nostrum
Oil & Gas

H1 2018 Financial Results Presentation

H1 2018 Financial Results

Establishing a solid platform for growth

1. US$113.2 million EBITDA[1] generated from 29,886 boepd of sales volumes
2. Cash & cash equivalents[2] of US$127.6 million and net debt of US$1,000.2 million as at 30 June 2018
3. EBITDA margin of 59.1% (H1 2017: 57.4%)
4. Binding agreement to purchase and process third party hydrocarbons delivered by Ural Oil & Gas LLP (“UOG”)
5. Well 40 producing at over 2,000 boepd with condensate production of over 1,500 boepd
6. Well 201 successfully completed and producing over 1,000 boepd since the beginning of August

Nostrum is focused on stabilising and growing production beyond 2018

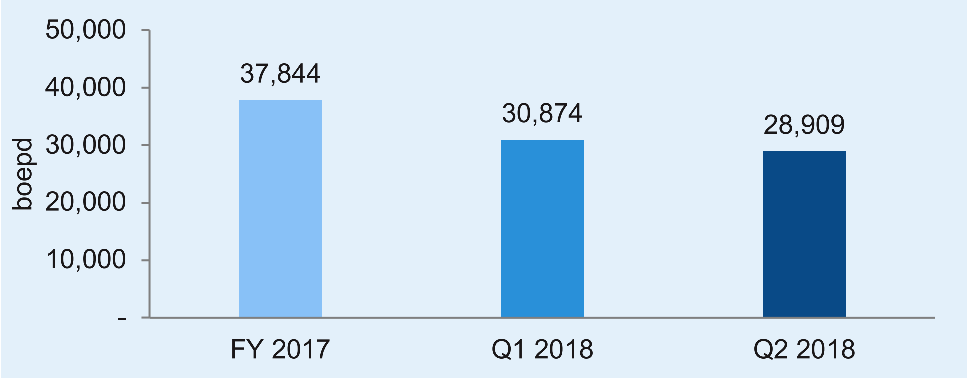
[1] Profit Before Tax + Finance Costs + Foreign Exchange Loss / (Gain) + ESOP + Depreciation – Interest Income + Other Expenses / (Income) + cash received from hedge
[2] Cash & cash equivalents including current investments but excluding restricted cash

Sustainable strategy to grow production

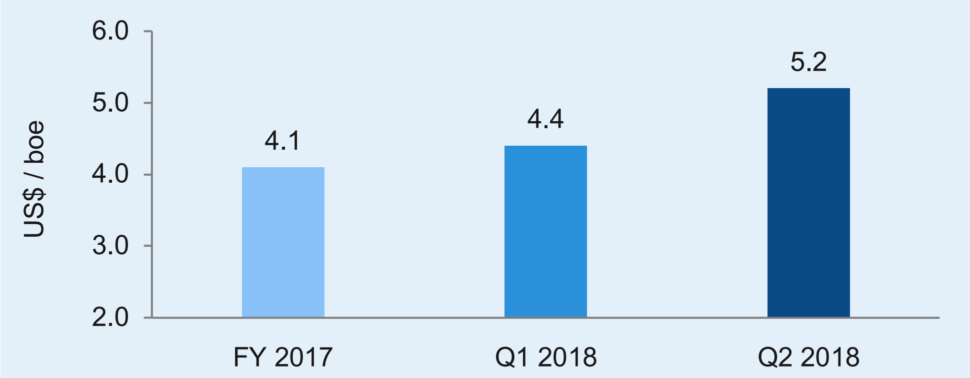
1 **Delivering near term production growth**	• Focus drilling on production wells in H2 2018 • Bring on a low pressure system in H2 2018 to extend life of older producing wells • Appraisal wells: 52 deepening and 234 multi frac
2 **Complete GTU3 and grow reserve base**	• Complete GTU3 during 2018 • Extend production licence over northern area of the field where well 40 is producing
3 **Build a portfolio of reserves and resources to maximise infrastructure**	• Binding agreement to purchase and process third party hydrocarbons delivered by Ural Oil & Gas LLP (“UOG”) • Continue to look for similar value accretive deals close to our infrastructure
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 H1 2018

