



SOCEP S.A.
QUARTERLY REPORT
ON FINANCIAL STATEMENTS
AS AT 09/30/2018

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 - STATEMENT OF FINANCIAL POSITION
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**QUARTERLY REPORT
ON FINANCIAL STATEMENTS
COMPLYING TO A.S.F. NO.5/2018
FOR THE THIRD QUARTER OF 2018**

Report Date	11/15/2018
Name of Shares' Issuer	SOCEP S.A.
Registered Office	Constanța, Incinta Port, Dana 34
Phone/fax	0241 602242 / 0241 693759
Fiscal Code	RO 1870767
Company Number in the Trade Register	J 13 / 643 / 1991
Subscribed Share Capital	34,342,574.40 lei split in 343,425,744 registered dematerialized shares with a nominal value of 0.10 lei/share
Trading Market	B.V.B., Standard category, symbol SOCP

SYNTHESIS OF ECONOMIC AND FINANCIAL INDICATORS

1. FINANCIAL AND ECONOMIC STATE

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

ECONOMIC INDICATORS		UNIT	09/30/2017	09/30/2018
I.	TOTAL ASSETS	lei	174,628,545	180,810,364
1.1.	Fixed Assets	"	123,670,691	126,671,006
1.2.	Stocks	"	1,876,329	1,862,498
1.3.	Receivables	"	13,665,735	13,348,473
1.4.	Cash and Bank Accounts	"	10,238,930	21,778,108
1.5.	Accruals and prepaid expenses	"	234,948	196,895
1.6.	Short Term Investments	"	24,941,913	16,953,384
II.	TOTAL LIABILITIES	lei	174,628,545	180,810,364
2.1.	Shareholders' Equity	"	137,735,519	146,536,482
2.2.	Total Debts	"	36,402,635	33,761,305
2.3.	Upfront Revenues	"	33,712	26,220
2.4.	Provisions	"	456,679	486,357

b) Profit and Loss Account

	INDICATORS	UNIT	09/30/2017	09/30/2018	%
I.	TURNOVER	lei	47,733,288	53,962,945	113.05
II.	TOTAL REVENUES	"	51,592,002	56,348,652	109.21
III.	TOTAL EXPENSES	"	46,527,365	46,874,534	100.74
IV.	GROSS PROFIT	"	5,064,637	9,474,118	187.06

Following items are the assets with a minimum 20% share – out of total assets: buildings (20.79%), various types of technical equipment (28.20%). Expense items with a minimum 10% share – out of net sales (turnover), are the personnel expense (36.39%), the external services expense (20.82%), the materials and supplies expense (10.84%) and the depreciation expenses (14.78%).

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

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

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

c) Financial and Economic Indicators

INDICATORS	CALCULATION PROCEDURE	RESULTS	
		09/30/2017	09/30/2018
1. Current Ratio	Current Assets/Current Liabilities	4.67	4.47
2. Indebtedness degree	Loan Capital ----- x 100 Equity Capital	18.87	15.13
	Loan Capital ----- x 100 Committed Capital	15.87	13.14
3. Rotation Speed of Customers' debts	Customers' Average Balance ----- x 270 Turnover	83.23	56.18
4. Rotation Speed of Fixed Assets	Turnover/Fixed Assets	0.39	0.43

2. BUSINESS ANALYSIS

2.1. During the reported period the harbor cargo traffic increased by 22.76% compared to same period of previous year, meaning 519 thousand tons of cargo. The benchmarking on different types of cargo is below listed:

TYPES OF CARGO	UNIT	09/30/2017	09/30/2018	%
I. HARBOR CARGO TRAFFIC	thousand tons	2,280	2,799	122.76
1.1. General Cargo	”	1,346	1,113	82.69
1.2. Containerized Cargo	”	639	789	123.47
1.3. Bauxite	“	295	897	304.07
II. TOTAL NUMBER OF CONTAINERS		64,432	60,837	106.48
III. TOTAL TEU-s		100,794	102,603	101.79

From the above mentioned benchmarking, it is noticeable the significant increase in the share of Bauxite. Compared to same period of last year, this type of cargo has increased by 204.07%. Also, the containerized cargo recorded a revival with an increase of 150 thousand tons meaning 23.47%. General cargo has decreased, compared to third quarter of last year.

The benchmarking on different types of services has following results:

TYPES OF SERVICES	UNIT	09/30/2017	09/30/2018	%
I. TOTAL TURNOVER	lei	47,733,288	53,962,945	113.05
1.1. Handling Operation	”	43,923,281	46,575,269	106.04
1.2. Storage Operation	”	3,205,632	6,758,800	210.84
1.3. Other types of services	”	374,279	465,982	124.50
1.4. Zona Sud Agigea	”	230,096	162,894	70.79

Within the total turnover, each service type has increased significantly, compared to same period of last year. The company recorded a growth of 13.05% and the gross profit increased by 87.06%, compared to the January-September 2017.

