



# Full Year 2017 Results Presentation



# FY 2017 Financial Results

## Establishing a solid platform for growth

- 1 US\$231.6 million EBITDA<sup>1</sup> generated from 37,844 boepd of sales volumes at a 57.1% margin
- 2 Cash & cash equivalents<sup>2</sup> of US\$127.0 million and net debt of US\$960.9 million as at 31 December 2017
- 3 9,000 boepd of 2018 production hedged at a price of US\$60/bbl
- 4 Further reduction in cost base with transportation costs reduced by 9.2% over the year<sup>3</sup>
- 5 5% increase in Group 2P reserves to 488 mmboe (FY 2016: 466 mmboe)
- 6 Successful refinancing of US\$960 million of bond debt with no maturities until 2022

Nostrum is well positioned to deliver its next phase of production growth

<sup>1</sup> Profit Before Tax + Finance Costs + Foreign Exchange Loss / (Gain) + ESOP + Depreciation – Interest Income + Other Expenses / (Income) + cash received from hedge

<sup>2</sup> Cash & cash equivalents including current investments but excluding restricted cash

<sup>3</sup> On a per barrel of oil equivalent (boe) basis.



# Sustainable strategy to grow production

1

## Delivering near term production growth

- Focus drilling on production wells in H1 2018
- Bring on a low pressure system in H1 2018 to extend life of older producing wells

2

## Appraising and developing near term projects

- Continue appraising the Chinarevskoye Field and converting probable reserves and resources into proved reserves
- Develop the three additional licenses and bring them into production through our gas plants

3

## Exploration upside through M&A

- Seek to add reserves from surrounding licences that can fill our infrastructure beyond 2021

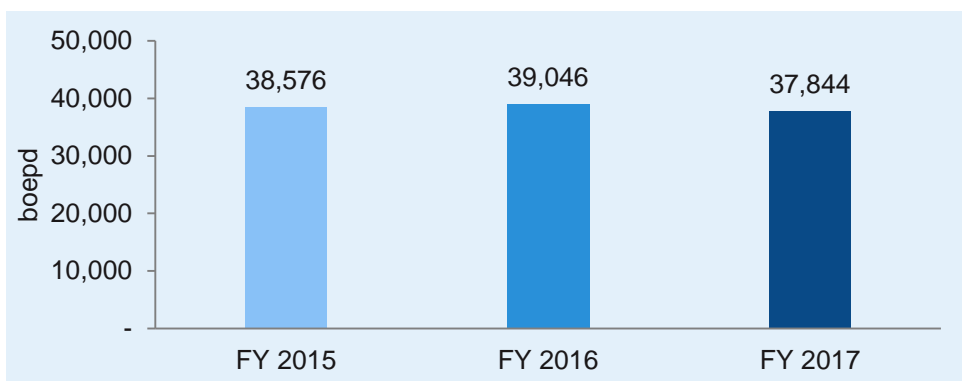
4

## Linking corporate responsibility directly to the growth of the Company

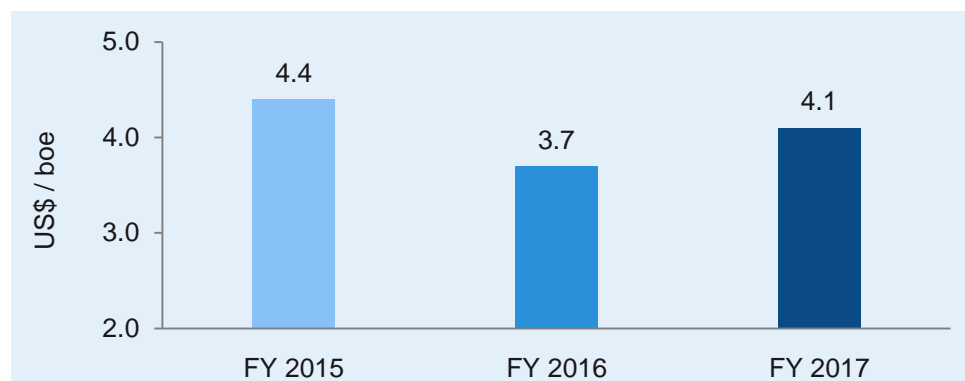
- Development of a comprehensive CSR roadmap focused on employee security and welfare, investment in community building, and environmental protection and reporting.

