nostrum Oil & Gas

Full Year Results for the Year Ending 31 December 2015

Amsterdam, 30 March 2016

Nostrum Oil & Gas PLC (LSE: NOG) ("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 the full-year financial results for the twelve months ending 31 December 2015 of Nostrum and the Group, together with its 2015 Annual Report.

2015 Financial and Operational highlights of the Group:

Financial

- Revenue of US$449m (2014: US$782m)
- EBITDA[1] of US$229m (2014: US$495m)
- EBITDA[1] margin of 51%
- Closing cash[2] for the period of US$166m
- Net Debt / EBITDA ratio of 3.4x
- 24-month hedge on 15,000 bopd secured at a strike price of US$49.16 with cash settlements on a quarterly basis
- Full year of exporting 75% of dry gas at prices denominated in US Dollars
- Reduction in operating costs per barrel from US$5.0 in 2014 to US$4.3 in 2015 with a plan for further cost reductions in place for 2016
- Given the cost of incurring additional debt over the next 24 months and the fact that Nostrum is fully financed now to complete GTU3 under any oil price scenario it has been decided not to enter in to the VTB loan
- Net loss in 2015 of US$95m primarily as a result of a US$101m deferred income tax charge related to the devaluation of the Kazakh Tenge versus the US Dollar

Operational

- 2015 total production of 14.7 mmboe
- 2015 average daily production of 40,391 boe
- Eight wells were completed at Chinarevskoye during 2015 and drilling commenced on the first appraisal well at Rostoshinskoye, with completion due in 2016
- 2P reserves of 470 mmboe as at 31 December. The reduction in reserves was largely down to the falling oil price and the move to drill lower cost wells in the future. Any recovery in oil price would lead to a revision of the drilling programme and the recovery of a substantial amount of the 2P reserves that have been removed

- GTU3 payments will now be phased across 2016 and 2017 to allow for prolonged cash preservation in the current low oil price environment. Completion of GTU3 is therefore expected to occur during 2017

Strategic focus for 2016:

- Removed exposure to falling oil prices by locking in US$49.16 on 15,000 barrels of production per day until December 2017
- Preserve liquidity position through the phasing of GTU3 payments and a scaled down 2016 drilling programme for three wells, maintaining production over 40,000 boepd
- Current operating cash breakeven of US$22 per barrel[3] (2014: US$29 per barrel) forecast to be reduced over 2016 to US$19 per barrel as a result of the further implementation of the cost cutting programme

Frank Monstrey, Chairman of Nostrum Oil and Gas PLC commented:

"2015 was a challenging year for Nostrum as we adapted to the falling oil price. We reacted quickly in cutting costs and took steps to protect the financial stability of the Company whilst not deviating from our strategy to double our processing capacity and reach a production level in excess of 100,000 boepd in the near future. In 2016 we need to remain vigilant on cost cutting and ensure that each dollar we invest will deliver future returns for shareholders in the new oil price environment. Whilst the industry is still adapting to the low oil prices I believe at Nostrum we have made quick decisive decisions that will protect our stakeholders under all possible oil price scenarios. With these solid foundations I look forward to completing our near-term initiatives and seeing Nostrum prosper under any oil price scenario over the coming years."

Conference call

Nostrum's management team will be available for a presentation of Nostrum's 2015 Full-Year Results followed by a Q&A session for analysts and investors on 30 March 2015 at 14:00 BST.

If you would like to participate in this call, please register by clicking on the following link and following instructions: http://emea.directeventreg.com/registration/59754445

Download: Full Year Results Presentation

Download: Consolidated Group financials

Download: 2015 Annual Report

[1] Defined as Profit Before Tax + Finance Costs + Foreign Exchange Loss /(Gain) + ESOP + Depreciation – Interest Income + Other Expenses /(Income)

[2] Defined as Cash & Cash Equivalents + Current Investments

[3] Cash costs include: COGS less depreciation, selling and transportation expenses, income tax paid (cash flow), finance costs paid (cash flow) and general and administrative expenses

Further information

For further information please visit www.nog.co.uk

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About Nostrum

Nostrum Oil & Gas PLC is an independent oil and gas company currently engaging in the production, development and exploration of oil and gas in the pre-Caspian Basin. Its shares are listed on the London Stock Exchange (ticker symbol: NOG). The principal producing asset of Nostrum is the Chinarevskoye field, in which it holds a 100% interest and is the operator through its wholly-owned subsidiary Zhaikmunai LLP. In addition, Nostrum holds a 100% interest in and is the operator of the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye oil and gas fields through the same subsidiary. Located in the pre-Caspian basin to the north-west of Uralsk, these exploration and development fields are situated approximately 60 and 120 kilometres respectively from the Chinarevskoye field.