2.2. Capital expenses until 09/30/2018 have mainly aimed purchase of new equipment for the container terminal (50 tons lifting beam with hook), purchase of a new fuel distribution station and, also, purchase of two FORD vehicles. In same respect, company is pursuing its investment policy by acquiring new equipment in order to renew the machinery park, to improve productivity, such as: mobile belt conveyor, self-drilling platform.

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

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

3. SIGNIFICANT TRANSACTIONS

No events which could significantly influence the financial position and company performances have occurred.

4. EVENTS OCCURRED AFTER THE REPORTING PERIOD

It is noticeable that, subsequently to financial statements preparation date, the SOCEP SA Supervisory Board took following decision concerning the SOCEP SA Executive Board structure:

- Appointment of Mr. Cristian Mihai Ududec - in the position of Financial Manager and as member of SOCEP SA Executive Board.

5. APPROVALS AND ANNEXES

Present Report has been authorized for publication by the Executive Board, on 11/13/2018. The explanatory notes are part of the individual financial statements.

Annexes:

- Statement of Financial Position on 09/30/2018
- Statement of Comprehensive Income la 09/30/2018
- Explanatory Notes to the Financial Statements on 09/30/2018.

The Individual Financial Statements as at 09/30/2018 have been prepared in accordance with International Financial Reporting Standards adopted by European Union and O.M.F.P. No.2844/2016, as amended and subsequently supplemented.

Financial Reports are not audited.

AS AT SEPTEMBER 30-th 2018

		= Lei =	
	NOTE	01/01/2018	09/30/2018
NON-CURRENT ASSETS			
- Tangible assets	1	97,413,682	90,628,868
- Intangible assets	2	708,419	461,828
- Financial assets available for sale	3	469,313	464,160
- Investments in subsidiaries and associates	4	30,018,447	30,000,000
- Other long term investments	5	2,336,727	2,338,137
- Real estate investments	1	1,643,853	2,778,013
TOTAL ACTIVE NECURENTE		132,590,441	126,671,006
CURRENT ASSETS			
- Stocks	6	1,746,509	1,862,498
- Clients and other receivables	7	8,659,964	13,348,473
- Profit tax receivables	14	140,731	-
- Accrued charges	8	145,367	196,895
- Cash and cash equivalents	9	37,682,443	38,731,492
TOTAL CURRENT ASSETS		48,375,014	54,139,358
TOTAL ASSETS		180,965,455	180,810,364
EQUITY			
- Share capital	10	34,342,574	34,342,574
- Share capital adjustment	10	164,750,632	164,750,632
- Reserves	11	45,774,486	44,177,880
- Retained earnings	12	66,967,919	71,364,627
- Retained earnings from the adoption of IAS 29	10	(164,750,632)	(164,750,632)
- Other elements of equity	13	(3,599,727)	(3,348,599)
TOTAL EQUITY		143,485,252	146,536,482
LIABILITIES			
Non-current liabilities			
- Deferred tax liabilities	14	3,299,130	3,056,904
- Deferred income	16	-	-
- Provisions for employee benefits	18	480,573	480,573
- Long term bank loans	15	23,255,853	18,633,422
TOTAL NON-CURRENT LIABILITIES		27,035,556	22,170,899

Current liabilities

- Suppliers and other liabilities	17	4,171,565	5,415,539
- Long term bank loans	15	6,163,242	6,163,242
- Interest on long-term loans	15	72,960	80,287
- Current income tax owed	14	-	411,911
- Provisions	18	5,784	5,784
- Deferred income	16	31,096	26,220
TOTAL CURRENT LIABILITIES		10,444,647	12,102,983
TOTAL LIABILITIES		37,480,203	34,273,882
TOTAL EQUITY AND LIABILITIES		180,965,455	180,810,364

