



nostrum  
Oil & Gas



# H1 2014 results

28 August 2014

**nostrum**  
Oil & Gas 

V-442A

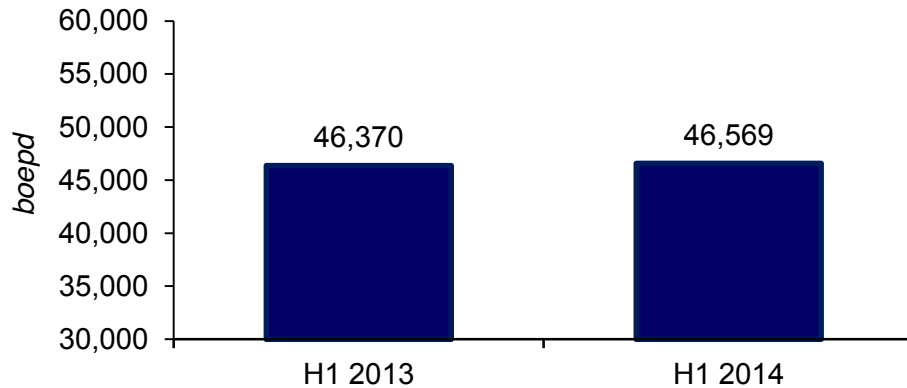
## Consistently delivering against targets

- 1 Completion of Premium Listing — FTSE 250 index inclusion pending
- 2 Stable production volumes — 46,569 boepd vs. 45,000 boepd guidance
- 3 Continued progress on GTU3 — c.\$150mm commitments and procurement in line with budget
- 4 Maintenance of superior margins — +70% EBITDA margin for the period
- 5 Strong cash flow generation — \$177.3mm operating cash flows
- 6 Robust capital position — \$458.2mm cash and equivalents (0.8x net debt / LTM EBITDA)

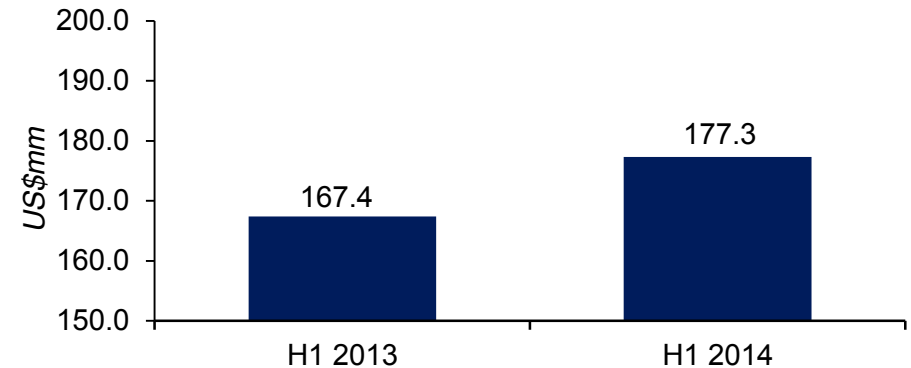
**Nostrum continues to successfully execute its growth ambitions with stable production, strong cash flow and a supportive balance sheet**

