

CHAMPIONING the African energy transition

“We are unequivocally an “AND” company. We are seeking to deliver strong performance, both for the short AND long-term, across multiple fronts. We are pursuing growth opportunities in both the hydrocarbon AND renewable energy areas. This approach permeates our entire business and how we have built, and will continue to build, our corporate infrastructure.”

Andrew Knott
Chief Executive Officer



Dear fellow shareholders

I would like to welcome you to our eighth Annual Report as a listed company. I have divided this year's letter into three sections. The first section discusses our Company's continued industry-leading financial, operational and sustainability performance. The second discusses our key focus areas for 2022 and 2023. The third section discusses the “how” and the “why” we see the African energy transition evolving, explaining the relevance and power of our hydrocarbon AND renewables business model.

Before turning to the first section, I would like to draw your attention to two guest authored articles in this year's Annual Report. The first article (on pages 12 and 13) is authored by His Excellency Professor Yemi Osinbajo SAN, Vice President of the Federal Republic of Nigeria and Chairman of Niger Delta Power Holding Company, and highlights his views (shared by many in Africa, including myself) as to the inadequacies and hypocrisy of rich countries' climate policies. The second article (on pages 20 to 23) authored by NJ Ayuk, Chairman of the African Energy Council, argues for meaningful solutions to combat energy poverty in Africa, including the urgent need for the provision of greater finance to the sector. We are extremely grateful to both of our guest authors for their contributions. Section three of this letter builds on several of their ideas.

Savannah's 2021 performance

2021 saw the global economy begin to recover from the impacts of the Covid-19 pandemic. Global GDP rose by 5.5%¹, while benchmark oil and gas prices increased by over 50%². The financial performance of the global energy industry reflected this rebound with the seven Supermajors recording a combined US\$96 billion profit in 2021 as compared to their record US\$88 billion³ financial loss in 2020.

In line with this trend, Savannah performed strongly. Our Total Revenues^(a) and Adjusted EBITDA^(c) increased by 7% year-on-year to US\$230.5 million and US\$175.0 million respectively. At the Nigerian business unit level, we recorded Adjusted EBITDA^(c) of US\$193.0 million. Our Nigerian business has now delivered five consecutive years of Total Revenues^(a) growth at a compound annual growth rate (“CAGR”) of 20%. 93% of this revenue stream was derived from fixed price gas sales contracts with no cyclical exposure to oil prices or international gas prices. This revenue growth compares favourably to the long-term trend CAGR of the wider UK stock market constituents (6%)⁴.

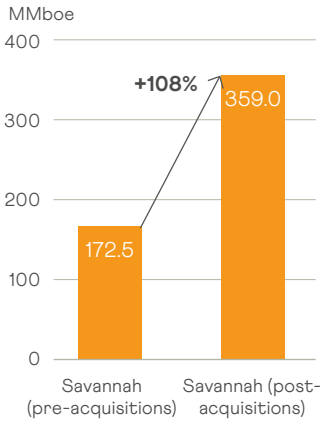
The US\$18 million difference between our Group and Nigerian business Adjusted EBITDA^(c) numbers reflects the central costs of running our business and the investments we have made to build the corporate infrastructure to enable our future organic and in-organic growth plans. We will continue to invest in our growth going forward as we target a potential quadrupling of the scale of our business over the course of the coming years.

Operationally, the key workstream of note was the drilling of the Uquo-11 gas well in Nigeria. This well was a major financial and technical success for our business. It was drilled at a total cost of approximately US\$18 million, US\$8 million less than the last well to be drilled on the Uquo field prior to Savannah assuming ownership. This performance continued our track record of delivering operational projects safely, on target and in line with, or ahead of, budget. The well result, combined with various technical workstreams, enabled us to upgrade our Group 2P reserves by 20% and report a three-year organic reserve replacement ratio of 107% (versus the industry average of 57%⁵). Put simply, despite approximately three years of production, our Nigerian business now has more oil and gas reserves than when we bought it.

