

# Simple Sustainable Successful

Q1 2017 Financial Results  
Presentation

# Q1 2017 Financial Results

## Strong revenue and cash generation following a consistent production quarter

- 1 Revenue of US\$111.9m (Q1 2016: US\$73.9m) and net operating cash<sup>1</sup> flows of US\$69.8m (Q1 2016: US\$27.0m)
- 2 EBITDA<sup>2</sup> of US\$68.7m (Q1 2016: US\$51.7m) and EBITDA margin of 61.4% (Q1 2016: 70.0%)
- 3 Continued cost reductions with opex of US\$3.4 / bbl and transportation costs of US\$4.0 / bbl
- 4 Strong cash position of US\$122.8m<sup>3</sup> and reduction in net debt<sup>4</sup> to US\$841.3mm as at 31 March 2017
- 5 Q1 2017 total production of 4.4 mboe and average daily production of 48,743 boepd (Q1 2016: 38,754 boepd)
- 6 KazTransOil pipeline completed by Nostrum and tie in is due to be carried out by KTO in late May
- 7 Increased budget of GTU3 to US\$532m to ensure sufficient resources available to complete plant by end of 2017

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

<sup>1</sup> Net cash flows from operating activities

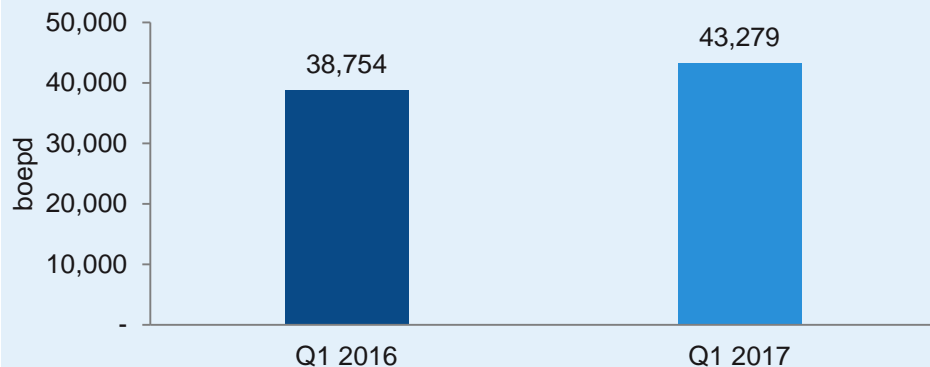
<sup>2</sup> Profit Before Tax + Finance Costs + Foreign Exchange Loss/(Gain) + ESOP + Depreciation – Interest Income + Other Expenses / (Income) + cash received from hedge

<sup>3</sup> Cash & Cash Equivalents excluding restricted cash

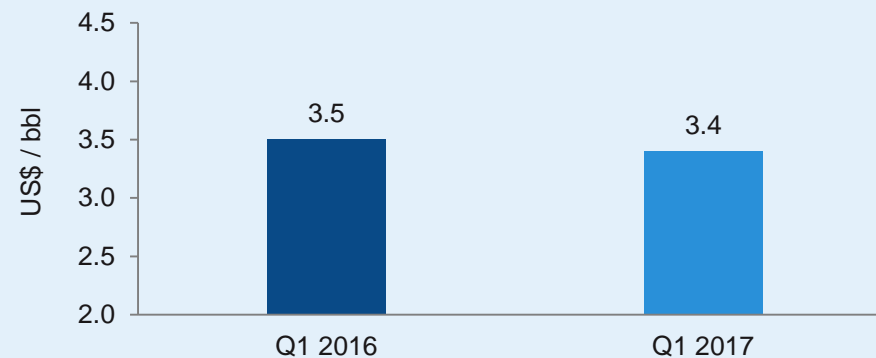
<sup>4</sup> Total debt minus cash and cash equivalents

