

2018

# Annual Results Presentation



# 2018 Highlights



## DELIVER

- Record Group production, high uptime
- Catcher – successful execution
- Net debt reduced, profitability restored



## EXPLOIT

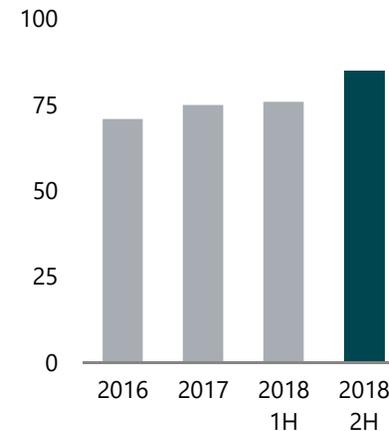
- Field life extensions
- Near field additions
- Optimal use of new technology



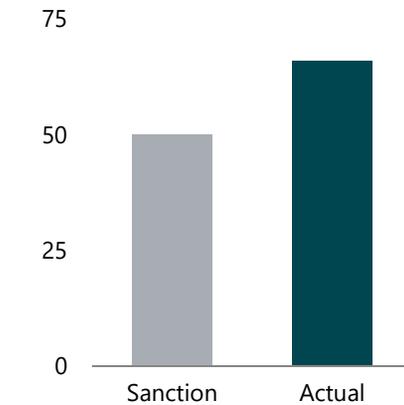
## GROW

- Tolmount Main sanctioned
- Zama appraisal commenced
- Successful capture of new licences

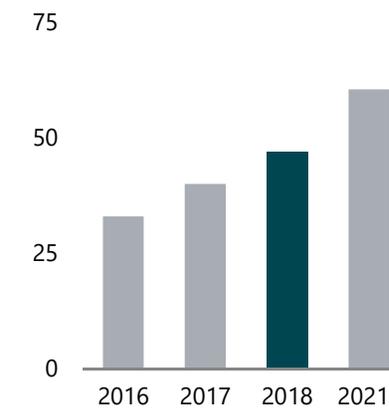
Group production  
kboepd



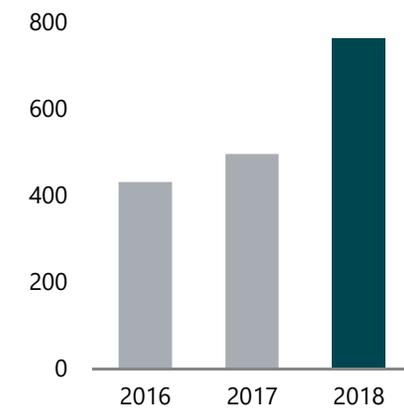
Catcher plateau production  
Kboepd (gross)



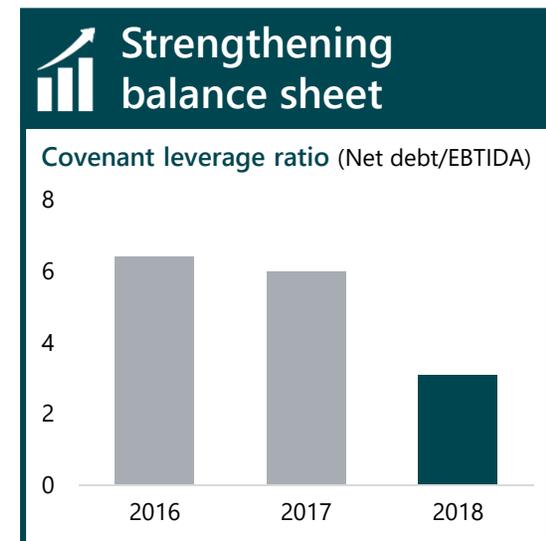
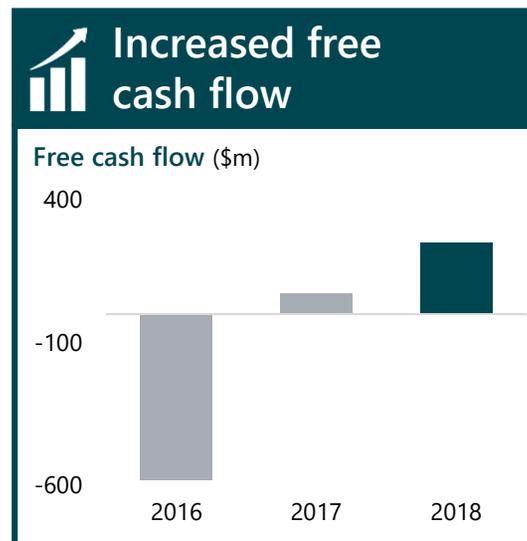
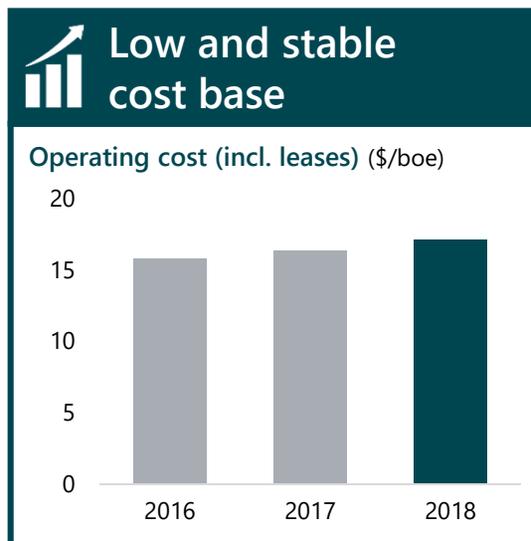
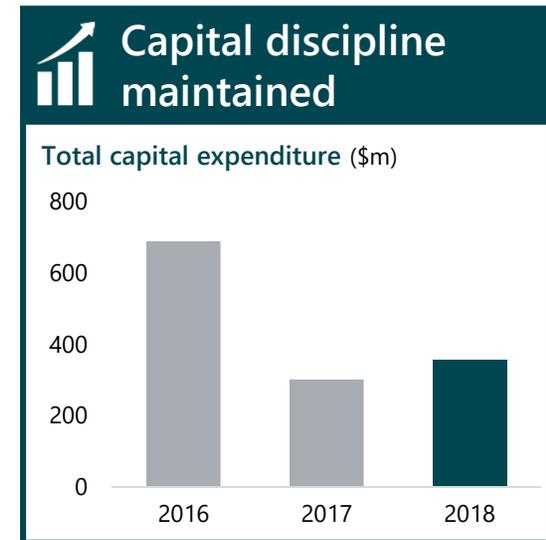
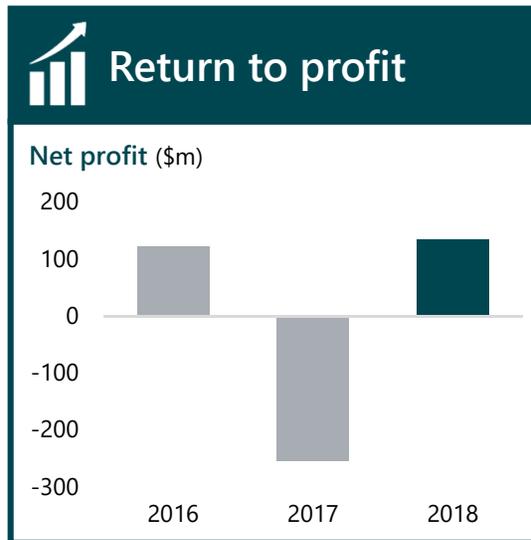
UK production  
kboepd



Operating cash flow  
\$m



# Financial highlights



# 2018 Financials

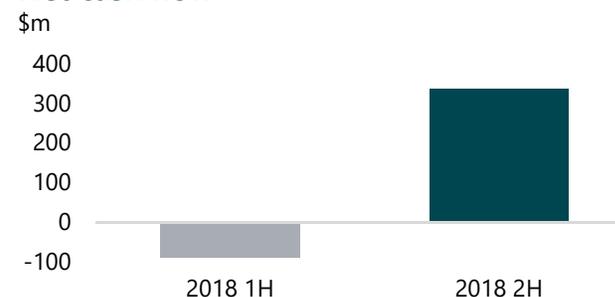
Catcher increased oil rates delivered a step up in operating cash flow and profits in the second half of 2018

	FY 2018	FY 2017
Production (kboepd)	<b>80.5</b>	75.0
<b>P&amp;L (\$m)</b>		
Sales revenue	<b>1,438</b>	1,102
Operating costs	<b>(497)</b>	(448)
EBITDA	<b>882</b>	590
Profit/(loss) before tax	<b>184</b>	(348)
Net profit/(loss)	<b>133</b>	(254)
<b>Cash flow (\$m)</b>		
Operating cash flow	<b>777</b>	475
Interest and fees	<b>(229)</b>	(310)
Capex (inc. decom pre-funding)	<b>(370)</b>	(318)
Disposals	<b>73</b>	202
Net cash flow	<b>251</b>	71
<b>Balance sheet</b>		
Accounting net debt (\$m)	<b>2,331</b>	2,724
Covenant leverage ratio	<b>3.1x</b>	6.0x

## Realised pricing

	2018	2017
Oil (pre hedge) (\$/bbl)	<b>67.9</b>	52.9
Oil (post hedge) (\$/bbl)	<b>63.5</b>	52.1
UK gas (p/therm)	<b>57</b>	47
Indonesia gas (\$/mmscf)	<b>11.2</b>	8.4

## Net cash flow



# Disciplined spend

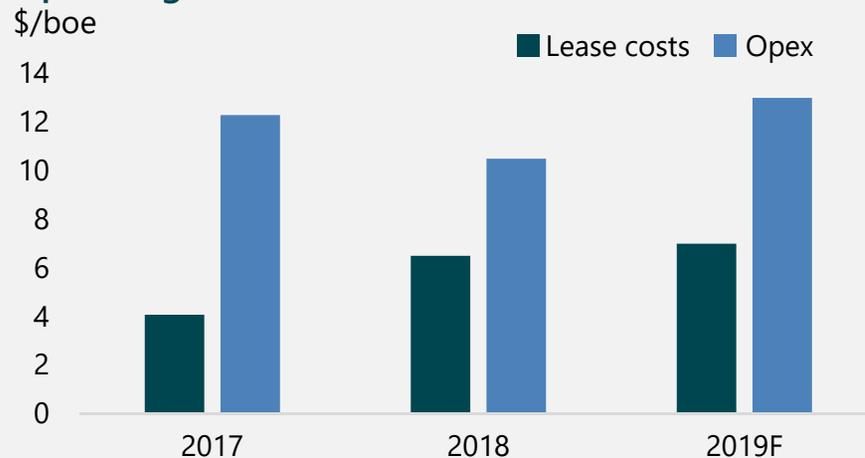
## Capital expenditure



## Capex

- Tolmount capex minimised through partnership with Kellas Midstream
- Development capex lower year-on-year with completion of Catcher
- E&A spend heavily weighted towards appraisal (Zama, Tolmount East)
- Significant abandonment costs continue to be deferred

