SOCIETATEA NAȚIONALA A SĂRII S.A.
Individual financial statements audited

For the year ended on 31 December 2019
prepared as per Order No. 2844/2016 of the Minister of Public Finance on the enforcement of the Accounting Regulations compliant with the International Financial Reporting Standards adopted by the European Union.

The annual individual financial statements include:

- Statement of comprehensive income
- Statement of financial position
- Cash flow statement
- Statement of changes in equity
- Explanatory notes
- Accompanied by the report of the independent financial auditor

SOCIETATEA NAȚIONALA A SĂRII S.A.
Annual financial statements in accordance with IFRS for the year ended on 31 Dec. 2019
(All amounts are in RON, unless otherwise stated)

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

STATEMENT OF COMPREHENSIVE INCOME	**NOTE**	**31 Dec. 19**	**31-Dec-18**
Revenues from sales	18.1	380,719,883	407,153,672
Other operating revenues	21	63,881,488	20,094,396
Variation of inventories	18.2	20,865,158	8,994,381
Capitalised costs of tangible non-current assets		3747898	679,065
Raw materials and consumables	19	(48,876,981)	(48,868,358)
Staff costs	19	(127,001,190)	(109,005,384)
Depreciation and value adjustments	19	(16,971,912)	(26,163,041)
Research expenditures			-
Other operating expenses	22	(191,804,856)	(159,381,242)
Operating profit/(loss)		84,559,489	93,503,490
Net financial revenues / (costs)	23	2,545,172	2,191,895
Share in the profit of associates			
Pre-tax profit / (loss)		87104661	95,695,385
Taxes	14	(5,361,392)	(22,121,434)
Profit/(Loss)		81743269	73,573,952
Other elements of the comprehensive income			
Revaluation of tangible assets			-
Taxes related to other comprehensive income (deferred tax)	4.4	(4,787,481)	2,810,031
Total other comprehensive income		(4,787,481)	2,810,031
Total comprehensive income		76,955,788	76383983
Comprehensive income attributable to:			
Company owners (51%)		39247452	38,955,831
Minority interests (49%)		37708336	37,428,152
Earnings per share attributable to the ordinary shareholders of the Company:		76,955,788	76383983
Basic and diluted		18.80	18,66

STATEMENT OF FINANCIAL POSITION

ASSETS	NOTE	**31 Dec. 19**	**31 Dec. 18**
PROPERTY, PLANT AND EQUIPMENT			
Tangible assets	4.1	169,045,252	166,573,083
The rights to use the assets	4.1	1,170,766	
Intangible assets	4.2	1,814,398	1,425,874
Deferred taxes	4.4	7,003,065	11,282,121
Other financial assets	4.4	13,746,433	9,991,920
		192,779,914	189,272,998
CURRENT ASSETS			
Stocks	5	25,060,306	12,867,458
Trade receivables and similar debts	6	58,252,194	124,735,391
Other financial assets	8	16,204,153	262
Restricted cash	8	-	22,816,491
Cash and cash equivalents	8	204,730,111	195,548,588
		304,246,765	355,968,190
TOTAL ASSETS		**497,026,679**	**545,241,188**
DEBTS			
CURRENT LIABILITIES			
Trade payables and similar debts	11	54,633,940	54,367,868
Staff benefits <1 year	16	9,571,617	8,615,745
Concession debts <1 year	10.1	191,884	12,052
Corporate tax debts	14	-	9,632,268
Investment subsidies <1 year	13	339,532	339,720
Provisions - due within less than 1 year	15.1	16,863,023	69,722,316
		81,599,996	142,689,967
NET ASSETS/LIABILITIES		**222,646,769**	**213,278,222**
LONG-TERM PAYABLES			
Trade payables and other long-term debts	12	97,785	200,287
Staff-related debts > 1 year	12/16	10,616,723	9,115,370
Long-term loans	10.2	1,214,701	277,196
Investment subsidies > 1 year	13	3,848,422	4,176,753
Deferred taxes		-	
Long-term provisions	15.2	16,457,331	20,079,711
LONG-TERM PAYABLES		**32,234,962**	**33,849,317**
TOTAL DEBTS		**113,834,958**	**176,539,284**
NET ASSETS		**383,191,721**	**368,701,903**

STATEMENT OF FINANCIAL POSITION (continued)

	NOTE	31 Dec. 19	31 Dec. 18
Share capital and reserves			
Share capital	9	40,936,410	40,936,410
Elements considered equity	9	27,751,645	27,751,645
Amendment of actuarial conditions	9	(1,186,218)	30,181
Premiums related to floated shares			
Revaluation reserve	9	11,309,764	13,978,989
Other reserves	9	202,201,427	187,727,106
Retained earnings	9	25,222,906	21,893,589
Profit (loss) of the current FY	9	76,955,788	76383983
Distribution of the profit	9		-
TOTAL EQUITY		**383,191,721**	**368,701,903**

Cash flow statement

	31 Dec. 19	**31-Dec-18**
Cash flows from operating activities		
Earnings before tax	87104661	95,695,385
Adjustments for:		
Depreciation and asset value adjustments	18,493.845	43,259,806
Depreciation of the right to use assets	33,450	
Expenses for revaluation of assets		
Geological fund (establishment and use)	14,474,321	13,406,631
Reversal of deferred revenues	-	
Amortisation of investment subsidies	(328,519)	(324,498)
Movements from other provisions - net	(47,992,527)	8,120,790
Changes in the value of actuarial calculations - employee benefits	(1,216,399)	(342,225)
Decrease / (increase) in other provisions		3,789,963
Changes in the retained earnings		(4,665,411)
Other financial revenues	(3,076,142)	(2,567,844)
Financial costs	530,970	375,948
Profit before the change in working capital	68,009,325	152,958,584
Decrease / (increase) in receivables	71,952,674	(73,221,421)
Decrease / (increase) in inventories	(12,299,530)	2,388,019
Decrease / (increase) in liabilities	(5,208,259)	(2,746,937)
Cash from operating activities	122,454,209	79,378,425
Financial costs paid		
Corporate tax paid	(22,420,174)	(18,727,155)
Net cash from operating activities	100009757	60,651,090
Flows associated to investment		
Purchased tangible assets	(40,961,865)	(13,655,705)
Proceeds collected on sold assets	14,336	
Financial revenues	3,076,142	2,567,844
Payments - financial expenses	(530,970)	
Net flows from investment activities	(38,402,357)	(11,473,810)
Flows from financing activities		
Long-term liability variation, including rights to use assets	1,117,337	(12,052)
Interest paid		(4)
Dividends paid	(76,383,983)	(86,403,177)
Net flows from financing activities	(75,266,646)	(86,415,229)
Net increase / (decrease) in cash	(13,634,968)	(37,237,949)
Cash and cash equivalents at the beginning of the period	218,365,079	255,603,028
Cash and cash equivalents at the end of the period	204,730,111	218,365,079

STATEMENT OF CHANGES IN EQUITY

	Subscribed capital	Capital adjustment	Revaluation reserve	Reserves	Undistributed result	First-time application of IFRS	First-time application of IAS 29	TOTAL
01 Jan. 18	40,936,410	28,124,051	17,889,801	170,409,663	42,642,316	88,740,683	(27,751,645)	360,991,281
Changes in actuarial calculation conditions		(342,225)						(342,225)
Current comprehensive income					76,383,982			76,383,982
Revaluation of buildings and special constructions								
Deferred tax related to revaluation			744,917					744,917
Total comprehensive income		(342,225)	744,917		76,383,982	-	-	76,786,674
Legal reserve allocations	-					-	-	
Other reserve allocations - geological fund				17,317,443				17,317,443
Reserve allocations for distribution of dividends								
Changes in the								

revaluation reserve								
Distributed dividends					(86,403,177)			(86,403,177)
Retained earnings resulted from the depreciation of the revaluation surplus			(4,847,416)		4,847,416			
Other adjustments			191,687		(182,004)			9,683
31 Dec. 2018	**40,936,410**	**27,781,826**	**13,978,989**	**187,727,106**	**37,288,533**	**88,740,683**	**(27,751,645)**	**368,701,903**

	Subscribed capital	Capital adjustment	Revaluation reserve	Reserves	Undistributed result	First-time application of SFRS	First-time application of IAS 29	TOTAL
01 Jan. 2019	**40,936,410**	**27,781,826**	**13,978,989**	**187,727,106**	**37,288,533**	**88,740,683**	**(27,751,645)**	**368,701,903**
Changes in actuarial calculation conditions		(1,216,399)						(1,216,399)
Current comprehensive income					76,955,788			76,955,788
Revaluation of buildings and special constructions								
Deferred tax related to revaluation			508,424					508,424
Total comprehensive income	-	(1,216,399)	508,424	-	76,955,788	-	-	76,247,813
Legal reserve allocations								-
Other reserve allocations - geological fund				14,474,321				14,474,321
Reserve allocations for distribution of dividends								
Changes in the revaluation reserve								
Distributed dividends					(76,383,983)			(76,383,983)
Retained earnings			(3,177,649)		3,177,649			

resulted from the depreciation of the revaluation surplus								
Other adjustments					151,668			151,665
31 Dec. 2019	**40,936,410**	**26,565,427**	**11,309,764**	**202,201,427**	**41,189,655**	**88,740,683**	**(27,751,645)**	**383,191,721**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2019

(All amounts are in RON, unless otherwise stated)

THE EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS:

Note 1 - GENERAL INFORMATION

Societatea Națională a Sării S.A. was established in 1997 by Government Decision No. 767/1997 following the reorganisation of the former Regia Autonomă a Sării as a joint-stock company, pursuant to Law 31/1990; the Company is a Romanian legal entity and is registered with the Trade Register under no. J40/4607/2010.

The Company operates from its headquarters in Bucharest, 220, Calea Victoriei, District 1, and its place of business - administrative headquarters located at 76, Splaiul Unirii, Building A, 5th floor, District 4, Bucharest.

Owners and shareholders:

- The Romanian State, represented by the Ministry of Economy, Energy and Business Environment (MEEBE), through the Office of State Ownership and Privatisation in Industry: 51% of the share capital as at 31 December 2019;

- SC Fondul Proprietatea SA: 49% of the share capital as at 31 December 2019

The Company operates seven branches that do not have a legal personality, established at the locations where salt and other non-metallic products are exploited, as follows:

- - Rm. Vâlcea Mining Facility (Vâlcea County), Slănic Prahova Salt Mine, Prahova County, Ocna Dej Salt Mine, Cluj County, Ocna Mureș Salt Mine, Alba County, Târgu Ocna Salt Mine, Bacău County, Praid Salt Mine, Harghita County and Cacica Salt Mine, Suceava County.

These facilities are listed in the annex to the Company's Articles of Incorporation.

The main activity of the Company (according to the NACE code - exploitation of mineral resources) consists of the exploitation of salt and other non-metallic products from the perimeters for which the Company holds exploitation licenses, and in the processing of such products to be traded in the domestic and international markets. The secondary activity consists of tourist and leisure services for individuals, metal works, cavernometry services, etc.

As at 31.12.2019, the Company is the sole producer of salt nationally, and is classified as a "company of strategic interest" by Law No. 99/1999 on some measures to accelerate economic reform.

The operating activities of the Company are subject to regulations specific to the extractive industry branches, issued by the relevant authority - the National Agency for Mineral

Resources (ANRM) on:

- Exploitation method, technology and environmental protection;
- Annual salt production;
- Opening of new exploitation/exploration perimeters;
- Mining royalty

The Company, as a holder of 14 licenses for the concession and exploitation of salt resources and of other non-metallic products, is subject to specific regulations, issued by the National Agency for Mineral Resources ("ANRM" in Romanian). The licenses are issued individually for each perimeter, and have individual validity periods, covering the period of 1999-2024, and may be further extended.

The licenses are concluded with the National Agency for Mineral Resources pursuant to the Mining Law no. 85/2003 as further amended and supplemented and the object of the licenses is the concession of the exploitation right for rock salt and industrial and constructions limestone deposits. The cover, in general, 20 years, with the right of extension for successive periods of 5 (five) years each pursuant to the provisions of Art. 20 of Mining Law No. 85/2003.

According to the licenses, the Company pays the mining royalty starting with June 15, 1998 (the date of entry into force of the Mining Law no. 61/1998) pursuant to the provisions of Art. 39 of the Rules on the enforcement of the Mining Law (*Normele pentru aplicarea legii minelor - in Romanian*), as approved by Government Decision No. 639/25.09.1998.

In 2019, the Company established and paid the mining royalty set at EUR 1/ton of crude rock salt extracted from the underground deposit, i.e. 0.4375 EURO/t of unprocessed calcareous rock extracted from the quarries, after signing a number of addenda to the exploitation licences concluded with ANRM, to increase the mining royalty, in July 2017.

Thus, according to the original licenses, the Company became a mining company again starting with June 15, 1998 (the date when Mining Law no. 61/1998 became enforceable) pursuant to the provisions of Art. 39 of the Rules on the enforcement of the Mining Law, as approved by Government Decision 639/25.09.1998, for a share of 2% of the value of the annual mining production, and the mining Product for which royalties should be paid was defined under each license.

After the exploitation licenses for the mining production were signed, more specifically over 2010-2013, the Romanian State, upon the initiative of ANRM, amended the Mining Law through Government Decisions to establish new mining royalties. For 1 licence out of 13, which was extended in 2016, the Company calculated and has paid since then royalties of EUR 1.0/ton.

In 2019, *Societatea Naţionala a Sării - SA* extended the licences for the following perimeters: Slănic, Ocnele Mari (Rm. Vâlcea), Ocna Mureș, Războieni, Praid, Dej, Cacica and Gura Slănic (Tg. Ocna) for a 5-year period, pursuant to the provisions of Art. 20 in Mining Law No. 85/2003.

As a 51% state-owned company, the Company is subject to all regulations specific to companies wholly or mainly owned by the Romanian State.

The Ministry of Energy, Economy and the Business Environment (MEEMA) is represented in the General Meeting of the Shareholders by persons mandated by Order of the Minister, issued for each meeting.

The representative of Fondul Proprietatea is appointed for each meeting, by means of special power of attorney.

The strategic management activities are carried out by the General Meeting of Shareholders and by the Board of Directors, and the executive, while operating tasks are carried out by the General Manager.

Organisation of management activities

Starting from July 2016, the Company has implemented the provisions of Government Emergency Ordinance No. 109/2011 on the corporate governance of public enterprises, and has been managed by a 5-member Board of Directors which delegated management responsibilities to a General Manager, selected based on specific professionalism and integrity criteria.

The corporate governance policy is based on a four-year Company development strategy and on the payment of management staffers and administrators with fixed and variable components, the latter being influenced by their achievement of the performance indicators approved by GMS Decision and Order issued by the Ministry for Economy, Trade and Relations with Business Environment at the end of 2016.

The General Manager undertakes all actions and takes all necessary and relevant steps in order to carry out the Company activities, except for those tasks which fall under the remit of the General Meeting of Shareholders or of the Board of Directors, according to the Company's Articles of Incorporation.

The Board of Directors is the structure that exercises permanent control over the Management of the Company and its members convene at least once a month. The activity of the Board of Directors is regulated by the Romanian legislation and is governed by the provisions of Chapter V of the Articles of Incorporation of the Company.

Legal basis

As a 51% state-owned company, the Company is subject to the economic common legislative framework and, additionally, to all regulations specific to companies wholly or mainly owned by the Romanian State.

Consequently, the Company has the obligation to organise and conduct preventive internal financial controls, pursuant to Order No. 923/2014 of the Minister of Finance on the enforcement of Government Ordinance 119/1999, as republished, *"on the internal/management control and on the preventive financial control", to perform operational and financial planning pursuant to Law 339/2016, the Budget Law, and to Ordinance 26/2013* *on strengthening financial discipline Ordinance within companies where the state or administrative-territorial units are majority or sole shareholders.*

The income and expenditures budget is approved annually by the GMS but also by Government Decision, and its execution is reported quarterly to the Ministry of Economy, Energy and Business Environment (MEEBE) and to the Ministry of Public Finance (MPF).

The Ministry of Public Finance monitors the compliance with the collection and payment deadlines based on the quarterly report on the "outstanding receivables" and "outstanding debts" indicators, and their maximum level is also included in the Company's Income and expenditures budget.

The Company drafts a set of Individual Financial Statements annually, which means that these statements belong to the company without being consolidated with affiliated entities. The Company does not hold shares in the share capital of other companies.

Pursuant to Government Decision No. 765/1994 *"establishing the necessary expenditure quotas for the realisation, development and modernisation of production in the mining, crude oil and natural gas extraction sector"* the Company has the obligation to set up a *Fund for the development and modernisation of production* representing 6% of the mining production that was sold.

In its capacity as license holder for the exploitation of mineral resources, the Company pays quarterly the mining royalty calculated according to the quantity of mining product and the mining royalty quota established per mining product unit, pursuant to licenses or Government Decisions.

For the perimeters under exploitation, the Company pays annually a tax on the exploitation activity established by Government Decision, expressed in RON/km^2.

Note 2 – IMPLEMENTATION OF NEW AND UPDATED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

2.1. First-time adoption of new or revised standards

The accounting policies used are consistent with those applied to the previous financial year, except for certain amended IFRSs, which were adopted by the Company as of January 1, 2018. The Company adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers (including clarifications) for the first time as of January 1, 2018. We describe below the impact of these standards.

a) IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments" reflect all project stages in relation to financial instruments and replace IAS 39 Financial Instruments: Recognition and Measurement and all prior IFRS 9 versions.

IFRS 9 brings significant changes to the recognition and measurement of financial assets, which are based on the business model and the contractual cash flow characteristics, and implements a new adjustment for impairment model based on based on the assumption of providing for expected credit losses. Additionally, changes were made on how hedging tools were posted in the books to better reflect the effect of the risk management activities adopted by an entity to manage exposures.

IFRS 9 presents three main categories of financial assets:

a) measured at amortised cost,

b) measured at fair value through other comprehensive income, and

c) measured at fair value through the profit or loss account.

The categories are determined according to the following two criteria: the Company's business model used in the asset management process and the analysis of the contractual cash flows of the instruments to determine whether they are solely payments of principal and interest on the principal amount outstanding.

As explained in the notes below, there are no significant differences between the initial valuations in accordance with IAS 39 "Financial Instruments" and the new valuation methods in accordance with IFRS 9 "Financial Instruments" for the financial asset classes that the Company would hold on January 1, 2018.

In accordance with IAS 39, all trade receivables were posted at amortised cost minus the adjustment impairment. Following the application of IFRS 9, trade receivables which qualify for factoring are measured according to their fair value and the differences are posted in the profit or loss account (PLS) since they are held in accordance with a business model in order to be sold. Moreover, trade receivables resulting from contracts providing for an invoicing system based on estimated prices are also measured at fair value through the profit or loss account (PLS) due to the fact that contractual cash flows are not just repayments of principal and interest on the principal amount outstanding in the balance. There was no impact on the retained earnings of the Company following the IFRS 9 classification.

