

**To the shareholders of Compania Națională Administrația Porturilor
Maritime S.A. Constanța**



*Located within the precincts of Constanța Port, Maritime railway station,
900900 Constanța, Romania*

*Trade Registry: J13/2308/1998; TAXPAYER ID: 11062831; TAXPAYER ID:
R011062831*

Share capital: 132,906,430 lei

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**MANAGEMENT REPORT
C.N. ADMINISTRAȚIA PORTURILOR MARITIME S.A. CONSTANȚA**

Year 2020



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I. LEGAL FRAMEWORK

The 2020 Management Report was prepared pursuant to the provisions of the Government Emergency Ordinance no. 109/2011 on corporate governance of state-owned enterprises, as approved and amended by Law no. 111/2016.

The **general legal framework** applicable includes:

- Company Law no. 31/1990, as republished and further amended and supplemented;
- Government Ordinance no. 26/2013 on strengthening the financial discipline of economic operators in which the state or administrative-territorial units are single or majority shareholders or directly or indirectly hold a majority stock, as subsequently amended and supplemented;
- Emergency Ordinance no. 109/2011 on corporate governance of state-owned enterprises, as subsequently amended and supplemented;
- Law no. 235/2017 amending and supplementing Government Emergency Ordinance no. 22/1999.
- Law no. 227/2015 on the Fiscal Code.
- Ordinance no. 64/2001 on the distribution of profits in national enterprises, national companies and fully or majority State-owned companies, as well as to *regies autonomes*, as subsequently amended and supplemented;
- Order of the Minister of Public Finance no. 1802/2014 approving the Accounting Regulations regarding the individual annual financial statements and the consolidated annual financial statements, as subsequently amended and supplemented.

II. SUMMARY

Compania Națională Administrația Porturilor Maritime SA Constanța - brief presentation

	2019	2020	%
Turnover (thou. RON)	349,589	345,200	98.7
EBITDA (thou. lei)	163,488	191,755	117.3
Gross profit (Thou. Lei)	130,448	155,031	118.8
Profit rate (%)	37.31	44.91	120.4
Total Assets (thousand lei)	1249705	1316027	105.3
TOTAL EQUITY (thou. RON)	705,642	847,280	120.1
Total liabilities (Thou. Lei)	344,442	363,769	105.6
Total assets / total liabilities	3.63	3.62	99.7
Investment (thou. RON):	129,971	269,212	207.1
Equity/total assets (%)	56.46	64.38	114.0
Rate of indebtedness (%)	15.93	11.81	74.1

III. COMPANY PRESENTATION

Company name: C.N. ADMINISTRAȚIA PORTURILOR MARITIME SA CONSTANȚA

Registered office: PRECINCTS OF CONSTANTA PORT, MARITIME RAILWAY STATION (*INCINTA PORT, GARA MARITIMĂ*), CONSTANTA, ROMANIA

Phone/fax number: 0241.611.540/0241.619.512

Taxpayer ID

11062831

Registration number with

Trade Registry in county Constanța: J13/2308/1998

Subscribed and paid-up share capital RON 132,906,430

Object SERVICE ACTIVITIES INCIDENTAL TO WATER TRANSPORTATION

NACE CODE 5222

Compania Națională Administrația Porturilor Maritime S.A. Constanța is a joint stock company, which carries out mainly activities of national public interest; the Company is organised and operates on the basis of economic management and financial autonomy, pursuant to the legislation in force and to the articles of association included in the Annex to Government Decision 517/1998, amended and supplemented by Government Decision no. 464/2003 and supplemented by Government Decision 597/2009.

Compania Națională Administrația Porturilor Maritime S.A. Constanța is port authority covering the Romanian seaports Constanța (Constanța, Midia and Basarabi areas), Mangalia and for the tourist port Tomis. Consequently, the goal of the Company is to develop these seaports, with a focus on efficiency, safety and sustainability. These three components are integrated in the objectives pursued by CN APM SA: to ensure efficient use of infrastructure, the best conditions for access to and from ports, a healthy investment climate, to attract international logistics chains, etc.

CN APM SA has the following subordinated branches:

- Port Energy Branch: Precincts of Constanța Port, berth 16, no. 11.10.1010, Constanța County
- Port Services Branch: Precincts of Constanța Port, administrative building, no. 11.17.004, Constanța County
- Port Technical Ships Branch: Precincts of Constanța Port, berth 0, no. 11.12.078, Constanța County
- Free Zone Branch Constanța South and Basarabi Precincts of Constanța Port, administrative building, MOL I South, Constanța County

To conduct the business of the Company, CN APM SA uses both Company assets and assets belonging to the public domain of the state, based on a concession contract. The leased assets consist mainly of the infrastructure of the Romanian seaports. The property covered by the concession contract concluded with the Ministry of Transport, registered by the Company under no. MM/2714/2001 (until 31.10.2008), and of the contract no. LOM 113/31.10.2008, is located within the seaports on the Black Sea coast. For such purposes, the Company pays royalties to the state, representing 3% of the revenues earned from the exploitation of property belonging to the public domain of the state.

The 2020 report was prepared based on the financial statements prepared and audited pursuant to the Romanian accounting regulations aligned with European Directives, as approved by Order no. 1802/2014 of Minister of Public Finance.

IV. ECONOMIC ACTIVITY

1. The **total income** of the Company, consisting of operating income and financial income, reached the amount of 415,648 thousand RON in 2020, with a 6.8% increase compared to the previous year and a 2.0% increase compared to the budget (*see Table 1*):

	Done 2019	Planned 2020	Done 2020	% an	% programm e
Total income (thou. RON), of which:	389,340	407,307	415,648	106.8	102.0
Operating income	368,950	383,867	398,767	108.1	103.9
Financial revenues	20,390	23,440	16,881	82.8	72.0

Table No. 1 – Total income

1.1. **Operating income** (*see Table 2*):

	Earned 2019	Planned 2020	Earned 2020	% an	% programm e
Operating income (thou. LEI)	368,950	383,867	398,767	108.1	103.9
Turnover	349,944	349,589	345,200	98.6	98.7
Income on penalties	7,878	7,500	10,017	127.2	133.6
Amortisation of investment subsidies	8,422	8,389	19,587	232.6	233.5
				1024.	
Other operating income	2,245	16,505	22,992	1	139.3
Income from European projects	461	1,884	971	210.6	51.5

Table 2 – Operating income

The operating income earned in 2020 is 398,767 thousand RON, with an 8.1% increase compared to the 368,950 thousand RON in 2019 and has the following structure:

- revenues from the core business (turnover), amounting to 345,200 thousand RON, compared to 349,944 thousand RON in 2019, consisting of supply of services for ships (access, quay, basin, etc.), leases (land, administrative facilities, warehouses, platforms, etc.), utilities (electricity, heating, water);
- other operating income, which includes income from fines and penalties (10,017 thousand RON), investment subsidies (19,587 thousand RON), European projects (971 thousand RON) and other income, amounting to 22,992 thousand RON.

The total operating income of the company includes income from European funds, amounting to 971 thousand RON, according to the Annual Financial Statements. In the implementation of the budget they are included in a separate chapter of Annex 1.

1.1.1. Turnover

Turnover holds the most significant share (86.6%) in the total operating income in 2020, reaching the amount of 345,200 thousand RON.

Against the background of the COVID-19 pandemic that impacted the economic activity in 2020, the turnover reported by CN APM SA for the reporting year was 1.4% lower than the previous year and 1.3% lower than the 2020 budget, as reflected by *Table 3*:

	Earned 2019	Planned 2020	Earned 2020	% an	% programm e
Turnover (thou. RON)	349,944	349,589	345,200	98.6	98.7

Table 3 – Turnover

In 2020, except for lease income, each major category of income that contributes to the turnover saw lower values than in 2019 (Table 4):

	Earned 2019	Earned 2020	%
Turnover (thou. RON)	349,944	345,200	98.6
Supply of services for ships	151,981	142,232	93.6
lease	124,012	131,887	106.4
Re-supply of utilities	50,123	49,706	99.2
Road access, Railways	23,275	20,419	87.7
Other services	553	956	172.9

Table 4 – Turnover structure

The chart below shows the share of each income category in total income from supply of services:

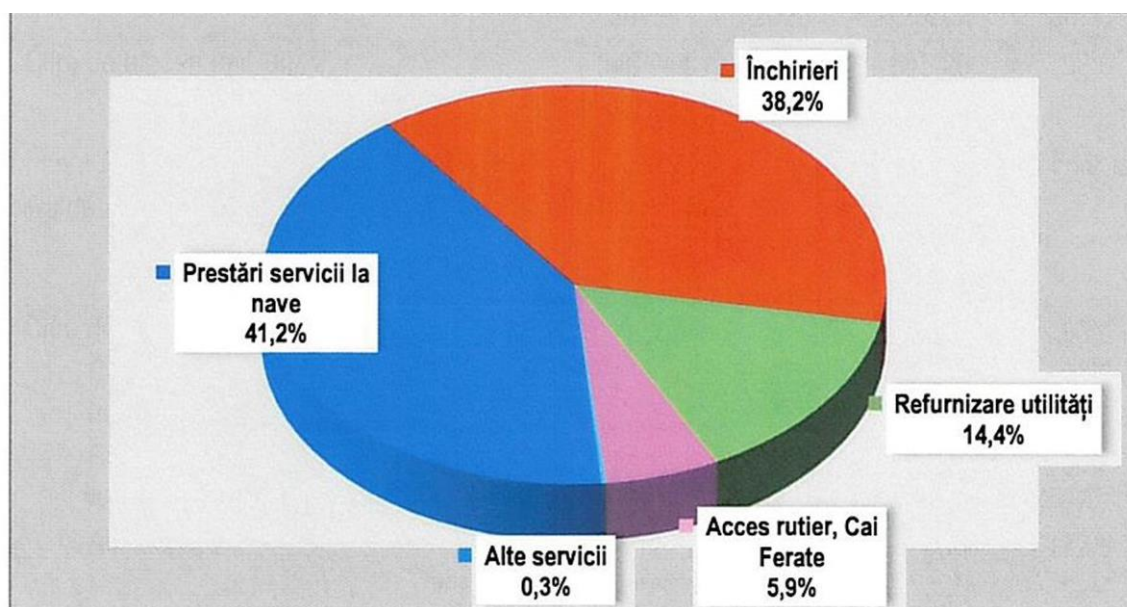


Chart 1 – Share of each income category in the total income from supply of services

Monthly evolution of turnover over 2019-2020 (Table 5):

	Achieved in 2019	Achieved in 2020
Turnover - year (thou. RON)	349,944	345,200
January	28,297	29,739
February	26,408	31,025
March	28,413	31,079
April	27,085	29,009
May	28,599	26,346
June	28,090	26,249
July	30,663	29,526
August	30,071	27,225

	Achieved in 2019	Achieved in 2020
September	31,545	27,649
October	31,701	29,475
November	29,279	28,026
December	29,793	29,852

Table 5 – Monthly evolution of turnover

As you could note, compared to 2019, the turnover registers higher values in the first 4 months of 2020, and starting from May the values are lower than the previous year, under the influence of the COVID-19 pandemic, which had a strong impact on freight traffic in those months.

Graphic representation of the monthly evolution of the turnover in the 2019-2020:

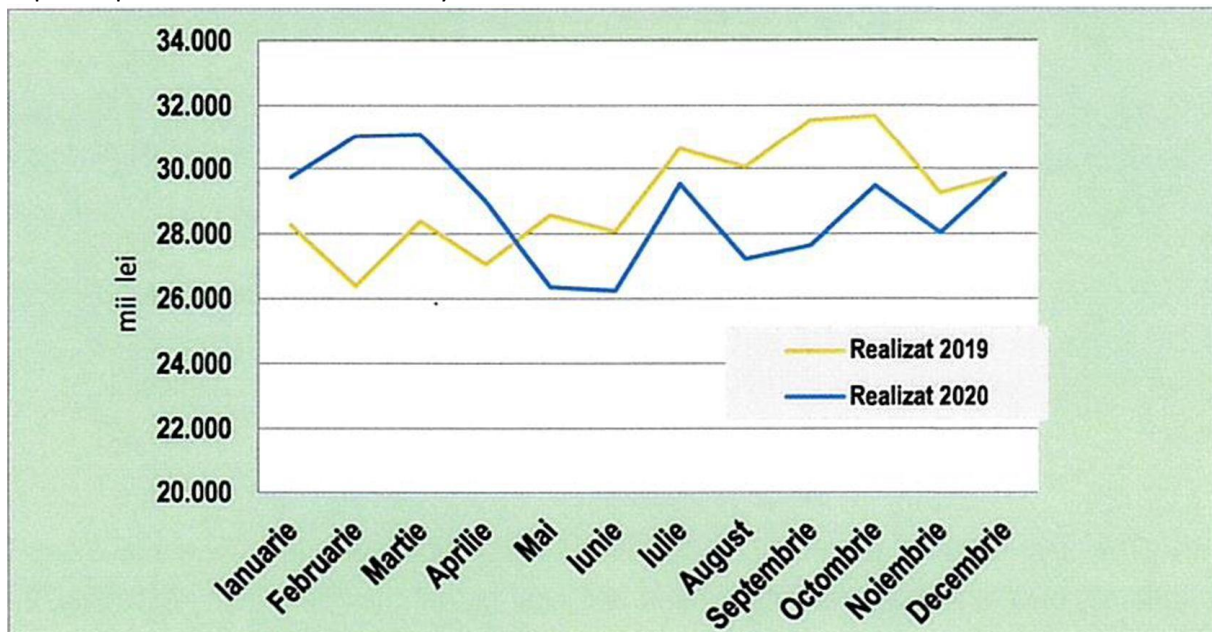


Chart 2 – Monthly evolution of turnover

1.2. Financial revenues earned in 2020 amount to 16,881 thousand RON; most of them (87.4%) were earned on favourable exchange rate differences. Foreign exchange transactions were influenced by a multitude of financial and commercial factors, but careful management of deposit structure ensured a balance in financial revenues (see Table 6):

	Achieved in 2019	Programmed for 2020	Achieved in 2020	% year	% programme
Financial revenues (thousand RON)	20,390	23,440	16,881	82.8	72.0
Interest income	1,535	1,506	2,115	137.8	140.4
Foreign exchange earnings	18,842	21,646	14,762	78.3	68.2
Other revenues	13	288	4	30.8	1.4

Table 6 – Financial revenues

2. Total expenditure registered in 2020 represents 260,617 thousand RON, showing a slight increase compared to 2019 (+ 1,725 thousand RON), but falling within the 2020 budget (see Table 7):

	Achieved in 2019	Programmed for 2020	Achieved in 2020	% year	% programme
Total expenditures (thou. lei)	258,892	293,797	260,617	100.7	88.7
Operating costs	251,968	286,890	252,870	100.4	88.1
Financial expenses	6,924	6,907	7,747	111.9	112.2

Table 7 – Total expenditure

2.1. Operating expenses

Operating expenses incurred in 2020 are in absolute value of 252,870 thousand RON, registering an increase by 0.4% compared to 2019, falling within the budget of the year and have the following structure (see Table 8):

	Earned 2019	Planned 2020	Earned 2020	% an	% programme
Operating expenses (thousand RON)	251,968	286,890	252,870	100.4	88.1
Expenses related to inventories	42,011	54,594	41,579	99.0	76.2
Third-party services	66,160	67,983	44,672	67.5	65.7
Taxes and fees	19,344	9,679	9,160	47.4	94.6
Personnel expenses	85,102	103,123	94,904	111.5	92.0
Other operating expenses	38,890	49,627	61,584	158.4	124.1
European projects	461	1,884	971	210.6	51.5

Table 8 – Operating expenses

As can be noted in the table above, all categories of expenditures fall within the 2020 budget, except for:

- “other operating expenses”, where there is a budget overrun of 24.1% mainly due to the revaluation of fixed assets at 31 December 2020.

Inventory expenses include raw materials, consumables, inventory items, energy and water expenses and amount to 41,579 thousand RON, a decrease by 1.0% compared to 2019, and fall within the 2020 budget.

May we mention lower consumption of various raw materials (cement, lime, plaster, autoclaved aerated concrete, sand, concrete, etc.), materials, etc. used to carry out repairs and investments using the Company’s own resources in 2020.

