

ROMPETROL RAFINARE SA

CONSOLIDATED FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ENDORSED BY THE EUROPEAN UNION (EU)

DECEMBER 31, 2015

ROMPETROL RAFINARE SA
CONSOLIDATED FINANCIAL STATEMENTS
Prepared in accordance with International Financial Reporting Standards
As endorsed by the European Union (EU)
At 31 December 2015

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of ROMPETROL RAFINARE S.A.

Report on the financial statements

1. We have audited the accompanying financial statements of ROMPETROL RAFINARE S.A. and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in United States Dollar ("USD"). We have also reviewed the translation into Romanian lei on the basis described in Note 2(e).

Management's responsibility for the financial statements

2. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Standards of Financial Reporting as adopted by the European Union and for such internal control as management determined is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing as adopted by the Romanian Chamber of Financial Auditors. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

The English version of the audit report represents a translation of the original audit report issued in Romanian language

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, the consolidated financial statements of Rompetrol Rafinare S.A., expressed in USD, give a true and fair view of the financial position of the Group as of 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.
7. In our opinion, the consolidated financial statements expressed in Romanian lei have been properly translated on the basis of the accounting policy described in Note 2 (e).

Reporting requirements in regards to the annual report of the Board of Directors

The Directors are responsible for the preparation and presentation of the annual report of the Board of Directors that is free from material misstatement, in accordance with the requirements of the Ministry of Public Finance Order no. 1286/2012 approving the accounting regulations compliant with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, with all subsequent modifications and clarifications, Annex 1 points 27-28, and for such internal control as Director's determine is necessary to enable the preparation and presentation of the annual report of the Board of Directors that is free from material misstatement, whether due to fraud or error.

The annual report of the Board of Directors attached to the consolidated financial statements is not part of the consolidated financial statements. Our opinion on the consolidated financial statements as at 31 December 2015 does not cover the annual report of the Board of Directors.

The English version of the audit report represents a translation of the original audit report issued in Romanian language



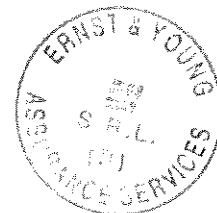
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In connection with our audit of the consolidated financial statements as at 31 December 2015 we have read the annual report of the Board of Directors and report that:

- a) in the annual report of the Board of Directors we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying consolidated financial statements as at 31 December 2015;
- b) the annual report of the Board of Directors identified above include, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 1286/2012 approving the accounting regulations compliant with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, with all subsequent modifications and clarifications, Annex 1 points 27-28;
- c) based on our knowledge and understanding concerning the Group and its environment gained during our audit of the consolidated financial statements as at 31 December 2015, we have not identified information in the annual report of the Board of Directors that contains a material misstatement of fact.

On behalf of

Ernst & Young Assurance Services SRL
Registered with the Chamber of Financial Auditors in
Romania
Nr. 77/15 August 2001



Name of signing person: Alexandru Lupea

Registered with the Chamber of Financial Auditors in Bucharest, Romania
Romania 7 April 2016
Nr. 273/ 1 March 2001

The English version of the audit report represents a translation of the original audit report issued in Romanian language

ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at December 31, 2015

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

	Notes	December 31, 2015 USD	December 31, 2014 USD	December 31, 2015 RON	December 31, 2014 RON
Intangible assets	3	6,679,192	7,471,842	27,703,286	30,990,959
Goodwill	4	82,871,706	82,871,706	343,726,976	343,726,976
Property, plant and equipment	5	1,175,280,529	1,127,681,929	4,874,711,047	4,677,286,334
Available for sale investments	6	18,583	18,583	77,077	77,077
Long-term receivable		1,095,124	391,683	4,542,246	1,624,584
Deferred tax asset	12	59,988,028	-	248,812,345	-
Total non current assets		1,325,933,162	1,218,435,743	5,499,572,977	5,053,705,930
Inventories, net	7	175,731,732	291,799,074	728,882,505	1,210,295,018
Trade and other receivables	8	318,124,428	272,344,381	1,319,484,690	1,129,602,788
Derivative financial instruments	28.5	-	53,479	-	221,815
Cash and cash equivalents	9	6,727,079	12,937,600	27,901,906	53,661,283
Total current assets		500,583,239	577,134,534	2,076,269,101	2,393,780,904
TOTAL ASSETS		1,826,516,401	1,795,570,277	7,575,842,078	7,447,486,834
Share capital	10	1,463,323,897	1,463,323,897	6,069,428,527	6,069,428,527
Share premium	10	74,050,518	74,050,518	307,139,334	307,139,334
Other reserves	10	(1,305,470)	(3,425,510)	(5,414,698)	(14,207,988)
Other reserves - Hybrid instrument	10	1,000,000,000	1,000,000,000	4,147,700,000	4,147,700,000
Effect of transfers with equity holders	10	(596,832,659)	(596,832,659)	(2,475,482,820)	(2,475,482,820)
Accumulated losses		(1,592,741,565)	(1,533,770,430)	(6,606,214,243)	(6,361,619,613)
Current year result		63,424,919	(58,971,135)	263,067,535	(244,594,630)
Equity attributable to equity holders of the parent		409,919,640	344,374,681	1,700,223,635	1,428,362,810
Non-Controlling interest		13,705,934	12,475,317	56,848,102	51,743,872
Total equity		423,625,574	356,849,998	1,757,071,737	1,480,106,682
Long-term borrowings from banks	11	215,312,502	-	893,051,665	-
Deferred tax liabilities	12	306,570	306,570	1,271,560	1,271,560
Provisions	15	79,036,717	72,490,851	327,820,591	300,670,302
Other non-current liabilities		156,520	167,844	649,198	696,167
Total non-current liabilities		294,812,309	72,965,265	1,222,793,014	302,638,029
Trade and other payables	13	762,732,994	879,380,583	3,163,587,697	3,647,406,894
Derivative financial instruments	28.5	626,926	479,575	2,600,301	1,989,133
Short-term borrowings from shareholders and related parties	14	306,682,066	297,922,981	1,272,025,205	1,235,695,150
Short-term borrowings from banks	14	38,036,532	187,971,875	157,764,124	779,650,946
Total current liabilities		1,108,078,518	1,365,755,014	4,595,977,327	5,664,742,123
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,826,516,401	1,795,570,277	7,575,842,078	7,447,486,834

The consolidated financial statements on pages 3 - 73 have been approved on April 7, 2016 and submitted for approval by the General-Assembly of shareholders on April 28, 2016 by:

AZAMAT ZHANGULOV
PRESIDENT of the BOARD of DIRECTORS

YEDIL UTEKOV
CHIEF EXECUTIVE OFFICER

GIANI-IULIAN KACIC
CHIEF FINANCIAL OFFICER

The accompanying notes on pages 9 – 73 are an integral part of these consolidated financial statements. English translation is for information purposes only. Romanian language text is the official text for submission.

ROMPETROL RAFINARE SA
CONSOLIDATED INCOME STATEMENT
for the year ended at December 31, 2015

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

	Notes	2015 USD	2014 USD	2015 RON	2014 RON
Revenues	16	2,724,720,694	4,349,048,980	11,301,324,023	18,038,550,453
Cost of sales	17	(2,517,972,377)	(4,143,859,481)	(10,443,794,028)	(17,187,485,969)
Gross profit		<u>206,748,317</u>	<u>205,189,499</u>	<u>857,529,995</u>	<u>851,064,484</u>
Selling, general and administrative expenses, including logistic costs	18	(171,313,585)	(195,168,104)	(710,557,357)	(809,498,743)
Other operating income/(expenses), net	19	23,520,422	91,086	97,555,653	377,743
Operating loss		<u>58,955,154</u>	<u>10,112,481</u>	<u>244,528,291</u>	<u>41,943,484</u>
Finance cost	20	(61,785,032)	(69,375,364)	(256,265,778)	(287,748,197)
Finance income	20	4,062,848	947,718	16,851,475	3,930,850
Foreign exchange gain / (loss), net	20	4,668,764	580,280	19,364,632	2,406,828
Profit/(Loss) before income tax		<u>5,901,734</u>	<u>(57,734,885)</u>	<u>24,478,620</u>	<u>(239,467,035)</u>
Income tax	21	58,753,802	(710,361)	243,693,145	(2,946,365)
Profit/(Loss) for the year		<u>64,655,536</u>	<u>(58,445,246)</u>	<u>268,171,765</u>	<u>(242,413,400)</u>
<i>Attributable to:</i>					
Equity holders of the parent		63,424,919	(58,971,135)	263,067,535	(244,594,630)
Non-Controlling interests		1,230,617	525,889	5,104,230	2,181,230
Earnings per share (US cents/share)					
Basic	24	0.144	(0.134)	0.597	(0.556)

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CHIEF FINANCIAL OFFICER

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ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
for the year ended at December 31, 2015

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

	<u>2015</u> <u>USD</u>	<u>2014</u> <u>USD</u>	<u>2015</u> <u>RON</u>	<u>2014</u> <u>RON</u>
Net Gain/(Loss) for the year	64,655,536	(58,445,246)	268,171,765	(242,413,400)
Other comprehensive income				
Actuarial gains/(losses) on retirement benefits	891,761	(1,807,437)	3,698,757	(7,496,706)
Hedge reserve	1,228,279	(577,226)	5,094,533	(2,394,160)
Other comprehensive income (loss) for the year, net of tax	2,120,040	(2,384,663)	8,793,290	(9,890,866)
Total comprehensive loss for the year, net of tax	66,775,576	(60,829,909)	276,965,055	(252,304,266)
<i>Attributable to:</i>				
Equity holders of the parent	65,544,959	(61,355,798)	271,860,825	(254,485,496)
Non-Controlling interests	1,230,617	525,889	5,104,230	2,181,230
Total comprehensive loss for the year	66,775,576	(60,829,909)	276,965,055	(252,304,266)

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ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended at December 31, 2015

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

	2015 USD	2014 USD	2015 RON	2014 RON
Profit/(Loss) before income tax	5,901,734	(57,734,885)	24,478,620	(239,467,035)
<i>Adjustments for:</i>				
Depreciation and amortisation	79,407,824	76,216,610	329,359,832	316,123,637
Provisions for receivables and inventories (incl write-off)	(30,752,362)	5,410,861	(127,551,571)	22,442,682
Impairment for property, plant and equipment (incl write-off)	238,644	(325,055)	989,824	(1,348,230)
Provision for environmental and other liabilities	6,876,964	(3,178,654)	28,523,584	(13,184,103)
Restructuring and retirement benefit provisions	560,663	302,609	2,325,462	1,255,131
Late payment interest	(196,438)	5,109,484	(814,766)	21,192,607
Interest expense and bank charges, net	35,063,523	41,989,074	145,432,974	174,158,082
Unrealised gains from derivatives	26	(1,120,872)	108	(4,649,041)
(Gain)/Loss on sale or disposal of property, plant and equipment	(220,908)	(1,842,478)	(916,260)	(7,642,046)
Unrealised foreign exchange (gain)/loss	(10,825,272)	(13,760,671)	(44,899,981)	(57,075,135)
Cash generated from operations before working capital changes	86,054,398	51,066,023	356,927,826	211,806,549
<i>Net working capital changes:</i>				
Receivables and prepayments	(194,518,124)	62,445,680	(806,802,822)	259,005,939
Inventories	150,926,377	75,862,169	625,997,334	314,653,518
Trade and other payables, excluding payables for capital expenditures	11,496,017	(112,478,606)	47,682,030	(466,527,514)
Change in working capital	(32,095,730)	25,829,243	(133,123,458)	107,131,943
Cash payments for derivatives, net	1,429,083	906,276	5,927,408	3,758,961
Net cash provided by/(used in) operating activities	55,387,751	77,801,542	229,731,776	322,697,453
Cash flows from investing activities				
Purchase of property, plant and equipment	(65,988,012)	(69,372,446)	(273,698,477)	(287,736,094)
Purchase of intangible assets	(475,303)	(1,441,143)	(1,971,415)	(5,977,429)
Proceeds from sale of property, plant and equipment	250,306	1,946,278	1,038,194	8,072,577
Net cash used in investing activities	(66,213,009)	(68,867,311)	(274,631,698)	(285,640,946)
Cash flows from financing activities				
Cash pooling movment	(34,446,660)	(24,154,089)	(142,874,412)	(100,183,915)
Long - term loans received from banks	346,928,560	-	1,438,955,589	-
Long - term loans repaid to banks	(106,742,193)	-	(442,734,594)	-
Short - term loans (repaid to)/ received from shareholders	8,759,085	(56,060,179)	36,330,057	(232,520,804)
Short - term loans/ (repaid to) received from banks, net	(174,820,532)	7,736,204	(725,103,121)	32,087,453
Interest and bank charges paid, net	(35,063,523)	(41,989,074)	(145,432,974)	(174,158,082)
Net cash used in financing activities	4,614,737	(114,467,138)	19,140,545	(474,775,348)
Increase / (Decrease) in cash and cash equivalents	(6,210,521)	(105,532,907)	(25,759,377)	(437,718,841)
Cash and cash equivalents at the beginning of period	12,937,600	118,470,507	53,661,283	491,380,125
Cash and cash equivalents at the end of the period	6,727,079	12,937,600	27,901,906	53,661,283

The consolidated financial statements on pages 3 - 73 have been approved on April 7, 2016 and submitted for approval by the General Assembly of shareholders on April 28, 2016 by:

AZAMAT ZHANGULOV
PRESIDENT of the BOARD of DIRECTORS

YEDIL UTEKOV
CHIEF EXECUTIVE OFFICER

GIANI-IULIAN KACIC
CHIEF FINANCIAL OFFICER

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ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended at December 31, 2015

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

Amount in USD

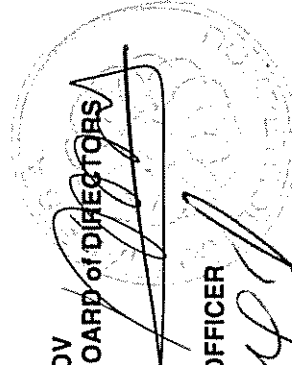
	Share capital	Share premium	Accumulated losses	Effect of transfers with equity holders	Other reserves	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
December 31, 2013	1,463,323,897	74,050,518	(1,533,473,887)	(596,832,659)	998,959,153	406,027,022	11,949,428	417,976,450
Net loss for 2014	-	-	(58,971,135)	-	-	(58,971,135)	525,889	(58,445,246)
Other comprehensive income	-	-	-	-	(2,384,663)	(2,384,663)	-	(2,384,663)
Total comprehensive income	-	-	(58,971,135)	-	(2,384,663)	(61,355,798)	525,889	(60,829,909)
Effect of change in accounting policies- unumpable capitalization	-	-	(296,543)	-	-	(296,543)	-	(296,543)
December 31, 2014	<u>1,463,323,897</u>	<u>74,050,518</u>	<u>(1,592,741,565)</u>	<u>(596,832,659)</u>	<u>996,574,490</u>	<u>344,374,681</u>	<u>12,475,317</u>	<u>356,849,998</u>
Net profit for 2015	-	-	63,424,919	-	-	63,424,919	1,230,617	64,655,536
Other comprehensive income	-	-	-	-	2,120,040	2,120,040	-	2,120,040
Total comprehensive income	-	-	63,424,919	-	2,120,040	65,544,959	1,230,617	66,775,576
Hybrid instrument - reserves	-	-	-	-	-	-	-	-
December 31, 2015	<u>1,463,323,897</u>	<u>74,050,518</u>	<u>(1,529,316,646)</u>	<u>(596,832,659)</u>	<u>998,694,530</u>	<u>409,919,640</u>	<u>13,705,934</u>	<u>423,625,574</u>

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ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended at December 31, 2015

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

Amount in RON

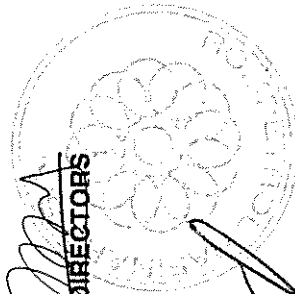
	Share capital	Share premium	Accumulated losses	Effect of transfers with equity holders	Other reserves	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
December 31, 2013	6,069,428,527	307,139,334	(6,360,389,641)	(2,475,482,820)	4,143,382,878	1,684,078,278	49,562,642	1,733,640,920
Net loss for 2014	-	-	(244,594,630)	-	-	(244,594,630)	2,181,230	(242,413,400)
Other comprehensive income	-	-	-	-	(9,890,866)	(9,890,866)	-	(9,890,866)
Total comprehensive income	-	-	(244,594,630)	-	(9,890,866)	(254,485,496)	2,181,230	(252,304,266)
Effect of change in accounting policies-unpumpable capitalization	-	-	(1,229,972)	-	-	(1,229,972)	-	(1,229,972)
December 31, 2014	<u>6,069,428,527</u>	<u>307,139,334</u>	<u>(6,606,214,243)</u>	<u>(2,475,482,820)</u>	<u>4,133,492,012</u>	<u>1,428,362,810</u>	<u>51,743,872</u>	<u>1,480,106,682</u>
Net profit for 2015	-	-	263,067,535	-	-	263,067,535	5,104,230	268,171,765
Other comprehensive income	-	-	-	-	8,793,290	8,793,290	-	8,793,290
Total comprehensive income	-	-	263,067,535	-	8,793,290	271,860,825	5,104,230	276,955,055
December 31, 2015	<u>6,069,428,527</u>	<u>307,139,334</u>	<u>(6,343,146,708)</u>	<u>(2,475,482,820)</u>	<u>4,142,285,302</u>	<u>1,700,223,635</u>	<u>56,848,102</u>	<u>1,757,071,737</u>

The consolidated financial statements on pages 3 - 73 have been approved on April 7, 2016 and submitted for approval by the General Assembly of shareholders on April 28, 2016 by:

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[Handwritten signature of Yedil Utekov]
[Handwritten signature of Giani-Iulian Kacic]

ROMPETROL RAFINARE SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2e))

1. GENERAL

Romp petrol Rafinare S.A. (hereinafter referred to as “the Parent Company” or “the Company” or “the Parent” or “RRC”) is a company incorporated under Romanian law. The Parent Company operates Petromidia and Vega refineries. Petromidia refinery, located on the Black Sea coast, processes exclusively, imported crude oil and produces E.U. standard motor fuels, other petroleum products and certain petrochemicals. Petromidia refinery was designed and built during 1975-1977 and was further modernized in the early 1990's and from 2005 to 2012.

Romp petrol Rafinare S.A and its subsidiaries (hereinafter referred to as “the Group”) are involved in refining, petrochemicals and downstream activities, and have all production facilities located in Romania (see Note 6.a). The number of employees of the Group at the end of 2015 and 2014 was 2,718 and 3,476 respectively.

The registered address of Rom petrol Rafinare S.A. is Bd. Navodari no. 215, Navodari, Constanta, Romania. Rom petrol Rafinare S.A. and its subsidiaries are part of KMG International N.V. with its registered address located at World Trade Centre, Strawinskylaan 807, Tower A, 8th floor, 1077 XX Amsterdam, the Netherlands.

The Group's ultimate parent company is “The State holding enterprise on assets management (Samruk)” JSC, an entity with its headquarters in Kazakhstan.

The Company is a joint stock company listed on the Bucharest Stock Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation and statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), effective as of December 31, 2015, as endorsed by the European Union (“EU”).

The consolidated financial statements are prepared under the historical cost convention except for derivative financial instruments and available-for-sale (AFS) financial assets that have been measured at fair value.

