



ANNUAL REPORT 2016

OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR 2016

Company ROMPETROL RAFINARE S.A.

Registered office: 215 Năvodari Blvd.,
Administrative Pavilion,
Năvodari, Constanța county

Nr. Telephone/Facsimile No.: +(40) 241 506100
+(40) 241 506930

Tax Identification Number at the Trade

Register Office by the Law Court of Constanța: 1860712

Registered with the Trade Register under No.: J13/534/1991

The shares of Rompetrol Rafinare S.A. are traded in the Standard Category of the BUCHAREST STOCK EXCHANGE¹

Subscribed and paid-in share capital: 4,410,920,572.60 lei

The main characteristics of the securities issued by Rompetrol Rafinare S.A.:

- **Dematerialized nominal common shares, the record of which is held by the Depozitarul Central S.A. Bucharest**
 - o **Total number of shares: 44,109,205,726**
 - o **Nominal value: 0.10 lei**
 - o **Symbol of shares at the Bucharest Stock Exchange: RRC**

¹Starting 5th of January 2015 the shares of Rompetrol Rafinare S.A. are traded in the Standard Category of the Bucharest Stock Exchange ("BSE"). Up to this date they have been traded within category II od BVB.



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**ROMPETROL RAFINARE S.A.****ANNUAL REPORT OF THE BOARD OF DIRECTORS for the financial year 2016**

MAJOR PERFORMANCE IN 2016, IN AN UNSTABLE GLOBAL ECONOMIC ENVIRONMENT:***Petromidia Refinery - historical record***

Petromidia Refinery within Rompetrol Rafinare company – part of the KMG Group international, registered in 2016 a historic record for an over-day processed quantity of raw material – **over 15,700 tons**, representing the highest quantity for the Refinery ever since 1979 – the year of its commissioning.

In 2016 Petromidia refinery obtained a very good operational performance, recording the historical levels for the main technological and operational parameters, such as:

- ✓ Processed raw material ~ 5.41 million tons, an equivalent of 15.700 thousand tons per day of processed raw material;
- ✓ Production of vehicle petrol of 1.25 million tons;
- ✓ Production of diesel fuel of 2.52 million tons; jet efficiency (4.4%) equivalent of 237 thousand tons ;
- ✓ Highest production of propylene: 125 thousand tons per year;
- ✓ Highest production of MTBE ever attained in the history of Petromidia Refinery of 41 thousand tons per year;
- ✓ Technological loss of 0.91% wt;
- ✓ 97.94% for the Energetic Intensity Index;
- ✓ Lowest processing cost in the last 10 years of 16.7 USD/t;
- ✓ Mechanical availability of 96.86%.

With concern to Vega Refinery, the total surplus of raw material was of 354,306 tons in 2016, increasing by 7.78% in 2015, when 328,746 tons were processed.

The level of utilization of the refining capacity for Vega Refinery was of 107% in 2016, increasing by 7.78% in 2015.

In 2016, Vega Refinery also succeeded to obtain very good operational performances, such as:

- ✓ Historic record for the bitumen production - 91 thousand tons per year;
- ✓ Historic record for the hexane efficiency (55% - equivalent of 83 thousand tons per year of production);
- ✓ Highest production of ecological solvents - 40 thousand tons per year;
- ✓ Processing cost of 39.7 USD/mt (lowest processing cost ever attained by the refinery);
- ✓ Lowest technological loss ever attained – 1.1% wt.

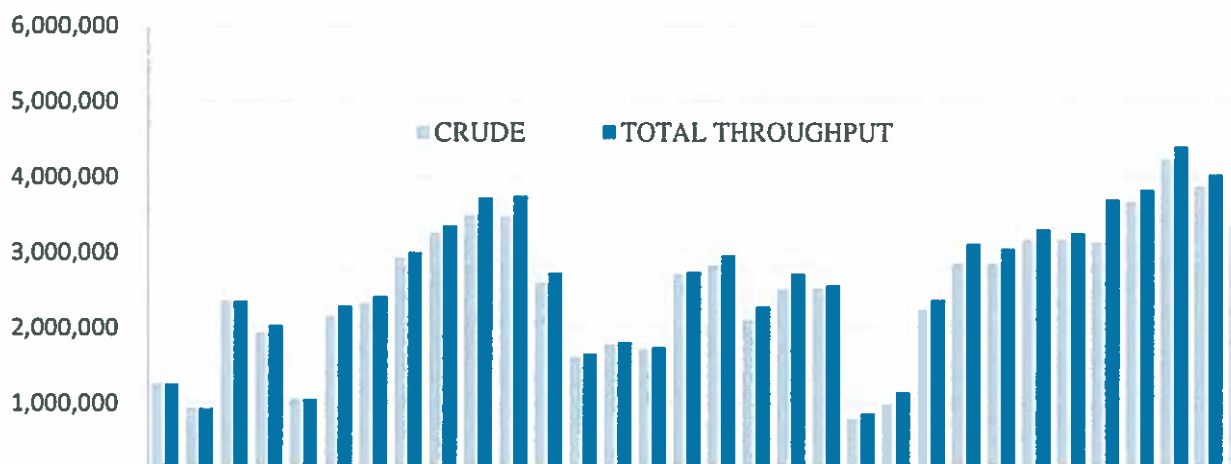


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The evolution of the subject of 1979 (the year of starting up the first installation within the Petromidia Refinery - Atmospheric and Vacuum Refinement) up to 2016 is rendered by the graphic below:

1979 - 2016, Refinery Processing, tons



IMPORTANT PROJECTS INITIATED BY THE COMPANY – DOLPHIN PROJECT

In 2014, a consultancy contract was finalized, having as scope the detailed analysis of Petromidia refinery and of main companies related to the functioning of the refinery, on the following activity flows: Supply Chain Planning, Production and Engineering Processes, Maintenance, Organizational Efficiency. The contract was concluded for a period of 60 days and had as scope the evaluation of the potential for improvement and the benefits that can be achieved pursuant to the implementation of an activity efficiency program.

In 2015, following the analysis provided by the consultancy company were finalized services contract having as scope:

- Consultancy for improving organizational efficiency;
- Consultancy comprising technical analyses, provision of technical solutions, improvement of technological processes in energy, production, and planning fields.

Whereas the results obtained pursuant to the services previously mentioned in the Dolphin project, the company management decided to continue the Dolphin project, and thus, in 2016 were contracted consultancy services in the areas of activity related to organizational efficiency and project management.



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The initiation and carrying out of the Dolphin project contributed to obtaining the following benefits:

- Improvement of the operational process;
- Increase of the refining margin;
- Development of a corrosion control program;
- Optimization of the utilities consumption;
- Improvement of the performance, optimization of the roles and responsibilities.



1. THE ANALYSIS OF THE ACTIVITY OF THE COMPANY

1.1. a) The description of the basic activity of ROMPETROL RAFINARE S.A.

Rompetrol Rafinare, a member company of the KMG International Group, operates the Petromidia refinery located in Navodari, Constanta county, as well as the Vega Refinery in Ploiești, Prahova county.

As of 01.01.2014, Rompetrol Rafinare SA took over the operational plants (polymer and utilities production) of Rompetrol Petrochemicals SRL.

In accordance with the provisions of the Articles of Incorporation of the Company Rompetrol Rafinare S.A. (Hereinafter "The Company"), the main object of activity is "manufacturing of the products obtained from the processing of crude oil " (CAEN code 192), and the main object of activity is represented by the "manufacturing of the products obtained from the processing of crude oil" (code CAEN 1920). Other secondary objects of activity are being detailed in the Articles of Incorporation of the Company.

Rompetrol Rafinare holds the quality as authorized warehousekeeper, in accordance with the applicable tax legislation. The Refineries Petromidia and Vega are authorized as production tax warehouses being manufacturers of energetic products, observing the tax rules governing the production of energetic products.

Rompetrol Rafinare also holds Integrated Environmental Authorizations, issued by the competent environmental authorities in accordance with the legislation regarding the environment, for the 2 operated work points: Petromidia (work points Rafinărie and Petrochimie) and Vega.

I) The Production Activity in the Year 2016

Rompetrol Rafinare is a business unit composed by three production capacities: Petromidia (located in Năvodari) and Vega (located in Ploiești) refineries and Petrochemicals plant (located in Năvodari).

Rompetrol Rafinare - work point Năvodari (Petromidia Refinery)

The production program of ROMPETROL RAFINARE S.A. for 2016 took into consideration a total processing of 5,349,280 tons, of which 4,702,500 tons of crude and 646,781 tons other raw materials.



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This schedule has been the basis for the preparation of the income and expenditure budget for the year 2016.

Processing carried out in the year 2016 is of 5,407,928 tons, out of which 4,707,837 tons of crude oil and 700,090 tons other raw materials.

This processing represents 101.10% of the program set up for the budget of the year 2016.

	<i>Tons</i>	
2016	Budget	Actual
Total throughput	5,349,280	5,407,928
Crude Oil	4,702,500	4,707,837
Other feedstocks	646,781	700,090

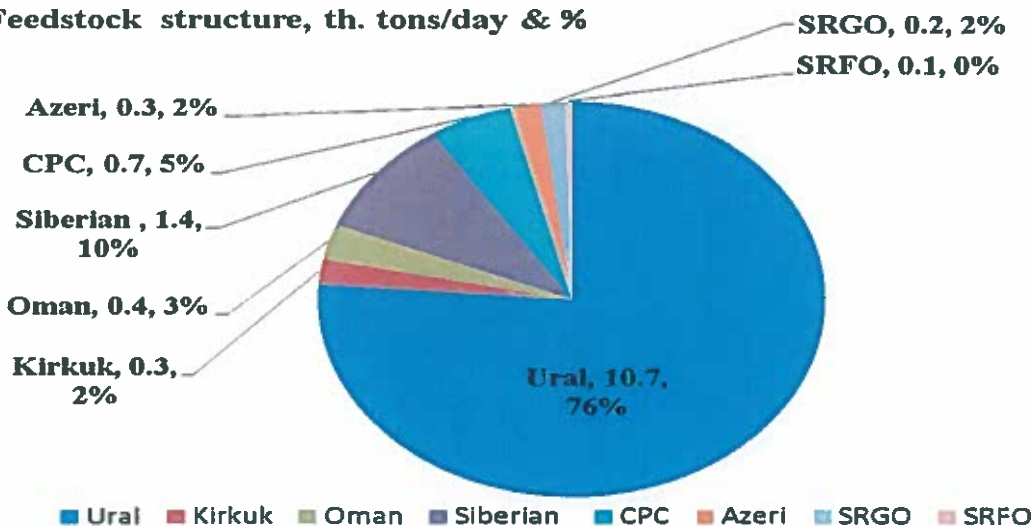
The situation of the processing, on quarters, is mentioned in the table below:

	QUART. I	QUART. II	QUART. III	QUART. IV	2016
Budget, tons	1,308,471	1,411,643	1,279,897	1,349,269	5,349,280
Achieved, tons	1,296,901	1,495,459	1,106,297	1,509,270	5,407,928
Achieved/Budget (%)	99.12	105.94	86.44	111.86	101.10

The action of attracting other raw materials in the processing process matches the strategy of ensuring a continuous operation and at a load of the plants as good as possible. (e.g.: Diesel fuel and black oil).

From the operational point of view, the refinery has been working at full capacity of 15,700 tons of raw material per day, reported to the time effectively worked, registering record performances. Petromidia has succeeded in capturing market opportunities, diversifying the structure of raw materials processed, considering technological and operational flexibility of the refinery.

Feedstock structure, th. tons/day & %



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The yields of diesel fuel ranked at 46.6% in 2016, while the yields of fuels (auto gasoline, diesel, Jet, automotive LPG fuel) reached the level of 75.3% in 2016, maintaining at the level of 2015 (75.5%), representing the best results in the history of the refinery.

Petromidia has produced nearly 2.52 million tons of diesel fuel in 2016, the highest level it has ever reached since its commissioning in 1979. A cut on expenses on processing as well as the increase of mechanical and operational availability allowed for an improvement of the Energy Intensity Index, which came to 97.94 points, the best annual level achieved by the refinery up to date.

Improving Petromidia Refinery's operational results, as well as attaining historical records in 2016, were supported by the completion in 2012 of the ample program of revamping and increasing the processing capacity to 5 million tons per annum, as well as of the technological works performed during the planned overhaul in March – April 2013 as well as during the general overhaul which takes place, in compliance with the group's management decision, once every 5 years, performed in October 2015.

Following the general overhaul performed in 2015, in 2016 the equipment functioned at a high level of safety, low maintenance cost, featuring a mechanical availability of 96.86%.

The operation of the refinery facilities shall be carried out in accordance with the highest standards of performance while ensuring the fulfilment of the commitments entered into relating to the environment protection.

The structure of the physical production as compared to the budget, in 2016, is as follows:

2016 Year	U.M.	Budget	Actual
Finished Products:	ton	5,211,140	5,242,124
Gasoline	ton	1,324,451	1,416,271
Diesel Fuel	ton	2,602,194	2,521,486
Jet	ton	247,200	236,769
Fuel Oil	ton	132,999	151,682
Propylene	ton	125,444	124,973
LPG	ton	248,456	237,293
Coke	ton	236,896	243,579
Sulphur	ton	52,870	52,697
Other products	ton	240,630	257,374
Total Loss :	ton	138,140	146,120
White products	%	85.80	85.10

In 2016, a purchase price for the crude oil of 332.40 USD/ton was budgeted, and in the end there has been used an average price of 314.50 USD/ton.

The average value of the finished products has been budgeted for the year 2016 at 414.38 USD/ton and there has been achieved an average price of 395.72 USD/ton.

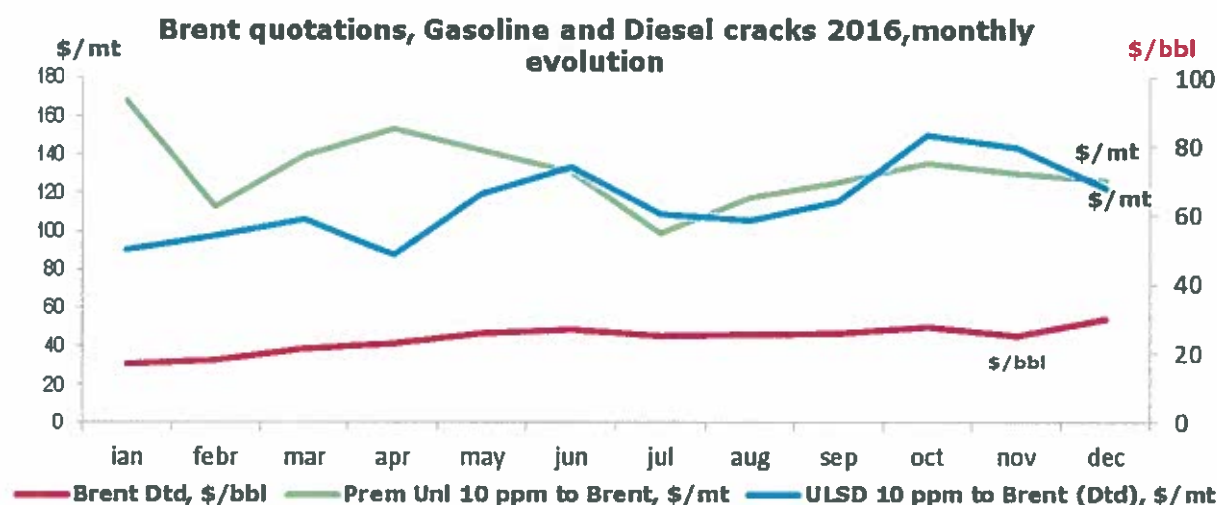


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As seen, the crude oil market evolution vs budget forecast registered a decrease of 5.39%, and the price on petroleum products followed the same trend, than the budget, the negative variation being only of 4.5%.

Throughout year 2016, the of petrol exceeded that of diesel fuel, by an average of approximately 67.79 USD/ton, the trend being slightly downward during January – July 2016, remaining relatively constant, varying slightly upward in August – December.



Source: Platts

The quantitative structure of the supplies is summarized in the following table:

PETROLEUM PRODUCTS	DELIVERIES						
	TOTAL DELIVERIES	INTERNAL *		EXPORT		transfer	
	tons	tons	%	tons	%	tons	%
Gasoline	1,250,201	268,389	21.47	981,811	78.53	0	
Gasoline for chemical use	159,625	0	0.00	0	0.00	159,625	100.00
Petroleum	234,643	200,885	85.61	24,166	10.30	9,592	4.09
Auto-Diesel Fuel	2,526,921	1,415,018	56.00	1,111,903	44.00	0	
Fuel oil	150,599	997	0.66	20,225	13.43	129,378	85.91
Propylene	124,973	0	0.00	0	0.00	124,973	100.00
Liquefied Petroleum Gas	236,380	235,865	99.78	515	0.22	0	
Petroleum coke	232,120	184,553	79.51	47,567	20.49	0	
Petroleum Sulphur	51,518	80	0.16	51,438	99.84	0	
Other products	107,398	44,870	41.78	0	0.00	62,528	58.22
TOTAL	5,074,378	2,350,658	46.32	2,237,624	44.10	486,096	9.58

* The quantities delivered for internal consumption include the petroleum products sold on the domestic market; the deliveries to Vega and Petrochemical are included under the heading "Transfer".

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ANNUAL REPORT OF THE BOARD OF DIRECTORS for the financial year 2016*****Rompetrol Rafinare – work point Vega Refinery***

The production schedule of ROMPETROL RAFINARE S.A., work point Vega Refinery for the year 2016 has been designed for a total processing capacity of 311,671 tons.

This schedule has been the basis for the preparation of the income and expenditure budget for the year 2016.

The processing achieved in 2016 is of 354,306 tons.

This processing represents 113.7 % of the program set up for the 2016 budget, in accordance with the raw materials available at the Petromidia Refinery and the market demand.

The situation of the processing, on quarters, is mentioned in the table below:

Throughput	QUART. I	QUART. II	QUART. III	QUART. IV	TOTAL
Achieved, tons	66,231	105,342	84,580	98,153	354,306
Budget, tons	65,958	82,971	80,834	81,908	311,671
Achieved/Budget (%)	100.4%	127.0%	104.6%	119.8%	113.7%

In 2016, the processed quantity was approximately 13.7% higher than budgeted quantity, the monthly average being 29,525 tons as compared to 25,973 tons provided in the budget.

The structure of the physical production as compared to the budget, in 2016, is as follows:

YEAR 2016	Budget [tons]	Actual [tons]
Finished goods	306,735	350,050
Gasoline + solvents	127,275	135,348
N-Hexane	78,651	82,938
White spirit and P Fuel	8,986	5,528
Calor Extra I	3,890	3,133
Light oil fuel type III	4,259	4,020
Heavy fuel oil	23,264	28,236
Bitumen	60,411	90,848

From the comparison Budget – Actual, the concern is noted regarding the obtaining of petroleum products in accordance with the market requirements.

In 2016, the energy consumption reported to throughput was 2.71 GJ/t. It experienced a decrease by approximately 9% reported to 2016 budget and the lowest power consumption registered in the past five years. The results represent the positive influence of implementation the measures of reducing energy consumption.



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In 2016, the energy consumption (GJ/t ~ 3.2) reported to the ton of throughput and also utilities cost were maintained at the same level as in the previous year 2015.

The quantitative structure of the supplies is summarized in the following table:

PRODUCT	TOTAL DELIVERIES [tons]	INTERNAL		EXTERNAL	
		[tons]	%	[tons]	%
Products delivered	340,940	153,435	45.00	187,505	55.00
Gasoline + solvents	131,974	25,700	19.47	106,273	80.53
N-Hexane	78,729	2,571	3.27	76,158	96.73
White Spirit	5,092	3,006	59.05	2,085	40.95
Diesel fuel	3,428	3,379	98.56	49	1.44
Light oil fuel type III	4,127	4,127	100.00	-	-
Heavy fuel oil	26,820	23,881	89.04	2,939	10.96
Bitumen	90,770	90,770	100.00	-	-

Rompetrol Rafinare – work point Nāvodari (the Petrochemical plant)

The production plan of ROMPETROL RAFINARE S.A. – Petrochemical Plant for year 2016 was done with Polypropylene (PP) and low pressure Polypropylene (LDPE) units, in service for 365 days.

This schedule has been the basis for the preparation of the income and expenditure budget for the year 2016.

The 2016 polymer production was 149,524 tons, of which: PP - 86,067 tons and LDPE – 63,457 tons.

The 2016 structure of the processed raw materials against the budget is as follows:

YEAR 2016	Budget tons	Actual tons
Raw materials	195,117	189,044
Propane propylene mixture	121,112	123,694
Ethylene	74,005	65,350

The structure of the physical production as compared to the budget, in 2016, is as follows:

YEAR 2016	Budget tons	Actual tons
Finished goods	161,210	149,524
PP	89,180	86,067
LDPE	72,030	63,457

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The comparison of the production with the budget shows that the PP production reached 97% of the budget, while the LDPE production reached 88% from the budget.

The quarterly processing is shown in the table below:

		QUART. I	QUART. II	QUART. III	QUART. IV	2016
PP	Budget, tons	22,880	22,880	20,280	23,140	89,180
	Achieved, tons	22,609	22,473	16,576	24,410	86,067
	Achieved/Budget (%)	99%	98%	82%	105%	97%
LDPE	Budget, tons	18,480	18,480	16,380	18,690	72,030
	Achieved, tons	16,080	14,376	16,354	16,646	63,457
	Achieved/Budget (%)	87%	78%	100%	89%	88%

In 2016 the average value of the cost on processed raw materials was for:

- propane – propylene mix – budgeted at 669 USD/ton and achieved 477 USD/ton;
- ethylene – budgeted at 1,077 USD/ton and achieved 1,059 USD/ton.

In 2016, the average sale price on finished goods was for:

- PP budgeted at 1,193 USD/ton and achieved 1,000 USD/ton;
- LDPE budgeted at 1,392 USD/ton and achieved 1,309 USD/ton.

The quantitative structure of the polymer deliveries is summarised in the following table:

PRODUCTS	DELIVERIES				
	TOTAL DELIVERIES	INTERNAL		EXPORT	
		tons	tons	%	tons
PP	88,903	29,645	33%	59,257	67%
LDPE	66,104	27,733	42%	38,370	58%

II) Investment activity

The investment activity in the year 2016 was focused, in accordance with the program, on the following:

- The increase of the processing capacity of the refinery and the generation of fuels, with the specification in line with the European standards as also an increase of the white products efficiency;



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- The alignment with the requirements of the European Union, the environmental standards in force, and in particular with the aim of reducing emissions.

The investments performed in 2016, added up to **37,037,111 USD**.

The main projects **completed in the year 2016**, in the Petromidia Refinery:

- **Replacement of panels in the electric stations of the Refinery (PT 2-5)**

The scope of the project is ensuring a high level of safety and security in supplying electric energy to the receivers within the VEGA Refinery installations, ensuring continuity in operation of the electric consumers within the technological installations, ensuring the manoeuvres in safe conditions in the electric stations, reducing the unavailability time of the electric equipment throughout the periods of repairs, reducing the number of interventions on the equipment by increasing the equipment reliability, replacement of the general distribution panels in the transformer units within Vega Refinery.

The project was concluded in May 2016.

- **Repairs on homogenizer 103/7**

The purpose of this project was to ensure the functioning conditions of the Refinery and Petrochemical, avoiding any accidental stoppages of the refinery should the take-over of waste water be impossible and avoiding penalties in case of any environmental contamination, by performing the overhaul of homogenizer 103/7.

The project was concluded in June 2016.

- **Obtaining the ISCIR 2016 authorizations for equipment and pipes**

The project to obtain the ISCIR authorizations for pipelines and conduits included only activities that could be performed with the plants under operation. 227 pressurized plants, 22 lifting systems, 1,327 pipelines have been subject to ISCIR authorization. The receipt of these authorizations warrants the safe operation of the Refinery plants according to current legal provisions HG 2139/2004, by means of an assessment of the equipment status after a period of operation, as well as by the elimination/repair of defects found during assessments in order to avoid the Refinery units unexpected shutdown.

The project was concluded in December 2016.

- **Piezometric wells (6 pieces) in area dr.22 F315-P12**

The object of the project consists of continuously and durably maintains the environment conditions, observing the Environment Integrated Permit assumed by Rompetrol Rafinare by performing 6 piezometers for monitorizing and scooping of approx. 315 mm in diameter and 4 – 5 m in depth.

The project was concluded in August 2016.



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➤ **Expertise on the Trestle utility network**

The scope of the project consists of: the expertise of the utility network and drawing up of the repairs project with a view to fitting into the legislation in force – Law 10/1995 and to safely operating the utilities. The project was concluded in June 2016.

