

# COMVEX

## DIRECTORS REPORT FOR THE FINANCIAL YEAR 2018

### General introduction

**COMVEX S.A.** was incorporated in 1991, being the largest bulk raw material handling terminal in Black Sea area, covering a surface of de 700,386 m<sup>2</sup> in South of Constanta Port, Romania.

The Company's registered premise is in Constanta, Port of Constanta, Berth 80-84, registered with the Trade Register under no. J13/622/1991 and having the sole fiscal code RO1909360.

COMVEX terminal is the leading specialist on the market in handling, storing and transshipment of dry bulk minerals such as iron ore, coal, coke, bauxite, operating from a modern and fully equipped facility location in the Port of Constanta.

COMVEX is the only terminal for the operation of solid bulk goods in the Black Sea area that is able to cater for Cape size vessels of up to 220.000 tdw, holding a discharge line at the maritime quay formed of 5 berths with a total length of 1.400 m and water depth comprised between 10.8 and 18.5 m. In addition, COMVEX benefits geographically from having access through the waterway network which includes the Danube.

Due to its location and excellent access potential to industrial plants in Europe, COMVEX is able to provide its customers, such as major mining companies from Australia, Brazil, India, Africa, USA and Canada, the ability to make deliveries to industrial plants in Romania, Hungary, Austria, Ukraine, Bulgaria, and Serbia, on a "just in time" basis.

Currently, COMVEX is developing a Grain Terminal in Berth 80 on a surface of approximately 60,000 sqm. The location provides important logistic advantages, respectively: the deepest berth in the Black Sea, vicinity with the barges terminal for river transport from countries near the Danube, direct and easy access to the railway, short distance and direct access to highway A2. Thus, COMVEX will provide grain producers in Romania, Hungary, Serbia, Bulgaria the possibility to deliver the obtained production on ships of great capacity, 100-120.000 tdw.

The Company has implemented an integrated management system, being certified on quality management standards ISO 9001:2008, environment management system according to ISO 14001:2009 and health and security at work management system according to OHSAS 18001:2007. It is also compliant with the requirements of the International Ship and Port Facility Code Security (ISPS).

The Company carries out its activity by applying internal control norms and procedures, by complying with the requirements of all hierarchic and operational levels: approval, authorization,

verification, operating performances assessment, assets securing, separation of positions. As for the human resources policy, the Company considered its employees' professional training according to the position assignments and responsibilities. To assess the internal control, the Company's management implemented the Internal Organization Rule and the internal procedure manuals. The internal auditors are those assessing the internal control system of the Company and they offer an impartial and professional analysis of the organization risks.

In its relation to the shareholders, Comvex applies the transparency principles provided by the applicable capital market legislation. At the same time, in view of assuring a greater transparency, Comvex follows the Principles of Corporate Governance. Assuring an organized working frame, based on firm principles helps on a long term to maximize value both for the shareholders, and for the interested public.

## Information on shareholders

Comvex is traded on the Alternative Trading system managed by the Bucharest Stock Exchange (AeRO), having the symbol CMVX. Its share capital amounts to RON 29,139,927,5, divided in 11.655.971 nominative, dematerialized shares, with a nominal value of RON 2,5 lei/share. The shareholders ledger is managed by the Central Depository S.A.

On 31.12.2018, the structure of shareholders was:

Shareholder	No. of shared	Percentage (%)
Solidmet SRL	3.576.953	30,6877%
Expert Placement Services Limited	3.277.526	28,1189%
Nicola Ruxandra-Ioana	2.050.040	17,5879%
Dragoi Anca Mihaela	2.050.040	17,5879%
Other shareholders – individuals	497.683	4.,698%
Other shareholders – legal persons	203.729	1,7479%
<b>Total</b>	<b>11.655.971</b>	<b>100.00%</b>

## Company management

The Company is managed in a unitary system and by a Board of Directors, made up of 5 (five) members, for a mandate of 4 (four) years each.

The Board of Directors is assigned to meet all the required and useful actions for the achievement of the Company's object of activity, except for those provided by law as being in the exclusive charge of the General Meeting of Shareholders. The members of the Board of Directors will exert their mandate with the prudence and diligence of a good administrator, with loyalty, in the Company's best interest and they will not disclose confidential information and the commercial secrets of the Company they have access to in their position as directors, even after the end of their mandate as directors. Also, the Directors of the Company shall participate in all General Meetings of Shareholders.

The Board of Directors represents the Company in its relation to third parties and in court through its Chairman. The Board of Directors delegated the Company's management to the General Manager.

The Board of Directors exerts the current management of the Company, having the assignments provided for in the Articles of Incorporation of COMVEX S.A.