# Progress – Snapshot

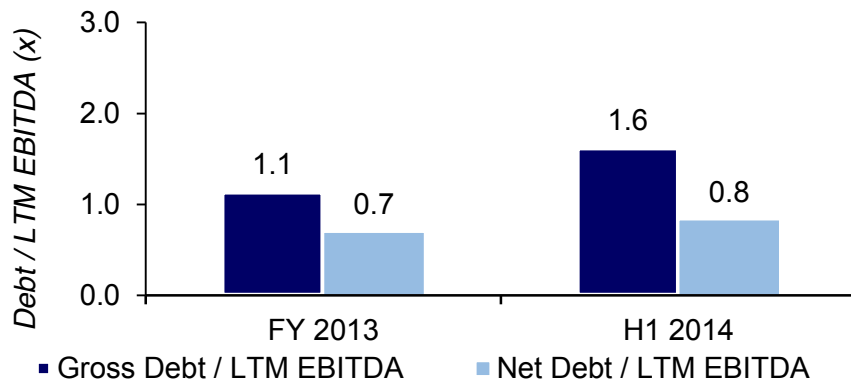
## Production



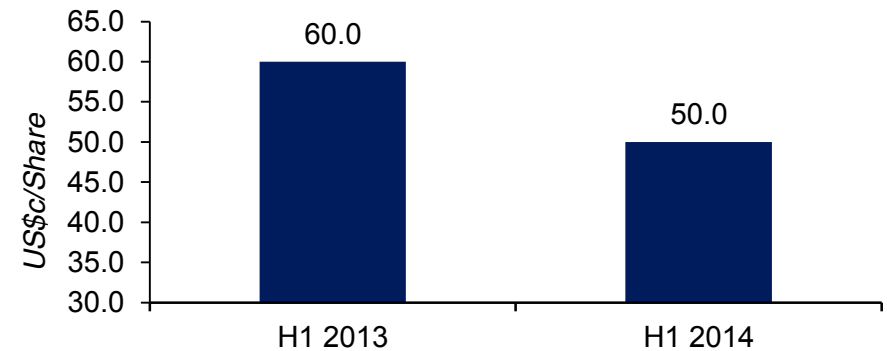
## Net Operating Cash flows<sup>(1)</sup>



## Robust Credit Metrics



## Earnings per share



(1) As reported in the consolidated group cash flow statement





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## H1 2014 Financial results

# Financial Overview – H1 2014

US\$mm (unless otherwise stated)	H1 2014	H1 2013	Change
<b>Revenue</b>	445.0	442.5	0.6%
Profit before tax	179.8	184.8	(2.7)%
<b>EBITDA<sup>(1)</sup></b>	<b>312.7</b>	<b>285.0</b>	<b>9.6%</b>
Net income	91.8	111.7	(17.9)%
Earnings per share (US\$c) <sup>(2)</sup>	50.0	60.0	(17.5)%
Distribution per common unit (US\$c)	35.0	34.0	2.9%
Capital expenditure <sup>(3)</sup>	154.0	111.3	38.2%
Net cash flows from operating activities	177.3	167.4	5.9%
Gross debt	941.8	628.4 <sup>(6)</sup>	49.9%
Cash & cash equivalents <sup>(4)</sup>	458.2	239.9 <sup>(6)</sup>	91.0%
Net debt <sup>(5)</sup>	483.6	388.5 <sup>(6)</sup>	24.5%
<b>Net debt / LTM EBITDA</b>	<b>0.83x</b>	<b>0.70x</b>	<b>—</b>

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

(2) Based on a weighted average no. of shares for H1 2014 of 184.5m and 185.4m for H1 2013

(3) Purchases of property, plant and equipment + purchase of exploration and evaluation assets

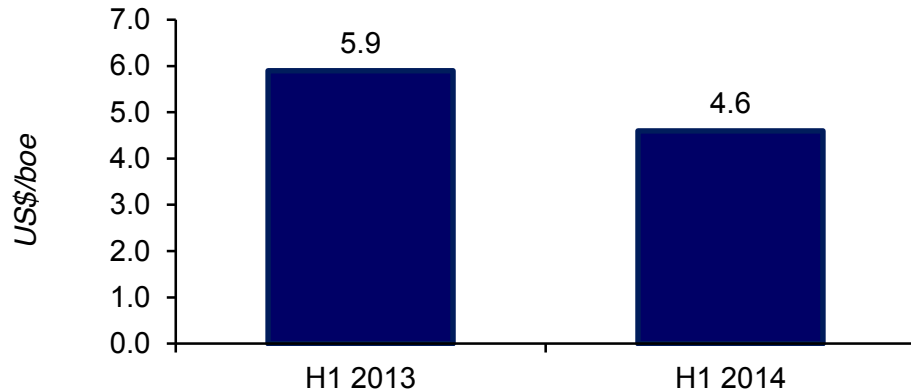
(4) Defined as Cash & Cash Equivalents + Current Investments + Non-Current Investments

(5) Defined as Total Debt - Cash & Cash Equivalents - Current Investments - Non-Current Investments

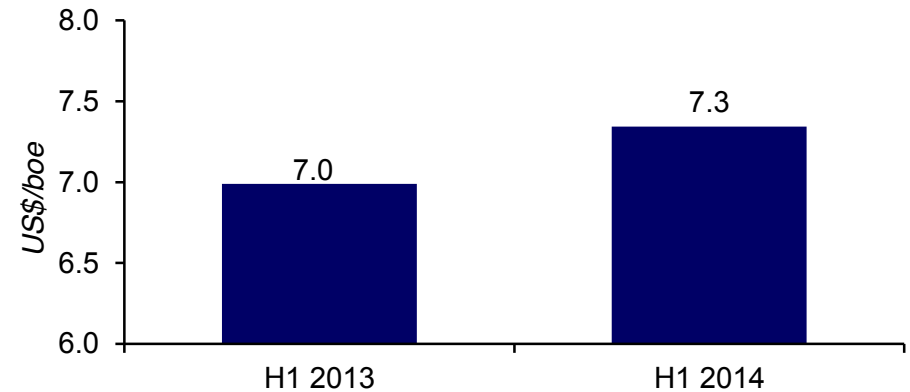
(6) FY 2013 figures for balance sheet line items

