

MANAGEMENT BOARD'S REPORT

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

-December 31, 2021-

MISSION

"The sustainable and safe exploitation of resources with complete respect for the environment and the future, providing customers with quality products and services"

Vision

"SNS S.A., a regional leader in the marketing of salt-based products and a reliable partner".

CONTENTS:

Chapter I.

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

Chapter II.

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

Chapter III.

Analysis of the business conducted in 2021 by the company:

1. Assessment of the sales of products and services
2. Assessment of the technical and technological levels
3. Assessment of the production activity
4. Assessment of the manner of executing the investment plan
5. Assessment of the aspects concerning the impact of the company's business upon the environment; Environmental protection
6. Assessment of mine and quarry closures within the perimeters belonging to the Company
7. Quality management
8. Assessment of the aspects pertaining to the company's employees/personnel
9. Assessment of the Risk Management activity
10. Assessment of the Internal Control System
11. Social performance
12. Economic performance
 1. Observance of the income and expenditure budget
 2. Economic and financial indicators
13. Litigations
14. Asset stock-taking

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

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

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

The registered office address is: 220 Calea Victoriei str., 4th floor, District 1, Bucharest. The address of the administrative headquarters in Bucharest is: 76 Splaiul Unirii str., Unit A, 4th and 5th floors, District 4, Bucharest.

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

The Company, in its capacity of holder of mineral resource exploitation licences, is subject to the specific regulations issued by the National Agency for Mineral Resources (“**NAMR**”), holding 14 concession and exploitation licences for salt and other non-metalliferous products.

The licences are concluded pursuant to Mining law no. 85/2003, as subsequently amended and supplemented, and focus on the concession of the right to exploit rock salt and limestone deposits. According to art. 20 in Mining law no. 85/2003 and to the implementation rules, rock salt and limestone exploitation right concession licences were extended by means of addenda, over a 5-year period, and may be extended over successive 5-year periods. In regard to the exploitation of graphite schists at Ungurelașu, the company will analyse whether it intends to execute closure works or to develop business along this path, in which case it will reupdate the documentations required as per art. 20 in the above-mentioned mining law and submit them to NAMR for approval.

The mining royalty has been currently set forth at 1 EUR/ton of gross rock salt extracted from the deposit. For limestone, the mining royalty currently applied has been set forth at 0.4375 EUR/ton of gross limestone extracted from the quarry.

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

Shareholding structure

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

- the Romanian State, represented by the Ministry of Economy, Entrepreneurship and Tourism (as at the report date, the Ministry of Economy), with 51%;
- Fondul Proprietatea SA with 49%.

Governance structure and management activity organisation

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

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

The Management Board is the structure that exercises a permanent control over the company Management and assembles at least once a month. The Management Board's activity is regulated by the Romanian legislation (e.g., Companies law no. 31/1990) and governed by the provisions of Chapter V in the Company's Articles of Incorporation.

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

| 2021 | | | | | | | | | | |
|------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| The Management Board members | 01.01 | 08.01 | 09.01 | 11.02 | 29.03 | 09.05 | 29.07 | 30.09 | 01.10 | 31.12 |
| Simona Carmen Fătu | | | | | | | | | | |
| Simona Georgiana Ochian | | | | | | | | | | |
| Catalin Niculita | | | | | | | | | | |
| Nicolae Tulici | | | | | | | | | | |
| Petrică Lucian Rusu | | | | | | | | | | |
| Cătălin Paraschiv | | | | | | | | | | |
| Ion Valeriu Ionita | | | | | | | | | | |
| Edvin Robert Medves | | | | | | | | | | |
| Dragos Mihai Oancea | | | | | | | | | | |
| Alina Prahoveanu | | | | | | | | | | |

The company's top management was ensured throughout 2021 as follows:

| 2021 | | | | | | | | |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| General Manager | 01.01 | 08.04 | 09.04 | 08.06 | 09.06 | 08.12 | 09.12 | 31.12 |
| Constantin Radu | | | | | | | | |
| Gabriela Mantu | | | | | | | | |
| Alina Prahoveanu | | | | | | | | |
| Emil Militaru | | | | | | | | |

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

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

In order to manage, in accordance with the provisions in the laws on the corporate governance of public enterprises and the companies law, the business specifics in line with the articles of incorporation, and to maintain transparency across the activity carried out, the company fulfils on an annual basis its obligation to draw up and submit to the specialised bodies the financial statements, prepared in line with the mandatory accounting rules applicable to the company.

The administrative management monitored on a monthly basis the fulfilment levels of the IEB (implemented vs target/budgeted) indicators based on the monthly reports presented by the SNS management.

Throughout the year, the administrative management monitored the presentation within deadlines, by the top management, of the reports or documents stipulated in the financial and non-financial reporting timetable, in the form provided by the law, the company's internal regulations or the administrative management.

The goal was to monitor the company's business and provide a disclosure method that is suitable in terms of data and information accuracy, but also in terms of reasoning quality.

As of 2018, the company draws up annual financial statements in accordance with the *International Financial Reporting Standards, IFRS* in short, pursuant to Order no. 2844/2016 of the Ministry of Public Finance on the approval of the Accounting regulations compliant with the International Financial Reporting Standards.

