



PRELIMINARY CONSOLIDATED ANNUAL REPORT 2020

www.romgaz.ro

IDENTIFICATION DETAILS ON REPORT AND ISSUER

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

Financial year: 2020

Report date: February 25, 2021

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 2020

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.

Relevant Consolidated Financial Results

(RON millions, unless otherwise specified)

Q4 2019	Q3 2020	Q4 2020 p*	Δ Q4 (%)	Main indicators	2019	2020 p*	Δ '20/'19 (%)
1,289.6	725.1	1,156.5	-10.32	Revenue	5,080.5	4,074.9	-19.79
1,308.4	771.3	1,129.2	-13.70	Income	5,235.4	4,133.9	-21.04
1,429.3	607.7	804.0	-43.75	Expenses	3,961.7	2,702.0	-31.80
0.1	0.3	1.1	1,000.0	Share of profit of associates	1.5	1.3	-13.33
(120.8)	163.8	326.4	n/a	Gross result: profit/(loss)	1,275.2	1,433.2	12.39
25.3	22.7	13.7	-45.85	Profit tax	185.6	178.6	-3.77
(95.5)	141.1	312.7	n/a	Net result: profit/(loss)	1,089.6	1,254.6	15.14
(128.8)	150.8	314.1	n/a	EBIT	1,237.1	1,385.4	11.99
634.9	315.5	355.7	-43.98	EBITDA	2,595.3	1,862.7	-28.23
(0.25)	0.37	0.81	n/a	Earnings per share (EPS) (RON)	2.83	3.26	15.14
-7.4	19.46	27.04	n/a	Net profit ratio (% from Revenue)	21.45	30.79	43.56
-9.99	20.80	27.16	n/a	EBIT ratio (% from Revenue)	24.35	34.00	39.62
49.23	43.52	30.77	-37.51	EBITDA ratio (% from Revenue)	51.08	45.71	-10.52
6,251	6,201	6,188	-1.01	Number of employees at the end of the period	6,251	6,188	-1.01

*p - preliminary

¹ Romgaz Group consists of SNGN Romgaz SA ("the Company"/"Romgaz") as parent company, SNGN Romgaz SA - Filiala de Îmagazinare Gaze Naturale Depogaz Ploiești SRL ("Depogaz"), 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)

Romgaz Group's preliminary performances for the year ended December 31, 2020 were influenced by the following factors:

