The challenge

Positioning Seplat for future growth and diversification

- The unprecedented level of interruption to oil production in 2016 has inevitably had a financial impact on the business. As the severity of this external shock increased throughout the year, the effectiveness of our financial and risk management strategies was tested by the challenges presented.
- The events of the year in turn amplified the strategic importance of mitigating high asset and/or infrastructure concentration risk in the future through achieving greater portfolio diversification.

Financial review

p40

Our solutions

Strong financial discipline and risk management strategies

Prioritise complementary portfolio expansion opportunities that can offset the current risk profile

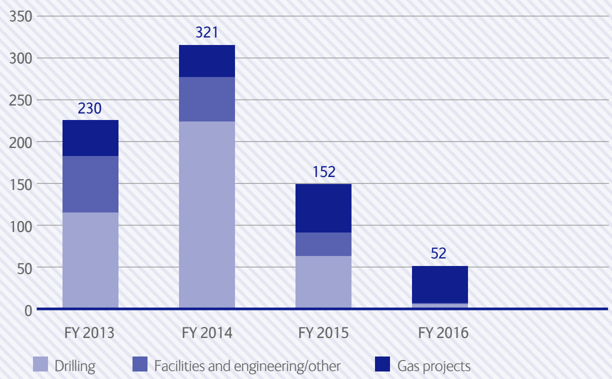
Discretion over spend and a prudent approach to financial and risk management

The vast majority of our capital expenditures are discretionary meaning that we have the flexibility to keep a close alignment between spend and cash flow on a rolling basis. At the start of the year we initially guided to a net FY 2016 capital investment programme of around US$130 million which we were able to adjust down to a level of US$52 million. We also proactively engaged in discussions with our lenders in the US$700 million seven-year term facility to re-align near-term debt service obligations within the existing tenor. Having refinanced in January 2015 with a sculpted repayment schedule which was "front-ended", our lenders in the term loan agreed to defer H2 2016 and 2017 principal debt service obligations totalling US$150 million until the end of 2017.

Risk management is an integral part of all business activities of Seplat. The Company's risk management policy is focused on the early identification of risks and future risks that are central to Seplat delivering its strategy, their possible impact on the business and measures that can be implemented to mitigate the identified risks so that we continue to operate safely and effectively. At the same time, we continually map out our response and plans should events go wrong. We recognise that risk management is a continuous journey of improvement and not a destination, and will continue to develop our processes to ensure we are fully equipped to deal with the constantly evolving operating and business environment of the oil and gas industry.

US$324m
Almost one third of principal outstanding has been repaid since the 2015 refinancing

Capex (US$m)



Portfolio expansion and diversification

We have a well-established presence onshore the Niger Delta and a proven track record of successfully operating and developing oil and gas assets to realise their full reserves and production potential. We will continue to capitalise on our position onshore and prioritise future acquisition and farm-in opportunities that can enhance the wider portfolio mix and overall balance with a particular emphasis on opportunities that provide near-term production growth, free cash flow and reserve replacement potential. Added to this, we will also high-grade opportunities that can offer additional optionality around crude oil export routes and/or feed into our future expansion plans for the gas business.

Looking further ahead, we see the shallow water offshore areas of the Niger Delta as a logical diversification opportunity for a number of reasons, and one which we are equipped with the skill set and expertise to succeed in. Offshore projects are generally less prone to disruption, have minimal losses, higher levels of facility uptime and sales direct to market FOB at the facility – all of which can help to improve operational efficiency, profitability and cash flow. Consequently, we view a presence in the offshore sector as highly complementary to our core onshore operations.