Third-party service expenses in 2020, amounting to 44,672 thousand RON, saw a decrease by 32.5% compared to 2019 and fall within the 2020 budget, with *third-party repairs* holding a significant share.

Table 9 presents the **repairs** carried out in 2020 compared to 2019 and compared to the budget:

	Earned 2019	Planned 2020	Earned 2020	% an	% programme
Third-party repairs (thousand RON)	28,406	19,000	6,402	22.5	33.7

Table 9 – Repairs

The same category includes expenses for facility protection, maintenance, security, IT services related to the port facilities (26,694 thousand RON), postage costs and telecommunications services (2,323 thousand RON), charges for legal services (894 thousand RON), sanitation costs (941 thousand RON), cleaning services for administrative, special and general service facilities (729 thousand RON), representation expenses (329 thousand RON), participation in and organisation of conferences and exhibitions (166 thousand RON) etc.

Taxes and fees amount to 9,160 thousand RON and consist of royalty for the concession of public goods and mineral resources (5,972 RON) and other local taxes and duties (3,188 thousand RON).

Personnel expenses at the end of 2020 amount to 94,904 thousand RON, which includes salary expenses,

contract of mandate expenses and insurance and social protection expenses, special funds and other legal obligations.

Other operating expenses reached 61,584 thousand RON in 2020 and include: surcharges and penalties (3,941 thousand RON), fixed assets (219 thousand RON), revaluation of fixed assets (14,632 thousand RON), depreciation of tangible assets and amortisation of intangible assets (35,866 thousand RON), adjustments/impairments and provisions (-12,782 thousand RON), short-term expenses for the overturned Queen ship (19,173 thousand RON), etc.

The total operating expenses of the Company include the expenses with European funds projects, amounting to 971 thousand RON, according to the Annual Financial Statements.

2.2. Financial expenses

The financial expenses amounting to 7,747 thousand RON are mainly represented by unfavourable exchange rate differences and register an increase by 11.9% compared to 2019 and by 12.2% compared to the 2020 budget.

The foreign exchange market volatility had a decisive influence on the financial result. The Company management carefully managed the structure of the deposits and ensured the payment of the main costs in the contract currency (*see Table 10*):

3. Gross result

Table 11 presents the volume of activity carried out in 2020 by CN APM SA, as reflected in economic indicators: revenues, expenses and gross result, compared to 2019.

	Earned	Planned	Earned	%	%
	2019	2020	2020	an	programm e
Financial expenses (thousand RON)	6,924	6,907	7,747	111.9	112.2
Foreign exchange losses	6,921	6,901	7,744	111.9	112.2
Other financial expenses	3	6	3	100.0	50.0

Table 10 – Financial expenses

	Earned	Planned	Earned	%	%
	2019	2020	2020	an	programm e
Total income (thou, LEI)	389,340	407,307	415,648	106.8	102.0
Total expenditures (thou. lei)	258,892	293,797	260,617	100.7	88.7
Gross profit (Thou. Lei)	130,448	113,510	155,031	118.8	136.6

Table 11 – Revenues, expenditure and gross result

Graphic representation:

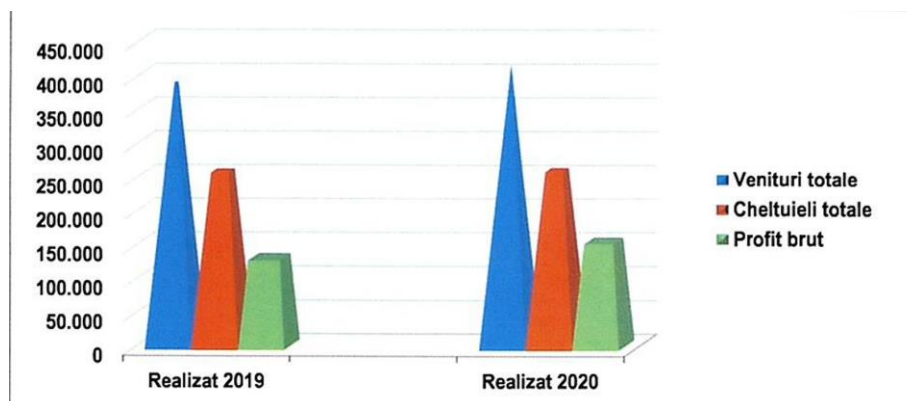


Chart 3 – Revenues, expenditure and gross profit

The Company registered a gross result of 155,031 thousand RON in 2020, 18.8% higher than in 2019, positively influenced by the total revenues of the Company which increased by 6.8% compared to the previous year, while the expenditure increased very little (0.7%). Compared to the budget, the realised profit registered an increase by 36.6%; an important influence was the fact that there were unrealised expenses accounting for 11.3%, while the Company's revenues exceeded the budget by 2%.

Structure of Gross Profit (see Table 12)

	Earned 2019	Planned 2020	Earned 2020	% an	% programme
Gross profit (Thou. Lei)	130,448	113,510	155,031	118.8	136.6
Operating Profit	116,982	96,977	145,897	124.7	150.4
Financial profit	13,466	16,533	9,134	67.8	55.2

Table 12 – Gross profit structure

4. Analysis of the main economic indicators

4.1. EBITDA

EBITDA realised in 2020, amounting to 191,755 thousand RON increased by 17.3% on a YOY basis (+28,267 thousand RON), and the gross profit rate increased by 18.8% (Table 13):

	Achieved in 2019	Achieved in 2020	%
NET PROFIT	108,214	130,290	120.4
Corporate tax	22,234	24,741	111.3
Interest rates	0	0	
Adjustments & Amortisations	33,040	36,724	111.2
EBITDA	163,488	191,755	117.3
Revenues from production sold	349,944	345,200	98.6
Gross profit	130,448	155,031	118.8
Gross profit rate	37.3%	44.9%	120.5

Table 13 – Economic indicators

4.2. Liquidity

The accounts receivable aging report for 2019 and 2020 is presented in Table 14:

Year	INDICATORS	Balance	Age categories:				
			1-30 days	31-60 days	61-90 days	91-120 days	Over 120 days
2019	Trade receivables (thou, lei)	92,306	20,509	3,674	2,324	2,348	63,451
	Current receivables (thousand RON)	20,509	20,509				
	Outstanding receivables (thousand RON)	71,797		3,674	2,324	2,348	63,451
	Adjustments *) (thousand RON)	10,796					
	Trade receivables (thou, lei)	98,829	19,426	4,136	2,397	2,143	70,727
2020	Current receivables (thousand RON)	19,426	19,426				
	Outstanding receivables (thousand RON)	79,403		4,136	2,397	2,143	70,727
	Adjustments **) (thousand RON)	5,403					

Table 14 – Accounts receivable statements

*) in 2019, of the total receivables amounting to 92,306 thousand RON, outstanding receivables amount to 71,797 thousand RON; following accounts receivable adjustments amounting to 10,796 thousand RON, which represent staggered payment plans; and the level of outstanding receivables was 61,001 thousand RON.

**) in 2020, of the total receivables amounting to 98,829 thousand RON, outstanding receivables amount to 79,403 thousand RON; following accounts receivable adjustments amounting to 5,403 thousand RON, which represent staggered payment plans and invoices due in January 2021, the level of outstanding receivables was 74,000 thousand RON.

The level of the outstanding receivables registered in the reporting period is caused by the difficulties in their recovery, due to the systematic payment refusals by some customers of CN APM SA, to ongoing litigations and to cases of insolvency and bankruptcy.

Accounts receivable turnover ratio increased by approx. 1 day, indicating an increase in the account receivable collection period, and the supplier turnover ratio increased by approx. 5 days compared to the previous year (see Table 15):

	Achieved in 2019	Achieved in 2020	%
Client turnover (days)	91.07	101.05	111.0
Supplier turnover (days)	10.57	15.14	143.2

Table 15 – Accounts receivable, supplier turnover

Liquidity was maintained within reasonable parameters, well above the minimum safety limits (Current liquidity safety ratio = 2 and immediately-available liquidity or acid-test safety ratio = 1), as presented in Table 16:

	Achieved in 2019	Achieved in 2020	%	Minimum safety level
Current Liquidity	10.42	9.65	92.6	2.0
Immediately-available liquidity	10.35	9.58	92.5	1.0

Table 16 - Liquidity indicators

It is also important to mention that CN APM SA Constanța does not register arrears.

4.3 Risk indicators

Company indebtedness decreased by 25.9% compared to 2019, reaching 12%, compared to the minimum safety level of 30% (see Table 17):

	Achieved in 2019	Achieved in 2020	%	Minimum safety level
Indebtedness (%)	0.16	0.12	74.1	30.0

Table 17: Indebtedness

4.4. Labour productivity

Labour productivity expressed in value units obtained by the company in the financial year 2020 increased by 10.1% compared to 2019, due to the thoughtful use of the human resources and to the special focus on maintaining this indicator within budget (Table 18):

	Achieved in 2019	Achieved in 2020	%
Labour productivity (thousand RON/person)	422.58	465.26	110.1

Table 18 - Labour productivity

V. DEVELOPMENT ACTIVITY

Investments play a crucial role in the rehabilitation, modernisation and development of existing facilities.

For 2020, the company scheduled investments amounting to 269,212 thousand RON and realised 183,251 thousand RON; Company's own sources were realised to an extent of 51.3%, and budgetary allocations to an extent of 77.3% (Table 19):

Investment (thou. RON):

	Achieved in 2019	Programmed for 2020	Achieved in 2020	Achievement %
Sources of investment financing, of which:	129,971	269,212	183,251	68.1
Own sources	47,214	95,553	49,007	51.3
Budgetary allocations, of which:	82,757	173,659	134,244	77.3
Large Infrastructure Operational Programme - LIOP	55,783	114,377	95,768	83.7
Connecting Europe Facility - CEF	3,464	37,509	16,705	44.5
Transfers for rehabilitation (instalments, interest)	22,022	21,773	21,771	100.0
Budgetary allocations for investments	1,488	0	0	

Table 19 – Investments in 2020

The projects implemented using European Funds hold an important place in the development activity in 2020; achievements in 2020 include:

PROJECTS UNDER IMPLEMENTATION (LARGE INFRASTRUCTURE OPERATIONAL PROGRAMME - 2014-2020 and CEF)

1. Modernisation of the port infrastructure, by providing deeper approach channels and basins and by increasing navigation safety in the port of Constanta (investments in dredging) - LARGE INFRASTRUCTURE OPERATIONAL PROGRAMME 2014-2020

Contract value: RON 141,704,011.39 (without VAT)

Current status:

- Financial: 72.34% (in total value of the contract, which also includes deepening works in Port areas);

- Physical: dredging 100% completed; in total contract - 77.42% completed. Dredging works performed and accepted in all areas; the building permit for Objective 1 - Dredging was closed and performance bonds were returned.

Currently, works are being carried out in order to ensure the stability of the quays, following the deepening of the Working Port basin from -7 m to -9 m; such works will be completed in August 2021; the works are carried out according to the schedule of works approved by the Supervisor.

Hydrographic system, including the research vessel - objective completed, accepted and put into operation.

2. Implementation of Deep Water Berth (Berth 80) - LIOP 2014-2020 funds

Current status:

- physical: 87%;
- financial: 85%

Railway works were accepted on 16.06.2020, and the railway system was put into operation and authorised pursuant to legal provisions; it is in operation and serves the largest and most modern grain storage silo in the Port of Constanta; hydrotechnical works are supposed to be formally accepted (about 15% of the total contract) in February 2021, depending on the availability of works area (berth 80 quay), where loading/unloading operations are performed. Hydrotechnical works are in progress; quay dampers arrived on site in November 2020. Currently, the Engineer is analysing the Contractor's claim regarding the updating of labour costs, pursuant to Government Emergency Ordinance No. 114/2018.

3. PROTECT (CEF funds)

Tanker - contract value RON 8,970,000 (without VAT)

Current status:

- physical: 100%
- financial: 85%; Danube River tests and sea tests were performed in November-December 2020. The current stage involves the verification of the technical documentation approved by BV and the acceptance process, so that the Beneficiary may take over and register the vessel.

Technical ship berthing infrastructure and platform improvement (equipment + utilities) for technical ship related services - contract value RON 35,079,368.16 (without VAT)

Current status:

- physical: 75%;
- financial 67.80%

Execution works commenced on 30.03.2020, with dredging works, followed by the pouring of the concrete blocks in the precast facility of the construction site. Current works include the transport of cast blocks from the casting facility/site to the location and their commissioning with a 150 t floating crane.

Infrastructure works should be completed in February 2021.

DS1 was approved for the Infrastructure technical design, and following the approval of the labour update request, pursuant to the legal amendment increasing the minimum gross salary in the construction sector, an Addendum was concluded and the calculated impact was found to be of RON 1,085,631.16 (excluding VAT). The Engineer approved the interim claim regarding the request to extend the works execution duration by 153 days, taking into account the difficulties faced as a result of the pandemic (ex: delivery delays or slowdowns for materials delivered site by suppliers etc.). An extension until 28.02.2021 was accepted, but the events and circumstances continue and produce effects, and this is considered an interim decision.

For the superstructure component, the Engineer approved the technological flow diagram; currently, approvals are obtained according to the Urban Planning Certificate (UPC), and the environmental procedure is in progress. According to estimates, following the issuance of the classification decision, the project will go through the appropriate procedure. On 18.12.2020, APM (Environmental Protection Agency) approved the content of the Environmental Impact Report that will be prepared in the next phase and submitted for public debate.

The work status report was submitted on 17.12.2020, and the schedule of works includes the resources allocated to demonstrate compliance with deadlines.

Following the steps taken by the Beneficiary, INEA (Innovation and Networks Executive Agency) approved the extension of the Grant Agreement by 17 months, more specifically until 30.05.2022; all deadlines for each milestone related to the specific sub-activities will be postponed and intermediate deadlines will be agreed.

PROJECTS IN THE PIPELINE (Large Infrastructure Operational Programme 2014-2020 +3)

1. Extension to 4 lanes of the road between Gate 7 and the junction with the objective “Danube Black Sea Canal Road Bridge” with the road connecting Gate 9 and Gate 8 to the North area of Constanta Port.

Current status: issuance of permits according to Urban Planning Certificate, in progress. All permits were obtained according to the Urban Planning Certificate provisions, and the designer is currently finalising the Feasibility Study in compliance with all conditionalities expressed by the competent institutions, as well as with the identification of the expropriation corridor.

Next steps: Technical-Economic Committee (TEC) of CN APM SA opinion on the Feasibility Study after the development of the Public Utility Expropriation Report, TEC MTI (Ministry of Transport and Infrastructure) opinion, Inter-ministerial Committee, Government Decision approving the technical-economic indicators defined by the feasibility study.

2. Extension to 4 lanes of the road between Gate 10 bis - Gate 10

Current status: The contract award procedure for the design and execution of works is in progress with a suspensive condition; the current stage involves the evaluation of the technical proposals submitted by the 6 tenderers/associations. Simultaneously with the procedure for awarding the design and execution

contract, another tender procedure will be initiated for the selection of a supervisor to monitor project implementation.

The funding application was uploaded on the MySMIS platform; DGOIT (Directorate General Intermediary Body for Transport) performed the administrative and eligibility checks; currently, it is under technical-economic analysis stage.

3. Modernization of the electricity distribution infrastructure in Constanța Port

Current status: All permits required in the Urban Planning Certificate were obtained, as well as the CTE CN APM SA opinion, CTE MTIC opinion, Inter-Ministerial Committee approval. The draft Government Decision approving the technical-economic indicators is under public debate.

Next steps: Government Decision approving the indicators. Currently, the public procurement documentation for the contract for the design and execution of works, with a suspensive condition, is in an advanced phase.

4. Extension and modernisation of water and wastewater systems - step 1

Estimated value: 20,000,000 euro.

Current status: after resuming the procurement procedure for feasibility study and funding application development services, the contract with the service provider was concluded; the commencement order was issued on September 1, 2020, for a project duration of 7 months (deadline March 2021). Urban Planning Certificate issued by the City Hall of Agigea and Urban Planning Certificate issued by Constanța County Council for the works executed in the administrative territorial unit Constanța and in the administrative territorial unit Năvodari.

