

## Financial Results for the nine months ended 30 September 2014

Amsterdam, 26<sup>th</sup> November 2014

Zhaikmunai LLP ("the Company"), a subsidiary of Nostrum Oil & Gas PLC ("Nostrum" and together with its subsidiaries "the Group"), an independent oil and gas company engaging in the production, development and exploration of oil and gas in the pre-Caspian Basin, today announces Nostrum's financial results for the nine month period ended 30<sup>th</sup> September 2014.

### Highlights:

- Average daily production for 9m 2014 of **45,204** boepd, above targeted annual average of 45,000 boepd.
- Revenue of **US\$620.3 million**, down 5.6% compared to 9m 2013 (US\$657.2 million).
- EBITDA of **US\$413.2 million**, up 0.3% compared to 9m 2013 (US\$412.0 million).
- Cash position increased by 13% to **US\$516 million**, including short-term deposits, (H1 2014 US\$458.2 million).

### Corporate Developments

- Inclusion in the FTSE 250 index on the London Stock Exchange.
- Fully funded for GTU3 completion and doubling of production by end of 2016.

### Kai-Uwe Kessel, Chief Executive Officer of Nostrum Oil and Gas, commented:

"I am extremely pleased to announce the 9 month results which highlight the continued strong cash flow generation by Nostrum. Despite a falling oil price we have increased our cash position and maintained a low operating cost base. We continue to progress with our development programme, to double production by the end of 2016, which will allow us to further unlock the significant value of Nostrum's reserve base. We will continue to monitor our costs closely, however, given our low cost base and existing hedge there is no need to alter our current development programme."

**Q3 2014: Nostrums continued stable results**

<i>In millions of US\$ (unless mentioned otherwise)</i>	<b>Q3 2014</b>	<b>Q3 2013</b>	<b>Variance</b>	<b>Variance in %</b>
Revenue	<b>175.3</b>	214.7	(39.4)	(18.4)%
EBITDA	<b>105.3</b>	127.1	(21.8)	(17.2)%
EBITDA margin	<b>57.3%</b>	59.2%	(1.9)%	(3.2)%
Cash Position	<b>515.5</b>	225.0	290.5	129.1%
Net Debt	<b>431.5</b>	427.0	4.5	1.1%

### **9m 2014: Results**

<i>In millions of US\$ (unless mentioned otherwise)</i>	<b>9m 2014</b>	<b>9m 2013</b>	<b>Variance</b>	<b>Variance in %</b>
Revenue	<b>620.3</b>	657.2	(36.9)	(5.6)%
EBITDA	<b>413.2</b>	412.0	1.2	0.3%
EBITDA margin	<b>66.6%</b>	62.7%	3.9%	(6.2)%
Cash Position	<b>515.5</b>	225.0	290.5	129.1%
Net Debt	<b>431.5</b>	427.0	4.5	1.1%

### **Revenue, EBITDA and Profit for the period**

Revenue from the sales of crude oil, stabilised condensate, LPG and dry gas stood at US\$620.3 million with EBITDA at US\$413.2 million. The EBITDA margin increased to 66.6% from 62.7% during 9m 2014. Profit for the period decreased to US\$225.7 million (from US\$267.1 million at 9m 2013).

### **Net Income**

Net income for the period reduced to US\$108.6 million from US\$161.8 (9m 2013).

### **Cost of Sales**

Cost of sales decreased by US\$48.6 million to US\$157.9 million for the nine months ended 30 September 2014 (9m 2013: US\$206.5 million). This was due to a revision of the estimates related to the government profit share and royalties, in accordance with the recent supplement to the Chinarevskoye subsoil use rights and the change in the natural gas coefficient.

## **Cash**

The total cash position at the end of 9M 2014 was US\$515.5 million, which includes US\$25 million of current investments (FY 2013: US\$239.9 million).

## **Hedging Policy**

In March 2014, Nostrum entered into a hedge equating to production of 7,500 barrels of oil per day. The Company used a zero cost capped collar with a floor price of US\$85. The Company has covered the cost of the floor price by selling a call at US\$112. This amount of upside given away has been capped by buying a call at US\$118. There were no upfront costs to the Company for this structure. The option has a two-year maturity and is settled annually.

