RNS Number : 4848H
Seplat Energy PLC
28 July 2023

Please see the Full Audited Results in attached PDF

http://www.rns-pdf.londonstockexchange.com/rns/4848H_1-2023-7-27.pdf

Unaudited results for the six months ended 30 June 2023

28 July 2023

Lagos and London, 28 July 2023: Seplat Energy PLC ("Seplat Energy" or "the Company"), a leading Nigerian independent energy company listed on both the Nigerian Exchange and the London Stock Exchange, announces its unaudited results for the six months ended 30 June 2023.

Summary

Our operating performance in 6M2023 was solid, we achieved a 2% increase in production, helped by reduced losses on our Western Asset, which is benefitting from the availability of the Amukpe-Escravos Pipeline and increased output from OML40. Revenue remained strong, while operating profits in the period were impacted by lower oil prices and other items, most notably the non-cash impact of the devaluation of the Nigerian Naira.

Financial highlights

- Revenues up 3.8% to $547.0 million (including overlift of $59.4m), on improved production, offset by lower oil price
- Cash generation of $259.1 million, funding capex of $88.8 million and improved shareholder returns
- Balance sheet remains strong, $381.0 million cash at bank, despite impact of the devaluation of the Naira on USD cash balances, net debt now at $380.0 million ($128 million MPNU cash deposit not included)
- Further $3.3 million received as part of the Ubima disposal, total proceeds up to $21.9 million
- Unit production opex of $9.6/boe
- Average oil price $79.54/bbl (6M 2022: $107.35/bbl); average gas price $2.87/Mscf (6M 2022: $2.76/Mscf)
- Q2 2023 dividend declared of US 3 cents per share, in line with higher core annual dividend of US 12 cents

Operational highlights

- Working interest production increased by 1.8% to 50,805 boepd, in the middle of our 45-55 kboepd guidance
- Amukpe-Escravos Pipeline (AEP) continued to provide alternative evacuation resulting in lower downtime overall
- Completed five new wells, boosting liquids production at OML 40
- Island section of grouting operations on OB3 pipeline complete. ANOH gas plant mechanical completion and partner operated key project milestones expected by end 2023
- Achieved more than 4.2 million hours without Lost Time Injury (LTI) at Seplat-operated assets
- Carbon intensity figure of 26.3 kg/boe. Sapele Power gas offtake expected to commence in 2H23, this is expected to reduce emissions by approximately 40%

Corporate updates

- Extended the Share Sale and Purchase Agreement (SSPA) for the acquisition of ExxonMobil's share capital of Mobil Producing Nigeria Unlimited (MPNU) to preserve the transaction, pending the resolution of certain legal proceedings and receipt of applicable regulatory approvals; we continue to work with all parties to achieve a successful outcome
- Full-year production guidance retained at 45-55 kboepd
- Capex guidance range at $160 - $190 million (previously $160 m) to support the Group's objectives for the year
- Following our previously announced Board succession plan (25 April 2023), we are pleased to announce that Eleanor Adaralegbe, currently VP Finance, has been appointed CFO-designate and will succeed Emeka Onwuka as CFO in 2024

Roger Brown, Chief Executive Officer, said:

"Seplat Energy's continuing strong performance puts us on track for an excellent year that will support the increased quarterly dividends we announced in April, and our balance sheet remains strong despite the impact of the recent Naira devaluation. We are benefiting greatly from use of the new Amukpe-Escravos Pipeline, which has supported our robust cash generation this year, and remain focused on improving operations, reducing costs where possible and further derisking the business. We continue to strengthen our Company in the knowledge that our efforts to improve governance and sustainability are widely supported by Nigerian and international investors.

The distraction of frivolous legal actions is receding, and we are focused on developing our assets and launching our joint venture ANOH Gas Processing Plant, which will significantly boost our cash generation in the coming years. We expect that this will enable us to fund additional investment in Nigeria's energy infrastructure and return higher dividends to shareholders.

We remain confident that our proposed and transformational acquisition of MPNU will be approved, enabling us to scale into a significant energy supplier with diverse and productive assets that have potential to generate substantial benefits for Nigeria. We wholly align and support the recent government efforts to make Nigeria a more attractive place to invest and continue to focus on delivering affordable and reliable energy for Nigeria's young, entrepreneurial and rapidly growing population."