Forward-Looking Statements

Some of the statements in this document are forward-looking. Forward-looking statements include statements regarding the intent, belief and current expectations of the Group or its officers with respect to various matters. When used in this document, the words "expects," "believes," "anticipates," "plans," "may," "will," "should" and similar expressions, and the negatives thereof, are intended to identify forward-looking statements. Such statements are not promises or guarantees, and are subject to risks and uncertainties that could cause actual outcomes to differ materially from those suggested by any such statements.

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.

Operational Overview

Production Split

The product split for FY 2015 was as follows:

PRODUCTS	FY 2015 Average Production (boepd)	FY 2015 Product Mix %
Crude Oil & Stabilised Condensate	16,877	42
LPG (Liquid Petroleum Gas)	4,323	11
Dry Gas	19,191	47
TOTAL	**40,391**	**100**

Current product destinations

Nostrum's primary export destinations for 2015 were as follows:

- Crude oil – Neste Oil's refinery in Finland and SOCAR in Azerbaijan
- Condensate – Russian Black Sea port of Taman
- LPG – Russian Black Sea ports
- Dry gas – 75% exported, 25% sold domestically

The Company has no current plans to change any of these export destinations.

Drilling

2015 Drilling overview

- 21 oil wells and 18 gas condensate wells are currently producing at the Chinarevskoye field
- 8 wells completed in line with the 2015 drilling schedule

2016 Drilling schedule

- 3 production wells to be drilled in 2016
- Completion of 1 appraisal well
- Flexibility to increase drilling quickly with 3 drilling rigs at field site

- Our drilling capex for 2016 is forecast to be under US$50m, including work over on existing wells

Production schedule

Based on the current drilling programme stated above and taking into account the current oil price we can provide the following production guidance. Should oil prices deviate materially the production guidance will be updated accordingly:

- 2016 – Approximately 40,000 boepd
- 2017 – Approximately 40,000 – 60,000 boepd
- 2018 – Approximately 60,000 – 90,000 boepd
- 2019 – Approximately 90,000 – 100,000 boepd

<u>Progress on development of GTU3</u>

Nostrum continues to make steady progress on GTU3. Following the continued fall in the oil price Nostrum has taken the decision to phase the payments of GTU3 over 2016 and 2017. Completion will be during 2017. The phasing of payments will involve no additional cost for Nostrum and the total budget remains at US$500m. The phasing of the payments will allow for a continued preservation of cash on Nostrum's balance sheet during this period of low oil prices.

The below figures reflect all cash payments made and future cash payments excluding VAT.

GTU3 Cash Spent (excl VAT)	**as at 31 December 2015**
Expenditure to date	US$256m
Expenditure in 2016	US$162m
Expenditure in 2017	US$80m

<u>Hedging</u>

A new hedge on 15,000 bopd was entered in to on December 14th 2015 with a strike price of US$49.16. The cost of the hedge was paid entirely from the sale of the Company's previous hedge for US$92m. The new hedge has 24-month tenor, maturing in December 2017, and cash settles on a quarterly basis.

Reserves Update

	31 December 2014			**31 December 2015**		
	Chinarev -skoye	**3 licenses**	**Total**	**Chinarev -**	**3 licenses**	**Total**

				skoye		
Proven	192	0	192	147	0	147
Probable	281	98	379	236	87	323
2P	473	98	571	383	87	470

Reported 2P reserves decreased from last year by 101mmboe to 470 mmboe.

- 14.7 mmboe of production for the year ended 31 December 2015
- Over 70% of the reduction is due to the falling oil price. This has resulted in a change in the type of well for future drilling in the Biski/Afioninski Reservoir and the Mulinski from horizontal to slanted wells. This change of well type is related to wells that are planned to be drilled between 2018 and 2021. They will be part of the ramp up in production. Given the low oil price assumption Nostrum has submitted to the reserve consultants a drilling programme that is lower cost than previously anticipated. The lower cost of the wells and the higher success ratio means that the slanted wells deliver a higher return under low oil prices. The downside is that the lower productivity of slanted wells vs horizontal wells means that reserves are reduced over the life of the licence period. A sustained increase in oil price would lead to a revision of the type of wells we will drill in the future and thus recover the reserves
- Remaining reduction of 2P reserves as a result of the remapping of Bashkirian West reservoir and change in Trident drilling schedule as a result of the low oil price

The reduction in reserves is predominantly due to the falling oil price and the more conservative approach to drilling we would take under these oil prices. A sustained recovery in oil prices would lead to a recovery of reserves.

Developments after the reporting period

A reduction in export duties occurred in Q1 2016 from US$60 per tonne to US$40 per tonne.

Financial review and update (all figures in US$m unless otherwise stated):

	FY 2015	FY2014	Change FY 14 to FY 15
Revenue	449	782	(43%)
EBITDA (1)	229	495	(54%)
EBITDA Margin	51%	63%	-
Net cash used in investing activities (2)	245	305	(19%)
Cash and Equivalents (3)	166	375	(56)%
Net Debt (4)	786	545	31%
Net Income	(95)	146	n/m

Average Brent crude oil price on which Nostrum based its sales (US$/bbl)	54	100	(46%)

(1) Defined as profit before tax net of finance costs, foreign exchange loss/gain, ESOP, depreciation, interest income, other income and expenses.

