



nostrum

Oil & Gas



# Q1 2015 Results

May 2015

**nostrum**   
Oil & Gas

V-442A

# FIRST QUARTER 2015 RESULTS

## Solid financial and operational results in challenging oil price environment

- 1 Stable production volumes — 4.1 mboe / 45,479 boepd (FY 2014: 44,400 boepd)
- 2 Meaningful reductions in costs per barrel — Opex / boe reduced by 19%, Transport / boe reduced by 34%
- 3 Resilient at low oil prices — 7,500 boepd production hedged at US\$85 / bbl
- 4 Robust capital position — \$318m cash and equivalents<sup>2</sup> (1.7x net debt / LTM EBITDA<sup>1</sup>)
- 5 Fully funded and on track for GTU III — doubling production by end of 2018
- 6 Substantial asset base — 2P reserves 571 mboe as at 31 December 2014 (+60% replacement ratio)

**Nostrum Board proposes US\$0.27 dividend<sup>3</sup>**

<sup>1</sup> Defined as Profit Before Tax + Finance Costs + Foreign Exchange Loss/(Gain) + ESOP + Depreciation, Depletion & Amortisation – Interest Income + Other Expenses / (Income)

<sup>2</sup> Defined as Cash & Cash Equivalents + Current Investments

<sup>3</sup> Payable in sterling

# Capital discipline remains a core element of Nostrum's strategy

## **Balance sheet strength**

- US\$318.3m cash and cash equivalents<sup>2</sup> on balance sheet at year end
- US\$400.0m 6.375% Notes maturing in 2019 with no maintenance covenants
- US\$560.0m 7.125% Notes maturing in 2019 with no maintenance covenants
- No additional credit facilities with banks or borrowing based facilities
- Leverage metrics remain conservative with 1.7x Net Debt / EBITDA<sup>1</sup>

## **Existing hedging programme – Zero Cost Collar**

- 7,500 boepd of liquid production hedged at US\$85.0 / bbl until February 2016
- Fair Value of the hedge at 15 May 2015 – US\$45.5mm

## **Capex flexibility**

- Existing financing, hedging arrangements and cash flow from operations ensures GTU III is fully funded
- Drilling capex scalable up/down according to prevailing oil price environment and outlook

## **Operational flexibility**

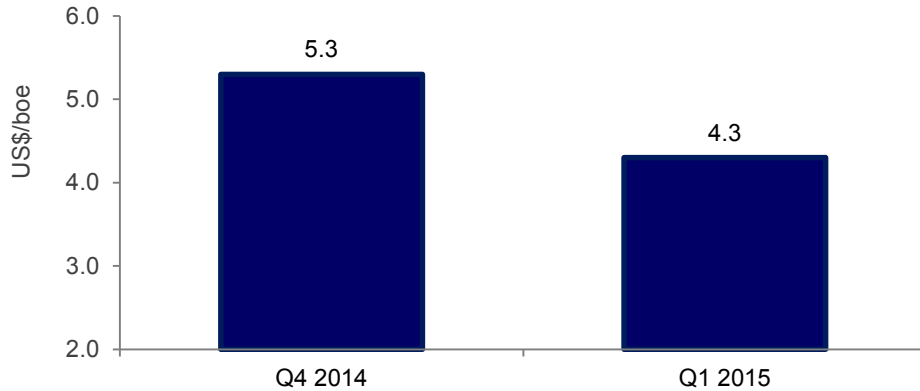
- Opex reduced by 19 % in Q1 2015
- Transport costs reduced by 34% in Q1 2015

<sup>1</sup> Defined as Profit Before Tax + Finance Costs + Foreign Exchange Loss/(Gain) + ESOP + Depreciation, Depletion & Amortisation – Interest Income + Other Expenses / (Income)

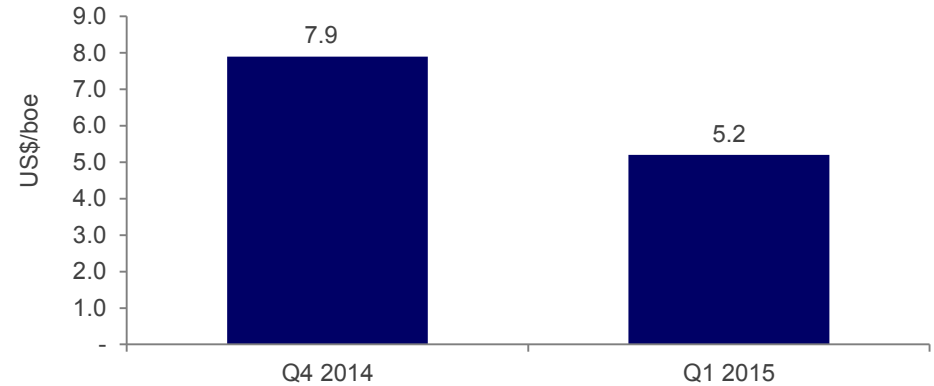
<sup>2</sup> Defined as Cash & Cash Equivalents + Current Investments