Summary of performance

	$ million			₦ billion	
	6M 2023	6m 2022	% Change	6M 2023	6M 2022
Revenue *	547.0	527.0	3.8%	278.3	219.2
Gross profit	276.3	274.3	0.7%	140.6	114.1
EBITDA **	235.8	342.7	(31.2%)	120.0	142.6
Operating profit (loss)	118.4	245.3	(51.7%)	60.2	102.0
Profit (loss) before tax	85.4	209.9	(59.3%)	43.5	87.3
Cash generated from operations	259.1	330.1	(21.5%)	131.8	137.3
Working interest production (boepd)	50,805	49,924	1.8%		
Volumes lifted (MMbbls) ***	6.1	4.4	38.6%		
Average realised oil price ($/bbl.)	$79.54	$107.35	(25.9%)		
Average realised gas price ($/Mscf)	$2.87	$2.76	4.0%		
LTIF	0.0	0.0			
CO_2 emissions intensity from operated assets, kg/boe	26.3	24.6	6.9%		

* 6M 2023 revenue includes an overlift of $59.4m

** Adjusted for non-cash items

*** Volumes lifted in 6M 2023 includes 845 kbbl of overlift

Responsibility for publication

This announcement has been authorised for publication on behalf of Seplat Energy by Emeka Onwuka, Chief Financial Officer, Seplat Energy PLC.

Signed:

Emeka Onwuka

Chief Financial Officer

Important notice

The information contained within this announcement is unaudited and deemed by the Company to constitute inside information as stipulated under Market Abuse Regulations. Upon the publication of this announcement via Regulatory Information Services, this inside information is now considered to be in the public domain.

Certain statements included in these results contain forward-looking information concerning Seplat Energy's strategy, operations, financial performance or condition, outlook, growth opportunities or circumstances in the countries, sectors, or markets in which Seplat Energy operates. By their nature, forward-looking statements involve uncertainty because they depend on future circumstances and relate to events of which not all are within Seplat Energy's control or can be predicted by Seplat Energy. Although Seplat Energy not all are within Seplat Energy's control or can be predicted by Seplat Energy. Although Seplat Energy believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. Actual results and market conditions could differ materially from those set out in the forward-looking statements. No part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in Seplat Energy or any other entity and must not be relied upon in any way in connection with any investment decision. Seplat Energy undertakes no obligation to update any forward-looking statements, whether because of new information, future events or otherwise, except to the extent legally required.

Investor call

At 09:00 GMT / 09:00 WAT on Friday 28 July 2023, the Executive Management team will host a conference call and webcast to present the Company's results.

The presentation can be accessed remotely via a live webcast link and pre-registering details are below. After the meeting, the webcast recording will be made available and access details of this recording are also set out below.

A copy of the presentation will be made available on the day of results on the Company's website at https://seplatenergy.com/ .

Event title:	Seplat Energy Plc: Full year results
Event date	9:00am (London) 09:00am (Lagos) Friday 28 July 2023
Webcast Live Event/Archive Link	https://secure.emincote.com/client/seplat/seplat017
Conference call and pre-register Link:	https://secure.emincote.com/client/seplat/seplat017/vip_connect

The Company requests that participants dial in 10 minutes ahead of the call. When dialling in, please follow the instructions that will be emailed to you following your registration.

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About Seplat Energy

Seplat Energy PLC (Seplat) is Nigeria's leading indigenous energy company. Listed on the Nigerian Exchange Limited (NGX: SEPLAT) and the Main Market of the London Stock Exchange (LSE: SEPL), we are pursuing a Nigeria-focused growth strategy in oil and gas, as well as developing a Power & New Energy business to lead Nigeria's energy transition.

Seplat's energy portfolio consists of seven oil and gas blocks in the prolific Niger Delta region of Nigeria, which we operate with partners including the Nigerian Government and other oil producers. We also have a revenue interest in OML 55. We operate a 465MMscfd gas processing plant at Oben, in OML4, and are building the 300MMscfd ANOH Gas Processing Plant in OML53 and a new 85MMscfd gas processing plant at Sapele in OML41, to augment our position as a leading supplier of gas to the domestic power generation market. https://www.seplatenergy.com/

Operating review

Update on developments in Nigeria

Following the 2023 general elections, President Bola Ahmed Adekunle Tinubu assumed office as Nigeria's new President. Since taking office, President Tinubu has introduced several pro-market reforms, including removing the controversial fuel subsidy and unifying multiple exchange rate windows. These reforms have been well received by the capital market, as they are crucial to restoring investor confidence in Nigeria's economy. The unified exchange rate system promotes transparency and market-driven exchange rates, fostering macroeconomic stability and growth.