(2) IFRS term based on indirect cash flow method

(3) Defined as cash and cash equivalents including current and non-current investments

(4) Defined as total debt minus cash and cash equivalents

Chairman's Statement - Frank Monstrey

Our Vision

Nostrum's vision is to grow production to over 100,000 boepd and to build a reserve base that allows the Company to continue to produce at this level far into the future. This goal is now less than 24 months away from being realised, with the new gas plant due for delivery in 2017. Our target remains to become one of the leading independent E&P companies in the FSU.

Nostrum intends to realise its vision through a clearly defined strategy, balancing organic development with carefully considered expansion through acquisitions. Its main priority remains, as always, to continue to deliver growth and shareholder value in a responsible and efficient way.

Resilient financial and operational performance

Nostrum delivered a steady performance in 2015 with production averaging over 40,000 boepd for the entire year. The falling oil price meant that the Group's financial results for the year were not as strong as in 2014, but with the continuation of our cost reduction programme and an increase in gas revenue from our new export contract for 75% of our gas, we maintained a resilient EBITDA margin of over 50%. We made good progress this year on our new gas plant and look forward to its completion next year, enabling us to double our production capacity to 100,000 boepd. I believe that Nostrum is uniquely placed to not only survive the current fall in oil prices but also to prosper once we have completed our new gas plant. Our ambitions to build one of the leading independent E&P companies in the FSU remain as strong as ever and I believe the current environment can provide us with growth opportunities, rather than limitations.

Flexible financial position

We continue to manage our cash position prudently and have ended the year with over US$160m of cash on our balance sheet. Given the volatile oil price, we also took steps to further protect the liquidity position of the Company. A new hedge was entered into that covers the Company over 2016 and 2017 and locks in US$49.16 per barrel on

15,000 boepd. The cost of the new hedge was paid for entirely by the proceeds of the previous hedge. In addition we have decided to phase the payments for the construction of our gas plant over the next 24 months to match the cash we will receive under our hedge. This ensures that the Company can execute its business plan under any oil price over the next 24 months.

With oil prices falling to around US$30 and the devaluation of the Tenge in 2015 we are focusing our efforts to further reduce operating costs as part of our cost reduction programme. Given the low operating costs of our field we can continue to generate positive cashflow even at the current low oil prices. Whilst cost cutting and liquidity management are the short-term focus, we remain committed to creating value through the construction of our new gas plant, the doubling of production capacity and expanding our reserves base.

2016 dividend

As a result of the falling oil prices in 2015, we are not proposing a dividend payment for 2016. We believe that in the current environment maintaining short-term liquidity will ultimately lead to greater shareholder value in the longer term. This is a tough decision to make as we had established a track record of distributing a small portion of cash to shareholders. However the Board believes that cash preservation is paramount in these uncertain times.

Stable production levels

The financial performance of the Company was built on another steady year of operational results. Production of 40,391 boepd was below our guidance due to unforeseen repair works to the pipeline through which gas is exported. Excluding the period of maintenance we would have met our target guidance figure for production for the year. Along with our new hedge, this steady production and associated cash flow continues to allow Nostrum to fully finance its investment in further infrastructure to double our production capacity.

Multi-field asset base established

Nostrum has started the appraisal programme on the three additional licences acquired in 2013 which are estimated by Ryder Scott to hold 87m boe equivalent. We have adopted the same approach with our additional fields that we undertook with Chinarevskoye. The first step is to fully understand the geology and de-risk the development progamme as much as possible. We have carried out new 3-D seismic on each field and have now interpreted it, allowing us to have a much better understanding of where to position our first appraisal wells. We started drilling the first appraisal well in the largest field, Rostoshinskoye, in 2015, and its initial results are looking promising We look forward to developing these fields and to bringing them into production to utilise our infrastructure development.

Governance and the Board

The Board understands the importance of providing effective and clear leadership and direction on all matters relating to corporate governance and places great significance on achieving high standards of governance to underpin the Group's good business conduct and strong ethical culture. With this in mind I am very pleased with how the Company has handled its first full year since its regulatory obligations were increased as a result of the Company's admission to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange PLC's main market for listed securities in June 2014. I believe the Company has handled this transition very well. During 2015 the Board continued to work closely with management to maintain high standards of corporate governance and to ensure the Company's continued compliance with the rules imposed by the Financial Conduct Authority and associated guidance under the UK Corporate Governance Code.