# Snapshot of key figures from Q1 2017

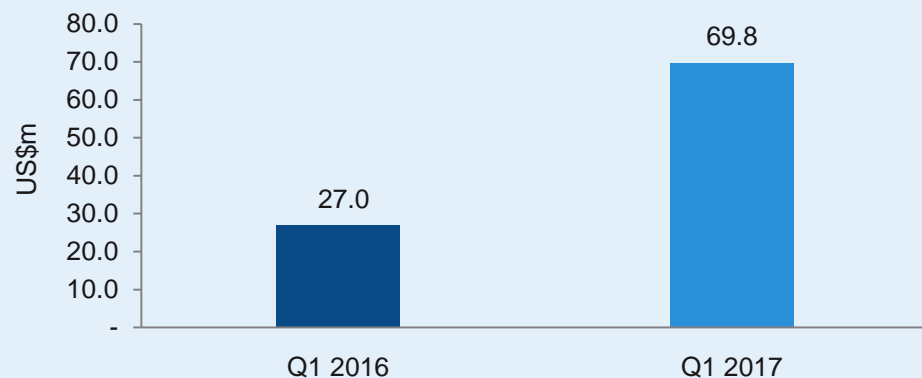
## Sales volumes



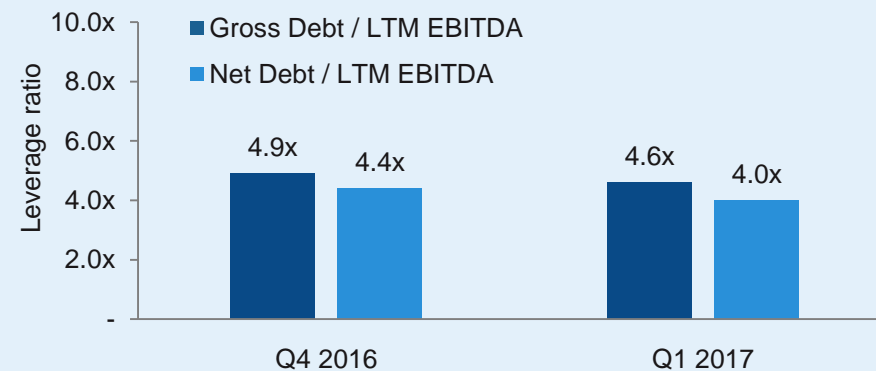
## Opex / boe<sup>1</sup>



## Net Operating Cash flows



## Gross debt / net debt



<sup>1</sup> COGS less depreciation, less royalties, less government profit share, less change in stock

# Capital discipline

## Balance sheet

- US\$122.8m cash and cash equivalents<sup>1</sup> on balance sheet
- US\$841.3m Net debt<sup>2</sup>
- 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

## Hedging programme

- 15,000 boepd hedge entered into on 14 December 2015
- Strike price of US\$49.16
- Settles quarterly for eight quarters (final settlement December 2017)
- Total receipts of US\$27.2m over 2016

