

Austin Avuru

Chief Executive Officer



The Seplat journey began a decade ago, when I became the CEO. Although a period of global political and economic volatility, we chose to focus our efforts on what we could control, remaining stubbornly resilient through various headwinds. I am proud of what we have achieved, not only our operational and financial accomplishments but also in our commitment to delivering for all of our stakeholders.

Firmly established core business with strong growth prospects

How would you summarise Seplat's operational performance in 2019?

I would describe 2019 as a solid year in which the robust fundamentals of the business once again kept us on an extremely solid footing. The strong cash generation we realised from our low-cost production base meant that our capital expenditures, debt service obligation and dividend distributions to shareholders were more than covered by cash generated from operations by a comfortable margin. It was disappointing that we had to revise production guidance downwards once it became apparent that unforeseen rig delays and availability constraints deferred the impact of planned production drilling activities. We also took the opportunity to undertake greater levels of maintenance and asset integrity work for the longer-term benefit of the assets. However, we rapidly regained momentum in the run in to the end of the year when we had four rigs simultaneously operating which sets us in good stead for 2020. Operating conditions in the Niger Delta were relatively stable and infrastructure uptime was excellent in the year when we benefitted from uptime of 92% on export infrastructure.



Realised oil price 2019 (US\$ per barrel)

US\$64.4

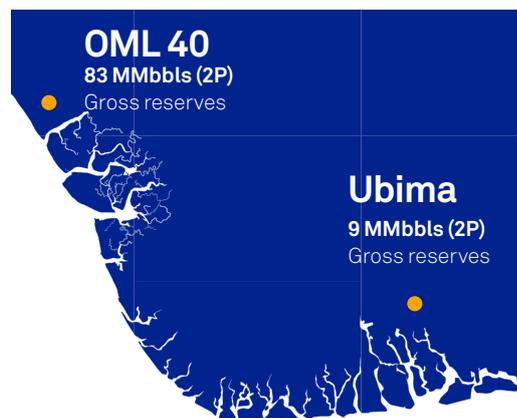
In 2019 you took FID for the ANOH project. What does this mean for the gas business going forward?

From a strategic perspective 2019 will prove to be an inflection point in our history. We took FID for the 300 MMscfd ANOH midstream gas processing project in March. Once completed the plant will process gas produced at the upstream unitised gas fields in OML 53, where Seplat has a 40% working interest, and Shell's OML 21. Now that we have gone live, so to speak, with the project in partnership with government we have set a clear trajectory that will see us become the largest supplier of processed gas to the domestic market once it becomes operational. With plans to connect the ANOH processing hub to our existing gas processing hub at Oben we will ultimately achieve our objective of having an interconnected domestic gas business where the large gas resources in the Niger Delta are connected to the largest demand centres along the Lagos and Abuja corridors in particular. In addition to processing our own gas we will also have a larger and more geographically expansive presence with which to capture third party tariffing opportunities and build out capacity further. We have secured the accommodation space at both Oben and ANOH to give us the headroom to expand each location up to 1 Bscfd processing capacity in the future. The gas business has tremendous growth potential.

With plans to connect the ANOH processing hub to our existing gas processing hub at Oben we will ultimately achieve our objective of having an east-west interconnected domestic gas business.

Having acquired Eland Oil and Gas PLC do you have the appetite and capacity to make further acquisitions?

We have spoken for some time about our inorganic growth ambitions and in December completed our first corporate acquisition through the recommended offer for Eland Oil and Gas PLC. This is the first time a Nigerian company has acquired a UK listed corporate and is a strong statement of intent by Seplat on its desire to be a consolidator within the Nigerian E&P space. The acquisition is a logical extension of our established footprint in the western Niger Delta, adds immediate production, cash flow and reserves and deepens our inventory of growth opportunities. We are of the opinion that deal flow in Nigeria is set to increase and are already seeing signs of this. For Seplat this means an increased asset supply to evaluate and high-grade. We have shown our ability to complete sophisticated transactions, operate successfully in the country and access both local and international capital markets. This combination sets us apart in Nigeria and means that we are well positioned to capitalise on further value accretive opportunities if and when they arise, remaining true to our price-disciplined approach and strict financial discipline.



Our role is to safely and responsibly meet Nigeria's demand for energy, driving its transition towards cleaner fuels that benefit the climate.

Given the ever-increasing concerns about climate change, how do you see Seplat's role in the energy transition?

Firstly, let's revisit the situation in Africa, and in particular Nigeria today. It is an irrefutable fact that the energy gap between Africa and the rest of the world, despite repeated attempts to improve it, is widening. Africa is the most underpowered continent on the planet, with six out of ten people in sub-Saharan Africa living without access to electricity. This means that half of the world's population who do not have power live in Africa. We know that access to reliable power is the key to social and economic development and GDP growth. What is of great concern is that while Africa lags the rest of the world by some margin today the population is growing and the situation is getting worse. A population of one billion is expected to grow to 2.5 billion by 2050. Within this, Nigeria is forecast to become the world's third most populated nation with the population set to grow from a current level of 200 million to 450 million by 2050.

