

[No. 3955/29.05.2019]

MANAGEMENT BOARD'S REPORT

**on the Financial Statements of Societatea Națională a Sării S.A.
drawn up in accordance with OMFP 2844/2016 for the approval of the Accounting
regulations compliant with the International Financial Reporting Standards adopted by the
European Union**

-December 31, 2018-

THE MISSION OF SNS is: "The sustainable and safe exploitation of resources with complete respect for the environment and the future, providing customers with quality products and services"

CONTENTS:

Chapter I.

Description of the activity conducted by Societatea Națională a Sării S.A.
Regulatory and operating framework. Company mission

Chapter II.

Shareholding structure. Governance, organisational and activity structure.
General organisational and operating framework of Societatea Națională a Sării S.A.

Chapter III.

Analysis of the business conducted in 2021 by the company:

1. Assessment of the sales of products and services
2. Assessment of the technical and technological levels
3. Assessment of the production activity
4. Assessment of the manner of executing the investment plan
5. Assessment of the aspects concerning the impact of the company's business upon the environment;
Environmental protection
6. Assessment of mine and quarry closures
7. Quality management
8. Assessment of the aspects pertaining to the company's employees/personnel
9. Assessment of the Risk Management activity and the Internal Control System

Chapter IV.

Finance and accounting status

1. Accounting policies
2. Balance sheet
3. Comprehensive income statement
4. Economic and financial indicators
5. Auditing actions

Chapter V.

Miscellaneous

1. Affiliated parties
2. Transparency
3. Responsibility

Chapter VI.

Management Board proposals

1. Appropriation of the net profit pertaining to the 2018 fiscal year – the Management Board's proposal
2. Approval of the financial statements as at 31.12.2018

Chapter VII.

Elements occurring after the fiscal year closure

Chapter I. Description of the activity conducted by Societatea Națională a Sării S.A. Regulatory and operating framework. Company mission

Societatea Națională a Sării S.A. (hereafter called “the Company” or “SNS”) is a Romanian legal entity, registered with the Trade Register under no. J/40/4607/2010 in 1997 pursuant to Government Decision no. 767/1997 following the reorganisation of the former Salt Autonomous Public Entity into a joint-stock trading company.

The Company conducts its business by means of its administrative headquarters in Bucharest, through 7 unincorporated branches, as follows: EM (*Mining Site*) Râmnicu Vâlcea (Vâlcea county), Slănic Prahova Salt works (Prahova county), Ocna Dej Salt works (Cluj county), Ocna Mureș Salt works (Alba county), Târgu Ocna Salt works (Bacău county), Praid Salt works (Harghita county) and Cacica Salt works (Suceava county).

The registered office address is: 220 Calea Victoriei str., 4th floor, District 1, Bucharest.

The company’s core activity is the exploitation of salt and other non-metalliferous products within the perimeters that hold exploitation licences, as well as preparation for marketing, both on the domestic and foreign markets, a wide range of products. The secondary activity consists in the provision of tourism and leisure services for natural persons, metalwork, calliper log measurement services, etc.

At the closure of the 2018 fiscal year, the company holds the status of sole salt producer nationwide, being classified as a “company of strategic interest” as per Law no. 99/1999 on certain measures intended to accelerate economic reform.

The Company, in its capacity of holder of mineral resource exploitation licences, is subject to the specific regulations issued by the National Agency for Mineral Resources (“**NAMR**”), holding 14 concession and exploitation licences for salt and other non-metalliferous products. The licences are issued for each perimeter under exploitation and have individual validities, 13 (thirteen) of these licences having a 20-year validity, from 1999 to 2020, and one for the perimeter at Targu Ocna branch, being valid for 5 years, namely 2017-2022.

The licences were initially concluded pursuant to Mining Law no. 61/1998, as subsequently amended and supplemented, and focus on the concession of the right to exploit rock salt and limestone deposits. The term of the licences is generally 20 years, subject to extension over successive periods of 5 (five) years, according to the provisions of art. 20 in Mining Law no. 65/2003, as subsequently amended and supplemented.

According to the licences, the mining royalty was initially set forth at 2% of the value of the mining production achieved every year, being due for payment as of June 15, 1998 (the entry-into-force date of Mining law no. 61/1998), in line with the provisions of art. 39 in the Rules for implementing the mining law, approved as per GD 639/25.09.1998. The mining product the royalty is payable for is defined for each individual licence.

In July 2017, the company signed with NAMR addenda to the licences in force, by means of which the mining royalty was set forth at 1 EURO/ton of gross rock salt extracted from the deposit, and 0.4375 EURO/ton of gross limestone extracted from the quarry, respectively.

Being a 51% state-owned company, it complies with all the regulations specific to companies fully- or majority-owned by the Romanian State.

Chapter II. Shareholding structure. Governance, organisational and activity structure. General organisational and operating framework of Societatea Națională a Sării S.A.

Shareholding structure:

As at December 31, 2021, the Company is owned by two shareholders, as follows:

- the Romanian State, represented by the Ministry of Economy, with 51%;
- Fondul Proprietatea SA with 49%.

Governance structure

Management activity organisation:

The Company is administered under a unified system by a Management Board comprising 5 members, who delegated leadership duties to a General Manager.

The General Manager fulfils all the duties and takes all the necessary and useful steps in order to achieve the company's scope of business, with the exception of those duties that fall under the purview of the Shareholders' General Assembly or of the Management Board, according to the company's Articles of Incorporation.

The Management Board is the structure that exercises a permanent control over the company Management and assembles at least once a month. The Management Board's activity is regulated by the Romanian legislation and governed by the provisions of Chapter V in the Company's Articles of Incorporation.

The Management Board's composition during the 01.01.2021 - 31.12.2021 period was the following:

MB members	2018			
	Jan. 01	Jan. 09	Oct. 01	Dec. 6 Dec. 31
Popescu Mugur-Nicolae				
Puiu Laurențiu				
Gheorghe Dan-Valentin				
Fatu Simona —Carmen				
Jujan Constantin				
Bulai Oana-Gianina				

The company's top management was ensured throughout 2018 as follows:

- Mr. Matei Dumitru — General Manager, 01.11.2016 — 08.11.2018.
- Mr. Constantin Jujan — General Manager, 09.11.2018 — present day

The General Organising and Operating Framework of Societatea Națională a Sării S.A.

Throughout 2018, the company applied the provisions of GEO 109/2011 on the corporate governance of public enterprises.

The Management Board approved as per Decision no. 1 from 19.01.2017 the Regulation on Corporate Governance across the company, in which they present the body of operational rules, as well as the responsibilities of the company's management structures, in order to ensure compliance with the 'segregation of duties' principle, the adequate assignment of competencies in direct connection with the duties attached to each of the company's three decision-making pillars.

Chapter III. Analysis of the business conducted in 2018

1. Assessment of the sales of products and services

Sales and Tourism

The company is organised, according to the business activities it carries out, based on two revenue-generating hubs: sales of salt-based products and other non-metalliferous products (limestone), representing more than 89% of the turnover, and the tourist activity (9.20% of the turnover).

The product marketing activity is conducted both at an administrative headquarters level and within the branches, with clear distinctions between duties in terms of customer management. As such, the sales workforce at the administrative headquarters conclude "key account" contracts with external and internal customers (including the retail networks, the large companies, etc.), with chemical compounds, C.N.A.I.R. (*National Company for Road Infrastructure Administration*), and also handles the organisation and operation of its own salt deposit. Concluding contracts with, and selling products to, other categories of domestic customers are carried out by the sales specialists within the branches, who cover territorial customers.

Share of products and services, by category, within the total turnover

The highest share within the turnover structure, achieved from sales of salt-based and non-metalliferous products belongs to revenues from sales of rock salt for snow clearance, with approx. 33%, followed by salt for the chemical industry, with approx. 32%.

The revenues achieved in 2018 from the *rock salt for snow clearance* business increased by approx. 7,622,325 Euro primarily due the sales to C.N.A.I.R. SA which, during the January – April period, purchased 235,300.12 tons from the contract for the 2017 – 2018 season, and during the September – December 2018 period 261,147.44 tons of salt from the contract concluded for the 2018-2019 winter season. The initial quantity of salt for snow clearance in the contract for the 2017-2018 season was 300,000 tons, and later on increased, over the first half of 2018, by another 150,000 tons.

The revenues achieved from sales of salt for the chemical industry decreased in 2018 by approximately 62,535 thsnd. lei compared with 2017.

According to the customs statistics, **in 2018, the total salt imports to Romania** showed an upward trend compared with 2017: +20% (an increase by 25,787 tons). The main countries exporting to Romania are: Ukraine, Turkey, Austria, Egypt and Tunisia.

The largest increase appears in the case of imports from Egypt (+130%) and Ukraine (+34%). Imports from Turkey reached a figure 7% higher than the previous year, whereas imports from Austria increased by 3% compared with 2017.

Imports by country (tons)	2017 quantity (tons)	2018 quantity (tons)	Evolution (tons)	Evolution (%)
Total salt imports to Romania, of which:	129,410	155,217	25,787	20%
Ukraine	40,558	54,525	13,967	34%
Turkey	24,786	26,538	1,752	7%
Austria	24,285	25,121	836	3%
Tunisia	18,775	12,267	6,508	35%
Egypt	7,442	17,095	9,653	130%

The **foreign market**: in 2018, there was a decrease in the total revenues from salt sales on the foreign market due to changes in demand for this product on the market (customer Fortischem changed its technology and took over a lower quantity of recrystallised salt compared with the rock salt quantity taken over in 2017). The foreign market was provided by traditional customers in Hungary, Serbia, Slovakia, Bulgaria and the Republic of Moldova, whereas small quantities were exported to other countries, as well, such as Croatia and Austria.

Evolution of SNS deliveries during the 2017-2018 period

The evolution of the quantity of delivered products and of sales revenues, achieved by the company during the 2017-2018 period, is presented in the table below:

Indicator	UM	2018	2017	(%)
Quantity of delivered goods , of which:	t	3,539,277	3,619,733	-2.3%
- the domestic market	t	3,108,389	3,069,811	1.2%
- the foreign market	t	430,879	549,922	-21.6%
Value of delivered goods , of which:	thsnd. lei	371,959	336,210	10.6%
- the domestic market	thsnd. lei	291,136	250,334	16.3%
- the foreign market	thsnd. lei	80,823	85,876	-5.9%

The comparative statement of revenues obtained from sales of the main groups of products appears as follows:

	Value (thsnd. lei)			Quantities (tons)		
	2018	2017	%	2018	2017	%
TOTAL – of which:	371,958,900	336,209,846	10.6	3,539,277	3,619,733	(2.3%)
LIMESTONE	32,450,267	32,501,846	(1.0)	1,170,264	1,269,500	(7.8%)
BRINE	30,010,603	33,942,000	(11.6)	1,142,475	1,141,693	(0.0%)
SALT FOR SNOW CLEARANCE	168,577,633	134,707,000	25.1	693,319	586,364	18.2%
ROCK SALT FOR THE CHEMICAL INDUSTRY	74,121,339	77,522,000	(4.4)	378,608	445,984	(15.1%)
OTHERS	66,799,058	57,537,000	(16.1)	154,611	176,192	(12.3%)

Provision of tourist services in total turnover

The turnover achieved from the tourism business (tourist services and sales of goods) increased in 2018 compared with the previous year by 1.22% (34,612 thsnd. lei in 2018 as opposed to 34,194 thsnd. lei in 2017).

The share of tourism business revenues within the company's turnover reached in 2018 the figure of 8.5% compared with 9.2% in 2017, this share decrease taking place on account of the quicker increase of revenues from sales of salt and non-metalliferous products than the tourism-based revenue increase.

The expenses made pertaining to the tourism business, amounting to 26,692 thsnd. lei, show a decrease by 1.02% from those made the previous year, against a backdrop with a 1.22% increase in revenues.

The figure of revenues obtained the previous year was due a decrease in the number of salt works visits, and particularly in the number of entries at swimming pools and, with it, in the revenues directly related to the swimming pools, caused by the rainy weather in the months of June and July.

The total gross profit achieved from the tourism business in 2018 was 7,921 thsnd. lei, exceeding by 9.58% the figure obtained the previous year.

2. Assessment of the technical and technological levels

The technologies employed in the exploitation of salt and other non-metalliferous products, depending on the product and its end uses, are the following:

- **Rock salt exploitation** is done using the classic rock removal mining technologies, which include: the floor-level cutting, boring, blasting procedures, followed by the loading,

transportation and preparation operations. The exploitation methods employed have a common foundation, which is the construction of a pillar-floor supporting structure. Depending on the specifics of the deposit and the extraction coefficient that may be obtained, the multi-storeyed exploitation methods may be with small rooms and square or rectangular pillars, with flat or domed ceiling.

