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KMG International, historical records in the first 9 months of 2017

KMG International (KMGI) has reached record technological and financial results during the first nine months of 2017, unique figures in its approximately 20-year-old history.

“Today we are confidently saying that KMG International is a constantly, year by year, growing group of companies, its achieved financial and operational indicators exceeding the estimated results and consisting of new historical records. During the last 5 years, due to the large-scale business transformation program, we have modernized our production units, transformed and extended the gas stations network but also improved the entire management model for the business, bringing the Company to a new level of quality and performance”, says Zhanat Tussupbekov, KMG International CEO.

Thus, since 2012, KMGI has been constantly improving its operational indicators (the quantity of necessary raw materials, the volume of petroleum products sold, the reduction and optimization of the necessary production and distribution costs), but also its financial ones - EBITDA and net profit. The optimized and balanced investment program, supported by KazMunayGas – the national petroleum and gas company in Kazakhstan, together with the efforts of the management team from within the Group, continues to determine and sustain such a performance.

The Company has recorded an operational profit (EBITDA) of \$180 million*, during the first 9 months of the year, a figure 24% higher than the respective result from the similar period of 2016. In 2016, KMG International’s EBITDA was approximately \$204 million.

At the same time, the net profit has increased from \$12.3 million to \$77.2 million, values recorded between January and September, in 2016 and 2017 respectively, due to a 28% increase in turnover, by \$6.4 billion.

Refining and petrochemicals

In the context of a planned shutdown of Petromidia Năvodari and Vega Ploiești refineries in May, the production units have recorded a quantity of 4.2 million tons of raw materials processed in the first nine months of the year (+2%). Between June and September, Petromidia refinery processed an average of 15,150 tons of crude oil per day.

Based on preliminary data, in October, Petromidia refinery has processed a daily amount of approximately 18,000 tons of raw materials, the highest recorded value in its history of 41 years. Meanwhile, Vega Ploiesti refinery and the petro-chemical division have reached a total volume of 60,000 tons of processed raw materials in October, some all-time high figures for the two production units.

Currently, Rompetrol Rafinare operates Petromidia Navodari – the largest refinery in Romania and one of the most complex and modern ones within the Black Sea region, Vega Ploiesti – the oldest working refinery (1905) and the only internal producer of bitumen and hexane, but also the petro-chemical division - the sole producer of polymers. The company is mainly owned by KMG International (54.63%; directly and indirectly) and the Romanian State, through the Ministry of Energy (44.69%)

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This year, Rompetrol Rafinare established a goal of refining a volume of around 5.6 million tons of raw materials, an increase of 4.5% compared to the historical level obtained in 2016. At the same time, the company plans to commercialize approx. 5.3 million tons of petroleum products, out of which, approx. 83% are motor fuels (gasoline – 1.4 million tons, diesel – 2.76 million tons, jet fuel – 241,000 tons).

Retail

The retail component of the Group has recorded an all-time high volume of approximately 2.1 million tons of fuel (gasoline, diesel, jet fuel) in Romania, Moldova, Bulgaria and Georgia, rising by over 10% compared to the recorded value between January and September 2016. Last year, the total figure reached by the company was of 2.9 million tons, 15% more than the one recorded in 2015.

In the first nine months of the year, the total amount of fuel sold in Romania, through the distribution channels (retail, wholesale) has increased by approximately 12%, going up to 1.8 million tons. Rompetrol Downstream has recorded a 10% increase in sales through its retail distribution network, and one of over 6% through the wholesale channel.

Based on preliminary data, the total sales of fuel between January and October have reached a record level, of around 2.7 million tons, over 11% more than the amount sold in the similar period of 2016. Over those 10 months, Rompetrol Downstream has recorded a 7% increase of volume, and the subsidiaries from Bulgaria, Moldova and Georgia one of 12%.

This evolution was supported by the continuation of the expansion programs for the fuel distribution network, the completion of the rebranding project, dedicated to the Rompetrol stations, but also by the consolidation of the Hei and Fill&Go brands.

Recently, the company has opened a new station in Campulung Moldovenesc, this counting as the 4th completed unit this year, after the ones in Bucharest (Chitila and Valea Oltului areas) and Iasi. Before the end of the year, Rompetrol Downstream has planned to complete 2 new stations in Bucharest and Baia Mare, proceeding with the construction work of 2 other stations in Sovata and Bacau.

At the end of June, the distribution segment of Rompetrol Downstream encompassed 789 trading points, including the network of Rompetrol gas stations and Rompetrol Partner stations, mobile Rompetrol Express stations, internal bases of 9 and 20 cubic meters. The Rompetrol network consists of 140 units currently, out of which 111 have already implemented the Hei restaurant concept.

Trading

The Trading and Supply Chain segment has recorded a volume of 13.4 million tons of raw materials and petroleum products sold between January and September, an increase of 11% compared to the achieved value from 2016, in the similar time frame.

According to preliminary data, KMG Trading has succeeded in attaining a volume of approximately 2.2 million tons of products and raw materials transferred and sold in October, the highest monthly figure achieved so far. Out of this amount, around 67% consists of trading activities with external partners.

Thus, the transactional volumes between January and October have reached a level of 15.5 million tons (+15%) and encompass both delivered raw materials with the purpose of

resupplying the production units within the Group, as well as the transfer/selling of petroleum products towards subsidiaries within the region and external partners.

KMG Trading is the only exporter of oil produced by the national oil and gas company from Kazakhstan – KazMunayGas, but also the only agent concerned with trading operations on the international markets.

* *Unaudited financial result*

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