Chapter III. Analysis of the business conducted in 2021

Despite the financial and economic difficulties caused by the COVID 19 pandemic, still persisting to a certain extent in 2021, the Company witnessed a turnover increase by 45.3% and higher quantities of sold goods by 26.3% compared with 2020, significantly affected by the pandemic, additionally corroborated with a total resumption of the tourism business. As such, SNS witnessed an EBITDA increase in 2021 by 120.06%, from 39,697,881 RON in 2020 to 87,358,825 RON, whereas the company's net profit increased by more than 5 times, from 11,481,766 RON in 2020 to 60,191,050 RON in 2021.

The Company's financial performance is described extensively in the financial statements.

1. Assessment of the sales of products and services

Sales and Tourism

The company is organised, according to the business activities it carries out, based on two revenue-generating hubs: sales of salt-based products and other non-metalliferous products (limestone), representing 90.74% of the turnover, and the tourist activity (9.87% of the turnover).

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

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

The highest share within the turnover structure, achieved from sales of salt-based and non-metalliferous products belongs to revenues from sales of rock salt for snow clearance, with approx. 38.60%, followed by salt for the chemical industry, with approx. 23.90%.

The revenues obtained from sales of rock salt for snow clearance increased by approx. 114% (+75,079 thsnd. lei compared to the previous year), whereas those from sales of salt for the chemical industry increased in 2021 by more than 12.9% (+10,022 thsnd. lei compared with the previous year).

On the **domestic market**, the company delivers food-grade salt for direct human consumption and for the food industry, salt brine and limestone for the chemical industry, lumps and blocks for the livestock industry, water softening tablets, industrial salt for snow clearance. Revenues in 2021 increased by more than 61% primarily due to the large volume of salt for snow clearance sold.

On the **foreign market**, there was a 12% increase of revenues from sales of salt, due to the increase in industrial salt volumes sold to Borsodchem chemical compound, the largest beneficiary on the foreign market and, at the same time, due to the increase of export sales prices for all the salt-based products. The foreign market was provided by traditional customers in Hungary, Serbia, Slovakia, Bulgaria and the Republic of Moldova, whereas small quantities were exported to other countries, as well, such as Austria and Israel.

The distribution of these products is done through the company's retail warehouses and the branches' sales departments.

Evolution of SNS sales during the 2020-2021 period

The evolution of the quantity of delivered products and of sales revenues, achieved by the company during the 2020-2021 period, is presented in the table below:

| Indicator | UM | 2020 | 2021 | (%) |
|---|-------------------|------------------|------------------|---------------|
| Quantity of delivered products , of which: | t | 1,453,639 | 1,835,712 | 26.28% |
| - the domestic market | t | 1,017,368 | 1,379,779 | 35.52% |
| - the foreign market | t | 436,271 | 455,933 | 4.5% |
| Value of delivered products , of which: | thsnd. lei | 230,889 | 331,227 | 43.46% |
| - the domestic market | thsnd. lei | 146,922 | 237,151 | 61.41% |
| - the foreign market | thsnd. lei | 83,967 | 94,076 | 12.04% |

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

| | Value (thsnd. lei) | | | Quantities (tons) | | |
|-------------------------------------|--------------------|----------------|----------------|-------------------|------------------|----------------|
| | 2020 | 2021 | % | 2020 | 2021 | % |
| TOTAL – of which: | 230,889 | 331,227 | 43,46 % | 1,453,639 | 1,835,712 | 26.28 % |
| LIMESTONE | 9,681 | 14,299 | 47.7 % | 348,024 | 447,219 | 28.50 % |
| BRINE | 16,521 | 19,328 | 16.99 % | 311,556 | 325,078 | 4.34 % |
| SALT FOR SNOW CLEARANCE | 65,806 | 140,885 | 114 % | 251,163 | 500,659 | 99.34 % |
| ROCK SALT FOR THE CHEMICAL INDUSTRY | 77,348 | 87,370 | 12.96 % | 402,455 | 426,742 | 6.03 % |
| OTHERS | 61,533 | 69,344 | 12.69 % | 140,441 | 136,014 | 3.15 % |

Provision of tourist services in total turnover

The total revenues (36,014 thsnd. lei) from the tourism business (tourist services and sales of goods) witnessed in 2021 an increase by 84.5% compared with the previous year (19,523 thsnd. lei), a value directly proportional to the number of entries (visits) which, in turn, increased by 69.4%, namely 1,201 thsnd. entries as opposed to 709 thsnd. entries recorded in 2020.

The share of tourism business revenues within the company's turnover reached in 2021 the figure of 9.9% compared with 7.8% in 2020.

The expenses pertaining to the tourism business, amounting to 29,775 thsnd. lei, were 27.6% higher than those achieved the previous year (23,334 thsnd. lei), whereas the gross profit reached in 2021 was 6,239 thsnd. lei.

2. Assessment of the technical and technological levels

The technologies employed in the exploitation of salt and other non-metalliferous products, depending on the product and its end uses, are applied pursuant to the framework exploitation methods approved by NAMR as follows:

- **Rock salt exploitation** is done using the classic rock removal mining technologies, which include: the floor-level cutting, boring, blasting procedures, followed by the loading, transportation and preparation operations. The exploitation methods employed have a common foundation, which is the construction of a pillar-floor supporting structure. Depending on the specifics of the deposit and the extraction coefficient that may be obtained, the multi-storeyed exploitation methods may be with small rooms and quare or rectangular pillars, with flat or domed ceiling.
In 2021, the Management Board approved the purchase within the Praid Branch, for the first time, of a shearer set to replace the classical rock removal technology through drilling – blasting, to be commissioned during 2022.
- **Brine-based salt exploitation** is performed by means of kinetic dissolution aided by drills, using exploitation methods with individual drills.
- **Recrystallized salt** is produced through the evaporation of salt brine extracted using drills, as well as multiple-effect vacuum evaporation equipment.
- **Limestone exploitation** is carried out using the classical quarry mining exploitation technologies.