5. Quay extension at berths 10 and 12 in the Midia Area, including consolidations behind the quays • estimated value 18 million EUR (including VAT)

Current status:

Feasibility Study in progress (“in-house”, own resources); in order to obtain all necessary permits for the approval of the Feasibility Study pursuant to the law, CN APM SA appropriated in its 2021 budget the funds necessary to cover the expenses related to the approval of the Feasibility Study and of the Funding Application, more specifically fees for clearance and permitting, including notice publication fees, legal fees, etc.; according to Annex 5 to the Applicant Guide for the Specific Objective 1.3, such amounts are eligible expenses. The Technical-Economic Committee (TEC) of CN APM SA Constanța approved the Concept Note that defines the technical characteristics taken into account in the development of the Feasibility Study.

Next stages: approval by TEC CN APM SA of Urban Planning Certificate documentation, to initiate the documentation development for clearance and permitting purpose, as required in the urban planning certificate, including the necessary surveys supporting the Feasibility Study according to the framework content regulated by Government Decision 907/2016.

INVESTMENT PROJECTS PROPOSED FOR FUNDING UNDER THE NATIONAL RECOVERY AND RESILIENCE PLAN (NRRP)/TRANSPORT OPERATIONAL PROGRAMME (TOP)/LARGE INFRASTRUCTURE OPERATIONAL PROGRAMME (LIOP)/CONNECTING EUROPE FACILITY (CEF)

1. Capital repair works at the Northern Dam in the Port of Constanța (NRRP/LOP)

Position: Northern dam - the section between the access gate P1 and the White Lighthouse, with a length of approx. 3540 M

The project will cover the following objectives:

- To restore the Northern Dam and its cross-section as accurately as possible compared to the design so as to prevent future storm damage
- To secure the inland waters of the Port of Constanța
- To maintain safe navigation conditions

Status: Design (Technical Documentation for the Building Permit, Technical Documentation for Execution, Technical Design, Execution Details) completed, including the building permit

Next steps: project evaluation in terms of climate change; financing from non-reimbursable funds; tender procedure for the award of the works contract (2021), execution of works (execution period: 2022-2025).

2. Capital repair works at the breakwater in the Port of Constanța (NRRP/LOP)

Position: Breakwater: the section of dam between the White Lighthouse and the extension of the Breakwater, with a length of approx. 4850 M

The goal of the project was to achieve the following objectives:

- To restore the Breakwater and its cross-section as accurately as possible compared to the design so as to prevent future storm damage
- To secure the inland waters of the Port of Constanța
- To maintain safe navigation conditions

Status: The repair works for the Breakwater (*Dig de Larg*) were contracted in December 2018 together with the repair works for the South Dam from Midia; however, the actual works commenced in September 2019 with site organisation and pouring of 25 ton rock armour. It should be mentioned that, in order to fall within the existing funding, only 1,140 m (between km 0 + 000 and 1 +140) of the 4,850 m of the Breakwater were contracted for the execution of repair works.

About 5 years passed since the project was prepared. Following visual inspections and according to the event log, we note that during this time:

- there have been major storms with negative impacts on the technical condition of the dam,

- there were two earthquakes with a magnitude of 5.3 degrees and one of 5.6 degrees,
- local interventions were performed between 2014 and 2017, to add rock armour to avoid gaps in the dam.

Next steps: project evaluation in terms of climate change; financing from non-reimbursable funds; update project no. 290/2014 prepared by SC ALLPLAN PROIECT SRL Constanța, in compliance with the following stages:

2.1. Obtain Urban Planning Certificate;

2.2. Procurement of expertise and design services;

2.3. Draft technical survey

This is necessary because the findings of the 2012 technical survey are no longer relevant, even if the technical solutions are the same. Pursuant to the provisions of Law no. 10/1995 as republished in 2016, the technical survey is mandatory in case of intervention works.

2.4. Obtain the necessary clearance/surveys required in the urban planning certificate;

2.5. Draft the technical designs

This stage involves the development of the technical designs for all stages, more specifically: Technical Documentation for the Building Permit, Technical Documentation for Execution, Technical Design and Execution Details, based on the recommendations of the technical survey. This stage also includes the topographic and bathymetric measurements.

2.6. Obtain the building permit;

2.7. Procurement - execution of breakwater repair works and contract execution;

2.8. Execution of the works;

2.9. Acceptance procedure when works are over;

2.10. Final acceptance of the works

3. Dredging works in the Port of Constanța - Midia area (including widening of the access mouth) and the port of Mangalia (NRRP/POT)

Position: Constanța Port, with Constanta North, Constanța South Agigea, Midia and Mangalia Port areas.

The tender procedure for the award of the contract for the development of feasibility analysis + cost-benefit analysis + financing request (evaluation of financial proposals) is in progress; according to estimates, the contract with the designer will be signed by the end of May 2021.

4. Island development - Mooring quay on the North side of the artificial island, including the improvement of the shore-island connection, to serve the future industrial platform

(NRRP/LOP/CEF)

Position: Constanța port, artificial island area

the works under this project will be carried out on a 6.50 ha area, to include:

- Quay for unloading/loading general cargo and liquid cargo

The western berth will have the length of 280 m and will be used for oil tankers of maximum 40,000 dwt, and the eastern berth with a length of 350 m will be designed for oil tankers of maximum 80,000 dwt

- Dredging works to reach a depth of -16.0 m

Embankments to obtain an area of 6.50 ha related to the berth in order to build a ground platform.

Status: Feasibility Study completed, clearance obtained, including the environmental permit and the approval of the Interministerial Committee.

Issues: this is a revenue-generating project, and NFG (Non funding gap) is provided from Company resources (estimate 24 M euro).

5. Rehabilitation, modernisation and extension of road infrastructure (roads, passages, including road bridge over the connecting canal) and access to the Port of Constanta - Constanța and Midia area (TOP 2021-2027)

Status: The Terms of Reference for the development of the Feasibility Study/Documentation for Approval of Intervention Works were finalised in November 2020; the award procedure for the service contract is in progress (currently the offers submitted by 4 associations of companies are under the evaluation); funding amounting to about EUR 670,000 is provided from CN APM SA Constanța resources (IEB 2021-2022) to ensure project maturity when the Transport Operational Programme 2021-2027 is approved.

6. Increasing railway capacity at Constanta Port Terminal ferry station - boat (TOP 2021-2027)

Status: The Terms of Reference for the development of the Feasibility Study is in progress; funding amounting to about RON 2 million lei is provided from CN APM SA Constanța resources (IEB 2021-2022) to ensure project maturity when the Transport Operational Programme 2021-2027 is approved.

7. Consolidation, stabilisation and improvement of the (seafront) area adjacent to the Port of Constanța between access gates 3 and 7 (TOP 2021-2027)

Discussions and correspondence are in progress with Constanța City Hall on collaboration to ensure funding according to the legal status of the land affected by works.

Steps have been initiated to conclude An Agreement between Constanța City Hall, ABADL (Dobrogea - Litoral Water Basin Administration), CN APM SA to establish the legal framework for the development of the necessary technical-economic documentation in order to obtain funding for an integrated project, along the entire seafront sector.

8. Development of a port-community network infrastructure in order to operationalise the digitisation system at the level of Constanța port LIOP, TOP 2021 - 2027/CEF or other calls for project proposals with a digitisation component (e.g.: eTransport)

The development of a Port Community System is not so much an IT project, but especially a change management project, therefore the support of all stakeholders within and around the port area is crucial; consequently, a step-by-step approach was used to develop this object. In the absence of a legal framework providing for the obligation or for delegation of powers to APMC to develop and operate this digital transport infrastructure, the legal basis APMC may invoke to allocate resources and incur expenses for the development and implementation of a PCS (Port Community System) system is the feasibility study which justifies such investment, and the legal framework for the management of such an integrated platform, with the participation of some institutions regulated by other specific laws and regulations.

A consulting agreement was implemented with IPCSA (International Port Community System Association) in September and October 2020, having as main objective the preparation of the Terms of Reference for the procurement of services for the development of specifications for the design and implementation of a Port Community System in the ports of Constanța and Mangalia, more specifically:

- To provide relevant information on port governance models and to establish a clear set of solutions that will be seen as a benchmark, taking into account the governance model of seaports managed by CNAPMSA Constanța.
- To develop a first concept regarding the following elements of the Terms of Reference: the action plan for PCS implementation, the phases of PCS implementation, the technical criteria and the expertise requirements for the tender acceptance and selection stages.

Current project status: completion of procurement documentation (Terms of Reference) for the procedure “Development of specifications for the design and implementation of a Port Community System in the seaports of Constanța and Mangalia”, and the development of the **feasibility study** to provide economic and cost-effectiveness arguments for financing this project and technical and functionality specifications.

9. Mooring quay adjacent to the connecting channel between berths 85 - 89 (TOP 2021-2027)

Construction of a new mole between berths no. 89 and 85 using concrete block walls adapted to the three different levels of water depth at the mole quays.

Construction of a relatively small working platform behind the quay and provision of a storage area for the goods handled.

Improving road access to the new mole.

Financial resources will be allocated in the Company's income and expenditure budget for the development of the feasibility study + cost-benefit analysis + funding application (FS + CBA + FA) and for the purposes of ensuring project maturity, after the approval of the revised Master Plan (MP) of the Port of Constanta (estimated 2022).

10. Barge terminal - Stage II (TOP 2021-2027)

Construction of new berths (for waiting barges and quays) along the “island basin”. Power supply and water supply to the barge waiting quays

Completion of berths for tugs and tows, between berths no. 99 and 100 and the creation of spaces for the construction of the area reserved for the terminal of the port fleet.

An analysis will be conducted to appraise the merits of the individual project or of the execution of the mooring constructions and of the embankment works for the entire island, in view of the construction of the road bridge.

Financial resources will be allocated in the Company’s income and expenditure budget for the development of the feasibility study + cost-benefit analysis + funding application (FS + CBA + FA) and for the purposes of ensuring project maturity, after the approval of the revised Master Plan (MP) of the Port of Constanta (estimated 2022) and of the Master Plan for the road and access infrastructure.

11. Quay at the mouth to the Danube-Black Sea Canal (to the working port) (TOP 2021-2027)

North-Eastwards extension of the mole towards the entrance of the Danube - Black Sea Canal, by building a new quay.

Construction of working platforms and storage spaces behind the mole.

Ensuring exclusive access roads from the road bridge to the new terminal.

Financial resources will be allocated in the Company’s income and expenditure budget for the development of the feasibility study + cost-benefit analysis + funding application (FS + CBA + FA) and for the purposes of ensuring project maturity, after the approval of the revised Master Plan (MP) of the Port of Constanta (estimated 2022).

12. Modernisation of the electricity distribution infrastructure in the Port of Constanța - STAGE II (TOP 2021-2027)

CN APM SA Constanța is developing the Terms of Reference for feasibility study + cost-benefit analysis + funding application (FS + CBA + FA) stage II in order to prepare the technical-economic documentation and to obtain funding under the next financing programme 2021-2027; this investment is promoted as a standalone objective.

13. Doubling the railway line Agigea Lock - Constanța ferry-boat and systematisation of the Agigea Lock junction (TOP 2021-2027)

The new railway line will be built on the right side of the existing railway track. At the Agigea Lock P1 junction, the future line will be detached from the track leading to the former Agigea South station. For safety reasons, the track from which the line to Agigea South separates and the double railway line to Constanța Ferry-Boat will be provided with an avoiding line.

The line to Agigea Sud, along a distance of about 600 m starting from Agigea Lock P1, will be rebuilt on a

different location.

All newly introduced track devices and new signals will be introduced in the CED installation of the Agigea Lock railway station.

Technical actions/discussions are initiated to determine the railway investments that will be included in the Feasibility Study developed by CNCF CFR SA and investments to be implemented by CN APM SA, in view of the legal provisions regarding the status of public line vs industrial railway.

VI. COMMERCIAL ACTIVITY

1. Freight traffic

Freight traffic is the main source of income that generates a close correlation between the core activities of the Company.

In 2020 (impacted by the COVID-19 pandemic), freight traffic decreased by 6,227 thousand tons (-9.4%) compared to 2019.

Freight traffic evolution (Table 20):

	2019	2020
Total traffic (river and sea)	66,603	60,376
January	4,777	4,782
February	4,872	5,280
March	5,399	5,406
April	4,760	4,997
May	5,743	4,692
June	5,193	4,574
July	6,497	5,482
August	6,147	5,253
September	6,290	4,365
October	6,160	5,549
November	5,310	5,019
December	5,455	4,977

Table 20 - Freight traffic evolution 2020-2019

In the chart below, we present the evolution of monthly traffic (river and sea) in 2020 vs 2019:

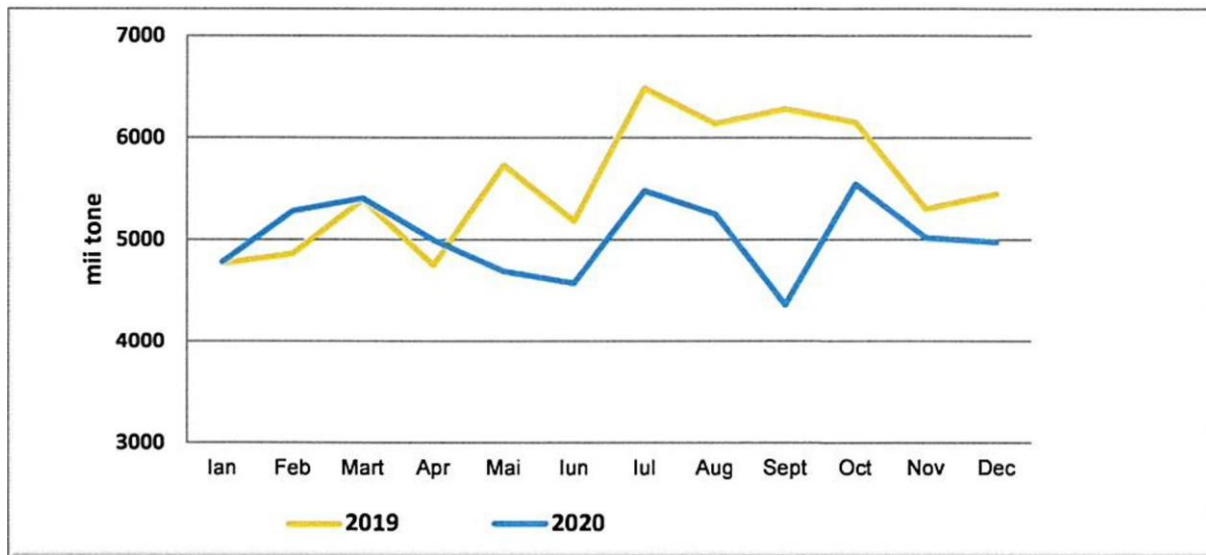


Chart 4 – Monthly freight traffic evolution (river and sea) 2020 vs 2019

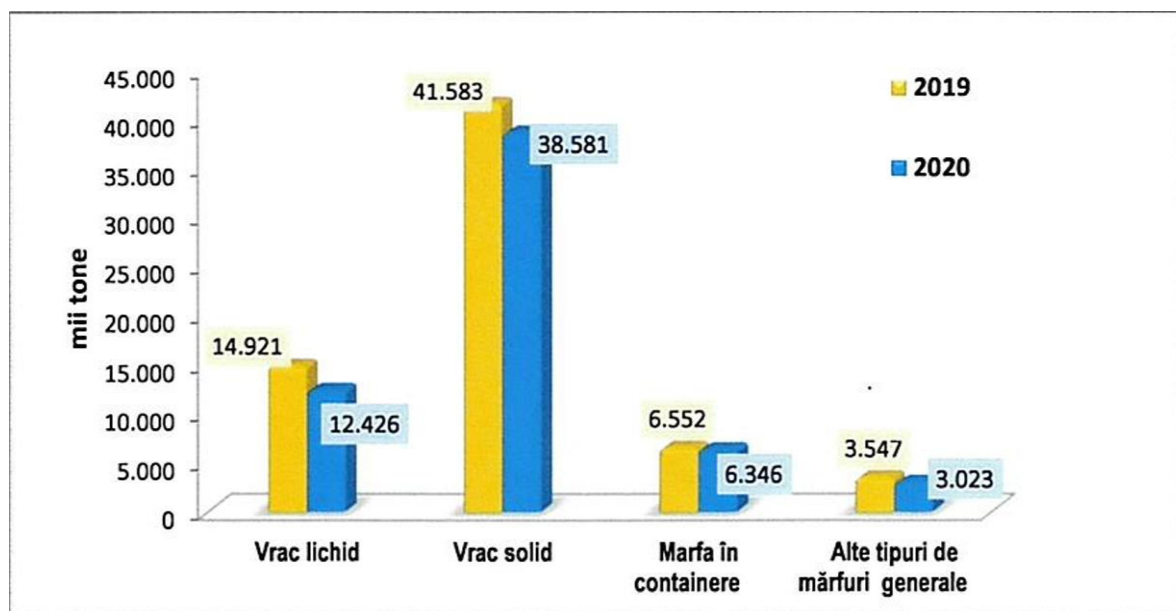
Freight traffic in 2020 vs 2019, by main categories of freight (liquid bulk, solid bulk, containers, general cargo) (see Table 21):