**STATEMENT OF COMPREHENSIVE INCOME
AS AT SEPTEMBER 30-th 2018**

	= Lei =		
	Note	09/30/2017	09/30/2018
Income	19	47,733,288	53,962,945
Other income	20	3,002,204	558,449
Raw materials and consumables	21	(5,748,174)	(5,847,420)
Cost of sold goods	22	(23,976)	(28,666)
Services provided by third parties	23	(12,264,828)	(11,235,303)
Employee benefits expense	24	(20,559,897)	(19,634,761)
Impairment and amortization expense	25	(6,213,055)	(7,974,820)
Other expenses	26	(754,739)	(728,723)
Other gains/losses from operations - net	27	313,671	679,709
Profit/(loss) from operation		5,484,494	9,751,410
Financial income	28	40,206	189,584
Financial expense	29	-	(723,872)
Other financial gains/losses (net)	30	(460,063)	256,996
Profit before tax		5,064,637	9,474,118
Income tax expense	14	(833,810)	1,438,886
PROFIT AS AT THE THIRD QUARTER		4,230,827	8,035,232
OTHER COMPREHENSIVE INCOME ELEMENTS			
- elements to be subsequently reclassified under profit or loss			
Gains or losses on financial assets available for sale	3	(1,982)	(5,153)
Deferred income tax related to other comprehensive income elements	14	317	824
OTHER COMPREHENSIVE INCOME ELEMENTS FOR THIRD QUARTER (without tax)		(1,665)	(4,329)
TOTAL COMPREHENSIVE INCOME FOR THIRD QUARTER		4,229,162	8,030,903

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

OVERVIEW

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

SOCEP S.A. has the following identification data:

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

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

Starting on 06/11/2018 and based on OGMS Decision dated 04/26/2018, the Supervisory Board consists of 3 members. The Supervisory Board members are:

- DUȘU NICULAE - President, age 63 years, economist, over 25 years of experience in leading positions, owning 14,590,858 SOCEP shares;
- DUȘU ION - Vice-president, age 60 years, engineer, over 25 years of experience in leading positions, owning 1,382,853 SOCEP shares;
- SAMARA STERE - Vice-president, age 65 years, economist, over 25 years of experience in leading positions, owning 36,114,550 SOCEP shares.

At the reporting date 09/30/2018, the Executive Board has following structure:

- Dorinel Cazacu - General Manager and President of the Executive Board
- Ramona Pavlicu - Commercial Manager and member of the Executive Board
- Teodorescu Lucian - Maintenance Manager and member of the Executive Board
- Gabriel Codeț - Operations Manager and member of the Executive Board.

FUNDAMENTALS OF PREPARATION

Declaration of Conformity

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

Fundamentals of evaluation

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

Business continuity

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

Functional currency and presentation currency

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

Use of estimates and professional judgments

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

SIGNIFICANT ACCOUNTING POLICIES AND METHODS

Transactions in foreign currency

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

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

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

Segment reporting

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

Tangible assets

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

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

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

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

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

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

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

Intangible Assets

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

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

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

Impairment of non-financial assets

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

Financial instruments

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

Financial assets available for sale

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

Financial assets available for sale are valued at cost.

Investments in subsidiaries and associates

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

Receivables from customers and similar accounts

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

Stocks

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

Trade receivables (customers)

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

Cash and cash equivalents

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

Share capital

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

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

Dividend distribution

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

Trade payables (suppliers)

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

Deferred current income tax

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

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

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

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

Employee benefits

In the normal course of business, the company makes payments to the Romanian State on behalf of its employees for pension, health and unemployment funds. All company employees are members of the Romanian State pension plan. Wages, salaries, contributions to pension funds and social security of the Romanian state, annual leave and paid sick leave, bonuses and non-monetary benefits are accumulated during the year in which the related services are rendered by company employees.

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

Provisions

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

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

Income recognition

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

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

a) Income from provided operations

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

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

b) Income from sale of goods

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

c) Interest income

Interest income is recognized using accrual accounting effective interest method.

d) Income from rents

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

NOTE 1. TANGIBLE ASSETS

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

	Land and buildings	Plant and machinery	Furniture, accessories and other equipment	Real estate investment	Assets in progress	Tangible assets advances	Total
As at 01/01/2018							
Cost or reassessed value	41,292,021	101,097,115	560,083	1,643,853	745,288	2,327	145,340,687
Cumulative amortization		(45,950,755)	(332,397)	-	-	-	(46,283,152)
Net carrying value	41,292,021	55,146,360	227,686	1,643,853	745,288	2,327	99,057,535
As at 09/30/2018							
Initial net carrying value	41,292,021	55,146,360	227,686	1,643,853	745,288	2,327	99,057,535
Receipts	-	953,638	5,322	-	2,079,386	-	3,038,346
Disbursements	(680)	(1,098,662)	-	-	(958,281)	(2,327)	(2,059,950)
Reclassification	(1,134,160)	-	-	1,134,160	-	-	0
Amortization for disbursements	-	1,097,715	-	-	-	-	1,097,715
Amortization expense	(2,570,079)	(5,113,035)	(43,651)	-	-	-	(7,726,765)
Final net carrying value	37,587,102	50,986,016	189,357	2,778,013	1,866,393	0	93,406,881
As at 09/30/2018							
Cost or reassessed value	40,157,181	100,952,091	565,405	2,778,013	1,866,393	0	146,319,083
Cumulative amortization	(2,570,079)	(49,966,075)	(376,048)	-	-	0	(52,912,202)
Net carrying value	37,587,102	50,986,016	189,357	2,778,013	1,866,393	0	93,406,881



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.