Our commitment to corporate responsibility

At Nostrum we strive to be a responsible and transparent business. Our corporate responsibility approach covers the relationships we have with all our stakeholders including shareholders, employees, contractors, local communities and host governments, as well as the environments in which we work. Nostrum's strategy on Corporate Responsibility focuses around three key areas - people, planet, and profit – and includes the following initiatives:

Nostrum has made it a priority to communicate its approach to its various stakeholders, emphasising its stringent corporate governance provisions and business ethics;

Nostrum monitors and reports on the wellbeing of its employees, health and safety measures, working environment specifics and overall benefits. Nostrum also reports on its direct involvement in the community through programmes providing social infrastructure, sponsoring activities and charitable work; and

Nostrum manages its environmental footprint carefully and adheres fully to relevant legislation. The Company is also proactive in linking its environmental objectives to the highest possible standards and ensuring stringent compliance and progress monitoring.

In 2015, we believe Nostrum's actions have had a positive impact on its wide range of stakeholders, including investors, business partners, regulators, employees, customers, local communities, the environment and society more generally.

Our people

Nostrum's growth and success revolves around the quality and commitment of our people and we believe we have an excellent team that can deliver our strategy notwithstanding a lower oil price. Our global workforce now totals more than 1,000 people. We remain committed to developing local content and 98% of the people employed in our activities in Kazakhstan are Kazakh nationals as at the end of 2015. We will continue to develop our employment practices and policies to ensure we can attract and retain the best talent. At the same time we are implementing a cost reduction programme to adapt to the new low oil price environment which will ensure we do not carry unnecessary excess costs into 2016.

The future

2015 was a challenging year for Nostrum as we adapted to the falling oil price. We reacted quickly in cutting costs and took steps to protect the financial stability of the Company whilst not deviating from our strategy to double our processing capacity and reach a production level in excess of 100,000 boepd in the near future. In 2016 we need to remain vigilant on cost cutting and ensure that each dollar we invest will deliver future returns for shareholders in the new oil price environment. Whilst the industry is still adapting to the low oil prices I believe at Nostrum we have made quick decisive decisions that will protect our stakeholders under all possible oil price scenarios. With these solid foundations I look forward to completing our near-term initiatives and seeing Nostrum prosper under any oil price scenario over the coming years.

Frank Monstrey
Chairman

Chief Executive's statement – Kai-Uwe Kessel

"During 2015 we have ensured that Nostrum has the financial security to survive any fall in the oil price during the next 24 months and still complete all its committed capex without the need for additional funding."

How we performed in 2015

2015 was a stable year from an operational perspective. It saw the gas treatment facility continue to operate at full capacity with a complete range of hydrocarbon products being delivered to a range of customers and destinations outside Kazakhstan. We suffered an unexpected downtime in October due to unforeseen repair work made to the pipeline through which we export our gas. Outside of this downtime production was stable. Nostrum is now deep into its second development phase, which will entail the construction and commissioning of the new gas plant in combination with a scalable drilling programme in order to ramp up the plant as quickly as possible.

Our performance against the three key objectives for the Company in 2015 was as follows:

1. Ensure that the financial position of the Company remains stable:

The financial position of the Company remained stable despite the challenging oil price environment and we have ended the year with over US$160m of cash on our balance sheet. Given the severity of the oil price fall we have ensured that Nostrum has the financial security to survive any fall in the oil price during the next 24 months and still complete all its committed capex without the need for additional funding.

2. Ensure construction of the new gas plant remains on track for 2016:
Significant steps have been made in the construction of our next GTU, which will allow us to double our production capacity during 2017. We have spent over US$250m and expect the total cost to be below US$500m. Due to the falling oil price environment we decided in 2015 to phase the remaining payments on GTU3 across 2016 and 2017. This means the scheduled completion date has been pushed back into 2017 as it allows us to preserve the liquidity position of the Company and match the hedging payment profile we have put in place. The phasing of payments on GTU3 in this way allows the Company to remain fully financed for the next 24 months whilst it completes the gas plant.

3. Optimise the drilling programme to ensure that we can fill the GTU3 as quickly as possible whilst not jeopardising the Company's financial position:
We have closely monitored the drilling schedule during 2015 to ensure it is kept in balance with the falling oil price and corresponding reduction in operating cash flow. We reduced the number of rigs on the Chinarevskoye field in the second half of 2015 to one rig before increasing this to start 2016 with three rigs. We are continually analysing and adjusting the drilling programme to optimise the current drilling capex as well as to maximise the speed of the ramp up once GTU3 is complete. The main driver for the speed of ramp up is the oil price during 2017. The oil price will dictate how many additional wells we can drill over our base case of simply maintaining production during 2017.

Steady production levels
The Chinarevskoye field is now in stable production with all facilities running smoothly. Nostrum expects a daily total production average of at least 40,000 boepd for 2016 and 2017. All products - crude oil, stabilised condensate, LPG and dry gas - are sold at the best possible prices on the world markets, and our operations are running at stable levels. We are targeting the doubling of production capacity during 2017.

