Zhaikmunai LLP
25 March 2015

Amsterdam, 25 March 2015

Full Year Results for the Year Ending 31 December 2014

Zhaikmunai LLP, a subsidiary of Nostrum Oil & Gas PLC ("Nostrum" and together with its subsidiaries the "Group"), today announces the full-year financial results for the twelve months ending 31 December 2014 of Nostrum and the Group, together with its 2014 Annual Report. Nostrum is an independent oil and gas company engaging in the production, development and exploration of oil and gas in the pre-Caspian Basin in north-western Kazakhstan.

Key financial and operational highlights of the Group

- Total production of 16.2 mboe (2013:16.9 mboe)
- Stable average production of 44,400 boepd for 2014
- 2P reserves at 571.1 mboe as at 31 December 2014
- Revenue of US$782m (2013: US$895m)
- EBITDA of US$495m[1] (2013: US$551m)
- EBITDA margin remains steady at 63% (2013: 62%)
- Net income of US$146m (2013: US$220m)
- US$400m[2] in cash and cash equivalents as at 31 December 2014
- Dividend of US$0.27 per Ordinary share proposed by the board for 2014

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

"Nostrum continued to perform well in 2014 despite the year ending with a challenging oil price environment. We consistently delivered production of approximately 45,000 boepd and started the appraisal programme on our 3 additional fields. Whilst the financial performance of Nostrum was not as strong as in 2013, as a result of a falling oil price during the second half of the year, we were still able to end the year with over US$400 million of cash and cash equivalents on our balance sheet. The combination of the US$400 million bond we placed in early 2014 and the hedge we put in place from February 2014 means that we are well positioned to be able to sustain a period of prolonged low oil prices and still deliver on our strategy. Thus, our ambitions to build the leading CIS independent E&P company remain as strong as ever. We completed our

---

[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 (US$375m) + Current Investments (US$25m)

Premium Listing on the London Stock Exchange during 2014 and we are now a member of the FTSE250, which further demonstrates the ambition we have to achieve the highest standards in everything we do. I believe the current environment can provide opportunities, rather than limitations for Nostrum."

Kai-Uwe Kessel, CEO of Nostrum Oil and Gas PLC commented:
"2014 was another strong 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 various destinations outside Kazakhstan. Nostrum is now deep into its second development phase, which will entail the engineering, planning, procurement, construction and commissioning of the new gas plant as well as a scalable drilling programme spanning the next 4-5 years.

Significant steps have been made in the construction of our next GTU, which will allow us to double our production capacity by the end of 2016. We have spent over US$150 million to date and expect the total cost to be below US$500 million.

Our Proven reserves remained stable as we replaced over 60% of our production since August 2013. Whilst the oil price environment is extremely different from the end of 2013 our strategy remains unchanged. We have made some reductions to our drilling programme but aim to fill the GTU3 by the end of 2017, so as to reach a combined, together with GTU 1 & 2, production of 100,000 boepd. We are well positioned to withstand the low oil price environment as we have a healthy cash balance and low costs of production. I am very excited about the future of our current asset base, as well as the potential we have for further expansion over the coming years."

Conference call
Nostrum's management team will be available for a presentation of Nostrum's 2014 Full-Year Results followed by a Q&A session for analysts and investors on 25 March 2015 at 14:00 GMT.

If you would like to participate in this call, please register by clicking on the following link and following the instructions: Call registration

Download [full year results presentation]

Download [Consolidated Group financials]

Download: 2014 Annual Report

Further information

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

Further enquiries

Nostrum Oil & Gas PLC – Investor Relations
Kirsty Hamilton-Smith
Bruno G. Meere
+44 203 740 7430
ir@nog.co.uk

Instinctif Partners - UK
Tony Friend
David Simonson
Anca Spiridon
Catherine Wickman
+ 44 (0) 207 457 2020

