

Simple Sustainable Successful

FY 2016 Results Presentation

Financial and operational resilience throughout a volatile and uncertain oil price environment

- 1 Successful cost saving initiatives with reductions in opex of 14% and transportation costs by 19%
- 2 Resulting in a strong EBITDA¹ margin of 56% and a closing cash balance in excess of US\$100m²
- 3 Payments in excess of US\$27m received over the year from the 24-month hedge entered into in December 2015
- 4 2016 production above annual average guidance at 40,351 boepd
- 5 2016 drilling programme successfully completed on time and on budget
- 6 2P reserves of 466mmboe as at 1 January 2017³ – 1P reserves replacement ratio of 97%
- 7 Fully funded to complete GTU III and more than double average daily production capacity to over 100,000 boepd

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

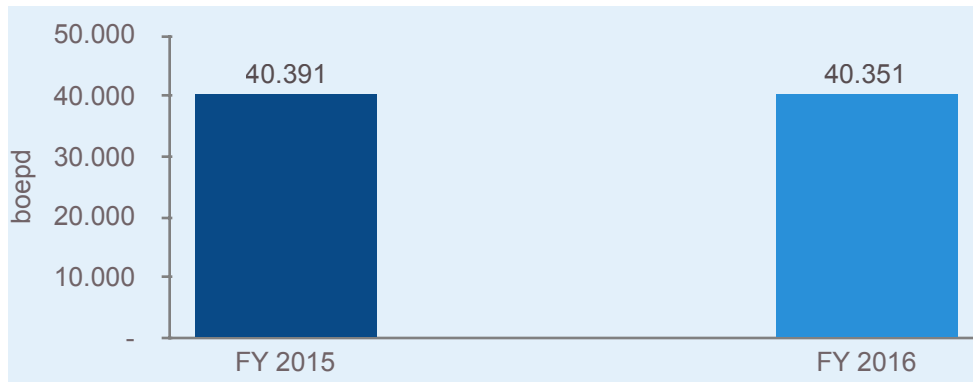
¹ Defined as Profit Before Tax + Finance Costs + Foreign Exchange Loss/(Gain) + ESOP + Depreciation – Interest Income + Other Expenses / (Income) + cash received from hedge