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

- 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.

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

Up to 09/30/2018 total investments in an amount of 745,400 lei have been put into operation. Main equipments put into operation between 01/01/2018 and 09/30/2018 as follows:

- | | |
|----------------------------------|--------------|
| → 50 tons Lifting beam with hook | 65,603 lei; |
| → Mobile belt Conveyor | 163,983 lei; |
| → 2 FORD vehicles | 120,407 lei; |
| → Fuel distribution station | 141,082 lei; |
| → Self-drilling platform | 69,873 lei; |
| → XEROX printers | 51,122 lei; |
| → 1 NISSAN vehicle | 82,170 lei. |

During the three quarters of 2018, fixed asset modernization works have been completed, in a total amount of 214,344 lei. The main modernization operation was related to the 4 existing mobile belt conveyors in an amount of 56,338 lei and wireless network for the container terminal worth 152,438 lei.

In the same period, fixed assets in total amount of 982,397 lei have been scrapped. Among those, the significant discarded equipments are forklifts (5 pcs), FADROMA units (2 pcs), Fadroma type loader (1 pc). All these discarded equipments were physically worn out and obsolescent as well.

The company has no tangible assets acquired in financial leasing.

According to BRD Loan Contract for financing PACECO project, the company mortgaged the STS crane and two container handling equipment; along with this new mortgage, the former one concerning 4 KOMATSU loaders and one HYSTER forklift has been cancelled.

The newly established mortgage remains valid until SOCEP SA will become full owner of the assets acquired from this contracted loan, namely one PORTAINER crane (STS) and two TRANSTAINER cranes (RTG).

NOTE 2. INTANGIBLE ASSETS

	<u>Computer licenses and software</u>
As at 01 January 2018	
Cost	1,216,757
Accumulated amortization	(564,041)
Net carrying value	652,716
As at 30 September 2018	
Initial net carrying value	652,716
Receipts	1,464
Disbursements	-
Amortization for disbursements	-
Amortization expense	(248,055)
Final net carrying value	406,125
As at 30 September 2018	
Cost	1,218,221
Accumulated amortization	(812,096)
Net carrying value	406,125

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

Intangible assets are measured at cost, reduced by accumulated depreciation.

As at 09/30/2018, the company had advances in total amount of 55,703 lei for intangible assets. This amount represents a payment in advance for the software acquired for General cargo Terminal.

NOTE 3. FINANCIAL ASSETS AVAILABLE FOR SALE

Financial assets available for sale include equity instruments held in:

- ROCOMBI SA BUCHAREST and ROFERSPED SA BUCHAREST companies. The share granted by these is 4.2857% in ROCOMBI SA BUCHAREST and 3.0909% in ROFERSPED SA BUCHAREST. The securities of the two companies are not listed on BSE and are net asset value-measured.

- INVESTIȚII ȘI MANAGEMENT PORT CONSTANȚA company. The share granted by these is 7.58 % of the company's share capital. Shares are not listed on BSE and are net asset value-measured.

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

EQUITY SECURITIES

	ROCOMBI SA	ROFERSPED SA	INVESTIȚII ȘI MANAGEMENT PORT CONSTANȚA	ELECTRICA SA	TOTAL
Value as at 01/01/2018	112,071	275,918	6,665	74,659	469,313
Value increases	-	-	-	-	-
Increases in fair value	-	-	-	7,136	7,136
Decreases in fair value	-	-	-	(12,289)	(12,289)
Value as at 09/30/2018	112,071	275,918	6,665	69,506	464,160

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

NOTE 4. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

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

Company name	Type of relation	Country of incorporation	Percentage held (%)	Reference date for relation	Type of combination
SOCEFIN S.R.L.	Subsidiary	Romania	100.00 %	04/02/2012	Contribution to the establishment

Investments in subsidiaries and associates are valued at their cost.

In April 2018, TRANSOCEP TERMINAL SA has been disbanded. The percentage held by SOCEP within TRANSOCEP TERMINAL SA was 22.22%.