The project category of “*Storage and Logistics*”, also counts:

➤ **Rehabilitation of IPPA Facility**

The benefits of achieving this project consist of the optimization, fluidization and maximizing the safe flow of road tankers within the IPPA terminal, entering into area 400 inside the refinery and the GPL uploading ramp such as to align the objectives of the KMG International Group and the conditions imposed by the implementation of the TAS project.

The project was concluded in December 2016.

➤ **Replacement of SCADA within the RR Ramp (Preparation works for the TAS implementation)**

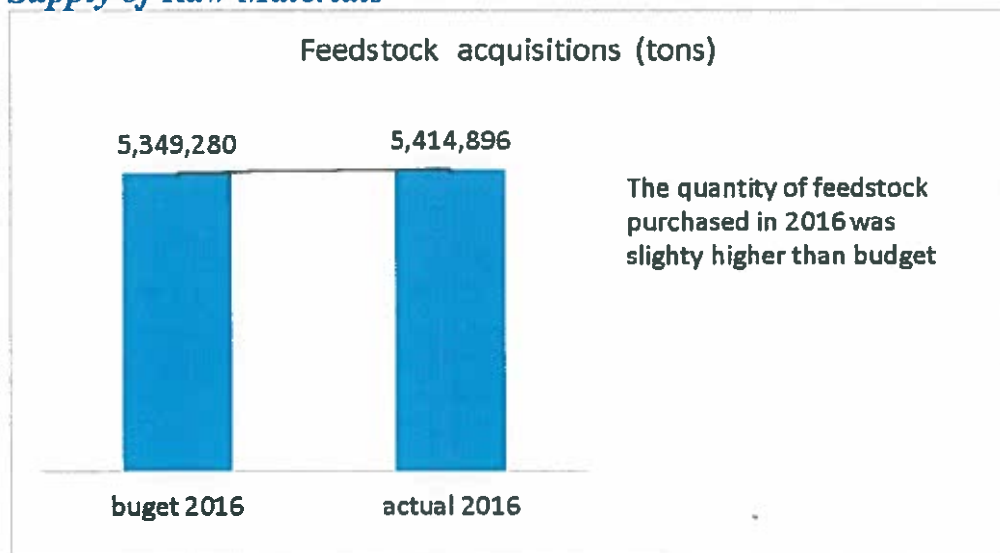
The scope of the project consists of revamping the terminal by replacing the existing SCADA application with a new one, Factory Talk View type, and integration of the RR Ramp into the Vehicle Terminal System.

The project was concluded in October 2016.

III) Commercial Activity

Rompetrol Rafinare – work point Năvodari (Petromidia Refinery)

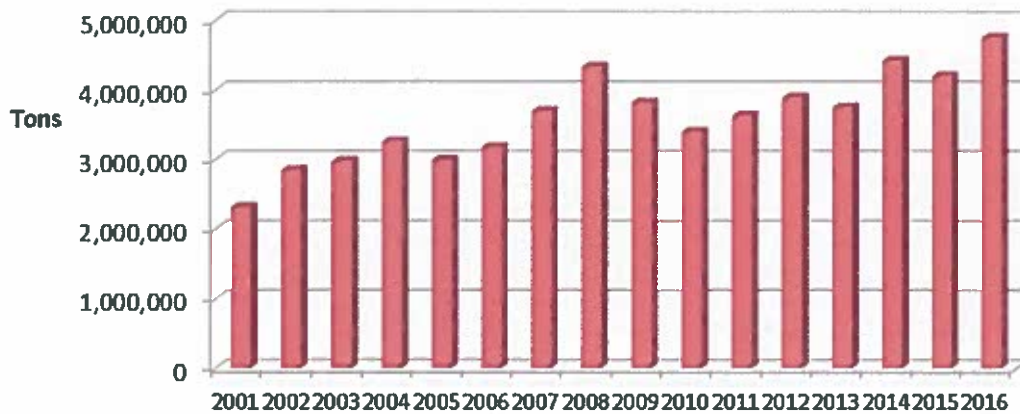
1. Supply of Raw Materials





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Evolution of crude oil acquisitions from 2001 forward



In 2016, crude oil purchases (4,752,447 tons) were higher to those of the previous year (4,199,603 tons) and budget. Crude oil imports were run exclusively through the groups trading company, KazMunayGas Trading AG.

The volume of all raw materials purchased in 2016 from external sources (5,362,555 tons) was higher to that of 2015 (4,883,472 tons).

The average price on crude oil purchased in 2016 was significantly lower (313 USD/ton) to that of 2015 (386 USD/ton) against a downfall of the international quotations (in 2016 the average quotation for Brent was of 44 USD/bbl (331 USD/ton) vs 52 USD/bbl (397 USD/ton) in 2015).

The volume of raw material purchases from domestic market was in 2016 in amount of 52,341 tons vs 34,282 tons of the previous year. These are supplemented by the raw material quantities coming from Vega in total quantity of approx. 27,692 tons (4,438 tons in 2015).

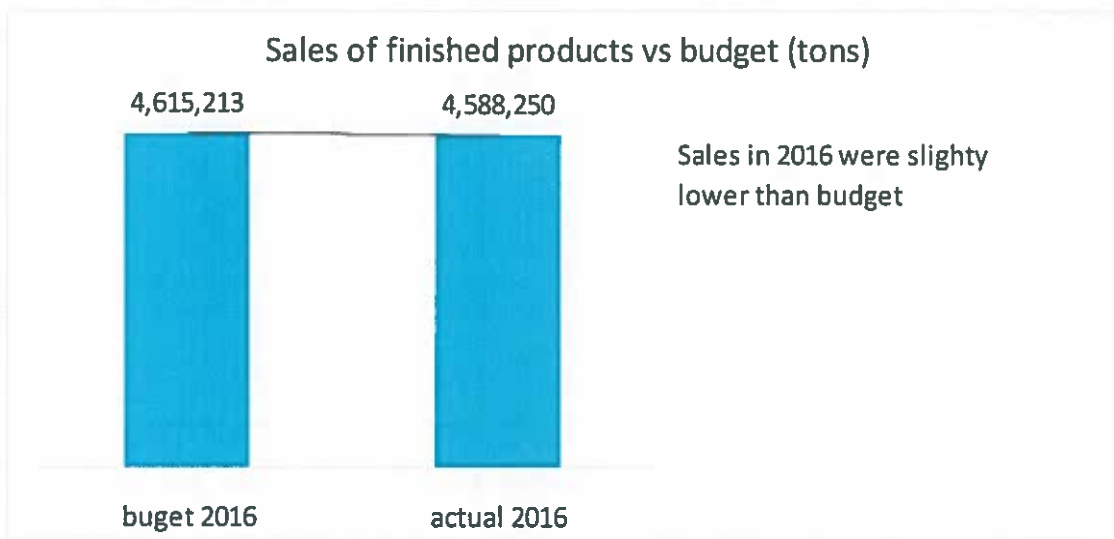
The suppliers of raw materials in the country have been:

- Mitsubitshi - methanol
- Bio Fuel - bioethanol
- Prio Biocombustibil/Expur - biodiesel

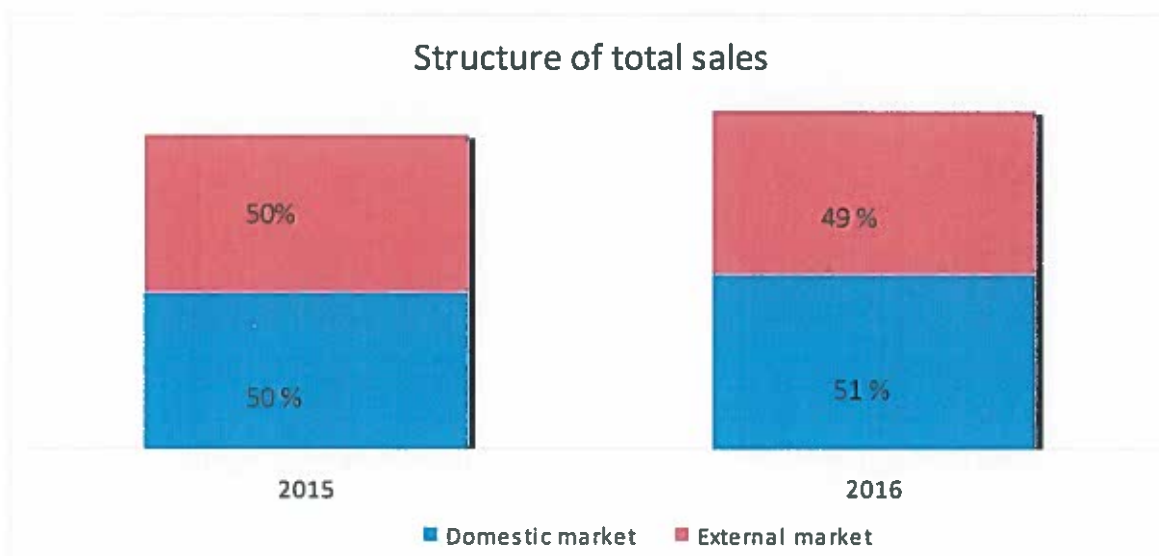


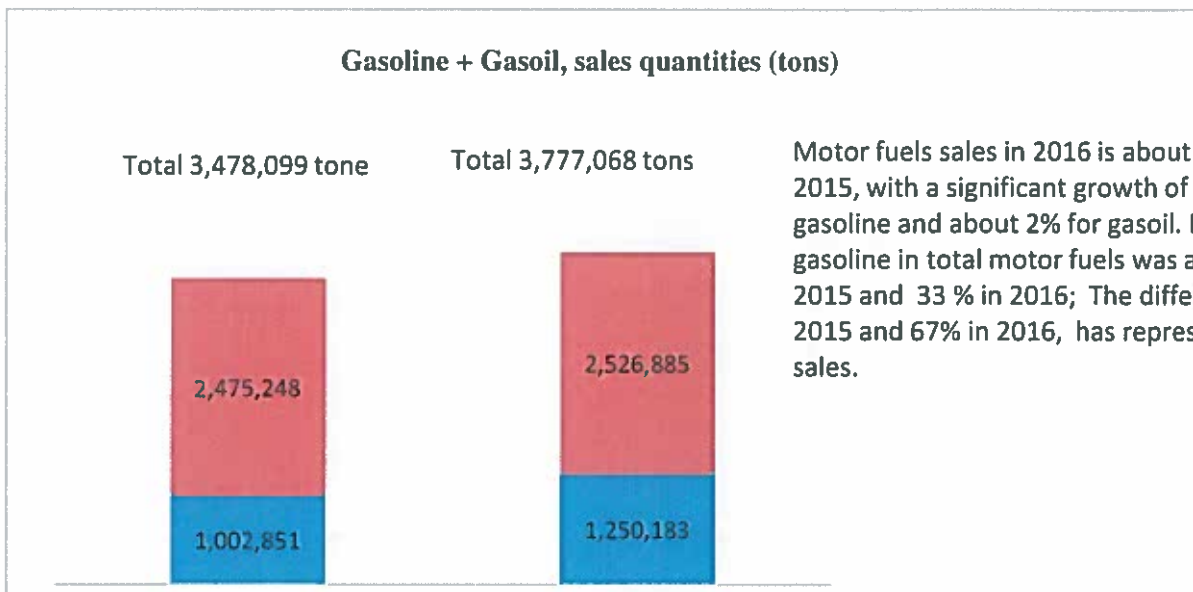
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2. Sales



The structure of sales on distribution markets



**ROMPETROL RAFINARE S.A.****ANNUAL REPORT OF THE BOARD OF DIRECTORS for the financial year 2016****Rompetrol Rafinare – work point Vega Refinery**

The quantitative structure of the deliveries of petroleum products in 2016 is summarized in the following table:

Products Group	Total deliveries 2016		INTERNAL		EXTERNAL	
	[tons]	% of the total sales	[tons]	% of the total sales	[tons]	% of the total sales
Other gasoline	92,545	27.14	25,143	16.39	67,402	35.95
Bitumen	90,770	26.62	90,770	59.16	-	0.00
Heating oil	7,555	2.22	7,506	4.89	49	0.03
Hexane	78,729	23.09	2,571	1.68	76,158	40.62
Heavy fuel oil	26,820	7.87	23,881	15.56	2,939	1.57
Crude and White spirit	5,092	1.49	3,006	1.96	2,085	1.11
Ecological solvents	39,429	11.57	558	0.36	38,871	20.73
Total	340,940	100.00	153,435	100.00	187,505	100.00

The main distribution markets abroad have been:

- Turkey, Hungary, Moldova, Poland for naphtha gasoline;
- India, Russia, Turkey, Ukraine, Bulgaria for hexane;
- Germany, Bulgaria, Italia, Moldova, Ukraine for ecological solvents;
- Bulgaria, Moldova and Serbia for white spirit;
- Bulgaria for fuel oil.

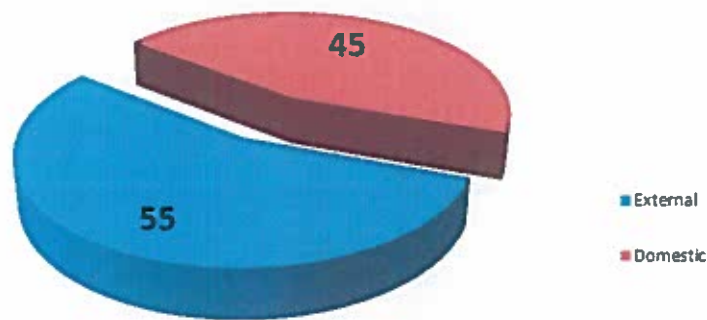


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Distribution market

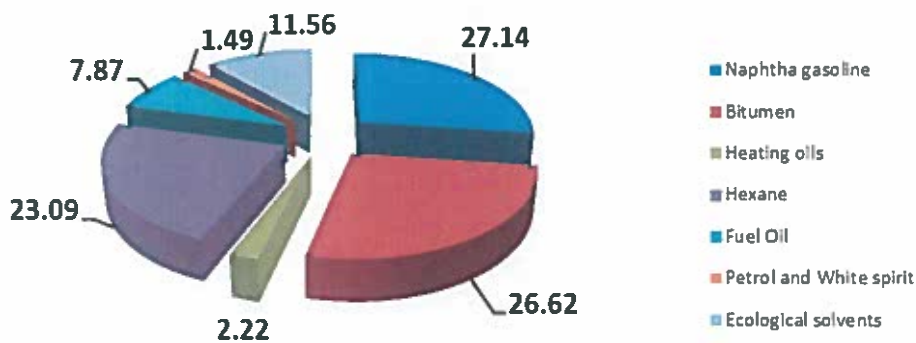
The sales in 2016 totalled a quantity of 340,940 tons. Within the internal distribution channel, there were sold around 153,435 tons and within the external distribution channel there were sold around 187,505 tons. The share of finished products sales on distribution markets is shown in the graphic below:

Sales on distribution channels [%]



The white products sales (naphtha gasoline, Ecological solvents, hexane and white spirit) represents approximately 63% of the total sales of 2016.

Sales on products [%]



Rompetrol Rafinare – work point Năvodari, the Petrochemical Plant

Rompetrol Rafinare SA, the Petrochemical Plant, is the sole polypropylene (PP) and polyethylene (LDPE, HDPE) producer of Romania.

The products are mainly meant for end users, plastic mass processing plants in Romania, as well as those on the regional markets: Bulgaria, Serbia, Ukraine, with which Rompetrol Rafinare S.A. has direct commercial relationships, yet also companies specialized on distribution of petro-chemical



ROMPETROL RAFINARE S.A.

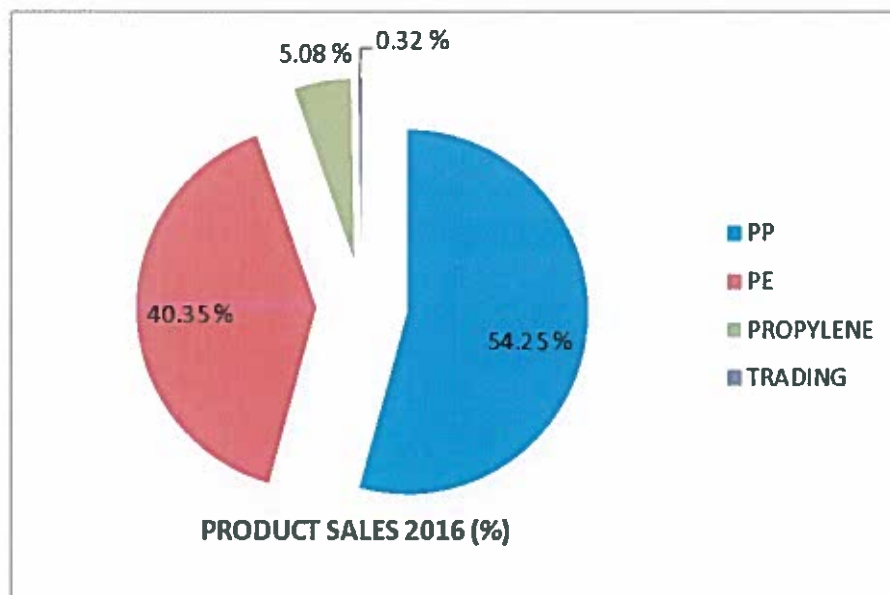
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the financial year 2016

products, on various markets throughout Europe, with a higher development level of plastic mass processing industry, such as: Italy, Turkey or Austria.

Besides its own products, the Company is now actively selling a wide range of petrochemical products which are not currently produced by the Rompetrol Rafinare – the Petrochemical Plant, but which are in demand on the Romanian market, namely: low density polyethylene (LLDPE) and PET.

The sales of Rompetrol Rafinare – Petrochimie Plant amounted in 2016 to a quantity of 163,866 tons.

In 2016, approx. 54% of total sales stand for polypropylene (PP), approx. 40% stand for polyethylene (PE), 5% stand for the sales of Propylene and 0,3% for trading goods sales.

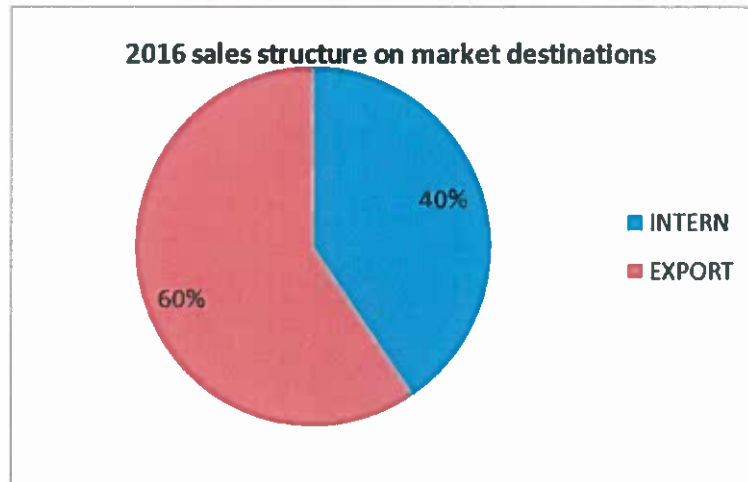


In 2016 we notice an increase of the sales on the domestic as well as on the international market, such as:

- the sales on the domestic market increased by approx. 7% in relation to the volumes of sales on the domestic sales in 2015;
- the sales on the international market increased by approx. 11% in relation to the volumes of exports in 2015;
- domestic sales account for around 40% of the total sales;
- international sales account for around 60% of the total sales.

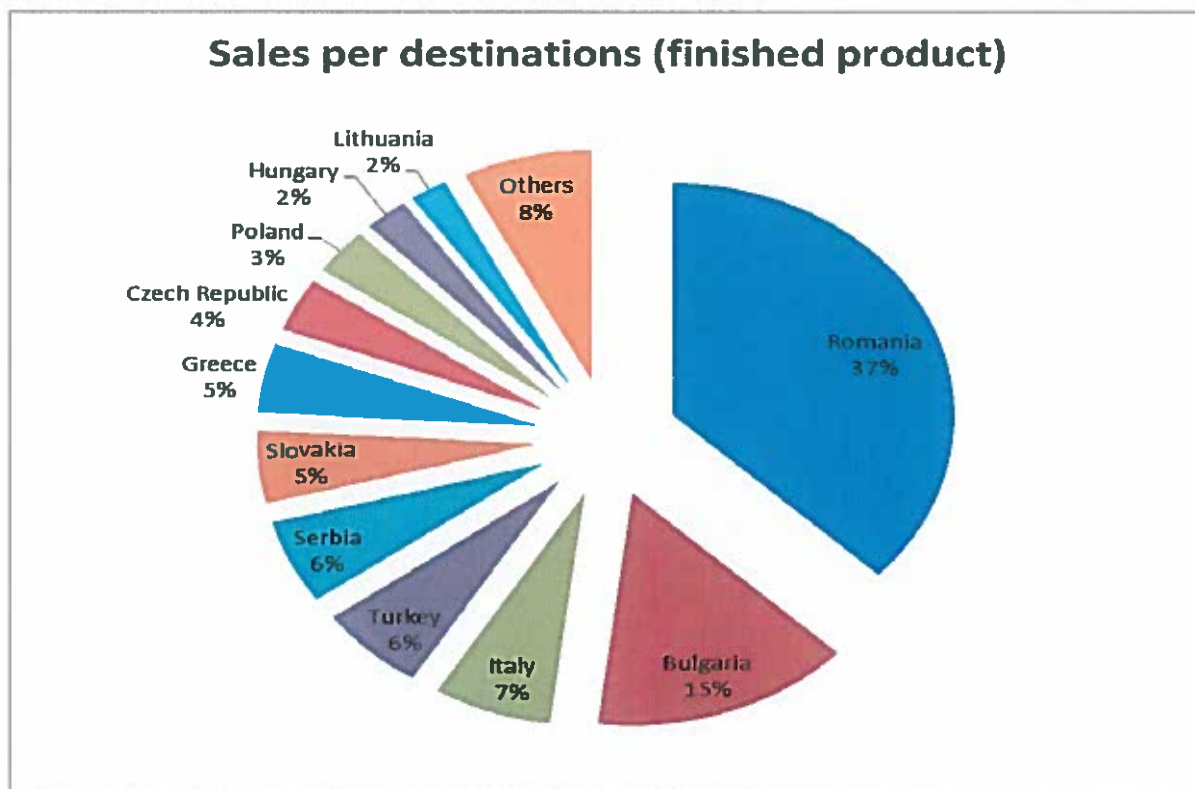


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The most important sale markets for the petro-chemical finished goods (PP/LDPE) are represented by: Romania, Bulgaria, Italy, Turkey, and Serbia.

The external sales of finished petrochemical products were targeted to both the European Union and third countries. The intra-communitarian deliveries represented approx. 74% of the total sale of finished goods, the difference representing the export sales on the non EU markets.





IV) Activity regarding quality, health, work safety and environment protection (QHSE)

Through QHSE specific activities it has been followed to achieve the objectives set for the year 2016. All these have materialized by **maintaining** the integrated management system quality-environment-health and occupational safety, as confirmed by **the supervision audit**, carried out by DNV-GL representatives (June 2016).

The major activities carried out in 2016 in order to achieve the QHSE objectives (detailing of the environmental and safety activities are to be found in the relevant chapters of this report):

- System documents have been maintained/developed/revised/reviewed (procedures / work instructions / regulations, etc.) in compliance with the requirements of the KMG International Group Policy no 1;
- There were performed internal audits, safety audits, inspections in accordance with the planning, in order to identify both weak points and improvement opportunities;
- There have been drawn up specific statistics and reports, with various frequencies (weekly/monthly/quarterly/half-yearly/annual/upon request), in order to meet as well internal requirements as also and legislative requirements and the requirements of other interested parties;
- The certifications on vehicle fuels and bitumen were kept in compliance with the legal requirements / regulations of the European Union;
- The activity at the two work points - Petromidia refinery, with two plants (Refinery and Petrochemical), and Vega refinery have been monitored for purposes of environment protection, pursuant to the Integrated Environment and Water Management Authorizations, as well as in what regards the compliance requirements under the Greenhouse Gas Authorization;
- The safety awareness program for Petromidia and Vega employees was continued.
- There have been taken actions for personnel recognition and motivation, there were organized and our employees join in CSR projects:
 - Action to increase safety awareness (setting up mirrors on the main access gates to the Refinery, along with messages regarding safety responsibility);
 - Interview on the local radio station of the Unit, concerning the Golden Rules and “tolerance” Rules;
 - Celebrating the 1st and 8th of March with the personnel on shifts 2 and 3, organized by the Communication and Motivation sub-committee;
 - “Plant a tree for the future” – activity of planting trees performed in the area of the localities Corbu and Vadu;
 - Presentation on “Professional Stress“, on occasion of the International Labour Day;
 - The “Green Corner” competition organized on occasion of the International Environment Day;



rompetrol

KazMunayGas
Group
Member

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- Safety competition having as subject the rules of “Zero Tolerance” and “Golden Rules”;
- Interactive Workshop “Vivre la vie” - “Let’s practice happiness on the dawn of winter holidays”.



