A resilient business returned to profitability

I am pleased to report the success of our strategy in navigating through a difficult period. The resumption of full production in our operations is translating into strong financial performance and our gas business continues to go from strength to strength.

A.B.C. Orjiako
Chairman

Dear shareholders,

Our 2017 Annual Report and Accounts demonstrates Seplat's resilience in difficult times. As you are aware, the price of oil fell from a high of about US$112/bbl in 2014 to below US$50/bbl in 2016 and as such Nigeria, which depends on the oil sector for about 90% of export earnings, slipped into a recession having been impacted by the fallen oil price, its weakened currency and dollar shortages, aggravated by militant attacks on key oil infrastructure in the then restive Niger Delta, slashing oil output. According to the National Bureau of Statistics ('NBS'), Nigeria's economy grew 1.9% year-on-year in the fourth quarter of 2017. This marked the third consecutive quarter of expansion and the strongest since the fourth quarter of 2015, as the oil sector continued to recover.

Seplat prides itself on being an extremely irrepressible business that is 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. In 2017 these attributes continued to be tested as the first half of the year was characterised by a protracted period of force majeure at the Forcados terminal, which continued to impede export of crude oil production from our Western Assets, and the fallen commodity prices that saw Brent start the year around the US$55/bbl mark and further decline to around US$44/bbl mid-year.

36,923 boepd
2017 full year working interest production

US$124m
2017 gas revenue

In contrast, the second half of the year saw a resumption of full production in our operations following the lifting of force majeure on 6 June 2017, which marked the turning point for our return to profitability (US$44 million for the full year) and strong operating cash flow (US$447 million for the full year). This emphasises the high quality and strength of our business fundamentals. The strengthening macro-economy also provided a tailwind into the year-end with Brent trading up steadily to exit 2017 at around US$67/bbl. Operationally, our 2017 full year working interest production was 36,923 boepd; within market guidance of 35,000 boepd – 38,000 boepd.

Against this backdrop I am pleased to report that in 2017 we made good progress as we reviewed our vision, mission and strategy towards refocusing the Company on our key priorities: to de-risk future cash flows through diversification of oil export routes; invest in and scale up our domestic gas business; maintain a liquidity buffer while continuing to reduce debt; keep tight financial control with discretion in spending; and position Seplat with a stabilised platform for sustainable growth even in a harsh operating environment.

De-risking future cash flow from operations

I highlighted last year that in response to force majeure at the Forcados terminal, the Board mandated management to accelerate various initiatives to diversify our risks by reducing our reliance on a single export route, both in the short and long term. We continued these efforts in 2017 and completed necessary repairs and upgrades to two jetties at the Warri refinery that will enable sustained exports of 30,000 bopd (gross) if required in the future.

We are also working with the owners of the 160,000 bopd capacity Amukpe-Escravos Pipeline System ('AEPS') with a view to opening it up as a long-term alternative export route for Seplat and other operators when completed in the coming months. With the availability of these three independent export routes in the line of sight, it is our ultimate intention to be able to utilise all three to ensure there is always availability of evacuation routes, thereby reducing downtime production and export.

Scaling up our gas business

Our strategy to diversify and grow our sources of income through the expansion of our gas business continues to gain momentum.

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Since the government launched various initiatives to stimulate investment in the gas sector, including opening the Domestic Supply Obligation ('DSO') price to commercial market forces, Seplat has been at the forefront of gas commercialisation and made substantial investments in support of the government's energy agenda.

In 2017 we completed and commissioned the Oben Phase II expansion project, adding a further 225 MMScfd of processing capacity at the Oben hub and taking our gross operated gas processing capacity overall to 525 MMScfd.

To highlight the increasing contribution our gas business is making, we have seen our gas revenue grow from US$18 million in 2013 to a record US$124 million in 2017, a seven-fold increase in four years. We are justifiably proud of this and at the same time we see tremendous potential headroom for further growth.

The ANOH greenfield development project, which incorporates the development of OML 53's Ohaji South field (large scale gas and condensate reserves) is set to provide the next phase of growth in our gas business. We are making good progress towards Final Investment Decision ('FID') and once this is in place we will be able to set out a clear pathway to first gas.

Prudent financial management

One of the key reasons we were able to withstand the disruptions to oil production and associated revenues caused by force majeure between February 2016 and June 2017 is the prudent management of our financial position.

We ended 2017 with US$437 million of cash on our balance sheet, up from US$160 million last year, and despite the constrained revenues in the first half, we still met our debt repayment obligations in the sum of US$98 million. As a result, we reduced our net debt position to US$141 million as at 2017 year end (73% reduction from US$516 million recorded in 2016).

The Board specified that the preservation of a liquidity buffer was a clear priority for the Company in 2017 and I am pleased to say that this safeguard was achieved. As operator of our core production assets, we are able to exercise discretion over spend and in 2017 limited capital investments to just US$33 million, the majority of which was allocated to the gas business. In line with this objective, the Board also took the difficult but necessary decision not to pay a dividend for 2017 and our ongoing efforts to reduce corporate costs also saw general and administrative expenses fall by 28% year on year.

The Board recognises the need to have a capital structure that provides the right flexibility, access to and cost of capital in support of our growth strategy. In line with this, we concluded a refinancing of our indebtedness post period end, in March 2018, that saw us put in place a new four-year US$300 million revolving credit facility and make a debut US$350 million bond issuance that further diversifies our capital base. The resultant capital structure greatly enhances our projected liquidity and will allow us to scale up our work programme and accelerate delivery of our growth strategy.