Future drilling programme at Chinarevskoye
In 2015, we completed eight wells, in line with the number we set out to complete at the start of the year. Our drilling programme has always been designed to be scalable and the falling oil prices have resulted in us scaling down the proposed drilling schedule for 2016 as we will only drill three production wells and one appraisal well at Chinarevskoye in addition to completing the appraisal well at Rostoshinskoye. Our current drilling programme allows us to maintain production above 40,000 boepd without jeopardising our liquidity position. We plan to increase drilling as we get closer to GTU3 completion in 2017 so that we can start to ramp up production as we increase our production capacity. The speed of the ramp up will be contingent on oil prices- the higher the oil price the quicker the ramp up.

Construction of second Gas Plant

During 2015 we have made significant steps towards the construction of our new gas plant. The rationale behind the plant is that it will allow faster monetisation of reserves, by increasing treatment capacity by an additional 2.5 bcm of raw gas per year, bringing total capacity to 4.2 bcm of raw gas per annum. Over US$250m has already been invested in the plant. We have revised the targeted completion date to 2017 as we have decided to phase construction payments to match the proceeds of our hedge position, which protects us against the current low oil prices. We are now on track to deliver the plant on time and on budget, below US$500m, during 2017.

Building up further reserves

As a result of the falling oil price we have seen a reduction in the amount of proved and probable reserves over and above the amount produced during the year 2015. I am confident that we will recover these reserves under a higher oil price environment as the field remains in good condition and oil in place remains the broadly unchanged. I am therefore optimistic that any recovery in oil price can drive an increase in 2P reserves without having to undertake any additional exploration work on Chinarevskoye.

Nostrum’s development plan also focuses on sustaining its long-term production beyond the Chinarevskoye field alone. This target is the basis on which Nostrum’s mergers & acquisitions strategy is formed. This is exemplified by the 2013 acquisition of more subsoil use rights related to three adjacent oil and gas fields, Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye, in the near vicinity of the Chinarevskoye field. Based on Ryder Scott’s analysis these fields could add up to 87m of 2P reserves. Nostrum looks forward to completing its first well in Rostoshinskoye during 2016.

By virtue of its size, development stage and production track record, Nostrum has acquired high visibility both locally and internationally. As a result it regularly monitors further M&A opportunities. Its approach is to remain both pragmatic and prudent as it considers these options. Nostrum’s core focus remains on north-west Kazakhstan, where it knows the landscape and is already operating successfully.

Key priority tasks for 2016

Our four key objectives for the Company in order to continue to deliver on our strategy are as follows:

1. Ensure that the financial position of the Company remains stable
2. Ensure construction of the next gas plant remains on track for completion during 2017
3. Optimise the drilling programme to ensure that we can fill the GTU3 as quickly as possible whilst not jeopardising the Company’s financial position
4. Implement the cost reduction programme

I believe that these objectives, if successfully achieved, will provide the platform to enhance shareholder value in the future. We have demonstrated in the past that we can deliver on all these objectives and I am therefore confident as we enter 2016 that we are well placed to achieve our goals. I believe that we are well positioned to successfully execute the next phase of infrastructure, whilst also ensuring that we can maximise the value of our processing facilities by adding reserves over the coming years.

Kai-Uwe Kessel
Chief Executive Officer

Results of operations for the years ended 31 December 2015 and 2014

The table below sets forth the line items of the Group's interim condensed consolidated statement of comprehensive income for the years ended 31 December 2015 and 2014 in US Dollars and as a percentage of revenue.

In thousands of US Dollars	**2015**	**% of revenue**	**2014**	**% of revenue**
Revenue	**448,902**	**100.0%**	781,878	100.0%
Cost of sales	**(186,567)**	**41.6%**	(221,921)	28.4%
Gross profit	**262,335**	**58.4%**	559,957	71.6%
General and administrative expenses	**(49,309)**	**11.0%**	(54,878)	7.0%
Selling and transportation expenses	**(92,970)**	**20.7%**	(122,254)	15.6%
Finance costs	**(45,998)**	**10.2%**	(61,939)	7.9%
Finance costs - reorganisation	**(1,053)**	**0.2%**	(29,572)	3.8%
Employee share option plan fair value adjustment	**2,165**	**0.5%**	3,092	0.4%
Foreign exchange loss, net	**(21,200)**	**4.7%**	(4,235)	0.5%
Gain on derivative financial instruments	**37,055**	**8.3%**	60,301	7.7%
Interest income	**515**	**0.1%**	986	0.1%
Other income	**11,296**	**2.5%**	10,086	1.3%
Other expenses	**(30,560)**	**6.8%**	(49,844)	6.4%
Profit before income tax	**72,276**	**16.1%**	311,700	39.9%
Income tax expense	**(166,641)**	**37.1%**	(165,275)	21.1%
(Loss)/profit for the year	**(94,365)**	**21.0%**	146,425	18.7%
Currency translation difference	**(456)**	0.1%	-	0%
Other comprehensive income	**(456)**	**0.1%**	-	0%
Total comprehensive (loss)/income for the year	**(94,821)**	**21.1%**	146,425	18.7%

General note

For the year ended 31 December 2015 (the "reporting period") realised profit decreased by US$241.2 million to US$94.8 million loss (FY 2014: US$146.4 million), which was mainly driven by decrease in the Group's revenue.