- ↳ Preliminary 2020 **gas production** was **4,519.7 million m³**, 757.2 million m³ lower than the production recorded during the previous year (-14.35%) due to the effects of the COVID-19 pandemic on the Romanian economy; in the 4th quarter of this year (Q4) we can see a strong production comeback as compared to Q3 (estimated growth of 38.84%), the comeback being also confirmed by a production level similar to last year's Q4 (a mere 0.41% estimated production drop). Actual production was higher than budgeted by 4.7%.
- ↳ Preliminary **revenue** for 2020: **RON 4.07 billion** (2019: RON 5.08 billion), lower by 19.79% (in volume, the quantity of **natural gas** sold is 10.1% lower). For Q4 2020 an estimated 59.5% revenue growth is expected as compared to Q3 2020 due to an increase of 86.4% in volumes of natural gas sales. At a Group level, in **gas storage activity**, a 13.2% revenue increase is seen, being supported by a 92.6% increase in extraction services (+RON 20.7 million) and by a 6.2% increase (+RON 16.4 million) in capacity reservation services. Revenue from **electricity** sales increased by 29.9% compared to previous year (+RON 43.6 million) due to production being 58.9% higher.
- ↳ **Preliminary net profit** for the year 2020: **RON 1.25 billion** (2019: net profit RON 1.09 billion), increased by 15.14%;
- ↳ **The estimated Q4 Net Profit was RON 312.70 million**, higher by **121.6%** as compared to Q3 2020.
- ↳ Decrease by RON 146.0 million (42.59%) of **petroleum royalty expenses** (RON 195.9 million in 2020 as compared to RON 342.9 million in 2019) pursuant to the decrease of the reference price taken into account.
- ↳ Decrease by RON 302.0 million (42.12%) of the **windfall tax** further to the deregulation of prices in the gas sector, pursuant to an average gas selling price 16% lower on average as compared to the previous year, and a lower quantity supplied by 10.1%.
- ↳ Due to existing market conditions the Group identified impairment indicators for assets used in the gas segment. The Group ran an impairment test which did not result in any additional impairment. The Group only recorded impairment for specific assets, for abandoned wells as dry holes. Due to this fact, the depreciation, amortisation and impairment expenses decreased by RON 880.9 million (-64.86%) as compared to previous year.
- ↳ In 2020 the Group did not encounter any major collection issues regarding current trade receivables, so that it recorded a net impairment gain on trade receivables of RON 17.6 million compared to a net loss of RON 81.2 million last year.
- ↳ In 2020 the Company was subject to an economic-financial inspection on the allocation of dividends according to art. 43 of Government Emergency Ordinance no. 114/2018. The inspectors concluded that the Company did not calculate the allocated dividends correctly, but rather it should have paid additional dividends of RON 34,852 thousand, of which RON 24,284 thousand payable to the main shareholder and penalties of RON 938 thousand. As the Company did not agree with the conclusions in the report, it started legal actions against it. The deemed dividends attributable to the main shareholder and related penalties were offset by the National Agency for Fiscal Administration ("NAFA") against receivables of the Company from NAFA, although the Company requested the receivables to be offset against other tax liabilities when due. Following the offset, the Company recorded an expense of RON 24,284 thousand, as there is no shareholders' decision to allocate additional dividends. As for the penalties of RON 938 thousand, these were written-off according to Government Emergency Ordinance no. 69/2020.
- ↳ Consolidated Net profit margin (30.79%) and Consolidated EBIT margin (34.00%) have risen strongly from previous year's levels (21.45%, respectively, 24.35%) and show a high profitability of the group despite a drop in revenue. Consolidated EBIDTA margin (45.71%) decreased from last year, but it maintains a high rate.

VOLUME INDICATORS

Estimated volumes of gas production, gas deliveries, gas injected in/withdrawn from storages, gas used for power generation, electricity production and invoiced extraction from/injection in storages services in the reviewed period are shown in the table below:

(million m ³ , unless otherwise specified)							
Q4 2019	Q3 2020	Q4 2020 p	Δ Q4 (%)	Description	2019	2020 p	Δ '20/'19 (%)
1,327.3	952.1	1,321.9	-0.4	1.Total - gross production	5,276.9	4,519.7	-14.3
18.6	12.6	18.8	1.1	2.Technological consumption	78.9	63.7	-19.3
1,308.7	939.5	1,303.1	-0.4	3.Net internal gas production (1.-2.)	5,198.0	4,456.0	-14.3
52.3	88.6	11.0	-79.0	4.Internal gas volumes injected in storages	526	225.9	-57.1
57.8	-	216.9	275.3	5.Internal gas volumes withdrawn from storages	257.7	367.8	42.7
-	2.5	0.7	n/a	6.Differences resulting from GCV	-	6.3	n/a
1,314.2	848.4	1,508.3	14.8	7.Volumes supplied from internal production (3.-4.+5.-6.)	4,929.7	4,591.6	-6.9
85.9	98.1	92.3	7.5	8. Gas supplied to Iernut and Cojocna Power Plants from Romgaz gas	173	277.2	60.2
1,228.3	750.3	1,416.0	15.3	9. Gas supplied from internal production to the market (7.-8.)	4,756.7	4,314.4	-9.3
30.6	19.7	19.1	-37.6	10. Natural gas from partnerships (Amromco)	140.5	91.4	-34.9
-	-	-	-	11. Purchased internal gas volumes (imbalances included)	4.4	0.4	-90.9
1,258.9	770	1,435.1	14.0	12. Sold internal gas volumes (9.+10.+11.)	4,901.6	4,406.2	-10.1
1,344.8	868.1	1,527.4	13.6	13. Supplied internal gas volumes (8.+12.)	5,074.6	4,683.4	-7.7
-	-	-	-	14. Supplied import volumes	53	-	-100.0
2.5	1.8	0.3	-88.0	15. Gas supplied to Iernut and Cojocna Power Plants from other sources (imbalances included)	4.5	4.7	4.4
1,347.3	869.9	1,527.7	13.4	16. Total gas supplies (13.+14.+15.)	5,132.1	4,688.1	-8.7
347.1	0.3	892.5	157.1	Invoiced UGS withdrawal services (million m ³)	1,271.8	1,816.7	42.8
346.1	444.5	99.6	-71.2	Invoiced UGS injection services (million m ³) - volumes invoiced by the subsidiary	2,620.5	1,115.1	-57.4
298.0	322.6	319.6	7.2	Electricity production (GWh)	590.1	937.5	58.9