The recent foreign exchange (FX) reforms have positively impacted FX liquidity. Notably, data from FMDQ Group indicates that the average turnover at the Investors & Exporters (I&E) window, which now includes all FX windows, has increased by that the average turnover at the Investors & Exporters (I&E) window, which now includes all FX windows, has increased by 41% since the announcement of these policies. However, the devaluation of the Naira has implications for our business, leading to currency losses on naira cash balances and receivables and resulting in gains on payables balances (further details in the financial review section).

Overall, we view these changes as beneficial for both the country and Seplat operations.

OPEC Quota

During the period, the 35th Ministerial Meeting of OPEC+ took place, during which the crude oil market dynamics were assessed. Some members, led by Saudi Arabia, agreed to extend production cuts into 3Q2023. These measures played a significant role in stabilising the market and reducing price volatility in recent months.

Apart from the voluntary production cuts, revisions were made to the production baselines for 2024 and 2025. Nigeria's production quota was adjusted downward due to ongoing challenges in meeting production targets. In 2024, Nigeria's production baseline will decrease by 0.36mbpd, leading to a production quota of 1.38mbpd (excluding condensates).

Currently, the Seplat JV share of the OPEC quota stands at approximately 48 kbopd for the Western Assets and 11 kbopd for the Eastern Assets. Given the decrease in Nigeria's crude oil production quota, it is possible that Seplat Energy may also face a reduction in its production quota. However, the Company does not anticipate any significant impact on its business due to the presence of a reasonable head room.

Upstream business performance

Working interest production for the six months ended 30 June 2023

During the first half of 2023, the total working interest production increased by 1.8% to 50,805 boepd (6M 2022: 49,924 boepd); the oil & gas mix was 59% and 41% respectively. Average production in the first six months of 2023 sits just above the mid-point of our 2023 guidance of 45,000-55,000 boepd, which remains unchanged.

		6M 2023			6M 2022		
		Liquids	Gas	Total	Liquids	Gas	Total
	Seplat %	bopd	MMscfd	boepd	bopd	MMscfd	boepd
OMLs 4, 38 & 41	45%	16,533	119.4	37,118	17,386	117.7	37,681
OML 40	45%	10,803	-	10,803	8,688	-	8,688
OML 53	40%	1,164	-	1,164	2,139	-	2,139
OPL 283	40%	1,721	-	1,721	1,416	-	1,416
Total		**30,221**	**119.4**	**50,805**	**29,629**	**117.7**	**49,924**

Liquid production volumes as measured at the LACT (Lease Automatic Custody Transfer) unit for OMLs 4, 38 and 41; OML 40 and OPL 283 flow station.
Gas conversion factor of 5.8 boe per scf.
Volumes stated are subject to reconciliation and may differ from sales volumes within the period.

Total liquids production increased by 1.8% compared to the same period in 2022. The production for the period was 5.5 MMbbls compared to 5.4 MMbbls in 2022. The higher production during the period, was supported by the improved availability of the Forcados Oil Terminal, which achieved an uptime of 80% and the availability of the Amukpe-Escravos Pipeline (AEP). Average daily gas production was up 1.4% to 119.4 MMscfd (6M 2022: 117.7 MMscfd).

At OMLs 4, 38, & 41, working interest liquids production fell 4.9% to 16,533 bopd (6M 2022: 17,386 bopd) due to higher unscheduled deferment and delays to the on-stream timing of new wells, which were planned to arrest the natural decline on the assets. The AEP continued to provide an alternative evacuation solution, helping to de-risk our Western Asset production and we now evacuate crude via this route and the Trans Forcados Pipeline (TFP).

Our operations at OML 40 contributed the most significant growth in the period. Working interest production from the asset grew by 24.3% to 10,803 bopd in 6M 2023 (6M 2022: 8,688 bopd). The strong growth in OML 40 volumes was because of higher production uptime and delivery of new wells as planned.

At the smaller Eastern operations in OML 53, daily working interest production fell 45.6% to 1,164 bopd in 6M 2023, with evacuation of these volumes to the nearby Waltersmith Refinery. The ongoing production issues are primarily due to evacuation challenges caused by the unavailability of key delivery lines. Both the Antan-Ebocha delivery line, which supports the Jisike operations, and the Trans Niger Pipeline (TNP), utilised for Ohaji operations, remain unavailable.