	Equity securities SOCEFIN	Equity securities TRANSOCEP	Total
As at 01/01/2018	30,000,000	18,447	30,018,447
Receipts	-	-	-
Disbursements	-	(18,447)	(18,447)
As at 09/30/2018	30,000,000	-	30,000,000

NOTE 5. OTHER LONG TERM INVESTMENTS

In order to comply with Rental Agreement C.N."A.P.M."-00082-IDP-01 concluded between SOCEP and C.N. Maritime Ports Administration S.A. Constanta, the company has constituted guarantee-bank deposits, both by bank guarantee – consignment of the amounts into a C.N."A.P.M."-S.A. current account and by a letter of guarantee valid for more than 1 year with total amount of 2,338,137 lei. Subsequently to the date of financial statements preparation, the following event has to be mentioned: as SOCEP SA fulfilled its obligation in Art.6.2 of Rental Agreement, the bank guarantee letter of good execution of the investment No.34 GBE 2016-3252 has been cancelled and thus SOCEP received the amount of 1,650,000 lei, from the total value of other long-term investments.

NOTE 6. STOCKS

Stocks held on 09/30/2018 are mainly composed of consumables. Their values were:

	01/01/2018	09/30/2018
Consumables	2,290,936	2,407,175
Goods	832	582
Adjustments for stock impairment	(545,259)	(545,259)
Total	1,746,509	1,862,498

It should be noted that stocks category includes some spare parts purchased in previous years, which are slowly moving. Specifically for them the company formed some adjustments for stock impairment amounting to 545,259 lei. In this stocks category there are some spare parts in a total amount of 1,048,707 lei for PACECO Project.

NOTE 7. CUSTOMERS AND OTHER RECEIVABLES

	01/01/2018	09/30/2018
Trade receivables (customers)	9,129,705	13,325,956
Adjustments for customer receivables impairment	(918,049)	(903,145)
Trade receivables – carrying value	8,211,656	12,422,811
Guarantees for less than 1 year	-	-
Other receivables	2,252,839	2,730,193
Adjustments for impairment sundry debtors	(1,804,531)	(1,804,531)
Other receivables - carrying value	448,308	925,662
Total	8,659,964	13,348,473

Both trade receivables and other receivables are current assets.

The evolution of adjustments for customer receivables impairment and for sundry debtors' impairment at the end of third quarter of 2018 was as follows:

	09/30/2018	
	Adjustments for impairment of customer receivables	Adjustments for impairment of sundry debtors
Balance as at 1 January 2018	918,049	1,804,531
Increases	2,157	-
Decreases	(17,061)	-
Balance as at 30 September 2018	903,145	1,804,531

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

Other receivables include:

	01/01/2018	09/30/2018
Advances for stocks and services	37,013	37,645
Taxes and charges to recover and other receivables	45,125	230,200
VAT to be recovered	-	-
Sundry debtors	2,170,701	2,462,348
Total	2,252,839	2,730,193

NOTE 8. ACCRUED CHARGES

Accrued charges were generated by the advance payment of local taxes and fees, of insurance for tangible assets and liability insurance, subscriptions, contributions and various fees, in a total amount of 196,895 lei.

NOTE 9. CASH AND CASH EQUIVALENTS

	01/01/2018	09/30/2018
Cash and bank accounts	9,804,833	21,778,108
Short-term bank deposits	27,877,610	16,953,384
Other receivables and effects	-	-
Total	37,682,443	38,731,492

Cash and cash equivalents in foreign currency were measured in the financial statements based on exchange rates valid on 09/30/2018, i.e. 4.6637 lei/Euro and 4.210 lei/USD.

NOTE 10. SHARE CAPITAL

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

NOTE 11. RESERVES

Company reserves consist of unrealized revaluation surplus and reserves.

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

	Reserves from revaluation of tangible assets	Legal reserves	Reserves from distribution of net profit	Reserves from tax reductions, exchange rate differences and reinvested profit	TOTAL
As at 01/01/2018	24,134,953	6,868,515	10,047,519	4,723,499	45,774,486
Profit distribution (earnings for third qtr.)	-	-	-	-	-
Surplus from revaluation realized	(1,596,606)	-	-	-	(1,596,606)
Investment property revaluation reserve at fair value	-	-	-	-	-
Reserves from reinvested profit	-	-	-	-	-
As at 09/30/2018	22,538,347	6,868,515	10,047,519	4,723,499	44,177,880

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

Legal reserves were formed under the law.

