

Kosmos Energy Announces Fourth Quarter and Full Year 2018 Results

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[Kosmos Energy Ltd.](#) ("Kosmos") (NYSE:KOS) announced today financial and operating results for the fourth quarter of 2018. For the fourth quarter of 2018, the Company generated a net gain of \$186 million, or \$0.43 per diluted share as compared to net loss of \$122 million or \$0.31 per diluted share in the same period last year. When adjusted for certain items that impact the comparability of results, the Company generated an adjusted net loss⁽¹⁾ of \$39.4 million or \$0.09 per diluted share for the fourth quarter of 2018.

"2018 was a transformative year as Kosmos has evolved into a full cycle E&P Company," said Andrew G. Inglis, chairman and chief executive officer. "We closed a strategic acquisition in the U.S. Gulf of Mexico, declared FID on our Tortue phase 1 development project and delivered more than \$250 million in net cash flow which we used to support our strategic acquisition and buy back our shares thereby eliminating the shareholder dilution from the shares issued in connection with the acquisition. Kosmos organically replaced more than 130 percent of production on a net proved basis, marking the sixth consecutive year of greater than 100% of production replacement. Including acquisitions, the production replacement was greater than 450%, reflecting the DGE acquisition. Kosmos is now well-positioned to grow cash flow, proved reserves and production through a combination of exploitation, development, infrastructure-led exploration and basin opening exploration activities. Kosmos is stronger than ever and the confidence we have in the future prospects for the company is demonstrated by the initiation of a dividend for 2019, the first in the company's history."

Fourth quarter 2018 revenues were \$301.4 million versus \$187.1 million in the same quarter of 2017, on sales of 5.1 million barrels of oil equivalent (boe) in 2018 as compared to 2.9 million barrels of oil equivalent in 2017. Fourth quarter 2018 revenues exclude \$29.8 million of derivative payment settlements. Realized oil revenues, including the impact of the Company's hedging program, was \$56.80 per barrel in the fourth quarter of 2018. At quarter end, the Company was in a net underlift position of approximately 0.1 million barrels of oil.

Production expense for the fourth quarter was \$73.1 million, or \$14.39 per boe, versus \$46.2 million, or \$15.75 per boe, in the fourth quarter of 2017. Absolute production expense increased in the fourth quarter of 2018 compared to the same quarter a year ago primarily because 2018 included a full quarter of the Deep Gulf Energy (DGE) acquisition. However, on a per barrel basis costs decreased over 8%.

Exploration expenses totaled \$55 million for the fourth quarter, comparable to \$53 million in the same period of 2017.

Depletion and depreciation expense for the quarter was \$121 million, or \$23.88 per boe, down 6% from \$25.35 per boe in the fourth quarter of 2017, primarily driven by the mix of cargos.

General and administrative expenses were \$35 million during the fourth quarter, compared to \$18 million in the prior year quarter. This amount includes approximately \$26 million in cash expense and \$9 million in non-cash equity based compensation expense. The increase was driven by the inclusion of DGE in the fourth quarter 2018.

Fourth quarter results included a mark-to-market gain of \$268 million related to the Company's oil derivative contracts. At December 31, 2018, the Company's hedging position had a total commodity net asset value of approximately \$30.7 million. As of the quarter end and including recently executed hedges, Kosmos has approximately 18 million barrels of oil hedged covering 2019 through 2020 including Brent, WTI and LLS based hedges.

Gain on our equity method investments, net during the fourth quarter was approximately \$13 million and

relates primarily to Kosmos' 50 percent ownership of our equity method investment in Kosmos Trident International Petroleum Inc. (KTIPI), which held our interests in Equatorial Guinea. Under the equity method of accounting, Kosmos only recognizes its share of the adjusted net income of KTIPI, including basis difference amortization, which is recorded in the (Gain) loss on equity method investments, net in the consolidated statement of operations. Effective as of January 1, 2019, our outstanding shares in KTIPI were transferred to Trident in exchange for a 40.375% direct interest in the Ceiba Field and Okume Complex. As a result, our interest in the Ceiba Field and Okume Complex will no longer be accounted for under the equity method of accounting.

Total capital expenditures in the fourth quarter were \$121 million. Full year capital expenditures totaled \$385 million, excluding DGE acquisition costs.

In December 2018, Kosmos exercised \$200 million of the reserve-based lending facility (RBL) accordion. As a result, the borrowing availability has been increased to \$1.7 billion. Including the additional capacity exercised in December 2018, Kosmos exited the fourth quarter of 2018 with approximately \$0.6 billion of liquidity and \$1.99 billion of net debt.