### **During 2018, the Board of Directors had the following composition:**

The Board of Directors nominated by the Decision of the Ordinary General Meeting of the Shareholders no. 213 from 25th of September 2014, for a mandate of 4 years. So, during 1st of January – 24th of September 2018 the the Board of Directors had the following composition:

- Viorel PANAIT – President
- Dan-Ion DRAGOI – Member
- Panait IVANESCU – Member
- OCTOGON SHIPMANAGEMENT SRL – Member, by representative natural person Corneliu Bogdan IDU

The Board of Directors nominated by the Decision of the Ordinary General Meeting of the Shareholders no. 302 from 24th of September 2018, for a mandate of 4 years, respectively 2018 – 2022, having the following composition

<b>Name and surname</b>	<b>Position</b>
Viorel PANAIT	President of BoD
Dan-Ion DRAGOI	BoD Member
Corneliu Bogdan IDU	BoD Member
Panait IVANESCU	BoD Member
Edmond Costin SANDRU	BoD Member

## Activity evolution

During 2018, Comvex operated in its terminal as many as 252 ships with raw materials in bulk. Comvex provided services of handling, storage and transshipment of the raw materials in bulk, such as iron ores, coking coal, energy coal, bauxite, coke, scrap iron for clients such as Transport Trade Services, ArcelorMittal Galati, Vitol Switzerland, Brightroad, Alum S.A. Tulcea, CRH Romania and Serbia, Danube Transport Services, C.Steinweg Romania, Nordwest Management, Sisecam Soda Lukavac, Danube Shipping Management.

In order to diversify its activity, along with the ore Terminal, the company is currently developing a Grain Terminal in berth 80, with a capacity of 200.000 tons.

The development of a Grain Terminal in the deepest berth of the Black Sea and the East part of the Mediterranean Sea shall allow the direct operation of grain vessels of over 100,000 tdw, which shall create an exceptional competitive advantage both for COMVEX as well as for the Port of Constanta, in its entirety. The accomplishment of the COMVEX Terminal shall be a premiere in Romania and shall open the markets within the hinterland of Constanta Port towards any global destination.

The development of a Grain Terminal was decided by the General Assembly of the Shareholders even since 2014 and on 8th of July, 2016 the Extraordinary General Assembly of the Shareholders, by Decisions no. 249 and 250, approved the construction of the Grain Terminal for a total value of 52 millions euros, contracting for this purpose a banking credit of up to 52 millions euros, as well as the establishment of the subsequent guarantees required to obtain the credit. In May 2017 the credit agreement was signed with the financing institutions, respectively Raiffeisen Bank and EximBank.

The financing facility was equally granted by Raiffeisen Bank and EximBank and benefited from an extended guarantee issued by EximBank in the Name and Account of the Romanian State, in the amount of EUR 18.144 millions euro. The financing facility will be repaid in quarterly installments, starting with the second half of 2019 and until the end of 2026.

The credit facility balance on 31.12.2018 amounted to EUR 28.398.344 and on the date of the financial statements drafting (March 2019), it reached EUR 29.503.486,32.

The Romanian General Master Plan of Transport, approved by GD 666/2016 and the Master Plan of Constanta Port, elaborated by Ernst &Young, initiated the Project "Implementation of a specialized berth in a deep-sea zone (Berth 80)", by converting a berth from ore operations to grain operation. This is regarded as a project of strategic importance and is also included in the projects portfolio of the Operational Program for Large Infrastructure POIM 2014-2020 (position 31), which is in the execution and finalisation phase in the Constanta Port. The project includes the expansion of the railway infrastructure to the silos park, the modernization of Berth 80, mounting new equipment for berth fit for large size grain ships mooring.

The implementation of specialized berth no. 80 is the missing piece necessary for the general increase of Constanta Port's export performance. This Berth shall facilitate the access of the Romanian grain producers and in general from the extended hinterland of the Constanta Port towards all relevant markets at global level, creating a significant commercial advantage.

The construction of the Terminal is advanced, at the end of 2018 all storage cells being finalised as regarding the building aspects. At the date of drawing up the herewith report the implementation of

the functional technological equipments together with the relative metallic constructions are under different stages of finalisation. It follows the finalisation of the command rooms for the entire Terminal, as well as the access and unloading hoppers for the railway and road transport.

Relative to the future activity, but also to the existing one, in 2018 the Company's concern for the greening activity for the Terminal was maintained, in order to eliminate wastes periodically generated by the specific of the performed activity. In this regard, in 2018 were processed and capitalised wastes with a quantity of 25.906 tons in the form of homogenous products of different ores with the characteristics of the operated goods. In order to obtain this quantity for sale, Comvex received invoices from the company dealing with the greening activity of the terminal, based on the contract concluded with it, in the amount of RON 3.803.208, and the amount collected from the sale of this quantity was RON 4.413.398.

## Main economic-financial ratios

The analysis elements from this report are substantiated by the data in the annual financial statements drafted on 31.12.2018 according to the Law of Accounting no. 82/1991, republished, Law 31/1990 republished, with all further amendments and completions, by the provisions included in Order no. 1802/2014 of the Ministry of Finances for the approval of Accounting Regulations regarding individual annual financial statements and the consolidated annual financial statements.