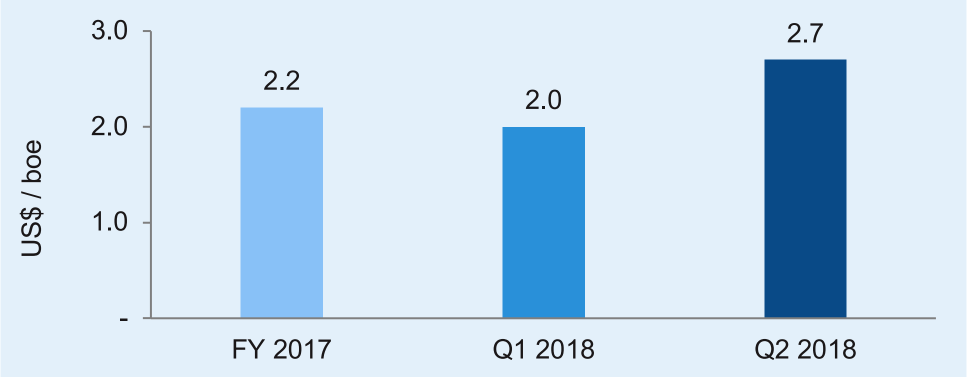
Sales volumes



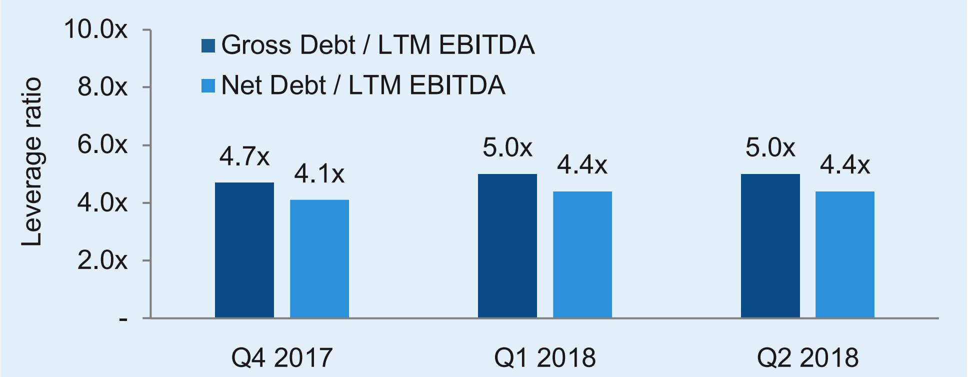
Opex / boe[1,2]



G&A costs / boe[2]



Gross debt / net debt



[1] Opex is defined as COGS less depreciation less royalties less government profit share
[2] Per barrel equivalent metrics based on sales volume

Capital discipline

Balance sheet

- US$127.6 million cash and cash equivalents[1] as at 30 June 2018
- Net debt of US$1,000.2 million as at 30 June 2018
- 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
- During H1 2018 a hedge settlement of US$4.1 million was due. Q1 2018 average Brent price = US$67.2/bbl, Q1 2018 low strike price =US$67.5/bbl). Q2 2018 average Brent price = US$75.0/bbl, Q2 2018 high strike price = US$69.1/bbl

Cash flow generation

- Existing financing, hedging arrangements and cash flow from operations ensures GTU3 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

Cost reduction initiative

- Bring cash G&A below US$30 million for full year 2018
- Reduce drilling costs without impacting production
- Bring cash opex below US$60 million for the year

[1] Cash & cash equivalents including current investments but excluding restricted cash

H1 2018 Financial Results

Financial Overview – H1 2018

US$m	H1 2017	H1 2018
Revenue	210.0	191.5
EBITDA[1]	120.6	113.2
Profit before tax	34.6	11.9
Current income tax expense	(27.2)	0.2
Deferred income tax expense	6.0	(14.0)
Net income / (loss)	13.4	(1.9)
Earnings per share (USc) [2]	8.0	(1.0)
Capital expenditure[3]	89.6	95.5
Net cash flows from operating activities	116.8	99.9

US$m	Q1 2018	H1 2018
Gross debt	1,104.1	1,127.9
Cash & cash equivalents[4]	132.3	127.6
Net debt[5]	971.9	1,000.2
Net debt / LTM EBITDA	4.4x	4.4x

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

[2] Based on a weighted average no. of shares as at H1 2018 of 185.2m and as at H1 2017 of 185.1m

[3] Purchases (net of sales) of property, plant and equipment + purchase of exploration and evaluation assets + acquisitions

[4] Cash & cash equivalents including current investments but excluding restricted cash

[5] Net Debt is defined as the gross debt less cash and cash equivalents including current investments