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, underground gas storage services and electricity production and sale.

Preliminary statement of consolidated comprehensive income for the year ended December 31, 2020 (unaudited)

				(RON thousand)			
Q4 2019	Q3 2020	Q4 2020 p	Δ Q4 (%)	Description	2019	2020 p	Δ '20/'19 (%)
1,289,626	725,059	1,156,469	-10.33	Revenue	5,080,482	4,074,893	-19.79
(5,409)	(2,924)	(4,935)	-8.76	Cost of commodities sold	(107,800)	(18,617)	-82.73
8,020	12,923	12,233	52.53	Investment income	38,124	47,845	25.50
(33,035)	850	(47,482)	43.73	Other gains or losses	(63,069)	(72,221)	14.51
(49,983)	4,865	10,727	n/a	Net (losses)/gains from impairment of trade receivables	(81,221)	17,551	n/a
1,417	27,486	(48,168)	n/a	Changes in inventory	80,008	(16,151)	n/a
(16,183)	(13,357)	(16,246)	0.39	Raw materials and consumables used	(76,048)	(58,282)	-23.36
(763,711)	(164,629)	(41,530)	-94.56	Net depreciation and amortization	(1,358,250)	(477,311)	-64.86
(189,047)	(184,521)	(227,305)	20.24	Employee benefit expenses	(670,408)	(767,251)	14.45
(8,015)	(4,240)	(4,277)	-46.64	Financial costs	(24,740)	(17,000)	-31.29
(73)	(15,634)	(117,726)	161,168.49	Exploration expense	(24,564)	(155,573)	533.34
92	328	1,121	1,118.48	Share of associates' result	1,474	1,324	-10.18
(362,824)	(227,830)	(354,514)	-2.29	Other expenses	(1,551,642)	(1,151,428)	-25.79
8,306	5,420	8,000	-3.68	Other income	32,834	25,439	-22.52
(120,819)	163,796	326,367	n/a	Profit before tax	1,275,180	1,433,218	12.39
25,338	(22,691)	(13,671)	n/a	Income tax expense	(185,557)	(178,577)	-3.76
(95,481)	141,105	312,696	n/a	Profit for the period	1,089,623	1,254,641	15.14
				Other comprehensive income			
				Items that will not be reclassified subsequently to profit or loss			
				Actuarial gains/(losses) on post-employment benefits			
27,411	-	(16,877)	n/a		27,411	(16,877)	n/a
(4,387)	-	2,700	n/a	Income tax relating to items that will not be reclassified subsequently to profit or loss	(4,387)	2,700	n/a
23,024	-	(14,177)	n/a	Total items that will not be reclassified subsequently to profit or loss	23,024	(14,177)	n/a
				Other comprehensive income for the period net of income tax			
23,024	-	(14,177)	n/a		23,024	(14,177)	n/a

(72,457)	141,105	298,519	n/a	Total comprehensive income for the period	1,112,647	1,240,464	11.49
----------	---------	---------	-----	--	-----------	-----------	-------

Revenue

In 2020, Romgaz estimates consolidated revenues of RON 4.1 billion as compared to RON 5.1 billion achieved in 2019.