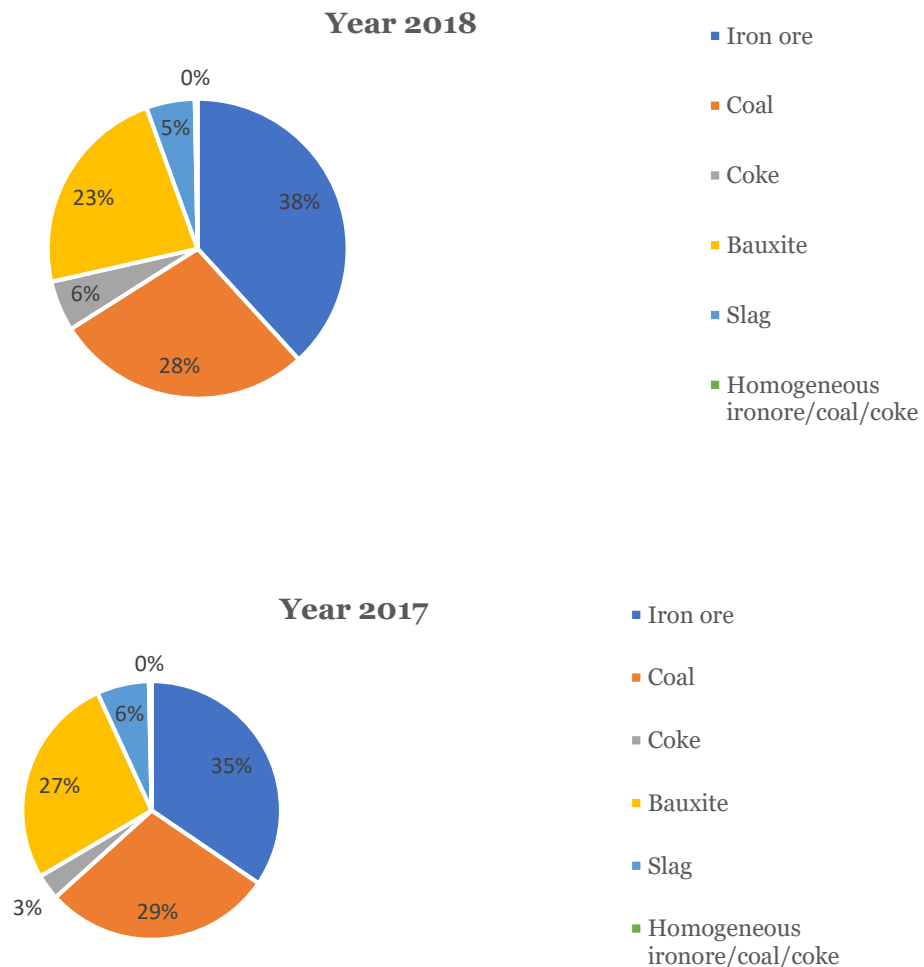
Comvex S.A. has been considering the fulfillment of its obligations under the law as regards the correct, accurate and up-to-date organization and management of the accounting. The assessment, registration in the unit accounting and presentation of patrimony elements was performed in compliance with the principles, policies and accounting methods. The receivables and debts in foreign currency were converted into RON considering the foreign currency exchange rates on the date of 31.12.2018.

<b>Ratios</b>	<b>MU</b>	<b>Year 2017</b>	<b>Year 2018</b>
Handled tons	tons	7.211.309	8.544.835
Turnover	RON	59.383.097	77.288.258
Total revenues, of which	RON	67.494.100	86.689.009
- <i>Operating</i>	RON	63.971.007	83.561.630
- <i>Financial</i>	RON	3.523.093	3.127.379
Total expenses, of which:	RON	61.187.496	77.547.415
- <i>Operating</i>	RON	57.306.645	73.986.955
- <i>Financial</i>	RON	3.880.851	3.560.460
Net profit	RON	5.208.361	7.612.510
Fixed assets	RON	183.611.035	295.999.201
Cash available	RON	33.234.856	13.424.137
Receivables	RON	20.069.253	19.561.153
Stocks	RON	13.531.063	14.571.429
Total debts	RON	69.969.970	155.846.300

Comvex S.A. handled in 2018 a total quantity of 8.544.835 tons of bulk raw materials, with 18.5% more than the quantity operated the previous year (respectively 7.211.309 tons of bulk raw materials). During the entire year 2018 there were operated 252 maritime ships, as opposed of 137 maritime ships in 2017.