## Operating and lease costs



## Operating and lease costs

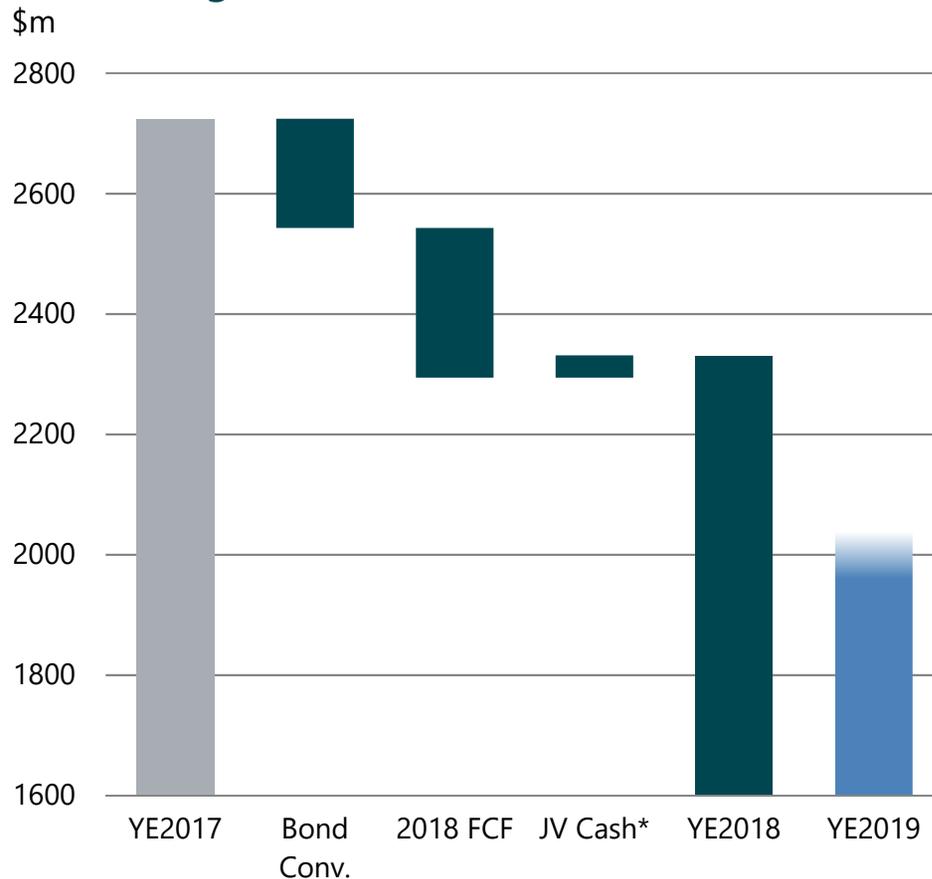
- Strong cost control across the Group
- Slightly higher per boe metrics due to portfolio effects and disposals
- Lease costs relate to Catcher, Huntington and Chim São FPSOs

**30%**  
Higher cash margins in  
2019

# Net debt reduction continuing

Targeting leverage ratio of 1.5x over the cycle

## Accounting net debt



\* includes FX movement

- Significant debt reduction in 2018
- Further debt reduction this year driven by improved cash margins and cost control
- Leverage to commodity prices after hedging
  - \$5/bbl move in price results in c. \$60m move in free cash flow
- Material liquidity of >\$400m retained
- Protection against adverse interest rate movements through \$1bn US LIBOR options

At oil prices above  
**\$45/bbl**  
generate positive free cash flow

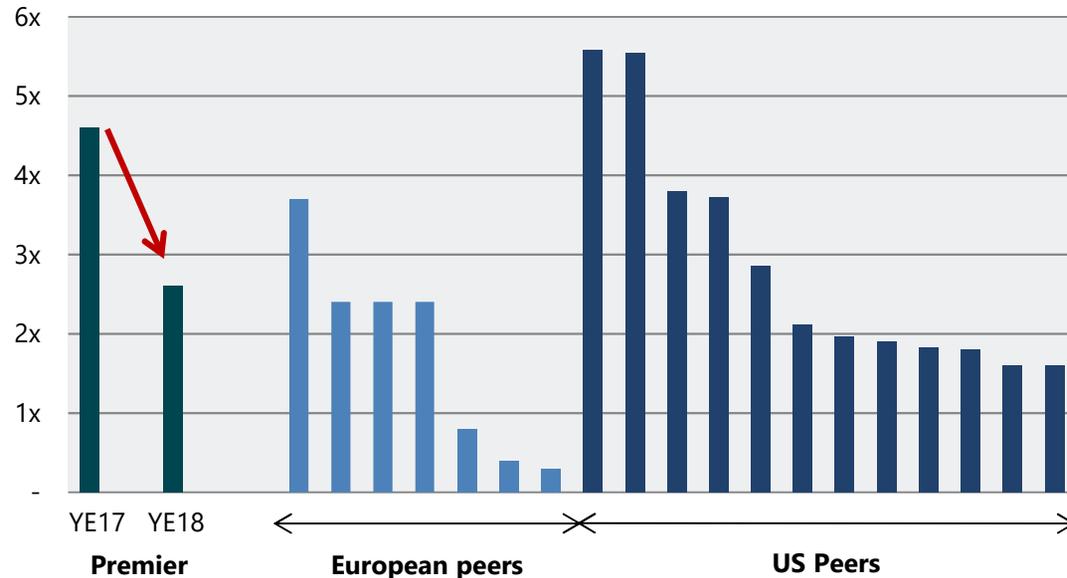
# 2019 Finance priorities



## DELIVER

- Continued debt reduction
- Maintain low cost base
- Fund selected projects without compromising balance sheet
- Protect downside through hedging
- Refinance by 2021 at lower cost

Estimated leverage ratios using accounting net debt as at year-end 2018 <sup>1</sup>



<sup>1</sup> Company, Bloomberg estimates

### Oil hedging

- 40% of 2019 oil production hedged at an average price of \$69/bbl

### UK gas hedging

- 25% of 2019 UK gas production hedged at an average price of 61p/therm

### HSFO hedging

- 25% of 2019 Indonesian gas production hedged at an equivalent average price of c.\$11/mmscf
- 35% of 2020 Indonesian gas production hedged at an equivalent price of c.\$10/mmscf

# Group production – two core areas

## 2018 record of 80.5 kboepd

- New Catcher production
- High operating efficiency

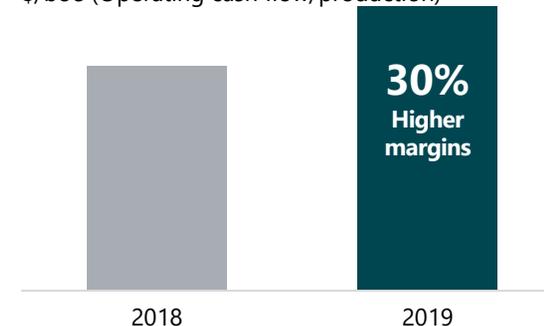
## 2019 guidance of 75 kboepd

- Underlying 5% increase after adjustment for disposals
- Improved cash margins
- Strong start to the year, averaging 89 kboepd ytd



## Improved cash margins

\$/boe (Operating cash flow/production)



