

Stamp: [SOCIETATEA NAȚIONALĂ
A SĂRII BUCUREȘTI
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NO. 3957 DATE 29.05.2019]

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Societatea Națională a Sării S.A.

Qualified opinion

1. We have audited the enclosed individual financial statements of S.C. Societatea Națională a Sării S.A. (hereafter called "the Company"), with its registered office at 220 Calea Victoriei str., District 1, Bucharest, identified by sole tax reference number 1590430, statements which comprise the statement of financial position as at December 31, 2018, the comprehensive income statement, the statement of changes in own equity and the statement of cash flows or the fiscal year then ended, as well as a summary of the significant accounting policies and the explanatory notes:

2. The financial statements as at December 31, 2021 appear as follows:

Own equity:	368,701,903 lei
Fiscal year net outturn:	76,383,983 lei

3. In our opinion, with the exception of the effects of certain adjustments, which might have been necessary following the aspects stated in the *Grounds for the qualified opinion* section, the individual financial statements give a true view of the Company's financial standing as at December 31, 2018, and of its financial performance pertaining to the fiscal year then ended, in accordance with Order of the Minister of Public Finance no. 2844/2016 on the approval of the Accounting regulations compliant with the International Financial Reporting Standards adopted by the European Union, as subsequently amended.

Grounds for the qualified opinion

4. Considering the fact that we were appointed as auditors of the Company on August 6, 2018, we were unable to take part in the stock-taking pertaining to the fiscal year concluded on December 31, 2017 and we could not acquire sufficient and adequate audit evidence in relation to the existence of the inventories as at December 31, 2017 by means of conducting the alternative procedures. Our opinion on the financial statements for the fiscal year concluded on December 31, 2017 has, in this respect, the "qualified opinion" status. Keeping in mind the fact that the initial inventories affect the comprehensive income of the fiscal year concluded on December 31, 2018, we were unable to determine whether adjustments to the comprehensive income as at the same date were necessary.

5. The financial statements of the fiscal year concluded on December 31, 2016 were audited by a different auditor, who issued a qualified audit opinion, on September 24, 2018, in relation to the revalued value of the buildings and special constructions as at December 31, 2015, for which the economic depreciation had not been taken into account. As at December 31, 2017, these assets were revaluated using specific price indices, instead of accurately applying the net replacement cost method. Considering the fact that any possible value adjustments that might have been necessary in regard to the previous year and as at December 31, 2018 affect the value of these assets, the revaluation reserve and/or the balance carried forward, the deferred tax, as well as the current year's outturn, our opinion on the fiscal year concluded on December 31, 2018 also bears the "qualified opinion" status given the possible effects of the above-mentioned aspects also felt upon how the figures of the current period compare with those of the corresponding period.

6. We have carried out our audit in accordance with the International Standards on Auditing (ISA), adopted by the Chamber of Financial Auditors of Romania. Our responsibilities pursuant to these standards are described in detail in the “*The auditor’s duties in a financial statement audit*” section in our report. We are independent from the Company, in line with the Code of Ethics for Professional Accountants (the IESBA Code), corroborated with the ethical requirements which are relevant to the auditing of financial statements in Romania, and we have fulfilled our remaining ethical duties in line with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and adequate in providing a basis for our qualified opinion.

Highlighting certain aspects

7. We will draw attention to note 18, “*Revenues*”, which mentions the fact that the Company sells inventories of finished products classified as goods, which determines an undervaluation of the revenues from sales of finished products by the amount of 10,788,725 lei, and an overvaluation of the revenues from sales of goods, of merchandise expenses and changes in inventories by the same amount.

8. We will draw attention to note 32, “*Contingent liabilities*”, to the financial statements, which describes the uncertainty associated to the lawsuit filed against the Company and Ocna Mures Mayor’s Office by Lidl Imobillare Management SCS in relation to an alleged prejudice caused as a result of the mining-based exploitation of salt deposits. As at the date of the present report, there is a sentence delivered by the first instance court, which rescinds the Company’s culpability, whereas an estimate of a possible damages subsequent to a ruling of this nature cannot be formulated. Our opinion concerning this aspect does not bear the “qualified opinion” status.

Other aspects

9. This report is exclusively intended for the Company’s shareholders as a collective. Our audit was carried out in order to be able to report to the Company’s shareholders certain aspects that we have to include in a financial audit report, any other purpose being excluded. To the extent permitted by the law, we will only take responsibility and make admission of liability overall, before the Company and its shareholders, for our audit and for this report.

Key audit aspects

10. The key audit aspects are the aspects which, based on our professional judgement, had the greatest significance in the audit of the financial statements for the current period. These aspects were tackled in the context of the audit of financial statements overall, and in formulating our opinion on them, and we do not provide a separate opinion in relation to these key aspects.

In addition to the aspects described in the *Grounds for the qualified opinion* paragraph, we have identified the following aspect as a key audit aspect:

Provisions for litigations

- ***Description.*** The Company is a party in numerous litigations with business partners, authorities and salaried employees, which entails the risk of future economic losses. Note 15 presents the significant litigations in which the Company is involved.

The decision to register a provision for litigations or to disclose a contingent liability in the financial statements depends on the professional judgment and certain estimations done by the Company management. We considered that the recognition or non-recognition of provisions for litigations is significant to the audit, as it would determine the recognition of overvalued profits.

