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Zhaikmunai LLP

Uralsk, 29 August 2017

Half Year 2017 Financial Results

Zhaikmunai LLP, a subsidiary of Nostrum Oil & Gas PLC ("Nostrum" or "the Company" 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 its financial results in respect of the six-month period ending 30 June 2017.

Highlights from the six months to 30 June 2017:

Financial

- Revenue of US$210.0 million (H1 2016: US$163.5 million)
- Net operating cash flows[1] of US$118.5 million (H1 2016: US$78.9 million)
- EBITDA[2] of US$119.8 million (H1 2016: US$100.9 million)
- EBITDA margin of 57.0% (H1 2016: 61.7%)
- Transport/boe cost reduced to US$5.0/bbl (H1 2016: US$5.3/bbl)
- Net income of US$14.0 million (H1 2016: US$(55.7 million))
- Closing cash[3] for the period of US$97.5 million
- Post half-year successful new bond issuance of US$725 million 8% senior notes due 2022 with proceeds used in part to refinance US$606.8 million of existing notes due 2019
- Pro forma debt of US$1,042.2 million and pro forma net debt of US$867.7 million as at 30 June 2017

Operational

- Average daily production for the six-month period ending 30 June 2017 was 46,685 boepd
- Average daily sales volumes for the six-month period ending 30 June 2017 was 41,107 boepd
- Sales and production volumes impacted by one week of maintenance shut in
- 44 wells currently producing at the Chinarevskoye field – 23 oil wells and 21 gas condensate wells

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[1] IFRS term based on indirect cash flow method
[2] Defined as profit before tax net of finance costs, foreign exchange loss/gain, ESOP, depreciation, interest income, other income and expenses.
[3] Defined as cash and cash equivalents including current and non-current investments and excluding restricted cash

- Construction of the third Gas Treatment Unit ("GTU3") continues in line with guidance and completion is expected before the end of 2017 at a total cost of US$532 million
- The KazTransOil ("KTO") pipeline connection was finalised in June 2017 at a cost of less than US$7 million, substantially reducing crude oil transportation costs (previous guidance was less than US$10 million)

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

Nostrum had a solid first half of 2017. Production was stable and our sales prices were significantly higher than our internal forecast of US$45 oil price. We maintained a steady control on costs keeping them in line with H1 2016 while having slightly higher production and sales volumes. In addition, the completion of the KTO pipeline connection in June 2017 below budget will contribute to a reduction in our crude oil transportation costs in H2 2017. Importantly, the Company achieved a key strategic objective in July by re-entering the bond market with a US$725 million 5 year new issue. The proceeds will go towards repaying US$607 million of existing bonds maturing in 2019, moving close to two-thirds of the Company's debt maturity profile from 2019 to 2022. With a lessening of its repayment risk, Nostrum continues to be well positioned to deliver its next phase of growth. I look forward to the commissioning of GTU3 before the end of the year and the value creation this project will bring for our shareholders, alongside the planned ramp up of the drilling programme in 2018.

Other News

Progress on development of GTU3

Progress on the GTU3 project continues and completion remains scheduled before the end of 2017 with total capex guidance remaining at US$532 million.

GTU3 Cash Spent (excl VAT)	**As at 30 June 2017**
Expenditure to date	US$429 million
Expenditure pre-completion	US$55 million
Expenditure post-completion	US$48 million
Total:	US$532 million

Significant news after reporting period

On 29 June 2017 the Company commenced a Tender Offer and Consent Solicitation for Zhaikmunai's 6.375% Senior Notes – due February 2019, and 7.125% Senior Notes – due November 2019 ("Existing Notes"). Following this announcement, management participated in a series of fixed income meetings with global investors during a two-week roadshow.