We are actively working towards resolving these third-party evacuation issues and are in final discussions with the Edo Refinery regarding an alternative evacuation option. The plan entails supplying approximately 1,000 bopd of JV crude from Ohaji to the Edo Refinery. By exploring alternative evacuation options, we aim to mitigate the challenges faced in the Eastern operations and maintain a consistent production flow.

We remain committed to resolving evacuation issues and optimising production from our Eastern operations while actively exploring alternative solutions to ensure efficient crude evacuation in the future.

Drilling and other Capital Projects

During the period, five wells in our drilling program were delivered: Opuama-17, Sibiri-2, Gbetiokun 4 workover, Gbetiokun-10, and Assa North-05. In the first quarter of the year, Opuama-17, was completed and is producing at a gross rate of c. 3,000 bopd. Sibiri-2 well has been drilled to TD, with the target reservoirs completed; we are currently awaiting regulatory approval to commence production from the well. GB-10 well has been drilled and completed ahead of the target date and is expected to add c.1,300 bopd to production upon completion of flowline installation and well head construction. Lastly, GB-4 W/O will add c. 2,200 bopd to production.

However, while completed wells have been supportive, overall, our drilling program is moderately behind plan. Drilling of the Orogho-8 and Ovhor-21 wells, due for completion in 1Q and 2Q respectively are ongoing. A combination of downhole challenges has been exacerbated by mechanical issues on the contracted rigs. We now expect completion of both wells in 3Q23. Given slower than planned progress year to date, we have initiated a drilling recovery program and an accelerated contracting plan in alignment with the Joint Venture partners and are confident of delivering the planned number of wells for the year.

Drilling activities in ASSN-06 are ongoing and expected to complete by the end of July.

Drilling activities in [illegible] are ongoing and expected to complete by the end of July.

Midstream Gas business performance

During the period, the average working interest gas volumes reached 119.4 million standard cubic feet per day (MMscfd), showing improvement compared to 117.7 MMscfd in the first half of 2022. This increase can be attributed to enhanced well performance and the availability of condensate evacuation routes.

We have successfully entered into a new Gas Sales Agreement (GSA) with a bulk gas supplier for a volume of 50 MMscfd. Once all the necessary Conditions Precedent are met by the new customer, we will commence gas supply under this agreement. The execution of additional GSAs is part of our strategy to optimise the capacity of the Oben gas plant. We are also actively working on securing third-party gas to feed both the Oben and Sapele gas plants.

The execution of the plan for separating the midstream business from the upstream operations has progressed according to schedule. We have completed the internal transfer of midstream assets to Seplat Midstream Company (SMC). Additionally, we have issued notices to our joint venture partners and relevant regulators to inform them of these developments. We will continue to keep the market updated on the progress of this separation process.

ANOH Gas Processing Plant

As of the latest update, the IJV (AGPC) has achieved significant progress in installing all necessary equipment for the mechanical completion of the gas plant, reaching a completion level of over 93%. The gas plant is still expected to achieve mechanical completion later this year. Safety has been a priority, and AGPC recently reached a milestone of 9 million man-hours without any lost time injury on the project.

The government partner, NGIC, is responsible for delivering the pipelines required to transport the gas from ANOH to the demand centres, including the 23km spur line and the Obiafu-Obrikom-Oben (OB3) pipeline.

Noteworthy progress has been made with completion of grouting operations for the critical Island Section of the OB3 pipeline that had faced challenges due to the collapsing of the HDD wall in a section of the river crossing. The drilling and pipe installation crew has returned to the site, and preparations are underway to resume tunnelling operations after the completion of grouting. The target completion for both ends' tunnelling, equipment demobilisation, and tie-ins is set for Q3 2023. The project was at 97% completion before the suspension of work.

Regarding the Spur Line project, all line pipes required for all 23.3km spur line sections are now in country and have been delivered to the project site. The first phase of the spur line (5.5km length) has been completed, with another 4.5km currently in progress. Our government partner has confirmed the revised completion date of Q3 2023.

In terms of upstream development, the drilling of the third well has been completed, and work on the fourth well is ongoing, with expected completion before the end of Q3 2023. Additionally, work on surface facilities required to deliver wet gas to the AGPC plant is in progress and expected to be completed by the upstream unit operator, SPDC, in Q4 2023.

Once completed, ANOH will provide two income streams for Seplat Energy: wet gas sales from OML 53 to the plant and dividends from the joint venture ANOH Gas Processing Company, which will operate the plant.

