CONTENT OF YEARLY REPORT

According to CNVM Regulation No. 1/2006

For the financial year 2017

G.O.M. ON APRIL 26th, 2018

CHAPTER I YEARLY REPORT
Complying to C.N.V.M. REGULATION NO.1/2006
FOR 2017

NAME OF SHARES ISSUER	: SOCEP SA
REGISTERED OFFICE	: CONSTANŢA, INCINTA PORT Dana 34
PHONE/FAX	: 0241/693856; 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, and REORGANIZATIONS: In 2012, SOCEP S.A. founded as sole shareholder the limited liability company - SOCEFIN S.R.L. Constanța, having as main business (CAEN) NACE 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*
2015	*5,301,527*	*1,021,833*
2016	*5,626,432*	*103,575*
2017	*51,389,516*	*956,806*

Main acquisitions of tangible assets which have been put into operation during 2017 were:

- CONTAINER TERMINAL – following fixed assets with a total value of 48,603,397 lei have been put into operation or upgraded:
  - → Container handling gantry
  - → 2 container handling equipment
  - → 15 mobile terminals for trucks
  - → Greifer
  - → Marking equipment
  - → Crane runway modernization in BERTH 51-52.
- BULK AND GENERAL CARGO TERMINAL - following fixed assets with a total value of 2,653,855 lei lei have been put into operation or upgraded:
  - — 26 mobile belt conveyers
  - — 2 frontal loaders
  - — Brush cleaning equipment
  - — Access control system
  - — 4 HYUNDAI forklifts
  - — Heating system
  - — 3 vats for general cargo.

During 2017, according to BRD Loan Contract for financing PACECO project, the company mortgaged the fixed assets in question, namely the container handling gantry and the 2 container handling equipment. The mortgage for the four KOMATSU loaders and the HYSTER forklift has been cancelled.

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	2015	2016	2017
1.	Share capital	lei	34,342,574	34,342,574	34,342,574
2.	Port traffic (containers not included)	mii to	1,681	1,725	2,301
3.	Number of containers	mii	78	82	79
4.	TEU-s (containers)	mii	130	144	139
5.	% (percentage) of gained market	%	≈ 5	≈ 5	≈ 5
6.	Average number of employees	pers.	447	432	425
7.	Turnover	lei	62,665,648	64,802,898	63,325,700
8.	Total income	lei	68,090,877	68,770,653	66,885,833
9.	Total expenses	lei	55,118,513	56,287,708	62,407,651
10.	Gross Profit	lei	12,972,364	12,482,945	4,478,182
11.	Cash and cash equivalent	lei	33,017,721	34,250,754	37,682,443

Achieved port traffic during 2017 has recorded a 33% increase, mainly sustained by bauxite traffic improvement. The containers have recorded a slight decrease both in number of physical units and as TEU-s. This decrease was created by organizational changes at the container line level and the company intends to cover it by gaining new customers and also by using the new equipment for bauxite operation.

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 and Constanţa Sud Agigea Port range.

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

SERVICES	2015		2016		2017	
	Lei	%	Lei	%	Lei	%
1. Handling	56,315,550	89.9	58,720,458	90.6	58,823,167	92.89
2. Storage	5,492,121	8.8	5,472,077	8.4	4,042,433	6.38
3. Other services	857,977	1.3	610,363	1.0	460,100	0.73
TOTAL	**62,665,648**	**100**	**64,802,898**	**100**	**63,325,700**	**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). The PACECO project has been completed by the end 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 parts and various consumables.

Utilities are provided by Port Adiminstration company and other suppliers as well. They are delivered on agreed 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% from the volume of cargo handled through Port of Constanţa.

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	2015	2016	2017
1. Dockers, equipment operators	238	226	212
2. Berth operators, warehouse administrators	83	80	81
3. Auxiliary and maintenance personnel	66	70	77
4. Company Management, administrative staff	60	56	55
TOTAL:	**447**	**432**	**425**

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

Degree of syndication of the employees is around 68%. Management relationship with the employees and trade union are not conflictual, as long as the terms of collective labor contract in force are fulfilled.

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 inspected by the specialized state institutions, there haven't been any penalties 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 2017. In 2018 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 that risk with which 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**	**12/31/2017**
Customers and other receivables	15,995,887	10,168,495	8,659,964
Cash and cash equivalents	33,017,721	34,250,754	37,682,443
Total	**49,013,608**	**44,419,249**	**46,342,407**

b) Liquidity risk

Liquidity risk is the risk that the company can encounter from meeting the obligations associated with financial liabilities which are to be settled 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. 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 12/31/2017, credit balance was 29,419,095 lei.

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 and not listed on Bucharest Stock Exchange.

- Interest rate risk

The interest rate risk to which the company is exposed is at the level of the contracted loan, since it granted no loans bearing interest but the company contracted a bank loan of RON 35,090,000 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 12/31/2017, credit balance was 29,419,095 lei.

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 ACTIVITĂȚII SOCEP S.A.

Fluctuating trends in port trafic and turnover figures over the last three years will also occur in 2018. 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 12/31/2017, is the following:
- buildings : ≈ 45%
- port equipment and machineries : ≈ 45%

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 2017 no dividends related to 2016 profit were distributed. It is worth mentioning that during 2018 unclaimed dividends are to be distributed, those related to 2014 (by SOCEP) and those related to 2015 (by DEPOZITARUL CENTRAL).

SOCEP has no intention in 2018 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 62 years, economist, over 20 years experience in leading positions, owning 14,590,858 SOCEP shares;
- DUŞU ION - Vice-president, age 60 years, engineer, over 20 years experience in leading positions, owning 1,382,853 SOCEP shares;
- SAMARA STERE - Member, age 65 years, economist, over 20 years experience in leading positions, owning 36,114,550 SOCEP shares;
- CARAPITI DUMITRU - Member, age 51 years, legal adviser, over 20 years experience in leading positions, does not own SOCEP shares;
- STANCIU ION - Member, age 56 years, economist, 20 years experience in leading positions, does not own SOCEP shares.

The Executive Board has 5 members. Membership of the Executive Board during 2017 was the following:

Between 01/01/2017 – 11/27/2017:

- Marius Barbarino - General Manager and Chairman of the E.B.
- Camelia Nebi - Member of the E.B.
- Lucian Teodorescu - Member of the E.B.
- Fănel Ștefănescu - Member of the E.B.
- Corneliu Nadrag - Member of the E.B.

Between 11/27/2017 – 01/08/2018:

- Marius Barbarino - General Manager and Chairman of the E.B.
- Camelia Nebi - Member of the E.B.
- Lucian Teodorescu - Member of the E.B.
- Gabriel Codeț - Member of the E.B.
- Corneliu Nadrag - Member of the E.B.

After 01/08/2018:

- Marius Barbarino - General Manager and Chairman of the E.B.
- Camelia Nebi - Member of the E.B.
- Lucian Teodorescu - Member of the E.B.
- Gabriel Codeț - Member of the E.B.
- Ramona Pavlicu - 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 Supervisory 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 12/31/2017 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		
	2015	**2016**	**2017**
TOTAL ASSETS **Out of which:**	**132,124,264**	**163,197,785**	**180,965,455**
- fixed assets	82,517,722	118,019,540	132,590,441
- stocks	458,739	591,879	1,746,509
- customers and other receivables	15,995,887	10,214,381	8,800,695
- prepaid expenses	134,195	121,231	145,367
- cash and cash equivalent	33,017,721	34,250,754	37,682,443
TOTAL EQUITY AND LIABILITIES **Out of which**	**132,124,264**	**163,197,785**	**180,965,455**
- equity	123,576,597	133,506,358	143,485,252
- suppliers and other payables	4,502,911	4,087,941	4,171,565
- deferred income tax liabilities and current income tax	3,258,286	2,114,535	3,299,130
- long term bank loans (including interest)	-	23,032,092	29,492,055
- provisions	747,236	456,679	486,357
- deferred revenues	39,234	180	31,096

b) Profit & Loss Account

			Lei
	2015	**2016**	**2017**
Turnover	62,665,648	64,802,898	63,325,700
Total Income	68,090,877	68,770,653	66,885,833
Total Expenditure	55,118,513	56,287,708	62,407,651
Gross profit	12,972,364	12,482,945	4,478,182

Assets with a share of minimum 10% from the total value of assets are the buildings (23.3%) and technical equipment and machinery (30.5%). The Expenditure elements with a share of minimum 20% from the total net sales value (turnover) are the employee benefits expense (40.3%) and the purchased services expense (25.7%).

c) Cash flows

Lei

Element name	12/31/2015	12/31/2016	12/31/2017
CASH FLOWS FROM PORT OPERATION BUSINESS			
Receipts from customers	63,991,009	78,352,424	72,474,604
Payments to suppliers and employees	(47,567,754)	(49,820,392)	(55,663,437)
Paid interests	-	-	-
VAT and other taxes (income tax excluded)	(2,177,260)	(2,769,163)	(2,636,000)
Paid income tax	(1,378,199)	(2,911,046)	(854,928)
Other receipts	295,329	490,738	896,086
Other payments	(742,960)	(3,782,648)	(1,020,410)
I. NET CASH FROM PORT OPERATION BUSINESS	**12,420,165**	**19,559,913**	**13,195,914**
CASH FLOWS FROM INVESTMENTS			
Payments for intangible assets acquisition	(24,551)	(958,509)	(98,318)
Payments for tangible assets acquisition	(9,265,687)	(40,246,467)	(15,614,113)
Payments for shares acquisition	-	-	-
Receipts from changes in the value of equity instruments	467,875	-	-
Receipts from tangible assets sale	143,504	48,077	13,544
Interest receipts	84,621	45,511	53,646
Receipts from dividends	98,095	104,136	98,151
II. NET CASH FROM INVESTMENTS	**(8,496,143)**	**(41,007,252)**	**(15,547,090)**
CASH FLOWS FROM FINANCING			
Receipts form long-term loans	-	23,004,755	9,147,320
Reimbursements of long-term loans	-	-	(2,732,979)
Interest paid on the loan	-	-	(411,825)
Paid dividends	(1,196,811)	(926,253)	(2,333)
III. NET CASH FROM FINANCING	**(1,196,811)**	**22,078,502**	**6,000,183**
IV. NET INCREASE OF CASH AND CASH EQUIVALENT (I + II + III)	**2,727,211**	**631,163**	**3,649,007**
V. VARIANCE FREQUENCY OF CURRENCY EXCHANGE RATE	**1,253,363**	**601,870**	**(217,318)**
VI. CASH AND CASH EQUIVALENT AT THE BEGINNING OF FINANCIAL YEAR	**29,037,147**	**33,017,721**	**34,250,754**
VII. CASH AND CASH EQUIVALENT AT 31.12.	**33,017,721**	**34,250,754**	**37,682,443**

6. FINANCIAL AND ECONOMIC INDICATORS

	INDICATORS	CALCULATION PROCEDURE	RESULTS	
			2016	2017
1.	Current liquidity	Current assets/Current debts	6.59	4.63
2.	Indebtedness degree	Borrowed capital / Equity x 100	17.11	18.84
		Borrowed capital / Committed capital x 100	14.61	15.85
3.	Rotation speed of customers debts	Average balance of customers / Turnover x 360	87.22	62.40
4.	Rotation speed of fixed assets	Turnover/Fixed assets	0.55	0.48

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 12/31/2016, the structure of most significant shareholders or groups of shareholder as at 12/31/2017 is as follows:

	SHAREHOLDERS (GROUPS)		12/31/2015	12/31/2016
1.	GRUPUL DD SA CONSTANȚA	%	32.3737	32.3737
2.	CELCO SA	%	24.6427	24.6427
3.	SAMARA STERE	%	10.5160	10.5160
4.	DUȘU NICULAE	%	-	4.2487
5.	DUȘU ION	%	-	0.4027
6.	PERSOANE FIZICE	%	21.6357	21.2401
7.	PERSOANE JURIDICE	%	10.8319	6.5761
	TOTAL	%	100.0000	100.0000

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

1. Declaration of the persons responsible for preparing the Financial Statements

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 2017 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 12/31/2017 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 members**

In accordance with the Constitutive Act of the company, as it was approved in the Extraordinary General Meeting of Shareholders dated 12/14/2014 and amended in the Extraordinary General Meeting of Shareholders on 18/05/2016, the Supervisory Board consists of five members.

During 2017, the structure of the Supervisory Board of SOCEP SA was the following:

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 and in compliance with Art.17, paragraph 1 of the Constitutive Act of the company, SOCEP SA Executive Board consists of 5 (five) members.

Between 01/01/2017 - 11/27/2017 structure of SOCEP SA Executive Board was:

- Marius Barbarino – General Manager and Executive Board President
- Camelia Nebi – Member of Executive Board
- Corneliu Nadrag – Member of Executive Board
- Lucian Teodorescu – Member of Executive Board
- Stefanescu Fanel – Member of Executive Board

Between 11/27/2017 - 12/31/2017 structure was:

- Marius Barbarino – General Manager and Executive Board President
- Camelia Nebi – Member of Executive Board
- Corneliu Nadrag – Member of Executive Board
- Lucian Teodorescu – Member of Executive Board
- Gabriel Codet – Member of Executive Board

Board members were appointed in accordance with the Constitutive Act of SOCEP SA, by decisions of the Supervisory Board.

Board members operate under the mandate contracts agreed and approved by the Supervisory Board.

- **SUPERVISORY BOARD ACTIVITY IN 2016**

In 2017, the Supervisory Board carefully analyzed the position and prospects of the company and fulfilled powers assigned in accordance with law, the Constitutive Act of SOCEP SA and its Regulation.

Throughout 2017, the Supervisory Board has coordinated with the Executive Board regarding company management and also has 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 Constitutive Act or internal regulations of the Company, the Supervisory Board adopted resolutions / decisions based on thorough analysis of situations brought to its attention.

In 2017, the Supervisory Board was convened 40 times, the meetings taking place at company headquarters in Constanta port, Dana 34.

At the meetings members of the Executive Board and directors/heads of departments of the company have attended. 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 of the Supervisory Board meetings held in fiscal year 2017:

- Approval of the financial calendar to be submitted to BSE (BVB) and FSA (ASF);
- Approval of BVC for 2018;
- Approval of SOCEP SA investment program;
- Amendment of SOCEP SA Executive Board Regulation;
- Appointment of Board members;
- Approval of the company's organizational structure;
- Approval of sponsoring agreements signed by the company;

- Approval of the purchase of machinery and equiment: container handling equipment (nacelle), beam for handling steel coils, band stacking in the warehouse, conveyer belts, scale for railcars, frontal loader, steel sheets loading equipment, marking equipment, brush cleaning equipment for warehouses, forklifts.

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 based upon permits and licenses obtained from environmental authorities, thus complying with the environmental protection legislation. From this point of view, the company is inspected and controlled by the specialized state institutions, there haven't benn any penalties 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 Board 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 Board, 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 Board 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 Board 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 Board.		**NO**
Up to this point this obligation has not been expressly included in the Supervisory Board 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.			
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 2017 Supervisory Board had 40 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 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 assessment 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 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.		**NO**
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 D.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, 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.		**NO**
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 regard to 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 2017. In 2018 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 from cash and cash equivalents.

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

		lei
	12/31/2016	**12/31/2017**
Customers and other receivables	10,168,495	8,659,964
Cash and cash equivalents	34,250,754	37,682,443
Total	**44,419,249**	**46,342,407**

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 12/31/2017, the company had cash and cash equivalents amounting to 37,682,434 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 12/31/2017, the credit balance was 29,419,095 lei.