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

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

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

NOTE 12. RETAINED EARNINGS

	Retained earnings from undistributed profits	Retained earnings from first-time adoption of IAS 29	Retained earnings from surplus realized from revaluation reserves	Retained earnings from implementation of IFRS, less IAS 29	TOTAL
As at 01/01/2018	53,025,453	(1,282,715)	13,385,684	1,839,497	66,967,919
Result at third quarter	8,035,22	-	-	-	8,035,232
Paid dividends	(4,979,673)	-	-		(4,979,673)
The revaluation surplus realized	-	-	1,596,606	-	1,596,606
Income tax related to the revaluation surplus realized	-	-	(255,457)	-	(255,457)
As at 09/30/2018	56,081,012	(1,282,715)	14,726,833	1,839,497	71,364,627

NOTE 13. OTHER EQUITY ELEMENTS

	Deferred income tax recognized in equity account	Differences from the change in fair value of financial assets available for sale	TOTAL
As at 01/01/2018	(3,911,472)	311,745	(3,599,727)
Deferred tax income related to change in fair value of financial assets available for sale	825	-	825
Change in fair value of financial assets available for sale	-	(5,154)	(5,154)
Deferred income tax related to revaluation surplus realized	255,457	-	255,457
As at 09/30/2018	(3,655,190)	306,591	(3,348,599)

NOTE 14. DEFERRED INCOME TAX AND CURRENT INCOME TAX

a) Deferred income tax

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

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

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

Deferred income tax assets

Deferred income tax assets	Stocks (stock adjustments)	Receivables (receivable adjustments)	Provisions	Shares depreciation adjustments	Total
As at 01/01/2018	87,241	435,613	77,817	11,670	612,341
Recorded/credited in profit or loss for the period	-	-	-	-	-
Recorded/debited in profit or loss for the period	-	(2,385)	-	(11,670)	(14,055)
As at 09/30/2018	87,241	433,228	77,817	0	598,286

Deferred income tax liabilities

Deferred income tax liabilities	Revaluation reserves	Financial assets available for sale	Total
As at 01/01/2018	3,861,592	49,879	3,911,471
Recorded/credited in profit or loss for the period	-	-	-
Recorded/debited in profit or loss for the period	(255,457)	-	(255,457)
Recorded/credited in other elements of comprehensive income	-	-	-

Recorded/debited in other elements of comprehensive income	-	(824)	(824)
As at 09/30/2018	3,606,135	49,055	3,655,190

b) Current income tax

	09/30/2017	09/30/2018
Balance on 01 January	(45,886)	(140,731)
Increases	900,814	1,680,288
Decreases	(380,746)	(1,127,646)
Balance on 30 September	474,182	411,911

c) Expense with current income tax

	09/30/2017	09/30/2018
Profit before tax	5,064,637	9,474,118
Deductions - reserve fund	(94,009)	-
Nontaxable income	(617,526)	(208,604)
Nondeductible expenses	1,260,348	192,546
Elements similar to income	912,474	1,596,606
Taxable profit	6,525,924	11,054,666
Income tax calculated at 16%	1,044,148	1,768,747
Not deducted sponsorships - 2017	(37,186)	(46,207)
Sponsorships of current year	(54,042)	(10,000)
Deduction of reinvested profit	(52,106)	(32,252)
Current income tax expense	900,814	1,680,288

d) Income tax expenses

	09/30/2017	09/30/2018
Current income tax expenses	900,814	1,680,288
Deferred income tax expense	83,100	14,400
Deferred income tax revenues	(150,104)	(255,802)
Income tax expenses	833,810	1,438,886

NOTE 15. BANK LOANS

The company has contracted a bank loan amounting to 35,090,000 lei on 10/05/2015 from BRD. This loan was used for partial payment of the import letter of credit amounting to 8,710,550 Euro (opened at BRD on the request of SOCEP, in favor of beneficiary PACECO ESPAÑA S.A., as per credit letter issue contract no. 209763/05.10.2015). The company used from this loan 32,152,075 lei and returned an amount of 7,355,411 lei. At 09/30/2018 there is a balance of 24,796,664 lei, out of which the amount of 6,163,242 lei has a maturity less than 1 year. Balance for interest related to the loan as recorded on 09/30/2018 is in an amount of 80,287 lei.

NOTE 16. DEFERRED INCOME

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

	01/01/2018	09/30/2018
Donations for investments	-	-
Other revenues	31,096	26,220
TOTAL	31,096	26,220

NOTE 17. SUPPLIERS AND OTHER DEBTS

The suppliers and other payables statement is as follows:

	01/01/2018	09/30/2018
Trade payables, out of which:	1,620,663	2,115,003
Suppliers for fixed assets	6,664	528,761
Salaries due	542,192	580,359
Unclaimed Dividends	346,348	1,089,108
Social security and other taxes	1,127,318	1,262,662
Other payables	535,044	368,407
Total	4,171,565	5,415,539

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

	01/01/2018	09/30/2018
Social security	734,341	749,377
Salary tax	261,006	132,958
VAT	131,971	380,056
Tax on dividends	-	271
Withholding tax	-	-
TOTAL	1,127,318	1,262,662

On 09/30/2018, the company has no outstanding debts for which interests or late payment penalties should be paid.