² Defined as Cash & Cash Equivalents excluding restricted cash

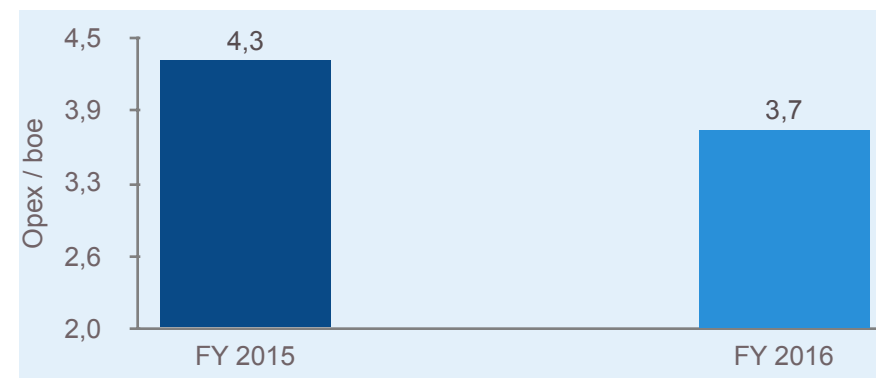
³ Ryder Scott 2017 Reserve Report

Snapshot of key figures from 2016

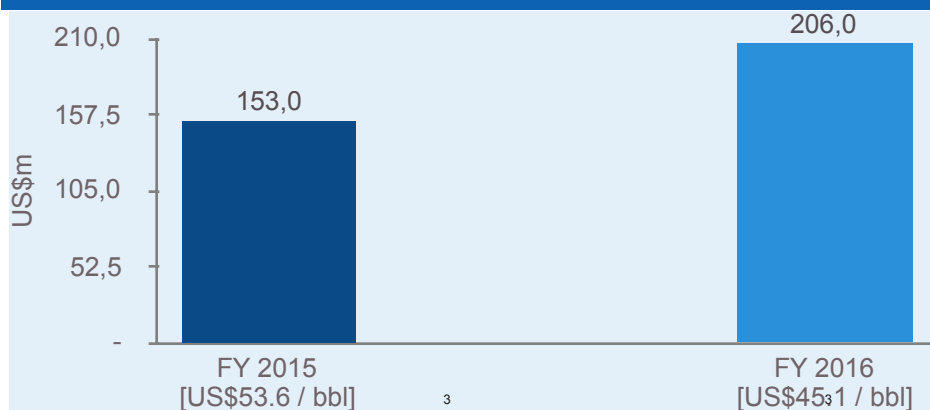
Production



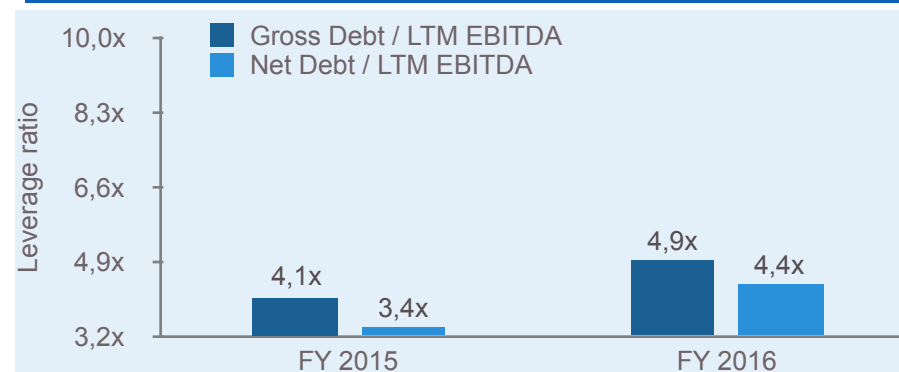
Opex / boe²



Net Operating Cash flows¹



Gross debt / net debt



¹ As reported in the consolidated group cash flow statement

² Opex is defined as COGS less depreciation, less royalties, less government profit share, less change in stock

³ Historical average Brent prices sourced from Bloomberg

Capital discipline

Balance sheet

- US\$101.1m cash and cash equivalents¹ on balance sheet
- US\$857.9m Net debt²
- 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
- Change in fair value of the hedge of US\$(63.2)m over FY 2016 as shown on the income statement – this has no impact on cash received from the hedge

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

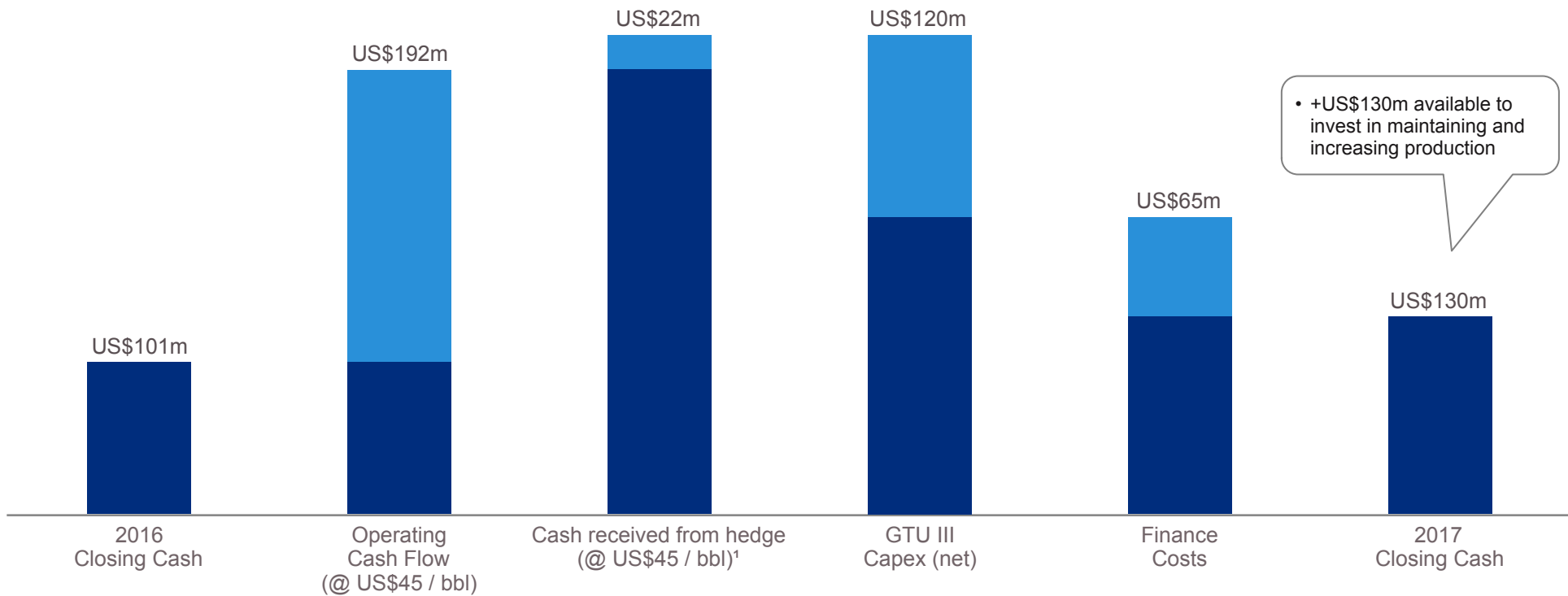
- c.US\$35m of drilling capex required to maintain existing production in 2017
- c.US\$50m of discretionary drilling capex in 2017