## **PRODUCTION SUMMARY**

- Total average daily production for 9m 2014 was 45,204 boepd (FY 2013: 46,178 boepd; 9m 2013: 45,414 boepd).
- GTU 1&2 planned shutdown and maintenance for 9 days from 26<sup>th</sup> September.
- 9m 2014 total average daily production was above the 2014 target of 45,000 boepd.
- The production split for 9m 2014 was as follows:

### **Production Split**

<b>PRODUCTS</b>	<b>9m 2014 Average Production</b>	<b>9m 2014 Product Mix %</b>
Crude Oil & Stabilised Condensate	19,038 boepd	42%
LPG (Liquid Petroleum Gas)	4,553 boepd	10%
Dry Gas	21,613 boepd	48%
<b>TOTAL</b>	<b>45,204 boepd</b>	<b>100%</b>

## **Drilling**

### **Production & Appraisal**

- Fourteen oil wells and 15 gas condensate wells are currently producing at the Chinarevskoye field.

- Three drilling rigs and one work-over rig are currently in operation at the Chinarevskoye field.
- Five wells have been drilled during the first nine months of 2014.
- Two additional wells have been drilled and are awaiting final preparation for frac treatment in 2015.
- Three wells are currently being drilled, two of which are expected to be completed before year-end.

### **Exploration**

- An extension to the exploration license for Chinarevskoye is still pending.

### **Exploration & Appraisal of Rostoshinskoye, Darzhinskoye and Yuzhno-**

#### **Gremyachenskoye fields**

- A drilling contractor has been selected to drill one well in each field before the end of 2015.
- Spudding of first well at Rostoshinskoye is planned for Q4 2014.
- Amendments to subsoil use contracts (exploration term and work programs) are in progress.

### **GTU 1&2 Shutdown**

The semi-annual planned GTU 1&2 shutdown occurred between 26<sup>th</sup> September and 5<sup>th</sup> October 2014, lasting a total of nine days. No further shutdowns of the GTU are scheduled for 2014.

### **Progress on development of GTU3**

Nostrum has concluded the majority of the procurement contracts in relation to GTU3. The total commitments entered into by Nostrum relating to procurement are approximately US\$150m.

In addition to the expenditures for procurement, on 28<sup>th</sup> July 2014 the Company entered into a US\$150m construction contract for GTU3, following approval by Nostrum's shareholders, with JSC "OGCC KazStroyService".

<b>GTU3 Expenditure</b>	
Expenditure 2010-2013	US\$25m
Expenditure up to 30 September 2014	US\$53m
Total Expected expenditure in 2014	US\$150m
Expected expenditure in 2015	US\$220m
Expected expenditure in 2016	US\$70m

The GTU3 project is expected to allow for the doubling of production to 100,000 boepd by the end of 2016.

### **Current product destinations**

Nostrum's primary export destinations for 2014 are as follows:

- Crude oil – Neste Oil's refinery in Finland
- Condensate – Russian Black Sea port of Taman and Neste Oil's refinery in Finland
- LPG – Russian Black Sea ports

### **Inclusion in FTSE 250 Index**

Nostrum's ordinary shares were included in the FTSE 250 Index on 22<sup>nd</sup> September.

### **Cancellation of GDR Facility**

The GDR facility formerly maintained for Nostrum Oil & Gas LP GDRs was cancelled as of 22<sup>nd</sup> September 2014.

### **Update on Kazakhstan Legal Proceeding**

Nostrum's wholly-owned operating subsidiary Zhaikmunai LLP ("Zhaikmunai") continues its challenge in the courts of the findings of a tax audit of Zhaikmunai for the period 2009-2011 undertaken by the Kazakh tax authorities in 2013 (referred to in the H1 2014 update). On 30 October 2014 the Supreme Court issued a preliminary order in which it declined to review in detail the findings of a lower court that Zhaikmunai is obliged to pay US\$3.4m in taxes and which disallowed reimbursable expenses of US\$11.5m for CIT and US\$69.7m for Zhaikmunai's government share calculation. Zhaikmunai is currently considering filing a petition with the General Prosecutor to request that the Supreme Court reconsider its decision. The taxes due have already been paid by Zhaikmunai in Q1 of 2014 and therefore have not impacted the 3Q results.

### **Nostrum's Q3 2014 investor and analyst call**

Nostrum's management team will be available for a Q&A session with analysts and investors at 14.00 GMT today, 26 November. Please click on the following link to register for the call:

[Conference Call Registration](#). - ID 29207886

A presentation will be available in advance on our website. <http://www.nog.co.uk>

## **PUBLICATIONS**

**Download: Nostrum's 9M 2014 Results Presentation**

**Download: Nostrum's 9M 2014 Financial Statements**

### **Further information**

For further information please visit [www.nog.co.uk](http://www.nog.co.uk)

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### Forward-Looking Statements

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No part of this announcement constitutes, or shall be taken to constitute, an invitation or inducement to invest in the Company or any other entity, and shareholders of the Company are cautioned not to place undue reliance on the forward-looking statements. Save as required by the Listing Rules and applicable law, the Company does not undertake to update or change any forward-looking statements to reflect events occurring after the date of this announcement.