- **Brine-based salt exploitation** is performed by means of kinetic dissolution aided by drills, using exploitation methods with individual drills.
- **Recrystallized salt** is produced through the evaporation of salt brine extracted using drills, as well as multiple-effect vacuum evaporation equipment.
- **Limestone exploitation** is carried out using the classical quarry mining exploitation technologies.

The framework exploitation methods are approved by the National Agency for Mineral Resources and the technologies employed are specific to the deposit conditions and the product categories obtained. The process of dry salt extraction from a massif, through mining works, comprises the following distinct stages: ensuring work site readiness (work site scaling), the boring, the rock removal, loading the removed rock material and transportation to the grinding, packaging and delivery flows.

Although the main stages of the exploitation technological process are common, given the specific deposit conditions which determine the assortment, the preparation/delivery flows may differ from one branch to another.

The implementation of underground primary grinding flows for road deicing salt has represented a priority for the company since 2017, considering the economic advantages associated to optimising costs and the release of salt particulate matter in the air, with a direct impact upon environmental protection. As such, road deicing salt production flows were set up and rendered operational in the underground at Cocenesti (Ramnicu Valcea Mining site) and Cantacuzino (Slanic Prahova Salt works) salt works. The road deicing salt grinding flow at Praid Salt works is included in the investment program approved for 2018.

For the chemical industry, salt exploitation from the massif is carried out only through kinetic dissolution assisted by drills. Likewise, in the case of drill-based exploitation, the framework exploitation methods are approved by the National Agency for Mineral Resources.

3. Assessment of the production activity

The production activity is carried out pursuant to the annual exploitation schedule, which is drawn up and approved according to the legislation in force. The annual production of salt (rock, recrystallized, solution) and non-metalliferous items (limestone) is scheduled based on the estimated statistical data concerning the evolution of consumption and of the specific industries served, as well as that of ongoing contracts and orders.

The total salt production achieved in 2018 was 2,340,639 tons, representing 108.56% of the scheduled level, whereas the limestone production achieved was 1,272,642 tons, representing 118.27% of the scheduled quantity.

Compared with 2017, 2018 witnessed an increase in the total rock salt production, the degree of completion being 112.05%.

4. Assessment of the manner of executing the investment plan

For 2021, the company's budget approved as per GD no. 395/2018 provided capital expenditure with a total amount of 54,278,200 lei. The total implemented value was 18,379,816 lei, representing 92.07% of the investments completed in 2017 and 34% of the annual program provided for 2018.

The completion of 34% of the investments scheduled for 2018 has the following reasons as main objective causes:

- The program pertaining to 2018 comprised the total value of the multi-year performance investment objectives for the purpose of organising the procurement procedures;
- The program included independent items of machinery for which only the procurement procedure was conducted in 2018, with the acceptance of said items set to take place in 2019;

- Contracts were concluded for surveys, works and machinery, scheduled to be performed or completed in 2019;
- The tenderers declared the winners failed to comply with the provisions in the tender book and of the contractual clauses, which is why the shearers intended for Ocna Dej Salt works, Praid Salt works and EM Ramnicu Valcea branches were not accepted, whereas the contract, with a value of 1,275,000 EUR, was terminated for convenience.
- Procurement procedures were organised for machinery items and works that could not be awarded, on account of no tenderers being present, the tenders not complying with the Internal Procurement Regulations and the awarding documentation or the challenges filed, these procedures being rescheduled for 2019 (Example: Salt grinding mill = 1,150,000 lei, Crusher rolls = 900,000 lei, Pulse centrifuge = 1,200,000 lei, Underground passenger transportation motor vehicle = 500,000 lei, Praid Salt works communications system = 350,000 lei, Video surveillance and dispatch centre system at Targu Ocna = 180,000 lei, Carol Pit rehabilitation, at Slanic = 684,000 lei, ERP = 7,176,000 lei);
- The lack of personnel within the Procurements structure at the headquarters of S.N.S — SA, tasked with carrying out the procurement procedures, keeping in mind that all the procurement procedures with an estimated value in excess of 150,000 lei (investment fund, production fund, advertising fund) are conducted at the company's headquarters. As such, although the materials related to the procurement procedures for a series of investment objectives were handed over to the procurements department, due to the very high workload and the lack of personnel, the procurement procedures were not commenced;
- The inflexibility of the entity's own Procurements regulation and its lack of adaptation to the market conditions in regard to the ways of setting up the tender guarantee and the performance bond;
- The need to comply with the provisions of GEO 26/2013 on investments carried out through direct labour operations.

The main investment objectives carried out in 2018 were:

EM Rm. Valcea branch:

- investments in modernising and streamlining production: 3D projection interactive game equipment for current tourist spaces, purchase of land for the salt works parking lot area;
- investments in maintaining output capacity: geological drillings at Ocnele Mari Salt works;
- investments in occupational health and safety: tourist number counting system, tourist point safety lighting and evacuation, mine ambulance station technical supplies and facilities;
- environmental protection works: concrete injection pump – salt works, GPS for topographic measurements;
- independent machinery: 6 sq m screening sieve at Blstrita quarry, salt works tipper, salt works front-end loader, separating tank electric pump for Ocnita, differential pressure transducers, fuel distribution pump, motor pump, electrical compressor, conveyor belt fastening machine, welding inverters, electromagnetic flowmeter.

Slănic Prahova Salt works branch:

- investments in maintaining output capacity: Level XIV outline roadway;
- investments in occupational health and safety: TD (*technical design*) for explosives warehouse relocation, TD for strengthening structural load-bearing elements at the preparation plant;
- independent machinery: tippers, front-end loaders, automatic weighing platform, mining blasters, scaling scissor lift, bar code staff, ventilation fans, household water tank, utility vehicle retrofitting for explosive transportation.

Ocna Dej Salt works branch:

- investments in modernising and streamlining production: scaffold bridges, conveyor belt flow for setting up a new bulk salt truck loading station;
- investments in maintaining output capacity: underground salt conveyor between level + 173 and level + 157, underground salt grinding flow — level +157 m (FS (*feasibility study*) + TD);
- investments in occupational health and safety: mine ambulance station equipment and facilities, salt works electricity supply 20/0.4 kV transformer station, warehouse fence rehabilitation;
- independent machinery: welding machine, 5 m³ bucket loader, mining jackhammers, forklifts, industrial dust vacuum cleaner, rotary hammers, welding inverter, megohmmeter, 20 kVA electric

generator set, laser rangefinder, generator 10 kW, 120-ton railway scales, network server, multifunctional laser printer;

Ocna Mureş Salt works branch:

- investments in maintaining output capacity: study on the branch development possibilities, by means of setting up a salt recrystallisation plant, in order to extend the exploitation licences;
- investments in occupational health and safety: branch office fencing reconstruction - Ocna Mures field of drills;
- independent machinery: electric pump, generator welding set.

Targu Ocna Salt works branch:

- investments in modernising and streamlining production: TD for switching from LV to MV at Gura Slanic field of drills;
- investments in maintaining output capacity: FS+TD+DD (*detailed design*) for maintaining output capacity Gura Slanic field of drills, FS for underground salt grinding, design and execution of premises intended to provide the bag wrapping and palletising flow microclimate, FS for rock salt premises systematisation solutions;
- investments in occupational health and safety: brake testing bench for motor vehicles, buses, minibuses, tippers;
- environmental protection works: brake testing bench for motor vehicles, buses, minibuses, tippers, asphalt laying on the Trotuş mine access runway, from I-101 roadway to level V, modernising the enclosure road along the relay for salt lump conveyor belts, asphalt laying on the neighbourhood limits with Salinei str., TD for the protection of Gura Slanic premises and the eastern field technological networks by restoring the Slănic rivulet bank reinforcement, replacing the salt brine pipelines and rerouting them along the Slănic rivulet bank;
- independent machinery: block cutting machine, inflatable chute, tourist base restrooms, submersible pump, tourist transportation bus, CRN pump sets, LSN pump, food processor, calliper log measurement software.

Praid Salt works branch:

- investments in modernising and streamlining production: punching machine;
- investments in maintaining output capacity: underground (partial) preparation plant, drillings for new field exploration;
- investments in occupational health and safety: setting up mine ambulance station, lighting system, TD for restoration of Telegdy and Dosza pits, TD for securing level 40;
- environmental protection works: setting up Elisabeta mine water monitoring system;
- independent machinery: 400 KVA electric generator, compactor plate, excavator arm punching system, professional cooker, refrigerated storage cabinet, professional grill, topographic station, stainless steel tank, dewatering pump, underground intervention utility vehicle, scaling scissor lift, running water tank, defibrillator.

Cacica branch:

- investments in environmental protection: environmental protection works, restoration of brine and saline condensation pipelines;
- independent machinery: forklift, welding set generator.

By investment category, the structure appears as follows:

	Implemented, 2018	Approved program, 2018	Implemented, 2017
			- lei -
General total – of which:	18,452,245	54,278,200	19,962,533
Increase in capacities and product diversification	1,205,652	1,393,449	446,832
Process modernization and capacity retention	10,742,570	33,826,501	17,010,552
Environmental and deposit protection actions	5,201,312	16,868,800	2,020,739
Tourism investments	1,302,711	1,978,750	89,910
Other research and development projects	0	210,700	394,500

In 2018, the company increased significantly the level of investments intended to protect the environment and the deposits, compared with 2017, namely 2.6 times in the case of completed objectives, the share of these investments increasing from 10 % in 2017 to 28% in 2018.

5. Assessment of the aspects concerning the impact of the company's business upon the environment; Environmental protection

Within the company's branches, the environmental protection activity is carried out in accordance with the environmental permits and the water rights permits, issued by the accredited authorities, as provided by the applicable environmental legislation.

Throughout 2018, environmental protection and reclamation works were conducted, for a total amount of **2,612,890 lei**, compared with the scheduled amount of **3,200,510 lei**, as follows:

	- lei -	
Branch	Scheduled value	Implemented value
TOTAL	3,200,510	2,612,890
Ocna Dej Salt works	48,160	434,950
Ocna Mureş Salt works	44,000	50,270
Rm. Vâlcea Mining site	632,000	666,070
Slănic Salt works	25,400	8,270
Cacica Salt works	-	-
Tg. Ocna Salt works	557,750	533,250
Praid Salt works	1,893,200	920,080

In 2018, the company's branches were verified repeatedly by inspectors from the National Environmental Guard and the "Romanian Waters" National Administration. **Following these inspections, none of the SNS-S.A. branches was issued any civil penalties.**

Throughout 2018, there were 3 complaints recorded and filed as notifications with the National Environmental Guard, the "Romanian Waters" National Administration or the Regional Environmental Protection Agency, as follows:

At EM Rm. Valcea branch, several natural persons filed a notification with the National Environmental Guard – Vâlcea County Commissariat (registration no. 614/08.03.2018), in regard to the salt transportation method from Ocnele Mari Salt works to Traistari business unit, in order to have it ground. As such, GNM (*National Environmental Guard*) - Valcea CJ (*County Commissariat*) conducted an on-site inspection (Fact-finding report no. 290/ 21.03.2018) following which the Environmental Guard ascertained the following:

- EM Rm. Valcea branch holds Environmental permit no. 236/25.11.2011, as well as Commissioning notification no. VL27/01.06.2016.
- The regulatory document stipulates carrying out the grinding / processing of the salt transported from Ocnele Mari Salt works.
- Over the past year, until the inspection date, the above-mentioned activities were carried out only during the March 02-06, 2018 period, given that during this interval the demand for the *Road deicing salt* product increased and there were additional quantities available to cover the demand for salt.
- During the inspection, there were no traces of dirt from salt transportation on the transit county road section and there was no salt/dust scattered across the perimeter areas.

The **measure** ordered following the inspection: in the case of grinding the salt transported from Ocnele Mari Salt works to Traistari business unit, its transportation shall make use of motor vehicles that are suitably fitted so as to avoid scattering the transported material across the transit road. Deadline: permanent.

Kogayon Association filed a notification to the "Romanian Waters" National Administration – Vâlcea Water Management Service (no. 6220/09.07.2018), in which it complained about the Costeşti rivulet having been covered with materials resulted from rock removals and the failure to comply with the legal provisions in the field – Bistriţa Limestone Quarry.

Following the notification, Vâlcea SGA (*Water Management Service*) conducted an on-site inspection (Fact-finding protocol no. 10725/ 16.07.2018), accompanied by the following findings:

- EM Rm Valcea branch holds Water Rights Permit no. 7/23.01.2018, which amends Water Rights Permit no. 64/23.11.2016, valid until 23.11.2020.
- Due to the limestone exploitation in the upper part of the quarry overlapping Buila Vanturarita National Park, EM Rm. Valcea branch began the exploitation of the perimeter outskirt areas towards the east.
- A part of the material resulted from the drilling and blasting operations slid across the right slope of the mountain along the foot of which flows Costesti rivulet.
- As at the inspection date, Costești rivulet bed was not obstructed.
- There were no findings in the form of violations of the water management legislation in force.

