



ROMGAZ

Societatea Nationala de Gaze Naturale ROMGAZ S.A. Medias Romania



IDENTIFICATION DETAILS ON REPORT AND ISSUER

Preliminary annual report according to Article 61 of Law 24/2017

Financial year: 2019

Report date: February 25, 2020

Name of the Company: Societatea Nationala de Gaze Naturale (SNGN) ROMGAZ SA

Headquarters: Medias, Constantin I. Motas Square, no.4, code 551130

Telephone/fax number: 004-0374-401020 / 004-0269-846901

Fiscal Code: RO14056826

LEI code: 2549009R7KJ38D9RW354

Trade Registry No: J32/392/2001

Subscribed and paid in share capital: RON 385,422,400

Regulated markets where the issued securities are traded: Bucharest Stock Exchange (BVB), London Stock Exchange (LSE)

PRELIMINARY CONSOLIDATED ANNUAL REPORT

(issued based on unaudited consolidated financial information prepared in compliance with the International Financial Reporting Standards)

ON THE ECONOMIC AND FINANCIAL ACTIVITY OF SNGN "ROMGAZ" SA GROUP¹ for 2019

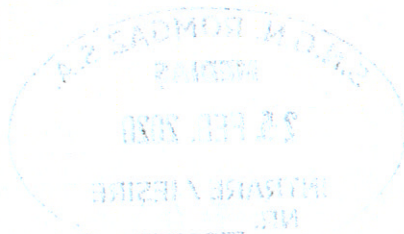
OVERVIEW

SNGN Romgaz SA is a Romanian natural gas producer and supplier, the business segments of the Group being: gas exploration, gas production and supply, underground gas storage and electricity production.

Romgaz Group preliminary performances in the year ended on December 31, 2019 were influenced by the following factors:

- ↳ **Gas production** was 5,276.9 million m³, 56.4 million m³ lower than the production recorded during the previous year (-1.06%) and 1.37% lower than budgeted;
- ↳ **Estimated revenue** for the year 2019: RON 5.08 billion (2018: RON 5.00 billion), increased by 1.52%;
- ↳ **Preliminary net profit** for the year 2019: RON 1.43 billion (2018: net profit RON 1.37 billion), increased by 4.55%;
- ↳ **The estimated Net Profit recorded in Q4** was RON 243.18 million, a decrease by 34.21% as compared to the same period of the previous year (Q4 2018) but 16.25% higher than the previous quarter (Q3 2019) pursuant to a revenue increase of 40.78% in Q4 2019 compared to Q3 2019;
- ↳ **The estimated Net Profit Margin in 2019** was 28.11% increased by 2.98% as compared to 2018 and the estimated EBIT margin was 32.42% (year 2018: 30.61%);

¹ Romgaz Group consists of SNGN Romgaz SA ("the Company"/"Romgaz") as parent company, Filiala de Înmagazinare Gaze Naturale Depogaz Ploiești SRL ("Depogaz"), is the subsidiary owned 100% by Romgaz, and its associates SC Depomures SA (40% of the share capital) and SC Agri LNG Project Company SRL (25% of the share capital)