The company liabilities on 12/31/2017, amounting to 33,663,620 lei, have the following maturities:

		= in lei =
	Value	**Maturity of 12 months or less**
Suppliers and other liabilities	4,171,565	4,171,565
Bank loans (including interest)	29,492,055	6,236,202
Total	**33,663,620**	**10,407,767**

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 12/31/2017, credit balance was 29,419,095 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:

	12/31/2016		12/31/2017	
Financial assets	**Euro**	**USD**	**Euro**	**USD**
Customers	42,839	458,123	194,249	36,352
Cash and cash equivalents	3,678,730	1,883,873	3,807,941	1,802,290
Total financial assets	**3,721,569**	**2,341,996**	**4,002,190**	**1,838,642**
Financial liabilities				
Suppliers	1,026	16,502	116	2,045
Total financial liabilities	**1,026**	**16,502**	**116**	**2,045**

- 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 12/31/2017, the used amount from this credit was 29,419,095 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 12/31/2017, the used amount from this credit was 29,419,095 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

	12/31/2016	12/31/2017
ROCOMBI S.A. shares	104,553	112,071
ROFERSPED S.A. shares	227,144	275,918
INVESTIŢII MANAGEMENT shares	17,673	6,665
TOTAL	349,370	394,654

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

lei

	12/31/2016	12/31/2017
ELECTRICA SA shares	86,948	74,659

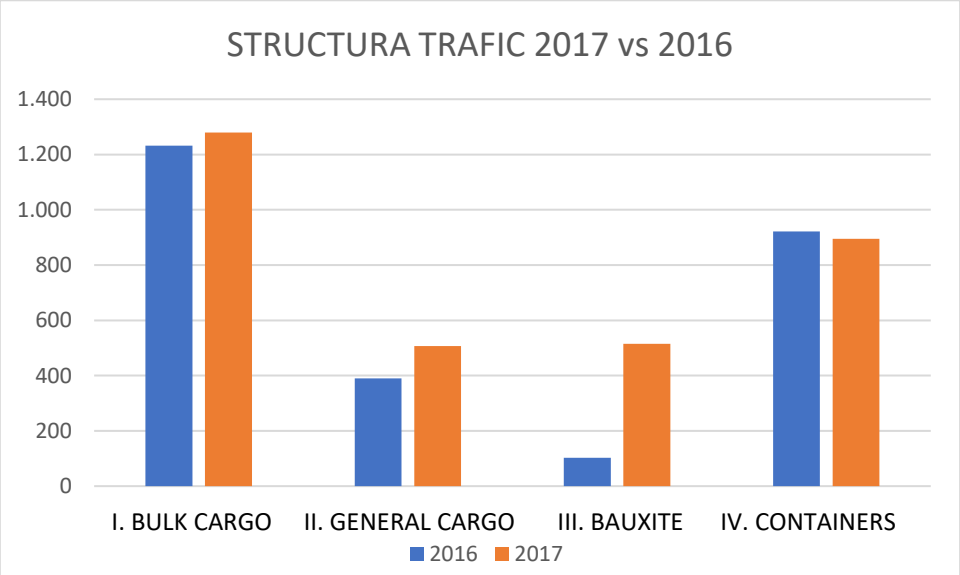
This is a synthesis of SOCEP S.A. economic and financial results as at 12/31/2016:

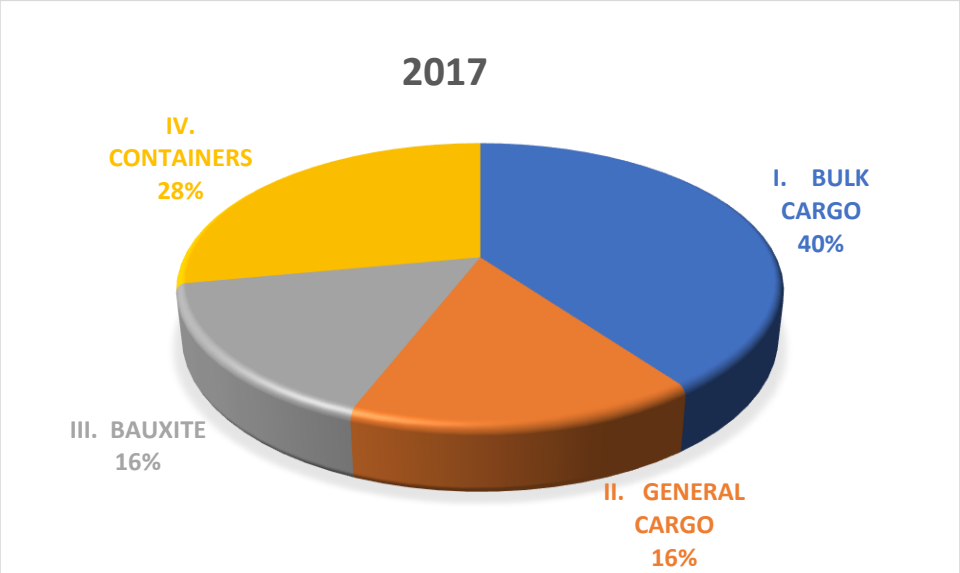
I. PHYSICAL INDICATORS

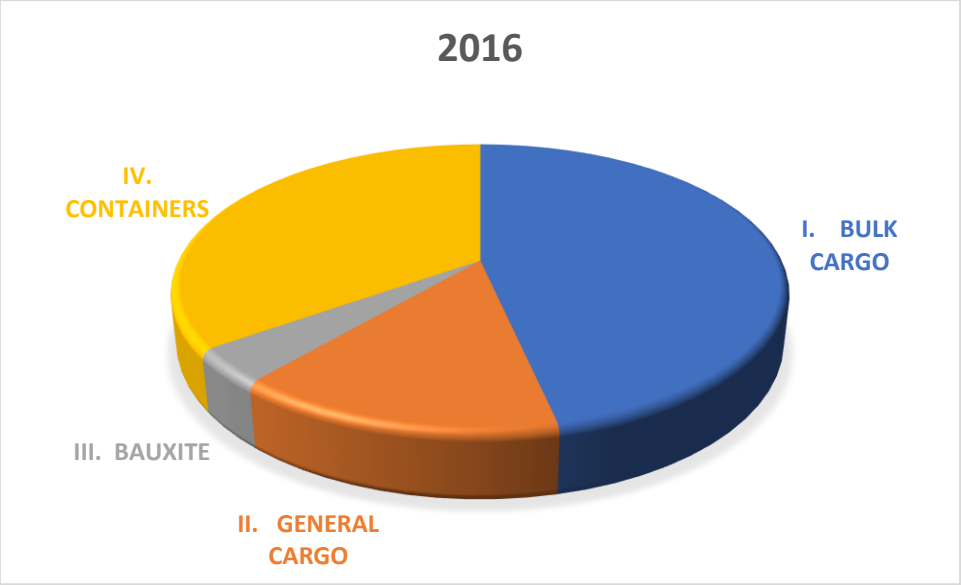
INDICATORS	U.M.	Achieved 12/31/2016	12/31/2017			% 2017/2016
			Program	Achieved	%	
1. Port traffic	1000 tons	2,646	3,018	3,196	105.90	120.79
2. Cargo handling	"	3,920	4,351	4,133	94.99	105.43
3. Average number of employees	persons	432	435	425	97.70	98.38
4. Mechanization level	%	92.3	91.0	88.9	97.69	96.32
5. Technical usage rate	%	37.3	37.5	33.8	90.13	90.62

The structure of the traffic achieved on types of cargo compared with to the same period of the year 2017 is as follows:

CARGO TYPES	2016	2017	+/-	%
	- x 1000 to -			
I. BULK CARGO, total o/w:	1,232	1,279	47	103.82
1.1. Chemicals	55	205	150	372.73
1.2. Grain	1,128	991	- 137	87.85
1.3. Other cargo	49	83	34	169.39
II. GENERAL CARGO, total o/w:	390	507	117	130.00
2.1. Laminated	340	470	130	138.24
2.2. Chemicals	33	23	- 10	69.70
2.3. Other cargo	17	14	- 3	82.35
GENERAL CARGO SECTION TOTAL	**1,622**	**1,786**	**164**	**110.11**
III. BAUXITE	103	**515**	**412**	**500.00**
IV. CONTAINERS	921	**895**	**- 26**	**97.18**
TOTAL SOCEP TRAFFIC	**2,646**	**3,196**	**550**	**120.79**
V. NUMBER OF CONTAINERS	81,527	78,700	- 2,827	96.54
VI. CONTAINER TEU-s	144,165	139,087	- 5,078	96.48







Structure of achieved traffic split by cargo types

Port traffic in the year 2017 recorded an increase of 20.79 percent. This growth was influenced by the improvement of Bauxite port traffic with 400%. Also, port traffic growth has been sustained by the increase in chemical bulk cargo by 272.73%, namely 150,000 tons and in laminated products by 38.24%, namely 130,000 tons.

The containers have recorded a decrease from the previous year. The decrease has been registered at the number of operated TEU-s, respectively 5,078 TEU-s, meaning 3.5% TEU-s less than in 2016.

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

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.**	
	2016	**2017**	**2016**	**2017**
1. Tractors	99.6	100.0	10.0	5.4
2. Container transport tractors	89.1	85.4	48.1	43.0
3. Loaders	88.5	91.6	46.2	44.8
4. Forklifts for containers	91.2	89.9	54.5	55.9
5. Forklifts for general cargo	93.2	88.5	32.9	29.6
6. Motor cranes	94.7	81.3	11.2	16.5
7. Quay cranes	96.2	94.3	24.6	24.6
8. Gantry cranes for containers	92.4	91.9	45.7	43.8
9. RTG	-	96.4	-	36.8
TOTAL	**92.3**	**88.9**	**37.3**	**33.8**

Technical condition coefficient (TCC) has a value close to that of last year: 92.3% in 2016 relative to year 2017 with a value of 88.9%.

Time usage coefficient (TUC) recorded a slight decrease of 3.5% compared to the year 2016, meaning a value of 33.8%.

II. FINANCIAL AND EFFICIENCY INDICATORS

The statement of financial and efficiency indicators compared to the same period of 2016 are as follows:

	UM	ACHIEVED IN 2016	2017		%	
			PROGRAM	ACHIEVED	ACHIEVED/ PROGR. 2017	2017/ 2016
Income (turnover)	lei	64,802,898	78,286,907	63,325,700	80.89	97.72
Other income	lei	1,088,401	801,554	2,244,827	280.06	206.25
Raw materials and consumables	lei	(7,694,675)	(8,411,686)	(7,945,115)	94.45	103.25
Cost of sold cargo	lei	(28,250)	(25,000)	(28,160)	112.64	99.68
Services provided by third parties	lei	(13,950,513)	(16,146,321)	(16,295,886)	100.93	116.81
Employee benefit expenses	lei	(24,568,456)	(26,849,680)	(27,666,835)	103.04	112.61
Impairment and amortization expenses	lei	(6,292,178)	(9,182,257)	(8,702,960)	94.78	138.31
Other expenses	lei	(1,219,695)	(922,565)	(1,161,821)	125.93	95.26
Other income/loss from operation - net	lei	(274,250)	(372,329)	1,023,541	-	-
Financial income	lei	47,948	50,000	80,652	161.30	168.21
Financial expenses	lei	-	(238,225)	(135,660)	56.95	-
Other financial gains/losses - net	lei	571,715	(550,000)	(260,101)	47.29	-
Profit before tax	**lei**	**12,482,945**	**16,440,398**	**4,478,182**	**27.24**	**35.87**
Income tax expense	lei	(1,678,659)	(2,570,464)	(753,416)	29.31	44.88
Net profit for the year	lei	10,804,286	13,869,934	3,724,766	26.85	34.47
Profit rate	%	19.26	21,00	7,07	33.67	36.71
Work productivity	lei/person	150,007	179,970	149,002	82.79	99.33

The turnover achieved a rate of 80.89% of the budget and compared to 2016 value of turnover, 97.72% has been reached.

The expense of raw materials was lower due to the reduction by self-repairing at warehouses and platforms, and due to the reduction of energy consumption thanks to favorable weather.

The expenditure with employee benefits has bee significantly influenced by Court Decision No.10/CM.

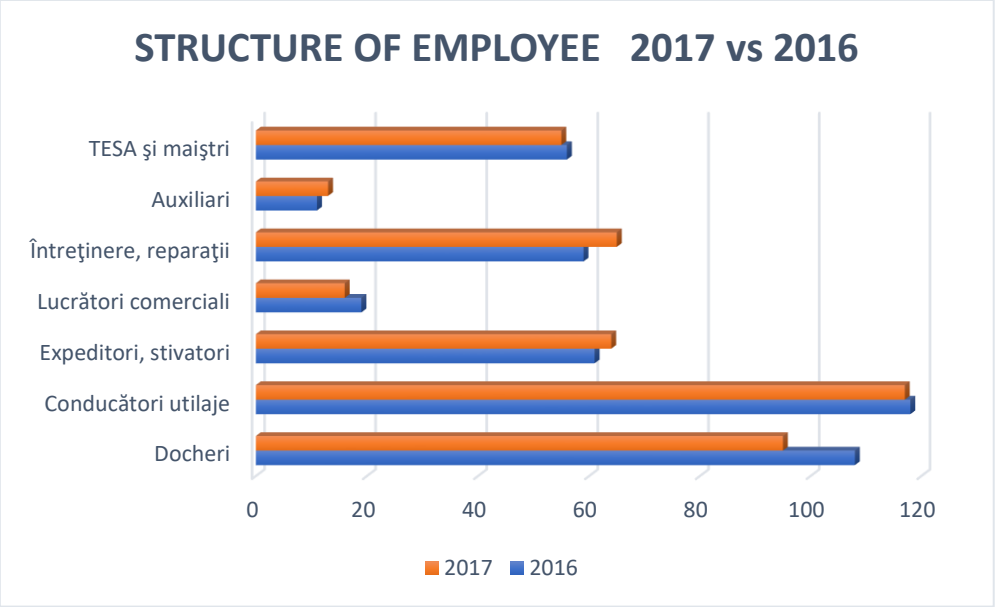
Financial income had a positive trend due to favorable interest rates on deposits.

Financial expense had been affected by the final putting into operation of the PACECO project at the end of 2017.

III. HUMAN RESOURCES AND WAGE SCALE

On 12/31/2017 the structure of employees, average basic wage and gross average wage were as follows:

	Average no.			Lei Gross average wage		
	2016	**2017**	**%**	**2016**	**2017**	**%**
Dockers	108	95	88.0	3,346	3,549	106.1
Machinery operators	118	117	99.1	3,859	4,279	110.9
Consigners, stevedores	61	64	104.9	3,407	3,381	99.2
Trade workers	19	16	84.2	2,641	2,850	107.9
Maintenance, repairs	59	65	110.2	3,236	3,220	99.5
Auxiliaries	11	13	118.2	2,112	2,449	116.0
Technical, economic, social administrative staff and foremen	56	55	98.2	3,231	3,530	109.3
TOTAL	**432**	**425**	**98.4**	**3,403**	**3,611**	**106.1**



The number of staff compared with the same period of the previous year was relatively constant.

Average gross income was largely influenced by the salary increase granted to the employees starting on September 2017. The number of staff split on various categories of employees changed corresponding to the volume of the different specific activities.

IV. REPAIRS AND INVESTMENTS

The repair and investment program was performed as follows:

Lei

EXPLANATIONS	ACHIEVED 2016	2017			% 2017/ 2016
		PROGRAM	ACHIEVED	%	
I. TOTAL REPAIRS	**3,602,102**	**3,897,840**	**3,850,945**	**98.8**	**106.9**
1.1 Machinery	2,636,980	3,248,840	3,188,197	98.1	120.9
1.2. Construction	965,122	649,000	662,748	102.1	68.7
II. TOTAL INVESTMENTS	**39,950,752**	**37,408,500**	**15,607,517**	**41.72**	**39.07**
2.1. Tangible assets	38,998,540	36,936,000	15,524,897	42.03	39.81
2.2. Intangible assets	952,212	472,500	82,620	17.49	8.68
2.3. Financial assets	0	-	-	-	-
III. INVESTMENTS COMMISSIONED	**5,602,332**	**51,493,500**	**51,416,991**	**99.85**	**917.781**
3.1. Tangible assets	4,647,052	51,471,000	51,390,074	99.84	1.105.86
3.2. Intangible assets	955,280	22,500	26,917	119.63	2.82

For 2017, the maintenance and repair plan for machinery category was achieved up to 98.0%. Achieving the planned 98% led to the use of machinery to optimal production capacity.

The maintenance and repair plan for buildings category was achieved up to 102%. These works could not be carried out because the bulk storage rooms were in high demand.

Overall, the maintenance and repair plan for 2017 was achieved to a rate of 98%.

For 2017, an investment program worth 8,313,000 lei has been projected. Due to the freight traffic evolution and because of the need to adapt to different types of cargo handled during 2017, this investment plan has undergone several changes and adjustments in accordance with the aspects above. Thus, on12/31/2017, the situation of the actually realized investment plan is outlined in the table below.