The **measure of a permanent nature** ordered upon completing the inspection: EM Rm. Valcea branch shall take the necessary steps to avoid obstructing Costesti rivulet bed within the exploitation area and shall notify SGA on the occurrence of any events that might affect the watercourse.

The notification submitted to, and filed with, GNM-CJ Vâlcea under no. 1674/09.07.2018, and with Vâlcea EPA (*Environmental Protection Agency*), under no. 7874/10.07.2018, followed by an on-site inspection (Fact-finding report no. 33/25.07.2018).

The complaint was filed in regard to the destruction of Costesti Quay and the complete coverage of Costesti rivulet, located within the strict protection area of Buila Vanturarita National Park, following the disposal of the rock removal materials from Bistrița Limestone Quarry, which ended up completely filling not only Costești rivulet, but also its gorges.

During the inspection, the GNM inspectors ascertained the following:

- EM Rm Valcea branch holds Environmental permit no. 56/16.03.2008 issued by Vâlcea EPA, revised on 05.07.2013 and valid until 16.03.2019.
- The inspection conducted on site revealed that the limestone deposit exploitation perimeter was located within Buila Vanturarita National Park, whereas no quarry access roads were found across the protected area.
- Due to the limestone exploitation in the upper part of the quarry overlapping Buila Vanturarita National Park, EM Rm. Valcea branch began the exploitation of the perimeter outskirt areas towards the east.
- A part of the material resulted from the drilling and blasting operations slid across the right slope of the mountain along the foot of which flows Costesti rivulet.
- The verifications revealed that Costești rivulet bed was not obstructed, the material resulted from the mining site was not affecting the layout of Costești gorges, the mining site works were being carried out in the vicinity of the national park and in compliance with the Framework Project drawn up by SC PROMINCO INVEST SA, having no adverse impact upon the protected area, in the sense that the natural path of Costești rivulet was not altered and was not obstructed through the formation of artificial dams resulted from rock removals in the area mentioned in the notification. Furthermore, the strict protection area at Costești gorges was not affected by the limestone deposit exploitation activities.

Measures of a permanent nature (two):

1. For EM Rm. Valcea branch: it shall monitor the limestone deposit exploitation area in order to limit falls of materials and prevent the obstruction of Costești rivulet bed and Costești gorges.
2. For Buila Vanturarita National Park Administration: it shall monitor the area of Costești gorges, located in the vicinity of the Bistrița quarry exploitation perimeter.

Environmental events

Throughout 2018, 3 environmental events occurred in relation to the SNS SA branches:

At Qcna Mures Salt works branch, on 10.03.2018, an accidental pollution event took place, involving salt brine and insulating fluid, following the discharge of Drill 5208 at Razboieni Field of drills and the

fissuring of the collecting tank wall. This incident led to the impairment of the entity's premises and an adjacent area of 1500 sq m.

The Salt works took immediate steps to stop the leaks by redirecting them to another collecting tank (capacity: 500 m³) located inside the salt works, as well as to the sump hole near Drill 208:

- across the contaminated area, the salt works applied absorbent material (Spilsorb) in order to remove the insulating fluid film;
- the drill pressure was monitored on an hourly basis until the pressure stabilised, with subsequent controlled releases whenever pressure reached 30-35 B;
- the local authorities were alerted, according to the legal provisions: the Environmental Guard, NAMR - Alba CIT (*Territorial Inspection Compartment*) and the SNS SA management;
- the National Environmental Guard – Alba SCJ (*County Commissariat Service*) conducted an inspection in order to check the aspects notified by Ocna Mures Salt works in regard to the accidental pollution event.

Measures (four) set forth in Fact-finding report no. 1132/12.03.2018:

Decontamination of the lands affected by salt brine and insulating fluid.

Keeping records on the management of the waste pertaining to the contaminated soil.

Monitoring the Razboieni Field of drills and communicating to GNM – Alba SCJ the monitoring method.

Emptying the damaged tank by collecting the insulating fluid and pumping the salt brine to the adjacent tank.

The measures were carried out accordingly.

No penalties were issued by the environmental protection authorities.

At EM Rm. Valcea branch - Ocnele Mari Sector - Ocnița-Lunca Business unit, due to the intense meteorological phenomena occurred in the area of Ocnele Mari town, on 13.06.2018, at 21:30, a power grid outage took place and led to the cessation of the pumping of waters accumulated inside the Ocnele Mari settling tank, located along Sarat rivulet, and the discharge of these waters beyond weir no. 5 and into Sarat rivulet. The discharge phenomenon stopped at 04:00.

The representatives of EM Rm. Valcea branch notified by phone the Olt Basin Administration Dispatch Centre – Vâlcea Water Management Service on the environmental incident.

Water samples were collected from the rivulet in order to run laboratory tests and identify the NaCl concentration in the water. EM Rm. Valcea branch laboratory issued test report no. 154/14.06.2018.

Moreover, a written report was submitted to Olt Basin Administration - Vâlcea Water Management Service, as per notice no. 1978/14.06.2018.

Later on, in order to prevent events of this nature, unclogging works were carried out on the settling tank located along Sarat rivulet, and Vâlcea SGA was notified on the matter in notice no. 2456/01.08.2018.

At EM Rm. Valcea branch - Ocnele Mari Sector - Ocnița-Lunca Business unit, due to the high rainfall volume in the area of Ocnele Mari town, accumulated over an extended period, the settling tank at Ocnele Mari could no longer contain the large upstream water flow and discharged water beyond weir no. 5. The event took place on 16.06.2018, starting at 23:00, and ended on 19.06.2018 at 05:00.

The staff at EM Rm. Valcea branch notified by phone the Olt Basin Administration Dispatch Centre – Vâlcea Water Management Service in regard to the environmental incident occurred on 16.06.2018.

Water samples were collected from the rivulet in order to run laboratory tests and identify the NaCl concentration in the water. EM Rm. Valcea branch laboratory issued test report no. 159/18.06.2018.

Moreover, written reports were submitted to Olt Basin Administration - Vâlcea Water Management Service, as per notice no. 2004/18.06.2018 and notice no. 2016/19.06.2018.

Following the two discharges, on 27.06.2018, Vâlcea SGA conducted an inspection (Inspection protocol no. 9856/27.06.2018) at the end of which **a single measure** was ordered: to unclog the settling tank to allow it to retain the salt brine losses.

In order to prevent events of this nature, unclogging works were carried out on the settling tank located along Sarat rivulet, and Vâlcea SGA was notified on the matter in notice no. 2456/01.08.2018 on the implementation of the measure ordered as part of the inspection carried out.

No penalties were issued by the environmental protection authorities.

At Cacica Salt works branch, on 14.07.2018, at 10:00, a failure to the brine storage tank, with $V=1000\text{ m}^3$, took place. The incident occurred due to a manhole fissure. Approx. 200 m^3 were uncontrollably discharged across the Partestii de Jos premises, the branch business unit. The salt brine leaked into the ditches on the premises and was later on discharged into Solonet rivulet 300 m downstream, through the rainfall drainage network.

The Salt works promptly intervened by pumping through the salt brine pipeline, to Cacica Salt works, approx. 400 m^3 of brine of the 600 m^3 inside the storage tank. Around 200 m^3 were uncontrollably discharged across the Partestii de Jos premises. The salt brine leaked into the ditches on the premises and was later on discharged into Solonet rivulet 300 m downstream, through the rainfall drainage network. Cacica branch attempted to dilute the brine by opening the fire hydrant network.

The "Romanian Waters" National Administration – Suceava SGA conducted an inspection aimed at checking the aspects notified by Cacica Salt works in relation to the occurred event. The inspection ended with Fact-finding report no. 3246/14.07.2018, which set forth **a single measure**: emptying, as a matter of urgency, the metallic settling tank in order to avoid any possible discharges into the rainfall drainage network of Cacica branch.

The measure was carried out by the branch representatives.

No penalties were issued by the environmental protection authorities.

6. Assessment of mine and quarry closures within the perimeters belonging to the company

Societatea Națională a Sării S.A., in light of its specific nature and the age of its mining sites, is included in the mining industry restructuring program and has been, since 1998, part of an extensive closure and greening program which concerns the following aspects:

- the closure and greening of "historical mines";
- the closure and greening of perimeters that are economically unsustainable or have depleted reserves;
- the closure and greening of mining perimeters affected by subsidence phenomena.

The mine closure and environmental rehabilitation works, the technical design and assistance works, the contract implementation monitoring works and the post-closure monitoring works within the perimeters under the management of Societatea Națională a Sării S.A., as well as those classified as historical legacy, are financed from the state budget, from sources marked for this end use in the line ministry budget, and/or from other drawn-in sources (reimbursable or non-reimbursable loans granted by international financial institutions), within the limits of the provisions in the state budget approval law.

In 2018, Ocna Mureș branch carried out preservation works amounting to 2,473,996 lei, with own resources, as follows:

At Ocna Mureș perimeter, for a total value of 1,039,085 lei, of which:

- Works for the preservation of the drills within the Ocna Mureș perimeter (3 drills);
- Works aimed at maintaining the level at +254 m by means of pumping the water in the lakes;
- Perimeter monitoring works at Ocna Mureș;
- Technological machinery and equipment maintenance, repair and preservation works;

Levelling and maintenance works on the roads within the Ocna Mureş perimeter;
Dismantling of derricks at drills S116 and S119.

At Razboieni perimeter, for a total value of 887,154 lei, of which:

Works for the preservation of the drills within the Razboieni perimeter (2 drills);
Perimeter monitoring works at Razboieni;
Technological machinery and equipment maintenance, repair and preservation works.

Aside from the expenses for works conducted within the perimeters, the company also incurred in 2018 expenses required to provide utilities to, and pay the fees for, the objectives in question, fees amounting to 98,560 lei: land surveys, security services, mining taxes and the mining royalty.

7. Quality management

At SNS-SA, the following certificates of conformity are implemented for the Integrated Management System (IMS), the Quality – Environment – Food Safety – Occupational Health and Safety Systems:

No.	Organisation name	Number of Certificate of Conformity (SRAC + IQNet)	Reference standards	Status / validity
1.	Societatea Națională a Sării S.A. – Headquarters and the Salt warehouse	No. 2220 / 08.06.2017	SR EN ISO 9001:2008	15.09.2018
		No. 663 / 08.06.2017	SR EN ISO 14001:2005	15.09.2018
		No. 1306 / 08.06.2017	SR OHSAS 18001:2008	07.06.2020
		No. 50 / 08.06.2017	SR EN 22000:2005	07.06.2020
2.	Rm. Valcea Mining Site Branch	No. 1972 / 11.11.2015	SR EN ISO 9001:2008	15.09.2018
		No. 666 / 11.11.2015	SR EN ISO 14001:2005	15.09.2018
		No. 1835 / 11.11.2015	SR OHSAS 18001:2008	15.09.2018
		No. 52 / 11.11.2015	SR EN 22000:2005	15.09.2018
3.	Ocna Dej Salt works	No. 389 / 30.10.2015	SR EN ISO 9001:2008	15.09.2018
		No. 44 / 30.10.2015	SR EN ISO 14001:2005	15.09.2018
		No. 58 / 30.10.2015	SR OHSAS 18001:2008	30.10.2018
		No. 72 / 30.10.2015	SR EN 22000:2005	30.10.2018
4.	Tg. Ocna Salt works	No. 685 / 29.05.2017	SR EN ISO 9001:2015	28.04.2020
		No. 1804 / 29.05.2017	SR EN ISO 14001:2015	28.04.2020
		No. 879 / 29.05.2017	SR OHSAS 18001:2008	26.04.2020
		No. 179 / 29.05.2017	SR EN 22000:2005	28.04.2020
5.	Slanic Salt works	No. 822 / 23.06.2017	SR EN ISO 9001:2008	15.09.2018
		No. 444 / 23.06.2017	SR EN ISO 14001:2005	15.09.2018
		No. 2554 / 23.06.2017	SR OHSAS 18001:2008	10.06.2020
		No. 183 / 23.06.2017	SR EN 22000:2005	10.06.2020
6.	Cacica Salt works	No. 1697 / 30.06.2016	SR EN ISO 9001:2008	15.09.2018
		No. 498 / 30.06.2016	SR EN ISO 14001:2005	15.09.2018
		No. 1625 / 30.06.2016	SR OHSAS 18001:2008	27.06.2019
		No. 40 / 30.06.2016	SR EN 22000:2005	27.06.2019
7.	Praid Salt works	No. 650 / 16.12.2016	SR EN ISO 9001:2008	15.09.2018
		No. 782 / 16.12.2016	SR EN ISO 14001:2005	15.09.2018
		No. 59 / 16.12.2016	SR EN 22000:2005	17.12.2019
8.	Ocna Mures Salt works	No. 2604 / 11.04.2017	SR EN ISO 9001:2015	27.03.2020

8. Assessment of the aspects pertaining to the company's employees/personnel

The number of employees increased by 2 persons in 2018 compared with 2017.

