



rompetrol

KazMunayGas
Group
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ANNUAL REPORT OF THE BOARD OF DIRECTORS OF ROMPETROL RAFINARE ON THE ON THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE FINANCIAL YEAR 2015

2015 figures include consolidated financial statements in accordance with International Financial Reporting Standards („IFRS”). Consolidated financial statements of Rompetrol Rafinare include the results of the parent company Rompetrol Rafinare and its subsidiaries Rompetrol Petrochemicals S.R.L., Rom Oil S.A., Rompetrol Downstream S.R.L., Rompetrol Quality Control S.R.L and Rompetrol Logistics S.R.L. (with its subsidiary Rompetrol Gas S.R.L.).

COMPANY HISTORY

Rompetrol Rafinare (formerly known as Petromidia) is the main refining facility of the Rompetrol Group (renamed “KMG International” in 2014) located in Navodari, Constanta. Starting with December 1, 2007, the company also operates Vega refinery, located in Ploiesti. “Complexul Petrochimic Midia Navodari” (the former name of Rompetrol Rafinare S.A.) was part of the large oil refining plants which appeared after 1975. The plant was designed between 1975 and 1977. In 1991, Combinatul Petrochimic Midia Navodari became a joint stock company, by taking over all the assets of the former unit. In February 2001, as a result of the privatization of the company by the State Ownership Fund, The KMG International Group NV became the main shareholder. In 2003, by Decision no. 50640 of Trade Registry Directorate, based on the General Shareholders' Meeting as of February 20, 2003, the company was renamed S.C. Rompetrol Rafinare S.A. The company processes a variety of crude oils with different content of sulfur, reaching an average percent of 1.26% sulfur. The crude oil feeding (more than 98%) is carried out mainly through the marine terminal built by the KMG International Group, close to Petromidia Refinery, and the rest is carried out through Oil Terminal facilities in Constanta port. The products obtained can be delivered by railway, road and by sea.

At the end of 2008 the company also finalized the operations for the 350% expansion of the transit capacity for finished products through Midia harbor, by building two new loading and offloading berths, Berth 9B and Berth 9C.

In 2012 Rompetrol Rafinare SA completed the extensive process of modernization that allowed efficient production and focus on the products required by the market (especially diesel).

The investments made by KMG International and KazMunayGas in modernizing and increasing processing capacity, in conjunction with the development of the petrochemical industry, the supply of crude oil and fuel distribution domestically but also in the region, the refinery located on the Black Sea, succeeded 2015 to maintain historical records on the operational side recorded since 2014. With the completion of the extensive modernization program and increase refining capacity, the Company's strategy and ambition to follow and will continue to pursue optimization of production processes, reduce processing costs and increasing energy efficiency.

The improved operating results, and the achievement in 2015 by the Petromidia refinery of historical records were sustained by completion in 2012 of the extensive modernization program and increase in the processing capacity to 5 million tons per year, and technological work carried out both in turnaround during March-April 2013 and in also in general turnaround (conducted in October 2015) that takes place every five years in accordance with KMG International Group management's decision.

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Issuers whose securities are admitted to trading on a regulated market are required to include compliance or non-compliance with the Declaration on the Code of Corporate Governance ("Comply or Explain" Declaration). Therefore all relevant information relating to corporate governance practices were included in the Corporate Governance section in the "Corporate Governance Statement" relating to the Annual Report 2015.

Since April 7, 2004, the Company's shares are traded on the regulated market operated by the Bucharest Stock Exchange SA ("BVB").

The Company's shares are traded on BVB category II. On 31.12.2015, the total number of shares issued by the Issuer is 44,109,205,726, representing a total share capital of 4,410,920,572.6 lei. The Company's shares are common, nominative, dematerialized, and the shareholder's register is held by the DEPOZITARUL CENTRAL S.A. Bucuresti.

According to the law and the Articles of Incorporation, each share held entitles the holders to one vote at the General Meeting of Shareholders, the right to vote and to be elected in the management of a company, the right to participate in the distribution of benefits and social asset at the dissolution of the company and other rights established by law. Ownership and any other actions of its attributes are given under capital market law. Regarding the shares, the transfer is not restricted, shall be in accordance with applicable laws and the Articles of Association of the Company.

