**KMG International's production assets in Romania set new operational records as per the results of 2018**

On February 5, 2019, the Annual Management Meeting of KMG International (Group or KMGI) took place, presenting the results of the Group's activity in 2018 and defining the main medium-term objectives.

In 2018, KMGI Group has registered positive operational and financial results. Thereby, according to the unaudited management accounting results, the operational profit (EBITDA) reached 249.7 mln. USD and the net result indicator was 86 mln. USD.

At the same time, the main highlight of KMGI activity for 2018 was the achievement of new production records in all business segments - refining, retail and trading. The key operational drivers for these records were the increase in the processed volumes of raw materials and in the production of finished goods, as well as a significant increase in sales of petroleum products in Romania and in the region.

In accordance with 2018 results, Petromidia refinery – the biggest asset of the Group and one of the most technologically advanced crude processing unit in the Black Sea region, has reached new maximal operational efficiency. The total volume of raw materials processed in 2018 by Petromidia refinery was 5.9 mln. tons, 1 mln. tons more than initially planned and it represents the highest level of raw materials refined during the entire 40 years history of the unit.

 The volume of finished products obtained in the three KMGI production units in Romania - Petromidia and Vega refineries, as well as the Petrochemicals division, during the reporting period, reached a record level of 5.8 million tons. An increase in the production of marketable petroleum products was recorded- gasoline, diesel and jet fuel at the end of 2018. Also, new highs were reached in the production of the main petrochemicals - polypropylene, bitumen and hexane.

A significant growth was recorded also for the **Retail** sales volumes. Internal and external wholesale and retail channels amounted to 3.35 million tons for the period under review, which is by 59 ktons more than in 2017 and by 1.25 million tons more than volumes registered in 2012. Herewith, the profits from non-fuel retail sales increased up to 21 million USD, which is 28% (6.3 million USD) higher than last year and more than double than 2012 indicators.

 The crude sales to third parties gained new records. Exports of raw materials and petroleum products sold through **Trading Channels** amounted to 14.9 million tons, which is 2.7 million tons more than the result of 2017, as well as 10.3 million tons higher than in 2012. The profit margin from third party activities summed up to 48.1 million USD, which is 16.7 million USD higher than in 2017 and almost tripled (by 17.9 million USD) compared with 2012.

The achievement of operational high results in 2018 was based on the implementation of internal programs aimed at the progressive development and further diversification of the business.

Due to the company’s internal financing, there were implemented projects focused on optimization and improvement of the cost-effectiveness of processing, logistics and sales activities, as well as the transformation of current activities in order to reduce operational expenses and increase profitability. Also, as part of projects aimed at expanding the regional distribution network in Romania, Moldova, Bulgaria and Georgia, about 200 new sale points were opened (including fuel stations, express stations, skids and reservoirs).

“*In 2018, the operational activity of KMG International Group was carried out in full accordance with the scheduled plans and Group Strategy, approved at the beginning of the year. In terms of key production indicators, the last year was the best out of more than 10 years of the National Company KazMunayGas ownership over KMGI. In medium term, we intend to double the net profit indicator, to continue implementing NC KazMunayGas strategy for expanding its presence on the international market and, consequently, to increase the shareholder value of the entire KMG group of companies*”, - Zhanat Tussupbekov, CEO KMG International, has noted.

In 2019, KMGI intends to start the implementation project for the construction of a cogeneration plant in the Petromidia refinery, as well as expanding its retail network of filling stations in Romania, the main activity market. As expected, these infrastructure projects aim at improving the financial sustainability and profitability of the Group, will be implemented within the framework of the Kazakh-Romanian Fund. In addition, embedded digitization projects of the refineries and the expansion of the logistics capabilities of the refinery are underway. In total, over the next 5 years, the company plans to implement about 100 projects with an IT component in all business segments.

**Background:**

«KMG International N.V.» is a 100% subsidiary of NC “KazMunayGas”. It is an integrated international oil company activating in the sphere of oil refining, oil products sales and industrial services on 11 main markets. The Company owns a retail network of more than 1100 gas stations and sales points in Georgia, Bulgaria, Moldova and Romania, where two Refineries of the Company (“Petromidia” of Navodari and “Vega” of Ploiesti) and a petrochemical plant “Petrochemicals” are situated. The activity of the Company is concentrated in the Black Sea Region.

Positive trends and high operational indices are mainly determined by the successful completion of the revamp and production increase program carried out on the main refinery of the Company - “Petromidia” of Navodari.

Due to the revamp program, the production capacity of Petromidia has reached from 3.8 to 5 million tons of crude oil, the refinery has started production of Euro-5 standard fuel, and the processing depth reached 94%. The processing cost of crude oil decreased from 28 USD to 17 USD/ton during the period between 2012 and 2018. During the revamp program of the refinery, a new petrochemical platform was constructed, which produces high-density and low-density polypropylene and polyethylene.

**Communication and PR Department**

**KMG International**