**STATEMENT
OF THE MAIN ECONOMIC-FINANCIAL INDICATORS
AND OTHER INFORMATIVE DATA, ON DECEMBER 31ST,
2016, AS COMPARED WITH THE INCOME AND
EXPENDITURE BUDGET APPROVED IN THE GENERAL
MEETING OF THE SHAREHOLDERS OF THE COMPANY 2016**

Crt. No.	INDICATOR'S NAME	LEI	
		OMFP nr. 2844/2016	
		Carried out 2016	BVC 2016
1	Crude oil processed and other raw materials (tons)	5,407,928	5,349,280
2	Net turnover	8,774,321,849	8,886,861,672
3	Cost of sold production	(8,272,314,522)	(8,500,539,064)
4	Gross profit/ (Loss)	502,007,327	386,322,608
5	Distribution and general administrative expenses	(215,517,308)	(184,320,483)
6	Other incomes/operational expenses	(10,576,941)	(2,829,693)
7	Profit / (Loss) operational	275,913,078	199,172,432
8	Financial expenses	(130,189,378)	(110,695,170)
9	Financial incomes	21,170,401	-
10	(Losses)/ Gains on exchange rate variations, net.	(140,228,024)	-
11	Gross profit/ (Loss)	26,666,077	88,477,262
12	Incomes on tax on postponed profit/ Minority interest	43,335,431	(34,032,815)
13	Profit/(Loss) on exercise	70,001,508	54,444,446
14	Non-current Assets	4,935,324,962	-
15	Stocks	816,627,179	-
16	Receivables	1,018,649,187	-
17	Cash	45,891,549	-
18	Total debts (including provisions)	5,489,591,888	-
19	Own capitals	1,326,900,989	-
20	Average number of employees	1,085	1,222

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From the data shown in the table above, by comparing the results recorded on December 31st, 2016 with those approved by the income and expenditures budget (BVC), the following result:

1. In 2016, Rompetrol Rafinare processed a quantity of crude oil and other raw materials of 5,407,928 tons, approximately equal with that provided under the Revenue and Expense Budget, respectively 58,648 tons more than budgeted.
2. The turnover registered on 31.12.2016 is by 1% smaller than the forecast budget, mainly due to:
 - decrease in finished goods price compared with budget provisions;
 - the exchange rate estimated in the budget was 3.88 Lei/USD, but the annual average was 4.0592 Lei/USD.
3. The cost of the sold production was by approx 3% smaller than the amount forecast in the budget, due to an exchange rate estimation of 3.88 RON/USD and the annual average achieved in 2016 was of 4.0592 lei/USD;
4. The exploitation activity result is positive (profit) in amount of 275,913,078 Lei. Financial expenses registered 18% higher values than budgeted.
5. Exchange rate differences registered in 2016 are unfavourable, amounting to 140,228,024 Lei given the continuous depreciation of our national currency vs USD.
6. **At the end of 2016, Rompetrol Rafinare registered a positive result (profit) in amount of 70,001,508 Lei.**

According to the legal provisions in force, 5% of the profit shall incorporate as legal reserve (3,500,075 Lei) and the difference of 66,501,433 Lei shall be used to cover the account losses of the previous years.

7. The total amount paid during the year 2016 to the state budget and to the local budgets was of Lei 5,184,933,982 (equivalent to 1,277,381 thousand US dollars) mainly consisting of excise duties, VAT, salary taxes and charges, local taxes and other taxes. Of taxes paid by the Company to the state budget significant sums, quotas established by the legislation governing local budgets are directed to local authorities in the area of which the company operates.

***b) Date on which the Company has been established.***

Midia Năvodari Petro-chemical Complex (the first name of the Company ROMPETROL RAFINARE S.A.) has been designed during 1975 - 1977, on the basis of the Romanian refining technologies and on the basis of foreign licenses.

1991 has meant the transformation of the Combinatul Petrochimic Midia into a joint stock company, the assets of the former Company have hereby been totally retrieved. The new company, bearing the name of PETROMIDIA S.A., has been established by Government Resolution No. 1176/1990, pursuant to Law nr. 15/1990 on the reorganization of the economic units of the state as autonomous organizations and companies.

In the year 2001 the name of the Company changed from “PETROMIDIA S.A.” to “ROMPETROL RAFINARE-COMPLEXUL PETROMIDIA S.A.”, and in 2003 the Company changed its name to „**ROMPETROL RAFINARE S.A.**”.

The company is registered with the Trade Register Office Constanta under No. J13/534/1991, and has the Tax identification Number 1860712.

With regard to the legal provisions in force, in the General Extraordinary Meeting of the Shareholders of September 17th, 2007 it was decided upon gaining the full ownership of the facilities and equipment within the Vega Refinery, located in Ploiesti, 146 Văleni Str., Prahova county.

While gaining the ownership right and about while taking back possession of the land and of all the assets of the perimeter of the Vega Refinery, the Company has set up an own work point in Ploiești and obtained as of December 1st, 2007, the quality of authorized production warehouse keeper for energetic products and for the Vega Ploiești Refinery.

In this way, with effect on the same date of December 1st, 2007, the Company also operated the Vega Ploiești Refinery, as a second tax warehouse of production, together with the tax warehouse for production of the Petromidia Refinery.

In 2013, the Shareholders Extraordinary General Assembly approved the Company’s acquisition of the ownership right on mainly tangible and intangible assets, assets (buildings and constructions, technological equipment, devices and measuring installations, office equipment, IT equipment, means of transportation, other tangible assets), current investments and stocks, affected or associated to the main petrochemical activities, belonging to Rompetrol Petrochemicals S.R.L. (registration number with Trade Register J13/2681/2002, sole registration code 15077797), in compliance with the Assessment Report drawn up to this purpose by Pricewaterhouse Coopers Management Consultants S.R.L.

Through the integration of the activity of the 2 companies (Rompetrol Rafinare and Rompetrol Petrochemicals) it has been carried out in the first place the simplification of the deliveries of raw materials/finished goods between the technological facilities which presently belong to the same entity.

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The integration of the activities carried out within the two Companies represents a continuation of the strategy of the KMG International Group to concentrate in a single entity the production activity and the separation of the non-core activities.

c) Significant mergers or reorganizations of the Company, its subsidiaries or controlled Companies, during the course of the financial year.

Throughout 2016, the Company did not take part in any merger or significant reorganization.

d) Assets acquisitions and sales.

Throughout 2016, the Company did not register participations to other companies, purchase assets such as fixed assets and not sell assets.

e) The main results of the assessment of activity of the company

Rompetro Rafinare S.A. recorded in 2016 net turnover of RON 8,774,321,849 and a net profit of Lei 70,001,508.

Rompetro Rafinare S.A. continued the improvement of the efficiency of the refining activity as well as the reduction of technological losses and consumption.

1.1.1. Elements of general assessment

Indicators (LEI)	2016
Profit	70,001,508
Operating result - profit	275,913,078
Net turnover, of which:	8,774,321,849
Export	4,468,697,413
Cost of sold production	(8,272,314,522)
Market share (%) ²	27%
Liquidity (effective amounts in accounts and cash equivalents)	45,891,549

²Fuels sales (gasoline and diesel) on the domestic market segment are exclusively delivered by the Group authorized trader – ROMPETROL DOWNSTREAM SRL Bucharest which owns a 27% market share of Romanian fuel distribution.

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a) Profit

At the end of 2016, Rompetrol Rafinare registered a positive result (profit) of **Lei 70,001,508**.

According to the legal provisions in force, 5% of the profit shall be incorporated as legal reserve RON 3,500,075 following that the difference of RON 66,501,433 be used to cover the account losses of the previous years.

b) Turnover

In 2016, the net turnover of the company was of Lei 8,744,321,849, lower by 1% vs the planned budget and by 11% lower than the one registered at the end of 2015, mainly due to:

- decrease in finished goods price compared with budget provisions, while the quantities sold increased.
- a budget estimation of an exchange rate of 3.88 Lei/USD and the annual average achieved in 2016 was of 4.0592 Lei/USD.

c) Export

In 2016, the balance of international sales within total sales stood for approx 51%, coming to a value approximately equal to that at the end of 2015 (50%).

The total amount carried out in the course of 2016 from external sales of finished products was of USD 1,095,521,926 (for the Petromidia and Vega refineries and the Petrochemical Plant).

d) Cost of sold production

The cost of the sold production was by approx 3% lower than the amount forecast in the budget, since the budget estimated an exchange rate of 3.88 Lei/USD and the annual average achieved in 2016 was of 4.0592 Lei/USD.

e) Market share owned

From the data which we hold, the market share we estimated in the year 2016 reached about 27%, and is not influenced by major changes in the structure of the other distributors on the internal market.



f) Liquidity

As regards liquidity, the company maintained its capacity to cover the current debts from the current assets, the liquid ratio increased from 0.38 in 2015 to 0.44 in 2016.

1.1.2. The Assessment of the Technical Level of the Company

The main products produced by Rompetrol Rafinare S.A in the year 2016:

The Production Nomenclature of Rompetrol Rafinare S.A., work point Năvodari - Petromidia Refinery, includes a wide range of finished products, marketed both on the internal as well as on the external market, grouped into the following categories:

1. Liquid fuels

a) Gasoline

- RON 92 Gasoline
- Euro Super 98 Gasoline
- RON 98 Gasoline
- Eurostandard Gasoline
- Europlus 50 ppm Gasoline
- Europlus 10 ppm Gasoline
- Europlus 10 ppm BIO Gasoline
- Efix S 98 Gasoline
- Efix S 95 Gasoline
- Raffinate for chemical use

b) Diesel fuels

- Euro 5 Diesel
- Euro 5 Diesel (Euro 5 Super Diesel)
- Euro 5 Diesel (Euro 5 Super Diesel) Marcata
- Diesel 55
- EFIX Diesel 51
- Euro 5 Diesel (Winter Diesel)
- Euro 5 Diesel (Winter Diesel) Marcata
- EFIX 51 Diesel Winter
- Efix S Diesel 55

- Slurry



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c) Petroleum

- Aviation turbine fuel jet A1

e) Fuel oil

2. Gaseous fuels

a) Liquefied Petroleum Gas

- GPL
- Vehicle fuel GPL
- Propane fuel
- Commercial Propane-Butane

b) Gas

- C5-C6 Fraction
- Combustible refinery gasses
- Propylene/propane-propylene mixture

3. Solid fuels

- Petroleum coke
- Petroleum Sulphur

The Production Nomenclature of Rompetrol Rafinare S.A. work point Ploiesti - Vega Refinery includes a wide range of finished products grouped into the following categories:

1. Liquid fuels

a) Solvents

- Ecological solvents
- Normal hexane
- Naphtha Gasoline
- Light naphtha type II
- Light naphtha type A

b) White spirit and petroleum

- White Spirit
- Non-industrial fuel type P

c) Diesel fuels

- Calor Extra I

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- d) **Fuels**
 - Light oil fuel type III
 - Calor Economic 3
- e) **Fuel oil**
- f) **Bitumen**
 - Roads Bitumen
 - Special Bitumen
 - Polymer-modified Bitumen
- g) **Additives**

The production classification of *Rompetrol Rafinare S.A. - Nāvodari Unit – Petrochemical Plant*, contains a large array of petro-chemical finished goods, grouped into the following categories:

1. Polypropylene (PP)

- a) Injection sorts – J500, J600, J700, J800, J900, J1000, J1100, J1200, J1300, J1400, RHC40 – *sort nou*
- b) Sorts of Raffia – F301, F401, F501
- c) Sort thermos-forming – RTF-3
- d) Sorts of film – F500, F600, RCF9
- e) Sorts of fibers – S711, S1001, RSB25 – *new sort*

2. Polyethylene of low density (LDPE)

- a) Sorts of thin film – B20/2, B21/2, B20/3, B21/3
- b) Sort of film for thick bags – B20/03,
- c) Sort of film for liquid packaging – B21/05
- d) Sorts of thin film for thermo-contracting foil – B22/025, B22/07
- e) Sorts of agro-film for greenhouses - RGH-035 UV (new sort)

The Description of the main Services of Rompetrol Rafinare:

During 2016, the company provided the following services:

➤ Energy distribution and utilities services. These services have been performed by Thermo-Hydro Unit together with the Electric Unit for the companies on Petromidia platform as well as for other companies outside the platform, consisting of:

- Instrumental air, technical air, fire extinguishing water, drinkable water, hot water, condensed return water, waste water treatment, demineralized water, raw water, filtered



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water, combustible refinery gases, electric energy, thermal energy, drinkable water, propane for heating.

Services provided by third parties: treatment of waste water Treatment installations.

All these utilities are transported and distributed by the pipeline network exploited by the Utilities Plant. Transport and distribution costs are included in the price of the utilities, except for:

- electric energy – electric energy distribution tariffs on the two voltage levels of low voltage and high voltage are regulated by the National Energy Regulatory Agency;
- drinkable water – the tariff for the distribution of drinkable water is regulated by the National Regulatory Authority for Community Services of Public Utilities

Concurrently, the company purchased services consisting of: take over, transport, for the purpose of the final elimination in authorized installations of hazardous sludge waste having waste codes: 05 01 09* and 19 08 13*.

a) The main distribution markets for each product or service and methods of distribution:

In 2016, the share of the domestic market of the total sale was slightly higher (51%) to the one held on the international market. The domestic market absorbed approx 45% of the total quantity of vehicle fuels traded in 2016. The sales of vehicle fuels meant for the domestic market through the petrol stations network covered all geographical areas of Romania. The higher share (approx. 84%) in the sales of vehicle fuels traded on the Romanian market was on the sale of Diesel fuels.

The external sales were targeted to both the European Union and third countries. In 2016, the intra-communitarian deliveries increased their share (approx. 36% of the total finished goods sold), more than the previous year (30%).

International sales had the following main destinations:

Gasoline	- Greece, Lebanon, Georgia, Turkey, Moldova, Bulgaria
Diesel fuels	- Greece, Turkey, Bulgaria, Georgia, Moldova
Petrol	- Bulgaria, Georgia, Moldova, Hungary
Coke	- Ukraine, Turkey, Bulgaria
Sulphur	- Egypt, Morocco

The sold petroleum products have been shipped by means of road trucks and on rail, in case of domestic sales, while international sales were largely dispatched by the sea via the Midia and Constanta ports, but also by road and rail transportation means.



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The external sales of finished petrochemical products were targeted to both the European Union and third countries. The intra-communitarian deliveries represented approx. 74% of the total finished goods sold, the difference representing the export sales on non-EU markets.

The petrochemical products (PP/LDPE) sales had the following main destinations: Romania, Bulgaria, Italy, Turkey, and Serbia.

The petrochemical products sold by Rompetrol Rafinare were shipped with road trucks and by rail (domestic sales), and by both road trucks and maritime shipping from the ports of Agigea and Constanța in case of international sales.

b) The share of each category of products or services in the revenue and in the total turnover of the company, for the last 3 years.

Indicators	Value-million LEI			% in turnover		
	2015	2014	2016	2015	2014	2016
Net turnover, of which:	13,491	9,811	8,774	100.0%	100.0%	100.0%
Gasoline and diesel fuels	10,603	7,551	6,757	78.6%	77.0%	77.0%
Other petroleum products	2,030	1,481	1,252	15.0%	15.1%	14.3%
Petroleum products	785	733	729	5.8%	7.5%	8.3%
Goods	52	25	14	0.4%	0.3%	0.2%
Utilities	9	8	8	0.1%	0.1%	0.1%
Services	12	13	15	0.1%	0.1%	0.2%

The most part of the Rompetrol Rafinare income is represented by the sale of petroleum products, mainly automotive fuel.

c) The new products taken into account for which a substantial volume of assets shall be used in the future financial year as well as the development stage of these products.

In 2017 Rompetrol Rafinare shall continue to deliver on the domestic market only Euro 5 fuels (max Sulphur content of 10 mg/kg) and a content of biofuel of minimum 4.5% in volume for gasoline and minimum 6.5% in volume for Diesel fuel (in compliance with the Government Resolution no. 1121/2013 which modifies and supplements Government Resolution no 935/2011 and Government Resolution no 928/2012).

The Euro 5 fuels are:

- Efix S 98 Gasoline
- RON 98 Gasoline

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- Euro Super 98 Gasoline
- Efix S 95 Gasoline
- Europlus Gasoline
- Efix S Diesel 55
- Diesel 55
- EFIX Diesel 51
- Euro 5 Diesel

For year 2017, Rompetrol Rafinare does not envisage any increase of portfolio on delivered products.

In 2016, the petro-chemical sector continued the development program of a range of products which had started in 2014. Thus, 3 new sorts were developed:

- RGH035, a type of LDPE meant for manufacturing greenhouse foil, the development of which was finalized in 2016. The foil produced with this sort has a life expectancy of at least two agrarian seasons, taking into account the exposure to sun radiations in Romania;
- RSB25, sort of PP used for manufacturing “Spun Bond” type of fibers;
- RHC40, sort of PP meant for manufacturing injection articles with improved clarity and transparency.

The product packaging and delivery capacity was also diversified by using packaging in ISO standard containers, fitted with inner liner. In 2016 bulk delivery on road trucks started.

In the second half of 2017, the HDPE (high density poly-ethylene) installation shall be restarted.

1.1.3. The Assessment of the Tehnnical-Material Supply Activity

Crude oil– the main raw material of Rompetrol Rafinare is ensured by firm import contracts concluded annually, with KazMunayTrading A.G. (trader of KMG Group International), which confers stability and safety for the optimum operation of the oil refinery. The source of purchase of crude oil is external; the main import market being that of Kazakhstan. The purchased crude is traded through Midia Marine Terminal S.R.L. The purchase of the other raw materials is ensured from both Romania, and external sources.

The raw material purchase prices have as a basis of calculation the reference international quotations on the oil market. The quotation level is induced by the variation and international situation influenced by the economic and geo-political factors and this fact is also reflected raw material purchase price level which follows the upward or downward trend of quottions.

Ethylene – the raw material for polyethylene (LDPE, HDPE) is purchased on the external market, at prices following the quotation trends.



Information with regard to the safety of sources of purchase and prices of raw materials and to the dimensions of raw material stocks and materials.

The takeover by KazMunayGaz of Kazakhstan, of the entire package held by the parent company of the Rompetrol Group³ (Rompetrol Holding N. V.) in the Dutch company The Rompetrol Group N.V. (currently name KMG International N.V.), ensures the stability of purchase sources for crude oil required for the proper functioning of the Petromidia Refinery, as well as a financial support from the majority shareholder, for the financing of the investment.

The whole quantity of crude oil for 2016 was contracted with the company KazMunayGaz Trading A.G. - which is the trader of the KMG International Group, located in Switzerland and specialised in marketing operations with crude oil and petroleum products. This ensures the imports of crude oil and other raw materials and at the same time takes over the petroleum products for sale on external markets. The prices of the raw materials follow the trend of the international quotations regarding crude oils and other raw materials on the international reference markets, the latter constituting the calculation base for the purchase prices of Rompetrol Rafinare. For the year 2017 there are no expected changes in the flow of supply of raw materials and supplies.

The crude provided by KMG International Group is unloaded in the own maritime terminal located close to the Petromidia Refinery.

Also, there are contracts concluded with the service providers (Conpet S.A., Midia Marine Terminal S.R.L), which take care of the loading and unloading of the raw materials and petroleum products in the Constanța and Midia ports.

The chemicals purchased by Rompetrol Rafinare S.A. (for the two oil refineries) in the course of the year 2016 may be grouped as follows:

- catalysts
- additives
- chemical services for water treatment
- other chemicals (inhibitors, process chemicals, etc.)
- reactives
- oils

1.1.4. The Assessment of the Sales Activity

a) The trend in sales on the internal and/or external market and their estimate on medium and long term.

The total sales of 2016 increased to those of 2015, especially on the domestic market and specifically on diesel fuels. On the external market, the volume of sales increased as compared to the previous year, especially gasoline, following the increase in volumes traded on the regional

³ With its present name Grup KMG International



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markets (Greece, Georgia, Turkey, Bulgaria, Moldova), as well as the entry on other markets. 2017 aims for a consolidation of the already existing markets and extending on other markets. For the internal market, the marketing strategies aim at increasing the market share by increasing the number of petrol stations at national level and implicitly the increase of sales on the domestic market.

b) The description of the competition in the field of activity of the company, the market share of the products and the services of the company and the main competitors

The main **competitors** (who are also producers) on the internal market are:

- OMV Petrom S.A.
- Lukoil Romania S.A.

The main **competitors** on the foreign market are: OMV, Shell, Mol, and Agip.

The main **competitors** (which are also producers, but located outside of Romania) for petrochemical products on the domestic and external markets are:

- TVK
- Slovnaft
- HIP Pancevo
- Lukoil Burgas
- Borealis
- Sabic
- DOW
- Petkim

c) The description of any significant dependency of the company towards a single client or group of clients the loss of which would have a negative impact on the income of the company.

From the point of view of the significant dependence towards a single client or group of clients:

KazMunayGaz Trading A.G. - performs more than 10% of the company's external sales.

Customers with more than 10% of the company's sales on the internal market: Rompetrol Downstream S.R.L.

**ROMPETROL RAFINARE S.A.****ANNUAL REPORT OF THE BOARD OF DIRECTORS for the financial year 2016*****1.1.5. The Assessment of the Aspects regarding the employees/staff of the Company.******a) the number and level of training of the employees of the company as well as the degree of unionising the employees.***

On December 31st, 2016, Rompetrol Rafinare, Năvodari Unit (Petromidia Refinery) had a number of 893 employees, of which: 193 - higher education staff.

On December 31st, 2016, in the Vega Refinery Unit, Ploiesti, the company had a number of 184 employees, of which: 33 - higher education staff.

TOTAL: On December 31st, 2016, Rompetrol Rafinare S.A. had a total of 1077 employees, of which: 226 - higher education staff.

The trade union membership rate was 89.51 % (964 employees are Trade Union members).

The following trade unions activate in the company: Petrochimistul Free Trade Union (596 members), Vega Free Trade Union (106 members), Midia Năvodari Industrial Platform Workers Trade Union (262 members).

Break down of employees on age groups:

- Rompetrol Rafinare Petromidia Unit

Age Range	Number of employees	Percent of the total number of employees
< 30	84	9.41%
30 - 39	111	12.43%
40 - 49	351	39.31%
50 - 59	335	37.51%
>60	12	1.34%

- Rompetrol Rafinare Vega Unit

Age Range	Number of employees	Percent of the total number of employees
< 30	7	3.80%
30 - 39	13	7.07%
40 - 49	93	50.37%
50 - 59	66	35.87%
>60	5	2.72%

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Also, in the reported period there have been carried out a series of training programs for employees in the areas following areas: functional competences; general knowledge; legislation; management skills; communication; presentation skills; QHSE certifications; safety; professional knowledge - support functions, etc.

A total number of 726 employees attended the trainings, which totaled 14,942 hours, which means an average of approx. 13.35 hours training/employee.

The total cost of training for the year 2016 was 165,165 USD.

b) The description of the relations between the manager and the employees as well as any conflicting elements which characterise these relations.

The relationships between the company management and employees are normal. There is a regular dialogue between the company management and the unions.

In 2016 addendum no 1/30.06.2016 to the Collective Labour Contract (Contractul Colectiv de Muncă – „CCM”) between Rompetrol Rafinare and Sindicatul Liber Petrochimistul (Free Petrochemist Union - „SLP”), based on art. 149 and art. 150 of Law 62/2011, by means of which it was agreed that the increase of the base salaries by 10% for all the employees of the company, starting with 01.07.2016, throughout the entire duration of the contract, respectively throughout the duration of the extension of the collective labour contract, in force at company level until 31.12.2017.

1.1.6. The Assessment of the Aspects relating to the impact of the main activity of the issuer on the environment

The synthetic description of the impact of the basic activities of the issuer on the environment as well as any existing or planned disputes with regard to the violation of the legislation concerning the protection of the environment.

The Company owns and operates the Petromidia Refinery, located in Năvodari, Constanța County and the Vega Refinery located in Ploiești, Prahova County.

Through the nature of the activities carried out (processing of the crude oil), the company has an impact on the environment, and for this reason the management is continuously preoccupied with the prevention and control of the impact of the activities carried out, on the environment factors, allocating considerable financial resources for investments to this purpose.