# Snapshot of key figures from 2017

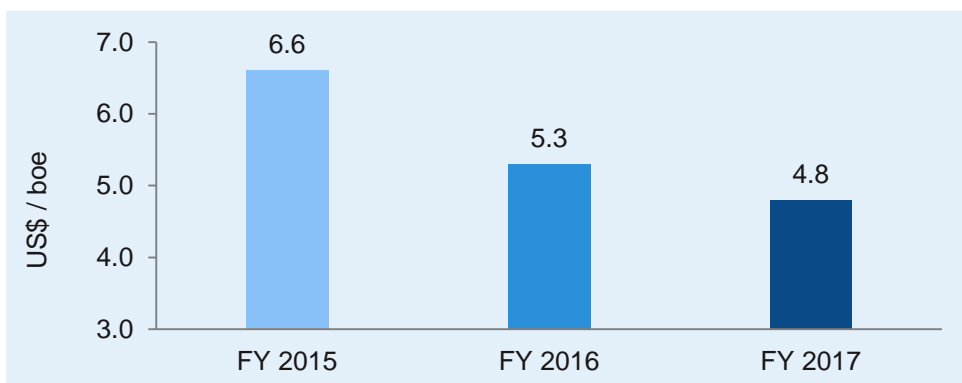
## Sales volumes



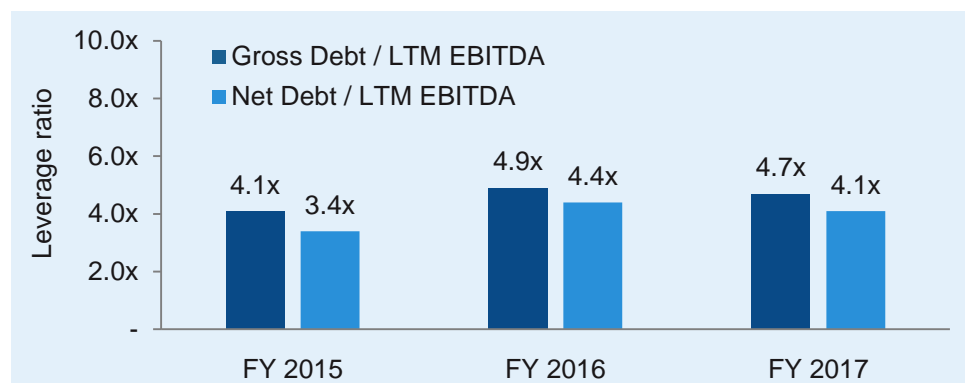
## Opex / boe<sup>1,2</sup>



## Transport costs / boe<sup>2</sup>



## Gross debt / net debt



<sup>1</sup> Opex is defined as COGS less depreciation less royalties less government profit share

<sup>2</sup> Per barrel equivalent metrics based on sales volume

# Capital discipline

## Balance sheet

- US\$127.0 million cash and cash equivalents<sup>1</sup> as at 31 December 2017.
- Net debt of US\$ 960.9 million as at 31 December 2017.
- Successfully refinanced remaining 2019 debt in February 2018.
- No debt maturities until 2022.

## Hedging programme

- 9,000 boepd of 2018 production hedged at a floor price of US\$60/bbl.
  - US\$60/bbl put option was funded through a call spread with average strike prices of US\$64.95/bbl and US\$69.95/bbl.

