

Seplat Petroleum Development Company Plc

2020 Annual Report and Notice of AGM

Lagos and London – 14 April 2021: Seplat Petroleum Development Company Plc ("Seplat" or the "Company") confirms it has today published its Annual Report and Accounts for the year ended 31 December 2020 together with the notice of the Company's eight Annual General Meeting ("AGM") and forms of proxy. The Company will hold its AGM at 11:00am (local time) on Thursday 20 May 2021 at 16a Temple Road (Olu Holloway), Ikoyi, Lagos, Nigeria.

In accordance with Listing Rule 14.3.6 copies of the Company's Annual Report and Accounts for the year ended 31 December 2020, the Notice of AGM and proxy forms have also been submitted to the FCA for publication through the document viewing facility of the National Storage Mechanism and will shortly be available for inspection at <http://www.morningstar.co.uk/uk/NSM>

In accordance with Disclosure Guidance and Transparency Rule ("DTR") 6.3.5R(3), copies are available on the Company's website, www.seplatpetroleum.com

The Company's audited financial statements and extracts of the management report were included in the Company's Final Results announcement on 1 March 2021. That information, together with the Appendices to this announcement, which contains the following additional information that has been extracted from the 2020 Annual Report, constitutes the material required for the purposes of compliance with DTR 6.3.5 only:

- the Directors' Responsibilities Statement;
- a description of principal risks and uncertainties that the Company faces; and
- related party transactions.

This announcement should be read in conjunction with and is not a substitute for reading the full 2020 Annual Report. Page and note references in the text below refer to page numbers and notes in the 2020 Annual Report and terms defined in that document have the same meanings in these extracts.

FOR: SEPLAT PETROLEUM DEVELOPMENT COMPANY PLC.



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Chief Financial Officer

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Seplat Petroleum Development Company Plc
RC 824838

Notes to editors

Seplat Petroleum Development Company Plc is a leading indigenous Nigerian energy company with a strategic focus on Nigeria, listed on the Main Market of the London Stock Exchange ("LSE") (LSE:SEPL) and Nigerian Stock Exchange ("NSE") (NSE:SEPLAT).

Seplat is pursuing a Nigeria focused growth strategy and is well-positioned to participate in future divestment programmes by the international oil companies, farm-in opportunities and future licensing rounds. For further information please refer to the company website, <http://seplatpetroleum.com/>

Appendices

Appendix A: Statement of Directors' responsibilities

The following Statement of Directors' responsibilities is extracted from the 2020 Annual Report and Accounts (page 142).

The Companies and Allied Matters Act, 2020, requires the Directors to prepare financial statements for each financial year that gives a true and fair view of the state of financial affairs of the Group at the end of the year and of its profit or loss. The responsibilities include ensuring that the Group:

1. keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group and comply with the requirements of the Companies and Allied Matters Act, 2020;
2. establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
3. prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates and are consistently applied.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), the requirements of the Companies and Allied Matters Act, 2020 and Financial Reporting Council of Nigeria Act, No. 6, 2011.

The Directors are of the opinion that the financial statements gives a true and fair view of the state of the financial affairs of the Group and of its financial performance and cash flows for the year. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Group will not remain a going concern for at least 12 months from the date of this statement.

Signed on behalf of the Directors by:

A.B.C Orjiako

Chairman

FRC/2014/IODN/00000003161

1 March 2021

R.T. Brown

Chief Executive Officer

FRC/2014/ ANAN/00000017939

1 March 2021

Appendix B: Principal risks and uncertainties

The following principal risks and uncertainties table is extracted from the 2020 Annual Report and Accounts (pages 30 to 36).

The implementation of our strategy can be hindered by various risks and uncertainties. The risks that the Board considers most significant are described here.