The symbols of Rompetrol Rafinare shares:	
The Bucharest Stock Exchange	RRC
Bloomberg	RRC RO

The Rompetrol Rafinare shares	2013	2014	2015
Number of shares	44,109,205,726	44,109,205,726	44,109,205,726
Stock exchange capitalization, mil. lei ¹	1,887.874	1,856.998	2,170.173
Stock exchange capitalization, mil. Euro ²	422.920	414.194	479.225
Maximum price, lei ³	0.0589	0.052	0.0492
Minimum price, lei ⁴	0.0309	0.04	0.0344
Price at the end of the year, lei	0.0421	0.0415	0.0492

¹ Calculated on the basis of the price of the share on the last transaction day of the year under consideration, respectively on December 30th, 2015;

² Calculated at the euro exchange rate (4.5285) of the last trading session of the year under consideration, respectively December 30th, 2015

³ Recorded on December 23rd, 2015.

⁴ Recorded on June 9th, 2015.

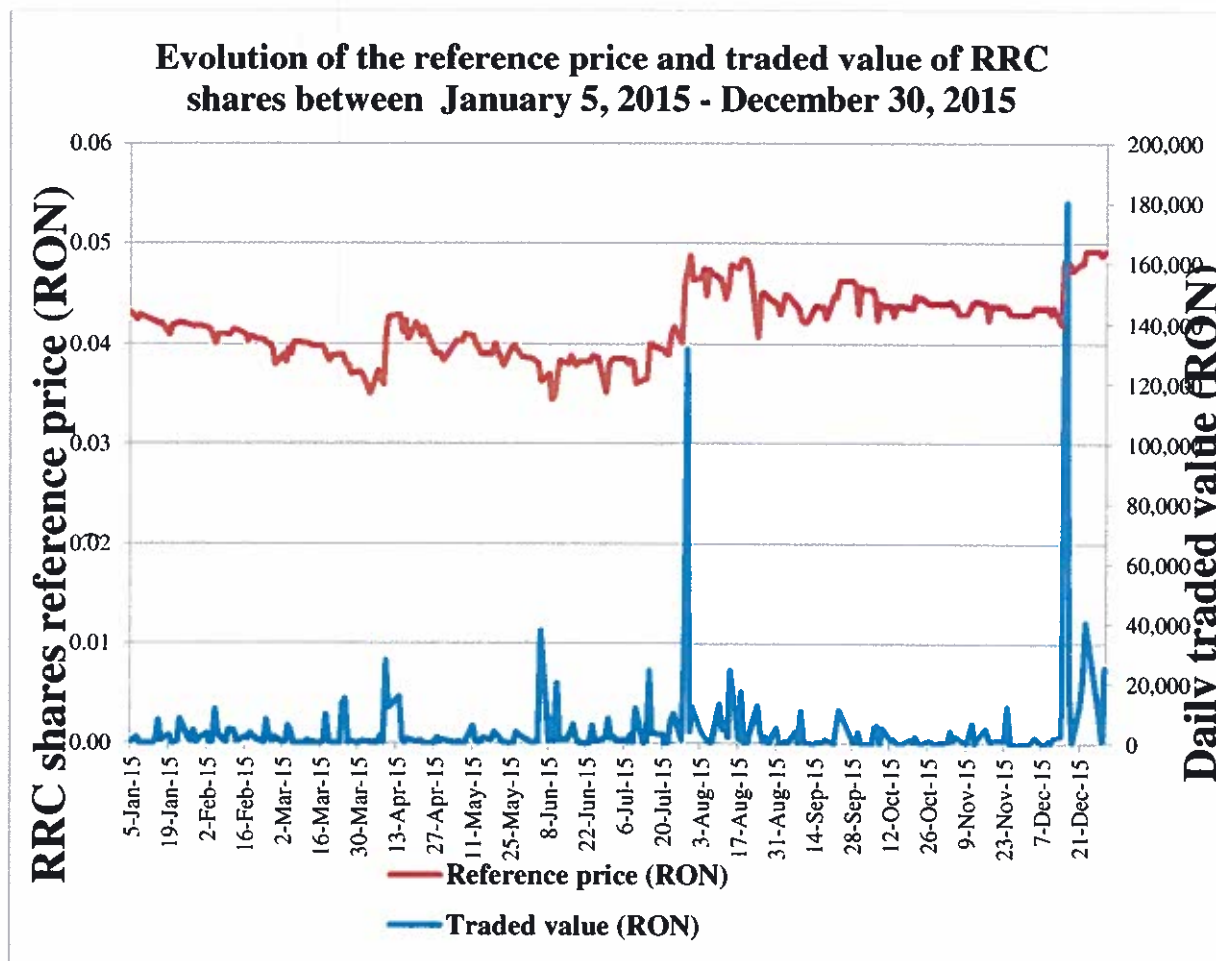


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Weighted Average Price (WAP) of RRC shares during 2015 = 0.043802629 lei/share;