The consolidated financial statements provide comparative information in respect of the previous period.

b) Going concern

The financial statements of the Group are prepared on a going concern basis. As at December 31, 2015 and 2014 the Group reported net assets including non-controlling interest, of USD 423 million and USD 357 million respectively. The Group reported for the year ended December 31, 2015 a profit of USD 63 million and for the year ended December 31, 2014 reported a loss of USD 59 million respectively. The accumulated losses incurred so far, are due to the fact that the Group has been undertaking an ongoing investment process for modernization of its refinery and petrochemicals activities and has developed its retail network in Romania.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The 2016-2020 strategy is a mixture of cost optimization projects for production and network expansion for retail. The main objective for the 2016-2020 strategy is to expand distribution operations in countries around the Black Sea, to benefit from increased vertical integration with refining operations for improved financial performance through the following:

- Strengthen The Group's retail network presence;
- Cost reduction initiatives in refining with the purpose to streamline processes and increase profitability;
- Increasing the competitiveness and the utilization parameters of the refineries, as well as reducing the processing unit costs and increase the energy consumption efficiency for a better Refining performance.

The management believes that the developments mentioned above will result in an enhancement of the Group's ability to support its continuing operations. The Group's management has budgeted positive cash flows, higher in 2016 compared to 2015, sufficient to cover the cash requirements for expected debt and planned investments.

The Group has completed during 2015 additional bank borrowings and facilities that have provided additional funding for investments and operations.

Based on the Group's plans for 2016 and other matters mentioned above, Group Management considers that the preparation of the financial statements on a going concern basis is appropriate.

c) Changes in accounting policies

In 2014, the Group changed the accounting policy for the un-pumpable stock from the refinery, considering the un-pumpable as property plant and equipment instead of inventory as it was treated in the past. The management considers that this presentation provides more relevant and reliable information within the financial statements, being in line with industry practice. This change reflects the true nature of the un-pumpable stock, considering that it is used as part of the related property, plant and equipment, during more than one period. The change was done in accordance with IAS 8.14.b and was applied retrospectively, as per IAS 8.22.

A restatement of prior reported periods was determined by the voluntary accounting policy change for the capitalization of un-pumpable stock within Rompetrol Rafinare.

As a result of the voluntary accounting policy change, the following adjustments were made to the financial statements as of December 31, 2014:

	<u>USD</u>	<u>RON</u>
Property, plant and equipment	11,832,000	49,075,586
Inventory	(58,821,000)	(243,971,862)
Retained earnings / Current year result	(46,989,000)	(194,896,275)

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The accounting policies adopted are consistent with those of the previous financial year except for the following amendments to IFRS effective as of 1 January 2015:

- The **IASB has issued the Annual Improvements to IFRSs 2011 – 2013 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2015. The Group has assessed the impact on its financial position or performance and is complying with these disclosures.
 - **IFRS 3 Business Combinations:** This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
 - **IFRS 13 Fair Value Measurement:** This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.
 - **IAS 40 Investment Properties:** This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

d) Standards issued but not yet effective

The Group has not adopted ahead of schedule the following standards/interpretations:

- **IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization**
The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendment has not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment on the financial position or performance of the Group.
- **IAS 19 Employee benefits (Amended): Employee Contributions**
The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The Group is in the process of assessing the impact of this amendment on the disclosure requirements.
- **IFRS 9 Financial Instruments – Classification and measurement**
The standard is applied for annual periods beginning on or after 1 January 2018 with early adoption permitted. The final phase of IFRS 9 reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment to the financial position or performance of the Group.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments are applied prospectively and address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not).

A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment to the financial position or performance of the Group.

- **Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception**

The amendments address three issues arising in practice in the application of the investment entities consolidation exception. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Finally, the amendments to *IAS 28 Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. The Group is in the process of assessing the impact of this amendment to the financial position or performance of the Group.

- **IAS 1: Disclosure Initiative (Amendment)**

The amendments to IAS 1 *Presentation of Financial Statements* further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The narrow-focus amendments to IAS clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted Investments. The Group is in the process of assessing the impact of this amendment to the financial position or performance of the Group.

- **IFRS 11 Joint arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations**

The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The Group already applies the equity method to account for investment in joint venture, therefore the Group does not expect that this change will have an impact on the financial position or performance of the Group.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

• **IFRS 15 Revenue from Contracts with Customers**

The standard is effective for annual periods beginning on or after 1 January 2017. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The standard has not been yet endorsed by the EU. The Group is in the process of assessing the impact of this new standard on the Group's financial position or performance.

• **The IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 February 2015. The Group has assessed the impact on its financial position or performance and is complying with these disclosures.

- **IFRS 2 Share-based Payment:** This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').
- **IFRS 3 Business combinations:** This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.
- **IFRS 8 Operating Segments:** This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.
- **IFRS 13 Fair Value Measurement:** This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
- **IAS 16 Property Plant & Equipment:** The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
- **IAS 24 Related Party Disclosures:** The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
- **IAS 38 Intangible Assets:** The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

• **The IASB has issued the Annual Improvements to IFRSs 2012 – 2014 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. These annual improvements have not yet been endorsed by the EU. The Group has assessed the impact on its financial position or performance and is complying with these disclosures.

- **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations:** The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- **IFRS 7 Financial Instruments: Disclosures:** The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **IAS 19 Employee Benefits:** The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- **IAS 34 Interim Financial Reporting:** The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.
- **IFRS 16: Leases**
The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The standard has not been yet endorsed by the EU. The Group is in the process of assessing the impact of this amendment on the Group's financial position or performance.
- **IAS 12 Income taxes (Amendments): Recognition of Deferred Tax Assets for Unrealized Losses**
The amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. The objective of these amendments is to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. For example, the amendments clarify the accounting for deferred tax assets when an entity is not allowed to deduct unrealised losses for tax purposes or when it has the ability and intention to hold the debt instruments until the unrealised loss reverses. These amendments have not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment on the Group's financial position or performance.
- **IAS 7 Statement of Cash Flows (Amendments): Disclosure Initiative**
The amendments are effective for annual periods beginning on or after 1 January 2017, with earlier application permitted. The objective of these amendments is to enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. These amendments have not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment on the Group's financial position or performance.

e) Foreign currency translation

The group presentation currency is the US Dollar (or "USD") that is the functional currency of the Parent and is the currency of the primary economic environment and industry in which the Group operates.

Transactions and balances not already measured in USD, and that are primarily measured in RON or other currencies, have been re-measured in USD as follows:

Monetary assets and liabilities

Cash and cash equivalents, receivables, payables and short-term loans have been translated into USD at the year-end USD/RON exchange rate. Gain or loss on translation of these assets and liabilities denominated in RON is recorded in the income statement.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-monetary assets and liabilities

Non-monetary assets and liabilities are translated from their historical cost or valuation by applying the exchange rate USD/RON from the date of acquisition, valuation or contribution to the statement of financial position.

Consolidated statement of income

Consolidated statement of income items have been translated applying the exchange rate USD/RON from the month when the items were initially recorded to the consolidated income statement.

Exchange gains and losses arising on the re-measurement that are not denominated in USD are credited/charged to the consolidated Income Statement for the year.

Other matters

In Romania, the official exchange rates are published by the National Bank of Romania ("Central Bank" or "National Bank"), and are considered to be a reasonable approximation of market exchange rates.

The translation of RON denominated assets and liabilities into USD for the purpose of these consolidated financial statements does not indicate that the Group could realize or settle in US dollars the reported values of these assets and liabilities. Likewise it does not indicate that the Group could retain or distribute the reported USD values of equity to its shareholders.

Romanian lei translation for information purposes basis

Amounts in Romanian lei are provided for information purpose basis only and are translated by multiplying the values in USD with the 31 December 2015 closing exchange rate of RON 4.1477= USD 1, for both 2015 and 2014 amounts.

f) Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. However, uncertainty about these assumptions and estimates could result in outcomes that require an adjustment to the carrying amount of the assets or liabilities affected in the future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The matters presented below are considered to be the most important in understanding the judgments that are involved in preparing these consolidated financial statements and the uncertainties that could impact the amounts reported in the results of operations, financial position and cash flows.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Impairment of Goodwill on acquisitions

The Group's impairment test for goodwill is based on fair value less costs to sell calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to undertake. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes (Note 4).

- Impairment of non- financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the carrying amounts for major property, plant and equipment are reviewed for possible impairment annually, while all assets are reviewed whenever events or changes in circumstances indicate that the carrying amounts for those assets may not be recovered. If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable amount, which is higher of fair value less costs to sell, and value in use determined as the amount of estimated discounted future cash flows. Impairments, except those related to goodwill, are reversed as applicable to the extent that the events or circumstances that triggered the original impairment have changed. Estimates of future cash flows are based on management estimates of future commodity prices, market supply and demand and product margins. Other factors that can lead to changes in estimates include restructuring plans and variation in regulatory environments. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 4 and Note 5.

- Provision for environmental liability

The Group is involved in refining and petrochemicals, wholesale and retail and other related services. Environmental damage caused by such substances may require the Group to incur restoration costs to comply with the regulations in the various jurisdictions in which the Group operates, and to settle any legal or constructive obligation. Analysis and estimates are performed by the Group together with its technical and legal advisers, in order to determine the probability, timing and amount involved with probable required outflow of resources. Estimated restoration costs, for which disbursements are determined to be probable, are recognized as a provision in the Group's financial statements. When the final determination of such obligation amounts differs from the recognized provisions, the Group's income statement is impacted.

Further details on provision for environmental liability are provided in Note 15.

- Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Further details on deferred tax assets are provided in Notes 12 and 21.

- Retirement benefits costs

Payments made to state-managed retirement benefit schemes are dealt with as defined contribution plans, meaning that the Group pays fixed contributions into the state-managed fund and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior period. The contributions are charged as an expense in the same period when the employee service was rendered.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Under collective labor agreements in place in certain of the Group's entities, employees are entitled to certain retirement benefits, payable on retirement, if they are employed with these entities at the date of their retirement. These amounts are estimated as of the balance sheet date based on: the applicable benefits provided in the agreement; the number of employees working within the relevant Group entities; and actuarial assumptions on future liabilities. The defined benefit liability as of balance sheet date comprises the present value of the defined benefit obligation with the related service cost charged to the income statement. All actuarial gains and losses are fully recognized in other comprehensive income in the period in which they occur for all defined benefit plans. Actuarial gains and losses recognized in other comprehensive income are presented in the statement of other comprehensive income.

The Group has no other liabilities with respect to future pension, health and other costs for its employees. Further details on retirement benefits costs are provided in Note 15.

- *Carrying value of trade and other receivables*

The Group assesses at each reporting date the requirement for an allowance for impairment in trade and other receivables. The Company uses its judgment, based on the nature and extent of overdue debtors and historical experience, in order to estimate the amount of such an allowance. The allowance is recognized where there is an objective evidence that a particular trade receivable or a group of trade receivables have impaired.

- *Carrying value of inventories*

The Group considers on a regular basis the carrying value of inventories in comparison to expected use of items, impact of damaged or obsolete items, technical losses and a comparison to estimated net realizable value compared to cost, based on latest available information and market conditions. As applicable a reserve against the carrying value of inventories is made.

g) Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as at 31 December 2015.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

English translation is for information purposes only. Romanian language text is the official text for submission.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If a Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

h) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquired a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group analyses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables at amortized cost;
- Held-to-maturity investments, at amortized cost;
- Available-for-sale financial assets, at fair value with the changes recognized directly in equity;

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Group has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Available for sale financial assets

Available for sale financial assets include equity investments. These are classified as available for sale assets are those that are neither classified as held for trading nor designated at fair value through profit or loss.

Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available for sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the available for sale assets reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available for sale assets reserve to the statement of profit or loss in finance costs.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest earned whilst holding available for sale financial assets is reported as interest income using the effective interest rate method.

The Group evaluates whether the ability and intention to sell its available for sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the available for sale assets category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

ii. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

- Financial liabilities at fair value through profit or loss
- Loans and borrowings at amortized cost;

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

iii. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

j) Property, plant and equipment

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put to operation, such as repairs and maintenance are charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

Construction in progress represents plant and properties under construction and is stated at cost, less any impairment loss. This includes cost of construction and other direct costs. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation for property, plant and equipment except land and construction in progress is computed using the straight-line method over the following estimated useful lives.

Buildings and other constructions	10 to 60 years
Storage tanks	20 to 30 years
Tank cars	25 years
Machinery and other equipment	3 to 20 years
Gas pumps	8 to 12 years
Vehicles	5 years
Furniture and office equipment	3 to 10 years
Computers	3 years

Assets held under finance leases are recorded in the statement of financial position and depreciated over their expected useful lives on the same basis as owned assets, or where shorter the term of the relevant lease.

k) Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives.

Intangible assets consist of software and licenses and are amortized on a straight-line basis over 3 to 5 years.

Development costs for specific projects which are reasonably anticipated to be recovered through commercial activity as well as expenditure on acquired computer software licenses are capitalized and amortized using the straight-line method over their useful lives, generally 3 years. The carrying amount of each intangible asset is reviewed annually and adjusted for impairment where it is considered necessary. External and internal costs specifically associated with the maintenance of already existing computer software programs are expensed as incurred.

l) Impairment of non-financial assets

At each reporting date the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the assets (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is property, plant and equipment stated at revalued amount in which case the impairment loss is treated as a revaluation decrease.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Goodwill

Goodwill is tested for impairment annually (as at December 31) and when circumstances indicated that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

m) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense related to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

Additional comments on the following specific liabilities are:

- *Decommissioning liability*

Decommissioning costs are provided at the present value of the expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of that particular asset. The cash flows are discounted at the current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the income statement as finance costs. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs are added to or deducted from the cost of the assets.

- *Environmental liabilities*

Environmental expenditure that relates to current or future revenues is expensed or capitalized as appropriate. Expenditure that relates to an existing condition caused by past operations and that does not contribute to current or future earnings is expensed.

The Group has an environmental policy which complies with existing legislation and any obligations resulting from its environmental and operational licenses. In order to comply with all rules and regulations the Group has set up a monitoring mechanism in accordance with the requirements of the relevant authorities. Furthermore, investment plans are adjusted to reflect any known future environmental requirements.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The above mentioned expenses are estimated based on the relevant environmental studies.

Liabilities for environmental remediation costs are recognized when environmental assessments or clean-ups are probable and the associated costs can be reasonably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites.

n) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of the ownership to the lessee. All other leases are classified as operating leases. The Group has assets held under finance leases and that have been measured at their fair values at the date of acquisition.

The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Finance costs, that represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the consolidated income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term, net of any operating lease incentives received.

o) Inventories

Inventories, including work-in-process are stated at the lower of cost and net realizable value. Net realizable value is the selling price in the ordinary course of business, minus the costs of completion, marketing and distribution. Cost comprises the acquisition cost and other costs that have been incurred in bringing the inventories to their present location and condition and is determined by weighted average method for all the inventories.

p) Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments are considered indicators the receivable should be impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the effective interest rate.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Cash and cash equivalents

Cash includes cash on hand, cash with banks and checks in course of being cashed. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with remaining three months or less to maturity from the date of acquisition and that are subject to an insignificant risk of change in value.

r) Revenue recognition

Revenue comprises the fair value of the sale of goods and services, net of value-added tax and any excise duties and other sales taxes, rebates and sales incentive discounts. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized, that the Group:

- ▶ Has primary responsibility for providing the goods or service
- ▶ Has inventory risk
- ▶ Has discretion in establishing prices
- ▶ Bears the credit risk

In addition:

- Sales of goods are recognized when delivery has taken place and transfer of significant risks and rewards has been completed.
- Revenue from rendering transportation services and other services is recognized when services are rendered.
- Interest income is recognized on a time-portion basis using the effective interest method.
- Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

s) Interest bearing loans and borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest method.

Gains and losses are recognized in the income statement when the liabilities are derecognized as well through the amortization process.

t) Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All the other costs are expensed in the period they occur.

Borrowing costs consists of interest and other cost that an entity incurs in connection with the borrowing of funds.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Retirement benefit costs

Payments made to state - managed retirement benefit schemes are dealt with as defined contribution plans where the Group pays fixed contributions into the state-managed fund and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior period. The contributions are charged as an expense in the same period when the employee service was rendered.

Under collective labour agreements in certain of the Group's entities, employees are entitled to specified retirement benefits, payable on retirement, if they are employed with these entities at the date of their retirement. These amounts are estimated as of the reporting date based on: applicable benefits provided in the agreement; the number of employees with the relevant Group entities; and actuarial assumptions on future liabilities. The defined benefit liability as of reporting date comprises the present value of the defined benefit obligation with the related service cost charged to the income statement. All actuarial gains and losses are fully recognised in other comprehensive income in the period in which they occur for all defined benefit plans.

The Group has no other liabilities with respect to future pension, health and other costs for its employees.

v) Taxes

- *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

- *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- ▶ Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ▶ In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- ▶ Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ▶ In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

- *Sales tax*

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- ▶ Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable
- ▶ Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

w) Dividends

Dividends are recorded in the year in which they are approved by the shareholders.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

x) Foreign Currencies Transactions

The Group translates its foreign currency transactions and balances into functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of transaction. Exchange rate differences arising on the settlement of monetary assets and liabilities or on reporting them at rates different from those at which they were initially recorded during the period or reported in the previous financial statements are recognized in the consolidated income statement in the period they arise.

y) Derivative Financial Instruments

The Group enters into contracts to purchase and sell crude oil and oil products at future delivery dates. These contracts expose the Group primarily to risks of changes in fair value of crude oil and related oil products (commodity risk). The Group also uses financial instruments (primarily Options, Swaps and forwards) to hedge its risks associated with the fluctuation of foreign exchange.

For foreign exchange related derivatives, the Group treats the unrealized part as Derivative Financial Asset/Liability in the statement of financial position with corresponding impact on financial charges. The use of financial derivatives is governed by the Group's policies approved by board of directors, which provide written principles on the use of financial derivatives. The Group determines gain/loss on a net basis based on the daily open positions.

Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Changes in fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognized directly in equity and the ineffective portion is recognized immediately in period profit or loss. The Group's policy with respect to hedging forecasted transactions is to designate it as a cash flow hedge. If the cash flow hedge of a forecasted transaction results in the recognition of an asset or a liability, then at the time the asset or liability is recognized, the associated gains or losses on the derivative that had previously been recognized in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or liability, amounts deferred in equity are recognized in profit or loss in the same period in which the hedged items affects period profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in period profit or loss as they arise.

For the future contracts (purchase and sales contracts) that are entered into by the Group to hedge its commodity risk the realized and unrealized gains/losses are included in Cost of sales for the period (see Note 17).

z) Emission Rights

The Group refining and petrochemicals operations are allocated CO2 emission rights quota. For period 2013-2020 the allowances have been validated by European Union and are posted on the Romanian Environmental Ministry website. Rompetrol Refinery received its quota allocation for 2015 and the one for 2016 was received by February 25, 2016. The Group accounts for the liability resulting from generating of these emissions using the net liability method. The actual emissions have not exceeded the certificates which the group has in its accounts in CO2 EU Register. The liability is recognized only at a point where the actual emissions exceed the quota allocated to the respective group companies. Income is recognised only when excess certificates are sold on the market.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

aa) Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

3. INTANGIBLE ASSETS

Amounts in USD

	<u>Software</u>	<u>Other</u>	<u>Intangibles in progress</u>	<u>Total</u>
Cost				
Opening balance as of January 1, 2014	31,795,891	38,871,117	2,105,306	72,772,314
Additions	-	-	1,441,143	1,441,143
Transfers from CIP	1,215,896	-	(1,215,896)	-
Disposals	-	(67,353)	(330,390)	(397,743)
Transfers and reclassifications*	-	-	569,307	569,307
Closing balance as of December 31, 2014	<u>33,011,787</u>	<u>38,803,764</u>	<u>2,569,470</u>	<u>74,385,021</u>
Additions	62,430	7,967	404,906	475,303
Transfers from CIP	342,075	333,233	(675,308)	-
Disposals	-	(471,408)	-	(471,408)
Transfers and reclassifications*	111,970	(136,828)	58,340	33,482
Closing balance as of December 31, 2015	<u>33,528,262</u>	<u>38,536,728</u>	<u>2,357,408</u>	<u>74,422,398</u>
Accumulated amortization				
Opening balance as of January 1, 2014	(31,195,296)	(33,018,257)	(523,380)	(64,736,933)
Charge for the year	(851,889)	(1,391,710)	-	(2,243,599)
Accumulated amortization of disposals	-	67,353	-	67,353
Reclassification between categories*	-	-	-	-
Closing balance as of December 31, 2014	<u>(32,047,185)</u>	<u>(34,342,614)</u>	<u>(523,380)</u>	<u>(66,913,179)</u>
Charge for the year	(468,697)	(832,738)	-	(1,301,435)
Accumulated amortization of disposals	-	471,408	-	471,408
Transfers and reclassifications*	-	-	-	-
Closing balance as of December 31, 2015	<u>(32,515,882)</u>	<u>(34,703,944)</u>	<u>(523,380)</u>	<u>(67,743,206)</u>
Net book value				
As of December 31, 2014	<u>964,602</u>	<u>4,461,150</u>	<u>2,046,090</u>	<u>7,471,842</u>
As of December 31, 2015	<u>1,012,380</u>	<u>3,832,784</u>	<u>1,834,028</u>	<u>6,679,192</u>

**) Includes, transfer to property, plant and equipment, reclassifications between categories and other adjustments;*

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3. INTANGIBLE ASSETS (continued)

Major part of "Other Intangible Assets" relates to licenses.