OPERATIONAL UPDATE

Year-End 2018 Reserves

The Company's proved net reserves at the end of 2018 were 167 million barrels of oil equivalent (MMBoe), including 90 MMBoe of net reserves in Ghana, 26 MMBoe of reserves in Equatorial Guinea and 51 MMBoe of reserves in the U.S. Gulf of Mexico. These volumes also include natural gas reserves of approximately 10 MMBoe, which represent the gas anticipated to be used for power generation on the Jubilee and TEN FPSO vessels and Ceiba/Okume complex, as well as gas sales from the TEN fields.

In Ghana, Kosmos replaced 102 percent of production, on a net proved basis. In Equatorial Guinea, Kosmos replaced 205 percent of production on a net proved basis. Combining Ghana and Equatorial Guinea, Kosmos replaced 138 percent of production on a net proved basis, the sixth consecutive year with production replacement of greater than 100 percent. Including acquisitions, the company wide production replacement ratio was 460%, reflecting the DGE acquisition. The Company's reported reserves are prepared by Ryder Scott Company, L.P., an independent reserve engineering firm.

Ghana

During the fourth quarter of 2018, gross sales volumes from Ghana averaged approximately 151,000 barrels of oil per day (bopd), including volumes from the Jubilee and TEN fields which averaged approximately 85,500 bopd and 65,500 bopd, respectively. For the full year, gross volumes from the Jubilee and TEN fields averaged approximately 78,000 bopd and 64,500 bopd, respectively.

Throughout 2018 the Jubilee FPSO turret remediation project made significant progress. Kosmos and its partners completed the lifting and locking of the main turret bearing, and the rotation of the vessel to its final heading in the second half of 2018. Permanent spread mooring of the vessel is expected to be completed around mid-year 2019. Work continues on the CALM buoy which is estimated to be complete in 2020.

Drilling resumed in the first quarter of 2018 with the ITLOS ruling resolved. A second rig, which arrived in Ghana in September 2018, is being used for drilling operations, with the first rig set up for a continuous completion program. Taking advantage of low rig rates in the current environment is expected to accelerate the addition of new wells in Ghana, increasing production towards FPSO capacity.

Equatorial Guinea

Gross production in Equatorial Guinea averaged approximately 44,100 bopd for the year ended December 31, 2018. Through December 2018, Kosmos has received approximately \$258 million in dividends from the Kosmos-Trident joint venture (over 100 percent of the \$231 million purchase price), which equates to a

payback of less than one year.

In June 2018, we completed a farm-in agreement with a subsidiary of Ophir Energy plc ("Ophir") for Block EG-24, offshore Equatorial Guinea, whereby we acquired a 40% non-operated participating interest. The first exploration period work program includes a 3,000 square kilometer 3D seismic acquisition requirement which was completed in November 2018. In January 2019, we agreed to acquire Ophir's remaining interest in the block and operatorship, which will result in Kosmos owning an 80% interest in Block EG-24, subject to customary governmental approvals.

In November 2018, we completed a 3D seismic survey of approximately 9,500 square kilometers over blocks EG-21, EG-24, S and W offshore Equatorial Guinea, and approximately 200 square kilometers over Block G. The seismic will be processed with the objective of high grading prospects for drilling with the first well anticipated in the second half of 2019.

Effective January 1, 2019, our outstanding shares in KTIPI were transferred to Trident in exchange for a 40.375% direct interest in the Ceiba Field and Okume Complex. As a result, our interest in the Ceiba Field and Okume Complex will no longer be accounted for under the equity method of accounting.

U.S. Gulf of Mexico

In September 2018, we completed the acquisition of DGE, a deepwater company operating in the U.S. Gulf of Mexico, from First Reserve Corporation and other shareholders for a total consideration of \$1.275 billion, comprised of \$952.6 million in cash, \$307.9 million in Kosmos common stock and \$14.9 million of transaction related costs. We funded the cash portion of the purchase price using cash on hand and drawings under our existing credit facilities. With the DGE transaction, Kosmos has added a highly experienced management team together with a portfolio of producing assets and infrastructure-led exploration growth assets.

During the third quarter of 2018, Kosmos expanded its inventory as one of the most active participants in U.S. Gulf of Mexico Lease Sale 251 in which we were awarded seven new deepwater blocks. As part of the Company's strategy to expand its position in the U.S. Gulf of Mexico, Kosmos also incurred approximately \$50 million of exploration expense to acquire seismic over new prospective areas and to re-license seismic over existing fields during the third quarter.