The decrease resides in a 24.48% fall of revenue from sales of gas produced by Romgaz and of gas purchased for resale, as well as gas from joint ventures. On the other hand, consolidated revenue from storage services increased by 13.32% and revenue from electricity sales increased by 29.90%.

The main components of revenue are show below:

(RON thousand)							
Q4 2019	Q3 2020	Q4 2020 p	Δ Q4 (%)	Description	2019	2020 p	Δ '20/'19 (%)
1,034,763	532,942	917,119	-11.37	Revenue from gas sold - domestic production	4,151,626	3,226,448	-22.28
27,002	14,364	12,310	-54.41	Revenue from gas sold - other arrangements	128,737	66,915	-48.02
-	-	-	-	Revenue from gas acquired for resale - import gas	77,867	-	-100.00
3,648	3,157	3,281	-10.06	Revenue from gas acquired for resale - domestic gas	23,368	15,545	-33.48
96,617	65,153	64,523	-33.22	Revenue from storage services-capacity reservation	265,962	282,363	6.17
5,991	4,810	19,136	219.41	Revenue from storage services-extraction	22,410	43,151	92.55
5,967	14,080	11,469	92.21	Revenue from storage services-injection	42,418	49,343	16.33
61,733	55,827	75,022	21.53	Revenue from electricity	145,714	189,289	29.90
47,058	29,189	47,216	0.34	Revenue from services	184,564	175,877	-4.71
4,862	3,603	4,474	-7.98	Revenue from sale of goods	30,243	18,192	-39.85
1,985	1,934	1,919	-3.32	Other revenues	7,573	7,770	2.60
1,289,626	725,059	1,156,469	-10.33	Total revenue	5,080,482	4,074,893	-19.79

Tariffs of storage services were:

- April 1, 2019 – March 31, 2020 storage cycle
 - o Capacity reservation tariff: RON 9.98/MWh/annual cycle;
 - o Injection tariff: RON 1.90/MWh;
 - o Withdrawal tariff: RON 1.61/MWh.
- April 1, 2020 – March 31, 2021 storage cycle
 - o Capacity reservation tariff: RON 7.58/MWh/annual cycle (-24.05%);
 - o Injection tariff: RON 3.67/MWh (+93.16%);
 - o Withdrawal tariff: RON 2.03/MWh (+26.09%)

Please note that consolidated storage revenues include revenue from services invoiced by Romgaz; non-consolidated storage revenue are down 3.87% compared to 2019.

As for volumes, as compared to 2019, the Group estimates that in 2020:

- it sold 10.01 % less gas;
- it provided gas withdrawal services from storages by 42.8% higher, gas injection services in storages by 57.4% lower;
- it produced 58.9% more electricity.

Cost of commodities sold

In 2020, cost of commodities sold decreased by 82.73% as compared to the previous year, mainly due to the fact that no gas was imported in 2020.

Other gains and losses

The largest items recorded in Other Gains and Losses are losses from write-offs of non-current assets (RON 65,7 million) mainly representing abandoned gas wells as dry holes; the effect of these losses is offset by the reversal of the impairment previously recorded by the Group for these wells.

Net losses/gains from impairment of trade receivables

The Group records impairments for trade receivables depending on non-collection risks. In 2020, the Group recorded a net gain from impairment of trade receivables of RON 17.6 million. Non-collection risk estimated in 2019 was reduced for one of the clients undergoing an insolvency procedure due to timely collection of receivables, which led to a decrease of the impairment recorded for this client.

Changes in inventory

During 2020 the gas quantity withdrawn from storages was higher than the quantity injected in storages, thus generating negative changes in inventory (loss), unlike the year 2019 when the injected quantity was higher than the withdrawn quantity generating a favourable change in inventories (income). The quantity of gas injected in storage by the Company in 2020 as compared to 2019 decreased by 57.1% while the withdrawn quantity increased by 42.7%.