The volume traded in December represents 34.51% of the entire volume traded in 2015 (total traded volume in 2015 = 1,255,134.86 lei)

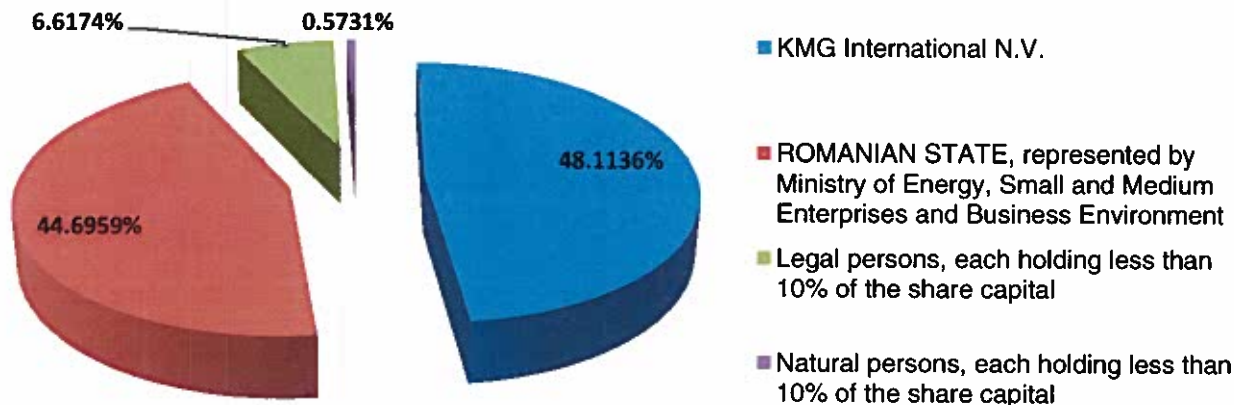
Rompetrol Rafinare Shareholders Structure

In the period under review there were no changes likely to influence the share capital of the Company.

According to the Shareholders' register consolidated on December 31, 2015, the structure of the Company's significant shareholders is presented in the following graph:



The structure consolidated by the Depozitarul Central S.A. on 31.12.2015



Note: On 31.12.2015 the shareholders of Rompetrol Rafinare of the KMG International Group hold 24,098,569,799 shares, representing 54.6339%

Company's own shares

At 31.12.2015, ROMPETROL RAFINARE S.A. held a number of 6,134,701 having a nominal value of RON 0.10 per share and a total value of RON 613,470.10, which represents 0.0139% of Company's share capital.

The Company did not trade (by acquiring or selling) its own shares during 2015.

The number and nominal value of the shares issued by the parent company, owned by subsidiaries.

In 2015, the subsidiaries of society have not held shares issued by Rompetrol Rafinare.

The Financial Calendar proposed for the year 2016

Financial Calendar	Date
<i>Presentation of the preliminary, unaudited, individual and consolidated results of the year 2015 and fourth Quarter of 2015</i>	<i>February 15th, 2016</i>
<i>Ordinary General Assembly of Shareholders, to approve the annual financial results of year 2015</i>	<i>April 28th / April 29th, 2016</i>
<i>Publication of the 2015 Annual Report (i.e. publication of the financial results of 2015)</i>	<i>April 30th, 2016</i>
<i>Presentation of the results recorded during the first quarter of 2016</i>	<i>May 13th, 2016</i>
<i>Presentation of the results recorded during the first semester and second quarter of 2016</i>	<i>August 12th, 2016</i>
<i>Presentation of the results recorded during the third quarter of 2016 and between January – September 2016</i>	<i>November 14th, 2016</i>



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Important information and news of interest to the shareholders, analysts and investors, regarding Company's activity, are available on the web- www.rompetrol-rafinare.ro, in the Investor Relations section.