In 2014, out of the total additions of USD 1.44 million, USD 0.92 million (RON: 3.82 million) refers to software in relation to equipment for Rompetrol Downstream stations.

In 2014 transfers and reclassifications of USD 0.569 million (RON 2.361 million) represent transfers, reclassifications between categories and other adjustments.

Amounts in RON

	<u>Software</u>	<u>Other</u>	<u>Intangibles in progress</u>	<u>Total</u>
Cost				
Opening balance as of January 1, 2014	131,879,817	161,225,732	8,732,178	301,837,727
Additions	-	-	5,977,429	5,977,429
Transfers from CIP	5,043,172	-	(5,043,172)	-
Disposals	-	(279,360)	(1,370,359)	(1,649,719)
Transfers and reclassifications*	-	-	2,361,315	2,361,315
Closing balance as of December 31, 2014	<u>136,922,989</u>	<u>160,946,372</u>	<u>10,657,391</u>	<u>308,526,752</u>
Additions	258,941	33,045	1,679,429	1,971,415
Transfers from CIP	1,418,824	1,382,151	(2,800,975)	-
Disposals	-	(1,955,259)	-	(1,955,259)
Transfers and reclassifications*	464,418	(567,521)	241,977	138,874
Closing balance as of December 31, 2015	<u>139,065,172</u>	<u>159,838,788</u>	<u>9,777,822</u>	<u>308,681,782</u>
Accumulated amortization				
Opening balance as of January 1, 2014	(129,388,729)	(136,949,825)	(2,170,823)	(268,509,377)
Charge for the year	(3,533,380)	(5,772,396)	-	(9,305,776)
Accumulated amortization of disposals	-	279,360	-	279,360
Reclassification between categories*	-	-	-	-
Closing balance as of December 31, 2014	<u>(132,922,109)</u>	<u>(142,442,861)</u>	<u>(2,170,823)</u>	<u>(277,535,793)</u>
Charge for the year	(1,944,015)	(3,453,947)	-	(5,397,962)
Accumulated amortization of disposals	-	1,955,259	-	1,955,259
Transfers and reclassifications*	-	-	-	-
Closing balance as of December 31, 2015	<u>(134,866,124)</u>	<u>(143,941,549)</u>	<u>(2,170,823)</u>	<u>(280,978,496)</u>
Net book value				
As of December 31, 2014	<u>4,000,880</u>	<u>18,503,511</u>	<u>8,486,568</u>	<u>30,990,959</u>
As of December 31, 2015	<u>4,199,048</u>	<u>15,897,239</u>	<u>7,606,999</u>	<u>27,703,286</u>

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4. GOODWILL

The carrying value of goodwill as of 31 December 2015 and 2014 was USD 82,871,706 (RON: 343,726,976).

The whole carrying amount of goodwill has been allocated to Downstream Romania Cash Generating Unit ("Downstream Romania CGU"). Two other cash generating units in the Group are: Refineries and Petrochemicals.

The Downstream Romania CGU comprises the retail and wholesale operations of Rompetrol Downstream SRL and the wholesale activity supported by the storage depots owned by Rom Oil S.A.

Impairment test

Impairment tests have been performed by the Group for the carrying value of goodwill as of 31 December 2015 on the Downstream Romania cash generating units ("CGU"). Based on the impairment tests no impairment has been identified.

The recoverable amount of Downstream Romania unit has been determined based on the fair value less costs to sell using financial budgets approved by Group management covering a five-year period and having macroeconomic assumptions regarding refined products market, same assumptions as for the Refining unit. The discount rate applied to cash flow projections is 9.8% (2014: 9.7%) and cash flows beyond the 5-year period are extrapolated using a 1.5% growth rate that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual value is 8.3% (2014: 8.2%).

Key assumptions used in fair value less costs to sell calculations

The key assumptions used in the fair value less costs to sell calculations for the above-mentioned are:

- Operating profit;
- Discount rates;
- Growth rate used to extrapolate cash flows beyond the budget period.

The following Operating profit margin on the basis of Net revenues were applied for the relevant Cash Generating Units:

	2016	2017	2018	2019	2020
Downstream Romania	1.8%	2.9%	2.9%	2.9%	2.7%

Discount rates - Discount rates reflect the current market assessment of the risks specific to the cash generating unit. The discount rate was estimated based on the weighted average cost of capital for the industry. This rate was further adjusted to reflect the market assessment of any risk specific to the cash generating unit for which future estimates of cash-flows have not been adjusted.

Growth rate estimates - Rates are based on published industry research.

Sensitivity to changes in assumptions

With regard to the assessment of the fair value less costs to sell for cash generating units, management has not identified reasonable possible changes in any of the above key assumptions that would cause the carrying value of the unit to materially exceed its recoverable amount, other than as disclosed below:

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4. GOODWILL (continued)

Downstream Romania

The break-even point for the current model is achieved under a decrease of Operating profit of 80% reaching the following Operating profit margins:

Downstream Romania	2016	2017	2018	2019	2020
Break Even Operating profit margins	0.6%	1.0%	1.0%	1.0%	0.9%

*Operating profit margins were re-computed considering net revenue

5. PROPERTY, PLANT AND EQUIPMENT

Amounts in USD

	<u>Land and buildings</u>	<u>Plant and equipment</u>	<u>Vehicles and others</u>	<u>Construction in progress</u>	<u>Total</u>
Cost					
As of January 1, 2014	959,896,080	1,077,257,127	106,393,160	84,245,672	2,227,792,039
Acquisitions	-	333,309	166,756	39,533,481	40,033,546
Transfers from CIP	8,122,307	19,706,563	14,060,347	(41,909,112)	(19,895)
Disposals	(11,822,828)	(18,827,361)	(4,014,001)	(715,802)	(35,379,992)
Transfers and reclassifications*	(2,103,633)	2,732,966	(355,558)	(668,912)	(395,137)
As of December 31, 2014	954,091,926	1,081,202,604	116,250,704	80,485,327	2,232,030,561
Additions	17,630	326,331	435,119	125,232,778	126,011,858
Transfers from CIP	14,866,205	108,154,495	8,808,609	(131,829,309)	-
Disposals	(24,589)	(1,083,768)	(2,733,853)	-	(3,842,210)
Transfers and reclassifications*	(816,911)	833,153	(632)	(73,096)	(57,486)
As of December 31, 2015	968,134,261	1,189,432,815	122,759,947	73,815,700	2,354,142,723
Accumulated depreciation & Impairment					
As of January 1, 2014	(427,101,935)	(516,284,445)	(92,459,918)	(30,298,040)	(1,066,144,338)
Charge for the year	(19,531,087)	(49,422,841)	(5,019,083)	-	(73,973,011)
Accumulated depreciation of disposals	3,752,488	10,190,584	3,789,727	-	17,732,799
Impairment	8,327,838	8,496,692	-	1,374,308	18,198,838
Transfers and reclassifications*	279,981	(822,853)	379,952	-	(162,920)
As of December 31, 2014	(434,272,715)	(547,842,863)	(93,309,322)	(28,923,732)	(1,104,348,632)
Charge for the year	(25,677,748)	(47,601,140)	(4,827,501)	-	(78,106,389)
Accumulated depreciation of disposals	6,960	1,073,175	2,494,033	-	3,574,168
Impairment	-	-	-	-	-
Transfers & Reclassifications*	430,745	(412,717)	631	-	18,659
As of December 31, 2015	(459,512,758)	(594,783,545)	(95,642,159)	(28,923,732)	(1,178,862,194)
Net book value as of December 31, 2014	519,819,211	533,359,741	22,941,382	51,561,595	1,127,681,929
Net book value as of December 31, 2015	508,621,503	594,649,270	27,117,788	44,891,968	1,175,280,529

English translation is for information purposes only. Romanian language text is the official text for submission.

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5. PROPERTY, PLANT AND EQUIPMENT (continued)

Amounts in RON

	<u>Land and buildings</u>	<u>Plant and equipment</u>	<u>Vehicles and others</u>	<u>Construction in progress</u>	<u>Total</u>
Cost					
As of January 1, 2014	<u>3,981,360,971</u>	<u>4,468,139,386</u>	<u>441,286,910</u>	<u>349,425,774</u>	<u>9,240,213,041</u>
Acquisitions	-	1,382,466	691,654	163,973,019	166,047,139
Transfers from CIP	33,688,893	81,736,911	58,318,101	(173,826,424)	(82,519)
Disposals	(49,037,544)	(78,090,245)	(16,648,872)	(2,968,932)	(146,745,593)
Transfers and reclassifications*	(8,725,239)	11,335,523	(1,474,748)	(2,774,446)	(1,638,910)
As of December 31, 2014	<u>3,957,287,081</u>	<u>4,484,504,041</u>	<u>482,173,045</u>	<u>333,828,991</u>	<u>9,257,793,158</u>
Additions	73,124	1,353,523	1,804,743	519,427,993	522,659,383
Transfers from CIP	61,660,558	448,592,399	36,535,468	(546,788,425)	-
Disposals	(101,988)	(4,495,145)	(11,339,202)	-	(15,936,335)
Transfers and reclassifications*	(3,388,302)	3,455,669	(2,621)	(303,181)	(238,435)
As of December 31, 2015	<u>4,015,530,473</u>	<u>4,933,410,487</u>	<u>509,171,433</u>	<u>306,165,378</u>	<u>9,764,277,771</u>
Accumulated depreciation & impairment					
As of January 1, 2014	<u>(1,771,490,696)</u>	<u>(2,141,392,993)</u>	<u>(383,496,002)</u>	<u>(125,667,181)</u>	<u>(4,422,046,872)</u>
Charge for the year	(81,009,090)	(204,991,118)	(20,817,651)	-	(306,817,859)
Accumulated depreciation of disposals	15,564,194	42,267,485	15,718,651	-	73,550,330
Impairment	34,541,374	35,241,729	-	5,700,217	75,483,320
Transfers and reclassifications*	1,161,277	(3,412,947)	1,575,927	-	(675,743)
As of December 31, 2014	<u>(1,801,232,941)</u>	<u>(2,272,287,844)</u>	<u>(387,019,075)</u>	<u>(119,966,964)</u>	<u>(4,580,506,824)</u>
Charge for the year	(106,503,595)	(197,435,248)	(20,023,027)	-	(323,961,870)
Accumulated depreciation of disposals	28,868	4,451,208	10,344,501	-	14,824,577
Impairment	-	-	-	-	-
Transfers & reclassifications*	1,786,601	(1,711,825)	2,617	-	77,393
As of December 31, 2015	<u>(1,905,921,067)</u>	<u>(2,466,983,709)</u>	<u>(396,694,984)</u>	<u>(119,966,964)</u>	<u>(4,889,566,724)</u>
Net book value as of December 31, 2014	<u>2,156,054,140</u>	<u>2,212,216,197</u>	<u>95,153,970</u>	<u>213,862,027</u>	<u>4,677,286,334</u>
Net book value as of December 31, 2015	<u>2,109,609,406</u>	<u>2,466,426,778</u>	<u>112,476,449</u>	<u>186,198,414</u>	<u>4,874,711,047</u>

In 2014, Transfers and Reclassifications of USD 0.395 million (RON 1.64 million) represent transfer to intangibles, reclassifications between categories and other adjustments.

- *Construction in progress*

During 2015, Construction in progress additions refers mainly to Refinery general turnaround (USD 72 million) and workings for extension of authorization for static equipment, ISCIR (USD 16 million).

Also, in 2015 were transferred into function USD 88 million for Refinery general turnaround and workings for prolongation of authorization for static equipment, ISCIR, USD 11.2 million in respect of a new Electrostatic Precipiator for reducing the residual gases particles in Catalytic Cracking Unit, USD 2.8 million for prolonging equipment functionality time for Refinery static equipment, USD 1.7 million for execution of an efficient dredging in order to restore the design water depth in Midia Port. For Rompetrol Downstream USD 6.2 million (2014: USD 10.3 million) in respect of Rebranding project were transferred into function.

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5. PROPERTY, PLANT AND EQUIPMENT (continued)

- *Disposals*

In 2015, of the total USD 3.8 million disposed assets, USD 1 million refers to write-offs for Rompetrol Rafinare S.A. and USD 1.98 million refers to write-offs for Rompetrol Downstream.

- *Borrowing costs capitalized*

The Group is financing part of its operations from borrowings and hence the cost of these borrowings related to acquisition of qualifying assets is capitalized as part of the cost of those qualifying assets. For the years ended at 31 December 2015 and 31 December 2014 no borrowing costs were capitalized.

- *Disposals through sales of subsidiaries and liquidations*

During 2015 and 2014 there was no disposal of companies.

- *Impairment*

The Group completes an annual assessment for any indication of impairment for all entities based on specific asset considerations, as applicable, and taking into consideration expectations on future estimated business cash flows.

During 2014 there was a reversal of impairment in amount of USD 16 million for DMT installation which was demolished (see Note 19). Simultaneously, the expense related to the assets write-off was booked.

- *Pledged property, plant and equipment*

The Group has pledged property, plant and equipment of approximately USD 393.89million (2014: USD 389.31 million) net, for securing banking facilities granted to Group entities.

6. INVESTMENTS

a) Investments in Consolidated Subsidiaries

Details of the Group consolidated subsidiaries at December 31, 2015 and 2014 are as follows:

Company name	Range of activity	Effective ownership December 31, 2015	Control December 31, 2015	Effective ownership December 31, 2014	Control December 31, 2014
Rompetrol Downstream S.R.L.	Retail Trade of Fuels and Lubricants	100.00%	100.00%	100.00%	100.00%
Rom Oil S.A.	Wholesale of Fuels; fuel storage	100.00%	100.00%	100.00%	100.00%
Rompetrol Logistics S.R.L.	Fuels Transportation	66.19%	100.00%	66.19%	100.00%
Rompetrol Petrochemicals S.R.L.	Petrochemicals	100.00%	100.00%	100.00%	100.00%
Rompetrol Quality Control S.R.L.	Quality Control Services	100.00%	100.00%	100.00%	100.00%
Rompetrol Gas S.R.L.	LPG Sales	66.19%	100.00%	66.19%	100.00%

Effective ownership interests for the Group takes into consideration indirect shareholding weighted with corresponding Group ownership in the intermediate shareholder and this percentage is used for consolidation, while the control percent takes into consideration the total interest controlled directly and indirectly.

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6. INVESTMENTS (continued)

b) Available for sale Investments

	<u>2015</u> USD	<u>2014</u> USD	<u>2015</u> RON	<u>2014</u> RON
Other	18,583	18,583	77,077	77,077
Total	<u>18,583</u>	<u>18,583</u>	<u>77,077</u>	<u>77,077</u>

Other investments are investments in companies in Romania, which are held primarily for long-term growth potential.

7. INVENTORIES, NET

	<u>2015</u> USD	<u>2014</u> USD	<u>2015</u> RON	<u>2014</u> RON
Crude oil and other feedstock materials	66,761,850	136,195,173	276,908,125	564,896,719
Petroleum and petrochemical products	74,425,417	138,865,390	308,694,302	575,971,978
Work in progress	16,533,052	31,098,500	68,574,140	128,987,248
Spare parts	17,037,964	19,620,496	70,668,363	81,379,931
Consumables and other raw materials	5,032,259	6,030,570	20,872,301	25,012,995
Merchandises	6,553,792	7,030,159	27,183,163	29,158,990
Other inventories	8,867,371	8,864,027	36,779,195	36,765,325
Inventories provision	(19,479,973)	(55,905,241)	(80,797,084)	(231,878,168)
	<u>175,731,732</u>	<u>291,799,074</u>	<u>728,882,505</u>	<u>1,210,295,018</u>

The inventories provision movement in 2015 and 2014 is provided below:

Movements in inventories reserve:

	<u>2015</u> USD	<u>2014</u> USD	<u>2015</u> RON	<u>2014</u> RON
Reserve as of January 1	(55,905,241)	(46,314,185)	(231,878,168)	(192,097,345)
Accrued provision	(7,139,391)	(21,320,842)	(29,612,052)	(88,432,456)
Write off	195,573	-	811,178	-
Reversal of provision	43,369,086	11,729,786	179,881,958	48,651,633
Reserve as of December 31	(19,479,973)	(55,905,241)	(80,797,084)	(231,878,168)

The inventories provisions mainly represent the provision for Net Realizable Value in relation to refineries and petrochemical plant.

The Group has pledged inventories in gross amount of USD 182.93 million (2014: USD 238.72 million) to secure banking facilities.

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8. TRADE AND OTHER RECEIVABLES

As mentioned in Note 1 the Parent company and its subsidiaries are part of KMG International Group. The balances with related parties are disclosed in Note 23.

	<u>2015</u> <u>USD</u>	<u>2014</u> <u>USD</u>	<u>2015</u> <u>RON</u>	<u>2014</u> <u>RON</u>
Trade receivables	238,384,665	277,603,758	988,748,075	1,151,417,107
Advances to suppliers	8,086,603	10,036,529	33,540,803	41,628,511
Sundry debtors	31,935,506	34,249,931	132,458,898	142,058,439
VAT to be recovered	11,457	19,379	47,520	80,378
Other receivables	133,631,629	51,084,160	554,263,908	211,881,770
Provision for bad and doubtful debts	(93,925,432)	(100,649,376)	(389,574,514)	(417,463,417)
	<u>318,124,428</u>	<u>272,344,381</u>	<u>1,319,484,690</u>	<u>1,129,602,788</u>

Movement in the above provision is disclosed below and in Note 19.

Included in Sundry debtors in 2015 is an amount of USD 22.79 million (2014: USD 24.69 million) for payment made by Rompetrol Rafinare for antidumping and countervailing taxes for Biodiesel import; and USD 2.85 million (2014: USD 3.21 million) for principal liabilities and related penalties paid to ANAF following General Tax Audit Report covering 2007-2010 period, and an additional USD 3.3 million for payment made by Rompetrol Rafinare SA to Navodari City Hall following the fiscal audit on local taxes (in respect of revaluation of buildings) (see Note 26).

Out of the total balance for other receivables of USD 133.63 million, an amount of USD 22.77 million USD (2014: USD 22.2 million) relates to Competition Council fine from Downstream (see Note 26) and USD 69.85 million relates to cash pooling receivables for Rompetrol Downstream (USD 65.8 million), Rompetrol Gas (USD 3.63 million), and Rompetrol Quality Control (USD 0.38 million). Also, in other receivables an amount of USD 15.07 million (2014: USD 12.8 million) refers to excise receivables in Rompetrol Rafinare.