Promo Group Communications – Kazakhstan
Asel Karaulova
+ 7 (727) 264 67 37

About Zhaikmunai LLP and Nostrum

Zhaikmunai LLP is the main operating company within the Group and is an indirect wholly-owned subsidiary of 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 in north-western Kazakhstan. Nostrum's shares are listed on the London Stock Exchange (ticker symbol: NOG). The principal producing asset of the Group is the Chinarevskoye field, in which Nostrum holds a 100% interest and is the operator through Zhaikmunai LLP. In addition, through Zhaikmunai LLP, the Group holds a 100% interest in and is the operator of the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye oil and gas fields. 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 Zhaikmunai LLP, Nostrum, or the Group or their respective 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 Zhaikmunai LLP, Nostrum, the Group or any other entity, and shareholders of Nostrum are cautioned not to place undue reliance on the forward-looking statements. Save as required by the Listing Rules and applicable law, neither Zhaikmunai LLP, Nostrum, nor any member of the Group undertakes to update or change any forward-looking statements to reflect events occurring after the date of this announcement.

Chairman's Statement - Frank Monstrey

Nostrum's vision is to grow production to over 100,000 boepd and to build a reserve base that allows Nostrum to continue to produce at this level far into the future. Our vision of achieving production of 100,000 boepd from our existing field in North West Kazakhstan is now only a few years away. As a result, we are also looking to further build Nostrum's reserve base, not only with reserves to prolong the plateau production of 100,000 boepd, but also to increase this through acquisitions outside of our current production hub. Our vision is 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 opportunistic expansion through acquisitions. Its main priority remains, as always, to continue to deliver growth and shareholder value in a responsible and efficient way.

Our ambition & Strong financial position

Nostrum continued to perform well in 2014 despite the year ending with a challenging oil price environment. We consistently delivered production of approximately 45,000 boepd and started the appraisal programme on our 3 additional fields. Whilst the financial performance of Nostrum was not as strong as in 2013, as a result of a falling oil price during the second half of the year, we were still able to end the year with over US$400 million of cash and cash equivalents on our balance sheet. The combination of the US$400 million bond we placed in early 2014 and the hedge we put in place from February 2014 means that we are well positioned to be able to sustain a period of prolonged low oil prices and still deliver on our strategy. Thus, our ambitions to build the leading CIS independent E&P company remain as strong as ever. We completed our Premium Listing on the London Stock Exchange during 2014 and we are now a member of the FTSE250, which further demonstrates the ambition we have to achieve the highest standards in everything we do. I believe the current environment can provide opportunities, rather than limitations, for Nostrum.

Solid financial performance

Nostrum's financial performance was steady as production levels remained broadly similar to 2013. We started more meaningful investment into the second gas treatment facility and raised additional financing in early 2014 to ensure that we were fully financed for this phase of infrastructure building. At the same time we implemented our hedging programme to cover all non-scalable capex for 2014 and 2015. We continue to manage our cash position prudently. We take into account, first and foremost, the liquidity position of Nostrum. Secondly, we ensure that use of excess cash is carefully considered before deploying it and that we are maximising shareholder returns with each investment we make. Despite the falling oil price, 2014 was a good year financially and net income for the year was US$146.4million. I believe we have struck the right balance between reinvesting in future growth and returning cash to our shareholders in the current environment.

I am pleased that the Board is proposing a final dividend for 2014 of US$0.27 per ordinary share, subject to shareholder approval at the AGM.

Stable production levels

The financial performance of Nostrum was built on another strong year of operational results. Production of 44,400 boepd was extremely close to our target of 45,000 boepd and Nostrum is now enjoying a period of sustained production at levels around 45,000 boepd. This steady production and associated cash flow continues to allow Nostrum to invest in further infrastructure to double our production capacity by the end of 2016 without the need to raise more capital. In addition to this organic growth, the cash flows Nostrum generates allows Nostrum to grow reserves and extend production through its recently established M&A strategy.

Multi field asset base established

Nostrum has started the appraisal programme on the three additional licences acquired in 2013. We have adopted the same approach with our additional fields that we undertook with Chinarevskoye to fully understand the geology and de-risk the development progamme as much as possible. We have carried out new 3D 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 plan to start drilling an appraisal well in the largest field, Rostochinskoye, in 2015. We look forward to developing these fields and to bringing them in to 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 Nostrum has handled the increased regulatory obligations imposed as a result of Nostrum'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 Nostrum has handled this transition very well. During 2015 the Board will continue to work closely with management to maintain good standards of corporate governance and to ensure Nostrum'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 government 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. Nostrum is also proactive in liking its environmental objectives to the highest possible standards and ensuring stringent compliance and progress monitoring.