Thou. tons

	2019	2020	%
Total traffic (river and sea), of which:	66,603	60,376	90.7
Liquid bulk cargo	14,921	12,426	83.3
Solid bulk cargo	41,583	38,581	92.8
Containerised cargo	6,552	6,346	96.9
Other types of general cargo	3,547	3,023	85.2

Table 21 – Comparative total traffic analysis 2020 vs 2019

Graphic representation of traffic by types of freight:



Graphic 5 Traffic by types of freight in 2019-2020

Freight traffic structured by main types of freight (see Table 22):

	2019	2020	Thou. tons %
Total cargo handled	66,603	60,376	90.7
Grains	21,329	21,894	102.6
Crude oil	8,027	6,638	82.7
Miscellaneous articles	6,561	6,349	96.8
Petroleum products	6,296	5,042	80.1
Fertilisers	4,023	4,420	109.9
Iron ore	5,190	3,872	74.6
Solid mineral fuels	3,835	2,851	74.3
Nonferrous ores	3,862	2,276	58.9
Metal products	2,529	1,954	77.3
Oily seeds	2,141	1,826	85.3
Other freight accounting for less than 1.2% in total	2,810	3,254	115.8

Table 22 – Total freight operations by groups

Share of main cargo groups

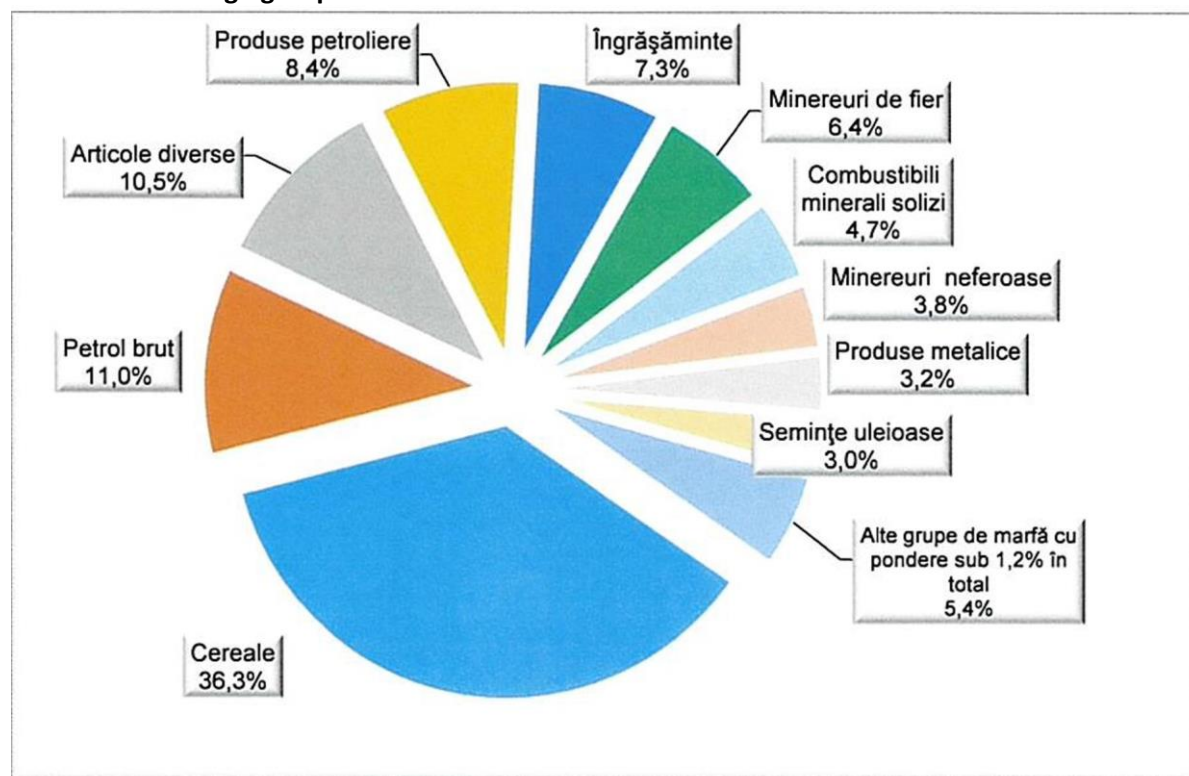


Chart 6 – Share of main cargo groups in total traffic

Freight traffic analysis by cargo group highlights that in 2020, compared to 2019, there is a decrease in traffic for certain cargo groups that have a significant share in total traffic, more specifically:

- the crude oil group, accounting for 11.0% of the total freight traffic, saw a decrease by 1,389 thousand tons;
- the petroleum products group, accounting for 8.4% of the total freight traffic, saw a decrease by 1,254 thousand tons;
- the nonferrous ores group, accounting for 3.8% of the total freight traffic, saw a decrease by 1,586 thousand tons;
- the iron ores group, accounting for 6.4% of the total freight traffic, saw a decrease by 1,318 thousand tons;
- the metal products group, accounting for 3.2% of the total freight traffic, saw a decrease by 575 thousand tons;
- the oily seeds group, accounting for 3.0% of the total freight traffic, saw a decrease by 315 thousand tons;

Freight traffic carried out by the main port operators:

	Thou. tons	
	2019	2020
COMVEX SA	8,801	6,729
OIL TERMINAL SA		6,711
		6,380

	2019	Thou. tons 2020
UNITED SHIPPING AGENCY SRL	4,802	6,202
MIDIA MARINE TERMINAL SRL	7,692	5,593
CONSTANTA SOUTH CONTAINER TERMINAL SRL	5,541	5,435
NORTH STAR SHIPPING SRL	5,877	4,928
TTS OPERATOR SRL	4,513	4,656
CHIMPEXSA	5,772	4,460
SOCEP SA	3,574	3,265
SILOTRANS SRL	2,622	2,888
UMEXSA	2,332	2,837
SCHENKER LOGISTICS ROMANIA MOL 1 SUD SA	1,020	1,087
CANOPUS STAR	1,896	959
DECIROM SA	860	743
EUROPEAN METAL SERVICES SA	522	700
OTHER OPERATORS <1%	4,068	3,514

Share of main operators in total traffic of the Port of Constanța

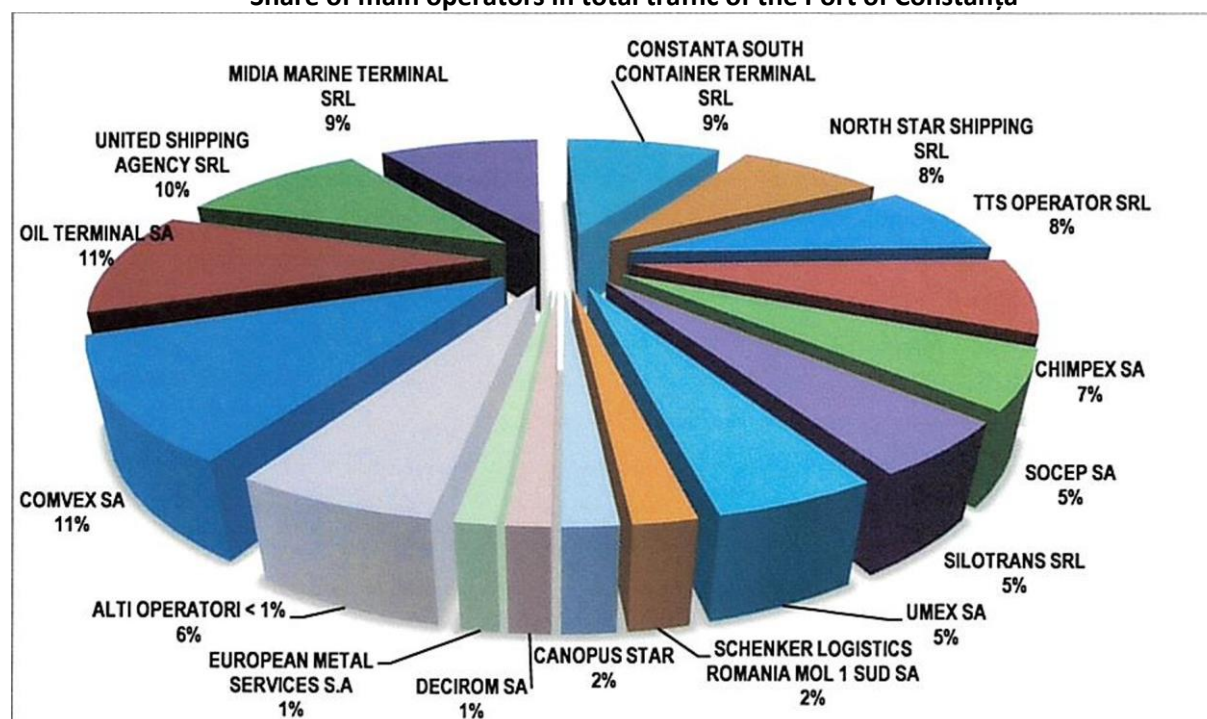


Chart 7 – Traffic share by port operators in 2020

Freight traffic in the Port of Constanța is closely correlated with the number of sea and river transport ships that stop in this port for operations (loading/unloading); this is reflected by Table 23 and Chart 7:

Vessels operated (number of vessels)	2019	2020
Sea vessels	3,795	3,776
River vessels	8,131	8,873

Table 23 – Number of vessels operated

Comparative evolution of the number of ships operated 2020 vs 2019

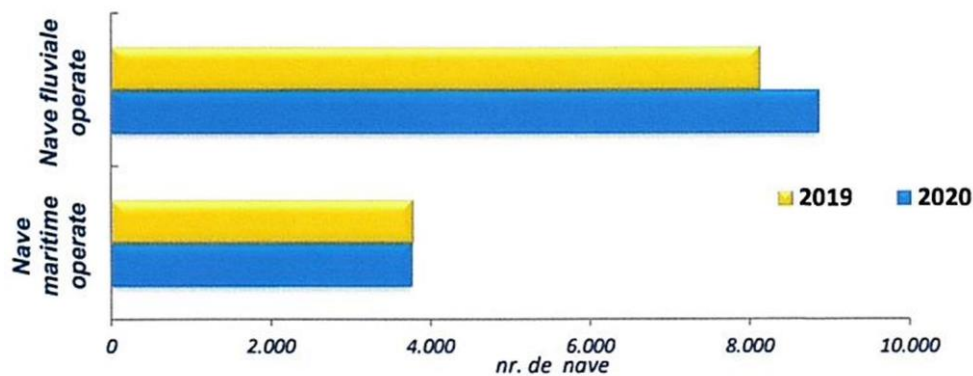


Chart 8 – Comparative evolution of the number of ships operated

2. Analysis of ship service activity

Company's income is partially generated by the provision of services to ships flying the Romanian flag and foreign flags and calling at/docking in Romanian seaports, according to agency and shipowner agreements.

A. Through the **Agency Agreements** valid in 2020, CN APM ensured:

- the use of port infrastructure in Constanța (Constanța area, Midia area and partly Basarabi area) and Mangalia for the entry/exit and parking of ships represented by the Agent, pursuant to the domestic and international legal provisions in force and to the provisions of the Agreement, using the tariffs and conditions for services delivered by CN APM SA in the managed ports;
- for the vessels represented by the Agent, the services expressly indicated in the Annex including the port tariffs for the services delivered by CN APM SA in the managed ports, using the tariffs and conditions provided therein (water supply, electricity, petroleum residues collection, garbage collection, etc.);
- for the vessels represented by the Agent, safety services for vessel pilotage and towing by means of specialised Agents, authorised by CN APM to deliver such services. Any vessel in the naval ship classification benefits from security services.

99 Agency Agreements were executed over of 01.01 - 31.12.2020, as follows:

- ✓ **90** agreements were extended by Addendum;
- ✓ **15 new** agreements were concluded during the reporting period;
- ✓ **6** agreements were terminated in 2020.

B. Through **Shipowner Agreements** valid between 01.01-31.12.2020, CN APM ensured:

- for a fee, the use of port infrastructure in Constanța (Constanța area, Midia area and partly Basarabi area) and Mangalia for the entry/exit and parking of the Shipowner's ships, pursuant to the domestic and international legal provisions in force and to the provisions of the Agreement, using the tariffs and conditions for services delivered by CN APM SA in the managed ports;

- for the Shipowner's ships, the services expressly indicated in the Annex including the port tariffs for the services delivered by CN APM SA in the managed ports, using the tariffs and conditions provided therein (water supply, electricity, petroleum residues collection, garbage collection, etc.);

- for the Shipowner's ships, safety services for vessel pilotage and towing by means of specialised Agents, authorised by CN APM to deliver such services. Any vessel in the naval ship classification benefits from security services.

57 Shipowner Agreements were in progress over 01.01 - 31.12.2020, as follows:

- ✓ 51 agreements were extended by Addendum
- ✓ 6 agreements were concluded during the reporting period

C. Through the fishing vessel pricing agreement valid for the period of 01.01.-31.12.2020, CN APM ensured for a fee, the use of port infrastructure within the port of Constanța - Midia area, for the entry / exit and parking of fishing vessels, with a length not exceeding 20 m, pursuant to the domestic and international legal provisions in force.

17 fishing vessel pricing agreements for fishing vessels parked within the port of Constanța - Midia area were in progress over 01.01 - 31.12.2020, as follows:

- ✓ 14 agreements were extended by law from 2019
- ✓ 3 agreements were concluded during the reporting period

No fishing vessel pricing agreements was terminated in 2020.

D. Through the contract of pilotage services on seagoing ships valid for the period of 01.01-31.12.2020, CN APM granted operators the non-exclusive right to perform safe pilotage services on seagoing ships in the ports of Constanța (Constanța area, Midia area and partly Basarabi area) and Mangalia.

4 contracts of pilotage services on seagoing ships were in progress over 01.01 - 31.12.2020, as follows:

- ✓ 4 contracts were extended by law from 2019 until 08.04.2020
- ✓ All 4 contracts valid until 08.04.2020 were extended by Addendum until 31.12.2020
- ✓ No contracts of pilotage services were concluded during the reporting period
- ✓ The 4 contracts valid in 2020 were terminated on 31.12.2020.

E. Through the contract of maritime ship towage and piloting contracts, CN APM granted operators the non-exclusive right to perform safe towage services in the ports of Constanța (Constanța area, Midia area and partly Basarabi area) and Mangalia.

4 contracts of towage were in progress over 01.01 - 31.12.2020, as follows:

- ✓ 4 agreements were extended by law from 2019
- ✓ 1 contract was concluded during the reporting period

- ✓ 1 contract was terminated for failure to fulfil contractual obligations

For all the above mentioned contracts, the value of the services was guaranteed by the performance bonds (letter of bank guarantee; guarantee deposited in the current account of CN APM guarantees; deposit in collateral account available to CN APM), according to the contractual clauses.

1. Lease activity analysis

In 2020, we continued implementing the new legal provisions laid down by Law 235/2017 which amended and supplemented the Emergency Ordinance 22/1999 in December 2017. At the same time, 2020 was strongly impacted by the COVID-19 pandemic.

After the public procurement procedure, in order to accurately satisfy all of the commitments assumed by CN APM SA before the Board of Directors by Decision no. 21/2018, the Contract for the valuation of land plots, platforms and other assets owned by CN APM SA was concluded in order to establish their lease price. On 31.03.2020, a new two-year contract was concluded (until 30.03.2022). 27 valuation reports were commissioned by tender procedure and direct award (prepared by the ANEVAR expert approved by CN APM SA) under award procedures for public land.