New Energy Business

Strategic growth investment opportunities are being pursued for the New Energy Business, with a particular focus on entry into off-grid power generation. Such projects will increase the reliability, lower the cost and reduce the carbon intensity of existing electricity consumption. We continue to work through technical and commercial due diligence to evaluate these investment opportunities.

HSE Performance

During the period, the Company achieved over 4.2 million hours without any Lost Time Injury (LTI) on its operated assets, which reflects the Company's strong focus on safety and the dedication of its workforce to maintaining a secure work environment. In addition to the safety record, no major human injuries were reported during this period. This accomplishment highlights the effectiveness of the safety measures and procedures implemented by the Company. However, there was one Tier 2 Process Safety Loss of Primary Containment (LOPC) incident and efforts are being made to continuously strengthen the robust safety framework in place and prevent such incidents from occurring in the future. The Company has embarked on a journey to obtain ISO 45001 and 14001 certifications. These certifications are internationally recognised standards for occupational health and safety management systems and environmental management systems, respectively. By pursuing these certifications, the Company aims to ensure the highest standards of safety and environmental performance.

Seplat Energy places a strong emphasis on safety and environmental responsibility. As part of its commitment to biodiversity and sustainability, the company is collaborating with the National Conservation Foundation (NCF) to promote and support initiatives that protect and preserve the environment.

Reducing carbon intensity is crucial for the Company, and the flares-out roadmap, which includes measures to minimise greenhouse gas emissions and improve overall energy efficiency, is being implemented to eliminate routine flares by Q4 2024

The carbon intensity recorded for the period was 26.3 kg/boe, higher than the 24.6 kg/boe recorded in 6M 2022. Currently, flare volumes make up around 80% of the total emissions. Flare volumes in 6M 2023 were modestly higher (0.5% increase), principally at our Sapele operations; the recorded flare volumes were 4.40 bcf, compared to 4.38 bcf in the same period of 2022. An encouraging development is the completion of the 72-hour reliability run test of the Sapele Accelerated AG compressor, which will process c.26 MMscfd of otherwise flared gas. With the resumption of unprocessed gas offtake by Sapele Power, expected in the second half of the year, we anticipate a material reduction of around 40% in absolute emissions.

Proposed acquisition of MPNU

On 24 May 2023, we announced that we have extended with Mobil Development Nigeria Inc. and Mobil Exploration Nigeria Inc. (ExxonMobil) the Share Sale and Purchase Agreement (SSPA) for the acquisition of ExxonMobil's share capital of Mobil Producing Nigeria Unlimited (MPNU) to preserve the transaction pending the resolution of certain legal proceedings and receipt of applicable regulatory approvals.

The Board remains confident that the transaction will be approved, and all associated legal issues will be resolved. We continue to work with all parties to achieve a successful outcome and have been encouraged by recent

We continue to work with all parties to achieve a successful outcome and have been encouraged by recent developments. We will provide further updates as appropriate.

Shareholder Actions

Seplat Energy is pleased that the Company's Chief Executive Officer ("CEO"), Mr. Roger Brown has resumed his position as the CEO of Seplat Energy and can validly enter and stay in Nigeria. This followed the Ministry of Interior ("Ministry") and the Nigeria Immigration Service ("NIS") restoration of his Working Permit, Combined Expatriate Residence Permit and Aliens Card ("CERPAC") and other Visas for the entry or stay in Nigeria ("Immigration Documents") of the Company's CEO.

The Company had previously announced that the Immigration Documents were withdrawn by the Ministry, following baseless and false allegations of racism, unfair prejudice, discrimination and improper immigration status made by certain individuals parading as "concerned workers and stakeholders of Seplat Energy Plc". The Company cooperated fully with the verification checks conducted by the Immigration Authorities, which resulted in the restored immigration status of Roger Brown.

The Company had also previously announced the striking out by the Federal High Court sitting in Lagos, of the Petition commenced on 8th March 2023 by Moses Igbrude and others in Suit No. FHC/L/CP/402/2023. The Court ordered the Petitioners to pay NGN1 million in costs. This followed the filing of a Notice of Discontinuance by the Petitioners.

Similarly, the Federal High Court in Abuja had struck out the criminal charge brought by the Nigeria Immigration Service against the Company and some of its Officers. The Court fully discharged all named defendants. The charge had earlier been withdrawn by the Nigerian Immigration Service on the 20th April 2023 and was in relation to the immigration status of Mr. Roger Brown and the withdrawal of his immigration visa by the Ministry of Interior.