No.	NAME OF FIXED ASSET	Scheduled 2017		Achieved 2017		Comments
		No. of pcs.	Lei/ total	No. of pcs.	Lei/ total	
1	**Tire changing equipment**	**0**	**0**	**1**	**23,542**	**PIF (putting into operation) 17201/12.01.2017 INVESTMENT PLAN 2016**
2	**Mobile belt conveyer**	**0**	**0**	**1**	**51,658**	**PIF 17202/16.01.2017 INVESTMENT PLAN 2016**
3	**KOMATSU frontal loader**	**0**	**0**	**1**	**157,298**	**PIF 17204/16.02.2017 INVESTMENT PLAN 2016**
4	**Modular Container 6 x 4,8 m**	**0**	**0**	**1**	**35,657**	**PIF 17203/15.02.2017 INVESTMENT PLAN 2016**
5	**Mobile terminals for VT trucks**	**0**	**0**	**13**	**47,710**	**PIF 17207/31.03.2017 INVESTMENT PLAN 2016**

6	Access control system in „Vestiar" building	0	0	1	24,032	PIF 17209/11.04.2017 INVESTMENT PLAN 2016
7	Container handling Gantry 65to Nr. 3	1	30,298,500	1	30,810,416	PIF 4787/18.05.2017 INVESTMENT PLAN 2017
8	Container handling equipment RTG type	2	10,962,000	2	10,807,228	PIF 4783/18.05.2017 INVESTMENT PLAN 2017
9	Greifer for ore nr. 5 35mc	1	315,000	1	277,161	PIF 17210/08.05.2017 INVESTMENT PLAN 2017
10	Brush cleaning equipment	1	360,000	1	18,941	PIF 17211/30.05.2017 INVESTMENT PLAN 2017
11	Mobile active terminal Honeywell	0	0	2	40,838	PIF 17219/30.06.2017 INVESTMENT PLAN 2016
12	Hyundai forklift 5TG 50DA-9	3	540,000	3	524,547	PIF 17216/19.06.2017 INVESTMENT PLAN 2017
13	Mobile terminals for trucks	0	0	1	4,640	PIF 17224/28.07.2017 INVESTMENT PLAN 2016
14	Hyundai forklift 16 to 160d-9	1	558,000	1	564,610	PIF 17220/03.07.2017 INVESTMENT PLAN 2017
15	Komatsu frontal loader B5	1	180,000	1	159,288	PIF 17226/07.8.2017 INVESTMENT PLAN 2017
16	Heating system for „Vestiar" building Pier II	1	180,000	1	150,562	PIF 17229/30.09.2017 INVESTMENT PLAN 2017
17	Hooking equipment for 30 tons steel coils	1	45,000	1	20,433	PIF 17236/15.11.2017 PLAN INVESTITII 2017
18	Mobile conveyer belt 12m	6	405,000	6	252,978	PIF 17234/06.11.2017 INVESTMENT PLAN 2017
19	Computer software, licenses and hardware equipment	1	69,000	20	34,145	PIF 17301 17302/29.07.2017 17303/28.08.2017 PIF 17304 17305/02.11.2017 , 17230,17231/02.11.2017 INVESTMENT PLAN 2017
20	Modernization of portainer runway in Berth 51-52	0	0	1	6,543,318	PIF 17205/22.02.2017 INVESTMENT PLAN 2016
21	Modernization of mobile terminal for truck	0	0	4	356	PIF 17206/14.03.2017 INVESTMENT PLAN 2016
22	Modernization of video surveillance system in Pier II	1	22,500	1	16,403	PIF 17235/13.11.2017 INVESTMENT PLAN 2017
23	Beam 20to	0	0	2	63,434	PIF 17215/15.06.2017
24	Mobile conveyer belt 17m	0	0	9	468,576	PIF 17234/06.11.2017
25	Vats for general cargo	0	0	3	107,466	PIF 17208/31.03.2017 si 17227/31.08.2017- INTERNAL PRODUCTION
26	Forklift for general cargo 25t	1	900,000	0	0	POSTPONED – Investment Plan 2018
27	Modernization of CF bridges	1	900,000	0	0	POSTPONED – Investment Plan 2018

28	**Mobile crane 50t**	**1**	**2,025,000**	**0**	**0**	**POSTPONED – Investment Plan 2018**
29	**Other investment**	**0**	**3,733,500**	*****	**211,754**	*****
GRAND TOTAL		*****	**51,493,500**	*****	**51,416,991**	*

From the point of view of the investments put into operation, the investment plan for this year has been achieved up to 99.85%. A significant share in its achievement was the PACECO project, namely container gantry and container handling equipment.

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

The following expenses were made during 2017:

Lei

	Amount deductible for tax purposes	**Expenses incurred**
1. Social-cultural expenses	403,977	403,977
2. Sponsorship expenses	152,835	199,042
3. Donations expenses	*	*
4. Entertainment expenses	39,301	80,475
5. Advertising and publicity expenses	91,263	91,263

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

VI. TAX OBLIGATIONS AND OTHER DEBTS

As at 12/31/2017, 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 12/31/2017 there are no outstanding debts registered with banks, suppliers and other creditors.

VII. PROFIT AND INCOME TAX SITUATION

On 12/31/2017 the situation is as follows:

	= in lei =
	12/31/2017
Profit before tax	4,478,182
Deductions – reserve fund	(94,009)
Nontaxable income	(3,334,060)
Non-deductible expenses	3,997,073
Items similar to income	1,216,632
Taxable profit	6,263,818
Income tax determined with 16%	1,002,211
Sponsorships	(190,021)
Profit reinvestment deduction	(52,107)
Total current income tax	760,083

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

a) Nondeductible amounts:

EXPLANATIONS	**12/31/2017**
House Protocol expenses	45,541
Fuel expenses	38,025
Maintenance and repair expenses	12,746
Insurance premiums expenses	21,385
Protocol expenses	41,174
Fuel expenses, third party services	52,457
Charges for transport means	452
VAT for nondeductible expenses	12,376
Loss from receivables and revaluations of tangible assets	67,555
Damages, fines, penalties	26,800
Expenses related to income from equity stakes	2,488
Sponsorships	199,042
Expenses with additional meal vouchers	154,318
Provisions	2,051,649
Non-deductible accounting depreciation	1,271,065
TOTAL	**3,997,073**

b) Nontaxable amounts:

EXPLANATIONS	12/31/2017
Income from equity stakes	98,151
Income from fair value gains on investment property	9,300
Income from provisions	3,226,609
TOTAL	**3,334,060**

c) Items similar to income

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

Income tax expense

On 12/31/2017, it is as follows:

	12/31/2017
Current income tax expense	760,083
Deferred income tax expense	507,495
Deferred income tax revenues	(514,162)
Income tax expense	**753,416**

Net profit to be distributed

Profit before tax	4,478,182
Income tax expense	(753,416)
Net profit to be distributed	3,724,766

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

Destination	Amount
Net profit to be distributed	3,724,766
- legal reserves	94,009
- reinvested profit reserve	325,667
- dividends	3,305,090

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, sent 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 2017, componence of the Executive Board underwent the following changes:

- Between 01/01/2017-10/10/2017, Executive Board was composed of 5 members, namely:

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

- In-between 11/27/2017-01/08/2018, following a decision of the Supervisory Board, the members of the Executive Board are:

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

- Starting with 01/08/2018, according to the decision of the Supervisory Board, the members of the Executive Board are:

⇒ Barbarino Marius - General Manager
⇒ Nebi Camelia - Financial Manager
⇒ Teodorescu Lucian - Maintenance Manager
⇒ Codeț Gabriel - Operations Manager
⇒ Pavlicu Ramona - Sales 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 consolidated 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 2017, the revenues of this company came from bank interest of bank deposits and from participation interests.

As of August 1-st, 2015, according to the SOCEP SA (sole associate) EGMS decision of July 27-th, 2015, the SOCEFIN management was provided by a sole administrator. For 2017, the management has been provided by Mrs. Camelia Nebi. Starting on 01/01/2018 the sole administrator was designated Mr. Fănel Ștefănescu.

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%.

Based on Decision No. 36 published in M.O. P.IV / 11/13/2017, it was decided unanimously liquidation and deregistration SC TRANSOCEP TERMINAL S.A. and the appointment of the external authorized liquidator in the person of Mrs. POPESCU ADINA.

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 12/31/2016 and 12/31/2017 the net result of the two business segments had the following values:

Indicators	12/31/2016			12/31/2017		
	Port operation activity (SOCEP SA)	Holding activity (SOCEFIN SRL)	TOTAL	Port operation activity (SOCEP SA)	Holding activity (SOCEFIN SRL)	TOTAL
Income	69,076,439	1,281,439	70,357,878	70,619,432	2,568,982	73,188,414
Expense	58,336,051	26,539	58,362,590	66,906,340	53,803	66,960,143
Net result	**10,740,388**	**1,254,900**	**11,995,288**	**3,713,092**	**2,515,179**	**6,228,271**

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

	12/31/2016			12/31/2017		
	Port operation activity (SOCEP SA)	Holding activity (SOCEFIN SRL)	TOTAL	Port operation activity (SOCEP SA)	Holding activity (SOCEFIN SRL)	TOTAL
ASSETS						
Tangible assets	84,093,191	-	84,093,191	97,413,682	-	97,413,682
Real estate investments	392,800	-	392,800	1,643,853	-	1,643,853

Intangible assets	956,269	-	956,269	708,419	-	708,419
Financial assets available for sale	436,318	14,182,488	14,618,806	469,313	23,477,136	23,946,449
Investments in subsidiaries and associates	61,233	-	61,233	18,447	-	18,447
Other long term investments	2,079,732	-	2,079,732	2,336,727	-	2,336,727
TOTAL NON-CURRENT ASSETS	**88,019,543**	**14,182,488**	**102,202,031**	**102,590,441**	**23,477,136**	**126,067,577**
Stocks	591,879	-	591,879	1,746,509	-	1,746,509
Clients and other receivables	10,168,482	3,684	10,172,166	8,659,624	5,279	8,664,903
Income tax	45,886	4,313	50,199	140,731	4,313	145,044
Accrued charges	121,231	-	121,231	145,367	-	145,367
Cash and cash equivalents	34,250,754	25,156,536	59,407,290	37,682,443	21,365,344	59,047,787
TOTAL CURRENT ASSETS	**45,178,232**	**25,164,533**	**70,342,765**	**48,374,674**	**21,374,936**	**69,749,610**
TOTAL ASSETS	**133,197,775**	**39,347,021**	**172,544,796**	**150,965,115**	**44,852,072**	**195,817,187**
NONCURRENT LIABILITIES						
Deferred tax liabilities	2,114,535	608,224	2,722,759	3,299,130	1,098,222	4,397,352
Long term bank loans	20,271,775	-	20,271,775	23,255,853	-	23,255,853
Deferred income	-	-	-	-	-	-
Provisions for employee benefits	450,895	-	450,895	480,573	-	480,573
TOTAL NON-CURRENT LIABILITIES	**22,837,205**	**608,224**	**23,445,429**	**27,035,556**	**1,098,222**	**28,133,778**
CURRENT LIABILITIES						
Suppliers and other liabilities	4,087,928	1,844	4,089,772	4,171,238	2,158	4,173,396
Current income tax liabilities	-	-	-	-	-	-
Provisions	5,784	-	5,784	5,784	-	5,784
Deferred income	180	-	180	31,096	-	31,096
Long term bank loans (maturing in up to one year)	2,732,980	-	2,732,980	6,163,242	-	6,163,242
Interest related to long term loans	27,337	-	27,337	72,960	-	72,960
TOTAL CURRENT LIABILITIES	**6,854,209**	**1,844**	**6,856,053**	**10,444,320**	**2,158**	**10,446,478**
TOTAL LIABILITIES	**29,691,414**	**610,068**	**30,301,482**	**37,479,876**	**1,100,380**	**38,580,256**

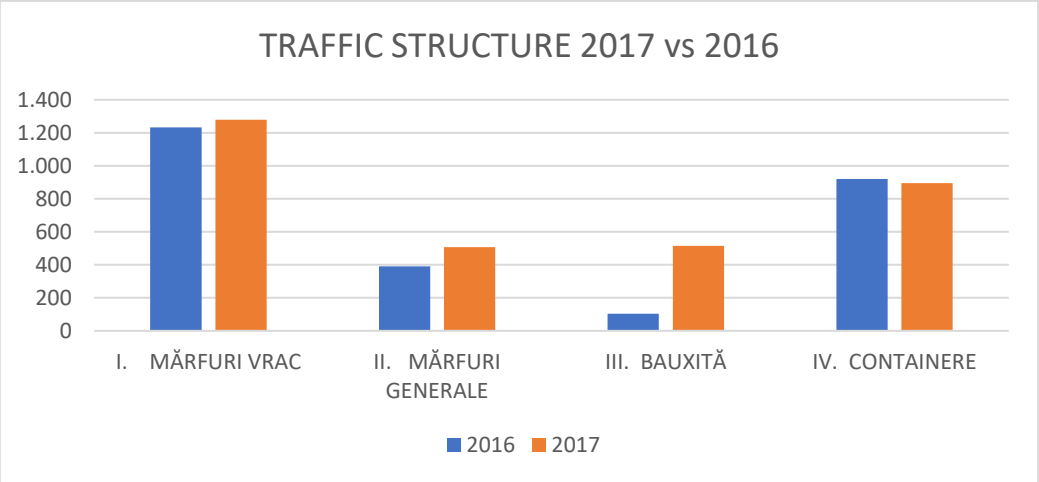
In 2017 SOCEP achieved the following results:

➢ PHYSICAL INDICATORS

INDICATORS	U.M.	Achieved	12/31/2017			%
		12/31/2016	Program	Achieved	%	2017/2016
1. Port traffic	1000 tons	2,646	3,018	3,196	105.90	120.79
2. Cargo handling	"	3,920	4,351	4,133	94.99	105.43
3. Average numb of employees	persons	432	435	425	97.70	98.38
4. Mechanization level	%	92.3	91.0	88.9	97.69	96.32
5. Technical usage rate	%	37.3	37.5	33.8	90.13	90.62

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

CARGO TYPE	2016	2017	- x 1000 to - +/-	%
I. BULK CARGO, total o/w:	1,232	1,279	47	103.82
1.1. Chemicals	55	205	150	372.73
1.2. Grain	1,128	991	- 137	87.85
1.3. Other cargo	49	83	34	169.39
II. GENERAL CARGO, total o/w:	390	507	117	130.00
2.1. Laminated	340	470	130	138.24
2.2. Chemicals	33	23	- 10	69.70
2.3. Other cargo	17	14	- 3	82.35
GENERAL CARGO SECTION TOTAL	**1,622**	**1,786**	**164**	**110.11**
III. BAUXITE	103	515	412	500.00
IV. CONTAINERS	921	895	- 26	**97.18**
TOTAL SOCEP TRAFFIC	**2,646**	**3,196**	**550**	120.79
V. NUMBER OF CONTAINERS	81,527	78,700	- 2,827	96.54
VI. TEU-s	144,165	139,087	- 5,078	96.48



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.	
	2016	**2017**	**2016**	**2017**
1. Tractors	99.6	100.0	10.0	5.4
2. Container transport tractors	89.1	85.4	48.1	43.0
3. Loaders	88.5	91.6	46.2	44.8
4. Forklifts for containers	91.2	89.9	54.5	55.9
5. Forklifts for general cargo	93.2	88.5	32.9	29.6
6. Motor cranes	94.7	81.3	11.2	16.5
7. Quay cranes	96.2	94.3	24.6	24.6
8. Gantry cranes for containers	92.4	91.9	45.7	43.8
9. RTG-s	-	96.4	-	36.8
TOTAL	**92.3**	**88.9**	**37.3**	**33.8**

➢ REPAIRS AND INVESTMENTS

The repair and investment program was performed as follows:

Lei

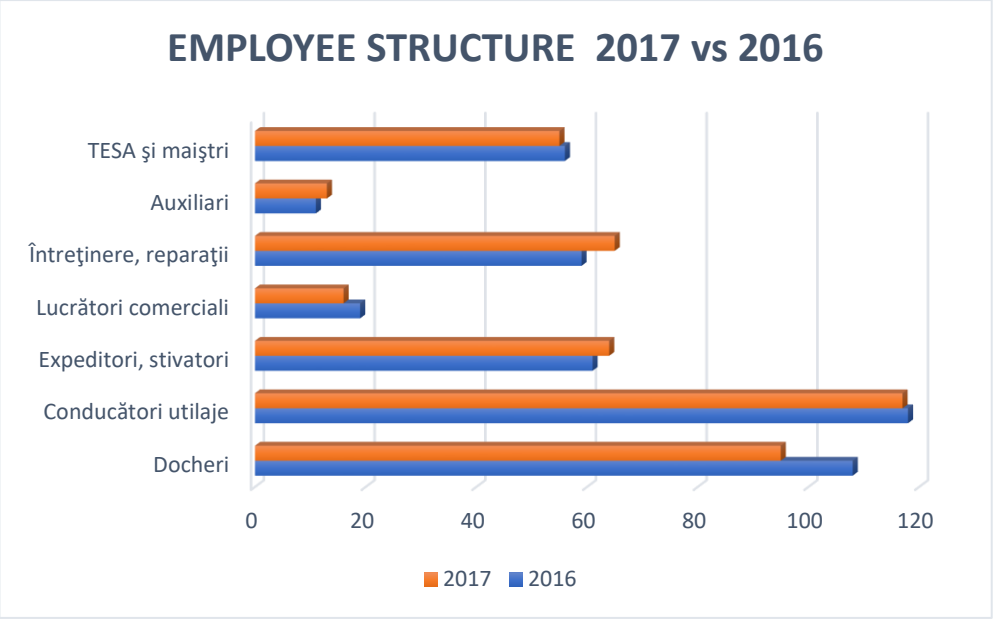
EXPLANATIONS	ACHIEVED 2016	2017			% 2017/ 2016
		PROGRAM	ACHIEVED	%	
I. TOTAL REPAIRS	**3,602,102**	**3,897,840**	**3,850,945**	**98.8**	**106.9**
1.2 Machinery	2,636,980	3,248,840	3,188,197	98.1	120.9
1.2. Construction	965,122	649,000	662,748	102.1	68.7
II. TOTAL INVESTMENTS	**39,950,752**	**37,408,500**	**15,607,517**	**41.72**	**39.07**
2.1. Tangible assets	38,998,540	36,936,000	15,524,897	42.03	39.81
2.2. Intangible assets	952,212	472,500	82,620	17.49	8.68
2.3. Financial assets	0	0	0	0	0
III. INVESTMENTS COMMISSIONED	**5,602,332**	**51,493,500**	**51,416,991**	**99.85**	**917.78**
3.1. Tangible assets	4,647,052	51,471,000	51,390,074	99.84	1.105.86
3.2. Intangible assets	955,280	22,500	26,917	119.63	2.82

➢ HUMAN RESOURCES AND WAGE SCALE

On 12/31/2017 the structure of employees, average basic wage and gross average wage were as follows:

Lei

	Average no.			Gross average wage		
	2016	**2017**	**%**	**2016**	**2017**	**%**
Dockers	108	95	88.0	3,346	3,549	106.1
Machinery operators	118	117	99.1	3,859	4,279	110.9
Consigners, stevedores	61	64	104.9	3,407	3,381	99.2
Trade workers	19	16	84.2	2,641	2,850	107.9
Maintenance, repairs	59	65	110.2	3,236	3,220	99.5
Auxiliaries	11	13	118.2	2,112	2,449	116.0
Technical, economic, social administrative staff and foremen	56	55	98.2	3,231	3,530	109.3
TOTAL	**432**	**425**	**98.4**	**3,403**	**3,611**	**106.1**



The number of employees compared with the same period of the previous year recorded a slight decrease.

Average gross income was largely influenced by the salary increase granted to the employees starting on September 2017. 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	
			12/31/2016	12/31/2017
1.	Current liquidity	Current assets/Current liabilities	10.26	6.68
2.	Indebtedness	Borrowed capital / Equity x 100	16.48	17.89
		Borrowed capital / Committed capital x 100	14.15	14.63
3.	Rotation speed of customers flows	Average customer balance / Turnover x 360	87.22	62.40
4.	Rotation speed of fixed assets	Turnover/Fixed assets	0.63	0.50

Income generated by SOCEFIN S.R.L. in the amount of 2,568,982 lei came from bank interest of bank deposits for periods ranging between 1 month to 3 months and from participation interests.

CAP.III FINANCIAL STATEMENTS AUDITED

III.1 INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 31/12/2017
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, 2017

	NOTE	12/31/2015	12/31/2016	Lei 12/31/2017
NON-CURRENT ASSETS				
- Tangible assets	7	51,860,931	84,093,191	97,413,682
- Intangible assets	8	27,576	956,269	708,419
- Financial assets available for sale	9	169,130	436,318	469,313
- Investments in subsidiaries and associates	10	30,091,385	30,061,230	30,018,447
- Other long term investments	11	-	2,079,732	2,336,727
- Real estate investments	7	368,700	392,800	1,643,853
TOTAL NON-CURRENT ASSETS		**82,517,722**	**118,019,540**	**132,590,441**
CURRENT ASSETS				
- Stocks	12	458,739	591,879	1,746,509
- Clients and other receivables	13	15,995,887	10,168,495	8,659,964
- Receivables regarding profit tax	20	-	45,886	140,731
- Accrued charges	14	134,195	121,231	145,367
- Cash and cash equivalents	15	33,017,721	34,250,754	37,682,443
TOTAL CURRENT ASSETS		**49,606,542**	**45,178,245**	**48,375,014**
TOTAL ASSETS		**132,124,264**	**163,197,785**	**180,965,455**
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	39,664,704	39,159,046	45,774,486
- Retained earnings	18	52,624,538	62,640,858	66,967,919
- Retained earnings from the adoption of IAS 29	16	(164,750,632)	(164,750,632)	(164,750,632)
- Other elements of equity	19	(3,055,219)	(2,636,120)	(3,599,727)
TOTAL EQUITY		**123,576,597**	**133,506,358**	**143,485,252**
LIABILITIES				
Non-current liabilities				
- Deferred tax liabilities	20	2,292,436	2,114,535	3,299,130
- Deferred income	22	-	-	-
- Provisions for employee benefits	24	422,212	450,895	480,573
- Long term bank loans	21	-	20,271,775	23,255,853
TOTAL NON-CURRENT LIABILITIES		**2,714,648**	**22,837,205**	**27,035,556**

Current liabilities				
- Suppliers and other liabilities	23	4,502,911	4,087,941	4,171,565
- Long term bank loans maturing in up to one year	21	-	2,732,980	6,163,242
- Interest related to long term loans	21	-	27,337	72,960
- Current income tax owed	20	965,85	-	-
- Provisions	24	325,024	5,784	5,784
- Deferred income	22	39,234	180	31,096
TOTAL CURRENT LIABILITIES		**5,833,019**	**6,854,222**	**10,444,647**
TOTAL LIABILITIES		**8,547,667**	**29,691,427**	**37,480,203**
TOTAL EQUITY AND LIABILITIES		**132,124,264**	**163,197,785**	**180,965,455**

SOCEP PORT OPERATOR

STATEMENT OF COMPREHENSIVE INCOME AS AT DECEMBER 31-st, 2017

			Lei
	Note	**12/31/2016**	**12/31/2017**
Income	25	64,802,898	63,325,700
Other income	26	1,088,401	2,244,827
Raw materials and consumables	27	(7,694,675)	(7,945,115)
Cost of sold goods	28	(28,250)	(28,160)
Services provided by third parties	29	(13,950,513)	(16,295,886)
Employee benefits expense	30	(24,568,456)	(27,666,835)
Impairment and amortization expense	31	(6,292,178)	(8,702,960)
Other expenses	32	(1,219,695)	(1,161,821)
Other gains/losses from operations - net	33	(274,250)	1,023,541
Profit/(Loss) from operation		11,863,282	4,793,291
Financial income	34	47,948	80,652
Financial expense		-	(135,660)
Other financial gains/losses (net)	35	571,715	(260,101)
Profit before tax		**12,482,945**	**4,478,182**
Income tax expense	20	(1,678,659)	(753,416)
PROFIT FOR THE YEAR		**10,804,286**	**3,724,766**
OTHER COMPREHENSIVE INCOME ELEMENTS			
Elements not to be subsequently reclassified under profit or loss			
Gains or losses from evaluation of intangible assets		-	7,412,395
Deferred income tax related to other comprehensive income elements		-	(1,185,983)
Elements to be subsequently reclassified under profit or loss			
Gains or losses on financial assets available for sale	9	267,188	32,995
Deferred income tax related to other comprehensive income elements	20	-42,750	(5,279)
OTHER COMPREHENSIVE INCOME ELEMENTS FOR THE YEAR (without tax)		**224,438**	**6,254,128**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**11,028,724**	**9,978,894**

STATEMENT OF EQUITY CHANGES AS AT DECEMBER 31-st, 2017

Lei

	Share Capital	Share Capital Adjustments	Reserves	Retained Earnings	Retained Earnings from adopting IAS 29	Other Equity Elements	Total Equity
BALANCE AS AT 01/01/2016	**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 related to change in fair value of financial assets available for sale	-	-	-	-	-	(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**
Profit for 2017	-	-	419,676	3,305,090	-	-	3,724,766
Change in fair value for financial assets available for sale	-	-	-	-	-	32,995	32,995
Deferred income tax	-	-	-	-	-	(5,279)	(5,279)
Reserves from revaluation of realized tangible assets	-	-	(1,216,632)	1,216,632	-	-	-
Reserves from revaluation of unrealized tangible assets	-	-	7,412,395	-	-	-	7,412,395
Deferred income tax on realized revaluation differences	-	-	-	(194,661)	-	194,661	-
Tax related to revaluation reserve	-	-	-	-	-	(1,185,983)	(1,185,983)
BALANCE AS AT 12/31/2017	**34,342,574**	**164,750,632**	**45,774,486**	**66,967,919**	**(164,750,632)**	**(3,599,727)**	**143,485,252**

	12/31/2016	12/31/2017
CASH FLOWS FROM OPERATIONS		
Receipts from clients	78,352,424	72,474,604
Payments to suppliers and employees	(49,820,392)	(55,663,437)
Interest paid	-	-
VAT and other taxes (except income tax)	(2,769,163)	(2,636,000)
Income tax paid	(2,911,046)	(854,928)
Other receipts	490,738	896,086
Other payments	(3,782,648)	(1,020,410)
I. NET CASH FROM OPERATIONS	**19,559,913**	**13,195,914**
CASH FLOWS FROM INVESTMENTS		
Payments for acquisition of intangible assets	(958,509)	(98,318)
Payments for acquisition of tangible assets	(40,246,467)	(15,614,113)
Payments for acquisition of equity instruments	-	-
Receipts from change in value of equity instruments	-	-
Receipts from sale of tangible assets	48,077	13,544
Interests received	45,511	53,646
Dividends received	104,136	98,151
II. NET CASH FROM INVESTMENTS	**(41,007,252)**	**(15,547,090)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Refunding from long-term loans	*	(2,732,980)
Receipts from long-term loans	23,004,755	9,147,320
Interest related to loan	-	(411,825)
Dividends paid	(926,253)	(2,333)
III. NET CASH FROM FINANCING ACTIVITIES	**22,078,502**	**6,000,182**
IV. NET INCREASE IN CASH AND CASH EQUIVALENTS (I+II+III)	**631,163**	**3,649,007**
V. IMPACT OF EXCHANGE RATE VARIATIONS	**601,870**	**(217,318)**
VI. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR	**33,017,721**	**34,250,754**
VII. CASH AND CASH EQUIVALENTS AS AT 12/31	**34,250,754**	**37,682,443**

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.

Starting with 11/27/2017 following the decision of the Supervisory Board, the Executive Board consists of 5 members. The members of the Executive Board are:

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

Mr. Marius Barbarino holds the office of Executive 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 12/31/2017, 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.

2.6. New standards and interpretations not yet adopted

Amendments made to IAS 12 in January 2016 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.

- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

IFRS 9 Financial Instruments

Nature of change IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The company has reviewed its financial assets and liabilities and is not expecting an impact from the adoption of the new standard on 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

The following areas might be affected by the new standard:

- Accounting for the customer loyalty programme – IFRS 15 requires that the total consideration received must be allocated to the points and goods based on relative stand-alone selling prices rather than based on the residual value method. This will result in higher amounts being allocated to the goods sold and result in an earlier recognition of a portion of the revenue.
- Accounting for certain costs incurred in fulfilling a contract
- Presentation of contract assets and contract liabilities in the balance sheet – IFRS 15 requires separate presentation of contract assets and contract liabilities in the balance sheet.

IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the company's operating leases.

Mandatory application date/ Date of adoption by company

The company does not intend to adopt the standard before its effective date. The company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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 segments is made in a manner consistent with internal reporting to the key operating decision maker. The key 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 72,938 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 in as much 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:

	12/31/2016	**12/31/2017**
Customers and other receivables	10,168,495	8,658,964
Cash and cash equivalents	34,250,754	37,682,443
Total	**44,419,249**	**46,341,407**

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 12/31/2017, the company had cash and cash equivalents amounting to 37,682,443 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 12/31/2017, the value used from this loan was 29,419,095 lei.

The company liabilities on 31/12/2017, amounting to 33,663,620 lei, have the following maturities:

	Value	Maturity of 12 months or less
Suppliers and other liabilities	4,171,565	4,171,565
Bank loans	29,492,055	6,236,202
Total	**33,663,620**	**10,407,767**

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 12/31/2017, the value used from this loan was 29,419,095 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:

	12/31/2016		12/31/2017	
Financial assets	**Euro**	**USD**	**Euro**	**USD**
Customers	42,839	458,123	194,249	36,352
Cash and cash equivalents	3,678,730	1,883,873	3,807,941	1,802,290
Total financial assets	**3,721,569**	**2,341,996**	**4,002,190**	**1,838,642**
Financial liabilities				
Suppliers	1,026	16,502	116	2,045
Total financial liabilities	**1,026**	**16,502**	**116**	**2,045**

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 12/31/2017, the value used from this loan was 29,419,095 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 12/31/2017, the credit balance was 29,419,095 RON, term indebtedness was 15.85%.

4.3. Fair value evaluation

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	**12/31/2016**	**12/31/2017**
ROCOMBI S.A. shares	9	104,553	112,071
ROFERSPED S.A. shares	9	227,144	275,918
INVESTIŢII MANAGEMENT shares	9	17,673	6,665
TOTAL		**349,370**	**394,654**

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

	Note	12/31/2016	12/31/2017
ELECTRICA SA shares	9	86,948	74,659

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. 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 01/01/2016							
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**
Year ended on 12/31/2016							
Initial net carrying value	**31,211,933**	**16,123,796**	**144,670**	**392,800**	**7,345,248**	**29,267,544**	**84,485,991**
Receipts	6,578,975	44,682,581	127,960	-	3,921,487	11,603,410	66,914,413
Revaluation differences	7,399,177	-	-	9,300	-	-	7,408,477
Disbursements	-	(887,414)	(3,059)	-	(10,521,447)	(40,868,627)	(52,280,547)
Reclassification	(1,241,753)	-	-	1,241,753	-	-	-
Amortization for disbursements	-	885,420	3,059	-	-	-	888,479
Amortization expense	(2,656,311)	(5,658,023)	(44,944)	-	-	-	(8,359,278)
Final net carrying value	41,292,021	55,146,360	227,686	1,643,853	745,288	2,327	99,057,535
As at 12/31/2017							
Revaluated cost or value	41,292,021	101,097,115	560,083	1,643,853	745,288	2,327	145,340,687
Accumulated amortization		(45,950,755)	(332,397)	-	-	-	(46,283,152)
Net carrying value	**41,292,021**	**55,146,360**	**227,686**	**1,643,853**	**745,288**	**2,327**	**99,057,535**

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 2017 by an independent assessor, as follows:

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

The main purchases of tangible assets put into operation during 2017 were:

- CONTAINER TERMINAL, fixed assets amounting in total 48,603,397 lei have been put into operation or upgraded; main of them were:
  - → Container handling gantry
  - → 2 container handling equipment
  - → 15 mobile terminals for trucks
  - → Greifer
  - → Marking equipment
  - → Cranes runway modernization in BERTH 51-52.
- BULK AND GENERAL CARGO TERMINAL, fixed assets amounting in total 2,653,855 lei have been put into operation or upgraded; main of them were:
  - — 26 mobile conveyer belts
  - — 2 frontal loaders
  - — Brush cleaning equipment
  - — Access control system
  - — 4 HYUNDAI forklifts
  - — Heatimg system
  - — 3 vats for general cargo.

The company has no tangible assets acquired in financial leasing.
Tangible assets in the amount of 890,473 lei were disposed of, by scrapping/sale.

According to BRD Loan Contract for financing PACECO project, the company mortgaged the container handling gantry and the two container handling equipment; in the same time, mortgage upon the four KOMATSU loaders and the HYSTER forklift has been cancelled.
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 01/01/2016	
Cost	1,256,179
Accumulated amortization	(299,910)
Net carrying value	**956,269**
As at 12/31/2016	
Initial net carrying value	956,269
Receipts	26,911
Disbursements	(66,333)
Amortization for disbursements	66,333
Amortization expense	(330,464)
Final net carrying value	652,716
As at 12/31/2017	
Cost	1,216,757
Accumulated amortization	(564,041)
Net carrying value	**652,716**

The intangible assets include software licenses and one trademark. Licenses are depreciated in a linear manner over a useful life of more than three years, and the trademark over eight years.

