

**A.B.C. Orjiako**  
Chairman



### **Dear shareholder,**

I believe that in future years we will look back on 2019 as a turning point for Seplat, not least as a result of two major decisions we took that will help drive the future growth of the business. We reached FID on the ANOH gas development project and completed the acquisition of Eland Oil and Gas.

These decisions are expected to add significant scale to the business and, alongside the strong performance of our existing assets, establish Seplat as the pre-eminent independent E&P operating in Nigeria today.

## Positioned for a new growth phase

### **2019 performance overview**

Our 2019 operational and financial performance reflects lower overall production levels and the weaker oil price environment. Average working interest production for the year stood at 46,498 boepd, comprising 23,935 bopd and 131 MMscfd. This fell short of our initial guidance range of 49,000 to 55,000 boepd, but was within our revised guidance range of 45,000 to 48,000 boepd after we adjusted for rig mobilisation delays and availability constraints we encountered in the first half of the year, which caused a slippage in our production drilling programme. I am pleased to report that we rapidly regained momentum in the second half of the year and by the third quarter had four rigs operating simultaneously across our portfolio. Partially offsetting the slippage to the drilling programme we achieved an overall production uptime of 92%, marking an improvement compared to prior periods and indicative of the relative stability in the Niger Delta operating environment during the year.

While the Brent oil price averaged US\$64.04/bbl in 2019 the elevated levels of price volatility witnessed in recent years continued (with the benchmark trading from a daily low of US\$54.91/bbl in January to a peak of US\$74.97/bbl in April and exiting the year at US\$66.00/bbl). Against this backdrop our gas business continued to provide a stable revenue stream de-linked to oil price.

I am pleased to report that both lines of equity closed the year in positive territory with the Nigerian line closing the year up +2.8% and the London line up +7.2%, outperforming Brent oil (up +0.3%), the Nigerian ASI (down -14.6%) and listed peers (down -10.4%). In terms of financial performance, we recorded a post-tax profit of US\$277 million while cash generated from operations of US\$338 million remained comfortably in excess of capital investments which amounted to US\$125 million in the year. We maintained a robust balance sheet in 2019, ending the year with US\$333 million cash at bank and a net debt position of US\$456 million.

The continued strong overall performance of the business in the year led the Board to sustain its normal dividend distribution for shareholders with US\$59 million paid out in the calendar year (10 cents per share). Taking this into account our total shareholder return (TSR) for the year stood at 5.6% for the Nigerian line and 13.8% for the London line of equity.

### The dominant force in Nigeria's domestic gas market

Seplat is positioned at the forefront of gas commercialisation for the domestic market in Nigeria, playing a lead role in support of the government's energy agenda to provide universal access to electricity by 2030. In 2019, the 291 MMscfd gross supply from OMLs 4, 38 and 41 which we processed at our own operated gas plants was sufficient to underpin 30% of Nigeria's on-grid power supply for the year. However, with around 50% of the population currently on the grid and a population that is expected to more than double to over 400 million by 2050 there is a huge requirement to increase gas supplies for the domestic market.

The ANOH gas development at OML 53 (and adjacent OML 21 with which the upstream project is unitised) is expected to underpin the next phase of growth for the gas business. We are well positioned to leverage the experience we have gained at the Oben gas processing hub to incorporate operational and cost efficiencies.

The project will comprise a Phase One 300 MMscfd midstream gas processing plant with accommodation space for significant future expansion. ANOH Gas Processing Company ("AGPC"), is an incorporated joint venture owned 50:50 by Seplat and the Nigerian Gas Company ("NGC"), a wholly owned subsidiary of Nigerian National Petroleum Corporation ("NNPC"), delivering the midstream development, and at year end 2019 each had made an equity investment of US\$150 million (US\$300 million combined). The total project cost is budgeted at US\$700 million. Seplat and NGC will each contribute a further US\$60 million equity investment (US\$120 million total) in 2020 with accompanying debt funding to be finalised and for which very strong demand in excess of the funding target has been indicated. The midstream plant will be supplied from the upstream unitised gas fields at OML 53 and Shell's OML 21. The upstream development will be operated by Shell. We are working towards a target of first gas in 2021 at which point Seplat will assume the mantle of being Nigeria's largest supplier of processed gas to the domestic market.