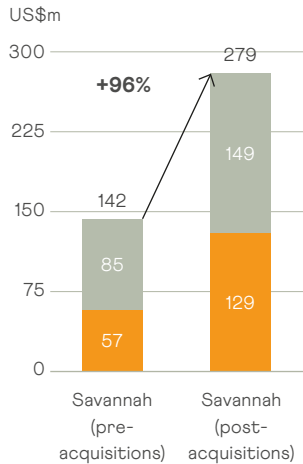
From a business development perspective, the year was dominated by our proposed acquisitions of the Chad and Cameroon Assets^(m) for a consideration of up to US\$700 million.

Potential impact of the Chad and Cameroon Assets

Net 2P Reserves & 2C Resources⁶



Average 9-year asset level free cash flow



“We will continue to invest in our growth going forward as we target a potential quadrupling of the scale of our business over the course of the coming years.”

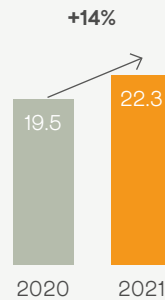
Andrew Knott

These transactions are expected to be transformational for our Company, as can be seen from the charts below. For example, upon completion it is estimated that our post-deal reserves and resources would increase by 108% to 359 MMboe, while our nine-year average forward asset level free cash flows are projected to increase by 96% to US\$279 million.

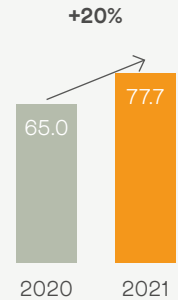
We see strong upside potential across the asset portfolio we are acquiring. I am therefore hopeful that in future shareholder letters, I will be able to write about the achievement of these organic upside cases in the proposed acquisitions of the Chad and Cameroon Assets^(m) in the same way we have been writing about the transformation of our Nigerian business since announcing our intention to acquire it in 2017.

In 2021, we announced the formation of our Renewable Energy Division and, post period, signed agreements for the development of up to 750 MW large-scale greenfield solar and wind projects with the Governments of Niger (Parc Eolien de la Tarka) and Chad (Centrale Solaire de Komé and Centrales d’Energie Renouvelable de N’Djamena). The scale of our future ambition in this area is clear. The up to 250 MW Parc Eolien de la Tarka would increase Niger’s on-grid power generation capacity by up to 40%. The up to 300 MW Centrale Solaire de Komé would represent the largest solar plant in sub-Saharan Africa (excluding South Africa) and potentially the largest battery storage project on the continent.

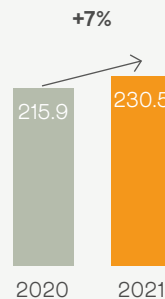
Savannah daily production (Kboepd)



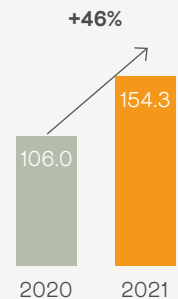
Net 2P Reserves (MMboe)



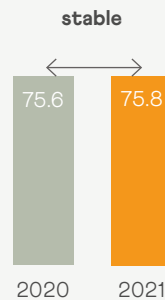
Savannah Total Revenues^(a) (US\$m)



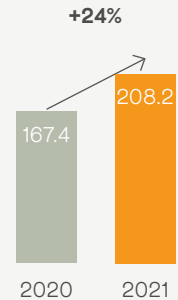
Cash Balance (US\$m)



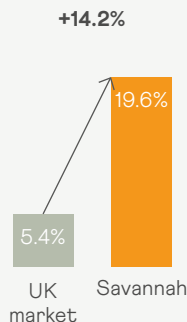
Adjusted EBITDA^(b) Margin (%)



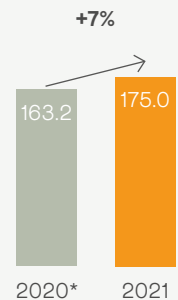
Savannah cash collections^(j) (US\$m)



UK market vs SAVE long-term revenue growth



Adjusted EBITDA^(b) (US\$m)



CEO Shareholder Letter continued

Savannah's 2021 performance continued

The up to 200 MW, Centrales d'Énergie Renouvelable de N'Djamena alone would more than double the existing installed generation capacity supplying the capital city and increase total installed on-grid power generation capacity in Chad by an estimated 63%.