Operational risks		
Field operations and project deliverability	Third-party infrastructure downtime	HSSE risks
Description Failure to manage operational activities in line with planned expectations can lead to production misses, project delays and cost overruns, high production costs and earlier than expected field decommissioning. Risk also expanded to cover the emerging OPEC quota restriction risk on production, resulting in production shut-ins.	Description An over-reliance on third-party operated transportation infrastructure can expose the Company to an extended period of production being shut in.	Description Oil and gas activities carry significant levels of HSSE risks if not properly managed. As activity levels continue to increase there is a strong focus on preventing major environmental (including the emerging climate change – GHG emissions risk), health or safety incidents.
Mitigation Focus on risk management at planning phase and mitigation plans activated. Compulsory ‘peer-to-peer’ review for high-value projects and better project management techniques. Protracted land acquisition, preparation and rig startup have been contributory factors which have received focused attention and significant process improvements and improved communications with JV partner and approving regulators to mitigate delays. Use of smart/intelligent wells to improve recovery and improved rig performance monitoring and reporting to manage NPTs.	Mitigation Work is ongoing to secure a second export line to complement the Trans Forcados Pipeline. Continue to explore export via barging as a back-up option in extreme cases. Have two contingency tanks in Amukpe for partial storage during shut-in over shorter periods. More tanks are planned. Additional plans to scope FEED/DED of a new export line in the coming year 2021.	Mitigation Deployment of an HSSE Management System in line with best practices. Monitoring and reporting of HSSE performance scorecards at management and Board levels. Our HSSE systems and process are subjected to independent review and identified improvement initiatives are deployed. Continual focus on HSSE training and initiatives on incidence prevention. Emergency Response plan set for any eventuality and comprehensive Incident Review panels to identify and channel lessons learnt to improvement activities. Focus on the delivery on projects earmarked to reduce and or eliminate gas flaring as spelt out under the Company’s ‘gas flares out roadmap’.

KPI/Performance metric Net working interest production Operating costs per boe	KPI/Performance metric Net working interest production Days downtime EBIT	KPI/Performance metric HSSE scorecards LTIF TRIR
Strategic pillars 1, 2, 3	Strategic pillars 2, 3	Strategic pillars 2, 3, 5
Assessment Very high	Assessment Very high	Assessment High
Trend Steady. We continue to refine our project management approach for improved speed of delivery and efficiency, conclude the integration of the newly acquired Eland Assets into our business, consolidate performance across board, maximise production, maintain a strong balance sheet, and strategically position the Company for future growth.	Trend Steady. Remarkably improved uptime of Forcados export system. However, risk trend is Steady, even though there is no near term line of sight for an alternative evacuation line, in the sudden event of prolonged outage of the TFP. Alternative line (AEP) is now scheduled for Q2 2021 delivery.	Trend Steady. Though the risk is inherent, we will continue to deploy our HSSE risk management in line with best practices and with strong emphasis on prevention.

Operational risks continued		
Infectious diseases outbreak in Seplat (e.g. Covid-19)	Sustaining E&A programme	
Description Risk of an index case manifesting in Seplat offices or field locations. This leads to an unsuccessful initial control of an index case (probably resulting in communal spread of the disease in the Seplat community as a result of late detection of secondary contact cases which may have had close contacts with index case or close contacts from other external primary sources). Risk also covers supply chain disruptions emanating from the pandemic i.e. the extent to which the disease will have an impact on all key projects of the Company (including ANOH) as designed in the work programme (impacting	Description Exploration and appraisal activities carry significant levels of subsurface risk. Sustained E&A drilling failure will impact the Company's ability to organically replace reserves and production.	

the supply chain and major contractors scheduled to deliver in a few months).		
Mitigation Appointment of the COVIMOG (monitoring and response team) to assess the dynamics of the virus and report to leadership weekly. Install hand washing and sanitiser dispensers across all business locations. Avoid large crowd and physical meetings of more than 50 people. Avoid external meetings; encourage online meetings. Encourage staffs and other tenants on the building on washing of hands and use of sanitiser. Suspend all non critical travel plans and in the event of critical travels, put in place mandatory self quarantine and testing. Put in place mandatory PCR testing for all field operations. LT alignment on business scenarios to gain stability post-epidemic. Have a Business Continuity Plan in place to curb post-economic recovery challenges. Run an operations impact assessment and trigger identification of quick remediation strategies/wins across the business. Manage press/publicity and communication to avoid mis-communication/ wrong press. Declare work from home with effective IT support.	Mitigation Strict compliance with reservoir management guidelines. Building internal capacity with skilled sub-surface expertise. Drill a minimum of two exploration wells, as well as continuous M&A work to secure available opportunities at the right price.	
KPI/Performance metric HSSE scorecards LTIF TRIR	KPI/Performance metric Reserve replacement	
Strategic pillars 1, 2, 3, 4	Strategic pillars 1, 2, 3, 5	
Assessment High	Assessment Very high	

