committee and, if so, will summarize the key measures and changes resulting from it. The company must have a policy/guide on the Board evaluation, including the purpose, the criteria and frequency of the evaluation process.		**NO**
Each year, the Supervisory Board presents an activity report, in the first general meeting of shareholders. Up to this moment the company did not implement a policy of evaluating the Supervisory Board. Its activity is assayed and examined by GMS (AGA).			
A9	The corporate governance statement should contain information on the number of Board meetings and committees during the past year, the participation of Board members (in person and in absentia), and a report with regard to Board and committees activities.		**NO**
During 2015 Supervisory Board had 18 meetings, but we have no audit committee to draw a report. The company will begin in the near future the procedure to implement the audit committee.			
A10	Corporate governance statement shall contain information on the exact number of independent members within the Board of Directors or in the Supervisory Board.		**NO**
Up to this point there have been no reports of the number of independent members, but on the company's website there were uploaded GMS resolutions based upon the members have been elected.			
B1	The Board shall establish an Audit Committee with at least one member who must be independent or non-executive administrator. The majority of members, including the Chairman, must have appropriate relevant qualifications for their duties and responsibilities within the Committee. At least one member of the Audit Committee must have proven and appropriate accounting or auditing experience.		**NO**
We do not have an Audit Committee. The company will begin in the near future the procedure during for implementation of the internal audit committee, taking into consideration also outsourcing services.			
B2	Chairman of the Audit Committee must be a non-executive independent member.		**NO**
We do not have an audit committee.			

B3	As part of its responsibilities, the audit committee should carry out an annual assessment of internal control system.		**NO**
We do not have an audit committee.			
B4	The assessment must take into account effectiveness and extent of the internal audit, the adequacy of the risk management and internal control audit reports presented by the audit committee to the Board. Also, the effectiveness and promptitude of executives in dealing with identified deficiencies or weaknesses of internal inspection must be assessed, with submission of relevant reports to the Board.		**NO**
We do not have an audit committee.			
B5	The audit committee should evaluate conflicts of interests related to transactions of the company and of its subsidiaries with affiliated parties.		**NO**
We do not have an audit committee.			
B6	The audit committee shall assess the effectiveness of the internal control system and risk management system.		**NO**
We do not have an audit committee.			
B7	The audit committee shall monitor implementation of generally accepted - legal and internal audit standards. The audit committee should receive and assess reports of the internal audit team.		**NO**
We do not have an audit committee.			
B8	Whenever the Code mentions reports or analyses initiated by the Audit Committee, they should be followed by periodic or on purpose reports (at least annually). Subsequently, reports must be submitted to the Board.		**NO**
We do not have an audit committee.			
B9	No shareholder may be given preferential treatment against the other shareholders in connection with transactions and agreements of the company with shareholders and their affiliates.	**YES**	
B10	Board should have a suitable policy to ensure that any transaction with any of the companies in close relationships and with a value equal or higher than 5% of the net assets of the company (according to the latest financial report) is approved by the Board. Approval should observe a mandatory opinion of Board's audit committee and transaction should be properly presented to shareholders and to potential investors, given that such transactions are considered events which are required to be reported.		**NO**
We do not have an audit committee.			
B11	Internal audits must be carried out by a structurally separated department (internal auditing Department) of the company or by hiring a third party and independent entity.		**NO**
We do not have an audit committee.			
B12	In order to ensure the fulfillment of its functions, the internal audit department should report from a functional point of view, to the Board through the audit committee. For administrative purposes, and under management's obligations to monitor and reduce risk, it should report directly to the general manager.		**NO**
We do not have an audit committee.			
C1	The company must upload on its website the remuneration policy and shall include in the annual report a statement with reference to remuneration policy implementation for the year covered by the analysis.		**NO**
There is no remuneration policy. The company will implement such a policy in order to comply with the BSE (BVB) Code.			
C1	Remuneration policy should be formulated so that to allow to the shareholders to understand principles and arguments which constitutes the basis of Board members and General Manager wages and also of Executive Board members wages within the dual system. This policy should describe management of remuneration process and decision		**NO**

	making, should detail the components of executive management remuneration (such as salaries, annual bonuses, long-term incentives related to value of shares, benefits in kind, retirement funds and others) and also should include the purpose, principles and presumptions underlying each component (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy must specify duration of the Executive Director contract and of pre-notice period stipulated in that contract, and possible compensation for unjust dismissal.		
There is no remuneration policy. Until now such remuneration of the Board members was established with GMS (AGA) resolution, and the remuneration of Executive Board members with Supervisory Board decision.			
C1	The report on remuneration must present implementation of remuneration policy for persons identified in this policy during the year covered by the analysis.		**NO**
There is no remuneration policy implemented, company is to draw it up.			
C1	Any essential change in the remuneration policy must be uploaded on company website, in due time,		**NO**
There is no remuneration policy implemented, company is to elaborate it.			
D1	Company must organize an Investor Relations department and the public must be informed who is the appointed person/persons or department responsible. In addition to the information required by law, the company must include on its website a dedicated section to Investor Relations, both Romanian and English languages, with all relevant information of interest to investors, including:	**PARTIAL**	
Company has such a department for Shareholders that manages the relationship with investors. On company website, there are special sections which include various information related to investors, depending on nature of those information, but website does not have a distinct section called Investor Relations. We are going to take necessary steps in order to comply with BSE (BVB) Code.			
D1.2	Professional CV-s of the company management members, other professional commitments of Board members, including executive and non-executive positions in other companies or non-profit institutions Boards.		**NO**
This new obligation introduced by BSE (BVB) Code is going to be implemented in order to comply with BSE (BVB) Code.			
D1.3	Current reports and recurrent reports (quarterly, half-yearly and annual) - those prescribed in point 8 but not only - including current reports having detailed information regarding non-compliance with present Code;	**YES**	
D1.4	Information on general meetings of shareholders: agenda and informative reports; election procedure for Board members; reasons supporting proposed candidates for election and their professional CV-s; shareholders' questions on the items of agenda and company's solutions, including taken decisions;	**PARTIAL**	
We are going to take necessary steps in order to comply with BSE (BVB) Code related to: election procedure for Board members; reasons supporting proposed candidates for election and their professional CV-s;			
D.1.6	The names and contact details of a person who will be able to provide relevant information, upon request;		**NO**
We are going to take necessary steps in order to comply with BSE (BVB) Code.			
D.2	The company will have a policy concerning the annual distribution of dividends or other benefits to shareholders, proposed by the General Manager or the Executive Board and adopted by the Supervisory Board shaped as a set of guidelines which the company intends to follow in distribution of the net profit. Principles of distribution policy to shareholders will be uploaded on the company website.		**NO**
We are going to take necessary steps in order to comply with BSE (BVB) Code. Up to this point dividends distribution has been decided by GMS (AGA).			
D.3	The company will adopt a policy related to forecasts, whether these are made public or not. Forecasts refer to quantified conclusions of studies aimed to define the global impact of a number of factors concerning a future period (so-called hypotheses): by its nature, this prediction has a high level of uncertainty and real results may significantly differ from the initial estimates. Forecasts policy will set the frequency,		**NO**

	considered period and content of forecasts. If published, forecasts may be included only in annual, quarterly or half-yearly reports. Forecasts policy will be uploaded on company website.		
We did not implement such a policy up to this point. We will take necessary steps in order to comply with BSE (BVB) Code.			
D.4	General meetings of shareholders rules must not restrict their participation in general meetings, nor the exercise of their rights. Changes of rules will become valid beginning with the next meeting of shareholders, at the earliest.	**YES**	
D7	Any specialist or expert, consultant, financial analyst may attend to the shareholders' meeting with a prior invitation from the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Board Chairman decides otherwise	**YES**	
D8	Quarterly and half-yearly financial reports will include both Romanian and English information concerning key factors influencing changes in the level of sales, of operational profit, of net profit and of other financial relevant indicators, from one quarter to the next, or from one year to the next.	**YES**	
D10	Given that the company is supporting various forms of artistic or cultural expression, sport, scientific or educational activities and considers that their impact onto company competitiveness and innovative character are part of its mission and its development strategy, will publish the policy with regarding its contribution in this area.	**YES**	

➢ RESEARCH AND DEVELOPMENT ACTIVITY

Due to the specific activity of the company, no expenditures for research and development have been made in financial year 2016. In 2017 such costs are not expected.

➢ RISK MANAGEMENT ACTIVITY

Financial risk factors

The company is exposed to the following financial instrument risks:

a) credit risk;
b) liquidity risk; and
c) market risk.

The company management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the company. The company does not use derivative financial instruments to hedge against risk exposure.

a) credit risk

Credit risk is the risk that the company should bear a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This results mainly from receivables to customers and cash and cash equivalents.

At the end of the reporting period, the maximum exposure to credit risk was as follows:

lei

	12/31/2015	**12/31/2016**
Customers and other receivables	15,995,887	10,168,495
Cash and cash equivalents	33,017,721	34,250,754
Total	**49,013,608**	**44,419,249**

When assessing credit risk for banks and financial institutions, company management takes as its basis, independent assessments regarding their rating. For customers, there is no independent assessment; company management evaluates the financial condition of customers in terms of: reliability, past experience and other factors. Individual risk limits are set based on internal ratings, according to the limits established by the company management.

b) liquidity risk

Liquidity risk is the risk that the company can encounter from meeting the obligations associated with financial liabilities whose settlement is made in cash or other financial assets.

Company management follows the company's cash requirement forecasts to ensure that there is sufficient cash to meet operational needs.

The company management invests surplus cash in term deposits. To ensure sufficient liquidity, term deposits have a maturity of 3 months. On 12/31/2016, the company had cash and cash equivalents amounting to 34,250,754 lei.

The company liabilities, their most part, consist of debts to suppliers, employees, the state budget and social security fund.

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 ESPAŇA S.A., as per credit letter issue contract no. 209763/05.10.2015). Until 12/31/2016, the used amount from this credit was 23,004,755 lei.

The company liabilities on 12/31/2016, amounting to 27,092,696 lei, have the following maturities:

= in lei =

	Value	**Maturity of 12 months or less**
Suppliers and other liabilities	4,087,941	4,087,941
Bank loans	23,004,755	2,732,980
Total	**27,092,696**	**6,820,921**

c) market risk

- foreign currency risk

The company is exposed to foreign currency risk related mainly to the Euro and the US dollar (USD). Foreign currency risk is related to receivables, cash and cash equivalents in foreign currency. 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 ESPAŇA S.A., as per credit letter issue contract no. 209763/05.10.2015). Until 12/31/2016, the used amount from this credit was 23,004,755 lei. The company is not hedged against foreign currency risk, but the management regularly receives predictions about the evolution of the RON/EURO and RON/USD exchange rates. Since financial assets denominated in foreign currencies are higher than financial liabilities denominated in foreign currencies, the company is exposed to foreign currency risk only if the domestic currency is depreciated.

The company's financial assets and liabilities designated in foreign currency and revalued at the end of the reporting period were as follows:

	12/31/2015		12/31/2016	
Financial assets	**Euro**	**USD**	**Euro**	**USD**
Customers	105,118	654,618	42,839	458,123
Cash and cash equivalents	5,020,061	1,782,549	3,678,730	1,883,873
Total financial assets	**5,125,179**	**2,437,167**	**3,721,569**	**2,341,996**
Financial liabilities				
Suppliers	-	9,698	1,026	16,502
Total financial liabilities	**-**	**9,698**	**1,026**	**16,502**

- price risk

The company is exposed to price risk related to equity instruments of other companies which are not listed on the Bucharest Stock Exchange.

- interest rate risk

The interest rate risk to which the company is exposed is minimal, since it granted no loans and 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 ESPAŇA S.A., as per credit letter issue contract no. 209763/05.10.2015). Until 12/31/2016, the used amount from this credit was 23,004,755 lei.

The company's bank deposits with a maturity of less than 3 months have a fixed interest rate.

Management of capital risk

The objective of the company management regarding capital management seeks to protect its ability to continue operations in the future, so as to bring profit to shareholders and benefits to other stakeholders and maintain an optimal capital structure.

To maintain or adjust the capital structure, the company may adjust the dividend value assigned to shareholders, refund capital to shareholders, or issue new shares or sell assets.

The company is not subject to externally imposed capital requirements. The company monitors capital on the basis of term indebtedness. This is calculated as the ratio of net debt and total equity. Net debt is calculated as the difference between total loans and cash and cash equivalents. Total equity is calculated as the sum of equity (as reflected in the separate statement of financial position) and net debt.

The company has contracted a bank loan amounting to 35,090,000 lei on 05.10.2015 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 ESPAŇA S.A., as per credit letter issue contract no. 209763/05.10.2015). Until 12/31/2016, the used amount from this credit was 23,004,755 lei.

Fair value estimate

Fair value evaluation is carried out taking into account the following hierarchy:

a) **level 1** - listed prices in active markets for identical assets and liabilities;

b) **level 2** - data other than listed prices that are observable for the assets or liabilities, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

c) **level 3** - data for assets or liabilities that are not based on observable market data (i.e. unobservable receipt).

In case of financial assets available for sale listed on BSE, fair value was equated to the rate from the last trading day. Instead, financial assets available for sale (shares) not listed on the BSE were valued at net asset.

Financial assets available for sale (net asset measured):

lei

	12/31/2015	12/31/2016
ROCOMBI S.A. shares	3,000	104,553
ROFERSPED S.A. shares	78,400	227,144
INVESTIŢII MANAGEMENT shares	7,125	17,673
TOTAL	88,525	349,370

Financial assets available for sale (measured at fair value – stock rate on last trading day):

= in lei =

	12/31/2015	12/31/2016
ELECTRICA SA shares	80,605	86,948

This is a synthesis of SOCEP S.A. economic and financial results as at 12/31/2016:

I. PHYSICAL INDICATORS

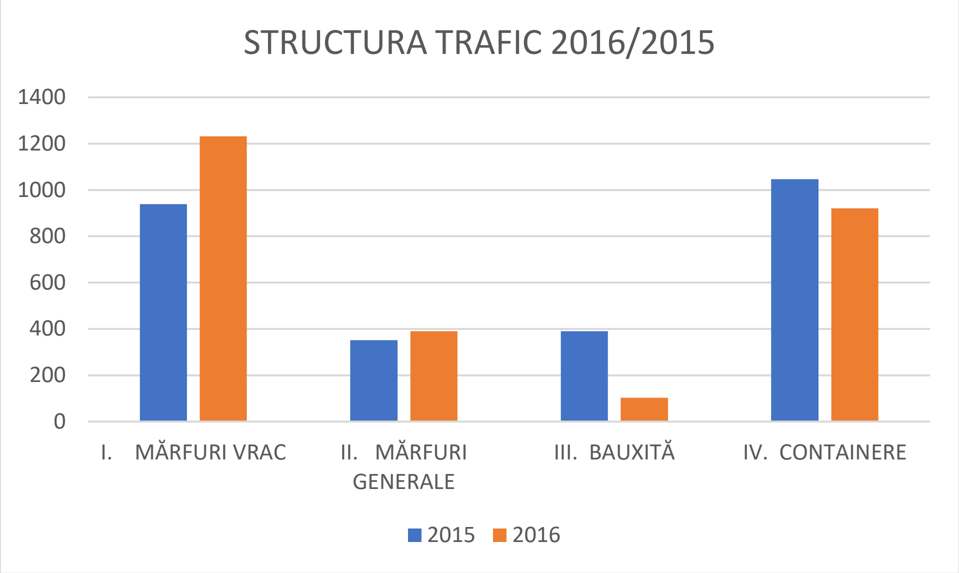
INDICATORS	U.M.	Achieved 12/31/2015	12/31/2016			% 2016/2015
			Program	Achieved	%	
1. Port traffic	1000 tons	2,728	2,885	2,646	91.7	97.0
2. Cargo handling	"	3,839	4,147	3,920	94.5	102.1
3. Average number of employees	persons	447	450	432	96.0	96.6
4. Mechanization level	%	92.5	92.5	92.3	99.8	99.8
5. Technical usage rate	%	32.6	32.6	37.3	114.4	114.4

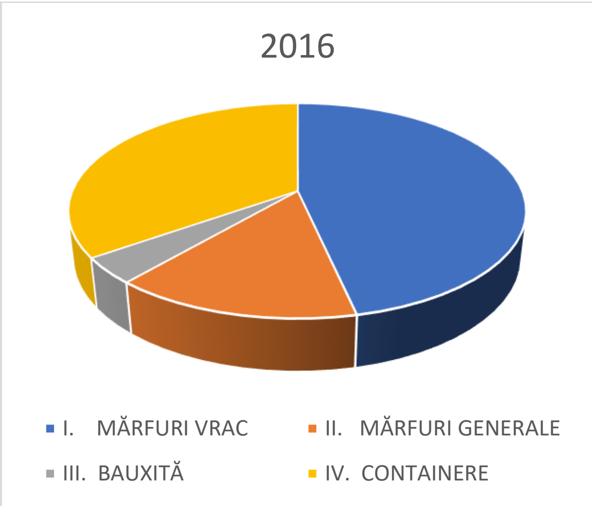
The structure of the traffic achieved on types of cargo compared with to the same period of the year 2016 is as follows:

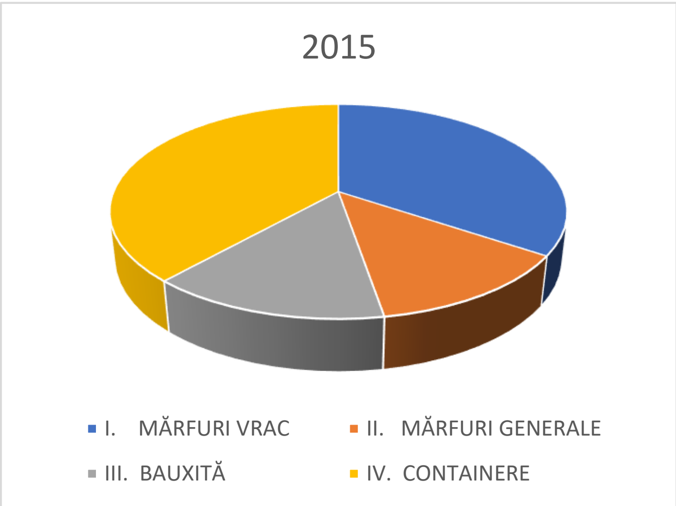
- x 1000 to -

CARGO TYPES	2015	2016	+/-	%
I. **BULK CARGO**, total o/w:	939	1,232	293	131.2
1.1. Chemicals	59	55	- 4	93.2
1.2. Grain	855	1,128	273	131.9
1.3. Other cargo	25	49	24	196.0
II. **GENERAL CARGO**, total o/w:	352	390	38	110.8
2.1. Laminated	291	340	49	116.8
2.2. Chemicals	52	33	- 19	63.5
2.3. Other cargo	9	17	8	188.9
GENERAL CARGO SECTION TOTAL	**1,291**	**1,622**	**331**	**125.6**
III. BAUXITE	390	103	- 287	26.4
IV. CONTAINERS	1,047	921	- 126	88.0
TOTAL SOCEP TRAFFIC	**2,728**	**2,646**	**- 82**	**97.0**

V. NUMBER OF CONTAINERS	78,151	81,527	3,376	104,3
VI. CONTAINER TEU-s	130,394	144,165	13,771	110,6







Structure of achieved traffic split by cargo types

Port traffic in the year 2016 recorded a decrease of 3 percent. This drop was influenced by the decrease in port traffic from Bauxite with 73.6%. Lowering the bauxite was diluted by increasing traffic to the container with 4.3%, increasing traffic at bulk goods 31% especially in cereals and general cargo at 10%.

Worth mentioning is the fact that the traffic at the grain grew from 855 thousand tons in 2015, at 1,128 tons in 2016-physical units and with 32% percent, compared to last year.

The containers have also recorded an increase from the previous year. The growth of the container has been registered at the number of operated TEU-s, respectively 144,165 TEU-s with 13,771 TEU-s more than in 2015.

The company further expects a significant increase in both container-generated by the putting into service of the new STS and RTG-2, as well as in bulk commodities (grains).

The technical condition and the usage level of the machinery park per groups compared with last year are as follows:

	T.C.C.		**T.U.C.**	
	2015	**2016**	**2015**	**2016**
1. Tractors	99.5	99.6	9.0	10.0
2. Container transport tractors	85.8	89.1	42.6	48.1
3. Loaders	88.4	88.5	35.8	46.2
4. Forklifts for containers	92.3	91.2	42.5	54.5
5. Forklifts for general cargo	92.3	93.2	30.3	32.9
6. Motor cranes	96.4	94.7	13.4	11.2
7. Quay cranes	99.2	96.2	20.3	24.6
8. Gantry cranes for containers	97.4	92.4	48.2	45.7
TOTAL	**92.5**	**92.3**	**32.6**	**37.3**

Technical condition coefficient (TCC) has a value close to that of last year: 92.5% in 2015 relative to year 2016 92.3% in value.

Time usage coefficient (TUC) recorded an increase of 4.7% compared to the year 2015, reaching a value of 37.3%.

II. FINANCIAL AND EFFICIENCY INDICATORS

The statement of financial and efficiency indicators compared to the same period of 2015 are as follows:

	UM	**ACHIEVED IN 2015**	**2016**		**%**	
			PROGRAM	**ACHIEVED**	**ACHIEVED/ PROGR. 2016**	**2016/ 2015**
Income (turnover)	lei	62,665,648	66,595,754	64,802,898	97.3	103.4
Other income	lei	1,579,301	728,906	1,088,401	149.3	68.9
Raw materials and consumables	lei	(7,232,850)	(7,912,601)	(7,694,675)	97.2	106.4
Cost of sold cargo	lei	(55,697)	(25,000)	(28,250)	113.0	50.7
Services provided by third parties	lei	(13,342,287)	(12,938,375)	(13,950,513)	107.8	104.6
Employee benefit expenses	lei	(23,615,535)	(23,283,715)	(24,568,456)	105.5	104.0
Impairment and amortization expenses	lei	(5,843,460)	(6,725,000)	(6,292,178)	93.6	107.7
Other expenses	lei	(1,505,071)	(1,176,000)	(1,219,695)	103.7	81.0

Other income/loss from operation - net	lei	(1,017,946)	(1,814,000)	(274,250)	15.1	26.9
Financial income	lei	86,898	45,000	47,948	106.6	55.2
Other financial gains/losses - net	lei	1,253,363	(92,470)	571,715	-	45.6
Profit before tax	**lei**	**12,972,364**	**13,402,499**	**12,482,945**	**93.1**	**96.2**
Income tax expense	lei	(1,913,605)	(2,101,900)	(1,678,659)	79.9	87.7
Net profit for the year	lei	11,058,759	11,300,599	10,804,286	95.6	97.7
Profit rate	%	20.70	20.13	19.26	95.7	93.0
Work productivity	lei/pers on	140,192	147,991	150,007	101.4	107.0

Although a turnover increasing by 6% was predicted, this has been achieved only 50% compared to the forecast and 3% towards 2015.