	<u>2015</u> <u>USD</u>	<u>2014</u> <u>USD</u>	<u>2015</u> <u>RON</u>	<u>2014</u> <u>RON</u>
Sundry debtors	31,935,506	34,249,931	132,458,898	142,058,439
Other receivables	133,631,629	51,084,160	554,263,908	211,881,770
Provision for sundry debtors and other receivables	(25,720,474)	(26,646,913)	(106,680,810)	(110,523,401)

Out of the total amount of other receivables and sundry debtors of USD 165.5 million (2014: USD 85.32 million) an amount of USD 25.72 million (2014: USD 26.67 million) is provisioned.

The movement in provision for doubtful debts for trade and other receivables is as follows:

	<u>2015</u> <u>USD</u>	<u>2014</u> <u>USD</u>	<u>2015</u> <u>RON</u>	<u>2014</u> <u>RON</u>
Balance at the beginning of the year	(100,649,376)	(118,580,085)	(417,463,417)	(491,834,619)
Impairment losses recognized on receivables	(25,950,819)	(5,078,301)	(107,636,212)	(21,063,269)
Impairment losses reversed	21,844,146	9,259,589	90,602,964	38,405,997
Transfer from provisions	-	-	-	-
Translation differences	10,830,617	13,749,421	44,922,151	57,028,474
Balance at the end of the year	(93,925,432)	(100,649,376)	(389,574,514)	(417,463,417)

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8. TRADE AND OTHER RECEIVABLES (continued)

As at 31 December, the ageing analysis of trade receivables is as follows:

USD		Neither past due not impaired	Past due but not impaired				
			1-30 days	30-60 days	60-90 days	90-120 days	>120 days
Total							
2015	170,183,024	98,832,805	21,489,207	9,616,079	5,976,372	4,133,587	30,134,974
2014	203,601,286	97,314,951	32,385,394	11,881,453	10,541,622	8,882,521	42,595,345

RON		Neither past due not impaired	Past due but not impaired				
			1-30 days	30-60 days	60-90 days	90-120 days	>120 days
Total							
2015	705,868,128	409,928,824	89,130,784	39,884,611	24,788,198	17,144,879	124,990,832
2014	844,477,052	403,633,220	134,324,899	49,280,703	43,723,486	36,842,032	176,672,712

As at 31 December 2015, trade receivables at initial value of USD 68.2 million (2014: USD 74 million) were impaired and fully provided for. See below for the movements in the provision for impairment of trade receivables.

	<u>Individually</u>	<u>Collectively</u>	<u>Total</u>
	<u>impaired</u>	<u>impaired</u>	<u>USD</u>
	<u>USD</u>	<u>USD</u>	<u>USD</u>
At 1 January 2014	59,719,947	19,303,120	79,023,067
Charge for the year	3,766,945	1,311,356	5,078,301
Utilized	(821,865)	(126,871)	(948,736)
Reclassification between categories trade receivables and other receivables	29,301	(29,301)	-
Exchange rate differences	(6,774,925)	(2,375,235)	(9,150,160)
At 31 December 2014	55,919,403	18,083,069	74,002,472
Charge for the year	1,597,230	1,516,834	3,114,064
Unused amounts reversed	(741,809)	(313,769)	(1,055,578)
Exchange rate differences	(5,663,895)	(2,195,422)	(7,859,317)
At 31 December 2015	51,110,929	17,090,712	68,201,641

	<u>Individually</u>	<u>Collectively</u>	<u>Total</u>
	<u>impaired</u>	<u>impaired</u>	<u>RON</u>
	<u>RON</u>	<u>RON</u>	<u>RON</u>
At 1 January 2014	247,700,424	80,063,552	327,763,976
Charge for the year	15,624,158	5,439,111	21,063,269
Utilized	(3,408,849)	(526,223)	(3,935,072)
Reclassification between categories trade receivables and other receivables	121,532	(121,532)	-
Exchange rate differences	(28,100,356)	(9,851,762)	(37,952,118)
At 31 December 2014	231,936,909	75,003,146	306,940,055
Charge for the year	6,624,829	6,291,372	12,916,201
Unused amounts reversed	(3,076,801)	(1,301,420)	(4,378,221)
Exchange rate differences	(23,492,137)	(9,105,951)	(32,598,088)
At 31 December 2015	211,992,800	70,887,147	282,879,947

Trade receivables totaling USD 145.01 million (RON 601.46 million) as at December 31, 2015 and USD 108.79 million (RON 451.23 million) as at December 31, 2014 are pledged to obtain credit facilities (see Notes 11 and 14).

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9. CASH AND CASH EQUIVALENTS

	<u>2015</u> <u>USD</u>	<u>2014</u> <u>USD</u>	<u>2015</u> <u>RON</u>	<u>2014</u> <u>RON</u>
Cash at bank	5,115,560	10,779,055	21,217,808	44,708,286
Cash on hand	979,233	1,121,999	4,061,565	4,653,715
Cash equivalents	632,286	1,036,546	2,622,533	4,299,282
	<u>6,727,079</u>	<u>12,937,600</u>	<u>27,901,906</u>	<u>53,661,283</u>

Included in cash at bank is USD 0.74 million (RON 3.09 million) as at December 31, 2015 and USD 0.6 million (RON 2.48 million) as at December 31, 2014 representing cash collateral for certain bank facilities (see Note 11 and 14). Cash equivalents represent mainly cheques in the course of being cashed.

10. SHARE CAPITAL

As of December 31, 2015 and 2014 the share capital consisted of 44,109,205,726, authorized, issued and fully paid ordinary shares with a face value of RON 0.1 each.

Shareholders' structure as at December 31, 2015 is as follows:

<u>Shareholders</u>	<u>Ownership</u>	<u>Amount per</u> <u>statutory</u> <u>documents</u>	<u>Amount under</u>	<u>Amount under</u>
		<u>[RON]</u>	<u>IFRS [USD]</u>	<u>IFRS [RON]</u>
KMG International Group NV	48.11%	2,122,250,642	704,057,130	2,920,217,758
Romanian State represented by Ministry of Energy, Small and Medium Enterprises and Business Environment	44.70%	1,971,500,905	654,045,871	2,712,786,059
Romp petrol Financial Group S.R.L.	6.47%	285,408,308	94,684,271	392,721,951
Romp petrol Well Services S.A.	0.05%	2,198,030	729,197	3,024,490
Others (not State or KMG I Group)	<u>0.67%</u>	<u>29,562,686</u>	<u>9,807,428</u>	<u>40,678,269</u>
Total	<u>100%</u>	<u>4,410,920,571</u>	<u>1,463,323,897</u>	<u>6,069,428,527</u>

Shareholders' structure as at December 31, 2014 was as follows:

<u>Shareholders</u>	<u>Ownership</u>	<u>Amount per</u> <u>statutory</u> <u>documents</u>	<u>Amount under</u>	<u>Amount under</u>
		<u>[RON]</u>	<u>IFRS [USD]</u>	<u>IFRS [RON]</u>
KMG International Group NV	48.11%	2,122,250,642	704,057,130	2,920,217,758
Romanian State represented by Ministry of Economy	44.70%	1,971,500,905	654,045,871	2,712,786,059
Romp petrol Financial Group S.R.L.	6.47%	285,408,308	94,684,271	392,721,951
Romp petrol Well Services S.A.	0.05%	2,198,030	729,197	3,024,490
Others (not State or KMG I Group)	<u>0.67%</u>	<u>29,562,686</u>	<u>9,807,428</u>	<u>40,678,269</u>
Total	<u>100%</u>	<u>4,410,920,571</u>	<u>1,463,323,897</u>	<u>6,069,428,527</u>

There were no changes in the statutory value of Rompetrol Rafinare SA issued share capital in 2015 and 2014.

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10. SHARE CAPITAL (continued)

Share premium and effect of transfers with equity holders

Share premium and effect of transfers with equity holders are the result of conversion of bonds into ordinary shares as at September 30, 2010 in favor of the Romanian State represented by the Ministry of Finance, following the Emergency Ordinance ("EGO") 118/2003 ratified by Law 89/2005.

The transactions resulted in an impact on the Effect on equity transaction reserve amounting USD 596.83 million and share premium of USD 74 million.

Hybrid Loan

In 2012, USD 800 million of the total outstanding balance of the loan payable to KMG International NV was converted into a hybrid loan, repayable after 51 years. During 2013, an additional USD 200,000,000 were converted (USD 150 million related to Rompetrol Rafinare and USD 50,000,000 to Rompetrol Downstream), the hybrid loan amounting USD 1,000 million. The interest rate is 15% of the aggregate amount of the company's annual EBIT (operational profit), and it is computed and becomes payable if the below conditions are met cumulatively:

- ✓ the company records net profit after tax in the year
- ✓ the company distributes dividends as per the Romanian law requirements

11. LONG-TERM BORROWINGS FROM BANKS

	<u>2015</u> USD	<u>2014</u> USD	<u>2015</u> RON	<u>2014</u> RON
Unicredit Tiriac Bank, ING Bank, BCR, Raiffeisen Bank	143,321,980	-	594,456,576	-
Rompertol Downstream: The outstanding is composed by 2 different loans in EUR and USD. The loans are payable by April 22, 2018				
Unicredit Tiriac Bank, ING Bank, BCR, Raiffeisen Bank	72,365,077	-	300,148,630	-
Rompertol Rafinare: The outstanding is composed by 2 different loans in EUR and USD. The loans are payable by April 22, 2018. As at 31 st December 2015, the undrawn amount is USD 479,640.				
Amount payable within one year principal	(374,555)	-	(1,553,541)	-
Total	<u>215,312,502</u>	=	<u>893,051,665</u>	=
	<u>2015</u> USD	<u>2014</u> USD	<u>2015</u> RON	<u>2014</u> RON
One year or less – principal	374,555	-	1,553,542	-
One year or less - accrued interest long-term loans	-	-	-	-
Between two and five years	<u>215,312,502</u>	=	<u>893,051,665</u>	=
Total	<u>215,687,057</u>	=	<u>894,605,207</u>	=

The loans bearing guarantees are secured with pledges on property plant and equipment USD 393.89 million (2014: USD 389.31), inventories USD 182.93 million (2014: USD 238.72) and trade receivables USD: 145.01 million (2014: USD 108.79 million).

The club loan with Raiffeisen/BCR/ING/Unicredit is secured with a USD 200 million Corporate Guarantee by NC KazMunayGas JSC with a maturity of 5 years.

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12. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax, net balances are presented in the statement of financial position as follows:

	<u>2015</u> <u>USD</u>	<u>2014</u> <u>USD</u>	<u>2015</u> <u>RON</u>	<u>2014</u> <u>RON</u>
Deferred tax assets	(59,988,028)	-	(248,812,345)	-
Deferred tax liabilities	<u>306,570</u>	<u>306,570</u>	<u>1,271,560</u>	<u>1,271,560</u>
Deferred tax (asset) / liability, net	(59,681,458)	306,570	(247,540,785)	1,271,560

The deferred tax (assets) /liabilities are comprised of the tax effect of the temporary differences related to:

USD

<u>2015</u>	<u>Opening</u> <u>balance</u>	<u>Charged/(Credited)</u> <u>to income</u>	<u>Charged/(Credited)</u> <u>to equity</u>	<u>Closing</u> <u>balance</u>
Temporary differences				
Intangible assets	7,878	-	-	7,878
Property, plant and equipment	285,579	16,185,888	-	16,471,467
Inventories	13,219	-	-	13,219
Provisions	-	(10,484,085)	-	(10,484,085)
Tax losses	-	(65,689,831)	-	(65,689,831)
Other	(106)	-	-	(106)
Deferred tax (asset)/liability recognized	<u>306,570</u>	<u>(59,988,028)</u>	-	<u>(59,681,458)</u>

RON

<u>2015</u>	<u>Opening</u> <u>balance</u>	<u>Charged/(Credited)</u> <u>to income</u>	<u>Charged/(Credited)</u> <u>to equity</u>	<u>Closing</u> <u>balance</u>
Temporary differences				
Intangible assets	32,676	-	-	32,676
Property, plant and equipment	1,184,496	67,134,208	-	68,318,704
Inventories	54,828	-	-	54,828
Provisions	-	(43,484,839)	-	(43,484,839)
Tax losses	-	(272,461,714)	-	(272,461,714)
Other	(440)	-	-	(440)
Deferred tax (asset)/liability recognized	<u>1,271,560</u>	<u>(248,812,344)</u>	-	<u>(247,540,785)</u>

The ability of the Group to obtain recovery of its deferred tax asset depends on the entities ability, where tax losses have arisen to generate taxable income sufficient to cover the applicable tax losses available. The Group did not recognize deferred tax income for all available tax losses (see note 21). Management considers that future taxable income will be generated for recovery of the available tax losses where it has recognized a corresponding deferred tax asset.

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12. DEFERRED TAX ASSETS AND LIABILITIES (continued)

USD				
<u>2014</u>	<u>Opening balance</u>	<u>Charged/ (Credited) to income</u>	<u>Charged/ (Credited) to equity</u>	<u>Closing balance</u>
Intangible assets	7,878	-	-	7,878
Property, plant and equipment	374,878	(89,299)	-	285,579
Inventories	13,219	-	-	13,219
Other	(106)	-	-	(106)
Deferred tax (asset)/liability recognized	<u>395,869</u>	<u>(89,299)</u>	<u>-</u>	<u>306,570</u>

RON				
<u>2014</u>	<u>Opening balance</u>	<u>Charged/ (Credited) to income</u>	<u>Charged/ (Credited) to equity</u>	<u>Closing balance</u>
Intangible assets	32,676	-	-	32,676
Property, plant and equipment	1,554,881	(370,385)	-	1,184,496
Inventories	54,828	-	-	54,828
Other	(440)	-	-	(440)
Deferred tax (asset)/liability recognized	<u>1,641,945</u>	<u>(370,385)</u>	<u>-</u>	<u>1,271,560</u>

See also note 21 for details for the income tax rate and other related matters.

Deferred tax assets and liabilities cannot be offset between the companies from Romania. The local fiscal law does not define the concept of "Fiscal Group".

13. TRADE AND OTHER PAYABLES

	<u>2015 USD</u>	<u>2014 USD</u>	<u>2015 RON</u>	<u>2014 RON</u>
Trade payables	562,618,865	783,190,826	2,333,574,325	3,248,440,638
Advances from customers	19,072,803	9,673,006	79,108,263	40,120,727
Special found tax for oil products	6,644,868	7,475,546	27,560,919	31,006,322
VAT payable	29,096,646	36,876,769	120,684,159	152,953,775
Profit tax payable	214,424	427,752	889,366	1,774,187
Taxes payable	336	1,859	1,394	7,711
Employees and social obligations	4,131,314	4,338,888	17,135,451	17,996,406
Deferred revenues	5,664,303	4,456,307	23,493,830	18,483,425
Other liabilities	135,289,435	32,939,630	561,139,990	136,623,703
Total	<u>762,732,994</u>	<u>879,380,583</u>	<u>3,163,587,697</u>	<u>3,647,406,894</u>

The Group entered into a cash pooling contract for optimizing cash, under KMG Rompetrol S.R.L., with cash held in a master account with Unicredit Tiriac Bank. The amounts in balance as of December 31, 2015 are included in other liabilities, for the following companies: Rompetrol Rafinare S.A. USD 130.1 million and Romoil USD 1.96 million. Rompetrol Downstream S.R.L., Rompetrol Gas and Rompetrol Quality Control S.R.L. have a positive balance included in other receivables (see note 8) amounting to USD 65.84 million, USD 3.6 million and 0.38 million respectively.

Also in other liabilities are included short term guarantees in Rompetrol Downstream S.R.L., in amount of USD 3.11 million (2014: USD 3.09 million).

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14. SHORT-TERM DEBT

Borrowings from Banks:

	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>USD</u>	<u>USD</u>	<u>RON</u>	<u>RON</u>
Bancpost	37,661,977	35,522,363	156,210,582	147,336,104
Rompetroil Rafinare S.A.: Revolving short term credit facility up to EUR 30 million, for issue of letters of credit and letters of guarantee. Maturity date is July 29, 2016. Drawings in USD/EUR/RON. As at 31 st December 2015, the undrawn amount is USD 7,906,472.				
ING BANK N.V.	-	51,836,832	-	215,003,628
Rompetroil Downstream S.R.L.: Overdraft facility in the amount of USD 70 million secured with stations, depots, inventory, and receivables. The loan was repaid and closed in 2015.				
FFG EUROBANK	-	36,384,210	-	150,910,788
Rompetroil Downstream S.R.L.: Credit facility for general purposes, bearing guarantees, up to a total amount of EUR 30 million. The loan was repaid and closed in 2015.				
Royal Bank of Scotland	-	28,204,600	-	116,984,219
Rompetroil Downstream S.R.L.: General corporate purposes and working capital facility of EUR 38 million. The loan was repaid and closed in 2015.				
Raffaelsen Bank	-	21,847,420	-	90,616,544
Rompetroil Rafinare S.A.: Overdraft facility in the amount of EUR 30 million secured with Petrochemical stocks. The loan was repaid and closed in 2015.				
Royal Bank of Scotland	-	14,000,000	-	58,067,800
Rompetroil Gas S.R.L.: Facility up to EUR 12 million, for working capital needs. Drawings in EUR/USD. The loan was repaid and closed in 2015.				
Accrued interest	-	176,450	-	731,863
Current portion of long-term debt	374,555	-	1,553,542	-
	<u>38,036,532</u>	<u>187,971,875</u>	<u>157,764,124</u>	<u>779,650,946</u>

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14. SHORT-TERM DEBT (continued)

Borrowings from shareholders and related parties

	<u>2015</u> USD	<u>2014</u> USD	<u>2015</u> RON	<u>2014</u> RON
KMG International N.V.				
Rompetroil Rafinare SA: Short-term facility for working capital needs in amount of up to USD 250 million, maturity date - December 31, 2016; assignment of receivables, real movable security interest over movable assets, real movable security interest over the participations over Rompetrol Logistics SRL, Rompetrol Petrochemicals SRL, Rompetrol Downstream SRL, Romoil SA; real movable security interest over the bank accounts. As at 31 st December 2015, the undrawn amount is USD 53,933,097.	196,066,903	196,066,903	813,226,694	813,226,694
Rompetroil Financial Group				
Rompetroil Rafinare SA: Short-term facility for working capital needs in amount of up to USD 29.2 million, maturity date - December 31, 2016. The facility has been fully used.	29,215,000	-	121,175,056	-
KMG International N.V.				
Rompetroil Downstream SRL: Working capital facility for USD 99,261,257. Maturity date is April 1, 2016 with the possibility to be extended automatically with the agreement of both parties. As at 31 st December 2015, the undrawn amount is USD 22,000,000.	17,261,257	15,261,257	71,594,516	63,299,116
Midia Marine Terminal				
Rompetroil Rafinare SA: Short-term facility for working capital needs in amount of USD 7 million, maturity date December 31, 2016. The facility has been fully used.	7,000,000	7,000,000	29,033,900	29,033,900
Rompetroil Well Services S.A				
Rompetroil Rafinare SA: Short-term facility for working capital needs in amount of up to RON 13 million granted to Rompetrol Rafinare SA, maturity date - May 10, 2016. The loan is secured with a promissory note covering the debt. The facility has been fully used.	3,134,267	3,526,093	12,999,999	14,625,176
Rompetroil Well Services S.A				
Rompetroil Rafinare SA: Short-term facility for working capital needs in amount of up to RON 11.2 million granted to Rompetrol Rafinare SA, maturity date - April 28, 2016. The loan is secured with a promissory note covering the debt. The facility has been fully used.	2,700,292	3,037,865	11,200,001	12,600,153
Rompetroil Well Services S.A				
Rompetroil Rafinare SA: Short-term facility for working capital needs in amount of up to RON 7 million granted to Rompetrol Rafinare SA, maturity date - April 14, 2016. The loan is secured with a promissory note covering the debt. The facility has been fully used.	1,687,682	1,898,666	6,999,999	7,875,097
Rompetroil Well Services S.A				
Rompetroil Rafinare SA: Short-term facility for working capital needs in amount of up to RON 3.1 million granted to Rompetrol Rafinare SA, maturity date - May 3, 2016. The loan is secured with a promissory note covering the debt. The facility has been fully used.	747,402	840,838	3,099,999	3,487,544
Accrued interest	48,869,263	70,291,359	202,695,041	291,547,470
	<u>306,682,066</u>	<u>297,922,981</u>	<u>1,272,025,205</u>	<u>1,235,695,150</u>

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14. SHORT-TERM DEBT (continued)

All the financial covenants applicable were complied with as of December 31, 2015.