Trend Rising. Trend is rising given the second wave of the pandemic with its attendant contagious spread and the notable cases recorded. The Company will sustain the deployment of our HSE risk management in line with best practices and with strong emphasis on reducing the impact of this unprecedented pandemic.	Trend Steady. High grading our exploration portfolio through a thorough prospect screening exercise. In the near term, plan is to commence exploration drilling campaign in the West.	
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External risks		
Niger Delta stability and security	Stakeholder management relationships	Geopolitical risk
Description The Company operates in a region where security incidents such as kidnappings, vandalism and criminal attacks on O&G installations can occur.	Description Failure to manage stakeholders can result in business disruptions and interference. The Company prioritises the effective management of relationships with all stakeholders including host communities, JV partners, government, regulatory bodies and shareholders.	Description Nigeria has at times in its history faced political uncertainties and threats such as terrorism aimed at de-stabilising and undermining the orderly and effective rule of central government.
Mitigation Continuous security monitoring and intelligence work. Quick mechanism for security advisory to staff and movement restriction for high alert situations. Active participation in the industry pressure groups to find lasting solution.	Mitigation Successful operation of the GMOU agreement with host communities, periodic engagement and feedback forums. Tailored CSR programmes, capacity building and infrastructure developments with the host communities. Sustain local content development with priority to community contractors. Organisational focus and clear strategy to deliver shareholder value pursued by the Board and management. Corporate governance, transparency and proactiveness in dealings with regulators and JV partners.	Mitigation Scenarios and response options plan set. Crisis management team in place for high alert political periods. Continue to partner/network with security stakeholders and share intelligence regarding security. Business continuity plans actioned in light of current geo-political situation.
KPI/Performance metric LTIR	KPI/Performance metric Net working interest production	KPI/Performance metric Be a highly responsible corporate citizen

TRIR Security incidents Operating cash flow	LTIR TRIR Host community incidences	Maximise production and cash flows from existing assets Commercialise and produce gas reserves
Strategic pillars 2, 5	Strategic pillars 2, 3, 5	Strategic pillars 1, 2, 5
Assessment Very high	Assessment High	Assessment High
Trend Steady. Efforts by the Government and industry pressure groups, aimed at enhancing security in the region seems to be paying off as there was a significant drop in targeted oil and gas facilities attacks in the region in year 2020. We will continue our monitoring and vigilance.	Trend Steady. We continue to enjoy good working relations with our stakeholders.	Trend Steady.

Financial risks		
Oil price volatility	Changes to tax status and legislation	Availability of capital
Description Oil prices have exhibited a history of volatility and can fluctuate sharply in line with external factors.	Description If the tax regime/legislation under which the Company operates its assets were to change, profitability may be impacted.	Description The oil and gas industry is highly capital intensive. Significant amounts of capital are required to continue development activities and fund M&A. Non funding of cashcalls by JV partners impacts activities and liquidity.
Mitigation Hedging continues to be our price risk management tool. Price sensitisation on project economics and cost discipline for capital projects sanctioning. Aggressive focus on cost reduction.	Mitigation Perform evaluation of business plan and performance metrics exclusive of tax benefits. Project economics were determined on maximum tax basis to mitigate the impact of the now expired pioneer tax status. Impact assessment of potential tax legislature monitored at the Board level.	Mitigation Emphasis on compliance with requirements of the JV operating agreement for effective/strict JV partner concurrence. Board review and approval of financial strategy and debt portfolio management with strong banking relationships.
KPI/Performance metric Realised oil price Operating cash flow	KPI/Performance metric Effective tax rate Tax status	KPI/Performance metric JV receivables

		Capex New M&A activities
Strategic pillars 2	Strategic pillars 2, 3	Strategic pillars 2, 3, 5
Assessment High	Assessment High	Assessment Very high
Trend Decreasing. In the year 2020, we kept focus of our price risk management policy to protect the Company's cash flow stream from downside scenarios. We will also continue to take hedge positions and apply cost reduction strategies.	Trend Steady. PIB is going through legislative process. Versions in circulation currently being reviewed to assess the impact on Seplat valuation.	Trend Decreasing. JV partners continues to remain current in paying cash calls.