# Key performance indicators

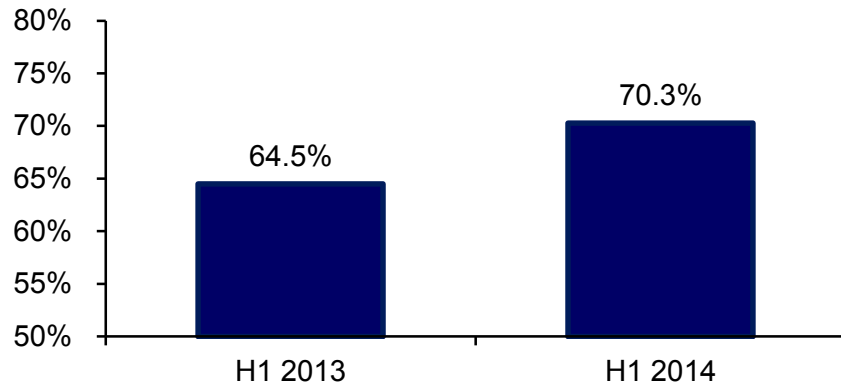
Opex/boe<sup>(1)</sup>



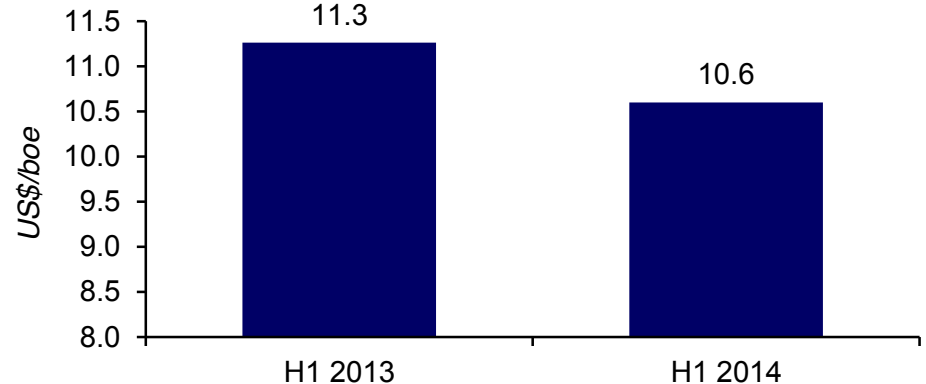
Transport costs/boe



EBITDA margin



Tax/boe<sup>(2)</sup>



Operating metrics remain well controlled

(1) Opex defined as Cost of Sales – Depreciation – Royalties – Government profit share

(2) Total income tax expense including Royalties and Government profit share

# Strong Balance Sheet and Enhanced Credit Metrics

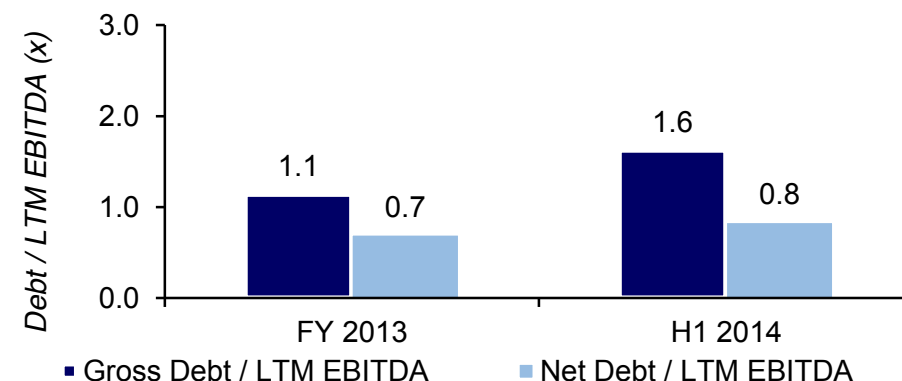
## Highlights

- +70% EBITDA margin
- +91.0% increase in cash position during H1 2014 to US\$458.2mm (FY 2013 US\$239.9mm)
- Successful early repayment of 2010 Notes in April 2014

