

A focused and performing business



Dear shareholders,

I am pleased to welcome you to Seplat's sixth AGM and the presentation of our annual report and consolidated financial statements. Looking at Seplat from an external perspective five years on from our landmark IPO and dual listing in April 2014 it is clear that while the Company has operated in a challenging macro and operational environment, it has demonstrated a strong resilience and discipline while retaining its growth potential. I am more confident than ever as we enter the 2019 financial year that we have the right combination of a high quality underlying portfolio with organic growth headroom coupled with the financial capacity and flexibility to capitalise on step-change inorganic opportunities which we envisage in the global business environment. Most importantly I firmly believe we have the right strategy for success and the right management team to deliver on that strategy.

2018 full year working interest production

49,867 boepd

2018 gas revenue

US\$156m

2018 contained some notable highlights for Seplat. Production was in line with guidance and the strong underlying profitability and cash flow performance allowed for reinstatement of the dividend.

A.B.C. Orjiako
Chairman

We successfully refinanced the balance sheet, making our debut bond issuance in the process, and are now in a position to accelerate delivery of our growth ambitions.

2018 performance overview

Our 2018 operational and financial performance reflects the significantly higher year-on-year levels of production uptime at our core oil producing assets combined with a firmer, albeit still volatile, oil price and increased contribution from our gas business. As you are aware our results from the previous two years were characterised by the extended period of force majeure at the Forcados terminal from February 2016 to June 2017. I am pleased to report that in 2018 we achieved an overall production uptime of about 85%, within our budgeted levels, meaning that our working interest production of 49,867 boepd fell comfortably within the guided range of 48,000 boepd to 55,000 boepd and was evenly balanced between oil and gas. While the Brent oil price averaged US\$71/bbl over 2018 it remained volatile throughout the year (trading between a low of US\$62/bbl in February to a high of US\$86/bbl in October before falling off sharply to exit the year at around US\$51/bbl) which, once again, served to emphasise the complementary benefit of having a stable and growing gas business where prices and corresponding revenues are de-linked from oil price volatility.

Seplat continues to pride itself on being able to withstand and effectively navigate through an often challenging operating environment to deliver on its strategy, and in turn generate long-term sustainable value to our shareholders. I am pleased to report that in 2018 our Nigerian and UK lines of equity closed the year up +2.2% and +4.8% respectively, outperforming Brent oil (down -17.1%), the Nigerian ASI (down -17.8%) and listed peers (down -26.9%). In terms of financial performance we recorded a post-tax profit for the year of US\$147 million while cash generated from operations stood at US\$502 million, emphasising the high quality of our underlying portfolio and strength of our business fundamentals. The strong operational and financial performance led the Board to reinstate the dividend for shareholders, with a special dividend of 5 cents per share in April paid to normalise returns to shareholders after the Board had suspended dividends for 2016 and 2017 and an interim dividend of 5 cents per share declared in October in line with our normal dividend distribution timetable.

The combined total of 10 cents per share dividend paid in the calendar year 2018 amounts to a return of US\$59 million to our shareholders. The Board has recommended a final dividend of 5 cents per share which is subject to shareholder approval at this AGM.

A strong financial footing

In March we successfully concluded a refinancing of the existing US\$300 million revolving credit facility ('RCF') with a new four-year US\$300 million RCF at LIBOR +6% and issued a debut US\$350 million bond priced at 9.25%. Proceeds of the refinancing were used to repay and cancel pre-existing indebtedness and also to cash settle crude oil prepayments entered into during 2016 and 2017. The refinancing has enabled us to longer date our debt maturities which in turn has freed up significant free cash flow in 2018 and beyond, meaning we have a greater financial resource to reinvest in our organic and inorganic growth plans. The bond issuance has also, in particular, diversified our long-term capital base and it has been pleasing to see the bond trade positively. In August we also listed the bond on the International Securities Market of the London Stock Exchange in addition to the original listing on the Euro MTF market of the Luxembourg Stock Exchange, further raising Seplat's profile in the international capital markets.