## Cash flow generation

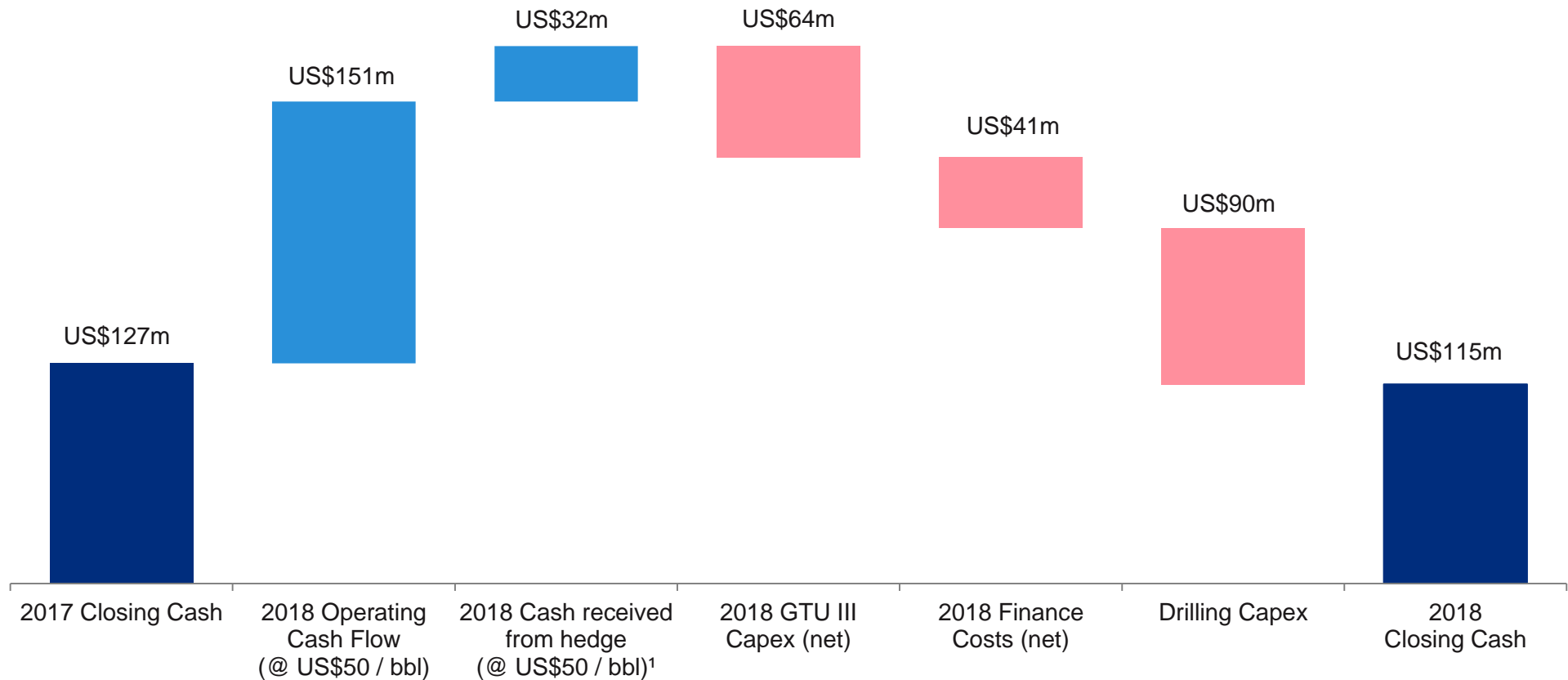
- Existing financing, hedging arrangements and cash flow from operations ensures GTU III is fully funded under any oil price scenario.
- Following the completion of GTU3 the business will be able to generate free cash flow while growing its production in an oil price environment above US\$50/bbl.

## Scalable drilling

- Drilling capex scalable up or down depending on prevailing oil prices.
  - US\$45 million of drilling capex committed for 2018.
  - US\$45 million of discretionary drilling capex for 2018.

<sup>1</sup> Cash & cash equivalents including current investments but excluding restricted cash