Direct award - public land

In 2020, the lease activity was affected by the COVID-19 pandemic, and by the fact that Decree no. 195 regarding the establishment of the state of emergency on the Romanian territory was published in the Official Journal on March 16, 2020.

According to the provisions of Art. 41 of this decree, limitation period and other time-bars shall not begin to run, and if they begun, they shall be suspended during the state of emergency laid down by this decree, and the provisions of Art. 2532 pt.9 of Law no. 287/2009 on the Civil Code or any other contrary legal provisions shall not be applicable.

On April 14, 2020, Decree no. 240 on the extension of the state of emergency on the territory of Romania was published in the Official Journal. Pursuant to this decree, starting with April 15, 2020, the state of emergency established by Decree no. 195/2020, published in the Official Journal of Romania, Part I, no. 212 of March 16, 2020 shall be extended by 30 days on the entire territory of Romania.

Against this background, the final deadline for the conclusion of contracts by direct award was considered was 08.06.2020. Thus, companies which did not want to finalise the direct award procedure were notified that the failure to sign the contract, the failure to challenge the tariff or the failure to submit a point of view, led to the conclusion that the award procedure had been completed and that the parties had failed to fulfill their obligations under the law, in which case the legal provisions laying down sanctions are to be implemented.

In the case of companies where the direct award procedure was initiated or in progress on 08.06.2020 (in different stages - negotiations, etc.), the procedure continued so as to be successfully completed as quickly as possible.

Thus, the direct award procedure for public land continued for the legal users of port infrastructure who

do not have lease contracts for land which is part of the public domain. During the year, the direct award procedure was applied for all companies falling under this category which had not signed the land lease contracts before the end of 2019. Thus, after completing all stages, 23 public land lease contracts were signed as a result of the direct award procedure pursuant to law, to the commitments before the Competition Council and to the internal regulations.

Public land procurement procedures

There were 36 applications for public land lease, through the public tender procedure for which the outcry bidding option was analysed according to the legislation, commitments before the Competition Council and working instructions (internal correspondence with specialised and external departments, lease opportunity analysis).

All lease applications were analysed (in the light of the internal opinions requested and received from the specialised departments) and further correspondence followed with the applicants (some of them were sent negative opinions as a result of the analysis, for other applications the analysis of the rental opportunity is in progress, while yet others were withdrawn by the applicants).

19 tender procedures were organised for 19 plots which were awarded and for which 14 leases were concluded. For the remaining 5 tender procedures, the plots were not awarded either due to the submission of a single offer or due to non-submission of any bidder.

Administrative facilities / warehouses

23 lease applications were registered for facilities/warehouses owned by CN APM SA. Following tender procedures, 16 leases were concluded, and 6 applications turned into contracts as a result of the direct award procedure (2 for a maximum period of 3 months and 4 for a 5-year period, according to the framework agreement) based on the Regulation on the leasing of administrative and storage facilities, other than platforms, owned by CN APM SA, which may be divided into functional individual facilities and leased to several economic operators.

As at 31.12.2020, there were 476 contracts in progress (lease, concession and association) and 40 cases where companies use property owned by CN APM SA or by the state without a contract, as the companies are in different stages of negotiation, litigation (including evictions) or bankruptcy.

During 2020, 496 addenda to the ongoing contracts and 58 leases were concluded, of which 34 short-term contracts (contract valid for less than 5 years) and 24 long-term contracts (between 5 and 33 years). Of these, 36 regulate the lease of public land, and 22 are real estate leases for property owned by CN APM SA.

A positive impact on the revenues generated in 2020 was the near completion of the direct award procedures for public land by concluding lease contracts, and the public land lease tenders (the most important being the award of the bitumen terminal, berth 102).

VII. HUMAN CAPITAL

EMPLOYEES AND SALARY FUND

The human resources policy of CN APM SA Constanța continued in 2020 the implementation of strategies that aimed at ensuring a conducive framework for the development and professional training of employees, for enhancing individual and collective professional performance, for employee reward and motivation, and especially, for the selection and recruitment of new staff to implement the rejuvenation strategy, given the aging human resources capital and, moreover, the retirement of some 50 employees by 2020.

During the reporting year, given the existing pandemic context, the human resources policy of CN APM SA Constanța focused mainly on employee protection and on measures to prevent the spread of SARS COV2, more specifically: employees were enabled to use differentiated work schedule, addenda to the employment agreement were concluded to enable telework, paid leave was granted for child supervision pursuant to the provisions of Law no. 19/2020, meetings were organised using the Microsoft Teams platform, etc. At the same time, employee performance was recognised and rewarded, especially against the pandemic circumstances, where employees made extra efforts to perform their duties; such recognition entailed the award of bonuses provided by the collective bargaining agreement in force, by granting the individual share in profit-sharing according to the personal contribution of each employee to the previous year profit, and the opportunity for individual salary negotiations which took place in June. The individual salary negotiation created a conducive framework in which employees had the opportunity to bring to the attention of their superiors any personal arguments to be considered when negotiating the basic salary. As part of the motivational strategy, CN APM SA Constanța also granted merit bonuses to all employees of the Company, in October 2020 and December 2020, also based on their professional performance in the reporting year.

More specifically, the staff employment and distribution by functional departments was carried out in compliance with the organisational chart approved by the Board of Directors and with the personnel structure budgeted in the Income and Expenditure Budget. The number of employees decreased during this period, from 905 employees at the end of 2019 to 873 employees on 31.12.2020; this decrease was influenced by the number of employees who terminated their employment with CN APM SA, mostly through retirement.

PROFESSIONAL TRAINING

Professional training is a form of continuing education, which aims to enhance employee professional competence, through various courses and training programmes.

Due to the epidemiological circumstances, 183 employees participated in the professional training programmes delivered in 2020, both at the Company headquarters - online and in the locations organised by training providers. The main topics tackled were: the development of the internal/management control system; corruption prevention and combating, avoiding abuse of power - the implementation of the anti-fraud control system, ethics and integrity; integrated quality-environmental-occupational health management system; internal audit; public procurement; finance courses - accounting, rectification of income and expenditure budget; commercial, marketing, IT; compliance with competition rules;

implementation of the General Data Protection Regulation; professional certification/re-certification of supervisors for traffic safety on industrial railways; training and authorisation of staff in charge with maintenance and operation of electrical installations; International Maritime Organization courses, security manager, etc., thus enabling the Company employees to enhance their problem-solving skills, to perform specific tasks, to solve new tasks, to improve their communication skills.

The Company also provided development support for the port platform personnel and for the employees of the municipality of Constanța and fostered cooperation between local institutions and authorities, through partnership agreements for internships for the Maritime University of Constanța students: Faculty of Naval Electromechanics (specialisations: Electromechanics and Electrical Engineering, Engineering and Environmental Protection in Industry); Faculty of Navigation and Naval Transport (Engineering Economics), students from Mircea cel Bătrân Naval Academy or Ovidius University of Constanța.

INTEGRATED MANAGEMENT SYSTEM

Given the need of permanent maintenance of the integrated management system, 268 documents related to the Integrated Management System were developed and reviewed in 2020. The documents were prepared so as to be introduced in the system in order to regulate those activities, and the document review activity was underpinned by the need for continuous improvement of the integrated management system. Given the special importance attached by the executive management team to the high quality of the services provided and the publication of the SR EN ISO 45001 standard (replacing the OHSAS 18001: 2008 standard), in 2020 we commenced the implementation of the requirements according to the new standard to ensure that the transition audit is carried out at the beginning of 2021, as part of audit number 2.

As regards the objectives and indicators related to the SMI processes for the first and second semesters of 2020, the process indicators related were partially achieved, which highlights the applicability and effectiveness of the system.

The supervisory audit for the certification of the environmental management system and of the occupational health and safety management system was conducted in May 2020 by the company S.C. SRAC CERT S.R.L.; the audit mission ended with the maintenance of the ISO 14001: 2015 and OHSAS 18001: 2008 certification. In September, the company CC CERTINSPECT REGISTER SRL conducted the recertification audit of the quality management system, also resulting in the maintenance of the ISO 9001: 2015 quality management system certification.

OCCUPATIONAL HEALTH AND SAFETY

In terms of prevention and protection activities, the Company complies with occupational health and safety legal provisions and requirements. In 2020, the goal was to continuously improve occupational health and safety performance and to comply with the requirements for the transition to SR EN ISO 45001: 2018: Occupational Health and Safety Management Systems In order to keep the risks of accidents and occupational diseases under control, action plans were developed for the specific activities of each branch, as well as the OSH management programme, the prevention and protection plan and the occupational health and safety training and testing plan.

In order to ensure business continuity, given the effects of the pandemic caused by the SARS CoV 2 coronavirus, contamination prevention measures were adopted which consisted of establishing work procedures, providing employees with the necessary materials to prevent contamination and purchasing testing services.

The occupational health and safety objective was "To reduce the number of accidents at work, which has the indicator $h = 0$ (zero) accidents at work with permanent disability registered with the Territorial Labour Inspectorate". The value of the "h" indicator for 2020 is $h = 0$.

In 2020, no work accident causing permanent disability or temporary incapacity to work occurred in CN APM SA Constanța.

RELATIONSHIP WITH TRADE UNIONS

The employer-trade union relationship at CN APM SA Constanta complied with the conditions imposed by the SARS COV 2 pandemic; both the Company management and the representatives of the two existing trade unions, the CN APM SA Constanța Union and the Port Authority Constanța Union, adapted to new conditions/restrictions and collaborated to take all necessary measures to protect employees and to prevent the spread of the disease at Company level such as: provision of face masks, disinfectant, temperature measurement at the entrance to Company premises, telework where applicable, depending on the type of activity, employee testing, differentiated work schedule, granting paid days off for child supervision pursuant Law 19/2020 etc.

The employer-trade union relationship involved meetings of the joint commission (9 meetings), meetings of the fund management committee for the payment of benefits granted to CN APM SA employees, and meetings of the sponsorship committee to evaluate sponsorship applications received whenever applicable, face to face meetings or meetings using the Microsoft Teams platform, in order to resolve issues related to the protection of interests and the rights of Company employees/third parties, as appropriate, pursuant to the legal provisions in force.

At the same time, according to the obligations assumed under the Collective Labour Agreement 2019-2021, CN APM SA Constanța carried out the necessary steps to purchase private health insurance services for the Company employees, starting with December 2020, when the private health insurance policy was signed to provide such services to all Company employees.

IMPLEMENTATION OF THE NATIONAL ANTI-CORRUPTION STRATEGY 2016-2020 for 2020:

Following the adoption, by Government Decision no. 583/2016, of the National Anti-Corruption Strategy 2016-2020, of the sets of performance indicators, risks related to the strategy objectives and measures, verification sources, inventory of institutional transparency and corruption prevention measures, evaluation indicators, as well as the general standard of publication of information of public interest, the General Manager, as the legal representative of the Company, assumed the fundamental values and principles promoted by the National Anti-Corruption Strategy 2016-2020 and recognised the importance of its objectives and monitoring mechanisms, by signing the *Declaration of adherence* to the core values, principles, objectives, measures and deadlines provided by the National Anti-Corruption Strategy for

2016-2020, adopted by Compania Națională „Administrația Porturilor Maritime” S.A. Constanța, registered under no. 438/08.01.2020 whereby the Company *“condemns corruption in all its forms and firmly expresses its commitment to combat this phenomenon by all legal means available.”* With this declaration, the Company undertook to comply with the national and international legislation on corruption and with the *Anti-Corruption Policy*, registered under no. 439/ 08.01.2020 and applicable at Company level.

The integrity plan adopted at Company level, the Declaration of adherence and the Anti-Corruption Policy are posted on the Company website and are transparent and can be easily accessed by anyone interested.

In order to comply with the measures in the integrity plan, compliance with the legal provisions (Annexes no. 4 and 5 of Government Decision no. 583/2016) on the publication of information of public interest was monitored, as well as the transparency of the resource management processes, accessible on the Company’s portal, consisting of information on the income and expenditure budget, PAAS, Register for payment-generating operations, ensuring full compliance with the legal provisions on the publication of information of public interest, pursuant to the provisions of Government Decision **583/2016, Annex 4** general standard for publishing information of public interest and **Annex no. 5** - Standard;

At the same time, the implementation of the set of measures for institutional transparency and corruption prevention was carried out monitored and - **Annex no. 3** to Government Decision 583/2016.

The following working instructions were **reviewed and integrated in the IMS Guide**: “Systematic collection of data necessary for the self-assessment of the implementation of anti-corruption preventive measures, monitoring and reporting on issues related to corruption prevention and combating”, rev. 1 of 05.06.2020, and “Identification, assessment and monitoring of risks and vulnerabilities to corruption” rev.1 of 22.07.2020 and rev.2 of 29.12.2020;

In order to enhance the **knowledge and understanding of the integrity standards by** Company employees, and to strengthen the anti-corruption education, the Company disseminated on the internet information materials on the risks and consequences of corruption, and permanently updated its intranet section that covers the National Anti-Corruption Strategy. Participation in training and upskilling training programmes on anti-corruption topics was ensured for the staff responsible with the coordination and implementation of the integrity plan. Staff information and awareness-raising activities on methods to prevent and combat acts of corruption were delivered by the County Anti-Corruption Unit of Constanța.

In order to make available the tools that enable the strengthening of the institutional integrity, the Company established the **Working Group for the implementation of the Standard Methodology on Risk Corruption Assessment** in central public authorities and institutions approved by Decision no. 599/2018 with the goal to identify corruption vulnerabilities and to perform regular risk self-assessment.

In order to enhance the mis-management handling capacity, the tools that have an impact on the early identification of institutional risks and vulnerabilities are correlated;

Regular reports on monitoring the implementation of the National action taken under the Anti-Corruption Strategy are developed and submitted to the ministry.

VIII. IT

The IT activity in 2020 was focused on the following goals:

1. To implement IT solutions to support the digitisation of administrative procedures in order to streamline and improve services for the business environment

In view of the Company digitisation objectives against the background of the general trend of digitisation of procedures and in order to enable fast response to the requirements of companies in the community, the following actions were implemented in 2020:

- *Implementation of electronic mail distribution flows*

starting with March 2020 all processed documents (external and internal correspondence) are distributed within the company in electronic format using document management systems (Confluence). The time span between document registration until the documents reach the final recipient was reduced significantly. The application enables easy retrieval of documents, route visualisation and resolutions granted along the process steps, monitoring of access to registered documents. A system upgrade is envisaged to implement new document management flows according to internal requirements.

- *Implementation of the electronic registration software for applications for car access permits in the port.*

This software is intended for external users to enable the online registration of applications for the issuance of car permits; applicants may attach all documents required for approval in electronic format and may visualise the application status. This software complies with the rules of the Regulation on car access permit issuance in the Port of Constanța.

Since its launch in May 2020, there has been a steady increase in the number of users and especially in the number of applications and permits issued, compared to the declining number of applications submitted offline.

- *Implementation of an interface for sending service orders for ships.*

In addition to the existing application, the Online Pilotage Bulletin (since 2007), the Company developed an electronic interface ship agents may use to send service orders for ships, thus ensuring proper planning of Company resources in order to deliver such services. Orders can be sent for the following types of services: water supply to ships at berth, garbage collection from ships at berth, installation of anti-pollution dam, supply of technical water to the roadstead or port aquatory, collection of liquid waste by collector ship, collection of solid waste generated by ship operation. The service providers within the company (Technical Ships Branch and Port Services Branch) receive those messages and plan order delivery.

2. Ensuring the optimal and uninterrupted operation of the existing IT infrastructure

Monitoring the software behavior and the user requests during the reporting period is largely done by the technical support intended to obtain from IT system the necessary data to perform analysis and

statistical reports in dedicated modules for commercial activity (Agency and Shipowner Agreements, lease and concession contracts, pilotage and towage contracts), port activity - freight traffic reports), implementation of legislative changes (payroll, human resources, financial accounting). Compared to previous years, we note a need for additional support and assistance for new (internal and external) users due to the implementation of new applications and to the state of emergency and alert. This includes support provided for various applications, such as Neptune IS, Electronic Messaging, document management system (Confluence) - approximately 450 users, the Integrated Port Information System (approximately 1000 external users and 100 internal users).