The expense of raw materials was 3% lower compared to the forecast and 6% compared to the expense relating to the year 2015.

An increase in expenditure with employee benefits towards 2015 was recorded, as a percentage of 4%.

Financial revenue (composed mainly of interest on deposits with agreed maturity of up to 3 months) was affected by the low interest rate of the banking market.

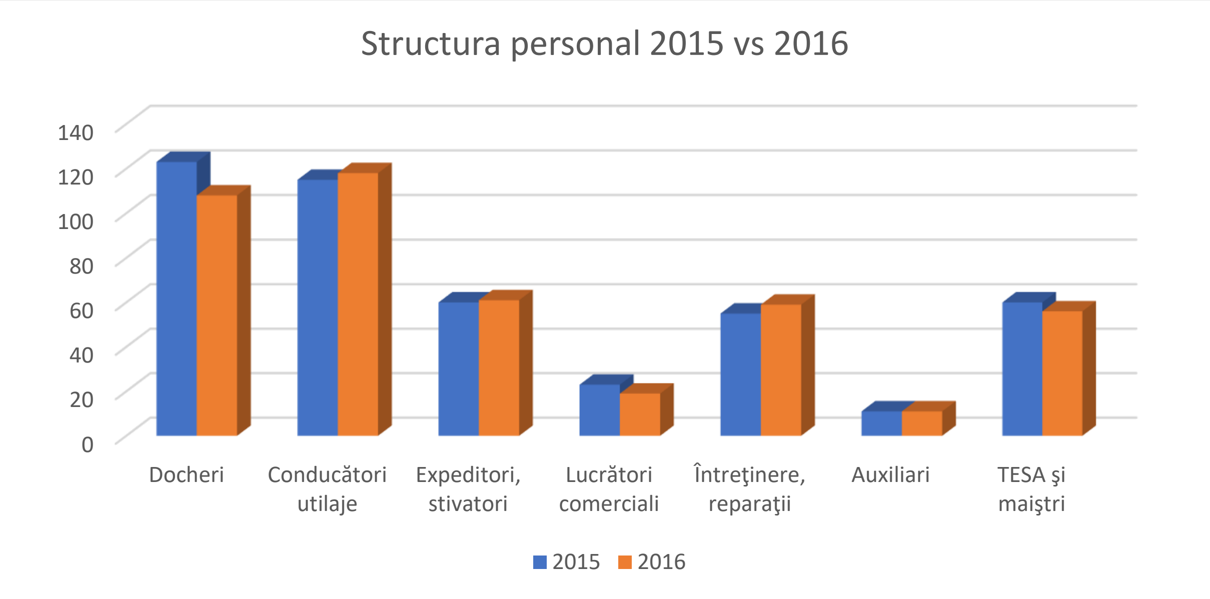
Profitability rate lowered to 19.26%. However, there is an increase in work productivity to the level of 150,007 lei/person.

III. HUMAN RESOURCES AND WAGE SCALE

On 12/31/2016 the structure of employees, average basic wage and gross average wage were as follows:

Lei

	Average no.			Gross average wage		
	2015	**2016**	**%**	**2015**	**2016**	**%**
Dockers	123	108	87.8	2,974	3,346	112.5
Machinery operators	115	118	102.6	3,477	3,859	111.0
Consigners, stevedores	60	61	101.7	3,270	3,407	104.2
Trade workers	23	19	82.6	2,397	2,641	110.2
Maintenance, repairs	55	59	107.3	2,995	3,236	108.0
Auxiliaries	11	11	100.0	1,931	2,112	109.4
Technical, economic, social administrative staff and foremen	60	56	93.3	3,197	3,231	101.1
TOTAL	**447**	**432**	**96.6**	**3,120**	**3,403**	**109.1**



The decrease in the number of staff compared with the same period of the previous year was determined by subtracting the port's traffic in the year 2016.

Average gross income was largely influenced by the salary increase granted to the employees when C.C.M. 2016-2017 at company level was negotiated. The number of staff on various categories of employees changed corresponding to the volume of the various specific activities.

IV. REPAIRS AND INVESTMENTS

The repair and investment program was performed as follows:

Lei

EXPLANATIONS	ACHIEVED 2015	2016			% 2016/ 2015
		PROGRAM	ACHIEVED	%	
I. TOTAL REPAIRS	**2,810,484**	**3,735,500**	**3,602,102**	**96.4**	**128.21**
1.1 Machinery	2,316,545	2,834,500	2,636,980	93.0	113.8
1.2. Construction	493,939	901,000	965,122	107.1	195.4
II. TOTAL INVESTMENTS	**7,976,178**	**64,192,500**	**39,950,752**	**62.2**	**500.9**
2.1. Tangible assets	7,956,377	61,470,000	38,998,540	63.4	490.2
2.2. Intangible assets	19,801	2,722,500	952,212	3501	4808.9
2.3. Financial assets	0	0	0	0	0
III. INVESTMENTS COMMISSIONED	**5,318,258**	**27,990,000**	**5,602,332**	**20.0**	**105.3**
3.1. Tangible assets	5,301,527	25,267,500	4,647,052	18.4	87.7
3.2. Intangible assets	16,731	2,722,500	955,280	35.1	5709.6

For 2016, the maintenance and repair plan for machinery category was achieved to 93.0%. Achieving the planned 93% led to the use of machinery to optimal production capacity.

The maintenance and repair plan for buildings category was achieved to 107.1%. These works could not be carried out because the bulk storage rooms were in high demand.

Overall, the maintenance and repair plan for 2016 was achieved to a rate of 96.4%.

For 2016, an investment program worth 54,192,500 lei has been projected. Due to the freight traffic evolution and because of the need to adapt to different types of cargo handled during 2016, this investment plan has undergone several changes and adjustments in accordance with the aspects above. Thus, on12/31/2016, the situation of the actually realized investment plan is outlined in the table below.

<table>
<tr><th rowspan="2">No.</th><th rowspan="2">NAME OF FIXED ASSET</th><th colspan="2">Scheduled 2016</th><th colspan="2">Achieved 2016</th><th rowspan="2">Comments</th></tr>
<tr><th>No. of pcs.</th><th>Lei/ total</th><th>No. of pcs.</th><th>Lei/ total</th></tr>
<tr><td>1</td><td>MODERNIZATION OF SHIPLOADER NO.1</td><td>0</td><td>0</td><td>1</td><td>102,962</td><td>PIF (putting into operation) 451069/31.03.2016 according to Investment Plan 2015</td></tr>
<tr><td>2</td><td>MODERNIZATION OF SHIPLOADER NO.3</td><td>0</td><td>0</td><td>1</td><td>102,962</td><td>PIF 451089/31.03.2016 according to Investment Plan 2015</td></tr>
<tr><td>3</td><td>MODERNIZATION OF SHIPLOADER NO.5</td><td>0</td><td>0</td><td>1</td><td>103,177</td><td>PIF 16207/28.04.2016 according to Investment Plan 2015</td></tr>
<tr><td>4</td><td>Mobile belt conveyer</td><td>0</td><td>0</td><td>1</td><td>157,769</td><td>PIF 16201/4.01.2016 according to Investment Plan 2015</td></tr>
<tr><td>5</td><td>Mobile belt conveyer</td><td>0</td><td>0</td><td>1</td><td>134,880</td><td>PIF 16205/04.04.2016 according to Investment Plan 2015</td></tr>
<tr><td>6</td><td>Mobile belt conveyer</td><td>0</td><td>0</td><td>1</td><td>134,880</td><td>PIF 16205/04.04.2016 according to Investment Plan 2015</td></tr>
<tr><td>7</td><td>Mobile belt conveyer</td><td>0</td><td>0</td><td>1</td><td>134,879</td><td>PIF 16205/04.04.2016 according to Investment Plan 2015</td></tr>
<tr><td>8</td><td>Grain loader PZM 150 No.1</td><td>6</td><td>405,000</td><td>1</td><td>34,489</td><td>PIF 16210/27.05.2016</td></tr>
<tr><td>9</td><td>Container 6 x 2.4 m (for truck scale in terminal)</td><td rowspan="3">2</td><td rowspan="3">405,000</td><td>1</td><td>12,116</td><td>PIF 16209/25.05.2016</td></tr>
<tr><td>10</td><td>60 tons truck scale in the terminal, 18 M, serial 1507, No.1 (including software)</td><td>1</td><td>203,973</td><td>PIF 16302/05.04.2016; PIF 16217/27.07.2016</td></tr>
<tr><td>11</td><td>60 tons truck scale in the terminal, 18 M, serial 1508, No.2 (including software)</td><td>1</td><td>203,302</td><td>PIF 16302/05.04.2016; PIF 16218/27.07.2016</td></tr>
<tr><td>12</td><td>Autotractor TERBERG T64 RT222</td><td>1</td><td rowspan="4">1,980,000</td><td>1</td><td>228,261</td><td>PIF 16216/25.07.2016</td></tr>
<tr><td>13</td><td>Autotractor TERBERG T65 RT282</td><td>1</td><td>1</td><td>228,261</td><td>PIF 16216/25.07.2016</td></tr>
<tr><td>14</td><td>Auto tractors specialized in containers transportation</td><td>2</td><td>2</td><td>755,675</td><td>PIF 16236/28.11.2016</td></tr>
<tr><td>15</td><td>Semi-trailers</td><td>4</td><td>4</td><td>431,832</td><td>PIF 16237/28.12.2016</td></tr>
<tr><td>16</td><td>Mobile belt conveyer</td><td>2</td><td>135,000</td><td>4</td><td>111,742</td><td>PIF 16219/01.08.2016</td></tr>
<tr><td>17</td><td>Modernization of container gantry crane No.2 - SPREADER</td><td>1</td><td>450,000</td><td>1</td><td>422,465</td><td>PIF 16224/26.09.2016</td></tr>
<tr><td>18</td><td>Bagging installation for chemicals</td><td>1</td><td>324,000</td><td>1</td><td>228,966</td><td>PIF 16229/09.11.2016</td></tr>
</table>

19	Grain discharging installation – from rail wagons (4 conveyer belts)	4	810,000	1	135,511	PIF 16225/04.10.2016
20	Bulk cargo discharging installation – from rail wagons (3 conveyer belts)			1	123,264	PIF 16228/08.11.2016
21	Rehabilitation of container gantry crane running track	1	6,300,000	0	0	Feb.17
22	Modernization of container gantry cranes No.1 and No.2	2	1,800,000	2	125,448	PIF 13233 and 13234/23.11.2016
23	Tire changing equipment	1	36,000	0	0	Jan.17
24	TOS - software for operation	1	900,000	0	905,633	PIF 15308/15.12.2016
25	TOS - equipment	1	742,500	0	513,502	PIF 16206/05.04.2016 ; 16212/02.06.2016 ;16232/09.11.2016;16230/01.11.2016 ; 16231/01.11.2016 ; 16238/30.12.2016
26	Loaded containers lifters (Reach-stackers)	1	1,687,500	0	0	Investment cancelled
27	STS crane	1	16,672,500	0	0	March 17
28	RTG equipment	2	6,030,000	0	0	March17
29	Equipment with brush and bucket - Small front loader	1	225,000	0	0	Feb.17
30	Silo - 100,000 tons capacity	1	13,500,000	0	0	Estimated for 2018
31	Storage tent for general cargo – 2000 sqm/pc	2	900,000	0	0	Investment cancelled
32	Rail wagons scale	1	270,000	0	0	Postponed to 2017
33	General cargo forklift 5 tons	2	315,000	0	0	June 201
34	General cargo forklift 12 tons	1	360,000	0	0	June 2017
35	Steel reels handling device	1	225,000	0	0	Postponed to 2017
36	General cargo forklift 5 tons	1	157,500	0	0	June 2017
37	Enlargement of surveillance system – Baza Tehnică	1	45,000	0	2,860	PIF 13235/25.11.2016
38	Technological surveillance system – Terminal	1		0	3,399	PIF 16220/01.08.2016
39	Shore crane – lifting capacity 32-50 tons	1	4,500,000	0	0	Postponed to 2017
40	Shiploader	1	450,000	0	0	Cancelled
41	Fire prevention system	1	450,000	0	0	Postponed to 2017
42	ERP system	1	1,800,000	0	0	Postponed to 2017/2018
43	Computer software licenses and hardware equipment		67,500		19,132	PIF 16301/08.02.2016 ; 16303 16303 /02.06.2016 ; 16304/06.06.2016 ; 15306 / 10.10.2016 ; 15305/05.10.2016 ; 15307/01.11.2016 .
44	Other investments		2,250,000		40,992	
	GRAND TOTAL		64,192,500		5,602,332	

Due to the cancellation of some investments planned for this year and the postponement of others to 2017, the investment plan of this year has been achieved up to 62.2%.

V. SOCIAL-CULTURAL EXPENSES, SPONSORSHIP, ENTERTAINMENT, ADVERTISING AND PUBLICITY

The following expenses were made during 2016:

Lei

	Amount deductible for tax purposes	**Expenses incurred**
1. Social-cultural expenses	305,161	305,161
2. Sponsorship expenses	324,014	361,200
3. Donations expenses	*	*
4. Entertainment expenses	74,090	74,090
5. Advertising and publicity expenses	*	179,562

These funds were set up and used in accordance with the legal provisions and have been documented and approved by the company management.

VI. TAX OBLIGATIONS AND OTHER DEBTS

As at 12/31/2016, all tax liabilities regarding corporate tax, income tax, local taxes and duties and liabilities to the state social insurance and health budget, contributions to the unemployment fund and special funds were correctly determined and were fully paid in within the legal terms.

As at 12/31/2016 there are no outstanding debts registered with banks, suppliers and other creditors,

VII. PROFIT AND INCOME TAX SITUATION

On 12/31/2016 the situation is as follows:

= in lei =

	12/31/2016
Profit before tax	12,482,945
Deductions – reserve fund	(624,147)
Nontaxable income	(586,896)
Non-deductible expenses	1,494,069
Items similar to income	1,216,632
Taxable profit	13,982,603
Income tax determined with 16%	2,237,216
Sponsorships	(324,014)
Profit reinvestment deduction	(13,892)
Total current income tax	1,899,310

The difference between taxable profit and profit before tax is justified by the following elements:

a) Nondeductible amounts:

EXPLANATIONS	12/31/2016
House Protocol expenses	47,023
Fuel expenses	45,123
Maintenance and repair expenses	9,088
Insurance premiums expenses	22,015
Protocol expenses	33,744
Travel expenses	-
Fuel expenses, third party services	48,826
Charges for transport means	448
VAT for nondeductible expenses	7,417
Insurance and social protection expenses	2,907
Loss from receivables	87,093
Damages, fines, penalties	4,953
Expenses related to income from equity stakes	2,065
Sponsorships	361,200
Expenses with additional meal vouchers	197,423
Provisions	621,096
Amortization of VOLKSWAGEN car	3,648
TOTAL	**1,494,069**

b) Nontaxable amounts:

EXPLANATIONS	12/31/2016
Income from equity stakes	104,136
Income from fair value gains on investment property	24,100
Income from provisions	458,660
TOTAL	**586,896**

c) Items similar to income

– 1,216,632 lei – amortization for realized revaluation reserves

Income tax expense

On 12/31/2016, it is as follows:

	12/31/2016
Current income tax expense	1,899,310
Deferred income tax expense	72,963
Deferred income tax revenues	(293,614)
Income tax expense	**1,678,659**

Net profit to be distributed

Profit before tax	10,804,286
Income tax expense	(1,678,659)
Net profit to be distributed	10,804,286

Net profit is proposed for distribution, taking into account the legal provisions, on the following destinations:

Destination	Amount
Net profit to be distributed	10,804,286
- legal reserves	624,147
- reinvested profit reserve	86,828
- undistributed profit	10,093,311

VIII. FURTHER NOTES

During the reporting period, all legal provisions on the organization and daily bookkeeping as well as the accounting principles and methods were complied with.

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with Order No.2844/2016 for the approval of Accounting Regulations compliant with International Financial Reporting Standards, with subsequent additions and amendments.

The financial statements were audited by the auditing company JPA AUDIT & CONSULTANȚĂ duly represented by Mr. Florin Toma.

The Company complies with the Corporate Governance Code (CGC) of the Bucharest Stock Exchange (BSE). Annually, it submits to BSE the "Declaration Apply or Explain" (Declaration) in the format indicated by BSE, which contains the implementation way of the CGC.

All holders of financial instruments of the company are treated fairly; all financial instruments of the same type and class confer equal rights.

The company endeavors to facilitate the participation of shareholders at the GMS as well as full exercise of their rights.

GMS takes place according to legal procedures so that any shareholder can freely express their opinion on the matters under discussion.

The company encourages shareholders' participation in the GMS. Those who cannot attend have the possibility to exercise voting in absence, based on a special power of attorney. Dialogue between shareholders and members of the Supervisory Board/Executive Board is encouraged during GMS and all shareholders have access to relevant information so that they can exercise their rights in a fair manner. Thus, all relevant information is posted on its web page.

As of 12/15/2012, according to the Extraordinary General Meeting of Shareholders of 14 December 2012, the company is managed in two-tier (dual) system by a Supervisory Board and an Executive Board which operates under the law and in compliance with the law. The Supervisory Board consists of 5 members. Supervisory Board members are: Dușu Niculae -

Chairman, Dușu Ion - Vice President, Samara Stere – Member, Carapiti Dumitru – Member, Stanciu Ion – Member. The Executive Board consists of 5 members.

During 2016, the composition of the Executive Board underwent the following changes:

- Between 07/10/2015-07/11/2016, Executive Board was composed of 5 members, namely:

⇒ Barbarino Marius - General Manager
⇒ Ştefănescu Fănel - Operations Manager
⇒ Nebi Camelia - Financial Manager
⇒ Rohan Victor - Sales Manager
⇒ Teodorescu Lucian - Maintenance Manager.

- Starting from 10/11/2016, following a decision of the Supervisory Board, the members of the Executive Board are:

⇒ Barbarino Marius - General Manager
⇒ Ştefănescu Fănel - Operations Manager
⇒ Nebi Camelia - Financial Manager
⇒ Teodorescu Lucian - Maintenance Manager
⇒ Corneliu Nădrag - HR Manager.

Mr. Marius Barbarino holds the office of Executive Board Chairman.

Supervisory Board and Executive Board meet whenever necessary but at least once quarterly.

The Supervisory Board did not consider opportune establishing a Nomination Committee.

The company provides appropriate regular ongoing reports on all major events including financial statement, performance and management.

Supervisory Board and Executive Board undertake all responsibilities with respect to financial reporting, internal control and risk management.

Supervisory Board and Executive Board decide and adopt suitable operational solutions to facilitate an adequate identification and situations solving, if a member has a financial interest in their own name or on behalf of third parties.

Members of the Supervisory Board and the Executive Board take decisions solely in the interest of the company and do not participate in any deliberation or decision which creates conflict between their personal interests and those of the company or of subsidiaries controlled by the company.

The company endeavors to integrate in its operational activity and its interaction with interested third parties and to consistently increase the involvement of employees, representatives and trade unions, as well as persons outside the company interested in developing and implementing CSR practices.

II.3.2 Report of Socep executive board for consolidates financial situations

SOCEP SA CONSTANŢA Executive Board prepared this consolidated report to comply with the Accounting Law no.82/1991 and O.M.F.P. No 2844/2016 for the approval of Accounting Regulations in accordance with International Financial Reporting Standards - applicable to companies which have shares admitted to trading on a regulated market (listed on stock exchange).

This consolidated report of the Executive Board refers to the Group's activity consisting of: SOCEP SA CONSTANŢA (mother-company) and SOCEFIN SRL CONSTANŢA (subsidiary). The associated entity - TRANSOCEP TERMINAL SA CONSTANŢA was also included in the consolidation.

SOCEP SA was founded in 1991 as a joint stock company with Romanian legal personality and was based on a functional terminal specialized in port operation of containers and raw materials for metallurgy. The company is headquartered in Constanta, Incinta Port, Dana 34, Unique Registration (Fiscal Code) Code RO 1870767, registration number at the Trade Register J13/643/1991. According to the company statute, the main object of activity is the cargo handling (CAEN code 5224). The total share capital of the company, owned by natural and legal persons, is 34,342,574.40 lei, divided into 343,425,744 dematerialized shares, with a nominal value of 0.10 lei. The company is listed on the Bucharest Stock Exchange, the Standard category, symbol "SOCP".

In 2012, SOCEP S.A. has founded SOCEFIN S.R.L. The contribution of SOCEP S.A. to the share capital of SOCEFIN S.R.L. was 30,000,000 lei totally covered in cash. In 2016, the revenues of this company came from bank interest of bank deposits and from participation interests.

As of August 1, 2015, according to the SOCEP SA (sole associate) EGMS decision of July 27, 2015, the SOCEFIN management was provided by Mrs. Nebi Camelia as sole administrator.

TRANSOCEP TERMINAL SA was founded as a joint stock company in 1996 and is headquartered in Constanta, Incinta Port, Dana 34, SOCEP Building, 2nd Floor, Room 42, Unique Registration Code RO 8258448, Registration Number at the Trade Registry J 13 / 605/1996. The main business object is rental and leasing of other machinery, equipment and tangible goods (CAEN code 7739). The share capital, amounting to 411,233 lei, consists of 15,750 shares, with a nominal value of 26.11 lei/share. The contribution of SOCEP to the share capital of TRANSOCEP TERMINAL SA, when founded, was 91,385 lei meaning 22.22%. Due to its presence in the Management Board, to transactions and to its percentage of participation in the share capital, SOCEP SA exercises significant influence over TRANSOCEP TERMINAL SA.

The management of TRANSOCEP TERMINAL SA is provided by a Management Board consisting of 3 members. On 12/31/2016, the composition of this Board was as follows:

- MANOLACHE ROMEO	- president
- ZELES NICULAIE ANAMARIA	- vicepresident
- TEODORESCU LUCIAN ŞTEFAN	- vicepresident.

Group's management assimilated the two companies it consists of, with two different segments of activity:

- Port operation activity (SOCEP SA) and
- Holding activity (SOCEFIN SRL).