The technologies employed are specific to the deposit conditions and the product categories obtained.

The process of dry salt extraction from a massif, through mining works, comprises the following distinct stages: ensuring work site readiness by means of executing the site scaling works, the

boring, the rock removal, loading the removed rock material and transportation to the grinding, packaging and delivery flows.

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

For the chemical industry, salt exploitation from the massif is carried out only through kinetic dissolution assisted by drills.

3. Assessment of the production activity

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

The total salt production achieved in 2021 was 1,328,738 tons, whereas the scheduled production was 1,272,153 tons, which represents a production completion degree 4.45% higher than the scheduled level.

The production completion degree in 2021 is 13% higher than the 2020 figure (completed in 2021 = 1,328,738 tons, completed in 2020 = 1,175,980 tons).

For limestone, the total production achieved in 2021 was 451,428 tons, whereas the scheduled production was 313,900 tons, representing a production completion degree 43.81% higher than the scheduled level.

The limestone production completion degree in 2021 is 29.40% higher than the 2020 figure (completed in 2021 = 451,428 tons, completed in 2020 = 348,857 tons).

4. Assessment of the manner of executing the investment plan

For 2021, the company's budget approved as per GD no. 844/2021 provided capital expenditure with a total amount of 137,961,716 lei. The total implemented and received value was 28,626,695 lei (20.75% of the program total). Furthermore, investment objectives were contracted for an estimated value of approximately 44.7 million lei, objectives that are to be completed and commissioned in 2022.

Broken down by branch, the completion of the investment program appears as follows:

| Branch | Scheduled (lei) | Implemented (lei) |
|----------------------------|--------------------|-------------------|
| Ocna Dej Salt works | 33,823,395 | 2,067,399 |
| Râmnicu Vâlcea mining site | 29,004,319 | 6,140,244 |
| Slănic Salt Works | 23,176,896 | 4,600,600 |
| Targu Ocna Salt Works | 29,064,291 | 11,412,861 |
| Praid Salt Works | 5,664,669 | 3,169,032 |
| Cacica Salt Works | 8,221,446 | 873,865 |
| Ocna Mures Salt Works | 766,000 | 82,560 |
| SNS-SA headquarters | 8,240,700 | 280,134 |
| TOTAL S.N.S | 137,961,716 | 28,626,695 |

By investment category, the structure appears as follows:

- lei -

| Category | Total | |
|--|--------------------|-------------------|
| | Scheduled | Implemented |
| Refurbishing and production streamlining | 26,264,055 | 250,350 |
| Environmental and deposit protection | 16,779,925 | 7,574,227 |
| Occupational health and safety | 24,034,445 | 7,718,880 |
| New perimeters/products/business lines | 4,150,000 | 0 |
| Maintaining production capacity | 66,733,291 | 13,083,237 |
| Total | 137,961,716 | 28,626,695 |
| | | 20.75 % |

The company paid particular attention to investments intended to ensure occupational safety and health conditions in 2021. Moreover, contracts for deposit protection works were concluded, works to be commenced and partly completed in 2022.

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

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

Throughout 2021, environmental protection and reclamation works were conducted, for a total amount of **3,674,757 lei**, compared with the scheduled amount of **5,667,984 lei**, as follows:

- lei -

| Branch | Scheduled | Implemented |
|------------------------|------------------|------------------|
| | value | value |
| TOTAL | 5,667,984 | 3,674,757 |
| Ocna Dej Salt works | 1,403,106 | 356,722 |
| Ocna Mureş Salt works | 151,000 | 138,434 |
| Rm. Vâlcea Mining site | 559,000 | 216,183 |
| Slănic Salt works | 26,600 | 15,433 |
| Cacica Salt works | 736,000 | 348,000 |
| Tg. Ocna Salt works | 636,100 | 457,855 |
| Praid Salt works | 2,156,178 | 2,142,130 |

In 2021, the company's branches were verified by inspectors from the National Environmental Guard, the territorial Environmental Protection Agencies and the "Romanian Waters" National Administration.

Cacica Salt works branch was issued a civil penalty by the "Romanian Waters" National Administration, Siret Water Basin Administration and Suceava WMS (*Water Management System*), amounting to a 35,000-lei fine, subject to the payment, within 15 days, of 17,500 lei, representing half the fine amount, in accordance with Contravention findings and penalizing record series ANAR no. 0011568/25.10.2021, in the area of water management.

Following an accidental leak of wastewater resulted from the preparation activities at the Recrystallized salt preparation facility, the Suceava WMS representatives conducted an on-the-spot inspection on 20.10.2021. The water leaked from the condensing pipe was discharged in a ditch and subsequently in Soloneţ rivulet bed.

During the inspection, measures were identified and implemented to prevent the occurrence of similar events, these being:

- permanent monitoring, through regular verifications, of the drain-off – condensation line during operation;

- replacement of column sections along the salt brine pipeline (drain-off – condensation, brine). It represents an investment objective Cacica Salt works has planned for 2022, being included in the Investment Program for the ongoing year.