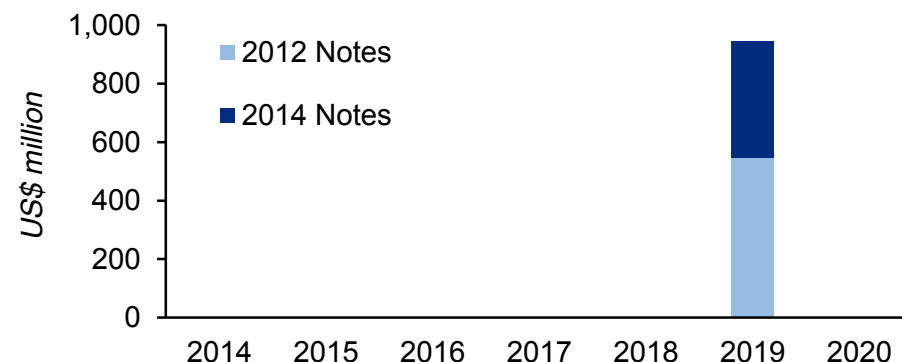
## H1 2014 Net Debt – US\$483.6mm

US\$mm	
<b>Total debt, including:</b>	<b>941.8</b>
2012 Notes (US\$560m, 7.125% annual coupon)	538.1
2014 Notes (US\$400m, 6.375% annual coupon)	403.7
<b>Cash &amp; cash equivalents<sup>(1)</sup></b>	<b>458.2</b>
<b>Net Debt</b>	<b>483.6</b>

## Credit Metrics



## Maturity Profile



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

(1) Defined as Cash & Cash Equivalents + Current Investments + Non-Current Investments



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## Supporting materials

# Consolidated Statement of Financial Position

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 30 June 2014

<i>In thousands of US Dollars</i>	<b>30 June 2014 (unaudited)</b>	<b>31 December 2013 (audited)</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Exploration and evaluation assets	21,514	20,434
Goodwill	30,386	30,386
Property, plant and equipment	1,369,448	1,330,903
Restricted cash	4,618	4,217
Advances for non-current assets	39,492	10,037
Non-current investments	—	30,000
	<b>1,465,458</b>	<b>1,425,977</b>
<b>Current assets</b>		
Inventories	23,489	22,085
Trade receivables	107,242	66,565
Prepayments and other current assets	44,540	31,192
Income tax prepayment	—	5,042
Current investments	25,000	25,000
Cash and cash equivalents	433,223	184,914
	<b>633,494</b>	<b>334,798</b>
<b>TOTAL ASSETS</b>	<b>2,098,952</b>	<b>1,760,775</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Share capital and Reserves</b>		
Share capital	3,203	—
Treasury capital	(61)	(30,751)
Partnership capital	—	380,874
Share premium	102,858	—
Additional paid-in capital	—	8,126
Retained earnings and reserves	759,439	474,202
	<b>865,439</b>	<b>832,451</b>
<b>Non-Current Liabilities</b>		
Long-term borrowings	926,900	621,160
Abandonment and site restoration provision	14,485	13,874
Due to Government of Kazakhstan	5,906	6,021
Deferred tax liability	165,431	152,545
Derivative financial instrument	6,126	—
	<b>1,118,848</b>	<b>793,600</b>
<b>Current liabilities</b>		
Current portion of long-term borrowings	14,913	7,263
Employee share option plan liability	15,752	12,016
Trade payables	41,804	58,518
Advances received	1,218	36
Income tax payable	13,654	1,232
Current portion of Due to Government of Kazakhstan	1,031	1,031
Other current liabilities	26,293	54,628
	<b>114,665</b>	<b>134,724</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,098,952</b>	<b>1,760,775</b>

# Consolidated Statement of Comprehensive Income

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the six months ended 30 June 2014