There is no impact on the recognition and measurement of the financial liabilities of the Company, due to the fact that the new requirements target solely the financial liabilities designated as at fair value through profit or loss. The company does not have such liabilities.

The new impairment model provides that loss impairment adjustments are recognised according to the expected credit losses and not according to the model of actual credit losses, as required by IAS 39. In accordance with IFRS 9, the Company recognises the adjustments for impairment for expected losses for instruments that are not posted at fair value through in the profit and loss account and for contractual assets deriving from the contracts with customers. In general, the application of the expected credit loss model entails the earlier recording of credit losses for the relevant items. Impairment losses are calculated on the basis of a three-step model using credit default swaps, the internal or external ratings of counterparties and the related probability of default. For some financial instruments, such as trade receivables, the depreciation-related losses are estimated using a simplified approach, posting expected credit losses over their entire useful life.

In accordance with IFRS 9, multiple hedging instruments and multiple hedged risks will generally meet the conditions necessary to applying the hedge accounting. As at December 31, 2019, the Company did not have hedging instruments for which to apply hedge accounting; consequently, there is no impact on the financial statements following the implementation of IFRS 9 on hedge accounting.

b) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 has replaced the previous IFRS revenue recognition requirements and applies to all revenue generated from contracts with customers. In accordance with the new standard, revenues are recognised so as to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is posted when or as the customer gains control over the goods or services.

The company adopted the new IFRS reporting model starting with January 1, 2018.

According to the new standard, the assessment will take into account whether the Company controls the goods or services before the transfer to the customer, rather than whether it is exposed to significant risks and benefits related to the selling of goods or services.

The first-time application of IFRS 15 has no impact on the Company’s retained earnings as at January 1, 2018.

c) IFRS 16 “Leases”

This standard replaced IAS 17 ”Leases” and sets out new requirements for lease accounting. The standard came into force for annual periods beginning on or after 1 January 2019. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases by the two parties to the contract, more specifically the (“lessee”) and the supplier (“lessor”).

in accounting books of the lessee, according to IFRS 16, there is only one model guiding the way in which leases should be posted, thus eliminating the operating or financial leasing classifications specified in IAS 17. By applying this model, the lessee recognises assets and liabilities for most leases, and in the statement of revenue and expenditure, the lessee recognises the depreciation of leased assets, separate from interest on lease liabilities. The accounting of the lessors, according to IFRS 16, is unchanged in terms of substance, compared to the current requirements of IAS 17. The lessor shall continue to use the classification principles in IAS 17 and shall classify each lease as an operating lease or a finance lease. In accordance with IFRS 16, both lessees and lessors must disclose more information than that those disclosed in accordance with IAS 17 in the notes to the financial statements.

The most important impact is that the Company recognises, as of January 1, 2019, new assets and liabilities for its operating leases, unless an exemption from IFRS 16 applies. Certain commitments on short-term leases and low-value assets are posted as exceptions. There is no significant impact on the existing financial leases, in fact we refer to the concession contract in Ocnele Mari - Rm Vâlcea MF Branch Vâlcea.

The Company has applied IFRS 16 as of January 1, 2019, using the modified retrospective approach for transition, without restating the comparative values for the previous period presented. Instead, the Company recognises the cumulative effect of applying the new standard as an adjustment to the initial balance of the retained earnings at the first-time application date. Right-of-use assets related to previous operating leases were measured at the first-time application date according to the amount of the lease liability, adjusted by advance or estimated payments. In accordance with the provisions of the Standard, only fixed lease payments are accounted for on the basis of the leasing model provided by IFRS 16, the variable payments that depend on the inflation index are recognised in profit or loss in the period in which the event or condition that triggers payment occurs. For each new lease, the Company recognises a new asset and a new liability in the financial position. The company used a single discount rate, more specifically 5.19%.

2.2. Other new or revised standards and interpretations, but not yet mandatory

Additionally, the following standards, interpretations and amendments were issued and are not expected to have a significant impact on the financial statements of the Company:

IFRS 9: Prepayment Features with Negative Compensation (Amendment)

The amendment allows that financial assets having pre-payment features that allow or require a party to a contract to either pay or receive a reasonable compensation for early termination of the contract (so that, from an asset holder's perspective, there may be a "negative compensation") to be measured at amortised cost or fair value through other comprehensive income. The company does not hold any financial in the form of advance payments.

- IFRIC INTERPRETATION 23: Uncertainty over corporate tax treatments. The interpretation addresses income tax accounting if the tax treatments involve a certain amount of uncertainty that affects the application of IAS 12. The interpretation provides guidance to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together, audits done by tax authorities, the appropriate method to reflect the uncertainty and accounting for changes in facts and circumstances. The company assessed these aspects and they do not pose a significant impact on its financial position or financial performance.

- IAS 19: Plan amendment, curtailment or settlement (Amendments). The amendments require entities to use updated actuarial assumptions to determine the current service cost and net interest for annual reporting period that remains after a plan amendment, curtailment or settlement took place. The amendments also clarify how the accounting of an amendment, curtailment or settlement plan affects the application of the asset ceiling requirements...

- Conceptual Framework in the IFRS IASB standards issued the revised Conceptual Framework for Financial Reporting on March 29, 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, setting standards, guidance for those who prepare financial statements in the development of consistent accounting policies and assists users in understanding and interpreting standards. The IASB also issued a separate attached document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to the affected standards in order to update the references to the revised Conceptual Framework. The purpose of the document is to support the transition to the revised Conceptual Framework for entities which develop accounting policies using the Conceptual Framework when no IFRS standard applies to a particular transaction. For those who prepare financial statements and develop accounting policies based on the Conceptual Framework, the document enters into force for annual periods beginning on or after 1 January 2020. These amendments have not yet been adopted by the EU.

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of "Material" (Amendments). Amendments are in effect for annual periods beginning on or after January 1, 2020, and early application is permitted. The amendments clarify the definition of the term "material" and how it should be applied. The new definition states that "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". Also, the explanations that accompany the definition were improved. The amendments also ensure that the definition of the term "material" is consistent across all IFRSs. These amendments have not yet been adopted by the EU. The company is in the process of assessing the impact of the adoption of these amendments on the financial statements and does not expect such impact to be significant.

IASB issued the Annual Improvements to IFRS Standards for the 2015–2017 Cycle, which is a collection of IFRS amendments. The amendments are effective for annual periods beginning on or after 1 January 2019, and early application is permitted. These annual improvements have not yet been adopted by the EU. The company assessed that the application of these improvements will not have any significant impact on its financial position or financial performance.

- IAS 12 Income Tax: The amendments clarify that the effects on income tax of payments on financial instruments classified as equity are to be recognised in the same way as past transactions or events that have generated distributable profit were recognised.

- IAS 23 Borrowing Costs: The amendment clarifies paragraph 14 of the standard according to which whenever a qualifying asset is available for its intended use or sale and some of the specific loans for that qualifying asset remain outstanding at that time, that particular loan should be included in the funds that an entity lends, in general.

New standards and amendments to existing standards issued by the IASB, but not yet adopted by the EU

At present, IFRSs, as adopted by the EU, do not differ significantly from the regulations adopted by the IASB, except for the following new standards and amendments to existing standards, which were not adopted in the EU:

- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016) - The European Commission decided not to launch the process of adopting this interim standard and to wait for the final standard;

- IFRS 17 “Insurance Contracts” (in force for periods beginning on or after 1 January 2021);

- Amendments to IFRS 3 “Business Combinations” - definition of a business (effective for business combinations for which the procurement date takes place on or after the beginning of the first annual reporting period beginning on or after 1 January 2020, and for the procurement of assets that takes place on or after the start date of that period);

- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and subsequent amendments (effective date deferred indefinitely the research project devoted to the equity method is completed);

- Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” - Definition of Material (in force for periods beginning on or after 1 January 2020);

The Company anticipates that the adoption of these new standards and amendments to existing standards will not have any material impact on the financial statements of the Company during their first-time application.

Hedge accounting for a portfolio of financial assets and liabilities whose principals have not been adopted by the EU remains unregulated.

Note 3 – BASIS OF PREPARATION AND ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Declaration of conformity

These financial statements were prepared pursuant to the Order no. 2844/2016 of the Minister of Public Finance on the enforcement of the Accounting Regulations compliant with the International Financial Reporting Standards adopted by the European Union, as further amended and supplemented.

International Accounting Standards and Interpretations (collectively referred to as “IFRSs”) issued by the International Accounting Standards Board (“IASB”) as adopted by the European Union (“Adopted IFRSs”)

The financial statements were prepared in accordance with the International Financial Reporting Standards adopted by the European Union (“IFRS”). The Company prepared these separate financial statements in order to meet the requirements of *Order no. 2844/2016 of the Ministry of Public Finance to approve the IFRS-compliant Accounting Regulations.*

Basis of valuation

The financial statements are based on the going concern principle.

They are recorded at historical cost, except for tangible assets minus tangible assets in progress, which are measured using the revaluation method, and except for embedded derivatives which are measured at fair value through the profit and loss account. The accounting policies applied were consistent with those of the previous year.

The individual financial statements are prepared on the basis of the historical/amortised cost agreement except for the tangible assets disclosed at revalued cost using the fair value as a deemed cost.

The economic environment in which the company operated was considered hyperinflationary until 31 December 2003. In the context of the IFRS adoption, applying the provisions of IAS 29 - "Financial Reporting in Hyperinflationary Economies" should be applied to fixed assets. It provides for the use of the inflated cost for fixed assets in the balance (not impaired as of December 31, 2014) which had been commissioned before 31 December 2003.

At the same time, Financial Reporting Standard 1 (IFRS 1), First-time Adoption of International Financial Reporting Standards, establishes in Appendix D "Exemptions from other IFRS standards" that an entity can elect to restate the balances of fixed assets at transition date by valuation at fair value or at deemed cost (paragraph 05).

Further on, Appendix D "Exemptions from other IFRS standards" - paragraph 6 explains the exemptions regarding the manner and time of determining the deemed cost adopted; this may be

Fair value before or at the date of the transaction, respectively

a fair value determined prior to the transaction date and adjusted before the transaction date against the effects of depreciation and other value adjustments, as appropriate, including, if necessary, changes in general or specific price indices.

The items disclosed at fair value, respectively the assets and financial liabilities at fair value through the Profit or Loss and the available-for-sale financial assets, except those for which the fair value cannot be reliably established.

Functional and presentation currency

The functional currency, as defined by IAS 21 "The Effects of Changes in Foreign Exchange Rates" is the Romanian leu (RON). The individual financial statements are presented in RON.

Transactions carried out by the Company in a currency other than the functional currency are recorded at the exchange rates in force on the date on which transactions take place.

The transactions performed by the Company in a foreign currency are posted in the books in both the national currency and the foreign currency.

Monetary assets and liabilities denominated in foreign currencies are translated into RON at the exchange rates in effect on the reporting date.

Significant accounting judgments and estimates

As a result of the uncertainties inherent in the business activities, many items in financial statements cannot be measured with precision but can only be estimated Estimation involves judgements based on the latest available reliable information.

The use of reasonable estimates is an essential part of the preparation of financial statements.

An estimate may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information or more experience. By its nature, revising an estimate does not relate to prior periods and is not the correction of an error. The effect, if any, on future periods is recognised as income or expense in those future periods.

The company makes certain estimates and assumptions about the future. Estimates and judgments are continuously assessed on the basis of historical experience and of other factors, including forecasts of future events considered reasonable under existing circumstances. In the future, the actual experience may differ from these estimates and assumptions.

Further to the analysis of the application of IFRIC 12, the Company considered whether the following characteristics of the concession licenses for the exploitation of mineral resources (salt and limestone) are applicable to the concession contracts concluded with the Ministry of Economy, Energy and Business Environment (MEEBE) by ANRM, on the date when IFRIC 12 should be adopted:

- The grantor controls or regulates what services the operator must provide;
- The grantor controls - through its ownership interest, beneficial entitlement or otherwise — any significant residual interest in the infrastructure at the end of the term of the arrangement;
- The contract would include the same provisions if the agreement had been concluded with a private company.

The Company concluded that the application of IFRIC 12 for the accounting of concession licenses will not reflect the economic substance of the transaction, as the Company bears a fee in the form of a mining royalty for the exploitation of mineral resources mentioned in the concession licenses, from the revenues generated from the selling of such mineral resources.

The royalty is significantly lower than the depreciation the Company would have recorded for the assets held for the purpose of exploiting the mineral resources, if the concession licenses had not been signed.

Consequently, IFRIC 12 is not applicable. The company did not recognise the assets related to the concession licenses in the Individual Statement of Financial Position, but recognises the annual royalty payable to the government, for the contract lifecycle.

We provide below examples of valuation, estimation, assumptions applied by the company:

a) Valuation of investments in land and buildings owned

The Company obtains valuations performed by external surveyors to determine the fair value of its real estate investments and of the buildings owned by the Company. These valuations rely on assumptions that include future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate. Surveyors also use market information about the prices of transactions for similar properties.

b) Allowances for doubtful debts

The valuation of the impairment on receivables from customers is performed individually and is based on management's best estimate of the present value of the cash flows expected to be received. To estimate these flows, the management makes certain estimates regarding the financial situation of the partners. Each receivable is analysed individually.

c) Court proceedings

The Company reviews pending cases by following the developments of court proceedings and the state of affairs on each reporting date to assess the provisions and disclosures in its financial statements. Among the factors taken into account when making decisions on provisions, we should mention the nature of the litigation or claims, the potential level of damages in the jurisdiction where the litigation is being tried, the progress in the case (including progress after the date of the financial statements but before those statements are issued), opinions or viewpoints of legal advisers, experience in similar cases and any decision of the Company management regarding the response to the litigation, complaint or valuation.

d) Accounting estimates of expenditures

There are objective circumstances when the exact values of some expenses incurred by the Company are not known until the end date of certain fiscal periods or until fiscal year-end. Preliminary estimates of expenditures will be made for this category of expenses, which will be corrected in subsequent periods when the cash outflows will also occur. The estimates of expenditures, for each category of expenses, will be made by professionals who are experienced in the type of activity that generated that expense.

Provisions and contingent liabilities

The management makes estimates and uses professional judgment when measuring and posting provisions, when determining the exposure to contingent liabilities resulting from litigations in which the Company is involved or from other disputes that are subject to negotiation, arbitration or regulations. Professional judgment is used to determine the likelihood that a certain litigation will be lost and a debt will arise and to quantify the value of this debt. Due to the uncertainty involved in this valuation process, current liabilities may differ from the initially estimated provisions. Additionally, production facilities fall under the scope of different laws and regulations on environmental protection. The provisions are established for the potential obligations resulting from the compliance with the legal provisions regarding the obligations of the Company to restore the site - which is the object of the exploitation licenses.

Going concern

The Company will continue to operate by carrying out the activities for which it is authorised to operate, without going into liquidation or reducing business significantly. We should mention here that in 2019 there was a decrease in activity at the Rm Vâlcea MF Branch - Bistrița Quarry as a result of the termination of the contract by CIECH SODA ROMANIA, starting with September 19, 2019. This situation is independent of *Societatea Naționala a Sării SA*; actions have been taken to reduce the impact of this situation and we may maintain with the support of financial information available that the Company will continue its activity in the forthcoming period.

3.2 ACCOUNTING POLICIES

(a) Tangible assets

(i) Recognition and measurement

Property, plant and equipment are disclosed at their revalued amount less accumulated depreciation and impairment losses, except for the tangible assets in progress, which are carried at cost less impairment losses. The accounting records of the Company enable the identification of the historical values of the property, plant and equipment starting with 01.01.2003. Consequently, the cost of land and improvements of land purchased before 2003 was determined by restating the historical cost, assessed according to the revaluation report as at 31 December 2003.

The land, buildings and special constructions, technological equipment, means of transport held by the Company as at 31 December 2019 are carried at fair value in the statement of financial position, minus depreciation and impairment.

Property, plant and equipment were revaluated by independent valuators, members of the National Association of Romanian Valuers (ANEVAR), as follows:

as at 31.12.2017, buildings and special constructions (we mention that the first revaluation at fair value registered according to IFRS was conducted on 31.12.2015),

as at 31.12.2016, land, equipment, means of transport, furniture and office equipment;

The fair value of the property, plant and equipment, except for tangible assets in progress, estimated in accordance with IAS 16 “Property, plant and equipment”; in cases where, due to the specialization of assets, insufficient market information and/or the existence of an inactive market has been established, a value different from the market value (net replacement/reproduction cost).

Property, plant and equipment are initially measured at cost.

The cost of assets built by the Company includes the following:

- the cost of materials and direct labour costs,
- other costs directly attributable to bringing the assets to the stage required for their intended use,
- the costs of dismantling, moving and restoring the site in which they were located, when the company has the obligation to move the asset and restore the land,
- the capitalised borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are considered separate parts.

A provision for unused or used property, plant and equipment is recorded in the financial statements to the extent that these items are identified.

Borrowing costs directly attributable to refurbishment and acquisition of installations and other major construction are capitalised in the cost of property, plant and equipment in progress in accordance with IAS 23 "Borrowing Costs".

Gains or losses on disposal of a fixed asset (difference between the proceeds and the net book value of property, plant and equipment) are recognised in profit and loss. When the revalued fixed assets are sold, the amounts included in the revaluation surplus are transferred to retained earnings.

The land received free of charge from state authorities for which the Company held Property Titles at the time of establishment was registered in the initial share capital. Subsequently, the Company increased the share capital by the value of the land for which the Ministry of Industry and Trade certified the ownership right and by the related revaluation differences (1999 and 2000); a similar procedure will be applied, as this right is acquired for the rest of the land.

(ii) Subsequent maintenance costs

Expenses for the repair and maintenance of fixed assets, made to restore or maintain the value of these assets, are recognised in the Profit & Loss Account at the date when they are made, while expenses incurred to improve technical performance are capitalised and amortised over the remaining depreciation period of that fixed asset.

Subsequent costs are included in the book value of the asset or recognised as a separate asset, as the case may be, only when it is likely that future economic benefits associated with the item will enter the Company and the cost of the asset can be measured reliably. The book value of the replaced part is derecognised. All other repair and maintenance works are recorded in the profit and loss statement during the period in which such works are performed.

All other maintenance costs are recognised in the profit and loss statement as they arise.

(iii) Amortization

Tangible assets are depreciated using the straight-line method over their useful lives; for quarries and wells the depreciation is calculated depending on the reserve.

Economic useful lives are adapted to the best international practices, but take into account the physical and moral wear and tear of the assets and have been applied starting with 2016.