In 2014, we believe Nostrum's actions have deemed to have 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

We are entering a changing environment in relation to recruitment, as a falling oil price will inevitably lead to the scaling back of costs in the industry. 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 even with a lower oil price. We continued to grow our team during 2014 with a 6% increase in Kazakhstan. Our total global workforce now counts more than 1,000 people. We remain committed to developing local content and employed 98% local nationals in Kazakhstan as at the end of 2014. 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 will continue to monitor our cost base and ensure we do not carry unnecessary excess costs into 2015.

The future

2014 was a solid year for Nostrum. For most of the year we had a strong oil price environment, however this rapidly changed in the fourth quarter and we need to be prudent as we enter 2015 to ensure we are ready for a sustained period of low oil prices. In 2015 our main focus is ensuring the timely completion of GTU3 in 2016 and building the feedstock to allow us to double production. We enter this next investment phase with a very solid cash position, low levels of leverage and healthy margins in place. We believe we have the platform to execute our strategic initiatives which gives me confidence in our prospects for 2015 and beyond.

Frank Monstrey
Chairman

Chief Executive's statement – Kai-Uwe Kessel

2014 was another strong 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 various destinations outside Kazakhstan. Nostrum is now deep into its second development phase, which will entail the engineering, planning, procurement, construction and commissioning of the new gas plant as well as a scalable drilling programme spanning the next 4-5 years.

Our performance against our four key objectives for Nostrum in 2014 was as follows:

1. Ensure construction of the next gas plant remained 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 by the end of 2016. We have spent over US$150 million and expect the total cost to be below US$500 million.

2. Continue to grow our Proven reserve base through appraisal of Chinarevskoye and our three additional fields.

Our Proven reserves remained stable as we replaced over 60% of our production since August 2013. Whilst the oil price environment is extremely different from the end of 2013 our strategy remains unchanged. We have made some reductions to our drilling programme but aim to fill the GTU3 by the end of 2017, so as to reach a combined, together with GTU 1 & 2, production of 100,000 boepd. We are well positioned to withstand the low oil price environment as we have a healthy cash balance and low costs of production. I am very excited about the future of our current asset base, as well as the potential we have for further expansion over the coming years.

3. Establish a dedicated business development team

We established a dedicated business development team to ensure we can quickly and accurately evaluate the opportunities in the region; and

4. Ensure that the financial position of Nostrum remains stable.
The financial position of Nostrum remained stable despite the challenging oil price environment.

Steady production levels

The Chinarevskoye field is now in full production with both the Oil Treatment Facility (OTF) and the Gas Treatment Facility (GTF) being operated at their nameplate capacities. Nostrum expects a daily total production average of at least 45,000 boepd for 2015 and 2016. 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 optimal levels. We remain on target to meet our objective of doubling capacity by the end of 2016.

Future drilling programme at Chinarevskoye

In 2014, we drilled eight wells and we are fortunate to have a scalable drilling programme in front of us. Our ability to quickly scale drilling up or down allows us to react to the current oil price environment smoothly and without jeopardising our non-scalable capex. We are required to complete 6 wells in 2015 to maintain production at current levels, which is comfortably achievable. We are able to maintain production at around 45,000 boepd and complete the GTU3 at substantially lower oil prices than today. Any increase in the oil price above these levels allows us to drill more wells for the purpose of filling the GTU3 and to appraise the new fields.

Construction of second Gas Plant

During 2014 we have made significant steps towards the construction of our next 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$150 million has already been invested in the plant and contracts relating to over US$300 million in total, for procurement and construction, have been entered into. We remain on track to deliver the plant on time and on budget in the second half of 2016.

Building Up Further Reserves Beyond the Chinarevskoye Field

In addition to proving up reserves at 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 South-Gremyachenskoye, in the near vicinity of the Chinarevskoye field. Based on Ryder Scott's analysis these fields could add up to 98 mboe of 2P reserves. Nostrum looks forward to drilling its first well in Rostoshinskoye during 2015.