All loans are interest bearing and the weighted average interest rates per currency are the following: EUR 2.75% (2014: 2.82%), RON 4.32% (2014: 3.22%) and USD 3.20% (2014: 3.32%).

The loans bearing guarantees are secured with pledges on property plant and equipment USD 393.89 million (2014: USD 389.31), inventories USD 182.93 million (2014: USD 238.72) and trade receivables USD: 145.01 million (2014: USD 108.79 million).

15. PROVISIONS

Provisions comprise the following:

	<u>2015</u> <u>USD</u>	<u>2014</u> <u>USD</u>	<u>2015</u> <u>RON</u>	<u>2014</u> <u>RON</u>
Non-current provisions	79,036,717	72,490,851	327,820,591	300,670,302
Total Provisions	<u>79,036,717</u>	<u>72,490,851</u>	<u>327,820,591</u>	<u>300,670,302</u>

The movement in provisions is presented below:

USD	<u>At 1 January</u> <u>2015</u>	<u>Charged to</u> <u>equity</u>	<u>Arising</u> <u>during the</u> <u>year</u>	<u>At 31</u> <u>December</u> <u>2015</u>
Provision for retirement benefit	6,881,634	(891,761)	560,663	6,550,536
Provision for restructuring	13,486	-	-	13,486
Environmental provisions	65,595,731	-	-	65,595,731
Other provisions	-	-	6,876,964	6,876,964
Total	<u>72,490,851</u>	<u>(891,761)</u>	<u>7,437,627</u>	<u>79,036,717</u>

RON	<u>At 1 January</u> <u>2015</u>	<u>Charged to</u> <u>equity</u>	<u>Arising</u> <u>during the</u> <u>year</u>	<u>At 31</u> <u>December</u> <u>2015</u>
Provision for retirement benefit	28,542,953	(3,698,757)	2,325,462	27,169,658
Provision for restructuring	55,936	-	-	55,936
Environmental provisions	272,071,413	-	-	272,071,413
Other provisions	-	-	28,523,584	28,523,584
Total	<u>300,670,302</u>	<u>(3,698,757)</u>	<u>30,849,046</u>	<u>327,820,591</u>

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15. PROVISIONS (continued)

USD	<u>At 1 January</u>	<u>Charged to</u>	<u>Arising</u>	<u>Utilized</u>	<u>At 31</u>
	<u>2014</u>	<u>equity</u>	<u>during the</u>		<u>December</u>
			<u>year</u>		<u>2014</u>
Provision for retirement benefit	4,771,588	1,810,090	299,956	-	6,881,634
Provision for restructuring	13,486	-	-	-	13,486
Environmental provisions	65,909,150	-	-	(313,419)	65,595,731
Other provisions	2,865,235	-	-	(2,865,235)	-
Total	<u>73,559,459</u>	<u>1,810,090</u>	<u>299,956</u>	<u>(3,178,654)</u>	<u>72,490,851</u>

RON	<u>At 1 January</u>	<u>Charged to</u>	<u>Arising</u>	<u>Utilized</u>	<u>At 31</u>
	<u>2014</u>	<u>equity</u>	<u>during the</u>		<u>December</u>
			<u>year</u>		<u>2014</u>
Provision for retirement benefit	19,791,116	7,507,710	1,244,127	-	28,542,953
Provision for restructuring	55,936	-	-	-	55,936
Environmental provisions	273,371,381	-	-	(1,299,968)	272,071,413
Other provisions	11,884,135	-	-	(11,884,135)	-
Total	<u>305,102,568</u>	<u>7,507,710</u>	<u>1,244,127</u>	<u>(13,184,103)</u>	<u>300,670,302</u>

The movement in other provisions from 2015 is related mainly to the provision booked in relation to Competition Council case from Rompetrol Downstream (USD 6.8 million), for more details please see note 19.

An environmental provision has been recognized in prior periods for Rompetrol Rafinare S.A (Vega refinery) for the cleaning of the oil sludge pools and restoration of contaminated land. During 2012 an evaluation report was issued by the third party expert estimating the costs associated to the technical methods to realize the remediation action. Based on these preliminary cost estimates and the estimated completion over a 5 year period, a discounted cash flow cost estimate of USD 67.35 million has been provided by the Group. A 9.8% (2014: 9.9%) discount factor was applied for the discounted cash flow calculation, leading to an insignificant impact in 2015. Currently, the suppliers prequalification stage is in progress and considering the further bidding process and final contract negotiation, the expected start of the works on the field will be in the last quarter of 2016 / latest first quarter 2017.

Under the collective labour agreements that certain Group's entities have in force it is provided that, employees are entitled to specific retirement benefits that are payable on retirement, if the employees are employed with Group entities at the date of their retirement. A corresponding provision has been recognised based on: the specific benefits provided in the agreement; the number of employees working within the relevant Group entities; and actuarial assumptions regarding mortality, staff turnover etc. These liabilities are recorded at their fair values as of the balance sheet date. The related service cost and interest expense are charged to period profit and loss, while all the actuarial gains and losses are fully recognized in other comprehensive income in the period in which they occur.

The present value of this obligation and the related current and past service costs were measured using the Projected Unit Credit Method. The discount rates used were 3.69% (2014: 3.61%), with an expected rate of long-term salary increase 1.03% (2014: 2.01%).

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15. PROVISIONS (continued)

Amounts recognized in profit or loss in respect of this obligation is as follows:

	<u>2015</u> <u>USD</u>	<u>2014</u> <u>USD</u>	<u>2015</u> <u>RON</u>	<u>2014</u> <u>RON</u>
Interest on obligation	187,651	53,317	778,320	221,143
Service cost	373,012	246,639	1,547,142	1,022,985
Total	560,663	299,956	2,325,462	1,244,128

The amounts included in the statement of financial position arising from the retirement benefit obligation are as follows:

	<u>2015</u> <u>USD</u>	<u>2014</u> <u>USD</u>	<u>2015</u> <u>RON</u>	<u>2014</u> <u>RON</u>
Opening balance	6,881,634	4,771,588	28,542,953	19,791,116
Interest on obligation	187,651	53,317	778,320	221,143
Service cost	373,012	246,639	1,547,142	1,022,985
Change in assumptions (tax rate, salary increase, turnover)	(891,761)	1,810,090	(3,698,757)	7,507,709
Closing balance	6,550,536	6,881,634	27,169,658	28,542,953

The charge for the year is included in the salaries expenses in the income statement for 2015. It is considered that there are no significant liabilities relating to the provisions that will arise in the twelve months to 31 December 2016.

16. REVENUES

	<u>2015</u> <u>USD</u>	<u>2014</u> <u>USD</u>	<u>2015</u> <u>RON</u>	<u>2014</u> <u>RON</u>
Gross revenues from petroleum products production	3,501,234,502	5,233,462,304	14,522,070,344	21,706,831,598
Gross revenues from petroleum products trading	82,656,263	73,431,783	342,833,382	304,573,006
Revenues from petrochemicals production	183,687,287	234,847,934	761,879,760	974,078,776
Revenues from petrochemicals trading	5,705,306	15,363,042	23,663,898	63,721,289
Revenues from other merchandise sales	49,816,499	54,035,378	206,623,893	224,122,537
Revenues from utilities sold	1,964,208	2,518,387	8,146,946	10,445,514
Revenues from transportation fees	1,435,079	1,849,339	5,952,277	7,670,503
Revenues from rents and other services	10,086,031	9,790,316	41,833,831	40,607,294
Gross Revenues	3,836,585,175	5,625,298,483	15,913,004,331	23,332,050,517
Less sales taxes	(972,052,132)	(1,135,772,424)	(4,031,780,628)	(4,710,843,283)
Less commercial discounts	(139,812,349)	(140,477,079)	(579,899,680)	(582,656,781)
Total	2,724,720,694	4,349,048,980	11,301,324,023	18,038,550,453

Total Revenues decreased mainly due to the decrease of prices for crude oil and petroleum products. In respect of volumes, the decrease is, mainly, the result of the general turnaround that took place in October – November 2015.

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17. COST OF SALES

	<u>2015</u> USD	<u>2014</u> USD	<u>2015</u> RON	<u>2014</u> RON
Crude oil and other raw materials	2,138,699,235	3,759,169,423	8,870,682,817	15,591,907,016
Consumables and other materials	10,896,451	12,370,987	45,195,210	51,311,143
Utilities	63,632,486	86,648,499	263,928,462	359,391,979
Staff costs	22,819,967	25,817,877	94,650,377	107,084,808
Transportation	112,471	141,994	466,496	588,949
Maintenance	19,077,873	20,080,619	79,129,294	83,288,383
Insurance	2,251,766	2,650,171	9,339,650	10,992,114
Environmental expenses	190,940	317,430	791,962	1,316,604
Other	13,925,897	14,714,862	57,760,443	61,032,833
Cash production cost	2,271,607,086	3,921,911,862	9,421,944,711	16,266,913,829
Depreciation and amortization	47,971,876	52,310,697	198,972,950	216,969,078
Production costs	2,319,578,962	3,974,222,559	9,620,917,661	16,483,882,907
Plus: Change in inventories	87,745,088	58,687,271	363,940,301	243,417,194
Less: Own production of property, plant & equipment	(3,666,146)	(456,656)	(15,206,074)	(1,894,072)
Cost of petroleum products trading	61,769,785	67,195,692	256,202,537	278,707,572
Cost of petrochemicals trading	5,978,563	13,249,222	24,797,286	54,953,798
Cost of merchandise sold	40,499,232	64,666,485	167,978,665	268,217,180
Cost of utilities resold	1,097,425	1,402,687	4,551,790	5,817,925
Realised (gains)/losses on derivatives	4,969,468	(35,107,779)	20,611,862	(145,616,535)
Total	<u>2,517,972,377</u>	<u>4,143,859,481</u>	<u>10,443,794,028</u>	<u>17,187,485,969</u>

18. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES, INCLUDING LOGISTIC COSTS

	<u>2015</u> USD	<u>2014</u> USD	<u>2015</u> RON	<u>2014</u> RON
Staff costs	26,368,377	33,792,786	109,368,117	140,162,338
Utilities	4,582,295	5,868,809	19,005,985	24,342,059
Transportation	41,375,309	47,631,700	171,612,369	197,562,002
Professional and consulting fees	24,089,970	32,172,518	99,917,969	133,441,953
Royalties and rents	5,780,655	6,203,771	23,976,423	25,731,381
Consumables	647,023	1,391,851	2,683,657	5,772,980
Marketing	3,486,732	4,119,967	14,461,918	17,088,387
Taxes	4,446,379	7,075,538	18,442,246	29,347,209
Communications	712,579	851,307	2,955,564	3,530,966
Insurance	1,213,961	1,301,182	5,035,146	5,396,913
IT related expenditures	10,461,344	12,722,140	43,390,517	52,767,620
Environmental expenses	2,354,460	2,891,925	9,765,594	11,994,837
Maintenance	7,440,043	7,541,259	30,859,066	31,278,880
Other expenses	6,918,510	7,697,437	28,695,904	31,926,659
Costs before depreciation	139,877,637	171,262,190	580,170,475	710,344,184
Depreciation and amortization	31,435,948	23,905,914	130,386,882	99,154,559
Total	<u>171,313,585</u>	<u>195,168,104</u>	<u>710,557,357</u>	<u>809,498,743</u>

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19. OTHER OPERATING INCOME/ (EXPENSES), NET

	<u>2015</u> <u>USD</u>	<u>2014</u> <u>USD</u>	<u>2015</u> <u>RON</u>	<u>2014</u> <u>RON</u>
Net book value of non-current assets disposals	(29,398)	(103,800)	(121,934)	(430,531)
Proceeds on disposals of non-current assets	250,306	1,946,278	1,038,194	8,072,577
Reverse for impairment of tangible assets, net	-	18,198,838	-	75,483,320
Provision for receivables, net	(4,106,673)	4,181,288	(17,033,248)	17,342,728
Provision for inventories and write-off, net	36,425,268	(9,591,043)	151,081,084	(39,780,823)
Tangible and intangible assets write-off	(238,644)	(17,873,783)	(989,824)	(74,135,090)
Net book value of financial investments disposals	-	(1,876)	-	(7,781)
Proceeds on disposals of financial investments	3,573	10,069	14,820	41,763
Inventories write-off	(1,566,233)	(1,106)	(6,496,265)	(4,587)
Other provisions, net	(6,876,964)	3,178,654	(28,523,584)	13,184,103
Other, net	<u>(340,813)</u>	<u>147,567</u>	<u>(1,413,590)</u>	<u>612,064</u>
Total	<u>23,520,422</u>	<u>91,086</u>	<u>97,555,653</u>	<u>377,743</u>

The movement in provisions is presented in Notes 5, 7 and 8.

In 2015, following certain litigations, a provision USD 29.65 million in respect of Competition Council was recognized for Rompetrol Downstream S.R.L, split between provision for receivables (USD 22.7 million) and USD 6.87 million in other provisions for the amounts unpaid yet following the reschedule agreement.

In 2015 the provision recognized in Rompetrol Rafinare for the payment made to Romanian Tax Authorities ("ANAF") for antidumping and countervailing taxes for Biodiesel import amounting to USD 20.73 million was reversed, the amount will be recovered from KMG International N.V., following an agreement between the parties.

In October 2014, the Constanta Court of Appeal settled a decision which was partially in favor of Rompetrol Rafinare. Consequently, an amount of USD 11.08 million was reversed from the provision (USD 2.8 million from other provisions and USD 8.2 million from allowance for receivables) against penalties for USD 5 million and other revenues for USD 6.08 million (see note 26 Legal matters).

During 2014, DMT installation from Rompetrol Petrochemicals was demolished. The impairment previously recorded was reversed against a write-off of USD 16.1 million. The net value of proceeds collected from scrap was USD 1.1 million.

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20. FINANCIAL COST, FINANCE INCOME AND FOREIGN EXCHANGE

	<u>2015</u> USD	<u>2014</u> USD	<u>2015</u> RON	<u>2014</u> RON
Finance cost				
Late payment interest	(54,882)	(5,109,484)	(227,634)	(21,192,607)
Interest expense	(12,729,291)	(5,265,590)	(52,797,280)	(21,840,088)
Interest expense shareholders	(8,139,206)	(10,054,905)	(33,758,985)	(41,704,729)
Commission and other bank charges	(20,264,202)	(27,429,505)	(84,049,831)	(113,769,358)
Collection discounts expenses	(20,597,451)	(21,329,088)	(85,432,048)	(88,466,658)
	(61,785,032)	(69,188,572)	(256,265,778)	(286,973,440)
Finance income				
Interest income	3,811,528	760,926	15,809,075	3,156,093
Other financial income	<u>251,320</u>	-	<u>1,042,400</u>	-
	4,062,848	760,926	16,851,475	3,156,093
Finance income/(cost) net	(57,722,184)	(68,427,646)	(239,414,303)	(283,817,347)
Unrealized net foreign exchange (losses)/gains	3,978,480	573,417	16,501,541	2,378,362
Realized net foreign exchange (losses)/gains	690,284	6,863	2,863,091	28,466
Foreign exchange gain/(loss), net	4,668,764	580,280	19,364,632	2,406,828
Total	<u>(53,053,420)</u>	<u>(67,847,366)</u>	<u>(220,049,671)</u>	<u>(281,410,519)</u>

Collection discounts expenses represent financial discounts granted by Rompetrol Downstream S.R.L to its customers for the early payment of receivables.

21. INCOME TAX

a) The current income tax rate in 2015 was 16%, the same as in 2014.

	<u>2015</u> USD	<u>2014</u> USD	<u>2015</u> RON	<u>2014</u> RON
Tax expense comprises:				
Current tax expense	1,234,226	799,660	5,119,199	3,316,750
Deferred tax income relating to the origination and reversal of temporary differences	(59,988,028)	(89,299)	(248,812,344)	(370,385)
Total tax expense/(income)	<u>(58,753,802)</u>	<u>710,361</u>	<u>(243,693,145)</u>	<u>2,946,365</u>

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21. INCOME TAX (continued)

As of December 31, 2015, the Group had the following unused fiscal losses:

Entity	<u>Tax losses c/f</u>	<u>Deferred Tax</u>	<u>Tax losses</u>	<u>Deferred Tax</u>
	<u>2015</u>	<u>Asset 2015</u>	<u>c/f 2014</u>	<u>Asset 2014</u>
	<u>USD million</u>		<u>USD million</u>	
Romp petrol Rafinare SA	855.71	136.81	749.44	119.91
Romp petrol Petrochemicals SRL	55.93	8.95	55.49	8.88
Romp petrol Downstream SRL	21.97	3.52	27.09	3.52
Rom Oil SA	9.19	1.47	9.32	1.47
As at December 31 2015	942.80	150.75	841.34	133.78

As at 31 December 2015, deferred tax asset was recognized for USD 411 million of the losses carried forward, based on the future fiscal profits estimated to be registered, mainly in Rompetrol Rafinare and Rompetrol Downstream. No deferred tax asset has been recognized for USD 531.8 million (2014: USD 836.09 million) in relation to the tax losses for the above entities, on the basis of the assessment made.

A breakdown of tax losses by Group entity and by year are:

Entity	<u>Taxable loss</u>	<u>Taxable loss</u>	<u>Tax loss</u>
	<u>Amount USD</u>	<u>Amount RON</u>	<u>Expires in</u>
	<u>million</u>	<u>million</u>	
Romp petrol Rafinare SA			
2009	92.47	383.54	2016
2010	114.81	476.20	2016
2010	16.08	66.70	2017
2011	127.02	526.84	2018
2012	91.99	381.55	2019
2013	106.02	439.74	2020
2014	201.05	833.90	2021
2015	106.27	440.78	2022
	855.71	3,549.25	
Romp petrol Petrochemicals SRL			
2009	17.51	72.63	2016
2010	3.52	14.60	2017
2011	4.92	20.41	2018
2012	17.08	70.84	2019
2013	-	-	2020
2014	12.46	51.68	2021
2015	0.44	1.82	2022
	55.49	230.16	
Rom Oil SA			
2009	3.04	12.61	2016
2010	2.81	11.66	2017
2011	0.58	2.41	2018
2012	1.09	4.52	2019
2013	0.87	3.61	2020
2014	0.8	3.32	2021
	9.19	38.13	
Romp petrol Downstream SRL			
2011	3.34	13.85	2018
2012	18.63	77.27	2019
	21.97	91.12	

Note: 2010 was split in two fiscal years, the last quarter being treated as a separate fiscal year for computation and carrying forward the tax losses of 2010

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21. INCOME TAX (continued)

The Romanian Government has a number of agencies that are authorized to conduct audits (controls) of Romanian companies as well as foreign companies doing business in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. In addition, the agencies conducting these controls appear to be subject to significantly less regulation and the company under review appears to have less practically safeguards than is customary in many countries.