Lifecycles used for property, plant and equipment is as follows:

Category	**Lifecycles (years)**
Industrial buildings	10-60
Administrative buildings	40 - 50
Wells	8 - 36
Technological machinery and equipment	2 - 34
Furniture	4 - 15
Office automation.	4- 5

Land and tangible assets in progress are not depreciated. Tangible assets in progress are depreciated starting with the moment of commissioning.

Lifecycles, residual values and the method of depreciation are reviewed regularly to ensure their consistency with the estimated period in which the economic benefits of using the assets will result.

Thus, in 2017, as reflected by the Revaluation Reports on the fixed assets group 1, the valuators also established the remaining lifetimes of the revalued fixed assets.

(iv) **Impairment of non-financial assets**

The book values of the Company's non-financial assets, other than inventories and deferred tax liabilities, are reviewed at each reporting date to determine whether there is any evidence of impairment. An impairment loss is recognised if the book value of an asset or of a cash-generating unit exceeds its estimated recoverable amount.

The recoverable amount of an asset or of a cash-generating unit is the greater of an asset's fair value less costs to sell, or its value in use. When determining the value in use, expected future cash flows are discounted to determine the present value, using a pre-tax discount rate that reflects current market valuations of the time value of money and the specific risks of the asset. To test for impairment, those assets that cannot be individually tested are grouped into the smallest group of assets that generate cash inflows from continued use and that are largely independent of cash inflows of other assets or groups of assets ("cash generating unit").

Impairment losses are posted in the Profit & Loss Account unless the asset to which they refer was revalued, and under such circumstance the impairment loss is treated as a decrease in the revaluation reserve.

For all fixed assets, impairment losses recognised in prior periods are measured at each reporting date to determine whether there is evidence that an impairment loss may have decreased or no longer exist. An impairment loss is reversed if there have been changes in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the book value of the asset does not exceed the book value that could have been determined, net of depreciation, if no impairment had been recognised.

(v) **Revaluation**

Property, plant and equipment are disclosed at their revalued amount, except for advances and property, plant and equipment in progress that are carried at historical cost.

Revaluations are carried out by independent surveyors, usually every 3 years. However, if the market of those assets changes so as to generate a decrease in their market value, the company will revalue the assets at sufficiently relevant intervals so that their book value does not differ materially from the value that can be determined based on fair value at the reporting date

(b) **Public assets - SN Sării SA does not hold assets in the form of public assets.**

(c) **INTANGIBLE ASSETS**

Intangible assets acquired by the Company are disclosed at cost less accumulated amortisation and the provision for impairment of intangible assets. Amortisation is recognised in Profit & Loss Account on a straight-line basis over the estimated useful lives of intangible assets. Most of the intangible assets registered by the Company are represented by dedicated software. They are amortised on a straight-line basis over a period of 3-5 years.

(d) **Currency transactions**

Foreign currency transactions are expressed in RON by applying the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of the year are expressed in RON at the exchange rate on that date. Foreign exchange gains and losses, realised or unrealised, are recorded in the profit and loss statement for the respective year.

Forex rates as of December 31, 2019 and 2018 are as follows:

Currency	31 December 2019	31 December 2018
EUR	4.7793	4.6639
USD	4.2608	4,0736

Non-monetary assets and liabilities denominated in a foreign currency that are measured at fair value are translated to the functional currency (at the exchange rate at the date on which the fair value was determined. Non-monetary items that are measured at historical cost in foreign currency are converted using the exchange rate at the date of the transaction.

(e) **Accounts receivable and similar accounts**

Accounts receivable and similar accounts include invoices issued at the invoiced face value, less impairments (deliveries, benefits and advance payments collected).

(f) **Stocks**

Stocks are reported at the lower of cost and net realizable value.

Stocks are recorded at cost, based on the FIFO valuation method. Stocks are made of finished products, goods, consumables, spare parts and other materials, consisting mainly of materials for maintenance and repair. Major spare parts that meet the definition of property, plant and equipment are classified as property, plant and equipment. The cost of inventories includes all costs of production, procurement and other costs incurred in bringing inventories to the present location and situation.

The net realizable value is the estimated selling price minus the estimated cost of sale.

If the Company deems it necessary, value adjustments are made for physically and/or morally impaired stocks.

(g) **Bank deposits, Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and bank deposits with an original maturity of three months or less which are subject to an insignificant risk of changes in fair value. Cash in foreign currency is revalued at the exchange rate at the end of the period.

Bank deposits refer to those bank deposits with an original term of longer than three months.

(h) **Share capital**

Ordinary shares are classified as part of equity. The company recognises the changes in the registered capital under the conditions provided by the legislation in force and only after their approval by the General Meeting of Shareholders and registration with the Trade Register.

Advance Share Capital Contributions

The Company does not have advance share capital contributions.

(i) **Revaluation reserves**

Property, plant and equipment, except for the tangible assets in progress, are posted in the statement of financial position according to their revalued amount, less accumulated depreciation and impairment losses. Revaluations are carried out with sufficient regularity to ensure that the book value does not differ materially from its fair value at the balance sheet date.

If the book value of an asset is increased as a result of a revaluation, that increase is recognised directly in equity under “Revaluation reserves”. The increase is recognised in the Profit & Loss Account to the extent that it offsets a decrease after revaluation for the same asset previously disclosed in the Profit & Loss Account.

If the book value of an asset is impaired as a result of a revaluation, that decrease is recognised in the profit and loss account, unless the impairment loss is charged directly to equity under “revaluation reserves” to the extent that there is a credit balance in the revaluation surplus for that asset.

As of May 1, 2009, the revaluation reserves from revaluation of property, plant and equipment, recorded after January 1, 2004, are taxed at the same time as the tax amortisation deduction from the calculation of the taxable profit at the time of disposal of these fixed assets, as the case may be.

The Company recorded deferred tax on the liabilities related to the revaluation of property, plant and equipment, including land, made after January 1, 2004.

The revaluation reserves from revaluation of property, plant and equipment, including land, made until January 1, 2004, as well as the portion of the revaluation made after January 1, 2004 and related to the period up to April 30, 2009 will not be taxed at the time of transfer in the retained earnings. The Company did not register a liability related to deferred tax for these reserves.

The revaluation surplus which is included in equity and which is related to an item of property, plant and equipment is transferred directly to retained earnings as the asset is depreciated and derecognised, respectively.

In accordance with IAS 16, “Property, Plant and Equipment”, art. 41, the “revaluation surplus” is deemed to be realised when the asset covered by the revaluation reserve is written off. However, some of the surplus may be realised as the asset is used by an entity. In such a case, the amount of the transferred surplus would be the difference between depreciation based on the revalued book value of the asset and depreciation based on the original cost of the asset.

(j) **DIVIDENDS**

Dividends are recognised as a liability in the period in which they are approved by Decision of the General Meeting of Shareholders.

(k) **Suppliers and similar accounts**

Payables to suppliers and other payables, initially recorded at fair value and further valuated using the effective interest method, include the value of invoices issued by suppliers of products, works performed and services rendered.

(l) **Interest-bearing loans and borrowings**

The company has no interest-bearing loans and borrowings.

(m) **Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that requires a substantial amount of time to be used or sold are capitalised as part of the cost of that asset. In determining the amount of borrowing costs eligible for capitalization over a period of time, any investment income generated by such funds is deducted from the borrowing cost. All other borrowing costs are recognised as expenses during the period in which they are incurred. Financing costs include interest and other charges involved in the borrowing of money by an entity.

(n) **Provisions**

A provision is recognised as an expense if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and an outflow of economic benefits is likely to be required to settle the obligation.

Provisions are determined by discounting expected future cash flows using a pre-tax discount rate that reflects the current market assessments of the time value of money in time and the risks specific to the liability. Amortisation of discounting of provision is posted as a financial expense. Where the time value of money is material, the value of a provision is the present value of expenditures required to settle the obligation.

(o) **Corporate tax**

Income tax expenses include current tax and deferred tax.

Current tax is the tax that is expected to be paid or recovered for taxable income or loss in the year, using tax rates adopted or largely adopted at the reporting date, as well as any adjustment to corporate tax liabilities for previous years. Current tax payable also includes any tax receivable arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the book value of assets and liabilities used for financial reporting purposes and the tax base used to calculate the tax. Deferred tax is not recognised for the following temporary differences:

- initial recognition of an asset/liability which is associated to transactions other than business combinations, and which does not affect either the accounting/taxable profit/loss;

- investments in subsidiaries, branches, and associates, and interests in jointly-managed arrangements, but only to the extent to which it is probable that the reversal will not occur in the foreseeable future; and

- temporary taxable differences arising from initial recognition of goodwill.

Receivables and payables for which taxes are deferred may be offset only if the entity has the legal right to offset its receivables and payables against the current taxes, and these taxes are to be charged by the same tax authority or by another tax authority which plans to enter into an agreement concerning the current-tax receivables and payables on a net basis or whose tax-related assets and liabilities are to be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that the taxable profit is available in the future and will be used. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that a tax benefit will be realised. The effect of changes in tax rates on deferred tax is recognised in the profit and loss account, unless it relates to items previously recognised directly in equity.

(p) **Affiliated entities**

Companies are considered affiliated if one of the parties, through ownership, contractual rights, family relationships or otherwise, has the opportunity to directly or indirectly control or significantly influence the other party.

(q) **Income**

Sales of goods

Revenue is recognised when significant risks and rewards have been transferred to the buyer, it is probable that the economic benefits associated with the transaction will flow and the costs incurred or to be incurred can be measured reliably. Revenues represent mainly the value of sold salt and limestone products to which the value of tourism services and other services is added.

Income generated on services

Revenues from services are recognised in the reporting period.

(r) **Financial revenues and expenses**

Financial revenues include interest income and favourable exchange rate differences, changes in the fair value of financial assets through the profit and loss account. Interest income is recognised as it is collected and accumulated in the profit and loss account using the effective interest method.

The company does not generate dividend income.

Financial expenses include unfavourable exchange rate differences.

Forex earnings and losses are carried forward on a net basis.

(s) **Employees' benefits**

According to the Collecting Bargaining Contract, when the prerequisites conditioning the legal retirement are met, employees are entitled to receive a financial reward.

Short-term employee benefits

Short-term employee benefits include salaries and social security contributions. The short-term employee benefits are measured without being updated, and the expense is posted as the related services are being provided.

A debt is posted at the amount expected to be paid under short-term cash or profit-sharing plans if the Company has a legal or constructive obligation to pay this amount for services previously provided by employees, and a reliable estimation of the obligation can be made.

The current activity of the Company entails social insurance payments to the Romanian State for the benefit of the Company employees. All employees of the Company are included in the pension system of the Romanian State.

(t) **Subsidies**

These subsidies are originally recognised in the statement of financial position as income received in advance when there is a reasonable assurance that they will be received and that the Company will comply with any conditions attached to the subsidies, if any, and recognised as income over the period necessary to match them with the related costs (e.g. depreciation of fixed assets from grants).

All expenses and investments of the Company are fully financed from the Company equity. The amounts recognised in the financial statements as grants reversal of adjustments for depreciation of tangible assets financed by the Geological Research and Development Fund and the reversal for the EU co-financing for a SOP-IEC project *(translator's note: SOP-IEC = Sector Operational Programme for Increase in the Economic Competitiveness).*

The company implemented an EU-funded project (SOPIEC) for a salt recrystallization facility at Cacica branch (50% co-financing) for which the monthly amortisation corresponding to the asset financed from the co-financing amount is posted as subsidy.

(u) **Contingent liabilities**

Contingent liabilities are disclosed if there is a possibility of an outflow of resources that represent possible but not probable economic benefits, and/or the value can be reliably measured.

A contingent asset is not recognised in the financial statements, but should be disclosed where an inflow of economic benefits is probable.

(v) **Determining fair values**

Certain Company accounting policies and disclosure requirements require the determination of fair value for both financial and non-financial assets and liabilities. Fair values were determined for the purpose of measuring and/or disclosing information based on the methods described below. Where applicable, additional information on the assumptions used in determining fair values is provided in the notes specific to that asset or liability.

(i) Tangible assets

The fair value of tangible (fixed) assets is based on their market value. The market value of real estate is the estimated amount for which a property could be exchanged on the date of valuation in a transaction conducted at arm's length, after appropriate marketing action, between two knowledgeable interested parties.

The fair value of property, plant and equipment in the other categories (machinery and equipment, plant, furniture and accessories) is based on the market and cost method using quoted market prices for similar items, when available, or replacement cost when applicable.

(w) **Financial instruments**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contract provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and financial liabilities at fair value through the profit and loss account) are added to the initial recognition or deducted from the fair value of the assets and financial liabilities, as applicable. Transaction costs that are directly attributable to buying financial assets or liabilities at fair value through the profit and loss account are recognised immediately in the profit and loss account separately.

Financial assets

Financial assets are classified into the following categories: financial assets “at fair value through the profit and loss account” (FVTPL), “held-to-maturity” investments, financial assets “available for sale” (AFS) and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All standard purchases or sales of financial assets are recognised and derecognised at the date of trading. Standard purchases or sales are purchases or sales of financial assets that require the delivery of assets within a time frame set by market regulation or convention.

Effective interest rate

The effective interest method is a technique for calculating the amortised cost of a financial asset and allocating interest income over the reporting period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument (including all fees paid or received that are an integral part of the effective interest rate, transaction costs and other premiums or discounts), or (where applicable) for a shorter period, to the net book value of the financial asset at the date of initial recognition.

The revenue is recognised on the basis of effective interest on financial instruments other than those assets classified as financial assets at fair value through the profit and loss account.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through the profit and loss account when the financial asset is either held for trading purposes or is designated by management as a financial asset at fair value through the profit and loss account.

A financial asset is classified as held for trading if:

- the entity acquired it for the purpose of selling in the short term; or
- when recognised originally it was part of a portfolio of identified financial instruments that the Company manages together and for which there is a recent pattern

- to collect the profit on short term; or
- it is a derivative financial instrument that is not effectively designated as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as a financial asset at fair value through the profit and loss account on initial recognition if:

- such designation eliminates or significantly reduces a mismatch in valuation or recognition that would otherwise occur; or
- the financial asset is part of a group of financial assets or financial liabilities or both, [a group] which is managed and its performance is evaluated on a fair value basis according to the Company’s risk management and informed investment strategy, and information on how they are grouped is provided internally; or
- is part of a contract that includes one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement allows the entire combined contract (asset or liability) to be designated as a financial asset at fair value through profit or loss.

Financial assets at fair value through Stream or loss are carried at fair value, with any revaluation gain or loss recognised in the profit and loss account. The net gain or loss recognised in the profit and loss account includes all dividends or interest income on financial assets and is included in the category “Losses from embedded financial derivatives” and “Other financial income/(expenses)”.

Investments held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments that the Company intends and is able to hold to maturity. After initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less impairment.

For certain categories of financial assets (such as trade receivables), assets that are individually valued are, in addition, valued for collective impairment. Objective evidence of impairment of a debt portfolio could include the Company’s past experience in collecting payments, an increase in the number of late payments in the portfolio exceeding the average credit period, and noticeable changes in national or local economic conditions that correlate with defaulting on the financial obligations regarding receivables.

The recognised amount of the impairment loss relating to a financial asset posted at amortised cost is the difference between the asset's book value and the present value of estimated cash flows discounted at the financial asset's original effective interest rate.

The amount of the impairment loss relating to a financial asset carried at amortised cost is measured as the difference between the asset's book value and the present value of the estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The book value of the financial asset is reduced by direct impairment loss on all financial assets, except trade receivables, whose book value is diminished by using an allowance for impairment.

Subsequent recoveries of amounts previously written-off are credited to the allowance for impairment. Changes in the book value of the allowance for impairment are recognised as profit or loss.

When an available-for-sale financial asset is considered impaired, the cumulative gains or losses previously recognised in the comprehensive income are reclassified to the profit and loss account for that period.

If, in a subsequent period, the amount of the impairment loss relating to a financial asset carried at amortised cost or a debt instrument carried as available-for-sale decreases due to an event occurring after the impairment was originally recognised, the previously recognised impairment loss is reversed through the profit and loss account to the extent that the book value of the instrument at the date when the impairment is reversed does not exceed the amortised cost incurred if the impairment had not been recognised.

With respect to available-for-sale shares, impairment losses previously recognised in the profit and loss account are not reversed through the profit or loss. Any increase in fair value resulting from an impairment loss is recognised in comprehensive income and is cumulated as investment revaluation reserve. The amount of the impairment loss relating to available-for-sale debt securities are subsequently reversed through the profit and loss account if an increase in the fair value of the investment can be objectively correlated with an event that occurs after the recognition of the impairment loss.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights regarding the cash flows from the assets expire or when it transfers the financial asset (and, substantially, all risks and rewards related to the ownership title to the asset) to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of title and continues to control the transferred asset, the Company recognises the right retained in the asset and the associated debt for the amounts it would have to pay. If the Company does not retain substantially all the risks and rewards of ownership of a transferred financial asset, then the Company continues to recognise the financial asset and also recognises a secured loan for the proceeds received.

Upon full derecognition of a financial asset, the difference between the book value of the asset and the amount received and receivable and the cumulative gain or loss that has been recognised in other comprehensive income and accumulated in equity is recognised in the profit and loss account.

Upon derecognition of a financial asset other than fully (*e.g.,* when Company does not retain an option to repurchase a portion of a transferred asset or retains a residual interest that does not result in substantial retention of all risks and rewards related to the title and the Company does not retain control), the Company allocates the previous book value of the financial asset between the part it continues to recognise, and the part it no longer recognises based on the fair values of those parts on transfer date. The difference between the book value allocated to the part that is no longer recognised and the amount of the equivalent value received for the part that is no longer recognised and any allocated cumulative gain or loss that has been recognised in other comprehensive income is posted in the profit and loss account. A cumulative gain or loss that has been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised, based on the fair value of those parts.

Financial liabilities and equity instruments

Classification as liability or equity

Debt instruments or equity instruments issued by the Company are classified as either financial liabilities or equity according to contractual commitments and to the definition of financial liability and equity instrument.

Equity instruments

An equity instrument is any contract that features a residual interest in the assets of an entity after deducting all of its liabilities. The equity instruments issued by the Company are recognised in the amounts received, net of direct costs of issuing.

The repurchase of the Company’s equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in the profit and loss account on the acquisition, sale, issue or cancellation of the Company’s equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities measured at fair value through the profit and loss account or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified at fair value through profit or loss when the financial liability is either held for trading or designated at fair value through profit or loss.

A financial liability is classified as held for trading purposes if:

- it was acquired mainly for the purpose of redeeming it in the short term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and for which there is a recent pattern of short-term profit taking; or
- it is a derivative instrument that is not designated as a hedging instrument or that is not effective.