The environment strategy of Rompetrol Rafinare is based on the compliance with the legislation, through permanent monitoring and regular reporting of the compliance degree and the continuation of the investment programs, for the alignment with the best techniques available in the industry (BAT BREF) and shall be based on the following principles:

- Compliance with legislation and other applicable requirements, the permanent monitoring of the degree of legal compliance;

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- Using the environmental management system in order to integrate performance criteria as well as criteria regarding air, water, soil and natural resources protection;
- The continuation of the investment program in order to comply with the legislation in the field of environment protection;
- The assessment of the environment performances of the company, the communication with the interested organizations as well as with the local communities, with regard to the continuing improvement of the environmental performances.
- Promoting information and awareness among the employees of the company, with regard to the measures for prevention and reduction of the emissions in the atmosphere, water and soil, including the measures concerning the waste management for the activities carried out and which may have an impact on the environment.
- Participation in voluntary projects and social responsibility projects in the neighboring communities.

Integrated Environmental Permit

Throughout 2016 Rompetrol Rafinare SA – Năvodari Unit operated based on the Integrated Environmental Permit no 1/10.05.2013 valid up to 10.05.2023 (Refinery Plant) and respectively AIM no 9/3.10.2011 valid up to 02.10.2021 (Petrochemicals Plant).

Vega Refinery functioned based on the Environment Integrated Permit no 9/08.07.2015 issued by APM Prahova, valid until 08.07.2025.

Environmental Agreement

During 2016 all investment projects were completed within the assessment procedure of impact on the environment together with the receipt of the regulation documents (usually Decisions on the project category level) from the competent authority on environmental protection.

Project “Rehabilitation and layout of the field area on the premises of ROMPETROL RAFINARE S.A. - Rafinăria Vega Ploiești on which we have located acid pitch pits and petroleum refuse” on the Environment Permit no 1/18.02.2015 is in process.

The Water Permit

In 2016 a new Permit was issued by ANAR for the Water Management and Administration with a validity of 2 years.

Rompetrol Rafinare SA - Vega Refinery received the Water Permit no 1/04.01.2016 issued by SGA Prahova with a 2 year validity.

The Greenhouse Gas (CO₂) Permit

The Greenhouse Gas Permits are valid until the end of 2020 (Stage III – 2013-2020), both for Rompetrol Rafinare – Petromidia Unit, and Rompetrol Rafinare – Vega Unit.

Throughout 2016, within the National Agency for the Environment Protection, there were drawn-up and submitted the Plans on monitoring and reporting the CO₂ emissions for 2017.

In March 2016, the 2015 emission associated certificates were returned to the European Register of CO₂ Gases Emissions (EUTL).

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Compliance with the REACH Regulation – as required by the European Chemicals Agency (ECHA)

- ECHA requirements were complied on updating files for the manufactured and marketed petroleum products.
- Safety Data Sheets on all petroleum products introduced to the market were updated, in the context of applying the requirements of the EU Regulations 830/2015.

In 2016, Rompetrol Rafinare – Năvodari Facility continued the works on emptying sludge dump no 2.

1.1.7. The assessment of the research and development activity

The statement of expenditure under the financial year as well as of those which are to be expected for the next financial year for research and development.

Expenditure carried out in the year 2016

Expenditure for studies and technical assistance 2,395,605 USD

Expenditure planned for the year 2017

Expenditure for studies and technical assistance 1,938,400 USD

1.1.8. Assessment of the company's risk management activity

The description of the company's exposure to the price risk, credit risk, liquidity and cash flow risk.

The company is exposed to the risk induced by the high volatility of the prices of crude oil and petroleum products, with a direct impact on the gross margin on sales.

From the point of view of liquidity, on the background of a volatile market of petroleum and refined products, the company has made efforts to maintain the coverage of current debts from current assets, the current liquidity indicator being in 2016 at a value of 0.44.



Description of the policies and objectives of the company regarding the risk management

By the nature of its activity, the company is exposed to some risks:

- market risk arising from the exposure to interest rate, exchange rate EUR - USD, USD - RON fluctuations, the volatility of the selling prices of petroleum products and of the purchase prices of crude oil;

The Company is affected by the volatility of crude oil, oil product and refinery margin prices. Its operating activities of the Company require ongoing purchase of crude oil to be used in its production as well as supplies to its customers. Due to significantly increased volatility of crude oil, the management developed a hedge policy which was presented to the Company's Board of Directors and was approved in most significant aspects in 2010 and with some further amendments in February 2011. Starting with January 2011 the hedge policy was implemented within Rompetrol Rafinare.

According to the hedge policy, on the commodity side, crude oil and petroleum products, the flat price risk for priced inventories above a certain threshold (called base operating stock) is hedged using future contracts traded on ICE Exchange and some OTC instruments for the secondary risks. Trading activities are separated into physical (purchase of raw materials 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).

Rompetrol Rafinare sales or buys a number of future contracts depending on the position to be hedged. This type of transaction is done only to cover the price risk and not for making profit through speculative trading of these instruments.

The company also had hedge operations for refinery margins.

- the credit risk arising from the possibility that the contractual obligations are not being kept by business partners, customers and suppliers is being monitored at regular intervals, through creditworthiness/solvency assessments of customers and by requiring guarantees on delivery.

- the liquidity risk consists in not having financial resources available in order to fulfil 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 fulfilment 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.

- 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, improving the environmental performances, as well as eliminating the accidental shut-downs in the industrial process.



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For the projects and activities performed, Rompetrol Rafinare proactively develops and implements management strategies on the risks which may potentially affect the company and the interested parties.

Rompetrol Rafinare approaches risk management in an orderly manner, iteratively accessibly and with consequence, following the steps below:

1. It ensures the identification and assessment of risks in due time, in compliance with the risk management methodological instruments, by keeping a *Risk Register* to contain detailed information and analyses of all risks of the company, as well as a description of those factors whose change might influence or determine the occurrence of risks;
2. It ensures the quantity and quality assessment of risks with a view to evaluate their impact on the achievement of set targets, as well as the probability assessment of risk occurrence, by keeping, for each identified risk, a *Risk & Control Assessment Form*
3. It ensures the management and implementation of measures set for the associated process implementation risk control;
4. It ensures the supply of complete and in-due-time information on the status of risks and performance of the control measures within the risk management responsible department;
5. It ensures the availability of specific risk management mechanisms, proper process control procedures (standards, regulations, corporative policies on certain type of risks management), and aiming at reducing the risk level.

The purpose of the company is to identify, assess and minimize the risks associated to communities, employees, contractors, environment and our business.

The company is concerned with maintaining and continuous improvement of the Quality Environment Health and Safety Management Integrated System, with results on the improvement of the organization image, improvement of relations with the public authorities, socio-economic community as a whole, limitation of civil and penal responsibility, by meeting the legal requirements and regulations on Quality Environment and Safety.

In this respect, Rompetrol Rafinare holds certifications on all vehicle fuels on the market and the QEOHS Management Systems was maintained throughout 2016 as well.

Rompetrol Rafinare S.A has taken all the appropriate actions to achieve the objectives regarding health and occupational safety and also activities necessary to comply with the legal requirements and regulations.

The objectives were not attained 100% due to the major fire of August 2016 (fire to the VD installation in Rompetrol Rafinare SA – manufacturing facility Rafinaria Petromidia). The causes of the incident are under investigations performed by the habilitated authorities.

In 2016, the company still continued to identify and assess the major dangers generated by normal operation as well as accidental circumstances, as well as to assess their probability and severity, to this purpose performing HAZOP type risk analysis, for two technological installations Rompetrol Rafinare (“Product Mixing, Finishing - Amestecare, Finisare Produce (AFP)” installation Vega and “Waste Water Cleaning - Epurare Ape Uzate” installation Petromidia).

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The implementation of the Change management (MOC) also continued with the help of a dedicated application, so that the identification/tracking/communication/review and approval of the changes could be secured before implementation.

"The operation authorization" of the rescue Station has been maintained through the surveillance audit carried out by INCD INSEMEX Petroșani. The operative staff who work within the rescue Station were reauthorized by INSEMEX Petrosani.

For the training of the staff operating on platforms, and on the basis of the scenarios from the Internal Emergency Plan, there are carried out regularly simulation exercises of a major accident in which there are also involved the subcontractors. Also, starting with 2016, practical exercises have been carried out with the staff, having as a subject "the use of extinguishers of all types".

The safety awareness program "Safety Rompetrol" has been continued, pursuing the development and implementation of the management of health and occupational safety to the highest standards and the achievement a level of safety comparable to the levels of the most famous companies in the world.

The program is aimed to improve the activity regarding work safety, in order to raise the awareness of workers, including the subcontractors, in respect with adopting a safe behavior and reducing the risks of injury and/or professional illness specific to all activities on the platforms Petromidia and Vega.

1.1.9. Elements of perspective regarding the activity of the company

a) Presentation and analysis of the trends, elements, events or factors of uncertainty which affect or could affect the liquidity of the company as compared to the same period of the previous year.

The company made efforts to maintain its capacity to cover the current debts from the current assets; the liquidity ratio increased from 0.38 in 2015 to 0.44 in 2016.

The liquidity risk derives from the possibility that the financial sources may not be available in such a way as to meet the obligations of the company in due time. The Company management follows the liquidity level daily, as well as ensuring that its obligations towards suppliers, the state budget, local budgets, etc. are met in accordance with their maturity, with the aid of the expected cash. The coefficients of current and immediate liquidity are monitored at all times.

Knowing the effects of these liquidity risks constitutes one of the concerns of the management of the company Rompetrol Rafinare S.A. in conducting the economic-financial activity in a smooth way. Ensuring continuous funding sources also to the planned levels has been made possible by an



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appropriate credit-granting policy related to identifying the current needs and the needs for investments.

The activity of the company will continue to be influenced by developments in the international situation as far as the market of crude oil and petroleum products is concerned, as well as by a series of internal macroeconomic factors.

In the specific market context of petroleum products, marked by a high volatility of prices, the management of the company has implemented a policy of risk management with the main objective: the mitigation of risk regarding the price of crude oil and petroleum products in the financial results of the company. In addition, a major concern has also been granted to the policy of risk management regarding the development of the exchange rate and the interest rate.

The Company is affected by the volatility of crude oil, oil product and refinery margin prices.

Its operating activities of the Company require ongoing purchase of crude oil to be used in its production as well as supplies to its customers. Due to significantly increased volatility of crude oil, the management developed a hedge policy which was presented to the Company's Board of Directors and was approved in most significant aspects in 2010 and with some further amendments in February 2011. Starting with January 2011 the Group implemented the hedge policy within Rompetrol Rafinare.

b) Presentation and analysis of the effects of capital expenses, current or anticipated on the financial situation of the company as compared to the same period last year.

The investment activity in the year 2016 was focused, in accordance with the program, on the following:

- The increase of the processing capacity of the refinery and the generation of fuels, with the specification in line with the European standards as also an increase of the white products efficiency;
- The alignment with the requirements of the European Union, the environmental standards in force, and in particular with the aim of reducing emissions.

The main projects completed in the year 2016, in the Petromidia Refinery:

➤ **Repair works on homogenizer 103/7**

The purpose of the project was to ensure the functioning conditions of the Refinery and Petrochemical, avoiding any accidental stoppages of the refinery should the take-over of waste water be impossible and avoiding penalties in case of any environmental contamination, by performing the overhaul of homogenizer 103/7. The project was concluded in July 2016.

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➤ Rehabilitation of the M90 tank

The scope of the project was to ensure the necessary stocking capacity for diesel fuel be reintegrating the rehabilitated M90 tank in normal operation long term and aligning to the imposed requirements of the legislation for environment safety and protection. The project was concluded in June 2016.

➤ Rehabilitation of the B52 tank

The objective of this project consists in ensuring the facilities or safe operation of the B52 tank, from the technological point of view as well as relocation of this tank to stocking Jet A1. In the new configuration, following the changes required by tank B52, there can be deposited maximum three products, in compliance with the requirements of the Mixing, Finishing, Products and Dispatch section, and especially with a variety of products with volatile components. The project was concluded in October 2016.

c) The presentation and analysis of the events, transactions economic changes which significantly affect the income from the main activity.

The presentation and analysis of the events, transactions economic changes which significantly affect the income from the main activity.

The turnover on 31.12.2016 is lower than the one forecast in the budget by 1%, and lower than the one registered at the end of 2015, by RON 1,036,874,403. This is due mainly to decreasing in finished goods price compared with budget provisions (although in terms of quantities the sales have grown up) and due to exchange rate increase, as the budget was estimated at an exchange rate of 3.88 RON/USD and the annual average achieved in 2016 was of 4.0592 RON/USD.

In 2016, the utilisation ration of refining capacity vs forecast was of 92.43%.

d) Others:

Procedure in which is involved the company, Rominserv SRL, and employees of the two companies, following of a technical incident occurred in of Petromidia refinery on August 22, 2016.

On August 22, 2016 an technical incident occurred within the DAV plant, occurred by a fire, which has been extinguished by Refinery' staff and firemen from private and public services. Following the event, two persons, employees of a Group' subsidiary Rominserv SRL suffered burns and two persons passed away. The competent authorities have initiated investigations in order to establish the circumstances and the causes that generated the technical incident, injury and the decease of employees. In respect of the work accident, the Prosecutor's Office of the Constanta Court of Appeal office, was notified ex officio and being open file no. 586 / P / 2016, within which have been questioned employees of the 2 companies and was administered technical expertise. Following the completion of the criminal prosecution, Rompetrol Rafinare S.A., Rominserv SRL and four

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employees of the two companies were put on trial for: the non-observance of the legal labour health and safety measures, bodily harm by negligence, manslaughter and accidental pollution. At the same time Rompetrol Rafinare S.A. has quality as civilly liable party. As a result of the completion of the initial phase of the files, of preliminary chamber procedure, the court decided on 01.03.2017: have been accepted in part the applications and the exceptions made by the defendants, it has been found the relative nullity of the indictment no. 586/P/2016 07.12.2016 from the Prosecutor's Office under the Constanta Court of Appeal, it has been found the irregularity that attracts the impossibility to the establishment of the object or judgment on the indictment no. 586/P/2016 of 7.12.2016, prosecutor must communicate to the judge of preliminary room whether to maintain the provision referred to in the judgment or request the refund case, within 5 days from the date of the communication of the solution. By the final conclusion of Preliminary Chamber procedure, no. 328 / 03.21.2017 (communicated to ROMINSERV on 03/24/2017, Rompetrol Rafinare not received it yet) the court ordering, considering the fact that the prosecutor did not reply within procedural five days, the court decide to return the case to the Prosecutor's Office Court Appeal Constanta, finding relative nullity of the Ordinance no. 586 / P / 29.11.2016, irregularity of the indictment 586 / P / 12.7.2016 prosecutor failure to respond within procedural terms. The solution can be appealed within three days from the communication of the final solution of the preliminary chamber.



2. TANGIBLE ASSETS OF THE COMPANY

2.1. Mentioning the location and characteristics of the main production capacities owned by the company

The company ROMPETROL RAFINARE S.A. is located about 20 km North of the Constanța County, between the Black Sea and the lake Năvodari (Tașaul), on a plot of land partly recovered from the sea and from the lake, in the vicinity of the port Midia and the Poarta Albă – Midia channel.

The Petromidia Refinery is the only profiled unit in Romania located at the Black Sea, and thus having a competitive advantage due to the immediate access to the sea and river transport routes, namely:

- Strategic placement in the Black Sea area, near the Constanța port - one of the biggest in the region;
- Direct access to the Danube - Black Sea Channel;
- Direct access to the Midia Port;
- Near the network of crude oil pipes;
- Own railway infrastructure system;
- Logistical facilities (Midia Marine Terminal S.R.L.) which allow for reception and delivery of the liquid products by ships, barges, rail tankers and tank wagons.

➤ Nominal project capacity from 1975: **3.5 million tons raw material**

➤ Used capacity: **5.408 million tons in 2016** (pursuant to the refining capacity expansion project)

➤ Future capacity starting from 2017: **5.652 million tons a year**

➤ Infrastructure:

The Petromidia platform has a surface of 480 hectares where more than 20 companies (also including sub-contractors from outside the Group) operate in various business areas.

The supply of crude oil and other raw materials is mainly carried out through the marine terminal located in the vicinity of the Petromidia Refinery, at a distance of about 8 km from shore and through the Midia port. As an alternative, the supply may also be made through the port of Constanța (one of the biggest in the region), through the OIL TERMINAL S.A. pipe, for a distance of approximately 40 km.



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As of 2014, the Petrochemical sector joined the Refinery in the Refining business unit. The Petrochemical sector is specialized in the production of polymers, with a production capacity of 80,000 tons/year of polypropylene, 60,000 tons/year of high-density polyethylene and 60,000 tons/year of low density polyethylene. It is the sole national producer on this market segment. It delivers on both internal and external markets (the Black Sea and the Mediterranean regions, Central and Eastern Europe).

Strategically located on the Black Sea coast, the Petrochemical section includes a maritime terminal for the unloading of ethylene, cryogenic ethylene and propylene storage tanks, and various solutions for delivery to ships, rail cars or trucks.

As of December 2007, the **VEGA Refinery** was transformed into a production tax warehouse for Rompetrol Rafinare SA.

The VEGA Refinery is located on the national road DN 1A, at a distance of approximately 60 km from Bucharest, the capital of Romania, near the European road E 60, with access to both the road and the railway network.

The Vega Refinery is located in the northern part of Ploiești city, about 1 km from the Ploiești North railway station, with which it is directly connected. The exploitation of the railways as also the maneuver and transport operations shall be carried out by the Romanian railway company Grup Feroviar Român, the owner of the railways being the Rompetrol Logistics S.A.

The Vega Refinery is currently operating the following facilities: Vacuum distillation, Bitumen, Hexane, Rectification, De-aromatization Unit, AFP with the auto platforms and railways.

Currently, the raw materials are brought in the refinery in railway reservoirs from the Petromidia Refinery and are discharged through raw material-specific railway platforms. From the specially prepared platforms, the raw material is pumped through the pipes towards the storage reservoirs of the AFP area, where they are taken up by each plant separately.

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The Refinery has a fleet of reservoirs of raw material and finished products, auto platforms and the railway platform for the delivery of petroleum products. At the moment, the supplies of petroleum products from the Vega Refinery are made in both railway reservoirs and in tank wagons.

2.2. Description of the company's properties.

On December 31st, 2016, the accumulated depreciation of the fixed assets, tangible assets (expressed in lei) is as follows:

Depreciation of tangible assets	Balance on 01.01.2016	Balance on 12.31.2016
Lands-(developments)	22,220,959	24,060,893
Constructions	877,344,437	927,474,023
Technical equipment and machinery	1,415,328,862	1,603,554,578
Other facilities, equipment and furniture	5,483,894	6,144,602
Total	2,320,378,152	2,561,234,097

2.3. Potential problems related to the ownership right regarding the tangible assets of the company.

1. On September 10th, 2010, ANAF (the Agency for Fiscal Administration) has issued a Resolution on the establishment of distraint upon property on all shares owned by Rompetrol Rafinare in its affiliated companies, as well as upon the tangible and intangible assets of Rompetrol Rafinare, except stocks. This measure is still effective, but as of the date of this report, this distraint on property does not produce any direct effects on the recurring operations of the Company.

On the date of drafting the present report, the Romanian state renounced the actions of suing within all litigation pending trials, the object of which was in connection with the modality of applying the provisions of the GEO no 118/2003, approved with amendments by Law no 89/2005.

The redemption of debts of Rompetrol Rafinare SA to the Romanian government, generated by the modality of applying GEO no 118/2003, with the subsequent amendments, determines us to envisage that the distraint presented in this chapter shall be soon renounced at, this remained without the object.

2. On May 6th 2016, the Public Prosecutor's Office attached to the High Court of Cassation and Justice – Organized Crime and Terrorism Investigation Office issued an Order of laying distraint upon all shares held by Rompetrol Rafinare in its affiliated companies, as well as on the goods and real assets of Rompetrol Rafinare, except for the stocks and debts.

3. The Inspectorate for Emergency Situations Dobrogea filed an action with the Constanta Law Court having as object: a) ascertainment of their position as holder of the property rights on the

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following assets belonging to the company Rompetrol Rafinare SA: C4 dormitory for singles – Midia, the shed for preventing and fighting fire and the total surface of 7,774 sqm afferent to this, including the surface cast in concrete of 7,050 sqm; b) rectification of the Land Register and layout on the right of which it is preferable and better characterized with concern to these buildings.

4. Throughout 2016, Marway Fertilchim SA, currently under the name of Novifert SRL, submitted against Rompetrol Rafinare SA company two court actions, which are in course of solutioning in trial court:

- An action of delimitation of property boundary pending before the Constanta Court of Law, with regard to setting the property boundary delimiting the secondary quarters of Rompetrol Rafinare SA in Năvodari from the building belonging to the plaintiff in surface of 51,873 sqm, identified by Land Register number 103053 and imposing on Rompetrol Rafinare SA to set full property and possession of the land surface which following measurements would appear to belong to Novifert SRL.
- The arbitration request pending at the International Commercial Arbitration Court within the Chamber of Commerce and Industry of Romania, demanding the imposition on Rompetrol Rafinare SA to reset in position and repair the piping system property of Novifert unalloacted by Rompetrol Rafinare. Also, there is a request to impose on Rompetrol Rafinare to perform all the construction works, repairs and maintenance assumed by the Agreement of the parties and authenticated under no 1548/11.06.2001.

5. A file no. 28860/281/2014 is pending before the Ploiesti Tribunal, on the action brought by the Pediatric Hospital of Ploiesti whereby the Court is requested to establish the ownership of the hospital on the medical facility from the premises of the Company's Unit in Ploiesti. The action was suspended.

6. Throughout 2016, the update procedure for the company's cadastral application was underway and got concluded, to register its ownership right on the land, within the Land Register, in relation to the cadastral application of company UTM MIDIA S.A. By means of this update, there is no modification to the total surface occupied by the two companies, but only to the position of one another.



3. SECURITIES ISSUED BY THE COMPANY

The issuers whose securities are admitted for trading on a regulated market shall include the Declaration of compliance or rejection of the provisions of the Corporate Governance Code (the „Apply or Explain” Statement). Thus, all relevant information on corporate governance practices have been included in the Corporate Governance section and the “Corporate Governance Declaration” of the 2016 Annual Report.

3.1. The markets in Romania and in other countries on which the securities issued by the company shall be negotiated

With effect from April 07th, 2004 the company's shares are traded on a regulated market operated by the Bucharest Stock Exchange S.A. ("BVB").

The shares of the Rompetrol Rafinare are traded at the standard category of the BVB. On 31.12.2016, the total number of shares to be issued by the Issuer is 44,109,205,726, representing a total value of the share capital of 4,410,920,572.6 lei. The Company's shares are common, nominative, issued in dematerialized form, whose record is held by the DEPOZITARUL CENTRAL S.A. Bucharest.

In accordance with the legal provisions under the Articles of Incorporation, each share confers the shareholders the right to vote in the General Assembly of the Shareholders, the right to appoint and be appointed in the Management Bodies of the Company, the right to participate in the sharing of benefits and assets of the Company at the dissolution of the Company, as well as other rights established by law. The ownership right and any other attributes thereof on the shares shall be transmitted in accordance with the provisions of the legislation of the capital market.

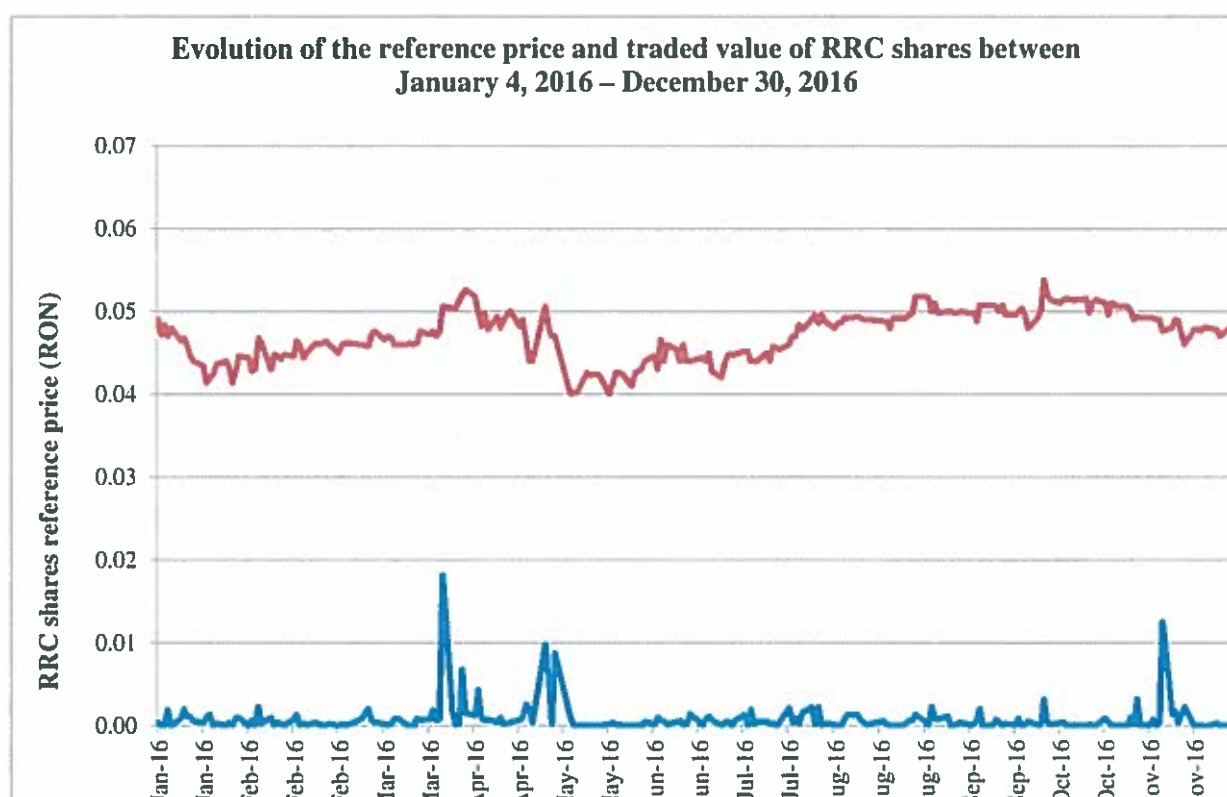
Regarding the shares, transferring them is not restricted, shall be carried out in accordance with the legal provisions applicable and with the provisions of the Articles of Incorporation of the Company.