We ended 2018 with US\$585 million of cash on our balance sheet, up from US\$437 million a year earlier. At the conclusion of the refinancing in March our gross debt stood at US\$550 million, comprising US\$200 million drawn on the RCF and the US\$350 million bond. Prudent financial management and efficient capital allocation have remained a priority of the Board and given the strong free cash generation of the business throughout the year we took steps to deleverage the balance sheet in the fourth quarter by repaying US\$100 million of the RCF, whilst retaining the undrawn headroom in our capital structure should we require it going forward to fund our growth initiatives. As a result our gross debt at year-end was US\$450 million meaning we exited 2018 with an enviable net cash position of US\$135 million compared to a net debt position of US\$141 million a year earlier.

As operator of our core production assets, we are able to exercise discretion over spend and in 2018 stepped up capital investments to US\$88 million (compared to just US\$33 million the year before), the majority of which was allocated to the gas business and infrastructure upgrades. Looking ahead we intend to scale up our level of organic growth investments considerably in line with our expected free cash generation. Meanwhile, with our capital structure reset we have the headroom to accelerate growth through inorganic acquisitions, while all the time remaining true to our price disciplined approach.

Continued expansion of our gas business

Our strategy to diversify and grow our sources of income through the expansion of our gas business continued to gain momentum in 2018, with Seplat remaining at the forefront of gas commercialisation and continuing to make substantial investments in support of the government's energy agenda. In 2018 our gas revenue derived from the Oben hub once again reached a new high of US\$156 million, up from US\$124 million the year before and representing over an eight-fold increase since 2013 when our gas revenue stood at just US\$18 million.

The ANOH greenfield development project, which incorporates the development of OML 53's Ohaji South field (large scale gas and condensate reserves), will underpin the next phase of growth in our gas business. In August we signed the Shareholder Agreement and Share Subscription Agreement with the Nigerian Gas Processing and Transportation Company ('NGPTC'), a wholly owned subsidiary of Nigerian National Petroleum Corporation ('NNPC'), whereby NGPTC subscribed for 50% of the shares in ANOH Gas Processing Company Limited ('AGPC'), a company that was incorporated in 2017 for the purpose of processing future wet gas production from the upstream unitised gas fields at OML 53 & OML 21, which is operated by Shell. The signed Shareholder Agreement will govern Seplat's and NGPTC's respective interests in the AGPC incorporated joint venture together with other commercial agreements with NNPC and the Nigerian Gas Marketing Company ('NGMC') that were also executed during the signing ceremony held at NNPC headquarters in Abuja. These agreements are an important precursor to FID which was sanctioned by the Board at the February Board meeting. Phase 1 of the ANOH project will comprise a 300 MMscfd gas processing plant with accommodation space for future expansion as we strive to become the single largest supplier of processed gas to the domestic market.

20-year licence renewal for OMLs 4, 38 and 41

We were delighted to receive consent from the President and Honourable Minister of Petroleum Resources in November for the renewal of OMLs 4, 38 and 41 to a new expiry date of 21 October 2038. Seplat holds a 45% working interest in OMLs 4, 38 and 41 and in 2018 production from the licences accounted for 92% of Seplat's total oil production and 100% of Seplat's gas production. The early renewal of these licences enables us to plan and invest with confidence long into the future to realise the full potential of our core asset base and continue to deliver value to all of our stakeholders.

Move to Premium Board of the Nigerian Stock Exchange

2018 saw an important step taken by Seplat when we migrated to the Premium Board of the Nigerian Stock Exchange, the listing segment for an elite group of issuers who have met the Exchange's most stringent corporate governance and listing standards, capitalisation and liquidity requirements. The Premium Board gives us enhanced access to a wide pool of investors and we are particularly proud of the fact that Seplat has achieved another first in becoming to date the only oil and gas company to achieve this status. It also means that Seplat gains inclusion in the Premium Board Index and NSE Corporate Governance Index in addition to the Nigerian All Share Index. As part of the process all of Seplat's Directors were required to pass the Fiduciary Awareness Certification Test, which was achieved. Seplat also achieved a rating of 88% under scrutiny from the Corporate Governance Rating System, well ahead of the minimum requirement of 70% required for Premium Board status.

A responsible corporate citizen and employer of choice

Regardless of the external environment, our corporate responsibilities will always remain of paramount importance to us. The health and safety of our people and communities together with minimising our environmental impact are at the core of how we conduct our business. We have been working to deliver safe and reliable processes in our business since we began operations in 2010 and have taken a proactive approach to HSSE management to ensure our continual improvement towards our clearly defined key performance indicators.