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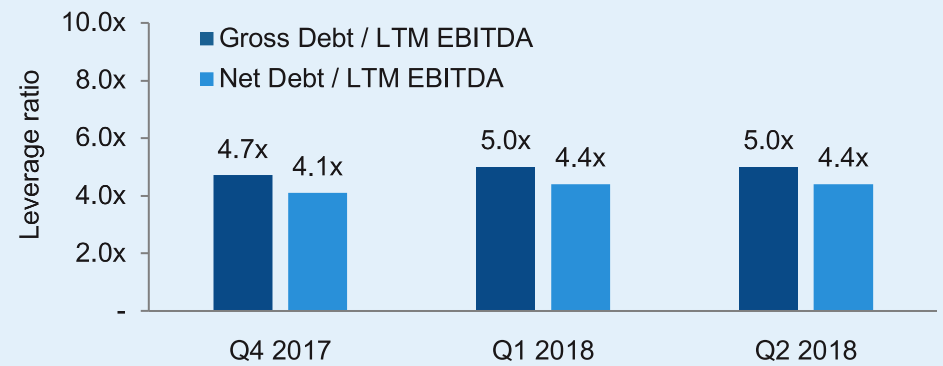
Balance Sheet Summary

Highlights

- US$127.6 million cash & equivalents[1]
- Successful refinancing of remaining bond debt with no maturities until 2022[2]
- 9,000 boepd hedged at US$60/bbl floor until the end 2018

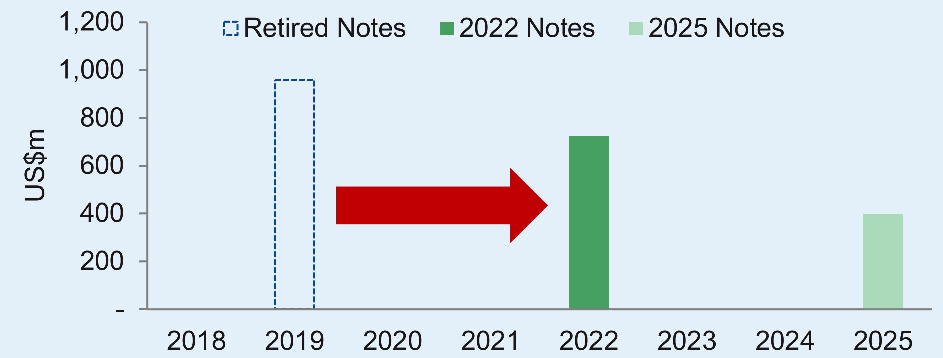
Gross debt / net debt



Net Debt at 30 June 2018 – US$1,000.2 million

US$m	H1 2018
Total debt, including:	**1,127.9**
2022 Notes (8.000% coupon)	*(725.0)*
2025 Notes (7.000% coupon)	*(402.0)*
Finance lease liability	*(0.8)*
Cash & cash equivalents[1]	*127.6*
Net Debt	**1,000.2**

Maturity profile of current debt



[1] Cash & cash equivalents including current investments but excluding restricted cash

[2] US$725m bond issued during FY 2017 financial year with repayment due in 2022 and US$400m issued in February 2018 with repayment due in 2025

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Supporting materials

Consolidated Statement of Financial Position

Interim condensed consolidated statement of financial position

As at 30 June 2018

In thousands of US dollars	Notes	30 June 2018 (unaudited)	31 December 2017 (audited)
ASSETS			
Non-current assets			
Exploration and evaluation assets	4	48,306	47,828
Goodwill		32,425	32,425
Property, plant and equipment	5	1,997,796	1,941,895
Restricted cash	9	6,870	6,663
Advances for non-current assets	6	11,261	14,598
		2,096,658	2,043,409
Current assets			
Inventories		31,640	29,746
Trade receivables	7	43,243	34,520
Prepayments and other current assets	8	24,715	27,103
Income tax prepayment		8,560	3,380
Cash and cash equivalents	9	127,636	126,951
		235,794	221,700
TOTAL ASSETS		2,332,452	2,265,109
EQUITY AND LIABILITIES			
Share capital and reserves	10		
Share capital		3,203	3,203
Treasury capital		(1,660)	(1,660)
Retained earnings and reserves		674,437	668,010
		675,980	669,553
Non-current liabilities			
Long-term borrowings	12	1,092,099	1,056,541
Abandonment and site restoration provision		23,763	23,590
Due to Government of Kazakhstan		5,280	5,466
Deferred tax liability		398,650	381,596
		1,519,792	1,467,193
Current liabilities			
Current portion of long-term borrowings	12	35,767	31,337
Employee share option plan liability	21	402	2,086
Trade payables	13	51,377	56,855
Advances received		340	1,279
Income tax payable		–	499
Derivative financial instruments	23	11,962	–
Current portion of due to Government of Kazakhstan		1,031	1,031
Other current liabilities	14	35,801	35,276
		136,680	128,363
TOTAL EQUITY AND LIABILITIES		2,332,452	2,265,109

