



**INDEPENDENT AUDITORS REPORT
TO THE SHAREHOLDERS OF SOCIETATEA NAȚIONALĂ A SĂRII S.A.**

Our reserved opinion

1. We have audited the individual financial statements (attached) of Societatea Națională a Sării S.A. (hereinafter referred to as "Company"), having its registered office in Bucharest at Str. Calea Victoriei nr. 220, district 1, Bucharest, taxpayer ID 1590430, which include the status of its financial position as of 31 December 2019, the report on the global result, the changes in equity and the cash flow statements for the financial year ended on that date, as well as a summary report on the significant accounting policies and the explanatory notes.
2. The individual financial statements as at 31 December 2019 indicate the following:

Equity:	368,701,903 RON
Net result of the financial year;	76,383,983 RON
3. In our opinion, except for the effects of some adjustments, which would have probably been necessary considering the issues specified in the section titled *Basis of our qualified opinion*, the attached individual financial statements provide a true and fair view of the Company's financial standing as at 31 December 2019 and its financial performance in the financial year concluded on that specific date, as per Order No. 2844/2016 of the Ministry of Public Finance to approve the IFRS-compliant Accounting Regulations ("OMFP 2844/2016") approved by the European Union, as amended.

Basis of our qualified opinion

4. As at 31 Dec. 2019, the Company reported tangible fixed assets worth 169,045,252 lei, of which buildings and special constructions accounted for 72,702,376 lei. An independent surveyor valued the buildings and special constructions on 31 December 2017, but they were revalued based on specific price indexes and not by applying the net replacement cost method. Considering that the potential value adjustments that may have been necessary for the previous years and on 31 Dec. 2019 affect the value of these assets, the revaluation reserve and/or the result carried forward, the deferred taxes, as well as the current FY result, our opinion for the financial year ended as of 31 Dec. 2019 includes also a reservation because of the potential effects generated by the above-mentioned issues. Although as at 31 Dec. 2019 there were some clues indicating

the depreciation of some cash-generating units, the Company never ran an impairment test on them. We are not in a position to determine whether adjustments of the value of the fixed assets belonging to these cash-generating units would have been necessary.

5. We have conducted our audit in accordance with the IAS adopted by Romania's Chamber of Financial Auditors. Our responsibilities under those standards are further described in the "*Auditor's responsibilities for the audit of the financial statements*" section of our report. We are independent from the Company, according to the Ethical Code of the Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), taken in conjunction with the ethical requirements that are relevant to the audit of the financial statements in Romania, and we have met our ethical responsibilities as per these requirements and the IESBA code. We believe that the audit evidence we have obtained are enough and proper to supplying a basis for our reserved opinion.

Highlighting certain issues

6. We would like to draw your attention on *Note 18. Revenues*, according to which the Company sells stocks of finished products classified as *goods for resale*, which entails an undervaluation of the revenues earned by selling finished products and also an overvaluation by 17,007,787 lei of the revenues earned by selling those goods, as well as of the expenditure on goods and inventory change by 9,178,889 lei.
7. May we also draw you attention on *Note 33 – Subsequent Events* which presents the fact that WHO declared officially the existence of the COVID -19 pandemic in March 2020. The company management permanently monitors the situation in order to identify the best decisions, in order to be able to mitigate the negative consequences of the crisis. At the date of writing, according to what the management told us, the Company business is affected by the restrictions and actions taken by the authorities. In spite of that, when preparing these financial statements, the administrators assessed the going concern as proper. Considering the current uncertainty that surrounds the effects that this event will generate in the not-so-distant future, we can estimate that difficulties may occur in the short run, without a significant impact on the Company's capacity to pursue its business. Our opinion does not contain a reserve about this issue.
8. May we also draw your attention on *Note 32. Contingent liabilities* to the financial statements that describes the uncertainty in what concerns the verdict of the litigation that *Lidl Imobiliare Management SCS* started against SNS and the municipality of Ocna Mureş over an alleged damage caused to the plaintiff by the mining exploitation of some salt deposits. At the date of writing, the court of first instance issued a judgement

that sets aside the guilt of the Company, but the potential damage associated to such decision cannot be calculated. Our opinion does not contain a reserve about this issue.