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 main focus remains on North-Western Kazakhstan, where it knows the landscape and is already operating successfully. However we will also consider opportunities outside of North West Kazakhstan where we see the potential to create further shareholder value.

Key priority tasks for 2015

In 2015 there are three key objectives for Nostrum in order to continue to deliver on our strategy.

1. Ensure that the financial position of Nostrum remains stable
2. Ensure construction of the next gas plant remains on track for 2016
3. Optimise the drilling programme to ensure that we can fill the GTU3 as quickly as possible whilst not jeopardising Nostrum's financial position

I believe that these objectives, if successfully achieved, will provide the platform to significantly enhance shareholder value. We have demonstrated in the past that we can deliver on all these objectives and I am therefore confident as we enter in to 2015 that we are well positioned to achieve our goals. I believe that we are well positioned to successfully execute the next phase of infrastructure whilst also ensuring the reserve base is not only maintained but added to over the coming years.

Kai-Uwe Kessel
Chief Executive Officer

Operational Overview

Nostrum's operational results reflect another successful twelve months. The performance was underpinned by steady production at the Chinarevskoye field and the consistent performance of the existing gas treatment facility. We are looking forward to delivering the next Gas Plant on time and on budget and delivering further production growth in 2017.

Production Split

The product split for FY 2014 was as follows:

PRODUCTS	FY 2014 Average Production	FY 2014 Product Mix %
Crude Oil & Stabilised Condensate	18,600	42%
LPG (Liquid Petroleum Gas)	4,500	10%
Dry Gas	21,300	48%
TOTAL	**44,400**	**100%**

<u>Current product destinations</u>

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

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

Nostrum has no current plans to change any of these export destinations

<u>Drilling</u>

2014 Drilling overview

- 18 oil wells and 16 gas condensate wells were producing at the Chinarevskoye field
- 4 drilling rigs and 1 work-over rig were in operation at the Chinarevskoye field
- 8 wells have been drilled during the 12 months to December 2014

2015 Drilling schedule

Our drilling capex is scalable, based on oil prices. Under the current oil price, our base case drilling programme for 2015 is to complete 8 wells at a total cost of approximately US$90 million:

- 3 wells currently being drilled - 2 of them are expected to be completed before the

end of the first quarter
- 3 new production wells will be drilled during 2015 (Chinarevskoye Field)
- 2 appraisal wells will be drilled during 2015 (Chinarevskoye and Rostoshinskoye fields)

Revised 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 on an annual basis.

- 2015 – Approximately 45,000 boepd
- 2016 – Approximately 45,000 boepd
- 2017 – Approximately 70,000 boepd
- 2018 – Approximately 100,000 boepd

Progress on development of GTU3

Nostrum's expansion plan for GTU3 remains on time for completion by the end of 2016, on budget to be below US$500 million, and is fully financed.

Nostrum has concluded the majority of the procurement process in relation to GTU3. The total commitments entered into by Nostrum in relation to procurement are approximately US$150 million.

In addition to the procurement costs on 28 July 2014, Nostrum entered into a US$150 million construction contract for GTU3, approved by vote of its shareholders, with JSC "OGCC KazStroyService".

Completion of GTU3 is on track to be completed before the end of 2016. Expenditure on GTU3 over 2015 and 2016 is planned as follows:

GTU3 Expenditure	
Expenditure to date	US$169 million
Expected expenditure in 2015	US$188 million
Expected expenditure in 2016	US$82 million

Hedging

On 14 February 2014, Nostrum entered, at nil upfront cost, into a new hedging contract covering oil sales of 7,500 bopd, or a total of 5,482,500 boe running through 29 February 2016. Based on the hedging contract, a put was bought at US$85/bbl, which protected against any fall in the price of oil below US$85/bbl.