# Key performance indicators

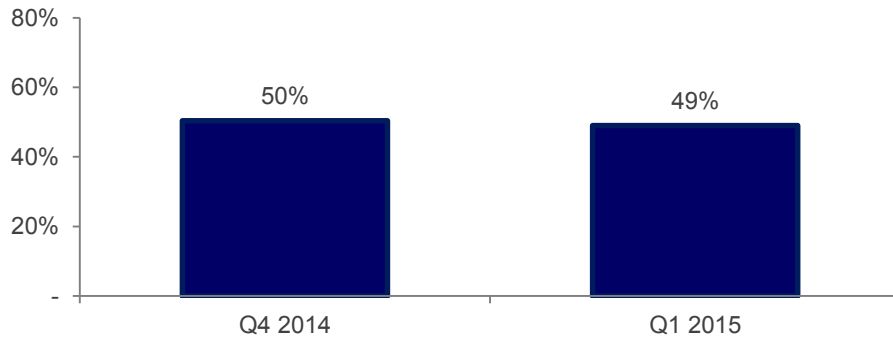
## Opex/boe<sup>1</sup>



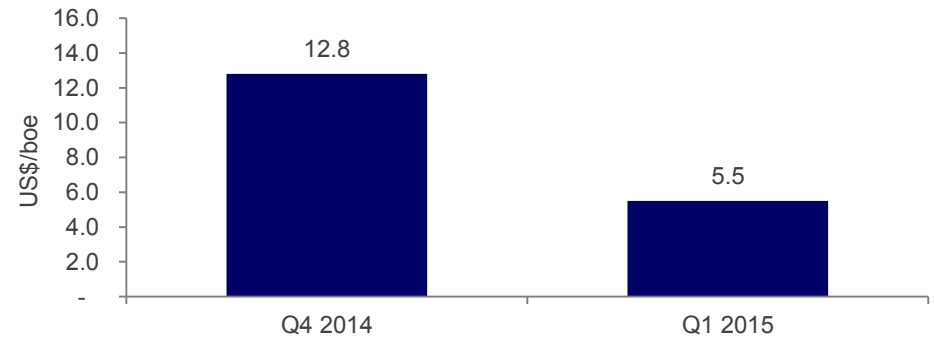
## Transport costs/boe<sup>4</sup>



## EBITDA<sup>3</sup> margin



## Tax/boe<sup>2</sup>



Operating metrics remain well controlled

<sup>1</sup> Opex defined as Cost of Sales – Depreciation – Royalties – Government profit share