Staff number evolution and staff structure, by professional category:

Branch	TOTAL			TESA <i>(technical, clerical and administrative staff)</i>			WORKERS		
	2018	2017	%	2018	2017	%	2018	2017	%
TOTAL S.N.S.	1,662	1,660	100.12	404	407	99.26	1,258	1,253	100.40
Rm. Vâlcea Mining site	541	528	102.46	115	115	100.00	426	413	103.15
Ocna Dej Salt works	323	337	95.85	64	63	101.59	259	274	94.53
Slănic Salt works	201	215	93.49	43	43	100.00	158	172	91.86
Tg. Ocna Salt works	222	217	102.30	44	45	97.78	178	172	103.49
Praid Salt works	138	136	101.47	30	28	107.14	108	108	100.00
Ocna Mureş Salt works	61	64	93.31	19	19	100.00	42	45	93.33
Cacica Salt works	98	76	128.95	23	21	109.52	75	55	136.36
S.N.S. Headquarters	78	87	89.66	66	73	90.41	12	14	85.71

Throughout 2018 there were no significant changes across the structure by professional category.

Staff structure evolution by age group:

	< 25 years		26 – 35 years		36 - 45 years		> 45 years	
	2018	2017	2018	2017	2018	2017	2018	2017
TOTAL S.N.S.	18	11	145	163	396	441	1,103	1,045
Rm. Vâlcea Mining site	3	1	38	55	95	111	405	361
Ocna Dej Salt works	4	6	29	31	99	115	194	185
Slănic Salt works	1	0	19	10	42	72	145	127
Tg. Ocna Salt works	4	4	23	18	60	54	135	141
Praid Salt works	2	0	23	27	39	34	74	75
Ocna Mureş Salt works	0	0	0	0	5	6	56	58
Cacica Salt works	3	0	12	4	25	7	58	55
S.N.S. Headquarters	1	0	7	12	31	32	39	43
%	1.08	0.66	8.72	9.81	23.83	26.56	66.37	62.95

In regard to the staff structure by age group, it was ascertained that 66.37% of the company personnel are more than 45 years old, the related percentage showing a tendency of increasing on an annual basis.

The staff structure evolution by level of professional training:

	With basic training			With medium-level training			Highly-trained		
	2018	2017	%	2018	2017	%	2018	2017	%
TOTAL S.N.S.	861	860	100.12	495	494	100.20	306	306	100.00
Rm. Vâlcea Mining site	426	415	102.65	41	39	105.13	74	74	100.00
Ocna Dej Salt works	140	148	94.59	139	144	96.53	44	45	97.78
Slănic Salt works	92	104	88.46	79	81	97.53	30	30	100.00
Tg. Ocna Salt works	91	87	104.60	94	95	98.95	37	35	105.71
Praid Salt works	16	20	80.00	100	95	105.26	22	21	104.76
Ocna Mureş Salt works	33	35	94.29	14	16	87.50	14	13	107.69
Cacica Salt works	58	45	128.89	21	14	150.00	19	17	111.76
S.N.S. Headquarters	8	6	133.33	7	10	70.00	66	71	92.96
%	51.81	51.81	x	29.78	29.76	x	18.41	18.43	x

Staff structure: the staff structure analysis by professional training level reveals it remained unchanged throughout 2018.

Professional training – In 2018, the employees benefitted from skills upgrade courses amounting to 161,327 lei.

Workers' unions – within the company there are 15 active trade unions affiliated to SALROCA National Trade Union Federation, but also to other workers' unions. Negotiations with the trade unions on the Collective Labour Agreement commenced in December 2017, and in February 2018 the company registered with Bucharest TLI (*Territorial Labour Inspectorate*) the Collective Labour Agreement for the 2018 – 2020 period.

Labour productivity – value labour productivity increased in 2018 (from 241 thsnd. lei/person/year in 2017 to 271 thsnd. lei/person/year in 2018), on account of the turnover increase. In 2018, as well, productivity gaps were present among the branches due to differing operating conditions: the quality of resources, the range of products / activities, but also the technological level specific to each branch.

Productivity indicators	MU	31.12.2018	31.12.2017
Actual number of employees at the fiscal year closure	pers.	1,662	1,660
Average number of employees	pers.	1,610	1,611
Operating income/average number of employees	thsnd. lei/pers./year	271	241
Turnover/average number of employees	thsnd. lei/pers./year	253	230
Labour costs/turnover (%)	%	34%	24%
Profit (before tax)/employee	thsnd. lei/pers./year	59.44	60.94

9. Assessment of the Risk Management activity and of the Internal Control System

The Risk Management activity

Risk management is a complex process focusing on a scientific approach to risks, which employs material and financial resources.

The risk management process pursues the fulfilment of two major categories of objectives:

- objectives concerning the risk occurrence prevention activity (costs and savings related to how risk exposure is addressed);
- objectives concerning post-event measures that would allow avoiding / minimising the occurrence of risks (ensuring the company's continuity, existence and operation).

The company has in place a risk management procedure, revised in 2017.

The risk matrix, too, was revised, being conceived based on a risk level and occurrence frequency scoring system, on a scale from 1 to 5.

The task of identifying and addressing risks is transferred to each service, compartment, sector, as well as to the risk-generating areas.

The risk factors are not independent, and the losses incurred in cases where risks occur are, often times, consequences of the interdependence among them.

Internal risk factors: these are associated to the activities and operations carried out within the company and primarily express the deficiencies with which the company's subsystems are designed, implemented and employed by the users. These deficiencies can lead, in some cases, to lower performance levels of the system (the company) overall. According to the company's specific nature, one can identify the following categories of **internal risks**:

■ **Market risks** (in terms of supply and sales):

A limited market in regard to the supply of materials specific to salt exploitation, and to suppliers of specific machinery and equipment worldwide, due to the business specificities. In order to mitigate this risk, the company has in place a regulation for procurements of services, products and works, pursuant to which purchases are made of raw and other materials required for exploitation. As far as the supply

of exploitation-specific machinery is concerned, these items were included in the investment program approved by the Management Board, in the sense that this machinery became part of the multiannual investment program.

A significant impact upon the revenues comes from the changes in manufacturing technologies carried out by major beneficiaries (e.g., Fortischem Chemical Compound which, following its refurbishment, stopped taking over rock salt from Ocna Dej Salt works (2017 deliveries: 93,250 tons for an amount of 4,519,040 Euro). SNS negotiated and concluded in 2018 a contract for the delivery of 50,000 tons of recrystallised salt from Cacica Salt works, however, by the end of 2018, the quantity delivered had reached 21,800 tons, for a value of 2,474,640 Euro.

In regard to cases of being dependent upon customers, the company is exposed to such a dependence relationship, for a certain category of products, in the form of particular deliveries of salt brine to three customers: Govora Sodium Factories, Olchim and Chimcomplex Borzesti. Any imbalance in the operation of these brine beneficiaries is reflected upon the supplier, with a major economic and social impact. A relevant example in this respect is the precarious economic and financial situation reached by Ocna Mureş Salt works due to the bankruptcy of SC UPSOM SA chemical compound, the sole beneficiary of the salt brine produced by the branch.

In the case of the actual sales, emphasis was placed on mitigating the market risk by concluding the contracts with transportation service providers over durations equivalent to those of contracts concluded with large customers and for a price that was either fixed or allowed procedure-based alterations in the company's favour, in the sense of securing the profit margin recommended by the shareholders.

■ **Operational risks** (technological, geological reserve and environmental risks): the use of equipment with high levels of wear and tear and a low investment completion degree.

Technological risk can be defined as any deviation from the projected production streams or any non-compliant operation of certain items of machinery and equipment, which can lead to the occurrence of a failure.

In terms of compliance with the approved exploitation technologies, no irregularities were found.

In connection with the items of machinery and equipment intended for exploitation, it was found that many of these have their operating life exceeded, which leads to cost increases driven by the performance of accidental repairs.

Another technological risk identified is represented by the surface and underground water streams which, once they reach the sterile site / salt itself, they can cause uncontrollable dissolutions with negative effects upon the general stability of the deposit and the area. A relevant example in this respect is the subduction occurred in August 2017 in the area of "Ocna din Vale" old mines, at Slănic Prahova Salt works.

In the context of salt exploitation through kinetic dissolution aided by drills, in order to eliminate potential risks, the company applies a comprehensive and complex program of calliper log measurements and topographic surveys. In this respect, we will mention that the calliper log measurements were carried out by the calliper log measurement team from Targu Ocna Salt works branch for all of the company's branches conducting this specific business. As far as topographic measurements are concerned, they were aimed at determining the coaxiality of the safety elements (interchamber pillars), the planimetric and levelling measurements carried out on the of the landmarks along the monitoring alignments.

■ **Risks pertaining to the human factor:** possible strikes/protests, discontent among the salaried employees may lead to labour disputes, the failure to complete the professional training program for each directorate/service may lead to a decrease in the levels of professionalism. The business entails a chain of individuals involved in the production process, from the original supplier to the end customer. If every person is diligent in the activities carried out and does quality work, the risk of any interruptions occurring throughout the production process is very low.

The most significant risk related to the human factor is the labour market shortage of relevant skilled personnel, against a backdrop where the number of employees aged > 45 is very elevated.

The **external risk factors** originating in the environment (global warming, humidity, rainfall, snowfall, frost, solar radiations, earthquakes, fires, tornados, etc.) are not determined by human actions, whereas the man-made external factors are present across all of the company's existential phases seen as a system, summing up all the human errors that take place as part of designing and exploiting the company's resources.

According to the company's specific nature, one can identify the following **external risks**:

■ **Political and legislative risks:** they concern the changes that can radically alter the economic environment in which the company exports its products for the most part (country risk).

By means of its shareholding structure, as well as given the nature of its business, the company is subject to the application of certain rules specific to public institutions, many of them depending on the political changes.

The frequent changes of the fiscal regulations invite the risk of having tax authorities, in certain cases, adopt a position that differs from the company's (for example, the tax legislation pertaining to the mining royalty in contradiction with the mining law).

■ **Financial risks:** they affect the company outturns as a result of changes that occur under the market conditions. These risks fall under the company's scope of control. From here stems the need to identify and measure conjectural risks and, first and foremost, the price risk and the foreign exchange risk.

■ **Risks pertaining to the human factor:** possible strikes/protests, discontent among the salaried employees may lead to labour disputes, the failure to complete the professional training program for each directorate/service may lead to a decrease in the levels of professionalism. The business entails a chain of individuals involved in the production process, from the original supplier to the end customer. If every person is diligent in the activities carried out and does quality work, the risk of any interruptions occurring throughout the production process is very low.

■ **Foreign exchange risk:** the company holds foreign exchange positions, in EUR, the liquidities being generated by export activities, its purchases in foreign currency account for insignificant amounts and it is exposed to foreign exchange differences. In 2018, the company did not use foreign exchange risk hedges, however, the EUR currency developments did not create a negative effect, the company benefitting from foreign exchange gains. In 2017, the Management Board approved a policy concerning the financial investments in SNS and aiming, among others, to lower this risk, as well.

■ **Contractual risk:** the deliveries of salt-based products for snow clearance depend on the meteorological conditions, leading to possible non-fulfilments of the economic and financial indicators. The company set up provisions for the major risk categories identified, particularly those related to trade litigations and labour disputes, as well as those related to environmental works and compensations.

Assessment of the internal control system

Pursuant to the provisions of art. 4 par. (3) in Government Ordinance no. 119/1999 on internal / managerial control and preventive financial control, republished, as subsequently amended and supplemented, Societatea Națională a Sării S.A. has in place an internal / managerial control system the design and application of which partially allow the top management of Societatea Națională a Sării S.A. to provide reasonable assurances that the public funds managed in order to fulfil its general and specific objectives have been used in compliance with the lawfulness, regularity, effectiveness, efficiency and cost-effectiveness requirements.

The internal / managerial control system partially comprises self-control mechanisms, and implementing the measures intended to enhance its effectiveness is underpinned by the assessment of risks.

In this case, we will mention the following:

- ✓ The company-wide risk register, managed by the secretary of the Monitoring, Coordination and Methodological Guidance Committee, is updated on a yearly basis;
- ✓ The operational procedures are regularly updated, as required;

- ✓ The development program for the internal / managerial control system, which distinctly comprises skills upgrade activities intended for the management and the operating personnel and the internal auditors, as part of the activities carried out by the Monitoring, Coordination and Methodological Guidance Committee, and was updated throughout 2016 (Decision no. 62/14.03.2016).

Societatea Națională a Sării S.A. operates an internal audit compartment by means of which internal audit engagements were planned and carried out throughout 2018.