Revenue

The Group's revenue decreased by 42.6% to US$448.9 million for the reporting period (FY 2014: US$781.9 million). This is mainly explained by the decrease in the average Brent crude oil price from 99.7 US$/bbl during 2014 to 53.6 US$/bbl on average during the reporting period. The pricing for all of the Group's crude oil, condensate and LPG is, directly or indirectly, related to the price of Brent crude oil.

Revenues from sales to the Group's largest three customers amounted to US$141.4 million, US$105.0 million and US$86.0 million respectively (FY 2014: US$321.8 million, US$124.8 million and US$77.0 million).

The Group's revenue breakdown by products and sales volumes for the reporting period and FY 2014 is presented below:

In thousands of US Dollars	2015	2014	Variance	Variance, %
Oil and gas condensate	**297,777**	620,164	*(322,387)*	*(52.0)%*
Gas and LPG	**151,125**	161,714	*(10,589)*	*(6.5)%*
Total revenue	**448,902**	781,878	*(332,976)*	*(42.6)%*
Sales volumes (boe)	**14,080,339**	16,205,641	*(2,125,302)*	*(13.1)%*
Average Brent crude oil price (US$/bbl)	**53.6**	99.7		

The following table shows the Group's revenue breakdown by export/domestic sales for the reporting period and FY 2014:

In thousands of US Dollars	2015	2014	Variance	Variance, %
Revenue from export sales	**426,764**	676,064	*(249,300)*	*(36.9)%*
Revenue from domestic sales	**22,138**	105,814	*(83,676)*	*(79.1)%*
Total	**448,902**	781,878	*(332,976)*	*(42.6)%*

Cost of sales

In thousands of US Dollars	2015	2014	Variance	Variance, %
Depreciation, depletion and amortisation	**107,678**	110,460	*(2,782)*	*(2.5)%*
Repair, maintenance and other services	**26,557**	35,818	*(9,261)*	*(25.9)%*
Payroll and related taxes	**18,682**	21,560	*(2,878)*	*(13.3)%*
Royalties	**14,364**	24,330	*(9,966)*	*(41.0)%*
Materials and supplies	**7,838**	10,929	*(3,091)*	*(28.3)%*
Well workover costs	**5,182**	6,296	*(1,114)*	*(17.7)%*
Other transportation services	**3,049**	2,929	*120*	*4.1%*
Government profit share	**1,880**	4,594	*(2,714)*	*(59.1)%*
Environmental levies	**1,391**	1,098	*293*	*26.7%*
Change in stock	**(3,613)**	376	*(3,989)*	*(1060.9)%*
Other	**3,559**	3,531	*28*	*0.8%*
Total	**186,567**	221,921	*(35,354)*	*(15.9)%*

Cost of sales decreased by 15.9% to US$186.6 million for the reporting period (FY 2014: US$221.9 million). The decrease is primarily explained by the change in royalties, repair, maintenance and other services and depreciation, depletion and amortization, referred to below. On a boe basis, cost of sales decreased marginally by US$1.0 or 7.6% to US$12.7 for the reporting period (FY 2014: US$13.7) and cost of sales net of depreciation per boe decreased by US$1.5, or 22.2%, to US$5.4 (FY 2014: US$6.9).

Depreciation, depletion and amortisation for the reporting period is in line with prior year. Depreciation is calculated with units of production method. The fact that depreciation is lower in the reporting period when compared to FY 2014 is a consequence of the ratio between the volume produced and the proven developed reserves decrease in the reporting period when compared to prior year.

Repair, maintenance and other services decreased by 25.9% to US$26.6 million for the reporting period (FY 2014: US$35.8 million). These expenses include maintenance expenses related to the gas treatment facility and other facilities of the Group, engineering and geophysical study expenses. These costs fluctuate depending on the planned works on certain objects.

Royalties, which are calculated on the basis of production and market prices for the different products, decreased by 41.0% to US$14.4 million for the reporting period (FY 2014: US$24.3 million). This decrease follows the decline of revenues for sold products.

Materials and supplies expenses decreased by 28.3% to US$7.8 million for the reporting period (FY 2014: US$10.9 million). This decrease resulted from less need for spare parts and other materials for repairs and maintenance of the facilities, specifically for the gas treatment facility and wells.

Well workover costs decreased by 17.7% to US$5.2 million for the reporting period (FY 2014: US$6.3 million). The decrease resulted from adjustments to the drilling and workover programme.

Costs for government profit share decreased by US$2.7 million to US$1.9 million for the reporting period (FY 2014: US$4.6 million). This decrease follows the decline of revenues for sold products.