Group's management evaluates performances of business segments based on the net result. As of 12/31/2015 and 12/31/2016 the net result of the two segments of activity had the following values:

Indicators	12/31/2015			12/31/2016		
	Port operation activity (SOCEP SA)	Holding activity (SOCEFIN SRL)	TOTAL	Port operation activity (SOCEP SA)	Holding activity (SOCEFIN SRL)	TOTAL
Income	68,561,632	880,683	69,442,315	69,076,439	1,281,439	70,357,878
Expense	57,600,500	149,737	57,750,237	58,336,051	26,539	58,362,590
Net result	**10,961,132**	**730,946**	**11,692,078**	**10,740,388**	**1,254,900**	**11,995,288**

Group's assets and liabilities on the two segments of activity are as follows:

	12/31/2015			12/31/2016		
	Port operation activity (SOCEP SA)	Holding activity (SOCEFIN SRL)	TOTAL	Port operation activity (SOCEP SA)	Holding activity (SOCEFIN SRL)	TOTAL
ASSETS						
Tangible assets	51,860,931	-	51,860,931	84,093,191	-	84,093,191
Real estate investments	368,700	-	368,700	392,800	-	392,800
Intangible assets	27,576	-	27,576	956,269	-	956,269
Financial assets available for sale	169,130	10,404,614	10,573,744	436,318	14,182,488	14,618,806
Investments in subsidiaries and associates	167,458	-	167,458	61,233	-	61,233
Other long term investments	-	-	-	2,079,732	-	2,079,732
TOTAL NON-CURRENT ASSETS	**52,593,795**	**10,404,614**	**62,998,409**	**88,019,543**	**14,182,488**	**102,202,031**
Stocks	458,739	-	458,739	591,879	-	591,879
Clients and other receivables	15,995,887	8,013	16,003,900	10,168,482	3,684	10,172,166
Income tax	-	-	-	45,886	4,313	50,199
Accrued charges	134,195	-	134,195	121,231	-	121,231
Cash and cash equivalents	33,017,721	26,862,371	59,880,092	34,250,754	25,156,536	59,407,290
TOTAL CURRENT ASSETS	**49,606,542**	**26,870,384**	**76,476,926**	**45,178,232**	**25,164,533**	**70,342,765**
TOTAL ASSETS	**102,200,337**	**37,274,998**	**139,475,335**	**133,197,775**	**39,347,021**	**172,544,796**

NONCURRENT LIABILITIES						
Deferred tax liabilities	2,304,606	476,659	2,781,265	2,114,535	608,224	2,722,759
Long term bank loans	-	-	-	20,271,775	-	20,271,775
Deferred income	-	-	-	-	-	-
Provisions for employee benefits	422,212	-	422,212	450,895	-	450,895
TOTAL NON-CURRENT LIABILITIES	**2,726,818**	**476,659**	**3,203,477**	**22,837,205**	**608,224**	**23,445,429**
CURRENT LIABILITIES						
Suppliers and other liabilities	4,502,911	1,845	4,504,756	4,087,928	1,844	4,089,772
Current income tax liabilities	965,850	5,164	971,014	-	-	-
Provisions	325,024	-	325,024	5,784	-	5,784
Deferred income	39,234	-	39,234	180	-	180
Long term bank loans (maturing in up to one year)	-	-	-	2,732,980	-	2,732,980
Interest related to long term loans	-	-	-	27,337	-	27,337
TOTAL CURRENT LIABILITIES	**5,833,019**	**7,009**	**5,840,028**	**6,854,209**	**1,844**	**6,856,053**
TOTAL LIABILITIES	**8,559,837**	**483,668**	**9,043,505**	**29,691,414**	**610,068**	**30,301,482**

In 2016 SOCEP achieved the following results:

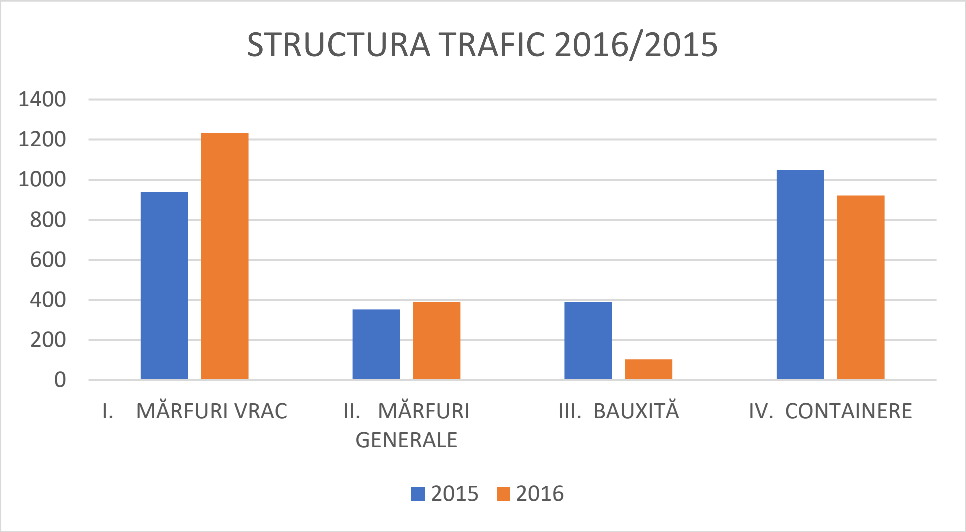
- **PHYSICAL INDICATORS**

INDICATORS	**U.M.**	**Achieved**	**12/31/2016**			**%**
		12/31/2015	**Program**	**Achieved**	**%**	**2016/2015**
1. Port traffic	1000 tons	2,728	2,885	2,646	91.7	97.0
2. Cargo handling	"	3,839	4,147	3,920	94.5	102.1
3. Average numb of employees	persons	447	450	432	96.0	96.6
4. Mechanization level	%	92.5	92.5	92.3	99.8	99.8
5. Technical usage rate	%	32.6	32.6	37.3	114.4	114.4

The structure of the traffic achieved on types of cargo compared with to the same period of the year 2015 is as follows:

- x 1000 to -

CARGO TYPE	**2015**	**2016**	**+/-**	**%**
I. BULK CARGO, total o/w:	939	1,232	293	131.2
1.1. Chemicals	59	55	- 4	93.2
1.2. Grain	855	1,128	273	131.9
1.3. Other cargo	25	49	24	196.0
II. GENERAL CARGO, total o/w:	352	390	38	110.8
2.1. Laminated	291	340	49	116.8
2.2. Chemicals	52	33	- 19	63.5
2.3. Other cargo	9	17	8	188.9
GENERAL CARGO SECTION TOTAL	**1,291**	**1,622**	**331**	**125.6**
III. BAUXITE	390	103	- 287	26.4
IV. CONTAINERS	1,047	921	- 126	88.0
TOTAL SOCEP TRAFFIC	**2,728**	**2,646**	**- 82**	**97.0**
V. NUMBER OF CONTAINERS	78,151	81,527	3,376	104.3



The technical condition and the usage degree of the machinery park per groups compared with last year are as follows:

	T.C.C.		T.U.C.	
	2015	**2016**	**2015**	**2016**
1. Tractors	99.5	99.6	9.0	10.0
2. Container transport tractors	85.8	89.1	42.6	48.1
3. Loaders	88.4	88.5	35.8	46.2
4. Forklifts for containers	92.3	91.2	42.5	54.5
5. Forklifts for general cargo	92.3	93.2	30.3	32.9
6. Motor cranes	96.4	94.7	13.4	11.2
7. Quay cranes	99.2	96.2	20.3	24.6
8. Gantry cranes for containers	97.4	92.4	48.2	45.7
TOTAL	**92.5**	**92.3**	**32.6**	**37.3**

➢ REPAIRS AND INVESTMENTS

The repair and investment program was performed as follows:

Lei

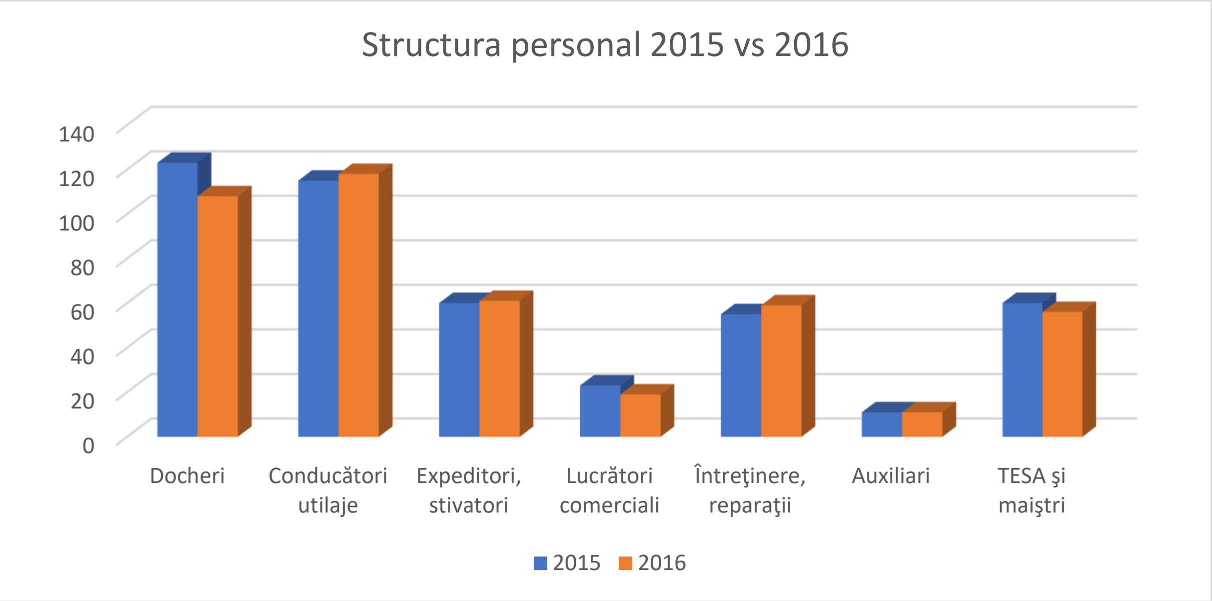
EXPLANATIONS	ACHIEVED 2015	2016			% 2016/ 2015
		PROGRAM	ACHIEVED	%	
I. TOTAL REPAIRS	**2,810,484**	**3,735,500**	**3,602,102**	**96.4**	**128.21**
1.2 Machinery	2,316,545	2,834,500	2,636,980	93.0	113.8
1.2. Construction	493,939	901,000	965,122	107.1	195.4
II. TOTAL INVESTMENTS	**7,976,178**	**64,192,500**	**39,950,752**	**62.2**	**500.9**
2.1. Tangible assets	7,956,377	61,470,000	38,998,540	63.4	490.2
2.2. Intangible assets	19,801	2,722,500	952,212	3501	4808.9
2.3. Financial assets	0	0	0	0	0
III. INVESTMENTS COMMISSIONED	**5,318,258**	**27,990,000**	**5,602,332**	**20.0**	**105.3**
3.1. Tangible assets	5,301,527	25,267,500	4,647,052	18.4	87.7
3.2. Intangible assets	16,731	2,722,500	955,280	35.1	5709.6

➢ HUMAN RESOURCES AND WAGE SCALE

On 12/31/2016 the structure of employees, average basic wage and gross average wage were as follows:

Lei

	Average no.			Gross average wage		
	2015	**2016**	**%**	**2015**	**2016**	**%**
Dockers	123	108	87.8	2,974	3,346	112.5
Machinery operators	115	118	102.6	3,477	3,859	111.0
Consigners, stevedores	60	61	101.7	3,270	3,407	104.2
Trade workers	23	19	82.6	2,397	2,641	110.2
Maintenance, repairs	55	59	107.3	2,995	3,236	108.0
Auxiliaries	11	11	100.0	1,931	2,112	109.4
Technical, economic, social administrative staff and foremen	60	56	93.3	3,197	3,231	101.1
TOTAL	**447**	**432**	**96.6**	**3,120**	**3,403**	**109.1**



The decrease in the number of staff compared with the same period of the previous year was determined by the lower port traffic in the year 2016.

Average gross income was largely influenced by the salary increase granted to the employees when C.C.M. 2016-2017 at company level was negotiated. The number of staff on various categories of employees changed corresponding to the volume of the various specific activities.

FINANCIAL AND EFFICIENCY INDICATORS

	INDICATORS	CALCULATION	RESULTS 12/31/2015	RESULTS 12/31/2016
1.	Current liquidity	Current assets/Current liabilities	13.10	10.26
2.	Indebtedness	Borrowed capital / Equity x 100	2.46	16.48
		Borrowed capital / Committed capital x 100	2.40	14.15
3.	Rotation speed of customers flows	Average customer balance / Turnover x 360	86.13	87.22
4.	Rotation speed of fixed assets	Turnover/Fixed assets	0.99	0.63

Income generated by SOCEFIN S.R.L. in the amount of 1,281,439 lei came from bank interest of bank deposits for periods ranging from 1 month to 3 months and from participation interests.

CAP.III FINANCIAL STATEMENTS AUDITED

III.1 INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 31/12/2016
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
ADOPTED BY THE EUROPEAN UNION
AND O.M.F.P. NO. 2844/2016,
AS AMENDED AND SUPPLEMENTED

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31-st, 2016

	NOTE	12/31/2014	12/31/2015	Lei 12/31/2016
NON-CURRENT ASSETS				
- Tangible assets	7	49,832,149	51,860,931	84,093,191
- Intangible assets	8	23,717	27,576	956,269
- Financial assets available for sale	9	631,522	169,130	436,318
- Investments in subsidiaries and associates	10	30,091,385	30,091,385	30,061,230
- Other long term investments	11	-	-	2,079,732
- Real estate investments	7	331,700	368,700	392,800
TOTAL NON-CURRENT ASSETS		**80,910,473**	**82,517,722**	**118,019,540**
CURRENT ASSETS				
- Stocks	12	386,833	458,739	591,879
- Clients and other receivables	13	10,863,773	15,995,887	10,168,495
- Receivables regarding profit tax	20	-	-	45,886
- Accrued charges	14	109,216	134,195	121,231
- Cash and cash equivalents	15	29,037,147	33,017,721	34,250,754
TOTAL CURRENT ASSETS		**40,396,969**	**49,606,542**	**45,178,245**
TOTAL ASSETS		**121,307,442**	**132,124,264**	**163,197,785**
EQUITY				
- Share capital	16	34,342,574	34,342,574	34,342,574
- Share capital adjustment	16	164,750,632	164,750,632	164,750,632
- Reserves	17	40,236,366	39,664,704	39,159,046
- Retained earnings	18	42,688,918	52,624,538	62,640,858
- Retained earnings from the adoption of IAS 29	16	(164,750,632)	(164,750,632)	(164,750,632)
- Other elements of equity	19	(3,254,627)	(3,055,219)	(2,636,120)
TOTAL EQUITY		**114,013,231**	**123,576,597**	**133,506,358**
LIABILITIES				
Non-current liabilities				
- Deferred tax liabilities	20	2,702,173	2,292,436	2,114,535
- Deferred income	22	-	-	-
- Provisions for employee benefits	24	449,494	422,212	450,895
- Long term bank loans	21	-	-	20,271,775
TOTAL NON-CURRENT LIABILITIES		**3,151,667**	**2,714,648**	**22,837,205**

Current liabilities				
- Suppliers and other liabilities	23	3,794,335	4,502,911	4,087,941
- Long term bank loans maturing in up to one year	21	-	-	2,732,980
- Interest related to long term loans	21	-	-	27,337
- Current income tax owed	20	19,83	965,85	-
- Provisions	24	323,834	325,024	5,784
- Deferred income	22	4,545	39,234	180
TOTAL CURRENT LIABILITIES		**4,142,544**	**5,833,019**	**6,854,222**
TOTAL LIABILITIES		**7,294,211**	**8,547,667**	**29,691,427**
TOTAL EQUITY AND LIABILITIES		**121,307,442**	**132,124,264**	**163,197,785**

STATEMENT OF COMPREHENSIVE INCOME AS AT DECEMBER 31-st, 2016

	Note	12/31/2015	12/31/2016
			Lei
Income	25	62,665,648	64,802,898
Other income	26	1,579,301	1,088,401
Raw materials and consumables	27	(7,232,850)	(7,694,675)
Cost of sold goods	28	(55,697)	(28,250)
Services provided by third parties	29	(13,342,287)	(13,950,513)
Employee benefits expense	30	(23,615,535)	(24,568,456)
Impairment and amortization expense	31	(5,843,460)	(6,292,178)
Other expenses	32	(1,505,071)	(1,219,695)
Other gains/losses from operations - net	33	(1,017,946)	(274,250)
Profit/(Loss) from operation		11,632,103	11,863,282
Financial income	34	86,898	47,948
Financial expense		-	-
Other financial gains/losses (net)	35	1,253,363	571,715
Profit before tax		**12,972,364**	**12,482,945**
Income tax expense	20	(1,913,605)	(1,678,659)
PROFIT FOR THE YEAR		**11,058,759**	**10,804,286**
OTHER COMPREHENSIVE INCOME ELEMENTS			
Elements not to be subsequently reclassified under profit or loss			
Gains or losses from evaluation of intangible assets		-	-
Deferred income tax related to other comprehensive income elements		-	-
Elements to be subsequently reclassified under profit or loss			
Gains or losses on financial assets available for sale	9	5,483	267,188
Deferred income tax related to other comprehensive income elements	20	-877	-42,750
OTHER COMPREHENSIVE INCOME ELEMENTS FOR THE YEAR (without tax)		**4,606**	**224,438**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**11,063,365**	**11,028,724**

STATEMENT OF EQUITY CHANGES AS AT DECEMBER 31-st, 2016

Lei

	Share Capital	Share Capital Adjustments	Reserves	Retained Earnings	Retained Earnings from adopting IAS 29	Other Equity Elements	Total Equity
BALANCE AS AT 01/01/2015	**34,342,574**	**164,750,632**	**40,236,366**	**42,688,918**	**(164,750,632)**	**(3,254,627)**	**114,013,231**
Profit for 2015	-	-	645,847	10,412,912	-	-	11,058,759
Change in fair value for financial assets available for sale	-	-	-	-	-	5,484	5,484
Deferred income tax related to change in fair value of financial assets available for sale	-	-	-	-	-	(877)	(877)
Reserves from revaluation of realized tangible assets	-	-	(1,217,509)	1,217,509	-	-	-
Reserves from revaluation of unrealized tangible assets	-	-	-	-	-	-	-
Deferred income tax on realized revaluation differences	-	-	-	(194,801)	-	194,801	-
Dividends 2014	-	-	-	(1,500,000)	-	-	(1,500,000)
BALANCE AS AT 12/31/2015	**34,342,574**	**164,750,632**	**39,664,704**	**52,624,539**	**(164,750,632)**	**(3,055,219)**	**123,576,597**
Profit for 2016	-	-	**710,975**	**10,093,311**	**-**	**-**	10,804,286
Change in fair value for financial assets available for sale	-	-	-	-	-	267,188	267,188
Deferred income tax	-	-	-	-	-	(42,750)	(42,750)
Reserves from revaluation of realized tangible assets	-	-	(1,216,632)	1,216,632	-	-	-
Reserves from revaluation of unrealized tangible assets	-	-	-	-	-	-	-
Deferred income tax on realized revaluation differences	-	-	-	(194,661)	-	194,661	-
Dividends 2015	-	-	-	(1,098,962)	-	-	(1,098,962)
BALANCE AS AT 12/31/2016	**34,342,574**	**164,750,632**	**39,159,046**	**62,640,858**	**(164,750,632)**	**(2,636,120)**	**133,506,358**

	12/31/2015	12/31/2016
CASH FLOWS FROM OPERATIONS		
Receipts from clients	63,991,009	78,352,424
Payments to suppliers and employees	(47,567,754)	(49,820,392)
Interest paid	-	-
VAT and other taxes (except income tax)	(2,177,260)	(2,769,163)
Income tax paid	(1,378,199)	(2,911,046)
Other receipts	295,329	490,738
Other payments	(742,960)	(3,782,648)
I. NET CASH FROM OPERATIONS	**12,420,165**	**19,559,913**
CASH FLOWS FROM INVESTMENTS		
Payments for acquisition of intangible assets	(24,551)	(958,509)
Payments for acquisition of tangible assets	(9,265,687)	(40,246,467)
Payments for acquisition of equity instruments	-	-
Receipts from change in value of equity instruments	467,875	-
Receipts from sale of tangible assets	143,504	48,077
Interests received	84,621	45,511
Dividends received	98,095	104,136
II. NET CASH FROM INVESTMENTS	**(8,496,143)**	**(41,007,252)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from share issue	-	-
Receipts from long-term loans	-	23,004,755
Interest related to loan	-	-
Dividends paid	(1,196,811)	(926,253)
III. NET CASH FROM FINANCING ACTIVITIES	**(1,196,811)**	**22,078,502**
IV. NET INCREASE IN CASH AND CASH EQUIVALENTS (I+II+III)	**2,727,211**	**631,163**
V. IMPACT OF EXCHANGE RATE VARIATIONS	**1,253,363**	**601,870**
VI. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR	**29,037,147**	**33,017,721**
VII. CASH AND CASH EQUIVALENTS AS AT 12/31	**33,017,721**	**34,250,754**

1. OVERVIEW

Established 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 major port operators in Constanta Port. Its activity is structured on two distinct operating terminals: container terminal (300 000 TEU - annual operating capacity) and general cargo terminal (3 million tons of general unified and bulk cargo - annual operating capacity).

SOCEP S.A. has the following identification data:

- Registered office:	Constanţa, 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 a Management Board.

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

- ➢ Duşu Niculae - President
- ➢ Duşu Ion - Vice-President
- ➢ Samara Stere - Member
- ➢ Carapiti Dumitru - Member
- ➢ Stanciu Ion - Member.

Since 10/11/2016 following the decision of the Supervisory Board, the Management Board consists of 5 members. The members of the Management Board are:

- ⇒ Barbarino Marius - General Manager
- ⇒ Ştefănescu Fănel - Operations Manager
- ⇒ Nebi Camelia - Financial Manager
- ⇒ Teodorescu Lucian Stefan - Maintenance Manager
- ⇒ Nadrag Corneliu - Human Resources Manager.

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

2. FUNDAMENTALS OF PREPARATION

2.1. 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.

2.2. Fundamentals of evaluation
The financial statements have been prepared under the historical cost convention, except for revalued assets. The last revaluation has been made on 12/31/2014, when buildings have been revaluated.
On 12/31/2012, with the transition to International Financial Reporting Standards implementation, the company's share capital was adjusted to inflation according to IAS 29 "Financial reporting in hyperinflationary economies". The adjustment was made until December 31-st, 2003, when the Romanian economy ceased to be considered hyperinflationary.

2.3. 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 the principle of business continuity in preparing the financial statements.

2.4. 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.

2.5. 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.

Estimates and judgments are reviewed periodically. Revisions to accounting estimates are recognized in the period in which the estimate is reviewed if the revision affects only that specific period or in the current and future periods if the revision affects both current and future periods. The effect of any change related to the current period is recognized as income or expense in the current period. If applicable, the effect on future periods is recognized as income or expense in those future periods.

Management believes that any possible differences from these estimates will not have a significant impact on the financial statements in the near future.