Management believes that it has adequately provided for tax liabilities in the accompanying financial statements.

b) The deferred tax liabilities details are disclosed in Note 12.

c) The prima facie tax charge to the statements of income calculated based on regulatory accounts is reconciled to the profit tax expense calculated based on tax rules as follows, taking into account temporary differences and non-deductible items:

	<u>2015</u> <u>USD</u>	<u>2014</u> <u>USD</u>	<u>2015</u> <u>RON</u>	<u>2014</u> <u>RON</u>
Outcome from operations	5,901,734	(57,734,885)	24,478,620	(239,467,035)
Tax at prevailing tax rate	944,277	(9,237,582)	3,916,578	(38,314,719)
Effect of statutory items non deductible / (not taxable) for tax purposes	289,949	10,037,242	1,202,621	41,631,469
Effect of temporary differences	(59,988,028)	(89,299)	(248,812,344)	(370,385)
Income tax expense recognized in profit or loss	<u>(58,753,802)</u>	<u>710,361</u>	<u>(243,693,145)</u>	<u>2,946,365</u>

22. OPERATING SEGMENT INFORMATION

a) Business Segments

For management purposes the Group is currently organized in 3 segments – refining, petrochemicals and marketing. Refining comprises Petromidia and Vega refineries, Petrochemicals comprises petrochemical division of Rompetrol Rafinare SA and Rompetrol Petrochemicals operations, and Marketing comprises Rompetrol Downstream, Rom Oil, Rompetrol Logistics, and other subsidiaries operations.

For the income statement, management analysis is made separately for the 3 segments: Refining, Petrochemicals and Marketing. The balance sheet is analyzed by management at cumulated level for Refining and Petrochemicals segments. As a result, the balance sheet information for segments Refining and Petrochemicals are presented together.

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22. OPERATING SEGMENT INFORMATION (continued)

2015 Income Statement information

USD	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Net revenues	2,262,829,917	189,392,593	1,200,726,680	(928,228,496)	2,724,720,694
Cost of sales	<u>(2,202,579,974)</u>	<u>(202,455,675)</u>	<u>(1,062,551,250)</u>	<u>949,614,522</u>	<u>(2,517,972,377)</u>
Gross margin	60,249,943	(13,063,082)	138,175,430	21,386,026	206,748,317
Selling, general and administrative expenses	(44,761,005)	(7,700,586)	(99,351,583)	(19,500,411)	(171,313,585)
Other operating expenses, net	<u>63,376,827</u>	<u>(16,830)</u>	<u>(32,052,851)</u>	<u>(7,786,724)</u>	<u>23,520,422</u>
Operating margin	78,865,765	(20,780,498)	6,770,996	(5,901,109)	58,955,154
					-
Financial expenses, net	(31,953,643)	58,310	(25,435,294)	(391,557)	(57,722,184)
Net foreign exchange result	16,023,689	(9,111,076)	(2,239,116)	(4,733)	4,668,764
Profit before income tax	62,935,811	(29,833,264)	(20,903,414)	(6,297,399)	5,901,734
Income tax	<u>56,472,940</u>	-	<u>2,280,862</u>	-	<u>58,753,802</u>
Net Profit	119,408,751	(29,833,264)	(18,622,552)	(6,297,399)	64,655,536
Depreciation and amortization	49,008,740	14,075,081	18,399,645	(2,075,642)	79,407,824

RON	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Net revenues	9,385,539,647	785,543,658	4,980,254,051	(3,850,013,333)	11,301,324,023
Cost of sales	<u>(9,135,640,958)</u>	<u>(839,725,403)</u>	<u>(4,407,143,820)</u>	<u>3,938,716,153</u>	<u>(10,443,794,028)</u>
Gross margin	249,898,689	(54,181,745)	573,110,231	88,702,820	857,529,995
Selling, general and administrative expenses	(185,655,220)	(31,939,721)	(412,080,561)	(80,881,855)	(710,557,357)
Other operating expenses, net	<u>262,868,065</u>	<u>(69,806)</u>	<u>(132,945,610)</u>	<u>(32,296,996)</u>	<u>97,555,653</u>
Operating margin	327,111,534	(86,191,272)	28,084,060	(24,476,031)	244,528,291
Financial expenses, net	(132,534,125)	241,852	(105,497,969)	(1,624,061)	(239,414,303)
Net foreign exchange result	<u>66,461,455</u>	<u>(37,790,010)</u>	<u>(9,287,182)</u>	<u>(19,631)</u>	<u>19,364,632</u>
Profit before income tax	261,038,864	(123,739,430)	(86,701,091)	(26,119,723)	24,478,620
Income tax	<u>234,232,813</u>	-	<u>9,460,332</u>	-	<u>243,693,145</u>
Net Profit	495,271,677	(123,739,430)	(77,240,759)	(26,119,723)	268,171,765
Depreciation and amortisation	203,273,551	58,379,213	76,316,208	(8,609,140)	329,359,832

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22. OPERATING SEGMENT INFORMATION (continued)

Statement of financial position information

USD	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	1,695,993,502	228,239,156	(598,299,496)	1,325,933,162
Total current assets	297,276,615	285,521,052	(82,214,428)	500,583,239
TOTAL ASSETS	<u>1,993,270,117</u>	<u>513,760,208</u>	<u>(680,513,924)</u>	<u>1,826,516,401</u>
Total equity	857,839,386	164,527,556	(598,741,368)	423,625,574
Total non-current liabilities	139,724,219	150,482,299	4,605,791	294,812,309
Total current liabilities	995,706,512	198,750,353	(86,378,347)	1,108,078,518
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>1,993,270,117</u>	<u>513,760,208</u>	<u>(680,513,924)</u>	<u>1,826,516,401</u>
Capital expenditure	102,428,761	24,067,212	(8,812)	126,487,161

RON	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	7,034,472,248	946,667,548	(2,481,566,819)	5,499,572,977
Total current assets	1,233,014,216	1,184,255,667	(341,000,782)	2,076,269,101
TOTAL ASSETS	<u>8,267,486,464</u>	<u>2,130,923,215</u>	<u>(2,822,567,601)</u>	<u>7,575,842,078</u>
Total equity	3,558,060,421	682,410,944	(2,483,399,628)	1,757,071,737
Total non-current liabilities	579,534,143	624,155,432	19,103,439	1,222,793,014
Total current liabilities	4,129,891,900	824,356,839	(358,271,412)	4,595,977,327
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>8,267,486,464</u>	<u>2,130,923,215</u>	<u>(2,822,567,601)</u>	<u>7,575,842,078</u>
Capital expenditure	424,843,772	99,823,575	(36,549)	524,630,798

2014 Income Statement information

USD	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Net revenues	3,794,578,374	283,347,569	1,942,518,843	(1,671,395,806)	4,349,048,980
Cost of sales	<u>(3,786,504,313)</u>	<u>(289,187,828)</u>	<u>(1,769,806,743)</u>	<u>1,701,639,403</u>	<u>(4,143,859,481)</u>
Gross margin	8,074,061	(5,840,259)	172,712,100	30,243,597	205,189,499
Selling, general and administrative expenses	(45,795,704)	(8,816,226)	(121,175,061)	(19,381,113)	(195,168,104)
Other operating expenses, net	(10,163,439)	1,360,107	(2,552,130)	11,446,548	91,086
Operating margin	(47,885,082)	(13,296,378)	48,984,909	22,309,032	10,112,481
Financial expenses, net	(38,467,455)	38,621	(29,674,603)	(324,209)	(68,427,646)
Net foreign exchange result	7,639,036	(10,686,868)	3,628,112	-	580,280
Profit before income tax	(78,713,501)	(23,944,625)	22,938,418	21,984,823	(57,734,885)
Income tax	-	-	<u>(710,361)</u>	-	<u>(710,361)</u>
Net Profit	(78,713,501)	(23,944,625)	22,228,057	21,984,823	(58,445,246)
Depreciation and amortisation	48,828,885	14,534,520	19,275,836	(6,422,630)	76,216,611
Impairment losses	-	16,171,909	2,026,929	-	18,198,838

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22. OPERATING SEGMENT INFORMATION (continued)

<u>RON</u>	<u>Refining</u>	<u>Petrochemicals</u>	<u>Marketing</u>	<u>Consolidation adjustments</u>	<u>Consolidated</u>
Net revenues	15,738,772,722	1,175,240,712	8,056,985,405	(6,932,448,386)	18,038,550,453
Cost of sales	(15,705,283,939)	(1,199,464,354)	(7,340,627,428)	7,057,889,752	(17,187,485,969)
Gross margin	33,488,783	(24,223,642)	716,357,977	125,441,366	851,064,484
Selling, general and administrative expenses	(189,946,841)	(36,567,061)	(502,597,801)	(80,387,040)	(809,498,743)
Other operating expenses, net	(42,154,896)	5,641,316	(10,585,470)	47,476,793	377,743
Operating margin	(198,612,954)	(55,149,387)	203,174,706	92,531,119	41,943,484
Financial expenses, net	(159,551,463)	160,188	(123,081,351)	(1,344,721)	(283,817,347)
Net foreign exchange result	31,684,430	(44,325,922)	15,048,320	-	2,406,828
Profit before income tax	(326,479,987)	(99,315,121)	95,141,675	91,186,398	(239,467,035)
Income tax	-	-	(2,946,365)	-	(2,946,365)
Net Profit	(326,479,987)	(99,315,121)	92,195,310	91,186,398	(242,413,400)
Depreciation and amortisation	202,527,566	60,284,829	79,950,385	(26,639,142)	316,123,638
Impairment losses	-	67,076,227	8,407,093	-	75,483,320

Statement of financial position information

<u>USD</u>	<u>Refining & Petrochemicals</u>	<u>Marketing</u>	<u>Consolidation adjustments</u>	<u>Consolidated</u>
Total non current assets	1,599,496,694	219,307,753	(600,368,704)	1,218,435,743
Total current assets	347,534,579	287,285,589	(57,685,634)	577,134,534
TOTAL ASSETS	1,947,031,273	506,593,342	(658,054,338)	1,795,570,277
Total equity	768,073,611	182,300,112	(593,523,725)	356,849,998
Total non-current liabilities	67,470,230	558,105	4,936,930	72,965,265
Total current liabilities	1,111,487,432	323,735,125	(69,467,543)	1,365,755,014
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,947,031,273	506,593,342	(658,054,338)	1,795,570,277
Capital expenditure	23,348,680	21,350,013	(3,224,004)	41,474,689

<u>RON</u>	<u>Refining & Petrochemicals</u>	<u>Marketing</u>	<u>Consolidation adjustments</u>	<u>Consolidated</u>
Total non current assets	6,634,232,436	909,622,768	(2,490,149,274)	5,053,705,930
Total current assets	1,441,469,173	1,191,574,437	(239,262,706)	2,393,780,904
TOTAL ASSETS	8,075,701,609	2,101,197,205	(2,729,411,980)	7,447,486,834
Total equity	3,185,738,916	756,126,175	(2,461,758,409)	1,480,106,682
Total non-current liabilities	279,846,273	2,314,852	20,476,904	302,638,029
Total current liabilities	4,610,116,420	1,342,756,178	(288,130,475)	5,664,742,123
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	8,075,701,609	2,101,197,205	(2,729,411,980)	7,447,486,834
Capital expenditure	96,843,323	88,553,445	(13,372,200)	172,024,568

- Inter - segment revenues are eliminated on consolidation.
- Transfer pricing between operating segments is determined based on internal rules agreed between the segments. These transfer prices take in to account the latest Crude/Refined products prices on markets adjusted by various margins / discounts taking into account, quantity, quality, payment terms, transportation costs etc.

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22. OPERATING SEGMENT INFORMATION (continued)

b) Geographical segments

All the Group's production facilities are located in Romania. The following table provides an analysis of the Group's net revenues by geographical market:

	<u>2015</u> USD	<u>2014</u> USD	<u>2015</u> RON	<u>2014</u> RON
Romania	1,527,499,467	2,437,374,041	6,335,609,539	10,109,496,310
Export	1,197,221,227	1,911,674,939	4,965,714,484	7,929,054,143
<i>out of which</i>				
Petroleum products	1,087,497,607	1,762,577,153	4,510,613,825	7,310,641,256
Petrochemical products	109,723,620	149,097,786	455,100,659	618,412,887
Total	<u>2,724,720,694</u>	<u>4,349,048,980</u>	<u>11,301,324,023</u>	<u>18,038,550,453</u>

23. RELATED PARTIES

The ultimate parent of the Group is the "State holding enterprise on assets management (Samruk)" JSC, an entity with its headquarters in Kazakhstan. The related parties and the nature of relationship is presented below:

<u>Name of related party</u>	<u>Nature of relationship</u>
KMG International N.V.	Majority Shareholder
Rompetrol S.A.	Company owned by KMG International Group
Rominserv S.A.	Company owned by KMG International Group
Ecomaster Servicii Ecologice S.R.L.	Company owned by KMG International Group
KazMunayGas Trading AG	Company owned by KMG International Group
Rompetrol Well Services S.A.	Company owned by KMG International Group
Rominservices Therm S.R.L.	Company owned by KMG International Group
Palplast S.A.	Company owned by KMG International Group
Rompetrol Bulgaria JSC	Company owned by KMG International Group
Rompetrol Moldova SA	Company owned by KMG International Group
Rompetrol Georgia LTD	Company owned by KMG International Group
KazMunayGas Engineering B.V.	Company owned by KMG International Group
Midia Marine Terminal S.R.L.	Company owned by KMG International Group
Rompetrol Financial Group S.R.L.	Company owned by KMG International Group
Byron Shipping Ltd.	Company owned by KMG International Group
KMG Rompetrol S.R.L.	Company owned by KMG International Group
Rompetrol Albania Wholesale Sh.A.	Company owned by KMG International Group
Rompetrol Ukraine LTD	Company owned by KMG International Group
Rominserv Valves Iaifo SRL	Company owned by KMG International Group
Rominserv Kazakhstan LTD	Company owned by KMG International Group
Dyneff SA	Associate of KMG International Group
Uzina Termoelectrica Midia S.A.	Associate of KMG International Group
Global Security Systems S.A.	Company owned by KMG International Group
Kazmotransflot	Company affiliated to KMG International Group
Tengizchevroil LLP	Company affiliated to KMG International Group

The sales to and purchases from related parties are made in the ordinary course of business and are undertaken on a basis that considers prevailing market terms and conditions as applicable to the nature of goods and services provided or received. Balances at the year-end are unsecured, interest free (except for shareholders loans) and settlement occurs in cash. For the year ended December 31, 2015, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2014: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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23. RELATED PARTIES (continued)

Name of related party	<u>Receivables and other assets</u>			
	<u>31-Dec-15</u> USD	<u>31-Dec-14</u> USD	<u>31-Dec-15</u> RON	<u>31-Dec-14</u> RON
KazMunayGas Trading AG	334,402	204,056	1,386,999	846,363
Rominserv S.A.	12,394,657	2,973,235	51,409,319	12,332,087
KMG International N.V.	740,128	1,224,652	3,069,829	5,079,489
KMG Rompetrol S.R.L.	70,473,830	5,981,467	292,304,305	24,809,331
Rompetrol S.A.	5,564,354	4,786,451	23,079,271	19,852,763
Ecomaster Servicii Ecologice S.R.L.	-	75	-	311
Rompetrol Well Services S.A.	112,609	235,449	467,068	976,572
Palplast S.A.	1,447,004	2,532,908	6,001,738	10,505,743
Rompetrol Bulgaria JSC	919,577	3,815,120	3,814,130	15,823,973
Rompetrol Moldova SA	-	884,285	-	3,667,749
Rompetrol Financial Group	-	2,691	-	11,161
Rompetrol Georgia LTD	-	1,666,443	-	6,911,906
KazMunayGas Engineering B.V.	3,573	7,146	14,820	29,639
Dyneff SA	205,989	229,570	854,381	952,187
Byron Shipping Ltd.	1,789	2,274	7,420	9,432
Rompetrol Albania Wholesale Sh.A.	11,923	18,156	49,453	75,306
Midia Marine Terminal S.R.L.	254,098	255,070	1,053,922	1,057,954
Rominserv Valves Iaifo SRL	7,457	6,533	30,929	27,097
Rominserv Kazakhstan LTD	168,167	168,167	697,506	697,506
Rompetrol Ukraine LTD	7,949	8,459	32,970	35,085
Uzina Termoelectrica Midia S.A.	1,379,802	2,144,602	5,723,005	8,895,166
Global Security Systems S.A.	234,585	143,356	972,988	594,598
Tengizchevroil LLP	321,131	77,838	1,331,955	322,849
Total	<u>94,583,024</u>	<u>27,368,003</u>	<u>392,302,008</u>	<u>113,514,267</u>

Name of related party	<u>Payables, loans and other liabilities</u>			
	<u>31-Dec-15</u> USD	<u>31-Dec-14</u> USD	<u>31-Dec-15</u> RON	<u>31-Dec-14</u> RON
KazMunayGas Trading AG	349,527,529	605,652,629	1,449,735,332	2,512,065,409
Rominserv S.A.	66,280,947	13,158,320	274,913,484	54,576,764
KMG International N.V.	264,825,059	286,166,187	1,098,414,897	1,186,931,494
KMG Rompetrol S.R.L.	136,657,063	33,659,078	566,812,500	139,607,758
Rompetrol S.A.	145,118	152,096	601,906	630,849
Ecomaster Servicii Ecologice S.R.L.	-	9,753	-	40,453
Rompetrol Well Services S.A.	8,321,557	9,351,491	34,515,322	38,787,179
Rompetrol Bulgaria JSC	-	470,688	-	1,952,273
Rompetrol Moldova SA	7,125,287	4	29,553,553	17
Rompetrol Financial Group	30,044,043	-	124,613,677	-
Byron Shipping Ltd.	256	91,826	1,062	380,867
Midia Marine Terminal S.R.L.	29,757,346	27,910,418	123,424,544	115,764,041
Rominserv Valves Iaifo SRL	45,335	57,207	188,036	237,277
Uzina Termoelectrica Midia S.A.	2,073,928	3,468,540	8,602,031	14,386,463
Global Security Systems S.A.	547,670	473,244	2,271,571	1,962,874
Total	<u>895,351,138</u>	<u>980,621,481</u>	<u>3,713,647,915</u>	<u>4,067,323,718</u>

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23. RELATED PARTIES (continued)

During 2015 and 2014, Rompetrol Rafinare Group entered into the following transactions with related parties:

Name of related party	Sales and other revenues			
	31-Dec-15 USD	31-Dec-14 USD	31-Dec-15 RON	31-Dec-14 RON
KazMunayGas Trading AG	894,340,601	1,568,008,944	3,709,456,511	6,503,630,697
Rominserv S.A.	841,645	1,550,223	3,490,891	6,429,860
KMG Rompetrol S.R.L	151,407	194,463	627,991	806,574
Rompetrol S.A.	18,444	38,853	76,500	161,151
Ecomaster Servicii Ecologice S.R.L	-	141,266	-	585,929
Rompetrol Well Services S.A.	919,051	1,651,236	3,811,948	6,848,832
Palplast S.A.	2,614,409	2,700,711	10,843,784	11,201,739
Rompetrol Bulgaria JSC	39,484,401	31,729,367	163,769,450	131,603,896
Rompetrol Moldova SA	135,244,088	156,532,680	560,951,904	649,250,597
Rompetrol Georgia LTD	16,487	-	68,383	-
Midia Marine Terminal S.R.L.	380,249	446,192	1,577,159	1,850,671
Byron Shipping Ltd.	23,746	31,803	98,491	131,909
Rominserv Valves Iaifo SRL	15,755	21,391	65,347	88,723
Uzina Termoelectrica Midia S.A.	14,457,842	17,334,165	59,966,791	71,896,916
Global Security Systems S.A.	121,536	146,953	504,095	609,517
	<u>1,088,629,661</u>	<u>1,780,528,247</u>	<u>4,515,309,245</u>	<u>7,385,097,011</u>

Name of related party	Nature of transaction	Purchases and other costs			
		31-Dec-15 USD	31-Dec-14 USD	31-Dec-15 RON	31-Dec-14 RON
KazMunayGas Trading AG	Purchase of crude oil	1,932,849,698	3,557,959,599	8,016,880,692	14,757,349,029
Rominserv S.A.	Acquisition and maintenance of fixed assets	99,002,092	26,593,661	410,630,977	110,302,528
KMG International N.V.	Purchase of crude oil / Management services	2,640,000	12,713,309	10,949,928	52,730,992
KMG Rompetrol S.R.L	Management services	22,870,072	37,516,237	94,858,198	155,606,096
Rompetrol S.A.	Management services	51,021	62,481	211,620	259,152
Ecomaster Servicii Ecologice S.R.L	Environmental services	-	844,906	-	3,504,417
Rompetrol Well Services S.A.	Interest on loan	26,164	517,044	108,520	2,144,543
Rompetrol Moldova SA	Sales intermediary services	-	10	-	41
Midia Marine Terminal S.R.L.	Handling services	16,528,056	16,400,607	68,553,418	68,024,798
Byron Shipping Ltd.	Shipping services	2,784	113,442	11,547	470,523
Rominserv Valves Iaifo SRL	Valves	103,551	122,808	429,498	509,371
Uzina Termoelectrica Midia S.A.	Acquisition of utilities	21,235,311	26,905,585	88,077,699	111,596,295
Global Security Systems S.A.	Security and protection services	1,773,248	3,925,640	7,354,901	16,282,377
Tengizchevroil LLP	Liquefied Petroleum Gas	6,176,421	7,381,697	25,617,941	30,617,065
		<u>2,103,258,418</u>	<u>3,691,057,026</u>	<u>8,723,684,939</u>	<u>15,309,397,227</u>

The nature of sale transactions consists in sale of petroleum products. Sales to related parties include sales taxes.