¹ Defined as Cash & Cash Equivalents including current investments but excluding restricted cash

² Defined as Total Debt on balance sheet - Cash & Cash Equivalents

Resilience under low oil prices (2017 guidance)

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

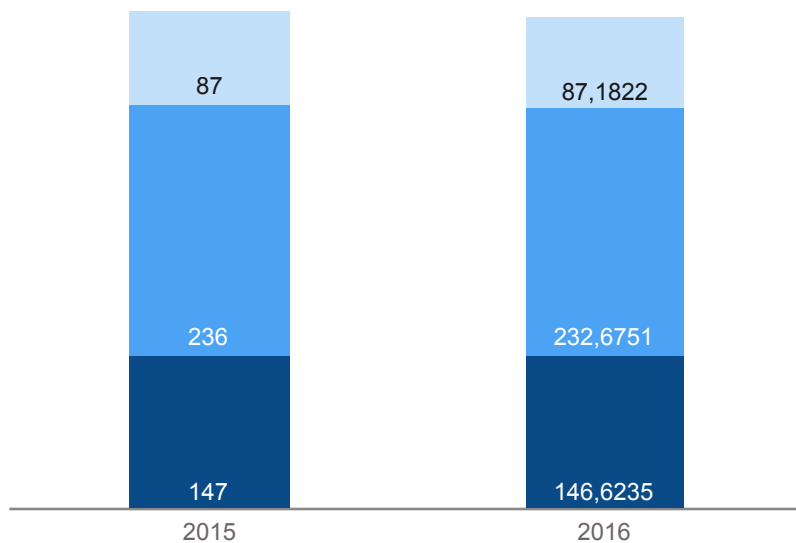


¹ Hedge income taxed at non-contractual rate of 20.0% included in Operating Cash Flow