General and administrative expenses

In thousands of US Dollars	**2015**	**2014**	**Variance**	**Variance, %**
Payroll and related taxes	**16,636**	15,668	*968*	*6.2%*
Professional services	**13,997**	19,776	*(5,779)*	*-29.2%*
Business travel	**6,091**	4,786	*1,305*	*27.3%*
Training	**3,110**	2,535	*575*	*22.7%*
Insurance fees	**1,715**	1,768	*(53)*	*-3.0%*
Depreciation and amortisation	**1,673**	1,409	*264*	*18.7%*
Sponsorship	**1,314**	1,826	*(512)*	*-28.0%*
Lease payments	**1,012**	895	*117*	*13.1%*
Communication	**766**	1,195	*(429)*	*-35.9%*
Materials and supplies	**635**	626	*9*	*1.4%*
Bank charges	**607**	813	*(206)*	*-25.3%*
Other taxes	**339**	1,006	*(667)*	*-66.3%*
Social program	**302**	300	*2*	*0.7%*
Management fees		605	*(605)*	*-100.0%*
Other	**1,112**	1,670	*(558)*	*-33.4%*
Total	**49,309**	54,878	*(5,569)*	*-10.1%*

General and administrative expenses decreased by 10.1% to US$49.3 million for the reporting period (FY 2014: US$54.9 million). This was primarily due to decrease in professional services, in particular audit fees, legal services and other consultancy fees, offset by an increase in payroll and related taxes driven partly by the agreement on 19 May 2014 to acquire Nostrum Services BVBA (formerly Prolag BVBA) and Nostrum

Services Central Asia LLP (formerly Amersham Oil LLP), which led to the elimination of intercompany management fees, decrease in consultancy fees and recognition of those expenses as payroll and related taxes.

Selling and transportation expenses

In thousands of US Dollars	**2015**	**2014**	**Variance**	**Variance, %**
Transportation costs	**45,071**	54,878	*(9,807)*	*(17.9)%*
Loading and storage costs	**41,229**	56,351	*(15,122)*	*(26.8)%*
Payroll and related taxes	**1,901**	2,211	*(310)*	*(14.0)%*
Management fees	**159**	183	*(24)*	*(13.1)%*
Other	**4,610**	8,631	*(4,021)*	*(46.6)%*
Total	**92,970**	122,254	*(29,284)*	*(24.0)%*

Selling and transportation expenses decreased by 24.0% to US$93.0 million for the reporting period (FY 2014: US$122.3 million) being combination of lower sales quantities of liquid products in the reporting period, lower rail tariffs and rail tank car (RTC) leasing costs offset, however, by transportation costs incurred in relation to export gas sales in the reporting period under new sales contract.

Finance costs

In thousands of US Dollars	**2015**	**2014**	**Variance**	**Variance, %**
Interest expense on borrowings	**44,670**	60,825	*(16,155)*	*(26.6)%*
Unwinding of discount on amounts due to Government of Kazakhstan	**902**	917	*(15)*	*(1.6)%*
Unwinding of discount on abandonment and site restoration provision	**426**	197	*229*	*116.2%*
Total	**45,998**	61,939	*(15,941)*	*(25.7)%*

Finance costs decreased by 25.7% to US$46.0 million for the reporting period (FY 2014: US$61.9 million). These costs were higher in H1 2014 due primarily to the expenses relating to the early redemption of the Notes issued in 2010 and the amortisation of the remainder of transaction cost, incurred for the issuance of these Notes.

Finance costs – reorganisation

The “finance costs – reorganisation” are represented by the costs associated with introduction of Nostrum Oil & Gas PLC as the new holding company of the Group and respective reorganisation that took place in June 2014.

Other

Foreign exchange losses amounted to US$21.2 million for the reporting period (FY 2014: US$4.2 million). Higher losses in 2015 are explained by the fact that on 20 August 2015 the Tenge was devalued against the US Dollar and other major currencies due to decision of Kazakhstan to switch to free-float, triggering a 23% slide in the Tenge to a record 257,21 Tenge for 1 US Dollar. As per 31 December 2015 the exchange rate made up 340,6 Tenge for 1 US Dollar. Since the Group had a net asset position of Tenge denominated accounts around this date, the devaluation of the Tenge resulted in a significant foreign exchange loss recognised in the reporting period.

Gain on derivative financial instruments amounted to US$37.1 million for the reporting period. Movement in the fair value of the derivative financial instruments is disclosed in the Note 29 of the Consolidated financial statements.

Other expenses decreased marginally by 38.7% to US$30.6 million for the reporting period (FY 2014: US$49.8 million) mainly due to lower export custom duties, compensation for social gas and expenses for accruals under subsoil use agreement.

Income tax expense increased by 0.8% to US$166.6 million for the reporting period (FY 2014: US$165.3 million). The increase in income tax expense was primarily driven by lower taxable profit offset by additional deferred tax expenses due to decrease of the tax base due to effect of exchange rates changes.

Liquidity and capital resources

During the period under review, Nostrum's principal sources of funds were cash from operations and amounts raised under the 2012 Notes and the 2014 Notes. Its liquidity requirements primarily relate to meeting ongoing debt service obligations (under the 2012 Notes and the 2014 Notes) and to funding capital expenditures and working capital requirements.