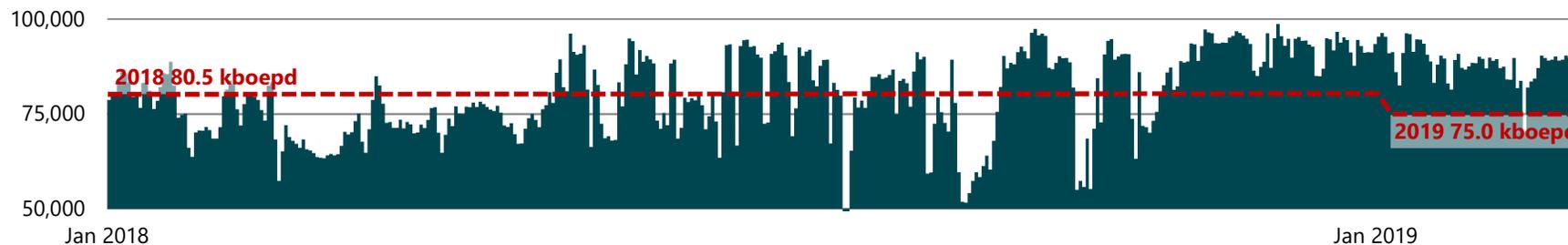
## Operating efficiency

%

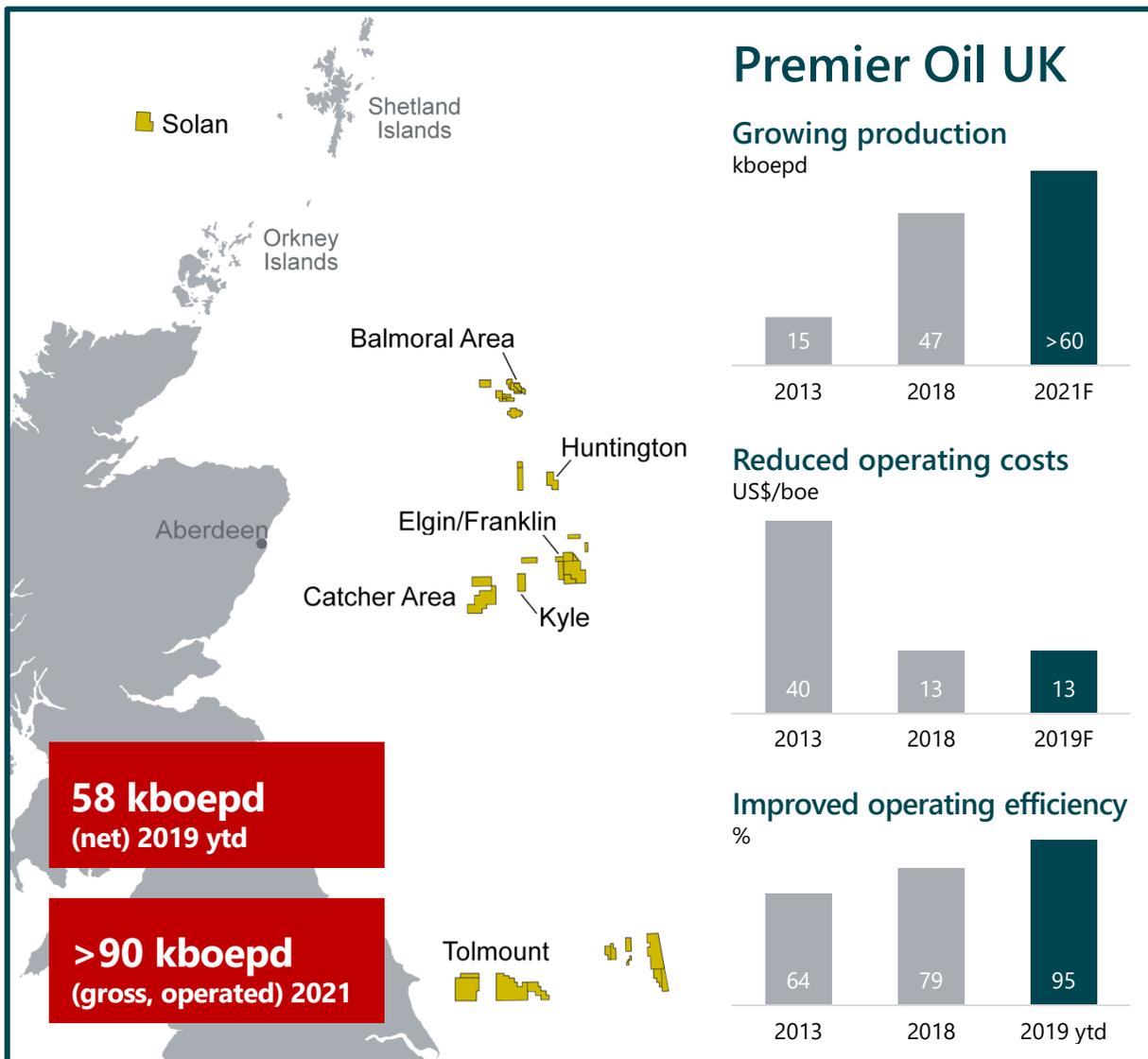


## Group production profile (2018 to 2019 ytd)

kboepd

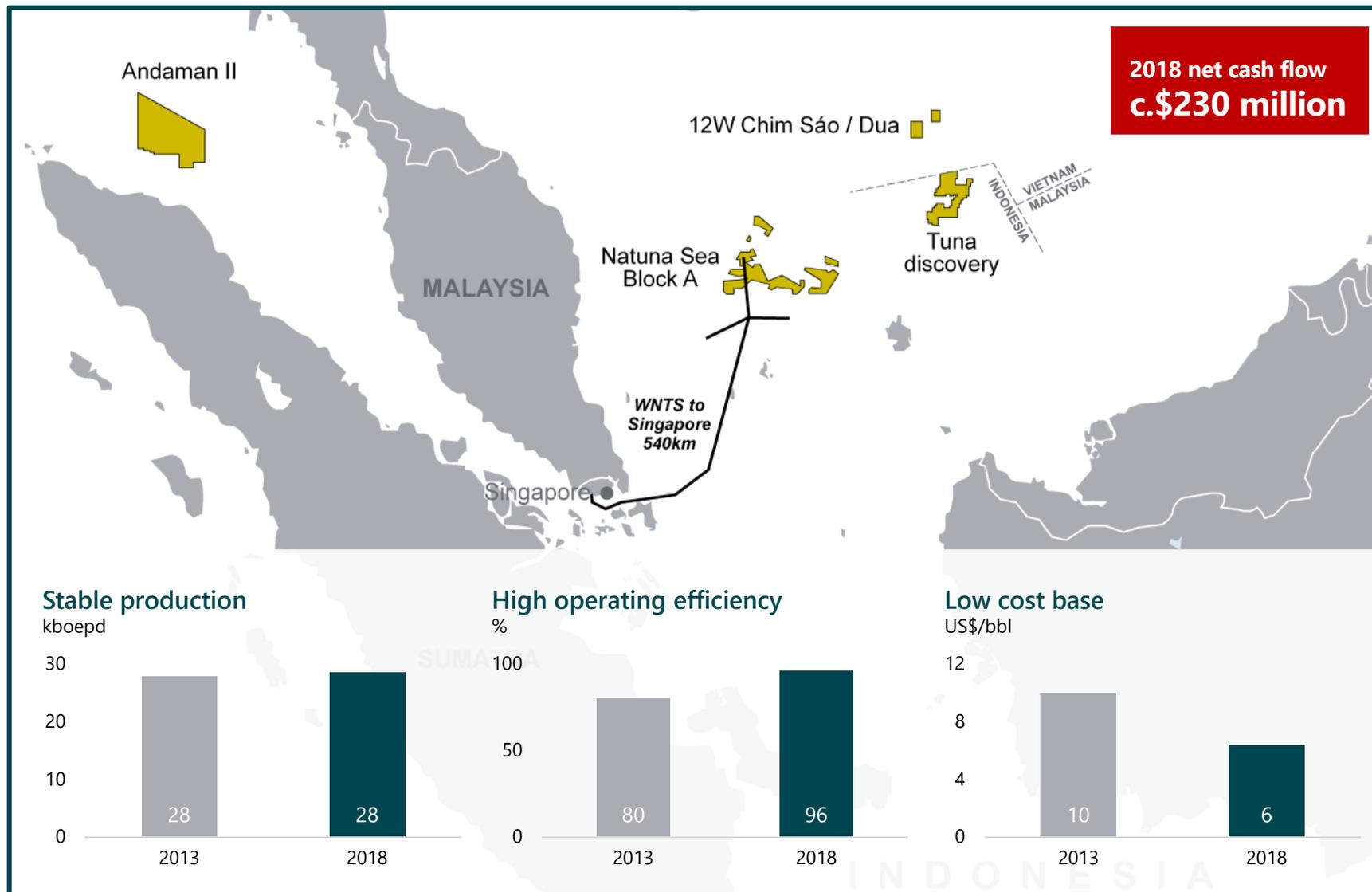


# UK production



<sup>1</sup> Company, Oil & Gas UK estimates

# South East Asia production



# Chim Sáo (53.125% operated interest)

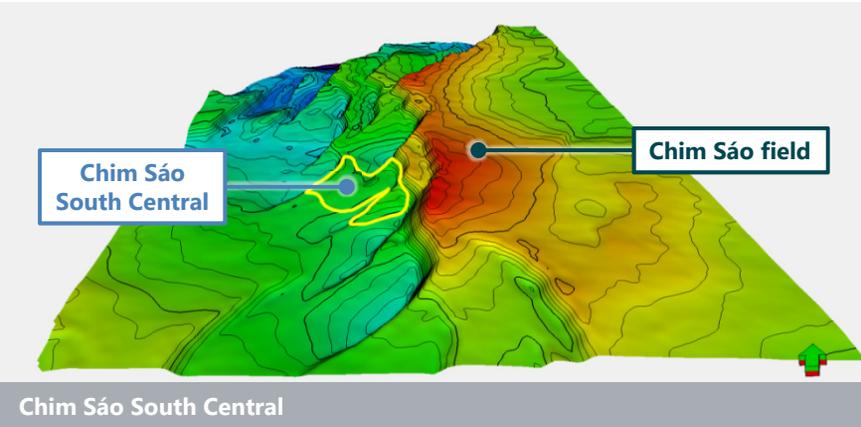
Discovered Chim Sáo in 2006; acquired additional 25% stake for \$72 million in 2009

## DELIVER

- 15.2 kboepd (net), uptime > 90%
- Low cost base (\$5/boe opex, \$6/boe lease)
- \$3/bbl premium to Brent; \$4/bbl 2019 ytd
- Two years of production without a LTI

## EXPLOIT

- Infill drilling
- Well intervention
- Near field addition (Chim Sáo South Central)



At sanction  
**55 mmboe**

Produced to date  
**77 mmboe**

Remaining  
**45 mmboe**

## Chim Sáo production

kboepd (gross)



# Natuna Sea Block A (28.67% operated interest)

Dominant position in the Natuna Sea delivering gas in Singapore under long term gas sales agreements

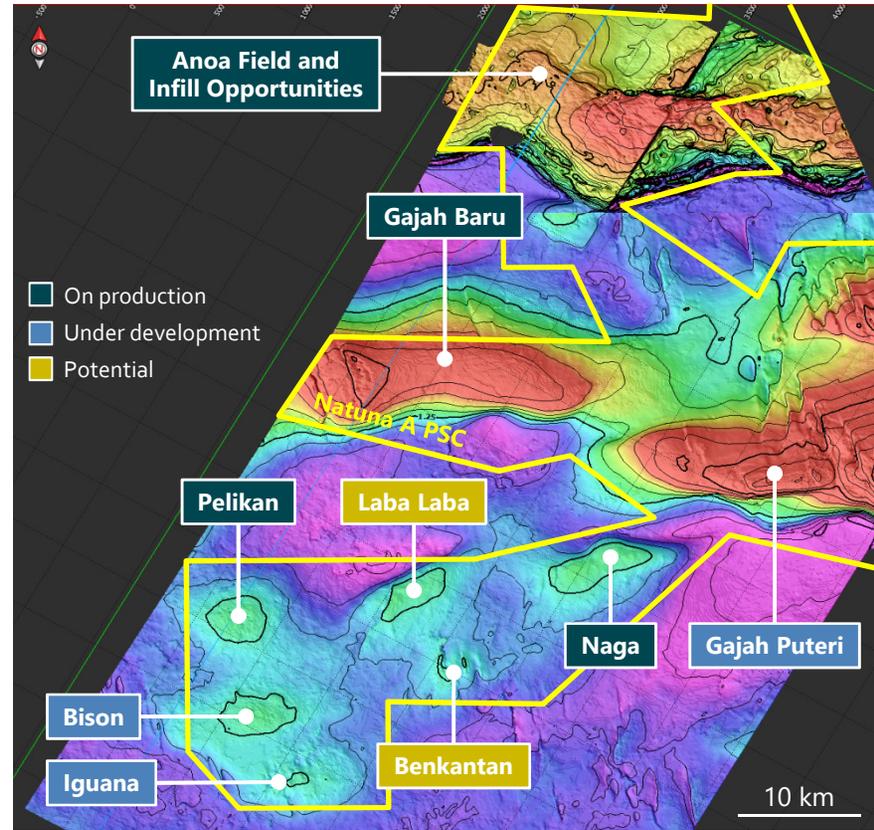
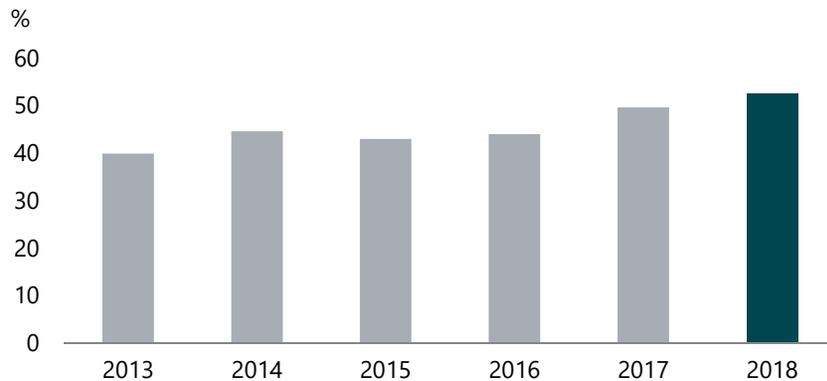
## DELIVER

- 13.2 kboepd (net); increased share of GSA1
- High quality offtake contracts
- Low operating cost of US\$7/boe

## EXPLOIT

- BIG-P first gas
- Infill drilling, well workovers
- Perforation of bypassed reservoirs
- PSDM seismic reprocessing