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23. RELATED PARTIES (continued)

The Ministry of Public Finance of Romania ("MFPR") was the holder of 44.6959% of the share in Rompetrol Rafinare SA since September 2010 until July 2012. Starting July 2012, through a Government Ordinance, the shareholder became Ministry of Economy Trade and Business Environment ("MECMA") until May 2013, when following MECMA reorganization the new holder became Ministry of Economy

("ME"). Later it was renamed the Ministry of Energy, Small and Medium Enterprises and Business Environment. At the moment it is named the Ministry of Energy.

As a result MFPR, MECMA, ME and Other Authorities are considered to be a related party of the Group. No entities in the Group have had any transactions during the period since MPFR, MECMA and ME became a related party or balances as of period end, other than those arising from Romanian fiscal and legislative requirements, with MFPR, MECMA, ME and Other Authorities in Romania.

The amount of remuneration for key management personnel for 2015 was of USD 0.85 million (2014: USD 0.58 million), representing short term benefits and bonuses.

24. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

	<u>2015</u> USD	<u>2014</u> USD	<u>2015</u> RON	<u>2014</u> RON
Earnings				
Profit/(Loss) for the year attributable to ordinary equity holders of the parent entity	63,424,919	(58,971,135)	263,067,535	(244,594,630)
Number of shares				
Weighted average number of shares for the purpose of basic earnings per share (see Note 10)	44,109,205,726	44,109,205,726	44,109,205,726	44,109,205,726
Earnings per share (US cents/share)				
Basis	0.144	(0.134)	0.597	(0.556)

25. CONTINGENCIES

Related to the Parent's oil products technological lending practice to other refineries, D.G.F.P Constanta claimed unrecorded income, excise, VAT and related penalties totaling RON 47.7 million (USD 11.5 million) to be paid by the Parent. These claims (the legal effects) were suspended by the local court for admission. Subsequently, a second suspension has been issued by the fiscal authorities (D.G.S.C. – A.N.A.F.) until the final sentence regarding the criminal case, as the fiscal authority believes that this matter is now to be dealt as part of the criminal investigation started by the General Prosecutor Office (see note 26). The management is confident that the Parent is able to defend itself and the likelihood of a negative outcome is remote.

In 2001, the Parent processed crude oil for another refinery for which it originally raised excise invoices. However due to the law prevailing at the time, such invoices raised by the Parent were challenged by the respective refinery and the courts held at the time that the Company is not to issue the excise invoices and therefore the Parent cancelled such invoices. The Parent is now challenged for such reversals by D.G.F.P. Constanta, which concluded not to acknowledge the conclusions of the court decision and held the Parent liable for paying such excises; the Parent appealed the tax audit, which is now being suspended as described in the paragraph above. The amount noted in the minutes issued by D.G.F.P Constanta is RON 9.5 Million (USD 2.3 million). The management is confident that the likelihood of reversal of the earlier court decision is very low. In 2015 no changes were incurred.

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26. LEGAL MATTERS

Litigation with the State involving criminal charges

Starting with March 22, 2005, a number of criminal investigations have been initiated against certain current and former directors, managers and external censors of S.C. Rompetrol Rafinare S.A. («RRC»); these investigations were carried out at a formal level and materialized into different criminal proceeding activities (including specialized judicial expertise), currently undergoing the criminal prosecution phase. At the present date, only one of the current directors of the Company is contemplated by the investigation initiated by the General Prosecutor's Office appended to the High Court of Cassation and Justice (PICCJ – DIICOT)

The charges brought against the defendants upon the initiation of the criminal investigations were:

- a) failure to fulfill the investment commitments undertaken under the privatization contract concerning the Parent;
- b) unlawful statement of excises and other debts to the state budget;
- c) incorrect keeping of accounting registries regarding the technological products operations undertaken at the oil terminal owned by Oil Terminal, charges which concern events that took place during April 2001 – October 2002;
- d) adoption of GEO no. 118/2003.

The said charges have been disjoined by the prosecutors' office from the initial file created in 2004 (which has been sent to trial following such disjoining and which is currently finally and irrevocably settled) and are subject to a separate file currently pending before PGO - DIICOT. Rompetrol Rafinare S.A has no official standing within the procedures up to present.

Litigations related to Hybrid Conversion

- A) The Romanian Ministry of Public Finance (MFP) has initiated various litigations against Rompetrol Rafinare S.A. («RRC») regarding the legality of combined redemption and conversion of bonds issued in 2003 into Rompetrol Rafinare shares.

Emergency Ordinance («EGO») 118/2003, approved by Law 89/2005, and the Issuing Convention of December 5, 2003 («Issuing Convention»), regulated the conversion of RON 2,177.7 million of state budget liabilities, including penalties, into 22,812,098 Euro-denominated long-term reverse-convertible bonds with face value EUR 25 each (i.e. a total of EUR 570.3 million at the RON/EUR exchange rate as of September 30, 2003 of 3.8185 RON/EUR or USD 719.4 million at the same date), hereinafter referred to as «Hybrid Instruments» or «Bonds». The Bonds carried interest and were redeemable on or before maturity, whereas EGO specifically provided that bonds not redeemed by September 30, 2010 should be convertible, at a fixed conversion rate, into ordinary shares of Rompetrol Rafinare S.A., at the option of the Company.

In accordance with the requirements of EGO 118/2003 and the Issuing Convention, Rompetrol Rafinare S.A. undertook the following transactions in relations to bonds settlement during the period ended 30 September 2010:

- 1) the Extraordinary General Meeting of the Shareholders as of June 30, 2010 approved, among others, the increase of the Company's share capital by USD 100.2 million, for the purpose of raising financing to redeem part of the Bonds and to pay trade and other liabilities;
- 2) on August 9, 2010, RRC redeemed 2,160,000 Bonds in aggregate amount of EUR 54 million;
- 3) the Extraordinary General Meeting of the Shareholders on September 14, 2010 issued, among others, the preliminary approval of the conversion of the unredeemed Bonds into shares. Subsequently, on September 30, 2010, the Extraordinary General Meeting of the Shareholders of Rompetrol Rafinare S.A. approved the conversion of the unredeemed Bonds into shares, the corresponding share capital increase and the exact numbers of shares to be received by the Romanian Ministry of Public Finance for the Bonds it held. The number of shares was calculated based on the conversion rate of bonds into shares indicated by the EGO 118/2003 and the Issuing Convention (see Note 10).

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26. LEGAL MATTERS (continued)

The Ministry of Public Finance (MFP) publicly took an adverse position against such course of action and challenged it in court.

- B) On September 10, 2010 the National Agency of Fiscal Administration ("ANAF") issued a decision for establishment of a precautionary seizure on all the participations held by Rompetrol Rafinare S.A. in its affiliates as well as on all movable and immovable assets of Rompetrol Rafinare S.A. except inventories. This measure is still in force and it was challenged by the Group. As of the date of these financial statements this seizure has not produced direct effects on the Company's day to day operations.

The Group has challenged this decision and requested the court to annul the seizure.

On February 15, 2013, the Group and the Office of State Ownership and Privatisation in Industry ("OPSPI"), representing the Romanian State, concluded a memorandum of understanding aiming at the amiable settlement of the Litigations. As a result of the memorandum, the parties agreed the suspension of the court proceedings, in order to allow the time to implement the memorandum, which was acknowledged by the court on February 18, 2013.

On 22 January 2014, the Memorandum of Understanding was approved by Government Decision no.35/2014 pursuant to which the Ministry of Public Finances has been authorized and mandated to pursue all procedural actions required for the withdrawal of the claims and the termination of all Litigations, including the Main Claim, without hearing of the merits thereof. The Memorandum of Understanding includes the following key aspects:

- OPSPI will sell and the Group will acquire shares owned by OPSPI and representing 26.6959% of RRC's share capital for a cash consideration of USD 200 million;
- The Group will invest in energy project related to its core activities an amount estimated at USD 1 billion over 7 years;
- MFP will drop all cases against the GMS decisions related to the conversion and will cancel the forced execution title.

Following the hearing on March 24, 2014 it is confirmed that the court case was closed. The Ministry of Finance renouncing all the court actions that were in progress mentioned above.

Following this decision, Rompetrol submitted to the Romanian authorities a requirement for the annulment of the seizure. As long as the court decision confirmed that the state is a shareholder of Petromidia and therefore there is no amount payable by the Refinery to the state, there is no object for the seizure. Nevertheless, the seizure on Rompetrol Rafinare's assets was not lifted to date.

Litigation regarding the import of Biodiesel

On June 20, 2012 the National Authority of Customs, the Excise Supervision and Customs Operations Department issued a Minute in which they assessed that Rompetrol Rafinare should pay an amount of RON 108 million for antidumping and countervailing duties, VAT and interests for late payment plus penalties related to imports of biodiesel made during 2009 and 2010.

During 2009 and 2010, Rompetrol Rafinare concluded a series of import operations of biodiesel origin from Canada according to the Certificate of origin issued by the relevant Canadian authorities in this respect.

The investigation and related Minutes were issued by the Romanian Customs Authorities following contacts with OLAF (European Antifraud Office) which led an investigation in Canada in cooperation with Canadian Customs (CBSA) regarding the export of Canadian biodiesel into the European Union. OLAF issued its preliminary findings indicating a belief that biodiesel exported into the EU had an origin from the USA rather than Canada and was being imported by various means from the USA to Canada before being exported to the EU.

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26. LEGAL MATTERS (continued)

Romp petrol Rafinare considers that it has acted in good faith and that documents received by it indicate that the biodiesel has a Canadian origin.

In the additional taxes imposed by the Romanian Customs Authorities it included both types of duties (antidumping and countervailing), which under European and Romanian legislation can be done only in specific cases which must be very well substantiated by the customs authorities. In the assessment minutes, there are no arguments and explanations as to why both duties were imposed.

On July 20, 2012 Rompetrol Rafinare submitted a contestation against the findings of the tax inspection for the entire amount of RON 108 million (equivalent to USD 33.2 million). On February 22, 2013 Rompetrol Rafinare SA received a response from ANAF indicating that it would re-audit for an amount of approximately RON 14 million (USD 4.3 million) in relation to the VAT part of the total amount (including penalties and late payment interest related to the VAT), considering that the company had a VAT deferred tax certificate.

Group Management proceeded with further legal action in this matter. On July 18, 2013 Rompetrol Rafinare SA main court claim against the assessment was rejected by the first instance. The appeal against this first court decision was initially examined by the Supreme Court of Justice in February and November 2014. The Supreme Court rejected the appeal submitted by Rompetrol Rafinare.

To avoid triggering additional tax risks (i.e. cancellation of VAT deferment certificate, cancellation of reduction of the guarantee for tax warehouse, etc.) Rompetrol Rafinare has paid an amount of RON 58 million (USD 17.8 million) representing antidumping and countervailing taxes.

For an amount of RON 32.2 million Rompetrol Rafinare obtained from local customs authorities an approval for reschedule of payment, which was fulfilled through complete payment in 2013. An amount of RON 9.9 million was cancelled by the local custom authorities following the fulfilment of the rescheduling agreement, as per Romanian legislation. The remaining amount of RON 7.8 million in relation to VAT was not paid following the decision of re-audit.

A provision has been included in 2012 and 2013 for the amount of USD 26.3 million (USD 20.7 million following forex depreciation as of 2015) equal with the amount paid by Rompetrol Rafinare.

The re-audit was carried out by the fiscal authorities, who despite all evidence submitted by the Company through the minute dated May 28, 2015 considered that the company should pay VAT (plus interests and penalties) in an amount of RON 13.4 million. The Company already started the legal proceedings against the above mentioned minute.

Romp petrol Rafinare, through KazMunayGas Trading AG, started the recourse against the Canadian supplier of the biodiesel (Bioversel - company has declared insolvency) in front of the LCIA; on July 28, 2014 the Court fully upheld KazMunayGas Trading AG claim sentencing Bioversel to pay the sum of RON 215.77 million, plus GBP 1.35 million plus EUR 0.8million plus USD 1.1 million.

KazMunayGas Trading AG started the enforcement of the LCIA award in Canada against Bioversel, and this company has declared insolvency. Following a signed agreement the amount will be recovered Rompetrol Rafinare S.A. from KazMunayGas International N.V.

Litigation on Tax Assessments received by Rompetrol Rafinare S.A.

In March 2012, the National Agency for Tax Administration issued to Rompetrol Rafinare SA a General Tax Audit Report covering the period 2007-2010 and an Assessment Decision for Payment of RON 48 million (equivalent USD 15 million), out of which half represents additional principal tax liabilities and the other half represents late payment interest and penalties.

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26. LEGAL MATTERS (continued)

The following has subsequently occurred relating to this matter:

- Both the Report and the Decision were challenged subject to a prior administrative appeal.
- The main arguments put forward by Rompetrol Rafinare for its administrative appeal were: it had used and benefitted from the management and advertising service referred to; it has related justifying documents that were not taken into consideration by the tax authorities; and the Tax authorities did not consider the definition provided by the Fiscal Code and its Application Norms, as well as, applicable, Double Tax Treaties and Commentaries to the OECD model conventions as regards definition of royalties versus services.

Although Rompetrol Rafinare considers that all technical requirements have been met by it and it is challenging all the items included in the report issued by the National Agency for Tax Administration, there is a chance that Rompetrol Rafinare may not recover the amount in whole or part, based on the high ambiguity in respect of the legislation and the court practice in a similar cases in Romania. Therefore a provision has been recognized for an overall amount of USD 15 million, out of which USD 11 million was expensed during 2012.

The main court case started by Rompetrol Rafinare SA against the assessment has been settled on 27th of October 2014 by Constanta Court of Appeal which partially annulled both Decision no. 33 and the Assessment Decision for payment of RON 48 million (equivalent USD 14.1 million).

Constanta Court of Appeal held liable the National Agency for Tax Administration for paying back Rompetrol Rafinare approximately RON 21 million (equivalent USD 6.2 million) and to pursue to audit again for approximately RON 9.7 million (equivalent of USD 2.8 million).

This Decision is not final, both Rompetrol Rafinare and The National Agency for Tax Administration appealed against it in front of the Supreme Court of Justice. These final appeals are still to be solved by the Supreme Court of Justice during the next period of time.

Litigation between Rompetrol Downstream SRL and the Romanian Competition Council

Based on its Decision no. 97/21 December 2011, the Romanian Competition Council (RCC) ruled that an alleged breach of the Romanian Competition Law and of Treaty for the Functioning of the European Union took place on the Romanian market (the allegations concerned an alleged mutual understanding of all major oil players to jointly withdraw from the market a type of fuel ECO Premium in 2008, during the Romanian Petroleum Association – RPA - meetings held in 2007 -2008). As a result, RCC imposed fines to all major players on the Romanian oil market ranging from 2.6 % (Rompetrol) to 3.2 % computed based on 2010 turnovers (the amount for Rompetrol Downstream case was RON 159.55 million (equivalent of USD 49.12 million).

Among the fined oil companies, the Rompetrol position was the only one distinctive (as Rompetrol Downstream did not attend any RPA meetings in that period nor exchanged any communication with the other companies); RCC recognized Rompetrol Downstream has a specific position (based on its lower level of involvement) and granted the benefit of extenuating circumstances but refused to exonerate the company ruling that Rompetrol Downstream had knowledge of the anti-competition behavior of its competitors and did not distance itself publicly from the action of its competitors.

Rompetrol Downstream challenged the RCC in court to get the annulment of the fine or a significant decrease of the fine amount.

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26. LEGAL MATTERS (continued)

Starting with April 2012, the Romanian Fiscal Authority (ANAF) initiated procedures for recovery of amounts from Rompetrol Downstream. Since then and based on the fiscal legislation regarding the rescheduling of the budgetary debts (under the condition of bringing the proper guarantees, according to the law), the Group has held discussions with ANAF representatives to identify legal steps to finally settle this matter. On April 24, 2013, ANAF approved the rescheduling agreement for 60 months period for the remaining amount of RON 128 million, being the difference between initial amount of RON 159.55 million and the cumulated monthly installments paid until March 2013 in amount of RON 31.6 million. By the end of December 31, 2015 was paid a total amount of RON 94.267 million (USD 23 million).

The Group believes that all the charges are without any legal merit as Rompetrol Downstream did not take part in meetings in which this topic was discussed, did not receive correspondence in which it was announced that the others actually took a decision in this respect, did not answer to the questions regarding its own conduct and had an independent conduct on the market – there was therefore no illegal cooperation by removing the risks of competition by adopting a joint plan.

Despite all evidences provided, in September 2013 the Court of Appeal dismissed Rompetrol Downstream's claim in respect to the main matter (anti-competitive behavior). At the end of November 2014, following the communication of the grounds of the decision issued at the beginning of November 2014, Rompetrol Downstream submitted its appeal to be ruled by the Supreme Court. The Supreme Court finalized the proceedings and issued the decision on July 9, 2015. The Court partially admitted the Company's appeal and reduced the fine to RON 122 million (it reduced the fine from 2.6% to 2% of the Company's turnover).

The decision issued by the High Court of Cassation and Justice is final and irrevocable. There are two extraordinary means of appeal - the revision (*rom. „revizuirea”*) and the annulment claim (*rom. „contestatia in anulare”*) - but they may be submitted only in very exceptional circumstances.

After the communication of the reasoning, the group management will decide if it is necessary to file any extraordinary way of appeal.

As a consequence of the decision of the High Court of Cassation and Justice, in 2015, Rompetrol Downstream recorded a provision for the amount of RON 122 million (USD 29.6 million at 31 December 2015).

Litigation regarding CO2 emission allowances.

On February 28, 2011 Rompetrol Rafinare S.A. won the court case against The Romanian Government and The Ministry of Environment which required the Romanian authorities to allocate to Rompetrol Rafinare an additional number of 2,577,938 CO2 emission certificates for the entire period 2008-2012. This first decision issued by the Constanta Court of Appeal was challenged by the Ministry of Environment and The Romanian Government but the appeals were rejected by the Supreme Court of Justice on October 30, 2012 and the first court decision became final.

According to the current Romanian and European legislation, the certificates obtained for 2008 – 2012 period may be owned and used also for the next period of 2013 – 2020. The market value for a CO2 emission certificate as of December 2015 was Euro 8 per certificate as of December 2015.

Considering that the Ministry of Environment and the Romanian Government did not fulfill with the Court decision according to the deadline, Rompetrol Rafinare SA started a court claim against them, having as object damages in amount of Euro 36 million.

On April 24, 2014 the court rejected the Rompetrol' s claim on a reason that “is lack of object”. Rompetrol appealed the Decision in front of the Supreme Court. The first hearing is set by the Supreme Court for June 3rd 2016.