Reserves Update
Highlights from the 2014 Ryder Scott Reserves report:

- Proved reserves (1P) at 192.2mm mboe
- Production of approximately 21 mboe since the last report, with a proven reserve replacement ratio of over 65%
- Proved + Probable reserves (2P) remained above 550 mboe at 571.1 mboe (2013: 582 mboe). The reduction was primarily a result of production exceeding Proved + Probable reserves (2P) growth.
- The 3 additional licenses' reserves have remained unchanged at 98 .2mboe

	31 August 2013			31 December 2014		
	Chinarev -skoye	**3 licenses**	**Total**	**Chinarev - skoye**	**3 licenses**	**Total**
Proven	199	0	199	192	0	192
Probable	284	98	382	281	98	379
2P	483	98	581	473	98	571

Developments after the reporting period

Continuity of Relationship Agreement
On 30 January KazStroyService Global B.V. ("KSS Global") transferred its 50 million ordinary shares in Nostrum as follows: (a) 48,333,300 shares to Mayfair Investments B.V. ("Mayfair"), a company indirectly owned by KSS Global's three principal shareholders, and (b) 1,666,700 shares to KSS Global's other current shareholder.

In connection with such transfer Mayfair has entered into a Deed of Adherence with Nostrum pursuant to which Mayfair has undertaken to Nostrum to be bound by the relationship agreement dated 19 May 2014 between KSS Global and Nostrum in all respects and to observe and perform all of the provisions and obligations of such relationship agreement previously applicable to or binding on KSS Global in so far as they fall to be observed or performed on or after the date of the transfer.

Financial review and update

Summary (all figures in US$m unless otherwise stated):

	FY2014	FY 2013	Change FY 13 to FY 14
Revenue	782	895	(12.6)%
EBITDA (1)	495	551	(10.3)%
EBITDA Margin	63%	62%	2.7%
Net cash used in investing activities (2)	305	239	27.4%
Cash and Equivalents (3)	400	240	66.9%
Net Debt (4)	545	389	40.2%
Net Income	146	220	(33.3)%
Average Brent crude oil price on which Nostrum based its sales (US$/bbl)	100	108	(8.1)%

(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

Revenue, expenses and results

For the year ended 31 December 2014 (the "reporting period") realised profit of the Group decreased by US$73.1 million to US$146.4 million (FY 2013: US$219.5 million). The decrease in realized profit is mainly driven by a decrease in the oil prices during the second half year of 2014, resulting in a decrease in revenue combined with an increase in other operating costs and income tax expenses, partially offset by a gain on derivative financial instruments.

Revenue

The Group's revenue decreased by 12.6% to US$781.9 million for the reporting period (FY 2013: US$895.0 million). The decrease in Group revenue was driven primarily by a significant decrease in the overall oil prices during the second half of 2014.

The Group's revenue breakdown by products, sales volumes and the commodity price of Brent crude oil for the years ended 31 December 2014 and 2013 is presented below:

In thousands of US Dollars	**2014**	**2013**	**Variance**	**Variance, %**
Oil and gas condensate	**620,164**	709,107	*(88,943)*	*(12.5)%*
Gas and LPG	**161,714**	185,907	*(24,193)*	*(13.0)%*
Total revenue	**781,878**	895,014	*(113,136)*	*(12.6)%*
Sales volumes (boe)	**16,205,641**	16,854,970	*(649,329)*	*(3.9)%*
Average Brent crude oil price on which Nostrum Oil & Gas based its sales (US$/bbl)	**99.6**	108.4		

The following table shows the Group's revenue breakdown by export/domestic sales for the years ended 31 December 2014 and 2013 is presented below:

In thousands of US Dollars	**2014**	**2013**	**Variance**	**Variance, %**
Revenue from export sales	**676,064**	765,029	*(88,965)*	*(11.6)%*
Revenue from domestic sales	**105,814**	129,985	*(24,171)*	*(18.6)%*
Total	**781,878**	895,014	*(113,136)*	*(12.6)%*

Cost of sales

Cost of sales decreased by 22.5% to US$221.9 million for the reporting period (FY 2013: US$286.2 million). The decrease is primarily explained by a decrease in depreciation, depletion and amortisation, royalties, government profit share, repair, maintenance and other services, materials and supplies expenses, although this is partially offset by an increase in payroll and related taxes, well workover costs and other expenses. On a boe basis, cost of sales decreased by US$3.29 or 19.4% to US$13.69 for the reporting period (FY 2013: US$16.98) and cost of sales net of depreciation per boe decreased by US$3.05, or 30.7%, to US$6.88 (FY 2013: US$9.92).