Natuna Sea Block A GSA1 market share



Natuna Sea Block A

YE2018 net 2P reserves  
**32 mboe**

2018 GSA1 market share  
**52%**

# Catcher (50% operated interest)

Discovered in 2010, increased stake via EnCore acquisition in 2012



## DELIVER

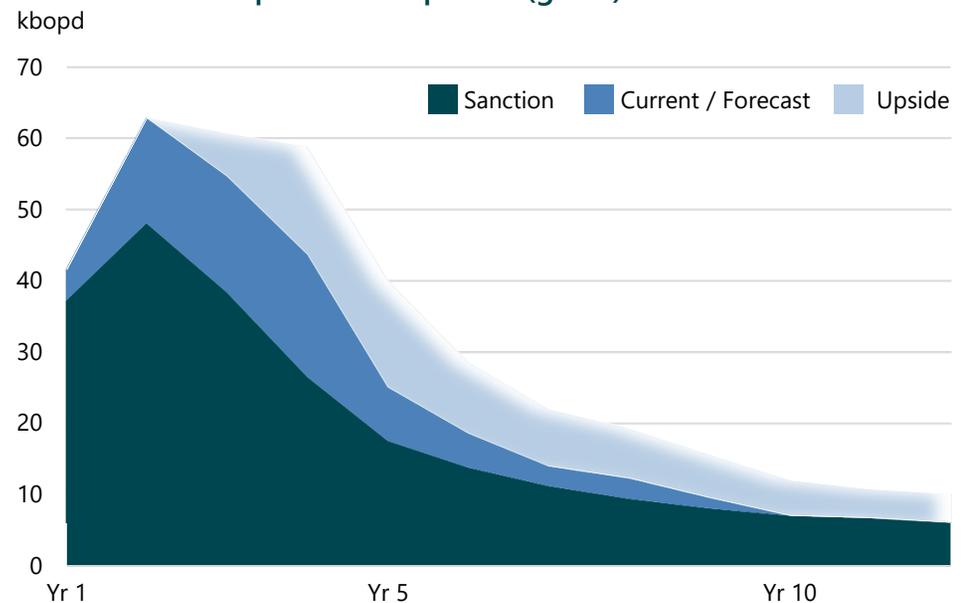
- Final acceptance certificate issued
- Increased oil rates of 66 kbopd (gross)
- High operating efficiency



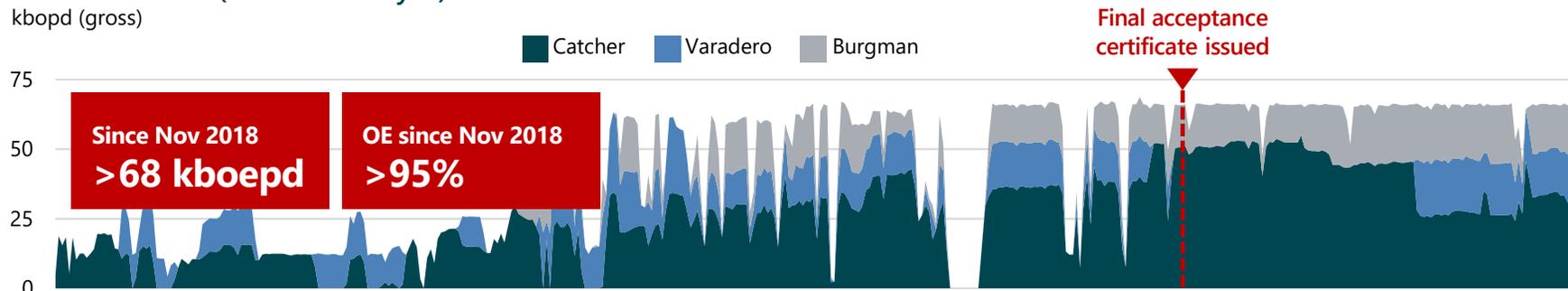
## EXPLOIT

- Multiple infill drilling targets
- Upside in recovery
- Optimising performance with technology
- 4D seismic planned for 2020 1H
- Catcher North, Laverda sanction 2019 1H

Catcher Area oil production profile (gross)



Catcher oil rate (2018 to 2019 ytd)



# Huntington (100% operated interest)

Acquired through Oilexco (2009), subsequently increased stake via partner defaults (2015) and E.ON acquisition (2016)



## DELIVER

- 5.8 kboepd (2018); >6 kboepd 2019 ytd
- Reduced lease cost
- COP deferred



## EXPLOIT

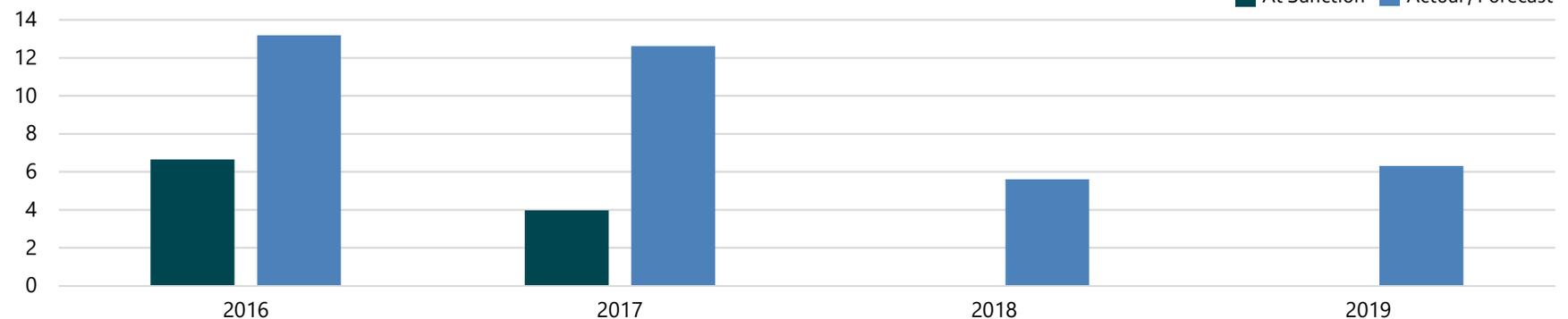
- Plant modifications to enable gas import
- Conversion of former producer to injector



Voyageur Spirit

### Huntington production

kboepd



# Elgin Franklin (5.2% non-operated interest)

Acquired as part of the \$120 million E.ON acquisition in 2016



## DELIVER

- 6.7 kboepd (net), high operating efficiency
- Low operating cost (\$6/boe in 2018)
- Reserves increased (extended COP, 4 infills and alignment with operator)



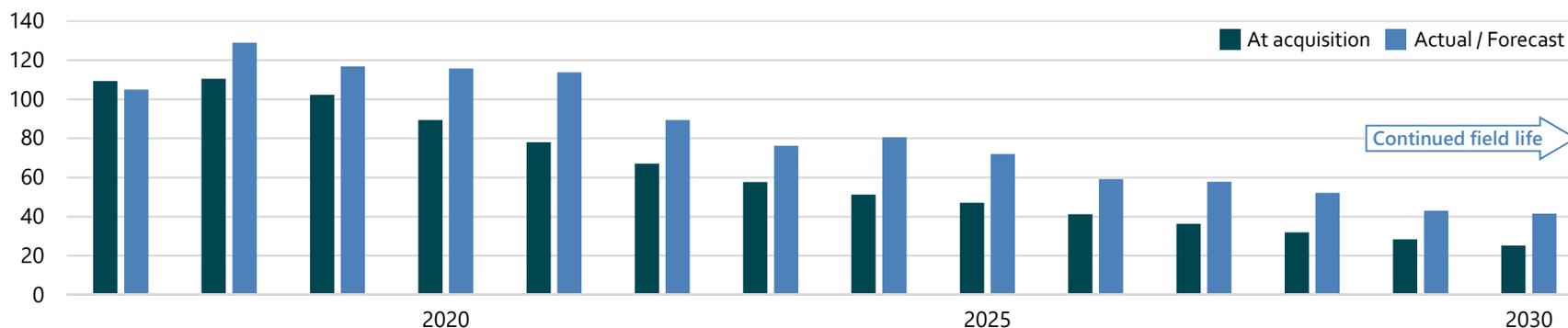
## EXPLOIT

- Infill drilling
- Well remedial work
- Exploration upside



### Elgin Franklin production profile

kboepd (gross)



# Strong portfolio with material upside

Delivering value via infrastructure led operations and growth projects

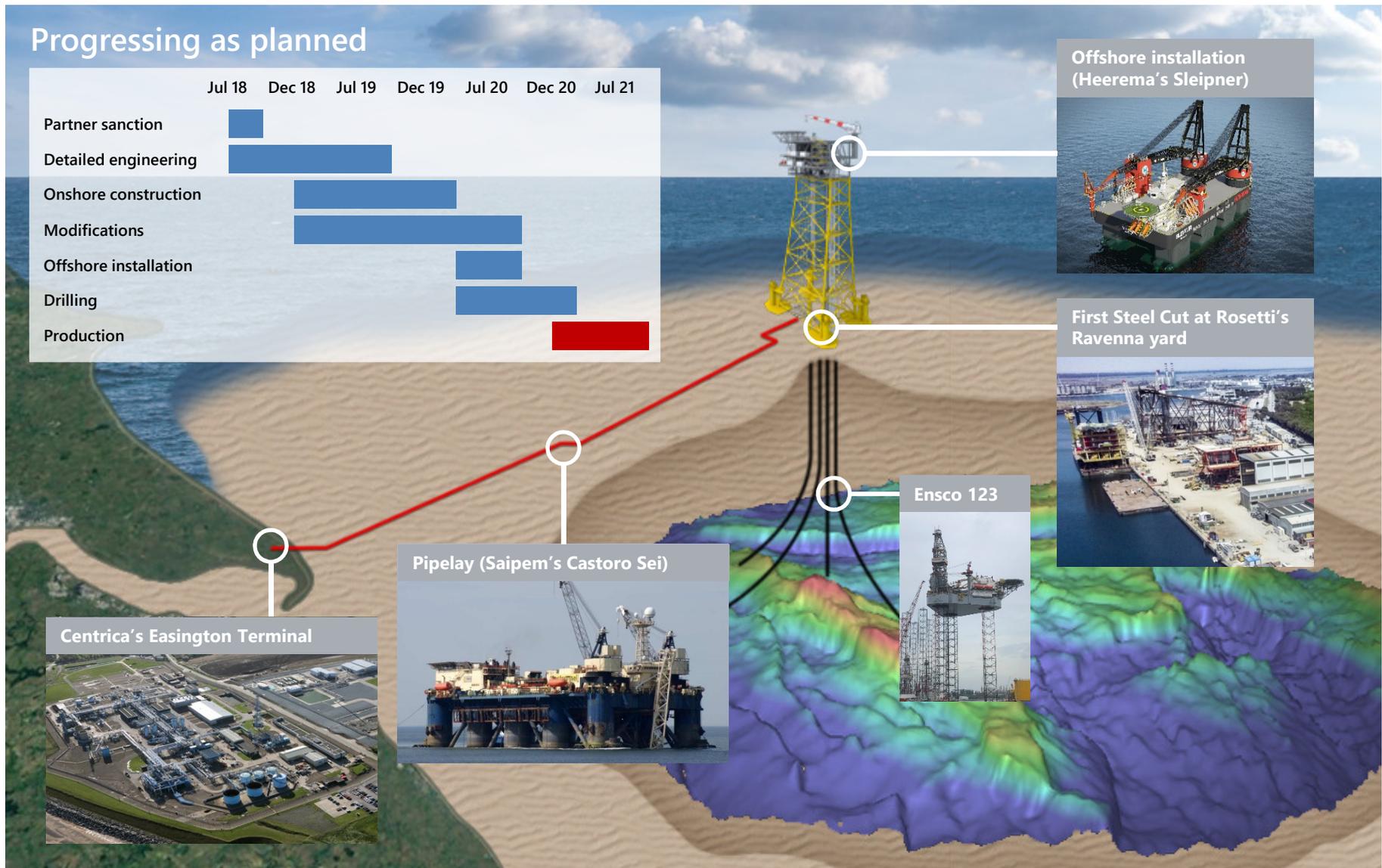
## EXPLOIT

	Well intervention	Infill drilling	Near field additions	Exploration upside	Third party business	Field life extension
Catcher	✓	✓	✓	✓	✓	
Elgin Franklin	✓	✓		✓	✓	✓
Solan		✓			✓	✓
Huntington	✓					✓
Chim Sáo	✓	✓	✓			✓
NSBA	✓	✓	✓			