Additionally Rompetrol Rafinare launched a new legal enforcement procedure in front of the Constanta Court of Appeal, based on some new and much clearer provisions of law.

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26. LEGAL MATTERS (continued)

On July 6, 2015 Constanta Court of Appeal admitted partially the claim and fined the representative of the Government and Ministry of Environment for non-performance of the enforcement of the decision by which the Company received a number of 2,577,940 CO2 emission certificates. The decision is subject to appeal.

As a consequence, on July 28th 2015 the Government Decision no. 611/2015 was issued, providing the modification of the National Plan initially approved by Government Decision no. 60/2008 and increasing the allocation of the Company with the amount of 2,577,940 CO2 emission certificates; this decision is due to be fully and effectively implemented in the following 120 days, subject to an approval from European Commission, from the perspective of complying with state aid regulations. The implementation process is still ongoing.

On October 27 2015, in order to secure all its rights and the full enforcement of the above mentioned court and government decisions, Rompetrol Rafinare filed a last court enforcement procedure, having as object to oblige the defendants to pay the counter value of the 2,577,940 CO2 emission certificates (i.e. 40 million Euro in total) in case they will fail to implement in due time the initial and final court decision and the Government Decision no. 611/2015. On February 3rd 2016, the Constanta Court of Appeal decided to postpone the procedure until the Supreme Court will pronounce a decision regarding the appeal of Rompetrol Rafinare against court decision to reject our claims as lack of object, with first hearing term for June 3th 2016.

Litigation between Rompetrol Downstream SRL and RATB (Bucharest public transport company)

In 2011, following a public tender organized by RATB, the biggest public transport company in Romania serving Bucharest metropolitan area, Rompetrol Downstream was awarded with a 4 year frame Agreement (divided in 4 yearly contracts 2011-2015) for delivery of fuel for RATB fleet through an integrated system.

Even if Rompetrol Downstream managed to timely and fully observe its obligation to supply RATB with needed quantities of fuel during those 4 years, the related IT system was implemented on gradually basis till 16 September 2015.

On 16 October 2015 RATB submitted to Court the claim for damages in amount of RON 62.4 million (about USD 15 million). The amount concerns the enforcement of penalty clause in amount of 15% of frame contract turnover for not observing the contractual obligations relating to the implementation of the IT system.

On 27 October 2015, based on the tender book terms and conditions, RATB asked the enforcement of the bank letter guarantee provided by DWS for the amount of RON 5.7 million.

The court proceedings are in the early stages. The Court did not establish a term for the first hearing. The statement of defense and the counter claim for the amount of the bank letter which was executed was submitted by Rompetrol Downstream on November 23rd 2015. The Court established the first hearing for February 23, 2016. The Court took the case for ruling upon the procedural reasons. If the Court will accept Rompetrol Downstream procedural challenges, the claim of RATB will be rejected. If the Court will not accept, then the file will continue to be analysed by the Court on its substance. The decision is scheduled to be issued on April 5, 2016. By April 7, 2016 no decision has been issued.

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26. LEGAL MATTERS (continued)

Litigation between Rompetrol Rafinare and Navodari City Hall

On November 19th, 2015, it was finalized the local taxes fiscal audit of the local taxes, done by Navodari City Hall, for the period of 2012-2014. The only non-compliant finding refers to revaluation of buildings made by the company on 31.12.2009 and 31.12.2011, namely that as the revaluation was not made to all fixed assets accounted for in the account 212 "Construction", in their view that was made without respect of accounting regulation stipulated by OMFP 3055/2009. As a result, the inspection team considered that for year 2012, certain buildings were not revalued within three years of the previous revaluation and applied a higher local tax rate of 10% for the buildings, and as a consequence assessed an additional tax on buildings and penalties related in total amount of 20.4 mil RON, out of which the principal is RON 11.2 million and the penalties and accessories are RON 9.2 million (calculated until the date of the report).

Against the Imposing Decision issued by Navodari City Hall, it has been filed by Rompetrol Rafinare an administrative complaint which was dismissed as being lack of object, without any judgment pronounced on the merits of the case. This solution is based on Navodari Local Council Decision no.435/December 21st, 2015, under which Rompetrol Rafinare has obtain the annulment of 73% of penalties.

Rompetrol Rafinare submitted in court the challenge against this decision, and also took action for partial annulment of Navodari Local Decision no.435/2015. Both cases are currently pending court investigation proceedings with Constanta Court of Appeal and Constanta Tribunal. Rompetrol Rafinare also filed the request for suspension the enforceable effects of the imposing decision, pursuant to the Law 554/22004 and Government Ordinance 92/2003. The statement of defense was submitted by Navodari City Hall and the first hearing term was established for February 22nd 2016. The court admitted Rompetrol Rafinare claim and suspended the effects and the enforcement of the Tax Inspection Report and Tax Decisions issued by Navodari City on November 19th 2015.

Litigations between Rompetrol Rafinare and National Company – Constanta Maritime Port Administration S.A.

In consideration of the violation by Compania Nationala Administratia Porturilor Maritime Constanta (*National Company of Constanta Maritime Ports Administration*) of the legal provisions regulating its activity, in the sense that it does not ensure the maintenance in operational parameters of the Midia port found under its administration, so as to ensure the safety of navigation, the preservation of at least the technical features designed for the port, the assurance of safe access and operation, the company initiated several legal remedies against it, as follows:

a) Complaint against National Company "Administratia Porturilor Maritime " SA for violating the provisions of art. 9 of the Law no 21/1996 which caused to Rompetrol Rafinare SA damages consisting of 1,876,673 USD - dredging expenditures; 3,311,775 USD - commercial loss; the complaint is in course of analysis at the Competition Council. By means of the lodged complaint, the Competition Council was asked to acknowledge the violation by Administratia Porturilor Maritime of the provisions of art. 9 of Law no. 21/1996, to sanction the said company in accordance with the law and to render it liable to perform, subject to legal terms and conditions, inclusively in terms of cost incurrence, the obligations resting upon it as administrator of port areas and of supplier of goods and services specific to the exploitation of national maritime areas, in particular with respect to Midia Port. This complaint was declared as being formally complete by the Competition Council and an investigation and a decision will follow.

b) Court claim against the Constanta Port Administration for Rompetrol Rafinare damages related to lower port drafts during January - May 2015 (848,356 USD) and for restitution of dredging expenses (1,741,873 USD). The total amount in RON is today 10,360,916 RON (2,590,229 USD). The case is pending on Constanta Tribunal, with the next hearing scheduled for May 6th, 2016.

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27. COMMITMENTS

Environmental commitments

The principal activity of Rompetrol Rafinare SA (including Vega Refinery) of refinery petroleum products and Rompetrol Petrochemicals has inherent effects on the environment in term of emission into land, water and air. The environmental effects of the Group's activities are monitored by local authorities and the management of the Group.

The Company has recognized a provision for restoration cost at its Vega location, see Note 15.

As of December 31, 2015 Rompetrol Rafinare S.A. has environmental commitments of USD 0 million (2014: USD 0.08 million) to conform to the Integrated Environmental Authorization.

At the end of March 2016 Rompetrol Rafinare SA is going to buy back a total of 850,000 CO2 certificates from Vitol SA.

Other commitments

As of December 31, 2015 Rompetrol Rafinare S.A. has contracted capital commitments for projects related to capacity increase and compliance with Euro standards at the Petromidia refinery of USD 9.13 million (2014: USD 54.72 million). As of December 31, 2015, Rompetrol Downstream S.R.L has contracted capital commitments of USD 2.38 million (2014: USD 3.75 million).

Rompetrol Downstream S.R.L. has certain concession and rental agreements with City Halls and other companies/individuals in Romania for plots of land. Usually the conditions for these agreements are the following: terms from 5 to 49 years, fixed or variable fees per year. According to these agreements, the approximate amount to be paid in 2016 is USD 5.02 million (USD 5.16 million in 2015).

Sale and purchase commitments

As of December 31, 2015 Rompetrol Rafinare S.A. has non-group commitments for purchases of raw materials and utilities of USD 1,474.8 million (2014: USD 908.5 million) and for sales of petroleum, petrochemicals products and utilities sales of USD 1,299.31 million (2014: USD 1,772.34 million).

Due to the fact that starting with January 1, 2014 the activity of Rompetrol Petrochemicals S.R.L. was transferred to Rompetrol Rafinare S.A., the commitments for the contracts transferred are included in Rompetrol Rafinare S.A. figures.

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

28. 1. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of bank debt and shareholder loans (see Note 13), cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the "Consolidated Statement of Changes in the Shareholders' Equity".

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28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

28.2. Gearing ratio

The gearing ratio at the year-end was as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Debt (excluding shareholder loans and related parties)	253,349,034	187,971,875
Cash and cash equivalents	<u>(6,727,079)</u>	<u>(12,937,600)</u>
Net debt	246,621,955	175,034,275
Equity (including shareholder loans and related parties)	730,307,640	654,772,979
Net debt to equity ratio	0.34	0.27

28.3. Categories of financial instruments and fair values

The estimated fair values of these instruments approximate their carrying amounts.

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Financial assets		
Trade and other receivables	293,996,071	248,572,880
Long-term receivables	1,095,124	391,683
Available for sale investments	18,583	18,583
Derivative financial instruments	-	53,479
Cash and cash equivalents	<u>6,727,079</u>	<u>12,937,600</u>
TOTAL FINANCIAL ASSETS	301,836,857	261,974,225
Financial liabilities		
Long-term borrowings	215,312,502	-
Derivative financial instruments	626,926	479,575
Short term borrowings from shareholders	306,682,066	297,922,981
Other non-current liabilities	156,520	167,844
Trade and other payables	700,207,222	818,477,088
Short-term borrowings banks	<u>38,036,532</u>	<u>187,971,875</u>
TOTAL FINANCIAL LIABILITIES	1,261,021,768	1,305,019,363

Trade and other receivables are at net recoverable value the following are not considered as financial assets:

- Advances to suppliers
- VAT to be recovered
- Profit tax receivables
- Other taxes receivables

Similarly, for trade and other payables the following are not considered as financial liabilities:

- Advances from customers
- Excises taxes
- Special found tax for oil products
- VAT payable
- Profit tax payable
- Salary taxes payable
- Other taxes
- Deferred revenues;

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28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The estimated fair values of these instruments approximate their carrying amounts.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques.
- The Group enters into derivative financial instruments with various counterparties. As at 31 December 2015, the marked to market value of derivative position is for financial instruments recognized at fair value.

28.4. Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are based on observable market data, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	<u>December 31, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets				
Trade and other receivables	293,996,071	-	-	293,996,071
Long-term receivables	1,095,124	-	-	1,095,124
Available for sale investments	18,583	-	-	18,583
Derivative financial instruments	-	-	-	-
Cash and cash equivalents	<u>6,727,079</u>	<u>6,727,079</u>	-	<u>6,727,079</u>
TOTAL FINANCIAL ASSETS	<u>301,836,857</u>	<u>6,727,079</u>	=	<u>301,836,857</u>
Financial liabilities				
Long-term borrowings	215,312,502	-	-	215,312,502
Derivative financial instruments	626,926	-	626,926	626,926
Short term borrowings from shareholders	306,682,066	-	-	306,682,066
Other non-current liabilities	156,520	-	-	156,520
Net obligations under finance lease	-	-	-	-
Trade and other payables	700,207,222	-	-	700,207,222
Short-term borrowings banks	<u>38,036,532</u>	-	-	<u>38,036,532</u>
TOTAL FINANCIAL LIABILITIES	<u>1,261,021,768</u>	=	<u>626,926</u>	<u>1,261,021,768</u>

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28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

	December 31, 2014	Level 1	Level 2	Level 3
Financial assets				
Trade and other receivables	248,572,880	-	-	248,572,880
Long-term receivables	391,683	-	-	391,683
Available for sale investments	18,583	-	-	18,583
Derivative financial instruments	53,479	-	53,479	-
Cash and cash equivalents	12,937,600	12,937,600	-	-
TOTAL FINANCIAL ASSETS	261,974,225	12,937,600	53,479	248,983,146
Financial liabilities				
Derivative financial instruments	479,575	-	479,575	479,575
Short term borrowings from shareholders	297,922,981	-	-	297,922,981
Other non-current liabilities	167,844	-	-	167,844
Net obligations under finance lease	-	-	-	-
Trade and other payables	818,477,088	-	-	818,477,088
Short-term borrowings banks	187,971,875	-	-	187,971,875
TOTAL FINANCIAL LIABILITIES	1,305,019,363	-	479,575	1,305,019,363

During the reporting period ending 31 December 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

28.5 Derivative financial instruments

The Group uses different commodity derivatives as part of price risk management in trading of crude oil and products.

Balance Sheet:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Derivative financial asset	-	53,479
Derivative financial liability	(626,926)	(479,575)
Net position - asset/(liability)	(626,926)	(426,096)

Income Statement:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Unrealised (gains)	-	-
Net position - (gain)/loss - in Cost of sales	-	-
Realised losses - net	4,969,468	(35,107,779)
Total position - loss/(gain) - in Cost of sales	4,969,468	(35,107,779)

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Derivative asset/(liability) 2014	(426,096)	(63,466)
Forex unrealized (hedging of forex)	-	1,120,872
Cash payments	(1,429,109)	(906,276)
Reserves	1,228,279	(577,226)
Derivative asset/(liability) 2015	(626,926)	(426,096)

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28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments are recognized in profit or loss as they arise.

28.6 Market risk

The Group's activities expose it to a variety of risks including the effects of: changes in the international quotations for crude oil and petroleum products, foreign currency exchange rates and interest rates. The Group's overall risk management main objective is to minimize the potential adverse effects on the financial performance of the Group companies.

28.7. Foreign currency risk management

The Group's functional currency is United States Dollar ("USD") and crude oil imports and a significant part of petroleum products are all denominated principally in US Dollars, therefore, limited foreign currency exposure arises in this context. Certain assets and liabilities are denominated in foreign currencies, which are translated at the prevailing exchange rate at each balance sheet date. The resulting differences are charged or credited to the income statement but do not affect cash flows. Group Treasury is responsible for handling the Group foreign currency transactions.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	<u>Liabilities</u>		<u>Assets</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Currency RON	356,085,831	316,493,059	300,984,468	257,403,118
Currency EUR	32,394,311	33,032,125	10,112,367	13,502,382

28.8. Foreign currency sensitivity analysis

The Group is mainly exposed to the RON and EUR currencies.

The following table details the Group's sensitivity to a 5% increase and decrease in the USD against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit and other equity here the USD strengthens 5% against the relevant currency. For a 5% weakening of the USD against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

<u>USD</u>	<u>USD</u>		<u>RON</u>		<u>EUR</u>	
			<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Profit or loss	5%	(2,755,068)	(2,954,497)	(1,114,097)	(976,487)	
	-5%	2,755,068	2,954,497	1,114,097	976,487	

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28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

28.9. Interest rate risk management

Interest rate price risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rate that applies to the financial instrument. Interest rate cash flow risk is the risk that the interest cost will fluctuate over time. The Group has long-term debt and short-term debt that incur interest at fixed and variable interest rates that exposes the Group to both fair value and cash flow risk. Details of the interest rate terms, which apply to the Group's borrowings, are provided in Notes 11 and 14.

The sensitivity analyses below have been determined based on the financial instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would decrease/increase by USD 3,869 thousand (2014: decrease/increase by USD 3,931 thousand).

28.10. Liquidity risk management

The tables below summarize the maturity profile of the Group's financial liabilities at 31 December 2015 and 31 December 2014 based on contractual undiscounted payments, including interest payable until the end of the contracts for finance leasing and loans.

Year ended December 31, 2015	<u>Less than 1 month or on demand</u>	<u><3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	<u>>5 years</u>	<u>Total</u>
Long-term debt	-	1,685,003	5,055,009	224,299,184	-	231,039,196
Trade and other payables	291,043,789	277,458,942	131,704,491	-	-	700,207,222
Derivative financial instruments	-	626,926	-	-	-	626,926
Short-term borrowings from shareholders	8,294,937	2,176,452	304,892,724	-	-	315,364,113
Short-term debt	-	398,700	38,193,578	374,555	-	38,966,833
Other non-current liabilities	-	-	-	156,520	-	156,520
	299,338,726	282,346,023	479,845,802	224,830,259	-	1,286,360,810

Year ended December 31, 2014	<u>Less than 1 month or on demand</u>	<u><3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	<u>>5 years</u>	<u>Total</u>
Trade and other payables	358,838,358	454,227,318	5,328,301	88,568	-	818,482,545
Derivative financial instruments	-	479,575	-	-	-	479,575
Short-term borrowings from shareholders	290,609,676	2,409,262	14,400,541	-	-	307,419,479
Short-term debt	-	65,546,238	125,871,713	-	-	191,417,951
Other non-current liabilities	-	-	-	167,844	-	167,844
	649,448,034	522,662,393	145,600,555	256,412	-	1,317,967,394

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28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

28.11. Commodity price risk

The Group is affected by the volatility of crude oil, oil product and refinery margin prices. Its operating activities require ongoing purchase of crude oil to be used in its production as well as supplies to its clients. Due to significantly increased volatility of crude oil, the management developed a hedge policy which was presented to the Group's Board of Directors and was approved in most significant aspects in 2010 and with some further amendments in February 2011. Following this approval, the Group started on January 2011 to hedge commodities held by Rompetrol Rafinare and in 2014 it was implemented a hedging program in Rompetrol Downstream.

According to the hedge policy, on the commodity side, the flat price risk for priced inventories above a certain threshold (called base operating stock in case of Rompetrol Refinery, benchmark stock for Rompetrol Downstream) is hedged using future contracts traded on ICE Exchange and some OTC instruments. The base operating stock is the equivalent of priced stocks that are held at any moment in time in the Group, hence price fluctuations will not affect the cash-flow.

Trading activities are separated into physical (purchase from third parties other than KazmunayGas Group, and sales to third parties or intercompany) and paper trades (for economic hedging purposes). Each physical transaction is covered through a related futures position according to the exposure parameters set by management (i.e. based on physical quantities sold or purchased). The Group sells or buys the equivalent number of future contracts. This paper trade is done only to hedge the risk of the

Physical Trade and not to gain from the trading of these instruments. The company also had hedge operations for refinery margins. The net impact of the commodity hedges (physical result –gain- plus paper result –loss- for hedged stocks) was USD 17 million (2014: net gain of USD 7.2 million). However the company results were affected by the inventory losses related to the base operating stock in refinery but considering such stocks is constant in time, the loss is only on paper, not on cash.

28.12 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract leading to a financial loss. The Group is exposed to credit risk from its operating activities primarily for trade receivables and from its financing activities including bank deposits, foreign exchange transactions and other financial instruments.

Trade receivables

The retail operational segment is exposed to credit risk. Outstanding customer receivables are regularly monitored. Sales to KazMunayGas Trading AG, a related party represent 33% of the Group's revenues. The requirement for impairment is analyzed on a regular basis, being undertaken on an individual basis as well as collectively on the basis of ageing.

Financial instruments and bank deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury in accordance with the Group's policy.

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29. SUBSEQUENT EVENTS

Facility granted to Rompetrol Rafinare S.A. by Rompetrol Well Services S.A. in amount of RON 13 million has been extended until May 10, 2016.

Facility granted to Rompetrol Rafinare S.A. by Rompetrol Well Services S.A. in amount of RON 11.2 million has been extended until April 28, 2016.

Facility granted to Rompetrol Rafinare S.A. by Rompetrol Well Services S.A. in amount of RON 7 million has been extended until April 14, 2016.

Facility granted Rompetrol Rafinare S.A. by Rompetrol Well Services S.A. in amount of RON 3.1 million has been extended until May 3, 2016.

On March 29, 2016 Rompetrol Rafinare SA bought back a total of 850,000 CO2 certificates from Vitol SA.