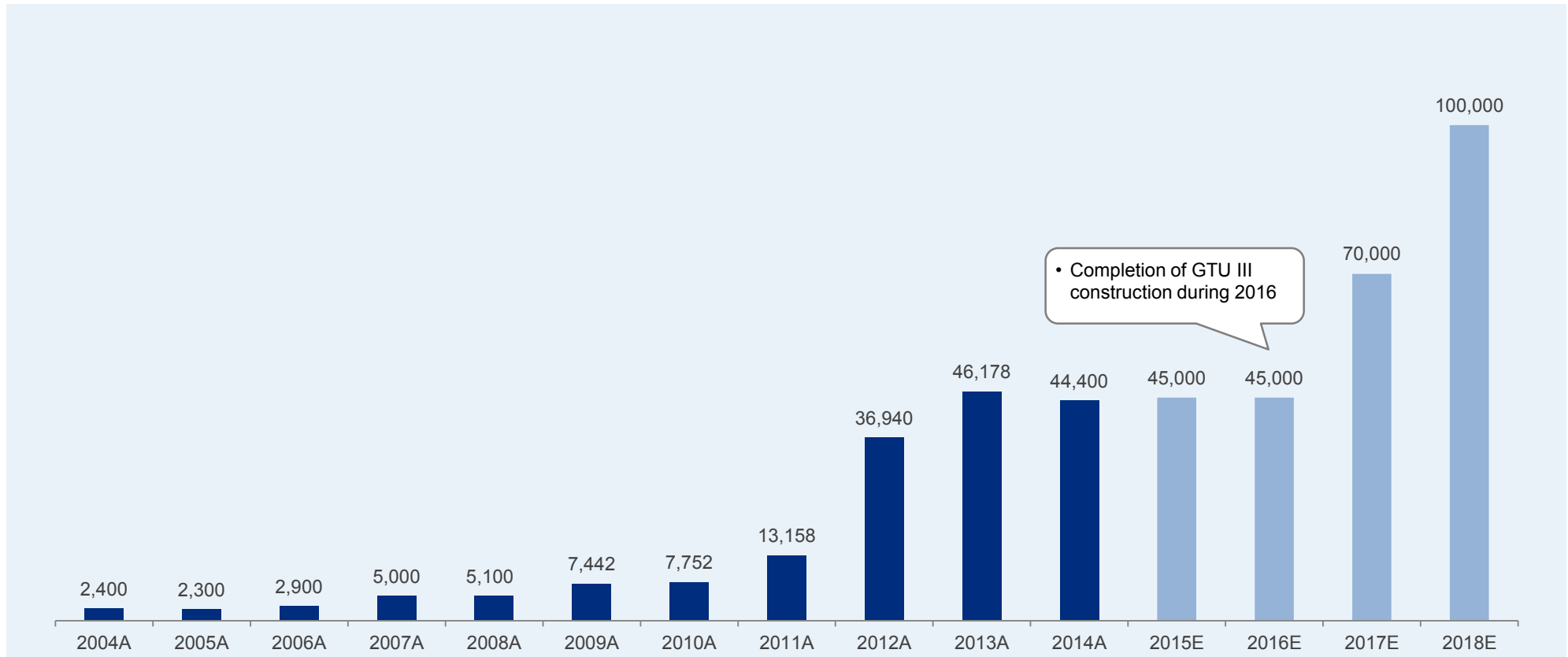
<sup>2</sup> Total income tax expense + Royalties + Government profit share

<sup>3</sup> Defined as Profit Before Tax + Finance Costs + Foreign Exchange Loss/(Gain) + ESOP + Depreciation – Interest Income + Other Expenses / (Income)

<sup>4</sup> Transportation Costs include: Loading and storage costs, transportation costs, payroll and related taxes, management fees, and other

# Stable production combined with significant near term production growth

## Production summary & guidance<sup>1</sup> (boepd)



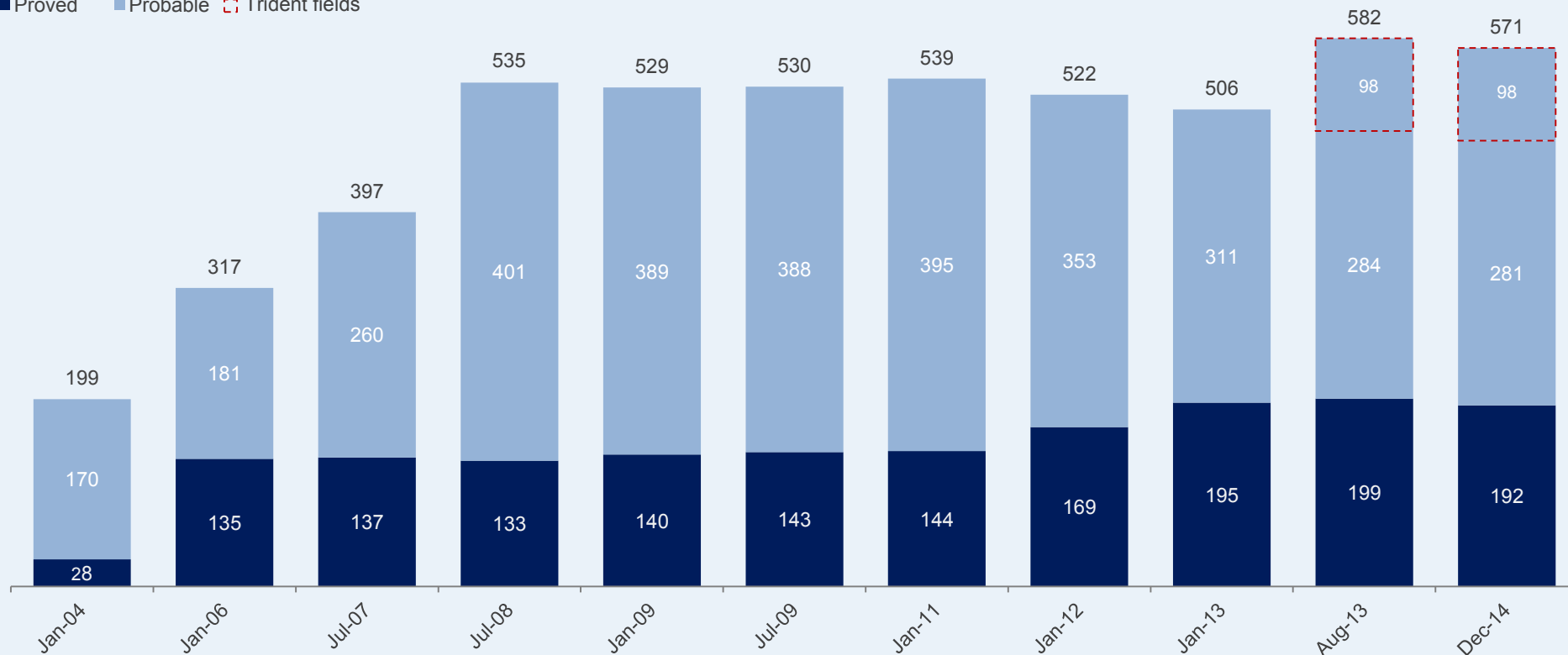
## Chinarevskoye Field alone provides significant and scalable near term production growth