- ↪ Decrease by 22.97% of **petroleum royalty expenses** (RON 342.9 million in 2019 as compared to RON 445 million in 2018) pursuant to the decrease of the reference price taken into account;
- ↪ Increase by RON 166.1 million (30.16%) of the **windfall tax** further to the deregulation of prices in the gas sector, pursuant to an average gas selling price higher as compared to the previous year, although quantity supplied was lower by 3.4%;
- ↪ **Net assets impairment** of RON 391.3 million pursuant to the abandonment of certain investment projects in wells (RON 250.3 million, out of which the amount of RON 55.9 million related to Trinity 1X Well from the EX 30 Trident Block in the Black Sea), pursuant to insignificant recent investments in projects started in previous years (RON 88.9 million), and a net impairment of RON 20.5 million pursuant to a gas field impairment test conducted in December 31, 2019;
- ↪ Decrease of **investments realized** by the Group in 2019, from **RON 1,188.6 million** in 2018 to **RON 891.6 million**. The degree of investment achievement is 64.67% as compared to the budget. In 2019, the investment level in the new electric power plant from Iernut was RON 301.4 million, as compared to RON 568.9 million in 2018.
- ↪ It is estimated that the **electricity production** decreased in 2019 as compared to the previous year by 49.4% due to investment works carried out at CTE Iernut. These works restrict the operation of energy groups of the old part of the electric power plant. As a consequence, it is estimated that the income from the sale of electricity decreased by 50.95% as compared to the previous year;
- ↪ **Gas trading from internal production** aimed at securing a balanced portfolio of customers, at reducing the risk related to payment defaults and at being present on the free market to ensure price flexibility. Nonetheless, in 2019, the Group recorded net impairment losses of receivables estimated to RON 116.7 million, due to the risk of non-collecting some receivables from insolvent customers. The Group was forced by decisions of the courts to deliver gas to such customers considered "captive" by the insolvency law. Subsequent to the issuance of such decisions, the Group did not record any additional outstanding receivables from these customers, but, according to IFRS, it recorded impairment losses on receivables according to the estimated risk of non-collection;
- ↪ **Increase of consolidated revenue from natural gas storage activities** by 11% as compared to 2018, this revenue being estimated to **RON 330.8 million (year 2018: RON 298.0 million)** where the reservation services had the greatest influence (increase by RON 35.4 million, respectively, an increase by 15.33% as compared to the previous year). The reserved capacity for 2019 - 2020 storage cycle (period April 2019 - March 2020), including the part of the Group, increased by 26.08% as compared to the 2018 - 2019 storage cycle (period April 2018 - March 2019). The quantities injected in storage in 2019 increased by 51.40%, which explains also the increase of revenue from storage services.
- ↪ Introduction in 2019 of a monetary contribution levied from the licence holders in the field of electricity and natural gas of 2% of the revenue achieved from the activities covered by the licences granted by ANRE, in amount of RON 86.96 million;
- ↪ **EBITDA** related to 2019 remains at a high level of 50.37% related to the revenue.

PHYSICAL INDICATORS

The table below shows a comparison of the main indicators related to gas and condensate production, royalty, electricity production and invoiced UGS injection/withdrawal services:

Q3 2019	Q4 2019 P	Q4 2018	Δ Q4 (%)	Main Indicators	2019 P	Year 2018	Δ 12 months (%)
1.25	1.33	1.411	-5.93	Gross gas production (BCM)	5.277	5.333	-1.06
3,697	4,388	2,589	69.45	Condensate production (tonnes)	17,340	7,867	120.42
0.09	0.096	0.104	-7.83	Petroleum royalty (BCM)	0.379	0.388	-2.28
120.4	298.0	414.5	-28.11	Electricity production (GWh)	590.1	1,165.2	-49.37
0	347.1	819.0	-57.62	Invoiced UGS withdrawal services (million m ³)	1,271.8	1,949.9	-34.78
1,226.5	346.1	119.6	189.38	Invoiced UGS injection services (million m ³)	2,620.5	1,731.2	51.37

The preliminary natural gas quantities produced, supplied, injected in/withdrawn from the underground storages (UGS) and gas quantities used for electricity production between January - December 2019 in comparison to 2018 and 2017 are described in the table below (million m³):