Raw materials and consumables used

The decrease of raw materials and consumables is due to a volume of technological consumption 19.3% lower (-40.1% in terms of value) and 31.5% lower fuel expenses during 2020 as compared to 2019.

Depreciation, amortization and impairment

In 2020, the depreciation, amortization and impairment of non-current assets expenses dropped by 64.86% due to a reduction by 13.9% of depreciation expenses and a 96.54% decrease in fixed assets impairment.

Due to existing market conditions the Group identified impairment indicators for assets used in the gas segment. The Group ran an impairment test which did not result in any additional impairment. The Group only recorded impairments for specific assets, for abandoned wells as dry holes.

Exploration expenses

Exploration expenses recorded in 2020 of RON 155.57 million increased by 533.37% compared to the previous year.

The increase is due to higher exploration expenses (seismic works) by RON 23.4 million.

Exploration expenses also include the costs of wells written off. In 2020 the cost of these decommissioned investments was of RON 130.67 million, compared to RON 23.1 million in 2019. These costs are mostly offset by net impairment income.

Other expenses

In 2020 other expenses decreased by 25.79% as compared to 2019. The decrease of RON 400.21 million is mainly due to lower windfall tax and lower royalties.

In 2020, other expenses include net expenses with provisions of RON 84.0 million compared to 2019 when there was a net income from provisions of RON 57.2 million. The most significant provision expenses are:

- CO2 certificates consumed in 2020 that will be bought in 2021 (the net expense of RON 57.8 million is influenced by the use in 2020 of the provision recorded for this purpose in 2019);
- increase in the decommissioning provision (net expense of RON 24.3 million), following a lower discount rate used in the computation (4.41% in 2019; 2.97% in 2020); this rate considers the yield of 10-year government bonds.

Other income

Other income decreased by 22.52% in the year ended December 31, 2020 as compared to the same period of 2019, due to the decrease of income from penalties for uncollected amounts according to contract terms or non-compliance by suppliers with execution terms.

Preliminary Statement of Consolidated Financial Position as of December 31, 2020 (unaudited)

(RON thousand)

INDICATOR	December 31, 2019	December 31, 2020 p	Δ '20/'19 (%)
ASSETS			
<i>Non-current assets</i>			
Tangible assets	5,543,177	5,613,122	1.26
Other intangible assets	9,164	14,774	61.22
Investments in associates	24,772	26,096	5.34
Deferred tax assets	230,947	275,328	19.22
Other financial assets	5,388	5,378	-0.19
Right of use asset	8,590	7,915	-7.86
Total non-current assets	5,822,038	5,942,613	2.07
<i>Current assets</i>			
Inventories	311,013	244,563	-21.37
Trade and other receivables	638,158	592,875	-7.10
Contract costs	312	651	108.65
Other financial assets	1,075,224	1,995,523	85.59
Other assets	42,485	68,023	60.11
Cash and cash equivalents	363,943	416,913	14.55
Total current assets	2,431,135	3,318,548	36.50
TOTAL ASSETS	8,253,173	9,261,161	12.21
EQUITY AND LIABILITIES			
<i>Equity</i>			
Issued capital	385,422	385,422	0.00
Reserves	1,587,409	2,251,909	41.86
Retained earnings	5,201,222	5,156,656	-0.86
Total equity	7,174,053	7,793,987	8.64
<i>Non-current liabilities</i>			
Retirement benefit obligation	114,876	128,690	12.03
Deferred income	21,244	136,308	541.63
Lease liability	8,285	7,845	-5.31
Provisions	366,393	538,931	47.09
Total non-current liabilities	510,798	811,774	58.92
<i>Current liabilities</i>			
Trade payables and other liabilities	109,910	89,132	-18.90
Contract liabilities	42,705	81,318	90.42
Current tax liabilities	64,342	59,804	-7.05
Deferred income	3,729	10,899	192.28
Provisions	82,701	149,699	81.01
Lease liability	694	767	10.52
Other liabilities	264,241	263,781	-0.17
Total current liabilities	568,322	655,400	15.32
TOTAL LIABILITIES	1,079,120	1,467,174	35.96
TOTAL EQUITY AND LIABILITIES	8,253,173	9,261,161	12.21

NON CURRENT ASSETS

The total of non-current assets increased by 2.07% by the end of 2020, compared to the end of 2019, meaning by RON 120.58 million, from RON 5,822.04 million on December 31, 2019 to RON 5,942.61 million, on December 31, 2020.