Investor Relations Contact

The annual, semiannual and quarterly reports are made available to shareholders upon request. Requests may be submitted electronically, via e-mail at: office.rafinare@rompetrol.com.

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STRATEGY

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 strategies to expand distribution operations in countries around the Black Sea, to benefit from increased vertical integration with refining operation for improved financial performance through the following:

- Strengthen The Group's retail network presence following the upgrading and rebranding of Rompetrol Downstream stations
- 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 unit costs of refining capacity, mainly referring to the improvement of the energy consumption and associated costs

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 has completed during 2015 additional bank borrowings and facilities that have provided additional funding for investments and operations. The Group has received confirmation from its ultimate parents company of its' continuing support during the next twelve months should the need arise for additional funding to what is or will be available from its own operations and/or third party sources.

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

HIGHLIGHTS – CONSOLIDATED

Financial	2015	2014	%	2015	2014	%
	USD	USD		RON	RON	
Gross Revenues	3,836,585,175	5,625,298,483	-32%	15,913,004,331	23,332,050,517	-32%
Net Revenues	2,724,720,694	4,349,048,980	-37%	11,301,324,023	18,038,550,453	-37%
EBITDA	112,939,083	86,392,660	31%	468,437,435	358,330,836	31%
EBITDA margin	4.1%	2.0%		4.1%	2.0%	
EBIT	58,955,154	10,112,481	N/A	244,528,291	41,943,484	N/A
Net profit / (loss)	64,655,536	(58,445,246)	N/A	268,171,765	(242,413,400)	N/A
Net Profit / (loss) margin	2.4%	-1.3%		2.4%	-1.3%	

Rompetrol Rafinare Constanta (RRC) gross revenues reached USD 3.836 billion a decrease of 32% compared to last year, influenced by the decrease of international quotations for petroleum products and also due to lower volume of petroleum products sold on internal and external market as a result of the general turnaround that took place in Petromidia and Vega refinery during Q4 2015.

The consolidated accounts are analyzed in in the following sections for each business unit.

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		2015	2014	%
Brent Dated	USD/bbl	52	99	-47%
Ural Med	USD/bbl	51	98	-47%
Brent-Ural Differential	USD/bbl	0.94	0.99	-6%
Premium Unleaded 10 ppm FOB Med	USD/t	557	905	-38%
Diesel ULSD 10 ppm FOB Med	USD/t	494	850	-42%
RON/USD Average exchange rate		4.01	3.35	20%
RON/USD Closing exchange rate		4.15	3.69	13%
RON/EURO Average exchange rate		4.44	4.44	0%
RON/EURO Closing exchange rate		4.52	4.48	1%
USD/EURO Closing rate		1.09	1.22	-10%
Inflation in Romania*		-0.95%	0.83%	N/A

Source: Platt's, JBC Energy

Brent prices averaged around \$52 per barrel, marking a 47% fall from 2014 levels. Brent started the year at around \$48 per barrel, and following a strengthening period over the spring months reached its peak for 2015 at almost \$67 per barrel at the beginning of May. The second half of the year saw prices tumble again and end the year almost \$20 per barrel lower than at the beginning of 2015.

The main fundamental reason behind the weakness in crude prices over 2015 has been the supply side, with very strong growth in supplies both from OPEC countries (from Saudi Arabia and Iraq) and also from non-OPEC countries (continued resilience in US supply, strong growth in Russia and even Europe and Asia y-o-y).

The Urals Med differential to Dated Brent was fairly steady y-o-y, remaining at a discount of around \$0.94 per barrel to the North Sea benchmark. The last quarter of 2015 saw the most pronounced weakness in the Russian sour crude, with the differential widening to as low as \$2.50 per barrel in mid-November. This comes amid competition between suppliers to place barrels in an oversupplied market and higher availability of Iraqi crudes in the region and increased marketing efforts from Middle Eastern suppliers ahead of the expected lifting of sanctions on Iran in Q1'16. Strong increases in European (and Mediterranean) crude intake over the whole of 2015 helped offset the negative impact of increased supply.

2015 was a banner year for Mediterranean gasoline cracks. Cracks peaked in mid-July, at the height of the summer driving season for the northern hemisphere, but were strong throughout the year. While some upside was seen in Med gasoline demand growth as a result of lower oil prices, the most significant support to cracks came from soaring gasoline demand in the US, Africa, and the Middle East allowing for substantially higher exports. This kept the Mediterranean market balanced despite a substantial uptick in gasoline production, the result of surging crude intake in the region.