Cash Flows

The following table sets forth the Group's consolidated cash flow statement data for the reporting period and FY 2014:

In thousands of US dollars	2015	2014
Cash and equivalents at the beginning of the period	**375,443**	184,914
Net cash flows from operating activities	**153,257**	349,122
Net cash used in investing activities	**(245,317)**	(304,549)
Net cash from / (used in) financing activities	**(115,864)**	147,462
Effects of exchange rate changes on cash and cash equivalents	**(1,959)**	(1,506)
Cash and equivalents at the end of the period	**165,560**	375,443

Net cash flows from operating activities

Net cash flow from operating activities was US$153.3 million for the reporting period (FY 2014: US$349.1 million) and was primarily attributable to:

- profit before income tax for the reporting period of US$72.3 million (FY 2014: US$311.7 million), adjusted by a non-cash charge for depreciation, depletion and amortisation of US$109.4 million (FY 2014: US$111.9 million), finance costs of US$46.0 million (FY 2014: US$61.9 million) and gain on derivative financial instruments of US$ 37.1 million (FY 2014: US$60.3 million).
- a US$9.3 million change in working capital (FY 2014: US$19.5 million) primarily attributable to an increase in trade receivables of US$1.2 million (FY 2014: a decrease of US$36.5 million), a decrease in prepayments and other current assets of US$12.2 million (FY 2014: an increase of US$7.7 million), a decrease in trade payables of US$7.3 million (FY 2014: an decrease of US$5.6 million) and a decrease in other current liabilities of US$2.1 million (FY 2014: an increase of US$0.3 million).
- income tax paid of US$41.2 million (FY 2014: US$118.2 million).

Net cash used in investing activities

The substantial portion of cash used in investing activities is related to the drilling programme and the construction of a third unit for the gas treatment facility.

Net cash used in investing activities for the reporting period was US$245.3 million (FY 2014: US$304.5 million) due primarily to costs associated with the drilling of new wells of US$58.7 million for the reporting period (FY 2014: US$126.8 million), costs associated with the third gas treatment unit of US$112.4 million (FY 2014: US$142.8 million), costs associated with Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields of US$7.6 million (FY 2014: US$10.4 million) and placement of US$17.0 million of bank deposits, partially offset by the redemption of US$42.0 million of cash deposits (FY 2014: redemption of US$55.0 million and placement of US$25.0 million of bank deposits).

Net cash (used in)/provided by financing activities

Net cash used in financing activities during the reporting period was US$115.9 million, and was mainly represented by the payment of US$49.1 million in distributions and the finance costs paid on the Group's 2012 Notes and 2014 Notes. Net cash provided by financing activities during FY 2014 was US$147.5 million, which was primarily attributable to the issue of the 2014 Notes amounting to US$400.0 million, offset by an early redemption of the 2010 Notes amounting to US$92.5 million, payment of US$64.6 million in distributions and the finance costs paid on the Group's 2010 Notes, 2012 Notes and 2014 Notes.

Commitments

Liquidity risk is the risk that the Group will encounter difficulty raising funds to meet commitments associated with its financial liabilities. Liquidity requirements are monitored on a regular basis and management seeks to ensure that sufficient funds are available to meet any commitments as they arise. The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2015 based on contractual undiscounted payments:

	On demand	Less than 3 months	3-12 months	1-5 years	more than 5 years	Total
Borrowings	–	12,750	52,650	1,156,200	–	**1,221,600**
Trade Payables	37,934	–	3,529	–	–	**41,463**
Other current financial liabilities	17,554	–	–	–	–	**17,554**
Due to the government of Kazakhstan	–	258	773	4,124	10,309	**15,464**
Total	**55,488**	**13,008**	**56,952**	**1,160,324**	**10,309**	**1,296,081**

Capital commitments

During the reporting period, Nostrum's cash used in capital expenditures for purchase of property, plant and equipment (excluding VAT) was approximately US$256.1 million (FY 2014: US$325.5 million). This reflects drilling costs, field infrastructure development projects and development costs for the oil treatment unit and the gas treatment facility.

Drilling

Drilling expenditures amounted to US$58.7 million for the reporting period (FY 2014: US$126.8 million).

Gas Treatment Facility

Following the successful completion of the first phase of the gas treatment facility, consisting of two units, the Group is constructing a third unit. The construction of GTU3 is important for implementing the Group's strategy to increase operating capacity and production of liquid hydrocarbons. Management estimates, based on the production profile of both proved and probable reserves reported in the 2015 Ryder Scott Report and assuming the successful completion of the gas treatment facility in 2017, that the Company's annual production will more than double from the 2015 annual production (with an average of 40,391 boepd in 2015) by the end of 2018.

Total costs for the completion of GTU3 are estimated to be not more than US$500 million, of which US$250 million have been spent as of the end of the reporting period.