U.S. Gulf of Mexico production during the period from transaction close until the end of 2018 averaged approximately 23,700 boe per day (net) (~81% oil).

During the first quarter of 2019, Kosmos expanded its relationship with BP to grow Kosmos' footprint in the deepwater U.S. Gulf of Mexico. The transaction includes the evaluation of 18 jointly owned leases in the Garden Banks area and an opportunity to earn an interest in three additional blocks in other areas of the deepwater U.S. Gulf of Mexico. This agreement will allow both companies to leverage complementary skill sets to execute farm-in projects around existing infrastructure. Kosmos will be designated operator and plans to commence drilling operations on the first well in 2019.

Also, during the first quarter of 2019, Kosmos executed a farm-in agreement with Chevron covering the right to earn an interest in a strategic block in the deepwater U.S. Gulf of Mexico. This agreement allows Kosmos further opportunity to execute its deepwater U.S. Gulf of Mexico strategy of lower risk prospects with the potential for subsea development near existing midstream infrastructure. Kosmos will be designated operator and plans to commence drilling operations on the first well in 2019.

Greater Tortue Ahmeyim Project Achieves FID for Phase 1

In December 2018, Kosmos and its partners announced that a final investment decision for Phase 1 of the Greater Tortue Ahmeyim project has been agreed. The Greater Tortue Ahmeyim project will produce gas from a deepwater subsea system to a FLNG facility at a nearshore hub located on the Mauritania and Senegal maritime border. The FLNG facility for Phase 1 is expected to deliver approximately 2.5 million tons per annum on average. The full project will provide 10 million tons per annum of LNG for global export, as well as make gas available for domestic use in both Mauritania and Senegal. First gas for the project is

expected in the first half of 2022. Following a competitive tender process, BP Gas Marketing has been selected as the buyer for the LNG offtake of all partners for Greater Tortue Ahmeyim Phase 1.

Portfolio Additions

In September 2018, we acquired a 45% non-operated participating interest in PEL 39 offshore Namibia from Shell Exploration Company B.V. The block covers an area of approximately 12,000 square kilometers in water depths ranging from 250 to 3,000 meters. In January 2019, we completed a 3D seismic survey covering approximately 6,000 square kilometers. Processing of this data is currently underway. We are compiling an inventory of prospects on the license while integrating the new 3D seismic data in our geological evaluation during 2019 with a view to drilling as early as 2020.

(1) A Non-GAAP measure, see attached reconciliation of adjusted net income.

Conference Call and Webcast Information

Kosmos will host a Capital Markets day webcast with accompanying slides to discuss the company's activity today at 8:00 a.m. Central time (9:00 a.m. Eastern time). A live webcast of the event and slides can be accessed on the Investors page of Kosmos' website at investors.kosmosenergy.com. The dial-in telephone number for the call is 1-866-796-1566. Callers in the UK should dial 0800 368 1057. Other callers outside the United States should dial +44-203-059-5868. A replay of the webcast will be available on the Investors page of Kosmos' website for approximately 90 days following the event.

About Kosmos Energy

Kosmos is a full-cycle deepwater independent oil and gas exploration and production company focused along the Atlantic Margins. Our key assets include production offshore Ghana, Equatorial Guinea and U.S. Gulf of Mexico, as well as a world-class gas development offshore Mauritania and Senegal. We also maintain a sustainable exploration program balanced between proven basin infrastructure-led exploration (Equatorial Guinea and U.S. Gulf of Mexico), emerging basins (Mauritania, Senegal and Suriname) and frontier basins (Cote d'Ivoire, Namibia and Sao Tome and Principe). Kosmos is listed on the New York Stock Exchange and London Stock Exchange and is traded under the ticker symbol KOS. As an ethical and transparent company, Kosmos is committed to doing things the right way. The Company's Business Principles articulate our commitment to transparency, ethics, human rights, safety and the environment. Read more about this commitment in the Kosmos 2017 Corporate Responsibility Report. For additional information, visit www.kosmosenergy.com.