The independence of the public internal audit unit

The audit unit is administratively subordinated to the company's management, exercising a distinct function within it. The audit reports drawn up following the audit engagements are presented to the top management for approval purposes. The top management endorse the audit report and approve the implementation record pertaining to the recommendations formulated in the report. The record sets forth the implementation deadlines and the persons in charge with implementing the recommendations.

The internal audit compartment will report directly to the Management Board

The reporting is carried out through quarterly reports that present the activity conducted during the reported period.

Elaboration and updating of own rules on conducting internal audits

At a company level, Own rules on conducting internal audit activities and the Internal Audit Charter were drawn up, documents which were approved by the Ministry of Economy Public internal audit service.

The written procedures based on which the internal audit unit carries out its duties are those comprised in the elaborated rules underpinned by the legislative framework, namely Law 672/2002, republished, and GD no. 1086/ 2013.

Assessment of the internal audit activity

The internal audit compartment was audited by the Court of Accounts of Romania in 2016 and 2019.

Internal audit activity planning

Multiannual planning: the internal audit compartment drew up the Strategic plan for 2017 - 2019, underpinned by the Substantiation report.

Annual planning: in drawing up the Audit plan for 2018, the activities were identified and the risks were determined, as they were also defined in the Strategic plan for 2017 - 2019.

The annual audit plan for 2018 was approved by the Management Board.

Assurance engagements carried out according to the Audit plan for 2018:

1. Analysis of the manner of implementing the measures ordered by the Court of Accounts (ongoing as at 31.12.2017, ordered as per Decision no. 5/13.06.2016)

Documents drawn up:

- Audit report no. 3065/08.05.2018
- Recommendation implementation tracking sheet no. 3138/10.05.2018

2. Maintenance of the fixed assets intended for limestone exploitation, preparation and delivery – MB Decision no. 14/18.04.2018, art.3.

Documents drawn up:

- Audit report no. 5022/13.07.2018
- Recommendation implementation tracking sheet no. 5172/19.07.2018

3. Checking the manner in which overtime worked was granted by the management of Rm. Valcea Mining Site branch and the management of Ocna Dej Salt works branch – Notice no. 4771/05.07.2018 submitted by the top management of SNS-SA;

4. Checking the manner of implementing the "Personnel policy approved by MB as per Decisions no. 29/2015 and no. 2 /2016" – MB Decision no. 25/11.07.2018, art.1.2. let. b.

Documents drawn up:

- Audit report no. 7387/18.10.2018
- Tracking sheet no. 7388/18.10.2018 for the implementation of the recommendations formulated in the audit report.

5. Evaluation of the investment activity across SNS-SA

Documents drawn up:

- Audit report no. 8839/14.12.2018
- Recommendation implementation tracking sheet no. 8843/14.12.2018

We will mention that the data comprised in the present report are drawn up through ownership of managerial responsibility and is underpinned by the data, information and findings mentioned in the documentation pertaining to the internal/managerial control system self-assessment, held at Societatea Națională a Sării S.A., as well as in the internal and external audit reports.

Based on the self-assessment results, we ascertain that, as at December 31, 2018, the internal/managerial control system of Societatea Națională a Sării S.A. is partially compliant with the standards comprised in the Code of internal/managerial control.

The analysis of the reports on the internal/managerial control systems submitted to Societatea Națională a Sării S.A. reveals that the 7 subordinated branches have partially compliant systems.

We will mention that, as at 31.12.2018, the internal/managerial control system is partially compliant.

Across the seven branches, the internal control system is partially compliant.

Chapter IV. Finance and accounting status

- 1. Accounting policies**
- 2. Statement of financial position**
- 3. Comprehensive income statement**
- 4. Economic and financial indicators**
- 5. S1040_A1.0.0 Annual accounting report**

1. Accounting policies

The financial and accounting activity is organised and conducted in accordance with Accounting Law no. 82/1991, republished, as subsequently amended and supplemented, in regard to systematic and chronological data recording, and complies with the accounting principles stipulated by the legislation, including: consistency of methods, business continuity, fiscal year independence, intangibility of initial balances, not to offset revenues with expenses, separate valuation of asset and liability elements, the precautionary principle, the principles of accrual-based accounting, valuation at purchase or production cost and materiality.

For the year 2018, the company presents the first set of individual audited Financial Statements compliant with the provisions of OMFP (*Order of the Minister of Public Finance*) 2844/2016 on the application of the Accounting regulations compliant with the International Financial Reporting Standards adopted by the European Union (IFRS), implemented in order to enforce Order no. 666/2015 on the application of the Accounting regulations compliant with the International Financial Reporting Standards by certain state-owned entities.

The accounting records are kept in Romanian and in the local currency (leu).

Transactions in foreign currencies are recorded in the local currency at the foreign exchange rate published by NBR for the transaction date. The entries to the accounting records are done systematically and chronologically, based on supporting documents.

The Company's financial statements are drawn up through pooling at the headquarters the balance sheets of the branches, which are drawn up by their respective chief accountants, of which only a few enjoy the certified public accountant status, an aspect that may affect the quality of records and reports so long as there are no standard accounting methodologies imposed by the headquarters.

The Company's financial statements comprise:

- A) Statement of financial position;
- B) Comprehensive income statement;
- C) Statement of cash flows;
- D) Statement of changes in own equity;
- E) Explanatory notes to the financial statements;
- F) Proposal to appropriate the net profit;
- G) Management Board's Report on the financial statements;
- H) S1040__A1.0.0 Annual accounting report.

The company's accounting records are kept both at the administrative headquarters and at each branch. The company has 7 subordinated branches, where the accounting records are managed by a head of service / chief accountant up to the trial balance level. The branches operate as unincorporated entities, while having their own individual management structures.

2. Statement of financial position

Evolution of the company's assets and liabilities

A. Fixed assets

I. Intangible assets

As at December 31, 2018, the intangible assets primarily include land concessions, projects and surveys on deposit exploitation and computer software: licences; operating computer software, utility software, Internet, Microsoft and antivirus licences at the branches and the headquarters.

II. Tangible assets

The tangible assets are primarily specific to the mining resource exploitation activities: lands associated to the mining fields, buildings and special constructions, excavation and transportation equipment and machinery, processing and packaging equipment and machinery, conveyor belts, etc.

Societatea Națională a Sării is the owner of lands added to the accounting records based title deeds received from the Ministry of Industries (the current Ministry of Economy), as well as lands acquired pursuant to sales and purchase agreements. The lands represent 14% of the total tangible assets.

The Class 1 tangible assets – buildings and special constructions – were subject to revaluation at the closure of the 2017 fiscal year, whereas those in Class 2 and Class 3 – lands and fixed assets – were revaluated at the closure of the 2016 fiscal year. The revaluation of the buildings and special constructions revealed a slight decrease of the net value, company-wide, by approx. 0.15% as at 31.12.2017. Lands and buildings account for around 59% of the total tangible assets held by the company.

No revaluations of assets were necessary throughout 2018.

The machinery, equipment and other similar items from the category of fixed assets are entered in the accounting records as per the acceptance and commissioning protocols and classified in accordance with the provisions of GD no. 2139/2004. These are amortised linearly, according to the Fiscal Code provisions.

The adjustments were operated on those tangible assets with advanced levels of wear and tear and proposed for scrapping. The highest share belongs to the assets at Ocna Mures branch, no longer used in exploitation activities.

The net value of the facilities, technological equipment, machinery, devices, office automation and other similar items is 60,850,004 lei at the closure of the 2018 fiscal year (35.8% of the net value of the tangible assets).

	Balance as at December 31, 2018	Balance as at December 31, 2017
Tangible assets – net value	166,573,083	178,609,121
Lands	24,471,476	24,616,801
Buildings	101,943,575	96,925,432
Technical equipment and machinery	90,379,673	71,390,364
Other plant, machinery and furniture	1,506,016	1,196,144
Biological assets	3,313	3,313
Tangible assets in progress	5,877,438	11,036,724
Amortisation of lands	(13,850)	(685,334)
Amortisation of buildings	(19,530,902)	(7,472,967)
Amortisation of technical equipment and machinery	(29,469,287)	(15,054,712)
Amortisation of other plant, machinery and furniture	(502,683)	(253,464)
Adjustments for impairments of buildings	(4,977,643)	(4,129,446)
Adjustments for impairments of technical equipment and machinery	(60,382)	(203,164)
Adjustments for impairments of other plant, machinery and furniture	-	(53)
Adjustments for impairments of tangible assets in progress	(3,053,663)	(691,779)
Advances for the purchase of tangible assets	-	1,931,264

III. Financial fixed assets

The company holds financial fixed assets representing environmental rehabilitation guarantees and performance bonds pertaining to ongoing contracts.

	Balance as at December 31, 2018	Balance as at December 31, 2017
Intangible assets	1,425,873	790,403
Development expenses	-	-
Concessions, patents, licences, trademarks, rights and similar assets	1,450,865	425,673
Intangible assets of harnessing and evaluation of mineral resources	243,788	243,788
Other intangible assets	2,006,892	1,836,012
Amortisation of concessions, patents, licences, trademarks, rights and similar assets	(278,940)	(121,615)
Amortisation of intangible assets of harnessing and evaluation of mineral resources	(233,820)	(171,722)
Amortisation of other intangible assets	(1,908,393)	(1,506,849)
Advances for the purchase of intangible assets	145,480	85,115

The **research and development expenses** were restated according to IFRS as at 31.12.2017 (restated informative financial statements) in the sense of derecognising them as assets and allocating the net value directly under the profit and loss account of the period.

Concessions, patents, licences, trademarks, rights and similar assets comprise, as at December 31, 2018, intangible assets that primarily include land concessions and computer software: licences; operating computer software, utility software, Internet, Microsoft and antivirus licences at the branches and the headquarters.

	Balance as at December 31, 2018	Balance as at December 31, 2017
Other long-term receivables	21,274,042	19,560,778
Other long-term receivables	9,991,920	11,833,604
Deferred tax (asset)	11,282,122	7,727,174

Other long-term receivables comprise environmental rehabilitation guarantees set up by the company in order to implement Joint Order no. 202/2881/2348/2013 of NAMR / MECC (*Ministry of Environment and Climate Change*) / ME (*Ministry of Economy*), and commercial guarantees, primarily in relation to the sales (C.N.A.I.R).

The **deferred corporate income tax** results from the application of IAS 12 and is classified under (receivables) as at 31.12.2018. The deferred tax was calculated for the first time as at 31.12.2014, upon the first-time restatement of the Annual Financial Statements for compliance with IFRS (IFRS1), which impacted the capital accounts amounting to 8,782,177.63 lei – the Balance carried forward resulted from switching to the application of IFRS, minus IAS 29 (1177).

Patrimony valuation status:

The annual stock-taking took place in accordance with General Manager Decision no. 254/21.12.2018. The stock-taking period was:

- 05.12.2018 – 11.01.2019, for:
 - fixed assets (buildings, lands, technological equipment, metering, control and adjustment devices and facilities, means of transportation, furniture, office automation), intangible assets, tangible assets in progress.
 - inventory items, materials owned by third parties, property received in trust, under lease, under rent, monetary resources and other values, cash at hand).
 - raw materials, materials, goods, packaging, finished products, residual products.
- 07.01.2019 – 28.02.2019, for the share capital (based on the Confirmation of company details issued by the Trade Register).
- 07.01.2019 – 28.02.2019, for balance sheet accounts, assets and liabilities (different from inventories).

The stock-taking results were approved during the Management Board meeting of 27.03.2019.

1. Number of inventories subject to stock-taking	120
2. Surplus following annual stock-taking (lei)	670.23
3. Deficit following annual stock-taking (lei)	2,274.25

B. Current assets

	Balance as at December 31, 2018	Balance as at December 31, 2017
Total current assets	355,968,190	338,809,261
Inventories	12,867,458	15,255,477
Receivables	124,735,391	67,943,213
Restricted resources	22,816,491	19,576,491
Short-term investments	262	7,543
Cash at hand and cash at bank	195,548,588	236,026,537

Inventories

Inventories are presented at the lower value between cost and the probable value of completion. The method employed to capitalise on the various types of inventories identified as spare parts and consumables is FIFO (first in, first out). At the end of the fiscal year, the inventories are subject to the stock-taking process.

Approximately 18% of the value of inventories is represented by inventories of finished products and goods, whereas the remaining 82% are inventories of raw and other materials, fuels, materials identified as inventory items and packaging.