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
<i>In thousands of US Dollars</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Revenue</b>				
Revenue from export sales	192,075	181,378	389,919	378,090
Revenue from domestic sales	25,949	32,595	55,058	64,409
	218,024	213,973	444,977	442,499
<b>Cost of sales</b>	<b>(48,557)</b>	<b>(62,929)</b>	<b>(98,549)</b>	<b>(135,331)</b>
<b>Gross profit</b>	<b>169,467</b>	<b>151,044</b>	<b>346,428</b>	<b>307,168</b>
General and administrative expenses	(14,382)	(14,141)	(27,506)	(25,425)
Selling and transportation expenses	(33,045)	(34,279)	(63,505)	(60,814)
Finance costs	(15,553)	(14,051)	(35,749)	(25,622)
Finance costs - reorganisation	(16,575)	–	(16,575)	–
Employee share option plan fair value adjustment	(6,884)	(2,720)	(4,585)	(2,537)
Foreign exchange loss, net	(612)	(219)	(2,203)	(210)
Loss on derivative financial instrument	(5,478)	–	(6,126)	–
Interest income	129	291	680	549
Other expenses	(7,522)	(6,012)	(14,064)	(10,646)
Other income	2,114	1,582	2,988	2,354
<b>Profit before income tax</b>	<b>71,659</b>	<b>81,495</b>	<b>179,783</b>	<b>184,817</b>
Income tax expense	(37,807)	(35,469)	(88,025)	(73,119)
<b>Profit for the period</b>	<b>33,852</b>	<b>46,026</b>	<b>91,758</b>	<b>111,698</b>
<b>Total comprehensive income for the period</b>	<b>33,852</b>	<b>46,026</b>	<b>91,758</b>	<b>111,698</b>
Profit for the period attributable to the holders of Common Units/shares (in thousands of US Dollars)			91,758	111,698
Weighted average number of Common Units/shares			184,551,496	185,375,504
Basic and diluted earnings per Common Unit/share (in US Dollars)			0.50	0.60

All items in the above statement are derived from continuous operations.



# Consolidated Statement of Cash Flows

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS For the six months ended 30 June 2014

<i>In thousands of US Dollars</i>	<b>Six months ended 30 June</b>	
	<b>2014 (unaudited)</b>	<b>2013 (unaudited)</b>
<b>Cash flow from operating activities:</b>		
Profit before income tax	179,783	184,817
<i>Adjustments for:</i>		
Depreciation, depletion and amortisation	57,337	63,931
Finance costs - reorganisation	16,575	–
Finance costs	35,749	25,622
Interest income	(680)	(549)
Foreign exchange gain on investing and financing activities	(4,152)	(12)
Loss on disposal of property, plant and equipment	33	–
Loss on derivative financial instrument	6,126	–
<b>Operating profit before working capital changes</b>	<b>290,771</b>	<b>273,809</b>
<i>Changes in working capital:</i>		
Change in inventories	(1,404)	5,080
Change in trade receivables	(40,677)	(36,246)
Change in prepayments and other current assets	(13,348)	1,527
Change in trade payables	18,595	(4,570)
Change in advances received	1,182	–
Change in due to Government of Kazakhstan	(516)	(515)
Change in other current liabilities	(23,035)	(4,807)
Payments under Employee share option plan	4,506	1,587
<b>Cash generated from operations</b>	<b>236,074</b>	<b>235,865</b>
Income tax paid	(58,764)	(68,473)
<b>Net cash flows from operating activities</b>	<b>177,310</b>	<b>167,392</b>
<b>Cash flow from investing activities:</b>		
Interest received	680	549
Purchase of property, plant and equipment	(147,601)	(111,338)
Purchase of exploration and evaluation assets	(6,380)	–
Placement of bank deposits	–	(19,500)
Redemption of bank deposits	30,000	50,000
<b>Net cash used in investing activities</b>	<b>(123,301)</b>	<b>(80,289)</b>
<b>Cash flow from financing activities:</b>		
Finance costs paid	(29,639)	(26,022)
Issue of notes	400,000	–
Expenses paid on arrangement of notes	(6,525)	–
Repayment of notes	(92,505)	–
Transfer to restricted cash	(402)	(502)
Repurchase of GDRs	–	(3,858)
Treasury shares reissued	440	1,431
Distributions paid	(59,979)	–
Funds borrowed - reorganisation	2,350,405	–
Funds repaid - reorganisation	(2,350,405)	–
Finance costs - reorganisation	(16,575)	–
<b>Net cash from / (used in) financing activities</b>	<b>194,815</b>	<b>(28,951)</b>
Effects of exchange rate changes on cash and cash equivalents	(515)	–
<b>Net increase in cash and cash equivalents</b>	<b>248,309</b>	<b>58,152</b>
Cash and equivalents at the beginning of the period	184,914	197,730
<b>Cash and equivalents at the end of the period</b>	<b>433,223</b>	<b>255,882</b>

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