For both Chad and Niger the projects represent potentially substantial foreign direct investments that would make significant contributions to the economic development of the regions where they will be situated. I am excited to be writing about the progress we have made on these initial renewable energy projects and hope to be writing much more about them and many others in future shareholder letters.

In Niger, we successfully renewed and amalgamated our R1/R2 and R3/R4 PSCs, extending the exploration term for up to another 10 years. This has paved the way for us to hopefully proceed to the next phase in the 35 MMstb R3 East development and recommencement of exploration activities in Niger.

As always, we maintained our strong focus around safe operational delivery. We recorded a zero incident Lost Time Injury Rate ("LTIR") and a Total Recordable Incident Rate ("TRIR") of 0.34 per 200,000 person hours. Our performance against key sustainability metrics such as carbon intensity (13.3kg CO₂e/boe), senior management gender diversity (35% female) and local employee ratios (99%) all remained equally industry-leading in 2021.

We also continued to strengthen our sustainability performance and reporting framework, implementing a Group-wide digital tool to track our performance on key sustainability indicators on a month-by-month and country-by-country basis, and fully integrating this with our chosen seven leading sustainability reporting standards. Not only is this progress reflected in the Sustainability Review section of this year's Annual Report but we plan to publish separate ESG disclosure reports later this year setting out our alignment to our chosen ESG standards.

“Our performance against key sustainability metrics such as carbon intensity (13.3kg CO₂e/boe), senior management gender diversity (35% female) and local employee ratios (99%) all remained equally industry leading in 2021.”

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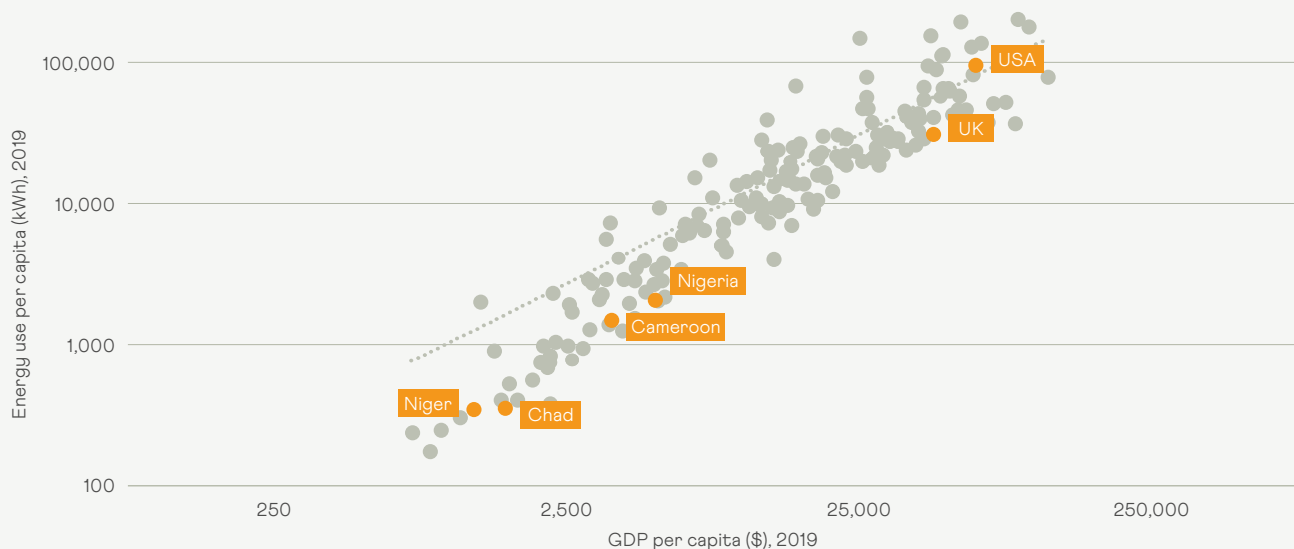
Key focus areas for 2022 and 2023