The Court of Appeal also suspended the ex parte Interim Orders granted by the Federal High Court (Abuja) in Suit No. FHC/ABJ/CS/626/2023 - Juliet Gbaka & two others v. Seplat Energy Plc & thirteen others. The matter comes up on 3rd October 2023 at the Federal High Court and 31st October 2023 at the Court of Appeal.

Seplat Energy remains confident that the courts will appropriately address the outstanding frivolous litigations brought by minority shareholders holding less than 0.005% combined of the Company's issued shares.

Seplat, as a responsible corporate citizen, will continue to engage all its stakeholders in accordance with applicable law and established corporate governance best practices.

Outlook

Group production performance has improved in 2023, thanks to greater uptime on OML40 and reduced losses on our Western Asset. We maintain our 2023 guidance range at 45,000-55,000 boepd, which we are confident of meeting, given year to date production and the expected benefit of new well stock as it becomes available in the latter part of the year. We stress that our guidance does not include any expected contribution from MPNU or ANOH projects.

Our capital expenditure guidance for 2023 is adjusted to a range of $160-190 million. Our commitment to meeting the planned drilling targets remains steadfast, and we have a drilling plan in place to meet these targets in 2H 2023.

Financial review

Revenue

Oil prices have experienced a steady downward trend since the highs of 2022, primarily due to mounting concerns about the global economy and its potential impact on crude oil demand. Consequently, the average realised oil price for the first six months of 2023 declined by 25.9% to $79.54/bbl compared to the $107.35/bbl achieved during the same period in 2022.

Despite these challenging market conditions, oil and gas sales revenue in the first half of 2023 reached $547.0 million, a 3.8% increase compared to the $527.0 million generated in the first half of 2022. This growth can be attributed to the positive effect of overlifts realised during the period. However, upon adjusting for the overlift amounting to $59.4 million, revenue stood at $487.6 million, reflecting the impact of the lower oil price during the period despite the higher production.

Crude oil revenue was up 3.0% in 6M 2023 compared to the same period in the previous year, $483.3 million in 6M 2023 (as opposed to $469.2 million in 6M 2022) for the abovementioned reasons. The total volume of crude lifted during the period amounted to 6.1 million barrels, a 38.6% increase from the 4.4 million barrels lifted in the first half of 2022. Upon adjustment for the previously highlighted overlifts of $59.4 million (equivalent to 845 kbbl), crude oil revenue for the period stood at $423.9 million. A reconciliation loss of 3.3% was recorded for the period.

Similarly, gas revenue experienced a 10.2% increase, reaching $63.7 million in 6M 2023 (compared to $57.8 million in 6M 2022). This growth is attributed to increased realised gas prices and a rise in sales volume. The average realised gas price rose by 4.4% to $2.87/Mscf, while gas production saw a moderate 1.4% increase to 21.6 Bscf during the same period (compared to 21.3 Bscf in 6M 2022). The average realised gas price improvement reflects the impact of upward gas price revisions implemented in the period.

Gross profit

In the first half of 2023, gross profit showed marginal growth, increasing by 0.7% to reach $276.3 million, compared to $274.3 million in 2022. Non-production costs primarily included $94.1 million in royalties and $81.3 million in depreciation, depletion, and amortisation (DD&A), contrasting with $108.8 million in royalties and $70.4 million in DD&A in the previous year. The decrease in royalties was because of the lower oil prices realised during the period, while the higher DD&A costs reflect the increased production levels.

Direct operating costs, which encompass expenses related to crude-handling charges (CHC), barging/trucking, operations and maintenance, amounted to $88.7 million in 6M 2023, marking a 31.2% increase from the $67.6 million incurred in 6M 2022. This rise in direct operating costs is attributed to higher costs on additional alternative evacuation routes secured by Seplat to minimise outages and Third-party infrastructure downtime. On a cost/boe basis overall costs are fair and remain comparable with prior period.

Considering the cost per barrel equivalent basis, production operating expenses (opex) were $9.6/boe in 6M 2023, compared to $8.1/boe in 6M 2022.