	Balance as at December 31, 2018	Balance as at December 31, 2017
Inventories	12,867,458	15,255,477
Raw materials	188,223	136,577
Depreciation adjustments for raw materials	-	(3,022)
Consumables	10,403,126	10,825,973
Depreciation adjustments for consumables	(1,415,025)	(908,550)
Production in progress	1,404,924	1,066,915
Semi-finished and finished products	1,569,409	3,395,020
Depreciation adjustments for semi-finished and finished products	(7,549)	(150,782)
Goods	831,719	895,561
Depreciation adjustments for goods	(322)	(2,216)
NON-EXIGIBLE VAT - inventories	(107,045)	-

Receivables and their related value adjustments:

	Balance as at December 31, 2018	Balance as at December 31, 2017
Trade and other receivables	124,735,391	67,943,213
Trade and similar receivables	94,235,983	85,463,813
Adjustments for impairments of trade receivables	(20,679,502)	(20,700,710)
Receivables linked to the salaried employees	618,240	195,413
Other claims receivable from the state budget	49,556,137	1,526,358
Sundry debtors	16,225,681	953,213
Adjustments for impairments of sundry debtors	(16.427.993)	(608,893)
Deferred expenses	1,161,953	1,033,343
Interest receivable	44,862	80,798
Miscellaneous	28	(121)

Trade and similar receivables comprise the internal and external customers' payables to the company pursuant to relations underpinned by the rules imposed by the market economy and advances paid to product and service providers. Significant difficulties are faced by the negotiations for salt deliveries to the beneficiary chemical compounds, Govora Sodium Factories, Oltchim and Chimcomplex Borzesti, due to the dependence on the delivery, through pipelines, of the salt brine product (brine pipeline).

In the case of receivables from customers and other debtors involved in litigations (customers / debtors with whom/which there are lawsuits pending settlement, in various trial phases), value adjustments were carried out, reflected in a separate account, as per the legislation in force, from both an accounting and a fiscal standpoint. The value of adjustments for impairments of receivables – customers, as at December 31, 2018, amounts to 20,679,502 lei (compared with 20,700,710 lei at the closure of the previous fiscal year).

The changes in the value of adjustments for impairments of receivables are insignificant and are due to the emphasis on certain receivables subject to the statute of limitation or claimed from economic operators affected by bankruptcy or deregistered from the Trade Register (184,772 lei). Throughout 2018, the company filed lawsuits for the failure to collect receivables (83,318 lei).

In the case receivables older than 3 years, generated by interruptions in the performance of contracts concluded with customers, impairment adjustments were operated (79,746 lei). At present, the company reviews the causes that determined such interruptions, correlated with any possible updates to contractual clauses.

The evolution of adjustments for doubtful customers is affected by the accumulation of late-payment penalties, calculated under contracts for amounts subject to litigation.

The group of **Receivables linked to the salaried employees** comprises amounts that are to be received from the salaried employees in the form of rates, pursuant to sales and purchase agreements for apartments, concluded with Slănic Prahova, as well as amounts to be recovered from the salaried employees as a result of inspections conducted by the Court of Accounts and in relation to which SNS SA took legal action.

Other claims receivable from the state budget represent the additional mining royalty and accessory obligations paid to NAFA (*National Agency for Fiscal Administration*) and not distributed according to the Payments statement, amounts receivable from the National Health Insurance House, for medical leaves, and non-exigible VAT.

	Balance as at December 31, 2018	Balance as at December 31, 2017
Other claims receivable from the state budget	49,556,137	1,526,358
Mining royalty	33,394,819	(3,855,995)
Other claims receivable from the state budget	14,063,049	4,234
Other social security receivables	1,949,336	1,436,011
Non-exigible VAT	148.934	105.114

The category of **Sundry debtors** primarily comprises additions brought, in 2018, to the receivable claimed from OLTCHIM (a company undergoing judicial reorganisation) and amounting to 14,153,119.71 lei, up to the level set forth as per Decision C(2016) 8592 adopted by the European Commission on 17.12.2018 in regard to debtor OLTCHIM SA. Furthermore, the category includes amounts receivable from former suppliers ordered to repay undue amounts, former and current salaried employees who were issued imputation orders, judicial stamp duties paid in relation to case files still pending before law courts, etc.

For the impairments of receivables claimed from sundry debtors and other customers, the company recognised throughout 2018 impairment adjustments (16,427,993 lei).

Outstanding receivables: as at 31.12.2018, the company had outstanding receivables amounting to 391,476 lei, showing a decrease compared with 2017 (583,138 lei), but falling within the amount approved as per the year's income and expenditure budget.

Monetary resources

As at December 31, 2018, the company recorded, as cash and cash equivalents, 218,365,079 lei, showing a decrease from the previous year (255,603,028 lei), primarily due to the additional mining royalty payments made in 2018.

Assets held for sale

The company's patrimony does not contain assets purchased or built in order to be sold. The assets held by the company are intended to generate revenues by means of having them operated.

C. Liabilities

Trade payables

As at December 31, 2018, the company has trade payables amounting to 22,175,772 lei, with the following structure:

	Balance as at December 31, 2018	Balance as at December 31, 2017
SUPPLIERS AND SIMILAR ACCOUNTS	22,175,772	28,553,344
Trade payables	13,645,388	15,271,325
Asset suppliers	5,630,599	10,792,278
Advance payments from customers	2,899,785	2,489,741

Suppliers represents the company's trade payables present in the balance at the closure of the 2018 fiscal year. The balance decrease by 22% from the previous year figure is primarily due to clearance of the debt to the Sandvik machinery supplier during the first half of 2018. At the closure of the 2018 fiscal year, the balance of *product and service suppliers* represents 61.53% of the total payables to suppliers, whereas the balance of investment-related suppliers is 25.90%.

Advance payments from customers represent the advance payments received from external customers pursuant to proforma invoices issued according to the contractual clauses.

Staff payables

As at 31.12.2018, the company has salaried employee payables amounting to 7,322,529 lei and salaried employee benefits determined by means of actuarial calculations pursuant to IAS 19, present in the financial statements under two components: long-term and short-term.

	Balance as at December 31, 2018	Balance as at December 31, 2017
	7,322,529	7,351,551
Salaries and similar payables	4,670,373	5,149,107
Salaried employees' share in the profit	-	-
Guarantees set up by the administrators	510,812	435,387
Other salaried employee payables	21,636	40,948
Annual leave not taken	1,757,544	1,393,772
Food vouchers	354,165	323,337

Staff payables comprise current staff-related expenses due for payment in January of the following year (salaries, medical leaves, withholdings from wages due to third parties, amounts due to the staff pursuant to judicial orders, food vouchers, administrator guarantees, medical leaves not taken until the fiscal year closure and other staff expenditure).

The amounts representing the salaried employees' share in the previous year's profit were paid throughout 2018.

Salaried employee benefits

For the salaried employees' post-employment and short-term benefits, provisions were set up at the closure of the 2018 fiscal year, calculated based on estimation assumptions in the collective labour

agreement, via actuarial calculation performed by a certified external expert and ARA (*Romanian Actuarial Association*) member (15,869,477 lei).

	Balance as at December 31, 2018	Balance as at December 31, 2017
	15,869,479	16,208,247
Salaried employees' benefits due for payment < 1 year	8,615,744	7,046,492
Salaried employees' benefits due for payment > 1 year	9,115,370	8,822,987

The salaried employee benefits are calculated in accordance with the application of IAS19, being recognised under salaried employee payables and distinctly presented in the financial statements under two components: long-term and short-term.

Short-term tax liabilities

	Balance as at December 31, 2018	Balance as at December 31, 2017
	23,875,109	26,819,417
Social security taxes and levies	7,104,684	7,215,258
VAT payable	4,300,234	3,367,388
Mining royalty	-	3,855,995
Tax on exploitation revenue	234,357	202,469
Other taxes and duties	195,342	137,815
Other payables to the State Budget	12,040,492	12,040,492

Short-term **tax liabilities** concern taxes and contributions pertaining to salaries, VAT payable, the tax on exploitation activities and other taxes and duties calculated as at the month of December and due for payment in 2019.

A significant component of the payables to the state budget, in the short term, is a portion of the additions and penalties pertaining to the additional mining royalty related to the 2010-2013 period, for which the company filed with NAFA a letter of bank guarantee, valid until 31.12.2018, in order to obtain a stay of enforcement (12,040,492 lei).

The **corporate income tax** is calculated at 22,039,182 lei, of which payment were made for the amount of 18,727,155 lei. The remaining balance as at the reporting date, 9,632,268 lei, was due for payment on 25.03.2019.

	Balance as at December 31, 2018	Balance as at December 31, 2017
Current corporate income tax (debt)	9,632,268	6,320,241

Deferred tax (IAS 21) has been calculated since 2014 and falls under receivables. The impact upon the profit and loss account for 2018 amounts to 2,810,031 lei (income), whereas for 2017 it amounted to 6,138,152 lei (expense). The balance as at 31.12.2018 shall be carried forward the following year and undergo adjustments every month up to the amount of the assets/liabilities that generated it.

	Balance as at December 31, 2018	Balance as at December 31, 2017
Deferred tax (receivable)	(11,282,121)	(7,727,173)

Other short-term liabilities, amounting to 994,460 lei (1,213,709 lei as at 31.12.2017), concern Sundry creditors (957,615 lei) and deferred income.

The company pays on a yearly basis dividends to shareholders during the year when these are set up as payment obligation approved according to a Shareholders' General Assembly Decision.

Trade and other long-term payables

	Balance as at December 31, 2018	Balance as at December 31, 2017
	9,315,658	9,061,659
VAT and other tax liabilities – long term	14,077	-
Sundry creditors > 1 year	186,211	238,672
Long-term salaried employee benefits (IAS 19)	9,115,370	8,822,987

Long-term salaried employee benefits are determined through actuarial calculation intended to implement IAS 19, calculation assumptions in the Collective Labour Agreement of SNS and represent the component with maturity in excess of one year.

Loans

As at December 31, 2018, the company does not have any loans committed.

	Balance as at December 31, 2018	Balance as at December 31, 2017
Short-term concessions (< 1 year)	12,052	12,052
Long-term concessions (> 1 year)	277,196	289,248

The category of sundry debtors also comprises salaried employees owing payment rates as a result of sales of company property consisting in residential apartments, rates that also include non-exigible value added tax.

Outstanding liabilities

At the closure of the 2018 fiscal year, the company does not have any outstanding liabilities.

Provisions and value adjustments

For the risk of value impairments affecting the assets and certain cash outflows during future fiscal years, the company recognised impairment adjustments and provisions.

At the closure of the 2018 fiscal year, the company performed a review of the provisions set up during the previous years, pursuant to which it made decisions in terms of either setting up new provisions or decreasing the value of current ones:

Explanations	Balance as at 01.01.2017	Increases (set-up), 2018	Decreases (write-offs), 2018	Balance as at 31.12.2018
I. Adjustments for asset impairments, of which:	27,398,616	21,285,585	309,169	48,375,032
1 Adjustments for impairments of receivables	21,309,603	16,759,646	21,208	38,048,041
2 Adjustments for impairments of inventories	1,064,570	610,498	145,126	1,529,942
2 Adjustments for impairments of assets in progress	691,779	2,361,884	-	3,053,663
3 Adjustments for impairments of fixed assets	4,332,664	1,553,557	142,835	5,743,386
II. Provisions for risks and expenses, of which:	65,289,475	14,896,994	10,464,152	69,722,33.7
A. Provisions for litigations, environmental works, indemnifications, other provisions:	10,433,369	310,890	4,105,569	6,638,690

1	Provisions for litigations	2,611,027	310,890	2,066,958	854,959
2	Provisions for environmental works and indemnifications	7,822,342	-	2,038,611	5,783,731
B.	Provisions for taxes and duties – the additional mining royalty (principal debt and accessory obligations), additional corporate income tax	48,316,864	9,749,256	-	58,066,120
C.	Provisions for the salaried employees' share in the profit	3,868,607	4,239,000	3,687,948	4,419,659
G.	Provisions for contracts of mandate	614,889	597,848	614,889	597,848
F.	Provision for other tax liabilities pertaining to the salaried employees' pecuniary rights as per CLA (<i>collective labour agreement</i>)	701,075	-	701,075	-
H.	Other provisions (severance payments, bonuses, sundry suppliers)	1,354,671	-	1,354,671	-

The **value adjustments for impairments of assets** increased compared with the previous year, primarily due to the additions brought to the claims receivable from OTLCHIM (a company in the process of judicial reorganisation), by 14,153,119 lei.

The value of **provisions for risks and expenses** significantly increased compared with the closing balance of the previous year (+4,432,842 lei), primarily due to the mining royalty.

Provisions for labour disputes (854,958 lei):

i) the disputes with the salaried employees on the matter of the failure to grant the annual reward over the 2014-2015 period, as per the provisions of the CLA in force, disputes that are pending before law courts and are to be paid out over the following periods, depending on how the lawsuits are settled. As at 31.12.2018, the company estimated a level of the payments related to the salary entitlements, pursuant to judicial orders, amounting to 412,194 lei;

ii) litigations on the matter of changing the work category type for certain salaried employees at Bistrita Quarry (a place of business of EM Ramnicu Valcea): 14 case files on the dockets of law courts. In 2018, payments were made for the amount of 307,673 lei, to the social security budget, whereas for 2019 provisions for payments, estimated at 106,374 lei, were set up;

iii) labour disputes with the salaried employees of Ocna Mures and Cacica branches on the failure to grant the minimum wage over the 2013-2014 period, amounting to an estimated 131,875 lei, after writing off the amount of 258,329 lei, for which the statute of limitation had been reached.

iv) miscellaneous labour disputes, not settled by 31.12.2018, amounting to 204,515 lei.