2016 Ryder Scott Reserve Audit

– The asset continues to perform in line with expectations

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

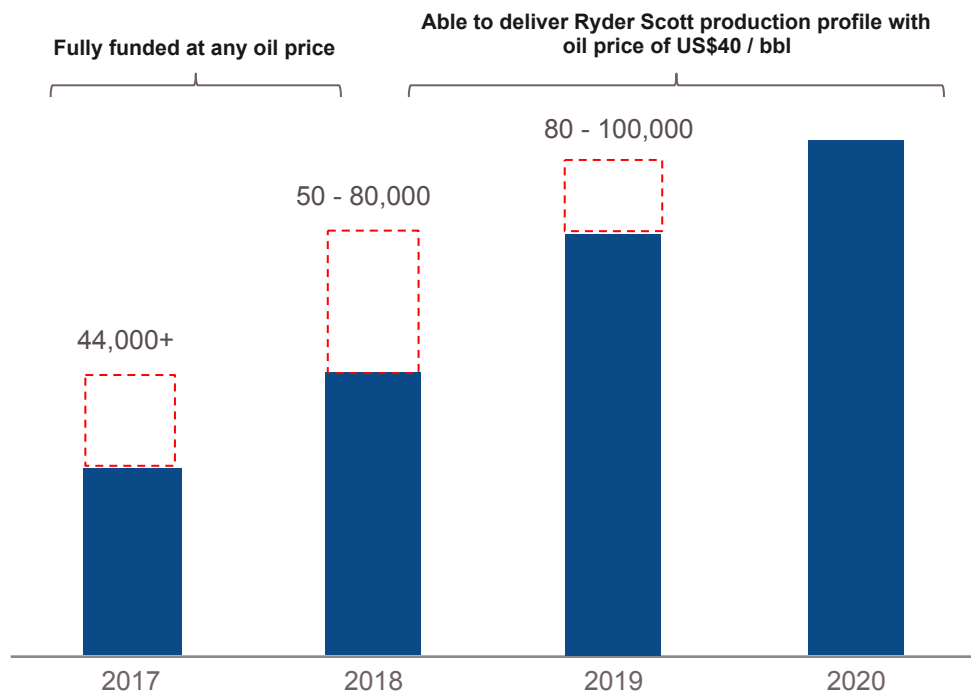


- 466mmboe 2P reserves as at 1 January 2017
 - Proven – 147mmboe
 - Probable – 320mmboe
- Contingent resources – 221mmboe
- Remaining reserve life of +10 years with GTU III running at full capacity
- 14.8mmboe of production during 2016
- 1P reserves replacement ratio of 97% and 2P reserves replacement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



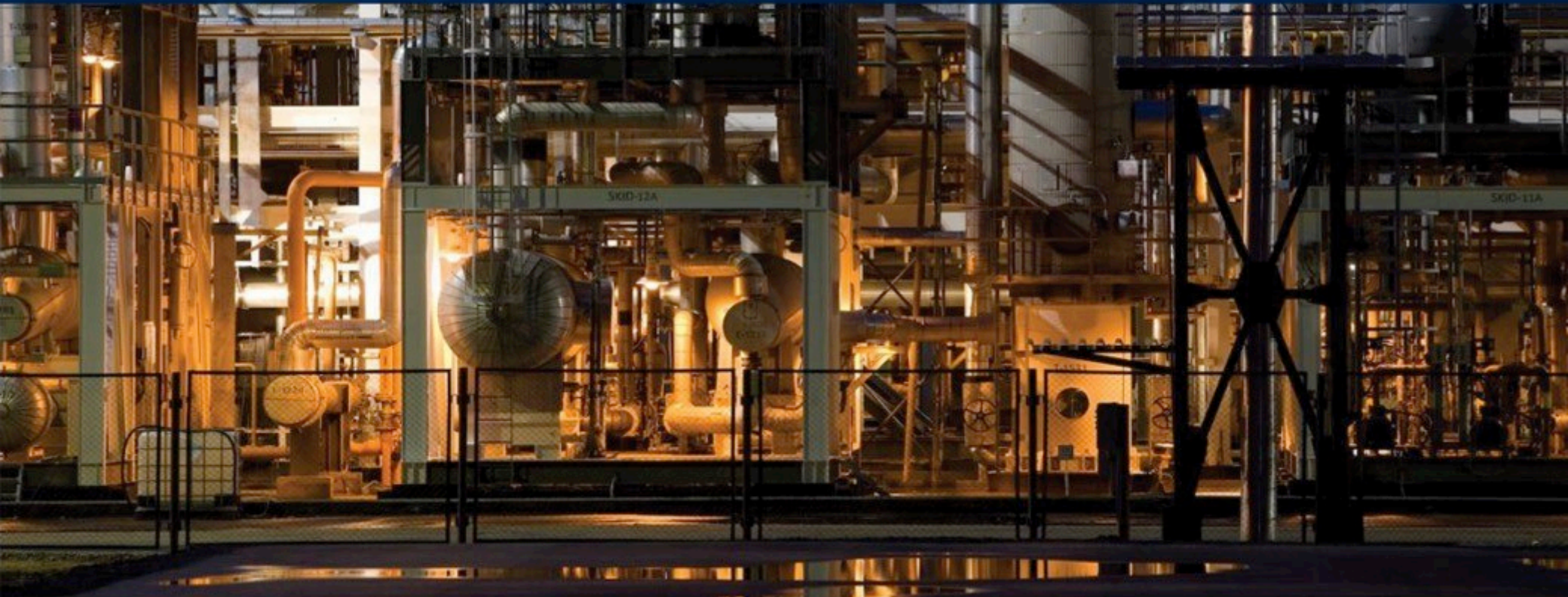
Oil price	–	US\$40 / bbl	US\$40 / bbl	US\$40 / bbl
Drilling cost	US\$85m	US\$170m	US\$285m	US\$210m

- 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\$44 / 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