Med middle distillate cracks spent much of 2015 near the bottom of their historic range, with particularly pronounced weakness observed towards the end of the year. Demand growth, while steady, was not able to keep pace with surging middle distillates production as refiners upped crude intake in response to gasoline-driven margin strength. This, combined with an uptick in East of Suez and Russian arrivals, led to significant stock builds and growing pressure on cracks in the Mediterranean area.



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Mediterranean refinery margins averaged \$5.69/bbl over 2015, an improvement of more than \$3.80 compared to 2014 levels. Med refiners took advantage of this improved margin environment by steadily increasing crude intake, to a yearly average of 4.1 million b/d (+375,000 b/d or 10% y-o-y). Lower feedstock costs played a critical role in boosting margins, with Med Urals prices averaging just \$51 for the year, a decline of 47% y-o-y, as the global oil market continued to struggle with oversupply. This more than made up for the effect of a marginally narrower Med Urals differential to Dated Brent. On the products side, gasoline made the largest positive contribution to regional margins in 2015, with naphtha cracks also showing some strength towards the end of the year. This helped to offset the weakness observed further down the barrel, particularly in H2.

The evolution of FX market was concentrated in 2015, mainly around the following events: Greek crisis, FED expectations to increase interest rates and weak Chinese macroeconomic data. The EUR started to depreciate against USD from 2014, when ECB continued the quantitative Easing program in order to keep inflation under control and to reduce the high liquidity of EUR in the market. During this program, the interest rates decreased to negative areas. In addition the Europe currency was affected by the possible exit of Greece from Euro zone. The US economy had a very good evolution during the year, especially on employment area (unemployment decreased from 6.17% to 5%). In terms of inflation, their target is 2%. In this regard it was expected that FED will raise interest rate in 2015. However, due to poor Chinese macroeconomic environment this decision was postponed till December when it happened for the first time in almost a decade. The dollar was very strong during the year and after FED decision to raise the interest rate it may continue to appreciate more against EUR. In reverse, in Euro area, the quantitative easing program may move forward and put pressure on the currency.

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		2015	2014	%	2015	2014	%
Financial		USD	USD		RON	RON	
Gross Revenues	USD/RON	3,166,029,443	4,897,441,466	-35%	13,131,740,321	20,313,117,969	-35%
Net Revenues	USD/RON	2,262,829,917	3,794,578,374	-40%	9,385,539,647	15,738,772,722	-40%
EBITDA	USD/RON	63,103,975	11,319,421	N/A	261,736,357	46,949,562	N/A
EBITDA margin	%	2.8%	0.3%		2.8%	0.3%	
EBIT	USD/RON	78,865,765	(47,885,082)	N/A	327,111,534	(198,612,954)	N/A
Net profit / (loss)	USD/RON	119,408,751	(78,713,501)	N/A	495,271,677	(326,479,987)	N/A
Net profit / (loss) margin	%	5.3%	-2.1%		5.3%	-2.1%	
Gross cash refinery margin/tonne	USD/(RON)/t	34.44	33.06	4%	142.86	137.11	4%
Gross cash refinery margin/bbl	USD/(RON)/bbl	4.74	4.55	4%	19.67	18.88	4%
Net cash refinery margin/tonne	USD/(RON)/t	12.53	5.03	149%	52.0	20.9	149%
Net cash refinery margin/bbl	USD/(RON)/bbl	1.7	0.7	149%	7.2	2.9	149%
Operational							
Feedstock processed	Kt	4,945	5,047	-2%			
Gasoline produced	Kt	1,206	1,305	-8%			
Diesel & jet fuel produced	Kt	2,683	2,630	2%			
Motor fuels sales - domestic	Kt	1,662	1,738	-4%			
Motor fuels sales - export	Kt	2,038	1,990	2%			
Export	%	55%	53%				
Domestic	%	45%	47%				

Note: Refining segment comprises the results of the company Rompetrol Rafinare (which operates Petromidia and Vega refineries). Rompetrol Rafinare computes Gross refinery margin as follows – (Oil Product Sales – Cost of Feedstock) / Quantity of sales. Net Refinery margin is the EBITDA of the refinery divided by quantity of sales.