A financial liability other than a financial liability held for trading may be designated at fair value through profit or loss on initial recognition if:

- such designation eliminates or significantly reduces a mismatch in valuation or recognition that would otherwise occur; or
- the financial liability is part of a group of financial assets or financial liabilities or both, a group that managed and its performance is evaluated on a fair value basis according to the Company's risk management and informed investment strategy, and information on how they are grouped is provided internally; or
- is part of a contract that includes one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement allows the entire combined contract (asset or liability) to be designated as a financial asset at fair value through the profit or loss account.

Financial liabilities at fair value through profit or loss are carried at fair value, with any revaluation gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss includes all interest paid on the financial liability and is included in the category "Losses from embedded financial derivatives" and "Other financial income/(expenses)" in profit or loss. The fair value is determined as indicated in Note 30.

Other financial liabilities

Other financial liabilities (including loans) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a technique for calculating the amortised cost of a financial liability and allocating interest expenses over the reporting period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability (including all fees paid or received that are an integral part of the effective interest rate, transaction costs and other premiums or discounts), or (where applicable) for a shorter period, to the net book value on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when and only when the Company's obligations are paid, cancelled or expire. The difference between the book value of the derecognised financial liability and the amount paid and payable is recognised in profit or loss.

Financial derivatives

Derivative financial instruments are initially recognised at fair value on the date when the contracts are concluded, and (the financial derivatives) are subsequently revalued at their fair value at the end of each reporting period. The resulting gain or loss is recognised immediately in the profit or loss account, unless the derivative instrument is designated and acts as a hedging instrument, in which case the time of recognition in profit or loss depends on the nature of the hedging relationship.

Embedded derivative instruments

Derivative financial instruments incorporated in non-derivative host contracts are treated as separate derivative instruments when their risks and characteristics are not closely linked to those of the host contracts, and host contracts are not measured at fair value through profit or loss.

Hedge accounting

The Company designates certain hedging instruments in the form of fair value hedges or cash flow hedges.

At the start of the hedge, the Company provides supporting evidence to document the relationship between the hedging instrument and the hedged item, together with the risk management objectives and the Company strategy to conclude various hedging transactions. Additionally, at the start of the hedging and permanently afterwards, the Company provides supporting evidence to document whether the hedging instrument is effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk.

Hedging associated to the fair value

Changes in the fair value of derivative instruments that are designated and fall under the category of fair value hedges are recognised immediately in profit or loss, alongside other changes in fair value or of the hedged asset or liability attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the SEPARATE statement of comprehensive income related to the hedged item.

Hedge accounting is discontinued when the Company revokes the hedge designation, when the hedging instrument expires or is sold or when it no longer meets the hedge accounting criteria.

The fair value adjustment of the book value of the hedged item, arising from the hedged risk, is amortised from that date in profit or loss.

Hedging associated to cash flows

The effective part of the fair value of derivative instruments that are designated and classified as cash flow is recognised in other comprehensive income and accumulated in the cash flow hedge reserve. The gain or loss on the ineffective part is recognised immediately in SEPARATE profit or loss and is included in the category “Losses from embedded financial derivatives” and “Other financial income/(expenses)” in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, along the same lines as in profit or loss and other comprehensive income such as the recognised hedged item.

However, when a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial cost of the non-financial asset or non-financial liability.

Hedge accounting is suspended when the Company revokes the hedge designation, when the hedging instrument expires or is sold, terminated or exercised or when it no longer meets the hedge accounting criteria.

Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in SEPARATE profit or loss. When the forecast transaction is no longer expected to occur, the gain or loss is immediately accumulated in SEPARATE profit or loss.

(x) **Leasing**

Leases are classified as financial leasing whenever the lease conditions transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Company at the fair value they have when the lease term beings or, if the fair value is lower, at the current amount of the minimum lease payments. The corresponding obligation towards the lessor is included in the SEPARATE statement of financial position as a lease-related obligation.

Finance lease payments should be apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. Financial expenses are recognised immediately in the profit or loss account if they are not directly attributable to eligible assets, in which case they are capitalised in accordance with the Company's general policy regarding borrowing costs;

contingent rental is recognised as an expense in the periods in which they occur.

For operating leases, the lease payments are recognised as an expense over the lease term, unless another systematic basis is more representative over the time pattern when the economic benefits derived from the leased asset are consumed. Contingent leases generated under operating leases are recognised as an expense in the period in which they occur.

If lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a straight-line decrease in rental expenses, unless another systematic basis is more representative of the time pattern in which use benefit is derived from the leased asset.

Note 4 ASSETS

Note 4.1 TANGIBLE ASSETS

Tangible assets	Balance as at 31 Dec. 2019	Balance as at 31 Dec. 2018
Land	24,741,601	24,471,476
Constructions	102,103,838	101,943,575
Technical plant and machinery	105,258,177	90,379,673
Other plant, equipment and furniture	1,772,330	1,506,016
Biological assets	3,313	3,313
Tangible assets in progress	13,011,956	5,877.438
Depreciation of land	(13,850)	(13,850)
Depreciation of buildings	(24,256,273)	(19,530,902)
Depreciation of plant and machinery	(43,384,572)	(29,469,287)
Depreciation of other plant and machinery, fixtures	(781,338)	(502,683)
Impairment of buildings	(5,145,188)	(4,977,643)
Impairment of plant and machinery	(210,769)	(60,382)
Impairment of other plant and machinery, furniture	-	
Impairment of tangible assets in progress	(4,935,751)	(3,053,663)
Advance payments for the purchase of tangible assets	881,781	-
TOTAL	**169,045,252**	**166,573,083**

	Balance as at 31 Dec. 2019	Balance as at 31 Dec. 2018
The rights to use the assets	1,204,216	
Right-of-use asset amortisation	(33,450)	
TOTAL	1,170,766	#

Note 4.1 TANGIBLE ASSETS (continued)

COST	Land and special land development	Buildings and special constructions	Technical plant and machines	Other plant, equipment and furniture	Biological assets	Advances for tangible assets	Tangible assets in progress	Total
Balance as at 1 Jan. 2018	**24,616,800**	**96,925,432**	**71,390,364**	**1,196,144**	**3,313**	**1,931,264**	**11,036,724**	**207,100,041**
Procurement	526,160	5,028,893	19,412,808	329,531	-	-	18,656,465	43,953,857
Outgoing / Transfers	-	-	-	-	-	-	-	-
Assignments	(671,484)	(10,750)	(423,499)	(19,659)	-	(990,718)	(23,815,751)	(25,931,861)
Revaluations	-	-	-	-	-	-	-	-
Balance as at 31 Dec. 2018	24,471,476	101,943,575	90,379,673	1,506,016	3,313	940,546	5,877,438	225,122,037
ACCRUED AMORTISATION								
Balance as at 1 January 2018	(685,334)	(7,472,967)	(15,054,712)	(253,464)	-	-	-	(23,466,477)
Cost for the period	671,484	(12,067,010)	(14,414,575)	(249,219)				(26,052,245)
Decreases	(13,850)	(19,532,902)	(29,469,287)	(502,683)				(49,518,722)
Revaluation - cancellation of depreciation								
Balance as at 31 December 2018	24,457,626	82,412,673	60,910,386	1,003,333	3,313	940,546	5,877,438	175,603,315
VALUE ADJUSTMENTS								
Balance as at 1 January 2018		(4,129,446)	(203,164)	(53)		-	(691,779)	(5,024,442)

	Land and special land development	**Buildings and special constructions**	**Technical plant and machines**	**Other plant, equipment and furniture**	**Biological assets**	**Advances for tangible assets**	**Tangible assets in progress**	**Total**
Increments		(848,197)	-	-	-	(940,546)	(2,605,125)	(4,393,868)
Decreases		-	142,782	53	-	#	243,121	385,903
Balance as at 31 December 2018		(4,977,643)	(60,382)	-	-	(940,546)	(3,053,663)	(9,032,407)
NET BOOK VALUE	**24,457,626**	**77,435,030**	**60,850,004**	**1,003,333**	**3,313**	**940,546**	**2,823,775**	**167,513,627**
Balance as at 1 January 2018	23,931,467	85,323,020	56,132,487	942,627	3,313	1,931,264	10,344,946	178,609,123
Balance as at 31 Dec. 2018	24,457,626	77,435,030	60,850,004	1,003,333	3,313	-	2,823,775	166,573,083
COST								
Balance as at 1 January 2019	24,471,476	101,943,575	90,379,673	1,506,016	3,313	940,546	5,877,438	225,122,037
Procurement	270,125	4,100,036	15,862,459	272,190	-	881,781	26,127,615	47,514,206
Outgoing / Transfers	-	-	7,444	-		-	-	-
Assignments	-	(3,939,773)	(983,953)	(5,877)	-	-	(18,993,097)	(23,922,700)
Revaluations	-	-						
Balance as at 31 Dec. 2019	24,741,601	102,103,838	105,258,179	1,772,329	3,313	1,822,327	13,011,956	248,713,543
Balance as at 1 January 2019	(13,850)	(19,530,902)	(29,469,287)	(502,683)	-		-	(49,516,722)
Cost for the period	-	(4,800,823)	(14,664,975)	(284,531)	-	-	-	(19,750,329)
Decreases	-	75,448	749,690	5,877	-		-	831,015
Revaluation - cancellation of depreciation	-	1,586,728	1,562,289	28,632	-	-	-	3,177,649
Balance as at 31 December 2019	24,727,751	77,847,565	61,873,604	990,991	3,313	1,822,327	13,011,956	180,277,507
VALUE ADJUSTMENTS	**-**							

Balance as at 1 January 2019		(4,977,643)	(60,381)	-	-	(940,546)	(3,053,663)	9,032,233)
Increments	-	(167,546)	(150,387)	-	-		(1,909,848)	(2,227,781)
Decreases	-				-		27,760	27,760
Balance as at 31 December 2019	24,727,751	72,702,376	61,662,836	990,991	3,313	881,781	8,076,205	169,045,252
NET BOOK VALUE								
Balance as at 1 January 2019	24,457,626	77,435,030	60,850,004	1,003,333	3,313	-	2,823,775	166,573,083
Balance as at 31 Dec. 2019	24,727,751	72,702,376	61,662,836	990,991	3,313	881,781	8,076,205	169,045,252

Note 4.1 TANGIBLE ASSETS (continued)

Tangible assets are mainly specific to the exploitation of mineral resources: land related to mining fields, special buildings and constructions, excavation and transport machines and equipment, processing and packaging machines and equipment, conveyor belts, etc.

The Company does not own assets for sales purposes.

The last revaluation of property, plant and equipment was carried out at the end of the financial year 2017 for buildings and constructions, and at the end of 2016 for land, fixed assets - class 2 and class 3. No property, plant and equipment revaluations were conducted in 2019.

Revalued amounts are disclosed in the Financial Statements and the increases/decreases in value generated by their revaluation at fair value affected the reserves, income or expenses accounts, as applicable, in the years when revaluations were performed.

The Company used the presumed cost as at 31.12.2014 for the disclosure of property, plant and equipment.

In 2019, the increases of the Company's property, plant and equipment amounted to RON 20,504,810, consisting of:

- land amounting to RON 270,125,

Special buildings and constructions amounting to RON 4,100,036, of which purchases amounting to RON 1,718,346, and the difference of RON 2,381,690 represent increases in value due to modernisations of existing special buildings and constructions; The acquisitions of plant and machinery in amount of RON 15,862,459 in 2019 consisted in technological equipment in amount of RON 5,019,077, measurement and control devices and installations in amount of RON 903,135, means of transport in amount of RON 9,940,247 intended for mining. In the case of means of transport, we mention that they are intended for mining, more specifically they are special trucks for salt transport. The fixtures, office equipment, protective equipment purchased by the Company in 2019 amounted to RON 272,190.

Revaluation of property, plant and equipment

The land, buildings and special constructions, technological equipment, installations, means of transport and other fixed assets held by the Company as at 31 December 2019 are disclosed at fair value in the statement of financial position.

Tangible fixed assets are carried at revalued amount, less accumulated depreciation and impairment losses.

Investments in progress

The balance of investments in progress as at 31.12.2019 - gross amount RON 13,011.956, and RON 5,877,438 as at 31 December 2018, respectively.

Depreciation of fixed assets and impairments

Accounting depreciation is calculated using the straight-line method. For quarries and wells, depreciation is calculated depending on the reserve.

In 2019, impairment of non-current assets in progress reached the amount of RON 1,909,848, representing the amount of investments in progress that were not completed within the deadlines provided by works estimates, and impairment of buildings and special constructions in amount of RON 167,546, impairment of machinery and motor vehicles in amount of RON 150,387 representing the remaining undepreciated amount of the property, plant and equipment effectively scrapped in 2019.

Disposal of fixed assets and provisions

Property, plant and equipment is removed from records on disposal or scrapping, when no future economic benefit is expected from its subsequent use.

In case of derecognition of a tangible asset, the revenues from the sale are carried separately, the expenses representing the unamortised value of the assets and other expenses related to its sale.

In 2019, property, plant and equipment in amount of RON 831,015 were scrapped, and their undepreciated amount was of RON 476,209. These are property, plant and equipment for which a scrapping decision was issued in 2019 based on the Inventory Report concluded and approved for 31.12.2018. The writing off was effective.

Impairments targeted property, plant and equipment with an advanced degree of wear and tear, which can no longer be used in the exploitation process and were earmarked for write-off.

In 2019, an advance payment was made for property, plant and equipment amounting to RON 881,761 for the purchase of an underground salt grinding plant at the Tirgu Ocna Salt Mine.

Note 4.2 – INTANGIBLE ASSETS

Intangible assets acquired by the company are presented at cost less accumulated amortisation and impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Most of the intangible assets registered by the Company are represented by dedicated software for different fields of activity (manufacturing, accounting, finance, procurement, payroll). They are amortised on a straight-line basis over a period not exceeding three years.

during the period of January 1 - December 31, 2019, intangible assets evolved as follows:

COST	**Balance as at 1 January 2018**	**Increments**	**Decreases**	**Balance as at 31 Dec. 2018**
Concessions, patents, licences, trademarks and similar rights and assets, other intangible assets	434,108	1,025,193	-	1,459,300
Intangible assets related to exploitation and evaluation of mineral resources	243,788	-		243,788
Other intangible assets	1,827,578	349,179	178,299	1,998,457
Advance payments for the purchase of intangible assets	85,116	101,500	41,136	145,480
Total	**2,590,589**	**1,475,872**	**219,435**	**3,847,026**

Intangible assets are amortised using the straight-line method. On January 1 and December 31, 2019, the depreciation of property, plant and equipment is as follows:

AMORTIZATION	Balance as at 1 January 2018	Amortization of the period	Decreases	Balance as at 31 Dec. 2018
Concessions, patents, licences, trademarks and similar rights and assets other intangible assets	123,753		157,324	281,077
Amortisation of intangible assets related to exploitation and evaluation of mineral resources	171,722		62,098	233,820
Amortisation of other intangible assets	1,504,711	632,012	230,467	1,906,256
Contribution	**1,800,186**	**851,434**	**230,467**	**2,421,153**

NET AMOUNT	**Balance as at 1 January 2018**	**Balance as at 31 Dec. 2018**
Concessions, patents, licences, trademarks and similar rights and assets, other intangible assets	310,355	1,178,223
Intangible assets related to exploitation and evaluation of mineral resources	72,066	9,968
Other intangible assets	322,866	92,202
Advance payments for the purchase of intangible assets	85,116	145,480
TOTAL	790,403	1,425,873

During the period of 1 January - 31 December 2019, intangible assets evolved as follows:

COST	**Balance as at 1 January 2019**	**Increments**	**Reductions/reclassifications related to initial balances**	**Balance as at 31 Dec. 2019**
Concessions, patents, licences, trademarks and similar rights and assets, other intangible assets	1,459,300	177,000	841,978	794,322
Intangible assets related to exploitation and evaluation of mineral resources	243,788	785,354	-	1,029,142
Other intangible assets	1,998,457	986,516	146,379	2,838,594
Advance payments for the purchase of intangible assets	145,480	66,814	168,315	43,979
TOTAL	3,847,025	2,015,684	1,156,672	4,706,037

Intangible assets are amortised using the straight-line method. On January 1 and December 31, 2019, the depreciation of property, plant and equipment is as follows:

AMORTIZATION	**Balance as at 1 January 2019**	**Year-end amortisation**	**Decreases**	**Balance as at 31 Dec. 2019**
Concessions, patents, licences, trademarks and similar rights and assets, other intangible assets	281,077	62,637		343,714
Amortisation of intangible assets related to exploitation and evaluation of mineral resources	233,820	93,886	-	327,706
Amortisation of other intangible assets	1,906,256	398,294	146,379	2,158,171

TOTAL	2,421,153	554,818	146,379	2,829,591

ADJUSTMENT	Balance as at 1 January 2019	Year-end adjustment	Decreases	Balance as at 31.12.2019
Concessions, patents, licences, trademarks and similar rights and assets, other intangible assets	-	-	-	-
Impairment of intangible assets related to exploitation and evaluation of mineral resources	-	-	-	-
Amortisation of other intangible assets	-	62,048	-	62,048
TOTAL	-	62,048	-	62,048

NET AMOUNT	Balance as at 1 January 2019	Balance as at 31 Dec. 2019
Concessions, patents, licences, trademarks and similar rights and assets, other intangible assets	1,178,223	450,608
Intangible assets related to exploitation and evaluation of mineral resources	9,968	701,436
Other intangible assets	92,202	618,375
Advance payments for the purchase of intangible assets	145,480	43,980
TOTAL	1,425,873	1,814,398

In 2019, the Company purchased:

- “Concessions, patents, licences, trademarks and similar rights and assets, other intangible assets” amounting to RON 177,000 related to blasting works, monitoring the phenomena of instability at Gura Slănic facility (Tg. Ocna);

- Intangible assets related to exploitation and evaluation of mineral resources, as follows: Geoconsulting licences (E.M. Vâlcea) amounting to RON 167,000, exploitation licence (Slănic Salt Mine) amounting to RON 156,000, salt deposit exploitation licence (Ocna Dej Salt Mine) amounting to RON 146,177, extension of licence Ocna Mures-Razboieni (Ocna Mureș Salt Mine) amounting to RON 165,000, extension of mining licence for Gura Slănic perimeter (Tirgu Ocna Salt Mine) amounting to RON 150,000, exploitation licence (Cacica Salt Mine) amounting to RON 1,177;

- “Other intangible non-current assets representing operating software, amounting to RON 144,538.

These are included in the “Increases” column in the movements in the fixed assets schedule for 2019.

In 2019, the Company scrapped computer software in amount of RON 146,379, which were completely amortised, included in the "Decreases" column under "Other intangible assets".

Some intangible assets related to the initial balances, amounting to a total of RON 841,978 (of which Rm. Vâlcea Mining Facility - RON 87,255 and SNS Headquarters - RON 754.753) were reclassified from the account "Concessions, patents, licences, trademarks and similar rights and assets" to the account "Other intangible assets".