On 12/31/2017, the company had recorded a total amount of 55,703 lei advances of intangible assets, amount related to general cargo records.

In the years 2016 and 2017 no impairment of intangible assets have been recognized, as per IAS 36 "Asset impairment". No losses from impairments during 2017 have been recognized.

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 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	**Roferspped SA**	**Investitii si Management Port Constanta**	**Electrica SA**	**Total**
Value as at 01/01/2017	**104,553**	**227,144**	**17,673**	**86,948**	**436,318**
Net asset value increases	7,518	48,774	-	-	56,292
Change in fair value	-	-	-	(12,289)	(12,289)
Net asset value decreases	-	-	(11,008)	-	(11,008)
Value as at 12/31/2017	**112,071**	**275,918**	**6,665**	**74,659**	**469,313**

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 impairment of shares held in TRANSOCEP TERMINAL SA which is in liquidation and deregistration procedure.

	Equity securities SOCEFIN	**Equity securities TRANSOCEP**	**Total**
As at 01/01/2017	**30,000,000**	**61,230**	**30,061,230**
Receipts	-	-	-
Provision for impairment	-	(42,783)	(42,783)
As at 12/31/2017	**30,000,000**	**18,447**	**30,018,447**

In 2012, the company participated with cash contribution to the capital of SOCEFIN SRL. On 12/31/2017, the equity of SOCEFIN SRL is 37,933,510 lei, made up of:
- 30,000,000 lei - share capital
- 7,933,510 lei - reserves and retained earnings.

On 12/31/2017 the equity of TRANSOCEP TERMINAL SA is 83,021 lei, consisting of:
- 83,021lei - share capital.

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 2,336,727 lei.

12. STOCKS

Stocks held on 31/12/2017 are mainly composed of consumables. Their values were:

	12/31/2016	12/31/2017
Consumables	1,143,486	2,290,936
Goods	855	832
Adjustments for stock impairment	(552,462)	(545,259)
Total	**591,879**	**1,746,509**

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 545,259 lei.

13. CUSTOMERS AND OTHER RECEIVABLES

	12/31/2016	12/31/2017
Trade receivables (customers)	12,822,202	9,129,705
Adjustments for customer receivables impairment	(3,846,550)	(918,049)
Trade receivables – carrying value	8,975,652	8,211,656
Guarantees for less than 1 year	27,972	-
Other receivables	1,281,119	2,252,839
Adjustments for impairment sundry debtors	(116,248)	(1,804,531)
Other receivables - carrying value	1,164,871	448,308
Total	**10,168,495**	**8,659,964**

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 2017 was as follows:

	12/31/2017	
	Adjustments for impairment customer receivables	**Adjustments for impairment sundry debtors**
Balance as at 01/01/2017	**3,846,550**	**116,248**
Increases	80,441	1,735,346
Decreases	(3,008,942)	(47,063)
Balance as at 12/31/2017	**918,049**	**1,804,531**

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	**12/31/2016**	**12/31/2017**
-not due	5,226,377	5,739,514
-due and unimpaired	3,749,275	2,472,142
-due and impaired	3,846,550	918,049
Total	**12,822,202**	**9,129,705**

Other receivables include:

	12/31/2016	**12/31/2017**
Advances for stocks and services	9,003	37,013
Taxes, charges to be recovered and other receivables	33,154	45,125
VAT to be recovered	120,833	-
Sundry debtors	1,118,129	2,170,701
Total	**1,281,119**	**2,252,839**

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

	12/31/2016	**12/31/2017**
Cash and bank accounts	6,728,809	9,804,833
Short-term bank deposits	27,521,945	27,877,610
Other amounts receivable	-	-
Total	**34,250,754**	**37,682,443**

Cash and cash equivalents in foreign currency were measured in the financial statements based on exchange rates valid on 12/31/2017, namely 4.6597 lei/Euro and 3.8915 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 01/01/2017	**17,939,190**	**6,774,506**	**10,047,519**	**4,397,832**	**39,159,046**
Profit distribution (earnings for the year)	-	94,009	-	325,667	419,676
Surplus from revaluation realized	(1,216,632)	-	-	-	(1,216,632)
Revaluation reserve real estate investments at fair value	7,412,395	-	-	-	7,412,395
Share of associates' reserves	-	-	-	-	-
As at 12/31/2017	**24,134,953**	**6,868,515**	**10,047,519**	**4,723,499**	**45,774,486**

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 3,858,116 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 412,495 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 01/01/2017	**49,720,362**	**(1,282,715)**	**12,363,714**	**1,839,497**	**62,640,858**
Result for the year	3,305,091	-	-	-	3,305,091
Revaluation surplus realized	-	-	1,216,632	-	1,216,632
Income tax for revaluation surplus realized	-	-	(194,661)	-	(194,661)
Dividends	-	-	-	-	-
As at 12/31/2017	**53,025,453**	**(1,282,715)**	**13,385,684**	**1,839,497**	**66,967,919**

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 01/01/2017	**(2,914,870)**	**278,750**	**(2,636,120)**
Deferred tax income related to change in fair value of financial assets available for sale	(5,279)	-	(5,279)
Change in fair value of financial assets available for sale	-	32,995	32,995
Deferred income tax related to revaluation surplus realized	194,661	-	194,661
Deferred income tax related to revaluation results	(1,185,983)	-	(1,185,983)
As at 12/31/2017	**(3,911,472)**	**311,745**	**(3,599,727)**

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 2017, without taking into account compensating balances related to the same taxation authority, is:

Deferred income tax assets

Deferred income tax assets	Stocks (stock adjustments)	Receivables (receivable adjustments)	Provisions	Shares impairment adjustments	Total
As at 01/01/2017	**88,394**	**634,047**	**73,069**	**4,825**	**800,335**
Recorded/credited in profit or loss for the period	-	-	4,748	6,845	11,593
Recorded/debited in profit or loss for the period	(1,153)	(198,434)	-	-	(199,587)
As at 12/31/2017	**87,241**	**435,613**	**77,817**	**11,670**	**612,341**

Deferred income tax liabilities

Deferred income tax liabilities	Revaluation reserves	Financial assets available for sale	Total
As at 01/01/2017	**2,870,270**	**44,600**	**2,914,870**
Recorded/credited in profit or loss for the period	-	-	-
Recorded/debited in profit or loss for the period	-	-	-
Recorded/credited in other elements of comprehensive income	991,322	5,279	996,601
Recorded/debited in other elements of comprehensive income	-	-	-
As at 12/31/2017	**3,861,592**	**49,879**	**3,911,471**

b) Current income tax

	12/31/2016	12/31/2017
Balance on 01 January	965,850	(45,886)
Increases	1,899,310	760,083
Decreases	(2,911,046)	(854,928)
Balance on 31 December	(45,866)	(140,731)

c) Expense with current income tax

	12/31/2016	12/31/2017
Profit before tax	12,482,945	4,478,182
Deductions - reserve fund	(624,147)	(94,009)
Non taxable income	(586,896)	(3,334,060)
Non deductible expenses	1,494,069	3,997,073

Elements similar to income	1,216,632	1,216,632
Taxable profit	13,982,603	6,263,818
Income tax calculated by 16%	2,237,216	1,002,211
Sponsorships	(324,014)	(190,021)
Deduction of reinvested profit	(13,892)	(52,107)
Current income tax expense	1,839,310	760,083

d) Income tax expenses

	12/31/2016	12/31/2017
Current income tax expenses	1,899,310	760,083
Deferred income tax expense	72,963	507,495
Deferred income tax revenues	(293,614)	(514,162)
Income tax expenses	1,678,659	753,416

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 ESPAŇA S.A., as per credit letter issue contract no. 209763/05.10.2015). Until 12/31/2017, the loan balance was 29,419,095 lei, out of which the amount of 6,163,242 lei has a maturity less than 1 year. Interest related to the loan as recorded on 12/31/2017 is in an amount of 72,960 lei.

22. DEFERRED INCOME

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

	12/31/2016	12/31/2017
Donations for investments	-	-
Other revenues	180	31,096
TOTAL	**180**	**31,096**

23. SUPPLIERS AND OTHER PAYABLES

	12/31/2016	12/31/2017
Trade payables	1,416,374	1,620,663
Suppliers for fixed assets	20,287	6,664
Salaries due	460,204	542,192
Unclaimed Dividends	353,150	346,348
Social security and other taxes	1,075,132	1,127,318
Other payables	783,081	535,044
Total	**4,087,941**	**4,171,565**

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

	12/31/2016	12/31/2017
Social security	789,832	734,341
Salary tax	284,561	261,006
VAT	-	131,971
Tax on dividends	739	-
TOTAL	**1,075,132**	**1,127,318**

On 31/12/2017, 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:

	12/31/2016	12/31/2017
Provisions for disputes/litigations	-	-
Provisions for employee benefits	450,895	480,573
Other provisions	5,784	5,784
TOTAL	**456,679**	**486,357**

The provision for employee benefits in the amount of 480,573 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 99% of its turnover from services performed in general cargo and container port terminals.

	12/31/2016	12/31/2017
Income from provided port services	64,440,888	63,112,769
Income from rents	471,683	412,728
Other income (sale of goods)	95,784	129,079
Commercial discounts granted	(205,457)	(328,876)
TOTAL	**64,802,898**	**63,325,700**

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

	12/31/2016	12/31/2017
I. GENERAL CARGO		
Cargo handling	34,507,308	34,638,109
Storage	5,010,593	3,675,482
Other services	404,822	384,826
South Agigea Area	286,447	292,477
TOTAL	**40,209,170**	**38,990,894**
II. CONTAINERS		
Cargo handling	23,926,703	23,892,581
Storage	461,484	366,951
Other services	205,541	75,274
TOTAL	**24,593,728**	**24,334,806**

III. TOTAL COMPANY		
Cargo handling	58,434,011	58,530,690
Storage	5,472,077	4,042,433
Other services	610,363	460,100
South Agigea Area	286,447	292,477
TOTAL	**64,802,898**	**63,325,700**

26. OTHER INCOME

	12/31/2016	12/31/2017
Despatch and penalties	727,553	1,658,462
Income from dividends	104,136	98,151
Miscellanea	232,612	478,914
Earnings from fair value assessment inv. assets	24,100	9,300
TOTAL	**1,088,401**	**2,244,827**

Other income included amounts from billing despatch rights (amounts due for early operation of ships), i.e. 456,041 lei, and penalties (calculated for failure to pay in due time for service provided and invoiced to customers and in compliance with PACECO contract), in the amount of 1,202,421 lei.

27. RAW MATERIALS AND CONSUMABLES

	12/31/2016	12/31/2017
Expenses with consumables	5,861,302	6,119,394
Expenses with other materials	532,708	496,534
Expenses with materials not stored	2,505	2,107
Expenses with energy and water	1,298,160	1,327,080
TOTAL	**7,694,675**	**7,945,115**

28. COST OF SOLD GOODS

	12/31/2016	12/31/2017
Expenses with goods	28,250	28,160

29. SERVICES PERFORMED BY THIRD PARTIES

	12/31/2016	12/31/2017
Maintenance and repair expenses	468,662	762,036
Rent expenses	3,918,643	5,646,966
Insurance expenses	291,158	266,807
Entertainment and advertising expenses	287,397	171,739

Expenses with charges and fees	1,411,892	1,253,891
Cargo and staff transportation expenses	117,631	121,072
Travel expenses	275,126	92,200
Postal and telecommunication expenses	122,966	118,968
Bank service expenses	35,611	37,709
Rail cars shifting expenses	431,488	432,560
Port service expenses	4,618,318	5,324,446
Sanitation expenses	232,646	317,262
Occupational safety expenses	75,184	63,284
Fire protection, safety expenses	887,337	911,449
Computer service expenses	136,527	185,466
Expenses with subscriptions, contributions	58,203	55,014
Audit, consultancy, BSE expenses	76,390	230,583
Expenses with charges, authorizations	168,237	123,042
Schooling/training expenses	96,890	18,117
Other expenses	240,207	163,275
TOTAL	**13,950,513**	**16,295,886**

30. EMPLOYEE BENEFIT COST

EXPENSES	**12/31/2016**	**12/31/2017**	**Out of which related to Civil Decision No.10/CM**
Salaries and meal vouchers	19,831,102	22,183,784	1,579,392
Social security expenses	4,737,354	5,483,051	549,312
TOTAL	**24,568,456**	**27,666,835**	**2,128,704**

Benefits for Management Board and Supervisory Board members:

EXPENSES	**12/31/2016**	**12/31/2017**
Management Board benefits	631,539	647,197
Social security related to Management Board benefits	143,504	150,061
Supervisory Board benefits	489,600	807,476
Social security related to Supervisory Board benefits	112,466	185,485
TOTAL	**1,377,109**	**1,790,219**

	12/31/2016	**12/31/2017**
Average number of employees	432	425

31. AMORTIZATION EXPENSES

	12/31/2016	**12/31/2017**
Expenses with the amortization of intangible assets	23,517	330,464
Expenses with the amortization of tangible assets	6,268,661	8,359,278
Expenses from revaluation of tangible assests	-	13,218
TOTAL	**6,292,178**	**8,702,960**

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.

	12/31/2016	12/31/2017
Expenses with taxes and charges	638,581	620,141
Losses from receivables	87,093	54,337
Damages, fines, penalties	33,195	32,846
Donations	-	-
Sponsorships	361,200	199,042
Other operating expenses	99,626	255,455
TOTAL	**1,219,695**	**1,161,821**

33. OTHER OPERATIONAL GAINS/LOSSES – NET

	12/31/2016	12/31/2017
Income from disposal of assets	40,065	11,381
Expenses on disposal of assets	(7,992)	(1,994)
Income from provisions	361,234	60,246
Expenses from provisions	(70,677)	(89,924)
Income from adjustments of stocks and customer receivables	97,426	3,166,364
Expenses for adjustments of stocks and customer receivables	(520,264)	(1,918,942)
Income from exchange rate differences, less those for cash and cash equivalents	409,983	148,582
Expenses from exchange rate differences, less those for cash and cash equivalents	(584,025)	(352,172)
TOTAL	**(274,250)**	**1,023,541**

34. FINANCIAL INCOME

Financial income includes income from interests and other income.

	12/31/2016	12/31/2017
Income from interests	41,320	56,915
Other financial income	6,628	23,737
TOTAL	**47,948**	**80,652**

35. FINANCIAL EXPENSES

	12/31/2016	12/31/2017
Interest expenses	-	135,660
TOTAL	**-**	**135,660**

36. 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.

	12/31/2016	12/31/2017
Income from exchange rate differences	2,381,360	1,074,690
Expenses from exchange rate differences	(1,779,490)	(1,292,008)
Expenses for depreciation of financial assets	(30,155)	(42,783)
Net financial gains (losses)	**571,715**	**(260,101)**

37. TRANSACTIONS WITH AFFILIATED PARTIES

In 2017, the company had transactions with the following affiliated parties: TRANSOCEP TERMINAL SA CONSTANŢA, CASA DE EXPEDIŢII PHOENIX SA CONSTANŢA, ECOSAMMO TÂRGUŞOR SRL CONSTANŢA, CELCO SA CONSTANŢA, LOGISTIC PARK SA CONSTANŢA, GRUPUL DD CONSTANŢA, DDN GLOBAL SRL CONSTANTA, COMPLEX CONDOR, SULINA ESTIVAL 2002, BIG UNIVERSAL SRL CONSTANŢA and EUXIN SA, 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, CELCO SA CONSTANŢA, LOGISTIC PARK SA CONSTANŢA, GRUPUL DD CONSTANŢA, DDN GLOBAL SRL, COMPLEX CONDOR, SULINA ESTIVAL 2002, BIG UNIVERSAL SRL CONSTANŢA and EUXIN SA is generated by the existence of common members in their management bodies.