Throughout 2021, there were 7 complaints filed as notifications with the National Environmental Guard and the “Romanian Waters” National Administration, respectively. The 7 notifications concern the activity of Rm. Vâlcea Mining site Branch, namely:

- Three notifications (on the same topic) received by the National Environmental Guard - Vâlcea County Commissariat in regard to the dust pollutions originating from the operation of a limestone grinding mill from Bistrița Limestone Quarry. *The following measure was established: the limestone grinding facility shall be operated in a manner that allows, during operation, the resulting dust emissions/immissions to fall within the maximum values admissible as per the legislation in force.*
- A notification received by the National Environmental Guard – the General Commissariat, forwarded for settlement to Vâlcea County Commissariat, in regard to the discomfort caused by the salt dust emissions resulted from loading heavy-duty tippers with ground salt - Rm. Vâlcea Mining site – Ocnele Mari Salt works. *Measure determined following the inspection: all steps shall be taken so that air deterioration with particulate matter during operation should be avoided.*
- A notification received by Vâlcea Water Management System in regard to the obstruction of Pietreni watercourse in Costești town, the cause being limestone exploitation in Bistrița Quarry, Rm. Vâlcea Mining site. *The following measure was established: Rm. Vâlcea SEM (Mining site Branch) will permanently monitor the current stream and intervene at once in the case of a possible watercourse obstruction, notifying in advance Olt Water Basin Administration – Vâlcea Water Management System.*
- A notification received by the General Commissariat of the National Environmental Guard, which ordered Vâlcea County Commissariat to perform an inspection aiming to check the aspects alerted about in the notification, concerning the discomfort caused by the salt dust emissions resulted from conducting salt exploitation and effective use activities – Rm. Vâlcea Mining site – Ocnele Mari Salt works. *The following measures were established: one shall submit to NEG (National Environmental Guard) – Vâlcea CJ (County Commissariat) the test reports issued by ECOIND – Bucharest Laboratory on the analysed indicators, for S1 2021; the focus shall be laid on the manner of handling the chemical products employed so as not to lead to pollution across the environmental factors.*
- A notification received by the National Environmental Guard - Vâlcea County Commissariat concerning the damage inflicted upon the land at “In camp” and “La Petrescu” landmarks in Cazanesti, Rm. Vâlcea. *The following measure was established: any pipeline replacement/maintenance works shall be carried out in compliance with the provisions of the environmental legislation in force, so as to avoid pollution across the environmental factors.*

The measures ordered are of a permanent and preventive nature and do not operate as measures designed to remedy any dysfunctionality. **All the measures ordered by the control bodies were implemented by the branch.**

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

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

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

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

In 2021, Ocna Mureș branch carried out preservation works amounting to 2,747,176 lei, with own resources, as follows:

- 1,141,295 lei in Ocna Mureș perimeter;
- 985,113 lei in Războieni perimeter;
- 620,768 lei as expenses required to provide utilities for the objectives, land surveys, security services, to cover mining taxes and fees, cadastral works, as well as miscellaneous and unforeseen expenses.

7. Quality management

Societatea Națională a Sării S.A. has taken as reference point an internal culture of quality, which expresses the undertaken responsibility for the quality of products and services, for the workers' health and safety, the health of end consumers and customers, as well as for environmental protection.

In this respect, the processes identified within the organisation are carried out in accordance with the requirements of the benchmarks selected in order to implement the Integrated Management System - IMS (quality – environment – food safety – occupational health and safety), the applicable legal requirements SNS subscribes to and the internal work rules, maintained in the form of specific documented information. This framework governs the process-based approach, from research and development, supply, production - manufacturing and control to the marketing of products / services to end customers / consumers.

The Integrated Management System - IMS is certified by SRAC CERT Bucharest, a body accredited by RENAR and acknowledged worldwide through the IQ Net network.

The reference standards selected for the IMS design and recertification are: SR EN ISO 9001:2015 – for the Quality Management System, SR EN ISO 14001:2015 – for the Environmental Management System, SR EN ISO 22000:2019 – for the Food Safety Management System and SR ISO 45001:2018 – for the Occupational Health and Safety Management System.

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

The number of employees decreased by 50 persons in 2021 compared with 2020, primarily due to employee retirements.

Staff number evolution and staff structure, by professional category, as at 31.12.2021:

| Branch | TOTAL | | | TESA <i>(technical, clerical and administrative staff)</i> | | | WORKERS | | |
|------------------------|--------------|--------------|-------------|---|------------|-------------|--------------|--------------|-------------|
| | 2021 | 2020 | % | 2021 | 2020 | % | 2021 | 2020 | % |
| TOTAL S.N.S. | 1.457 | 1.507 | 96.7 | 379 | 386 | 98.2 | 1,078 | 1,122 | 96.1 |
| Rm. Vâlcea Mining site | 393 | 412 | 95.4 | 85 | 90 | 94.4 | 308 | 322 | 95.7 |

| | | | | | | | | | |
|------------------------------------|-----|-----|-------|----|----|-------|-----|-----|------|
| Ocna Dej Salt works | 329 | 333 | 98.8 | 60 | 61 | 98.4 | 269 | 272 | 98.9 |
| Slănic Salt works | 179 | 191 | 93.7 | 41 | 45 | 91.1 | 138 | 146 | 94.5 |
| Tg. Ocna Salt works | 230 | 237 | 97.0 | 51 | 52 | 98.0 | 179 | 185 | 96.8 |
| Praid Salt works | 137 | 139 | 98.6 | 31 | 30 | 103.3 | 106 | 109 | 97.2 |
| Ocna Mureş Salt works | 32 | 39 | 82.0 | 12 | 16 | 75.0 | 20 | 23 | 86.9 |
| Cacica Salt works | 70 | 73 | 95.9 | 20 | 19 | 105.3 | 50 | 55 | 90.9 |
| S.N.S. Administrative Headquarters | 87 | 83 | 104.8 | 79 | 73 | 108.2 | 8 | 10 | 80.0 |