## GROW

	Fully appraised	Infill drilling	Near field additions	Exploration upside	Third party business	Materiality
Tolmount Main	✓	✓	✓	✓	✓	✓
Zama				✓		✓
Sea Lion	✓	✓	✓	✓		✓
Tuna				✓	✓	✓

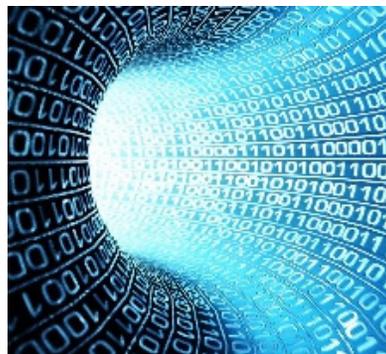
# Tolmount Main – on track



# Tolmount Main – key milestones

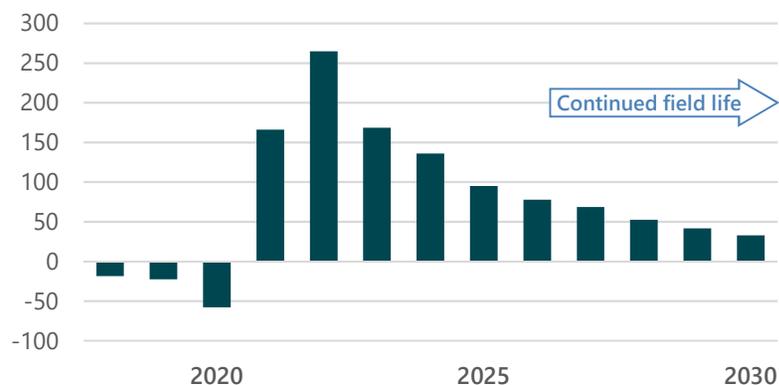
Acquired 50% operated interest through E.ON acquisition in 2016; sanctioned August 2018

- Construction of Tolmount platform (Q4 2018)
- Easington terminal modifications (Q1 2019)
- Saipem pipeline ordered (Q2 2019)
- Platform sailaway and installation (Q2 2020)
- Drilling starts (Q2 2020)
- Terminal completion (Q4 2020)
- Final hook up, commissioning (Q4 2020)
- Tolmount First Gas (Dec 2020)



<b>Net Capex</b> <b>\$120 m</b>	<b>Payback</b> <b>&lt;1 year</b>
<b>Gross Peak Production</b> <b>58 kboepd</b>	<b>Net Cash Flow</b> <b>&gt;\$1 Bn</b>

Tolmount Main Free Cash Flow profile (net to Premier)\*  
\$m



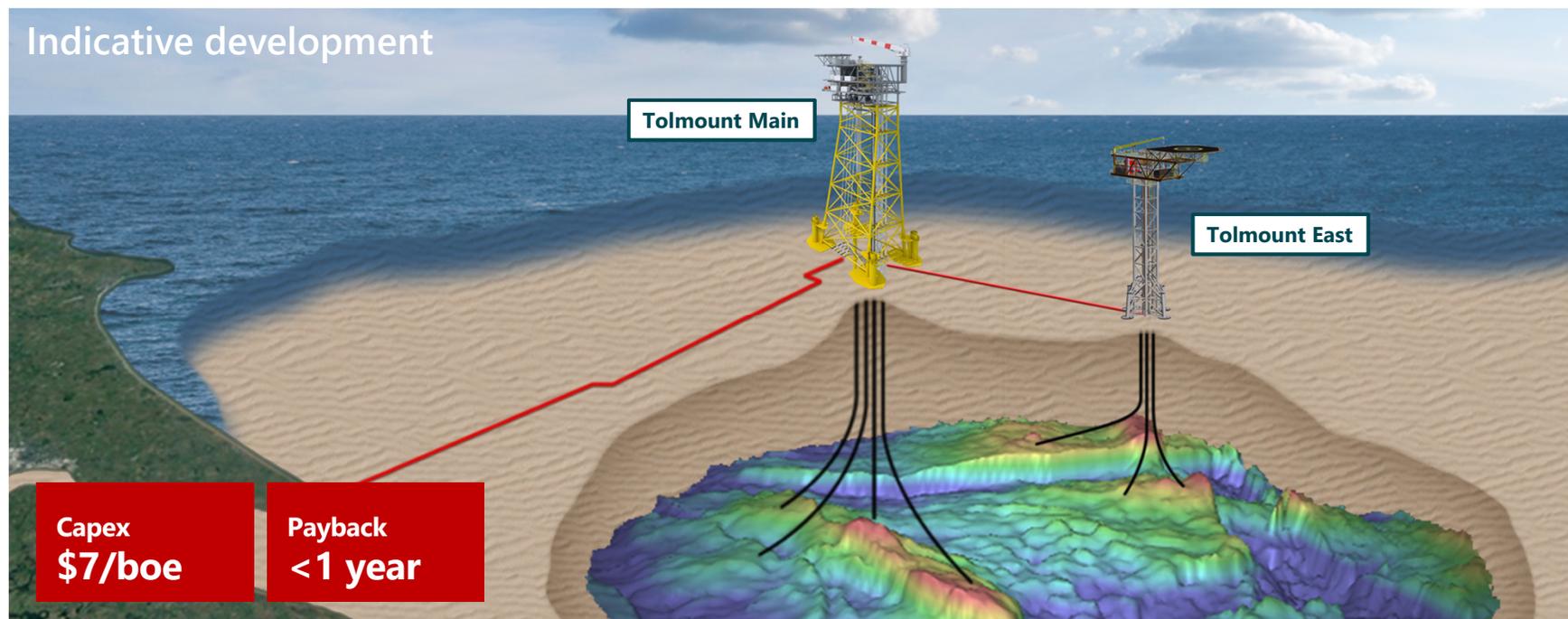
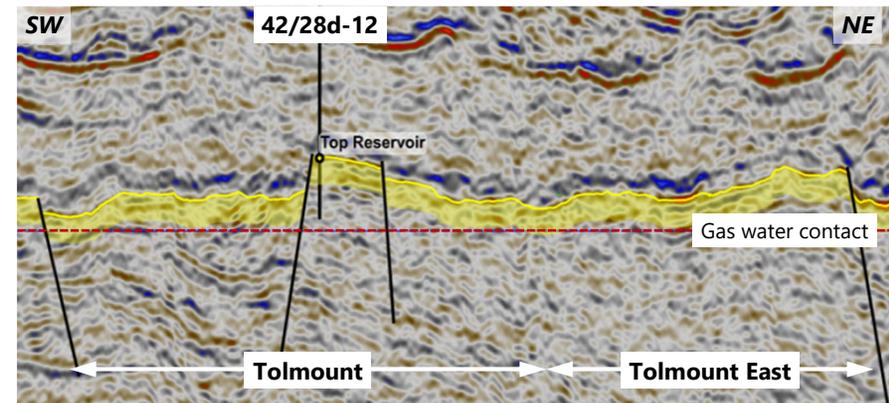
UK gas prices  
p/therm



\*Assumes 60p/therm

# Tolmount East

- Spud July 2019
- Targeting up to 300 Bcf (gross)
- Testing extension to Tolmount Main
- Structural closure above gas water contact
- On success, tied back to Tolmount Main for first gas in 2023

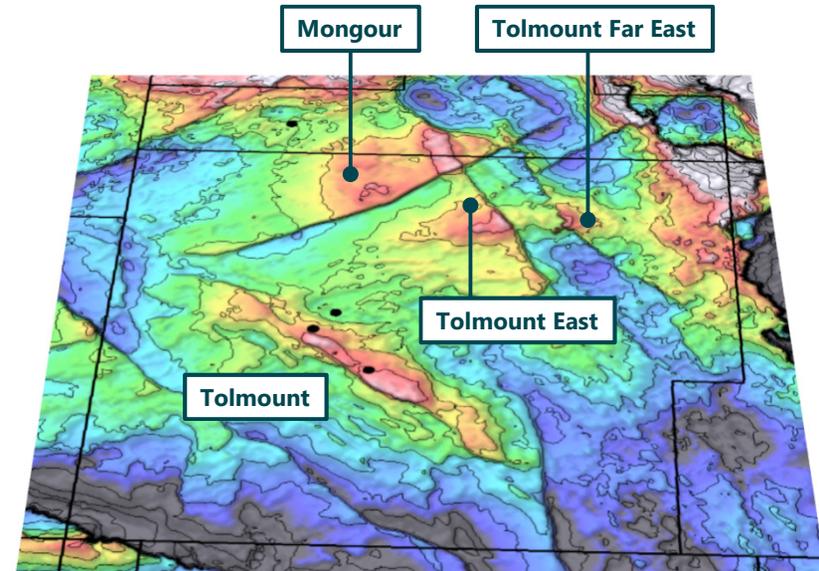


# Greater Tolmount Area – upside

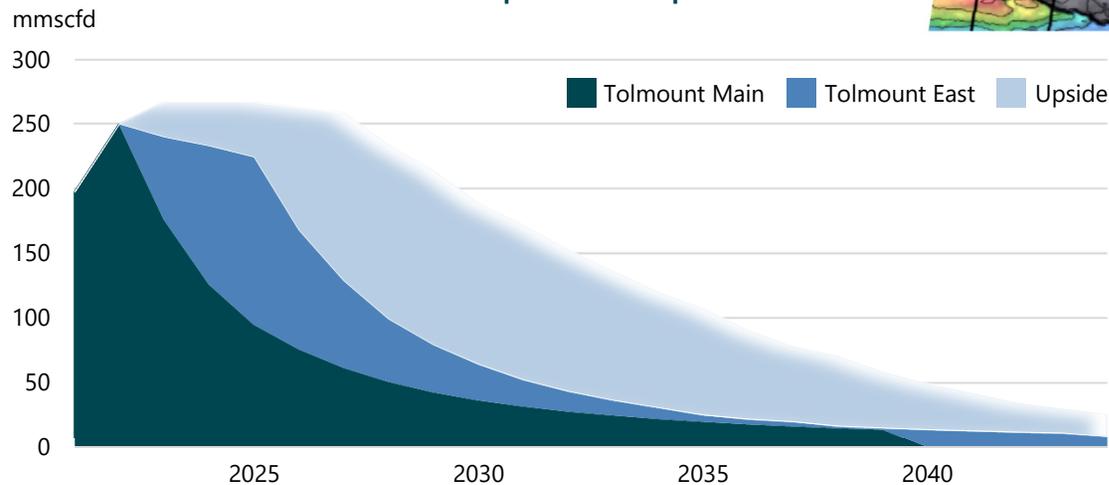
High value tie-backs with low tariff rates