Consolidated Statement of Comprehensive Income

Interim condensed consolidated statement of comprehensive income

For the six months ended 30 June 2018

In thousands of US dollars	Notes	Six months ended 30 June 2018 (unaudited)	2017 (unaudited, restated*)
Revenue			
Revenue from export sales		144.871	142.405
Revenue from domestic sales		46.623	67.616
	15	191.494	210.021
Cost of sales	16	(82.766)	(88.397)
Gross profit		108,728	121,624
General and administrative expenses	17	(13.538)	(16.548)
Selling and transportation expenses	18	(25.679)	(37.082)
Taxes other than income tax	19	(14.383)	(10.765)
Finance costs	20	(29.206)	(20.061)
Employee share options - fair value adjustment	21	1.684	(673)
Foreign exchange (loss)/gain, net		(130)	2.949
(Loss)/gain on derivative financial instrument	23	(11.962)	309
Interest income		140	167
Other income		1.420	1.812
Other expenses		(5.155)	(7.156)
Profit before income tax		11.919	34.576
Current income tax benefit / (expense)		215	(27.185)
Deferred income tax benefit / (expense)		(14.041)	6.033
Income tax expense	22	(13.826)	(21.152)
(Loss)/profit for the period		(1,907)	13.424
Other comprehensive income that could be reclassified to the income statement in subsequent periods			
Currency translation difference		9	544
Other comprehensive income		9	544
Total comprehensive (loss)/income for the period		(1.898)	13.968
(Loss)/profit for the period attributable to the shareholders (in thousands of US dollars)		(1.898)	13.968
Weighted average number of shares		185.234.079	185.068.917
Basic and diluted earnings per share (in US dollars)		(0.01)	0.08

** Certain amounts shown here do not correspond to the interim condensed consolidated financial statements for the six months ended 30 June 2017 and reflect adjustments made, please refer to Note 3 for more details.*

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 2018

In thousands of US dollars	Notes	Six months ended 30 June 2018 (unaudited)	 2017 (unaudited, restated*)
Cash flow from operating activities:			
Profit before income tax		**11.919**	34.576
Adjustments for:			
Depreciation, depletion and amortisation	16.17	**58.035**	63.352
Finance costs	20	**29.206**	20.061
Employee share option plan fair value adjustment		**(1.684)**	673
Interest income		**(137)**	(167)
Foreign exchange (gain)/loss on investing and financing activities		**836**	(1.041)
Loss on disposal of property, plant and equipment		**1.429**	396
Loss/(gain) on derivative financial instruments	23	**11.962**	(309)
Provision for doubtful debts		**85**	1.751
Accrued expenses		**–**	254
Operating profit before working capital changes		**111,651**	119,546
Changes in working capital:			
Change in inventories		**(1.888)**	(233)
Change in trade receivables		**(8.723)**	8.206
Change in prepayments and other current assets		**2.302**	(1.688)
Change in trade payables		**3.381**	2.459
Change in advances received		**(939)**	246
Change in due to Government of Kazakhstan		**(515)**	(774)
Change in other current liabilities		**527**	196
Payments under Employee share option plan		**–**	(1.162)
Cash generated from operations		**105.796**	126.796
Income tax paid		**(5.932)**	(10.020)
Net cash flows from operating activities		**99,864**	116,776
Cash flow from investing activities:			
Interest received		**137**	167
Purchase of property, plant and equipment		**(94.923)**	(88.468)
Exploration and evaluation works	4	**(603)**	(1.156)
Loans granted		**–**	(246)
Net cash used in investing activities		**(95,389)**	(89,703)
Cash flow from financing activities:			
Finance costs paid		**(38.111)**	(32.809)
Fees and premium paid on arrangement of notes	12	**(9.153)**	–
Repayment of notes		**(353.192)**	–
Issue of notes		**397.280**	–
Payment of finance lease liabilities		**(75)**	(379)
Transfer to restricted cash		**(207)**	(323)
Treasury shares sold/(purchased)		**–**	1.853
Other finance costs		**(111)**	–
Net cash used in financing activities		**(3.569)**	(31.658)
Effects of exchange rate changes on cash and cash equivalents		**(221)**	974
Net increase/(decrease) in cash and cash equivalents		**685**	(3.611)
Cash and cash equivalents at the beginning of the period	9	**126.951**	101.134
Cash and cash equivalents at the end of the period	9	**127,636**	97,523

** Certain amounts shown here do not correspond to the interim condensed consolidated financial statements for the six months ended 30 June 2017 and reflect adjustments made, please refer to Note 3 for more details.*

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