Over the course of the next two years, I expect there to be several key focus areas for the business. These include:

- **The planned refinancing of our US\$371 million Accugas debt facilities during H2 2022.** Our intention is to redenominate the facility from US dollars to a multi-tranche Naira denominated facility, extending the average maturity to be beyond 2030 and significantly reducing the facility cost in dollar equivalent terms. The effect of this would be to significantly increase the quantum of cash flows available for re-investment in other opportunities; AND
- **Adding new gas sales agreements in Nigeria.** Our midstream assets in Nigeria continue to have significant excess transportation capacity and we will continue to seek to add new, or modify, existing contracts to increase asset throughput over time. In this regard, it should be noted that prior to Savannah acquiring our Nigerian business unit, it had not signed a new customer in over five years. Since acquisition three years ago, we have increased the number of facilities we are contracted to sell gas to from three to seven; AND

Correlation between income per person and power consumption per capita

(Note: logarithmic scale)



Source: Our World in Data based on BP & Shift Data Portal, Worldbank.



Chad renewable energy projects signing ceremony: L-R: His Excellency Djerassem le Bemadjjel, the Minister of Petroleum and Energy of the Republic of Chad, Andrew Knott, Chief Executive Officer, Savannah.



Niger wind farm signing ceremony, House's Parliament, United Kingdom, UK: L-R: Andrew Knott, Chief Executive Officer, Savannah. Sani Mahamadou, Minister of Petroleum, Energy and Renewable Energies, Niger.

- **Recommencing field operations in Niger.** Delivery of the 35 MMstb R3 East development project and further exploration activity on the new R1234 PSC area is a focus for the company; AND
- **Completion and integration of the proposed acquisitions of the Chad and Cameroon Assets^(m).** As discussed above, these acquisitions are expected to be transformational for Savannah; AND
- **Further hydrocarbon acquisitions.** We believe there are asset divestment programmes valued in excess of US\$100 billion likely to take place, a significant portion of which are in Africa. Savannah is strongly positioned to successfully participate in these divestment programmes, given our operating capabilities, regional reputation and access to capital. Post-deal we would expect to act as strong asset stewards, delivering better underlying operational performance and improvements in unit carbon intensity (within the limitations of the underlying assets) than the previous asset owners; AND
- **Expansion of our renewable energy business.** Savannah believes the African renewable energy market represents a potentially vast target market of over 310 GW by 2030 and that our hydrocarbon asset operational management skills are directly transferable to this space.

As can be seen from the above list, we are unequivocally an “AND” company. We are seeking to deliver strong performance, both for the short AND long-term, across multiple fronts. We are pursuing growth opportunities in both the hydrocarbon AND renewable energy areas. This approach permeates our entire business and how we have built, and will continue to build, our corporate infrastructure.

How we see the African energy transition

Energy is critical to enabling and sustaining people’s quality of lives. My preferred chart for demonstrating this is adjacent, which compares GDP per capita to Power consumption per capita.

As can be seen, people without access to energy are dramatically poorer than those with access to energy. For example, Niger is ranked 178 out of 178 on the UN Human Development Index⁷ (“UNHDI”) with a GDP/head of US\$1,225⁸ and power consumption per capita of 451/kWh. The US on the other hand is ranked 17 out of 178 on the UNHDI with GDP/head of US\$62,631 and power consumption per capita of 80,106/kWh,

5,015% and 17,653% higher respectively. A similar pattern emerges when we look at the relationship between power consumption and other key quality of life barometers such as life expectancy and lifetime health outcomes.