Rompetrol Rafinare S.A. gross revenues reached USD 3.166 billion during 2015 decrease by 35% as against 2014, influenced by the decrease of international quotations for petroleum products and also due to lower volume of petroleum products sold on internal and external market as a result of the general turnaround that took place in Petromidia and Vega refinery in Q4 2015.



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In 2015 the total throughput for Petromidia refinery was 4.95 million tons by 2.05% lower compared with the last year when the total throughput was 5.05 million tons, as a result of refinery turnaround scheduled for the period October-November 2015.

In 2015 the refining capacity utilization was 76.48% lower by 6.52% compared with last year.

Diesel yield reached in 2015 was 49.99% (in 2014 was of 48.8%), the highest ever reached in the refinery's history by 1.19% higher than the 2014 figure, the quantity of diesel produced being of 2.474 million tons. White products yield (valuable products) including components, reported to total feedstock processed as a percent of total feedstock achieved in 2015 was 85.7% second year on a row when historical level was reached, compared with 85.69% reached in 2014. 2015 Petromidia reached the lowest ever level of processing cost of ~16.7\$/mt, below budget by 7.6\$/mt and 4.4\$/mt compared to the same period in the previous year, positively impacted by the exchange rate effect, utilities tariffs, higher energy efficiency and higher refinery run rate.

In 2015 the total throughput for Vega refinery was 328.746 thousand tons by 6.41% higher compared with the last year, when the total throughput was 308.952 thousand tons.

In 2015 the refining capacity utilization for Vega refinery was 99.62% higher by 6% compared with last year.

The gross refinery margin improved in 2015 compared with 2014. The company's financial results were positively influenced by favorable market conditions and by production process optimization programs (increase of processing capacity and increase of white products yields) and also influenced by operating costs optimization, programs that started in the year 2014 and successfully continued in 2015 (out of which reduction in steam and power consumption are the most significant).

Rompetrol Rafinare S.A. continued to be an important contributor to Romania's fiscal budget with over USD 1.368 billion in 2015 from excise, VAT, tax and social contributions, etc.

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		2015	2014	%	2015	2014	%
Financial		USD	USD		RON	RON	
Revenues	USD/RON	189,392,593	283,347,569	-33%	785,543,658	1,175,240,712	-33%
EBITDA	USD/RON	(6,729,546)	(115,751)	N/A	(27,912,138)	(480,100)	N/A
EBIT	USD/RON	(20,780,498)	(13,296,378)	N/A	(86,191,272)	(55,149,387)	N/A
Net profit / (loss)	USD/RON	(29,833,264)	(23,944,625)	N/A	(123,739,430)	(99,315,121)	N/A
Operational							
Propylene processed	kt	113	120	-6%			
Ethylene processed	kt	62	61	2%			
Sold from own production	kt	170	172	-1%			
Sold from trading	kt	4	8	-53%			
Total sold		174	180	-3%			
Export	%	56%	56%				
Domestic	%	44%	44%				

Starting 1st of January 2014, the petrochemicals activity was transferred from Rompetrol Petrochemicals to Rompetrol Rafinare S.A., being fully integrated in the propylene, utilities and logistics flow.

In terms of low density polyethylene unit (LDPE), the petrochemicals segment works 100% with ethylene from import.

The petrochemicals segment is the sole polypropylene producer in Romania and has constantly succeeded to increase its market share on secondary categories of products. Its dynamic development strategy has secured the company a competitive position on the domestic market and on the regional one – the Black Sea and Mediterranean region and the Eastern and Central Europe.

For December YTD 2015, the total polymers production for Petrochemicals area was 142.276 thousand tons by 4.52 % lower compared with last year when the total polymers production was 149.008 thousand tons.

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		2015	2014	%	2015	2014	%
Financial		USD	USD		RON	RON	
Gross Revenues	USD/RON	2,311,311,224	3,217,275,057	-28%	9,586,625,564	13,344,291,754	-28%
EBITDA	USD/RON	56,760,757	70,770,501	-20%	235,426,592	293,534,807	-20%
EBIT	USD/RON	6,770,996	48,984,909	N/A	28,084,060	203,174,706	N/A
Net profit / (loss)	USD/RON	(18,622,552)	22,228,057	N/A	(77,240,759)	92,195,310	N/A
Operational							
Fuels quantities sold in retail	Kt	621	607	2%			
Fuels quantities sold in wholesale	Kt	1,014	1,043	-3%			
LPG quantities sold	Kt	248	285	-13%			

Note: Marketing segment includes the results of Rompetrol Downstream, Rom Oil, Rompetrol Quality Control, Rompetrol Logistics and Rompetrol Gas

As of December 2015, the Rompetrol Downstream's distribution segment contained 701 points of sale, including the network of owned stations, partner stations and mobile stations: Expres, Cuves and Internal Bases.