Item no.	Specification	2017	2018	2019P	Δ 12 months (%)
0	1	2	3	4	5=(((4/3)-1)x100
1	Total - gross production, out of which:	5,157.5	5,333.3	5,274.9	-1.1
1.1.	* internal gas production	4,987.7	5,177.1	5,276.9	1.9
1.2.	* Schlumberger joint venture (100%)	169.8	156.3	0.0	-100.0
2	Technological consumption	74.5	86.4	78.9	-8.7
3	Net internal gas production (1.-1.2.-2.)	4,913.2	5,090.6	5,198.0	2.1
4	Internal gas volumes injected in storages	253.5	348.1	526.0	51.1
5	Internal gas volumes withdrawn from storages, of which:	723.5	479.4	257.7	-46.2
5.1	- gas cushion		6.9	0.0	-100.0
6	Differences resulting from GCV	2.7	1.4	0.0	-100.0
7	Volumes supplied from internal production (3.-4.+5.-6.)	5,380.5	5,220.5	4,929.7	-5.6
8.1	Gas sold in storages		8.1	0.0	-100.0
8.2	Gas supplied to Iernut and Cojocna Power Plants from Romgaz gas	506.4	326.7	173.0	-47.0
9	Gas supplied from internal production to the market (7.+8.1.-8.2)	4,874.1	4,901.9	4,756.7	-3.0
10	Natural gas from partnerships*) - total, out of which:	175,5	163,6	140,5	-14.1
	*Schlumberger (50%)	84.9	78.2	0.0	-100.0
	*Raffles Energy (37.5%)	0.1	0.0	0.0	0.0
	*Amromco (50%)	90.5	85.4	140.5	64.5
11	Purchased internal gas volumes (imbalances included)	27.0	9.7	4.4	-54.6

12	Sold internal gas volumes (9.+10.+11.)	5,076.6	5,075.2	4,901.6	-3.4
13	Supplied internal gas volumes (8.2+12.)	5,583.0	5,401.9	5,074.6	-6.1
14	Supplied import volumes	33.0	181.4	53.0	-70.8
15	Gas supplied to Iernut and Cojocna Power Plants from other sources (imbalances included)	40.3	19.4	4.5	-76.8
16	Total gas supplies (13.+14.+15.)	5,656.3	5,602.7	5,132.1	-8.4
*	Invoiced UGS withdrawal services	1,745.5	1,949.9	1,271.8	-34.8
*	Invoiced UGS injection services	1,497.6	1,731.2	2,620.5	51.4

ECONOMIC-FINANCIAL INDICATORS

The economic-financial indicators have been calculated based on unaudited preliminary consolidated financial statements and may be different from the actual audited results.

The Group's revenue is mainly generated by the sale of natural gas (internal and import), by the underground gas storage services and by the electricity production and sale.

Preliminary consolidated comprehensive income for the year ended on December 31, 2019 (unaudited)

Description	Preliminary	Preliminary	Actual	Actual	Variation	Variation
	Q4 2019	2019	Q4 2018	2018	Q4	2019-2018
	(thousand RON)	(thousand RON)	(thousand RON)	(thousand RON)	(%)	(%)
1	2	3	4	5	6= $\frac{(2/4)-1}{1} \times 100$	7= $\frac{(3/5)-1}{1} \times 100$
Revenue	1,289,626	5,080,482	1,559,590	5,004,197	-17.31	1.52
Cost of commodities sold	(5,409)	(107,800)	(59,933)	(245,020)	-90.97	-56.00
Investment income	8,020	38,124	13,299	53,279	-39.69	-28.44
Other gains or losses	(33,035)	(63,069)	(44,951)	(102,989)	-26.51	-38.76
Net losses from impairment of trade receivables	(85,508)	(116,746)	176	(19,941)	n/a	485.46
Changes in inventory	1,417	80,008	(50,793)	(32,180)	n/a	n/a
Raw materials and consumables used	(16,183)	(76,048)	(22,277)	(75,460)	-27.36	0.78
Net depreciation and amortization	(317,716)	(912,255)	(297,936)	(708,142)	6.64	28.82
Employee benefit expenses	(189,047)	(670,408)	(186,409)	(621,330)	1.42	7.90
Financial costs	(8,015)	(24,740)	(7,691)	(29,724)	4.21	-16.77
Exploration expense	(73)	(24,564)	(52,015)	(247,123)	-99.86	-90.06
Share of associates' result	90	1,472	572	622	-84.27	136.66
Other expenses	(363,374)	(1,552,192)	(468,042)	(1,409,447)	-22.36	10.13
Other income	8,306	32,834	7,971	18,442	4.20	78.04
Profit before tax	289,099	1,685,098	391,561	1,585,184	-26.17	6.30
Income tax expense	(45,916)	(256,811)	(21,949)	(219,016)	109.19	17.26
Profit for the period	243,183	1,428,287	369,612	1,366,168	-34.21	4.55
Other comprehensive income						
Items that will not be reclassified subsequently to profit or loss						
Actuarial gains/(losses) on post-employment benefits	4,074	4,074	(17,106)	(17,106)	n/a	n/a