<sup>1</sup> Based on the production profile of both proved and probable reserves reported in the Ryder Scott report as of December 2014 and assuming the successful completion of the second phase of the gas treatment facility by the end of 2016

# Operational performance underpinned by substantial core asset base

## Chinarevskoye Field 2P reserve progression since 2004 (mboe)<sup>1,2</sup>

■ Proved ■ Probable ▤ Trident fields



Chinarevskoye asset continues to perform in line with expectations with 2P reserves of 571 mmboe

<sup>1</sup> Ryder Scott reserves reports from 2004-2014

<sup>2</sup> Gas reserves in cubic feet are converted at a rate of 5,326.5 cubic feet per boe



An aerial photograph of an industrial facility, likely an oil refinery or storage terminal. The facility features several large, cylindrical storage tanks, various pipes, and smaller buildings. A long train of oil tank cars is visible, stretching across the middle ground. The surrounding landscape is flat and open, with some distant structures and a cloudy sky.

2

## Q1 2015 Financial Results



# Financial Overview

US\$mm (unless otherwise stated)	Q4 2014	Q1 2015	Change
Revenue	162	<b>100</b>	(38%)
Cost of Sales	(64)	<b>(46)</b>	(28%)
General & Administrative Expenses	(13)	<b>(12)</b>	(3%)
EBITDA <sup>1</sup>	81	<b>50</b>	(39%)
Profit Before Tax	86	<b>9</b>	(90%)
Net income	38	<b>(1)</b>	(103%)
Earnings per share (US\$c) <sup>2</sup>	20	<b>(1)</b>	(105%)
Capital expenditure <sup>3</sup>	(136)	<b>(65)</b>	(52%)
Net cash flows from operating activities	47	<b>(3)</b>	(106%)
Gross debt	945	<b>950</b>	1%
Cash & cash equivalents <sup>4</sup>	400	<b>318</b>	(21%)
Net debt <sup>5</sup>	545	<b>632</b>	16%
Net debt / LTM EBITDA <sup>1</sup>	1.1x	<b>1.7x</b>	51%

<sup>1</sup> Defined as Profit Before Tax + Finance Costs + Foreign Exchange Loss/(Gain) + ESOP + Depreciation, Depletion & Amortisation – Interest Income + Other Expenses / (Income)

<sup>2</sup> Based on a weighted average no. of shares for FY 2014 of 188.2m and 188.2m for FY 2013

<sup>3</sup> Purchases of property, plant and equipment + purchase of exploration and evaluation assets + acquisition of subsidiaries

<sup>4</sup> Defined as Cash & Cash Equivalents + Current Investments

<sup>5</sup> Defined as Total Debt - Cash & Cash Equivalents - Current Investments - Non-Current Investments

