

Financial results of Nostrum for 1Q2019

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According to the results of 1Q2019 Nostrum's revenue was \$95.4mn, an increase of 7% yoy due to higher sales in 1Q2019 in relation to 1Q2018 (+2.4%) and despite the relatively weak oil prices in the reporting period (-5% y/y).

Cost of sales was \$ 41.6mn, slightly increasing by 0.5% yoy, which was due to an increase in depreciation costs by 10% yoy.

Operating profit amounted to T28.8mn, an increase of 4% due to a decrease in general and administrative expenses by 12% yoy.

Due to an increase in EBIT and a decrease in financial expenses by 42%, the profit before tax was \$18.7mn, which is higher than in 1Q2018 by 7.6 times. At the same time, taking into account deferred income tax expenses in the amount of \$12mn, the company's net profit amounted to \$5.9mn (+62% yoy).

The production level forecast for 2019 remains unchanged - 30 ths boe/d.

Our opinion

The news does not introduce updates both on operational processes and on the company's financial indicators. Assessing the high uncertainty regarding the prospects for production, we maintain our recommendation to Hold the shares of Nostrum. With high risks, we still note good opportunities for Nostrum to increase cash flows, subject to justified sufficiency of reserves in the licensed area after peer review.

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