Effective risk management

If there is one over-riding lesson we can draw from our experience of the past two years it is the fact that we operate in a volatile, uncertain environment, and a key responsibility of the Board is to ensure we have a comprehensive and effective risk management framework in place.

Our risk management framework has been stress-tested to the extreme during this time and I am pleased to say its effectiveness is evidenced in how we have emerged from this period with our operations, finances and growth prospects intact. Details of our full risk management framework can be found on pages 54 to 57 of this report.

We move into 2018 on a substantially firmer operational and financial footing compared to a year ago and have a high-quality portfolio that offers a material and predictable production base combined with a large inventory of production and development drilling opportunities we plan to capitalise on.

Honouring our corporate responsibilities

Seplat has always been proud of its identity as an indigenous Nigerian independent energy company, with a sense of responsibility to Nigeria and, in particular, our host communities. As well as being a distinct competitive advantage, our indigenous status is a source of great pride and one of our central priorities is to leave a lasting, positive legacy in our host communities through implementation of our shared value model.

Following the strategic review of the Company's Community Social Responsibility ('CSR') strategy in 2016, this year our efforts were focused on incorporating our learning into implementation. Whilst we have successfully reached the natural completion of various community projects this year, we are pleased to have developed a revised CSR strategy which includes Seplat's Eastern Assets, which has ensured we have the right short and long-term programmes in place to drive real social impact for our local stakeholders.

In particular, the CSR Committee and operational team have spent significant time this year reviewing various governance structures to ensure we remain aligned with international best practice. Firstly, the governance structures of our community projects have been reviewed and we are delighted to have developed a communications-led strategic policy document that provides a robust framework for the effective management of our major community programmes. This will ensure the highest standards of management are met across the portfolio of programmes.

Secondly, we have completed the review of the CSR Committee terms of reference. This process means that the roles and responsibilities of the Committee members have been benchmarked against global best practices and we are confident that we remain industry leading in our CSR governance approach. These critical steps ensure we are doing everything within our control to protect our social licence to operate for the long term. It is what sets Seplat apart from its peers and it is critical that it remains central to our business strategy.

Board appointment

I am pleased to tell you that our Board has been further strengthened by the appointment of a new Executive Director in charge of Operations, Effiong Okon, effective 23 February 2018. Previously, General Manager for Deepwater Production for Shell Nigeria, Effiong has over 26 years of experience in oil and gas, having undertaken a breadth of senior technical and leadership roles with Shell during that time, both in Nigeria and internationally. In addition, he was deputy VP for the upstream gas supply to the Qatar GTL and LNG mega projects. Effiong has proven expertise in successfully developing and operating upstream oil and integrated gas projects in Africa, Europe and the Middle East regions. We look forward to his contribution as we seek to grow our production output across our portfolio.

A positive outlook – Poised for continued growth

In 2017 we focused on stabilising our core business and, in doing so, we have successfully re-positioned Seplat to resume a growth trajectory provided we can operate to our full capacity without disruptions. We move into 2018 on a substantially firmer operational and financial footing compared to a year ago and have a high-quality portfolio that offers a material and predictable production base combined with a large inventory of production and development drilling opportunities we plan to capitalise on. Our operations team is poised to restart drilling operations and we also have dedicated teams tasked with helping to deliver the alternative Amukpe-Escravos Pipeline System ('AEPS') and achieve FID at the ANOH project.

Seplat has always been an ambitious company and we continue to see Nigeria as a world class opportunity set that remains the envy of many. In addition to our organic growth opportunities, we maintain our clearly defined strategy of balancing this with inorganic expansion and will leverage our competitive advantages to seek out carefully considered, price-disciplined and value accretive acquisition opportunities.

Finally, I would like to thank all our employees and wider stakeholders for their efforts and support in what has been a challenging period. I am now more confident than ever in our ability to build Seplat into a leading independent energy company, delivering premium value on the global stage, and look forward to exciting times in the year ahead.

A.B.C. Orjiako
Chairman

A robust approach to governance

Our business is built on effective corporate governance framework and corporate governance standards. These standards dictate how we operate as a business and the way in which Seplat is governed. It also guides how we relate with our various stakeholders.

Over the last few years, Seplat has successfully grown its business and created significant shareholder value despite the challenges confronting us in our operating environment. For us, this is a definitive measure of our success and reflects our strong corporate governance structure and the effective management team we have at Seplat.

As a Board, we collectively set out the long-term strategic direction of the business and a business wide strategy is in turn executed by the CEO with the leadership team. We remain committed to good corporate governance, which has ensured our success and operational excellence for the business.

Board composition as at 28 February 2018

Chairman	1
Executive Directors[1]	3
Non-Executive Directors	2
Independent Non-Executive Directors	6

1 Stuart Connal retired 30 March 2017.
Effiong Okon was appointed on 23 February 2018.

Board meetings and main subjects discussed in 2017

25
January
- Corporate strategy.
- Performance review.

23
March
- Succession planning.
- Corporate governance.

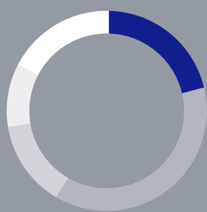
20
April
- Corporate responsibility.
- Finance.

1
June
- Shareholder engagement.

20
July
- Performance review.
- Risk management.

26
October
- Strategy and budget review.
- Refinancing.

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



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