Description	Preliminary	Preliminary	Actual	Actual	Variation	Variation
	Q4 2019	2019	Q4 2018	2018	Q4	2019-2018
	(thousand RON)	(thousand RON)	(thousand RON)	(thousand RON)	(%)	(%)
1	2	3	4	5	6= [(2/4)-1]x100	7= [(3/5)-1]x100
Income tax relating to items that will not be reclassified subsequently to profit or loss	(652)	(652)	2,737	2,737	n/a	n/a
Total items that will not be reclassified subsequently to profit or loss	3,422	3,422	(14,369)	(14,369)	n/a	n/a
Other comprehensive income for the period net of income tax	3,422	3,422	(14,369)	(14,369)	n/a	n/a
Total comprehensive income for the period	246,605	1,431,709	355,243	1,351,799	-30.58	5.91
EBITDA *)	598,795	2,559,229	676,198	2,240,047	-11.45	14.25
EBITDA margin (%)	46.43	50.37	43.36	44.76	7.09	12.53
EBIT *)	281,079	1,646,974	378,262	1,531,905	-25.69	7.51
EBIT margin (%) *)	21.80	32.42	24.25	30.61	-10.14	5.90
EPS (RON) ***)	0.63	3.71	0.96	3.54	-34.21	4.55

*) The information for Q4 2018 were restated - for additional information, see the 2018 consolidated report of the Board of Directors.

Revenue

In 2019, Romgaz estimates a consolidated revenue of RON 5.1 billion as compared to RON 5.0 billion achieved in 2018.

The increase resides from a 4.4% rise of revenue from sales of gas produced by Romgaz and of gas purchased for resale as well as gas from joint ventures, an increase by 11% of revenue from storage services and an increase by 115.7% of revenue from gas condensate sale, despite the decrease of revenue from electricity sales by 50.95%.

As for the quantities, as compared to 2018, the Group estimates that in 2019:

- it sold 3.4 % less gas;
- it provided gas injection services in storages by 51.4% higher, gas extraction services from storages by 34.8% lower, reserved a storage capacity by 42.51% higher for 2019 - 2020 storage cycle as compared to the previous cycle partly due to minimum stock obligations established by ANRE;
- sold by 120.4% more gas condensate; and
- produced by 49.4% less electricity.

Cost of Commodities Sold

In 2019, cost of commodities sold decreased by 56% as compared to the previous year, mainly due to the decrease by 70.8% of the gas quantity purchased from import for resale.

Investment Income

Investment income represent income from placing Group's liquidities in bank deposits or in state bonds.

Other Gains and Losses

Net losses are lower due to receiving a favourable decision on a litigation with ANAF. During December 2016-April 2017, there was a partial fiscal inspection to review the VAT for the period December 2010 - June 2011, and to review the income tax for the period January 2010-December 2011. The scope of the inspection were the discounts granted by Romgaz to interruptible consumers for the delivery of internal gas between 2010-2011. This category was established by the transmission system operator, TRANSGAZ. The notice of assessment set additional payment obligations in amount of RON 15,284 thousand, as well as late payment penalties of RON 3,129 thousand. In 2019, the court ruled in favour of Romgaz so that the adjustment of RON 18.4 million was reduced by releasing it to income.

In 2019, the Group recorded a net loss of financial investments measured at fair value through profit and loss of RON 4.5 million, as compared to the net loss of RON 40.8 million in 2018. In both periods, the loss was generated by the decrease of the value of the 2.49% share in Electrocentrale Bucuresti capital, which on December 31, 2019 was measured at RON 0.

In 2019, the Group wrote-off non-current assets of RON 71.4 million. Nonetheless, the effect in result of these written off assets is insignificant, the Group recording an income corresponding to the release of the impairment for these assets, as presented in the expenses with amortisation and impairment.