Estimates and judgments are used to: determine the impairment of tangible assets, determine the useful life of tangible assets, evaluate the impairment of inventories and receivables, acknowledge provisions and deferred tax assets.

a) Standards and Amendments to Standards existing on January 1st, 2016

There are no Standards, interpretations or Amendments to existing Standards – applied for the first time in the financial year started on January 1st, 2016, which might significantly influence financial statements of the company.

b) New Standards, Amendments to Standards and interpretations with implementation after January 1st, 2016 which were not adopted earlier

There are new Standards, Amendments and interpretations applicable to annual periods beginning after January 1st, 2016, which have not been applied in preparing present financial statements. Neither of the above is considered to produce a future significant effect on present financial statements.

New Standards and Amendments

Below list describes the Standards/interpretations that have been issued and therefore are applicable beginning with or after January 1st, 2016.

- **IFRS 14 "Accounts for deferral related to regulated activities"** (effective from January 1st, 2016)

IFRS 14 is an intermediate Standard granting an exception for those adopting IFRS for the first time and is related to those specific accounts pertaining to activities of regulated rates.

- **IFRS 11 Amendments – "Accounting for Purchases and Interests in associated entities"** (effective from January 1st, 2016)

  This Amendment clarifies accounting for purchasing a jointly controlled participation, if and when this is a business entity. Standard requires the investor making such an acquisition to apply the accounting for business entities combination.

- **Amendments to IAS 16 and IAS 38 - Clarifications regarding the acceptable methods for amortization** (effective from January 1st, 2016)

  Amendments clarify that an amortization method based on income is usually not appropriate. IASB amended IAS 16 in order to make clear the fact that such an amortization method is not appropriate for tangible assets.

  IAS 38 "Intangible Assets" now includes the presumption that intangible assets amortization based on income is not appropriate. This particular presumption may be eliminated when:

  - A certain intangible asset is expressed as an income measure (e.g. when the earned income measure is a limiting factor for the potential value which might be achieved from this particular asset), or
  - It can be proved that the income and consumption of economic benefits flowing from that asset are strongly related.

- **Amendments to IAS 27 – Equity method in separate financial statements** (effective from January 1st, 2016)

  This amendment allows the entities to keep accounting record – with Equity method, for their investments in subsidiaries, associated entities and joint ventures.

At present, IAS 27 allows recording these investments at their cost or as a financial asset within the financial statements. The amendment is introducing the Equity method as a third alternative method.

Yearly upgrades of IFRS 2012-2014 cycle (effective from January 1st, 2016)
These upgrades are modifying standards within 2012-2014. They also include changes of IFRS 5 “Current Assets held for sale and Discontinued operations”, IFRS 7 “Financial Instruments – Information to be provided”, IAS 19 “Employees Benefits”, IAS 34 “Interim Financial Reporting”.

- **Amendments to IAS 1 - Initiative for presentation** (effective from January 1st, 2016)

  Amendments to IAS 1 – „Presentation of Financial Statements” have been introduced in the context of “Initiative for presentation” of IASB which is exploring how the presentation of financial statements can be improved. Amendments are clarifying a number of aspects, including:

  - Materiality – an entity is not allowed to group or ungroup information in a manner that obstructs the relevant data. Where terms are significant, enough information must be presented in order to explain the impact on the financial position or performance.
  - Disaggregation and subtotals – presentation directives mentioned in IAS 1 may require disaggregation where it is proven relevant for understanding the financial position or performance.
  - Notes to Financial Statements – confirmation that notes are not to be presented in a certain sequence.
  - Other results in the statement of comprehensive income arising from accounting based on equity method – the part related to the mother-company must be grouped based on presumption whether these elements are further classified in the income statement or not.

  In accordance with the transitory stipulations, presentations in IAS 8 concerning adoption of new standards/accounting policies are not required in order to apply these amendments.

- **Amendments to IFRS 10, IFRS 12 and IAS 28 - Entities for investments: Applicability of the exception from consolidation**
  Amendments to IFRS 10 “Consolidated Financial Statements” and to IAS 2 “Accounting of Investments into associated entities” are clarifying following:

  - Exempt from preparing financial statements is available also to entities which are doing sub-consolidated financial statements and which are subsidiaries of investment entities.
  - The investment entity must consolidate a subsidiary which is not an investment entity and which has as main object providing support services for the investment entity.
  - Those entities which are not investment entities but do have a participation into an associated company and this one is an investment entity, may choose whether they apply the equity method of recording or not. Fair value measurement applied by the associated investment entity may be also applied or the consolidation may be made at the level of the associate. The associated investment entity may then elaborate the fair value.

Requirements that are to be applied in the future

Below is a list of standards and interpretations already issued but not mandatory to be implemented for the period ending on December 31st, 2016.

- **IFRS 9 "Financial Instruments"** (effective from January 1st, 2018)
  The complete version of IFRS 9 will replace the IFRS 39 application guide. IFRS 9 maintains but simplifies the mixed mode for evaluation and sets three categories of primary measures for financial assets: amortized cost, fair value through comprehensive result and fair value through income account. The classification depends on the entity's business type and the contractual cash flows of the financial asset.

- **IFRS 15 "Income from contracts with customers"** (effective from January 1st, 2018)
  This is a standard intended to bring convergence concerning the income recognition/acknowledgement. It is also replacing IAS 11 "Construction Contracts" and IAS 18 "Income" and related interpretations.

  Income is acknowledged when a customer gains control of an asset or a service. The customer gains this type of control when the ability to direct the use and so to earn the benefits of that asset or that service is available to him.

  Fundamental principle of IFRS 15 is: an entity acknowledges its income as result of the promised transfer of the goods and services to customers up to the expected amount for these goods and services. An entity acknowledges its income according to this fundamental principle, by applying the following steps:
  - Step 1: Identifying a certain contract with a certain customer
  - Step 2: Identifying the contractual obligations
  - Step 3: Determining the price of the transaction
  - Step 4: Splitting the transaction price for each contract obligation
  - Step 5: Income acknowledgement when the entity fulfils its obligations.

  IFRS 15 also includes a set of presentation requirements which will result in providing complete information on the nature, amount, period and uncertainty of income and of cash-flows resulted from its contracts with its customers.

- **IFRS 16 "Leasing" regarding the purchase of an interest in a joint operation** (effective from January 1st, 2019; an earlier adoption is allowed only together with adoption of IFRS 15)
  IFRS 16 will primarily affect the lessee's accounting and will result in acknowledgement of almost all leased assets within the balance sheet. This Standard eliminates the difference between financial leasing and operational leasing. Also, it requires recording of an asset simultaneously with a financial liability, for almost all types of leasing.

- **IAS 12 "Taxes"- recognition of deferred tax assets for unrealized losses** (effective from January 1st, 2017)
  Amendments clarify the accounting of deferred taxes when an asset is measured at fair value and this fair value is less than the tax bases of an asset.

- **Amendments to IAS 7 "Cash flow Statement" – Presentation Initiative** (effective from January 1st, 2017)
  Entities will have to provide explanations about the changes in the position of debts arising from financing activities. This includes changes in cash flows and non-cash expenses, such as purchases, sales or deferred interests payment and unrealized currency exchange differences/disparities.

Modifications of financial assets should be included in this presentation given that cash flows are included or will be included in cash flows from financing activities.
There is not required a specific format of presentation.

- **Amendments to IFRS 2 "Share-based Payment"** (effective from January 1st, 2018)
  This Amendment clarifies basis of assessment for cash payments, share-based payments or for those awards that are transforming cash payments into share-based payments.

- **Amendment to IFRS 4 "Insurance Contracts"** (effective from January 1st, 2018)
  This Amendment introduces a general approach and a differentiated approach. The Standard will:
  - allow the insurance companies to choose recording of the volatility that might occur when IFRS 9 is applied before the regular insurance contracts to be issued, into the statement of comprehensive income and not in the income statement; and
  - allow the companies predominantly connected with insurance activity/companies, an optional temporary exception from the application of IFRS 9 until 2012. Entities which will apply this particular exception are required to continue to apply the existing standard related to financial instruments, the IAS 39.

- **Amendments to IFRS 10 and IAS 28 - sale or contributing with assets between the investor and its associate (effective undefined)**
  IASB made amendments to the object of IFRS 10 and IAS 28 limited.
  Amendments clarify accounting treatment for assets sales between the investor and companies associated with it. It is confirmed that the accounting treatment is depending on where the non-monetary asset is sold or it is meant to be a contribution in an associated company.

3. SIGNIFICANT ACCOUNTING POLICIES AND METHODS

3.1 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 end of the financial year 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".

3.2. 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.

3.3. 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 revalued amount, determined by periodic assessments conducted every three years by external independent assessors, less subsequent impairment and impairment. During building revaluation, any accrued impairment at the date of revaluation is eliminated from the gross carrying amount of the asset and this net amount is recorded as revalued 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.

3.4 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 within the period in which they are incurred.

3.5 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.

3.6. 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 associated entities
Investments in subsidiaries and associated entities are valued at their respective cost. The company acknowledged impairment adjustments for them in an amount of 30,155 lei.

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).

3.7 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.

3.8 Trade receivables (customers)

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

3.9 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.

3.10 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.

3.11 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.

3.12 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.

3.13 Current and deferred 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 inasmuch as a future taxable profit is likely to be obtained, from which temporary differences can be deducted.

3.14 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.

3.15 Provisions

Provisions are recognized whenever the company has a legal or an implicit obligation arising from past events or 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.

3.16 Income recognition

Income is assessed at the fair value of the amount received or to be received from the sale of goods and 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 service provisions

Income from provision of services 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 services under way, not invoiced to customers, are highlighted using 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.

3.17. Earnings per share

In accordance with IAS 33 "Earnings per share", earnings per ordinary share are determined by dividing the profit or loss by the weighted average of ordinary shares used during the period.

The company issued ordinary shares only.

4. MANAGEMENT OF FINANCIAL RISK

4.1. Financial risk factors

The company is exposed to the following financial instrument risks:

a) Credit risk;
b) Liquidity risk; and
c) Market risk.

The company management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the company. The company does not use derivative financial instruments to hedge against risk exposure.

a) Credit risk

Credit risk is the risk that the company should bear a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This results mainly from receivables to customers and cash and cash equivalents.
At the end of the reporting period, the maximum exposure to credit risk was as follows:

	December 31st, 2015	**December 31st, 2016**
Customers and other receivables	15,995,887	10,168,495
Cash and cash equivalents	33,017,721	34,250,754
Total	**49,013,608**	**44,419,249**

When assessing credit risk for banks and financial institutions, company management is based on independent assessments regarding their rating. For customers, there is no independent assessment, company management evaluates the financial condition of customers in terms of: reliability, past experience and other factors. Individual risk limits are set based on internal ratings, according to the limits established by the company management.

b) Liquidity risk
Liquidity risk is the risk that the company can encounter from meeting the obligations associated with financial liabilities whose settlement is made in cash or other financial assets.
Company management follows the company’s cash requirement forecasts to ensure that there is sufficient cash to meet operational needs.
The company management invests surplus cash in term deposits. To ensure sufficient liquidity, term deposits have a maximum maturity of 3 months. On 12/31/2016, the company had cash and cash equivalents amounting to 34,250,754 lei.

The company liabilities, for the most part, consist of debts to suppliers, employees, the state budget and social security fund.

The company has contracted a bank loan amounting 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 ESPAŇA S.A., as per credit letter issue contract no. 209763/05.10.2015). Until 12/31/2016, the value used from this loan was 23,004,755 lei.

The company liabilities on 31/12/2015, amounting to 27,092,696 lei, have the following maturities:

	Value	Maturity of 12 months or less
Suppliers and other liabilities	4,087,941	4,087,941
Bank loans	23,004,755	2,732,980
Total	**27,092,696**	**6,820,921**

c) Market risk

Foreign currency risk

The company is exposed to foreign currency risk related mainly to the Euro and the US dollar (USD). Foreign currency risk is related to receivables, cash and cash equivalents in foreign currency. 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 ESPAŇA S.A., as per credit letter issue contract no. 209763/05.10.2015). Until 12/31/2016, the value used from this loan was 23,004,755 RON. The company is not hedged against foreign currency risk, but the management regularly receives predictions about the evolution of the RON/EURO and RON/USD exchange rates. Since financial assets denominated in foreign currencies are higher than financial liabilities denominated in foreign currencies, the company is exposed to foreign currency risk only if the domestic currency is depreciated.

The company's financial assets and liabilities designated in foreign currency and revalued at the end of the reporting period were as follows:

	December 31st, 2015		December 31st, 2016	
Financial assets	**Euro**	**USD**	**Euro**	**USD**
Customers	105,118	654,618	42,839	458,123
Cash and cash equivalents	5,020,061	1,782,549	3,678,730	1,883,873
Total financial assets	**5,125,179**	**2,437,167**	**3,721,569**	**2,341,996**
Financial liabilities				
Suppliers	-	9,698	1,026	16,502
Total financial liabilities	**-**	**9,698**	**1,026**	**16,502**

Price risk

The company is exposed to price risk related to equity instruments of other companies and which are not listed on the Bucharest Stock Exchange.

Interest rate risk

The interest rate risk to which the company is exposed is minimal, since it granted no loans and 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 ESPAŇA S.A., as per credit letter issue contract no. 209763/05.10.2015). Until 12/31/2016, the value used from this loan was 23,004,755 RON.

The company's bank deposits with a maturity of less than 3 months have a fixed interest rate.

4.2. Management of capital risk

The objective of the company management regarding capital management seeks to protect its ability to continue operations in the future, so as to bring profit to shareholders and benefits to other stakeholders and maintain an optimal capital structure.

To maintain or adjust the capital structure, the company may adjust the dividend value assigned to shareholders, refund capital to shareholders, issue new shares or sell assets.

The company is not subject to externally imposed capital requirements. The company monitors capital on the basis of term indebtedness. This is calculated as the ratio of net debt and total equity. Net debt is calculated as the difference between total loans and cash and cash equivalents. Total equity is calculated as the sum of equity (as reflected in the separate statement of financial position) and net debt.

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 ESPAŇA S.A., as per credit letter issue contract no. 209763/05.10.2015). Since until 12/31/2016, the value used from this loan was 23,004,755 RON, term indebtedness was 17.07.

Fair value evaluation is carried out taking into account the following hierarchy:

a) Level 1 - listed prices in active markets for identical assets and liabilities;
b) Level 2 - data other than listed prices that are observable for the assets or liabilities, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
c) Level 3 - data for assets or liabilities that are not based on observable market data (i.e. unobservable receipt).

In case of financial assets available for sale listed on BSE, fair value was equated to the rate from the last trading day. Instead, financial assets available for sale (shares) not listed on the BSE were valued at the net asset value.

Financial assets available for sale (measured at the net asset value)

	Note	December 31st, 2015	December 31st, 2016
ROCOMBI S.A. shares	9	3,000	104,553
ROFERSPED S.A. shares	9	78,400	227,144
INVESTIŢII MANAGEMENT shares	9	7,125	17,673
TOTAL		**88,525**	**349,370**

Financial assets available for sale (measured at fair value – stock rate on last trading day):

	Note	December 31st, 2015	December 31st, 2016
ELECTRICA SA shares	9	80,605	86,948

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments that involve a high degree of risk are those relating to the evaluation of provisions for employee benefits granted upon retirement.
The company has provided in the collective agreement a company-wide benefit for employees, to be granted in case of retirement or early retirement. The company allocates part of the benefit cost for the employees, during their working life, and a calculation is made for this purpose that uses a discount rate which is based on determining the yield of government securities.

6. INFORMATION BY SEGMENTS

The company turnover is tracked for two port terminals: general cargo and container terminal (note 23). However, company assets and liabilities are managed company-wide. The whole company is therefore regarded as a single operating segment.

7. TANGIBLE ASSETS

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

	Lands and buildings	Plant and machinery	Furniture, accessories and other equipment	Real estate investment	Assets in progress	Tangible assets advances	Total
As at January 1st 2016							
Revaluated cost or value	35,915,883	52,774,478	431,291	368,700	613,186	2,137,745	92,241,283
Accumulated amortization	(2,356,872)	(37,401,418)	(253,362)	-	-	-	(40,011,652)
Net carrying value	**33,559,011**	**15,373,060**	**177,929**	**368,700**	**613,186**	**2,137,745**	**52,229,631**
Year ended on December 31st, 2016							
Initial net carrying value	**33,559,011**	**15,373,060**	**177,929**	**368,700**	**613,186**	**2,137,745**	**52,229,631**
Receipts	12,116	4,628,677	6,259	-	11,379,119	27,619,421	43,645,592
Revaluation differences	-	-	-	24,100	-	-	24,100
Disbursements	-	(101,207)	(2,368)	-	(4,647,057)	(489,622)	(5,240,254)
Amortization for disbursements	-	93,215	2,368	-	-	-	95,583
Amortization expense	(2,359,194)	(3,869,949)	(39,518)	-	-	-	(6,268,661)
Final net carrying value	31,211,933	16,123,796	144,670	392,800	7,345,248	29,267,544	84,485,991
As at December 31st, 2016							
Revaluated cost or value	35,927,999	57,301,948	435,182	392,800	7,345,248	29,267,544	130,670,721
Accumulated amortization	(4,716,066)	(41,178,152)	(290,512)	-	-	-	(46,184,730)
Net carrying value	**31,211,933**	**16,123,796**	**144,670**	**392,800**	**7,345,248**	**29,267,544**	**84,485,991**

Tangible assets have been recognized at the time of entry, at their cost, and subsequently 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.

In 2003, following the resolution dated 04/01/2003 of SGM and in accordance with Law 31/1991, as amended and supplemented, and GEO 28/2002, the company share capital was increased by incorporating revaluation differences in the amount of 13,874,888 lei.

The company constructions were last revaluated on 31 December 2014 by an independent assessor, recording an increase of unrealized revaluation differences in the amount of 3,968,145 lei, as follows:

- 4,059,371 lei - value increase, recorded in the credit of unrealized revaluation reserves account;
- 91,226 lei - value reduction, recorded in the debit of unrealized revaluation reserves account.

The evaluation report was aimed at estimating fair value in accordance with International Valuation Standards SEV 2014 - Valuation for Financial Reporting of tangible assets for the purpose of recording in accordance with Government Decision 276/21.05.2013 and the detailed rules. The methodology used is consistent with the provisions of International Accounting Standards - IFRS 13 on the accounting treatment of tangible assets including the determination of carrying values of assets using the revaluation model.

For revaluation differences, deferred income taxes were also taken into account.

In 2016 following tangible assets amounting 4,647,057 lei were put into operation:

Purchase of tangible assets	3,785,027 lei
Modernization of tangible assets	862,030 lei

The main purchases of tangible assets put into operation during 2016 were:

- 8 mobile belt conveyors in total amount of 674.150 lei
- IT computer equipment in total amount of 309.977 lei
- 4 TERBERG tractor units in total amount of 1.212.197 lei
- 2 truck scales in total amount of 376.760 lei
- 1 PZM-150 grain loaders in total amount of 34.489 lei
- 2 bulk cargo unloading facilities in total amount of 258.775 lei
- 1 bagging equipment in total amount of 228.966 lei
- Wireless network for the container terminal in total amount of 218.014 lei
- 4 HOUCON semitrailers in total amount of 431.832 lei.

Tangible assets amounting to 94,169 lei were taken out of service by disposal.

The company has no tangible assets acquired in financial leasing.
According to BRD Loan Contract for financing PACECO project, the company mortgaged four KOMATSU loaders and a HYSTER in total amount of 3,125,079 lei.
Mortgage remains valid until SOCEP SA becomes the rightful owner of the assets acquired from this contracted loan, namely one PORTAINER crane (STS) and two TRANSTAINER cranes (RTG).

8. INTANGIBLE ASSETS

	Computer licenses and software
As at 01 January 2016	
Cost	300,899
Accumulated amortization	(276,393)
Net carrying value	**24,506**
As at 31 December 2016	
Initial net carrying value	24,506
Receipts	955,980
Disbursements	-
Amortization for disbursements	-
Amortization expense	(23,517)
Final net carrying value	956,269
As at 31 December 2016	
Cost	1,256,179
Accumulated amortization	(299,910)
Net carrying value	**956,269**

The intangible assets include software licenses and one trademark. Licenses are depreciated in a linear manner over a useful life of more than 3 years, and the trademark over 8 years.
During 2016 the TOS-POSEIDON software has been put into operation. It had a total value of 905,633 lei and it is going to be used in our container terminal as part of PACECO project.
On 31.12.2016, the company had no records of advances of intangible assets.
In the years 2015 and 2016 no impairment of intangible assets have been recognized, as per IAS 36 "Asset impairment". No losses from impairments during 2016 have been recognized.

9. A FINANCIAL ASSETS AVAILABLE FOR SALE

Financial assets available for sale include equity instruments. Company owns securities of unlisted companies (for which evaluation of the net asset value is applied or shares' appreciation/depreciation is pointed) and securities of BSE listed companies (for which shares are quarterly revalued based on the last trading day rate) as well.

Financial assets available for sale include equity instruments held in:

- Companies ROCOMBI SA BUCHAREST and ROFERSPED SA BUCHAREST. 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 measured at net asset value.
- Company INVESTIŢII ŞI MANAGEMENT PORT CONSTANŢA. The share granted by these is 7.58 % of the company's share capital. Shares are not listed on BSE and are measured at net asset value
- 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**	**Investitii si Management Port Constanta**	**Electrica SA**	**Total**
Value as at 01/01/2016	**3,000**	**78,400**	**7,125**	**80,605**	**169,130**
Value increases	101,553	148,744	10,548	-	260,845
Fair value increases	-	-	-	6,343	6,343
Value decreases	-	-	-	-	-
Value as at 12/31/2016	**104,553**	**227,144**	**17,673**	**86,948**	**436,318**

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

10. 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 since establishment
TRANSOCEP TERMINAL S.A.	Associated entity	Romania	22.22 %	01/18/1996	Contribution since 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 01/01/2016	**30,000,000**	**91,385**	**30,091,385**
Receipts	-	-	-
Provision for impairment	-	(30,155)	(30,155)
As at 12/31/2016	**30,000,000**	**61,230**	**30,061,230**

In 2012, the company participated with cash contribution to the capital of SOCEFIN SRL. On 12/31/2016, the equity of SOCEFIN SRL is 35,530,094 lei, made up of:

- 30,000,000 lei - share capital
- 5,530,094 lei - reserves and retained earnings.

On 12/31/2016 the equity of TRANSOCEP TERMINAL SA is 275,536 lei, consisting of:

- 411,233 lei - share capital
- 316,430 lei - reserves and retained earnings
- (452,127) lei - loss.

11. 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 valid for more than 1 year with total amount of 2,079,732 lei.

12. STOCKS

Stocks held on 31/12/2016 are mainly composed of consumables. Their values were:

	December 31st, 2015	December 31st, 2016
Consumables	999,368	1,143,486
Goods	880	855
Adjustments for stock impairment	(541,509)	(552,462)
Total	**458,739**	**591,879**

It should be noted that stocks include some spare parts purchased in previous years, which are slowly moving. Specifically for them the company formed some adjustments for stock impairment amounting to 552,462 lei.