## Capex flexibility

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

## Scalable drilling

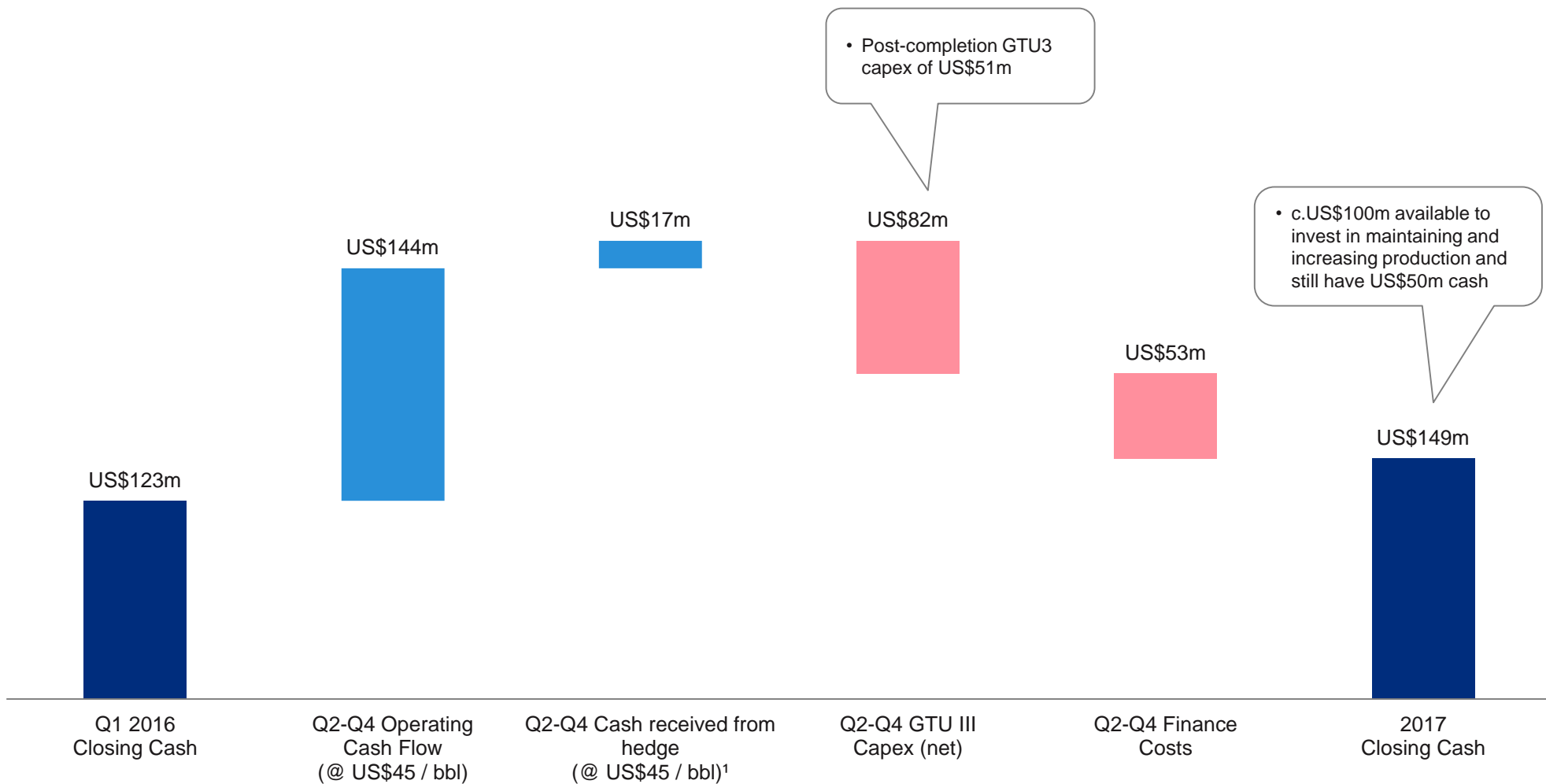
- c.US\$35m of drilling capex required to maintain existing production in 2017
- c.US\$50m of discretionary drilling capex in 2017

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

<sup>2</sup> Total Debt on balance sheet - Cash & Cash Equivalents

# Resilience under low oil prices

– Fully funded to complete GTU III and maintain existing production in 2017 and 2018 under any oil price