- GTA 3D seismic survey to commence in Q2
- Infill drilling targets
- Exploration prospects
- 3<sup>rd</sup> party volumes

Gross potential resource  
**>1 Tcf**



Greater Tolmount Area – indicative production profile



Seismic acquisition

# Sea Lion – a multi-phased project

## Carry arrangements restructured in 2016 for Sea Lion Phase 1

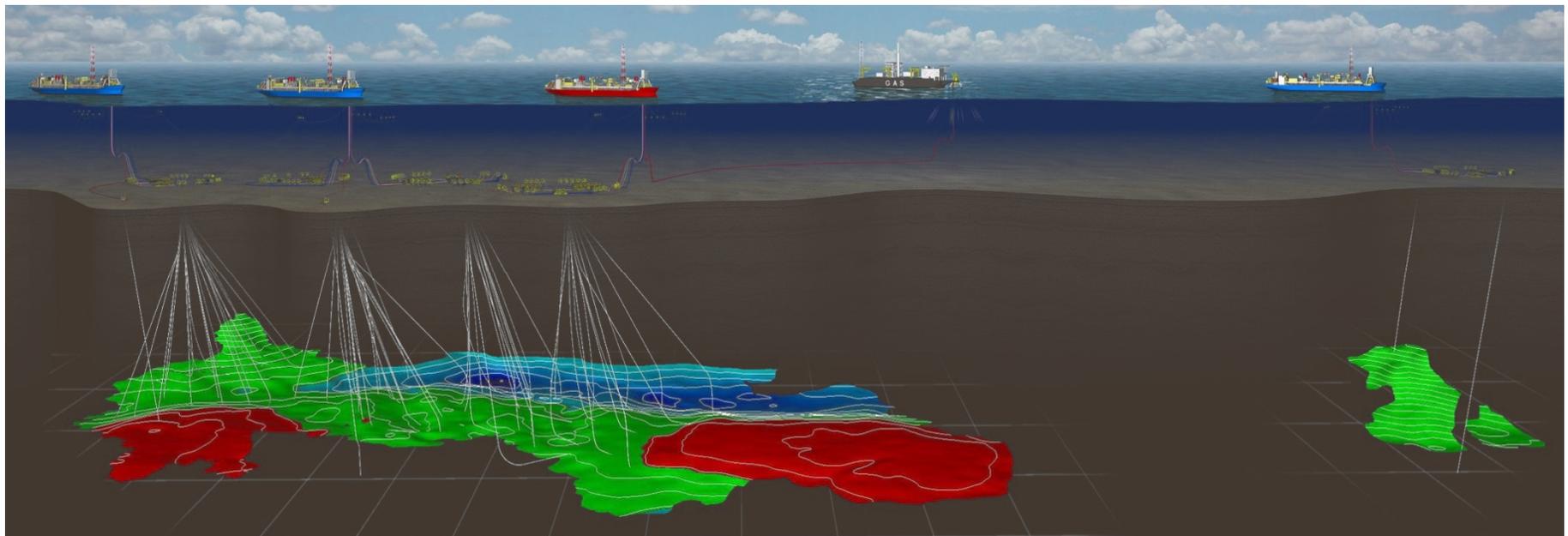
- Contractor LOIs being converted into fully termed contracts
- FEED to complete end Q1; onshore logistic projects underway
- Financing structure progressed; extensive due diligence nearing completion
  - Contractor financing matured
  - Preparing formal application for senior debt
- Progressing regulatory reviews and approval processes
- Environmental work completed; formal approval of EIS expected at sanction

**Total Basin  
potential  
~1 bn bbls**

**Gross resource  
Phase 1  
220 mmboe**

**Phase 1  
cash breakeven  
~\$45/bbl**

**Phase 1 pre-first  
oil capex (gross)  
\$1.5bn**



# Zama development planning underway

Acquired interest via Mexico's Round 1 and subsequently exercised option to increase stake to 25%

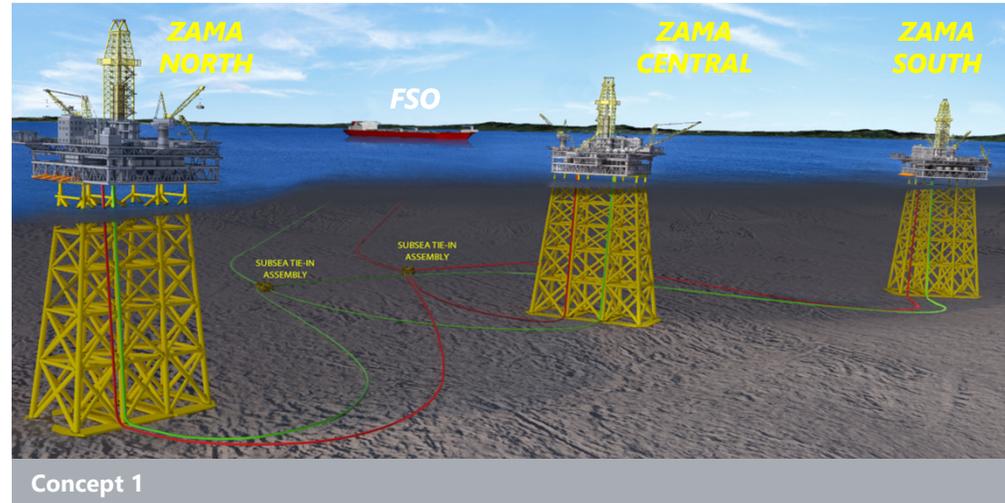
- McDermott & IO progressing early engineering work
- Appraisal results to be integrated ahead of concept select
- Targeting FID 2020

Peak production (gross)  
**175 kbopd**

P50 resource (gross)  
**600 mmbbls**

Capex (gross)  
**\$1.8bn<sup>1</sup>**

<sup>1</sup> Woodmac estimates

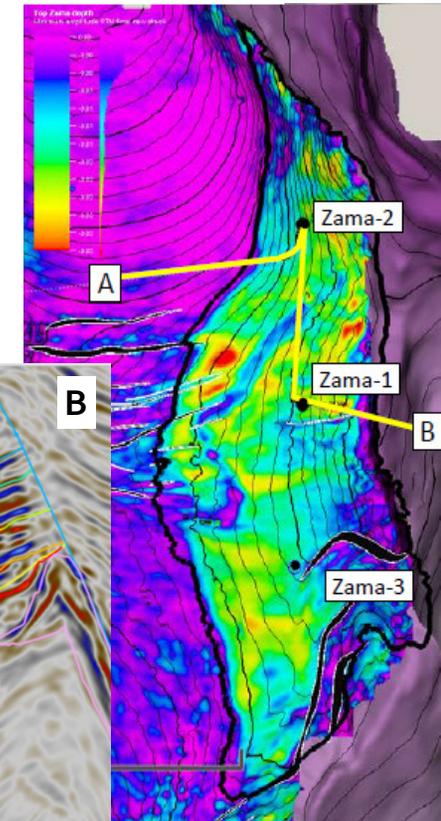
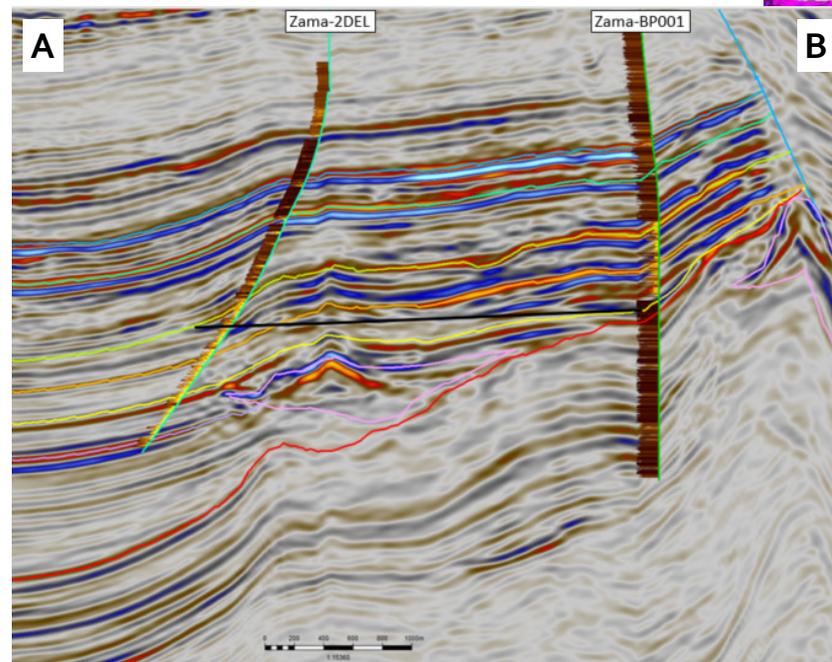


# Zama drilling update

## Programme ahead of schedule and budget

- Zama-2, down-dip, confirmed OWC, higher net to gross ratio
- Zama-2ST1 underway; results of flow tests expected early Q2
- Zama-3 will test lateral reservoir continuity
- Comprehensive logging, sampling and testing programme

**>700 ft**  
of full-hole core recovered



# Disciplined approach to exploration and appraisal

450 mmboe of net prospective resource to be drilled (excluding appraisal)

**Mexico**

**Brazil**

**United Kingdom**

**Indonesia**

**Tolmount East spud (Jul 2019)**

**Seismic over Greater Tolmount Area (Q2 2019)**

**4D seismic over Catcher Area (2020 1H)**

**3 well Zama appraisal programme underway**

**3D Seismic over Block 30 (Q2 2019)**

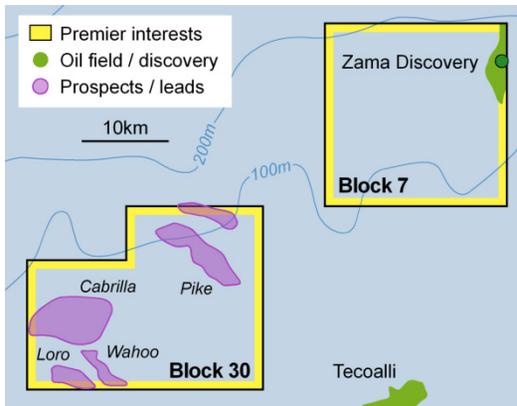
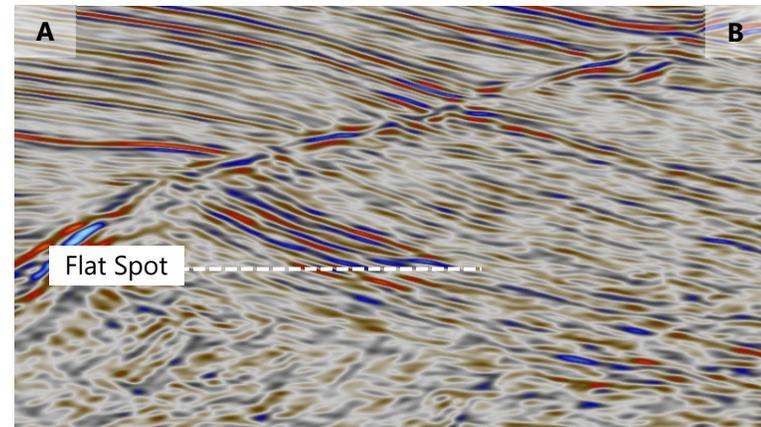
**3D Seismic over Andaman II**