# 2018 Cash Flow Bridge

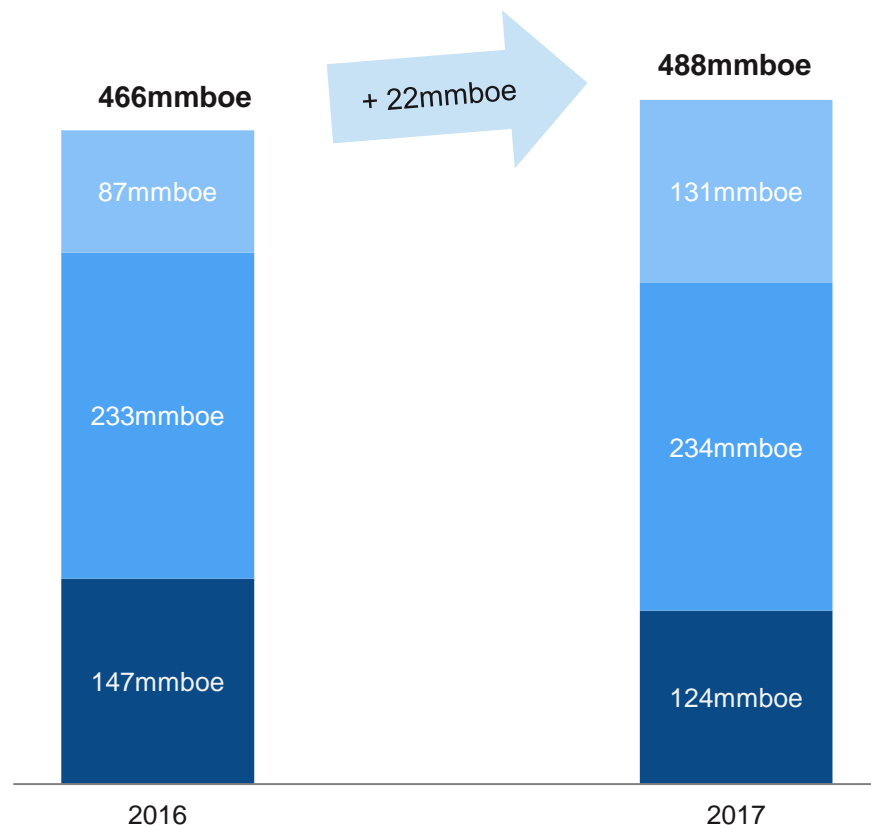


**Fully financed to complete GTU III and fund the 2018 drilling program**

<sup>1</sup> Hedge income taxed at non-contractual rate of 20.0% included in Operating Cash Flow

# 2018 Ryder Scott Reserves Report

■ Chinarevskoye - Proven ■ Chinarevskoye - Probable ■ Trident - Probable



- 358mmboe 2P reserves at the Chinarevskoye field
  - Proven – 124mmboe
  - Probable – 234mmboe
- 22.9mmboe decrease in proven reserves due to:
  - 14mmboe of production during 2017; and
  - The loss of two producing wells in the Biyski gas condensate reservoir
- 131mmboe of 2P reserves at the Trident fields as at 1 January 2018
  - + 44mmboe in 2P reserves following the successful appraisal of the ROS-3 well
- Contingent resources – 235mmboe
  - 184.2mmboe at the Chinarevskoye field; and
  - 50.7mmboe at the Trident fields
- Remaining reserve life of +10 years with GTU III running at full capacity

**Nostrum has a substantial reserve base to feed its processing facilities**



## 2017 Financial Results





# Financial Overview – FY 2017

US\$m	FY 2016	FY 2017
Revenue	348.0	405.5
EBITDA <sup>1</sup>	194.0	231.6
Profit before tax	(65.5)	26.0
<i>Current income tax expense</i>	(20.5)	(13.9)
<i>Deferred income tax expense</i>	3.0	(36.0)
Net income	(83.0)	(23.9)
Earnings per share (USc) <sup>2</sup>	(45.0)	(13.0)
Capital expenditure <sup>3</sup>	(200.3)	(191.5)
Net cash flows from operating activities	202.1	182.8

US\$m	FY 2016	FY 2017
Gross debt	959.1	1,087.9
Cash & cash equivalents <sup>4</sup>	101.1	127.0
Net debt	857.9	960.9
Net debt / LTM EBITDA <sup>1</sup>	4.4x	4.1x

<sup>1</sup> Profit Before Tax + Finance Costs + Foreign Exchange Loss / (Gain) + ESOP + Depreciation – Interest Income + Other Expenses / (Income) + cash received from hedge

<sup>2</sup> Based on a weighted average no. of shares as at Q4 2017 of 185.1m and Q4 2016 of 184.9m

<sup>3</sup> Purchases (net of sales) of property, plant and equipment + purchase of exploration and evaluation assets + acquisitions

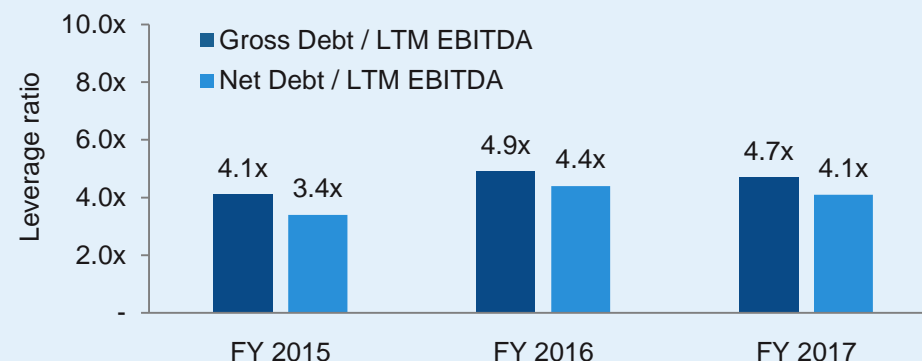
<sup>4</sup> Cash & cash equivalents including current investments but excluding restricted cash