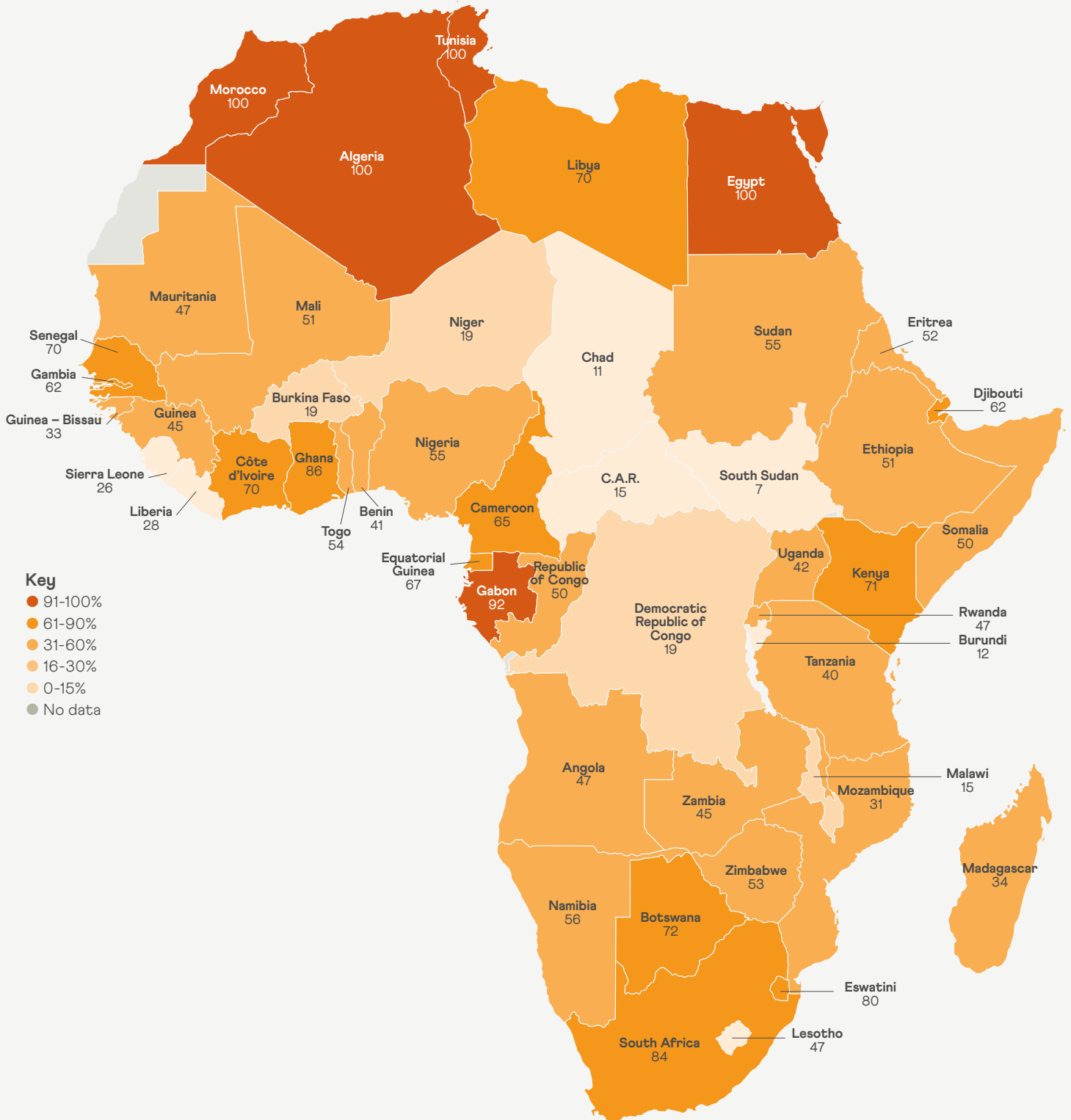
83.2%⁹ of today’s global energy mix is provided by hydrocarbons. 56% of this is provided by oil and gas. The scale of investment required to sustain the “status quo” global quality of life is immense, with approximately 30% of all global capital expenditures (estimated at US\$341 billion in 2021¹⁰) being attributed to the oil and gas industry.