**2 well Tuna appraisal programme**

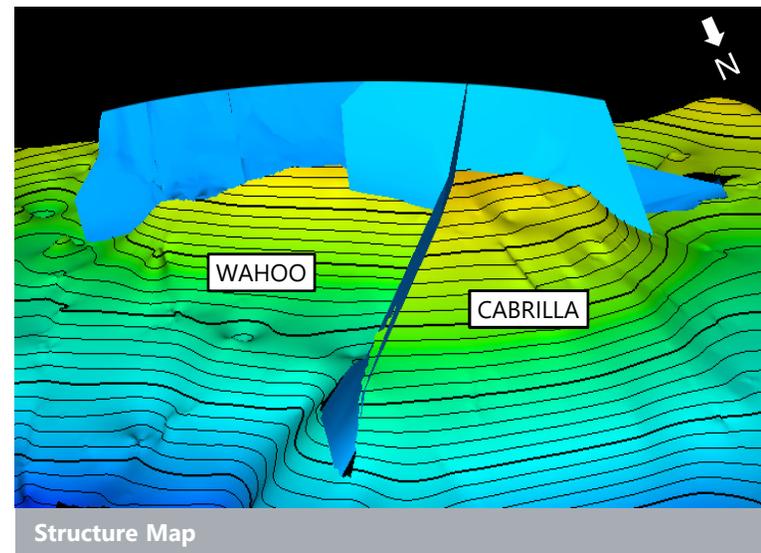
# Block 30, Mexico (30% non-operated interest)

Secured 30% interest via Mexico's Round 3.1 in March 2019, most contested block

- Block-wide 3D seismic acquisition on track to start Q2 2019
- Drilling activity targeted for 2020
- Wahoo: Flat spot similar to Zama
- Significant follow on potential



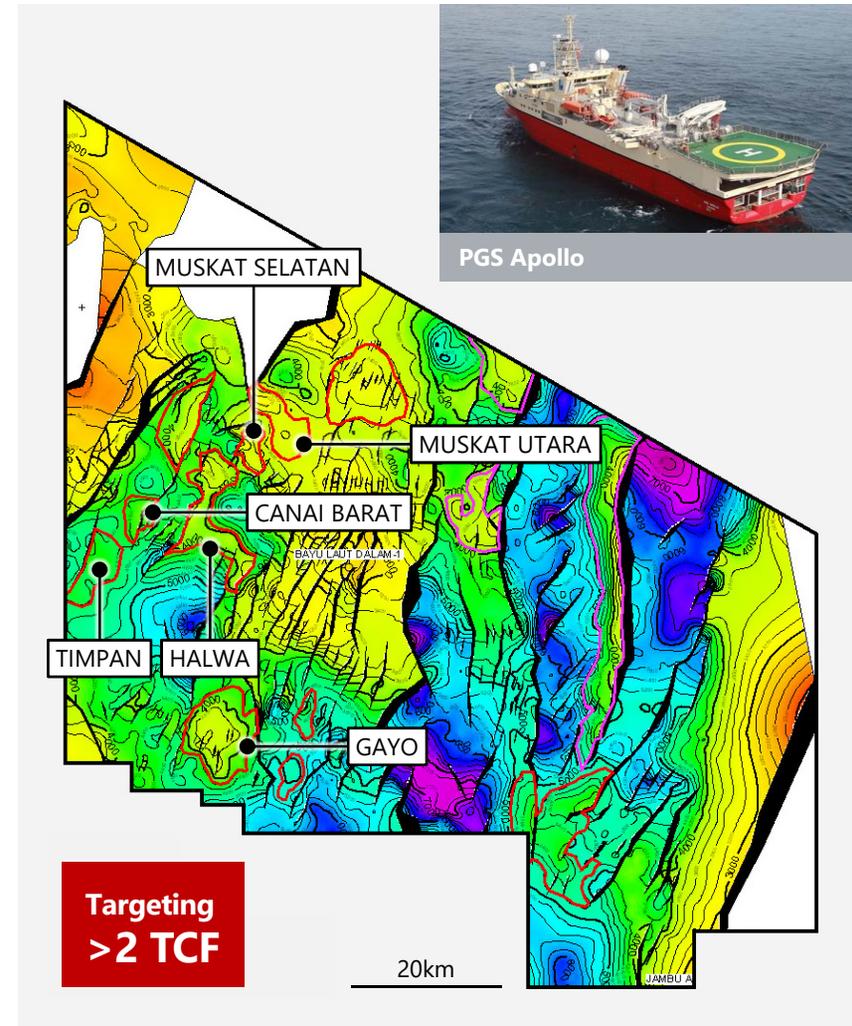
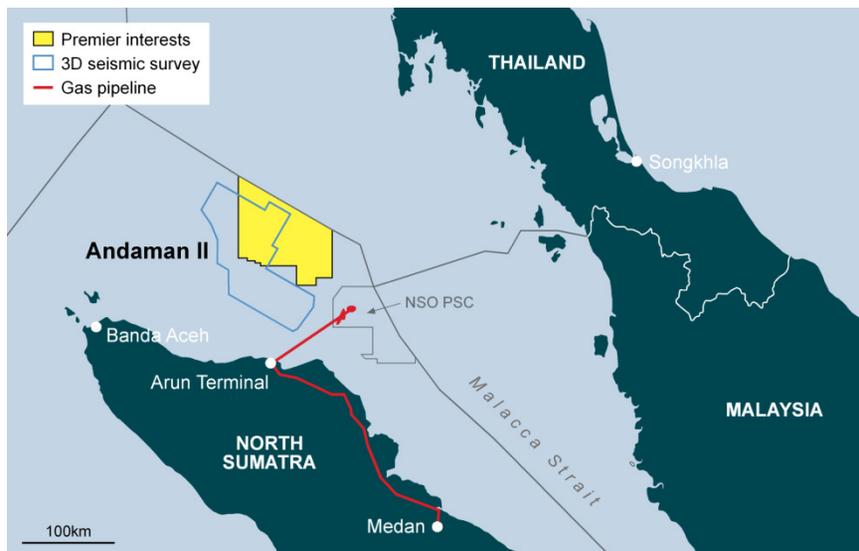
**Block resource potential  
300-400 mmbbls**



# Andaman II (40% non-operated interest)

Awarded 40% interest in the 2017 Indonesian Licence Round

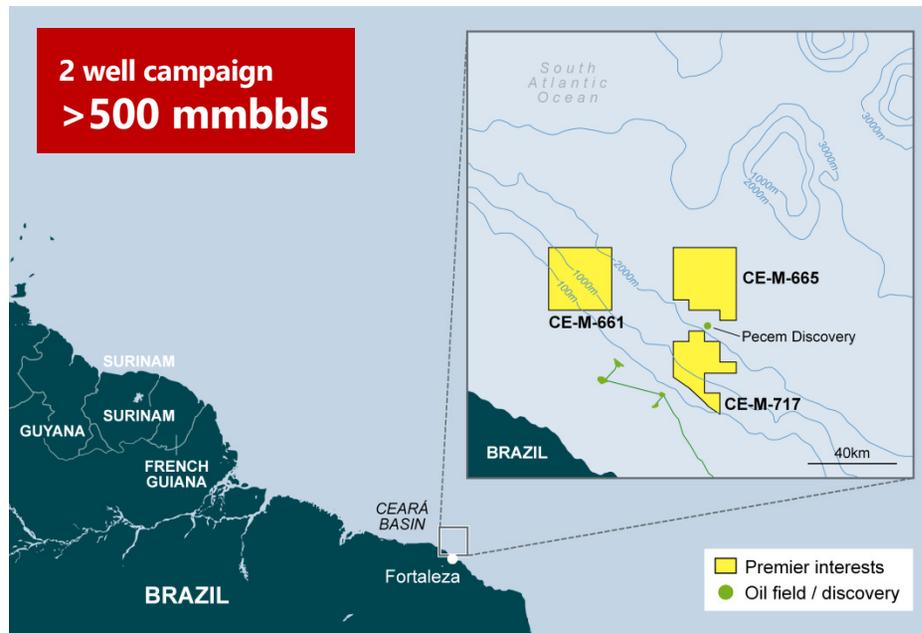
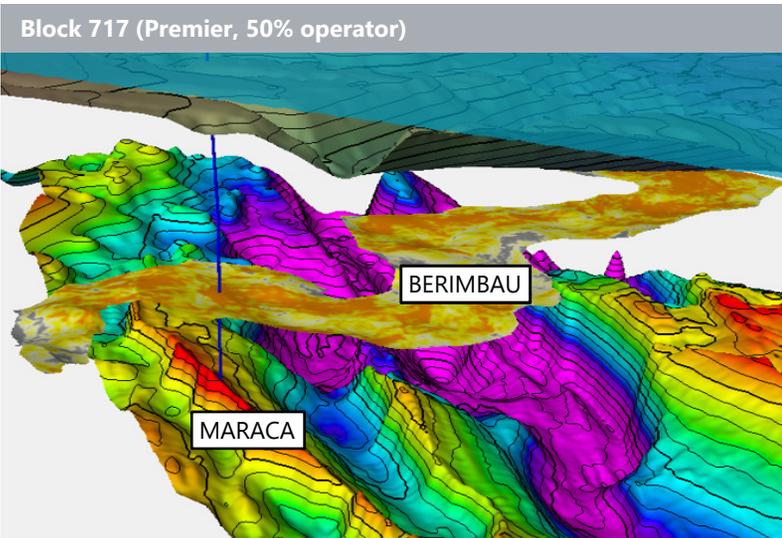
- Proven hydrocarbon basin
- Oligocene sandstones gas target
- Clear DHIs on 2D seismic
- 3D seismic acquisition commenced
- Drilling targeted for 2021
- Significant local demand for gas



# Brazil

## Secured acreage in Ceara basin via Brazil's 11<sup>th</sup> Round

- High impact prospects in stacked targets matured for drilling
  - Berimbau/Maraca (Block 717)
  - Itarema/Tatajuba (Block 661)
- Drilling operations planning well underway for 2020