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

Source: Ryder Scott 2017 Reserve Report

FY 2016 Financial Results



Financial Overview – FY 2016

US\$m	FY 2015	FY 2016
Revenue	448.9	348.0
EBITDA ¹	229.4	194.3
Change in fair value of the hedge	37.1	(63.2)
Profit before tax	72.3	(64.5)
<i>Current income tax expense</i>	(25.7)	(20.5)
<i>Deferred income tax expense</i>	(141.0)	3.1
Net income	(94.8)	(81.9)
Earnings per share (US\$c) ²	(51.0)	(44.0)
Capital expenditure ³	270.8	204.7
Net cash flows from operating activities	153.3	206.5
Gross debt	951.5	959.1
Cash & cash equivalents ⁴	165.6	101.1
Net debt ⁵	785.9	857.9
Net debt / LTM EBITDA	3.4x	4.4x

Non-cash P&L Item

- The change in fair value of the hedge is required under accounting policy "IFRS 9"
- It represents the change in the carrying value of the instrument from 2015 to 2016 which is dependent on the expected future cash flows from the hedge
- This is purely an accounting policy and does not impact the cash received from the hedge
- Nostrum will receive cash from the hedge if Brent is lower than US\$49.16 / bbl for the settlement period

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

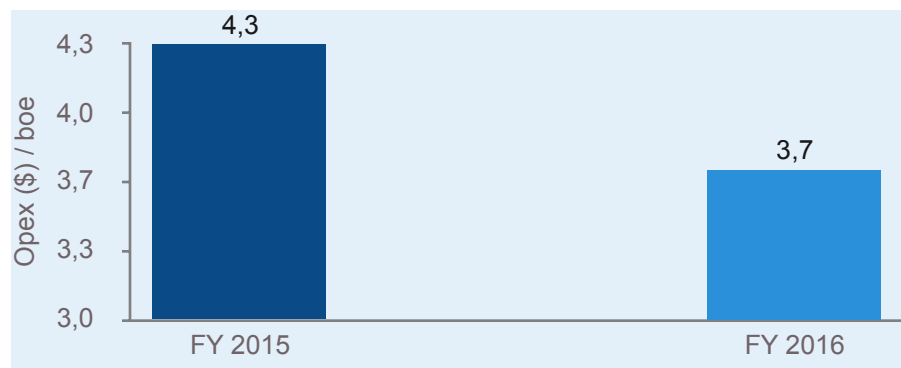
² Based on a weighted average no. of shares as at FY 2015 of 184.8m and 184.8m as at FY 2016

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

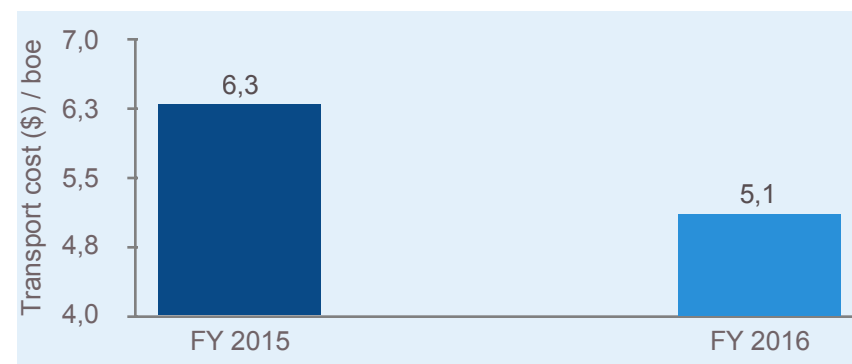
⁴ Defined as Cash & Cash Equivalents including current investments but excluding restricted cash