# Balance Sheet Summary

## Highlights

- US\$127.0m cash & equivalents<sup>1</sup>
- Successful refinancing of US\$960 million of bond debt with no maturities until 2022<sup>2</sup>
- 9,000 boepd hedged at US\$60/bbl floor until the end 2018

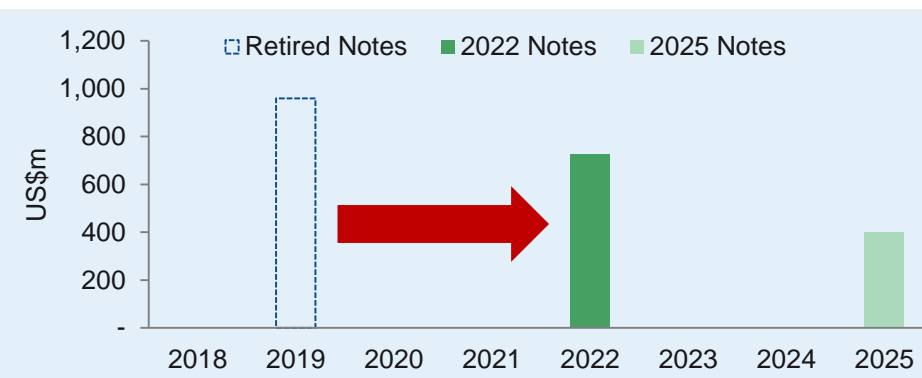
## Gross debt / net debt



## Net Debt at 31 December 2017 – US\$960.9m

US\$m	FY 2017
Total debt, including:	1,087.9
2012 Notes (7.125% coupon)	167.7
2014 Notes (6.375% coupon)	187.9
2022 Notes (8.000% coupon)	731.5
Finance lease liability	0.8
Cash & cash equivalents <sup>1</sup>	(127.0)
<b>Net Debt</b>	<b>960.9</b>

## Maturity profile of current debt



<sup>1</sup> Cash & cash equivalents including current investments but excluding restricted cash

<sup>2</sup> US\$725m bond issued during FY 2017 financial year and US\$400m issued after the balance sheet date.



## Supporting materials



# Consolidated Statement of Financial Position

<i>In thousands of US dollars</i>	Notes	31 December 2017	31 December 2016 Restated*
<b>NON-CURRENT ASSETS</b>			
Exploration and evaluation assets	6	47,828	44,271
Goodwill	5	32,425	32,425
Property, plant and equipment	7	1,941,894	1,808,524
Restricted cash	12	6,663	5,981
Advances for non-current assets	8	14,598	28,676
<b>Total Non-current assets</b>		<b>2,043,408</b>	<b>1,919,877</b>
<b>CURRENT ASSETS</b>			
Inventories	9	29,746	28,326
Trade receivables	10	34,520	29,052
Prepayments and other current assets	11	27,103	21,171
Derivative financial instruments	29	–	6,658
Income tax prepayment		3,380	1,062
Cash and cash equivalents	12	126,951	101,134
<b>Total Current assets</b>		<b>221,700</b>	<b>187,403</b>
<b>TOTAL ASSETS</b>		<b>2,265,108</b>	<b>2,107,280</b>
<b>SHARE CAPITAL AND RESERVES</b>			
	13		
Share capital		3,203	3,203
Treasury capital		(1,660)	(1,846)
Retained earnings and reserves		668,010	690,455
<b>Total Share capital and reserves</b>		<b>669,553</b>	<b>691,812</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings	15	1,056,541	943,534
Abandonment and site restoration provision	16	23,590	19,635
Due to Government of Kazakhstan	17	5,466	5,631
Deferred tax liability	28	381,595	345,607
<b>Total Non-current liabilities</b>		<b>1,467,192</b>	<b>1,314,407</b>
<b>CURRENT LIABILITIES</b>			
Current portion of long-term borrowings	15	31,337	15,518
Employee share option plan liability	26	2,086	4,339
Trade payables	18	56,855	43,320
Advances received		1,279	1,810
Income tax payable		499	1,124
Current portion of due to Government of Kazakhstan	17	1,031	1,289
Other current liabilities	19	35,276	33,661
<b>Total Current liabilities</b>		<b>128,363</b>	<b>101,061</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,265,108</b>	<b>2,107,280</b>