Operating profit

During the period under review, our operating profit was $118.4 million, showing a significant decrease of 51.7% compared to the $245.3 million achieved in 6M 2022. This decline in operating profit was attributed to a combination of lower oil prices and foreign exchange (FX) losses due to changes in exchange rates. On June 14, 2023, the Central Bank of Nigeria (CBN) implemented a major operational change in the foreign exchange (FX) market to unify the multiple exchange rate windows. This change involved consolidating all FX segments into the Investors and Exporters (I&E) window, which became the sole approved and recognized window for setting the FX rate, following the adoption of "willing buyer, willing seller" model.

Because of these new CBN guidelines, there was a significant adjustment in the exchange rate between the Nigerian Naira (NGN) and the US Dollar (USD). The closing rate for June 2023 was adjusted to NGN753.01/US$, representing a notable difference from the May 2023 rate of NGN461.28/US$. The revaluation of financial assets arising from this exchange rate resulted in a net (non-cash) loss of $33.8 million.

Overall, there is no adverse effect on the company and summarised in the table below are expected future impacts of Naira devaluations.

Component	Impact NGN	Impact USD	Notes
Gas revenue	Increase	Unchanged	Gas sales are priced in dollars but invoiced in Naira at the prevailing I&E rate. The same applies for crude sold to the Waltersmith refinery
G&A/Opex	Unchanged	Reduce	Devaluation would lead to a reduction in Naira denominated costs when expressed in Dollars
Cash balances	Unchanged	Minimal	Naira revenue to closely match Naira expenses with percentage of Naira balances in cash maintained at reasonable levels
Trade receivables	Unchanged	Reduce	Exchange loss on Naira receivables
Other Naira financial assets	Unchanged	Reduce	Exchange loss in US$ on the valuation and settlement of Naira-denominated financial assets
Naira liabilities	Unchanged	Reduce	Exchange gains in US$ upon revaluing or settling our Naira-based liabilities

The Company acknowledges the importance of effectively managing the impacts of foreign exchange (FX) fluctuations. It recognizes that navigating the changing currency dynamics is crucial to its financial stability and overall success. Seplat will continue to utilise its Naira revenue (which will also increase in quantum in line with new exchange rates since gas and some oil (OML53) contract values are Dollar denominated although settled in Naira) to fund local currency transactions and constantly manage our holding Naira which usually doesn't exceed 20% of total cash holding. By proactively monitoring this, the Company aims to mitigate potential risks arising from currency volatility. This strategic approach will allow the Company to safeguard its financial position, optimize its operations, and maintain resilience in the face of currency uncertainties.

General and administrative expenses (G&A) amounted to $65.8 million, 42.0% higher than the G&A costs of $46.4 million incurred in 6M 2022. This increase in G&A costs was mainly due to professional fees associated with the litigation costs in response to the unprecedented and intense period of minority shareholder actions through the Courts and some costs associated with the MPNU transaction. Excluding these exceptional items, G&A costs would have closed relatively flat compared to the previous year. Nevertheless, Seplat remains committed to reducing G&A expenses and has established cost champions to identify cost pressure points and we are implementing measures to control expenditure in those areas.

After adjusting for non-cash items such as impairment, fair value, and exchange losses, the adjusted EBITDA for the period was $235.8 million (6M 2022: $342.7 million), resulting in a margin of 43.1% (6M 2022: 65.0%).

Taxation

The income tax expense of $2.8 million includes a current tax charge of $31.5 million and a deferred tax credit of $28.7 million. The deferred tax credit recorded during the period was due to change in applicable tax rate on our Elcrest assets which impacted deferred tax asset balance brought forward from prior years. The effective tax rate for the period was 3% (6M 2022: 60%).

Effective tax rate analysis	Income tax expense			Tax rate	
Profit before tax ($'million)	Current	Deferred	Total	**ETR (Effective Tax Rate)**	**Current Tax rate**
85.4	31.5	(28.7)	2.8	3.3%	36.9%

Net result

Profit before tax declined by 59.3%, amounting to $85.4 million, compared to $209.9 million in 6M 2022. However, the profit decline was mitigated due to lower taxation in the current period, resulting in a closing profit of $82.6 million, as opposed to $83.3 million in 6M 2022.

The profit attributable to equity holders of the parent company, representing shareholders, was $43.5 million in 6M 2023, which resulted in basic earnings per share of $0.07 for the period (6M 2022: $0.14/share).

Cash flows from operating activities

During the period, the Company generated $259.1 million in cash from its operations, a decrease from the $330.1 million generated in 6M 2022 because of lower oil prices.