⁵ Defined as Total Debt on balance sheet - Cash & Cash Equivalents

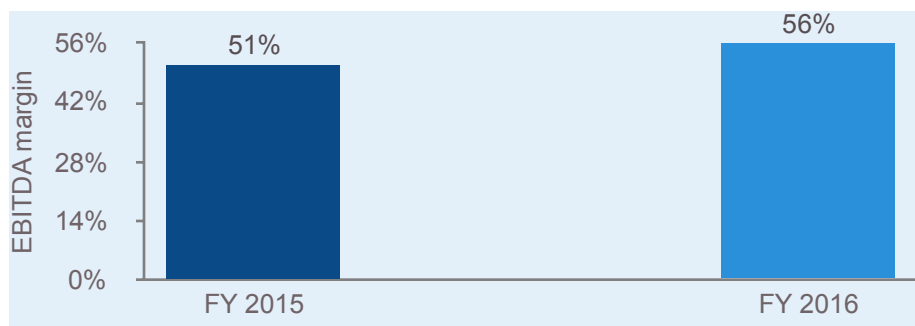
Opex / boe¹



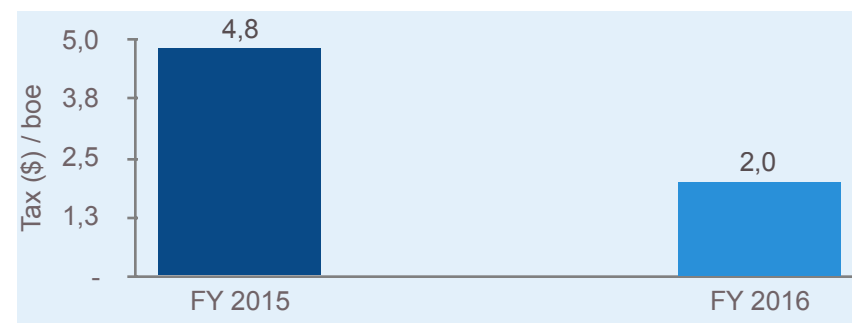
Transport costs / boe



EBITDA margin



Tax / boe²

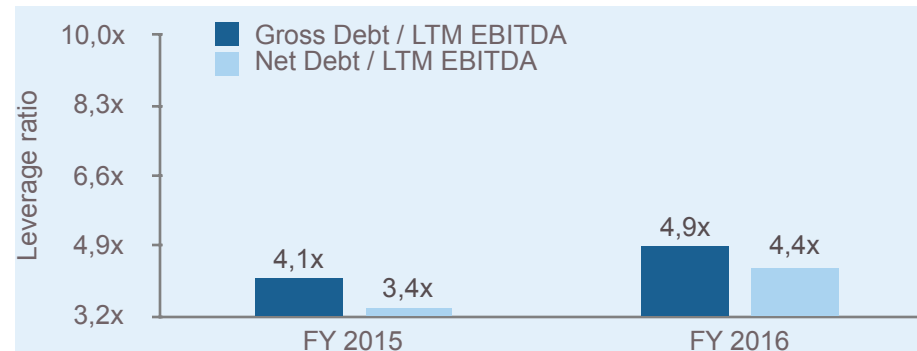


¹ Opex is defined as COGS less depreciation, less royalties, less government profit share, less change in stock
² Total income tax paid (cash flow) plus royalties, government profit share and export customs duty

Highlights

- +56.0% EBITDA¹ margin
- US\$101.1m cash & equivalents²
- Reduction in Opex from US\$4.3/bbl to US\$3.7/bbl
- 15,000 bopd production hedged at US\$49.16/bbl for 24 months (remaining value of c.US\$105m @ US\$30.0/bbl oil price)

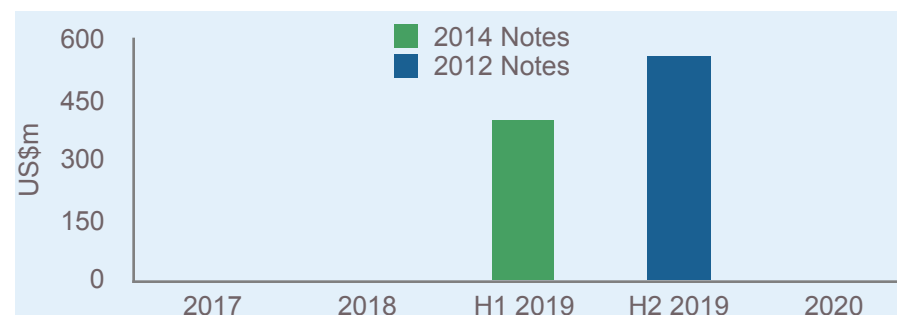
Gross debt / net debt



Net Debt at FY 2016 – US\$857.9m

US\$m	FY 2016
Total debt, including:	959.0
2012 Notes (US\$560m, 7.125% annual coupon)	550.9
2014 Notes (US\$400m, 6.375% annual coupon)	406.9
Finance lease	1.2
Cash & cash equivalents ²	101.1
Net Debt	857.9