Sales of goods and services

Company	**12/31/2016**	**12/31/2017**
Transocep Terminal SA		
Sales of goods	-	-
Sales of services	14,176	16,749
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**14,176**	**16,749**
Casa de Expeditii Phoenix S.A.		
Sales of goods	-	-
Sales of services	245,462	342,413
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**245,462**	**342,413**
ECOSAMMO Targusor S.R.L.		
Sales of goods	-	-
Sales of services	3,179	-
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**3,179**	**-**

Company	12/31/2016	12/31/2017
CELCO S.A.		
Sales of goods	-	-
Sales of services	58,354	62,674
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**58,354**	**62,674**
Logistik Park S.A.		
Sales of goods	-	-
Sales of services	-	327
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**-**	**327**
GRUPUL DD		
Sales of goods	-	-
Sales of services	-	327
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**-**	**327**
DDN GLOBAL		
Sales of goods	-	-
Sales of services	-	327
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**-**	**327**
COMPLEX CONDOR		
Sales of goods	-	-
Sales of services	-	327
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**-**	**327**
SULINA ESTIVAL 2002		
Sales of goods	-	-
Sales of services	-	327
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**-**	**327**
BIG UNIVERSAL		
Sales of goods	-	-
Sales of services	-	327
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**-**	**327**

Company	12/31/2016	12/31/2017
SOCEFIN SRL		
Sales of goods	-	-
Sales of services	-	327
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**-**	**327**
EUXIN SA		
Sales of goods	-	-
Sales of services	-	327
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**-**	**327**

Purchases of goods and services

Company	12/31/2016	12/31/2017
Transocep Terminal SA		
Purchases of goods	-	
Purchases of services	2,829	-
Purchases of fixed assets	-	
TOTAL (VAT INCLUDED)	**2,829**	**-**
Casa de Expeditii Phoenix S.A.		
Purchases of goods	1,242,773	650,598
Purchases of services	1,316,336	2,208,972
Purchases of fixed assets	-	-
TOTAL (VAT INCLUDED)	**2,559,109**	**2,859,571**
DDN Global S.R.L.		
Purchases of goods	-	-
Purchases of services	73,610	162,502
Purchases of fixed assets	-	-
TOTAL (VAT INCLUDED)	**73,610**	**162,502**

Balances on December 31st, 2017 resulting from sales/purchases of goods/services

a) CASA DE EXPEDIŢII PHOENIX SA

	12/31/2016	12/31/2017
Receivable	-	-
Payable	143,437	-
TOTAL (VAT INCLUDED)	**143,437**	**-**

b) CELCO S.A.

	12/31/2016	12/31/2017
Receivable	-	327
Payable	-	-
TOTAL (VAT INCLUDED)	**-**	**327**

c) LOGISTIC PARK S.A.

	12/31/2016	12/31/2017
Receivable	-	327
Payable	-	-
TOTAL (VAT INCLUDED)	**-**	**327**

d) DDN GLOBAL

	12/31/2016	12/31/2017
Receivable	-	327
Payable	-	-
TOTAL (VAT INCLUDED)	**-**	**327**

e) COMPLEX CONDOR

	12/31/2016	12/31/2017
Receivable	-	327
Payable	-	-
TOTAL (VAT INCLUDED)	**-**	**327**

f) SULINA ESTIVAL 2002

	12/31/2016	12/31/2017
Receivable	-	327
Payable	-	-
TOTAL (VAT INCLUDED)	**-**	**327**

g) BIG UNIVERSAL

	12/31/2016	12/31/2017
Receivable	-	327
Payable	-	-
TOTAL (VAT INCLUDED)	**-**	**327**

h) SOCEFIN SRL

	12/31/2016	12/31/2017
Receivable	-	327
Payable	-	-
TOTAL (VAT INCLUDED)	**-**	**327**

i) EUXIN S.A.

	12/31/2016	12/31/2017
Receivable	-	327
Payable	-	-
TOTAL (VAT INCLUDED)	**-**	**327**

38. ECONOMIC AND FINANCIAL INDICATORS

INDICATORS	CALCULATION	RESULTS	
		12/31/2016	12/31/2017
1. Current liquidity	Current assets/Current liabilities	6.59	4.63
2. Indebtedness	Borrowed capital / Equity x 100	17.11	18.84
	Borrowed capital / Capital employed x 100	14.61	15.85
3. Days Sales Outstanding	Average customer balance / Turnover x 360	87.22	62.40
4. Fixed asset turnover	Turnover/Fixed assets	0.55	0.48

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 ROMANIA
Experience that counts

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SOCEP S.A.

Report on the Audit of Individual Financial Statements

Opinion

1. We have audited the financial statements of SOCEP S.A. (SOCEP S.A. or the "Company"), located in Constanta, Incinta Port Constanta Dana 34, identified by the registration code RO 1870767, which comprise the statement of financial position as at December 31, 2017 and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies.

2. The individual financial statement is identified as follows:
   - Net Assets/Shareholder's Equity 143,485,252 lei
   - Net profit 3,724,766 lei

3. In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company as at December 31, 2017 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

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), the *EU Regulation no. 537 of the EU Parliament and Council (further referred to as the "Regulation")* and the Law no. 162/20176 (the "Law"). 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 according to 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 proof we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

5. 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.

   The main key audit matters considered are described below:

Revenue recognition
Note 3.16, note 25, note 26, note 33, note 34, note 35 and note 36 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

Other Information – Administrators' Report

6. Company directors are responsible for the preparation and presentation of other information. This other information includes the Administrators' Report, but do not include the financial statements and the audit opinion on those financial statements.

   Our opinion on the financial statements does not refer to this other information and, except when it is mentioned in our report, we do not express any assurance regarding other information.

   Regarding the audit of the financial statements as at December 31, 2017, our responsibility is to read this other information and to assess if this other information is significantly inconsistent with the financial statements or with our knowledge obtained during our audit.

   Regarding the Administrators' Report we have read and report if it has been prepared in accordance with O.M.F.P. no. 2844/2016 for the approval of the Accounting Regulations compliant with International Financial Reporting Standards (IFRS).

   Based exclusively on the work that we have to perform during the audit of the financial statements, in our opinion:

   a) The information disclosed in the Administrators' Report for the financial; year for which the financial statements have been prepared is in accordance, in all material respects, with the financial statements.

   b) The Administrators' Report has been prepared, in all material respects, in accordance with O.M.F.P. no. 2844/2016 for the approval of the Accounting Regulations compliant with International Financial Reporting Standards (IFRS).

Further, based on our understanding and knowledge obtained during our audit of the individual financial statements prepared for the year ended December 31, 2017 we are requested to report if significant misstatement have been identified in the Administrators'' Report. We have nothing to report.

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

7. Management is responsible for the preparation and fair presentation of the financial statements 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) 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.

8. 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

10. 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.

11. 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.

12. 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.

13. 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.

14. 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.

Report regarding other reporting obligations

15. We have been nominated as auditors at the date of the General Shareholders' Meeting in April 27, 2017 for auditing the financial statements of SOCEP SA as at December 31, 2017. The total duration of our engagement is of one year, covering the financial year ended December 31, 2017.

We confirm that:

- Our opinion is accordance with the supplementary report transmitted to the Company, issued at the same date as our audit opinion. During our engagement we have been independent of the Company.
- We have not supplied to the Company any non-audit services, as they are mentioned in article 5, 1st paragraph of the EU Regulation nor. 537/2014

In the name of
JPA Audit și Consultanță S.R.L.
Bd. Mircea Vodă 35, etaj 3, sector 3 București
Registered with the Chamber of Auditors of Romania
No. 319/2003

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

Bucharest
March 26th, 2018

III.2 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31/12/2017 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-st, 2017

	NOTE	12/31/2016	Lei 12/31/2017
NON-CURRENT ASSETS			
- Tangible assets	7	84,093,191	97,413,682
- Intangible assets	8	956,269	708,419
- Financial assets available for sale	9	14,618,806	23,946,449
- Investments in subsidiaries and associates	10	61,233	18,447
- Other long term investments	11	2,079,732	2,336,727
- Real estate investments	7	392,800	1,643,853
TOTAL NON-CURRENT ASSETS		**102,202,031**	**126,067,577**
CURRENT ASSETS			
- Stocks	12	591,879	1,746,509
- Clients and other receivables	13	10,172,166	8,664,903
- Receivables regarding profit tax	21	50,199	145,044
- Accrued charges	14	121,231	145,367
- Financial assets evaluated at fair value by profit or loss	15	-	-
- Cash and cash equivalents	16	59,407,290	59,047,787
TOTAL CURRENT ASSETS		**70,342,765**	**69,749,610**
TOTAL ASSETS		**172,544,796**	**195,817,187**
EQUITY			
- Share capital	17	34,342,574	34,342,574
- Share capital adjustment	17	164,750,632	164,750,632
- Reserves	18	39,628,259	46,364,033
- Retained earnings	19	67,715,422	74,425,653
- Retained earnings from the adoption of IAS 29	17	(164,750,632)	(164,750,632)
- Other elements of equity	20	557,059	2,104,671
TOTAL EQUITY		**142,243,314**	**157,236,931**
LIABILITIES			
Non-current liabilities			
- Deferred tax liabilities	21	2,722,759	4,397,352
- Deferred income	23	-	-
- Provisions for employee benefits	25	450,895	480,573
- Long term bank loans	22	20,271,775	23,255,853
TOTAL NON-CURRENT LIABILITIES		**23,445,429**	**28,133,778**

Current liabilities	NOTE	12/31/2016	12/31/2017
- Suppliers and other liabilities	24	4,089,772	4,173,396
- Long term bank loans maturing in up to one year	22	2,732,980	6,163,242
- Interest related to long term loans	22	27,337	72,960
- Current income tax owed	20	-	-
- Provisions	25	5,784	5,784
- Deferred income	23	180	31,096
TOTAL CURRENT LIABILITIES		**6,856,053**	**10,446,478**
TOTAL LIABILITIES		**30,301,482**	**38,580,256**
TOTAL EQUITY AND LIABILITIES		**172,544,796**	**195,817,187**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AS AT DECEMBER 31-st, 2017

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	Note	12/31/2016	12/31/2017
Income	26	64,802,898	63,325,700
Other income	27	2,283,325	4,714,262
Raw materials and consumables	28	(7,694,675)	(7,945,115)
Cost of sold goods	29	(28,250)	(28,160)
Services provided by third parties	30	(13,951,402)	(16,297,818)
Employee benefits expense	31	(24,590,584)	(27,688,963)
Impairment and amortization expense	32	(6,292,178)	(8,702,960)
Other expenses	33	(1,219,695)	(1,161,494)
Other gains/losses from operations - net	34	(274,250)	1,012,292
Financial income	35	134,462	161,378
Financial expense	36	-	(135,660)
Other financial gains/losses (net)	37	601,870	(217,318)
Part of the profit / loss of associates	10	(106,225)	(42,786)
Profit before tax		**13,665,296**	**6,993,358**
Income tax expense	21	(1,670,008)	(765,087)
PROFIT FOR THE YEAR		**11,995,288**	**6,228,271**
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	1,089,474	3,022,540
Deferred income tax related to other comprehensive income elements	21	(174,316)	(483,605)
- elements not to be subsequently reclassified under profit or loss when certain conditions are met			
Gains or losses from tangible assets evaluation		-	7,412,395
Deferred income related to other elements		-	(1,185,983)
OTHER COMPREHENSIVE INCOME ELEMENTS FOR THE YEAR (without tax)		**915,158**	**8,765,347**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**12,910,446**	**14,993,618**

CONSOLIDATED STATEMENT OF EQUITY CHANGES AS AT DECEMBER 31-st, 2017

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	SHARE CAPITAL	SHARE CAPITAL ADJUSTMENTS	RESERVES	RETAINED EARNINGS	RETAINED EARNINGS FROM ADOPTING IAS 29	OTHER EQUITY ELEMENTS	TOTAL EQUITY
BALANCE AS AT 01/01/2016	**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
Reserve adjustment and TRANSOCEP result	-	-	-	-	-	-	-
Change in fair value for financial assets available for sale	-	-	-	-	-	1,089,474	1,089,474
Deferred income tax related to change in fair value of financial assets available for sale	-	-	-	-	-	(174,316)	(174,316)
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**	**39,628,259**	**67,715,422**	**(164,750,632)**	**557,059**	**142,243,314**
Profit for 2017	-	-	540,011	5,688,261	-	-	6,228,272
Change in fair value for financial assets available for sale	-	-	-	-	-	3,022,540	3,022,540
Deferred income tax	-	-	-	-	-	(483,605)	(483,605)
Reserves from revaluation of realized tangible assets	-	-	(1,216,632)	1,216,632	-	-	-
Deferred income tax related to realized revaluation differences	-	-	-	(194,661)	-	194,661	-
Constituted revaluation reserves	-	-	7,412,395	-		-	7,412,395
Tax related to revaluation reserve	-	-	-	-	-	(1,185,983)	(1,185,983)
BALANCE AS AT 12/31/2017	**34,342,574**	**164,750,632**	**46,364,033**	**74,425,653**	**(164,750,632)**	**2,104,671**	**157,236,931**

CONSOLIDATED CASH FLOW STATEMENT AS AT 12/31/2017

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Element Name	12/31/2016	12/31/2017
CASH FLOWS FROM OPERATIONS		
Receipts from clients	78,352,424	72,474,604
Payments to suppliers and employees	(49,842,550)	(55,686,030)
Interest paid	-	-
VAT and other taxes (except income tax)	(2,769,163)	(2,636,000)
Income tax paid	(2,924,044)	(854,928)
Other receipts	790,948	896,086
Other payments	(4,083,718)	(1,021,550)
I. NET CASH FROM OPERATIONS	**19,523,897**	**13,172,182**
CASH FLOWS FROM INVESTMENTS		
Payments for acquisition of intangible assets	(958,509)	(98,318)
Payments for acquisition of tangible assets	(40,246,467)	(15,614,113)
Payments for acquisition of equity instruments	(2,955,589)	(6,334,845)
Receipts from sale of equity instruments	-	18,494
Receipts from sale of tangible assets	48,077	13,544
Interests received	136,355	132,776
Dividends received	1,299,060	2,567,913
II. NET CASH FROM INVESTMENTS	**(42,677,073)**	**(19,314,549)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments from long-term loans	-	(2,732,979)
Receipts from long-term loans	23,004,755	9,147,320
Dividends paid	(926,253)	(2,333)
Interest paid on long-term loans	-	(411,825)
III. NET CASH FROM FINANCING ACTIVITIES	**22,078,502**	**6,000,183**
IV. NET INCREASE IN CASH AND CASH EQUIVALENTS (I+II+III)	**(1,074,673)**	**(142,184)**
V. IMPACT OF EXCHANGE RATE VARIATIONS	**601,870**	**(217,318)**
VI. CASH AND CASH EQUIVALENTS AT THE START OF FINANCIAL YEAR	**59,880,093**	**59,407,290**
VII. CASH AND CASH EQUIVALENTS AS AT 31.12.	**59,407,290**	**59,047,788**

Notes to the Consolidated Financial Statements
as at December 31-st, 2017
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.

In-between 01/01/2017-11/27/2017, componence of SOCEP SA Executive Board was:

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

In-between 11/27/2017-01/08/2017, componence of SOCEP SA Executive Board was:

- Barbarino Marius - General Manager
- Nebi Camelia - Financial Manager
- Teodorescu Lucian - Maintenance Manager
- Codeț Gabriel - Operations Manager
- Nădrag Corneliu - HR Manager.

Starting on 01/08/2017, members of Executive Board are:

- ✓ Barbarino Marius - General Manager
- ✓ Nebi Camelia - Financial Manager
- ✓ Teodorescu Lucian - Maintenance Manager
- ✓ Codeț Gabriel - Operations Manager
- ✓ Pavlicu Ramona - Sales 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 2017, 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 a sole administrator. In the mentioned EGMS decision, the amendment of Article 9 of the Constitutive Act of SOCEFIN SRL is approved with the following content: „The company will be managed by a single administrator appointed indefinitely". In 2017 management was provided by Mrs. Camelia Nebi and starting on 01/01/2018 it will be provided by Mr. Fănel Ștefănescu.

Also, SOCEP SA holds 22.22% in the capital of 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.
Based on Decision No. 36 published in M.O. P.IV / 11/13/2017, it was decided unanimously liquidation and deregistration SC TRANSOCEP TERMINAL S.A. and the appointment of the external authorized liquidator in the person of Mrs. POPESCU ADINA.

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. New standards and interpretations not yet adopted

Amendments made to IAS 12 in January 2016 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

IFRS 9 Financial Instruments

Nature of change IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The company has reviewed its financial assets and liabilities and is not expecting an impact from the adoption of the new standard on 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

The following areas might be affected by the new standard:

- Accounting for the customer loyalty programme – IFRS 15 requires that the total consideration received must be allocated to the points and goods based on relative stand-alone selling prices rather than based on the residual value method. This will result in higher amounts being allocated to the goods sold and result in an earlier recognition of a portion of the revenue.
- Accounting for certain costs incurred in fulfilling a contract

- Presentation of contract assets and contract liabilities in the balance sheet – IFRS 15 requires separate presentation of contract assets and contract liabilities in the balance sheet.

IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the company's operating leases.

Mandatory application date/ Date of adoption by company

The company does not intend to adopt the standard before its effective date. The company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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 12/31/2017, 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 segments is made in a manner consistent with internal reporting to the key operating decision maker. The key 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 depreciating. 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 Group'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.

3.10. 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 Group 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 =

	12/31/2016	**12/31/2017**
Customers and other receivables	10,172,166	8,664,903
Cash and cash equivalents	59,407,290	59,047,787
Total	**69,579,456**	**67,712,690**

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 12/31/2017, the Group had cash and cash equivalents amounting to 59,047,787 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 12/31/2017, the credit balance was 29,419,095 lei.

The Group liabilities on 12/31/2017, amounting to 33,592,491 lei, have the following maturities:

= în lei =

	Value	Maturity of 12 months or less
Suppliers and other liabilities	4,173,396	4,173,396
Bank loans	29,419,095	6,163,242
Total	**33,592,491**	**10,342,638**

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 12/31/2017, the credit balance was 29,419,095 lei. The company is not hedged against foreign currency risk, but the management regularly receives predictions about the evolution of the leu/Euro and leu/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. Group's liabilities in foreign currencies to its suppliers are insignificant.

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

	12/31/2016		12/31/2017	
Financial assets	**Euro**	**USD**	**Euro**	**USD**
Customers	42,839	458,123	194,249	36,352
Cash and cash equivalents	3,678,730	1,883,873	3,807,941	1,802,290
Total financial assets	**3,721,569**	**2,341,996**	**4,002,190**	**1,838,642**
Financial liabilities				
Suppliers	1,026	16,502	116	2,045
Total financial liabilities	**1,026**	**16,502**	**116**	**2,045**

- 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. The Group helds equity instruments of companies listed on Bucharest Stock Exchange (those held by SOCEFIN SRL) and unlisted as well (those owned by SOCEP SA).

- 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 12/31/2017, the credit balance was 29,419,095 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 12/31/2017, the credit balance was 29,419,095 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 net asset value.

Financial assets available for sale (cost measured)

Lei

	12/31/2017
ROCOMBI S.A. shares	112,071
ROFERSPED S.A. shares	275,918
INVESTIŢII MANAGEMENT shares	13,330
TOTAL	**401,319**

Stocks/shares available for sale quoted on BSE are:

= in lei =

	12/31/2017
TRANSGAZ S.A. shares	11,753,856
ROMGAZ S.A. shares	3,153,538
ELECTRICA SA shares	1,892,298
OMV shares	267,779

SIF 3 shares	6,477,659
TOTAL	**23,545,130**

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 12/31/2016 and 12/31/2017 the net result of the two segments of activity had the following values:

	12/31/2016			**12/31/2017**		
Indicators	**Port operation activity (SOCEP SA)**	**Holding activity (SOCEFIN SRL)**	**TOTAL**	**Port operation activity (SOCEP SA)**	**Holding activity (SOCEFIN SRL)**	**TOTAL**
Income	69,076,439	1,281,439	70,357,878	70,619,432	2,568,982	73,188,414
Expense	58,336,051	26,539	58,362,590	66,906,340	53,803	66,960,143
Net result	**10,740,388**	**1,254,900**	**11,995,288**	**3,713,092**	**2,515,179**	**6,228,271**

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

	12/31/2016			**12/31/2017**		
	Port operation activity (SOCEP SA)	Holding activity (SOCEFIN SRL)	TOTAL	Port operation activity (SOCEP SA)	Holding activity (SOCEFIN SRL)	TOTAL
ASSETS						
Tangible assets	84,093,191	-	84,093,191	97,413,682	-	97,413,682
Real estate investments	392,800	-	392,800	1,643,853	-	1,643,853

Intangible assets	956,269	-	956,269	708,419	-	708,419
Financial assets available for sale	436,318	14,182,488	14,618,806	469,313	23,477,136	23,946,449
Investments in subsidiaries and associates	61,233	-	61,233	18,447	-	18,447
Other long term investments	2,079,732	-	2,079,732	2,336,727	-	2,336,727
TOTAL NON-CURRENT ASSETS	**88,019,543**	**14,182,488**	**102,202,031**	**102,590,441**	23,477,136	**126,067,577**
Stocks	591,879	-	591,879	1,746,509	-	1,746,509
Clients and other receivables	10,168,482	3,684	10,172,166	8,659,624	5,279	8,664,903
Income tax	45,886	4,313	50,199	140,731	4,313	145,044
Accrued charges	121,231	-	121,231	145,367	-	145,367
Cash and cash equivalents	34,250,754	25,156,536	59,407,290	37,682,443	21,365,344	59,047,787
TOTAL CURRENT ASSETS	**45,178,232**	**25,164,533**	**70,342,765**	**48,374,674**	**21,374,936**	**69,749,610**
TOTAL ASSETS	**133,197,775**	**39,347,021**	**172,544,796**	**150,965,115**	**44,852,072**	**195,817,187**
NONCURRENT LIABILITIES						
Deferred tax liabilities	2,114,535	608,224	2,722,759	3,299,130	1,098,222	4,397,352
Long term bank loans	20,271,775	-	20,271,775	23,255,853	-	23,255,853
Deferred income	-	-	-	-	-	-
Provisions for employee benefits	450,895	-	450,895	480,573	-	480,573
TOTAL NON-CURRENT LIABILITIES	**22,837,205**	**608,224**	**23,445,429**	**27,035,556**	**1,098,222**	**28,133,778**
CURRENT LIABILITIES						
Suppliers and other liabilities	4,087,928	1,844	4,089,772	4,171,238	2,158	4,173,396
Current income tax liabilities	-	-	-	-	-	-
Provisions	5,784	-	5,784	5,784	-	5,784
Deferred income	180	-	180	31,096	-	31,096
Long term bank loans (maturing in up to one year)	2,732,980	-	2,732,980	6,163,242	-	6,163,242
Interest related to long term loans	27,337	-	27,337	72,960	-	72,960
TOTAL CURRENT LIABILITIES	**6,854,209**	**1,844**	**6,856,053**	**10,444,320**	**2,158**	**10,446,478**
TOTAL LIABILITIES	**29,691,414**	**610,068**	**30,301,482**	**37,479,876**	**1,100,380**	**38,580,256**

NOTE 7. TANGIBLE ASSETS

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

	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	35,927,999	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**
Year ended on 12/31/2016							
Initial net carrying value	**31,211,933**	**16,123,796**	**144,670**	**392,800**	**7,345,248**	**29,267,544**	**84,485,991**
Receipts	6,578,975	44,682,581	127,960	-	3,921,487	11,603,410	66,914,413
Revaluation differences	7,399,177	-	-	9,300	-	-	7,408,477
Disbursements	-	(887,414)	(3,059)	-	(10,521,447)	(40,868,627)	(52,280,547)
Reclassification	(1,241,753)	-	-	1,241,753			-
Amortization for disbursements	-	885,420	3,059	-	-	-	888,479
Amortization expense	(2,656,311)	(5,658,023)	(44,944)	-	-	-	(8,359,278)
Final net carrying value	41,292,021	55,146,360	227,686	1,643,853	745,288	2,327	99,057,535
As at 12/31/2017							
Revaluated cost or value	41,292,021	101,097,115	560,083	1,643,853	745,288	2,327	145,340,687
Accumulated amortization		(45,950,755)	(332,397)	-	-	-	(46,283,152)
Net carrying value	**41,292,021**	**55,146,360**	**227,686**	**1,643,853**	**745,288**	**2,327**	**99,057,535**

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 2017 by an independent assessor, as follows:
- 7,504,683 lei - representing value increase, was recorded in the credit of unrealized revaluation reserves account;
- 92,288 lei - representing value reduction, was recorded in the debit of unrealized revaluation reserves account
- 13,218 lei - representing value reduction, was recorded in the profit and loss 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 2017 tangible assets, which have been put into operation, were amounting to 51,471,000 lei, as follows:
- purchase of tangible assets = 44,899,051 lei
- modernization of tangible assets = 6,571,949 lei.

The main purchases of tangible assets put into operation during 2017 were:

- CONTAINER TERMINAL, fixed assets amounting in total 48,603,397 lei have been put into operation or upgraded; main of them were:
  - Container handling gantry
  - 2 container handling equipment
  - 15 mobile terminals for trucks
  - Greifer
  - Marking equipment
  - Cranes runway modernization in BERTH 51-52.
- BULK AND GENERAL CARGO TERMINAL, fixed assets amounting in total 2,653,855 lei have been put into operation or upgraded; main of them were:
  - 26 mobile conveyer belts
  - 2 frontal loaders
  - Brush cleaning equipment
  - Access control system
  - 4 HYUNDAI forklifts
  - Heatimg system
  - 3 vats for general cargo.

As at 12/31/2017, SOCEFIN SRL has no tangible assets.

The Group has no tangible assets acquired with financial leasing.

Mortgage set by the bank 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 01/01/2016	
Cost	1,256,179
Accumulated amortization	(299,910)
Net carrying value	**956,269**
As at 12/31/2016	
Initial net carrying value	956,269
Receipts	26,911
Disbursements	(66,333)
Amortization for disbursements	66,333
Amortization expense	(330,464)
Final net carrying value	652,716
As at 12/31/2017	
Cost	1,216,757
Accumulated amortization	(564,041)
Net carrying value	**652,716**

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.

As at 12/31/2017 the company had recorded a total amount of 55,703 lei advances of intangible assets, amount related to general cargo records.

In the years 2016 and 2017 no impairment of intangible assets have been recognized, as per IAS 36 "Asset impairment". No losses from impairments during 2017 have been recorded.

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 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 on 12/31/2016 and on 12/31/2017 they are measured at net asset value. Shares of ELECTRICA SA, TRANSGAZ 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 01/01/2017	**104,553**	**227,144**	**35,346**	**367,043**
Entries	-	-	-	-
Value increases	7,518	48,774	-	56,292
Value decreases	-	-	(22,016)	(22,016)
Value as at 12/31/2017	**112,071**	**275,918**	**13,330**	**401,319**

Financial assets available for sale listed on BSE are:

Lei

	01/01/2017	**Fair value increases**	**Fair value decreases**	**Entries/ Outputs**	**12/31/2017**
TRANSGAZ S.A. shares	8,999,046	2,754,810	-	-	11,753,856
NUCLEAR ELECTRICA S.A. shares	12,772	-	-	(12,772)	-
ROMGAZ S.A. shares	2,518,800	634,738	-	-	3,153,538
ELECTRICA S.A. shares	2,203,773	-	(311,475)	-	1,892,298
OMV PETROM shares	244,372	23,407	-	-	267,779
SIF 3 shares	273,000		(130,186)	6,334,845	6,477,659
TOTAL	**14,251,763**	**3,412,955**	**(441,661)**	**6,322,073**	**23,545,130**

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 12/31/2017, TRANSOCEP TERMINAL S.A. had the following equity:

	Lei
Equity	83,021
Social capital	83,021
Total	83,021

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

	Value/lei
As at 01/01/2017	61,233
Increase (equity adjustment items, others than the result of the year)	-
Decrease (share of the loss)	(42,786)
As at 12/31/2017	18,447

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 2,336,727 lei.

NOTE 12. STOCKS

Stocks held on 31/12/2017 are mainly composed of consumables. Their values were:

	Lei	
	01/01/2017	**12/31/2017**
Consumables	1,143,486	2,290,936
Goods	855	832
Adjustments for stock impairment	(552,462)	(545,259)
Total	**591,879**	**1,746,509**

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 545,259 lei.

NOTE 13. CUSTOMERS AND OTHER RECEIVABLES

	Lei	
	01/01/2017	**12/31/2017**
Trade receivables (customers)	12.822,202	9,129,378
Adjustments for customer receivables impairment	(3,846,550)	(918,049)
Trade receivables – carrying value	8,975,652	8,211,329
Out of which, with associated entities (note 36)	-	2,616
Guarantees	27,972	-
Other receivables	1,284,790	2,258,105
Adjustments for impairment sundry debtors	(116,248)	(1,804,531)
Other receivables - carrying value	1,168,542	453,574
Total	**10,172,166**	**8,664,903**

Both trade receivables and other receivables are current assets.
The evolution of adjustments for customer receivables impairment and for sundry debtors impairment during 2017 was as follows:

Lei

12/31/2017

	Adjustments for impairment of customer receivables	**Adjustments for impairment of sundry debtors**
Balance as at 01/01/ 2017	3,846,550	116,248
Increases	80,441	1,735,346
Decreases	(3,008,942)	(47,063)
Balance as at 12/31/ 2017	918,049	1,804,531

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

Other receivables include:

	Lei	
	01/01/2017	**12/31/2017**
Advances for stocks and services	9,003	37,013
Taxes, charges to be recovered	157,658	50,391
Sundry debtors	1,118,129	2,170,701
Total	**1,284,790**	**2,258,105**

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 12/31/2017 the Group does not hold financial assets measured at fair value through profit or loss.

NOTE 16. CASH AND CASH EQUIVALENTS

	Lei	
	12/31/2016	**12/31/2017**
Cash and bank accounts	6,740,345	12,130,177
Short-term bank deposits	52,666,945	46,917,610
Other receivable values and effects	-	-
Total	**59,407,290**	**59,047,787**

Cash and cash equivalents in foreign currency were measured in the financial statements based on exchange rates valid on 12/31/2017, namely 4.6597 lei/Euro and 3.8915 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 01/01/2017	**17,939,190**	**7,243,718**	**10,047,519**	**4,397,832**	**39,628,259**
Profit distribution (earnings for the year)	-	214,344	-	325,667	540,011
Surplus from revaluation realized	(1,216,632)	-	-	-	(1,216,632)
Share of associated entities' reserves	-	-	-	-	-
Revaluation reserve	7,412,395	-	-	-	7,412,395
As at 12/31/2017	**24,134,953**	**7,458,062**	**10,047,519**	**4,723,499**	**46,364,033**

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 = 3,858,116 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 = 412,495 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 01/01/2017	**54,794,926**	**(1,282,715)**	**12,363,714**	**1,839,497**	**67,715,422**
Result for the year	5,688,261	-	-	-	5,688,261
Deferred tax related to the revaluation surplus realized	-	-	(194,661)	-	(194,661)
The revaluation surplus realized	-	-	1,216,632	-	1,216,632
As at 12/31/2017	**60,483,187**	**(1,282,715)**	**13,385,684**	**1,839,497**	**74,425,653**

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 01/01/2017	**(3,523,096)**	**4,080,154**	**557,059**
Deferred tax income related to change in fair value of financial assets available for sale	(483,605)	-	(483,605)
Change in fair value of financial assets available for sale	-	3,022,540	3,022,540
Deferred income tax related to revaluation surplus realized	194,661	-	194,661
Deferred income tax related to revaluation	(1,185,983)	-	(1,185,983)
As at 12/31/2017	**(4,998,023)**	**7,102,694**	**2,104,671**

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 2017, 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 01/01/2017	**88,394**	**634,047**	**73,069**	**795,510**
Recorded/credited in profit or loss for the period	-	-	4,748	4,748
Recorded/debited in profit or loss for the period	(1,153)	(198,434)	-	(199,587)
As at 12/31/2017	**87,241**	**435,613**	**77,817**	**600,671**

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 01/01/2017	**2,870,270**	**652,826**	**(4,826)**	**3,518,269**
Recorded/credited in profit or loss for the period	-	-	-	-
Recorded/debited in profit or loss for the period	-	-	4,826	4,826
Recorded/credited in other elements of comprehensive income	991,322	483,605	-	1,474,927
Recorded/debited in other elements of comprehensive income	-	-	-	-
As at 12/31/2017	**3,861,592**	**1,136,431**	**-**	**4,998,023**

b) Current income tax

Lei

	12/31/2016	12/31/2017
Balance on 01 January	971,014	(50,199)
Increases	1,902,831	760,083
Decreases	(2,924,044)	(854,928)
Balance on 31 December	(50,199)	(145,044)

c) Expense with current income tax

		Lei
	12/31/2016	**12/31/2017**
Profit before tax	13,665,297	6,884,891
Deductions - reserve fund	(686,220)	(214,344)
Non taxable income	(1,781,820)	(5,820,794)
Non deductible expenses	1,590,717	4,143,648
Elements similar to income	1,216,632	1,216,632
Taxable profit	14,004,606	6,210,033
Income tax calculated at 16%	2,240,737	1,002,211
Sponsorships	(324,014)	(190,021)
Deduction of reinvested profit	(13,892)	(52,107)
Current income tax expense	1,902,831	760,083

d) Income tax expenses

		Lei
	12/31/2016	**12/31/2017**
Current income tax expenses	1,902,831	760,083
Deferred income tax expense	72,963	512,321
Deferred income tax revenues	(305,784)	(507,317)
Income tax expenses	1,670,008	765,087

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 12/31/2017, the credit balance was 29,419,095 lei, out of which the amount of 6,163,242 lei has a maturity less than 1 year. Interest related to the loan as recorded on 12/31/2017 is in an amount of 72,960 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
	12/31/2016	**12/31/2017**
Donations for investments	-	-
Other revenues	180	31,096
TOTAL	**180**	**31,096**

NOTE 24. SUPPLIERS AND OTHER PAYABLES

The suppliers and other payables statement is as follows:

	Lei	
	12/31/2016	**12/31/2017**
Trade payables	1,416,374	1,620,663
out of which with associated entities	143,437	65,868
Suppliers for fixed assets	20,287	6,664
Salaries due	461,254	543,242
Social security and other taxes	1,075,913	1,128,099
Unclaimed Dividends	353,150	346,348
Other payables	783,081	535,044
Total	**4,089,772**	**4,173,396**

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

	Lei	
	12/31/2016	**12/31/2017**
Social security	790,412	734,921
Salary tax	284,762	261,207
VAT	-	131,971
Tax on dividends	739	-
TOTAL	**1,075,913**	**1,128,099**

On 31/12/2017, the Group has no outstanding debts for which interests or late payment penalties should be paid.

