

seplat

2016 HALF YEARLY RESULTS

28 JULY 2016



IMPORTANT NOTICE

DISCLAIMER

FORWARD-LOOKING STATEMENTS

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INTRODUCTION

AUSTIN AVURU (CEO)

FIRST HALF 2016 SUMMARY

The shut-in and suspension of oil exports at the Forcados terminal means we have faced significant challenges in H1

- Working interest production 25,695 boepd in H1 down 21% year-on-year as a result of lower liquids production

Continuity of gas production achieved throughout H1 to supply the domestic market

- Working interest gas production was up +54% year-on-year at 85 MMscfd (189 MMscfd gross)
- However gas production was constrained owing to condensate handling limitations

Alternative crude oil evacuation route

- First cargo sold FOB at Warri refinery jetty to Seplat's offtaker Mercuria
- Allows gas production to be de-constrained

Oben Phase II gas plant expansion is on track

- Set to take gross Company gas processing capacity from current level of 300 MMscfd to a minimum of 525 MMscfd by year end

Progress made towards substantially reducing receivables

- Confirmation received that 2016 cash calls will be paid current by NPDC and new funding protocol also agreed to address legacy balance and fund future cash calls

Revenue of US\$143 million and loss after tax of US\$61 million reflect terminal shut-in

- Capex scaled back to US\$17 million in H1 against cash flow from operations of US\$42 million

Although 2016 to date has proven challenging the underlying fundamentals remain strong and we are committed to our long-term strategy of maximising production and cash returns from our portfolio



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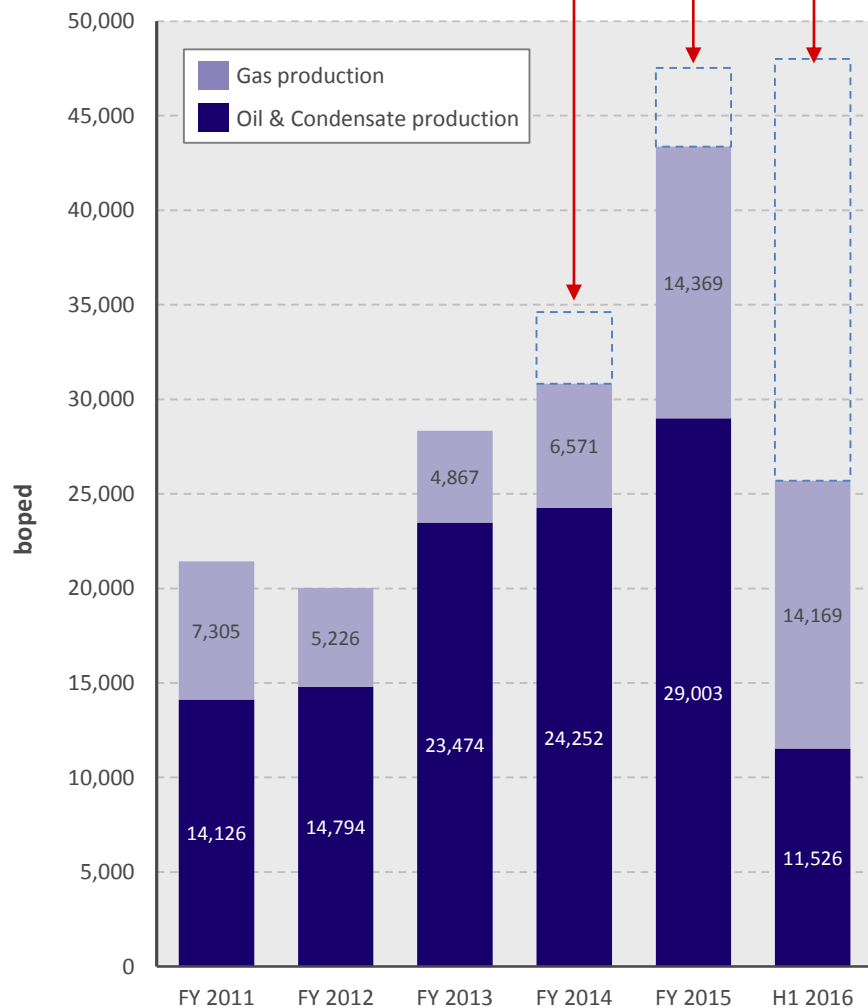
OPERATIONS UPDATE