13. CUSTOMERS AND OTHER RECEIVABLES

	December 31st, 2015	December 31st, 2016
Trade receivables (customers)	18,579,762	12,822,202
Adjustments for customer receivables impairment	(3,434,495)	(3,846,550)
Trade receivables – carrying value	15,145,267	8,975,652
Guarantees for less than 1 year	26,960	27,972
Other receivables	940,078	1,281,119
Adjustments for impairment sundry debtors	(116,418)	(116,248)
Other receivables - carrying value	823,660	1,164,871
Total	**15,995,887**	**10,168,495**

Both trade receivables and other receivables are current assets.

According to Loan contract agreed with BRD for financing the PACECO project, the company concluded a Mortgage contract onto receivables resulting form Trade contract no.1213/2015 signed between SOCEP SA and CEREALCOM DOLJ SRL, mortgage valid for the entire period of the above mentioned loan contract.

The evolution of adjustments for customer receivables impairment and for sundry debtors impairment during 2016 was as follows:

	December 31st, 2016	
	Adjustments for impairment customer receivables	Adjustments for impairment sundry debtors
Balance as at 1 January 2016	**3,434,494**	**116,418**
Increases	456,847	1,177
Decreases	(44,791)	(1,347)
Balance as at 31 December 2016	**3,846,550**	**116,248**

Income resulting from the adjustment for trade receivables impairment is included under other gains/losses from operations – net.
Classification of trade receivables (customers) by maturity date is as follows:

Customer receivables	December 31st, 2015	December 31st, 2016
-not due	12,328,198	5,226,377
-due and unimpaired	2,839,182	3,749,275
-due and impaired	3,412,382	3,846,550
Total	**18,579,762**	**12,822,202**

Other receivables include:

	December 31st, 2015	December 31st, 2016
Advances for stocks and services	39,619	22,250
Taxes, charges to be recovered and other receivables	530,656	21,204
Sundry debtors	866,547	896,624
Total	**1,436,822**	**940,078**

The company has deposited bank guarantees amounting to 27,992 lei, as follows:
- 27,992 lei – equivalent of 6,500 USD in favor of C.N. „A.P.M." - S.A. CONSTANŢA, as per Concession contract no.94 of 12.11.1997.

14. 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.

15. CASH AND CASH EQUIVALENTS

	December 31st, 2015	December 31st, 2016
Cash and bank accounts	13,364,982	6,728,809
Short-term bank deposits	19,652,739	27,521,945
Other amounts receivable	-	-
Total	**33,017,721**	**34,250,754**

Cash and cash equivalents in foreign currency were measured in the financial statements based on exchange rates valid on 12/31/2016, namely 4.5411 lei/Euro and 4.3033 lei/USD.
According to Loan contract agreed with BRD for financing the PACECO project, the company concluded a Mortgage contract onto all bank accounts opened in BRD, mortgage valid for the entire period of the above mentioned loan contract.

16. 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.

17. 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 01/01/2016	**19,155,822**	**6,150,359**	**10,047,519**	**4,311,004**	**39,664,704**
Profit distribution (earnings for the year)	-	624,147	-	-	624,147
Surplus from revaluation realized	(1,216,632)	-	-	-	(1,216,632)
Revaluation reserve real estate investments at fair value	-	-	-	-	-
Share of associates' reserves	-	-	-	86,828	86,828
As at 12/31/2016	**17,939,190**	**6,774,506**	**10,047,519**	**4,397,832**	**39,159,046**

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 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 the reinvested profit 86,828 lei.

18. 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 01/01/2016	**40,726,013**	**(1,282,715)**	**11,341,743**	**1,839,497**	**52,624,538**
Result for the year	10,093,311	-	-	-	10,093,311
Revaluation surplus realized	-	-	1,216,632	-	1,216,632
Income tax for revaluation surplus realized	-	-	(194,661)	-	(194,661)
Dividends	(1,098,962)	-	-	-	(1,098,962)
As at 12/31/2016	**49,720,362**	**(1,282,715)**	**12,363,714**	**1,839,497**	**62,640,858**

19. 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 01/01/2016	**(3,066,781)**	**11,562**	**(3,055,219)**
Deferred tax income related to change in fair value of financial assets available for sale	(42,750)	-	(42,750)
Change in fair value of financial assets available for sale	-	267,188	267,188
Deferred income tax related to revaluation surplus realized	194,661	-	194,661
As at 12/31/2016	**(2,929,034)**	**367,275**	**(2,636,120)**

20. 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 the year 2016, without taking into account offsetting 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 impairment adjustments	Total
As at 01/01/2016	**86,642**	**568,146**	**119,558**	**-**	**774,346**
Recorded/credited in profit or loss for the period	1,752	65,901	-	4,825	72,478
Recorded/debited in profit or loss for the period	-	-	(46,489)	-	(46,489)
As at 12/31/2016	**88,394**	**634,047**	**73,069**	**4,825**	**800,335**

Deferred income tax liabilities

Deferred income tax liabilities	Revaluation reserves	Financial assets available for sale	Total
As at 01/01/2016	**3,064,932**	**1,850**	**3,066,782**
Recorded/credited in profit or loss for the period	-	-	-
Recorded/debited in profit or loss for the period	(194,661)	-	(194,661)
Recorded/credited in other elements of comprehensive income	-	42,750	42,750
Recorded/debited in other elements of comprehensive income	-	-	-
As at 12/31/2016	**2,870,270**	**44,600**	**2,914,870**

b) Current income tax

	December 31st, 2015	December 31st, 2016
Balance on 01 January	19,830	965,850
Increases	2,324,219	1,899,310
Decreases	(1,378,199)	(2,911,046)
Balance on 31 December	965,850	(45,866)

c) Expense with current income tax

	December 31st, 2015	December 31st, 2016
Profit before tax	12,972,364	12,482,945
Deductions - reserve fund	(645,847)	(624,147)
Non taxable income	(315,078)	(586,896)
Non deductible expenses	2,288,868	1,494,069
Elements similar to income	1,217,509	1,216,632
Taxable profit	15,517,816	13,982,603
Income tax calculated at 16%	2,482,851	2,237,216
Sponsorships	(158,632)	(324,014)
Deduction of reinvested profit	-	(13,892)
Current income tax expense	2,324,219	1,839,310

d) Income tax expenses

	December 31st, 2015	December 31st, 2016
Current income tax expenses	2,324,219	1,899,310
Deferred income tax expense	41,544	72,963
Deferred income tax revenues	(452,158)	(293,614)
Income tax expenses	1,913,605	1,678,659

21. 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 12/31/2016, the value used from this loan was 23,004,755 lei, out of which the amount of 2,732,980 lei has a maturity less than 1 year. Interest related to the loan as recorded on 12/31/2016 is in an amount of 27,337 lei

22. DEFERRED INCOME

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

	December 31st, 2015	**December 31st, 2016**
Donations for investments	-	-
Other revenues	39,234	180
TOTAL	**39,234**	**180**

23. SUPPLIERS AND OTHER PAYABLES

	December 31st, 2015	**December 31st, 2016**
Trade payables	1,773,533	1,416,374
Suppliers for fixed assets	-	20,287
Salaries due	456,214	460,204
Unclaimed Dividends	234,657	353,150
Social security and other taxes	1,335,981	1,075,132
Other payables	702,526	783,081
Total	**4,502,911**	**4,087,941**

Social security and other taxes, which are due in January next year, have the following values:

	December 31st, 2015	**December 31st, 2016**
Social security	768,036	789,832
Salary tax	265,257	284,561
VAT	302,688	-
Tax on dividends	-	739
TOTAL	**1,335,981**	**1,075,132**

On 31/12/2015, the company has no outstanding debts for which interests or late payment penalties should be paid.

24. PROVISIONS

The situation of provisions is as follows:

	December 31st, 2015	**December 31st, 2016**
Provisions for disputes/litigations	318,050	-
Provisions for employee benefits	422,212	450,895
Other provisions	6,974	5,784
TOTAL	**747,236**	**456,679**

In Court case no. 6549/118/2010 with the parties in dispute: SOCEP SA as defendant and as plaintiff Sindicatul Personalului Operativ SOCEP (SOCEP union) on behalf of approx. 300 employees of the company, the fact that the civil sentence no. 3693 / 03.02.2012 Constanta Court allowed complainants application for payment of bonuses, retroactive for the last three years, the company has made a provision amounting to 318,050 lei.

With the Decision no. 1273 dd. 06/12/ 2015 given in Court case 6549/118/2010 * by Constanta Court - the court found the complaint to court as obsolete, and that in case no. 9043/118/2013 (severed at 6549/118/2010) Constanta Court of Appeal decided on 02/11/2015 by Resolution no. 12/2015 refusal of the SOCEP lawsuit as unfounded. Therefore, on 12/31/2016 the provision amounting to 318,050 was eliminated as there was no obligation for SOCEP to pay any amount related to case 6549/118/2010.
The provision for employee benefits in the amount of 450,895 lei is formed for amounts to be granted to company employees, equivalent to three base salaries for each, as received on retirement date.

25. INCOME (turnover)
The company has achieved over 98% of its turnover from services performed in general cargo and container port terminals.

	December 31st, 2015	**December 31st, 2016**
Income from port services performed	61,976,049	64,440,888
Income from rents	593,341	471,683
Other income (sale of goods)	256,341	95,784
Commercial discounts granted	(160,083)	(205,457)
TOTAL	**62,665,648**	**64,802,898**

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

	December 31st, 2015	**December 31st, 2016**
I. GENERAL CARGO		
Cargo handling	30,802,804	34,507,308
Storage	5,062,673	5,010,593
Other services	564,603	404,822
Sud Agigea Area	343,260	286,447
TOTAL	**36,773,340**	**40,209,170**
II. CONTAINERS		
Cargo handling	25,169,486	23,926,703
Storage	429,448	461,484
Other services	293,374	205,541
TOTAL	**25,892,308**	**24,593,728**
III. TOTAL COMPANY		
Cargo handling	55,972,290	58,434,011
Storage	5,492,121	5,472,077
Other services	857,977	610,363
Sud Agigea Area	343,260	286,447
TOTAL	**62,665,648**	**64,802,898**

26. OTHER INCOME

	December 31st, 2015	December 31st, 2016
Despatch and penalties	863,793	727,553
Income from dividends	98,095	104,136
Miscellanea	580,413	232,612
Earnings from fair value assessment inv. assets	37,000	24,100
TOTAL	**1,579,301**	**1,088,401**

Other income included amounts from billing despatch rights (amounts due for early operation of ships), i.e. 432,906 lei, and penalties calculated for failure to pay in due time for service provided and invoiced to customers, in the amount of 294,647 lei.

27. RAW MATERIALS AND CONSUMABLES

	December 31st, 2015	December 31st, 2016
Expenses with consumables	5,521,677	5,861,302
Expenses with other materials	507,943	532,708
Expenses with materials not stored	2,782	2,505
Expenses with energy and water	1,200,448	1,298,160
TOTAL	**7,232,850**	**7,694,675**

28. COST OF SOLD GOODS

	December 31st, 2015	December 31st, 2016
Expenses with goods	55,697	28,250

29. SERVICES PERFORMED BY THIRD PARTIES

	December 31st, 2015	December 31st, 2016
Maintenance and repair expenses	282,832	468,662
Rent expenses	3,760,972	3,918,643
Insurance expenses	239,984	291,158
Entertainment and advertising expenses	194,747	287,397
Expenses with charges and fees	1,217,392	1,411,892
Cargo and staff transportation expenses	125,681	117,631
Travel expenses	165,929	275,126
Postal and telecommunication expenses	114,132	122,966
Bank service expenses	56,808	35,611
Rail cars shifting expenses	842,090	431,488
Port service expenses	4,577,923	4,618,318
Sanitation expenses	167,582	232,646
Occupational safety expenses	76,858	75,184
Fire protection, safety expenses	824,848	887,337
Computer service expenses	124,172	136,527
Expenses with subscriptions, contributions	37,421	58,203
Audit, consultancy, BSE expenses	65,016	76,390
Expenses with charges, authorizations	150,910	168,237
Schooling/training expenses	37,396	96,890
Other expenses	279,594	240,207
TOTAL	**13,342,287**	**13,950,513**

30. EMPLOYEE BENEFIT COST

EXPENSES	December 31st, 2015	December 31st, 2016
Salaries and meal vouchers	18,882,256	19,831,102
Social security expenses	4,733,279	4,737,354
TOTAL	**23,615,535**	**24,568,456**

Benefits for Management Board and Supervisory Board members:

EXPENSES	December 31st, 2015	December 31st, 2016
Management Board benefits	595,497	631,539
Social security related to Management Board benefits	135,638	143,504
Supervisory Board benefits	489,600	489,600
Social security related to Supervisory Board benefits	106,243	112,466
TOTAL	**1,326,978**	**1,377,109**

	December 31st, 2015	December 31st, 2016
Average number of employees	447	432

31. AMORTIZATION EXPENSES

	December 31st, 2015	December 31st, 2016
Expenses with the amortization of intangible assets	15,942	23,517
Expenses with the amortization of tangible assets	5,827,518	6,268,661
TOTAL	**5,843,460**	**6,292,178**

32. OTHER EXPENSES

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

	December 31st, 2015	December 31st, 2016
Expenses with taxes and charges	715,090	638,581
Losses from receivables	-	87,093
Damages, fines, penalties	177,675	33,195
Donations	-	-
Sponsorships	158,632	361,200
Other operating expenses	453,674	99,626
TOTAL	**1,505,071**	**1,219,695**

33. OTHER OPERATIONAL GAINS/LOSSES – NET

	December 31st, 2015	December 31st, 2016
Income from disposal of assets	115,729	40,065
Expenses on disposal of assets	(9,832)	(7,992)
Income from provisions	89,686	361,234
Expenses from provisions	(63,594)	(70,677)
Income from adjustments of stocks and customer receivables	169,963	97,426
Expenses for adjustments of stocks and customer receivables	(1,544,884)	(520,264)
Income from exchange rate differences, less those for cash and cash equivalents	540,754	409,983
Expenses from exchange rate differences, less those for cash and cash equivalents	(315,768)	(584,025)
TOTAL	**(1,017,946)**	**(274,250)**

34. FINANCIAL INCOME

Financial income includes income from interests and other income.

	December 31st, 2015	December 31st, 2016
Income from interests	86,009	41,320
Other financial income	889	6,628
TOTAL	**86,898**	**47,948**

35. OTHER FINANCIAL GAINS/LOSSES – NET

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

	December 31st, 2015	December 31st, 2016
Income from exchange rate differences	3,120,976	2,381,360
Expenses from exchange rate differences	(1,867,613)	(1,779,490)
Expenses for depreciation of financial assets	-	(30,155)
Net financial gains (losses)	**1,253,363**	**571,715**

36. TRANSACTIONS WITH AFFILIATED PARTIES

I

n 2016, the company had transactions with the following affiliated parties: TRANSOCEP TERMINAL SA CONSTANŢA, CASA DE EXPEDIŢII PHOENIX S.A. CONSTANŢA, ECOSAMMO TÂRGUŞOR S.R.L. CONSTANŢA and DDN GLOBAL SRL CONSTANTA. The connection with TRANSOCEP TERMINAL S.A. CONSTANŢA is generated by the 22.22% stake in the capital and the presence in the Board of Directors of TRANSOCEP TERMINAL SA. The connection with CASA DE EXPEDIŢII PHOENIX S.A. CONSTANŢA, ECOSAMMO TÂRGUŞOR S.R.L. CONSTANŢA and DDN GLOBAL SRL CONSTANTA is generated by the existence of common members in their management bodies.

Sales of goods and services

Company	December 31st, 2015	December 31st, 2016
Transocep Terminal SA		
Sales of goods	-	
Sales of services	24,484	14,176
Sales of fixed assets	-	
TOTAL (VAT INCLUDED)	**24,484**	**14,176**
Casa de Expeditii Phoenix S.A.		
Sales of goods	-	-
Sales of services	327,941	245,462
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**327,941**	**245,462**
ECOSAMMO Targusor S.R.L.		
Sales of goods	-	-
Sales of services	2,889	3,179
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**2,889**	**3,179**
CELCO S.A.		
Sales of goods	-	-
Sales of services	48,772	58,354
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**48,772**	**58,354**
Logistik Park S.A.		
Sales of goods	-	-
Sales of services	-	-
Sales of fixed assets	99,820	-
TOTAL (VAT INCLUDED)	**99,820**	**-**

Purchases of goods and services

Company	December 31st, 2015	December 31st, 2016
Transocep Terminal SA		
Purchases of goods	-	
Purchases of services	2,829	-
Purchases of fixed assets	-	
TOTAL (VAT INCLUDED)	**2,829**	**-**

Company	December 31st, 2015	December 31st, 2016
Casa de Expeditii Phoenix S.A.		
Purchases of goods	1,112,707	1,242,773
Purchases of services	492,785	1,316,336
Purchases of fixed assets	-	-
TOTAL (VAT INCLUDED)	**1,605,492**	**2,559,109**
DDN Global S.R.L.		
Purchases of goods	-	-
Purchases of services	-	73,610
Purchases of fixed assets	-	-
TOTAL (VAT INCLUDED)	**-**	**73,610**

Balances on December 31st, 2016 resulting from sales/purchases of goods/services

a) TRANSOCEP TERMINAL SA (associated entity)

	December 31st, 2015	December 31st, 2016
Receivable	4,985	-
Payable	-	-
TOTAL (VAT INCLUDED)	**4,985**	**-**

b) CASA DE EXPEDIŢII PHOENIX SA

	December 31st, 2015	December 31st, 2016
Receivable	-	-
Payable	131,104	143,437
TOTAL (VAT INCLUDED)	**131,104**	**143,437**

37. ECONOMIC AND FINANCIAL INDICATORS

INDICATORS	CALCULATION	RESULTS 12/31/2015	RESULTS 12/31/2016
1. Current liquidity	Current assets/Current liabilities	8.50	6.59
2. Indebtedness	Borrowed capital / Equity x 100	2.20	17.11
	Borrowed capital / Capital employed x 100	2.15	14.61

3.	Days Sales Outstanding	Average customer balance --------------------------------------- x 360 Turnover	86.13	87.22
4.	Fixed asset turnover	Turnover/Fixed assets	0.76	0.55

CONTINGENCIES

Case no.13282/118/2012 within the Court of Appeal Constanta has as object solving an appeal requested by 11 former SOCEP SA employees who had been fired/dismissed in October 2012-March 2013 (they were part of a group of 13 employees). Their demand was to modify the sentence of the merits court seeking annulment of the decisions of dismissal, reintegration/reemployment in their previous jobs and payment of all amounts of money that would benefit as employees since October 2012 until actual time of reemployment.

File no.13282/118/2012 was tried in Constanta Tribunal and settled in favor of SOCEP SA, on 10/24/2013, with the refusal of the lawsuit filed by the 13 employees.

The Appeal - subject of File no.13282/118/2012 submitted by 11 of the 13 former employees who started the court action – is currently suspended starting on 03/31/2014 until SOCEP SA contesting dispute is solved. A number of 22 employees have filed a complaint to the National Council for Combating Discrimination (CNCD) against SOCEP SA invoking that an act of discrimination was committed and they have been illegally dismissed in October 2012-March 2013. Among the 22 employees, there were also those 13 former employees involved as parties in File no.13282/118/2012 of the Court of Appeal Constanta. SOCEP filed a contestation against CNCD (National Council for Combating Discrimination) ruling according to which this authority has found that an act of discrimination was committed and consequently it was decided sanction of SOCEP.

This complaint/contestation of SOCEP SA against CNCD decision was object of File no1503/2/2014 in Court of Appeal Bucuresti. This contestation was rejected on the merits by the Court of Appeal and on appeal of ICCJ (High Court of Cassation and Justice).
Depending on the final decision in the trial, in case of loss-unfavorable decision, SOCEP SA could be forced to pay all the amounts owed upon dismissal and until reintegration. This will affect the financial statements in terms of an expense. In case of winning the trial, there would not be any effects on the financial statements.

EVENTS AFTER THE REPORTING PERIOD

In compliance with AGEA (Extraordinary General Meeting of Shareholders) Decision no.4 dd. 12/19/2016 the company started a program for redemption of its own shares. This ongoing program is aiming a share capital reduction by issuing a public offer.

We mention that subsequent to preparation of financial statements and prior to their authorization for publication, no events have occurred which could significantly influence the financial position and performance of the company.

JPA AUDIT & CONSULTANTA

JPA International - worldwide network of independent accountants

J40/8639/2002
Cod unic de inreg. 14863621
Atribut fiscal RO

B-dul Mircea Voda 35, etaj 3,
Sector 3, CP 4-178
Bucuresti-ROMANIA

Tel.: 021 327 52 34 / 35
Fax: 021 327 52 36
E-mail: office@jparomania.ro
Web: www.jpa.ro

SOCEP S.A.
Incinta Port Constanta Dana 34,
Constanta

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SOCEP S.A.

Report on the Audit of the Financial Statements

Opinion on the Individual Financial Statements

We have audited the financial statements of the SOCEP S.A. (SOCEP or the "Company"), which comprise the statement of financial position as at December 31, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. These financial statements include:

Shareholders' Equity	Lei 133.506.358
Profit	Lei 10.804.286

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with the O.M.F.P. no. 2844/2016 for the approval of the Accounting Regulations compliant with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company within the meaning of the Ethics Code for Professional Accountants (IESBA Code) issued by the International Ethics Standards Board for Accountants and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole and in forming an opinion on the financial statements and we do not express an opinion on these individual matters.

Recognition of revenue
Note 3.16, note 25, note 26, note 33, note 34 and note 35 to the financial statements

The risk
Revenue is an important measure used to evaluate the performance of the Company. There is a risk that the revenue is presented for amounts higher than what has been actually generated by the Company. Revenue is accounted for when the sales transactions have been completed, when services and goods are delivered to the customer and all economic risks for the Company have been transferred as a result. The revenue is mainly generated through the core business of container operating and warehousing. Due to their materiality in the context of the financial statements as a whole, it is considered to be one of the areas which had a material effect on our audit strategy and allocation of resources in planning and completing our audit.

Our response
Our audit procedure included reviewing the internal control procedures related to the sales cycle and revenue recognition, together with other procedures that include, without been limited to:

- documenting and evaluating the revenue recognition and disclosure procedures
- auditing the revenue cut-off
- selecting and testing the main revenue
- confirmation of significant sales transactions and receivables

Report on the Compliance of the Directors' Report with the Financial Statements
The directors are responsible for the preparation and presentation of the directors' report in accordance with the O.M.F.P. no. 2844/2016 for the approval of the Accounting Regulations compliant with International Financial Reporting Standards (IFRS), as such as this report is free from material misstatements and for such internal control as management determines is necessary to enable the preparation of the directors' report that is free from material misstatement, whether due to fraud or error.