NOTE 18. PROVISIONS

The state of provisions is as follows:

	01/01/2017	09/30/2018
Provisions for litigation	-	-
Provisions for employee benefits	480,573	480,573
Other provisions	5,784	5,784
TOTAL	486,357	486,357

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

NOTE 19. INCOME (Turnover)

The company has achieved over 98% of its turnover from operations carried out in both its terminals, general cargo terminal and container terminal.

	09/30/2017	09/30/2018
Income from performed port operations	47,323,404	53,364,307
Income from rents	319,685	406,859
Other income (sale of goods)	119,810	191,779
Discounts	(29,611)	-
TOTAL	47,733,288	53,962,945

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

	09/30/2017	09/30/2018
I. GENERAL CARGO		
Cargo handling	26,396,774	28,141,988
Storage	2,897,245	6,501,555
Other services	310,843	391,397
Zona Sud Agigea	230,096	162,894
TOTAL	29,834,958	35,197,834
II. CONTAINERS		
Handlings	17,526,507	18,433,281
Storage	308,387	257,245
Other services	63,436	74,585
TOTAL	17,898,330	18,765,111

III. TOTAL COMPANY

Handlings	43,923,281	46,575,269
Storage	3,205,632	6,758,800
Other services	374,279	465,982
Zona Sud Agigea	230,096	162,894
TOTAL	47,733,288	53,962,945

NOTE 20. OTHER INCOME

	09/30/2017	09/30/2018
Despatch and penalties	2,461,025	273,587
Income from dividends	98,151	100,158
Miscellanea	443,028	184,704
TOTAL	3,002,204	558,449

Other income included amounts from invoicing despatch (due for early operation of ships), i.e, 237,300 lei and penalties calculated for failure to pay in due time for provided port operations and invoiced to customers, in the amount of 36,287 lei.

NOTE 21. RAW MATERIALS AND CONSUMABLES

	09/30/2017	09/30/2018
Expenses with consumables	4,519,644	4,577,446
Expenses with other materials	269,999	212,076
Expenses with materials not stored	1,452	2,578
Expenses with energy and water	957,079	1,055,320
TOTAL	5,748,174	5,847,420

NOTE 22. COST OF SOLD GOODS

	09/30/2017	09/30/2018
Expenses with goods	23,976	28,666

NOTE 23. SERVICES PROVIDED BY THIRD PARTIES

	09/30/2017	09/30/2018
Maintenance and repair expenses	517,242	460,869
Rent expenses	4,193,169	4,390,162
Insurance expenses	194,680	170,965
Entertainment and advertising expenses	101,767	84,362
Expenses with charges and fees	911,236	972,793
Cargo and staff transportation expenses	92,304	87,166
Travel expenses	83,396	66,209
Postal and telecommunication expenses	87,578	84,888
Bank service expenses	26,831	27,723
Rail cars shifting expenses	298,602	395,690
Port service expenses	4,208,639	2,747,123
Sanitation expenses	258,772	241,402
Occupational safety expenses	49,459	49,813
Fire protection, safety expenses	689,042	718,496
Computer service expenses	100,267	279,904
Expenses with subscriptions, contributions	43,089	56,068
Audit, consultancy, BSE expenses	174,054	126,795
Expenses with authorizations	101,138	74,293
Schooling/training expenses	13,232	60,291
Other expenses	120,331	140,291
TOTAL	12,264,828	11,235,303

NOTE 24. EMPLOYEE BENEFIT COST

EXPENSES	09/30/2017	09/30/2018
Salaries and meal vouchers	16,452,186	19,010,146
Social security expenses	4,107,711	624,615
TOTAL	20,559,897	19,634,761

Benefits for Executive Board and Supervisory Board members:

CHELTUIELI	09/30/2017	09/30/2018
Executive Board benefits	460,775	581,035
Social security related to Executive Board benefits	108,224	9,317
Supervisory Board benefits	579,976	628,915
Social security related to Supervisory Board benefits	133,226	14,151
TOTAL	1,282,201	1,233,418

AVERAGE NUMBER OF EMPLOYEES	09/30/2017	09/30/2018
	428	397

NOTE 25. AMORTIZATION EXPENSES

	09/30/2017	09/30/2018
Expenses with the amortization of intangible assets	247,811	248,055
Expenses with the amortization of tangible assets	5,965,244	7,726,765
TOTAL	6,213,055	7,974,820