As a result of lower refinery production during turnaround period, there was a decrease in sales through wholesale channel. In retail channel positive trend was maintained. Overall volume sold decreased by 52 kt or 2.7% compared to 2014.

Despite the slight decrease of volumes sold during 2015, turnover of the marketing segment was 28% lower as compared with the last year amounting to USD 2,311 million. Disproportionate decrease of revenues is explained by decrease of quotations, as well as USD/RON exchange rate increase by 15% in Q4 and by 20% for the full year 2015.

The financial results of the distribution segment in 2015 were negatively affected by USD/RON exchange rate depreciation and lower margins in USD for petroleum products on Romanian market. And despite positive effect from sales channel optimisation and cost optimization, 2015 EBITDA has decreased by 20% as compared to 2014.

The net result was negatively affected by the recognition of USD 29.65 million provision for the Competition Council fine.

On 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 and as a result, RCC imposed fines to all major players on the Romanian oil market. Rompetrol Downstream was fined with 2.6% of the 2010 turnover. Rompetrol Downstream challenged the RCC decision at the Bucharest Court of Appeal, the action being dismissed in first instance; further to the appeal filed against the first court decision, the action was partially admitted and the High Court of Cassation and Justice reduced the fine to 2% of the Company's 2010 turnover.

The decision issued by the High Court of Cassation and Justice is irrevocable, but there are still extraordinary ways of appeal to challenge it after the communication of the substantiated decision.



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APPENDIX 1 – CONSOLIDATED INCOME STATEMENT 2015, AUDITED

	2015	2014	%	2015	2014	%
	USD	USD		RON	RON	
Gross Revenues	3,836,585,175	5,625,298,483	-32%	15,913,004,331	23,332,050,517	-32%
Sales taxes and discounts	(1,111,864,481)	(1,276,249,503)	-13%	(4,611,680,308)	(5,293,500,064)	-13%
Net revenues	2,724,720,694	4,349,048,980	-37%	11,301,324,023	18,038,550,453	-37%
Cost of sales	(2,517,972,377)	(4,143,859,481)	-39%	(10,443,794,028)	(17,187,485,969)	-39%
Gross margin	206,748,317	205,189,499	1%	857,529,995	851,064,484	1%
Selling, general and administration	(171,313,585)	(195,168,104)	-12%	(710,557,357)	(809,498,743)	-12%
Other expenses, net	23,520,422	91,086	N/A	97,555,653	377,743	N/A
EBIT	58,955,154	10,112,481	N/A	244,528,291	41,943,484	N/A
Finance, net	(57,722,184)	(68,427,646)	-16%	(239,414,303)	(283,817,347)	-16%
Unrealized net foreign exchange (losses)/gains	3,978,480	573,417	N/A	16,501,541	2,378,362	N/A
Realized net foreign exchange (losses)/gains	690,284	6,863	N/A	2,863,091	28,466	N/A
EBT	5,901,734	(57,734,885)	N/A	24,478,620	(239,467,035)	N/A
Income tax	58,753,802	(710,361)	N/A	243,693,145	(2,946,365)	N/A
Net result	64,655,536	(58,445,246)	N/A	268,171,765	(242,413,400)	N/A
EBITDA	112,939,083	86,392,660	31%	468,437,435	358,330,836	31%