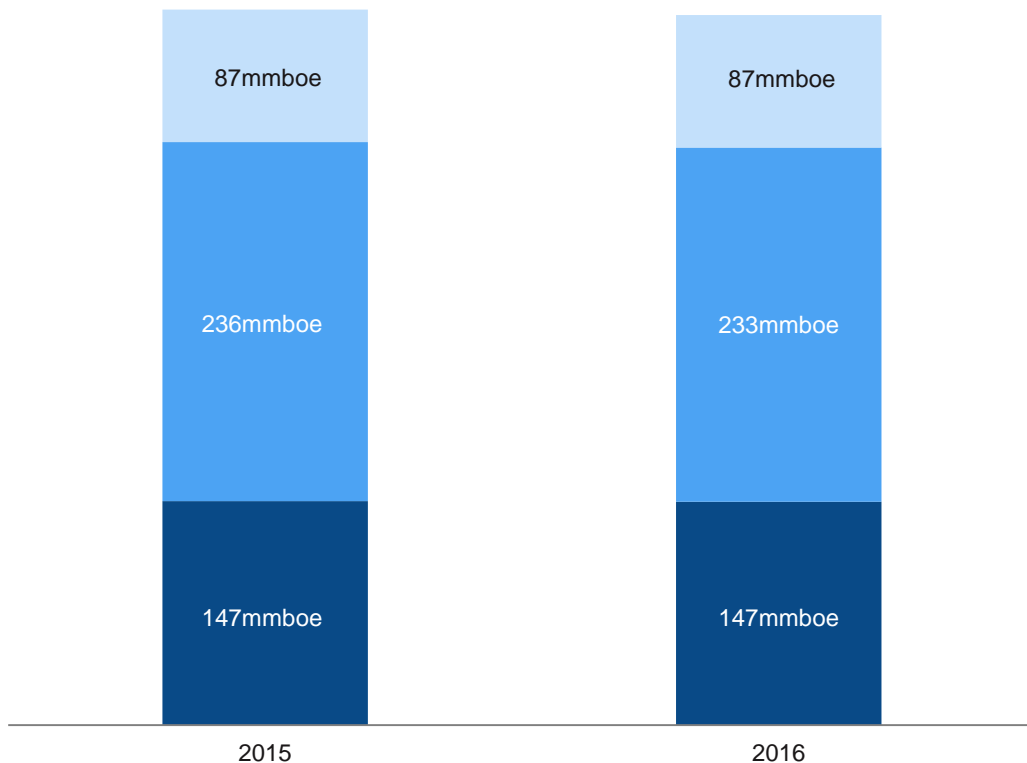


<sup>1</sup> Hedge income taxed at non-contractual rate of 20.0% included in Operating Cash Flow

# 2016 Ryder Scott Reserve Audit

## – The asset continues to perform in line with expectations

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

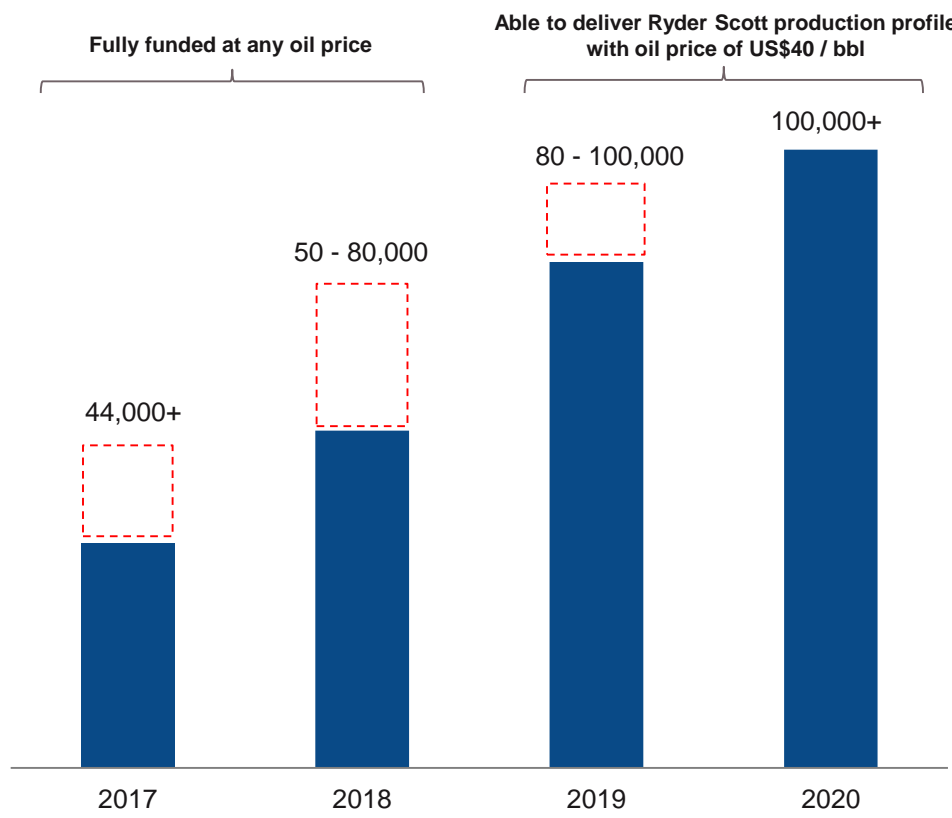


- 466mmboe 2P reserves as at 1 January 2017
  - Proven – 147mmboe
  - Probable – 320mmboe
- Contingent resources – 221mmboe
- Remaining reserve life of +10 years with GTU III running at full capacity
- 14.8mmboe of production during 2016
- 1P reserves replacement ratio of 97% and 2P reserves replacement ratio of 73%
- Identification of material contingent resources across all licenses in 2017 reserve audit