### Consolidating the Nigerian E&P space

A stated part of our strategy since inception has been to seek out acquisition opportunities that offer near-term production growth, cash flow and reserve replacement potential while remaining true to our price disciplined approach. Having completed a series of asset acquisitions that saw the portfolio grow to five direct interests and one financial interest in upstream blocks onshore Nigeria, in another first for Seplat we became the first Nigerian company to complete the public market acquisition of a UK listed corporate with the £382 million recommended acquisition of Eland Oil and Gas PLC. The acquisition is not just a logical continuation of our business model, but also a strong statement of intent towards our ambition of being a consolidator in the Nigerian oil and gas space and ability to execute sophisticated transactions of this nature. Eland's main asset, OML 40, expands our footprint in the western Niger Delta and materially enhances our inventory of production, development, appraisal and exploration

opportunities that will enable us to continually high-grade and ensure we deploy capital to the most value creative opportunities for shareholders.

I would also like to take this opportunity to welcome the staff of Eland to Seplat. Looking beyond the acquisition as simply a means of expanding our portfolio, we recognise that people are at the core of any successful business. The expanded team as a result of the acquisition, coupled with Seplat's financial capability, will not only allow us to accelerate growth from the enlarged asset base but also step up our pursuit of additional opportunities at a time when deal flow in Nigeria is set to increase considerably.

### Non-Executive Director changes

In June it was announced that Mr. Macaulay Agbada Ofurhie had retired as Non-Executive Director of Seplat after nine years and three months of service following his appointment in March 2010. Post period end in January it was also announced that Mr. Michel Hochard had retired as Non-Executive Director of Seplat after ten years of service. Mr. Hochard in his role as Chief Executive officer of Maurel & Prom ("M&P") was appointed to the Board of Seplat in 2009 as a nominee of M&P.

During their service Mr. Ofurhie and Mr. Hochard provided valuable input and guidance as Seplat not only experienced rapid growth but also navigated through an increasingly turbulent macro environment and often challenging operating environment in the Niger Delta. I speak for all at Seplat in expressing gratitude for their dedicated service and wish them well in future endeavours.

I was pleased to welcome Madame Natalie Delapalme as Non-Executive Director of Seplat in July. Madame Delapalme is an Independent Director on the Board of Directors of M&P and had acted as an alternate to M&P's nominee since June 2014.

Following the retirement of Mr. Hochard as the Chief Executive Officer of M&P and from the Board of Seplat, we were pleased to announce the appointment of Mr. Olivier de Langavant (who is now the Chief Executive Officer of M&P) as a Non-Executive Director of Seplat effective from 28 January 2020. Mr. Langavant replaces Mr. Hochard as the nominee of M&P on the Board of Seplat.

We are privileged to have Madame Delapalme and Mr. Langavant join the Board and we look forward to their contribution towards the realisation of Seplat's strategic goals.

### CEO succession

As a Board, we remain conscious of the need to have an effective succession plan that ensures the Board and management have the correct composition of skills and experience to support the effective implementation of our strategy.

After ten years of distinguished service in leading Seplat as CEO, it was announced in November that my co-founder, colleague and great friend Austin Avuru will be retiring in July 2020. In these ten years, Austin led the development of a strong organisation, the deployment of agile systems, processes and effective

stakeholder relationships that allowed the organisation to grow rapidly from a gross production of 22,700 boepd as at December 2010 to peaks of 111,368 boepd as at December 2018 through major drilling campaigns and major new oil and gas development projects. This could not have been achieved without Austin's leadership skills, personal dedication and hard work, at the head of the Company.

The Board and employees of Seplat are grateful to Austin for these accomplishments and I look forward to his continued service at the Board level. The Board has selected Roger Brown as CEO designate to succeed Austin when he steps down on 31 July 2020. Roger joined Seplat in 2013 as the CFO and played a key role in the successful dual listing of the Company in 2014. Similarly, since joining the Company, he has fulfilled significant roles in various asset acquisitions. Roger will bring to the CEO role a deep knowledge of the Company gained from his six years as the CFO and a member of the Board. Roger is well known and respected in both the Nigerian and UK markets, where he has played in the oil and gas space for over 20 years. He has strong financial, commercial and M&A experience as well as proven people skills which will be an asset as the Company embarks on the next phase of its growth plan.

### Covid-19

In response to the Covid-19 pandemic Seplat continually monitors the outbreak and advice from, among others, the World Health Organisation, Nigerian government and UK government to ensure best practice precautions and response actions are being implemented. At the time of writing the threat level is serious and increasing in both Nigeria and the UK where our staff are based. Our priorities lie in preserving the health, safety and wellbeing of our staff and contractors, their families and operations while also implementing definitive steps designed to arrest the spread of Covid-19 and minimise the impact on our business. We have provided clear advice and information to our staff, contractors and other service providers detailing how they must protect themselves and others. Measures that have been implemented across the organisation include but are not limited to:

- Non critical staff must work remotely from home for as long as advised
- Mandatory self-isolation of 14 days for all employees and contractors who arrive in Nigeria from all countries from 12 March onwards until notified otherwise
- Business travel restrictions to only essential travel
- Responsibility for employees and contractors to advise Seplat on travel undertaken by members of family
- Visitor access to Seplat locations strictly limited to only essential participants in business critical activities that cannot be conducted remotely
- Temperature checks for all personnel at Seplat locations
- Avoidance of large gatherings and deferral of all training events, conferences and workshops
- Provision of hand sanitisers at Seplat locations

At Seplat we have robust crisis management protocols and HSE policies that are in place for us to rely on when needed. We also have recent experience of managing an infectious disease outbreak from the Ebola outbreak in 2015 and therefore have well developed, tried and tested contingency measures in place to allow us to continue to operate through and recover from the inevitable disruption associated with the Covid-19 pandemic.