Advance payments made in 2019 to purchase intangible non-current assets amounted to RON 66,814. The decreases in advance payments represent the commissioning of a salt mining licence for the Ocna Dej branch, in amount of RON 146,177 and modernisation of software "Fixed Assets Centralisation" (RON 19,575) and operating system licence (RON 2,563) for the SNS Headquarters.

In 2019, impairment of "Other intangible assets" amounting to RON 62,048 was calculated, representing the remaining unamortised value of the intangible assets proposed for write-off in 2019.

Nota 4.3 - FINANCIAL ASSETS

The Company does not hold any interest in the share capital of other companies.

Note 4.4 - OTHER LONG-TERM ASSETS

	Balance as at 31 Dec. 2019	Balance as at 31 Dec. 2018
Other long-term assets/receivables (advance payments for the purchase of assets)	13,746,433	9,991,920
Deferred corporate tax	7,003,065	11,282,122
TOTAL	20,749,498	21,274,042

Deferred corporate tax is in the form of assets as at 31 December 2019.

In other long-term assets/receivables, the largest share is held by the environmental recovery guarantees created by the branches to comply with legal obligations (amounting to RON 12,762,909).

Note 5 - STOCKS

Stocks are reported at the lower of cost and net realizable value.

Stocks consist of: raw materials, materials and consumables for production and stocks of finished products, goods (for sale).

Stocks	**Balance as at 31 Dec. 2019**	**Balance as at 31 Dec. 2018**
Raw materials	242,013	188,223
Consumables, auxiliary materials, inventory items and packaging	12,779,361	10,403,126
Production in progress	5,489,790	1,404,924
Semi-finished goods and finished goods	7,060,283	1,569,409
Goods purchased for resale	825,767	724,674
TOTAL	26,397,214	14,290,356
VALUE ADJUSTMENTS	**Balance as at 31 Dec. 2019**	**Balance as at 31 Dec. 2018**
Write-down of raw materials	2.	-
Write-down of consumables	(1,267,169)	(1,415,025)
Write-down of semi-finished goods and finished goods	(67,232)	(7,549)
Write-down of goods	(2,505)	(322)
Total value adjustments	(1,336,908)	(1,422,896)
Net value of stocks	25,060,306	12,867,458

Stocks of raw materials, materials and consumables, auxiliary materials and spare parts are recorded as stocks at the time of purchase and are transferred to expenses at the time of consumption. The method used for capitalization (consumption) of different types of stocks such as spare parts and consumables is FIFO (first in, first out). The cost of inventories is based on the input value that is recorded in the accounts. These also include the safety stock.

Stocks of finished goods are registered monthly at the pre-calculated cost. At the same time, the differences are registered up to the amount of the effective cost realised.

The cost of finished products and products in progress includes materials, labour and related indirect production costs.

As at 31 December 2019, impairment adjustments were made for non-moving or slow-moving inventory as follows:

- for stocks of consumables, auxiliary materials, spare parts, packaging, impairment adjustments amounted for RON 1,216.458, decreasing compared to 2018 (RON 1,408,619);
- for stocks of materials in the form of inventory objects, non-moving or slow-moving inventory, impairment adjustments amounted to RON 34,249, decreasing compared to 2018 (RON 36,714);

- for stocks of finished goods, the depreciated amount is of RON 67,232, increasing compared to 2018 (RON 7,039).
- for stocks of goods amounting to RON 2,505, increasing compared to 2018 (RON 322);
- for stocks of slow-moving and non-moving packaging, the depreciated amount is RON 50,711, increasing compared to 2018 (RON 6,406).

Note 6 – TRADE RECEIVABLES AND SIMILAR

Trade receivables and other current assets are posted based on their net value:

	Balance as at 31 Dec. 2019	**Balance as at 31 Dec. 2018**
Accounts receivable and similar accounts	68,730,215	94,235,983
Impairment of trade receivables	(21,625,321)	(20,679,502)
OTHER CURRENT ASSETS	20,125,341	66,444,948
VALUE ADJUSTMENTS	(17,123,547)	(16,427,993)
DEFERRED INCOME	1,251.694	1,161,954
TOTAL	51,358,382	124,735,391

Nota 6.1 – ACCOUNTS RECEIVABLE AND SIMILAR ACCOUNTS

Customers and similar accounts are carried at net value, after establishing provisions for doubtful customers or customers involved in litigation.

As at December 31, 2019 and 2018, accounts receivable and the advance payments granted are as follows:

GROSS VALUE	**Balance as at 31 Dec. 2019**	**Balance as at 31 Dec. 2018**
Trade receivables - customers	68,646,240	94,204,176
Advance payments	83,974	31,807
TOTAL	68,730,214	94,235,983
VALUE ADJUSTMENTS	**Balance as at 31 Dec. 2019**	**Balance as at 31 Dec. 2018**
Doubtful accounts	(21,625,321)	(20,679,502)
Total adjustments	(21,625,321)	(20,679,502)
NET AMOUNT	**Balance as at 31 Dec. 2019**	**Balance as at 31 Dec. 2018**
Accounts receivable and similar accounts	47,104,893	73,556,481
TOTAL	47,104,893	73,556,481

Trade receivables include the obligations of internal and external customers to the Company, based on the rules imposed by a market economy.

The biggest dependencies are the deliveries of salt solution to chemical plants *Uzinele Sodice Govora* and *Chimcomplex Borzești*, determined by the salt solution transport technology (brine pipelines).

Trade receivables are not interest-bearing and generally, they have a collection period is 0-65 days.

Note 6.2 OTHER CURRENT ASSETS

As at December 31, 2019 and 2018, current assets are as follows:

GROSS VALUE	**Balance as at 31 Dec. 2019**	**Balance as at 31 Dec. 2018**
Employee-related claims	845,136	618,240
Other outstanding payables to the State budget	1,913,190	1,992,593
Mining royalty paid		33,394,819
Increases and penalties related to the mining royalty		14,168,725
Sundry debtors	17,178,483	16,225,681
Interest receivables		44,862
Suspense account		28
Other outstanding receivables	2	-
TOTAL	19,936,811	66,444,948

VALUE ADJUSTMENTS	**Balance as at 31 Dec. 2019**	**Balance as at 31 Dec. 2018**
Sundry debtors	(17,123,547)	(16,427,993)
TOTAL	(17,123,547)	(16,427,993)

NET AMOUNT	**Balance as at 31 Dec. 2019**	**Balance as at 31 Dec. 2018**
OTHER CURRENT ASSETS	2,813,264	49,076,409
TOTAL	2,813,264	49,076,409

the group of Employee-related claims includes amounts to be collected from employees in the form of instalments, according to the contracts for sale/purchase of apartments concluded by Slănic Prahova branch with employees, and amounts to be recovered from employees following the audit conducted by the Court of Accounts resulting in actions brought before the court by SNS SA.

Other claims receivable from the Treasury represent amounts to be recovered from the Health Insurance House for medical leave.

In 2019, the Company was subject to a tax audit related to the previous financial years, which resulted in additional budgetary obligations established as follows:

- profit tax amounting to RON 948,683;
- value added tax related to writing off finished products amounting to RON 25,830;
- mining royalty amounting to RON 37,976,742;

The amount of RON 948,683 covers the different established by checking on the method used to calculate the expenses having a deductibility limited to RON 614,955, an amount which was actually challenged, and the amount of RON 333,728 established and not reported as a result of the fact that the tax audit mission started. This amount was paid.

The value added tax was not challenged and was paid during 2019.

The additional amount established for the mining royalty was based on amendments to the Mining Law no. 85/2003 which has some interpretable provisions regarding the calculation of the royalty.

Consequently, the Company is involved in several litigations pending before the court for the establishment of additional liabilities related to these obligations.

The Company challenged the additional debt established following the tax audit report.

At the same time, the Company was requested to pay interest and penalties for failure to declare and pay the mining royalty amounting to RON 14,168,725.

In 2018, the Company paid the amount of RON 51,310,435 - consisting in an estimated debt of RON 37,141,710 and in RON 14,168,725 delay penalties - before the tax audit report. These amounts were recognised under accounts receivable; the tax adjustment will be made in the month when the tax audit report is issued, more specifically in March 2019.

For these amounts, the Company established provisions for risks and charges as at 31 December 2018, which were reversed under income in 2019.

Sundry debtors include:

- amounts charged to former employees (RON 1,369,908) based on audit documents issued by the Court of Auditors and which are pending before the courts. Allowances for doubtful debts were created for amounts charged to employees and former employees;

- the amount of RON 14,760,478 representing the claim against the Oltchim Plant (total claim amounting to RON 33,101,628.07) representing state aid found to be unlawful according to the Decision of the European Commission no. C (2018) 8592; as at 31 December 2019, the receivable is fully adjusted for impairment;

- other receivables related to sundry debtors amounting to RON 1,048,097.

Other receivables are carried at their value at the time of the transaction and include employee-related receivables, sundry debtors.

Note 6.3 – DEFERRED EXPENSES

Deferred expenses include the fee for mining activities (Order 198/2009 of the National Regulator of Mineral Resources (ANRM) and Government Decision No. 350/2015) with payment due in December of the current year for the following year, subscriptions to specialist journals, Official Journal, etc. car insurance and taxes, health cards for voluntary health insurance related to the following year but with advance payment in the reporting year and which are to be allocated monthly for the current expenses of the following year.

	Balance as at 31 Dec. 2018	**to be reposted**	
		<1 year	**over 1 year**
Annual operating fee	780,221	780,221	-
Annual operating fee Insurance policies, Rents, various other expenses that are made in advance and are allocated on current expenses according to schedule	381,733	381,733	-
TOTAL	1,161,954	1,161,954	-

	Balance as at	**to be reposted**	
	31 December 2019	**<1 year**	**over 1 year**
Annual operating fee	820,340	820,340	
Annual operating fee Insurance policies, Rents, various other expenses that are made in advance and are allocated on current expenses according to schedule	431,354	431,354	
TOTAL	1,251,694	1,251,694	

Note 7 OTHER FINANCIAL ASSETS

The Company does not have checks to collect, receivables or short-term investments.

Nota 8 – CASH AND CASH EQUIVALENTS

As of December 31, 2019 and 2018, cash and cash equivalents are as follows:

	Balance as at 31 Dec. 2019	Balance as at 31 Dec. 2018
Bank accounts	58,724,981	136,576,091
Cash	505,130	425,575
Restricted cash - letter of guarantee	-	22,816,491
Short notice deposits	145,500,000	58,546,922
Other assets (letters of credit)	-	
TOTAL	204,730.111	218,365,079

As at the 2019 year-end, the Company holds short-term deposits opened with the banks where the company has open accounts (BCR and Banca Transilvania). There were no significant non-cash transactions with third parties, either individuals or legal entities, during the reporting period.

Note 9 – EQUITY

As at 31 December 2019, the equity includes the share capital that did not change during the financial year 2019, the effects of the restatements registered in previous years following the application of IAS 29 “Financial Reporting in Hyperinflationary Economies” and changes in the actuarial conditions of IAS 19 on employee benefits.

The reconciliation of share capital is as follows:

	Balance as at 31 Dec. 2019	Balance as at 31 Dec. 2018
Statutory share capital (nominal value)	40,936,410	40,936,410
Differences from restatement of share capital (IAS 29)	27,751,645	27,751,645
Other equity adjustments (changes in actuarial conditions IAS 19)	(1,186,218)	30,181
Adjusted share capital	67,501,837	68,718,236

As of December 31, 2019, the authorised and fully paid-up share capital of the Company is divided into 4,093.641 ordinary shares with a nominal value of RON 10/share.

The ownership structure of the Company as at 2019 year-end is unchanged compared to the previous period:

- The Romanian State represented by the Ministry of Economy, Energy and Business

Environment holds 51% of the share capital as at 31 December 2019;

- *Fondul Proprietatea SA,* holds 49% of the share capital as at 31.12.2019.

Shareholders are entitled to dividends and each share is entitled to one vote at the general meetings of shareholders.

Revaluation reserve

Reserves arising from the revaluation of property, plant and equipment:

Revaluation reserve	**Balance as at 31 December 19**	**Balance as at 31 December 18**
Revaluation reserve	13,464,004	16,641,653
Deferred tax representing the revaluation reserve surplus on 31.12.2019	(2,154,240)	(2,662,664)
TOTAL	11,309,764	13,978,989

Other reserves consist of: the legal reserve and the geological research and development fund established on account of the operating expenses. “Other reserves geological reserves” consist of: the development fund established on account of the operating expenses which are diminished by the reversed amount as a result of fixed assets financed from the fund. Thus, for a clear record of the use of this fund, the geological reserve has two specific components: established fund and consumed fund.

For 2019 a geological research and development fund was established in amount of RON 19,763,080 on account of the operating expenses, from which the amount of RON 5,288,759/year was reversed, the amortisation of assets financed by the fund (net RON).

Other reserves	**Balance as at 31 December 2019**	**Balance as at 31 December 2018**
Legal reserve	8,187,282	8,187,282
Statutory or contractual capital reserve		
Other reserves	194,014,145	179,539,824
TOTAL	202,201,427	187,727,106

Legal reserve

The legal reserve was established in previous years up to the maximum ceiling, namely 20% of the share capital.

Other reserves

The geological fund is an obligation to set up reserves to enable the necessary expenditure to finance investments to ensure the realisation, development and modernization of mining production. It is regulated by Government Decision no. 765/1994 as further amended, laying down the expenditure quotas necessary to achieve the objectives of the fund (for salt, the expenditure quota is established as a percentage by applying the 6% share to the sale price) and the list of works financed by the fund.

Retained earnings and current earnings

Retained earnings also include differences from the first-time restatement of financial statements in compliance with IFRS (including IAS 29 for share capital):

	Balance as at 31 Dec. 2019	**Balance as at 31 Dec. 2018**
Undistributed results	41,189,656	37,288,533
Earnings from First-time Application of IFRS	88,740,683	88,740,683
Earnings from First-time Application of IAS 29 restatement of share capital	(27,751,645)	(27,751,645)
Retained/current earnings, o/w:	102178694	98,277,571
Retained earnings	25,222,906	21,893,589
Current result	76,955,788	76383983

Retained earnings occurring due to the first-time Adoption of IFRS, with the exception of IAS 29, has the following structure:

The increase is determined by the application of IFRS 16 “Leases” starting with 1 January 2019. The amount is related to a concession contract concluded land concession contract for Ramnicu Vâlcea Mining Facility branch, signed in October 2007 for a 49-year period, payable in equal instalments plus additional expenses represented by the inflation rate over 25 years, representing the current expenditure of the financial year.

Note 10 - LOANS

10.1 Short-term loans

In 2019, the Company did not grant or contract short-term or overdraft loans. The Company holds concessions concluded with local city halls for a period exceeding 45 years. The short-term component (less than 1 year), amounting to RON 191,884 is posted under short-term loans.

	Balance as at 31 Dec. 2019	Balance as at 31 Dec. 2018
Retained earnings generated by the use of cost deemed as fair value at the date of transition to IFRS	79,958,506	79,958,506
Deferred tax recognised on First-time Application of IFRS, with the exception of IAS 29 - IAS 12	8,782,178	8,782,178
Result posted after the first application of the IFRS:	88,740,683	88,740,683

short-term loans	Balance as at 31 Dec. 2019	Balance as at 31 Dec. 2018
Concession - short-term maturity portions	191,884	12,052
TOTAL	191,884	12,052

10.2 Long-term loans	**Balance as at**	**Balance as at**
Long-term loans	31 December 2019	31 December 2018
Lease debts - land	1,129,387	-
Concession - long-term maturity portions	85,314	277,196
TOTAL	1,214,701	277,196

Note 11 – LIABILITIES

As at December 31, 2019, and 2018, the short-term liabilities of the Company are as follows:

SHORT-TERM PAYABLES	Balance as at 31 December 2019	Balance as at 31 December 2018
Suppliers and similar accounts	20,050,637	22,175,772
Employee-related debts	8,329,746	7,322,529
Tax payables	24,365,232	23,875,109
Other short-term debts	1,888,325	994,460
TOTAL	54,633,940	54,367,868

SUPPLIERS AND SIMILAR ACCOUNTS

As of December 31, 2018 and 2017, suppliers and similar accounts are as follows:

SUPPLIERS AND SIMILAR ACCOUNTS	Balance as at 31 Dec. 2019	Balance as at 31 Dec. 2018
Trade payables	13,555,116	13,645,388
Suppliers of non-current assets	4,510,931	5,630,599
Advance payments collected	1,984,590	2,899,785
TOTAL	20,050,637	22,175,772

Suppliers - represent the trade payables of the company recorded in the balance as at year-end 2019. The decrease of the balance by 10% compared to the previous year is mainly due to the settlement of the debt to suppliers of fixed assets in the first part of 2019, at the Slănic Prahova branch (RON 1,851,640 representing the purchase of front loaders) and at the Tg Ocna branch (RON 1,679,488 representing road paving services).

EMPLOYEE-RELATED DEBTS

	Balance as at 31 Dec. 2019	Balance as at 31 Dec. 2018
Employee related liabilities*) without IAS 19 - short-term employee benefits	8,329,746	7,322,529
TOTAL	8,329,746	7,322,529

**) employee benefits <1 year (IAS 19) are presented under Note 18*

Personnel payables include current personnel expenses due in January of the following year (salaries, sick leave, deductions from employees' remuneration due to third parties, amounts due to staff based on Court Decisions, meal vouchers, management guarantees, leaves pending at the end of the year and other staff-related expenses).

Employee benefits with a maturity period of less than 1 year, calculated for the application of IAS 19, are presented separately in the financial statements.

TAX PAYABLES

Taxes and social security contributions include Taxes and fees due to the state budget and social security budgets due in January of the following year.

	Balance as at 31 Dec. 2019	Balance as at 31 Dec. 2018
Taxes and social security contributions	8,471,088	7,104,684
VAT payable	1,555,217	4,300,234
Mining royalty	1,861,843	-
Income tax from operating activities	187,554	234,357
Waste and packaging tax	81,644	-
OTHER TAXES AND LEVIES	180,751	195,342
Other debts payable to the Treasury	12,027,135	12,040,492
TOTAL	24,365,232	23,875,109

Taxes and social security contributions - represent the tax obligations related to salaries (tax and BASS).

Tax liabilities include taxes and fees specific to the activity: the income tax from the exploitation activity for December (RON 187,554), the difference in unpaid ancillary liabilities (interest and penalties) related to the additional mining royalty for 2010-2013 (RON 12,016,491). Other taxes and duties (RON 180,751) refer to various tax payables.

OTHER SHORT-TERM DEBTS

	Balance as at 31 Dec. 2019	Balance as at 31 Dec. 2018
Dividends payable	-	-
Sundry creditors	1,573,303	957,615
Deferred income <1 year	315,022	36,845
TOTAL	1,888,325	994,460

The Company pays the dividends to shareholders annually, in the year in which they are constituted as a payment obligation approved by Decision of the General Meeting of Shareholders.