- **Our answer.** Our audit procedures in addressing the material misstatement risk in regard to the recognition of provisions for litigations, a recognition that was deemed to entail a significant risk, included:
 - reviewing the minutes of SGA and the Management Board;
 - obtaining and assessing the attorney's replies to the auditors' letters, followed by obtaining certain clarifications in regard to the status of particular litigations;
 - making a critical assessment of the work assumptions and estimates made by the Company in relation to the litigations, including the value of the provisions recognized in the financial statements or the contingent liabilities presented.

Other information – the Administrators' Report

11. The administrators shall be responsible for drawing up and presenting other information. This extra information comprises the Administrators' Report, which also includes the Non-financial statement, while not including the financial statements and the auditor's report on these statements.

Our opinion concerning the financial statements does not cover this extra information, as well, and, unless it is expressly mentioned in our report, we do not express any sort of assurance conclusion in relation to it.

In regard to the audit of financial statements for the fiscal year ended on December 31, 2018, our duty is to read the extra information and, in the process, determine whether that extra information is significantly inconsistent with the financial statements or with the knowledge we have acquired throughout the audit or appears to be materially misstated.

As far as the Administrators' Report (which includes the Non-financial statement, as well), we have read and are reporting whether it has been drawn up, in all material respects, in accordance with the requirements of OMFP (*Order of the Minister of Public Finance*) 2844/2016, Annex 1, items 15-19 and 26-28.

Based exclusively on the activities that have to be carried out during the auditing of financial statements, in our opinion:

- a) The information presented in the Administrators' Report, for the fiscal year in relation to which the financial statements were drawn up, is in all material respects in accordance with the financial statements.
- b) The Administrators' Report was drawn up, in all material respects, in accordance with the requirements of OMFP 2844/2016, Annex 1, items 15-19 and 26-28.

Furthermore, based on our knowledge and understanding of the Company and its environment, gained during the audit of financial statements for the fiscal year ended on December 31, 2018, we are requested to report whether we have identified material misstatements in the Administrators' Report. We have nothing to report in that respect.

The responsibility of the management and the persons in charge with governance for the financial statements

12. The Company management are responsible for drawing up financial statements that would provide a true view of its accounts in line with OMFP 2844/2016, and for that internal control which the management may deem necessary in order to allow drawing up financial statements free of any material misstatements, caused either through fraud or error.

13. In drawing up the financial statements, the management are responsible for estimating the Company's capacity to continue its activity by presenting, where necessary, the aspects pertaining to business continuity and using the business continuity principle as an accounting basis, except for cases where the management either intend to wind the Company up or shut down operations, or have no realistic alternative beyond the former.

14. The persons in charge with governance are responsible for supervising the Company's financial reporting process.

The auditor's responsibilities during an audit of financial statements

15. Our objectives consisted in obtaining reasonable assurances concerning the extent to which the financial statements, on the whole, are free of material misstatements, caused either through fraud or error, as well as in issuing an auditor's report that would include our opinion. Reasonable assurances indicate a high level of assurance, however, without guaranteeing the fact that an audit carried out in compliance with ISA will always detect a material misstatement, if any. Misstatements can be caused by fraud or by error and are deemed significant if one can reasonably forecast that they will individually or cumulatively influence the users' economic decisions made based on these financial statements.

16. As part of an audit compliant with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. Furthermore, we:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures in reply to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Formulate a conclusion on the appropriateness of management's use of accounting based on business continuity and, based on the audit evidence obtained, determine whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue its activity. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of auditors' report. However, future events or conditions may cause the Company to cease conducting business based on the business continuity principle.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements reflect the underlying transactions and events in a manner that achieves fair presentation.

17. We communicate to those charged with governance regarding, among other matters, the planned scope and timing of the audit, as well as significant audit findings, including any major deficiencies in internal control that we identify during our audit.

18. In addition, we provide to those in charge with governance an affidavit according to which we have complied with the relevant ethical requirements on independence and have mentioned to them all the relations and other aspects that one would reasonably presume affect our independence and, where necessary, the related protection measures.

19. Among the aspects we have mentioned to those in charge with governance, we underline those aspects with greater significance, throughout the audit, for the financial statements of the current period and operate, therefore, as key audit aspects. We describe these aspects in our audit report, save for the case where the legislation or the regulations prevent the public disclosure of the respective aspect or the extremely rare case where we believe that a particular aspect should not be stated in our report as it can reasonably be estimated that the benefits to the public interest will be outweighed by the negative outcomes of such disclosure.

Report concerning other legal and regulatory provisions

20. We were appointed, by means of signing the audit contract from August 6, 2018, to audit the financial statements of Societatea Națională a Sării S.A., for the fiscal years concluded on December 31, 2017, 2018 and 2019. The total uninterrupted duration of our engagement thus reaches 2 years, covering the fiscal years concluded on December 31, 2017 and December 31, 2018.

We acknowledge that:

- Our audit opinion is in line with the additional report presented to the Company's Audit Committee, which we issued on the same date as this report. Furthermore, in conducting our audit, we remained independent from the audited entity.
- We have not rendered for the Company any of the forbidden non-auditing services, mentioned by article 5 paragraph (1) in EU Regulation no. 537/2014.

Gabriela Alina Fanita – audit partner

Registered with the Chamber of Financial Auditors of Romania under no. 3805/22.12.2010

Stamp: [Fanita Gabriela Alina

Chamber of Financial Auditors of Romania

No. 3805]

Signature: [illegible]

On behalf of: **PKF Finconta S.R.L., 38 Jean Louis Calderon str. District 2, Bucharest**

Registered with the Chamber of Financial Auditors of Romania under no. 32/27.07.2001

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TRADING COMPANY

BUCHAREST – ROMANIA]

Bucharest, Romania

May 29, 2019