Maintenance and service was provided for the central hardware infrastructure (servers, network equipment), desktop and laptop computers (approximately 650 pcs), printers (approx. 250 pcs), extension works and repairs to the UTP network, with no records of incidents disrupting user activity.

During the state of emergency and subsequently the state of alert, users were provided the necessary technical means to enable them to continue the Company activity in remote operation. For such purposes, remote access for telework was configured for 250 users, and remote technical support was provided for these users.

Installations, configurations and training for video conferencing applications were carried out to enable users to participate in online meetings without having to travel to the Company headquarters.

3. Development of the IT infrastructure of the Company

The specific activities included in the IT strategy of the Company focus on the following goals:

To develop an integrated IT system for Company resource management and management reporting

The implementation of the integrated IT solution is underpinned by the need to (re)model basic and specific processes according to good industry practices and IT technology developments in order to streamline all Company activities, with a focus on increasing the diversity of services and customer satisfaction. The functional architecture of this system will include both specific ERP features (General and Management Accounting, Budgets, Inventory and Supply Management, Human Resources and Payroll, Investments, etc.), specific functionalities of operational flows (lease and concession contracts management, services delivered to ships, electricity, heating, water supply, etc.) as well as reporting and managerial analysis functionalities. The system must include features to support the exchange of data with other entities on the port platform, or to enable interconnection to a Port Community System infrastructure.

In order to prepare the procurement procedure, a market survey was conducted in April and May 2020 to obtain the necessary information to finalise the Terms of Reference for the procurement of an "Integrated IT system for company resource management and management reporting".

The procurement procedure was launched in September 2020 and is in progress.

Developing a Port Community System infrastructure to operationalise the digitisation system of Constanța port.

The digital transformation of the port activity is one of the main goals of the development strategy of the Company, to which the Company management is committed; investments in this field lead to improved services, boosting the business, enabling a better and transparent planning, and last but not least significantly reducing bureaucracy and waiting time along transport flows.

The development of a Port Community System IT infrastructure will support both the alignment of the port of Constanța with the European Commission strategies, according to which the classic transport infrastructure should be developed in view of the concepts of digitisation and automation, and the streamlining and interoperability needs of all stakeholders involved (authorities, companies, etc.).

Given that the development of a Port Community System is not so much an IT project but essentially a change management project, the support of all stakeholders within and around the port area is crucial. Consequently, a step-by-step approach was used to develop this object. In the absence of a legal framework providing for the obligation or for delegation of powers to CN APM-SA to develop and operate this digital transport infrastructure, the legal basis CN APM-SA may invoke to allocate resources and incur expenses for the development and implementation of a PCS system is the feasibility study which justifies (or not) such investments (as indicated by the feasibility study findings).

Consequently, a consultancy agreement was implemented with IPCSA (International Port Community System Association) in September and October 2020, aimed primarily at developing the Terms of Reference for the procurement of services consisting of developing specifications for the design and implementation of a Port Community System in the ports of Constanța and Mangalia, more specifically:

To provide relevant information on port governance models and to establish a clear set of solutions that will be seen as a benchmark, taking into account the governance model of seaports managed by CNAPMSA Constanța.

To develop a first concept regarding the following elements of the Terms of Reference: the action plan for PCS implementation, the phases of PCS implementation, the technical criteria and the expertise requirements for the tender acceptance and selection stages.

The next step is to conduct the procurement procedure for the development of specifications for the design and implementation of a Port Community System in the seaports of Constanța and Mangalia and to develop the feasibility study to provide economic and cost-effectiveness arguments for financing this project and technical and functionality specifications.

4. Ensuring the IT security in the operation of the integrated IT system of the Company.

The monitoring of IT threats to the IT infrastructure identified a series of threats having as propagation vector, mainly electronic messaging through Office document attachments and using the exploits of Office applications. (Exploit.CVE-2017-11882, Exploit.RTF-ObfsObjDat.Gen, Exploit.RTF-ObfsStrm.Gen, Exploit.CVE-2017-8570.Gen, Exploit.MathType-Obfs.Gen, MassLogger).

Some of the threats identified include: Trojan-type malware (RAT - remote administration tool - Pony, jRAT), infostealer (Lokibot, Fareit, Trojan.PasswordStealer.GenericKDS), keylogger (Hawkeye, Agent Tesla, AIT:Trojan.Nymeria).

Such threats mainly aimed at collecting credentials for e-mail and ftp accounts, information on the web pages visited (history, cookies), keystroke and printscreen logging or PC control for other malware activities.

Scans and tests of exploits of the network area exposed to the Internet were performed using specialised tools such as: Masscan.Scanner, DFind.Vulnerability.Scanner, ebRTC.Local.IP.Addresses.Disclosure, udpjlood, Zeroaccess.Botnet, Nmap.Script.Scanner, Xtreme.RAT.Botnet, MS.Windows.HTTP.sys.Request.Handling.Remote.Code.Execution ZmEu.Vulnerability.Scanner, Apache.Struts.2.Jakarta.Multipart.Parser.Code.Execution Apache.Tomcat.Arbitrary.JSP.file.Upload, Apache.Camel.XSLT.Component.XXE, PHPUnit.Eval-stdin.PHP.Remote.Code.Execution

These threats were countered by using the antivirus and firewall available provided along with the IT security policies implemented.

In order to prevent security incidents, a contract for testing services was implemented to identify and assess IT infrastructure vulnerabilities and configuration errors. The recommendations included in the test report were either implemented or - when they require the purchase of IT infrastructure or services - such recommendations were used to substantiate procurement proposals for 2021.

IX. RISK MANAGEMENT

Various risks were identified, of which we mention:

- The volume of demand for services that depends on multiple factors beyond the control of the Company, including climate and economic conditions;
- The Company assets may be affected by natural disasters or by human errors;
 - Operating results may be adversely affected by disputes;
- The tax authority may impose additional tax obligations related to previous periods with implications for the Company results;
- The Company must comply with specific legal and regulatory requirements, and is subject to significant penalties in case breaches are identified.

The following risk factors were monitored in 2020:

Liquidity risk

The Company maintains sufficient liquidity to meet its maturity obligations under both normal and stressful conditions, to avoid reputational damage or financial loss.

Actions were taken to reduce this type of risk as follows:

- termination of services supplied to defaulting customers; establishment of performance bonds and their collection in case of late payment or signs of imminent insolvency; additional efforts to expedite

claims recovery.

Forex risk

The business model of the Company provides natural hedging to exchange rate fluctuations (fx). Part of the Company revenue is collected directly in a foreign currency. Additionally, depending on cash needs, the Company maintains cash available in both RON and foreign currency deposits.

Economic risk

The operating activity depends to a large extent on the management of internal and external factors, mainly on the evolution of sales prices, on the cost-price ratio, quality-price ratio, on the change in the structure of expenses in relation to the volume of activity.

Financial risk

The Company management constantly monitors the liquidity level and the liquidity analysis coefficients.

Foreign exchange risk is managed by foreign currency deposits. Payment risk is managed by monitoring overdue receivables and by applying corrective actions as soon as signs of customer solvency issues are detected. The payment reschedules are at the due date, and in case of non-compliance, the contract is terminated.

The Company has no external debt, and the Company solvency ratios are well above the "2" limit.

Operational risk

Operational risk is managed through insurance companies. All Company assets are insured; additionally, pursuant to law and regulations, both port operators and ships are insured for any damage they may cause (including pollution / environmental damage).

X. LEGAL ISSUES

In 2020, the Company was involved in 485 case files pending before the courts, of which:

- 309 case files in which CN APM SA is a plaintiff for recovery of receivables from invoices;
 - 83 case files in which CN APM SA is a plaintiff for other receivables;
 - 93 case files in which CN APM SA is a respondent.

We note an increase in the number of cases pending before the courts compared to 2019, from 438 case files to 485 case files, due to an increase in the number of new case files involving the recovery of receivables from invoices and of new case files in which CN APM SA is a respondent.

More specifically, in 2020, 205 new files were reported, compared to 2019, when 145 new files were reported.

Legal representation in court proceedings entails different activities, depending on the legal standing of CN APM SA in the proceedings: either as defendant, or as plaintiff.

In the category *“Litigations filed by Economic Agents against the Company”*, motions to initiate proceedings are filed by economic agents for legal/business/economic considerations, whereby the latter ask the court to rule on the Company obligation to pay various amounts (*damages, compensation, payments under the contracts*), on the annulment of legal acts issued by the Company or on the annulment of Company decisions to request penalties under the contracts in progress (*which involves a proportionate reduction of CN APM SA revenues*).

in the category *“Litigations filed by Economic Agents against the Company”*, we mention the following:

- in the litigation with Rompetrol Rafinare on damages resulting from the non-performance of dredging obligations by the Company, the court of first instance partially admitted the request, and obliged the defendant CN APM SA to pay the amounts of EUR 1,570,000 and RON 73,173.27 representing court fees. Both parties filed an appeal against this court decision, and the court rejected Rompetrol’s appeal and admitted the appeal lodged by CN APM SA; the appeal proceedings resulted in the amendment of the initial court judgment, more specifically, the writ of summons was rejected. Rompetrol Rafinare filed a second appeal, which was suspended on 09.05.2019 until a judgment is ruled on the plea of unconstitutionality. So far, the Constitutional Court has not ruled a decision on the plea of unconstitutionality related to the fact that disputes regarding the port operations are not subject to second appeal.
- In the dispute with Van Oord, arbitration file no. 3/2017 brought before the Commercial and Maritime Arbitration Court attached to the Chamber of Commerce, Industry, Agriculture and Navigation of Constanta (CCINA), the claimant Van Oord Dredging and Maritime Contractors Bv lodged final claims against the respondent CNAPM SA for the amount of RON 154,376,979.28, resulting from the execution of the FIDIC works contract Red Book no 3973/01.02.2013. The Arbitration Award no. 16 of 26.11.2019 rendered in the case file no. 3/2017, established total payment obligations for CN APM SA in the amount of RON 25,411,056.76, plus interest according to contract provisions running from the invoice date (*for the cumulative amount of RON 19,320,509.33 and the cumulative amount of RON 1,913,339.52*), which resulted in an exemption from payment for CN APM SA in an estimated total amount of RON 126,350,685.65, plus the difference in interest according to contract provisions related to the correlative amount exempted from payment (*RON 35,973,296 and RON 38,972,862.70 respectively*). CN APM SA, Van Oord Dredging and Maritime Contractors Bv and the expert Burna David filed a request for annulment against the Arbitration Award no. 16 of 26.11.2019, which was rejected by Constanța Court of Appeal in the case file no. 662/36/2019. After the decision ruled by Constanța Court of Appeal is communicated, we will appeal against it.
- The disputes with Romcargo, regarding the claims filed by this company amounting to RON 16,058,241.00 and RON 1,252,636.93, resulting from the alleged non-performance of dredging works, the court admitted the plea on the limitation of the right to file action for the claims prior to 24.10.2014, and dismissed the action as time-barred for these claims. The court dismissed the action as unfounded. The court ordered the plaintiff SC ROMCARGO MARITIME SRL, through insolvency administrator ARTEMIS LEGAL INSOLVENCY SPRL, to pay the amount of RON 4000 representing court fees (expert fee) in favor of the defendant CN APM SA. Romcargo filed an appeal, which was rejected

by Constanța Court of Appeal.

- The Pilot Service company providing pilotage services brought proceedings in court against CNAPM SA, Black Sea Pilots, Canal Sea Services, and Maritime Pilot, collectively, requesting the defendants should pay RON 14,511,600 damages for unfair competition. The case is pending with the Bucharest Tribunal, case file no. 15896/3/2020, with a hearing date set for 11.05.2021.
- Multraship brought proceedings in court against CNAPM SA, requesting that the latter should be obliged to pay the amount of EUR 5,952,740 representing damages for failure to conclude a towage agreement. The case is pending with the Bucharest Tribunal, case file no. 6648/118/2020, with a hearing date set for 29.04.2021.
- In the litigation against Comvex, whereby this company requested that the court should ascertain ownership rights for platforms covering 50,000 sqm, the court of first instance admitted the action, and obliged the defendant CN APM SA to give the plaintiff full ownership and possession for the following property - concrete platform behind the ore storage quay, covering 17,618 sqm; platform behind the ore storage quay (macadam), covering 21,611 sqm, assembly platform at the ore berths (macadam), covering 10,000 sqm. The court ordered that the defendant pay the plaintiff the amount of RON 69,030.39 representing court fees. CN APM SA filed an appeal, and the court rejected this appeal by decision no. 362/04.07.2018, and obliged the defendant to pay the amount of RON 24.000 representing court fees. By decision no. 957/16.05.2019, the High Court of Cassation and Justice rejected the appeal filed by CN APM SA as unfounded, and obliged the appellant to pay the amount of RON 23,800 as court fees. Comvex further filed a new lawsuit in case file no. 3989/118/2017 before Constanța District Court, requesting that CNAPM SA be obliged to return/pay the amount of RON 1,591,935.86 representing amounts paid by Comvex as rent for those concrete platforms. The litigation was resolved on the merits of the case by Civil Sentence no. 183/2021 which admitted the request and obliged CNAPM SA to pay the amount of RON 1,591,935.86, plus interest. CNAPM SA will appeal against this civil sentence. Moreover, Comvex filed a new lawsuit in case file no. 6290/118/2020 before Constanța District Court, requesting that CNAPM SA be obliged to return/pay the amount of RON 1,924,854.57 representing amounts paid by Comvex as rent for those concrete platforms. The litigation was suspended until a final judgment is ruled in the case file 6744/118/2015 currently pending before Constanța Court of Appeal.
- Intermodal Transports sued CNAPM SA, requesting that the latter be obliged to pay the amount of EUR 60,000 per month for the period between 11.05.2018 and 15.02.2022 as unrealised gross profit. The case is pending before the Constanța District Court, case file no. 1881/118/2020, and is suspended until a final judgment is ruled in the case file no. 771/118/2020.

There are also several litigations brought to court by economic operators, which are in various stages of litigation, generated by the manner of concluding port land leases in previous years.

With regard to disputes arising from the parties' failure to agree on the conclusion of new port land leases by direct award pursuant to law, after several port land leases were signed in 2019 and 2020, the legal relationships between the parties have acquired legal certainty, with a positive influence on the collection of current receivables.

Furthermore, in the case of economic operators who refused to conclude port land lease contracts, actions were brought to establish that the economic operators in question can no longer use the CNAPM SA shipping infrastructure, and in the case of economic operators who challenged the amount of rent according to the reference offer and the commitments assumed before the competition council, there are procedures in progress to establish the rent amount, carried out by an independent expert appointed by the courts.

The litigation risk generated by the lease of port land by means of direct award was addressed by concluding port land lease contracts. Also, the risk is adequately addressed following the successful completion of the commitment procedure before the Competition Council, by compliance with the commitments assumed, and following the completion of public consultation procedures, negotiation and approval/clearance of framework agreements, pursuant to Law no. 235/2017.

Exposure risk in company law matters (annulment of decisions adopted by the Ordinary General Meeting of Shareholders and by the Board of Directors) occurs in several litigations, which are either pending before the court of first instance, or before the court of appeal.

The risk of exposure to expropriation is significantly reduced as a result of favorable decisions ruled in both civil and criminal litigations (annulment of sale-purchase contracts involving land that was subsequently expropriated).

The risk of exposure to labour disputes was reduced as the courts rejected most appeals against Company decisions. However, there are new files pending, regarding appeals against decisions adopted by the employer in labour matters, which should be finalised in 2021, according to our estimates.

It is important to point out that the High Court of Cassation and Justice settled the legal issue of the payment of the end-of-career bonus for 2018, and consequently, payments are made pursuant to law and to the collective bargaining agreement.

The risk of exposure to labour disputes for end-of-career bonuses remains open, as a result of the measure laid down by Art. 41 of the Government Emergency Ordinance 114/2018 stipulating that end-of-career bonuses shall not be granted over 2019-2021.