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



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The Rompetrol Rafinare shares	2014	2015	2016
Number of shares	44,109,205,726	44,109,205,726	44,109,205,726
Stock exchange capitalization, mil. Lei ⁴	1,856.998	2,170.173	2,514.225
Stock exchange capitalization, mil. Euro ⁵	414.194	479.225	553.66
Maximum price, Lei ⁶	0.052	0.0492	0.0598
Minimum price, Lei ⁷	0.04	0.0344	0.04
Price at the end of the year, Lei	0.0415	0.0492	0.057



The weighted average price (PMP) of the RRC shares in the course of the year 2016 = 0.051179064 lei/share; the volume traded in December represents 42.21% of the total volume traded in 2016 (total volume traded in 2016 = 3,741,079.28 lei)

⁴ Calculated on the basis of the price of the share on the last transaction day of the year under consideration, respectively on December 30th, 2016;

⁵ Calculated at the euro exchange rate (4.54115) of the last trading session of the year under consideration, respectively December 30th, 2016

⁶ Recorded on December 16th, 2016.

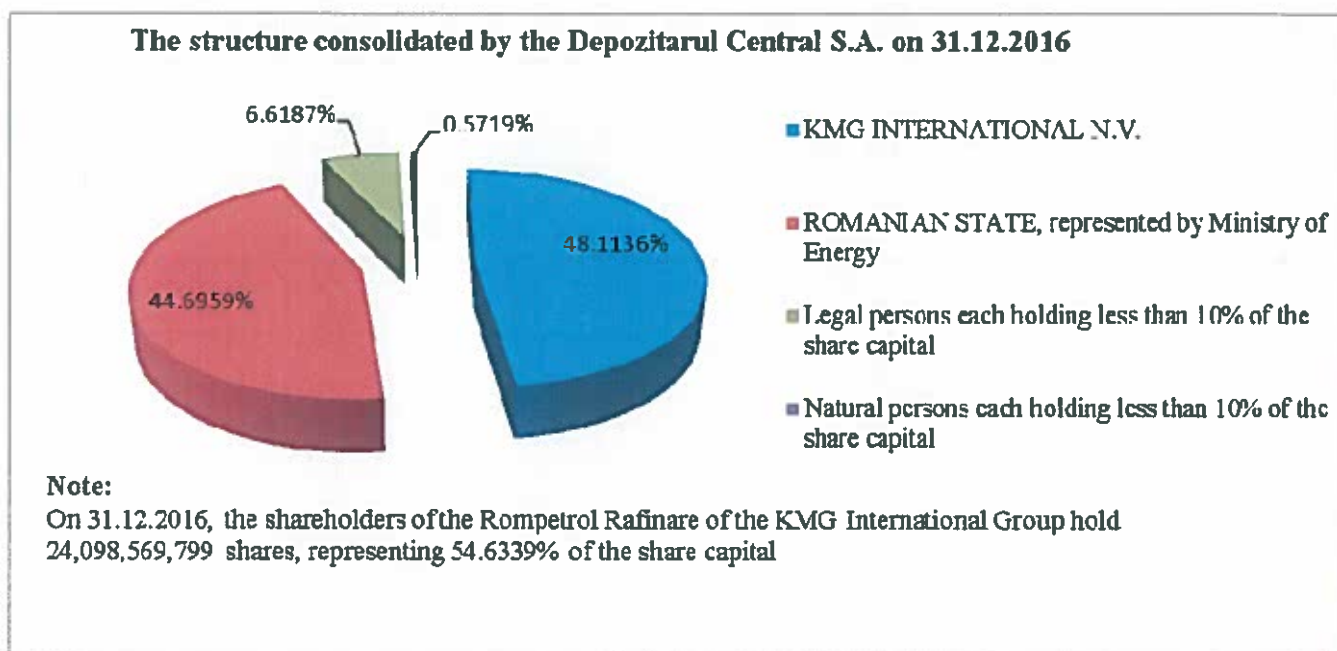
⁷ Recorded on May 11th and May 23rd 2016.



Shareholders of the Rompetrol Rafinare

Throughout the period in question there did not take place any changes likely to affect the value of the share capital of the company.

According to the Register of Shareholders starting on the consolidation date of December 31st, 2016, the structure of the significant shareholders of the company is shown in the graphic below:



Source: Depozitarul Central, Rompetrol Rafinare S.A.

3.2. Dividends.

On December 31st, 2014, ROMPETROL RAFINARE has registered a loss of 1,074,861,979 lei.

Taking into account the above mentioned facts, the company could not grant dividends to the shareholders for the fiscal year 2014.

At December 31st 2015, ROMPETROL RAFINARE registered a profit of 84,291,996 lei, suggested by the Administration Board of Administrație al Rompetrol Rafinare to be split as following:

- Legal reserve 4,214,600 lei
- Coverage of account loss of the previous years 80,077,396 lei.

**ROMPETROL RAFINARE S.A.****ANNUAL REPORT OF THE BOARD OF DIRECTORS for the financial year 2016**

At December 31st 2016, ROMPETROL RAFINARE registered a profit of 70,001,508 lei, suggested by the Administration Board of Administrație al Rompetrol Rafinare to be split as following:

- Legal reserve 3,500,075 lei
- Coverage of account loss of the previous years 66,501,433 lei.

3.3. Own shares

ROMPETROL RAFINARE S.A. held on December 31st, 2016 a number of 6,134,701 own shares with a nominal value of 0.10 Lei each, amounting 613,470.10 lei, representing 0.0139% of the registered capital of the Company.

In 2016, the company did not trade (bought, respectively sold) own shares.

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

In 2016, the subsidiaries of society have not held shares issued by Rompetrol Rafinare.



4. THE MANAGEMENT OF THE COMPANY

4.1. The company management

The Board of Directors is responsible with fulfilling all measures necessary to performing as well as supervising the activity of the Company. Its composition, organization, attributions and responsibilities are set forth by the Articles of Incorporation of the Company.

Throughout 2016, the componse of the Board of Directors was modified based on Decision no 2/2016 adopted by the Shareholders Ordinary General Assembly of April 28th, 2016 which approved the appointment of Mr. Cătălin Dumitru as member of the Company's Board of Directors starting with May 1st, 2016, following the renouncement of Mr. Alexandru Nicolcioiu to the mandate of member of the Board of Directors starting with May 1st, 2016. By the same Decision no 1/2016, Mr. Marius Mitruș was appointed member of the Board of Directors of the Company, following the recall of Mr. Nicolae Bogdan Codrut Stănescu, requested by the significant shareholder, the Romanian Government represented by the Ministry of Energy, as an effect of his submitting the resignation from the position of administrator. The mandate of the two new members of the Board of Directors, chosen within this general assembly, was set up to 30.04.2018 (the date of expiry of the mandate of the other administrators to hold the position at the date of appointment).

On December 31st, 2016, the componse of the Board of Directors was as following:

- **Azamat ZHANGULOV, Kazakh citizen, President of the Board of Directors;**
- **Cătălin Dumitru, Romanian citizen, Member of the Board of Directors;**
- **Yedil Utekov, citizen of Kazakhstan, member of the Board of Directors also holding the position of General Manager of the Company;**
- **Mihai-Liviu Mihalache, Romanian citizen, Member of the Board of Directors;**
- **Marius Mitruș, Romanian citizen, Member of the Board of Directors;**

Upon drawing up of the present Annual Report, the composition of the Board of Directors was as following:

- **Cătălin Dumitru, Romanian citizen, President of the Board of Directors;**
- **Yedil Utekov, Kazakh citizen, Member of the Board of Directors;**
- **Mihai-Liviu Mihalache, Romanian citizen, Member of the Board of Directors;**
- **Marius Mitruș, Romanian citizen, Member of the Board of Directors;**
- **Alexey Golovin, Kazakh citizen, temporary member of the Board of Directors (until the proximal Shareholders Ordinary General Assembly to appoint a new permanent administrator).**



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ANNUAL REPORT OF THE BOARD OF DIRECTORS for the financial year 2016

We mention that on March 2nd, 2017, based on art. 119 paragraph (1) of the Law on Companies no. 31/1960 with its subsequent amendments and additions, the significant shareholder of the Ministry of Energy on behalf of the Romanian Government as the shareholder holding 44.6959% of the Company's share capital, sent to the Board of Directors of Rompetrol Rafinare S.A. a summon request under the conditions of the law of a Ordinary General Meeting of Shareholders ("OGMS") having the following subjects on the agenda: 1) *"the recall of Mr. Marius Mitruș as member of the Board of Directors of Rompetrol Rafinare S.A."*; 2) *"The appointment of Mr. Laurențiu-Dan Tudor as a member of the Board of Directors of the Company, with a mandate that will expire on 30.04.2018 (the date of expiry of the mandate of the current member of the Board of Directors)"*.

Taking into consideration the above mentioned request, the Board of Directors in the meeting as of March 9th, 2017 proceeded to convening the OGMS for the 13 April 2017.

Next, we present the most relevant elements concerning the qualification and professional experience of the administrators of the Company, holding their positions on 31.12.2016.

Name and first name	Age (years)	Position held in the Board of Directors and length of service	Other information (qualifications, professional experience)
Azamat Zhangulov	37	<p>- President⁸ of the Board of Directors from 6 August 2012 to 29 April 2014. Reappointed on this position on 30 April 2014 according the Board Resolution no. 2/30.04.2014.</p> <p>- appointed administrator by Decision no 5/2012 adopted by the Ordinary General Meeting of Shareholders on 26.10.2012, for a mandate which expired on 30.04.2014. By Decision no. 2/2014, he was re-appointed as administrator of the Company.</p>	<p>Graduated from the Faculty of international Economic Relations in the Management Academy of Kazakhstan.</p> <p>Over 13 years in the crude oil field, of which 10 years he has worked with various companies of the KazMunayGas Group.</p> <p>He has joined the team of the KazMunayGas Group in April 2003, initially occupying the position as Senior Manager of the Corporate Development Department and Senior Manager of the Resources Department in the National Company "KazMunayGas".</p> <p>In 2007, he was appointed Deputy Director of the Department for Corporate Development. A year later, he accepted a new challenge by taking over the position as Adviser to the CEO within the Trade House KazMunayGas, where his role was to make proposals for the improvement of the operations within the distribution network. Shortly after he was appointed as Director of the Department for Management of the External Projects. In 2009, he became the General Manager in the same company.</p> <p>Prior to joining the KMG International Group team, he held the position of Director of the Department for</p>

⁸ On the date of writing this report, the position of President of the Board of Directors of Rompetrol Rafinare is held by Mr. Cătălin Dumitru, following the provisions of Decisions no 1 and no 2 adopted by the Board of Directors on 10.02.2017



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			<p>Management of the Foreign Investments in the National Company "KazMunayGas" for a period of two years, being responsible for the management of foreign investment, but also for projects which were led by Rompetrol or international mergers and acquisitions.</p> <p><i>Responsibilities:</i> Senior Vice-President of the KMG International Group until December 2016. Currently prime vice-president of KMG International. At the beginning of 2017 he was promoted to prime vice-president on sales and marketing within KazMunayGas, the national company for petroleum and gas of Kazakhstan, the sole shareholder of KMG International</p>
Cătălin Dumitru	48	<p>Member of the Board of Directors: 01.05.2016 – present;</p> <p>- appointed administrator by Decision no 2/2016 adopted by the Ordinary General Meeting of Shareholders on 28.04.2016 for a mandate to expire on 30.04.2018 (the expiry date of all administrators mandates).</p> <p>- starting with 10.02.2017, he was appointed as President of the Board of Directors (replacing Mr. Azamat Zhangulov)</p>	<p>He studied at the Academy of Economic Studies, Faculty of Finance, Banks and Accountancy, Bucharest.</p> <p>He joined the Group in 2002, as Financial Manager for two of the companies within the Group, Rominserv and Ecomaster. Based on his managerial qualities, he was appointed Chief Executive Officer (CEO) of Dyneff Group in 2008, where he successfully coordinated the activities of depositing, trading and distribution of products for the consumers and partners in Western Europe. Starting with 2014, he was the Vice-President of the KMG International Group and since November 2016 he has been Senior Vice-President of the group.</p> <p><i>Responsibilities:</i> In the companies of the KMG International Group holds positions: Chairman of the Board of Directors of Rompetrol Downstream S.R.L., KazMunayGas Trading AG and EPPLN SAS; member of Board of Directors of DYNEFF Trading SL and TRG PETROL TICARET ANONIM ŞİRKETİ; Sole Director of Dyneff Gas Stations Network SL and General Manager in the companies: TMP SAS, Dyneff Gas Stations Network SL, DPPLN SAS, Dynef SAS and EPPLN SAS.</p>
Yedil Utekov	39	<p>- Permanent member of the Board of Directors since 04.03.2015.</p> <p>- Interim member in the Board of Directors between 01.10.2014 – 03.03.2015.</p> <p>Mandate which expires on 30.04.2018 (date of expiry of the mandates of all Directors).</p>	<p>Graduate of the Natural Resources and Hydrocarbons Chemical Engineering at the State Technical university of Astrakhan, Russia.</p> <p>With a professional experience of more than 10 years in the field of oil and gas, he joined the KMG International Group in January 2010 as an Assistant General Manager of Rompetrol Petrochemicals S.R.L.</p> <p>Appointed as General Manager of Rompetrol Rafinare since 12 June 2014, and former General Assistant Manager of the same company since January 2013.</p> <p>Began his oil and gas career in 2001 as a process operator at the Akasarskiy Gas Processing Plant of</p>



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			<p>Russia. Between September 2001 and June 2002, he was an operator at ZAO Intergaz Central Asia, Kazakhstan. Beginning with June 2002, he was promoted from the position of engineer at the Atyrau Refinery to that of Environment, Technology, Health and Safety manager. In April 2005 – April 2010, he worked at Agip KCO in Atyrau, Kazakhstan. The last position in this company was that of Group Coordinator for Technical Inspection and Control in the period August 2008 – April 2010.</p> <p><i>Responsibilities:</i> within the KMG International Group he holds the position of member on the Board of Directors of Rompetrol Petrochemicals S.R.L.</p>
Mihai-Liviu Mihalache	37	<p>Member of the Board of Directors: 20.07.2015 – present;</p> <p>Mandate which expires on 30.04.2018 (date of expiry of the mandates of all Directors).</p> <p>He was appointed as a member of the Board of Directors within the Shareholders' General Assembly dated Shareholders' General Assembly din data de July 20th, 2015 with a mandate to expire on April 30th, 2018.</p>	<p>He is the representative of the Ministry of Energy.</p> <p>Licensed in Legal Sciences in 2001.</p> <p>He held the position of legal consultant with Tehnomon S.R.L. Throughout 2003 – 2007 and 2010 – 2013 he held the position of lawyer with `Mihalache Mihai Liviu` Law Office. Throughout 2007 – 2010 he held the position of parliamentary expert with the Permanent Electoral Authority – Oltenia South – West Subssiadiary.</p> <p>He was appointed director with the State Secretary Office within the Ministry of Economy, from July to September 2013 and deputy head of the State Participation Bureau for Privatisation and Industry (OPSPI) within the same institution, and from October 2013 to February 2014. Subsequently he became head of the OPSPI, up to January 2015. From May 2015 until February 2016 he held the position of General Director of the General Directorate for Trade Companies within M.E.I.M.M.M.A.. From February 2016, holding the position of expert with the General Directorate for Privatisation and Administration of State Energy Participations – Department of Participation Administration – Legal, Liquidation and Insolvency Compartment within the Ministry of Energy.</p> <p>He was appointed as a member of the Board of Director within the Shareholders' General Assembly dated July 20th, 2015 with a mandate to expire on 30.04.2018.</p>
Marius Mitruş⁹	37	<p>Member of the Board of Directors: starting with 28.04.2016 – date of</p>	<p>He is the representative of the Ministry of Energy.</p>

⁹ On the date of writing this docuemnt, taking into consideration the request of the Ministry of Energy on behalf of the Romanian State as significant shareholder, the OGMS was summoned with a view to appointing Mr. Laurențiu-Dan Tudor as member of the Board of Directors, replacing Mr. Marius Mitruş



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		<p>drafting this report;</p> <p>He was appointed member of the Board of Directors by Decision no 2/2016 adopted y the Shareholders Ordinary General Assembly of April 28th 2016.</p>	<p>He holds a license in economy from the Academy of Economic Studies, with a specialization in management, as also holds a license from the National Information Academy.</p> <ul style="list-style-type: none"> - he graduated the specialization courses of the Romanian Commercial Bank in the fields envisaging payment instruments, management of assets and liabilities, human resources management. - graduate of the Deutsche Bundesbank courses on international negotiation management. - strategy consultant at the Romanian National Bank, performing counselling activities to the institution's executive management. <p>He has experience in coordinating bank competencies, share capital market, capital market, and insurance and financial – fiscal sector, as well as infrastructure, regional development, tourism and communitarian funds.</p> <p>He holds professional competences in reporting procedures of the entities subordinated to the Romanian Government in compliance with the European Union and international legislation concerning fighting money laundry and financing terrorism.</p>
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b) any agreement, understanding or family connection between the Director in question and another person, due to which the person has been appointed as Director.

As far as the Directors are aware, there was no agreement, understanding or family connection between the Directors and another person that has been appointed as Director.

c) The participation of the Director in the share capital of the Company;

According to the consolidated Register of the Shareholders of the Company as of 31.12.2016 issued by the Depozitarul Central S.A., the directors do not own Company shares.

d) The list of persons affiliated to the company;

None of the members of the Company Board of Directors is a person affiliated to the Company, within the meaning of the CNVM Regulation No.1/2006.



4.2. The members of the company's Executive Management

a) The period for which the person is part of the Executive Management;

In accordance with the provisions of the Articles of Incorporation of the Company, the only positions which may delegate the Management of the Company on the basis of the provisions of Article 143 of the Law 31/1991 regarding Companies are those as General Manager and Financial Manager. Any other position as Manager in the Company (human resources manager, commercial manager, managing director, IT Manager, etc), regardless of its name, does not involve the management of the company.

On 31.12.2016, the two Managers who have been appointed as Managers within the meaning of the above, have been:

Name and first name	Position
Yedil Utekov	General Manager
Vasile-Gabriel Manole ¹⁰	Financial Manager

The Members of the executive management shall perform the positions held for a mandate that will expire on 30.04.2018 (together with the administrators who have chosen them in these positions).

b) Any agreement, understanding or family connection between that person and another person due to which the person concerned has been appointed as a member of the executive management;

We have no knowledge of cases of agreements, understandings or family connections between the members of the executive management and other persons due to which they have been appointed.

c) The participation of this person in the Company.

None of the two Managers under the table of 4.2 a) hold shares in the Company.

¹⁰ Appointed as Financial Manager starting with April 11th, 2016, following the cease of Giani-Iulian Kacic' mandate, who took over the management of optimization and efficiency projects of Rompetrol Rafinare. Vasile-Gabriel Manole held before the position of Financial Manager of Rompetrol Rafinare between November 1st, 2010 – May 31st, 2013 and from June 2013 he held the position of Financial Manager of the companies Oilfield Exploration Business Solutions and Rompetrol Well Services S.A..

**ROMPETROL RAFINARE S.A.****ANNUAL REPORT OF THE BOARD OF DIRECTORS for the financial year 2016**

4.3. Any litigations or administrative procedures in which the persons referred to in sections 4.1 and 4.2. have been involved, in the last 5 years

None of the two actual Managers under the table of 4.2 a) have not involved in the litigations or administrative procedures.

Starting with March 22nd 2005, criminal investigations started with concern to certain former administrators, directors and external censors of Rompetrol Rafinare S.A. («RRC»); this were officially performed and materialized in various specific activities procedurally penal (including specific judiciary expertises), currently under criminal investigation. Currently, of the Company's administrators to have held this position throughout year 2016, only one of them is part in the investigation initiated by the General Public Prosecutor's Office attached to the High Court of Cassation and Justice (PICCJ - DIICOT).

The charges apprehended upon the initiation of the investigation were: a) failure to fulfil 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 maintenance of accounting registries regarding the transactions undertaken at the oil terminal owned by Oil Terminal. These charges concern events taken place during April 2001 – October 2002. d) status of Government Emergency Ordinance 118/2003.

The said charges have been disjoined by the prosecutors' office from the initial file in 2004 (which has been sent to trial following such disjoining and which is definitively closed) and are subject to a separate file currently open before PICCJ - DIICOT.

4.4. Changing the Articles of Incorporation

The Articles of Incorporation may be amended by Resolution of the General Meeting of the Shareholders, in accordance with the provisions of Law no. 31/1990 regarding Companies, in conjunction with the provisions of the Articles of Incorporation. The Articles of Incorporation may also be amended by the Board of Directors of the Company, by delegation of powers by the Meeting of the Shareholders in accordance with the provisions of Art. 114 of Law no. 31/1990 regarding Companies.



5. FINANCIAL STATEMENT

The presentation of an analysis of the current economical - financial statement as compared to the last 3 years, with reference at least to:

a) The balance sheet items: assets representing at least 10 % of the total assets; cash and other cash equivalent; reinvested profits ; total current assets; total current liabilities;

THE SITUATION OF THE MAIN INDICATORS DURING THE PERIOD 31.12.2014 to 31.12.2016

A. BALANCE SHEET INDICATORS

	2016		2015		2014	
	RON	%	RON	%	RON	%
Intangible assets	16,724,850	0.2%	13,330,284	0.2%	16,483,262	0%
Goodwill	152,720	0.0%	152,720	0.0%	152,720	0%
Tangible assets	3,018,053,823	44.3%	3,139,544,566	47.5%	2,916,858,752	47%
Financial assets	1,629,020,055	23.9%	1,629,020,055	24.6%	1,629,020,055	26%
Total non-current assets	4,663,951,448	68%	4,782,047,625	72%	4,562,514,789	73%
Inventories, net	816,627,179	12.0%	520,212,512	7.9%	776,190,757	12%
Debts and expenses Registered in advance, net	1,289,999,721	18.9%	1,301,898,786	19.7%	909,185,096	15%
Derivatives	22,980	0.0%	-	0.0%	197,164	0%
Cash at bank and in hand	45,891,549	0.7%	6,773,869	0.1%	13,902,875	0%
Total current assets	2,152,541,429	32%	1,828,885,167	28%	1,699,475,892	27%
TOTAL ASSETS	6,816,492,877	100%	6,610,932,792	100%	6,261,990,681	100%
Subscribed Share Capital	4,410,920,573	65%	4,410,920,573	67%	4,410,920,573	70%
Registered capital associated inflation		0%	-	0%	-	0%
Premium related to capital	232,637,107	3%	232,637,107	4%	232,637,107	4%
Other reserves	3,169,670,514	47%	3,172,596,294	48%	3,166,150,587	51%
Reported loss	(6,556,328,713)	-96%	(6,637,120,634)	100%	(5,558,044,055)	-89%



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	2016		2015		2014	
	RON	%	RON	%	RON	%
Result of the current financial year	70,001,508	1%	84,291,996	1%	(1,074,861,979)	-17%
Total Equity	1,326,900,989	19%	1,263,325,336	19%	1,176,802,233	19%
Long term bank loans	281,763,783	4%	299,687,700	5%	-	-
Provisions	302,311,412	4%	246,183,634	4%	245,382,943	4%
Total long term liabilities	584,075,195	9%	545,871,334	8%	245,382,943	4%
Commercial debts & Other debts	3,750,363,002	55%	3,457,659,668	52%	3,595,085,286	57%
Derivatives		0%	-	0%	914,252	0%
Short term loans from subsidiary companies	1,065,970,431	16%	1,187,404,941	18%	1,032,295,855	16%
Short term bank loans	89,183,260	1%	156,671,513	2%	211,510,112	3%
Provisions – currently		0%	-	0%	-	0%
Total current liabilities	4,905,516,693	72%	4,801,736,122	73%	4,839,805,505	77%
TOTAL LIABILITIES AND EQUITY	5,489,591,888	81%	5,347,607,456	81%	5,085,188,448	81%

- i) Within the assets, a major share (44.3%) is that of **tangible assets** – lands, constructions, technical installations, assets under construction.
At the end of 2016 these amounted to RON 3,018,053,823, lower by 4% than the value registered in 2015, respectively by 3% higher vs the one registered in 2014, particularly influenced by the following factors:
- carrying out new investment;
 - depreciation (depreciation of fixed assets).
- ii) In case of **financial assets** (23.9%), the entire value (RON 1,629,020,055) is represented by shares held in affiliates. Their value was maintained at the same level registered at the end of 2015.
- iii) **The debts and expenses registered in advance** (18.9%) were lower than those of 31.12.2015 by 1%.
- iv) **The Share capital** (65%) registered a value similar to that at the end of 2015 and 2014, respectively RON 4,410,920,573;
- v) **Equity**, registered the value of RON 1,326,900,989, higher by 5% than on 31.12.2015 and by 13% higher than the value of the own capitals at the end of 2014.