The world clearly, therefore, requires oil and gas today, and is prepared to pay vast amounts of money to enable this. The extent to which the world requires oil and gas in the future will depend on the absolute and relative rate of renewable energy and carbon mitigation technological improvements and the absolute and relative rate of adoption of these improvements. In this regard, John Kerry’s (The US Climate Change Envoy) quote, which I cited in my last shareholder letter, remains pertinent – “I am told by scientists that 50% of the reductions we have to make by 2050 or 2045 are going to come from technologies we don’t have yet.”

While the pace of technological evolution and adoption may be argued to be generally faster today than in earlier periods, I believe that it is important to recognise that the global energy transition is likely to take a relatively long time. As demonstrated in the charts on page 19, previous energy transitions have taken fifty plus years, and the modern renewable transition only began around 2015. Further, full displacement of the previous energy sources has not occurred in previous transitions (i.e. coal is still 27.2%⁹ of the 2022 global energy mix).

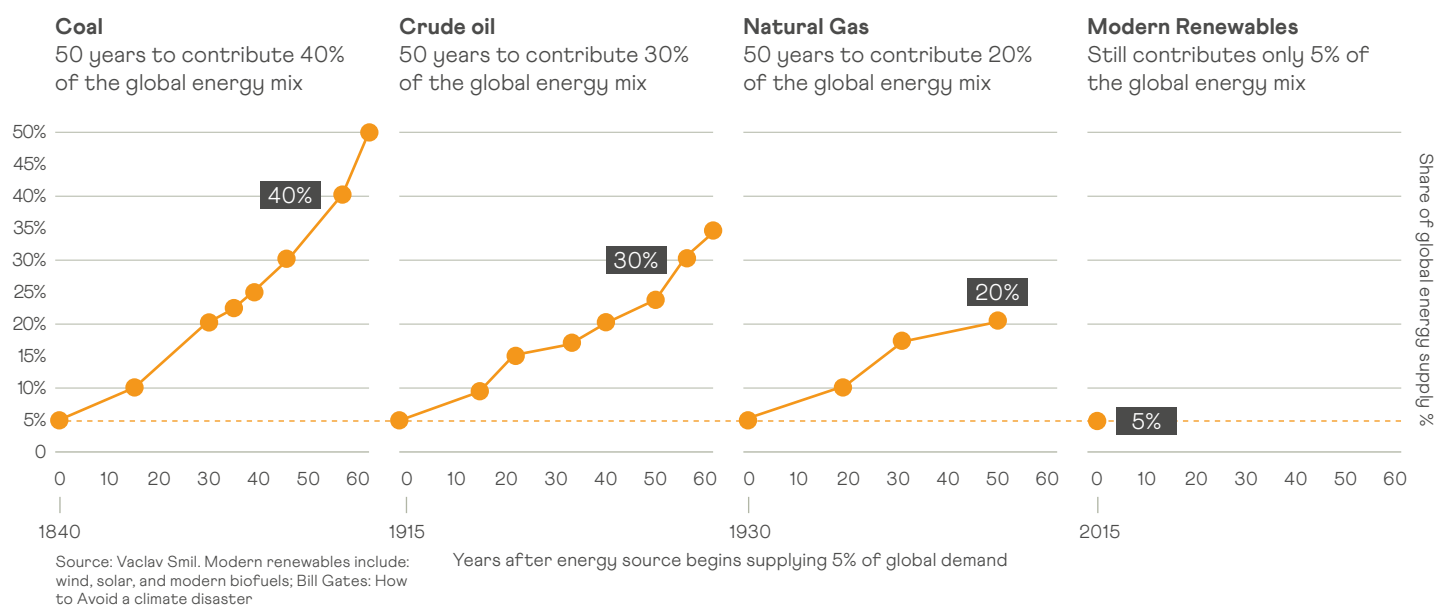
In this regard, when we look at the forecast future energy mix, there is currently a big difference between the trend case (i.e. what forecasters are suggesting will actually happen) versus the Net Zero 2050 case. Essentially the world appears to be on track to have around 45%⁹ of its energy mix in 2050 to be provided by oil and gas, which, given likely energy demand growth over the course of the next 28 years, suggests that actual oil and gas demand is currently not on trend to fall significantly over the period.