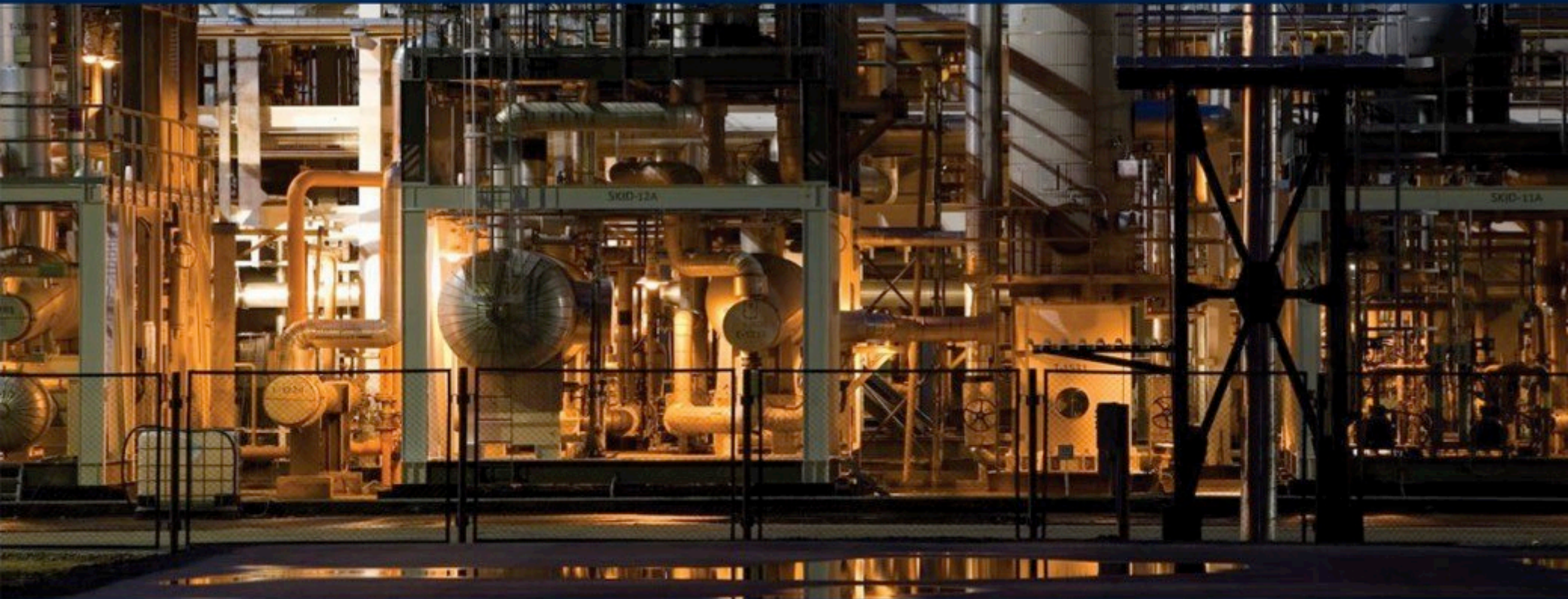
Maturity profile of current debt



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

² Defined as Cash & Cash Equivalents including current investments but excluding restricted cash

Supporting materials



Consolidated financial statements Consolidated statement of financial position

As at 31 December 2016

<i>In thousands of US dollars</i>	Notes	31 December 2016	31 December 2015
ASSETS			
Non-current assets			
Exploration and evaluation assets	6	44,271	36,917
Goodwill	5	32,425	32,425
Property, plant and equipment	7	1,807,768	1,605,756
Restricted cash	12	5,981	5,375
Advances for non-current assets	8	28,676	130,660
Derivative financial instruments	26	—	43,005
		1,919,121	1,854,138
Current assets			
Inventories	9	28,326	28,951
Trade receivables	10	29,052	31,337
Prepayments and other current assets	11	21,171	27,411
Derivative financial instruments	26	6,658	54,095
Income tax prepayment		1,062	26,926
Cash and cash equivalents	12	101,134	165,560
		187,403	334,280
TOTAL ASSETS		2,106,524	2,188,418
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	13	3,203	3,203
Treasury capital		(1,846)	(1,888)
Retained earnings and reserves		690,617	772,441
		691,974	773,756
Non-current liabilities			
Long-term borrowings	15	943,534	936,470
Abandonment and site restoration provision		19,635	15,528
Due to Government of Kazakhstan		5,631	5,777
Deferred tax liability		344,689	347,769
		1,313,489	1,305,544
Current liabilities			
Current portion of long-term borrowings	15	15,518	15,024
Employee share option plan liability	25	4,339	4,284
Trade payables	18	43,320	41,463
Advances received		1,810	245
Income tax payable		1,124	1,692
Current portion of due to Government of Kazakhstan		1,289	1,031
Other current liabilities	19	33,661	44,579
		101,061	108,718
TOTAL EQUITY AND LIABILITIES		2,106,524	2,188,418