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	December 31, 2015	December 31, 2014	%	December 31, 2015	December 31, 2014	%
	USD	USD		RON	RON	
Assets						
Non-current assets						
Intangible assets	6,679,192	7,471,842	-11%	27,703,286	30,990,959	-11%
Goodwill	82,871,706	82,871,706	0%	343,726,976	343,726,976	0%
Property, plant and equipment	1,175,280,529	1,127,681,929	4%	4,874,711,047	4,677,286,334	4%
Financial assets and other	61,101,735	410,266	N/A	253,431,668	1,701,661	N/A
Total Non Current Assets	1,325,933,162	1,218,435,743	9%	5,499,572,977	5,053,705,930	9%
Current assets						
Inventories	175,731,732	291,799,074	-40%	728,882,505	1,210,295,018	-40%
Trade and other receivables	318,124,428	272,344,381	17%	1,319,484,690	1,129,602,788	17%
Derivative financial Instruments	-	53,479	N/A	-	221,815	N/A
Cash and cash equivalents	6,727,079	12,937,600	-48%	27,901,906	53,661,283	-48%
Total current assets	500,583,239	577,134,534	-13%	2,076,269,101	2,393,780,904	-13%
Total assets	1,826,516,401	1,795,570,277	2%	7,575,842,078	7,447,486,834	2%
Equity and liabilities						
Total Equity	423,625,574	356,849,998	19%	1,757,071,737	1,480,106,682	19%
Non-current liabilities						
Provision	79,036,717	72,490,851	9%	327,820,591	300,670,302	9%
Long-term debt	215,312,502	-	N/A	893,051,665	-	N/A
Other	463,090	474,414	-2%	1,920,758	1,967,727	-2%
Total non-current liabilities	294,812,309	72,965,265	304%	1,222,793,014	302,638,029	304%
Current Liabilities						
Trade and other payables	762,732,994	879,380,583	-13%	3,163,587,697	3,647,406,894	-13%
Derivative financial instruments	626,926	479,575	31%	2,600,301	1,989,133	31%
Provisions - current portion	-	-	-	-	-	-
Short-term debt	344,718,598	485,894,856	-29%	1,429,789,329	2,015,346,096	-29%
Total current liabilities	1,108,078,518	1,365,755,014	-19%	4,595,977,327	5,664,742,123	-19%
Total equity and liabilities	1,826,516,401	1,795,570,277	2%	7,575,842,078	7,447,486,834	2%



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Risk Management

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.

Interest rate risk

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.

Foreign exchange risk

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.

Liquidity and cash flow risks

The liquidity risk consists in not having financial resources available in order to fulfill company obligations when they are due. Based on the forecasted cash flow, the management of the company checks daily the liquidity level and ensures the fulfillment of obligations to suppliers, to the state budget, to the local tax authorities etc. according to their maturity. The current and immediate liquidity ratios are monitored permanently.

One of the concerns of the management of Rompetrol Rafinare is to know the effects of all these risks in order to ensure that the economic-financial activity of the company is carried out without any problems. During 2015 the company enjoyed continuous financing resources at the needed levels and ensured that no cases of temporary lack of financial resources or of lack of liquidity of the company occurred, as a result of selling products guaranteed with payment instruments and negotiating receipt terms from clients and payment terms to suppliers that are advantageous, maintaining at the same time a good relation with the business partners.

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. Overdue customer receivables are regularly monitored. 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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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.

Operational risk

The operational risk derives from the possibility that accidents, errors, malfunctions may occur, as well as from the influences of the environment upon the operating and financial results. Rompetrol Rafinare S.A. has continued a broad revamp process on the refinery technology, for the purpose of increasing the production, reducing the technological losses, as well as eliminating the accidental shut-downs in the industrial process. Also, the Company is preoccupied with maintaining and improving the quality-environment-safety integrated system on a constant basis, aiming to improve the organizational image, by complying with the requirements on quality, environmental protection and work safety, by improving the relationship with the authorities and with the socio-economic society, by limiting the civil and criminal liability and by meeting the legal requirements for quality – environment – security.

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 was 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.



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Note:

The Board of Directors Annual Report was prepared based on the audited financial statements.

The functional currency, as basis for preparing the financial statements, is USD. RON currency is used as currency for presenting the informations in USD, according to the International Financial Reporting Standards. All the RON information were obtained by multiplying the USD values with the exchange rate USD/RON = 4.1477 as of 31 December 2015.

PRESIDENT OF BOARD OF DIRECTORS
Azamat Zhangulov

MEMBER OF THE BOARD OF DIRECTORS
Alexandru Nicolcioiu

MEMBER OF THE BOARD OF DIRECTORS
Yedii Utekov

MEMBER OF THE BOARD OF DIRECTORS
Nicolae Bogdan Codrut Stanescu

MEMBER OF THE BOARD OF DIRECTORS
Mihai-Liviu Mihalache

CHIEF FINANCIAL OFFICER
Giani-Iulian Kacjic