The risk of exposure to public procurement disputes was reduced as a result of favourable final court decisions ruled in earlier disputes, including, but not limited to, appeals filed against award documentation, appeals filed against the award procedure report. In 2020, favourable final court decisions were ruled in the disputes with Consal Trade SRL (for the extension of some public procurement contracts concluded in 2004) which exempted the Company from the payment of amounts estimated at more than RON 20,000,000 which would have been paid in case the contracts had been extended. However, there is still a risk of litigation arising from public procurement contracts with the plaintiffs Van Oord, Apolodor and the association Implenia Baugesellschaft - ABC VAL.

In tax matters, favourable court decisions were ruled on the merits of the case in the disputes against the Constanta South Agigea Customs Directorate (*represented by the Regional Directorate General of Public Finance Galați*), following the issuance of tax decisions on tax liabilities related to customs debt (customs duties) to be paid by the Company as a result of the identification of missing seized property. The case

which entails the main obligation to pay customs duties, VAT and excise duties was sent for retrial to the Constanța Court of Appeal; the decision ruled in the case was again favourable to CNAPM SA, as it annulled the taxation decision. The defendants filed an appeal against this court decision, which is pending before the High Court of Cassation and Justice with a hearing date on 13.10.2021.

Other cases in fiscal matters involve several appeals against tax decisions issued by the National Agency for Fiscal Administration which are still pending, in various procedural stages.

In 2020, an important share of the litigations in which CNAPM SA is a plaintiff consisted in actions brought to court to oblige debtors to pay their outstanding debts. These actions in court are aimed at recovering outstanding debts.

In disputes concerning declined payments by economic agents with which CN APM has commercial relations, the following debts are registered in case files (Table 24):

Declined payment	Total thousand RON
31 Dec. 2019	15,550
31 Dec. 2020	17,040

Table 25 indicates the amounts which are the object of litigations (various procedural stages) in which CNAPM SA is a plaintiff as at 31.12.2020:

Amounts representing receivables in RON, case files as at 31.12.2020	Total thousand RON	Total EUR	Total USD
	52,483	1,329,000	348,000
Amounts representing other claims in case files as at 31.12.2020	Amount in litigation as at 31.12.2020		
		47,234,482.71 lei	8,081,988.73 euro
Amounts representing claims in case files in which CN APM SA is a defendant as at 31.12.2019	Amount in litigation as at 31.12.2020		
		188,087,762.36 lei	8,212,740 euro.
			2,590,229.45 usd

Table 25 - Amounts in litigations

In 2019 and 2020, we note significantly stronger court representation actions in insolvency/bankruptcy, for which results have become visible since 2018 (e.g.: *Ades, Tubomecanica, Europinvest*) and we expect better results in 2021.

We present below the amounts that are the object of insolvency and bankruptcy files in the records of the Legal and Litigation Department (table no. 26):

Insolvency/bankruptcy	Thou. Lei
31 Dec. 2018	19,068
31 Dec. 2019	18,446
31 Dec. 2019	16,934

Table 26 - insolvency, bankruptcy

Against the background of adequate procedures in place regulating all debt recovery activities, further lawsuits brought to court against the debtors and the completion of pending litigations, taken in conjunction with the conclusion of the new port land lease contracts, a decrease in receivables is expected in 2021.

Another relevant component is represented by the litigations in which CNAPM SA requests damages due to failure to conclude port land lease contracts and/or litigations to oblige the other party to conclude port land lease contracts. We expect these litigations to be settled in 2021.

Also, CNAPM brought to court actions as a plaintiff, requesting lessee eviction for failure to pay their obligations and termination of contracts, in order to prevent the increase of outstanding debts. The aim was to evacuate only those lessees who do not pay the rent in bad faith.

The litigation against the Competition Council regarding the appeal against the Competition Council Decision whereby the Company was obliged to pay the amount of RON 11,922,385 is still pending before the court of first instance and we expect a solution on the merits of the case in 2021.

In the investigations initiated by the Competition Council regarding the port land lease and the access to the port infrastructure, the Competition Council accepted the Company commitments, thus exempting the Company from the payment of other fines, provided that such commitments are strictly observed in the future.

The success of the commitment procedure, coupled with the conclusion of port land leases with economic operators, pursuant to law, and with the completion of negotiations on new framework agreements may contribute substantially to limiting litigations, reducing claims for 2021 and beyond, while exempting the Company from the payment of other fines and damages equivalent to any amounts claimed by economic operators, resulting from alleged violation of the competition law.

In litigations in which CNAPM SA is an intervenor, the goal is to protect the interests of the Company in litigations in which the Company does not have the legal standing of defendant or plaintiff, but the court decisions ruled in such litigations may have a significant impact on the activity of the Company. Thus, in the litigations regarding the suspension and annulment of Order no. 991/2020, the Company filed motions to intervene in the interest of the defendant - the Ministry of Transport and Infrastructure; these litigations are pending in various stages of the court proceedings.

Preventive actions

An important component of the preventive approach is represented by fair and accurately guided contract negotiations, starting from the framework agreements approved pursuant to law; such framework agreements may be supplemented by individual negotiations with economic operators, without prejudice to the clauses established by the approved framework agreement.

Contracts can provide an opportunity to prevent future conflicts and ensure legal security, with positive influence on the collection of current receivables.

The principles pursued in achieving this goal were as follows:

To reduce risk exposure: The ability to impose a standardised or negotiated contract terminology in all contracts and in all fields of covered by the Company was considered a key element in contractual practice. The efficient contract management recently established by the Company (especially following the last tender procedures) reduced the degree of exposure, and enabled the Company to avoid missing valuable opportunities as well as losses or delays in the collection of accounts receivable.

To increase revenue: The members of the Board of Directors together with the members of the Executive Management identified suitable solutions to increase and secure Company revenues by promoting payment methods appropriate to the nature of the transaction. Here, the goal was to draft contracts so as to guarantee of payment obligations and to shorten, insofar as possible, debt circulation.

To ensure the performance of contract obligations: Compliance with the contract clauses is strictly monitored by the members of the executive management in close cooperation with the Company's specialists, who monitor each commercial partner and all partner's obligations. Accuracy in drafting contracts and performance monitoring helped to avoid disputes and reduced the litigation costs.

To monitor performance: The contracts concluded by the Company have been useful diagnostic tools to analyse the profitability and success of each business initiative, and in the long run they enabled the Company to remove less effective contract clauses and to avoid inconsistent business partners.

The principles underpinning the preventive approach applied in 2020 practically put an end to increasing exposure to litigation due to the settlement of historical disputes in parallel with a significant decrease in new exposures. Since 2020 is the baseline year for the Administration and Management Plans, this decrease is an important step as a basis for a gradual reduction of such exposure in the forthcoming years.

For the next period, the main objective is to reduce the exposure to litigation and to reduce accounts receivable by obtaining final court decisions ruled in pending disputes, by amicable pre-litigation settlements, including by concluding contracts pursuant to law, to address correctly and adequately all legal issues faced by the functional departments, to increase involvement in documents/contracts drafting and/or negotiating and in pre-litigation stages, while upskilling the staff by enhancing their knowledge, by ensuring better adaptation to legal amendments.

Another objective is to increase the efficiency of document legality checks by standardising specific activities, by providing consistent communication of legislative novelties and their interpretations and by improved liaison with public institutions and courts.

XI. PROMOTION ACTIVITY

In 2020, CN APM SA carried out the following promotion activities:

1. Constanța Port Day in Budapest (2020)

On February 26, 2020, Constanța Port Day was organised in Budapest. This was the twelfth edition of this event, which has become a landmark in the field of transport and logistics. The event was organised by CN APM SA at Aquaworld Resort Budapest, in order to raise awareness on the Port of Constanța among Hungarian shipping companies, as Hungary is a country with a growing economy and a dynamic market, to strengthen already existing relationships with Hungarian partners and to identify new partnerships.

CN Administrația Porturilor Maritime SA was joined in Budapest by important companies from the port platform - Comvex, Romcargo Maritim, Socep, Silk Route Shipping, TTS, Umex. The event was attended by over 130 guests from Hungary - representatives of Danube ports, container terminals, transport and logistics companies, grain traders - all seeking new business development opportunities, solutions to the problems they are facing, new partners and efficient collaboration. The event was also attended by Mr. Marius Lazurcă, the Romanian Ambassador in Hungary, a supporter of the Port of Constanța and of CN APM's efforts to promote Romanian-Hungarian partnerships.

This event was planned to meet one of the objectives of the Marketing Plan for 2020, more specifically - *To make all necessary efforts to increase the share of river transport in total port traffic and in total freight in the hinterland region.*

2. Memorandum of Understanding with PT Pelabuhan Indonesia II (Persero), 18 February 2020

CN APM SA Constanța signed a Memorandum of Understanding with PT Pelabuhan Indonesia II (Persero), the largest state port operator in Indonesia, in the presence of the Ambassador of the Republic of Indonesia in Romania and Moldova, His Excellency M. Amhar Azeth and of Mr. George Niculescu, Constanta County Prefect.

The Memorandum, entitled "From East to East: Developing partnerships and unlocking opportunities", was signed by Elvyn G. Massasya, CEO, and Costel Stanca, general manager. Constanța Port Business Association was also represented at the event.

PT Pelabuhan Indonesia II (Persero) is one of the largest state port operators in Indonesia. It manages 12 public ports, 100% owned by the Indonesian government, located in the 10 most important provinces in terms of economic growth. PT Pelabuhan Indonesia II (Persero) has 17 subsidiaries divided into the following main categories: cargo handling, logistics and port services, business development and utilities.

Tanjung Priok Port - one of these subsidiaries, is the largest commercial port in Indonesia, operating 7.6 thousand TEU in 2018, ranking 22nd in the world's top ports. The Indonesian company aims to become a world-class port operator, thus supporting Indonesia's goal to become recognised as an international maritime player.

This document was signed to celebrate 70 years of diplomatic relations between Romania and Indonesia.

Due to the very good cooperation relationship with the Indonesian Embassy, the issue of grain exports to this country was resolved. We mention that 263,786 tons of grains were shipped to Indonesia in 2014-2016, then exports ceased for this category of goods. The causes, related to the grain quality certification documents in Romania, were identified following the meeting held at the Directorate General European Affairs, Schengen and International Relations of the Ministry of Transport, attended by the Ambassador of Indonesia and by representatives of CN APM SA Constanța and of the port community. Subsequently, action were taken to implement solutions, so that Romanian exporters would be able to present proof of quality according to the requirements of the Indonesian partners.

We note that Indonesia is the second largest importer of grains after Egypt, importing 11 million tons annually from areas such as Australia, North and South America. The resumption of grain traffic is a major gain for the port of Constanța, and Indonesia represents a new destination added to the foreland of the Port of Constanța, with a major potential of increasing traffic and the number of stops.

CN Administrația Porturilor Maritime SA Constanta joins the International Port Community Systems Association - IPCSA

On 22 June 2020, CN Administrația Porturilor Maritime SA joined the International Port Community Systems Association. IPCSA is an association of seaport operators, seaport authorities, globally recognised international for the provision of advice and guidance on the electronic exchange of information across borders and the entire supply chain. The association has members all over the world, who manage the exchange of information and facilitate cross-border movement of goods.

The Port Community system will transform the port so that our operations and procedures will be more efficient, which will enable us to provide information on the status and position of goods. Moreover, it will give the port administration a more accurate picture of the river, rail and maritime transport flows, enabling us to analyse the activity. To sum up, it is an important step towards the implementation of the European Union Directives on digital information, while enabling better planning and fostering dynamism, trust and transparency.

4. The European project DIONYSUS, under the Danube Transnational Programme. The DIONYSUS project, financed from European Funds under the Danube Transnational Programme was launched on 1 July 2020. The project has a budget of EUR 3.6 million (of which EUR 347,378 - the budget for CN Administrația Porturilor Maritime SA Constanta), with a 30-month implementation period.

CN APM SA Constanța has a very important role in the project, as part of a consortium of 26 partners from countries such as Romania (including the Ministry of Transport, Infrastructure and Communications), Austria, Slovenia, Hungary, Croatia, Bulgaria, Serbia, Ukraine, Moldova; the project leader is Pro Danube Romania - Association for the promotion of transport on the Danube.

The DIONYSUS project builds on the outcomes of the DAPhNE project, completed in December 2018, in which CN APM SA was also a partner.

The main objective of DIONYSUS is to turn the Danube ports into efficient, better connected and integrated hubs, part of the relevant multi- and intermodal transport chains, which should become locations of choice for investments in this industry.

CN APM SA Constanța will contribute to most of the activities planned under the project to achieve these objectives; the most relevant involvement is the participation in the development of studies in the field of container transport, digitisation. CN APM SA Constanța will also coordinate the development of an Infrastructure Master Plan for the River Cruise Industry to foster the sustainable growth of this sector.

The project will generate a set of port development plans along the Danube, which will underpin the preparation of investment projects to access European funding in the next programming period 2021-2027; this will generate a significant impact on regional growth, turning DIONYSUS into a key tool for achieving the specific transport and multimodal connection objectives of the EU Strategy for the Danube Region.

5. EALING Project

The team working on the implementation of the “EALING” project was established on 28.09.2020, following the Decision of the General Manager nr. 352; the project envisages the installation of on-shore power supply sources for vessels. The goal of the project is to decarbonise the energy sector, as energy production and use account for over 75% of the EU greenhouse gas emissions and, at the same time, to build cleaner, cheaper and healthier private and public transport, as transport accounts for 25% of European Union emissions. On-shore power supply is an attractive solution to reduce local pollution generated by ships moored in EU ports.

The budget allocated to the port of Constanța for this project is: €106,000 of which €53,000 EU project implementation funds.

The project is structured in 2 parts with different implementation periods, more specifically: 2020-2022 - an analysis of the current condition of the port, the development of feasibility studies, and of studies for on-shore power supply, etc. covered by the project budget; the actions for the implementation of on-shore power supplies will commence later, in 2022-2025.

6. Participation of representatives of CN APM SA Constanța in events organised by the associations and projects in which the company is partner

During the reporting period, Company representatives travelled to participate in the following events:

- ✓ “Steering Committee” meeting under the project CIVITAS PORTIS, 20 - 22 January 2020, Rome, Italy
- ✓ 2nd ESPO meeting “Port Business Platform, 26 - 28 January 2020, Brussels, Belgium
- ✓ ESPO Executive Committee meeting, 17-20 February 2020, Gent, Belgium
- ✓ The 4th meeting of the European Ports Forum, 3 March 2020, Brussels, Belgium

Given the Covid-19 pandemic, all events to be organised or attended by CN APM SA Constanța starting with March 16, 2020 were postponed or canceled by the organisers.

Thus, CN APM SA Constanța continued its activity under these associations and projects by participating in online meetings and events.

After CN APM SA Constanța joined IPCSA, weekly meetings were held online, to discuss the implementation of the Port Community System concept. Thus, there were workshops on “Port Flows Digitisation through the Development of an Electronic Port Community System”, organised by CN APM SA together with IPCSA representatives. Important actors from the port community, both from the private sector such as port operators or liners and representatives of public institutions involved in port activity, such as the Customs Authority, the Public Health Directorate, the Sanitary Veterinary Directorate and the National Phytosanitary Authority participated in the weekly workshops to analyse process flows in an import operation for containerised and bulk cargo.

7. Visits to CN APM SA Constanța by partners

13 February 2020 - visit by representatives of Kazmortransflot company

14 February 2020 - visit by representatives of the Embassy of the Kingdom of the Netherlands in Romania

17 February 2020 - visit by representatives of Odessa City Hall

28 February 2020 - visit by the Ambassador of the Republic of Kazakhstan

9 March 2020 - visit by the Honorary Consul of Rep. Ghana in Bucharest

16 September 2020 - visit by the Turkish Consulate in Constanța

15 October 2020 - visit by representatives of the Embassy of the United Kingdom in Romania

13 November 2020 - visit by representatives of the Embassy of the Kingdom of the Netherlands in Romania

20 November 2020 - visit by the delegation of the Embassy of Estonia in Romania and by the Estonian Honorary Consul in Constanța

Due to the Covid-19 pandemic, some meetings with foreign delegations were moved online, and were organised as joint teleconferences, such as:

3 June 2020 - teleconference with representatives of the U.S. Embassy; the main topics for discussion were the development projects in the port of Constanța and their implementation status, with a focus on the project aiming to develop LNG facilities.