Staff structure evolution by age group as at 31.12.2021:

| | < 25 years | | 26 – 35 years | | 36 - 45 years | | > 45 years | |
|------------------------------------|-------------|-------------|---------------|--------------|---------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| TOTAL S.N.S. | 19 | 25 | 147 | 152 | 288 | 335 | 1003 | 995 |
| Rm. Vâlcea Mining site | 0 | 1 | 27 | 32 | 71 | 83 | 295 | 296 |
| Ocna Dej Salt works | 12 | 15 | 43 | 39 | 77 | 100 | 197 | 179 |
| Slănic Salt works | 2 | 2 | 12 | 15 | 17 | 23 | 148 | 151 |
| Tg. Ocna Salt works | 2 | 3 | 25 | 25 | 44 | 42 | 159 | 167 |
| Praid Salt works | 3 | 4 | 21 | 24 | 45 | 42 | 68 | 69 |
| Ocna Mureş Salt works | 0 | 0 | 0 | 0 | 1 | 3 | 31 | 36 |
| Cacica Salt works | 0 | 0 | 10 | 8 | 10 | 14 | 50 | 51 |
| S.N.S. Administrative Headquarters | 0 | 0 | 9 | 9 | 23 | 28 | 55 | 46 |
| % | 1.30 | 1.66 | 10.09 | 10.08 | 19.77 | 22.23 | 68.84 | 66.03 |

In regard to the staff structure by age group, it was ascertained that 68.84% of the company personnel are more than 45 years old, the related percentage showing a tendency of remaining constant/increasing on an annual basis.

The staff structure evolution by level of professional training as at 31.12.2021:

| | With basic training | | | With medium-level training | | | Highly-trained | | |
|------------------------|---------------------|------------|--------------|----------------------------|------------|--------------|----------------|------------|--------------|
| | 2021 | 2020 | % | 2021 | 2020 | % | 2021 | 2020 | % |
| TOTAL S.N.S. | 674 | 703 | 95.87 | 482 | 497 | 96.98 | 301 | 307 | 98.04 |
| Rm. Vâlcea Mining site | 307 | 317 | 96.85 | 32 | 35 | 91.43 | 54 | 60 | 90.00 |

| | | | | | | | | | |
|------------------------------------|--------------|--------------|----------|--------------|--------------|----------|--------------|--------------|----------|
| Ocna Dej Salt works | 125 | 130 | 96.15 | 162 | 161 | 100.62 | 42 | 42 | 100.00 |
| Slănic Salt works | 72 | 81 | 88.89 | 77 | 77 | 100.00 | 30 | 33 | 90.91 |
| Tg. Ocna Salt works | 97 | 96 | 101.04 | 87 | 94 | 92.55 | 46 | 47 | 97.87 |
| Praid Salt works | 14 | 18 | 77.78 | 96 | 96 | 100.00 | 27 | 25 | 108.00 |
| Ocna Mureş Salt works | 15 | 15 | 100.00 | 7 | 12 | 58.33 | 10 | 12 | 83.33 |
| Cacica Salt works | 42 | 43 | 97.67 | 12 | 13 | 92.31 | 16 | 17 | 94.41 |
| S.N.S. Administrative Headquarters | 2 | 3 | 66.67 | 9 | 9 | 100.00 | 76 | 71 | 107.04 |
| % | 46.30 | 46.65 | x | 33.10 | 32.98 | x | 20.70 | 20.37 | x |

Staff structure: the staff structure analysis by professional training level reveals a slight modification thereof throughout 2021.

Professional training – In 2021, the employees benefitted from skills upgrade courses amounting to 96,533 lei, indicating a 70% decrease from the previous year.

Workers' unions – within the company there are 15 active trade unions affiliated to SALROCA National Trade Union Federation, but also to other workers' unions. Negotiations with the trade unions on the Collective Labour Agreement commenced in March 2021, and in April 2021 the company registered with Bucharest TLI (Territorial Labour Inspectorate) the Collective Labour Agreement for the 2021 – 2022 period.

Labour productivity – value labour productivity increased in 2021 (from 202 thsnd. lei/person/year in 2020 to 262 thsnd. lei/person/year in 2021), on account of the turnover increase. In 2021, as well, productivity gaps were present among the branches due to differing operating conditions: the quality of resources, the range of products / activities, but also the technological level specific to each branch.

| Productivity indicators | MU | 31.12.2021 | 31.12.2020 |
|--|-----------------------|-------------------|-------------------|
| Average number of employees | pers. | 1,437 | 1,488 |
| Operating income/average number of employees | thsnd. lei/pers./year | 262 | 202 |
| Turnover/average number of employees | thsnd. lei/pers./year | 254 | 167 |

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

The Risk Management activity

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

- objectives concerning the risk occurrence prevention activity (costs and savings related to how risk exposure is addressed);

- objectives concerning post-event measures that would allow avoiding / minimising the occurrence of risks (ensuring the company's continuity, existence and operation).

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

The task of identifying and addressing risks belongs to each organising entity within the company.

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

Within SNS S.A. the following categories of internal and external risks were identified:

Internal risk factors

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

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

A limited market in regard to the supply of materials specific to salt exploitation, and to suppliers of specific machinery and equipment worldwide due to the business specificities. In order to mitigate this risk, the company has in place a regulation for procurements of services, products and works, pursuant to which purchases are made of raw and other materials required for exploitation. As far as the supply of exploitation-specific machinery is concerned, these items were included in the investment program approved by the Management Board, in the sense that this machinery became part of the multiannual investment program.