# Outlook



**DELIVER** Robust base business



**EXPLOIT** Significant low cost upside within existing assets

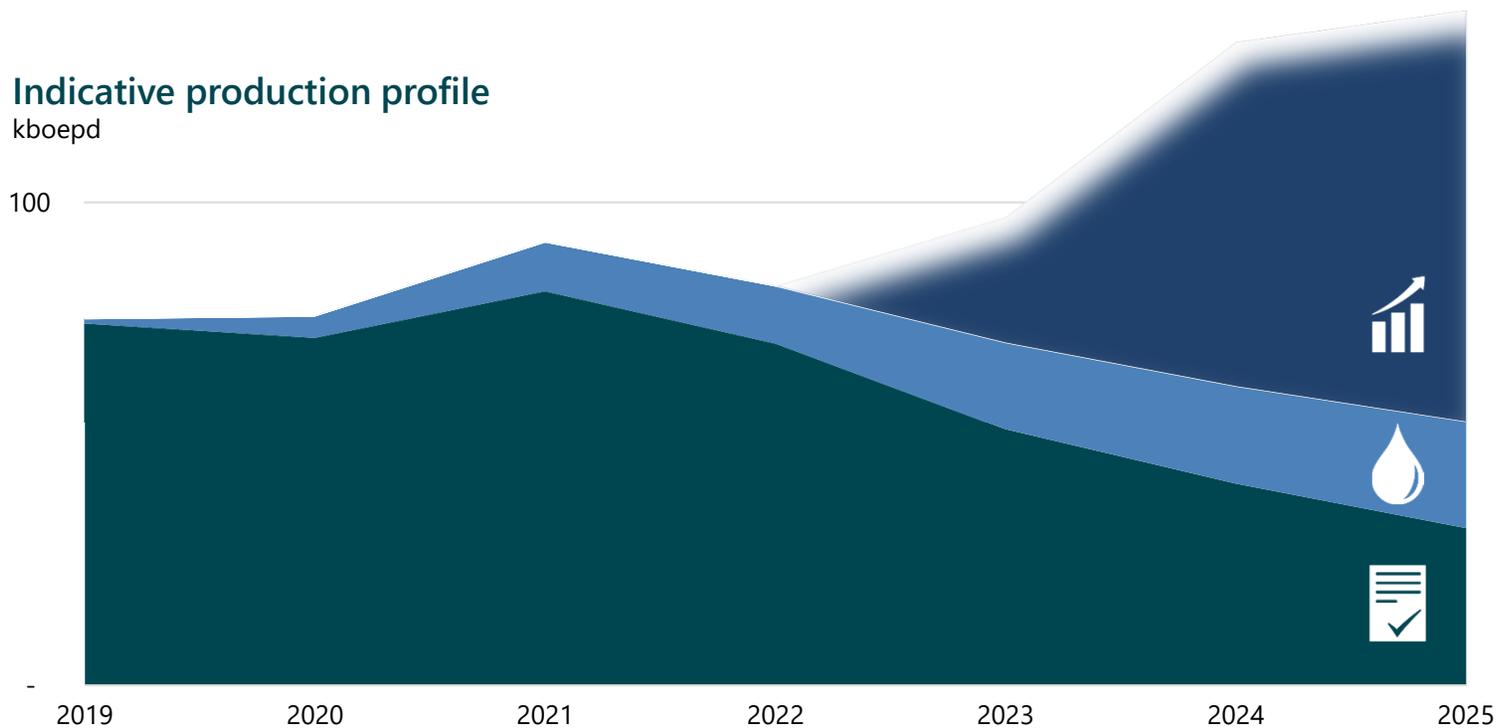


**GROW** Portfolio of projects underpinning future growth profile to 2030+

Indicative production profile

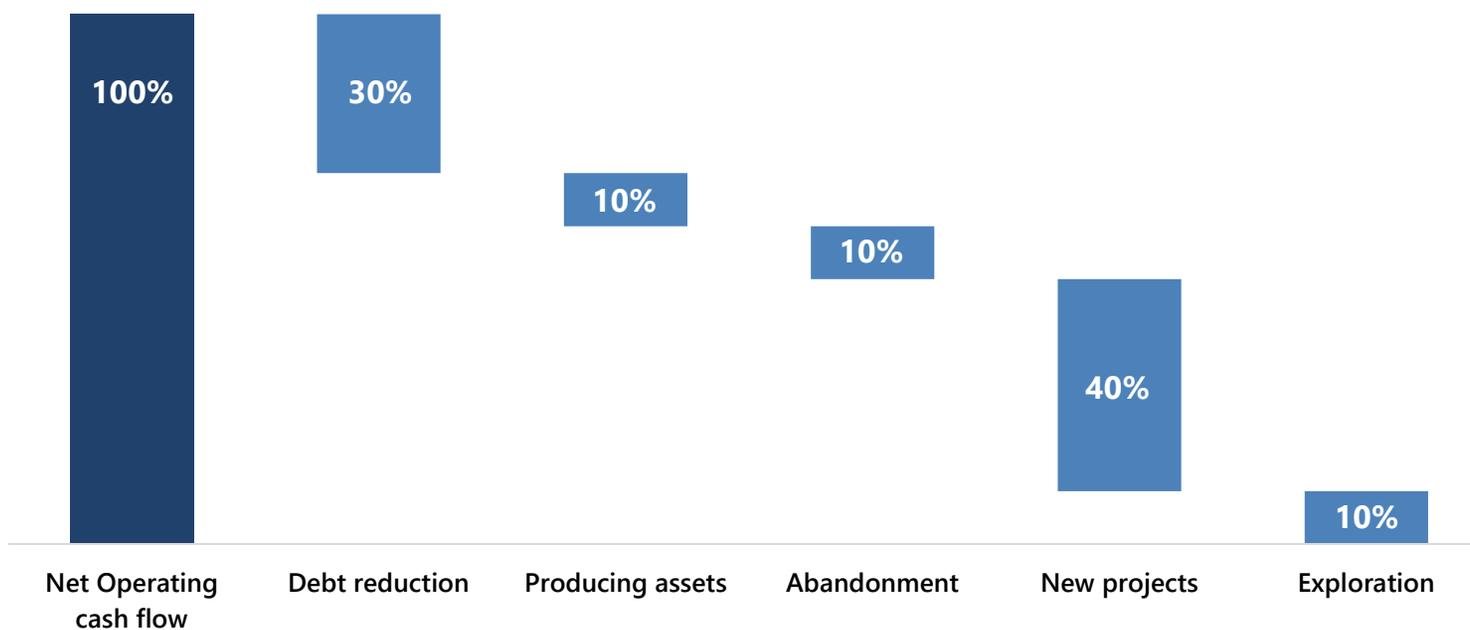
kboepd

100



# Balanced capital allocation (2019 to 2025)

Reinvestment will be measured against cash returns to shareholders



## 2018-2019 allocation

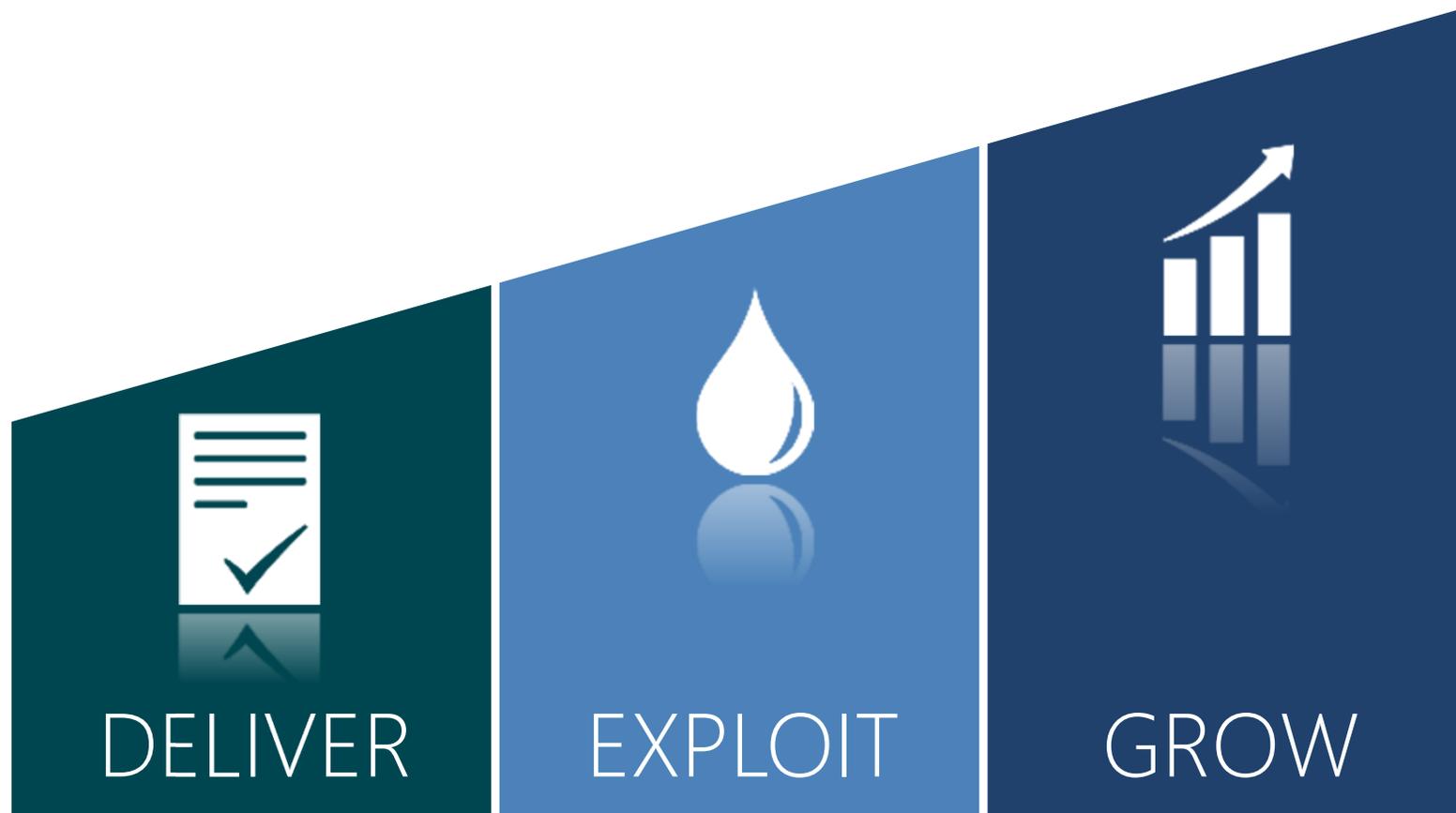
- Debt reduction 40%
- Producing assets / abex 20%
- New projects 25%

## At \$65/bbl, the business will deliver

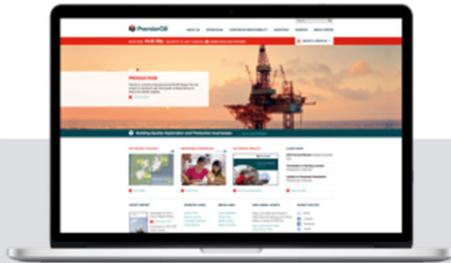
- Positive free cash flow in all years to 2025
- Production > 100 kboepd at period end
- Covenant level of < 1x at period end

# Q&A

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March 2019



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