The distribution by types of merchandise of the total quantity handled in the Comvex terminal is shown in the table below:

Type of cargo	Year 2017	Year 2018
Iron ore	2.489.778	3.266.201
Coal	2.075.445	2.374.712
Coke	230.258	465.564
Bauxite	1.920.911	1.964.743
Slag	470.402	447.709
Homogeneous of Ores/coal/bauxite	24.668	25.906
	<b>7.211.309</b>	<b>8.544.835</b>

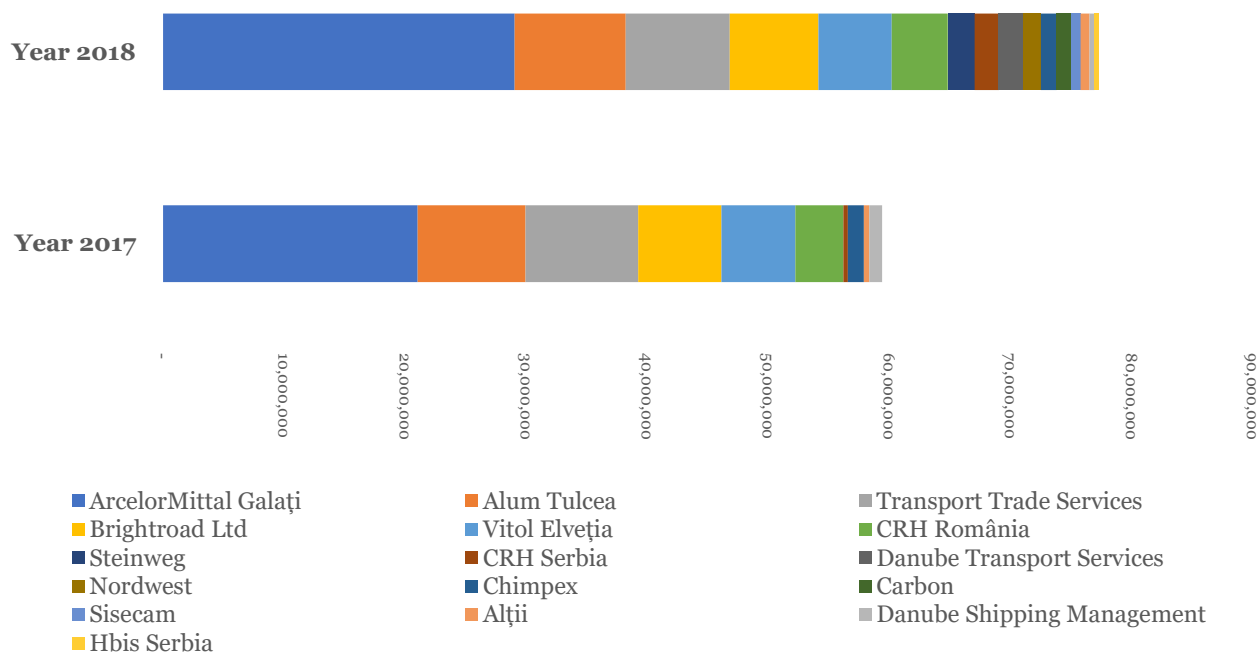


**Total Revenues (lei)**

	<b>Year 2017</b>	<b>Year 2018</b>
Turover, out of which:	59.383.907	77.288.258
<i>Revenues form sales of goods</i>	<i>2.548.154</i>	<i>4.422.998</i>
Other operational revenues	4.585.269	6.273.372
Financial Revenues	3.523.094	3.127.379
<b>Total revenues</b>	<b>67.494.100</b>	<b>86.689.009</b>

**The turnover** (RON) split by clients is shown in the table and graph below:

<b>Client</b>	<b>Yearl 2017</b>	<b>Year 2018</b>
ArcelorMittal Galați	21.027.349	29.034.947
Alum Tulcea	8.903.473	9.188.245
Transport Trade Services	9.304.537	8.598.267
Brightroad Ltd	6.885.626	7.306.827
Vitol Elveția	6.116.842	6.063.551
CRH România	3.967.987	4.632.692
C.Steinweg		2.200.431
CRH Serbia	356.519	2.029.887
Danube Transport Services		1.965.168
Nordwest Management		1.485.020
Chimpex	1.338.558	1.303.309
Carbon and Natural Resources Corporation		1.201.899
Sisecam Soda Lukavac		787.335
Alții	430.779	731.281
Danube Shipping Management	1.051.426	393.962
Hbis Serbia		365.437
	<b>59.383.096</b>	<b>77.288.258</b>



The iron ore was handled for the steel factories of Galați and Smederevo – Serbia and Linz – Austria. The coal was unloaded for the complex of Dunajvaros in Hungary, energy coal for the thermal power stations of Romania (Iasi and Deva) and the thermal power stations of Bulgaria and Serbia, and the antracit coal, for the steel factories and cement factories of Spain, Italy, Turkey and Egypt. The coke was dispatched to the steel factory Smederevo Serbia and the factories Lafarge Romania and Lafarge Serbia. The destination for the bauxite was the alumina factory Alum Tulcea. The slag had as final destination cement factories from Egypt and several countries from West Africa.

Raw materials dispatch to beneficiaries was performed either by maritime ships, or by railway (wagons), or by river (barges), or by road (tracks).

The turnover has increased with approx. 30% as compared to the one registered last year as a result of the increase of the quantity of raw materials handled for certain clients, especially ArcelorMittal Galati, but also due to the services rendered for new clients as C.Steinweg, Nordwest, Sisecam Carbon and Natural Resources Corporation and Hbis Serbia.

Out of the total of 6.273.372 lei representing other operating revenues, 3.803.208 lei represents the entry into accounting of ores/coal/bauxite homogeneous.