Provisions for environmental works and indemnifications (5,783,731 lei): they represent an estimate of the indemnifications to the owners affected by the exploitation activities of EM Ramnicu Valcea branch. The company granted, during the 2017-2018 period, to the owners affected by the exploitation activities, indemnifications amounting to 2,038,611 lei.

Provisions for taxes and duties (58,066,120 lei): they concern the mining royalty additionally calculated following the application of normatives, initially for the 2010-2013 period and subsequently until July 2017, plus the additional calculated corporate income tax. The provision also includes related accessory obligations and the first provision set-up took place as at 31.12.2015.

For the mining royalty, updates were brought to the provision set up over the previous years, in relation to the additional mining royalty pertaining to the period until the signing of the addenda with NAMR (January-July 2017) and the related accessory obligations, and an interest for the failure to disclose the debt, amounting to 19,474,423 lei, was added.

The calculation was done based on the summary payments statement, up to 31.12.2018. Of the 57,451,165 lei balance, the impact borne by the 2018 fiscal year is 9,134,301 lei.

The **additional corporate income tax**, additionally calculated by the NAFA auditors (614,955 lei), is determined by recalculating certain costs pertaining to the sales carried out during the 2014 fiscal year.

Provisions for setting up the salaried employee profit-sharing fund: they are calculated pursuant to the provisions in the legislation applicable to majority or fully state-owned companies and in the Collective Labour Agreement, up to no more than 10% of the net profit, however, without exceeding the legal ceiling of a company-specific average wage (MoPF (*Ministry of Public Finance*) Order 64/2001). In 2018, the amount of 3,687,948 lei was paid and a provision was set up for the amount of 4,239,000 lei, for the share in the 2018 profits, to be paid in 2019.

Provision for the "administrators and general manager" variable component: (597,848) lei: it includes the amount of the variable component set forth in the contracts of mandate of the Management Board members and the general manager for 2017 and 2018.

Long-term provisions

Given that the operating activities are carried out in the mineral resource extraction area, the company has environmental, asset decommissioning and land decontamination obligations. For this type of works, provisions were set up, estimated based on work progress reports (cost estimates), provisions that were reclassified in the long term, as of 31.12.2017, in the financial statements restated for compliance with IFRS.

	Balance as at December 31, 2018	Balance as at December 31, 2017
	20,079,710	20,079,710
Provisions for the decommissioning of tangible assets - long term	20,079,710	20,079,710
Accumulated amortisation	(13,309,440)	(7,382,947)
Net value	6,770,270	12,696,763

Profit and loss account:

Indicator designation	Implemented 31/12/2018	Budgeted 2018	Implemented Dec. 31, 2017
Net turnover	407,025,528	355,566,000	371,494,641
Operating income	436,921,515	373,483,000	388,750,576
Sold production	353,325,994	298,407,000	351,622,535
Revenues from the sale of goods	21,574,700	22,267,000	22,106,062
Revenues from tourist services	26,553,692	34,892,000	26,046,581
Commercial discounts granted	(2,941,794)	-	(2,233,956)
Changes in inventories	8,994,381	12,627,000	6,587,607
Own work capitalised	679,065	1,244,000	2,213,854
Other operating income	28,735,477	4,046,000	8,454,474
Operating expenditure	343,418,024	320,600,000	287,183,317
Expenses with raw materials and consumables	48,868,358	31,499,000	29,539,298
Other material expenses	3,091,641	1,445,000	2,834,342
Other external expenses (for energy and water)	13,632,193	13,274,000	10,780,643
Merchandise expenses	12,320,790	15,369,000	12,251,966
Commercial discounts granted	(14,840)	-	11,719
Staff expenditure	115,461,365	117,432,000	116,889,180
Adjustments to the value of tangible and intangible assets	27,715,522	28,411,000	26,171,188
Adjustments to the value of current assets	(16,335,644)	-	(4,795,420)
Other operating expenses	143,111,482	111,640,000	103,158,643

Adjustments to provisions for risks and expenses	(4,432,842)	1,530,000	(9,658,242)
OPERATING PROFIT/LOSS (EBIT)	93,503,491	52,883,000	101,567,259
EBITDA	121,219,013	81,294,000	127,430,311
Financial income	2,567,844	700,000	7,158,424
Financial expenses	375,947	-	2,421,739
FINANCIAL OUTTURN:	2,191,896	700,000	4,736,685
CURRENT OPERATING PROFIT/LOSS:	93,503,491	52,883,000	101,567,259
TOTAL REVENUES	439,489,358	374,183,000	395,909,000
TOTAL EXPENSES	343,793,971	320,260,000	289,581,618
GROSS OUTTURN	95,695,387	53,923,000	106,327,382
Corporate income tax	19,311,404	11,535,000	19,924,205
FISCAL YEAR NET OUTTURN:	76,383,983	42,388,000	86,403,177

The revenues achieved in 2018 were obtained from sales, carried out on the domestic and foreign markets, of company products, from tourist activities and other business operations such as various transportation, repair, calliper log measurement, etc. services rendered.

3. Economic and financial indicators

A. The performance indicators set forth as a result of implementing, company-wide, the provisions of GEO 109/7011 (the amounts are expressed in Lei unless otherwise provided):

	31.12.2018	31.12.2017
Revenues from tourism/Total Turnover		
Revenues from tourism (A)	34,612,000	34,193,859
Turnover (B)	407,025,529	371,494,641
(A/B)	8.50%	9.20%
EBITDA margin		
EBITDA (A)	121,219,012	127,430,311
Turnover (B)	407,025,529	371,494,641
(A/B)	29.78%	34.30%
Net Profit margin		
Profit Net (A)	76,383,984	86,403,177
Turnover (B)	407,025,529	371,494,641
(A/B)	18.77%	23.26%
ROE		
Profit Net (A)	76,383,984	86,403,177
Own equity (B)	368,701,903	353,619,494
(A/B)	20.72%	24.43%
Operating income/average number of employees		
Operating income (A)	436,921,515	388,750,576
Average number of employees (persons) (B)	1610	1.611
(A/B) (thsnd. lei/employee)	271	241
Total payables/own equity ratio		
Total payables (short-term + long-term) (A)	176,539,284	69,301,980
Own equity (B)	366,701,903	353,619,494
(A/B)	47.88%	19.64%
Outstanding payables in relation to turnover (maximum indicator)		
Outstanding payables (A)	0	997,584
Turnover (B)	407,025,529	371,494,641
(A/B)	0	0.77%

Outstanding receivables restante in relation to turnover (maximum indicator)

Outstanding receivables (A)	391,476	92,636
Turnover (B)	407,025,529	371,494,641
(A/B)	0.10%	0.16%

Share of "Average monetary resources (cash at hand and cash at bank, including short-term investments)" in relation to turnover (minimum indicator)

Average monetary resources (cash at hand and cash at bank, including short-term investments) (A)	266,524,903	234,773,345
Turnover (B)	407,025,529	371,494,641
(A/B)	65.48%	63.18%

Share of expenses for social activities within total turnover (% turnover)

Social spending (A)	4,533,258	3,284,681
Turnover (B)	407,025,529	371,494,641
(A/B)	1.11%	0.88%

B. Economic and financial indicators compared with the previous year:

Capital indicators:

	<u>2018</u>	<u>2017</u>
Return on committed capital <i>(Profit before tax/Own equity)</i>	26%	30%
Return on adjusted capital <i>(Profit before tax/Own equity – geological fund)</i>	28%	32%
Own equity indicator <i>(Own equity/Total liabilities)</i>	69%	67%

The return on committed capital decreased in 2018 by 4BP (*basis points*) compared with 2017 following the decrease in the fiscal year outturn (10%). The increase in own equity cannot offset the decrease of the current fiscal year outturn (4%).

In regard to the return on the capital adjusted with amounts representing the geological fund, it reached 28% in 2018, as opposed to 32% in 2017.

Profitability indicators:

	<u>2018</u>	<u>2017</u>
Gross sales margin <i>(EBIT/Turnover)</i>	23%	27%
Net profit in relation to sales <i>(Profit after tax/Turnover)</i>	19%	23%

The gross sales margin reached in 2018 a level of 23%, below the 2017 one, primarily due to selling products at higher prices, which allowed for EBIT a more accentuated increase than that of turnover.

Liquidity indicators and rate of debt:

	<u>2018</u>	<u>2017</u>
Liquidity <i>(Current assets/Current liabilities)</i>	2.39%	4.91%
Rate of debt (%) <i>(Debt capital/Own equity)</i>	0.13%	0.15%

The liquidity degree decreased as at 31.12.2018 by approx. 51% due to the increase in short-term liabilities, particularly in the form of provisions as a result of the inclusion of the additional tax liabilities (the additional mining royalty, the fee for the failure to disclose and the corporate income tax).

5. INSPECTIONS conducted by the Authorities:

In 2018, the company underwent a tax audit (NAFA), following which additional tax obligations were set forth, as follows:

- the mining royalty amounting to 37,976,742 lei, as debt;
- the corporate income tax amounting to 948,683 lei;
- the value added tax pertaining to the scrapping of finished products, amounting to 25,830 lei;

To the additional mining royalty determined, NAFA added default interest and late-payment penalties for failure to disclose it.

The amount additionally set forth was recognised under the "mining royalty" tax liability and relied on the amendments brought to Mining Law no. 85/2003, which has unclear provisions in terms of the royalty calculation method. The company has several pending litigations on the matter of setting forth additional debts under this obligation.

In relation to this debt, the Company filed a challenge.

In 2018, the company paid, before the audit engagement completion, the amount of 51,310,435 lei, comprising the estimated debt of 37,141,710 lei and 14,168,725 as late-payment additions. These amounts were recorded under receivable accounts, and an adjustment is bound to take place at the end of the audit engagement, namely in March 2019.

The additional corporate income tax (948,683 lei) was set forth upon identifying an additional tax revenue base (614,955 lei), which was challenged in court, whereas the remaining amount (333,728 lei) was corporate income tax the company owed and did not challenge.

The value added tax pertaining to certain finished products was not challenged and was paid during 2019.

For these amounts, the company has provisions set up.

Litigations:

The company, acting as defendant, is a party to numerous litigations. These litigations concern requests for pecuniary rights filed by employees or former employees, claims, indemnifications for the lands affected by mining exploitations, fiscal aspects, collections of receivables and other litigations. There may be court settlements that were not anticipated. The Company management believe these litigations will not have a significant impact upon its financial position and did not find it necessary to set up provisions for risks and expenditure as at December 31, 2018, in addition to those presented at Note 17.

Litigations entailing significant amounts:

1. The litigation with NAFA – for the mining royalty additionally set forth by NAFA's tax inspectors following the changes to the mining royalty rates as per normatives, the amount exceeding the value stated in the concession contracts concluded (the amount set forth by the tax inspectors according to the Tax assessment notice: 50,119,000 lei). The company requested, as part of the proceedings, a stay of said Tax assessment notice. The request for stay was admitted by the court and the court ruling was conclusive. The company also filed a petition for the rescindment of the writ of execution and the enforcement summons issued by NAFA pursuant to the Tax assessment notice.

The demand for payment and the writ of execution issued by NAFA were rescinded by the court during the appeal phase. Additionally, the company filed a petition seeking that the court order NAFA to settle the challenge filed by administrative process. The petition was admitted by the first instance court and its current status is second appeal (HCCJ (*High Court of Cassation and Justice*)).

2. The company has a claim receivable from Olchim Chemical Compound, amounting to 33,101,628,07 lei (12,577,802.49 lei as receivable provided in the payment schedule, 18,249,986 lei – a receivable representing a state aid unlawfully granted according to European Commission Decision no. C (2018) 8592, 32,772.15 lei – an unsecured receivable representing court charges; 2,241,067.43 lei - the interest to the said state aid granted), which was partially covered by a security interest in real

property, authenticated by a notary document. As at December 31, 2018, this receivable was fully adjusted for impairment.

In 2018, as part of the judicial reorganisation included in the bankruptcy proceedings of Oltchim SA, a sales and purchase agreement for assets was signed with Chimcomplex, being a highly complex transaction with equally significant economic, financial, managerial and judicial implications. In order to allow the transaction to be concluded, the contract contains preliminary conditions, five conditions precedent and preparatory actions for the take-over and use of these assets.

Until the insolvency proceedings case file is settled, this receivable will remain in the company's accounting records.