**1P reserves replacement ratio of 97% achieved under a low oil price environment**

# A clear path to over 100k boepd

## – GTU III delivers material near term production growth



- Fully funded to complete the construction of GTU III during 2017 under any oil price scenario
- Fully funded drilling programme to maintain existing production in 2017 and 2018 under any oil price scenario
- Following the completion of GTU III during 2017, Ryder Scott production profile can be delivered under a US\$40 / bbl oil price environment prior to principal debt repayments due 2019
- Drilling activity remains flexible according to the prevailing oil price environment
- A sustained improvement in the oil price environment could increase drilling activity in 2017 which would increase available feedstock for GTU III in 2018

Oil price	-	US\$40 / bbl	US\$40 / bbl	US\$40 / bbl
Drilling cost	US\$85m	US\$170m	US\$285m	US\$210m

**Nostrum is fully financed to complete the construction of GTU III in 2017 and has a clear path to delivering average daily production of over 100k boepd by 2020**

# Q1 2017 Financial Results





# Financial Overview – Q1 2017

US\$m	Q1 2016	Q1 2017
Revenue	73.9	111.9
EBITDA <sup>1</sup>	51.7	68.7
Profit before tax	(7.9)	26.0
<i>Current income tax expense</i>	(1.6)	(16.0)
<i>Deferred income tax expense</i>	(2.8)	3.7
Net income	(12.3)	13.6
Earnings per share (US\$c) <sup>2</sup>	(7.0)	7.0
Capital expenditure <sup>3</sup>	42.4	38.2
Net cash flows from operating activities	27.0	69.8
Gross debt	956.7	964.1
Cash & cash equivalents <sup>4</sup>	137.1	122.8
Net debt <sup>5</sup>	819.6	841.3
Net debt / LTM EBITDA	3.5x	4.0x

<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 Q1 2016 of 184.8m and Q1 2017 of 185.1m

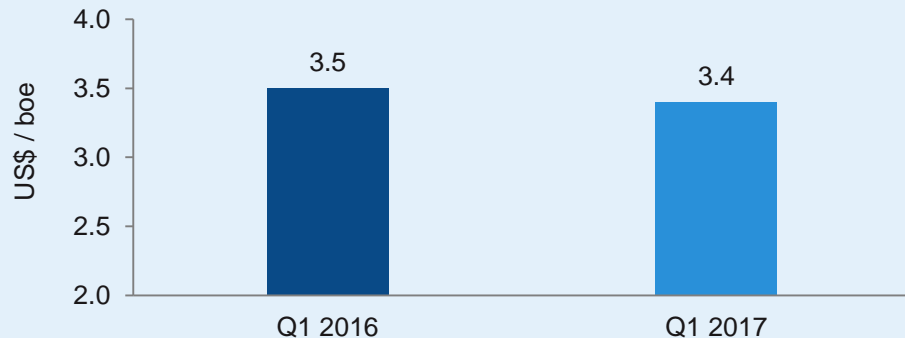
<sup>3</sup> Purchases (net of sales) of property, plant and equipment + purchase of exploration and evaluation assets + acquisitions