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In respect of the Romanian legislation and Bucharest Stock Exchange regulations, the listed company RRC received a notification from Financial Supervisory Authority (ASF) in respect of the equity being lower than half the Company's share capital. The Board of Directors of RRC, duly met on 10 November 2016, convened the Extraordinary General Meeting of Shareholders of RRC, which was held on 19 December 2016. The agenda of this meeting includes, among other topics, the decision to continue the activity of the company, in respect with Art.153²⁴ of the Company Law 31/1990, and implicitly, the fact that RRC will take the necessary measures in the future in order to remedy this situation. The Extraordinary General Meeting of Shareholders approved the continuance of the Company's activity and set the term of December 31, 2017 to remedy the situation above mentioned.

- vi) **The commercial debts and other debts** at the end of 2016 recorded a growth of approx 8% to their value registered on 31.12.2015 and a growth of 4% compared to the value recorded in 2014.
- vii) As to **short term loans**, their level reached in 2016 an amount of RON 1,065,970,431, decreasing by 10% to that of 2015. There was also an increase by 3% to the level of 2014.

b) The profit and loss account: net sales; gross revenue; elements of costs and expenses incurred with a weight of at least 20% in net sales or gross income; provision of risk and for the various expenditures; reference to any sale or shut down of a segment of activity carried out over the last year or which is to be made in the following year; declared and paid dividends;

Continuous activities	2016	2015	2014
Net Turnover	8,774,321,849	9,811,196,252	13,490,672,651
Gross incomes from the sales of petroleum finished goods	12,478,833,569	13,381,679,383	17,110,802,584
Income from sales of goods	13,848,575	25,126,572	52,454,259
Income from sales of utilities	7,744,388	8,362,308	8,948,090
Income from sales of other products	626,411	344,264	1,889,014
Income from rents and other services	13,954,205	12,691,852	9,998,624
Gross turnover	12,515,007,148	13,428,204,379	17,184,092,571
Minus sales associated taxes	(3,740,685,299)	(3,617,008,127)	(3,693,419,920)
Total	8,774,321,849	9,811,196,252	13,490,672,651
Cost of sold production	(8,272,314,522)	(9,406,207,259)	(13,405,551,055)
din care:out of which:			
Crude oil and other raw materials	7,495,305,590	8,441,193,126	12,554,394,868
Utilities	325,316,249	309,638,302	346,588,534
Gross Profit/ (Loss)	502,007,327	404,988,993	85,121,596



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lei) following that the difference of RON 66,501,433 be used to cover the account losses of the previous years.

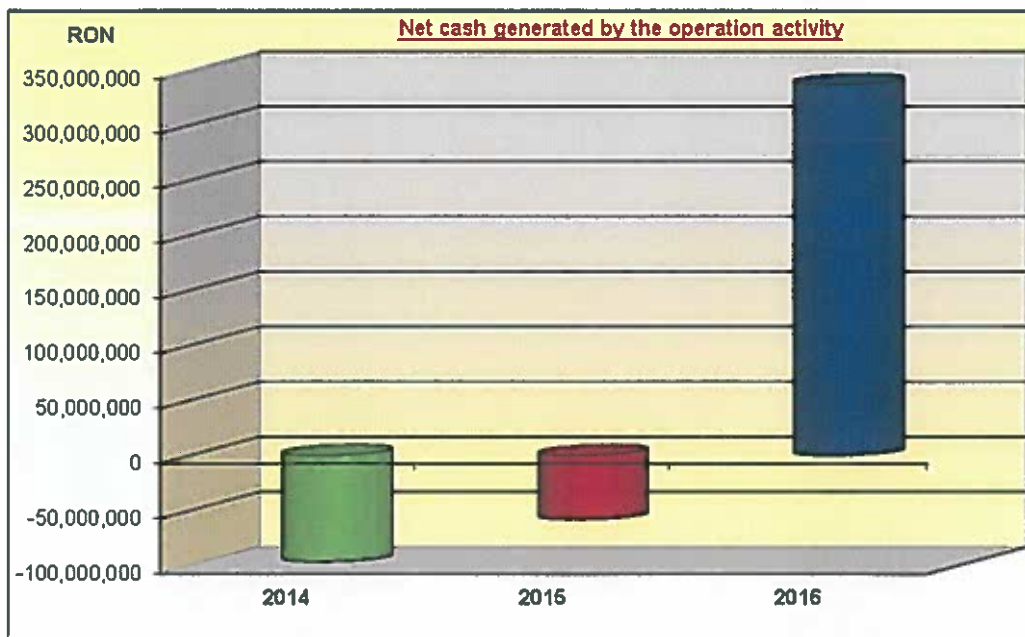
c) cash flow: all changes which have taken place at cash level in the main activity, investment and financial activities, the cash at the beginning and at the end of the period

In 2016, the situation of net cash flows reflected the company's effort to effectively harmonize the cash flow needs from operating activities with a balanced financing policy.

The cash flows from operating activities have been influenced by maintaining a relatively constant level of commercial debts and trade receivables and also by the increase in inventories.

At the end of 2016, the Brent crude oil reached 54.94 USD/barrel, as compared with 35.74 USD/barrel at the end of 2015.

Beginning with 1 January 2014, the petrochemical activity was taken over by Rompetrol Rafinare S.A.



In 2016, Rompetrol Rafinare continued the implementation of new technologies to allow the processing of various types of crude oils and to obtain products at a quality imposed by the European standards, as well as an output increase of white products.

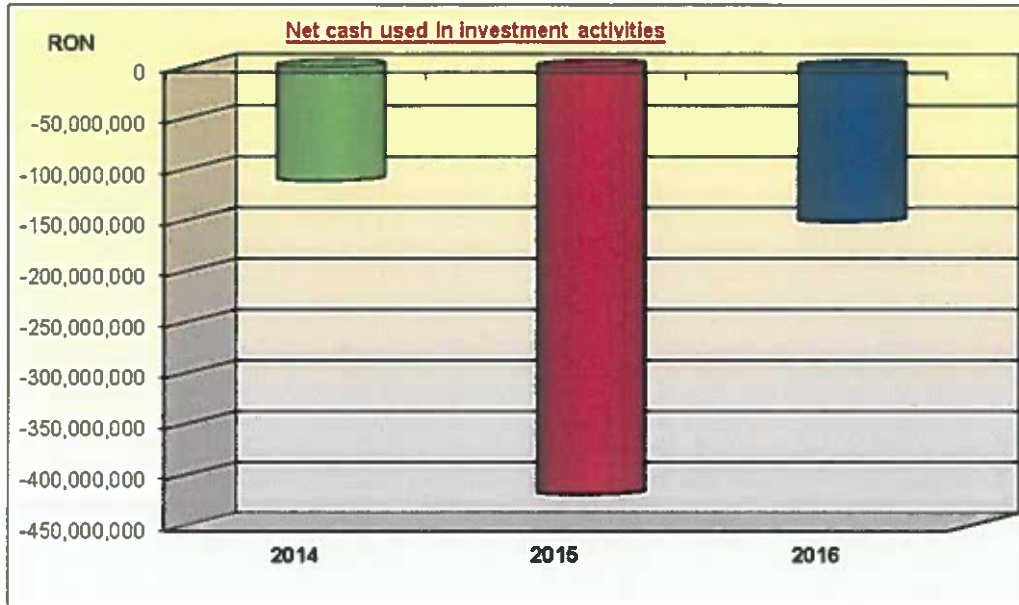
A permanent concern was that of aligning to the requirements of the European Union and of observing the requirements of the Directives regarding the promotion and use of bio-fuels and of the environment norms in force, especially with a view to reducing the emissions of nitrogen, sulphur oxides, volatile organic compounds and carbon dioxide and of depositing of toxic waste.

Hroughout October – November 2015, there was a general turnaround of the refinery, scheduled every 5 years, a project which started aiming at periodically checking the machinery, changing the catalysts, performing maintenance works on the machinery etc.



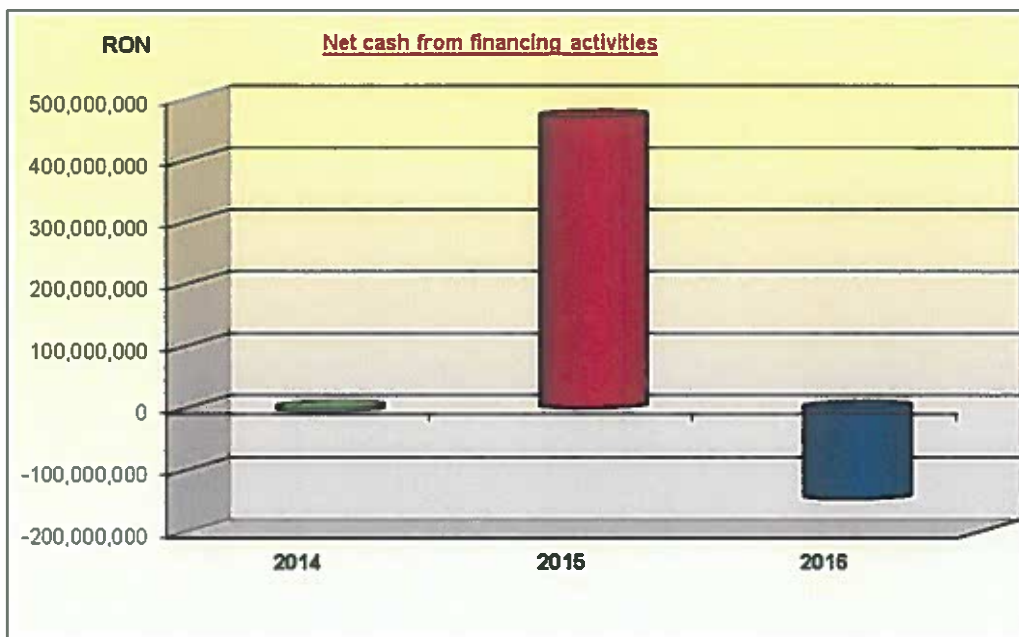
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The cash flow on financing activities is influenced by the fact that the Company benefitted from a Cash pooling contract – a system to optimize the account balance, with a view to sustaining both the needs generated by the investment activities and the development of the operational activity of the refinery, and by a long term facility – syndication credit.

Also, another factor which influenced the cash in the financing activity was the attenuation of exposing the company to BancPost Bank with concern to the open working capital facility.





6. CORPORATE GOVERNANCE

Rompetrol Rafinare is a trade company managed in unitary system, issuer of shares listed on the regulated market operated by Bursa de Valori București S.A. (Bucharest Stock Exchange) (“BVB”). The admission to trading shares issued by the Company on the operated BVB market was decided by the Decision no. 27/25.03.2004 of the Stock Exchange Council regarding the admission for transaction and the trading starting date was April 7th 2004. Prior to this date the Company shares were listed on the regulated market operated by RASDAQ.

The Company shares are transacted at BVB under the market symbol “RRC”.

In September 2015, BVB issued the new Code of Corporate Governance which came into force starting with January 4th 2016.

The Corporate Governance report of Rompetrol Rafinare S.A. for the year 2016 is drafted based on the Corporate Governance Code („CGC” or the „Code”), of Law no. 297/2004 regarding the capital market, as subsequently amended and supplemented, of the regulations and instructions issued by the National Commission of Shares and Bonds - „CNVM” (with new name Financial Supervisory of Authority - FSA), and of the stock exchange regulations.

The code has as purpose to guarantee high transparency and visibility conditions for all the shareholders and for all the third parties („stakeholders”).

6.1. The BVB standards regarding the Corporate Governance

According to the BVB rules contained in CGC, Rompetrol Rafinare partly and self-imposed complies with certain principles and recommendations of the CGC, which also results from the Declaration of Conformity. The Company proposes to improve the implementation manner of the principles and recommendations of CGC of BVB.

According to BVB standards, the Issuers whose financial instruments are transacted on the regulated market operated by BVB, have to transmit each year to BVB, a Declaration of compliance or incompliance with the provisions of CGC attached to the Annual Report. The declaration corresponding to the year 2016 is enclosed with the current report.

Statement “Apply or Explain” (see Addendum 1 to the present report) presents the level of compliance of the Company to the new provisions of CGC BVB. Rompetrol Rafinare shall continue to assess the provisions of the Code and any subsequent progress that the Company shall make in complying with it, shall be reported on the market. There shall also be reported all “negative” aspects (from conformity to non-conformity).

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6.2. Information on the Board of Directors

Just as mentioned at art. 4.1 of the present document, the Board of Directors is responsible with fulfilling all measures necessary to perform the activity of the Company, as well as to supervise its activity. Its composition, organization, attributions and responsibilities are set forth by the Articles of Incorporation of the Company.

According to the Articles of Incorporation updated on December 20th 2016, the Company activity is led by a Board of Directors consisting of 5 members, appointed by the General Ordinary Meeting of Shareholders, who can also be shareholders of the company, natural or legal persons, with Romanian or foreign citizenship respectively nationality. Of the 5 members of the Board of Directors, 3 are representatives of the main shareholder - KMG International N.V. (of whom one is executive) and 2 representatives of the significant shareholder – the Romanian State by the Ministry of Energy.

The directors can be replaced in the following situations:

- a) At the expiry of the 4 years mandate or at another period established by the General Meeting of Shareholders when appointing the director(s);
- b) In case of resignation, or recalling by the General Meeting of Shareholders.

Upon the mandate expiration any member of the Board of Directors may be re-appointed by the General Meeting of Shareholders.

The attributions of the Board of Directors, according to the Articles of Incorporation, are the following:

- a) establishes the main activity and development directions of the company;
- b) establishes the accounting and financial control system and approves the financial planning;
- c) appoints, recalls, respectively concludes and terminates of the contracts of the Company managers;
- d) supervises the managers activity;
- e) prepares the annual report, organizes the general meeting and implements its decisions;
- f) introduces the request for opening the company insolvency procedure, according to Law 85/2006 regarding the insolvency procedure;
- g) except for the legal documents for the adoption / conclusion of which the approval of the General Meeting of Shareholders is necessary, according to the imperative provisions of the law, approves the adoption / conclusion in the name of the company of the legal documents whose object exceeds the value of:
 - i) USD 50,000,000 in the case of the legal documents having as object the supply of crude oil, respectively the distribution of refined products;
 - ii) USD 20,000,000 in the case of the legal documents having another object than the supply of crude oil, respectively the distribution of refined products, the approval of the participation to the development of a company with a contribution exceeding this value, other documents with patrimony content exceeding this value limit;
- h) to approve the Company organizational structure.

These attributions cannot be delegated to the company managers.

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The Board of Directors also has the following attributions delegated by the General Extraordinary Meeting of Shareholders in the conditions provided by art. 114 of Law no 31/1990, republished:

- a) decides regarding the relocation of the company headquarters;
- b) decides regarding the change of the company activity object (except for the main domain and the main activities of the company);
- c) decides regarding the increase of the social capital by issuing new shares, according to the law.

The Board of Directors also meets other attributions, established as of right in their task, by virtue of the applicable normative acts.

Regarding the issuing of shares, the Board of Directors may initiate this operation within the share capital increase operations, exercised based on the attributions delegated according to the provisions of Law no. 31/1990 corroborated with the provisions of Law no. 297/2004.

Throughout 2016, the composition of the Board of Directors suffered one alteration.

Throughout January 1st, 2016 until April 28th, 2016/ May 1st 2016, the members of the Board of Directors were as following:

- Mr. Azamat Zhangulov - *non-executive Director, appointed President of the Board of Directors until April 30th 2018;*
- Mr. Alexandru Nicolcioiu - *non-executive Director - until May 1st 2016;*
- Mr. Yedil Utekov - *executive Director;*
- Mr. Nicolae Bogdan Codruș Stănescu - *non-executive Director;*
- Mr. Mihai-Liviu Mihalache - *non-executive Director.*

Starting with April 28th, 2016/ May 1st 2016, the members of the Board of Directors were as following:

- Mr. Azamat Zhangulov - *non-executive Director, appointed President of the Board of Directors.*
- Mr. Cătălin Dumitru - *non-executive Director, appointed member of the Board of Directors starting with May 1st 2016;*
- Mr. Yedil Utekov - *executive Director;*
- Mr. Mihai-Liviu Mihalache - *non-executive Director.*
- Mr. Marius Mitruș - *non-executive independent Director, appointed member of the Board of Directors starting with April 28th 2016:*

At the date of the present report, the members of the Board of Directors are as following:

- Mr. Cătălin Dumitru - *non-executive Director, appointed President of the Board of Directors starting with February 10th 2017 until April 30th 2018;*
- Mr. Yedil Utekov - *executive Director;*
- Mr. Mihai-Liviu Mihalache - *non-executive Director.*

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- Mr. Marius Mitruş - *non-executive independent Director*, appointed member of the Board of Directors starting with April 28th 2016;
- Mr. Alexey Golovin - *interim non-executive Director*, appointed member of the Board of Directors starting with February 10th 2016;

6.3. Information about the members of the Board of Directors of Rompetrol Rafinare on 31.12.2016

Name, year of birth, nationality, the duration of the mandate for each member of the Management Board, responsibilities in the Rompetrol Group, training and professional qualifications.

The present Board of Directors consists as follows:

Azamat Zhangulov

Born in 1980, Kazakh citizen.

Duration of administrator mandate: from 29.04.2014 to 02.02.2017¹¹

Chairman of the Board of Directors as of 30.04.2014, non-executive member also for the period 06.08.2012 – 29.04.2014.

Responsibilities: Senior Vice-President of sales and marketing within KazMunayGas, the national oil and gas company of Kazakhstan state, sole shareholder of KMG International.

Training and professional qualification: graduate of the Economic Kazakh Academy in international economy, petroleum industry. Over 13 years experience in the crude oil field, of which 9 years he has worked in various companies of the KazMunayGas Group as Corporate Development Manager.

Cătălin Dumitru

Born in 1968, Romanian citizen.

Duration of the administrator's mandate: from 01.05.2016 until 30.04.2018.

Non-executive member of the Board of Directors.

Starting with 10.02.2017 he was appointed President of the Board of Directors, replacing Azamat Zhangulov who submitted the request to renouncing the mandate.

¹¹ On February the 2th 2017, Mr. Azamat Zhangulov sumitted the request to renounce his chairman and Director mandate in the Board of Directors. Thus, in compliance with the provisions of art. 137² of Law no 31/1990 on commercial companies, republished, with its subsequent amendments and additions, and of art. 14.6 of te Articles of Incorporation of Rompetrol Rafinare S.A., by the vote of the 4 administrators in office, Mr. Alexey Golovin was appointed interim member of the Board of Directors, starting February 10th 2017, until the coming Shareholders Ordinary General Assembly.

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Within the member companies of the KMG International Group, he holds the positions of Chairman of the Board of Directors of Rompetrol Downstream SRL, KazMunayGas Trading A.G., and EPPLN SAS; member of the Board of Directors of the company DYNEFF Trading SL and TRG PETROL TICARET ANONIM SIRKETI; Sole Director of Dyneff Gas Stations Network SL and General Manager of TMP SAS, Dyneff Gas Stations Network SL, DPPLN SAS, Dynef SAS and EPPLN SAS.

Responsibilities: Starting with the year 2014, he was Vice-President of the KMG International Group and in November 2016 he was appointed Senior Vice-President of the Group – Operations Block.

Professional training and qualifications: graduate of the Academy of Economic Studies, Faculty of Finance, Banks and Accountancy – Bucharest. He joined the Group in 2002, as Financial Manager for two of the companies within the Group, Rominserv and Ecomaster Servicii Ecologice. In 2008 he was appointed Chief Executive Officer (CEO) of Dyneff Group, where he successfully coordinated the activities of depositing, trading and distribution of products for the consumers and partners in Western Europe.

Yedil Utekov

Born in 1976, Kazakh citizen

Duration of administrator mandate: from 01.10.2014 to 30.04.2018.¹²

Executive member of the Board of Directors

Responsibilities: General Manager of Rompetrol Rafinare S.A. and General Manager and member in the Board of Directors of Rompetrol Petrochemicals S.R.L.

Professional training and qualifications: graduate of the Chemical Engineering of Natural Resources and Hydrocarbons Faculty of the Astrakhan State Technical University, in Russia. He began his oil and gas career in 2001 as a process operator at the Akasaraisky Gas Processing Plant of Russia, then as an operator at ZAO Intergaz Central Asia, Kazakhstan. Beginning with June 2002, he was promoted from the position of engineer at the Atyrau Refinery to that of Environment, Technology, Health and Safety manager. In April 2005 – April 2010, he worked at Agip KCO in Atyrau, Kazakhstan. The last position in this company was that of Group Coordinator for Technical Inspection and Control in the period August 2008 – April 2010. With a professional experience of more than 10 years in the oil and gas industry, Mr. Yedil Utekov joined the KMG International Group (the former name Rompetrol Group) in January 2010 as Assistant General Manager of Rompetrol Petrochemicals. He was appointed as the Company's General Manager beginning with 12 June 2014.

¹²Throughout 01.10.2014 – 03.03.2015, he held the position of temporary director. He was appointed as permanent director by Resolution no 1/2015 adopted by the Shareholders' Ordinary General Assembly on 04.03.2015

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The two new managing positions set up by Resolution no 7/2011 adopted by the Shareholders' Extraordinary General Assembly on November 29th, 2011, which approved the increase in the number of the component of the Board of Directors from 3 to 5 members, **on 31.12.2016, were taken up by Mr. Mihai-Liviu Mihalache and Mr. Marius Mitruş**. Both were appointed to these positions upon the suggestion of the shareholder – the Romanian State – represented by the Ministry of Energy.

Mihai-Liviu Mihalache was appointed member of the Board of Directors by Decision no 6/2015 adopted by the AGOA of July 20th 2015 and Marius Mitruş was appointed member of the Board of Directors by Decision no 2/2016 adopted by the AGOA of April 28th 2016.

Mihai-Liviu Mihalache¹³

Born in 1978, Romanian citizen.

Duration of administrator mandate: from 20.07.2015 to 30.04.2018

Non-Executive member of the Board of Directors

Professional training and qualifications: Licensed in legal sciences at the Ecological University, Bucharest, 2001. Throughout 2006 - 2011 he graduated various courses / post-university seminars, organized by Vâlcea Bar and respectively The Balkan Trust for Democracy.

Career milestones:

- expert with the General Directorate for Privatisation and Administration of State Energy Participations – Department of Participation Administration – Legal, Liquidation and Insolvency Compartment within the Ministry of Energy (09.02.2016 – present).
- Deputy to General Director of the General Directorate for Trade Companies within the Ministry of Energy, Small and Medium Enterprises and Business Environment (19.05.2015 – up to present);
- Manager of the State Secretary Office within the Ministry of Energy, Small and Medium Enterprises and Business Environment (13.01.2015 - 18.05.2015);
- Chief of the State Participation Office and Industrial Privatization (Oficiului Participării Statului și Privatizării în Industrie - OPSPİ) within the Minister of Economy (28.02.2014 - 13.01.2015);
- Chief deputy of OPSPİ within the Ministry of Economy (2.10.2013 - 28.02.2014);
- Manager of the State Secretary Office within the Ministry of Economy (July – September 2013);
- Lawyer for the Lawyer House “Mihalache Mihai Liviu” (2010 – 2013 and October 2003 - 01.04.2007);
- Parliamentary Expert – Permanent Electoral Authority – South-West Branch Oltenia (01.04.2007 – October 2010);
- legal consultant with Tehnomon S.R.L (2002-october 2003)

¹³ Proposed to the Board of Directors of the Company by communication no 102293/04.06.2015 addressed by Ministry of Energy, Small and Medium Enterprises and Business Environment (under its current designation Ministry of Energy) – Minister's Office.