Net Losses from impairment of trade receivables

In 2019, the Group recorded net impairment losses of receivables estimated at RON 116.7 million, due to the risk of non-collecting some receivables from insolvent clients. The Group was forced by decisions of the courts to deliver gas to such customers considered "captive" by the insolvency law. Subsequent to the issuance of these decisions, the Group did not record any additional outstanding receivables from these customers, but, according to IFRS, it recorded adjustments for the impairment of the receivables according to the estimated risk of non-collection.

Thus, for receivables uncollected in due date, the Group recorded a net impairment of RON 34.08 million, and from the analysis of non-collection risk of current receivables, an impairment of RON 82.67 million. In case of the risk of non-collection does not materialize in 2020, the amount of RON 82.67 million shall be released to income.

Changes in Inventory

During 2019 the gas quantity injected in storages was higher than the quantity withdrawn from storages, thus generating favourable changes in inventory (income), unlike the year 2018 when the injected quantity was lower than the withdrawn quantity generating unfavourable changes in inventories (loss). The quantity of gas injected in storage by the company in 2019 as compared to 2017 increased by 51.1% while the withdrawn quantity decreased by 46.25%.

Depreciation, Amortization and Impairment

In 2019, the estimated depreciation and amortization of non-current assets was of RON 520.96 million, lower by 11.89% as compared to the previous year. Following the impairment recorded

in 2018 for the assets associated with gas fields and Iernut current power plant, the depreciable amount of the assets decreased by RON 189 million, generating lower depreciation expense.

In 2019, the Group recorded net impairment losses of RON 391.3 million due to:

- the abandonment of certain investment projects in wells (RON 250.3 million, of which RON 55.9 million related to Trinity-1X Well from EX 30 Trident Block in the Black Sea);
- some insignificant recent investments in projects started in previous years (RON 88.9 million);
- a net adjustment of RON 20.5 million pursuant to a gas field impairment testing conducted in December 31, 2019.

Exploration expenses

Exploration expenses recorded in 2019 of RON 24.6 million decreased by 90.06% compared to the previous year.

The decrease is due to lower exploration expenses (seismic prospections) by RON 96.0 million.

Exploration expenses also include the costs of wells written off. In 2019 the cost of these decommissioned investments was RON 23.05 million, compared to RON 149.6 million in 2018. These costs are mainly offset by net impairment income.

Other expenses

In 2019 other expenses increased by 10.13% as compared to 2018. The increase of RON 142.75 million is mainly due to higher windfall tax and the introduction of monetary contribution levied from the licence holders in the field of electricity and natural gas of 2% of the revenue achieved from the activities covered by the licences granted by ANRE (+ RON 169.38 million).

Other expenses also include a net income of RON 51.76 million from the decrease of the decommissioning provision of the wells. In 2019, the Group re-analyzed the costs generated by well abandonment works, which generated a decrease in the provision for the production wells.

Other income

Other income increased by 78.04% in the year ended on December 31, 2019 as compared to the same period of 2018, due to the increase of incomes from compensations, fines and penalties for uncollected amounts according to contract terms or incompliance of suppliers with execution terms (+ RON 9.26 million). Of the total income from penalties of RON 20.41 million, RON 14.40 million was not collected up until December 31, 2019, the Group recording an impairment loss for these receivables.