Financial risks continued		
Cost control risk	Liquidity	Foreign exchange risk
Description Cost reduction remains central to the Company's current operating strategy. High operating cost and ineffective capital cost control negatively impacts operating cash flows and profitability.	Description Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.	Description The Company is exposed to exchange rate risk to the extent that balances and transactions are denominated in a currency other than the US Dollar.
Mitigation Comprehensive budgeting process approved by the joint venture partner and the Board. Clear cost management targets. Grading of portfolio opportunities and project ranking for capital allocation. Focus on reducing drilling costs at well design phase. Cost monitoring and periodic reporting. Focus on effective contracting strategies for cost reduction.	Mitigation Manage liquidity risk by ensuring that sufficient funds are available to meet commitments as they fall due. Uses both long-term and short-term cash flow projections to monitor funding requirements for activities and to ensure there are sufficient cash resources to meet operational needs. Cash flow projections take into consideration the Company's debts and covenant compliance. Surplus cash held is transferred to the treasury department which invests in interest-bearing current accounts, time deposits and money market deposits.	Mitigation The Company has options to manage its foreign exchange exposure including financial hedge instruments such as forward exchange contracts.

KPI/Performance metric Operating cost per boe EBIT Capex Well costs	KPI/Performance metric Operating cash flow Capex	KPI/Performance metric Operating cash flow Capex
Strategic pillars 2, 3, 5	Strategic pillars 2	Strategic pillars 2, 3
Assessment High	Assessment Medium	Assessment High
Trend Steady. Cost discipline remains key focus of the business.	Trend Steady. Improved uptime of TFP; improved JV cash call payment; oil price rally; and strategic debt refinancing all have greatly improved liquidity risk.	Trend Steady. Historically, the Company holds majority of its cash and cash equivalent in US Dollar. Gas contracts are indexed in US Dollar.

Strategic risks		
Portfolio concentration risk	Merger & Acquisition (M&A) risk	Bribery and corruption risk
Description High dependency on a concentrated portfolio of producing blocks and limited number of wells can leave the Company more susceptible to declining long-term growth and reserves depletion.	Description Growth through M&A activities is part of Seplat's strategy to pursue a focused acquisition and farm-in. M&A deals and transactions come with significant risk including structural, commercial and integration risks. There is also the risk of non achievement of acquisition targets due to highly competitive landscape.	Description Bribery and corruption presents a risk throughout the global oil and gas industry and represents an ongoing risk to any oil and gas company.
Mitigation Focus on portfolio expansion strategy from the Board level to diversify current portfolio. Integrated long-term planning on crude oil and gas business.	Mitigation New business development unit is always looking for the right opportunities for Seplat. Decision review board (DRB) process is in place to ensure deals are properly vetted and adequate due diligence done on new opportunities. The DRB ensures the commercial, structural, KYC and integration risks are fully considered and addressed with mitigation plan approved and in place prior to deal closing.	Mitigation Extensive training on anti-bribery and corruption. Embedding corporate governance principles with key focus on areas of the business which may be more susceptible to corruption such as the contracting and procurement process. Processes exist to guide dealings with public officials.

KPI/Performance metric Successful execution of new acquisition and farm-in opportunities	KPI/Performance metric Successful execution of new acquisition and farm-in opportunities	KPI/Performance metric Whistleblowing reports Number of disciplinary cases
Strategic pillars 2, 3	Strategic pillars 1, 3, 5	Strategic pillars 5
Assessment High	Assessment Very high	Assessment Very high
Trend Steady. The Company is in build/transform phase.	Trend Steady. DRB process in place to vet opportunities and deals. Risk trend steady following ongoing integration of Eland Oil and Gas Plc, as well as ongoing strategy to acquire more strategic assets. M&A landscape remains competitive.	Trend Decreasing. As geographical location continues to be susceptible to corruption, risk trend changed from steady to decreasing.