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Marius Mitrus¹⁴

Born in 1979, Romanian citizen.

Duration of administrator mandate: from 28.04.2016 to 30.04.2018

Non-executive independent member of the Board of Directors.

Professional training and qualifications: Licensed in economics by the Academy of Economic Studies, specialization – management, as well as by the National Information Academy. Graduate of the specialty courses held by the Romanian Commercial Bank in the fields targeting payment instruments, asset and liabilities management, human resources management and also studies organized by Deutsche Bundesbank on international negotiation management.

Career milestones:

- strategy consultant for the Romanian National Bank – specific executive management counselling activities (Governor of BNR);
- Deputy Manager (2009 – 2013), Chief of Institution within a public institution (2007 – 2009), Head of Office (2004 – 2007), expert (2001 – 2004) for the Institution, holding attributions in the field of national securities;
- Non-executive member of the Board of Directors of the Energy Administration and Participation Company (2014 – 2016).

6.4. This presence of the administrators in the meetings of the Board of Directors

In accordance with the Articles of Incorporation, the Board of Directors shall meet at least once every three months and whenever required. During 2016 the Board of Directors has met within 13 meetings. On the agenda of the Board of Directors meetings, there were issues regarding the current activity performed by the Company or its subsidiaries such as: with a view to obtaining the approval of the Annual Report and to organizing the ordinary general assembly to approve the annual financial results; including the information documents and materials to be submitted to the approval of the AGA; with a view to approving the reports and the materials associated to the half-yearly and quarterly financial results; approval/ratification of significant legal documents; approval of putting out of service of certain fixed assets featuring an expired/valid amortization period; approval of the internal Regulations on the regime of privileged information, including the guide in connection with identifying privileged information approved by Order no 280/17.11.2015 issued by the General Manager of the Company; approval of the extension of availability and validity of the Credit Contract no 102/16.11.2010, up to latest 31.07.2018, concluded with Bancpost S.A. in amount of 5,000,000 Euro; the appointing of Mr. Vasile-Gabriel Manole as Economic Manager of the Company starting with April 11th 2016 until 30.04.2018, following the renouncement to the

¹⁴ Proposed in the Board of Directors of the Company by appointment no. 101.326/04.04.2016 formulated by the significant shareholder – The Ministry of Energy – Minister's Office.

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mandate of Mr. Giani-Iulian Kacic; the authorization of persons with the right of the first and second signature in relation with the banks; approval of all Addenda for a one-year extension of the four Auxiliary Facilities within the Credit Facility Contract in maximum amount of up to 360,000,000 USD, respectively: the Auxiliary Facility of 18.05.2015 concluded with the Romanian Commercial Bank SA, the Auxiliary Facility of 27.04.2015 concluded with Unicredit Bank S.A., the Auxiliary Facility of 23.04.2015 concluded with ING Bank NV Amsterdam – Bucharest Branch and the Auxiliary Facility of 12.05.2015 concluded with Raiffeisen Bank S.A.; approval on opening bank accounts; approval to signing Addendum no 20 to the Credit Contract no 368 of 23.07.2007 in amount of 27,961,890 Euro regarding the extension of the contract validity period, maintaining the guarantees already constituted in favour of Bancpost S.A.; approval on signing Addendum no 39 to the Credit Contract – revolving facility for working capital no 490/17.03.2008 in amount of 30,000,000 Euro regarding the extension of the respective contract availability and validity period, maintaining the guarantees already constituted in favour of Bancpost S.A.; approval of Addendum no 4 to the Credit Contract no 102/16.11.2010 in amount of 5,000,000 Euro regarding the extension of the availability and validity period of the respective contract, maintaining the guarantees already constituted in favour of Bancpost S.A.; approval on summoning the Shareholders Ordinary General Assembly on December 19th 2016 to debate and adopt certain decisions: (i) to confirm that the Company would continue its activity, under the conditions in which in compliance with the audited financial situations of 2015, the net asset of the Company, determined as difference between total assets and total debts, diminished to less than half the value of the subscribed share capital; (ii) setting the date of 31.12.2017 until when the Company would take all legal measures to remedy the above mentioned situation, based on the Report of the Board of Directors, Report of the External Auditor Ernst & Young Assurance Services SRL and of the Report of the internal auditor; (iii) approval on the amendment and addition of the Articles of Incorporation of the company concerning the change of name of the significant shareholder of the Company from the Ministry of Energy, Small and Medium Enterprises and Business Environment into the Ministry of Energy and of some articles concerning the conditions for a capital increase; approval on Addendum no 10 to the Credit Contract no 448 concluded on 20.10.2010 between the Company (as “borrower”) and KMG International N.V. (as “lender”), the significant shareholder of the Company, in amount of 250,000,000 USD, in the sense of extending the due date for reimbursement of the amount of 50,000,000 USD until 31.12.2017; approval on the Addendum no 3 to the credit Contract no RR2 concluded on 24.11.2014 between the Company (as “borrower”) and Rompetrol Financial Group S.R.L. (as “lender”), shareholder of the Company, in amount of 29,215,000 USD, in the sense of extending the validity of the contract until 31.12.2017; other approvals for performing under good conditions the activities of the company as well as those of the company’ subsidiaries, etc.

Throughout 2016, the composition of the Board of Directors suffered only one amendment, following Decision no 2/2016 adopted by the Ordinary General Meeting of Shareholders of April 28th 2016.

All the meetings of the Board of Directors took place in the presence of 5 administrators as in compliance with the provisions of the Articles of Incorporation.

Most of the meetings were held electronically, in the form of e-mail communications.

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The decisions of the Board of Directors in 2016 were adopted by unanimous or majority vote of the members present.

The table below outlines the presence in the meetings of the Board of Directors of the administrators, for the year which ended on December 31st, 2016:

Name	Presence
Azamat Zhangulov	13/13/13
Alexandru Nicolcioiu ¹⁵	7/7/13
Yedil Utekov	13/13/13
Nicolae Bogdan Codruț Stănescu ¹⁶	7/7/13
Mihail-Liviu Mihalache	13/13/13
Cătălin Dumitru ¹⁷	6/6/13
Marius Mitruș ¹⁸	6/6/13

The first figure indicates the number of meetings at which the person in his capacity as administrators has participated, the second figure represents the number of sessions conducted during the mandate from 2016, and the third figure represents the total number of sessions carried out during 2016.

Upon the suggestion of the significant shareholder, the Romanian State represented by the Ministry of Energy, Mr. Nicolae Bogdan Codruț Stănescu was recalled from his position as administrator of the Company, following his resignation as member of the Board of Directors, being replaced by the appointed Mr. Marius Mitruș, in compliance with Decision no 2/2016 adopted by the Shareholders Ordinary General Assembly of April 28th 2016. The convener of the Shareholders Ordinary General Assembly of April 28th 2016 was completed following the request of the significant shareholder, the Romanian State represented by the Ministry of Energy, in the sense of appointing, respectively of recalling the above mentioned persons. Within the same General Assembly Mr. Cătălin Dumitru was also appointed as member of the Board of Directors, following the request addressed by Mr. Alexandru Nicolcioiu to renounce, starting with May the 1st 2016, and his administrator mandate. The proposal of the Board of Directors to appoint Mr. Cătălin Dumitru as administrator was included in the initial Convener of the Shareholders Ordinary General Assembly of April 28th 2016, published in the Romanian Official Gazette, Part IV, and no 1247/28.03.2016 and in the Bursa newspaper no 60/28.03.2016.

¹⁵ Administrator until April 30th, 2016

¹⁶ Administrator until Aprilie 27th, 2016

¹⁷ Administrator since May the 1st, 2016

¹⁸ Administrator since April 28th, 2016



6.5. Advisory Committees, non-executive Managing Directors and the independence of the Managing Directors

Considering that the organization within the KMG International Group involves the existence of supporting operations positions with various responsibilities, it was not required to set up consultative committees at entity level (audit, nomination, remuneration committees, etc.) The relation between the company and the positions at the level of KMG International Group is regulated through service provision contracts.

The remuneration of the members of the Board of Directors and of the directors (executive and non-executive) is presented in Explicatory note no. 22_corresponding to the individual annual financial statement on 31.12.2016.

The compensations paid to the administrators of the company, throughout 2016 were of 765,299 Lei (741,682 Lei in 2015). Salaries and bonuses paid to the management of the Company throughout 2016 (on an average 13 individuals) were of 2,955,160 Lei (2,802,915 Lei in 2015, on an average 14 individuals).

According to the assessment criteria for the independence of the non-executive members in the Board of Directors, one single member – Mr. Marius Mitruş – in office on 31.12.2016, met the independence criteria stipulated by the principles and recommendations of the Code.

Assessment of the Board of Directors

The Board of Directors did not initiate in 2016 any assessment program for its activities.

6.6. Information on the General Meeting of Shareholders and the Shareholders' rights

The Shareholders' General Assembly ("SGA") is the main corporative forum of Rompetrol Rafinare S.A. with decision making attributions on detailed activities within the Article of Incorporation of the Company. The Summons, functioning, voting process as well as other provisions referring to SGA are detailed in the Articles of Incorporation of Rompetrol Rafinare S.A.

According to article 11 of the Company's updated Articles of Incorporation, corroborated with the applicable legal provisions, the Ordinary General Meeting is summoned at least once a year, as the law requires obligatorily, and includes the following attributions:

- a) to discuss, approve or to modify the annual financial statements, based on the reports presented by the board of directors and by the financial auditor and to establish the dividend;
- b) to appoint and revoke Company administrators;
- c) to appoint and establish the minimal duration for the financial audit contract, and also to revoke the financial auditor;
- d) to establish for each undergoing financial year the remuneration owed to the administrators;
- e) to pass opinion on the administrators' manner of administration;

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- f) to establish the incomes and expenses budget, and, if such is the case, the activity schedule, for the following financial year;
- g) to decide the hypothecation, the lease or the abolishment of one or more units of the Company;
- h) approves the maximum limits of the remuneration of the persons handling/exerting managing positions when the law stipulates such.

The Extraordinary General Meeting has the following attributions:

- a) the change of the Company's legal form;
- b) moving the headquarters of the company;
- c) changing the company's object of activity;
- d) setting up or dissolving secondary offices: branches, agencies, representations or any other such units without legal personality;
- e) the extension of the company duration;
- f) increasing the shared capital;
- g) the reduction of the shared capital or replenishing it by an issue of new shares;
- h) merger with other companies or the division of the company;
- i) the company's anticipated dissolution;
- j) conversion of shares from one category to another;
- k) the conversion of one category of bonds into another one or into shares;
- l) issue of bonds;
- m) any other change of the articles of incorporation or any other resolution for which it is required the extraordinary general meeting consent;

The Extraordinary General Meeting delegates the Board of Directors to exert the attributions stated at letter b) and c) of the paragraph above from the revised Articles of Incorporation.

Moreover, the Extraordinary General Meeting may delegate to administrators the increase of the shared capital, according to the provisions of art. 236 of Law 297/2004 on the capital market.

The rights of the shareholders of Rompetrol Rafinare are those conferred by Law no. 31/1990 on commercial associations, Law no. 297/2004 on the capital market, C.N.V.M. regulations and instructions, Stock Code and other regulations currently in force.

Each subscribed action and paid for by the shareholders, according to the law, gives them the right to vote within the shareholders' general assembly, the right to appoint and to be appointed by the management organs, the right to participate to the distribution of profit, in compliance with the provisions of the Articles of Incorporation of the company and the legal dispositions respectively the rights stipulated in the Articles of Incorporation.

Acquiring of a person, directly or indirectly, as provided for by the law, of the ownership right on a share, has an effect the rightful acquiring the status of a shareholder of the company with all their rights and obligations derived herein, according to the law and to the Articles of Incorporation.

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The shareholder who in a certain operation has, be it personally, be it as a representative of another person, an interest contrary to the interest of the Company, will have to refrain from any deliberations on that account.

The General Meeting of the Shareholders of Rompetrol Rafinare S.A., according to its updated Articles of Incorporation:

The general shareholders' meeting is summoned by the administrators or whenever required, by publishing an announcement in the Romanian Official Journal, part IV, and in widely distributed local or national publications in the locality where the Company is headquartered. The general meetings are summoned by the Board of Directors, and the summoning is done at least 30 days before the date of holding the meeting. The summons of the general meetings is transmitted simultaneously to B.V.B. and A.S.F. and is available for at least 30 days before the date of holding the meeting on the Company's website, at address: www.rompetrol-rafinare.ro at section Investor Relations.

The general meeting can be summoned at the headquarters of the Company or in other places established by the administrators through the summons. In the general shareholders' meetings have the right to participate and vote only the shareholders registered in the Register of Company Shareholders, held and issued by the Central Depository S.A. Bucharest, on the reference date established through the summons of the general meeting. According to the legal provisions, the shareholders may be personally represented (by legal representatives) or by representatives, based on a special authorization or on a general authorization, or by correspondence, based on a vote Form by correspondence, both documents being made available to the shareholders, translated into English language. The shareholders may fill in the special / General Authorizations or the vote Form by correspondence be it in Romanian language, or English language.

Shareholders can also be represented in the general meeting by persons who do not have the quality of Company shareholders, except for the administrators.

The summons of the general meeting includes information on the availability of the forms for special delegations, vote bulletins by mail and deadline to which these documents are to be sent / submitted at the Company headquarter, as well as the e-mail address for sending the mails.

Each shareholder, regardless of the participation to the shared capital, has the right to ask questions referring to the agenda of the general meetings, and the Company can answer the questions asked by the shareholders by posting such answers on the Company website. Questions have to be pertinent, be connected to the agenda and not harm the confidentiality and commercial interests of the Company and be in writing, either by mail or courier services, or by electronic means. Furthermore, in the summons of the general meeting shall be mentioned the deadline until which shareholders can exert the above-mentioned rights.

One or several shareholders representing, individually or jointly, at least 5% of the shared capital has/have the right, in lawful conditions to request to the Board of Directors: a) to introduce new items in the agenda of the general meeting, provided that each item is accompanied by a justification or by a draft decision proposed for making by the general meeting and b) to present draft decisions for the items included or proposed to be included in the agenda of the general meetings.



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The summons of the general meeting, the documents and information materials regarding the items on the agenda of the general meeting, the forms for Special delegations, the Forms for Vote bulletins by mail and draft decisions are made available in Romanian, as well as in English to the Company's shareholders at the headquarters of the Company and can be downloaded from the Company website.

Shareholders can request in writing copies of these documents, by courier or e-mail.

The general meeting is presided by the chairman of the Board of Directors or by a person appointed by such, who, in turn, appoints from among the members of the general meeting members or the company shareholders, one to three secretaries, plus a technical secretary from among the employees. They will draft the list of presence of shareholders and verify the following:

- identity documents of the persons present at the General Meeting as shareholders or empowered representatives of such;
- special or general mandate presented by the shareholders' empowered representatives. There shall be taken into account that the special mandate is valid only for the Shareholders' General Assembly for which it has been requested.
- vote form by mail.

The meeting secretary shall also verify the fulfilment of the legal conditions regarding the quorum of presence of shareholders for validating the general meetings.

If the ordinary or extraordinary general meeting cannot take place because the legal conditions of presence are not met, the meeting which will reassemble in a second summoning can deliberate upon the matters of the agenda of the first meeting, regardless of the gathered quorum, passing resolutions with the majority of the expressed votes.

After presenting the materials afferent to the agenda, the shareholders are invited to ask questions and the problems subjected to debate are subject to vote by the meeting president.

The decisions of the general meeting are made by open vote, except for the cases when the general meeting decides for the vote to be secret or if the law requires a secret vote.

Each share entitles to express one vote within the sessions of the general shareholders' meeting of Rompetrol Rafinare. The person representing several shareholders based on special delegations expresses the votes of the represented persons by summing up the total number of votes "for", "against" and "refrain" without compensation (ex. "at point x on the agenda I represent "a" votes "for", "b" votes "against" and "c" refrains"). Votes expressed like this are validated or, as the case may be, invalidated, based on the third copy of the special delegations, by the secretary of the general meeting. The votes pertaining to the special delegation are exerted only in the manner decided by the shareholder.

The meeting secretary/ies, based on the freely expressed vote by the shareholders, shall draft the minutes of proceedings of the general meeting.

Within 24 hours as of the date the general shareholders' meeting took place, the company sends to B.V.B. and C.N.V.M. the current report afferent to the decision made by the general shareholders'

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meeting and such is published on the Company website together with the vote results. Moreover, the decisions of the general meeting are to be published in the Romanian Official Journal, Part IV.

Resolutions adopted by the general meetings of shareholders during 2016:

The Ordinary General Meeting of the Shareholders of Rompetrol Rafinare from April 28th, 2016 has decided as follows:

- the approval of the individual annual financial statements (drawn up in accordance with the International Financial Reporting Standards ("IFRS"), as provided for in the Order of the Ministry of Public Finance No. 1286/2012), as consequently amended and the consolidated financial statements (drawn up in accordance with the International Financial Reporting Standards), audited, for the year 2015, on the basis of the reports of the Board of Directors and the Auditor's financial reports;
- approval of allocation of the net profit afferent to financial year 2015, in compliance with the proposals made available to the shareholders, for the following destinations: (i) legal reserve (5% of the result of 2015) in amount of 4,214,600 RON and (ii) coverage of the losses reported in the previous years in amount of 80,077,396 RON ;
- the discharge of administration of all the Board of Directors of the Company for the financial year 2015, based on the presented reports;
- approval of the income and expenditure budget and the program of the company for the year 2016, including the investment plan for the year 2016;
- determining the remuneration for the financial year 2016 of the members of the Board of Directors of the company, for the purpose of maintaining the same net amount of remuneration for the Board of Directors as the one valid for the year 2015.
- Approval of the cease of the mandate as member on the Board of Directors of Mr. Alexandru Nicolcioiu, following his request to renounce to this position starting with May the 1st 2016 and the decision on his management as administrator for the period of his administrator mandate, respectively 01.01.2016 – 30.04.2016 and all these attained under the conditions of the law;
- Approval on the appointment of Mr. Cătălin Dumitru as member on the Board of Directors, for a mandate to start with May the 1st 2016 and expire on April 30th 2018 (the expiry date of the mandates of the current members on the Administration Board), following the renouncement to the mandate of Mr. Alexandru Nicolcioiu;
- Approval of Mr. Nicolae Bogdan Codrut Stanescu's recall as member on the Board of Directors following his resignation from this position starting with 28.04.2016 and the decision on his management as administrator for the period of his administrator mandate, respectively 01.01.2016-27.04.2016 and all these attained under the conditions of the law;
- Approval on the appointment of Mr. Marius Mitrus as member on the Board of Directors of the Company, for a mandate to start with the date of this General Assembly and expire on April 30th 2018 (the expiry date of the mandates of the current members on the Administration Board);



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- approval of the date of 17 May 2016 as the registration date for the identification of shareholders concerned by the effects of Resolution no. 2/2015 of the GOMS of 28 April 2016.
- Approval of the date of 16 May 2016 as *ex date*, as defined by the provisions of the C.N.V.M. Regulations no 6/2009.
- mandate of Mr. Alexandru Nicolcioiu, member of the Board of Directors of the company, with the possibility to sub-mandate to third parties, to conclude and/or sign on behalf of the Company and/or of the shareholders of the Company, Resolutions no. 1/2016 and 2/2016 adopted by this SOGA and to perform all legal formalities to register, advertise, oppose execute and publish the adopted Resolutions no. 1/2016 and 2/2016.

The Extraordinary General Meeting of the Shareholders of Rompetrol Rafinare from April 28th, 2016 has decided as follows:

- ratification of Rompetrol Rafinare's conclusion of Addenda no 7/19.09.2014, no 8/31.12.2014 and no 9/26.11.2015 to the Credit Contract no 448 concluded on September 20th 2010 between the Company and The Rompetrol Group N.V. (in March 2014 with the new designation of KMG International N.V.), the significant shareholder of the Company, extended and amended by Addendum no 1 of 20.09.2011 approved by the AGEA Decision no 4 of 10.10.2011, by Addendum no 2 of 2.05.2012 approved by the AGEA Decision no 2 of 29.06.2012, Addendum no 3 of 20.09.2012 approved by the AGEA Decision no 6 of 26.10.2012, Addendum no 4 of 05.03.2013 approved by the AGEA Decision no 3 of 05.03.2013, Addendum no 5 of 20.09.2013 and Addendum no 6 of 14.02.2014, both approved by the AGEA Decision no 3 of 29.04.2014, having as object the amount of 250,000,000 USD.
- Approval of the date of Ay 17th 2016, as registration date for the identification of the shareholders to whom the effects of Decision no 3/2016 adopted in the AGEA of April 28th 2016 are addressed.
- Approval of the date of 16 May 2016 as *ex date*, as defined by the provisions of the C.N.V.M. Regulations no 6/2009.
- mandate of Mr. Alexandru Nicolcioiu, member of the Board of Directors of the company, with the possibility to sub-mandate to third parties, to conclude and/or sign on behalf of the Company and/or of the shareholders of the Company, Resolution no 3/2016 adopted by this SOGA and to perform all legal formalities to register, advertise, oppose execute and publish the adopted Resolution no 3/2016.

The Extraordinary General Meeting of the Shareholders of Rompetrol Rafinare from April 28th, 2016 has decided as follows:

- confirming the continuity of the activity of Rompetrol Rafinare, on condition of compliance with the audited financial situations of year 2015, the net asset of the Company, determined as



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- a difference between its total assets and total debts, diminished to less than half of the value of the subscribed share capital;
- approval of the date of 31.12.2017 until when Rompetrol Rafinare shall take all legal measures to remedy the above mentioned situation, based on the Report of the Board of Directors, Report of the external auditor Ernst & Young Assurance Services SRL and Report of the internal auditor.
 - Approval of the amendment and addition to the Articles of Incorporation of the Company, namely:
 - sub point 2) of the article called "Shareholders", point 1.1., letter A. "Significant Shareholders" of the Articles of Incorporation of the Company in the sense of amending the designation of the Company's significant shareholder from the Ministry of Energy, Small and Medium enterprises and Business Environment into the *Ministry of Energy*;
 - art. 13.2 in the sense of amending the applicable regime of increasing the share capital, by suspending the right of preference of the shareholders to subscribe the new shares in the case of increasing the share capital, by the participation of the shareholders who represent at least 85% of the subscribed share capital (*previously 3/4 of the subscribed share capital*) and respectively the approval of the share capital increases by the contribution of the type of the AGEA where the participating shareholders represent at least 85% of the subscribed share capital (*previously 3/4 of the share capital*), for both types of increases, the decision being taken by the vote of the shareholders holding at least 3/4 of the right of voting (*previously 2/3 of the rights to voting*);
 - approval on the update of the Company's Articles of Incorporation following the above mentioned amendments, having authorized Mr. Yedil UTEKOV, General Manager of the Company, to sign the updated version;
 - approval of the date of 6 January 2017 as the registration date for the identification of shareholders concerned by the effects of Resolutions no. 4/2016 and no. 5/2016 of the AGEA of 19 December 2016.
 - Approval of the date of 5 January 2017 as "*ex date*", as defined by the provisions of C.N.V.M. Regulations no 6/2009;
 - Mandate of Mr. Yedil Utekov, administrator and General Director of the Company, with the possibility to sub-mandate to third parties, to conclude and/or sign on behalf of the Company and/or of the shareholders of the Company, Resolution no. 4/2016 and 5/2015 adopted by this SEGA and to perform all legal formalities to register, advertise, oppose execute and publish of the adopted Resolution no. 4/2016 and 5/2015.

Shareholders' right to dividends

If the General Meeting of the Shareholders approves the distribution of dividends from the net profit of the company, all shareholders registered in the Register of shareholders at the time of registration decided by the General Meeting which also approves the amount of dividends received and the time limit within which they shall be paid to the shareholders, shall be entitled to receive dividends.



6.7. Information on the Executive Management of Rompetrol Rafinare

In accordance with Article 16.1 of the Articles of Incorporation of the company - updated on December 20th, 2016, the company's executive management which was delegated powers of management by the Board of Directors on the basis of the provisions of Article 143 of Law No 31/1991 on Companies, has been ensured by the General Manager and the Financial Manager.