Seplat's decision in 2012 to invest in building a domestic gas business has led to a position where we can today provide sufficient gas to underpin 25-30% of Nigeria's current active on-grid power generation of 3,500 MW to 4,000 MW. When the ANOH project is operating at Phase I capacity we expect Seplat to be able to supply processed gas capable of supporting 3,000 MW of power generation. In a country where 20 million households are without power and rely on diesel generators or wood burning stoves, our domestic gas business can lead to a material reduction in carbon emissions, health benefits through cleaner air, and economic growth through the provision of cheaper and more reliable electricity.

Alongside this we cannot escape the fact that oil demand continues to grow and that it is likely to take decades for a breakthrough whereby clean energy will become the dominant force. Until then the world's economies and consumers demand a supply of hydrocarbons and our role is to safely and responsibly meet Nigeria's demand for energy, driving its transition towards cleaner fuels that benefit the climate. It should also not be forgotten that the oil business has been a key enabler for the development of the gas business. It has generated cash flow and provided debt capacity that has enabled accelerated investments in gas. It also provides a dollar currency stream that has allowed us to grow the Naira revenue gas business and overcome FX liquidity challenges that have plagued Nigeria in recent years.

After ten years as CEO of Seplat you will be retiring later this year. Have you achieved the vision that you had when you co-founded the Company?

We established Seplat in 2010 because we could see that there was an opportunity to build an indigenous E&P company capable of operating to international standards, able to access international capital markets and committed to developing a predominantly Nigerian workforce, a company that could work effectively with a wide range of stakeholders and extract greater value from some of the onshore OMLs that were no longer a priority for IOC investment. It's clear from the production performance and reserves growth achieved at OMLs 4, 38 and 41 since we acquired the blocks in 2010 from Shell, Eni and Total that we have been successful in doing this.

Perhaps more than anything else I take great satisfaction from how we have set new standards in terms of engaging and working effectively with our host communities. Seplat continues to remain extremely proud of its identity as an indigenous Nigerian independent energy company, and carries a strong sense of responsibility to Nigeria and, in particular, our host communities. One of our founding priorities was to leave a lasting, positive legacy in our host communities through implementation of our shared value model. We have focused on environmental stewardship, healthcare, education, economic empowerment, capacity building and infrastructure development as key areas to achieve our goal of being a responsible business at all times. I truly feel that we have made a positive difference for our host communities and will continue to do so long into the future.

What do you think has been key to Seplat's success?

A combination of factors. Clearly asset quality is a major factor and we have been able to secure a portfolio of assets that is of extremely high quality. On top of this we are the operator at our core assets so we have been able to drive forward the development and apply industry best practice standards, particularly in the areas of health, safety and the environment. We have married our ability to safely operate to a strategy of disciplined capital allocation. The flexibility and control over the level and timing of spend has enabled us to maintain a strong balance sheet and withstand the oil price volatility and prolonged periods of force majeure at third party export infrastructure. As I have already described, our effective community relations has been a major factor underpinning our success.

However, above all else it is our people that have made everything happen and ensured Seplat has been a great success story for Nigeria. We have a great team at Seplat that consistently goes above and beyond the call of duty in order to deliver the required outcomes. I am constantly surprised at the levels of professionalism, dedication and persistence displayed by our staff throughout the organisation. I remain grateful to each and every member of staff for this and am sure I speak for all shareholders also in expressing my gratitude.



Seplat remains extremely proud of its identity as an indigenous Nigerian independent energy company, and carries a strong sense of responsibility to Nigeria and, in particular, our host communities.

What do you see as the main challenges of 2020?

We face the same challenges as the rest of industry in terms of managing oil price volatility and other macro risks. The emergence of the COVID-19 pandemic has thrown in another variable that has impacted the global economy. As these factors are not in our control we can only make sure that we have plans in place that can mitigate and de-sensitise the business to these risks as far as is possible.

On a company specific level it really comes down to execution and delivery of key projects together with prudent financial management. More specifically the success of acquisitions is really determined by how effectively the acquired business is integrated with the existing business. To this end we have a clear plan for the integration of Eland into Seplat that will be implemented over the course of the year. We also need to make sure that we remain on schedule with our key development projects, including the ANOH gas processing plant, and that we secure the requisite rig capacity and operational resources to undertake the planned production drilling programme. These are all things that are within our control and are in our hands to deliver.

A special thank you

I am extremely honoured to have led Seplat for the past ten years, and I am proud of the role it has played in promoting indigenous participation in the Nigerian oil and gas space. My ultimate goal in the transition of the CEO role is for Seplat to achieve even greater things in the next decade, creating a blueprint for others to follow.

As I look ahead, I remain confident in our position, strategy, and growth prospects. I am also confident that Roger Brown has the ability to steer the business through what will be an extremely challenging year in 2020 and then drive towards the next phase for Seplat's success. I am also confident that the leadership team and our talented employees will support Roger fully as we endeavour each day to realise the full potential of our portfolio and create value for all stakeholders.

I would like to take this opportunity to thank our shareholders, I do appreciate your loyalty and support during my decade as CEO. I have enjoyed and value our various engagements through the years. Again, I am extremely proud of what we have accomplished at Seplat through a challenging and transformational journey and look forward to a long and successful future.

Austin Avuru
Chief Executive Officer