# Consolidated Statement of Comprehensive Income

For the year ended 31 December			
<i>In thousands of US dollars</i>	Notes	2017	2016 Restated*
<b>Revenue</b>			
Revenue from export sales		262,767	244,586
Revenue from domestic sales		142,766	103,397
	20	405,533	347,983
<b>Cost of sales</b>	21	(177,246)	(182,180)
<b>Gross profit</b>		228,287	165,803
General and administrative expenses	22	(33,303)	(34,758)
Selling and transportation expenses	23	(66,441)	(75,681)
Taxes other than income tax	24	(19,967)	(20,175)
Finance costs	25	(59,752)	(41,709)
Employee share options - fair value adjustment	26	2,099	99
Foreign exchange loss, net		(688)	(390)
Loss on derivative financial instruments	29	(6,658)	(63,244)
Interest income		374	461
Other income		4,071	2,191
Other expenses	27	(22,055)	1,864
<b>Profit/(loss) before income tax</b>		25,967	(65,539)
Current income tax expense		(13,883)	(20,502)
Deferred income tax (expense) / benefit		(35,966)	3,021
<b>Income tax expense</b>	28	(49,849)	(17,481)
<b>Loss for the year</b>		(23,882)	(83,020)
Other comprehensive income that could be reclassified to the income statement in subsequent periods			
Currency translation difference		825	(70)
<b>Other comprehensive income/(loss)</b>		825	(70)
<b>Total comprehensive loss for the year</b>		(23,057)	(83,090)
Loss for the year attributable to the shareholders (in thousands of US dollars)		(23,882)	(83,020)
Weighted average number of shares		185,068,917	184,866,287
Basic and diluted earnings per share (in US dollars)		(0.13)	(0.45)

# Consolidated Statement of Cash Flows

		For the year ended 31 December	
<i>In thousands of US dollars</i>	Notes	2017	2016 Restated*
<b>Cash flow from operating activities:</b>			
Profit/(loss) before income tax		25,967	(65,539)
<i>Adjustments for:</i>			
Depreciation, depletion and amortisation	21,22	122,986	131,585
Finance costs	25	59,752	40,859
Employee share option plan fair value adjustment		(2,099)	(99)
Interest income		(374)	(461)
Net foreign exchange differences		(1,541)	(1,329)
Loss on disposal of property, plant and equipment		1,285	95
Proceeds from derivative financial instruments	29	—	27,198
Loss on derivative financial instruments	29	6,658	63,244
Provision for doubtful debts		1,756	—
Accrued expenses		3,046	243
<b>Operating profit before working capital changes</b>		<b>217,436</b>	<b>195,796</b>
<i>Changes in working capital:</i>			
Change in inventories		1,561	708
Change in trade receivables		(5,468)	2,285
Change in prepayments and other current assets		(5,733)	22,204
Change in trade payables		(4,555)	2,028
Change in advances received		(531)	1,566
Change in due to Government of Kazakhstan		(1,289)	(773)
Change in other current liabilities		(1,597)	(12,251)
Payments under Employee share option plan		(1,162)	—
<b>Cash generated from operations</b>		<b>198,662</b>	<b>211,563</b>
Income tax paid		(15,874)	(9,457)
<b>Net cash flows from operating activities</b>		<b>182,788</b>	<b>202,106</b>
<b>Cash flow from investing activities:</b>			
Interest received		374	461
Purchase of property, plant and equipment		(188,060)	(192,826)
Exploration and evaluation works	6	(3,482)	(7,475)
Loans granted		(1,223)	(496)
<b>Net cash used in investing activities</b>		<b>(192,391)</b>	<b>(200,336)</b>
<b>Cash flow from financing activities:</b>			
Finance costs paid		(57,013)	(65,400)
Issue of notes		725,000	—
Repayment of notes		(606,808)	—
Fees and premium paid for early repayment and on arrangement of notes		(27,084)	—
Treasury shares sold		1,853	352
Payment of finance lease liabilities		(676)	(669)
Transfer to restricted cash		(683)	(606)
<b>Net cash from/(used in) financing activities</b>		<b>34,589</b>	<b>(66,323)</b>
Effects of exchange rate changes on cash and cash equivalents		831	127
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>25,817</b>	<b>(64,426)</b>
Cash and cash equivalents at the beginning of the year	12	101,134	165,560
<b>Cash and cash equivalents at the end of the year</b>	<b>12</b>	<b>126,951</b>	<b>101,134</b>

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