The directors' report is not part of the individual financial statements. Our opinion on the individual financial statements do not cover the director's report.

As part of our audit on the financial statements, we have read the director's report, which is annex to the financial statements and we report that:

a) Nothing was identified by us that makes us believe that the information presented in the director's report, in all material respects, is not in accordance with the financial statements

b) The director's report mentioned above includes, in all material respects, the information requested by the O.M.F.P. no. 2844/2016 for the approval of the Accounting Regulations compliant with International Financial Reporting Standards (IFRS).

c) Based on our understanding and knowledge obtained during our audit of the individual financial statements prepared for the year ended December 31, 2016 and on its environment, no information that is included in the directors' report came to our attention that would make us believe that it is misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of individual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

March 27, 2017

JPA Audit și Consultanta S.R.L.
Registered Auditor C.A.F.R. nr. 319

Represented by
Florin Toma
C.A.F.R. 1747

III.2 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 31/12/2016
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
ADOPTED BY THE EUROPEAN UNION
AND O.M.F.P. NO. 2844/2016,
AS AMENDED AND SUPPLEMENTED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

	NOTE	12/31/2015	Lei 12/31/2016
NON-CURRENT ASSETS			
- Tangible assets	7	51,860,931	84,093,191
- Intangible assets	8	27,576	956,269
- Financial assets available for sale	9	10,573,744	14,618,806
- Investments in subsidiaries and associates	10	167,458	61,233
- Other long term investments	11	-	2,079,732
- Real estate investments	7	368,700	392,800
TOTAL NON-CURRENT ASSETS		**62,998,409**	**102,202,031**
CURRENT ASSETS			
- Stocks	12	458,739	591,879
- Clients and other receivables	13	16,003,900	10,172,166
- Receivables regarding profit tax	21	-	50,199
- Accrued charges	14	134,195	121,231
- Financial assets evaluated at fair value by profit or loss	15	-	-
- Cash and cash equivalents	16	59,880,092	59,407,290
TOTAL CURRENT ASSETS		**76,476,926**	**70,342,765**
TOTAL ASSETS		**139,475,335**	**172,544,796**
EQUITY			
- Share capital	17	34,342,574	34,342,574
- Share capital adjustment	17	164,750,632	164,750,632
- Reserves	18	40,071,843	39,628,259
- Retained earnings	19	56,570,173	67,715,422
- Retained earnings from the adoption of IAS 29	17	(164,750,632)	(164,750,632)
- Other elements of equity	20	(552,760)	557,059
TOTAL EQUITY		**130,431,830**	**142,243,314**
LIABILITIES			
Non-current liabilities			
- Deferred tax liabilities	21	2,781,265	2,722,759
- Deferred income	23	-	-
- Provisions for employee benefits	25	422,212	450,895
- Long term bank loans	22	-	20,271,775
TOTAL NON-CURRENT LIABILITIES		**3,203,477**	**23,445,429**

Current liabilities	NOTE	12/31/2015	12/31/2016
- Suppliers and other liabilities	24	4.504.756	4.089.772
- Long term bank loans maturing in up to one year	22	-	2.732.980
- Interest related to long term loans	22	-	27.337
- Current income tax owed	20	971.014	-
- Provisions	25	325.024	5.784
- Deferred income	23	39.234	180
TOTAL CURRENT LIABILITIES		**5.840.028**	**6.856.053**
TOTAL LIABILITIES		**9.043.505**	**30.301.482**
TOTAL EQUITY AND LIABILITIES		**139.475.335**	**172.544.796**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AS AT DECEMBER 31, 2016

= în lei =

	Note	12/31/2015	12/31/2016
Income	26	62,665,648	64,802,898
Other income	27	2,235,955	2,283,325
Raw materials and consumables	28	(7,232,850)	(7,694,675)
Cost of goods sold	29	(55,697)	(28,250)
Services provided by third parties	30	(13,348,350)	(13,951,402)
Employee benefits expense	31	(23,628,191)	(24,590,584)
Impairment and amortization expense	32	(5,843,460)	(6,292,178)
Other expenses	33	(1,505,071)	(1,219,695)
Other gains/losses from operations - net	34	(1,017,946)	(274,250)
Financial income	35	310,927	134,462
Other financial gains/losses (net)	37	1,253,363	601,870
Part of the profit / loss of associates	10	(116,223)	(106,225)
Profit before tax		**13,718,105**	**13,665,296**
Income tax expense	21	(2,026,027)	(1,670,008)
PROFIT FOR THE YEAR		**11,692,078**	**11,995,288**
OTHER COMPREHENSIVE INCOME ELEMENTS			
- - elements to be subsequently reclassified under profit or loss when certain conditions are met			
Gains or losses on financial assets available for sale	9	555,415	1,089,474
Deferred income tax related to other comprehensive income elements	21	(88,866)	(174,316)
OTHER COMPREHENSIVE INCOME ELEMENTS FOR THE YEAR (without tax)		**466,549**	**915,158**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**12,158,627**	**12,910,446**

CONSOLIDATED STATEMENT OF EQUITY CHANGES AS AT DECEMBER 31, 2016

= în lei =

	SHARE CAPITAL	SHARE CAPITAL ADJUSTMENTS	RESERVES	RETAINED EARNINGS	RETAINED EARNINGS FROM ADOPTING IAS 29	OTHER EQUITY ELEMENTS	TOTAL EQUITY
BALANCE AS AT 01/01/2015	**34,342,574**	**164,750,632**	**40,600,407**	**46,044,160**	**(164,750,632)**	**(1,214,110)**	**119,773,031**
Profit for 2015	-	-	688,945	11,003,305	-	-	11,692,250
Reserve adjustment and TRANSOCEP result			-	-	-	-	-
Change in fair value for financial assets available for sale	-	-	-	-	-	555,415	555,415
Deferred income tax related to change in fair value of financial assets available for sale	-	-	-	-	-	(88,866)	(88,866)
Reserves from revaluation of realized tangible assets	-	-	(1,217,509)	1,217,509	-	-	-
Reserves from revaluation of unrealized tangible assets	-	-	-	-	-	-	-
Deferred income tax on realized revaluation differences	-	-	-	(194,801)	-	194,801	-
Dividends 2014	-	-	-	(1,500,000)	-	-	(1,500,000)
Deferred income tax related to revaluation differences 12/31/2014			-	-	-	-	-
BALANCE AS AT 12/31/2015	**34,342,574**	**164,750,632**	**40,071,843**	**56,570,173**	**(164,750,632)**	**(552,760)**	**130,431,830**
Profit for 2016	-	-	773,048	11,222,240	-	-	11,995,288
Change in fair value for financial assets available for sale	-	-	-	-	-	1,089,474	1,089,474
Deferred income tax	-	-	-	-	-	(174,316)	(174,316)
Reserves from revaluation of realized tangible assets	-	-	(1,216,632)	1,216,632	-	-	-
Deferred income tax related to revaluation differences	-	-	-	(194,661)	-	194,661	-
Dividends 2015	-	-	-	(1,098,962)	-	-	(1,098,962)
BALANCE AS AT 12/31/2016	**34.342.574**	**164.750.632**	**39.628.259**	**67.715.422**	**(164.750.632)**	**557.059**	**142.243.314**

CONSOLIDATED CASH FLOW STATEMENT AS AT 12/31/2016

= în lei =

Element Name	12/31/2015	12/31/2016
CASH FLOWS FROM OPERATIONS		
Receipts from clients	63,991,010	78,352,424
Payments to suppliers and employees	(47,584,316)	(49,842,550)
Interest paid	0	0
VAT and other taxes (except income tax)	(2,177,260)	(2,769,163)
Income tax paid	(1,519,559)	(2,924,044)
Other receipts	295,329	790,948
Other payments	(743,716)	(4,083,718)
I. NET CASH FROM OPERATIONS	**12,261,488**	**19,523,897**
CASH FLOWS FROM INVESTMENTS		
Payments for acquisition of intangible assets	(24,552)	(958,509)
Payments for acquisition of tangible assets	(9,265,687)	(40,246,467)
Payments for acquisition of equity instruments	-	(2,955,589)
Receipts from change in value of equity instruments	935,750	-
Receipts from sale of tangible assets	143,504	48,077
Receipts from sale of equity instruments	-	-
Interests received	323,378	136,355
Dividends received	754,749	1,299,060
II. NET CASH FROM INVESTMENTS	**(7,132,858)**	**(42,677,073)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from share issue	-	-
Receipts from long-term loans	-	23,004,755
Dividends paid	(1,196,811)	(926,253)
III. NET CASH FROM FINANCING ACTIVITIES	**(1,196,811)**	**22,078,502**
IV. NET INCREASE IN CASH AND CASH EQUIVALENTS (I+II+III)	**3,931,819**	**(1,074,673)**
V. IMPACT OF EXCHANGE RATE VARIATIONS	**1,253,363**	**601,870**
VI. CASH AND CASH EQUIVALENTS AT THE START OF FINANCIAL YEAR	**54,694,910**	**59,880,093**
VII. CASH AND CASH EQUIVALENTS AS AT 31.12.	**59,880,092**	**59,407,290**

Notes to the Consolidated Financial Statements
as at December 31-st, 2016
All amounts are expressed in Lei (RON) unless otherwise stated

1. OVERVIEW

SOCEP S.A. (the "Company") and its subsidiary SOCEFIN S.R.L. (collectively called the "Group") have as their main business – cargo handling, NACE (CAEN) code 5224 (SOCEP S.A.) and holding activity, NACE code 6420 (SOCEFIN S.R.L.).
Founded in 1991 as a joint stock company that was based on a functional terminal specialized in port operation of containers and raw materials 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 (300 000 TEU - annual operating capacity) and general cargo terminal (3 million tons general unified and bulk cargo - annual operating capacity).

SOCEP S.A. has the following identification data:

- registered office:	Constanţa, 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 (dual) system by a duly operating Supervisory Board and Executive Board.
The Supervisory Board consists of 5 members. The Supervisory Board members are:

- ➢ Duşu Niculae - Chairman
- ➢ Duşu Ion - Vice-President
- ➢ Samara Stere - Member
- ➢ Carapiti Dumitru - Member
- ➢ Stanciu Ion - Member.

From 10/10/2016, the Executive Board consists of 5 members. The members of this Board are:

- √ Barbarino Marius - General Manager
- √ Ştefănescu Fănel - Operations Manager
- √ Nebi Camelia - Financial Manager
- √ Teodorescu Lucian - Maintenance Manager
- √ Nadrag Corneliu - HR Manager.

Mr. Marius Barbarino holds the office of Executive Board Chairman.

In 2012, SOCEP S.A. has founded SOCEFIN S.R.L. The contribution of SOCEP S.A. to the share capital of SOCEFIN S.R.L. was 30,000,000 lei totally covered in cash. In 2016, the revenues of this company came from bank interest of bank deposits and from participation interests.
As of August 1, 2015, according to the SOCEP SA (sole associate) EGMS decision of July 27, 2015, the SOCEFIN management was provided by Mrs. Nebi Camelia as sole administrator. In the mentioned EGMS decision, the amendment of Article 9 of the Articles of Incorporation of SOCEFIN SRL is approved with the following content: „The company will be managed by a single administrator appointed indefinitely".
Also, SOCEP SA holds 22.22% in the capital the associated entity TRANSOCEP TERMINAL S.A. The contribution of SOCEP to the share capital of TRANSOCEP TERMINAL SA, when founded, was 91,385 lei. Due to its presence in the Management Board, to transactions and to its percentage of participation in the share capital, SOCEP SA exercises significant influence over TRANSOCEP TERMINAL SA.

2. FUNDAMENTALS OF PREPARATION

2.1. Declaration of Conformity
The consolidated financial statements of SOCEP S.A. have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.
The consolidated financial statements of the Group have been prepared based on financial statements of SOCEP SA, SOCEFIN SRL and TRANSOCEP TERMINAL SA.

2.2. Fundamentals of evaluation
The consolidated financial statements have been prepared under the historical cost convention, except for re-assessed value for construction. With the transition to International Financial Reporting Standards implementation, the Group share capital was adjusted to inflation according to IAS 29 "Financial reporting in hyperinflationary economies".

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

2.4. Functional currency and presentation currency
The consolidated financial statements of the Group are shown in lei (RON), the presentation currency is the same as the functional currency.

2.5. 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.
Estimates and judgments are reviewed periodically. Revisions to accounting estimates are recognized in the period in which the estimate is reviewed if the revision affects only that period, or in the current and future periods if the revision affects both current and future periods. The effect of any change related to the current period is recognized as income or expense in the current period. If applicable, the effect on future periods is recognized as income or expense in those future periods.
Group Management believes that any differences from these estimates will not have a material impact on the financial statements in the near future.

Estimates and judgments are used to: determine the impairment of tangible assets, determine the useful life of fixed assets, evaluate the impairment of inventories and receivables, acknowledge provisions and deferred tax assets.

2.6. International Financial Reporting Standards applied in 2015 and International Financial Reporting Standards issued in 2015 but not applied

a) Standards and amendments to standards that existed on 1 January 2016

There are no standards, interpretations or amendments to existing standards first applied in the financial year beginning on January 1, 2016 which have a significant impact on the financial statements of the company.

b) New standards, amendments and interpretations with effect from 1 January 2016 and not adopted earlier

There are new standards, amendments and interpretations that apply to annual periods beginning after January 1, 2016 but not applied to these financial statements. None of the above is expected in the future to have a significant effect on the financial statements.

New standards and amendments

Below list describes standards/interpretations issued and applicable starting with or after 1 January 2016.

- **IFRS 14 „Deferral accounts related to regulated activities"**(in force from January 1, 2016)

IFRS 14 is an intermediate standard which grants to those who adopt IFRS for the first time an exception regarding the accounts related to the activities of regulated rates.

- **Amendments to IFRS 11 – „Accounting for acquisitions and interests in associated entities"** (in force from January 1, 2016)

The amendment clarifies clarifica accounting for the acquisition of a stake/a jointly controlled business, if and when this is a business entity. The standard requires investor making such acquisition to apply accounting of business combinations.

- **Amendments to IAS 16 and IAS 38 – Clarifications on acceptable depreciation methods** (in force from January 1, 2016).

The amendments clarify the fact that an income-based depreciation method is not generally appropriate. IASB has amended IAS 16 in order to clarify the fact that such a depreciation method is not appropriate for the tangible assets.
IAS 38 „Intangible assets" now include the presumption that amortization of intangible assets based on income is not appropriate. This Aceastpresumption may be eliminated given that:

- The intangible asset is expressed as a measure of income Activul necorporal este exprimat ca o masura a venitului (e.g. when the measure for produced income is a limiting factor of the value that can be released by the asset), or
- It can be proved that consummation of economic benefits generated by the asset and its income are highly correlated.

- **Amendments to IAS 27- Equity method in individual financial statements** (in force from January 1, 2016).

The amendment allows the entities to do accounting for investments in subsidiaries, associates and joint ventures with equity method.
At present IAS 27 allows recording of these investments either at cost or as a financial asset in the financial statements. The amendment brings the equity method as a third alternative.

IFRS Annual updates 2012 – 2014 cycle (in force from January 1, 2016)
These updates modify the standards from 2012 to 2014. They include modifications regarding IFRS 5 „Non-current assets held for sale and interrupted activities", IFRS 7 „Financial Instruments - Information to Provide", IAS 19 „Employee benefits", IAS 34 „Interimfinacial reporting ".

- **Amendments to IAS 1 – Presentation initiative** (in force from January 1, 2016)

Amendments to IAS 1 „Presentation of financial statements" have been made in the context of „Presentation intiative" of IASB which explores how the financial statements can be improved. Amendments clarify a number of issues, including:

- The significance threshold – an entity must not group or ungroup in a manner that obstructs useful data. Wherever the terms are significant enough information must be presented in order to explain the impact onto the financial position or onto the performance.
- Disolution and subtottals – presentation guidelines stipulated in IAS 1 might require disolution wherever it is considered relevant to understand the financial position or the performance.
- Notes to financial statements – confirmation that notes are not required to be presented in a cretain order.
- Other results within the statement of comprehensive income which come from accounting based on equity method – the part of the mother company must be grouped based on the presumption whether these items will then be classified within the results account.

In accordance with the transitory procedures, presentations in IAS 8 regarding adoption of new standards/accounting policies are not required for the application of these amendments.

- **Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment entities: Applicability of the exception from consolidation**

Amendments made to IFRS 10 „Consolidated financial statements" and to IAS 28 „Investment accounting in associated companies" clarify following:

- Exception from reporting the financial statements is also available to entities which sub-consolidate and a re subsidiaries of investment entities.
- Investment entity must consolidate a subsidiary that is not an investment entity but has as main business object - providing support services for the investment entity.
- The entities that are not investment entities, but do hold a participation in an associated company which is an investment entity may choose when it comes to applying the equity method. Evaluation at fair value applied by the associated investment entmay be done ity may also be applied or consolidation may be done at the associate's level. The associate may then detail the fair value.

Requirements to be applied in the future

Below is a list of standards and interpretations that have been issued but do not have mandatory applicability for the period ended December 31, 2016.

- **IFRS 9 "Financial Instruments"** (in force from January 1, 2018)

The complete version of IFRS 9 will replace the application guidance for IAS 39. IFRS 9 keeps but simplifies the mixt model of evaluation and sets three categories of primary measures for financial assets: amortized cost, fair value through comprehensive result and fair value through the results account. Classification basis depends on the entity's business model and on contractual cash flows of the financial asset.

- **IFRS 15 "Income from customer contracts"** (in force from January 1, 2018)

This is a standard of convergence regarding the acknowledgement of income. It repaces IAS 11 "Constructon contractsi", IAS 18 "Income" and related interpretations.

The income is acknowledged when a customer gets control of a good or a service. The customer gets this control when it has the ability to direct the use of that good or service and to get benefits from that good or service.

The basic principle of IFRS 15 is that an entity acknowledges its income as a result of the promised transfer of goods and services to customers in an amount that reflects expectation of the entity for these goods and services. An entity acknowledges its income in accordance with this basic principle by applying the following steps:

- Step 1: Identification of the contract with the customer
- Step 2: Identification of the obligations in the contract
- Step 3: Determining the transaction price
- Step 4: Transaction price allocation for each obligation in the contract
- Step 5: Acknowledgement of income when the entity fulfils its obligations.

IFRS 15 includes also a set of presentation requirements which will result in providing complete information regarding the nature, the amount, the period and the uncertainty of the income and of the cash flows from the entity contracts with customers.

- **IFRS 16 "Leasing" regarding the acquisition of an interest into a joint operation** (in force from January 1, 2019; an earlier adoption is allowed only with simultaneous adoption of IFRS 15)

IFRS 16 will primarily affect the renter's accounting and will result in acknowledgement – within the balance sheet – of almost all leased assets. The standard abolishes the distinction between financial and operational leasing and requires recording of an asset and, at the same time, of a financial liability for allmost all types of leasing.

- **IAS 12 "Taxes" – recognition of deferred tax assets for unrealized losses** (in force from January 1, 2017)

The amendments clarify the deferred taxes accountancy whenever an asset is evaluated at its fair value and this fair value is lower than the tax base of that asset.

- **Amendments to IAS 7 "Cash flow statement" – Presentation Initiative** ((in force from January 1, 2017)

The entities will have to give explanations about the changes within the position of debt arising from financing activities. This includes modifications of cash flow and non-cash expenses such as, acquisitions, sales or deferral of interest payment and unrealized exchange rate differences.
Given that the cash flows are or will be included in cash flows from financing activities, then the changes of financial assets must be included within this presentation.
No special presentation format specified.

- **Amendments to IFRS 2 „Share-based payment"** (in force from January 1, 2018)

The amendment clarifies the assessment base for cash payments, share-based payments or for those bonuses that turn cash payments into share-based payments.

- **Amendment to IFRS 4 "Insurance Contracts"** (in force from January 1, 2018)

Amendment introduces a general approach and a differentiated approach. The Standard will:

- allow to companies that are issuing insurance contracts to choose recording the volatility that may occur when IFRS 9 is applied prior to the issue of standard insurance contracts, into the statement of comprehensive result, instead of recording that volatility within the results account; and will
- grant to companies which have their business strongly connected with the insurance business an optional temporary exception from the application of IFRS 9 until 2012. The entities that benefits from this exception, will continue to apply the existing standard regarding the financial instruments-IAS 39.

- **Amendment to IFRS 10 and to IAS 28 – assets sale or assets contribution between the investor and its associate** (application date - indefinite)

IASB amended subjects of IFRS 10 and IAS 28.
Amendments clarify the accounting treatment for assets sale between the investor and its associated company. It confirms that the accounting treatment is pending on whether the non-monetary asset that is sold or represents a contribution in an associate is a business itself.

3. SIGNIFICANT ACCOUNTING POLICIES AND METHODS

3.1. Bases of consolidation
(a) Subsidiaries
Subsidiaries are entities controlled by the Company. This control exists when the Company has the power to lead, directly or indirectly, financial and operating policies of an entity in order to get benefits from its activity. When assessing control, potential voting rights, or the existing voting rights, or convertible voting rights must also be taken into account.

Financial statements of subsidiaries are to be included into the consolidated financial statements, from the moment the control begins until the moment of its termination.
Intra-Group balances and transactions and the unrealized gains from transactions between Group companies are eliminated. Also, the unrealized losses are eliminated. Accounting policies of the subsidiary have been amended, as appropriate, to ensure compliance with accounting policies adopted at Group level.
As at 12/31/2016, the Company has only one subsidiary, SOCEFIN S.R.L. This subsidiary was founded in 2012.

(b) Associated entities
Associated entities are those companies over which significant influence is exercised. However, the control on financial and operating policies is not exercised.
In the consolidated financial position, shares held in TRANSOCEP TERMINAL S.A. are evaluated based on the equivalence method. In same respect, Group's share of profit or loss of the associated entity is reported and acknowledged within the consolidated statement of comprehensive result.

3.2. *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 end of the financial year 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 from 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".

3.3. 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.

3.4. 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 revalued amount, determined by periodic assessments conducted every three years by external independent assessors, less subsequent impairment 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 revalued 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 their 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.

3.5. 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 Group did not conduct 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.

3.6. 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.

3.7. Financial instruments

Financial assets and financial liabilities include equity instruments such as: financial assets evaluated at fair value through profit or loss, financial assets available for sale, equity instruments in subsidiaries and associates, customers and other receivables, cash and cash equivalents, suppliers and other debts.

3.8. 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).

3.9. Investments in associated entities

Investments in associated entities are valued by the equivalence method.

310. 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, the net realizable value is estimated based on selling price less costs involved. For the stocks older than one year, Group policy is to record and acknowledge value adjustments at cost level.

3.11. Trade receivables (customers)

Customer receivables are usually collected in a period of less than one year and are therefore treated as current assets. Group policy is to make adjustments for impairment of trade receivables that have not been received within 90 days of the due date. Also, the carrying amount of the trade receivables is approximated to the fair value.