The financial revenue consists in revenues from interests received from banks for the amounts the Company holds into its accounts and revenues from favorable differences of foreign exchange rates.



**Total Expenses (RON)**

	<b>Year 2017</b>	<b>Year 2018</b>
<i>Personnel expenses</i>	21.186.335	24.792.481
<i>Expenses with materials, consumables, other auxiliary materials</i>	5.555.503	8.134.923
<i>Repaires expenses</i>	1.599.304	2.723.446
<i>Costs of sales of goods</i>	2.226.268	3.812.475
<i>Utilities expenses</i>	3.914.893	5.803.037
<i>Rent expenses</i>	6.198.427	7.150.390
<i>Depreciation expenses</i>	3.268.051	4.005.507
<i>Expenses with teminal Greening</i>	2.220.982	3.803.208
<i>Other operating expenses, including third parties services</i>	9.576.669	11.401.733
<i>Tax on profit and local taxes</i>	1.560.213	2.359.755
<i>Financial expenses</i>	3.880.851	3.560.460
<b>Total Expenses</b>	<b>61.187.496</b>	<b>77.547.415</b>

Personnel expenses include the expenses related to personnel (wages and due contributions) and indemnities of the Directors of the Company.

Expenses with goods mainly represent the exit from accounting of the homogeneous ores/coal/bauxite.

Out of the total expenses with rents, the amount of 4.137.784 lei represents the rent paid to CN APM. Expenses with rents went up as compared to the previous year as a result of signing in 2017 with CNAPM of the Long-Term, Public Domain (Port) Land Lease Contract, March 2017 – December 2049, at a contractual tariff of EUR 0,08 /sqm/month. Thusly, in in 2018 the increased tariff was for the entire year, compared with 2017 when it started on 1st of April 2017, respectively for 9 months.

The conclusion of the Long-Term, Public Domain (Port) Land Lease Contract in March 2017 has represented an essential aspect for the Company's activity, as it enabled the regulation of a historical situation, by first and foremost securing, for a long-term period, the rights to use the waterborne transport infrastructure and the conditions of this use. Moreover, the Company's rights over the assets it owns, as well as its long-term trade operations, were also secured.

In 2014, Comvex claimed in Court a numer of 3 technological platforms which were leased from CN APM and respectively for which the Company was paing rent. In the claim, Comvex showed that the

3 claimed platforms were designed by Iptana – the general designer of Constanta Port, to serve for the minerals activity. Thusly, in 1991, when it was divided the patrimony of the former Întreprinderea de Exploatare Portuară (Port Operations Company) between CNAPM and Comvex, the platforms were allocated by Iptana as being part of the patrimony of Comvex, but, they were not effectively transferred into the accounts of Comvex. The Court of Law definitively settled in favour of Comvex, the case having as object the claim of the platforms, in the month of May 2017, and starting in June 2017, CN APM stopped invoicing rent for these platforms. In the month of March 2018, the High Court of Cassation and Justice admitted the appeal formulated by CN APM, the decision was quashed and the case was send for retrial. After the admission of the appeal, CN APM restarted invoicing rent, inclusively for the 7 months of 2017 for which there were no invoices issued. So, the expenses for 2018, were affected by those for the 7 months from 2017 for the rent of the platforms. We state that in the retrial, the appeal formulated by CN APM was rejected as having no foundation. Against this decesion, CN APM declared appeal, the appeal was not yet settled by the High Court of Cassation and Justice.

The rest of expenses with rents represent rents for specialized equipments and machineries for cargo handling activity.

The expenses with amortization also include depreciation adjustments for fixed assets, including those in conservation. In 2018, a number of 111 fixed assets were kept in conservation, such as equipments and plants in view of preventing their operational depreciation. On 31st of December 2018 they were analyzed by an expert evaluator for the depreciation test.

Other operating expenses include expenses with insurances, telecommunications, as well as other services rendered by third parties.

Out of the total financial expenses, the amount of 3.560.460 lei represents expenses with interests related to long term loans contracted to finance the investments (other than those for the Grain Terminal) and the expenses related to the leasing contracts.

According to the provisions of OMFP no. 1802/2014, the Company shall capitalize the interest due for the bank loan contracted for financing the Grain Terminal until the commissioning of the investment. The amount of the capitalized interest in the current year in relation to that credit facility was in the amount of 2.133.173 lei.

The rest of financial expenses are negative differences of foreign currency exchange rates resulted from reevaluations.

### **Net profit**

The Company registered in 2018 a net profit of RON 7.612.510, as compared to RON 5.208.361 in 2017. The profit increase was generated by the turnover increase based on the increased quantity of handled raw materials.

### **Fixed Assets**

On 31st of December 2018, the Company revised the value of tangible assets used for the activity of handling of minerals. The impairment test included all assets in the form of buildings, equipment, spare parts stocks and assets under construction to serve the current business. The test was based on comparing the book value at 31.12.2018 with the value in use determined by analyzing future cash

flows that will be generated. Following the review, there were no negative adjustments to be recorded on the expense account.