15 July 2020 - Romanian-Turkmen bilateral reunion “Black Sea - Caspian Sea International Transport Route”, with discussions facilitated by representatives of the Ministry of Transport and of the Ministry of External Affairs.

1 September 2020 - teleconference with representatives of the U.S. Embassy; the topic was the potential of the port of Constanța in light of LNG supply in the region, due to projects aimed at developing LNG-specific infrastructure

8. Participation in / organisation of online promotion events

- 26 June 2020 - online debate '*Upgrade Romania - Investments, a growth driver*', organised by SC DcNews Media Group SRL. The event was organised in the context of the macroeconomic situation in 2020, given the effects of the COVID-19 pandemic on the economy and economic recovery as a result of the relaxation of public health measures. The main topics discussed were the Government Programme to support the businesses, to restart the economic and industrial engines, the investment projects and their status, identification of funds for such projects and unblocking projects under implementation.
- 24 September 2020 - online event organised by CN APM SA Constanța - "*Meeting with partners from Serbia*", using the Webex platform; the meeting was attended by the Company representatives in Serbia and Hungary, more specifically: Vladan Misie and Erdelyi Laszlo as well as other guests, Serbian partners in the field of maritime transport and navigation. This webinar was organised symbolically on the same day as "Constanta Port Day in Belgrade", with the aim stay in contact with the most important partners in Serbia and Croatia, and to discuss the current situation in terms of river transport.
- 30 September 2020 - online event organised by CN APM SA Constanța - *Meeting with partners from Hungary*", attended by the Company representative in Hungary, and by other guests, partners from Hungary in the field of maritime transport and navigation. Several topics were discussed during this webinar, including: news in the port of Constanța, the ratio of river/rail grain transport in Constanța, forecasts (trends) which may influence this ratio, the influence of the pandemic on the structure of river transport costs (forecasts related to additional inspections and, implicitly, longer transport duration, the enforcement of the regulation on the crew change, etc.), the reorganisation of pilotage as a result of legislative developments, the extension of the digitisation in view of the Covid-19 restrictions.
- 17 November 2020 - "*Conference (Council of Supply Chain Management Professionals) CSCMP CEE Conference 2020*". The event focused on discussions and presentations related to transport, logistics and supply chains; CN APM SA Constanța participated together with the Romanian Embassy in Poland.
- 8 December 2020 - "*NavigatorVilag Forwarding Conference*", organised online, with the support of the Association of Hungarian Forwarders. Due to its participation in this conference, CN APM SA Constanța was the subject of a cover story for the monthly NavigatorVilag; the article covered the Danube river freight corridor.

9. Promotion on social media

This activity aims to promote the Company online using social media channels - LinkedIn and Youtube. The Marketing Department contributed to the modernisation and promotion of the Port of Constanța together with the Media Office and UTI.

For such purposes, the Marketing Department carried out the following activities during the reporting period:

- Create a LinkedIn Company Page

- Create a YouTube Business account
- Content development for the LinkedIn Page
- So far, the LinkedIn Page has 1260 subscribers, which exceeded the target for 2020
- Updating the content of the Constanța Port Portal, correspondence and suggestions
- Briefing, storyboard, photo shoot Constanța Port, editing, montage and publication in the social media.

10. Monitoring the Online Ship Service Order and Online Car Permit Applications

Involvement in the development and promotion of software to enable online Ship Services Orders which aims to encourage users to migrate quickly as possible to the online application to order water supply and waste collection services for ships and online Car Permit applications to increase the number of online applications for port access and to promote the use of the online applications for car permits.

The software applications implementation and monitoring period commenced in June 2020; currently, we are streamlining the process.

These applications are promoted on the Company website as well as on social networks: Facebook, LinkedIn, YouTube where the community may find videos and guidelines on how to use the applications. Information online applications was also provided to the port community via e-mail marketing. We received positive feedback, therefore we aim to achieve full transition to these applications and replace the previous methods.

11. Development of newsletters on the European and global transport industry and the impact of the Covid-19 pandemic

As a response to the crisis caused by the Covid-19 pandemic, the Marketing Department produced weekly - every 2 days - newsletters on the situation in international ports, and on the measures related to the global transport industry. The newsletters focused on gathering useful information, best practices and measures that can also be applied in the context of this crisis.

12. Communication or collaboration activities with the port community

- Joint meetings organised with the Asociația Operatorul Portuar, Vama Constanța, UTI in order to identify actions to streamline traffic at the access gates of CN APM SA Constanța.
- Joint working meetings with Asociația Operatorul Portuar, to discuss progress in the investment projects in the port of Constanța
- Visits to port operators to update the information in the promotion materials for the port of Constanța.
- Participation in the working group with Asociația Operatorul Portuar, Trident Mentenanță și Servicii SRL, Port Operators, Line Agents, representatives of the containerised cargo carriers, representatives

of bulk carriers, with the goal to map the cargo flows and integrate them in the Port Community System.

13. Final version of the 2019 Annual Report of CN APM SA CONSTANȚA

14. Finalise award procedures/conclude contracts for promotion services

- Customised promotion materials;
- Translation and legalisation services;
- Constanța and Constanța Port photographic monographies;
- Homage plaques inscription;
- Frontlit and polyplan printing services.

Preparation of procurement documentation - Study on performance clauses and special conditions included in the lease agreements of important and competing ports in Europe, organised similarly to the Port of Constanța - Landlord Port”

Preparation of tender procedure documentation - “Study on performance clauses and special conditions included in the lease agreements of important and competing ports in Europe, organised similarly to the Port of Constanța - Landlord Port”

The main purpose of the study is to provide real, adequate and sufficient information on performance clauses for all categories of cargo - general, containerised, solid bulk, liquid bulk cargo, present in current agreements, used by the main European ports and on their commercial effects - definition, enforcement, follow-up.

The second purpose of the study was to provide the necessary information to understand the mechanisms and objectives leading to the use of performance clauses in the ports included in our analysis, for all cargo categories.

Thus, the study analysed the purposes pursued by the introduction of performance clauses:

- ✓ Benefits/effects obtained by port authorities due to the implementation of these performance clauses, for all cargo categories.
- ✓ Best European practices with regard to performance clauses for all cargo categories, and their possible application in Romanian seaports.
- ✓ The effects of the application of such performance clauses and their possible application in the Port of Constanta.
- ✓ The conditions and the commercial context that leading to the application of performance clauses in the ports under analysis.

- ✓ Development of an analysis on the effects of performance clauses on the commercial activity of the port authority, as well as on the commercial activity in the respective port.
- ✓ Presentation of the methodology for establishing performance clauses for all cargo categories, applied in the ports under analysis.

The study was finalised and is subject to TEC approval.

XII. STAKEHOLDER COMMUNICATION

In 2020, 219 requests for public information were received and all were answered within the legal deadline, without any complaints or criminal complaints registered.

Requests received by e-mail, verbal, portal or mail: 144 from legal entities, including media representatives and 75 from individuals.

The topics of these requests for information included the following: the use of public funds (contracts, investments, expenses) - 90, fulfilment of Company duties -126, employee rights - 3.

Taking into account the peculiarities of this year, when the pandemic no longer allowed the organisation of events and press conferences, we strengthened our activity on the Company pages on social media networks: Facebook - www.facebook.com/ConstantaPort, and www.facebook.com/PortofConstanta and Twitter - @ConstantaPort.

All Company activities were promoted, from repairs, to investments and initiatives of CN APM and dialogue with social media users was strengthened, to ensure greater openness to those interested in Romanian seaports.

Due to permanent updating of the information presented on our Facebook page, at the end of 2020 we will exceed the benchmark of 5,000 likes for the Company page and report numerous interactions with our followers.

The Media Office was designated as the structure responsible for managing the petitions received by CN APM SA. 12 petitions were received in 2020, and all were answered within the legal deadline, without exception.

XIII. CORPORATE GOVERNANCE / CONTROL

Implementation of corporate governance principles

The governance system implemented by the Company management established the following main objectives: to ensure patrimony management integrity, efficient use of technical resources and to capitalise on the newly created values to ensure Company growth and shareholder satisfaction.

Given the complexity of the processes and activities organised and carried out by the Company, the management decided to establish and organise internal and external audit mechanisms in order to identify and prevent (internal and external) risks and to implement strict financial, management, managerial and system controls.

Pursuant to legal provisions, the Company organised and implemented different controls over the entire activity of patrimony management, organisation and operation of Company management by different organisational levels, in order to identify and prevent risks, to implement **internal audit** and **external audit**.

a) Internal audit

The internal audit system, organised and developed by Company in order to ensure the asset integrity and efficient management and use of the Company assets to strengthen shareholder ownership, includes the following components:

a1) Financial control

- The Financial Control Department of CN Administrația Porturilor Maritime SA Constanța operates pursuant to the Government Emergency Ordinance no. 94/2011 on the organisation and functioning of the economic-financial audit and to the Government Decision no. 1151/2012 approving the Methodological Rules for the organisation and implementation of financial control;
- financial control is a form of control that seeks to ensure integrity of the corporate assets, of public and private assets of the state managed by the Company, under concession or lease agreements, to enhance the efficient use of allocated resources, and to ensure compliance with legal provisions and regulations applicable to the economic and financial activity of the Company;
- The Financial Control Department operates according to audit schedules developed annually and monthly pursuant to the Government Decision no. 1151/2012, approved by the General Manager of CN Administrația Porturilor Maritime SA Constanța, and to the audit missions initiated upon request by Company management.

In 2020, the audit missions included in the 2020 Activity Programme were carried out, as well as audit mission carried out upon request by the General Manager.

More specifically, audit reports were prepared on:

1. The performance of contracts managed by the Technical Repair Unit in 2018-2019

The objectives of this mission were to check compliance with contract provisions and with legal regarding the conclusion and performance of contracts managed by the Technical Repair Unit.

2. Inventory of assets managed by the Procurement Unit

The objectives of this mission were to check compliance with the provisions of the Order of the Minister of Public Finance no. 2861/2009 approving the rules on the organisation and performance of the inventory of assets, liabilities and equity and on the development of specific documents for the object carried out, pursuant to the legislation in force, and to the process form PSp.07 rev.7 "Supply Process" and to the "Inventory Regulation" rev.2.

3. Activity checks: Canara collector ship, Nicolae Zeicu collector ship, Pescarus 1 tugboat, Pescarus 2 tugboat

The action consisted of the inventory of goods - the deck inventory and machine inventory - on the 4

ships as well as in checks of fuel consumption and operating hours and the verification of compliance with the provisions of the Order of the Minister of Public Finance no. 2861/2009 approving the rules on the organisation and performance of the inventory of assets.

4. Verification of award procedure and of contract performance “Building repair works in Pârâul Rece-Predeal”

The objective of this mission was to check the award procedure and the performance of works under the contract for building repair works in Pârâul Rece-Predeal.

5. Verification of award procedure and of contract performance “Dam repair works Constanța and Midia”

The objective of this mission was to check the award procedure and the performance of repair works at Constanța and Midia dams.

6. Verification of contract no. 33663/29.08.2019 with the object “Maintenance works for roads and traffic platforms with asphalt pavements in seaports-asphalt blankets-LOT II”

The objective of this mission was to check the performance works under the contract for “Maintenance works for roads and traffic platforms with asphalt pavements in seaports-asphalt blankets-LOT II”

7. Unannounced audits at the pay office of C.N. Administrația Porturilor Maritime s.a. Constanța

The purpose of these audits was to check the compliance with the provisions of Law no. 70/2015 on strengthening financial discipline concerning cash collection and payment operations and amending and supplementing Government Emergency Ordinance no. 193/2002 on introducing modern payment systems.

Following such checks, the persons who performed the financial audits recorded their findings in the bilateral audit documents (audit reports) which were submitted to the General Manager of CN Administrația Porturilor Maritime SA Constanța, who (pursuant to the Government Decision no. 1151/2012 approving the Methodological Rules for the organisation and implementation of financial control) should analyse, order and monitor the implementation of such measures included in the audit reports.

In the documents prepared, the audit team within the Financial Control Department proposed measures, deadlines and established persons in charge in order to remedy the deficiencies found.

a2) preventive financial control over the operations involving commercial relations based on contracts with third parties, natural and legal persons, and cash and non-cash collection and payment operations, organised at Company and branch level;

Preventive financial control is regulated by the following legal provisions applicable:

- Government Ordinance no. 119/1999 on internal audit and preventive financial control

- Law no. 84/2003 amending and supplementing Government Ordinance no. 119/1999 on internal audit and preventive financial control
- General Methodological Rule on the performance of preventive financial control, as approved by Order of the Minister of Public Finance no. 923/2014, as further amended.

According to the quarterly Activity Reports on preventive financial control, 9,139 operations with financial effect on public funds and public patrimony, amounting to RON 1,335,649,759 lei, were subject to preventive financial control, as follows:

Explanations	No. Operations subject to PFC clearance (<i>Rom. CFP</i>)	Operations subject to PFC (RON)
Q1	2,415	319,780,135
Q2	2,320	284,796,526
Q3	2,265	445,920,906
Q4	2,139	285,152,192
Contribution	9,139	1,335,649,759

No operations were denies the preventive financial control seal of approval.

a3) the internal audit is carried out at all organisational levels of the Company, is independent of the organisational structures and assesses compliance with efficiency and ethics standards building on the risk analysis and on the audit plan approved by the Board of Directors.

Seven missions were planned for 2020, more specifically 6 (six) regular missions and 1 (one) system mission, as well as an *ad hoc* mission ordered by the General Manager. The plan was 100% accomplished, as follows:

1. Regular missions - *“Obtaining the necessary permitting/clearance for smooth operation of the Company and of the economic agents that carry out activities on the port territory (according to the provisions of the contracts concluded with the Company)”*; such missions targeted the **Technical and Repairs Unit**, and the audit report was endorsed by the General Manager and registered under no. 19938/19 May 2020.
2. Regular mission - *“Ensuring proper management of fixed assets and inventory items located in the office facilities managed by the Organisation Unit. Registration, secretariat, hospitality and sponsorship activities”*, performed in the **Organisation Unit**; the audit report was endorsed by the General Manager and registered under no. 30197/30 July 2020.
3. Regularity mission - *“Ensuring proper management of the Company’s archives, and technical, cultural and historical heritage, pursuant to legal provisions and to APM’s internal regulations”* targeting the **Documentation and Archive Unit**; the audit report was endorsed by the General Manager and registered under no. 29806/28 July 2020.
4. Regularity mission - *“Ensuring printing services both for current internal needs and for Company presentation and promotion materials”* targeting the **Printing Unit**; the audit report was endorsed by the General Manager and registered under no. 31013/06 August 2020.

5. Regular mission - *“Ensuring reliability of the financial accounting system”*, targeting the **Financial-Accounting Department**; the audit report was endorsed by the General Manager and registered under no. 40464/20.10.2020.
6. Regularity mission - *“Ensuring APM’s asset management pursuant to the law and the identification of operations which do not comply with the requirements of legality, regularity, opportunity and efficiency, before their approval, by means of effective preventive financial control”*, targeting the **Preventive Financial Control Unit**; the audit report was endorsed by the General Manager and registered under no. 48745/14.12.2020.
7. Regularity mission - *“Ensuring progress in combating corruption as a result of the implementation of the National Anti-Corruption Strategy”*, targeting the **Preventive Financial Control Unit**; the audit report was endorsed by the General Manager and registered under no. 4478/22.01.2021.
8. Ad-hoc mission *“Evaluation of the activity of improving the meeting room facility from the Maritime Station, according to contract no. 4229/29.01.2020”*, targeting the **Organisation Unit**; the audit report was endorsed by the General Manager and registered under no. 30195/30.07.2020.

59 recommendations were included in the reports, of which 52 have been implemented to date, and 7 have not been finalised yet, but are on schedule.

We mention that in 2020 we did not carry out any advisory mission or any other types of activities regulated by the legislation governing our activity.

External Audit

A concern of the Board of Directors was the gradual compliance with the External Auditor’s observations, by implementation of report recommendations.

The company is audited by BDO Audit SRL Bucharest which provides the Annual Economic and Financial Audit Report, pursuant to local rules (statutory audit pursuant to the Order of Minister of Finance 1802/2014).

We attach the Non-Financial Statement for 2020.

Signed on behalf of the Board of Directors,

President of the Board of Directors

Illegible signature