### Outlook

Looking forward, one of the main challenges facing the independent E&P sector is to remain relevant as the world makes the transition to a lower carbon future. The oil and gas industry faces considerable challenges given that oil in particular plays such a significant part in today's energy supply mix, with demand for the commodity still growing. A key part of my role as Chairman of the Board is to steer the Company through these transitions. I believe that Seplat has an important role to play throughout the energy transition that is set to occur in the years and decades ahead, not least through the impact we can have by scaling up our domestic gas supply business and displacing imported diesel fuels that are being burned for power generation and helping Nigeria benefit from the social and economic multiplier effects that reliable and affordable power availability can bring.

Against this backdrop Seplat plans to position itself for an ambitious next phase of growth which would see the expansion of its footprint in terms of energy business activities, a plan to pursue offshore assets acquisition, as well as opportunity driven entry into different geographies. The Board believes that such a corporate transition would require a different kind of organisational structure, people skills set and mentality to compete well in the expanded space. In view of this, over the course of 2020 we will be reviewing the current organisational and systems structure.

Meanwhile, the fundamentals of our core business remain strong and through the effective integration of the Eland acquisition the combined business will have greater scale and value creation opportunities to capture. I believe the investment case for Seplat remains compelling. We are a resilient business that:

- generates significant free cash flow from a low cost production base
- has a balanced portfolio split evenly between oil and gas (which is de-linked to oil price)
- maintains strict financial discipline over investment decisions
- is focused on delivering shareholder returns through regular dividend distributions and capital growth
- is established in sub-Saharan Africa's most prolific oil and gas system
- has embedded high standards of corporate governance and transparency
- is committed to creating a sustainable business
- effectively manages risks and possesses a strong HSE culture

As we look ahead to 2020 and beyond, I would like to take this opportunity to thank all Seplat employees and wider stakeholders for their efforts and continuing support and I look forward to updating all of our stakeholders on our progress throughout the year ahead.



**A.B.C. Orjiako**  
Chairman

## A robust approach to governance

Corporate governance remains at the heart of our business. Our Company has established its foothold as a major independent oil and gas company both in Nigeria and internationally because of the effective corporate governance and compliance framework, principles, standards and practices we have put in place. These principles, standards and practices derive and draw their strength from applicable legislations and global best practices. The governance of our Company, the conduct of our business and engagement with our various stakeholders are guided by these fundamental principles, standards and practices.

The successes recorded by Seplat over the years, particularly in the Company's growth and the strengthening of shareholder value, are attributable to the strong corporate governance principles, standards and practices as well as the effective management team we have at Seplat.

As a Board, we remain focused on building and maintaining a strong reputation that is defined by good corporate governance especially in the area of business conduct. The Board is confident that with our well-thought-out and well-articulated business and strategic objectives, the Company's vision to be a world-class independent energy company delivering premium value to all stakeholders will be achieved.

## Board of Directors as at 31 December 2019

The Seplat Board consists of highly experienced professionals and business experts with profound understanding of the dynamics of the oil and gas industry at both local and international levels.

**Madame Nathalie Delapalme**  
Non-Executive Director

**Roger Thompson Brown**  
Chief Financial Officer;  
Executive Director

**Michael Richard Alexander**  
Senior Independent  
Non-Executive Director

**Lord Mark Malloch-Brown**  
Independent  
Non-Executive Director

**Basil Omiyi**  
Independent  
Non-Executive Director

**Michel Hochard**  
Non-Executive Director

**Damian Dinshiya Dodo, SAN**  
Independent  
Non-Executive Director

**Charles Okeahalam**  
Independent  
Non-Executive Director

**Effiong Okon**  
Operations Director;  
Executive Director

**Ifueko M. Omoigui Okauru**  
Independent  
Non-Executive Director

**Ambrosie Bryant Chukwueloka ('A.B.C.') Orjiako**  
Non-Executive Chairman

**Ojunekwu Augustine ('Austin') Avuru**  
Chief Executive Officer; Executive Director

**Governance**  
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