African population with access to electricity (%)



Energy transitions take (a lot of) time

It has taken decades for major energy sources to provide a significant share of global supply



“The opportunities associated with the African energy transition (hydrocarbon acquisitions from Supermajor sellers and the build-out of our renewable energy business) represent a once in a generation opportunity, which we at Savannah are strongly positioned to take advantage of.”

Andrew Knott

How we see the African energy transition continued

The foregoing contrasts dramatically with the many Net Zero demand forecasts which generally see oil and gas demand fall to below 20% of the global energy mix by 2050. Further, it is likely that lower income countries, where the ability to pay for renewable energy infrastructure is lowest and the need for low priced energy to deliver life changing economic growth is highest, will see hydrocarbons form a much greater part of their energy mix in 2050 than in the developed world. This point is demonstrated well by the adjacent map. On average, only 56% of Africa's entire population has access to electricity (falling to 41% if South Africa, Egypt and Algeria are excluded), with the electricity access rate in our countries of operation estimated at 65% for Cameroon, 11% for Chad, 19% for Niger and 55% for Nigeria¹. For much of Africa, the primary issue is around people being given access to reliable and affordable power, period.

From a Savannah perspective, our primary focus is on participating in **Projects that Matter** in Africa. We expect to continue to acquire hydrocarbon businesses and to re-invest the cash flows we generate in both hydrocarbon AND renewable energy projects. We firmly believe Africa needs both if it is to be given the opportunity to grow and lift ever more of her citizens out of energy poverty.

Closing thoughts

I would hope that having read through this letter my reasons for being optimistic around the future of our business are clear. We are a purposeful organisation, doing societally essential work. The opportunities associated with the African energy transition (hydrocarbon acquisitions from Supermajor sellers and the build-out of our renewable energy business) represent a once in a generation opportunity, which we at Savannah are strongly positioned to take advantage of. We have made significant investments in our people, infrastructure, capabilities and have well-developed regional and financial stakeholder relationships and credibility. We have a strong track record of “getting things done”. I believe that Savannah will achieve great things over the course of the coming years and look forward to continuing this journey with you, my fellow shareholders.

Lastly, I would like to express my gratitude to all those who contributed to our successes in 2021 - my incredibly dedicated and passionate colleagues, our host governments, communities, local authorities and regulators, our shareholders and lenders, and our customers, suppliers and partners. Thank you all.

Andrew Knott
Chief Executive Officer
7 June 2022

Footnotes

1. Source: World Bank: Global Economic Report.
2. Source: U.S. Energy Information Administration (EIA).
3. Source: 2021 annual reports and results announcements for BP, Chevron, ConocoPhillips, Eni, ExxonMobil, Royal Dutch Shell and Total.
4. Source: Bloomberg.
5. Source: UBS: Global Integrated Oil & Gas Analyser.
6. Forecasts based on Chad/Cameroon CPR, November 2021. Note: Savannah benefits economically from Acquisition Asset cash flow generation in FY 2021 and FY 2022, given the Transaction effective date of 1 January 2021.
7. Source: United Nations Human Development Report 2020, World Bank.
8. Source: Our World in Data based on BP & Shift Data Portal, Worldbank. Note, GDP per Capita is based on Purchasing Power Parity (PPP) in accordance with the World Bank International Comparison Program.
9. Source: BP Statistical Review of World Energy 2021.
10. Source: S&P Global IHS Markit, Energy & Natural Resources Research & Analysis.
11. Source: World Bank 2020.