A key responsibility of the Board is also to ensure we have a comprehensive and effective risk management framework in place. Our risk management framework has been stress-tested to the extreme at times and I am pleased to say its effectiveness is evidenced in how we have prudently

managed our way through difficult periods to deliver us to where we are today with our operations, finances and growth prospects not just intact but in excellent health. Details of our full risk management framework can be found on pages 44 to 47 of this report.

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 central priorities is 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. Our CSR committee has oversight and has developed policies and a framework which are regularly monitored at senior management and Board levels.

We recognise that our growth and success are enhanced by the commitment and professionalism of our people and will continue to evolve our employment practices to ensure that we can attract and retain the best people.

Outlook

As we enter 2019 our reliable production base, low unit cost of production and discretion over capital commitments will allow the business to remain highly free cash flow generative and profitable. Absent any major interruption or force majeure event, this will enable Seplat to honour its dividend policy and provide an attractive yield to our shareholders in addition to the potential for capital appreciation. We will selectively invest in low risk oil production drilling opportunities within the existing portfolio and the continued expansion of the gas business, with 2019 set to be the year that activity intensifies at the large scale ANOH gas and condensate development. Seplat remains an ambitious growth orientated company that is in a position of strength to capture inorganic opportunities where we can leverage our competitive advantages to seek out carefully considered, price-disciplined and value accretive acquisitions.

Finally, I would like to thank all our 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

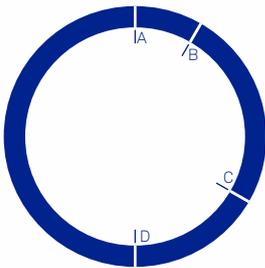
Corporate governance remains at the heart of our business. Our Company has established its foothold as a major independent oil and gas company both in Nigeria and internationally because of the effective corporate governance and compliance framework, principles, standards and practices we have put in 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.

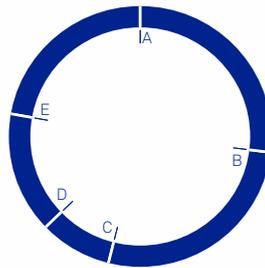


Board composition as at 28 February 2018



A Chairman	1
B Executive Directors	3
C Non-Executive Directors	2
D Independent Non-Executive Directors	6

How the Board spent its time during the year (%)



A Corporate strategy	27
B Finance	27
C Structure and capital	9
D Risk management and internal control	15
E Corporate governance	22

Board of Directors

- 1. Macaulay Agbada Ofurhie**
Non-Executive Director
- 2. Effiong Okon**
Operations Director; Executive Director
- 3. Lord Mark Malloch-Brown**
Independent Non-Executive Director
- 4. Charles Okeahalam**
Independent Non-Executive Director
- 5. Michael Richard Alexander**
Senior Independent Non-Executive Director
- 6. Ambrosie Bryant Chukweloka ('A.B.C.') Orjiako**
Non-Executive Chairman
- 7. Ojunekwu Augustine ('Austin') Avuru**
Chief Executive Officer; Executive Director
- 8. Ifueko M. Omoigui Okauru**
Independent Non-Executive Director
- 9. Basil Omiyi**
Independent Non-Executive Director
- 10. Roger Thompson Brown**
Chief Financial Officer; Executive Director
- 11. Michel Hochard**
Non-Executive Director
- 12. Damian Dinshiya Dodo**
SAN, OFR, FCI Arb, FNIALS
Independent Non-Executive Director

Board meetings and main subjects discussed in 2018¹

<p>23 January – Performance review – Strategy and budget review</p>	<p>13 February – Corporate strategy – Risk management</p>	<p>19 April – Refinancing</p>	<p>16 May – Corporate strategy – Corporate governance</p>
<p>6 June – Risk management</p>	<p>19 July – Corporate strategy – Performance review – Risk management</p>	<p>20 September – Corporate strategy – Corporate governance</p>	<p>19 October – Corporate governance – Strategy and budget review</p>

[See our Governance on page 68](#)

¹ 13 board meetings in total held during 2018. See more details on page 77.