Consolidated financial statements Consolidated statement of comprehensive income

For the year ended 31 December 2016

<i>In thousands of US dollars</i>	Notes	2016	2015
Revenue			
Revenue from export sales		244,586	426,764
Revenue from domestic sales		103,397	22,138
	20	347,983	448,902
Cost of sales	21	(199,455)	(186,567)
Gross profit		148,528	262,335
General and administrative expenses	22	(37,982)	(49,309)
Selling and transportation expenses	23	(75,681)	(92,970)
Finance costs	24	(44,474)	(45,998)
Finance costs - reorganisation		-	(1,053)
Employee share option plan fair value adjustment	25	99	2,165
Foreign exchange loss, net		(390)	(21,200)
(Loss)/gain on derivative financial instrument	26	(63,244)	37,055
Interest income		461	515
Other income		9,841	11,296
Other expenses	27	(1,656)	(30,560)
(Loss)/profit before income tax		(64,498)	72,276
Current income tax expense		(20,502)	(25,656)
Deferred income tax gain / (expense)		3,095	(140,985)
Income tax expense	28	(17,407)	(166,641)
Loss for the year		(81,905)	(94,365)
Other comprehensive income that could be reclassified to the income statement in subsequent periods			
Currency translation difference		(70)	(456)
Other comprehensive loss		(70)	(456)
Total comprehensive loss for the year		(81,975)	(94,821)
Loss for the period attributable to the shareholders (in thousands of US dollars)		(81,975)	(94,821)
Weighted average number of shares		184,866,287	184,828,819
Basic and diluted earnings per share (in US dollars)		(0.44)	(0.51)

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

Consolidated financial statements Consolidated statement of cash flows

For the year ended 31 December 2016

In thousands of US dollars	Notes	2016	2015
Cash flow from operating activities:			
(Loss)/profit before income tax		(64,498)	72,276
Adjustments for:			
Depreciation, depletion and amortisation	21,22	132,203	109,351
Finance costs - reorganisation		-	1,053
Finance costs	24	43,624	45,908
Employee share option plan fair value adjustment		(39)	(2,165)
Interest income		(461)	(515)
Foreign exchange gain on investing and financing activities		(1,329)	(3,003)
Loss on disposal of property, plant and equipment		95	39
Proceeds from derivative financial instruments	26	27,198	92,255
Purchase of derivative financial instruments	26	-	(92,000)
Loss/(gain) on derivative financial instruments	26	63,244	(37,055)
Accrued expenses		243	(1,098)
Operating profit before working capital changes		205,220	185,136
Changes in working capital:			
Change in inventories		708	(3,508)
Change in trade receivables		2,285	(1,227)
Change in prepayments and other current assets		22,204	12,231
Change in trade payables		2,028	7,337
Change in advances received		1,566	(2,426)
Change in due to Government of Kazakhstan		(773)	(1,031)
Change in other current liabilities		(12,250)	(2,090)
Cash generated from operations		215,988	194,422
Income tax paid		(9,457)	(51,165)
Net cash flows from operating activities		206,531	153,257
Cash flow from investing activities:			
Interest received		461	515
Purchase of property, plant and equipment		(197,250)	(256,136)
Sale of property, plant and equipment		-	543
Exploration and evaluation works	6	(7,475)	(12,943)
Acquisition of subsidiaries		-	(2,296)
Placement of bank deposits		-	(17,000)
Redemption of bank deposits		-	42,000
Loans granted		(496)	(5,000)
Repayment of loans granted		-	5,000
Net cash used in investing activities		(204,760)	(245,317)
Cash flow from financing activities:			
Finance costs paid		(65,400)	(65,400)
Payment of finance lease liabilities		(669)	-
Transfer to restricted cash		(606)	(351)
Treasury shares sold/(purchased)		352	-
Distributions paid	13	-	(49,060)
Finance costs - reorganisation		-	(1,053)
Net cash used in financing activities		(66,323)	(115,864)
Effects of exchange rate changes on cash and cash equivalents		126	(1,959)
Net decrease in cash and cash equivalents		(64,426)	(209,883)
Cash and cash equivalents at the beginning of the year	12	165,560	375,443
Cash and cash equivalents at the end of the year	12	101,134	165,560

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