The increase in fixed assets was mainly caused by the increase in the value of the fixed assets in progress for the "Grain Terminal" investment, amounting to 106.409.047 lei as at 31.12.2018.

### **Stocks**

Stocks went up as compared to the end of 2017 due to the increase of the company's activity. From the total of 14.571.429 lei stocks on 31st of December 2018, the amount of 6.845.972 lei represents materials stocks for the investments.

### **Receivables**

Receivables in balance on 31st of December 2018 went down as compared to the end of 2017, this drop was mainly generated by the full reimbursement of the credit granted to CDRV Associates SRL (Company where Convex is founder), and implicitly by the diminishing of the amounts to be collected from that company.

On closing the financial reports for 2018, the Company took out from the accounting registers certain unsure old receivables, receivables for mostly which there have already been registered provisions, the impact in the profit and loss account not being a significant one.

From the total of 19.561.153 lei receivables in stock on 31st of December 2018, the amount of 1.124.325 lei represents interest to be cashed from the credit granted to CDRV Associates SRL.

### **Short term investments and cash available**

The cash available at 31st of December 2018 amounted to 13.424.137 lei, as compared to 33.234.856 lei at 31st of December 2017. The decrease is due to the use of own contribution to the financing of the Grain Terminal investment.

In 2014, the conditions were created to start a construction project aimed to diversify the Company's activity and the subsequent diversification of the commercial risks and those related to own capital, considering the revigoration of the real estate market in Romania in the last years. In this respect, a credit worth EUR 2,58 million was granted to CDRV Associates SRL, the developer of the residential real estate project, a company in which Convex holds the position of founder and owns 20% of the share capital. The project is under valorification by the sale of the apartments.

Until 31st of December 2018, the loan was fully reimbursed, following that the amount corresponding to the interest, respectively 1.124.325 lei on balance at year end 2018, to be paid by the borrower during the financial year of 2019.

### **Debts**

Out of the total of 155.846.300 lei debts in balance at the end of 2018, the amount of 137.947.796 lei represents the sums due to credit institutions, out of which the amount of 132.447.037 lei represents the balance of the bank loan contracted in order to finance the Grain Terminal.

## Litigations

On 31st of December 2018, the Company has ongoing litigations with Compania Nationala Administratia Porturilor Maritime SA Constanta (CN APM), generated by Comvex's refusal to pay the tariff for using the port area (UDP).

We state that beginning with 2015, Comvex formulated refuse to payment of the invoices due for the tariff to use the port area (UDP tariff) issued by CN APM, based on the following considerations:

- Unilateral increase by CN APM of the tariff to use the port area without complying the contractual conditions, in the context of a pre-existing contract imposing the parties' obligation to invoke specific reasons for the increase, as well as the obligation for the parties to negotiate and the requirement to obtain Comvex's agreement in this case;
- CN APM's non fulfilment/faulty fulfilment of its contractually assumed obligations.

In this sense, beginning with January 2015, Comvex refused to pay the increased tariff from EUR 0.05 /m2/month to EUR 0,08/ m2/month as the latter tariff has no correspondent in the contractual mechanism and beginning with April 2015, Comvex invoked the exception of failure to execute the counter services related to the tariff to use the port area of EUR 0,05 /m2/month regulated in the contract with CN APM. Through its refusal to pay the tariff to use the port area, COMVEX has consistently detailed the reasons underlying such refuses, attaching in this sense justifying photo boards, showing with no doubt CN APM non fulfilment/faulty fulfilment of its contractually assumed obligations.

The value of the refusals related to the tariff of EUR 0,05 /m2 is in the amount of 2.813.425,5 lei without VAT, amount which was provisioned, thusly avoiding the impairment of the future financial position of the Company. The total value of the refusals related to the tariff of EUR 0,03 /m2 amounts to 2.536.826,84 lei without VAT, amount which cannot impair the financial position of the Company because, as mentioned above, there is no contractual correspondent for that tariff.

On 31st of December 2018, the total value of penalties is of 5.645.875,06 lei (penalties calculated for all invoices refused to be paid, related both to the EUR 0,05 tariff as well as to the increased one from EUR 0,05 to EUR 0.08).

Also, during 2018, were definitively settled the other 2 cases from the total of 31 cases initiated against the Company by Raimondo de Rubeis, shareholder of the Company, owner of 2.250 shares and former Director:

- the file no. 4823/118/2017 having as object an action for the annulment of General Assembly Decision from 20th of September 2016. By Decision no. 86 ordered by the Constanta Appeal Court on 06th of August 2018, the appeal filed by Raimondo de Rubeis was rejected as being unjustified;
- the file no. 4824/118/2017 having as object an action for the annulment of General Assembly Decisions 27th of April 2017. By Civil Decision no. 420 ordered by the Constanta Appeal Court on 13th September 2018 the appeal filed by Raimondo de Rubeis was rejected as being unjustified.