3.12. 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.

3.13. Share capital

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

The Group 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 Office.

3.14. 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.

3.15. 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.

3.16. Current and deferred income tax

Tax expense for the period includes current tax and deferred tax. The tax is recognized in profit or loss of the period, except when it relates to items recognized in other elements of the comprehensive income. In this excepted case, the related tax is also recognized in those other elements of the comprehensive income.

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 and to be applied 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.

Deferred tax receivables and deferred tax liabilities are compensated only when there is a legal right to compensate current tax receivables with current tax liabilities and deferred tax receivables and liabilities are charged by the same tax/fiscal authority.

3.17 Employee benefits

In the normal course of business, the Group makes payments to the Romanian State on behalf of its employees for pension, health and unemployment funds. All Group 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 cumulated during the year in which the related services are rendered by Group employees.

According to stipulations in the collective labor contract at the company level, SOCEP S.A. grants to its employees, in case of retirement or early retirement, an end-of-career reward. The value of this benefit is of three base monthly salaries as received in the retirement month. The company must allocate part of the cost for employee benefits during the term of their employment, and for this allocation, a calculation is made quite regularly.

3.18. 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.

3.19. 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 Group'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 service providing
Income from services providing 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 services under way, not invoiced to customers, are highlighted using 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 Group transfers the significant risks and rewards related to the ownership of goods. In case of the Group, 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.

3.20. Earnings per share

In accordance with IAS 33 "Earnings per share", earnings per ordinary share are determined by dividing the profit or loss by the weighted average of ordinary shares used during the period.

SOCEP S.A. issued ordinary shares only..

4. MANAGEMENT OF FINANCIAL RISK

4.1. Financial risk factors
The Group is exposed to the following financial instrument risks:
a) credit risk;
b) liquidity risk; and
c) market risk.
The management of the Group focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the company. The Group does not use derivative financial instruments to hedge against risk exposure.

a) credit risk
Credit risk is the risk that the Group should bear a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This results mainly from receivables to customers and cash and cash equivalents.

At the end of the reporting period, the maximum exposure to credit risk was as follows:

= in lei =

	12/31/2015	12/31/2016
Customers and other receivables	16,003,900	10,172,166
Cash and cash equivalents	59,880,092	59,407,290
Total	**75,883,992**	**69,579,456**

When assessing credit risk for banks and financial institutions, the management is based on independent assessments regarding their rating. For customers, there are no such independent assessments. However, the management evaluates the financial condition of customers in terms of: reliability, past experience and other factors. Individual risk limits are set based on internal ratings, according to the limits established by the management.

b) liquidity risk

Liquidity risk is the risk that the Group can encounter from fulfillment of obligations associated with financial liabilities which are settled in cash or with other financial assets.

The management of the Group follows the cash requirement forecasts to ensure that there is sufficient cash to meet operational needs.

The management of the Group invests surplus cash in term deposits. To ensure sufficient liquidity, term deposits have a maturity of 3 months. On 12/31/2016, the Group had cash and cash equivalents amounting to 59,407,290 lei.

The Group's liabilities, for the most part, consist of debts to suppliers, employees, state budget and social security fund. The Group does not have contracted bank loans.

SOCEP SA has contracted a bank loan amounting to 35,090,000 lei on 05.10.2015 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 ESPAŇA S.A., as per credit letter issue contract no. 209763/05.10.2015). Until 12/31/2016, the value used from this loan was 23,004,755 RON.

The Group liabilities on 12/31/2016, amounting to 5,475,770 lei, have the following maturities:

= în lei =

	Value	Maturity of 12 months or less
Suppliers and other liabilities	4,089,722	4,089,722
Bank loans	23,004,755	2,732,980
Total	**27,094,477**	**6,822,702**

c) market risk

- foreign currency risk

The Group is exposed to foreign currency risk related mainly to the Euro and the US dollar (USD). Foreign currency risk is related to receivables, cash and cash equivalents in foreign currency. 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 ESPAŇA S.A., as per credit letter issue contract no. 209763/05.10.2015). Until 12/31/2016, the value used from this loan was 23,004,755 RON.The company is not hedged against foreign currency risk, but the management regularly receives predictions about the evolution of the RON/EURO and RON/USD exchange rates. Since financial assets denominated in foreign currencies are higher than financial liabilities denominated in foreign currencies, the Group is exposed to foreign currency risk only if the the situation of appreciation of the national currency occurs.

The financial assets and financial liabilities of the Group designated in foreign currency at the end of the reporting period were as follows:

	12/31/2015		12/31/2016	
Financial assets	**Euro**	**USD**	**Euro**	**USD**
Customers	105,118	654,618	42,839	458,123
Cash and cash equivalents	5,020,061	1,782,549	3,678,730	1,883,873
Total financial assets	**5,125,179**	**2,437,167**	**3,721,569**	**2,341,996**
Financial liabilities				
Suppliers	-	9,698	1,026	16,502
Total financial liabilities	**-**	**9,698**	**1,026**	**16,502**

- price risk
The Group is exposed to price risk related to equity instruments of other companies which are evaluated at cost value and fair value.

- interest rate risk

The interest rate risk to which the Group is exposed is minimal, since it granted no loans and 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 ESPAŇA S.A., as per credit letter issue contract no. 209763/05.10.2015). Until 12/31/2016, the value used from this loan was 23,004,755 lei.

The company’s bank deposits with a maturity of less than 3 months have a fixed interest rate.

4.2. Management of capital risk

The objective of the Group management regarding capital management seeks to protect its ability to continue operations in the future, so as to bring profit to shareholders and benefits to other involved parties and to maintain an optimal capital structure as well.

To maintain or adjust the capital structure, the Group may adjust the dividend value assigned to shareholders, refund capital to shareholders, issue new shares or sell assets.

The Group is not subject to externally imposed capital requirements. The Group monitors the share capital on the basis of term indebtedness. This is calculated as the ratio of net debt and total equity. Net debt is calculated as the difference between total loans and cash and cash equivalents. Total equity is calculated as the sum of equity (as reflected in the consolidated statement of financial position) and net debt.

The company has contracted a bank loan amounting to 35,090,000 lei on 05.10.2015 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 ESPAŇA S.A., as per credit letter issue contract no. 209763/05.10.2015). Until 12/31/2016, the value used from this loan was 23,004,755 RON.

4.3 Fair value estimate

Fair value evaluation is carried out taking into account the following hierarchy:
a) Level 1 - listed prices in active markets for identical assets and liabilities;
b) Level 2 – data - other than listed prices, that are observable for the assets or liabilities, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

c) Level 3 - data for assets or liabilities that are not based on observable market data (i.e. unobservable entered data).

In case of financial assets available for sale listed on BSE, fair value was equated to the rate from the last trading day. Instead, financial assets available for sale (shares) not listed on the BSE were valued at cost.

Financial assets available for sale (cost measured)

Lei

	12/31/2016
ROCOMBI S.A. shares	104,553
ROFERSPED S.A. shares	227,144
INVESTIŢII MANAGEMENT shares	35,346
TOTAL	**367,043**

Stocks/shares available for sale quoted on BSE are:

= in lei =

	12/31/2016
TRANSGAZ S.A. shares	8,999,046
NUCLEAR ELECTRICA S.A. shares	12,772
ROMGAZ S.A. shares	2,518,800
ELECTRICA SA shares	2,203,773
OMV shares	244,372
SIF 3 shares	273,000
TOTAL	**14,251,763**

The carrying amount of financial assets and financial liabilities with a maturity of less than one year is approximated at fair value..

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments that involve a high degree of risk are those relating to the evaluation of provisions for employee benefits granted upon retirement.

According to stipulations in the collective labor contract at the company level, SOCEP S.A. grants to its employees, in case of retirement or early retirement, an end-of-career reward. The company must allocate part of the cost for employee benefits during the term of their employment, and for this purpose a calculation is made using a discount rate which is based on determining the yield of government securities.

6. INFORMATION BY SEGMENTS

The Group's management assimilated the two companies it consists of, with two different segments of activity:

- Port operation activity (SOCEP SA) and
- Holding activity (SOCEFIN SRL).

Group's management evaluates the performance of business segments based on the net result. As of 12/31/2015 and 12/31/2016 the net result of the two segments of activity had the following values:

Indicators	12/31/2015 Port operation activity (SOCEP SA)	12/31/2015 Holding activity (SOCEFIN SRL)	12/31/2015 TOTAL	12/31/2016 Port operation activity (SOCEP SA)	12/31/2016 Holding activity (SOCEFIN SRL)	12/31/2016 TOTAL
Income	68,561,632	880,683	69,442,315	69,076,439	1,281,439	70,357,878
Expense	57,600,500	149,737	57,750,237	58,336,051	26,539	58,362,590
Net result	**10,961,132**	**730,946**	**11,692,078**	**10,740,388**	**1,254,900**	**11,995,288**

Reconciliation of reported assets and liabilities split up in segments, with Group total assets and liabilities is the following:

	12/31/2015 Port operation activity (SOCEP SA)	12/31/2015 Holding activity (SOCEFIN SRL)	12/31/2015 TOTAL	12/31/2016 Port operation activity (SOCEP SA)	12/31/2016 Holding activity (SOCEFIN SRL)	12/31/2016 TOTAL
ASSETS						
Tangible assets	51,860,931	-	51,860,931	84,093,191	-	84,093,191
Real estate investments	368,700	-	368,700	392,800	-	392,800
Intangible assets	27,576	-	27,576	956,269	-	956,269
Financial assets available for sale	169,130	10,404,614	10,573,744	436,318	14,182,488	14,618,806
Investments in subsidiaries and associates	167,458	-	167,458	61,233	-	61,233
Other long term investments	-	-	-	2,079,732	-	2,079,732
TOTAL NON-CURRENT ASSETS	**52,593,795**	**10,404,614**	**62,998,409**	**88,019,543**	**14,182,488**	**102,202,031**
Stocks	458,739	-	458,739	591,879	-	591,879
Clients and other receivables	15,995,887	8,013	16,003,900	10,168,482	3,684	10,172,166
Income tax	-	-	-	45,886	4,313	50,199
Accrued charges	134,195	-	134,195	121,231	-	121,231
Cash and cash equivalents	33,017,721	26,862,371	59,880,092	34,250,754	25,156,536	59,407,290
TOTAL CURRENT ASSETS	**49,606,542**	**26,870,384**	**76,476,926**	**45,178,232**	**25,164,533**	**70,342,765**
TOTAL ASSETS	**102,200,337**	**37,274,998**	**139,475,335**	**133,197,775**	**39,347,021**	**172,544,796**

NONCURRENT LIABILITIES						
Deferred tax liabilities	2,304,606	476,659	2,781,265	2,114,535	608,224	2,722,759
Long term bank loans	-	-	-	20,271,775	-	20,271,775
Deferred income	-	-	-	-	-	-
Provisions for employee benefits	422,212	-	422,212	450,895	-	450,895
TOTAL NON-CURRENT LIABILITIES	**2,726,818**	**476,659**	**3,203,477**	**22,837,205**	**608,224**	**23,445,429**
CURRENT LIABILITIES						
Suppliers and other liabilities	4,502,911	1,845	4,504,756	4,087,928	1,844	4,089,772
Current income tax liabilities	965,850	5,164	971,014	-	-	-
Provisions	325,024	-	325,024	5,784	-	5,784
Deferred income	39,234	-	39,234	180	-	180
Long term bank loans (maturing in up to one year)	-	-	-	2,732,980	-	2,732,980
Interest related to long term loans	-	-	-	27,337	-	27,337
TOTAL CURRENT LIABILITIES	**5,833,019**	**7,009**	**5,840,028**	**6,854,209**	**1,844**	**6,856,053**
TOTAL LIABILITIES	**8,559,837**	**483,668**	**9,043,505**	**29,691,414**	**610,068**	**30,301,482**

NOTE 7. TANGIBLE ASSETS

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

= în lei =

	Lands and buildings	Plant and machinery	Furniture, accessories and other equipment	Real estate investment	Assets in progress	Tangible assets advances	Total
As at 01.01.2016							
Revaluated cost or value	35,915,883	52,774,478	431,291	368,700	613,186	2,137,745	92,241,283
Accumulated amortization	(2,356,872)	(37,401,418)	(253,362)	-	-	-	(40,011,652)
Net carrying value	**33,559,011**	**15,373,060**	**177,929**	**368,700**	**613,186**	**2,137,745**	**52,229,631**
Year ended on 31 December 2016							
Initial net carrying value	**33,559,011**	**15,373,060**	**177,929**	**368,700**	**613,186**	**2,137,745**	**52,229,631**
Receipts	12,116	4,628,677	6,259	-	11,379,119	27,619,421	43,645,592
Revaluation differences	-	-	-	24,100	-	-	24,100
Disbursements	-	(101,207)	(2,368)	-	(4,647,057)	(489,622)	(5,240,254)
Amortization for disbursements	-	93,215	2,368	-	-	-	95,583
Amortization expense	(2,359,194)	(3,869,949)	(39,518)	-	-	-	(6,268,661
Final net carrying value	31,211,933	16,123,796	144,670	392,800	7,345,248	29,267,544	84,485,991
As at 31.12.2016							
Revaluated cost or value	35,927,999	57,301,948	435,182	392,800	7,345,248	29,267,544	130,670,721
Accumulated amortization	(4,716,066)	(41,178,152)	(290,512)	-	-	-	(46,184,730)
Net carrying value	**31,211,933**	**16,123,796**	**144,670**	**392,800**	**7,345,248**	**29,267,544**	**84,485,991**

Tangible assets have been recognized at the time of their entry, at their cost, and subsequently 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.
In 2003, following the resolution dated 04/01/2003 of GSM and in accordance with Law 31/1991, as amended and supplemented, and GEO (OUG) 28/2002, the company's capital was increased by incorporating revaluation differences in the amount of 13,874,888 lei.
The company constructions were last revaluated on 31 December 2014 by an independent assessor, recording an increase of unrealized revaluation differences in the amount of 3,968,145 lei, as follows:
- 4,059,371 lei - representing value increase, was recorded in the credit of unrealized revaluation reserves account;
- 91,226 lei - representing value reduction, was recorded in the debit of unrealized revaluation reserves account.
The evaluation report was aimed at estimating fair value in accordance with International Valuation Standards SEV 2014 - Valuation for Financial Reporting of tangible assets for the purpose of recording in accordance with Government Decision 276/21.05.2013 and the detailed rules. The methodology used is consistent with the provisions of International Accounting Standards - IFRS 13 on the accounting treatment of tangible assets including the determination of carrying values of assets using the revaluation model.
For revaluation differences, deferred income taxes were also taken into account.
In 2016 tangible assets, which have been put into operation, were amounting to 4,647,057 lei, as follows:
- purchase of tangible assets = 3,785,027 lei
- modernization of tangible assets = 862,030 lei.

The main purchases of tangible assets put into operation during 2016 were:

- 8 mobile belt conveyors in total amount of 674.150 lei
- IT computer equipment in total amount of 309.977 lei
- 4 TERBERG tractor units in total amount of 1.212.197 lei
- 2 truck scales in total amount of 376.760 lei
- 1 PZM-150 grain loaders in total amount of 34.489 lei
- 2 bulk cargo unloading facilities in total amount of 258.775 lei
- 1 bagging equipment in total amount of 228.966 lei
- Wireless network for the container terminal in total amount of 218.014 lei
- 4 HOUCON semitrailers in total amount of 431.832 lei.

Tangible assets amounting to 941692 lei were taken out of service by disposal.
As at 12/31/2016, SOCEFIN SRL has no tangible assets.
The Group has no tangible assets acquired with financial leasing.

According to BRD Loan Contract for financing PACECO project, the company mortgaged four KOMATSU loaders and a HYSTER in total amount of 3,125,079 lei.

Mortgage remains valid until SOCEP SA becomes the rightful owner of the assets acquired with this contracted loan, namely one PORTAINER crane (STS) and two TRANSTAINER cranes (RTG).

.

NOTE 8. INTANGIBLE ASSETS

Lei

	Computer licenses and software
As at 01 January 2016	
Cost	300,899
Accumulated amortization	(276,393)
Net carrying value	**24,506**
As at 31 December 2016	
Initial net carrying value	24,506
Receipts	955,980
Disbursements	-
Amortization for disbursements	-
Amortization expense	(23,517)
Final net carrying value	956,269
As at 31 December 2016	
Cost	1,256,179
Accumulated amortization	(299,910)
Net carrying value	**956,269**

Intangible assets are valued at their cost, reduced by accumulated depreciation. The intangible assets category includes software licenses and one trademark. Licenses are depreciated in a linear manner over a useful life of more than 3 years, and the trademark over 8 years.
During 2016 the TOS-POSEIDON software has been put into operation. It had a total value of 905,633 lei and it is going to be used in our container terminal as part of PACECO project.
On 31.12.2016, the company had no records of advances of intangible assets.

In the years 2015 and 2016 no impairment of intangible assets have been recognized, as per IAS 36 "Asset impairment". No losses from impairments during 2016 have been recognized.

NOTE 9. FINANCIAL ASSETS AVAILABLE FOR SALE

Financial assets available for sale include equity instruments. Company owns securities of unlisted companies (for which evaluation of the net asset value is applied or shares' appreciation/depreciation is pointed) and securities of BSE listed companies (for which shares are quarterly revalued based on the last trading day rate) as well.
Financial assets available for sale include equity instruments held by SOCEP SA and SOCEFIN SRL in following companies:

- √ ROCOMBI SA BUCHAREST, the share granted by these is 4.2857%.
- √ ROFERSPED SA BUCHAREST, the share granted by these is 3.0909%.
- √ INVESTIŢII ŞI MANAGEMENT PORT, the share granted by these is 7.58 % for SOCEP and 7.58 % for SOCEFIN.
- √ Shares in ELECTRICA SA held both by SOCEP and SOCEFIN. The shares are listed on BSE and are measured at fair value.
- √ Shares in TRANSGAZ SA held by SOCEFIN. The shares are listed on BSE and are measured at fair value.
- √ Shares in NUCLEAR ELECTRICA SA held by SOCEFIN. The shares are listed on BSE and are measured at fair value.

√ Shares in ROMGAZ SA held by SOCEFIN. The shares are listed on BSE and are measured at fair value.
√ Shares in OMV PETROM SA held by SOCEFIN. The shares are listed on BSE and are measured at fair value.
√ Shares in SIF 3 held by SOCEFIN. The shares are listed on BSE and are measured at fair value.

The shares of the first three companies are not listed on BSE and are measured at net asset value. Shares of ELECTRICA SA, TRANSGAZ SA, NUCLEAR ELECTRICA SA, ROMGAZ SA, OMV PETROM, SIF3 have been evaluated at their fair value and were measured at fair value on the stock. Changes in the carrying amount of these securities are recognized in other elements of comprehensive income.
Regarding the shares of those three companies unlisted in BSE, their changes in the carrying amount are recognized in other elements of comprehensive income.

Lei

	Shares in ROCOMBI S.A.	**Shares in ROFERSPED S.A.**	**Shares in INVESTIŢII ŞI MANAGEMENT S.A.**	**TOTAL**
Value as at 01/01/2016	**3,000**	**78,400**	**14,250**	**95,650**
Entries	-	-	-	-
Value increases	101,553	148,744	21,096	271,393
Value decreases	-	-	-	-
Value as at 12/31/2016	**104,553**	**227.144**	**35,346**	**367,043**

Financial assets available for sale listed on BSE are:

Lei

	01/01/2016	**Fair value increases**	**Fair value decreases**	**Entries/ Outputs**	**12/31/2016**
TRANSGAZ S.A. shares	8,478,693	520,353	-	-	8,999,046
NUCLEAR ELECTRICA S.A. shares	17,064	-	(4,292)	-	12,772
ROMGAZ S.A. shares	20,455	85,253	-	2,413,092	2,518,800
ELECTRICA S.A. shares	1,961,882	153,979	-	87,912	2,203,773
OMV PETROM shares	-	57,582	-	186,790	244,372
SIF 3 shares	-	5,205	-	267,795	273,000
TOTAL	**10,478,094**	**822,372**	**(4,292)**	**2,955,589**	**14,251,763**

NOTE 10. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

SOCEP SA holds equity instruments (shares) in the associated entity TRANSOCEP TERMINAL S.A. Percentage held in the share capital of the associated entity TRANSOCEP TERMINAL S.A. is 22.22%. Participation in this company has been evaluated with equivalence method.
As at 12/31/2016, TRANSOCEP TERMINAL S.A. had the following equity:

	Lei
Equity	275,536
Social capital	411,233
Reserves	316,430
Loss carried forward	25,934
Adjustment of the retrieved result	-
Result for the year	(478,061)
Total	275,536

TRANSOCEP TERMINAL S.A. shares put into equivalence had the following evolution:

	Value/lei
As at 01/01/2016	167,458
Increase (equity adjustment items, others than the result of the year)	-
Decrease (share of the loss)	(106,225)
As at 12/31/2016	61,233

NOTE 11. 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 valid for more than 1 year with total amount of 2,079,732 lei.

NOTE 12. STOCKS

Stocks held on 31/12/2016 are mainly composed of consumables. Their values were:

	Lei	
	01/01/2016	**12/31/2016**
Consumables	999,368	1,143,486
Goods	880	855
Adjustments for stock impairment	(541,509)	(552,462)
Total	**458,739**	**591,879**

It should be noted that stocks category includes some spare parts purchased in previous years, which are slowly moving. Specifically for them the Group formed some adjustments for stock impairment amounting to 552,462 lei.

NOTE 13. CUSTOMERS AND OTHER RECEIVABLES

	Lei	
	01/01/2016	**12/31/2016**
Trade receivables (customers)	18,579,762	12,822,202
Adjustments for customer receivables impairment	(3,434,495)	(3,846,550)
Trade receivables – carrying value	15,145,267	8,975,652
Of which, with associated entities	4,985	-
Guarantees	26,960	27,972
Other receivables	948,091	1,284,790
Adjustments for impairment sundry debtors	(116,418)	(116,248)
Other receivables - carrying value	831,673	1,168,542
Total	**16,003,900**	**10,172,166**

Both trade receivables and other receivables are current assets.
The evolution of adjustments for customer receivables impairment and for sundry debtors impairment during 2016 was as follows:

Lei

	Adjustments for impairment of customer receivables	Adjustments for impairment of sundry debtors
Balance as at 01/01/ 2016	3,434,494	116,418
Increases	456,847	1,177
Decreases	(44,791)	(1,347)
Balance as at 12/31/ 2016	3,846,550	116,248

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

Other receivables include:

Lei

	01/01/2016	12/31/2016
Advances for stocks and services	22,250	9,003
Taxes, charges to be recovered	29,217	157,658
Sundry debtors	896,624	1,118,129
Total	**948,091**	**1,284,790**

We have to mention that the Group has deposited bank guarantees amounting to 27,992 lei, as follows:
- 27,992 lei – equivalent of 6,500 USD in favor of C.N. „A.P.M.” - S.A. CONSTANŢA, as per Concession contract no.94 of 12.11.1997.