Other issues

9. This report is exclusively prepared for the use of the shareholders of the Company. We performed this audit in order to be able to report to the shareholders of the Company on those issues that we have to disclose in a financial audit report, and not for other purposes. Insofar as permitted under the law, we only accept and only undertake responsibility to the Company and its shareholders, upon the whole, for our audit, for this report or for the opinion so created.

Key audit issues

10. Key audit issues are those matters that, based on our professional reasons, were the most important to the audit of the financial statements of the current period. All of these issues were studied in the context of the audit of the financial statements as a whole and we studied them in order to generate an opinion, and we are not providing a separate opinion about these key-issues.

In addition to the issues described in the *Basis of our qualified opinion*, we identified the following issue as a key audit issue:

Provisions for litigation

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

The decision to post a litigation provision or to present a contingent liability in the financial statements depends on the professional judgement and on certain estimates made by the Company management. We considered that the recognition or non-recognition of certain litigation provisions was significant to the audit mission, since it would bring about the recognition of certain undervalued profits.

- **Our answer.** Our audit procedures based on which approached the risk of material misstatement of the recognition of the litigation provisions, which was considered to be a significant risk, included the following:
 - reviewing the minutes of the General Meeting of the Shareholders and the Board of Directors;
 - obtaining the evaluating the answers of the lawyers to the auditor's letters,

following by clarifications of the status of certain legal disputes;

- the critical analysis of the working assumptions and the of the estimates done by the Company about the litigations, including the value of the provisions disclosed in the financial statements and of the contingent liabilities posted in the books;

Other information - management report

11. The management has the responsibility to prepare and present other information. This “other” information covers the Management Report, which includes the non-financial statement, but not the financial statement and the auditors’ report on them.

Our opinion on the financial statements does not cover such information, and, unless otherwise explicitly provided for in our report, we express no conclusion of assurance in relation thereto.

About the audit of the financial statements for the FY ended on 31 Dec. 2019, our responsibility is to study that other information and, by doing so, to estimate whether that information are significantly inconsistent with the financial statements or with the knowledge we acquired during the audit or if they seem to be materially misstated.

In what concerns the Management Report (which also included the non-financial statement), we have read and report whether the said Report has been prepared in all of its significant issues, in accordance with the information specified in Order N° 2844/2016 of the Minister of Public Finance (Annex 1, points 15-19 and 26-28)

Based exclusively on the activities to be conducted during the auditing of financial statements, in our opinion:

- a) The information presented in the Management Report for the financial year in respect of which the financial statements were prepared, is compliant, in all material aspects, with the financial statements;
- b) The Management Report has been prepared in all of its material aspects, in accordance with the requirements specified in Order N° 2844/2016 of the Minister of Public Finance (Annex 1, points 15-19 and 26-28).

in addition to that, based on our knowledge and understanding of the Company and its business environment, that we acquired while auditing the financial statements of the FY ended on 31 Dec. 2019, we were asked to report whether we have identified material misstatements in the Management Report. There is nothing to report on this particular matter.

Responsibilities of the management and persons in charge of governance for the financial statements

12. The management is responsible for preparing and presenting a true and fair view of the financial statements that should be compliant with Order No. 2844/2016 of the Minister of Public Finance, and is also responsible for the internal audit which the management considers necessary in order to enable the preparation of financial statements that should not contain any significant misstatements that could be caused by fraud or error.
13. In preparing the financial statements, the management is responsible for assessing the Company's ability to work as a going concern and, where needed, it shall present the issues related to business continuity and use the business continuity-based accounting, except where the management either intends to liquidate the Company or cease its business, or has no other realistic alternative but to do so.
14. Persons in charge of governance are responsible for the supervision of the Company's financial reporting process.