Depreciation, depletion and amortisation decreased by 7.1% to US$110.5 million for the reporting period (FY 2013: US$119.0 million). The decrease is mainly due to an increase in proved developed reserves starting from 31 August 2013, which was partially offset by an increase of production volumes.

Repair, maintenance and other services decreased by 31.6% to US$35.8 million for the reporting period (FY 2013: US$52.4 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 38.2% to US$24.3 million for the reporting period (FY 2013: US$39.4 million). This decrease resulted from the reversal of royalty expenses from prior periods amounting to US$5.5 million. The reversal was due to the adoption of a new work program for oilfield operations and a change in the coefficients used for converting condensate, sales gas and LPG volumes into natural gas equivalent volumes.

Costs for government profit share decreased by US$26.2 million to US$4.6 million for the reporting period (FY 2013: US$30.7 million). The decrease resulted from the adoption of a new work program for oilfield operations and a change in the coefficient of natural gas equivalent which resulted in a reversal of the government profit share expense from prior periods amounting to US$17.8 million.

Materials and supplies expenses decreased by 10.9% to US$10.9 million for the reporting period (FY 2013: US$12.3 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 increased by 125.3% to US$6.3 million for the reporting period (FY 2013: US$2.8 million). The increase resulted from the scheduled work on several wells.

Management fees are absent in cost of sales for the reporting period (FY 2013: US$3.6 million). The fees incurred by the Group relate to the services provided by Probel Capital Management N.V., which was acquired by the Group on 30 December 2013 and is now being consolidated. The related costs of this entity are included in general and administrative expenses for the reporting period as professional services (related to the rendering of geological, geophysical, drilling, technical and other consultancy services) and payroll and related taxes.

General and administrative expenses

General and administrative expenses decreased by 2.0% to US$54.9 million for the reporting period (FY 2013: US$56.0 million). This was primarily due to an increase in expenses for professional services, payroll and related taxes, which was partially offset by decreased management fees, other taxes and training. The change in the structure of general and administrative expenses can be explained by the acquisition of Probel Capital Management N.V. on 30 December 2013, which led to the elimination of intercompany management fees, and the recognition of its expenses as professional services and payroll and related taxes.

Selling and transportation expenses

Selling and transportation expenses increased by 0.5% to US$122.3 million for the reporting period (FY 2013: US$121.7 million). The significant decrease in transportation costs and increase in loading and storage costs is primarily due to transportation costs including certain loading and storage costs for the prior year. Part of the increase in loading and storage costs was driven by a rise in sales volumes for LPG and condensate.

Finance costs

Finance costs increased by US$18.3 million to US$61.9 million for the reporting period (FY 2013: US$43.6 million). The increase in these costs was primarily driven by the expenses relating to the early redemption of the 2010 Notes and the amortization of the remainder of transaction cost, incurred for the issuance of 2010 Notes.

Finance costs – reorganisation

The “finance costs – reorganisation” represent the costs associated with the introduction of Nostrum Oil & Gas plc as the new holding company of the Group and respective reorganisation.

Derivative financial instruments

The “Gain on derivative financial instruments” represents the fair value of the hedge that the Group entered into on 3 March 2014 and which runs through 29 February 2016.

Other

Foreign exchange losses amounted to US$4.2 million for the reporting period (FY 2013: US$0.6 million). This is explained by the fact that on 11 February 2014 the Tenge was devalued against the US Dollar and other major currencies. The exchange rates before and after devaluation were 155 Tenge/US Dollar and 185 Tenge/US Dollar respectively. 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.

Other expenses increased by 94.8% to US$49.8 million for the reporting period (FY 2013: US$25.6 million). Other expenses mainly represent export duties paid by the Group. The export duties represent custom duties for the export of crude oil and customs fees for services such as processing of declarations, temporary warehousing etc. Other expenses for the reporting period also include fines and penalties amounting to US$2.6 million, which were the result of court decisions.

Income tax expense increased by 16.0% to US$165.3 million for the reporting period (FY 2013: US$142.5 million). The increase in income tax expense is primarily due to an increased deferred tax for the reporting period. This was driven by the Tenge devaluation in February 2014, which led to a significant decrease in the tax base of property, plant and equipment, which is denominated in Tenge.