Preliminary Statement of Consolidated Financial Position as of December 31, 2019

INDICATOR	Preliminary		Actual	Variation (%) 4=(2-3)/3x100
	December 31, 2019		December 31, 2018	
	RON thousand		RON thousand	
1	2	3		
ASSETS				
Non-current assets				
Tangible assets	5,989,172	6,279,748	-4.63	
Other intangible assets	9,164	4,970	84.39	
Investments in associates	24,770	23,298	6.32	
Deferred tax assets	163,411	127,491	28.17	
Other financial assets	5,388	9,812	-45.09	
Right of use asset	8,590	-	n/a	
Total non-current assets	6,200,495	6,445,319	-3.80	
Current assets				
Inventories	311,013	245,992	26.43	
Trade and other receivables	602,633	826,046	-27.05	
Contract costs	312	583	-46.48	
Other financial assets	1,075,224	881,245	22.01	
Other assets	42,484	168,878	-74.84	
Cash and cash equivalents	363,943	566,836	-35.79	
Total current assets	2,395,609	2,689,580	-10.93	
TOTAL ASSETS	8,596,104	9,134,899	-5.90	
EQUITY AND LIABILITIES				
Equity				
Issued capital	385,422	385,422	0.00	
Reserves	1,587,388	1,824,999	-13.02	
Retained earnings	5,520,305	5,458,196	1.14	
Total equity	7,493,115	7,668,617	-2.29	
Non-current liabilities				
Retirement benefit obligation	138,763	139,254	-0.35	
Deferred income	21,244	21,128	0.55	
Lease liability	8,285	-	n/a	
Provisions	366,393	510,114	-28.17	
Total non-current liabilities	534,685	670,496	-20.26	
Current liabilities				
Trade payables and other liabilities	109,909	186,702	-41.13	
Contract liabilities	42,705	46,381	-7.93	
Current tax liabilities	64,326	68,001	-5.40	
Deferred income	3,729	8,442	-55.83	
Provisions	82,701	93,645	-11.69	
Lease liability	694	-	n/a	
Other liabilities	264,240	392,615	-32.70	
Total current liabilities	568,304	795,786	-28.59	
TOTAL LIABILITIES	1,102,989	1,466,282	-24.78	
TOTAL EQUITY AND LIABILITIES	8,596,104	9,134,899	-5.90	

NON CURRENT ASSETS

The total of non-current assets decreased by 3.80% by the end of 2019, compared to the end of 2018, meaning by RON 244.82 million, from RON 6,445.32 million on December 31, 2018 to RON 6,200.50 million, on December 31, 2019, despite the total investments achieved in 2019 of RON 891.58 million. The decrease is due to depreciation, amortization and net impairment of RON 912.26 million, but also due to the decrease of the wells decommissioning provision that generated a decrease of non-current assets of RON 135.01 million.

The increase of 84.39% recorded in Other Non-current Assets during 2019 is due to the development of the Group information systems.

With regard to Other Financial Assets during 2019, the Group recorded a loss of RON 4.5 million from the measurement to fair value of the investment in Electrocentrale Bucuresti, the investment being measured at RON 0.

Investments in associates are accounted for in the consolidated financial statements by the equity method which implies that the investment is initially recognized as cost and adjusted afterwards, depending on the post-acquisition modifications, in the apportioned share of the Group in the associate's net assets in which the investment had been made. The Group's profit or loss includes its share of the associate's profit or loss.

In 2019, International Financial Reporting Standard 16 "Leases" entered into force and replaced International Accounting Standard 17 "Leases" (IAS 17). According to the new standard, the lessee accounts finance lease contracts and operating lease (rent) contracts in the same manner. As such, the lessee records a "right of use" asset for the underlying asset subject to the lease contract simultaneously with the recognition of a lease liability. The Group has no finance leases. The "right of use" assets derive from lease contracts concluded by the Group; previously, these contracts were reported in form of rent-related expenses.

Deferred tax asset

Deferred tax asset is based on the temporary differences between the accounting value and the tax value of balance sheet items. These temporary differences may be taxable, meaning they will result in taxable values when determining the taxable result of future periods, or deductible, meaning they will result in values that are deductible when determining the taxable result of future periods.

Taking into account the impairment recorded for the fields operated by the Group and for abandoned investment projects, the temporary difference between the accounting and the tax value of the assets increased, which generated a rise in the deferred tax asset on December 31, 2019 as compared to December 31, 2018.

CURRENT ASSETS

Inventories

Inventories increased at the end of 2019, as compared to December 31, 2018 by 26.43% as a result of the increase of gas stock from storage. The value of the gas stock on December 31, 2019 increased compared to the end of the previous year by 94.62% due to the increase by 51.1% of the stored gas volume in 2019 as compared to 2018 and the decrease by 46.25% of the extracted gas volume.