In regard to cases of being dependent upon customers, the company is exposed to such a dependence relationship, for a certain category of products, in the form of particular deliveries of salt brine to Chimcomplex customer with its Borzești and Râmnicu Vâlcea places of business. Any imbalance in the operation of these brine beneficiaries is reflected upon the supplier, with a major economic and social impact. Relevant examples in this respect are Ciech Soda Romania SA chemical compound halting its production as of September 2019 or the bankruptcy of SC UPSOM SA chemical compound in 2010.

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

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

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

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

Another technological risk identified is represented by the surface and underground water streams which, once they reach the sterile site / salt itself, they can cause uncontrollable dissolutions with negative effects upon the general stability of the deposit and the area.

In the context of salt exploitation through kinetic dissolution aided by drills, in order to eliminate potential risks, the company applies a comprehensive and complex program of calliper log measurements and topographic surveys.

■ **Risks pertaining to the human factor:**

- 1) the large percentage of salaried employees older than 45 and eligible for retirement over the following years against a backdrop of a labour market candidate shortage;
- 2) the lack of an objective skill assessment system;

3) possible labour conflicts (strikes, protests, etc.) and labour disputes.

External risk factors

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

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

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

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

■ **Risks pertaining to the human factor**:

1) the disappearance of high schools, vocational schools and other vocational training schools, a decrease in attractiveness or interest of certain business sectors or certain technical professions for youth lead to a decrease in the number of qualified candidates required to fill vacancies, primarily in manufacturing;

2) the departure of available workforce to European Union countries, where attractive remuneration is provided.

■ **Foreign exchange risk**: the company is subject to foreign currency (Euro) exposure, liquidities being generated by export activities, whereas purchases in foreign currency account for insignificant amounts.

In 2021, the company did not use foreign exchange risk hedges, however, the EUR currency developments did not create a negative effect, the company benefitting from foreign exchange gains.

According to the internal policies, the net foreign currency exposure is set forth at no more than 20% of the total own equity.

■ **Contractual risk**: the deliveries of salt-based products for snow clearance depend on the meteorological conditions, leading to possible non-fulfilments of the economic and financial indicators.

The company set up provisions for the major risk categories identified, particularly those related to trade litigations and labour disputes, as well as those related to environmental works and compensations.

10. Assessment of the internal control system

Pursuant to the provisions of art. 4 par. (3) in Government Ordinance no. 119/1999 on internal / managerial control and preventive financial control, republished, as subsequently amended and supplemented, the Company organised an internal control system designed to ensure control over the assets entrusted to be managed and the fulfilment of the general and specific objectives.

As such, an internal control unit and a management financial control are in place and running, each with specific duties deriving from GEO 119/1999, as well as GD 1151/2012. The two structures carry out their activity pursuant to a control plan approved in the beginning of every year, the reports are approved by the general manager and necessary remedial actions are ordered.

At the same time, SNS also has in place the Internal Managerial Control, which operates in accordance with the Order no. 600/2018 of the General Secretariat of the Government on approving the Internal Managerial Control Code for public entities. Internal Managerial Control is defined as representing the suite of control means exercised across a public entity, including internal audit, as set forth by the management in accordance with the control's own objectives and the legal regulations, in order to ensure the economical, efficient and effective administration of funds. It also includes the organisational structures, the methods and the procedures. The phrase "internal managerial control" highlights the responsibility of all the hierarchical tiers in keeping under control all the internal processes carried out in order to fulfil the general and the specific objectives.

Internal audit

The independence of the public internal audit unit

The audit unit is administratively subordinated to the company's management, exercising a distinct function within it. The audit reports drawn up following the audit engagements are presented to the top management for approval purposes.

Reporting:

The auditors will report directly to the Management Board

The audit reports were presented before the Management Board. Following the presentation, the Management Board ordered the top management, as per a written decision, to implement the internal auditors' recommendations in the audit reports.

Elaboration and updating of own rules on conducting internal audits

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

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

Overview of the internal public audit activity pertaining to 2021

Internal public audit activity planning

The Audit plan for 2021, accompanied by the Substantiation report which comprises 4 assurance engagements, was drawn up and registered under no. 222/17.11.2020, and subsequently approved by the Management Board as per Decision 30/25.11.2020, art. 3. The Audit plan for 2021 was updated and approved as per Management Board Decision no. 26/24.08.2021 art. 8, whereas 2 assurance engagements are left to be carried out.

The internal public audit engagements carried out in 2021

At the requests of the Management Board as per Decisions no. 25/15.10.2020 art. 21, no. 9/24.03.2021 art. 13, no. 13/27.04.2021 art. 11.2, no. 19/17.06.2021 art.7, no. 32/21.10.2021 art. 14, 5 ad-hoc audit engagements and 2 engagements from the reupdated audit plan were carried out. The degree of completion of the engagements in the reupdated audit plan was 100%. The audit missions were conducted by 2 internal auditors, one of whom holding the management position – head of the internal audit unit.

Controls carried out by the authorities

Throughout 2021, inspectors from NAFA (*National Agency for Fiscal Administration*) – DGAMC (*General Directorate for the Administration of Big Taxpayers*) performed two controls with the following goals:

- to check compliance with the provisions of art. 43 in GEO no. 114/2018 (on the introduction of measures in the area of public investments and certain fiscal and budgetary measures, to amend and supplement certain normatives and extend certain deadlines);
- to check whether the mining royalty due to the state budget for the 2017-2020 period was calculated and transferred (spot check)

No deficiencies were found following the controls carried out.