In 2020 the Group invested a total of RON 637.25 million, representing 71.19% of the investment budget.

Of the net increase of RON 69.95 million recorded in Non-current Assets during 2020 RON 136.04 million relates to the increase of the decommissioning provision. As mentioned above, the increase in this provision is caused by the decrease of 10-year government bonds yield, this rate being used as a discount factor.

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.

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.

The increase in the deferred tax asset is mainly caused by the increase in the decommissioning provision (which generated an increase in the deferred tax asset of RON 28.28 million) and the bankruptcy of one of the Group's clients (which generated an increase in the deferred tax asset of RON 36.2 million).

CURRENT ASSETS

Current assets increased by RON 887.4 million on December 31 2020, due to the increase of cash, cash equivalents and other financial assets by RON 973.3 million; this increase is due to a lower level of investments, cost reductions and lower dividends distributed to shareholders.

Inventories

Inventories decreased at the end of 2020, as compared to December 31, 2019 by 21.37% as a result of the decrease of gas stock in storages (367.8 million cm³ were extracted, while only 225.9 million cm³ were injected in storages).

Trade and other receivables

Trade receivables decreased in 2020 as compared to December 31, 2019 by 7.10% as a result of lower prices charged for gas deliveries in 2020 compared to 2019.

NON-CURRENT LIABILITIES

At the end of 2020, non-current liabilities increased by 58.92% as compared to December 31, 2019, mainly due to the increase of the decommissioning provision for wells with 45.99% (RON 176.7 million, of which RON 4.2 million related to the short-term portion) and from RON 115 million received from the National Investment Plan ("NIP") for Iernut Power Plant construction – the NIP amounts received are a government grant and will be recorded as income as the plant depreciates.

CURRENT LIABILITIES

Current liabilities increased with RON 87.08 million from RON 568.32 million recorded on December 31, 2019 to RON 655.40 million at the end of 2020.

Trade payables and other liabilities

Trade payables decreased compared to December 31, 2019 by 18.90% due to lower payables to non-current assets suppliers (-RON 25.6 million) because of the lower level of investments in 2020.

Contract liabilities

These liabilities represent advances received from customers on December 31, 2020 for 2021 deliveries.

Other liabilities

Other liabilities recorded a small decrease of 0.17% as compared to December 31, 2019. Most of these liabilities are liabilities to state budget that are due in January 2021, according to regulations, and liabilities to employees.

Provisions

On December 31, 2020, current provisions recorded an increase of 81.01% as compared to December 31, 2019. This increase is due, mainly, to the provision for greenhouse gas emission certificates (RON 81.2 million at December 31, 2020, the equivalent of 525,067 certificates compared to RON 23.4 million at December 31, 2019, the equivalent of 181,277 certificates).

EQUITY AND RESERVES

Group's equity increased by 8.8%. The changes in the Group's equity in 2020, respectively 2019, are presented below:

(RON thousand)

Description	Share capital	Legal reserve	Other reserves	Retained earnings	Total
Balance as of January 1, 2020	385,422	79,921	1,507,488	5,201,222	7,174,053
Allocation to dividends	-	-	-	(620,530)	(620,530)
Increase in legal reserves	-	3,616	-	(3,616)	-
Allocation to other reserves	-	-	598,840	(598,840)	-
Profit for the year	-	-	-	1,254,641	1,254,641
Reinvested profit reserves	-	-	62,044	(62,044)	-
Other comprehensive income	-	-	-	(14,177)	(14,177)
Balance as of December 31, 2020	385,422	83,537	2,168,372	5,156,656	7,793,987