NOTE 25. PROVISIONS

The situation of provisions is as follows:

	Lei	
	12/31/2016	**12/31/2017**
Provisions for disputes/litigations	-	-
Provisions for employee benefits	450,895	480,573
Other provisions	5,784	5,784
TOTAL	**456,679**	**486,357**

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

NOTE 26. INCOME (turnover)

The Group has achieved over 99% of its turnover from services performed in general cargo and container port terminals.

	Lei	
	12/31/2016	**12/31/2017**
Income from port services performed	64,440,888	63,112,769
Income from rents	471,683	412,728
Other income (sale of goods)	95,784	129,079
Commercial discounts granted	(205,457)	(328,876)
TOTAL	**64,802,898**	**63,325,700**

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

	Lei	
	12/31/2016	**12/31/2017**
I. GENERAL CARGO		
Cargo handling	34,507,308	34,638,109
Storage	5,010,593	3,675,482
Other services	404,822	384,826
South Agigea Area	286,447	292,477
TOTAL	**40,209,170**	**38,990,894**
II. CONTAINERS		
Handling	23,926,703	23,892,581
Storage	461,484	366,951
Other services	205,541	75,274
TOTAL	**24,593,728**	**24,334,806**
III. TOTAL COMPANY		
Handlings	58,434,011	58,530,690
Storage	5,472,077	4,042,433
Other services	610,363	460,100
South Agigea Area	286,447	292,477
TOTAL	**64,802,898**	**63,325,700**

NOTE 27. OTHER INCOME

	Lei	
	12/31/2016	**12/31/2017**
Despatch and penalties	727,553	1,658,462
Income from dividends	1,299,060	2,567,913
Miscellanea	232,612	478,587
Earnings from fair value assessment of inv. assets	24,100	9,300
TOTAL	**2,283,325**	**4,714,262**

Other income included amounts from invoicing despatch (due for early operation of ships), meaning 456,041 lei, and penalties (calculated for failure to pay in due time for serviceS provided and invoiced to customers and in compliance with PACECO project), in the amount of 1,202,421 lei.

NOTE 28. RAW MATERIALS AND CONSUMABLES

Lei

	12/31/2016	12/31/2017
Expenses with consumables	5,861,302	6,119,394
Expenses with other materials	532,708	496,534
Expenses with materials not stored	2,505	2,107
Expenses with energy and water	1,298,160	1,327,080
Expenses with packaging	-	-
TOTAL	**7,694,675**	**7,945,115**

NOTE 29. COST OF SOLD GOODS

Lei

	12/31/2016	12/31/2017
Expenses with goods	28,250	28,160

NOTE 30. SERVICES PERFORMED BY THIRD PARTIES

	12/31/2016	12/31/2017
Maintenance and repair expenses	468,662	762,036
Rent expenses	3,918,643	5,646,966
Insurance expenses	291,158	266,807
Entertainment and advertising expenses	287,397	171,739
Expenses with charges and fees	1,411,892	1,253,891
Cargo and staff transportation expenses	117,631	121,072
Travel expenses	275,126	92,200
Postal and telecommunication expenses	122,966	118,989
Bank service expenses	36,470	38,849
Rail cars shifting expenses	431,488	432,560
Port service expenses	4,618,318	5,324,446
Sanitation expenses	232,646	317,262
Occupational safety expenses	75,184	63,284
Fire protection, safety expenses	887,337	911,449
Computer service expenses	136,527	185,466
Expenses with subscriptions, contributions	58,203	55,014
Audit, consultancy, BSE expenses	76,420	230,619
Expenses with charges, authorizations	168,237	123,777
Schooling/training expenses	96,890	18,117
Other expenses	240,207	163,275
TOTAL	**13,951,402**	**16,297,818**

NOTE 31. EMPLOYEE BENEFIT COST

Lei

EXPENSES	12/31/2016	12/31/2017
Salaries and meal vouchers	19,849,102	22,201,784
Social security expenses	4,741,482	5,487,179
TOTAL	**24,590,584**	**27,688,963**

Benefits for Management Board and Supervisory Board members:

EXPENSES	Lei 12/31/2016	12/31/2017
Executive Board benefits	631,539	647,197
Social security related to Executive Board benefits	143,504	150,061
Supervisory Board benefits	489,600	807,476
Social security related to Supervisory Board benefits	112,466	185,485
TOTAL	**1,377,109**	**1,790,219**

	12/31/2016	12/31/2017
AVERAGE NUMBER OF EMPLOYEES	432	425

NOTE 32. AMORTIZATION EXPENSES

	Lei 12/31/2016	12/31/2017
Expenses with the amortization of intangible assets	23,517	330,464
Expenses with the amortization of tangible assets	6,268,661	8,359,278
Expenses from revaluation of tangible assets	-	13,218
TOTAL	**6,292,178**	**8,702,960**

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 12/31/2016	12/31/2017
Expenses with taxes and charges	638,581	620,141
Losses from receivables	87,093	54,337
Damages, fines, penalties	33,195	32,846
Donations	-	-
Sponsorships	361,200	199,042
Other operating expenses	99,626	255,128
TOTAL	**1,219,695**	**1,161,494**

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

NOTE 34. OTHER OPERATIONAL GAINS/LOSSES – NET

	Lei 12/31/2016	12/31/2017
Income from disposal of assets	40,065	11,381
Expenses on disposal of assets	(7,992)	(1,994)
Income from provisions	361,234	60,246
Expenses from provisions	(70,677)	(89,924)
Income from adjustments of stocks and customer receivables	97,426	3,166,364
Expenses for adjustments of stocks and customer receivables	(520,264)	(1,918,942)

Income from exchange rate differences, less those for cash and cash equivalents	409,983	148,582
Expenses from exchange rate differences, less those for cash and cash equivalents	(584,025)	(352,172)
Income from investment securities	-	18,494
Expenses for investment securities	-	(29,743)
TOTAL	**(274,250)**	**1,012,292**

NOTE 35. FINANCIAL INCOME

Financial income includes income from interests and other income.

Lei

	12/31/2016	12/31/2017
Income from interests	127,835	137,641
Other financial income	6,627	23,737
TOTAL	**134,462**	**161,378**

NOTE 36. FINANCIAL EXPENSES

	12/31/2016	12/31/2017
Interest expenses	-	135,660
TOTAL	**-**	**135,660**

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

	12/31/2016	12/31/2017
Income from exchange rate differences	2,381,360	1,074,690
Expenses from exchange rate differences	(1,779,490)	(1,292,008)
Net financial gains (losses)	**601,870**	**(217,318)**

NOTE 38. TRANSACTIONS WITH AFFILIATED PARTIES

In 2017, the company had transactions with the following affiliated parties: TRANSOCEP TERMINAL SA CONSTANŢA, CASA DE EXPEDIŢII PHOENIX SA CONSTANŢA, ECOSAMMO TÂRGUŞOR SRL CONSTANŢA, CELCO SA CONSTANȚA, LOGISTIC PARK SA CONSTANȚA, GRUPUL DD CONSTANȚA, DDN GLOBAL SRL CONSTANTA, COMPLEX CONDOR, SULINA ESTIVAL 2002, BIG UNIVERSAL SRL CONSTANȚA and EUXIN SA. 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, CELCO SA CONSTANȚA, LOGISTIC PARK SA CONSTANȚA, GRUPUL DD CONSTANȚA, DDN GLOBAL SRL, COMPLEX CONDOR, SULINA ESTIVAL 2002, BIG UNIVERSAL SRL CONSTANȚA and EUXIN SA is generated by the existence of common members in their management bodies.

Sales of goods and services

Company	12/31/2016	12/31/2017
Transocep Terminal SA		
Sales of goods	-	-
Sales of services	14,176	16,749
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**14,176**	**16,749**
Casa de Expeditii Phoenix S.A.		
Sales of goods	-	-
Sales of services	245,462	342,413
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**245,462**	**342,413**
ECOSAMMO Targusor S.R.L.		
Sales of goods	-	-
Sales of services	3,179	-
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**3,179**	**-**
CELCO S.A.		
Sales of goods	-	-
Sales of services	58,354	62,674
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**58,354**	**62,674**
Logistik Park S.A.		
Sales of goods	-	-
Sales of services	-	327
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**-**	**327**
GRUPUL DD		
Sales of goods	-	-
Sales of services	-	327
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**-**	**327**
DDN GLOBAL		
Sales of goods	-	-
Sales of services	-	327

Company	12/31/2016	12/31/2017
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**-**	**327**
COMPLEX CONDOR		
Sales of goods	-	-
Sales of services	-	327
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**-**	**327**
SULINA ESTIVAL 2002		
Sales of goods	-	-
Sales of services	-	327
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**-**	**327**
BIG UNIVERSAL		
Sales of goods	-	-
Sales of services	-	327
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**-**	**327**
SOCEFIN SRL (cancelled when consolidated)		
Sales of goods	-	-
Sales of services	-	327
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**-**	**327**
EUXIN SA		
Sales of goods	-	-
Sales of services	-	327
Sales of fixed assets	-	-
TOTAL (VAT INCLUDED)	**-**	**327**

Purchases of goods and services

Company	12/31/2016	12/31/2017
Transocep Terminal SA		
Purchases of goods	-	
Purchases of services	2,829	-
Purchases of fixed assets	-	
TOTAL (VAT INCLUDED)	**2,829**	**-**

Company	12/31/2016	12/31/2017
Casa de Expeditii Phoenix S.A.		
Purchases of goods	1,242,773	650,598
Purchases of services	1,316,336	2,208,972
Purchases of fixed assets	-	-
TOTAL (VAT INCLUDED)	**2,559,109**	**2,859,571**
DDN Global S.R.L.		
Purchases of goods	-	-
Purchases of services	73,610	162,502
Purchases of fixed assets	-	-
TOTAL (VAT INCLUDED)	**73,610**	**162,502**

Balances on December 31st, 2017 resulting from sales/purchases of goods/services

a) CASA DE EXPEDIŢII PHOENIX SA

	12/31/2016	12/31/2017
Receivable	-	-
Payable	143,437	-
TOTAL (VAT INCLUDED)	**143,437**	**-**

b) CELCO S.A.

	12/31/2016	12/31/2017
Receivable	-	327
Payable	-	-
TOTAL (VAT INCLUDED)	**-**	**327**

c) LOGISTIC PARK S.A.

	12/31/2016	12/31/2017
Receivable	-	327
Payable	-	-
TOTAL (VAT INCLUDED)	**-**	**327**

d) DDN GLOBAL

	12/31/2016	12/31/2017
Receivable	-	327
Payable	-	-
TOTAL (VAT INCLUDED)	**-**	**327**

e) COMPLEX CONDOR

	12/31/2016	12/31/2017
Receivable	-	327
Payable	-	-
TOTAL (VAT INCLUDED)	**-**	**327**

f) SULINA ESTIVAL 2002

	12/31/2016	12/31/2017
Receivable	-	327
Payable	-	-
TOTAL (VAT INCLUDED)	**-**	**327**

g) BIG UNIVERSAL

	12/31/2016	12/31/2017
Receivable	-	327
Payable	-	-
TOTAL (VAT INCLUDED)	**-**	**327**

h) SOCEFIN SRL (cancelled when consolidated)

	12/31/2016	12/31/2017
Receivable	-	327
Payable	-	-
TOTAL (VAT INCLUDED)	**-**	**327**

i) EUXIN S.A.

	12/31/2016	12/31/2017
Receivable	-	327
Payable	-	-
TOTAL (VAT INCLUDED)	**-**	**327**

NOTE 39. ECONOMIC AND FINANCIAL INDICATOR

	INDICATORS	CALCULATION	RESULTS 12/31/2016	RESULTS 12/31/2017
1.	Current liquidity	Current assets/Current liabilities	10.26	6.68
2.	Indebtedness	Borrowed capital / Equity x 100	16.48	17.89
		Borrowed capital / Capital employed x 100	14.15	14.63
3.	Days Sales Outstanding	Average customer balance / Turnover x 360	87.22	62.40
4.	Fixed asset turnover	Turnover/Fixed assets	0.63	0.50

NOTE 40. 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 Group.

JPA ROMANIA
Experience that counts

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SOCEP S.A.

Report on the Audit of Consolidated Financial Statements

Opinion

1. We have audited the financial statements of SOCEP S.A. (SOCEP S.A. or the "Company"), located in Constanta, Incinta Port Constanta Dana 34, identified by the registration code RO 1870767, which comprise the statement of financial position as at December 31, 2017 and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies.

2. The consolidated financial statement is identified as follows:

- Net Assets/Shareholder's Equity 157,236,931 lei
- Net profit 6,228,271 lei

3. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the financial position of the Company as at December 31, 2017 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

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), the *EU Regulation no. 537 of the EU Parliament and Council (further referred to as the "Regulation")* and the Law no. 162/20176 (the "Law"). 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 according to 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 proof we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information – Administrators' Report

5. Company directors are responsible for the preparation and presentation of other information. This other information includes the Administrators' Report, but do not include the financial statements and the audit opinion on those financial statements.

   Our opinion on the financial statements does not refer to this other information and, except when it is mentioned in our report, we do not express any assurance regarding other information.

   Regarding the audit of the financial statements as at December 31, 2017, our responsibility is to read this other information and to assess if this other information is significantly inconsistent with the financial statements or with our knowledge obtained during our audit.

   Regarding the Administrators' Report we have read and report if it has been prepared in accordance with O.M.F.P. no. 2844/2016 for the approval of the Accounting Regulations compliant with International Financial Reporting Standards (IFRS).

   Based exclusively on the work that we have to perform during the audit of the financial statements, in our opinion:

   c) The information disclosed in the Administrators' Report for the financial; year for which the financial statements have been prepared is in accordance, in all material respects, with the financial statements.

   d) The Administrators' Report has been prepared, in all material respects, in accordance with O.M.F.P. no. 2844/2016 for the approval of the Accounting Regulations compliant with International Financial Reporting Standards (IFRS).

   Further, based on our understanding and knowledge obtained during our audit of the individual financial statements prepared for the year ended December 31, 2017 we are requested to report if significant misstatement have been identified in the Administrators'' Report. We have nothing to report.

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

6. Management is responsible for the preparation and fair presentation of the financial statements 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) 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.

7. 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

9. 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.

10. 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.

11. 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.

12. 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.

13. 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.

Report regarding other reporting obligations

14. We have been nominated as auditors at the date of the General Shareholders' Meeting in April 27, 2017 for auditing the financial statements of SOCEP SA as at December 31, 2017. The total duration of our engagement is of one year, covering the financial year ended December 31, 2017.

We confirm that:

- Our opinion is accordance with the supplementary report transmitted to the Company, issued at the same date as our audit opinion. During our engagement we have been independent of the Company.
- We have not supplied to the Company any non-audit services, as they are mentioned in article 5, 1st paragraph of the EU Regulation nor. 537/2014

In the name of
JPA Audit și Consultanţă S.R.L.
Bd. Mircea Vodă 35, etaj 3, sector 3 București
Registered with the Chamber of Auditors of Romania
No. 319/2003

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

Bucharest
March 26th, 2018