During 2018, Comvex won in Court also the file having as object claims following his revocation from the position of Director. For this, in June 2018, the Constanta Court of Law rejected his claim as having no justification. The Decision is not definitive, at the end of March, the Appeal Court standing to give judgment on the appeal formulated by Raimondo de Rubeis.

The Management of the Company considers that these actions shall not have a significant impact onto the economic results and financial position of the Company.

## Profit distribution

RON

<b>Gross profit as at 31.12.2018:</b>	<b>9.141.594</b>
<i>Tax on the related profit</i>	<i>1.529.084</i>
<b>Profit after tax as at 31.12.2018:</b>	<b>7.612.510</b>
<i>Egal reserves</i>	<i>457.080</i>
<i>Accounting loss covering</i>	<i>0</i>
<b>Net profit to be distributed at 31.12.2018</b>	<b>7.155.430</b>

Any decision regarding profit distribution should consider the development of the investment “Grain Terminal” and its funding conditions. Considering the above, the Board of Directors proposes that the Company does not distribute any dividends for 2018 and the profit to remain undistributed.

We propose to the General Meeting of Shareholders to approve the following:

The net profit to be distributed at 31.12.2018, amounting to RON 7.155.430 remains undistributed and consequently, no dividends would be paid for the financial year 2018.

## Investments activity

In 2018, the total capital expenditures amounted to RON 115,3 million, out of which RON 107 million represent investments in tangible and intangible fixed assets in progress, and RON 8,3 million advances to the suppliers of fixed assets. From the amount of RON 107 million investments in progress, the amount of RON 106,6 million represent capital expenditures registered in relation to the Grain Terminal, and the rest of RON 0.4 million – the acquisitions of the licences for the implementation of the new integrated informatic system SAP. The RON 8,3 million advances granted to the suppliers of fixed assets were also in relation to the Grain Terminal.

The investments made in 2018 aimed the growth of the Company by the diversification of its activity by the development of a Grain Terminal, alongside the Minerals Terminal.

In 2018 the following important contracts were signed with suppliers of equipments and constructions for the Grain Terminal:

- the contracts having as object the fitting of storage cells for grains, signed with Vibo Construct SRL and RDI Grain System SRL;
- the contract having as object the automation and electrical connexion of the Grain Terminal, signed with Siemens SRL;
- the contract having as object the fitting of the cables routes, signed with PET Communication SRL;

- the contracts having as object the manufacturing and fitting of the metallic structures, respectively manufacturing, assembly and launch of the metallic hoppers for lifts signed with Pellegrini;
- the contract having as object the making of the rolling route for the loading and unloading equipments, signed with Butan Grup SRL;
- the contracts having as object project coordination services and design services, signed with Ludan engineering.

As for the actual stage of the Project, until the end of 2018, there were performed works for the reinforced concrete monolithic structures, giving foundations integrated with piles, foundation plates under the cells making up the silo capacities, transversal and longitudinal technological tunnels for grain handling equipments, areas for fitting the industrial equipments, metallic structures with own foundations for loading-unloading large capacity equipments, concrete platforms and access platforms.

On the date of the herewith Report, the following works were finalised: (i) the piles for the structures above mentioned, (ii) foundation plates, (iii) the concrete areas around the large capacity metal hoppers, (iv) the parts of the large capacity longitudinal tunnels and (v) the hoppers for the foundation of the of the metallic structures which support the equipments.

At present, within the progression of the Project, there are to be performed a series of works following the simultaneous/subsequent fitting of the technological equipments. The most important of them are:

*Constructions not started:*

- (i) concrete area for CF hopper (railway), together with an unloading bunker, the support structure for the railway and handling transversal tunnels;
- (ii) concrete area for auto hoppers, together with an unloading bunker and handling transversal tunnels;
- (iii) foundations for grain transshipment station from barges' unloaders to silo cells;
- (iv) foundations for grain transshipment station from silo cells to ships' loaders;
- (v) foundations for conveyor belts;
- (vi) transportoare cu bandă technical construction buildings (substations, MCC building);
- (vii) reinforced concrete platforms for parking for large tonnage vehicles.

*Constructions started but not completed:*

- (viii) longitudinal tunnels
- (ix) foundations for grain dryer, cells for wet/dry grains.

Regarding the initial estimates of the investment budget for the development of the Grain Terminal, the initial appraisals were exceeded by the volume of the necessary works and by their costs. The excess were maintained under 10%, threshold considered reasonable in the industry.

The additional investments costs are estimated to be 3,250,000 Euro, following to be subconsequently established the own participation quota of Comvex to these costs.

At the end of 2018, in order to make activity more efficient, the Company decided the implementation of the integrated informatic system SAP. By implementing this ERP system may be accomplished the integrated management of all resources and processes of the Company by means of a sole informatic platform.

The automation and standardize of the operational processes within an ERP shall eliminate the possible human errors and obtaining indicators date in real time. Also, the system shall ensure the increase of productivity and rentability of the business by improving the acquisition process, the increase of the quality of the supplied services, the rapid and accurate information transfer between the Company's departments and obtaining quickly and in a clear format the financial-accounting,

operational, quantitative reports and indicators, on the basis of which top management may establish analysis and may take decisions and correctional measures in real time.