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

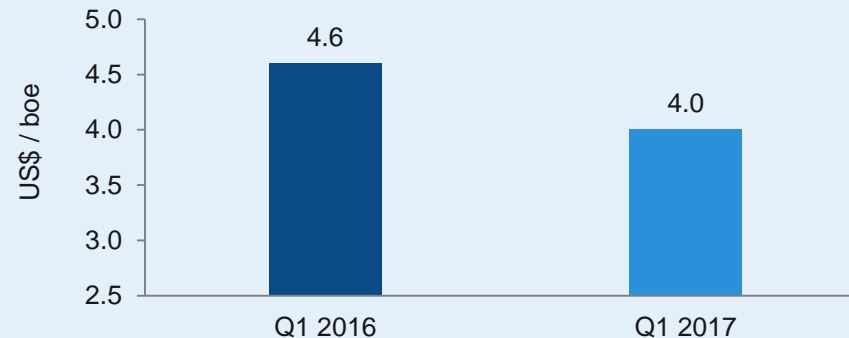
<sup>5</sup> Total Debt on balance sheet - Cash & Cash Equivalents

# Progress – Snapshot

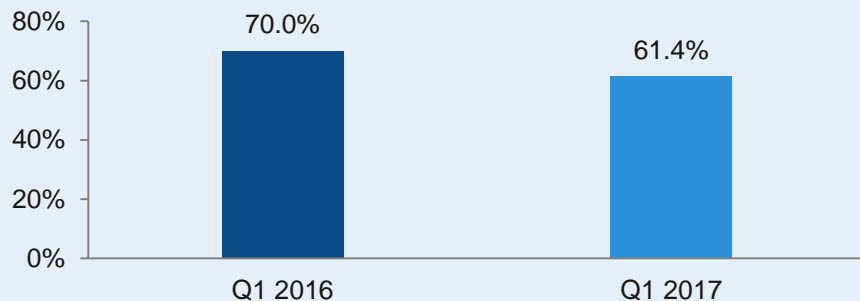
## Opex / boe<sup>1</sup>



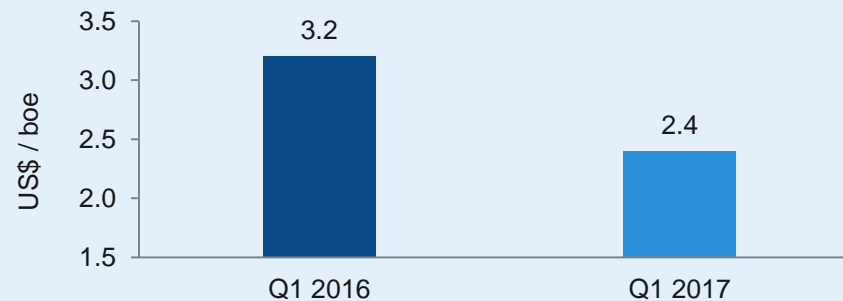
## Transport costs / boe



## EBITDA margin



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



<sup>1</sup> COGS less depreciation, less royalties, less government profit share, less change in stock

<sup>2</sup> Total income tax paid (cash) plus royalties, government profit share and export customs duty

# Balance Sheet Summary

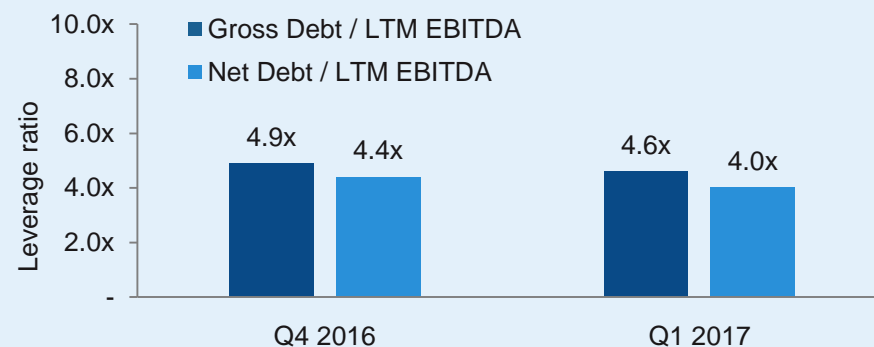
## Highlights

- 61.4% EBITDA<sup>1</sup> margin
- US\$122.8m cash & equivalents<sup>2</sup>
- Reduction in Opex to US\$3.4/bbl (Q1 2016: US\$3.5/bbl)
- 15,000 boepd production hedged at US\$49.16/bbl for 24 months