(RON thousand)

Description	Share capital	Legal reserve	Other reserves	Retained earnings	Total
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	-	2,434	-	(2,434)	-
Allocation to other reserves	-	-	106,265	(106,265)	-
Profit for the year	-	-	-	1,089,623	1,089,623
Reinvested profit reserves	-	-	16,008	(16,008)	-
Other comprehensive income	-	-	-	23,024	23,024
Balance as of December 31, 2019	385,422	79,921	1,507,488	5,201,222	7,174,053

Preliminary Statement of Consolidated Statement of cash flow for the year ended on December 31, 2020 (unaudited)

The consolidated cash flows registered during January-December 2020 and the similar period of 2019 are as follows:

INDICATOR	(RON thousand)		
	2019	2020 p	Δ '20/'19 (%)
Cash flows from operating activities			
Net profit for year	1,089,623	1,254,641	15.14
<i>Adjustments for:</i>			
Income tax expense	185,557	178,577	-3.76
Share of associates' result	(1,474)	(1,324)	-10.18
Interest expense	543	590	8.66
Unwinding of decommissioning provision	24,197	16,407	-32.19
Interest revenue	(38,124)	(47,845)	25.50
Loss on disposal of non-current assets	68,046	65,694	-3.46
Change in decommissioning provision recognized in the result of the period, other than unwinding	(51,760)	24,273	n/a
Change in other provisions	(5,402)	59,751	n/a
Impairment of exploration assets	208,350	(32,134)	n/a
Exploration projects written-off	23,051	130,665	466.85
Net impairment of non-current assets	628,943	61,075	-90.29
Depreciation and amortization	520,957	448,370	-13.93
Amortization of contract costs	651	795	22.12
(Gain)/loss on financial investments at fair value through profit or loss	4,424	10	-99.77
Loss/(Gain) on trade receivables and other receivables	67,297	(19,700)	n/a
Other leasing gains and losses	(52)	-	n/a
Net impairment of inventories	5,125	8,427	64.43
Income from liabilities written-off	(89)	(368)	313.48
Income from subsidies	(81)	(7)	-91.36
Cash generated from operational activities before movements in working capital	2,729,782	2,147,897	-21.32
Movements in working capital			
(Increase)/Decrease in inventories	(38,428)	58,516	n/a
(Increase)/Decrease in trade and other receivables	116,143	38,311	-67.01
Increase/(Decrease) in trade and other liabilities	(78,115)	17,600	n/a
Cash generated by operational activities	2,729,382	2,262,324	-17.11
Income tax paid	(297,059)	(224,796)	-24.33
Net cash generated by operational activities	2,432,323	2,037,528	-16.23
Cash flows from investing activities			
Bank deposits set up and acquisition of state bonds	(2,591,658)	(2,964,757)	14.40
Bank deposits and state bonds matured	2,387,686	2,060,925	-13.69
Interest received	43,470	38,601	-11.20
Proceeds from sale of non-current assets	1,305	1,733	32.80
Acquisition of non-current assets	(694,349)	(547,979)	-21.08
Acquisition of exploration assets	(173,563)	(66,516)	-61.68
Net cash used in investing activities	(1,027,109)	(1,477,993)	43.90
Cash flows from financing activities			
Dividends paid	(1,607,246)	(620,346)	-61.40
Subsidies received	-	115,027	n/a
Subsidies reimbursed	-	(50)	n/a
Repayment of lease liability	(861)	(1,196)	38.91
Net cash used in financing activities	(1,608,107)	(506,565)	-68.50

INDICATOR	2019	2020 p	Δ '20/'19 (%)
Increase/(decrease) in net cash and cash equivalents	(202,893)	52,970	n/a
Net cash and cash equivalents at the beginning of the year	566,836	363,943	-35.79
Cash and cash equivalents at the end of the year	363,943	416,913	14.55

CHIEF EXECUTIVE OFFICER

Aristotel Marius JUDE

CHIEF FINANCIAL OFFICER

Razvan POPESCU