The following table shows the Group’s total corporate income tax split between current income tax, adjustments and deferred income tax for the years ended 31 December 2014 and 2013 is presented below:

In thousands of US Dollars	**2014**	**2013**	**Variance**	**Variance, %**
Current income tax	**117,827**	138,883	*(21,056)*	*(15.2)%*
Adjustment in respect of the current income tax for the prior periods	**(6,785)**	-	*(6,785)*	*n.a.*
Deferred income tax expense/(benefit)	**54,233**	3,613	*50,620*	*1401.1%*
Total	**165,275**	142,496	*22,779*	*16.0%*

Liquidity and Capital Resources – 2014/2013 comparison

General

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.

The following table sets forth the Group's consolidated cash flow statement data for the years ended 31 December 2014 and 2013.

In thousands of US Dollars	**2014**	**2013**
Cash and equivalents at the beginning of the period	**184,914**	197,730
Net cash flows from operating activities	**349,636**	358,554
Net cash used in investing activities[1]	**(305,063)**	(239,020)
Net cash from / (used in) financing activities	**147,462**	(132,350)
Effects of exchange rate changes on cash and cash equivalents	**(1,506)**	–
Cash and equivalents at the end of the period*	**375,443**	184,914

*) excluding deposits and restricted cash.

Net cash flows from operating activities

Net cash flow from operating activities was US$349.1 million for the reporting period (FY 2013: US$358.6 million) and was primarily attributable to:

- profit before income tax for the reporting period of US$311.7million (FY 2013: US$362.0 million), adjusted by a non-cash charge for depreciation, depletion and amortisation of US$111.9 million (FY 2013: US$120.4 million), and finance costs of US$61.9 million (FY 2013: US$43.6 million).
- a US$19.5 million change in working capital (FY 2013: US$16.7 million) primarily attributable to a decrease in trade receivables of US$36.5 million (FY 2013: an increase of US$12.6 million), an increase in prepayments and other current assets of US$7.7 million (FY 2013: an increase of US$6.8 million), an decrease in trade payables of US$5.6 million (FY 2013: a decrease of US$5.7 million) and an increase in other current liabilities of US$0.3 million (FY 2013: US$8.8 million).
- income tax paid of US$118.2 million (FY 2013: US$154.5 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$305.1 million (FY 2013: US$239.0 million) due primarily to the drilling of new wells resulting in cash spent of approximately US$126.8 million (FY 2013: US$108.1 million), costs associated with the third gas treatment unit of approximately US$142.8 million (FY 2013: US$12.4 million) and costs associated with Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachinskoye fields of US$10,4 million (FY 2013: 5,0 million), partially offset by the redemption of US$30.0 million of cash deposits (FY 2013: redemption of US$25 million and placement of US$30.0 million of bank deposits)

Net cash (used in)/provided by financing activities

Net cash provided from financing activities during the reporting period was US$147.5 million, 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. Net cash used in financing activities during the FY 2013 was US$132.4 million, which was mainly represented by the finance costs paid on the Group's 2010 Notes and 2012 Notes.

Consolidated Financials
Download consolidated financials: [insert link]

Further information

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

Further enquiries

Nostrum Oil & Gas PLC – Investor Relations
Kirsty Hamilton-Smith
Bruno G. Meere
+44 203 740 7430
ir@nog.co.uk

Instinctif Partners - UK
Tony Friend
David Simonson
Anca Spiridon
Catherine Wickman
+ 44 (0) 207 457 2020

Promo Group Communications – Kazakhstan
Asel Karaulova
+ 7 (727) 264 67 37

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 Zhaikmunai LLP, Nostrum, or the Group or their respective 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 Zhaikmunai LLP, Nostrum, the Group or any other entity, and shareholders of Nostrum are cautioned not to place undue reliance on the forward-looking statements. Save as required by the Listing Rules and applicable law, neither Zhaikmunai LLP, Nostrum, nor any member of the Group undertakes to update or change any forward-looking statements to reflect events occurring after the date of this announcement.