STUART CONNAL (COO)

PRODUCTION UPDATE

H1 2016 PRODUCTION PERFORMANCE DRIVEN BY THIRD PARTY INFRASTRUCTURE DOWNTIME

Average daily working interest production excluding unbudgeted downtime



- Average working interest production in H1 2016 25,695 boepd (-21% year-on-year)
 - Liquids production -51% at 11,526 bopd⁽¹⁾
 - Gas production +59% at 85 MMscfd
- Forcados terminal has been shut-in under force majeure since mid February
 - Working interest production run rate prior to terminal shut-in was around 52,000 boepd
- Continuity of gas production to supply the domestic market was achieved in H1, albeit at managed levels driven by condensate handling constraints
- Full year 2016 guidance of 41,000 – 48,000 boepd set by the Company in March is no longer valid
- Full year guidance will be re-set and communicated once force majeure is lifted and exports have resumed from the Forcados terminal

PHASE II EXPANSION OF OBEN GAS PROCESSING PLANT

ON TRACK TO GROW OVERALL GROSS PROCESSING CAPACITY TO A MINIMUM OF 525 MMSCFD BY YEAR END



- Phase II expansion comprises installation of 3 x 75 MMscfd new processing modules (225 MMscfd aggregate processing capacity expansion)
- New processing modules arrived in country with installation and commissioning work set to commence shortly
- On track to increase overall Company gross processing capacity to a minimum of 525 MMscfd by year end
- Also planning to install a further 2 x 50,000 bbl condensate storage tanks to provide additional support for production endurance in the event of export pipeline interruptions

OPERATIONS UPDATE AND H2 PRIORITIES

2016 WORK PROGRAMME AND PRIORITIES ADJUSTED TAKING INTO ACCOUNT CURRENT OPERATING ENVIRONMENT

Liquid treatment facility crude quality upgrade

- Aimed at achieving crude oil export specification on all barrels produced at OMLs 4, 38 & 41
- Will generate savings on crude handling charges for exporting wet crude via the Forcados terminal, free up pipeline capacity and also permit increased export quality shipments via alternative route
- The new Electrostatic Heater Treater was delivered to the site in June – installation underway with commissioning expected in Q3

Rig based activity

- Rig activity in H1 limited to re-completion of Sapele-4 as a water disposal well
- Pre-drilling activities and site preparation ongoing for the Pillar Oil operated Anagba-1 appraisal well – anticipated Q4 spud
- Technical preparation for re-entry and completion of two existing wells on Ohahi South oil leg as producers complete, agreeing funding arrangements with partner

Oben booster compression & associated gas (“AG”) compression station expansion

- Objective of booster compression is to increase gas recovery and rate from Oben reservoirs
- Contracts awarded and expected to be operational by year end
- Plans underway to install a further 2x 10 MMscfd AG compressors (follows installation of 3x 10 MMscfd AG compressors in 2015)
- Project geared towards capturing and monetising more AG volumes

Alternative crude oil evacuation route

- Successfully trialled alternative export solution via the Warri refinery jetty
- As at 30 June a net volume of 389,000 bbls had been monetised via this route
- Target is to export an average of 30,000 bopd (gross)
- Exports via the Warri refinery jetty will not be subject to reconciliation losses or crude handling charges incurred when using the Trans Forcados System



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FINANCE UPDATE

ROGER BROWN (CFO)

FINANCIAL SUMMARY

H1 2016 PERFORMANCE REFLECTS UNPLANNED THIRD PARTY INFRASTRUCTURE DOWNTIME

US\$ million	H1 2016	H1 2015	Y-o-Y
Revenue	143	248	-42%
Cost of sales	(84)	(139)	-40%
Gross profit	59	109	-46%
G&A	(42)	(39)	+8%
Financing in G&A	(7)	(12)	-42%
(Losses) / gains on FX	(28)	(13)	-115%
Fair value adjustments	(23)	-	n/m
Other	(1)	(1)	-
Operating profit / (loss)	(42)	71	n/m
Net finance costs	(16)	(29)	-45%
Profit / (loss) before tax	(58)	41	n/m
Profit after tax & non-controlling interest	(61)	41	n/m
Normalised H1 2016 profit / (loss)	(12)	n/a	n/m