Definitions

(a) Total Revenues are defined as the total amount of invoiced sales during the period. This number is seen by management as appropriately reflecting the underlying cash generation capacity of the business as opposed to Revenue recognised in the Consolidated Statement of Comprehensive Income. A detailed explanation of the impact of IFRS 15 revenue recognition rules on our Consolidated Statement of Comprehensive Income is provided in our 2020 Annual Report in the Financial Review section on page 56. Note that Total Revenues is not an audited number. # In order to compare performance on a like-for-like basis the 2020 Total Revenues have been represented to exclude the impact of an advance payment of US\$20 million received from Lafarge Africa on entering an amended and extended gas sales agreement.

(b) Remaining life of contact revenues estimated on a maintenance adjusted Take or Pay basis including contributions from three of our customers: Calabar Generation Company Limited (owner of the Calabar power station), Ibom Power Company Limited (owner of the Ibom power station) and the Lafarge Africa PLC (owner of the Lafarge Mfamosing cement plant). Note this is not an audited number.

(c) Adjusted EBITDA is calculated as profit or loss before finance costs, investment revenue, foreign exchange gains or loss, expected credit loss and other related adjustments, fair value adjustments, gain on acquisition, taxes, transaction costs, depreciation, depletion and amortisation and adjusted to include deferred revenue and other invoiced amounts. Management believes that the alternative performance measure of Adjusted EBITDA more accurately reflects the cash-generating capacity of the business. # In order to compare performance on a like-for-like basis the 2020 Adjusted EBITDA has been represented to exclude the impact of an advance payment of US\$20 million received from Lafarge Africa on entering an amended and extended gas sales agreement.

(d) Total contributions to Nigeria and Niger defined as payments to governments, employee salaries and payments to local suppliers and contractors. Where total contributions refer to the period 2014–2021 they include contributions to Nigeria during the period pre-acquisition of the Nigerian assets by Savannah.

(e) Investment grade indicates credit support from an entity which holds an investment grade rating from either Standard & Poor's, Moody's or Fitch Ratings.

(f) Adjusted Net debt is defined as Net debt adjusted for US\$75.5 million (2020: US\$48.0 million) equivalent held in Naira that is set aside to cover interest payments. This measure recognises the fact that when interest is paid the Net debt will rise.

(g) Group Operating expenses plus administrative expenses are defined as total cost of sales, administrative and other operating expenses excluding royalty and depletion, depreciation and amortisation.

(h) Interest cover ratio is Adjusted EBITDA(c) divided by Finance costs excluding (i) unwinding of a discount on a long-term payable, (ii) unwind of discount on contract liabilities and (iii) unwinding of decommissioning discount, less Interest Finance Income.

(i) Net debt is defined as Borrowings less Cash at bank and Restricted cash.

(j) Cash collections are defined as the amount of cash received from customers. # In order to compare performance on a like-for-like basis the 2020 Cash collections have been represented to exclude the impact of an advance payment of US\$20 million received from Lafarge Africa on entering an amended and extended gas sales agreement. Definitions Savannah Energy PLC Annual Report and Accounts 2021 172 Definitions

(k) Leverage is defined as Net debt divided by Adjusted EBITDA.

(l) Adjusted Leverage is defined as Adjusted net debt divided Adjusted EBITDA. This measure thus excludes sums held to pay interest from the calculation in parallel with Adjusted net debt.

(m) Chad and Cameroon Assets: means the assets to be acquired on completion of the Exxon Acquisition (being a 40% participating interest in the Doba OFDA in Chad, and a 40.19% and 41.06% shareholding interest in Tchad Oil Transportation Company and Cameroon Oil Transportation Company (respectively) which own and operate the Chad-Cameroon pipeline and FSO), and the assets to be acquired on completion of the PETRONAS Acquisition (being a 35% participating interest in the Doba OFDA in Chad, and a 30.16% and 29.77% shareholding interest in Tchad Oil Transportation Company and Cameroon Oil Transportation Company (respectively) which own and operate the Chad-Cameroon pipeline and FSO). Exxon Acquisition the acquisition of Esso Pipeline Investments Limited and Esso Exploration and Production Chad Inc. PETRONAS Acquisition the acquisition of PETRONAS Carigali Chad Exploration