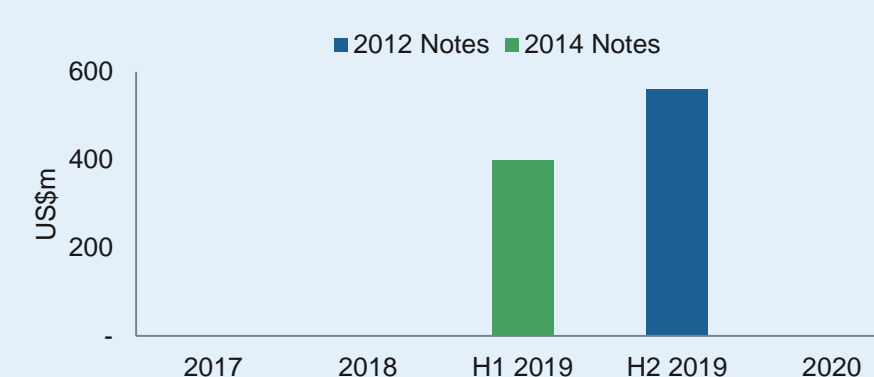
## Net Debt at Q1 2017– US\$841.3m

US\$m	Q1 2017
Total debt, including:	964.1
2012 Notes (7.125% coupon)	562.2
2014 Notes (6.375% coupon)	400.9
Finance Lease	1.0
Cash & cash equivalents <sup>2</sup>	122.8
<b>Net Debt</b>	<b>841.3</b>

## Gross debt / net debt



## Maturity profile of current debt



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

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

# Supporting materials



# Consolidated Statement of Financial Position

## Interim condensed consolidated statement of financial position

As at 31 March 2017

<i>In thousands of US dollars</i>	Notes	31 March 2017 (unaudited)	31 December 2016 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Exploration and evaluation assets	3	45,139	44,271
Goodwill		32,425	32,425
Property, plant and equipment	4	1,822,474	1,807,768
Restricted cash	8	6,129	5,981
Advances for non-current assets	5	28,517	28,876
		1,934,684	1,919,121
<b>Current assets</b>			
Inventories		28,210	28,326
Trade receivables	6	27,035	29,062
Prepayments and other current assets	7	21,319	21,171
Derivative financial instruments	21	5,868	6,658
Income tax prepayment		3	1,062
Cash and cash equivalents	8	122,765	101,134
		205,200	187,403
<b>TOTAL ASSETS</b>		<b>2,139,884</b>	<b>2,106,524</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Share capital	9	3,203	3,203
Treasury capital		(1,660)	(1,846)
Retained earnings and reserves		704,981	690,817
		706,524	691,974
<b>Non-current liabilities</b>			
Long-term borrowings	11	945,128	943,534
Abandonment and site restoration provision		20,095	19,635
Due to Government of Kazakhstan		5,466	5,631
Deferred tax liability		341,028	344,889
		1,311,717	1,313,489
<b>Current liabilities</b>			
Current portion of long-term borrowings	11	18,967	15,518
Employee share option plan liability	19	4,203	4,339
Trade payables	12	47,219	43,320
Advances received		2,027	1,810
Income tax payable		12,566	1,124
Current portion of due to Government of Kazakhstan		1,031	1,289
Other current liabilities	13	35,630	33,661
		121,643	101,061
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,139,884</b>	<b>2,106,524</b>

The interim condensed consolidated financial statements of Nostrum Oil & Gas PLC, registered number 8717287, were approved by the Board of Directors. Signed on behalf of the Board:

Kai-Uwe Kessel  
Chief Executive Officer

Tom Richardson  
Chief Financial Officer

# Consolidated Statement of Comprehensive Income

## Interim condensed consolidated statement of comprehensive income

For the three months ended 31 March 2017

<i>In thousands of US dollars</i>	Notes	Three months ended 31 March	
		2017 (unaudited)	2016 (unaudited)
<b>Revenue</b>			
Revenue from export sales		79,167	48,881
Revenue from domestic sales		32,702	25,237
	<b>14</b>	<b>111,869</b>	<b>73,918</b>
<b>Cost of sales</b>	<b>15</b>	<b>(50,285)</b>	<b>(48,281)</b>
<b>Gross profit</b>		<b>61,584</b>	<b>27,637</b>
General and administrative expenses	16	(9,761)	(10,249)
Selling and transportation expenses	17	(15,536)	(18,153)
Finance costs	18	(10,915)	(10,531)
Employee share option plan fair value adjustment	19	(18)	2,560
Foreign exchange (loss)/gain, net		1,859	(3,811)
(Loss)/gain on derivative financial instrument	21	(790)	3,558
Interest income		89	99
Other income		2,019	1,656
Other expenses		(2,531)	(2,879)
<b>Profit/(loss) before income tax</b>		<b>26,000</b>	<b>(7,913)</b>
Current income tax expense		(16,090)	(1,560)
Deferred income tax benefit / (expense)		3,672	(2,837)
<b>Income tax expense</b>	<b>20</b>	<b>(12,418)</b>	<b>(4,397)</b>
<b>Profit/(loss) for the period</b>		<b>13,582</b>	<b>(12,310)</b>
<b>Other comprehensive income that could be reclassified to the income statement in subsequent periods</b>			
Currency translation difference		116	(58)
<b>Other comprehensive income/(loss)</b>		<b>116</b>	<b>(58)</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>13,698</b>	<b>(12,368)</b>
Profit/(loss) for the period attributable to the shareholders (in thousands of US dollars)		13,698	(12,368)
Weighted average number of shares		185,068,917	184,828,819
Basic and diluted earnings per share (in US dollars)		0.07	(0.07)

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 three months ended 31 March 2017

<i>In thousands of US dollars</i>	Three months ended 31 March		
	Notes	2017 (unaudited)	2016 (unaudited)
<b>Cash flow from operating activities:</b>			
Profit/(loss) before income tax		26,000	(7,913)
<i>Adjustments for:</i>			
Depreciation, depletion and amortisation	15,16	32,391	30,929
Finance costs	18	10,915	10,531
Employee share option plan fair value adjustment		18	(2,560)
Interest income		(89)	(69)
Foreign exchange gain on investing and financing activities		(1,013)	(62)
Loss on disposal of property, plant and equipment		9	4
Proceeds from derivative financial instruments	21	–	19,562
Loss/(gain) on derivative financial instruments	21	790	(3,568)
Provision for doubtful debts		1,233	–
Accrued expenses		485	(364)
<b>Operating profit before working capital changes</b>		<b>70,739</b>	<b>46,470</b>
<i>Changes in working capital:</i>			
Change in inventories		199	1,009
Change in trade receivables		2,016	(8,356)
Change in prepayments and other current assets		(1,014)	(1,943)
Change in trade payables		1,703	(1,033)
Change in advances received		217	1,130
Change in due to Government of Kazakhstan		(516)	(258)
Change in other current liabilities		1,419	(1,879)
Payments under Employee share option plan		(1,162)	–
<b>Cash generated from operations</b>		<b>73,601</b>	<b>35,140</b>
Income tax paid		(3,842)	(8,133)
<b>Net cash flows from operating activities</b>		<b>69,759</b>	<b>27,007</b>
<b>Cash flow from investing activities:</b>			
Interest received		89	99
Purchase of property, plant and equipment		(37,315)	(41,828)
Exploration and evaluation works	3	(890)	(558)
Loans granted		(246)	–
<b>Net cash used in investing activities</b>		<b>(38,362)</b>	<b>(42,287)</b>
<b>Cash flow from financing activities:</b>			
Finance costs paid		(12,749)	(12,751)
Payment of finance lease liabilities		(155)	–
Transfer to restricted cash		(149)	(231)
Treasury shares sold		1,853	–
<b>Net cash used in financing activities</b>		<b>(11,200)</b>	<b>(12,982)</b>
Effects of exchange rate changes on cash and cash equivalents		1,434	(195)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>21,631</b>	<b>(28,457)</b>
Cash and cash equivalents at the beginning of the period	8	101,134	165,580
<b>Cash and cash equivalents at the end of the period</b>	<b>8</b>	<b>122,765</b>	<b>137,103</b>

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