	H1 2016	H1 2015
Gross Oil Sales	50	136
Net hedging revenue	10	-
(Over)/Under-lift	36	85
Gas sales	47	27
Total Revenue	143	248

Royalties (oil) and crude handling charges significantly lower due to shut-in of exports via the Forcados terminal

Unrealised accounting loss of US\$28 million owing to devaluation of local currency

Includes unrealised accounting loss of US\$21 million as oil hedges are marked-to-market. US\$10 million of hedging gains included in revenue above

Includes US\$25 million of finance income accrued from deposits, loans and receivables

A deferred tax charge of US\$3.6 million was recognised in the period

Normalising for a combined unrealised FX and unrealised oil hedging loss totalling US\$49 million the loss for H1 2016 is US\$12 million

FINANCIAL SUMMARY

US\$ million	H1 2016	H1 2015	Y-o-Y
Capex incurred	17	68	-75%
Cash flow before w/c	42	92	-54%
Cash flow after w/c	40	(37)	n/m

DEBT AND CASH AT 30 JUNE 2016

Facility	\$ million	Coupon	Maturity
7 year secured term facility	514	L+8.75%	Jan 2022
3 year secured RCF	225	L+6.00%	Jan 2018
Belemaoil (OML 55) unsecured loan ⁽¹⁾	39	L+10.5%	
Gross debt	778		
Cash and cash equivalents⁽¹⁾	180		
Reported net debt	598		