Trade and other receivables

Trade receivables decreased in 2019 as compared to December 31, 2018 by 27.05% as a result of lower gas quantities delivery in December 2019 as compared to December 2018 by approximately 16.64% but also due to net impairment losses for trade receivables of RON 116.75 million.

NON-CURRENT LIABILITIES

At the end of 2019, non-current liabilities decreased by 20.26% as compared to December 31, 2018, mainly due to the decrease of the decommissioning provision for wells with RON 146.23 million (-27.57%). In 2019, the Group re-analyzed well abandonment costs based on which this provision is calculated. Following this analysis, the provision decrease generated an income of RON 51.76 million and a decrease of non-current assets with RON 135.01 million.

CURRENT LIABILITIES

Current liabilities decreased with RON 227.48 million from RON 795.79 million recorded on December 31, 2018 to RON 568.30 million at the end of 2019.

Trade payables and other liabilities

Trade payables decreased compared to December 31, 2018 by 41.13% due to lower work volume at Iernut power plant towards the end of 2019 compared to the end of 2018, liabilities to the contractor decreasing by RON 85.26 million.

Other liabilities

Other liabilities recorded a decrease by 32.7% as a result of the following:

- decrease of the Group's petroleum royalty liability (decrease by RON of 71.69 million, as a result of a lower reference price communicated by the Mineral Resources National Agency in Q4 2019 as compared to Q4 2018);
- decrease of the windfall tax liability with RON 10.78 million, due to the decrease of average price for gas delivered in December 2019 as compared to December 2018 by approximately 11.54% and the quantity of gas delivered during this month compared to the same period of 2018 by approximately 16.64%;
- decrease of value added tax liability by RON 26.34 million due to lower sales during December 2019 as compared to December 2018;
- payment to Schlumberger of the Group's liability as a result of concluding the association in 2018 (RON 22.5 million).

Provisions

On December 31, 2019, current provisions recorded a decrease by 11.69% as compared to December 31, 2018. This decrease is due, mainly, to the decrease of the provision for greenhouse gas emission certificates (RON 16.7 million).

EQUITY AND RESERVES

Group's equity decreased by 2.29% due to the distribution of dividends from the 2018 profit and a part of the reserves. The changes in the Group's equity in 2019, respectively 2018, are presented below:

Description	Share capital	Legal reserve	Other reserves	Retained earnings	Total
	RON thousand	RON thousand	RON thousand	RON thousand	RON thousand
Balance as of January 1, 2019	385,422	77,487	1,747,512	5,458,196	7,668,617
Allocation to dividends	-	-	(362,297)	(1,244,914)	(1,607,211)
Increase in legal reserves	-	2,413	-	(2,413)	-
Allocation to other reserves	-	-	105,356	(105,356)	-
Profit for the year	-	-	-	1,428,287	1,428,287
Reinvested profit reserves	-	-	16,917	(16,917)	-
Other comprehensive income	-	-	-	3,422	3,422
Balance as of December 31, 2019	385,422	79,900	1,507,488	5,520,305	7,493,115

Description	Share capital	Legal reserve	Other reserves	Retained earnings	Total
	RON thousand	RON thousand	RON thousand	RON thousand	RON thousand
Balance as of January 1, 2018 (before change in accounting policy)	385,422	77,084	2,235,448	6,635,380	9,333,334
Effect of change in accounting policy *)	-	-	-	(415,096)	(415,096)
Effect of correction of accounting errors	-	-	-	57,202	57,202
Balance as of January 1, 2018 (restated)	385,422	77,084	2,235,448	6,277,486	8,975,440
Allocation to dividends	-	-	(716,886)	(1,923,258)	(2,640,144)
Increase in legal reserves	-	403	-	(403)	-
Allocation to other reserves	-	-	185,563	(185,563)	-
Profit for the year	-	-	-	1,366,168	1,366,168
Reinvested profit reserves	-	-	43,387	(43,387)	-
Effect of change in accounting policy as a result of adopting IFRS 15 and IFRS 9	-	-	-	(18,478)	(18,478)
Other comprehensive income	-	-	-	(14,369)	(14,369)
Balance as of December 31, 2018	385,422	77,487	1,747,512	5,458,196	7,668,617

NOTE) In 2018 the Group voluntarily modified the accounting policy regarding recognition of costs with seismic, geological, geophysical works and other similar operations. Pursuant to the new policy, these costs are recognized as expenses when incurred. Previously, these costs were recognized as intangible exploration assets.