3. The company acts as defendant in case file no. 2713/3/2012, pending on the docket of Bucharest County Court, a case file on the matter of the petition filed by LIDL IMOBILIARE ROMANIA MANAGEMENT SCS, LIDL DISCOUNT SRL, in which the latter request that our company, as well as Ocna Mureş Mayor's Office, be ordered to pay the amount of 8,494,701.70 lei, representing damages caused following the collapse of the Plus supermarket located in the vicinity of the exploitation perimeter held by the company in Ocna Mures. The case file is suspended until the conclusive settlement of the plea of illegality in regard to the issuance of the building permit by Ocna Mures Mayor's Office (case file no. 11580/3/2016). On 20.04.2018, the court ruled "to partly admit the petition filed by Fondul Proprietatea: the court dismisses the plea of illegality against Decision no. 57/14.05.2009 of Ocna Mures Local Council (which approved the detailed urban plan – DUP - for the Plus supermarket); the court admits the plea of illegality concerning Building Permit no. 26/2067 and ascertains its unlawfulness.

4. The company acts as defendant in case file no. 30494/3/2016, pending on the docket of Bucharest County Court, a case file on the matter of the petition filed by SC Costa Utilaje SRL, seeking to have the company, as per a court ruling, pay the amount of 396,654.90 Euro, representing losses following the failure to sign a contract related to a procurement procedure carried out in 2015. Both the first instance court and the appeal court dismissed the claims filed by SC Costa Utilaje SRL.

Chapter V. Miscellaneous

1. Affiliated parties

Societatea Națională a Sării does not hold stakes in other companies.

However, affiliated parties may be considered trading companies with the Romanian state as their shareholder.

The company's exposure:

Partner	Sales, VAT-exclusive		Purchases, VAT-exclusive	
	2018	2017	2018	2017
Oltchim	11,705,576	10,317,354	-	-
CFR Marfa	-	-	15,307,668	23,347,371
CNADNR (<i>Romanian National Company of Motorways and National Roads</i>)	132,564,521	83,677,505	-	-

2. Transparency - Conflict of interests

The company publishes the financial statements on its own web page. Moreover, the company has been applying, since 2016, the transparency standards provided in the Memorandum on the topic "Increasing transparency and standardising the display of information of public interest", which entails publishing on the website a very wide range of information that includes, without limitation to, the company's organisational structures, the SGA (*Shareholders' General Assembly*) decisions, the administrators' CVs, information concerning the procurement procedures, etc.

Throughout 2018, there were no reports on any cases of conflicts of interests.

The company is not listed with any stock exchange, which is why it does not publish current reports.

3. Responsibility

The company continued to get involved both in improving its salaried employees' living and labour conditions, and in the life of the communities in the regions where it operates, through a series of social responsibility actions materialised as both sponsorships and donations.

In order to promote an active and healthy lifestyle, in 2018, as well, SNS continued organising sports-related events at its tourist-oriented salt works, it initiated and supported conducting cultural and art events.

In 2018, the company management granted indemnifications amounting to 1,823,287 lei to persons the households of whom were affected by the company's mining sites in their vicinity.

4. Non-financial reporting

According to the provisions of Directive 2014/95/EU, of MoPF Order no. 1938/2016 and of the financial and non-financial reporting schedule comprised in the 2016-2020 Management Plan approved by the Management Board as per Decision no. 33/07.12.2016, the Company draws up on a yearly basis a separate Report on non-financial reporting, elaborated pursuant to the non-financial reporting manual submitted by INNOVA Project Consulting under contract for services no. 234/22.12.2017.

The 2018 Non-financial report of Societatea Națională a Sării S.A. was drawn up in accordance with the provisions of Directive 2014/95/EU as regards the disclosure of non-financial and diversity information by certain large undertakings and groups, enacted into the national legislation through MoPF Order 1.938/2016, on amending and supplementing certain accounting regulations.

The report comprises those non-financial aspects that are material to the company and to all the relevant stakeholders, identified as a result of a consultation process carried out across SNS S.A. Additionally, in order to identify the non-financial aspects, Societatea Națională a Sării S.A. (SNS S.A.) performed a sustainable development context analysis, reviewing the competitors and the sustainability leaders, nationwide and worldwide, as well as the main non-financial reporting standards worldwide (Global Reporting Initiative (GRI)).

The non-financial report pertaining to the 2018 fiscal year comprises:

- The general manager's message;
- Report profile: methodology, definitions and principles;
- Company presentation; company profile, governance and ethics;
- The company's non-financial performance;
- Consultations with the stakeholders and identification of material non-financial aspects;
- Disclaimer.

The following material non-financial aspects were identified and substantiated, as follows:

Social performance

- **Health, safety and security at the workplace** – improving the working conditions and making sure activities are carried out under maximum safety conditions are permanently pursued by SNS. Moreover, the Company aims to constantly monitor and maintain its employees' health, employees who benefit from a voluntary insurance, pursuant to a health insurance contract, the object of which is to access medical services / medical investigations at various medical service providers nationwide.
- **Consumer health and safety and responsibility for the product** – throughout last year there were no major incidents related to non-compliances of products sold by SNS S.A - Salrom.
- **Local community** – both through social responsibility actions and its own sponsorships, the Company actively contributes to the development of the local communities in which it operates. Resources are allocated for the recurring organisation of various events; e.g., "*Festivalul sarmalelor*" (*Cabbage rolls festival*) at Praid, "*Călătorie între cer și pământ*" (*Journey between the sky and Earth*) at Targu Ocna, and "*Campionatui Național de Aeromodele clasa F1D*" (*National model aircraft championship, class F1D*) at Slănic, thus indirect economic benefits being generated, as well, for the respective communities.
- **Employees' rights** – observance of human rights is a provision in the Collective Labour Agreement. All of the employees' rights stated in the CLA, corroborated with the other internal procedures, were complied with indiscriminately.
- **Preparations for emergency situations** – the mining sector may present significant risks to its employees' health and safety and, at times, for the neighbouring communities. In order to have the most effective preparation for, and management of, these emergency situations that might occur, the Company regularly organises specific emergency situation simulation exercises, both at the Company's headquarters and within its branches, in collaboration with the local authorities.
- **Management of human resources** – drawing in fit and well-qualified personnel for a specific area of work represents a priority for Societatea Națională a Sării S.A. and is manifested through the implementation of transparent and impartial employment practices and, later on, by prohibiting any form of discrimination and, at the same time, by using a remuneration policy suitable to the workplace specificities and which also takes the employees' individual performance into account.

Environmental performance

- **Effluents and waste** – Societatea Națională a Sării S.A. pays particular attention to the assessment of the impact the specific activities carried out have upon the environment, various prevention and protection procedures being implemented in this respect. The measures taken allowed the adequate management and efficient reuse of the generated waste, which led to an increase, by 0.23% from the previous year, in the quantity of waste that was handed over in 2021 to an authorised economic operator to be recycled and disposed of.
- **Biodiversity** – salt exploitation activities can potentially have a negative impact on biodiversity and influence ecosystems to a significant extent, unless the rules and conditionalities are abided by, as per the legal provisions in force. Since one of the Company's production areas overlaps the limits of Buila-Vânturărița National Park in Vâlcea county, the Company identified the need to elaborate a series of biodiversity management plans. In this respect, in collaboration with the local and central government authorities, the legal framework that would allow altering the limits of Buila-Vânturărița National Park was created. Furthermore, the company, together with the local and central government authorities, identified and drew up, so as to allow the launch of future legislative proposals, a number of standards and rules that ought to be implemented by

all economic operators, thus making it possible to continue the reasonable exploitation, under maximum safety conditions, of deposits/mineral resources from those protection areas, without any economic and social impairments to the local communities.

- **Environmental complaints** – throughout last year, there were no records of any administrative or judicial penalties for non-compliance with the legislation on the environmental aspects. Nevertheless, given the nature of the activities carried out, exploitation areas may witness situations that disturb good neighbourliness, with environmental complaints being filed as a result. These are handled using a targeted approach, with the involvement of both branch managers and the general manager and, in cases where property is damaged, the Company grants compensations to the aggrieved parties.

Economic performance

- The company is **solidly backed** by the outstanding financial outturns achieved, whereas the company's commitment to maintaining and enhancing its economic performance also includes the initiative to draw up and publish the second Non-financial report. The company's development strategy pursues strengthening the market leader status and, corroborated with the social responsibility actions, outlines concrete solutions intended to enhance its economic efficiency, with complete respect for the future.

For these materials identified in the report, the company set forth a series of objectives, targets and key performance indicators.

Chapter VI. Management Board proposals

1. The proposal to appropriate the net profit pertaining to the 2018 fiscal year is made keeping in mind the following provisions:

- GEO no. 64/2001 on profit appropriation at majority state-owned national companies and trading companies, as subsequently amended and supplemented,
- MoPF Order no. 144/2005, supplemented by MoPF Order no. 418/2005,
- GD no. 846/2016 on the approval of the format and structure of the income and expenditure budget, as well as the substantiation annexes to it,
- the regulations of MoPF Order no. 1802/2014 on hedging losses not carried forward.

The Management Board proposes to the Shareholders' General Assembly within Societatea Națională a Sării S.A., for approval, the appropriation of the net profit as per the provisions of GEO no. 64/2014:

"the net profit is appropriated for the intended uses, and in the amounts stipulated at par. (1) let. e) (on the salaried employees' share in the profit...), f) (concerning at least 50% levies to the state or local budget...), and g) (profit not appropriated to the intended uses provided at let. a) - f) shall be appropriated under other reserves and constitutes an own funding source), after deducting the amounts reserved for the intended uses set forth in special normatives stipulated at let. a), b), c), c¹) and d) of the same paragraph."

2. Approval of the financial statements as at 31.12.2018

The structure and operating manner of Societatea Națională a Sării S.A., as approved in the Management Board decisions, represent the company's preparation for the top management's accountability in relation to the requirements imposed by the regulations applicable to market economy.

The Management Board of Societatea Națională a Sării S.A. proposes for approval the Management Board's Report for 2018 and the administrators' release from their duties following the year 2018.

Chapter VII. Significant elements occurring after the fiscal year closure Changes to the calculation of financial guarantees aimed at rehabilitating environment areas affected by mining activities, for 2018

During the 2018 fiscal year, the figures indicated maintained values resulted from the calculation of the financial guarantee for rehabilitating environment areas affected by the mining activities the branches carried out in 2017, when the value of the environment rehabilitation financial guarantee was updated with the new values of the cost estimates pertaining to Rm. Valcea, Tg. Ocna and Cacica branches. Furthermore, the environmental guarantee calculation also included the post-closure monitoring expenses. Until 2017, the post-closure monitoring expenses were included in the environmental guarantee calculation due to the fact that they were going to be made from public funds, by the line ministry (according to art. 53, par.3 in the Mining Law).

The decision to update these values was underpinned by the NAMR's request to be informed on the method of calculating the environment rehabilitation guarantee in line with the documentations under the Environmental Rehabilitation Plan and Technical Design for Cacica branch.

According to Joint Order no. 202/2881/2348 from 4.12.2013, art. 3 let. a, the total value of the environment rehabilitation financial guarantee shall represent the total value of the general cost estimate pertaining to the closure, greening, environment rehabilitation and post-closure monitoring works.

This financial guarantee shall cover the remaining validity periods of the exploitation licences in question, namely between 2 (two) and 4 (four) years.

The value of the environment rehabilitation financial guarantee, calculated as at 31.12.2017, while maintaining the same level in 2018, as well, is 20,079,710 lei.

This change has had an impact, since 2018, both upon liquidity and upon the company's economic outturn, namely:

- **upon liquidity:** until 31.12.2018, the amount of 9,160,679 lei was sourced, whereas the amount of 10,919,031.09 lei is left to be sourced by the end dates of the exploitation licences, of which 10,113,741.18 lei in 2019;
- **upon the accounting financial outturn:** until 31.12.2017, the following were recorded: a provision amounting to 20,079,710 lei and an amortisation amounting to 7,382,947 lei. In 2018, no other provisions were set up due to the amount of 20,079,710 lei being maintained, however, there was an increase in the costs with the related amortisation, from 3,172,676 lei/year in 2017 to 6,505,777 lei/year in 2018.

The present Report is an integral part of the financial statements and signed by the company's administrators.

THE MANAGEMENT BOARD OF SOCIETATEA NAȚIONALĂ A SĂRII S.A.

Oana Gianina Bulai	- President	Signature: [illegible]	Stamp: [Societatea Națională a Sării S.A. – branch SALROM PRESIDENT]
Constantin Jujan	- Member	Signature: [illegible]	
Laurențiu Puiu	- Member	Signature: [illegible]	
Simona Carmen Fătu	- Member	Signature: [illegible]	
Dan Valentin Gheorghe	- Member	Signature: [illegible]	