On 31 July 2017 the Company announced a final successful tender acceptance result for US$606.8 million of Zhaikmunai's Existing Notes using the proceeds of a US$725 million new issue. The new issue has a coupon of 8.00% and is non-callable for a period of two years with a tenor of five years, maturing in July 2022. The new issue was oversubscribed by 1.5x and saw significant demand from a wide variety of institutional investors. Proceeds from the new issue will be used to fund the Tender Offer for the Existing Notes, fees and expenses associated with the transaction and general corporate purposes. For more information please see Regulatory News.

Conference call

Nostrum's management team will present the H1 2017 Financial Results and will be available for a Q&A session with analysts and investors today at 14.00 pm BST, 29 August 2017.

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

Download: H1 2017 Results Presentation
Download: H1 2017 Interim Management Report and Reviewed Financial Statements
Download: Q2 2017 Interim Management Report and Unreviewed Financial Statements

Further information

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

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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.

H1 2017: Nostrum Financial Results

In millions of US$ (unless mentioned otherwise)	H1 2016	H1 2017	Variance	Variance in %
Revenue	163.5	210.0	46.5	28.4
EBITDA	100.9	119.8	18.9	18.7
EBITDA margin	61.7%	57.0%	-	(4.7)

In millions of US$ (unless mentioned otherwise)	YE 2016	H1 2017	Variance	Variance in %
Cash Position	101.1	97.5	(3.6)	(3.5)%
Net Debt	857.9	864.3	6.4	0.7%

Revenue, EBITDA and Profit for the Period
Revenue from sales of crude oil, stabilised condensate, LPG and dry gas over the period amounted to $US210.0 million, up 28.4% on the same period last year. EBIDTA was US$119.8 million with an EBIDTA margin of 57.0%, with a net income of US$14.0 million also recorded compared to a loss of US$(55.7 million) for H1 2016.

Cost of sales
The cost of sales was US$98.5 million, an increase from the H1 2016 figure of US$94.5 million. This is a result of increased royalties and government profit share due to higher revenues and payroll expenses.

Cash resources and Net debt
The Group ended the period with US$97.5 million in cash and cash equivalents (YE 2016: US$101.1 million). Net debt at the end of the period was US$864.3 million (YE 2016: US$857.9 million).

Hedging
In December 2015, Nostrum rolled its pre-existing hedge into a new hedge of 15,000 boepd with a strike price of US$49.16 per barrel. The cost of the hedge was paid entirely from the sale of the Company’s previous hedge for US$92m. The new hedge has a 24-month tenor, maturing in December 2017, with cash settlements on a quarterly basis. No cash was received from the hedge for the six-month period ending 30 June 2017.

Sales volumes

The sales volumes split for H1 2017 was as follows:

Products	H1 2017 sales volumes (boepd)	H1 2017 Product Mix (%)
Crude Oil & Stabilised Condensate	16,547	40
LPG (Liquid Petroleum Gas)	4,949	12
Dry Gas	19,611	48
Total	41,107	100

The difference between true production and the sales volumes are as a result from part of the dry gas being used for internal consumption (power generation), gas lift and some losses during raw gas treatment.

Drilling

- 44 wells currently producing at the Chinarevskoye field – 23 oil wells and 21 gas condensate wells
- An appraisal well at the Rostoshinskoye field is pending a flaring permit before testing can start and an extension to the exploration license has been submitted for this field
- 3 wells are currently being completed, with a further 4 wells planned for H2. Out of our 7 well programme at least 2 will be appraisal wells and the remainder will be production wells

Sales volume schedule

- 2017: average sales volumes revised to 40,000 - 44,000 boepd. Full year sales volumes will vary depending on the amount of downtime required to tie in GTU3 to GTU1&2 during Q4. Following a recent detailed assessment for the commissioning phase, downtime is currently estimated at three weeks in Q4 2017 but options to reduce this are being considered
- 2018: 50,000 – 80,000 boepd
- 2019: 80,000 – 100,000 boepd

Should oil prices deviate materially the production guidance will be updated accordingly.