Note 12 – LONG-TERM LIABILITIES

Trade payables and other long-term debts	Balance as at 31 Dec. 2019	Balance as at 31 Dec. 2018
VAT and other tax liabilities - long-term	11,851	14,077
Sundry creditors > 1 year	85,934	186,211
Long-term employee benefits (IAS 19)	10,616,723	9,115,370
TOTAL	10,714,508	9,315,658

The benefits of long-term employees are established by actuarial calculation for the application of IAS 19, based on calculation assumptions from the Collective Labour Agreement of SNS and represent the component with maturity exceeding one year.

The changes in the net debt regarding the benefit determined in the financial year ended on December 31, 2019 and 2018 are presented in the table below:

	Opening balance	Expenditure included in the profit and loss account		Actuarial (gains) / losses included in other comprehensive income	Closing balance
	01 Jan. 19	Cost of service	Cost of interest	Actuarial changes	31 December 19
Net defined benefit liability	9,115,370	141,996	457,131	1,186,218	10,616,723
Total net liabilities	9,115,370	141,996	457,131	1,186,218	10,616,723

	Opening balance	Expenditure included in the profit and loss account		Actuarial (gains) / losses included in other comprehensive income	Closing balance
	01 Jan. 18	**Cost of service**	**Cost of interest**	**Actuarial changes**	**31 Dec. 18**
Net defined benefit liability	8,822,987	38,677	361,241	(30,181)	9,115,370
Total net liabilities	8,822,987	38,677	361,241	(30,181)	9,115.370

Note 13 – Investment subsidies

Investment subsidies

The amounts carried in investment subsidies are related to the co-financing component for the European funds granted for an investment made in Cacica (SOPIEC) for the objective - refurbishment of the recrystallised salt installation, a concession to the Slănic branch and surpluses found during stock-taking.

Investment subsidies	Balance as at 31 Dec. 2019	Balance as at 31 Dec. 2018
Investment subsidies <1 year	339,532	339,720
Investment subsidies > 1 year	3,848,422	4,176,753
TOTAL	4187954	4,516,472

The largest share is the co-financing component for the investment made in Cacica using European Funds (SOPIEC) - retooling of the recrystallised salt installation (of the remaining amount of RON 4,162,178).

Note 14 – DEFERRED AND CURRENT CORPORATE TAX LIABILITY

Deferred corporate tax information for the financial year 2019 is presented only for reasons of comparability with the financial year 2018.

	Balance as at 31 Dec. 2019	Balance as at 31 Dec. 2018
Current tax liability	-	9,632,268
Deferred tax liability		
	-	9,632,268

The corporate tax for 2019 is in the amount of RON 5,279,140. In 2019, payments were made amounting to RON 22,420,174, of which RON 9,632,268 represents corporate tax due for 2018, and RON 12,787,906 represents corporate tax calculated and transferred for the first three quarters of 2019.

The Company paid additional amounts as corporate tax, because initially the Company considered the expenses with the mining royalty for the financial years 2013-2015 amounting to RON 37,976,742 as non-deductible expense and the Oltchim SA became bankrupt, therefore, pursuant according to the provisions of the Fiscal Code, the impairment of this receivable in total amount of RON 33,718,127 may be reconsidered deductible expense. In previous years, the Company recorded allowances for doubtful debts which were considered non-deductible expenses; consequently, in 2019 these expenses were cancelled by restating them in non-taxable income and establishing the allowance for doubtful debts in deductible expenses.

At the annual year-end corporate tax adjustment for 2019, carried out at the end of the financial year, the Company reconsidered both the expenses with the mining royalty and with the allowances for bankrupt customers, which led to a corporate tax claim amounting to RON 6,893,811. This amount includes the corporate tax difference established by representatives of the National Agency for Fiscal Administration amounting to RON 614,995, which is the object of a case pending before the courts.

Calculation of the corporate tax

	Year 2019	**Year 2018**
A. ACCOUNTING PROFIT	82,317,180	95,695,406
A1. Assimilated income	3,177,649	4,847,416
B. TAX DEDUCTIONS (B1:B4):	118,728,647	33,242,455
B.1. 5% LEGAL RESERVE		
B.2. NON-TAXABLE INCOME - CANCELLATION OF PENALTIES, DEBT RECOVERY	970,671	4,343
B.3. NON-TAXABLE INCOME - reposted non-deductible provisions	97,091.525	11,095,321
B.4. AMORTIZATION FOR TAX PURPOSES	20,666,451	22,142,791
C. NON-DEDUCTIBLE EXPENSES (C1:C13):	66,454,412	70,905,228
C.1. PENALTIES, LATE PAYMENT PENALTIES	21,228,941	2,145,017
C.2. NON-DEDUCTIBLE TRAVEL EXPENSES	98,086	103,805
C.3. FIXED ASSET WRITE-OFF EXPENSES + VAT	576,349	-84,959
C.4. MATERIALS WRITE-OFF EXPENSES + VAT	20,997	47,269
C.5. NON-DEDUCTIBLE HOSPITALITY EXPENSES + VAT		
C.6. ADVERTISING EXPENSE + VAT		
C.7. LOSSES FROM SUNDRY DEBTORS + VAT	73,146	179,425
C.8. SPONSORSHIP EXPENSES	36,155	85,820

C.9. ACCOUNTING DEPRECIATION EXPENSES	21,421,382	27,715,522
C.11. OTHER NON-DEDUCTIBLE EXPENSES WITHOUT VAT	22,890,109	40,604,417
C.12. CORPORATE SOCIAL RESPONSIBILITY EXPENDITURE > 5%		
C.13. OTHER NON-DEDUCTIBLE EXPENSES AS PER GOVNT. EMERG. ORD. NO. 34/2009	109,247	108,912
D. TAXABLE PROFIT VS LOSS (A-B+C)	33,220,594	138,205,595
E. TAX LOSS TO RECOVER FOR THE YEAR		-
F. TAXABLE PROFIT (D-E):	33,220,594	138,205.595
G. CORPORATE INCOME TAX (F*16%):	5,315,295	22,112,895
H. SPONSORSHIPS DEDUCTIBLE FROM CORPORATE INCOME TAX ACC. TO ART 31(4)	36,155	73,713
I. CORPORATE TAX (G-H)	5,279,140	22,039,182

Deferred tax is calculated on 31.12.2019 and reported as a fixed asset.

	Year 2019	**Year 2018**
Deferred tax resulting from the first-time restatement of the Financial Statements for the purposes of IFRS compliance - 2014 (assets)	8,782,178	8,782,178
Deferred tax related to restatement	5,559,455	5,559,455
Provisions	1,851,540	1,083,243
Reversal of write-down of long-term and current assets	1,746,309	7,302,088
Revaluation reserve	-2,154,240	-2,662,664
Deferred tax on 31.12.2019 - assets	7,003,064	11,282,122

Note 15 – PROVISIONS

Note 15.1 – SHORT-TERM PROVISIONS

Statement of short-term provisions:	**Balance as at 31 Dec. 2019**	**Balance as at 31 Dec. 2018**
Provisions for decommissioning of property, plant and equipment - short-term amount		
Provisions for dispute resolution - short-term	1,008,897	854,958
Other provisions - short-term	8,546,126	68,867,358
Provisions for restructuring - Vâlcea Mining Facility	7,308.000	-
Total	**16,863,023**	**69,722,316**

Detailed description of movements in provisions for 2019:

Name of provision	**Balance as at 1 January 2019**	**New**	**Reposted**	**Balance as at 31 Dec. 2019**
1. Provisions for litigation		153,939		1,008.897
Labour disputes regarding salary rights: request to change the employment category which are the object of pending lawsuits in Rm. Vâlcea, unresolved cases regarding the non-granting of the annual reward according to the provisions of the collective labour agreement (CLA) for 2012-2015:	854,958	153,939	-	1,008,897
2. Provisions for the profit-sharing plan	4,419,659	3,874,000	4,239.000	4,054.659
Fund for employee participation in realised profit	4,419,659	3,874,000	4,239,000	4,054.659
3. Provisions for environmental works and compensation	5,783,731	-	2,196,731	3,587,000
Compensation for Râmnicu Vâlcea Mining Facility, Bistrița Quarry	5,783,731	-	2,196,731	3,587,000
4. Provisions for taxes and duties	58,066,120	-	58,066,120	-
Mining royalty - principal debt established for the period between 01.01.2014 and 12.07.2017	37,976,742	-	37,976,742	-
Penalties and interest for delays and failure to report the mining royalty	19,474,423	-	19,474,423	-
Provision for the additional corporate tax established under an ANAF (tax office) audit report, payable for the 2014 FY:	614,955	-	614,955	-
5. Provision for the variable component (GO 109/2011), administrators and general manager	597,848	428.510	206,554	819,804
6. Other provisions	-	7,392.662	-	7,392,662
Name of provision	**Balance as at 1 January 2019**	**New**	**Reposted**	**Balance as at 1 January 2019**
Provision for severance packages - Mining Facility in Vâlcea	-	7,308,000	-	7,308,000
Provision for payments to sundry suppliers	-	84,662	-	84,662
GRAND TOTAL	69,722,316	11,849,111	64,708,405	16,863,023

At the end of the financial year 2019, an analysis of the provisions established in the previous years was carried out; based on this analysis, the Company made decisions regarding either the establishment of new provisions or provision reductions.

The provision for labour disputes amounting to RON 1,008,897 was established for disputes with employees for annual rewards not granted from previous periods, according to the provisions of the collective labour agreement in force, which are pending before the courts and are to be paid in subsequent periods, depending on the decisions ruled by the courts. As at 31.12.2019, the Company calculated that salary payments based on court decisions amounted to RON 1,008,897;

Provisions for the establishment of the workers profit participation fund: the provision was established for employee participation in the profit and is calculated pursuant to the provisions of the legislation specific to wholly or majority government-owned companies and of the Collective Labour Agreement, more specifically by applying a maximum percentage of 10% of net profit, but without exceeding a legal ceiling of the average salary at Company level, established by Order of the Ministry of Finance.

in 2019, the amount of RON 4,239,000 was also paid for employee participation in profit-sharing for 2019 and a provision was established amounting to RON 3,874,000 with payment due in 2020.

Provisions for environmental works and compensation:

Provisions for compensation - an assessment of compensation to the owners affected by the operation of the Ramnicu Vâlcea mining facility branch. As a result of the compensations paid by the Company in 2018-2019 to the owners affected by the operating activities of the Ramnicu Vâlcea Mining Facility, the amount of the provision was reduced by RON 2,196,731.

Provisions for taxes and duties:

The provisions for taxes and duties were decreased by RON 58,066,120, after the completion of the tax audit aimed at checking the mining royalty calculated by the Company for 2014-2017 and after the registration of the tax audit report results.

Currently, the Company no longer has any debts payable to the Treasury, as it paid all obligations established by the control document drafted by the National Agency of Fiscal Administration on 28.02.2020.

For the variable component, administrators and general manager: RON 819,804 - including the amount of the variable component established in the management contracts of the members of the Board of Directors and a difference to be granted to the general manager for the previous years (including 2019) to be paid in 2020.

Note 15.2 – LONG-TERM PROVISIONS

	Balance as at 31 Dec. 2019	Balance as at 31 Dec. 2018
Provisions for decommissioning of tangible assets	16,457,331	20,079,710
Provisions for decommissioning of tangible assets - long-term > 1 year	16,457,331	20,079,710

The provision for the dismantling and assembly of property, plant and equipment as well as site restoration (PIA) amounting to RON 16,457,331.

The legal basis for this provision is the Joint Order no. 202/2881/2348 of 2013 issued by the National Agency for Mineral Resources, Ministry of Environment and Climate Change, Ministry of Economy.

As at the 2019 year-end, the amount of the provision established for environmental remediation works was reduced by RON 3,622,379, after updating the bills of works drafted together alongside the feasibility studies necessary to extend the validity of the exploitation licences by another five years.

Note 16 – EMPLOYEE BENEFITS

Employee benefits were determined by actuarial calculation based on CLA assumptions:

	Balance as at 31 Dec. 2019	Balance as at 31 Dec. 2018
Benefits for employees <1 year	9,571,617	8,615,746
Employee related liabilities > 1 year	10,616,723	9,115,370
TOTAL – IAS 19	20188340	17,731,116

Employee benefits are established by actuarial calculation based on collecting bargaining contract (CLA) assumptions: The present value of the obligations regarding the established benefits and the cost of the related current services was established using the Projected Unit Credit Method. The benefits for which provisions were established are as follows:

- short-term benefits representing loyalty bonuses granted annually to employees according to CLA provisions;

- post-employment benefits representing the amounts owed by the Company upon retirement according to CLA provisions.

Nota 17 – STAFFING NUMBERS AND MANAGEMENT

Information about employees:

The existing staff structure of Societatea Națională a Sării S.A. as at December 31, 2019, and as at December 31, 2018 respectively by professional categories:

	31 December	31 December
Categories of personnel	2019	2018
Technical, economic and management personnel	409	404
Workers: O/W	1,255	1,258
underground	478	354
Total employees	1,664	1,662

Information about the corporate management

By Decision of the Board of Directors nr. 40/08.11.2018 Mr. Jujan Constantin, in his capacity as member of the Board of Directors, was appointed acting General Manager, until a new General Manager is assigned in position, pursuant to Art. 35 of Law 111/2016 approving the Government Emergency Ordinance 109/2011.

Mr. Jujan Constantin's term ended on 08.11.2019, upon completion of his appointment period.

starting with 09.11.2019, by Decision of the Board of Directors, Mrs. Gabriela Izabela Mantucu was appointed General Manager for the period 09.11.2019- 31.10.2020.

Remuneration of the General Manager and the members of the GMS, BoD:

According to the contracts of mandate, the administrators and the general manager of the Company benefit from remunerations consisting of two components, fixed and variable pay. The variable pay is correlated with the performance indicators established by Decision of the General Meeting of Shareholders for a 4-year period, pursuant to Government Decision No. 109/2011.

For 2019, a provision was maintained in amount of RON 442,644 representing variable components related to previous years for the Board of Directors (RON 339,881) and for the General Manager (RON 102,763).

As at the 2019 year-end, a provision was established in amount of RON 377,160 for the variable component for the General Manager and for the Board of Directors.

GMS members do not receive any remuneration from the Company.

Number of members of the General Meeting of Shareholders and of the Board of Directors:

- Number of GMS members 3
- Number of BoD members 5

No salary advance or loans were granted to any Company employee during 2019 FY.

The Company has no contractual obligations regarding the payment of pensions to former directors or administrators.

Note 18.1 – REVENUES

Revenues from sales include:

Revenues from sales	For the financial year ended: 31 December 2019	31 December 2018
Revenues from the sale of finished goods	321,494,941	353,325,994
Revenues from the sale of residual products	205,697	85,795
Revenues from other works and services rendered	954,529	998,739
Proceeds generated on goods sold	24,933,523	21,574,700
Revenues from tourism services	30,271,325	26,553,692
Revenues from Saleduct transport	5,478,486	7,144,881
Revenues from sundry activities	558,109	106,906
Revenues associated with the cost of services in progress	138,943	304,759
Trade discounts received	(3,315,670)	(2,941,794)
TOTAL	380,719,883	407,153,672

Revenues realised in 2019 are obtained from the sale of Company products (salt, limestone) on the domestic and foreign markets, from tourist activities and from other commercial operations such as various transport services, repairs, cavernometry, etc.

The largest share in the turnover structure, achieved from the sale of salt and non-metallic products is represented by the revenues from the sale of rock salt for the de-icing activities, which accounts for about 46%, followed by rock salt for the chemical industry, which accounts for about 21%

Societatea Națională a Sării - SA produces and sells the following main groups of products: salt (rock salt, salt solution or liquid and recrystallised salt), limestone and other non-metallic, salt-based products (tablets, seasoned salt, food supplements, bath salts, etc.).

In addition to these products, the Company carries out other complementary activities, as follows:

- tourism activities;
- wholesale and retail trade;

and

- manufacturing and repairing spare parts;
- environmental protection;
- other services needed to carry out the main business activity of the company.

The accounting records reflect the turnover as follows:

- Revenues from finished goods broken down into salt solution, rock salt and recrystallised salt, micro-production, by branch;

- Revenues from residual products broken down by branch;

Revenues generated by the provision of services, the sale of goods and other income from related activities, are broken down by branch, are included in the tourist activities which include: mine visit tickets and swimming pool access tickets, other food and non-food products sold in (non) specialised shops and in canteens, restaurant, bars, etc.

The tourism activity (about 10.5% of turnover) is determined by retail sales, bars, restaurants, swimming pool, recreational activities.

In 2019, as well as in 2018, the Company sold finished goods from the “Headquarters” branch, which were effectively manufactured by the other branches. When the stocks of finished goods were transferred from the accounts of the manufacturing branch to the accounts of the Headquarters branch, they were transferred as goods, although in essence, these were finished goods stocks. The impact of the transfer accounting notes remained: Debit – Goods Headquarters = Credits – Finished goods Manufacturing Branch.

When these stocks were sold by the warehouse to the SNS Headquarters, the revenues were recorded as revenues from the sale of goods, although in essence, these are revenues from the sale of finished goods. The table below shows the impact of the reclassification adjustments that would be necessary to correct the accounting records for an accurate reflection of the nature of the sales proceeds.

	Revenues from the sale of finished goods	**Proceeds generated on goods sold**
2019		
Company revenues	321,494,941	24,933,523
Correction of revenues, by	*17,007,787*	*(17,007,787)*
Adjusted revenues	338,502,728	7,925,736
	Revenues from the sale of finished goods	**Proceeds generated on goods sold**
2018		
Company revenues	353,325,994	21,574,700

	Revenues from the sale of finished goods	**Proceeds generated on goods sold**
Correction of revenues, by	*10,786,725*	*(10,786,725)*
Adjusted revenues	364,112,719	10,787,975

NOTE 18.2 – CHANGES IN INVENTORIES

In 2019, as well as in 2018, the Company sold finished goods from the "Headquarters" warehouse, which were effectively manufactured by the other branches. When the stocks of finished goods were transferred from the accounts of the manufacturing branch to the accounts of the Headquarters branch, they were transferred as goods, although in essence, these were finished goods stocks. The impact of the transfer accounting notes remained: Debt – Goods Headquarters = credit – Finished goods Manufacturing Branch. When these stocks were sold by the Headquarters Branch, their write-off was posted under account 607 "goods for resale" and not under account 711 "changes in inventories". Since the stocks represent finished products, and these were obtained by the manufacturing branch by generating revenue in account 711 "changes in inventories", when they are written off, an expense should be recorded in account 711 "changes in inventories".