On December 31st, 2016, the executive managers of the company are:

Mr. Yedil Utekov	– General Manager and member of the Board of Directors
Mr. Vasile-Gabriel Manole	– Financial Manager

6.8. Other elements regarding the Corporate Governance

6.8.1. Transparency, communication and regular and continued reporting

Rompetrol Rafinare attaches a great importance to the transparency of the communication and information of shareholders and investors. Throughout 2016, reports, presentations and press releases were issued with respect to the financial results, the convening of GMS (General Meeting of the Shareholders) and the resolutions adopted by GMS, as well as periodic (quarterly, biannual and annual) reports, significant transactions, reporting of litigations in which the Company is involved, etc. The information included in the current and periodic reports were communicated to the market operator, the Bucharest Stock Exchange, C.N.V.M, and were made available by posting on the Company's website, www.rompetrol-rafinare.ro, in the Investor Relations section.

In compliance with the legal provisions, the individual and consolidated financial situations are audited by Ernst & Young Assurance Services S.R.L., independent financial auditor, appointed by the Shareholders' General Assembly on 05.03.2016, to a four year period of an auditing services contract.

6.8.2. Corporate Social Responsibility 2016

COMMUNITY

The strength and evolution of KMG International Group do not rely on technology but on its people, who make the Group's development possible. Therefore, our CSR initiatives are based on the same values as those of our people.

Rompetrol Rafinare views social responsibility as voluntary contribution to the development of the society, correlated with the core values, the objectives, the activities, the international laws and the resources of the Group.

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As a revered corporate citizen and worldwide trustworthy partner, we contribute to the development of the countries and communities where we operate by creating jobs, employing local workforce and using local suppliers.

However, our commitment surpasses the economic aspects and implications of our actions. The commitment to CSR provides a guiding framework for all KMG International management decisions and we focus particularly on harnessing industry best practice by encouraging Group and community participation in corporate citizenship projects focused on raising the standards in the areas of business success, environment, health and safety, responsibility towards the community, culture, education and leadership.

We work with factors interested in all our fields of activity to identify the challenges and improve the life quality of the community.

We firmly believe that by strategically investing in local communities we can also positively influence our long-term economic performance. Healthy, vibrant communities drive demand for our services and play an important role in the development of an educated workforce and a robust, sustainable supply chain. We work with stakeholders in all our areas of operations to address challenges and advance the quality of life in the communities.

Key ways in which we contribute to communities where we operate include paying local taxes, employment, the use and development of local services and suppliers, investment in local infrastructure and social programs, including social investment.

Community engagement

Our involvement is based on community engagement and consultation, so as to identify the projects which can deliver the greatest value to local communities. We support those initiatives that help improve local economic conditions as it is our belief that economic development leads to the empowerment of local communities.

As part of our ongoing business process, we engage with our community stakeholders either on a project-by-project basis or on a company basis through philanthropic and community programs and initiatives. On a project-by-project basis, we proactively engage local communities, government and municipalities to address project-related social, economic or environmental concerns. This type of community engagement is directed by project management and carried out jointly with our clients and partners.

On a company basis, we establish relationships with community stakeholders to proactively identify needs that align with KMG International Group's strategic focus areas.

Joint Partnerships

Over the years, KMG International has developed solid partnerships with representatives of both the academic world and civil society, which resulted in the implementation of countless sustainable projects and programs.

Universities

KMG International has developed partnerships with key academic institutions in the oil & gas sector (oil & engineering departments at the Oil & Gas University Ploiești, Ovidius University Constanța, Politehnica University Bucharest), offering its support to maintaining Romania's academic tradition in the sector. The Group has developed an internship program for talented students in the sector, with more than 1,000 students attending the program in the past 10 years, out

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of which more than 250 became KMG International employees, thus being able to start a promising career.

The Internship program as a notorious tradition within the company strategies. The program was extended from the production area to other support business lines and starting with 2013 specific activities to attract young professionals in the headquarters were also launched in collaboration with targeted Universities.

The program's approach addresses two directions: firstly, to promote the company's culture and development opportunities and secondly, the actual Internship program.

To consolidate the company image among students, we participated in Career Days in Bucharest (at the Academy of Economic Studies), in Constanta (Ovidius University) and at Lazar Edeleanu High School in Navodari, organized Refinery visits and collaborated with relevant student NGOs (Akcees, Constanta and Ploiesti). Also, the HR team delivered workshops on interviewing skills, organized simulations and got involved, together with KMG International specialists, in students scientific conferences (Ovidius University Constanta).

During the program, a mentor is responsible with the intern's learning and feedback, has regular discussions and also manages the evaluations (midterm and final). All the costs of the Internship program (salaries, accommodation and transportation) are covered by KMG International.

The sustainability report of KMG International Group has been awarded in 2016 with the Deloitte's Green Frog Award.

The Sustainability Report can be found at:

http://www.rompetrol.com/sites/default/files/report_complete_simulated_en_redux.pdf

Internal Control and risk management systems in relation to the financial reporting procedures

The company has permanently adapted the mechanism of internal control as a series of working procedures and methods with a view to preventing the contrary of the economic interests of the company and of the frame covered the way they do business, for the identification of deficiencies and laying down the measures necessary to restore the frame covered. It refers to relationships, the phenomena and financial processes, having as purpose mainly to ensure the proper functioning of economic activity. There are also analyzed the aspects of the opportunity, necessity and exigencies of the operations carried out by the company. In respect of procedures for financial reporting, at the level of the company are developed procedures for reporting internal and external outside the company. The procedures are regularly reviewed by the specialised departments of the company. The systems of financial reporting are based on principles, rules and legal provisions in force. Also, as a member of KMG International Group, the company is audited regularly by the Group's internal audit department KMG International. Also, control and internal audit activity is provided by an internal auditor and employee of the Company.

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6.9. Reported legal documents

Rompetrol Rafinare reported the legal documents concluded throughout 2016 by the Company, in compliance with art. 225 of Law 297/2004 with concern to the capital market and with art. 113 letter G of the C.N.V.M. nr. 1/2006, by the current Reports registered with the Company under no 1954/26.02.2016, no 5861/21.06.2016, no 6471/07.07.2016, no 6726/15.07.2016, no 6937/22.07.2016, no 8496/06.09.2016, no 9017/23.09.2016, no 9858/19.10.2016, no 12664/28.12.2016, no 666/26.01.2017 and no 834/31.01.2017). The reports were submitted to the market operator (respectively to the Bursa de Valori București), published on the site of ASF (www.asfromania.ro) under section: Supervising/Capital market/Electronic reporting as well as on the site www.rompetrol-rafinare.ro under section Relations with the Investors/Financial Reports, subsection Current Reports.

Also, the major transactions concluded by the Company with individuals acting concertedly or in which these individuals were involved for the reported time frame, were those submitted to the approval of the Shareholders' Extraordinary General Assembly (SEGA) in compliance with the legal provisions and dispositions of the Articles of incorporation.

6.10. Events subsequent to the balance sheet

- Rompetrol Rafinare S.A credit facility in amount of RON 7 million granted by Rompetrol Well Services S.A was prolonged until April 14, 2017.
- Rompetrol Rafinare S.A credit facility in amount of RON 11.2 million granted by Rompetrol Well Services S.A was prolonged until April 28, 2017.
- Rompetrol Rafinare S.A credit facility in amount of RON 13 million granted by Rompetrol Well Services S.A was prolonged until May 10, 2017.
- Rompetrol Rafinare S.A credit facility in amount of RON 3.1 million granted by Rompetrol Well Services S.A was prolonged until May 3, 2017.
- By the end of March, 2016 Rompetrol Rafinare SA is going to buy back 770,000 CO2 certificates from Vitol SA.

Description of the policies and objectives of the company regarding the risk management

See information in Chapter "1.1.8. Evaluation work on risk management company", chapter entitled "Description of company policies and objectives of risk management".

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Financial Calendar	Date
Presentation of the preliminary results, not audited, individual and consolidated, for the year 2016 and for the fourth quarter of 2016	February 15 th , 2017
The Ordinary General Meeting of the Shareholders for the approval of annual financial results 2016	April 27/28 th , 2017
Publication of the Annual Report 2016 (respectively of the related annual financial results 2016)	April 28 th , 2017
Presentation of the results for the first quarter of 2017	May 12 th , 2017
Presentation of the results for the first semester and the II nd quarter of 2017	August 11 th , 2017
Presentation of the results for the III rd quarter and January - September 2017	November 14 th , 2017

Important Information and news regarding the interests of the shareholders, analysts and investors with regard to the activity of the company are available on www.rompetrol-rafinare.ro the Romanian and English version, section Relationships with Investors.

Contact for the relationship with investors

The annual, semester and quarterly Reports shall be made available to the shareholders, at their request. Requests may also be carried out in electronic format, by e-mail sent to the address: office.rafinare@rompetrol.com.



7. ANNEXES

a) Amendments to the Articles of Incorporation of the company

The Articles of Incorporation may be amended by Resolution of the General Meeting of the Shareholders, in accordance with the provisions of Law no. 31/1990 regarding Companies, in conjunction with the provisions of the Articles of Incorporation. The Articles of Incorporation may also be amended by the Board of Directors of the Company, by delegation of powers by the Meeting of the Shareholders in accordance with the provisions of Art. 114 of Law no. 31/1990 regarding Companies.

In 2016, one single amendment and update occurred to the Articles of Incorporation of the Company, consisting of:

- **following the modification and the update of the identification data of the significant shareholder the Romanian State represented by the Ministry of Energy, Small and medium Enterprises and Business Environment (following the implementation of the GEO no 86/2014).**

- **Following the amendment and addition of article 13.2 of the Articles of Incorporation with regard to the regime applicable to the share capital increases by cash and in kind, in the case of companies whose shares are admitted to transitioning.**

This modification was approved by Resolution no 5/2016 of the Shareholders' Extraordinary General Assembly of December 19th 2016 and contained in the Articles of Incorporation updated and drawn up on December 20th 2016 (Addendum to the present Report).

b) major contracts concluded by the company in the year for which the reporting is made.

Important contracts in which Rompetrol Rafinare is the supplier:

- Contract No RR 1/28.01.2013, concluded with Uzina Termoelectrica Midia S.A., automatically extended into 2016, with the following activity domain: sale of utilities - combustible refinery gas.
- Contract RR 1/04.01.2016 concluded with Downstream S.R.L., having as object the sale of petroleum products for the year 2016;
- Contract 2016 (respectively RRC 1/30.12.2015), concluded with KazMunayGas Trading A.G., with the following activity domain: the export of petroleum products for 2016;
- Contract no 3/04.01.2016 concluded with Rompetrol Gas S.R.L., having as object the sale of liquefied petroleum gas for the year 2016;
- Contract no. RR 1/14.12.2015, concluded with Air BP Sales Romania, with the following activity domain: sale of reactor petroleum Jet A1 for 2016;

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- Contract no. RR 2/04.01.2016, concluded with Rompetrol Moldova, with the following activity domain: the selling of petroleum products for 2016;
- Contract no RR 1/28.06.2016, concluded with ATRA ECO S.R.L., having as object the sale of used catalysts generated by the refinery production activity.

Important contracts in which Rompetrol Rafinare is the beneficiary:

- Contract no RR 2/20.04.2015 (valid for 01.05.2015 - 30.04.2016), concluded with TRANSENERGO COM S.A. for electric energy purchasing for Năvodari and Vega Facilities, for which there were signed: Addendum no 1/29.04.2015, regulates the procedure of invoicing/invoice due terms, Addendum no 2/30.06.2015, amendments to tariffs as according to ANRE ORDER no 95/25.06.2015 and Addendum no 3/31.12.2015, amendments to tariffs on the distribution of reactive energy as according to ANRE ORDER no 183/31.12.2015. Addendum no 4/31.12.2015 – extension of the contract validity and guarantees up to 30.04.2017; Addendum no 5/01.07.2016 – rate amendments in compliance with ANRE ORDERS 24/22.06.2016; 27/22.06.2016 and 33/19.07.2016. On 14.12.2016 the contract was cancelled;
- Contract no RR5/15.12.2016 valid for the period 15.12.2016 - 30.06.2017, concluded with ENEL ENERGIE MUNTENIA S.A., on electric energy purchasing for Năvodari and Vega Facilities;
- Contract no RR 1/31.12.2015, concluded with OMV PETROM GAS SRL., having as object the purchasing of mixed natural gas for Năvodari and Vega Facilities, to which two addenda were concluded, namely: Addendum no 1/28.01.2016 – issuance of a parental guarantee letter (value and validity) and Addendum no 2/25.04.2016 – conclusion of an agreement to optimize the payment flow between the parties;
- Addendum no 2/29.11.2016 to Contract no RR 1/29.12.2014, having as object the extension of the validity of the contract up to 31.12.2017, concluded with Uzina Termoelectrică Midia S.A. for demi water;
- Addendum no 1/16.02.2016 to Contract no RR 2/29.12.2014, having as object the update of contracted quantities and reference prices within the price formula, concluded with Uzina Termoelectrică Midia S.A. for thermal energy;
- Contract KMGT AG - CRUDE OIL TERM SALES CONTRACT _ RR 3 /29.12.2015 concluded with KazMunayGas Trading A.G., in view of purchasing crude oil for the year 2016;
- Contract 03430-2015/31.12.2014 (RR2/05.01.2015)- ADD 4/09.03.2016 and ADD 6/29.04.2016, concluded with KazMunayGas Trading A.G., in view of purchasing crude oil for the period January – May 2016;
- Contract GOS_03428/22.12.2014 (RR3/29.12.2014) - ADD No.23, concluded with KazMunayGas Trading A.G. (term extension) with a view to purchasing processing diesel fuel for year 2016;
- Contract 04716-Rafinare-2016 (RR1_02.03.2016) – supplier Baltic Fuels, concluded with KazMunayGas Trading AG with a view to purchasing biofuel for the year 2016;
- Contract 04693-Rafinare-2016 (RR6_24.02.2016) – supplier Astra Bioplant, concluded with KazMunayGas Trading AG in view of purchasing biodiesel for the year 2016;

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- Contract 05371-Rafinare-2016-11 (RR1_04.11.2016) – supplier Astra Bioplant, concluded with KazMunayGas Trading AG in view of purchasing biodiesel for November 2016;
- Contract no RR 1/13.10.2016, concluded with ECOMASTER SERVIZI ECOLOGICE S.R.L. for taking-over, transportation, final disposal / capitalization of contaminated soil derived from the elastic bed of tanks V26/2 and DV2, as well as greening of the deposited area;
- Contract no RR 4/29.12.2016, concluded with ECOMASTER SERVIZI ECOLOGICE S.R.L. performing services such as flushing/cleaning tank 100T3 and valorification/ disposal of dangerous waste;
- Contract no RR 3/07.10.2016, concluded with CON METAL CF S.R.L. for supplying material, equipment and machinery, works execution for railway carriageable crossings, RR undercrossings;
- Contract no RR 7/29.12.2016, concluded with PURIOLITE S.R.L. for supplying MTBE catalyst, General Overhaul 2017;
- Contract no RR 8/29.12/2016, concluded with ALBEMARLE Catalysts Company BV, for supplying HB catalyst, General Overhaul 2017;
- Contract no RR 6/29.12.2016, concluded with HALDOR TOPSOE A/S for supplying HPM catalyst, General Overhaul 2017;
- Contract no RR 3/27.12.2016, concluded with FMS Finnish Measurement System FMS Oy, for supplying analyser for the crude oil compatibility, spare parts, consumables;
- Contract no RR 5/ 29.12.2016, concluded with AXENS for supplying SRU catalyst, General Overhaul 2017;
- Contract no RR 4/31.12.2012 concluded with Rominserv SRL to perform contractual works (works associated to the investment projects, Revision works) for Petromidia and Vega Refineries, extended by Addendum no 1 for the year 2014 and Addendum no 2 for the year 2015 and Addendum no. 3 for 2016;
- Contract concluded with CPST ADVISORY having as object performing special services consisting of managerial procedures, know-how, good practices, solutions, training and consultancy on project Delfin concerning Project Management;
- Contract concluded with CPST ADVISORY having as object performing special services consisting of managerial procedures, know-how, good practices, solutions, training and consultancy on project Delfin concerning Organizational Efficiency;
- Contract no RR 1/14.07.2016 concluded with KBC Process Technology Limited having as object the purchasing of PetroSim process simulator;
- Contract for consultancy services no RR 1/02.09.2016 concluded with Tauw by Netherlands, for a maximum period of 6 years, having as object consultancy services concerning the project on remedy of the pits belonging to Vega Refinery;

Important contracts where Rompetrol Rafinare is the company receiving the loan:

- Addendum no 1 of April 22nd 2016 to the overdraft credit facility Contract of April 27th 2015 concluded between the Company, Rompetrol Downstream SRL, KMG Rompetrol SRL, KMG International NV and Unicredit Bank SA, having as object the amount of 25,000,000 USD, in the sense of extending the maturity of the credit facility up to April 21st 2017;

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- Addendum no 1 of April 21st 2016 to the overdraft credit facility Contract no 15731 of April 23rd 2015 concluded between the Company, Rompetrol Downstream SRL, KMG Rompetrol SRL, KMG International NV and ING Bank NV Amsterdam – București branch, having as object the amount of 25,000,000 USD, in the sense of extending the credit facility maturity up to April 21st 2017;
- Addendum no 1 of April 21st 2016 to the overdraft credit facility Contract of May 18th 2015 concluded between the Company, Rompetrol Downstream SRL, KMG Rompetrol SRL, KMG International NV and Banca Comercială Română SA, having as object the amount of 25,000,000 USD, in the sense of extending the credit facility maturity up to April 23rd 2017;
- Addendum no 19 of March 1st 2016 to the credit Contract no 368/23 July 2007 between the Company, Rompetrol Downstream SRL and Bancpost S.A., having as object the amount of 27,961,890 EUR, in the sense of eliminating the following limits: a) 17,961,890 EUR maximum exposure for cash use and issuance of bank guarantee letters in favour of Eurobank Private Bank Luxembourg SA; b) 10,000,000 EUR maximum exposure for non-cash use, for issuing bills of credit or bank guarantee letters in favour of certain third parties. Thus, the credit facility may be used in cash as well as non-cash up to the maximum amount of 27,961,890 EUR;
- Addendum no 20 of July 29th 2016 to the Credit Contract no 368/23 July 2007 between the Company, Rompetrol Downstream SRL and Bancpost S.A., having as object the amount of 27,961,890 EUR, in the sense of extending the credit facility maturity up to July 31st 2017 and implementing the automatic mode of drawing/reimbursing the credit facility, eliminating thus the written requests to draw/reimburse the credit facility;
- Addendum no 39 of July 29th 2016 to the revolving facility credit Contract for the working capital no 490/17 March 2008 between the Company, Rompetrol Downstream SRL and Bancpost S.A., having as object the amount of 30,000,000 EUR, in the sense of extending the credit facility maturity up to July 31st 2017 and implementing the automatic mode of drawing/reimbursing the credit facility. At the same time, we introduce the possibility of using the non-cash facility to issue bills of credit or bank guarantee letters in favor of certain third parties (others than Eurobank Private Bank Luxembourg SA).
- Addendum no 10 of 28.12.2016 to the Loan Contract no 448/20.09.2010 between the Company and KMG International N.V., with the object of 250,000,000 USD, in the sense of extending the contract maturity with 12 months, starting with 31.12.2016.
- Addendum no 3 of 28.12.2016 to the Loan Contract no RR2 of 24.11.2014 concluded between the Company and Rompetrol Financial Group S.R.L., with the object of 29,215,000 USD, in the sense of extending the contract maturity until 31.12.2017.

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c) The resignation/dismissal of members of the Directors, Executive Management, Auditors.

During the reported year, among the members of the administration occurred the resignation documents of the following: Mr. Nicolae Bogdan Codrut Stanescu as member on the Board of Directors starting with 28.04.2016 and the request of Mr. Alexandru Nicolcicioiu of renouncing the position of member on the Board of Directors starting with May the 1st 2016.

Throughout the analyzed year, also occurred the request of Mr. Giani-Iulian Kacic of ceasing the mandate as well as the quality of Financial Manager of the Company, starting with April 11th 2016. No resignations / relegations of the Company's external financial auditor occurred.

d) The list of the subsidiaries of the Company and of the Companies controlled by the Company.

At the end of the year 2016, the company had two work points, namely:

- i) Work point located in Năvodari, 1 – 283 Năvodari Blvd., Constanța County.
- ii) Work point located in Ploiești, 146 Văleni Str., Prahova county, which carry out their activities in the space which is owned by the Company, called " Rompetrol Rafinare - work point Vega Refinery ".

At present, Rompetrol Rafinare S.A. holds the control position in the following companies:

Directly:

- Rompetrol Logistics S.R.L;
- Rompetrol Petrochemicals S.R.L.;
- ROM OIL S.A.;
- Rompetrol Quality Control S.R.L.
- Rompetrol Downstream S.R.L.

In an indirect way:

- Global Security Sistem S.A.;
- Rompetrol Gas S.R.L.

*e) The list of persons affiliated to the company¹⁹*

Rompetrol Rafinare S.A. is part of the KMG International Group.²⁰

The Group is registered with the Financial Supervisory Authority and was made up of the following companies on 31.12.2016:

- KMG International N.V.²¹
- Oilfield Exploration Business Solutions S.A.
- Rompetrol Downstream S.R.L.
- Rompetrol Well Services S.A.
- Palplast S.A.
- Rompetrol Logistics S.R.L.
- Rominserv S.R.L.
- Rom Oil S.A.
- Global Security Sistem S.A.
- Uzina Termoelectrică Midia S.A.
- Rompetrol Petrochemicals S.R.L.
- Rompetrol Quality Control S.R.L.
- Rompetrol Financial Group S.R.L.
- Rompetrol Gas S.R.L.
- Midia Marine Terminal S.R.L.
- KMG Rompetrol S.R.L.
- Byron Shipping S.R.L.
- EPPLN SAS (Entrepot Petrolier de Port La Nouvelle)
- Rominserv Valves Iaifo S.R.L.
- Byron Shipping LTD
- Întreprinderea Mixta Rompetrol Moldova S.A.
- Rompetrol Georgia LTD
- Rompetrol France SAS
- Dyneff SAS
- Dyneff Espagne SL
- DYNEFF Trading SL²²
- Dyneff Gas Stations Network SL
- TMP SAS (Terminal Midi Pyrenees)
- DPPLN SAS (Depot Petrolier de Port-la Nouvelle)
- Rompetrol Ukraine LTD
- AGAT LTD.
- KazMunayGas-Engineering LLP²³
- TRG PETROL TICARET ANONIM ŞİRKETİ
- Rompetrol Bulgaria AD

¹⁹ At this point there have been listed all of the companies in the KMG International Group

²⁰ As the Rompetrol Group until March 2014

²¹ As The Rompetrol Group N.V. until March 2014

²² Until 2016 the name was BIONEFF SL

²³ By the old designation of Rominserv Kazakhstan LLC



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- KazMunayGas Trading A.G.
- Rompetrol Energy S.A.
- Rompetrol Albania Downstream Sh.A - in the process of liquidation
- Rompetrol Albania Wholesale Sh.A - in the process of liquidation
- Rompetrol Albania ShA - in the process of liquidation
- Rompetrol Distribution Albania Sh.A. - in the process of liquidation
- KMG Rompetrol Services Center SRL²⁴
- KazMunayGas Engineering B.V.
- KazMunayGas Trading SingaporePTE. LTD
- Oman J.V.²⁵
- Rompetrol Drilling S.R.L.
- KMG ROMPETROL DEVELOPMENT S.R.L.
- Bio Advanced Energy SAS – headquartered in Montpellier, France²⁶
- Bio Advanced Energy Prod SAS – headquartered in Labarthe Inard, France²⁷

THE BOARD OF DIRECTORS:

**Charmin
Cătălin Dumitru**

**Member and General Manager
Yedil Utekov**

**Interim Member
Alexey Golovin²⁸**

**Member
Marius Mitruș²⁹**

**Member
Mihai-Liviu Mihalache**

Made by
**Financial Manager
Vasile-Gabriel Manole**

²⁴With the former assignation of ROMPETROL EXPLORATION & PRODUCTION SRL

²⁵ With the former assignation of Benon Rompetrol

²⁶ Established on January 11th, 2016

²⁷ Established on March 14th, 2016

²⁸ Upon the date of signing the present report he is a temporary member on the Board of Directors. On the agenda of the OGMS summoned for the 13 April 2017, he is proposed to be appointed as permanent member of the Board of Directors.

²⁹ On the date of signing the present report he is a member of the Board of Directors of Rompetrol Rafinare S.A.. On the agenda of the OGMS summoned for the 13 April 2017, upon the request of the significant shareholder the Ministry of Energy, there is the proposal of recalling Mr. Marius Mitruș from the position of member on the Board of Directors and the appointment of Mr. Laurențiu-Dan Tudor for the position of Director of the Company.