# Strong Balance Sheet and Enhanced Credit Metrics

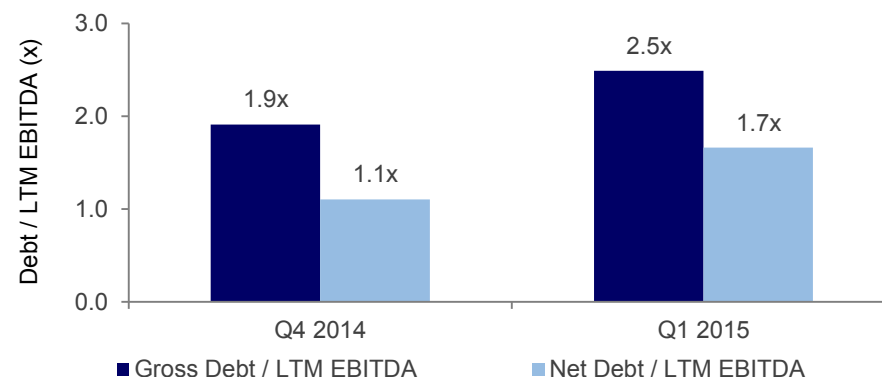
## Highlights

- +49% EBITDA<sup>1</sup> margin
- Cash position of US\$318m
- Gross Debt of US\$950m
- Net Debt of US\$632m

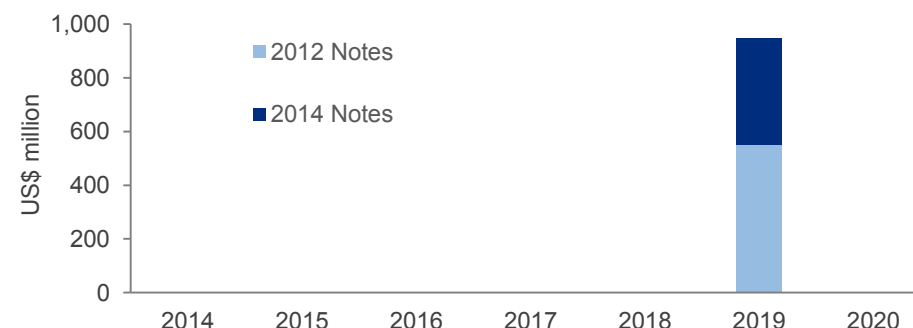
## Q1 2015 Net Debt – US\$632mm

	US\$m
<b>Total debt, including:</b>	<b>950.3</b>
2012 Notes (US\$560m, 7.125% annual coupon)	552.0
2014 Notes (US\$400m, 6.375% annual coupon)	398.3
<b>Cash &amp; cash equivalents<sup>2</sup></b>	<b>318.3</b>
<b>Net Debt</b>	<b>632.0</b>

## Credit Metrics



## Maturity Profile



**Robust capital structure ensures significant financial flexibility is maintained**

<sup>1</sup> Defined as Profit Before Tax + Finance Costs + Foreign Exchange Loss/(Gain) + ESOP + Depreciation, Depletion & Amortisation – Interest Income + Other Expenses / (Income)

<sup>2</sup> Defined as Cash & Cash Equivalents + Current Investments

3

## Supporting materials



# Consolidated Statement of Financial Position

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 31 March 2015

<i>In thousands of US Dollars</i>	Notes	31 March 2015 (unaudited)	31 December 2014 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Exploration and evaluation assets	3	24,833	24,380
Goodwill		32,425	32,425
Property, plant and equipment	4	1,466,004	1,442,157
Restricted cash	8	5,175	5,024
Advances for non-current assets	5	144,686	134,355
Derivative financial instruments	19	–	60,301
		1,673,123	1,698,642
<b>Current assets</b>			
Inventories		29,524	25,443
Trade receivables	6	46,618	30,110
Prepayments and other current assets		41,130	39,642
Derivative financial instruments	19	70,306	–
Income tax prepayment		24,853	13,925
Current investments	7	25,000	25,000
Cash and cash equivalents	8	293,336	375,443
		530,767	509,563
<b>TOTAL ASSETS</b>		<b>2,203,890</b>	<b>2,208,205</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Share capital	9	3,203	3,203
Treasury capital		(1,888)	(1,888)
Retained earnings and reserves		915,081	916,365
		916,396	917,680
<b>Non-current liabilities</b>			
Long-term borrowings	11	931,689	930,090
Abandonment and site restoration provision		20,934	20,877
Due to Government of Kazakhstan		5,777	5,906
Deferred tax liability		209,723	206,784
		1,168,123	1,163,657
<b>Current liabilities</b>			
Current portion of long-term borrowings	11	18,624	15,024
Employee share option plan liability	18	8,922	6,449
Trade payables		47,042	49,619
Advances received		524	2,670
Income tax payable		1,267	1,459
Current portion of Due to Government of Kazakhstan		1,031	1,031
Other current liabilities	12	41,961	50,616
		119,371	126,868
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,203,890</b>	<b>2,208,205</b>