⁽¹⁾ Net of capitalised interest of US\$13.5 million

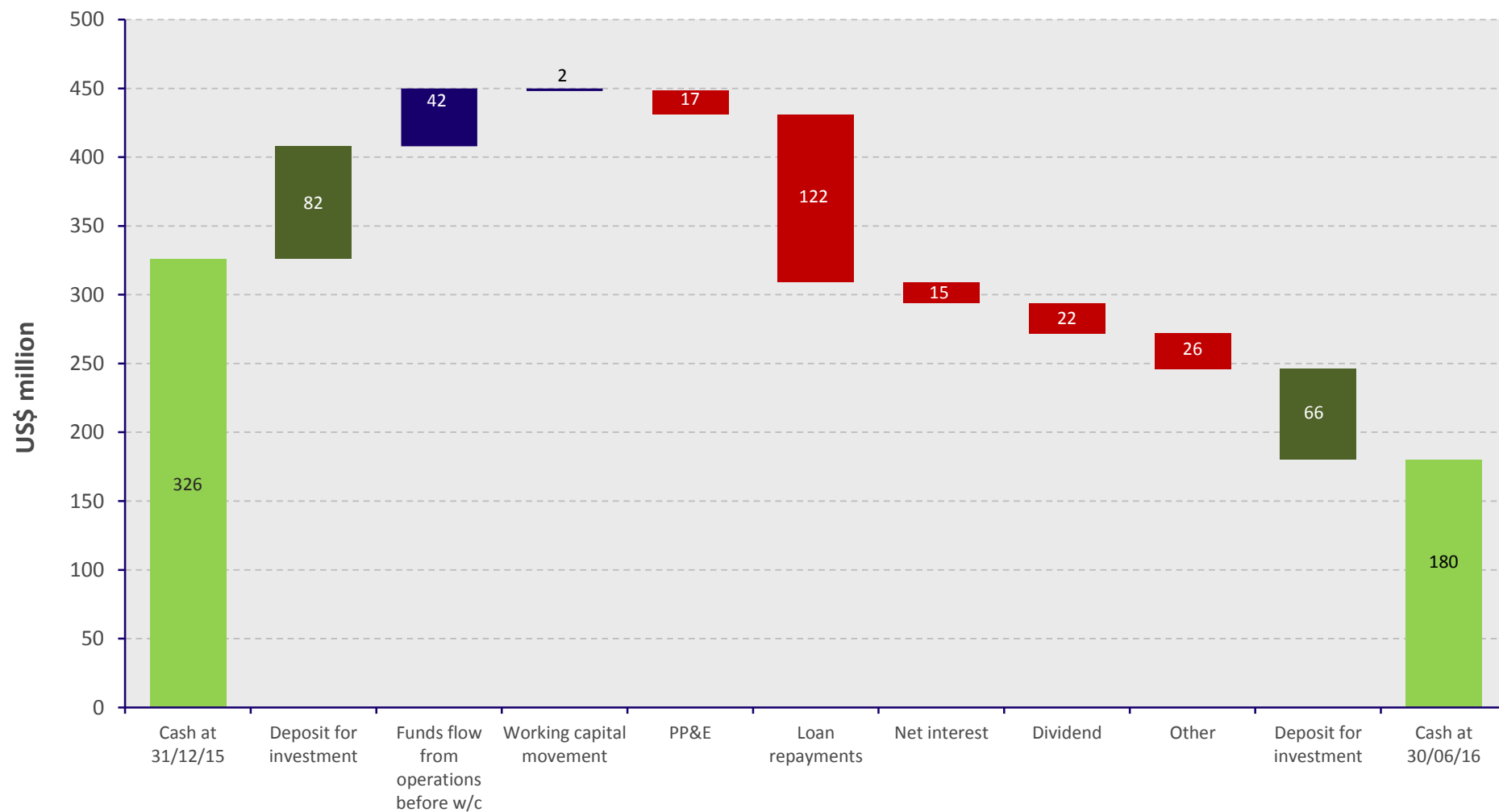
- Total debt servicing in H1 2016 was US\$163 million comprising US\$122 million of principal and US\$41 million of interest
- Seven year facility has a sculpted repayment schedule set in January 2015 which was front-ended (ie. three years on a seven year facility)
- Owing to the prolonged shut-in of the Forcados terminal Seplat is taking a prudent approach and initiated discussions with existing Nigerian lenders in the seven year facility
- Seeking to set a more evenly balanced repayment schedule over the remaining loan life
- Target completion date is before the next servicing of principal at end Q3

Hedging

- 2016 hedging – 3.3 million barrels for H1 at US\$45/bbl and 2.7 million barrels for H2 at US\$40/bbl