11. Social and environmental aspects

- **Health, safety and security at the workplace** – improving the working conditions and making sure activities are carried out under maximum safety conditions are permanently pursued by SNS. Moreover, the Company aims to constantly monitor and maintain its employees' health, employees who benefit from a voluntary insurance, pursuant to a health insurance contract, the object of which is to access medical services / medical investigations at various medical service providers nationwide.
- **Consumer health and safety and responsibility for the product** – throughout last year there were no major incidents related to non-compliances of products sold by SNS S.A - Salrom.
- **Local community** – both through social responsibility actions and its own sponsorships, the Company actively contributes to the development of the local communities in which it operates. Resources are allocated for the recurring organisation of various events, thus indirect economic benefits being generated, as well, for the respective communities.
- **Employees' rights** – All of the employees' rights stated in the CLA, corroborated with the other internal procedures, were complied with indiscriminately.
- **Preparations for emergency situations** – the mining sector may present significant risks to its employees' health and safety and, at times, for the neighbouring communities. In order to have the most effective preparation for, and management of, these emergency situations that might occur, the Company regularly organises specific emergency situation simulation exercises, both at the Company's headquarters and within its branches, in collaboration with the local authorities.
- **Management of human resources** – drawing in fit and well-qualified personnel for a specific area of work represents a priority for SNS and is manifested through the implementation of transparent and impartial employment practices and, later on, by prohibiting any form of discrimination.
- **Environmental performance**
 - **Effluents and waste** – SNS pays particular attention to the assessment of the impact the specific activities carried out have upon the environment, various prevention and protection procedures being implemented in this respect. The measures taken allowed the adequate management and efficient reuse of the generated waste, which led to an increase, from the previous year, in the quantity of waste that was handed over in 2021 to an authorised economic operator to be recycled and disposed of.
 - **Biodiversity** – salt exploitation activities can potentially have a negative impact on biodiversity and influence ecosystems to a significant extent, unless the rules and conditionalities are abided by, as per the legal provisions in force. Since one

of the Company's production areas overlaps the limits of Buila-Vânturărița National Park in Vâlcea county, the Company identified the need to elaborate a series of biodiversity management plans. In this respect, in collaboration with the local and central government authorities, the legal framework that would allow altering the limits of Buila-Vânturărița National Park was created. Furthermore, the company, together with the local and central government authorities, identified and drew up, so as to allow the launch of future legislative proposals, a number of standards and rules that ought to be implemented by all economic operators, thus making it possible to continue the reasonable exploitation, under maximum safety conditions, deposits/mineral resources from those protection areas, without any economic and social impairments to the local communities.

- **Environmental complaints** – given the nature of the activities carried out, exploitation areas may witness situations that disturb good neighbourliness, with environmental complaints being filed as a result. These are handled using a targeted approach, with the involvement of both branch managers and the general manager and, in cases where property is damaged, the Company grants compensations to the aggrieved parties.

12. Economic performance

The company is backed by the financial outturns achieved, whereas the company's commitment to maintaining and enhancing its economic performance also includes the initiative to draw up and publish 2 reports: the Administrators' Report and the Non-financial Report. The company's development strategy pursues strengthening the market leader status, in regard to the salt market in general and salt for human consumption in particular. As described above, the Company intends to purchase, for the first time, mining equipment, which is set to help streamline production.

The company is a member of the European Salt Producers' Association (EUSALT) and, in this capacity, takes part in meetings and assemblies organised by the association and receives various materials related to salt quality, production and market tendencies.

1. Observance of the income and expenditure budget

| Indicator designation | Implemented | Implemented | Budgeted |
|---|--------------------|--------------------|--------------------|
| | 2021 | 2020 | 2021 |
| Net turnover | 364,767,443 | 251,113,057 | 316,421,927 |
| Operating income | 374,525,372 | 300,168,756 | 345,110,961 |
| Sold production | 344,344,269 | 214,301,679 | 295,332,311 |
| Revenues from the sale of goods | 27,657,101 | 18,519,223 | 21,089,616 |
| Revenues from services | 30,147,172 | 17,495,360 | 26,548,793 |
| Operating expenses | 304,393,073 | 284,331,358 | 317,674,138 |
| Expenses with raw materials and consumables | 43,919,284 | 26,683,334 | 30,704,974 |
| Merchandise expenses | 14,768,704 | 13,027,769 | 14,475,497 |
| Staff expenditure | 129,590,467 | 126,781,413 | 133,292,914 |
| Other operating expenses | 113,929,710 | 100,795,799 | 122,553,413 |
| OPERATING PROFIT/LOSS (EBIT) | 70,132,300 | 15,837,398 | 27,436,823 |
| EBITDA *) | 87,085,911 | 41,651,495 | 53,993,681 |
| Financial income | 2,173,444 | 2,245,575 | 2,166,059 |
| Financial expenses | 459,003 | 570,072 | 314,000 |
| FINANCIAL OUTTURN: | 1,714,441 | 1,675,502 | 1,852,059 |
| CURRENT OPERATING PROFIT/LOSS: | 71,846,742 | 17,512,897 | 29,288,882 |
| TOTAL REVENUES | 376,698,816 | 302,414,331 | 347,277,020 |
| TOTAL EXPENSES | 304,852,076 | 294,901,430 | 317,988,138 |
| GROSS OUTTURN | 71,846,742 | 17,512,897 | 29,288,882 |
| Corporate income tax (current and deferred) | 11,655,695 | 6,031,131 | 4,480,000 |
| FISCAL YEAR NET OUTTURN: | 60,191,050 | 11,481,766 | 24,808,882 |

*) For the year 2020, the indicator is recalculated with the net effect of differences from revaluation recognised directly under the year's Profit and Loss Account, of the value adjustments pertaining to the fixed assets (revenues/expenses) and of the amortisation of the rights to use the assets.