Responsibilities of the auditor when auditing financial statements

15. Our purposes are to (1) get reasonable reassurance about the extent to which the financial statements - upon the whole - are free of any material misstatements caused by either fraud or error, and (2) issue an auditor's report that includes our opinion. The reasonable assurance involves a high level of assurance, but is not a guarantee of the fact that an audit conducted according to IAS will always detect a material misstatement, if any. Such misstatements may be caused by fraud or error and are considered material if it can be expected reasonably that they will either individually or jointly influence the business decisions that user would make based on these financial statements.
16. When performing an IAS-compliant audit, we use professional reasoning and maintain the professional scepticism all along the audit procedure. Also:
 - We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures in response to such risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of failure to detect a material misstatements caused by fraud is higher than the risk of failure to detect a material misstatements caused by an error, since fraud may involve collusion, forgery, voluntary omissions, misrepresentation and avoidance of

internal audits.

- We do understand to run an internal audit which is relevant for the overall audit mission, in order to design audit procedure that are adequate to the circumstances, but without having the purpose to express an opinion about the efficacy or Company's internal control.
 - Assess the adequacy of accounting policies used and the reasonable nature of accounting estimates and related information provided by the management.
 - Present a conclusion on the adequacy of the management's usage of the going-concern basis of accounting 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 as a going concern. If we conclude that there is a material uncertainty, we need to draw the attention in the auditor's report upon the disclosures made in the financial statements or, if such disclosures are improper, to amend our opinion. Our conclusions are based on the audit evidence obtained by the time when the auditor wrote its report. However, further events or conditions may cause the Company to cease to continue as a going concern.
 - We evaluate the presentation, structure and general content of the financial statements, including the disclosures of information, and the extent to which the financial statements reflect the transactions and the underlying events in a way that generates a true and fair view.
17. Inform the persons in charge with the financial statement governance, among other issues, on the planned scope and timing of the audit, as well as on the main findings of the audit, including on significant deficiencies in internal control that we may identify during the audit.
18. We also provide to the persons in charge with governance with a statement of our compliance with the ethical independence requirements and disclose to them all relationships and other matters that could reasonably be considered to affect our independence and, where appropriate, we also present the related safeguards.
19. Of all the issues that we have communicated to the persons in charge of governance, we establish those issues that were the most relevant during the audit for the financial statements of the current period and, therefore, they are considered, key audit issues. We describe these issues in our audit report, except for the cases where the law or regulations prevents public presentation of the respective matters or the where, in extremely rare circumstances, we consider that a certain issue should not be disclosed

in our report because it is reasonably expected that - for the sake of the public interest - the negative consequences of such disclosure may be larger than the benefits.

Report on other legal provisions and regulations

20. We were assigned by signing the audit contract on 6 August 2018 to audit the financial statements of SNS SA for the financial year ended as at 31 December 2017, 2018 si 2019. The uninterrupted duration of our assignment becomes of 3 years, covering the financial year concluded as of 31 Dec. 2017, 31 Dec. 2018, and 31 Dec. 2019.

We hereby confirm that:

- Our audit opinion is compliant with the additional report that is presented to the Company's Audit Committee, which we issued on the same date when the report was released too. Also, during our audit, we kept our independence to the audited entity.
- We did not provide to the Company the forbidden non-audit services that are specified in Article 5, paragraph (1) of Regulation (EU) No. 537/2014.

On behalf of PKF Flnconta SRL

Str. Jean Louis Calderon, nr. 38, Sector 2, Bucharest

registered with the authority for Public Supervision of Statutory Audit Activities (ASPAAS) under No. FA32

Name of the financial audit partner: Florentina Susnea // *illegible signature*

registered with the authority for Public Supervision of Statutory Audit Activities (ASPAAS) under No. AF433

Bucharest, Romania

27 May 2020