NOTE 14. ACCRUED CHARGES

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

NOTE 15. FINANCIAL ASSETS EVALUATED AT THEIR FAIR VALUE THROUGH PROFIT OR LOSS

As at 12/31/2016 the Group does not hold financial assets measured at fair value through profit or loss.

NOTE 16. CASH AND CASH EQUIVALENTS

Lei

	12/31/2015	12/31/2016
Cash and bank accounts	13,387,353	6,740,345
Short-term bank deposits	46,492,739	52,666,945
Other receivable values and effects	-	-
Total	**59,880,092**	**59,407,290**

Cash and cash equivalents in foreign currency were measured in the financial statements based on exchange rates valid on 12/31/2016, namely 4.5411 lei/Euro and 4.3033 lei/USD.

NOTE 17. SHARE CAPITAL

The Group's share capital (of SOCEP company) 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. During 2016, there were no reductions or increases in share capital. After the application of IFRS, the share capital of SOCEP SA was adjusted to inflation. The adjustment amount is 164,750,632 lei.

NOTE 18. RESERVES

The Group reserves consist of unrealized revaluation surplus (unrealized reserves) and reserves. After the transition to IFRS implementation, Group policy is to recognize for retained earnings the revaluation surplus for depreciable assets as they are amortized or sold.

Lei

	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 01/01/2016	**19,155,822**	**6,557,498**	**10,047,519**	**4,311,004**	**40,071,843**
Profit distribution (earnings for the year)	-	686,220	-	-	686,220
Surplus from revaluation realized	(1,216,632)	-	-	-	(1,216,632)
Share of associated entities' reserves	-	-	-	-	-
Reserves from reinvested profit	-	-	-	86,828	86,828
As at 12/31/2016	**17,939,190**	**7,243,718**	**10,047,519**	**4,397,832**	**39,628,259**

Reserves from assets revaluation consist of differences from revaluation of unrealized tangible assets. The Group policy is to record the realized surplus from the revaluation as revalued tangible assets are depreciated.

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 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 the reinvested profit = 86,828 lei.

NOTE 19. 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 01/01/2016	**44,671,648**	**(1,282,715)**	**11,341,743**	**1,839,497**	**56,570,173**
Result for the year	11,222,240	-	-	-	11,222,240
Deferred tax related to the revaluation surplus realized	-	-	(194,661)	-	(194,661)
The revaluation surplus realized	-	-	1,216,632	-	1,216,632
Dividends 2014	(1,098,962)	-	-	-	(1,098,962)
As at 12/31/2016	**54,794,926**	**(1,282,715)**	**12,363,714**	**1,839,497**	**67,715,422**

NOTE 20. 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 01/01/2016	**(3,543,440)**	**2,990,680**	**(552,760)**
Deferred tax income related to change in fair value of financial assets available for sale	(174,316)	-	(174,316)
Change in fair value of financial assets available for sale	-	1,089,474	1,089,474
Deferred income tax related to revaluation surplus realized	194,661	-	194,661
As at 12/31/2016	**(3,523,096)**	**4,080,154**	**557,059**

NOTE 21. 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 the year 2016, without taking into account compensation of balances related to the same tax authority, is:

Deferred income tax assets

Lei

Deferred income tax assets	Stocks adjustment	Receivables adjustment	Provisions	Total
As at 01/01/2016	**86,642**	**568,146**	**119,558**	**774,346**
Recorded/credited in profit or loss for the period	1,752	65,901	-	67,653
Recorded/debited in profit or loss for the period	-	-	(46,489)	(46,489)
As at 12/31/2016	**88,394**	**634,047**	**73,069**	**795,510**

Deferred income tax liabilities

Lei

Deferred income tax liabilities	Revaluation reserves	Differences from the change of fair value of the financial assets available for sale	Differences related to shares put into equivalence	Total
As at 01/01/2016	**3,064,932**	**478,509**	**12,170**	**3,555,611**
Recorded/credited in profit or loss for the period	-	-	-	-
Recorded/debited in profit or loss for the period	(194,661)	-	(16,996)	(211,657)
Recorded/credited in other elements of comprehensive income	-	174,316	-	174,316
Recorded/debited in other elements of comprehensive income	-	-	-	-
As at 12/31/2016	**2,870,270**	**652,826**	**(4,826)**	**3,518,269**

b) Current income tax

Lei

	12/31/2015	12/31/2016
Balance on 01 January	35,336	971,014
Increases	1,912,417	1,902,831
Decreases	(1,519,559)	(2,924,044)
Balance on 31 December	971,014	(50,199)

c) Expense with current income tax

Lei

	12/31/2015	12/31/2016
Profit before tax	13,834,327	13,665,297
Deductions - reserve fund	(688,945)	(686,220)
Non taxable income	(315,078)	(1,781,820)
Non deductible expenses	2,288,868	1,590,717
Elements similar to income	1,217,509	1,216,632
Taxable profit	16,336,681	14,004,606
Income tax calculated at 16%	2,613,869	2,240,737
Sponsorships	(158,632)	(324,014)
Deduction of reinvested profit	-	(13,892)
Current income tax expense	2,455,237	1,902,831

d) Income tax expenses

Lei

	12/31/2015	12/31/2016
Current income tax expenses	2,455,237	1,902,831
Deferred income tax expense	41,544	72,963
Deferred income tax revenues	(470,754)	(305,784)
Income tax expenses	2,026,027	1,670,008

NOTE 22. 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 ESPAŇA S.A., as per credit letter issue contract no. 209763/05.10.2015). Until 12/31/2016, the value used from this loan was 23,004,755 lei, out of which the amount of 2,732,980 lei has a maturity less than 1 year. Interest related to the loan as recorded on 12/31/2016 is in an amount of 27,337 lei.

NOTE 23. DEFERRED INCOME

Under the deferred income category, the Group recognizes donations for investments and revenues from rents invoiced in advance. The deferred income statement is as follows:

Lei

	12/31/2015	12/31/2016
Donations for investments	-	-
Other revenues	39,234	180
TOTAL	**39,234**	**180**

NOTE 24. SUPPLIERS AND OTHER PAYABLES

The suppliers and other payables statement is as follows:

		Lei
	12/31/2015	**12/31/2016**
Trade payables	1,773,534	1,416,374
out of which with associated entities	131,104	143,437
Suppliers for fixed assets	-	20,287
Salaries due	457,264	461,254
Social security and other taxes	1,336,775	1,075,913
Unclaimed Dividends	234,657	353,150
Other payables	702,526	783,081
Total	**4,504,756**	**4,089,772**

Social security and other taxes, which are due in January next year, have the following values:

	Lei	
	12/31/2015	**12/31/2016**
Social security	768,629	790,412
Salary tax	265,458	284,762
VAT	302,688	-
Tax on dividends	-	739
TOTAL	**1,336,775**	**1,075,913**

On 31/12/2015, the Group has no outstanding debts for which interests or late payment penalties should be paid.

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 ESPAŇA S.A., as per credit letter issue contract no. 209763/05.10.2015). Until 12/31/2016, the company had used from this loan 23,004,755 RON.

NOTE 25. PROVISIONS

The situation of provisions is as follows:

	Lei	
	12/31/2015	**12/31/2016**
Provisions for disputes/litigations	318,050	0
Provisions for employee benefits	422,212	450,895
Other provisions	6,974	5,784
TOTAL	**747,236**	**456,679**

In Court case no. 6549/118/2010 with the parties in dispute: SOCEP SA as defendant and as plaintiff Sindicatul Personalului Operativ SOCEP (SOCEP union) on behalf of approx. 300 employees of the company, the fact that the civil sentence no. 3693 / 03.02.2012 Constanta Court allowed complainants application for payment of bonuses, retroactive for the last three years, the company has made a provision amounting to 318,050 lei.

With the Decision no. 1273 dd. 06/12/ 2015 given in Court case 6549/118/2010 * by Constanta Court - **the court found the complaint to court as obsolete**, and that in case no. 9043/118/2013 (severed at 6549/118/2010) Constanta Court of Appeal decided on 02/11/2015 by Resolution no. 12/2015 **refusal of the SOCEP lawsuit as unfounded**. Therefore, on 12/31/2016 the provision amounting to 318,050 was eliminated as there was no obligation for SOCEP to pay any amount related to case 6549/118/2010.

The provision for employee benefits in the amount of 450,895 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 26. INCOME (turnover)

The Group has achieved over 98% of its turnover from services performed in general cargo and container port terminals.

	Lei	
	12/31/2015	**12/31/2016**
Income from port services performed	61,976,049	64,440,888
Income from rents	593,341	471,683
Other income (sale of goods)	256,341	95,784
Commercial discounts granted	(160,083)	(205,457)
TOTAL	**62,665,648**	**64,802,898**

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

	Lei	
	12/31/2015	**12/31/2016**
I. GENERAL CARGO		
Cargo handling	30,802,804	34,507,308
Storage	5,062,673	5,010,593
Other services	564,603	404,822
Sud Agigea Area	343,260	286,447
TOTAL	**36,773,340**	**40,209,170**
II. CONTAINERS		
Handling	25,169,486	23,926,703
Storage	429,448	461,484
Other services	293,374	205,541
TOTAL	**25,892,308**	**24,593,728**
III. TOTAL COMPANY		
Handlings	55,972,290	58,434,011
Storage	5,492,121	5,472,077
Other services	857,977	610,363
Sud Agigea Area	343,260	286,447
TOTAL	**62,665,648**	**64,802,898**

NOTE 27. OTHER INCOME

	12/31/2015	12/31/2016
	Lei	
Despatch and penalties	863,793	727,553
Asset subsidies	-	-
Income from dividends	754,749	1,299,060
Miscellanea	580,413	232,612
Earnings from fair value assessment of inv. assets	37,000	24,100
TOTAL	**2,235,955**	**2,283,325**

Other income included amounts from invoicing despatch (due for early operation of ships), i.e. 432,906 lei, and penalties calculated for failure to pay in due time for service provided and invoiced to customers, in the amount of 294,647 lei.

NOTE 28. RAW MATERIALS AND CONSUMABLES

	12/31/2015	12/31/2016
		Lei
Expenses with consumables	5,521,677	5,861,302
Expenses with other materials	507,943	532,708
Expenses with materials not stored	2,782	2,505
Expenses with energy and water	1,200,448	1,298,160
Expenses with packaging	-	-
TOTAL	**7,232,850**	**7,694,675**

NOTE 29. COST OF SOLD GOODS

	12/31/2015	12/31/2016
	Lei	
Expenses with goods	55,697	28,250

NOTE 30. SERVICES PERFORMED BY THIRD PARTIES

	12/31/2015	12/31/2016
Maintenance and repair expenses	282,832	468,662
Rent expenses	3,760,972	3,918,643
Insurance expenses	239,984	291,158
Entertainment and advertising expenses	194,747	287,397
Expenses with charges and fees	1,217,392	1,411,892
Cargo and staff transportation expenses	125,681	117,631
Travel expenses	165,929	275,126
Postal and telecommunication expenses	114,132	122,966
Bank service expenses	57,564	36,470
Rail cars shifting expenses	842,090	431,488
Port service expenses	4,577,923	4,618,318
Sanitation expenses	167,582	232,646
Occupational safety expenses	76,858	75,184
Fire protection, safety expenses	824,848	887,337

Computer service expenses	124,337	136,527
Expenses with subscriptions, contributions	37,421	58,203
Audit, consultancy, BSE expenses	69,526	76,420
Expenses with charges, authorizations	151,542	168,237
Schooling/training expenses	37,396	96,890
Other expenses	279,594	240,207
TOTAL	**13,348,350**	**13,951,402**

NOTE 31. EMPLOYEE BENEFIT COST

Lei

EXPENSES	12/31/2015	12/31/2016
Salaries and meal vouchers	18,892,556	19,849,102
Social security expenses	4,735,635	4,741,482
TOTAL	**23,628,191**	**24,590,584**

Benefits for Management Board and Supervisory Board members:

Lei

EXPENSES	12/31/2015	12/31/2016
Executive Board benefits	595,497	631,539
Social security related to Executive Board benefits	135,638	143,504
Supervisory Board benefits	489,600	489,600
Social security related to Supervisory Board benefits	106,243	112,466
TOTAL	**1,326,978**	**1,377,109**

	12/31/2015	12/31/2016
AVERAGE NUMBER OF EMPLOYEES	447	432

NOTE 32. AMORTIZATION EXPENSES

Lei

	12/31/2015	12/31/2016
Expenses with the amortization of intangible assets	15,942	23,517
Expenses with the amortization of tangible assets	5,827,518	6,268,661
TOTAL	**5,843,460**	**6,292,178**

NOTE 33. 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

	12/31/2015	12/31/2016
Expenses with taxes and charges	715,090	638,581
Losses from receivables	-	87,093
Damages, fines, penalties	177,675	33,195
Donations	-	-
Sponsorships	158,632	361,200
Other operating expenses	453,674	99,626
TOTAL	**1,505,071**	**1,219,695**

In other operating expenses services onto customers account and re-invoiced to them are recorded.

NOTE 34. OTHER OPERATIONAL GAINS/LOSSES – NET

Lei

	12/31/2015	12/31/2016
Income from disposal of assets	115,729	40,065
Expenses on disposal of assets	(9,832)	(7,992)
Income from provisions	89,686	361,234
Expenses from provisions	(63,594)	(70,677)
Income from adjustments of stocks and customer receivables	169,963	97,426
Expenses for adjustments of stocks and customer receivables	(1,544,884)	(520,264)
Income from exchange rate differences, less those for cash and cash equivalents	540,754	409,983
Expenses from exchange rate differences, less those for cash and cash equivalents	(315,768)	(584,025)
TOTAL	**(1,017,946)**	**(274,250)**

NOTE 35. FINANCIAL INCOME

Financial income includes income from interests and other income.

Lei

	12/31/2015	12/31/2016
Income from interests	310,038	127,835
Other financial income	889	6,627
TOTAL	**310,927**	**134,462**

NOTE 36. GAINS/LOSSES FROM FINANCIAL ASSETS EVALUATED AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 12/31/2016, the company does not hold financial assets evaluated at their fair value through profit or loss.

NOTE 37. OTHER FINANCIAL GAINS/LOSSES – NET

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

Lei

	12/31/2015	12/31/2016
Income from exchange rate differences	3,120,976	2,381,360
Expenses from exchange rate differences	(1,867,613)	(1,779,490)
Net financial gains (losses)	**1,253,363**	**601,870**

NOTE 38. TRANSACTIONS WITH AFFILIATED PARTIES

In 2016, the company had transactions with the following affiliated parties: TRANSOCEP TERMINAL SA CONSTANŢA, CASA DE EXPEDIŢII PHOENIX S.A. CONSTANŢA and ECOSAMMO TÂRGUŞOR S.R.L. CONSTANŢA. The connection with TRANSOCEP TERMINAL S.A. CONSTANŢA is generated by the 22.22% stake in the capital and the presence in the Management Board of TRANSOCEP TERMINAL SA. The connection with

CASA DE EXPEDIŢII PHOENIX S.A. CONSTANŢA and ECOSAMMO TÂRGUŞOR S.R.L. CONSTANŢA is generated by the existence of common members in their management bodies.

Sales of goods and services

a) TRANSOCEP TERMINAL SA

	12/31/2015	12/31/2016
	Lei	
Sales of goods	-	-
Sales of services	24,484	14,176
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**24,484**	**14,176**

b) CASA DE EXPEDIŢII PHOENIX SA

	12/31/2015	12/31/2016
	Lei	
Sales of goods	-	-
Sales of services	327,941	245,462
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**327,941**	**245,462**

c) ECOSAMMO TÂRGUŞOR SRL CONSTANŢA

	12/31/2015	12/31/2016
	Lei	
Sales of goods	-	-
Sales of services	2,889	3,179
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**2,889**	**3,179**

d) CELCO SA

	12/31/2015	12/31/2016
	Lei	
Sales of goods	-	-
Sales of services	48,772	58,354
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**48,772**	**58,354**

e) LOGISTIC PARK SA

	12/31/2015	12/31/2016
	Lei	
Sales of goods	-	-
Sales of services	-	-
Sales of fixed assets	99,820	-
TOTAL (VAT INCLUDED)	**99,820**	**-**

Purchases of goods and services

a) TRANSOCEP TERMINAL SA

Lei	12/31/2015	12/31/2016
Purchases of goods	-	-
Purchases of services	2,829	-
Purchases of fixed assets	-	-
TOTAL (VAT INCLUDED)	**2,829**	**-**

b) CASA DE EXPEDIŢII PHOENIX SA

Lei	12/31/2015	12/31/2016
Purchases of goods	1,112,707	1,242,773
Purchases of services	492,785	1,316,335
Purchases of fixed assets	-	-
TOTAL (VAT INCLUDED)	**1,605,492**	**2,559,109**

c) DDN GLOBAL SRL

Lei	12/31/2015	12/31/2016
Purchases of goods	-	-
Purchases of services	-	73,610
Purchases of fixed assets	-	-
TOTAL (VAT INCLUDED)	**-**	**73,610**

Balances at the end of 2016 resulting from sales/purchases of goods/services

a) TRANSOCEP TERMINAL SA (associated entity)

Lei	12/31/2015	12/31/2016
Receivable	4,985	-
Payable	-	-
TOTAL (VAT INCLUDED)	**4,985**	**-**

b) CASA DE EXPEDIŢII PHOENIX SA

Lei	12/31/2015	12/31/2016
Receivable	-	-
Payable	131,104	143,437
TOTAL (VAT INCLUDED)	**131,104**	**143,437**

NOTE 39. ECONOMIC AND FINANCIAL INDICATOR

	INDICATORS	CALCULATION	RESULTS 12/31/2015	RESULTS 12/31/2016
1.	Current liquidity	Current assets/Current liabilities	13,10	10,26

2.	Indebtedness	Borrowed capital --------------------------- x 100 Equity	2,46	16,48
		Borrowed capital --------------------------- x 100 Capital employed	2,40	14,15
3.	Days Sales Outstanding	Average customer balance -- x 360 Turnover	86,13	87,22
4.	Fixed asset turnover	Turnover/Fixed assets	0,99	0,63

CONTINGENCIES

Case no.13282/118/2012 within the Court of Appeal Constanta has as object solving an appeal requested by 11 former SOCEP SA employees who had been fired/dismissed in October 2012-March 2013 (they were part of a group of 13 employees). Their demand was to modify the sentence of the merits court seeking annulment of the decisions of dismissal, reintegration/reemployment in their previous jobs and payment of all amounts of money that would benefit as employees since October 2012 until actual time of reemployment. File no.13282/118/2012 was tried in Constanta Tribunal and settled in favor of SOCEP SA, on 10/24/2013, with the refusal of the lawsuit filed by the 13 employees.The Appeal - subject of File no.13282/118/2012 submitted by 11 of the 13 former employees who started the court action – is currently suspended starting on 03/31/2014 until SOCEP SA contesting dispute is solved. A number of 22 employees have filed a complaint to the National Council for Combating Discrimination (CNCD) against SOCEP SA invoking that an act of discrimination was committed and they have been illegally dismissed in October 2012-March 2013. Among the 22 employees, there were also those 13 former employees involved as parties in File no.13282/118/2012 of the Court of Appeal Constanta. SOCEP filed a contestation against CNCD (National Council for Combating Discrimination) ruling according to which this authority has found that an act of discrimination was committed and consequently it was decided sanction of SOCEP. This complaint/contestation of SOCEP SA against CNCD decision was object of File no1503/2/2014 in Court of Appeal Bucuresti. This contestation was rejected on the merits by the Court of Appeal and on appeal of ICCJ (High Court of Cassation and Justice).Depending on the final decision in the trial, in case of loss-unfavorable decision, SOCEP SA could be forced to pay all the amounts owed upon dismissal and until reintegration. This will affect the financial statements in terms of an expense. In case of winning the trial, there would not be any effects on the financial statements.

NOTE 39. EVENTS AFTER THE REPORTING PERIOD

We mention that subsequent to preparation of financial statements and prior to their authorization for publication, no events have occurred which could significantly influence the financial position and performance of the company.

JPA AUDIT & CONSULTANTA
JPA International - worldwide network of independent accountants

J40/8639/2002
Cod unic de inreg. 14863621
Atribut fiscal RO

B-dul Mircea Voda 35, etaj 3,
Sector 3, CP 4-178
Bucuresti-ROMANIA

Tel.: 021 327 52 34 / 35
Fax: 021 327 52 36
E-mail: office@jparomania.ro
Web: www.jpa.ro

SOCEP S.A.
Incinta Port constanta Dana 34,
Constanta

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SOCEP S.A.

Report on the Audit of the Consolidated Financial Statements

Opinion on the Consolidated Financial Statements

We have audited the consolidated financial statements of the SOCEP S.A. group (SOCEP or the "Group"), which comprise the consolidated Balance Sheet as at December 31, 2016, and the consolidated Profit & Loss Account and the consolidated statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.
These financial statement include:

Shareholders' Equity	142.243.314 Lei
Net profit	11.995.288 Lei

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the financial position of the Group as at December 31, 2016 and its financial performance for the year then ended in accordance with the O.M.F.P. no. 2844/2016 for the approval of the Accounting Regulations compliant with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group within the meaning of the Ethics Code for Professional Accountants (IESBA Code) issued by the International Ethics Standards Board for Accountants and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information - Report on the Compliance of the Board of Directors' Report with the Consolidated Financial Statements

The directors are responsible for the preparation and presentation of the directors' report in accordance with the O.M.F.P. no. 2844/2016 for the approval of the Accounting Regulations compliant with International Financial Reporting Standards (IFRS), as such as this report is free from material misstatements and for such internal control as management determines is necessary to enable the preparation of the directors' report that is free from material misstatement, whether due to fraud or error.

The directors' report is not part of the consolidated financial statements. Our opinion on the consolidated financial statements do not cover the director's report.

As part of our audit on the financial statements, we have read the director's report, which is annex to the financial statements and we report that:

a) Nothing was identified by us that makes us believe that the information presented in the director's report, in all material respects, is not in accordance with the consolidated financial statements

b) The director's report mentioned above includes, in all material respects, the information requested by the O.M.F.P. no. 2844/2016 for the approval of the Accounting Regulations compliant with International Financial Reporting Standards (IFRS).

c) Based on our understanding and knowledge obtained during our audit on the Group's consolidated financial statements prepared for the year end and on its environment, no information that is included in the directors' report came to our attention that would make us believe that it is misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Order no. 2844/2016 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

March 27, 2017

JPA Audit și Consultanta S.R.L.
Registered Auditor C.A.F.R. nr. 319

Represented by
Florin Toma
C.A.F.R. 1747