Net cash flows from operating activities amounted to $209.4 million in 6M 2023, compared to $284.3 million in 6M 2022. This figure considers tax payments of $47.0 million and a hedging premium of $2.7 million during the current period, while in the previous year, tax payments were $41.1 million, and the hedging premium paid was $4.7 million.

The Company received $172 million in the first half of 2023 towards settling cash calls. This progress led to the

The Company received $17.2 million in the first half of 2023 towards settling cash calls. This progress led to the reduction of the net NEPL receivable balance, which now stands at $89 million.

Cash flows from investing activities

In the first half of 2023, the total net cash outflow from investing activities was $81.4 million, which decreased from the $200.4 million recorded in 6M2022.

The capital expenditure during the period was $87.2 million, including $62.1 million invested in drilling activities and $25.1 million invested in engineering projects.

The Company received $3.3 million from All Grace Energy regarding the divestment from the Ubima field. This payment brought the total amount received to $21.9 million out of the total settlement sum of $55.0 million.

Cash flows from financing activities

Net cash outflows from financing activities were $111.3 million, which increased from the $64.2 million recorded in 6M2022.

These outflows included $32.9 million for interest on loans and borrowings, reflecting the cost of servicing the Company's debt obligations. Additionally, a commitment fee of $2.4 million was incurred on our credit facilities.

The loan repayments of $11.0 million during the period represent the first principal repayment of the Eland Senior RBL Facility.

During the period, shareholders were paid dividends amounting to $61.8 million (6M 2022: $28.2 million paid).

Liquidity

The balance sheet continues to remain healthy with a solid liquidity position.

Net debt reconciliation 30 June 2023	$ million*	Coupon	Maturity
Senior notes*	673.0	7.75%	April 2026
Westport RBL*	78.5	SOFR rate+8%	March 2026
Off-take facility*	9.5	SOFR rate+10.5%	April 2027
Total borrowings	761.0		
Cash and cash equivalents (exclusive of restricted cash)	380.7		
Net debt	**380.3**		

* Including amortised interest

Seplat Energy ended the first quarter with gross debt of $761.0 million (with maturities in 2026 and 2027) and cash at bank of $380.7 million, leaving net debt at $380.3 million. The restricted cash balance of $24.9 million includes $8.0 million and $15.2 million set aside in the stamping reserve and debt service reserve accounts for the revolving credit facility.

As the Company continuously reviews its funding and maturity profile, it continues to monitor the market in ensuring that it is well positioned for any refinancing and or buy back opportunities for the current debt facilities - including potentially the US$650 million 7.75% 144A/Reg S bond maturing in 2026.

Dividend

The board has approved a Q2 2023 dividend of US3.0 cents per share (subject to appropriate WHT) to be paid to shareholders whose names appear in the Register of Members as at the close of business on 17 August 2023. This takes dividend payments to US6.0 cents per share for the 2023 financial year to date, in line with the Company's dividend policy.

Hedging

Seplat's hedging policy aims to guarantee appropriate levels of cash flow assurance in times of oil price weakness and volatility. For Q3 2023, 1.0mmbbls are protected at $50/bbl. (at a cost of $0.82/bbl) and 0.5mmbbls are protected at $55/bbl (at a cost of $0.51/bbl). For Q4 2023, 1.5mmbbls are protected at $55/bbl. (at a cost of $0.73/bbl).

Oil put options	Q3 2023	Q3 2023	Q4 2023
Volume hedged (MMbbls)	1.0	0.5	1.5
Price hedged ($/bbl.)	50	55	55

Additional barrels are expected to be hedged for the first quarter of 2024, in line with the approach to target hedging two quarters in advance. The Board and management team closely monitor prevailing oil market dynamics and will consider further measures to provide appropriate levels of cash flow assurance in times of oil price weakness and volatility.

Petroleum Industry Act (PIA) Implementation Status

Since submitting the conditional application to convert all our assets to the PIA regime in February 2023, our multi-disciplinary team has been diligently preparing the Company for full compliance with the various aspects of the PIA. Meanwhile, the regulator is finalising the guidelines for the conversion and has shared concession contracts with converting companies to enable a thorough review and understanding of the contractual terms and obligations that will be applicable under the new PIA regime. Therefore, the Long-stop date has been extended to September 30, 2023. Our internal review process is still underway, aiming to enable a final decision on converting our assets to the PIA regime.

Share dealing policy

We confirm that, to the best of our knowledge, there has been compliance with the Company's share dealing policy during the period.

Free float

The Company's free float on 30 June 2023 was 29%.

END

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