2. Performance indicators

| | 2021 | 2020 |
|--|-------------|-------------|
| Revenues from tourism/Total Turnover | | |
| Revenues from tourism (A) | 36,014,472 | 19,522,677 |
| Turnover (B) | 364,767,443 | 251,113,057 |
| (A/B) | 9.87% | 7.77% |
| EBITDA margin | | |
| EBITDA (A) | 87,085,911 | 41,651,495 |
| Turnover (B) | 364,767,443 | 251,113,057 |
| (A/B) | 23.87% | 16.59% |
| Net Profit margin | | |
| Profit Net (A) | 60,191,050 | 11,481,766 |
| Turnover (B) | 364,767,443 | 251,113,057 |
| (A/B) | 16.50% | 4.57% |
| ROE | | |
| Profit Net (A) | 60,191,050 | 11,481,766 |
| Own equity (B) | 510,585,268 | 453,044,025 |
| (A/B) | 11.79% | 2.53% |
| Operating income/average number of employees | | |
| Operating income (A) | 374,525,372 | 300,178,756 |
| Average number of employees (persons) (B) | 1,437 | 1,488 |
| (A/B) (thsnd. lei/employee) | 261 | 202 |
| Total payables/own equity ratio | | |
| Total payables (short-term + long-term) (A) | 106,595,466 | 90,300,891 |
| Own equity (B) | 510,585,266 | 453,044,025 |
| (A/B) | 20.88% | 19.93% |
| Outstanding payables in relation to turnover (maximum indicator) | | |
| Outstanding payables (A) | 0 | 0 |
| Turnover (B) | 364,767,443 | 251,113,057 |
| (A/B) | 0% | 0% |
| Outstanding receivables restante in relation to turnover (maximum indicator) | | |
| Outstanding receivables (A) | 24,546,352 | 28,826,106 |
| Turnover (B) | 364,767,443 | 251,113,057 |
| (A/B) | 6.73% | 11.48% |
| Share of "Average monetary resources (cash at hand and cash at bank, including short-term investments)" in relation to turnover (minimum indicator) | | |
| Average monetary resources (cash at hand and cash at bank, including short-term investments) (A) | 229,203,953 | 204,686,077 |
| Turnover (B) | 364,767,443 | 251,113,057 |
| (A/B) | 62.84% | 81.51% |
| Share of expenses for social activities within total turnover (% turnover) | | |
| Social spending (A) | 4,521,956 | 4,172,170 |
| Turnover (B) | 364,767,443 | 251,113,057 |
| (A/B) | 1.24% | 1.66% |

3. Profitability indicators:

| | <u>2021</u> | <u>2020</u> |
|--|-------------|-------------|
| Gross sales margin (<i>EBIT/Turnover</i>) | 19.23% | 6.97% |
| Net profit in relation to sales (<i>Profit after tax/Turnover</i>) | 16.5 % | 4.6% |

The gross sales margin reached in 2021 a level of 19.23%, exceeding the 2020 one, primarily due to the increase in the sales volumes of salt for snow clearance.

Liquidity indicators and rate of debt:

| | <u>2021</u> | <u>2020</u> |
|---|-------------|-------------|
| Liquidity (<i>Current assets/Current liabilities</i>) | 4.60 | 5.31 |
| Rate of debt (%) (<i>Debt capital/Own equity</i>) | 0.48% | 0.80% |

The liquidity degree decreased as at 31.12.2021 due to the increase in short-term liabilities.

13. Litigations

The Company is a party to numerous litigations in the capacity of defendant. These litigations concern claims for pecuniary rights demanded by employees or former employees, claims and indemnifications for lands impaired as a result of mining exploitations, fiscal aspects, collections of receivables and other litigations. The company management carefully assessed the possible impact of these litigations and set up provisions, as at December 31. 2021, for those litigations that risk receiving judicial resolutions unfavourable to the Company, as they are described in note 25.5 in the financial statements.

14. Asset stock-taking

The annual stock-taking of the assets took place pursuant to Decision no. 21/10.09.2021 of the General Manager and in accordance with the following provisions:

- Accounting law no. 82/1991, republished;
- Order no. 2861/20.10.2009 of the Ministry of Public Finance or the approval of the Norms on the means to organise and take stock of elements such as assets, liabilities and own equity.

Decision no. 21/10.09.2021 was backed by an annual stock-taking schedule, by Company asset and liability, a schedule that was complied with.

The stock-tacking results and the Stocktake Committee's proposal on adjusting the differences found during stock-taking were approved by the Management Board as per Decision no. 7/17.03.2022. In regard to implementing the legal provisions on the performance of stock-taking, documents that are issued and archived, other procedures related to the approval of outturns at branch level and across the entire Company, as well as to the manner of capitalising upon the stock-taking results and upon assets approved for scrapping, there is "Work instruction IL-SNS-96 on decommissioning fixed assets that are/are not fully amortised, fixed assets identified as inventory items, and the scrapping of tangible and intangible assets".

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