The table below shows the impact of the reclassification adjustments that would be necessary to correct the accounting records for an accurate reflection of the nature of stock disposal expenses:

2019	**Changes in inventories: revenue/ (expense)**	**Expenses related to goods**
Expenses incurred by the Company	20,865,158	(14,271,515)
Correction of expenses, by	*(9,178,889)*	*9,178,889*
Adjusted expenses	11,686,269	(5,092,626)
2018	**Changes in inventories: revenue/ (expense)**	**Expenses related to goods**
Expenses incurred by the Company	8,994.381	(12,320,790)
Correction of expenses, by	(10,786,725)	10,786,725
Adjusted expenses	(1,792,344)	(1,534,065)

As at 2019 year-end, the change in inventories increased significantly compared to the previous year.

	31 December 2019	31 December 2018
Variation of inventories	20,865,158	8,994,381

NOTE 19 – OPERATING EXPENSES

EXPENSES ASSOCIATED TO RAW MATERIALS, CONSUMABLES AND GOODS

Raw materials, consumables and goods have the following component:

Raw materials, consumables and goods	For the financial year ended: 31 December 2019	31 December 2018
Raw materials	(1,392,455)	(2,075,850)
Auxiliary materials	(10,400,381)	(10,188.992)
Fuel	(8,787,997)	(9,941,145)
Packaging materials	(5,245,235)	(5,763,730)
Spare parts	(4,583,572)	(4,301,859)
Expenses related to other consumables	(770,645)	(1,199,191)
Small inventory	(1,642,097)	(1,390,906)
Materials not stored	(51,678)	(45,466)
Goods *"Note 18.2"*	(14,271,515)	(12,320,790)
Packaging	(1,778,495)	(1,655,269)
Trade discounts received	47,087	14,840
TOTAL	(48,876,981)	(48,868,358)

Staff costs	For the financial year ended: 31 December 2019	31 December 2018
Payroll costs	(102,912,133)	(92,561,827)
Payroll costs - court decisions	(597,379)	(1,265,544)
Meal tickets and holiday vouchers - employees	(8,377,705)	(4,995,503)
Profit-sharing plan	(4,237,010)	(3,687,948)
Reversal - 2017 provision - employee participation in profit	4,239,000	2,866,645
Social security contributions	(14,332,268)	(11,792,374)
Employee benefits (IAS 19)	(783,696)	(1,158,169)
Revenues from allowances for labour disputes	-	2,066,958
TOTAL	(127,001,190)	(109,005,384)

The line Employee meal vouchers included the holiday vouchers for 2019 granted in December 2019, in amount of RON 3,801,600.

Depreciation and value adjustments	31 December 2019	31 December 2018
Amortisation expenses	(20,305,146)	(27,715,522)
Value adjustments (expenses) related to tangible and intangible assets	(2,289,828)	(3,453,321)
Value adjustments (revenues) related to tangible and intangible assets	27,760	386,076
Amortisation of investment subsidies	5,628,752	4,619,726

Expenses for leasing assets depreciation	(33,450)	-
	(16,971,912)	(26,163,041)

Starting with 2019, the concession contract between Ocnele Mari City Hall and SNS SA - Mining Exploitation Branch has been subject to restatement as per IFRS 16. Thus, the amount of RON 33,450 was registered in the expenses for Leased assets depreciation.

Note 20 – SALES BY SEGMENTS AND CUSTOMERS

Evolution of SNS deliveries over 2018 - 2019:

	Value (thousand RON)			**Quantity (tons)**		
	2019	**2018**	**%**	**2019**	**2018**	**%**
Total, out o/w:	335,205	371,959	– 9.88 %	2,846,447	3,539,277	-19.57%
LIMESTONE	26,238	32,450	-19.14 %	882,455	1,170,264	-24.59 %
SALT SOLUTION	24,780	30,011	-17.43 %	835,398	1,142,475	-26.87%
SNOW-REMOVAL SALT	154,436	168,578	-8.38%	598,617	693,319	-13.65 %
ROCK SALT FOR THE CHEMICAL INDUSTRY	70,708	74,121	-4.60 %	389,419	378,608	2.85%
OTHERS	59,041	66,799	-11.61 %	140,558	154,611	-9.08%

For the domestic market, the Company supplies edible salt for direct human consumption and for the food industry, salt solution and limestone for the chemical industry, lumps and briquettes for the livestock industry, water softener salt tablets, industrial salt for snow-removal.

In Q4/2019, sales were impacted by the reduction of orders for de-icing salt by CNAIR (the SNS's largest buyer of de-icing salt)

In the foreign market, we note a decrease in revenues from the sale of salt, due to a decrease in the market share in Slovakia in the segment of industrial salt for the chemical industry and de-icing salt, and a reduction in the export of recrystallised salt to neighbouring countries.

Sales on the external market went to traditional customers from Hungary, Serbia, Slovakia, Bulgaria and the Republic of Moldova, with small quantities exported to other countries, such as Croatia and Austria.

These products are distributed through the Company's retail warehouses and through the sales departments of the branches.

Sales in 2019 decreased for all products compared to the previous year, mainly due to reasons related to the operational activity of the partners (-19.57% in physical units - 9.88% in value units.

The main reasons that impacted the sales in 2019, by products:

– salt solution and limestone - significant decrease (24.59% for limestone and 26.87% for salt solution) caused by the termination of the supply contract for salt solution and limestone by Ciech Soda Romania, in September 2019, and the cessation of the activity;

– de-icing salt - sale decrease (-13.65%) generated by the decline in orders to less than 50% of the contracted quantity due to the lack of snow and short periods of frost;

– salt for the chemical industry - increase in deliveries (+2.85%) and decrease in revenues from sales (-4.60%) due to the share of low-price products in the structure of revenues. In 2019, the quantities of salt contracted/delivered to the traditional customer Forlischem from Slovakia were lower than the previous year, when low quantities, but with high prices (recrystallised salt) were delivered.

– the group "other" - the decrease in revenues was caused by the decrease in the market share for certain types of edible salt for direct human consumption, as the imported sea salt is more attractive in price.

The decrease in deliveries by 19.57% in 2019 led to a decrease in revenues from the sale of products by 9.88% compared to the previous year, which did not affect the business continuity.

Tourism services

For tourism/trade, the structure of revenues registered in 2019 was similar to that of the previous year.

We note a significant increase in value (50%) compared to the previous year (RON 39,900,853 in 2019, compared to RON 26,553,691 in 2018)

Note 21 – OTHER OPERATING REVENUE

	For the financial year ended:	
Other operating revenues	**31 December 2019**	**31 December 2018**
Revenues from research studies	-	-
Rental and royalty income	200,668	176,615
Revenues from revaluation of tangible assets	-	-
Revenues from compensations, fines and penalties	206,398	28,129
Proceeds from disposal of assets and other capital transactions	14,336	-
Adjustments related to provisions (revenues)	60,469,405	4,008,171
Other operating revenues	2,990,682	15,881,481
TOTAL	63,881,488	20,094,396

Other operating revenues are mainly generated from the reversal in revenues of the provision established in previous years for the additional mining royalty, established by the National Agency for Fiscal Administration, which is the object of a litigation with the Romanian state and paid by the Company (RON 57,451,165).

The significant increase in "Other operating revenue" compared to the previous year is generated by an atypical situation; more specifically, in 2018, the amount of RON 14,153,120 was registered in revenues, representing the claim difference on Oltchim, following the implementation of the EC Decision C (2018) 8592 and in 2019, it was reversed in revenues from historical provisions established for the additional mining royalty and no longer necessary in 2019.

Other operating revenues	63,881,488	20,094,396
Revenues from the cancellation of the provision for additional mining royalty (historical cost)	(57,451,165)	
Revenues collecting by applying Decision EC C(2018)8592		(14,153,120)
Comparable values	6,430,323	5,941,276

Note 22 – OTHER OPERATING EXPENSES

Other operating expenses include:

	For the financial year ended:	
	31 December 2019	**31 December 2018**
Electricity, heating and water	(13,436,909)	(13,632,193)
Maintenance and repair expenses	(2,125,688)	(2,117,433)
Royalties and rental expenses	(1,433,098)	(1,605,086)
Mining royalty expenses	(12,271,654)	(14,146,679)
Insurance premiums	(276,727)	(241,437)
Research expenses	(66,750)	(94,488)
Training expenses	(258,438)	(161,327)
Commissions and fees	(16,706)	(37,503)
Promotion and advertising	(25,594)	(17,257)
Hospitality expenses	(90,465)	(59,309)
Transport of goods and personnel	(47,259,582)	(48,985,348)
Travel expenses	(841,899)	(1,019,366)
Postage	(470,455)	(516,926)
Banking services	(281,230)	(309,726)
Other expenses with service performed by third parties	(11,405,982)	(9,978,564)
Security	(3,589,156)	(3,731,914)
Maintenance and operation of IT equipment	(136,491)	(160,936)
Property revaluation services	(56,500)	(71,400)
Advertisements	(13,665)	(17,120)
Customs formalities	(18,380)	(19,552)
Other taxes and fees	(5,556,132)	(5,484,293)
Environmental protection	(187,829)	(180,833)

Expenses for force majeure situations and other similar events		(38,235)
Increases and penalties	(21,253,549)	(2,149,338)
Sponsorship	(36,155)	(85,820)
Long-term assets	(476,208)	-
Establishment of geological fund	(19,763,080)	(21,597,449)
SNS overheads	29	
Other operating expenses	(38,623,714)	(947,448)
Value adjustments (expenses) related to receivables	(33,805,192)	(17,532,993)
Value adjustments (revenues) related to receivables	32356491	256,803
Losses generated by bad and sundry debtors	(84,238)	
Value adjustments (expenses) related to inventories	(106,682)	
Value adjustments (revenues) related to inventories		
Adjustments of the provisions (expenses)	(11,695,172)	(14,896,994)
Exchange difference (expenses)	(685,691)	(909,023)
Exchange difference (revenues)	2,187,636	1,107,943
TOTAL	(191,804,856)	(159,381,242)

Note 23 – FINANCIAL RESULT

	For the financial year ended:	
	31 December 2019	**31 December 2018**
Financial result		
Interest income	3,047,525	2,532,514
Interest costs	(519,637)	(361,245)
Other financial revenues	28,617	35,329
Other financial expenses	(82,252)	(14,704)
TOTAL	2,545,172	2,191,895

Note 24 – TAX LEGISLATION

The Romanian tax system is going through a process of consolidation and harmonisation with European legislation. In this context, there are still different interpretations of the tax legislation. In specific cases, the tax authorities may treat certain aspects in a different manner, proceeding to the calculation of taxes and additional charges, as well as to the calculation of late payment interest and penalties.

Such inherent risks generated by taxes and other fiscal obligations arise from the perpetual and sometimes contradictory fiscal changes, but also from interpretations to the tax legislation given by audit bodies with the goal to collect more taxes to the state budget, social security budget or local budgets.

Starting with January 2016, the interest rate per day of late payment decreased from 0.03% to 0.02%; Penalties were also reduced, from 0.02% to 0.01% on each day of delay. Also, a penalty of 0.08% per day was introduced in 2016 for failure to submit tax returns.

The Company management appreciate that the Company adequately reflected all tax obligations in the financial statements attached; however, there is a risk that tax authorities may take a different position on the interpretation of such aspects. Their impact could not be determined to date, but we appreciate that there will be no significant effects on the financial position and earnings of the Company.

Pursuant to the provisions passed by the Ministry of Public Finance on the taxation of share capital elements (i.e. reserves) which are not subject to the calculation of income tax at their maturity date, should the Company change the purpose of such reserves in the future, e.g. revaluation reserves (distribution to shareholders in the form of dividends) this will lead to additional income tax expenses.

Note 25 – COMMITMENTS AND CONDITIONALITIES

Note 25.1 – COMMITMENTS

The Company did not conclude any agreements that generate significant cash outflows or that include clauses establishing major obligations in the future or that generate contracts for subsequent obligations.

Note 25.2 – GUARANTEES RECEIVED/GRANTED

Goods encumbered by guarantees (mortgages, guarantees)

As at December 31, 2019, the Company has no goods encumbered by guarantees (mortgages, pledges or other similar collaterals attached to fixed assets, receivables or inventories) in favour of banks because no loans were taken for operating activities and investments.

Guarantees received

The guarantees received are performance bonds, collaterals attached to procurement procedures and a concession in Slănic Salt Mine.

Cash Collateral-based securities

The company holds Bank Guarantee Letters available to partners, guaranteed with cash-collateral (RON 16,104.737).

There is a significant performance guarantee constituted and available to CNAIR, for the road salt delivery contracts amounting to RON 13,260,138. This was established in 2018 and maintained the same amount until the 2019 year-end.

A letter of guarantee amounting to RON 2,448,411, guaranteed with collateral cash, was made available by the Company to the supplier Sandvik for the purposes of a contract for the purchase of goods.

In 2019, the validity of a letter of guarantee at the disposal of the National Agency for Fiscal Administration in amount of RON 12,061,491 was not extended; Civil Sentence no. 980/19.02.2018 suspended the enforcement for this amount. The amount was established prior to the financial year ended 31.12.2019 to avoid the enforcement action on the Company's accounts by the National Agency for Fiscal Administration for a rest of fiscal ancillary liabilities attached to the additional mining royalty, established by Tax Decision and currently under litigation before the court.

Note 25.3 – ENVIRONMENTAL CONDITIONALITIES

The Company carries out mineral extraction activities in locations defined by licenses (salt and limestone mines or saltwater extraction wells); upon cessation of operation, the Company will perform soil remediation works and mine closures, greening, and post-closure monitoring works.

Environmental obligations by branch:

Ocna Dej Salt Mine - environmental protection activity is regulated pursuant to the Environmental Permit no. 213/25.11.2019 (valid throughout the period when the beneficiary may obtain the annual approval) and to the Water Management Permit no. 14/CJ/04.04.2019 (valid until 04.04.2022), documents issued by the environmental protection authorities, pursuant to the legislation and regulations in force.

The main environmental works carried out in Ocna Dej Salt Mine cover the following:

- excavation and backfilling works, water management, vegetation restoration works, monitoring of restoration works;
- environmental monitoring, services, training, environmental fund contribution, waste disposal.

Praid Salt Mine - environmental protection activity is regulated pursuant to the Environmental Permit no. 179/23.11.2011, until 23.11,2021, and to the Water Management Permit no. 408/01.11.2019 (valid until 01.11.2024), documents issued by the environmental protection authorities, pursuant to the legislation and regulations in force.

Environmental works scheduled and carried out in 2019 at Praid Salt Mine:

- waterproofing works for the old facility - removal of suffusion gaps, cleaning of drains and related drainage works, arrangement of the Varga and Saros drainage gallery (deposit protection), consolidation of the roof foundation of the Iosif well, maintenance of ditch guards around Elisabeta pit;

- chemistry analyses on water samples conducted by a licensed laboratory - SC Wessling Romania Tg. Mureș / smoke analysis;
- tank cleaning services.

Salina Cacica - the environmental protection activity is governed by the Environmental Permit no. 392/30.08.2011, reviewed on 21.04.2016 (valid for 10 years, until 30.08.2021), and by the Water Management Permits no. 111 /11.07.2017 for Cacica facility (valid until 11.07.2020), no. 110/11.07.2017 for Partestii de Jos facility (valid until 11.07.2020) and no. 120/10.08.2017 for the saltwater basin in the old facility of Cacica Slat Mine, all valid until 10.08.2020.

Slănic Salt Mine - environmental protection activity is regulated pursuant to the Environmental Permit no. 104/05.06.2019, reviewed on 13.11.2019 and valid until 05.06.2024, and to the Water Management Permit no. 212/18.10.2019, valid until 31.10.2021.

In 2019, Slănic Salt Mine reported environmental expenses for:

- environmental review (wastewater, exhaust gas, powders, noise);
- water management services;
- sanitation services; water management permitting.

Targu Ocna Salt Mine - the environmental protection activity is regulated pursuant to the Environmental Permit no. 171/15.10.2010 valid until 15.10.2020, for rock salt extraction, Permit no. 61/04.03.2011 valid until 04.03.2021 for salt solution (By Decision no. 32/06.02.2019, the Environmental Protection Agency Bacau issued the annual approval for 2019) and pursuant to the Water Management Permit no. 7/15.01.2019 valid until 15.01.2022.

The main environmental works carried out in 2019 target:

- Mine drainage, Moldova Veche mine;
- Monitoring of instability phenomena related to the exploitation of the deposit from Fetele Targului-Trotus Mine. Actions to reduce instability and its influence on safe exploitation operations for workers and work equipment.
- Chimney emission determinations, heating plant Tg. Ocna Salt Mine for: Sox, Nox, 02;
- Maintenance, repair and development of the surface water collection and drainage

system (drains, gutters, ditches);

- Cavernometric control operations on wells;
- Maintenance and cleaning of access roads, well platforms and their fencing;
- Maintenance and cleaning of sewerage - drainage networks;
- Water analysis for water from the three observation boreholes, upstream and downstream of the well field on Slănic brook and Trotus river: chlorides, extractables, hydrogen sulphide, sulphates, calcium, sodium, pH, filtration residue and sulphides;
- Bathymetric monitoring of Burlacu Pit;
- Construction of backfill Well S251;

Rm. Vâlcea Mining Facility - environmental protection activity is regulated pursuant to Environmental Permits:

- Volcanic tuff sector Traistari - Environmental Permit no. 236/25.11.2011 Valid until: 24.11.2021.
- Ocnele Mari Salt Mine - Environmental Permit no. 56/10.05.2010 reviewed on 28.10.2013 valid until: 09 May 2020.
- Bistrița Limestone quarry: Environmental Permit no. 67/23.05.2019, valid throughout the period when the beneficiary may obtain the annual approval.
- Sector for Salt solution Ocnita - Lunca - Field III and IV wells and Mechanic workshop Ocnita- Lunca - Environmental Permit no. 109/05.08.2019, valid until: 04.08.2024.

The main environmental works carried out at Rm. Vâlcea Mining Facility:

- Environmental monitoring Bistrița and Ocnele Mari;
- Cavernometric surveys Field III and Field IV wells - Ocnita Lunca.

Ocna Mureș Salt Mine - since the salt mine temporarily ceased activities, the Environmental Protection Agency Alba found that the activities related to the NACE codes included in the permit application are no longer carried out, therefore the permitting procedure must be resumed when activity is resumed. (Letter no. 7847 / 16.07.2019 from Alba County Environment Protection Agency).

Note 25.4 – ONEROUS CONTRACTS

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. These mandatory costs reflect at least the net cost of withdrawal from the contract, which is the lower of the contract performance cost and any compensation or penalties arising from non-performance.