Preliminary Statement of Consolidated Statement of cash flow for the year ended on December 31, 2019 (unaudited)

The consolidated cash flows registered during January-December 2019 and the similar period of 2018 are as follows:

INDICATOR	Preliminary	Actual	Variation
	December 31, 2019	December 31, 2018	
	(RON thousand)	(RON thousand)	(%)
1	2	3	4=(2-3)/3x100
Cash flows from operating activities			
Net profit for year	1,428,287	1,366,168	4.55
Adjustments for:			
Income tax expense	256,811	219,016	17.26
Share from the associates' result	(1,472)	(622)	136.66
Interest expense	543	-	n/a
Unwinding of decommissioning provision	24,197	29,724	-18.59
Interest revenue	(38,124)	(53,279)	-28.44
Loss on disposal of non-current assets	68,046	62,961	8.08
Change in decommissioning provision recognized in the result of the period, other than unwinding	(51,760)	(34,390)	50.51
Change in other provisions	(4,852)	30,152	n/a
Impairment of exploration assets expense	208,350	(118,809)	n/a
Exploration projects written-off	23,051	149,620	-84.59
Net impairment of non-current assets	182,948	235,661	-22.37
Depreciation and amortization	520,957	591,290	-11.89
Amortisation of contract costs	651	1,291	-49.57
(Earning)/loss on financial investments at their fair value through profit or loss	4,424	40,782	-89.15
Loss on trade receivables and other receivables	102,822	20,048	412.88
Other leasing earnings and losses	(52)	-	n/a
Net impairment of inventories	5,125	(2,052)	n/a
Income from prescribed debts	(89)	(58)	53.45
Income from subsidies	(81)	(269)	-69.89
Cash generated from operational activities before movements in working capital	2,729,782	2,537,234	7.59
Movements in working capital			
(Increase)/Decrease in inventories	(38,428)	143,114	n/a
(Increase)/Decrease in trade and other receivables	116,144	(8,156)	n/a
Increase/(Decrease) in trade and other liabilities	(78,117)	(194,681)	-59.87
Cash generated by operational activities	2,729,381	2,477,511	10.17
Income tax paid	(297,058)	(334,324)	-11.15
Net cash generated by operational activities	2,432,323	2,143,187	13.49
Cash flows from investing activities			
Net collections/(payments) related to financial assets	(203,972)	1,917,569	n/a
Interest received	43,470	49,338	-11.89
Income from noncurrent assets sales	1,305	961	35.80
Payments for purchase of non-current assets	(694,349)	(948,588)	-26.80
Payments for purchase of exploration assets	(173,563)	(205,371)	-15.49
Net cash used in investing activities	(1,027,109)	813,909	n/a

INDICATOR	Preliminary	Actual	Variation (%)
	December 31, 2019 (RON thousand)	December 31, 2018 (RON thousand)	
1	2	3	4=(2-3)/3x100
Cash flows from financing activities			
Dividends paid	(1,607,246)	(2,638,535)	-39.09
Subsidies received	-	21,108	-100.00
Repayment of lease liability	(861)	-	n/a
Net cash used in financing activities	(1,608,107)	(2,617,427)	-38.56
Increase/(decrease) in net cash and cash equivalents	(202,893)	339,669	n/a
Net cash and cash equivalents at the beginning of the year	566,836	227,167	149.52
Cash and cash equivalents at the end of the year	363,943	566,836	-35.79

CHIEF EXECUTIVE OFFICER
Constantin Adrian Volintaru



CHIEF FINANCIAL OFFICER

[Signature]