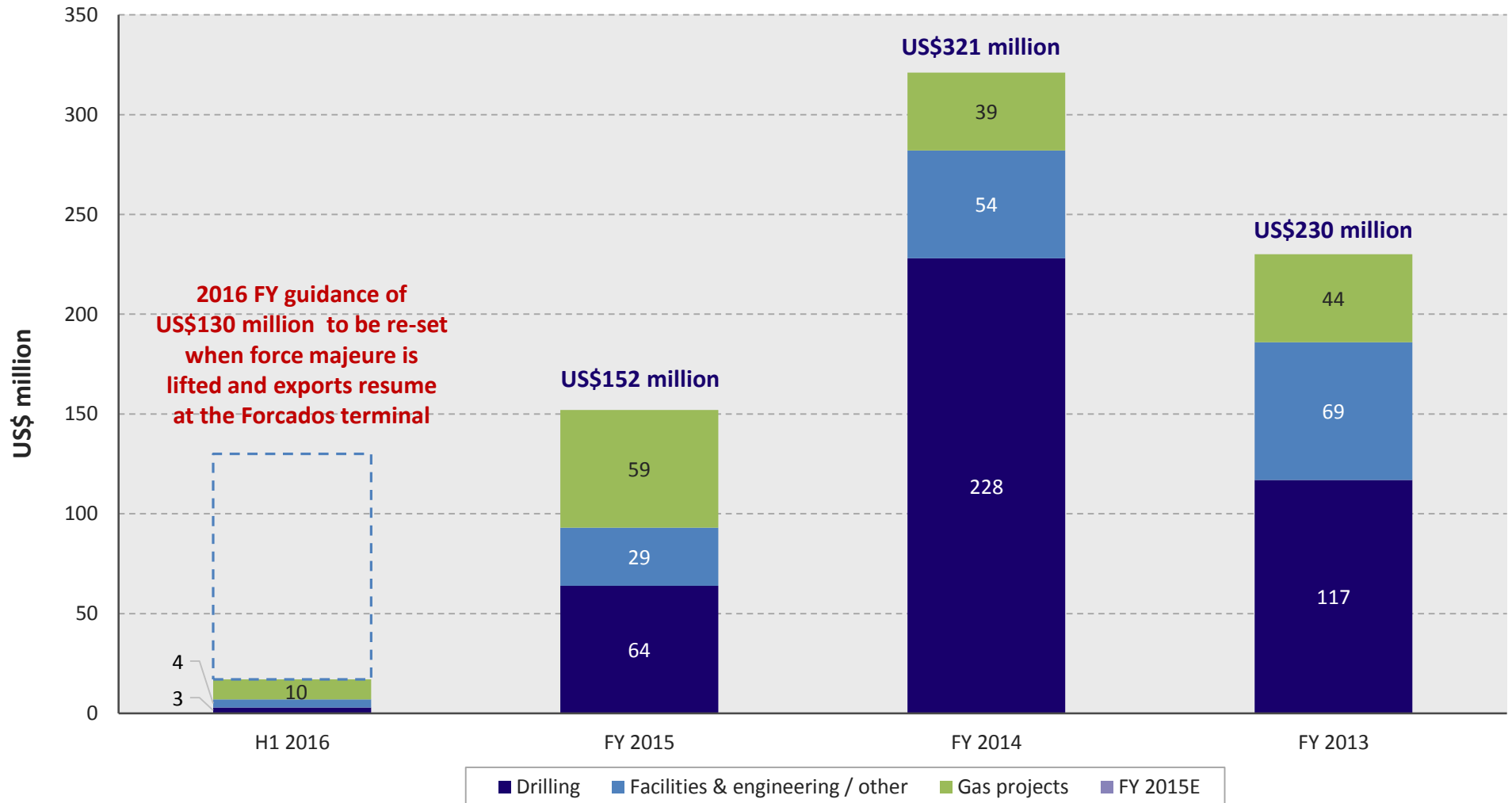
CASH RECONCILIATION

UNDERPINNED BY A ROBUST CAPITAL STRUCTURE



CAPITAL EXPENDITURES INCURRED

DISCRETION MAINTAINED OVER SPEND AND FLEXIBILITY TO ALIGN WITH CASH FLOW



NPDC RECEIVABLES

PROGRESS MADE TOWARDS ADDRESSING THE NPDC RECEIVABLES BALANCE

NPDC RECEIVABLE BALANCE AS AT 30 JUNE 2016

	US\$ million
Headline receivable at start year	491
Receipts in H1 2016	(91)
Payments in H1 2016	59
Gas revenues withheld in H1 2016	(57)
Headline receivable at 30/06/16	402
Crude handling charges withheld to date	(58)
Net receivable at 30/06/16	344

- Pursuant to the agreement signed in July 2015 Seplat has continued to withhold and offset gas revenues attributable to NPDC's 55% interest
- Confirmation received from Minister of State for Petroleum that 2016 cash calls will be paid current by NPDC
- New funding protocol agreed with NPDC and its funding partner Seven Energy whereby:
 - An additional crude oil allocation equivalent to around US\$100 million is due to Seplat in 2016 to reduce legacy costs
 - Additional oil entitlement to be assigned to Seplat in 2017 onwards which we expect to monetise through Seplat's offtaker Mercuria to fund future cash calls as well as retiring legacy costs
 - New arrangement to run for an initial period of two years

SUMMARY

- Focus on expanding gas business and creating long term alternative export routes for monetising liquids to address downtime
- Manage liquidity by controlling discretionary work programme. Discussions underway with lenders to re-profile the principal repayments on the term facility
- Ongoing discussions with JOA partner NPDC to continue to reduce legacy receivables as well as keeping cash calls current
- Business fundamentals remain strong and we are focussed on continually adapting our business model to address the challenging operating environment



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