# Consolidated Statement of Comprehensive Income

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2015

<i>In thousands of US Dollars</i>		Three months ended 31 March	
	Notes	2015 (unaudited)	2014 (unaudited)
<b>Revenue</b>			
Revenue from export sales		75,625	197,844
Revenue from domestic sales		24,714	29,108
	<b>13</b>	<b>100,339</b>	<b>226,952</b>
<b>Cost of sales</b>	<b>14</b>	<b>(46,057)</b>	<b>(49,992)</b>
<b>Gross profit</b>		<b>54,282</b>	<b>176,960</b>
General and administrative expenses	<b>15</b>	(12,284)	(13,511)
Selling and transportation expenses	<b>16</b>	(21,379)	(30,459)
Finance costs	<b>17</b>	(12,369)	(20,197)
Employee share option plan fair value adjustment		(2,473)	2,299
Foreign exchange loss		(986)	(1,591)
Gain/(loss) on derivative financial instruments	<b>19</b>	10,005	(648)
Interest income		36	551
Other income		1,113	874
Other expenses		(7,135)	(6,541)
<b>Profit before income tax</b>		<b>8,810</b>	<b>107,737</b>
Income tax expense	<b>20</b>	(10,085)	(49,831)
<b>(Loss)/profit for the period</b>		<b>(1,275)</b>	<b>57,906</b>
<b>Total comprehensive (loss)/income for the period</b>		<b>(1,275)</b>	<b>57,906</b>

# Consolidated Statement of Cash Flows

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2015

<i>In thousands of US Dollars</i>	Notes	Three months ended 31 March	
		2015 (unaudited)	2014 (unaudited)
<b>Cash flow from operating activities:</b>			
Profit before income tax		8,810	107,737
<i>Adjustments for:</i>			
Depreciation, depletion and amortisation	14,15	28,578	29,376
Finance costs	17	12,369	20,197
Employee share option plan fair value adjustment		2,473	–
Interest income		(36)	(551)
Foreign exchange loss/(gain) on investing and financing activities		1,122	(371)
Loss on disposal of property, plant and equipment		7	29
Loss/(gain) on derivative financial instruments	19	(10,005)	648
Accrued liabilities		535	–
<b>Operating profit before working capital changes</b>		<b>43,853</b>	<b>157,065</b>
<i>Changes in working capital:</i>			
Change in inventories		(4,081)	(799)
Change in trade receivables		(16,508)	(41,251)
Change in prepayments and other current assets		(1,488)	(3,398)
Change in trade payables		2,710	(7,682)
Change in advances received		(2,146)	–
Change in due to Government of Kazakhstan		(258)	(259)
Change in other current liabilities		(7,284)	(15,187)
Payments under Employee share option plan		–	(2,970)
<b>Cash generated from operations</b>		<b>14,798</b>	<b>85,519</b>
Income tax paid		(17,973)	(31,729)
<b>Net cash flows from operating activities</b>		<b>(3,175)</b>	<b>53,790</b>
<b>Cash flow from investing activities:</b>			
Interest received		36	551
Purchase of property, plant and equipment		(61,788)	(50,197)
Purchase of exploration and evaluation assets		(856)	(5,868)
Acquisition of subsidiaries		(1,915)	–
Placement of bank deposits		(25,000)	–
Redemption of bank deposits		25,000	25,000
<b>Net cash used in investing activities</b>		<b>(64,523)</b>	<b>(30,514)</b>
<b>Cash flow from financing activities:</b>			
Finance costs paid		(12,750)	–
Issue of notes	11	–	400,000
Transfer to restricted cash		(151)	(97)
Treasury shares sold		–	1,006
<b>Net cash from / (used in) financing activities</b>		<b>(12,901)</b>	<b>400,909</b>
Effects of exchange rate changes on cash and cash equivalents		(1,508)	(456)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(82,107)</b>	<b>423,729</b>
Cash and cash equivalents at the beginning of the period	8	375,443	184,914
<b>Cash and cash equivalents at the end of the period</b>	<b>8</b>	<b>293,336</b>	<b>608,643</b>



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