NOTE 26. OTHER EXPENSES

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

	09/30/2017	09/30/2018
Expenses with taxes and charges	448,760	587,330
Losses from receivables	-	243
Damages, fines, penalties	23,800	12,181
Donations	-	-
Sponsorships	54,042	10,000
Other operating expenses	228,137	118,969
TOTAL	754,739	728,723

NOTE 27. OTHER OPERATIONAL GAINS/LOSSES – NET

	09/30/2017	09/30/2018
Income from disposal of assets	6,318	605,190
Expenses on disposal of assets	(1,994)	(947)
Income from provisions	-	72,938
Expenses for provisions	-	-
Income from adjustments of stocks and customer receivables	519,376	17,062
Expenses for adjustments of stocks and customer receivables	(25,674)	(2,157)
Income from exchange rate differences, less those for cash and cash equivalents	100,469	46,000
Expenses from exchange rate differences, less those for cash and cash equivalents	(284,824)	(58,377)
TOTAL	313,671	679,709

NOTE 28. FINANCIAL INCOME

Financial income includes income from interests and other income,

	09/30/2017	09/30/2018
Income from interests	34,280	164,556
Other financial income	5,926	6,581
Income from investments securities	-	18,447
TOTAL	40,206	189,584

NOTE 29. FINANCIAL EXPENSE

	09/30/2017	09/30/2018
Interest expense	-	632,487
Expenses for transfer of investment securities	-	91,385
TOTAL	-	723,872

NOTE 30. OTHER FINANCIAL GAINS/LOSSES – NET

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

	09/30/2017	09/30/2018
Income from different exchange rates	709,515	913,546
Expenses from different exchange rates	(1,169,578)	(656,550)
Net financial gains (losses)	(460,063)	256,996

NOTE 31. TRANSACTIONS WITH AFFILIATED PARTIES

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

Sales of goods and services

Company	09/30/2017	09/30/2018
Transocep Terminal SA		
Sales of goods	-	-
Sales of services	14,377	-
Sales of fixed assets	-	-
Total (VAT included)	14,377	-
Casa de Expediții Phoenix S.A.		
Sales of goods	-	-
Sales of services	262,307	368,415
Sales of fixed assets	-	-
Total (VAT included)	262,307	368,415
CELCO S.A.		
Sales of goods	-	-
Sales of services	62,346	-
Sales of fixed assets	-	-
Total (VAT included)	62,346	-

Purchases of goods and services

Company	09/30/2017	09/30/2018
Transocep Terminal SA		
Purchases of goods	-	-
Purchases of services	84,523	-
Purchases of fixed assets	-	-
Total (VAT included)	84,523	-

Company	09/30/2017	09/30/2018
Casa de Expediții Phoenix S.A.		
Purchases of goods	623,267	91,754
Purchases of services	1,770,610	295,152
Purchases of fixed assets	-	-
Total (VAT included)	2,393,877	386,906
DDN GLOBAL		
Purchases of goods	-	-
Purchases of services	120,645	127,229
Purchases of fixed assets	-	-
Total (VAT included)	120,645	127,229
SULINA ESTIVAL 2002 SA		
Purchases of goods	-	-
Purchases of services	500	-
Purchases of fixed assets	-	-
Total (TVA inclus)	500	-
COMPLEX CONDOR SA		
Purchases of goods	-	-
Purchases of services	-	350
Purchases of fixed assets	-	-
Total (VAT included)	-	350

Balances on 30-th of September 2018 resulting from sales/purchases of goods/services

CASA DE EXPEDIȚII PHOENIX SA CONSTANȚA

	09/30/2017	09/30/2018
Receivable	-	-
Payable	43,470	6,446
TOTAL	43,470	6,446

NOTE 32. ECONOMIC AND FINANCIAL INDICATORS

INDICATORS	CALCULATION PROCEDURE	RESULTS	
		09/30/2017	09/30/2018
1, Current liquidity	Current assets/Current liabilities	4.67	4.47
	Borrowed capital ----- x 100 Equity	18.87	15.13
2, Indebtedness	Borrowed capital ----- x 100 Committed capital	15.87	13.14
3, Rotation speed of customers debts	Average balance of customers ----- x 270 Turnover	83.23	56.18
4, Rotation speed of fixed assets	Turnover/Fixed assets	0.39	0.43

EVENTS OCCURRED AFTER THE REPORTING PERIOD

We specify that, subsequently to financial statements preparation date, the SOCEP SA Supervisory Board took following decisions concerning the SOCEP SA Executive Board structure:

- Appointment of Mr. Cristian Mihai Ududec - in the position of Economic Manager and as member of SOCEP SA Executive Board.

No events which could significantly influence the financial position and company performances have occurred.

Quarterly Financial Statements are not audited.