Strategic risks continued		
Loss of key employees	Fraudulent activity risk	Information security risk
Description The oil and gas industry is very specialised in certain areas and there is competition within the industry to secure talent and highly-skilled and experienced personnel in core areas.	Description Fraudulent activity presents a risk throughout the global oil and gas industry and represents an ongoing risk to any oil and gas company.	Description Potential cyber attacks and information technology security breaches could result in loss or compromise of sensitive proprietary information, communication and IT business continuity disruption across operations.
Mitigation Annual benchmark reviews to ensure competitiveness in reward and recruitment. Succession planning in place as part of business continuity. Focus on training as a key differentiating factor in the operating environment.	Mitigation Extensive whistleblowing campaign. Continuous monitoring and improvement of the system of internal controls by all lines of defence with strong internal audit activity. Automation of processes where possible to reduce manual intervention.	Mitigation We monitor and regularly upgrade the Company's information technology and security systems. The Company has a clearly defined employee user policy and control of access rights. Our information security framework and infrastructure have been externally reviewed in line with requirements of ISO 27001. IT business continuity plan is in place for quick deployment.

KPI/Performance metric Staff turnover	KPI/Performance metric Number of reported cases	KPI/Performance metric Information security identification and containment reports
Strategic pillars 2, 5	Strategic pillars 5	Strategic pillars 2, 5
Assessment Medium	Assessment Very high	Assessment High
Trend Steady. Risk trend changed to steady this period.	Trend Steady. Risk is kept at very high and the Company continues to maintain a zero tolerance policy.	Trend Rising. While cyber security continues to hold international attention, there has not been material IT breach on our operations. However, the triggering of the work from home policy has resulted in a rising trend of the risk, given the greater number of employees working externally.

Appendix C: Related Party Transactions

The following Related party relationships and transactions are extracted from the 2020 Annual Report and Accounts (page 231)

41. Related party relationships and transactions

The Group is controlled by Seplat Petroleum Development Company Plc (the parent Company). The parent Company is owned 6.43% either directly or by entities controlled by A.B.C. Orjiako (SPDCL(BVI)) and members of his family and 10.21% either directly or by entities controlled by Austin Avuru (Professional Support Limited and Platform Petroleum Limited). The remaining shares in the parent Company are widely held.

The goods and services provided by the related parties are disclosed below. The outstanding balances payable to/receivable from related parties are unsecured and are payable/receivable in cash.

1. Shareholders of the parent Company

Shebah Petroleum Development Company Limited SPDCL (BVI):

The Chairman of Seplat is a director and shareholder of SPDCL (BVI). The Company provided consulting services to Seplat. Services provided to the Group during the period amounted to \$900 thousand, ₦342 million (2019: \$1.05 million, ₦322 million).

2. Entities controlled by key management personnel (Contracts>\$1million in 2020)

Cardinal Drilling Services Limited (formerly Caroil Drilling Nigeria Limited):

The Company is owned by common shareholders with the parent Company. The Company provides drilling rigs and drilling services to Seplat. Transactions with this related party amounted to \$5.7 million, ₦2.1 billion (2019: \$9.44 million, ₦2.89 billion). Payables amounted to \$591 thousand, ₦225 million in the current period (Payables in 2019: nil).

3. Entities controlled by key management personnel (Contracts<\$1million in 2020)

Abbeycourt Trading Company Limited:



Seplat Petroleum Development Company Plc
RC 824838

The Chairman of Seplat is a director and shareholder. The Company provides diesel supplies to Seplat in respect of Seplat's rig operations. This amounted to \$296 thousand, ₦106 million during the period (2019: \$0.93 million, ₦286 million). Payables amounted to \$15,273, ₦5.8 million (2019: nil).

Stage leasing (Ndosumili Ventures Limited):

A subsidiary of Platform Petroleum Limited (an entity in which Austin Avuru has an equity interest). The Company provides transportation services to Seplat. This amounted to \$714 thousand, ₦257million (2019: \$1.45 million, ₦445 million). Payables amounted to \$23,572, ₦8.9 million (2019: nil).