During 2019, Comvex shall continue the involvement in the projects of CDRV Associates S.R.L., in order to have them complete under the best conditions and to diversify the risks regarding the allocation of own capitals.

## Revenues and expense budget for year 2019

Comvex's orientation for 2019 is materialized in the following priority objectives:

- continue the implementation of the "Grain Terminal" investment so that it shall be completed and it shall become operational in the second part of 2019;

- consistent and continuous improvement of the activity of the ore terminal and performance at high standards of the services offered to the Company's clients;

As for the minerals activity, it is estimated an increase of the quantity of raw materials handled through Comvex terminal as compared to 2018.

Thus, increased quantities of iron ore are expected to be handled for the client Transport Trade Services, iron ore with final destination – the Smederevo Steel Factory. Regarding the amounts of iron ore handled for ArcelorMittal Galati, we highlight possible changes on the respective market and we estimate that during the immediately following period, the quantities transited through Comvex Terminal shall be at least at the level of those from the last year considering the long-term trade flow in this field, as well as the industry's strategic interests. A significant increase in 2019 compared to 2018 is estimated to be the result of new coal quantities handled for the client Vitol. This increase is justified by the increase of the quantity of energetic coal destined for the Mintia, Deva Thermal power plant. In order to avoid fines and violation of European laws regarding environmental protection, Romania is obliged either to invest in an desulphurisation plant (investment estimated at 30 million euros), either to use energetic coal with a reduced sulphur content, unlike the coal from Valea Jiului. Thusly, in the beginning of 2019 it was decided to import coal with a reduced sulphur content from Indonesia, coal which shall be supplied through Comvex Terminal.

The other clients existing in 2018 shall maintain the quantities at least at the same level as in the previous year, with a few smaller importance exceptions. Given such conditions, the turnover is estimated to increase with approx. 10% as compared to that achieved in 2018.

By the middle of the financial year 2019, Comvex will propose an Income and Expense Budget that will reflect certain influences on the Company's expenses generated in connection with the Grain Terminal Project.

At the date of the herewith Report we estimate that certain costs may be attracted in the future by:

- (i) the completion of the works and installations for the Terminal;
- (ii) the testing and trial operations of the equipments of the Terminalului, together with the final proceedings for the commissioning of the Terminal, as well as the training of the qualified personnel for operation;
- (iii) expenses generated by the de personnel, in relation to the entire Project;
- (iv) other functional costs for the Terminal;
- (v) launching and promoting the Project on relevant markets.

Launching and promoting the Project of the Grain Terminal represented a constant of the activity of the representatives of Comvex at all levels, starting on the effective date of launching the Project in 2017.

Subsequent to the completion and commissioning of the Grain Terminal, Comvex intends to promote the capacities of the Project presenting its unique characteristics and confirming the cooperation intents previously discussed with different potential beneficiaries of the Terminal. We consider the relevant producers from Romania and from the hinterland of Constanta Port, as well as local, even global, traders with operational interest in this hinterland.

For this purpose, certain costs shall be estimated regarding certain events and operations of institutional promotion of the Grain Terminal and the general offer framework of Comvex for the connex services for the Terminal. Such events and operations shall be held in economic centres with the highest relevance of the area from Romania, Hungary, Serbia etc.

Taken into consideration the above mentioned, the budget presented refers to the activity of minerals handling, and the influence of the grain activity will be quantified in a revised revenue and expenditure budget at the time of commissioning of the Grain Terminal. In the current budget, however, were included the costs with the interest of the investment credit for the financing of the Grain Terminal, as well as those with the state guarantee relative to the investment credit.

The revenues for 2019 were budgeted on the basis of the quantities estimated to be handled through the Minerals Terminal and the existent tariffs according to the contracts concluded with clients.

The operational expenses for 2019 were budgeted starting from the analysis of the expenses of the previous year and making adjustments according to the new hypothesis and the volume of activity estimated for 2019.

The expenses with the personnel were estimated according to the number of existing employees and the provisions from the collective labour agreement. The expenses with the maintenance of the equipments were budgeted according to the preventive repair works and estimated revisions necessary for the good functioning of the equipments and machineries, considering their functional status and age. The expenses with rents were budgeted according to the contracts signed with CN APM, respectively with the suppliers of machinery rented in order to perform the minerals handling activity under conditions of efficiency. Expenses like those with utilities and fuel were estimated according to the quantities of cargo estimated to be handled in 2019. Other expenses included in the budget were estimated according to the contracts signed with the service suppliers, as well as on the basis of the historical values and the estimations of the Company's management.

Estimations for 2019 are:

- Turnover of EUR 18,49 million
- EBITDA EUR 3,65 million
- Net profit EUR 1,63 million

We propose to the Ordinary General Meeting of Shareholders to approve the revenues and expenses for 2019 as they are presented to the shareholders.

Viorel Panait – Chairman of the Board of Directors