The audit reports drafted by the Court of Auditors indicated the existence of onerous contracts, and the auditors ordered the following actions: the analysis of other contracts concluded during the reporting periods, an appraisal of the possible damage caused and identification of those responsible. This decision was challenged in court; so far no court decision was ruled. Given that the decision is enforceable and its was not suspended, the Company is in the process of implementing it.

Note 25.5 – LITIGATIONS

The Company is involved in numerous litigations as a defendant. These litigations involve claims for financial rights filed by employees or former employees, complaints, damages for land affected as a result of mining operations, tax issues, debt recovery and other disputes. Unexpected court decisions may arise. The Company management appreciate that such disputes will not have a significant impact on the financial position of the Company and did not deem it necessary to establish other provisions for risks and charges as at December 31, 2019, different from those presented in Note 17.

Some of the most important value-wise disputes are:

1. Litigation with NAFA (the tax office) - for the mining royalty established additionally by NAFA inspectors following the change of mining royalty quotas by legal provisions, against the provisions of the licenses (amount according to the Tax Decision: RON 50,119,000). The application for suspension of the tax decision was accepted by the court, as a final decision. The company also filed an appeal against the enforcement of the formal warning plus an appeal against the writ of execution issued by NAFA based on the taxation decision. The order and the writ of execution were quashed by the court in appeal. At the same time, the company obliged NAFA to resolve the administrative appeal. The application was admitted by the court of first instance, the court ruling remained final, as the appeal filed by NAFA was rejected.

2. The company held a claim against Oltchim Plant in the amount of RON 33,101,628 (RON 12,577,802 - the claim provided in the payment schedule, RON 18,249,986 - the claim representing state aid considered unlawful as per Decision no. C (2018) 8592 of the European Commission; and RON 32,772 - unsecured debt representing court fees; RON 2,241,067 - interest related to the granted state aid) which was partly covered by a real estate guarantee authenticated by notarial deed. As at 31 December 2019, the claim was fully adjusted for depreciation. In 2018, under the judicial reorganisation

procedure in the insolvency procedure for Oltchim SA, an asset sale/purchase contract was signed with Chimcomplex, a very complex transaction with economic, financial, management and legal implications. In order for this transaction to be concluded, the contract included preconditions, five suspensive conditions and preparatory actions for taking over and using such assets.

Some of the claims mentioned by the statement of claims made during the bankruptcy proceedings were not accepted in the list of creditors (RON 7,110,262 from the state-aid amounting to RON 18,249,986, as well as the amount of RON 2,241,067.43 - interest related to the state-aid granted). The claim will remain in the accounting records and impairments shall be calculated until a final decision is made in the case.

Subsequent events occurred after 31.12.2019 - Company records for the headquarters no longer registered case files with material impact (high amounts). Two actions in court were initiated against the former General Manager Dumitru Matei (one action in December 2019 and one action in April 2020) for the enforcement of measures ordered by the Romanian Court of Auditors.

Note 26 – AFFILIATED ENTITIES

Societatea Națională a Sării does no interest in other companies.

Note 27 – RELATED ENTITIES

The Company carries out commercial transactions with majority state-owned companies:

Partner	**Sales without VAT**		**Purchases without VAT**	
	2018	**2019**	**2018**	**2019**
Oltchim	11,705,576	13,047,324	-	709,966
CFR Marfa	-	-	15,307,668	16,166,716
CNAIR	132,564,521	113,782,423	-	-

Note 28 – REMUNERATION OF MANAGEMENT AND BOARD OF DIRECTORS

The Company is managed in a unitary system, as per Company Law 31/1990. The membership of the Board of Directors and of the Executive Management are presented in *Note 1 - General information*.

The following table presents the remuneration to be paid to the Board of Directors and to the Executive Management as annual pay for the positions of administrator and general manager (IAS 24):

Description	**For the financial year ended:**	
	31 December 2019	**31 December 2018**
Benefits	477,539	734,895
Civil contracts	-	-

Taxes and social security contributions	10,745	16,535
Other benefits	-	-
	488,284	751,430

Note 29 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

	loans and receivables	
ASSETS	**31 December 2019**	**31 December 2018**
Trade receivables and similar (without 471)	67,478,521	134,297,082
Cash and cash equivalents	204,730,111	218,365,341
TOTAL	272,208,632	352,662,423

	Measured at amortised cost	
DEBTS	**31 December 2019**	**31 December 2018**
Trade payables and similar (without 472)	64,205,557	72,585,799
TOTAL	64,205,557	72,585,799

The policies issued by the Board of Directors define the risk tolerance in various areas of activity; Company staff have the obligation to comply with such risk tolerance and to inform whenever they identify significant new risks or changes in existing risks.

RISK EXPOSURE

Further details on these policies are set out below:

Credit risk

Credit risk is the risk of a financial loss to the Company that arises if a customer or counterparty to a financial instrument fails to fulfil their contractual obligations. The Company is mainly exposed to supplier credit risk as a result of granting payment terms to sales to customers. The counterparty risk may result from an insolvency of the financial institutions in which the Company holds cash, cash equivalents and deposits held at call or at short notice. To alleviate this risk, the Company makes placements with a number of 4 banks among the top 10 of Romanian banks.

Maximum exposure to counterparty risk as at 31 December 2019:

	Net book value	
	31 December 2019	**31 December 2018**
Financial assets	-	-
Trade receivables and similar	67,478,521	135,459,035
Cash and cash equivalents	204,730,111	218,365,341
TOTAL	272,208,632	353,824,376

The Company does not hold receivables older than 60-90 days except for those which are subject to litigation and reclassified to customers/debtors involved in litigation.

Market risk

Market risk is generated by the use of financial instruments in foreign currency. This is the risk that the fair value or future cash flows of a financial instrument may fluctuate due to changes in foreign exchange rates (currency risk) or other market factors (price risk or other events).

Foreign exchange risk

The Company is mainly exposed to foreign exchange risk when selling products to customers outside Romania. Cash and trade receivables in EUR are discounted at the balance sheet date according to the exchange rate communicated by the National Bank of Romania. Resulting differences are carried in profit or loss but do not affect cash flows until the amounts are paid.

As at December 31, 2019, the Company's net exposure to foreign exchange risk was as follows:

	LEI	**EUR/RON equivalent**	**USD/RON equivalent**
31 December 2019			
Monetary assets			
Trade receivables and similar	61,313,836	6,164,685	-
Cash and cash equivalents	161,704,964	42,982,758	42,389
Monetary liabilities			
Trade payables and similar debts	63,553,853	651,704	
Loans	191,884	0.00	0
Net exposure	159,464,946	48,495,740	42,389

	LEI	**EUR RON equivalent**	**USD RON equivalent**
31 December 2018			
Monetary assets			
Trade receivables and similar	129,824,802	4,472,280	-
Cash and cash equivalents	137,298,678	81,070,740	40,785
Monetary liabilities			
Trade payables and similar debts	71,814,397	771,402	-
Loans	277,196	-	
Net exposure	195,309,083	84,771,618	40,785

The average exchange rates during 2019 and the spot exchange rates as of December 31, 2019 were as follows:

	Average forex rate	Closing exchange rate
	2019	**31 December 2019**
EUR / USD	1.1190	1.1210

LEI/EUR	4.7452	4.7793

The average exchange rates during 2018 and the spot exchange rates as of December 31, 2018 were as follows:

Sensitivity Analysis - 2019

A 10% appreciation of the RON against EUR and USD on December 31, 2019 would lead to an increase/(decrease) in profit with the amounts indicated in the table below. This analysis assumes that all other variables, especially interest rates, remain constant.

A 10% depreciation of the RON against EUR and USD on December 31, 2019 would have the opposite effect, equal in value to the amounts presented above, if all other variables remain constant.

Sensitivity Analysis - 2018

A 10% appreciation of the RON against EUR and USD on December 31, 2018 would lead to an increase/(decrease) in profit with the amounts indicated in the table below. This analysis assumes that all other variables, especially interest rates, remain constant.

A 10% depreciation of the RON against EUR and USD on December 31, 2018 would have the opposite effect, equal in value to the amounts presented above, if all other variables remain constant.

	Average forex rate	**Closing forex rate**
	2018	**31 December 2018**
EUR / USD	1,1806	1,1449
LEI/EUR	4.6535	4.6639

Increase/ (decrease) in profit for the period due to USD depreciation	Increase/ (decrease) in profit for the period due to EUR depreciation
(4,239)	(4,979,915)

Increase/ (decrease) in profit for the period due to USD appreciation	Increase/ (decrease) in profit for the period due to EUR appreciation
4,239	4,979,915

Increase/ (decrease) in profit for the period due to USD depreciation	Increase/ (decrease) in profit for the period due to EUR depreciation
(4,079)	(8,631,442)

Increase/ (decrease) in profit for the period due to USD appreciation	Increase/ (decrease) in profit for the period due to EUR appreciation

4,079	8,631,442

Interest rate risk

Interest rate risk is the risk that the fair value of the payment of future flows generated by a financial instrument may fluctuate due to changes in the interest rate. Interest rate risk includes the present value of fixed-income securities as well as cash-flow risks from variable-interest securities. Interest rate risk is mainly manifested in long-term financial instruments.

Exposure to interest rate risks includes assets and liabilities at fair value.

The Company does not have loans contracted during the period subject to restatement of national accounts for the purposes of IFRS compliance.

31 December 2019	**Interest bearing**		**Non-interest**
	Fixed	**Variable**	**bearing**
Trade receivables and similar	-	-	67,478,521
Cash and cash equivalents	145,500,000	-	59230111
		-	126708632
Total assets	145,500,000		
Trade payables and similar debts			64,205,557
Loans			191,884
Total debts			64,397,441
			207,811,191
Total exposure			-

31 December 2018	**Interest bearing**		**Non-interest**
	Fixed	**Variable**	**bearing**
Trade receivables and similar	-	-	134,297,082
Cash and cash equivalents	77,816,491	-	140,548,850
Total assets	77,816,491	-	274,845,932
Trade payables and similar debts			72,585,799
Loans			277,196
TOTAL DEBTS			**72,862,995**
Total exposure			**279,799,428**

Liquidity risk

Liquidity risk arises from the methods employed by the Company to manage working capital and repayments in respect of its debt securities. It is the risk that a Company may encounter difficulties in fulfilling its financial obligations when they become due.

	31 December 2019	**31 December 2018**
Assets		
Monetary assets in RON	223,018,719	267,123,480
Monetary assets in EUR	49,147,444	85,543,020

Monetary assets in USD	42,389	40,785
	272,208,632	352,707,285
Debts		
Monetary liabilities in RON	63,745,737	72,091,593
Monetary liabilities in EUR	651,704	771,402
Monetary liabilities in USD		-
	64,397,441	72,862,995
Monetary position in RON	159,273,062	195,031,887
Monetary position in EUR	48,495,740	84,771,618
Monetary position in USD	42,389	40,785
	207,811,191	**279,844,290**

The Company's liquidity risk policy provides for maintaining sufficient liquidity resources to enable the Company to pay its overdue obligations.

The following table indicates the contractual maturities of the financial liabilities:

31 December 2019	**Up to 3 months**	**3 to 12 months**	**Over 1 year**
Trade payables and similar debts	64,205,557	0	0
Loans	0	191,884	1,214,701
TOTAL	64,205,557	191,884	1,214,701

31 December 2018	**Up to 3 months**	**3 to 12 months**	**Over 1 year**
Trade payables and similar debts	72,585,799	0	0
Loans -	0	12,052	277,196
TOTAL	72,585,799	12,052	277,196

Bank liquidity - The company has open accounts and collaborates with the following banks: Raiffeisen Bank, BCR, BRD, Banca Transilvania, ING Bank and Trezoreria Statului having jurisdiction in District 1 of Bucharest.

Operational risk

Operational risk is the risk of direct or indirect losses arising from a wide range of causes related to the Company processes, personnel, technology and infrastructure as well as to external factors other than the credit risk, market and liquidity risk, such as those arising from legal and regulatory requirements and widely accepted standards of organisational behaviour. Operational risks arise from all operations carried out by the Company.

Fair value of financial instruments

Fair value is the amount for which the financial instrument can be exchanged in ordinary transactions other than those determined by liquidation or forced sale. Fair values are derived from quoted prices or cash flow patterns, as appropriate.

As at December 31, 2019, cash and other cash, accounts receivable and similar accounts, trade payables and other payables are approaching their fair value due to their short maturity. Management considers that the fair book value of these instruments is close to their book value.

NOTE 30 – SIGNIFICANT ELEMENTS FROM THE FIRST RESTATEMENT OF ACCOUNTS

The financial statements for 2018 of *Societatea Națională a Sării SA* are the first set of IFRS-compliant financial statements prepared by the Company.

The most significant changes in the financial statements to bring them in line with the IFRS requirements adopted by the European Union are:

- Adjustments of share capital, in accordance with IAS 29 - “Financial Reporting in Hyperinflationary Economies”, as the Romanian economy was hyperinflationary until December 31, 2003 (RON 27,751,645)

- According to IFRS 1 “First-time Adoption of International Financial Reporting Standards”, SALROM SA chose to measure the items of property, plant and equipment at fair value and to use this fair value as a presumed cost at that date.

Thus, the revaluation reserve reported in the Company’s balance sheet on 31.12.2014, the first comparative period of IFRS application, was cancelled by transfer in retained earnings, as follows:

	31 December 2014
Description	
Land revaluation surplus	16,394,911
Buildings revaluation surplus	25,397,174
Plant, machinery and motor vehicles revaluation surplus	9,412,465
Furniture, office automation and protection equipment revaluation surplus	51,451
TOTAL	51,256.001

Cancellation of the revaluation reserve in account 1175 “Retained earnings representing the realised revaluation reserve surplus” (account pursuant to Order No. 1802/2014 of the Minister of Public Finance) and reclassification in *“Retained earnings generated by the use of fair value as deemed cost when transitioning to IFRS”* (RON 51,256,001 as at 31.12.2014).

Note 31 – AUDITORS’ FEES

The financial audit for the annual financial statements for 2019, in accordance with IFRS was performed by PKF FINCONTA SRL.

The auditor provided solely financial audit services.

The auditor was selected under a public procurement procedure pursuant to the provisions of Order No. 666/2016 of the Minister of Public Finance, Art. 46 on the procurement of audit services for wholly or majority government-owned companies that implemented management measures provided by Government Ordinance No. 109/2011.

The fee was established following the participation in the procurement procedure for audit services, by applying the "lowest price" criterion.

NOTE 32 – CONTINGENT ASSETS AND LIABILITIES

CONTINGENT ASSETS

In 2019, several actions were brought to court against the employees/former employees for the enforcement of the measures ordered by the Romanian Court of Auditors through decisions issued following the audit missions carried out in 2016 and 2019, as follows:

- Five actions were filed against former general managers of the Company to recover the amounts established as damage by a Committee set up by the Company, for the enforcement of Decision no. 5/2016;

- one action was brought to court against a former director general of the Company to recover the amounts established as damage by a Committee set up by the Company, for the enforcement of Decision no. 4/2019 issued by Romania's Court of Accounts;

- nine actions were filed against the manager of Dej branch and against branch employees to recover the amounts established as damage by a Committee set up by the Company (2 actions taken at HQ level, the others at branch level), for the enforcement of measures ordered in 2016 by Cluj Chamber of Accounts. Three actions were filed against legal entities for the enforcement of measures ordered by Cluj Chamber of Accounts.

- 10 actions were filed against branch employees to recover the amounts established as damage by a Committee set up by the Company, for the enforcement of measures ordered in 2016 by Prahova Chamber of Accounts.

These court actions add to the 7 actions initiated in 2018, of which only one were finalised in December 2019 by final court decisions that not favourable to the Company; the other litigations (case files) are still pending.

Given the high level of uncertainty regarding any possible favourable rulings in these litigations, the Company established a contingent asset amounting to RON 18,898,616, consisting of:

RON 12,016,491 – a dispute concerning increases and delay penalties related to the mining royalty; RON 3,358,029 – a dispute concerning a failure to calculate penalties to Oltchim;
RON 1,522,688 – a dispute with the manager of Dej Salt Mine and some employees of the branch
787,803 – disputes with employees of Slănic branch
947,312 – disputes concerning the conclusion of procurement contracts
136,279 – dispute concerning the payment of HHO excise duties
47,175 – dispute concerning selling below costs
82,839 – litigation regarding the undue payment of the annual variable component 2016-2017 for the general manager

CONTINGENT LIABILITIES

The Company is a defendant in case file no. 2713/3/2012 pending before Bucharest District Court on the application filed by LIDL IMOBILIARE ROMANIA MANAGEMENT SCS, LIDL DISCOUNT SRL requesting that our Company and Ocna Mureș City Hall should pay the amount of RON 8,494,701.70 representing damages as a result of the destruction of the Plus supermarket, located in the vicinity of the exploitation perimeter owned by the company in Ocna Mureș. The case file is suspended until a final decision is ruled on the plea of illegality of the building permit issued by the Ocna Mureș City Hall (case file no. 11580/3/2016). On 20.04.2018, the court ordered "the partial admission of the application filed by Fondul Proprietatea: the court shall reject the plea of illegality against the Decision issued by the Ocna Mureș Local Council no. 57/14.05.2009 (approving the Detailed Urban Plan for the Plus store); the court admitted the plea of illegality for the Building Permit no. 26/2067 and ruled that the building permit is unlawful.

NOTE 33 – SUBSEQUENT EVENTS

In 2019, *Societatea Națională a Sării SA* promoted an Operational Restructuring Program due to the need to restrict the activity at Vâlcea. This action was initiated following the termination in September 2019 of a delivery contract: salt solution and limestone concluded with one of the important customers of the Company - Ciech Soda Romanian, which ceased its activity. As at 2019 year-end, the Company established a restructuring provision estimated at RON 7,308,000 for severance payments to employee who will made redundant.

The Operational Restructuring Programme will be implemented in 2020, when the impact of decreases in revenues from the sale of salt solution and limestone under the contract with Ciech Soda Romanian will be felt too. This will generate in 2020 cash outflows and decreases in Revenue, as some income will not be realised, but it does not have the magnitude to jeopardise business continuity.

At the same time, in March 2020, the state of emergency generated by the COVID - 19 pandemic was declared in Romania, which has a profound impact on human health, as well as on the operational and financial performance of the entities. The Company management constantly monitors and analyses the local and international developments and take all necessary steps to mitigate the negative consequences caused by the effects of the pandemic on the entire business environment. The analysis carried out by the management at the date when these financial statements were signed indicated a significant reduction in sales due to restrictions imposed by authorities (for example, from 15 March 2020 the tourism activity of the Company, which represents 10% of the annual turnover, was interrupted due to the COVID-19 pandemic), but the management does not estimate that the Company's ability to continue the business in the forthcoming period should be affected, therefore the going concern principle is adequately assessed when preparing the financial statements.

Administrator
By General Manager
Gabriela-lzabela
Illegible signature

Financial Manager
Laura Chiorean
Illegible signature