Non-GAAP Financial Measures

EBITDAX, Adjusted net income (loss) and Adjusted net income (loss) per share are supplemental non-GAAP financial measures used by management and external users of the Company's consolidated financial statements, such as industry analysts, investors, lenders and rating agencies. The Company defines EBITDAX as net income (loss) plus (i) exploration expense, (ii) depletion, depreciation and amortization expense, (iii) equity-based compensation expense, (iv) unrealized (gain) loss on commodity derivatives (realized losses are deducted and realized gains are added back), (v) (gain) loss on sale of oil and gas properties, (vi) interest (income) expense, (vii) income taxes, (viii) loss on extinguishment of debt, (ix) doubtful accounts expense and (x) similar other material items which management believes affect the comparability of operating results. The Facility EBITDAX definition includes 50% of the EBITDAX adjustments of Kosmos-Trident International Petroleum Inc. The Company defines adjusted net income (loss) as net income (loss) after adjusting for the impact of certain non-cash and non-recurring items, including non-cash changes in the fair value of derivative instruments, cash settlements on commodity derivatives, gain on sale of assets, and other similar non-cash and non-recurring charges, and then the non-cash and related tax impacts in the same period.

We believe that EBITDAX, Adjusted net income (loss), and Adjusted net income (loss) per share and other similar measures are useful to investors because they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the oil and gas sector and will provide investors with a useful tool for assessing the comparability between periods, among securities analysts, as

well as company by company. Because EBITDAX, Adjusted net income (loss), and Adjusted net income (loss) per share excludes some, but not all, items that affect net income, these measures as presented by us may not be comparable to similarly titled measures of other companies.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included in this press release that address activities, events or developments that Kosmos expects, believes or anticipates will or may occur in the future are forward-looking statements.

Kosmos' estimates and forward-looking statements are mainly based on its current expectations and estimates of future events and trends, which affect or may affect its businesses and operations. Although Kosmos believes that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several risks and uncertainties and are made in light of information currently available to Kosmos. When used in this press release, the words "anticipate," "believe," "intend," "expect," "plan," "will" or other similar words are intended to identify forward-looking statements. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of Kosmos, which may cause actual results to differ materially from those implied or expressed by the forward-looking statements. Further information on such assumptions, risks and uncertainties is available in Kosmos' Securities and Exchange Commission ("SEC") filings. Kosmos undertakes no obligation and does not intend to update or correct these forward-looking statements to reflect events or circumstances occurring after the date of this press release, except as required by applicable law. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. All forward-looking statements are qualified in their entirety by this cautionary statement.

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Kosmos Energy Ltd.

Consolidated Statements of Operations

(In thousands, except per share amounts, unaudited)

| | Three Months Ended December 31, 2018 | Years Ended December 31, 2017 | Years Ended December 31, 2018 |
|---|--|-------------------------------------|-------------------------------------|
| Revenues and other income: | | | |
| Oil and gas revenue | \$ 301,446 | \$ 187,104 | \$ 886,666 |
| Gain on sale of assets | — | — | 7,666 |
| Other income, net | 8,054 | — | 8,037 |
| Total revenues and other income | 309,500 | 187,104 | 902,369 |
| Costs and expenses: | | | |
| Oil and gas production | 73,066 | 46,173 | 224,727 |
| Facilities insurance modifications, net | (14,857) | 514 | 6,955 |
| Exploration expenses | 54,580 | 53,371 | 301,492 |
| General and administrative | 34,513 | 17,747 | 99,856 |
| Depletion and depreciation | 121,228 | 74,294 | 329,835 |
| Interest and other financing costs, net | 33,063 | 22,866 | 101,176 |
| Derivatives, net | (267,537) | 96,372 | (31,430) |
| (Gain) loss on equity method investments, net | (13,244) | (4,978) | (72,881) |
| Other expenses, net | 1,663 | 2,288 | (6,501) |
| Total costs and expenses | 22,475 | 308,647 | 953,229 |
| Income (loss) before income taxes | 287,025 | (121,543) | (50,860) |
| Income tax expense | 101,460 | 536 | 43,131 |
| Net income (loss) | \$ 185,565 | \$ (122,079) | \$ (93,991) |
| Net income (loss) per share: | | | |

| | | | | |
|--|---------|----------|------------|---|
| Basic | \$ 0.44 | \$ (0.31 |) \$ (0.23 |) |
| Diluted | \$ 0.43 | \$ (0.31 |) \$ (0.23 |) |
| Weighted average number of shares used to compute net income (loss) per share: | | | | |
| Basic | 421,067 | 389,149 | 404,585 | |
| Diluted | 426,826 | 389,149 | 404,585 | |

Kosmos Energy Ltd.

Condensed Consolidated Balance Sheets

(In thousands, unaudited)

| | December 31, 2018 | December 31, 2017 |
|--|-------------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 173,515 | \$ 233,412 |
| Receivables, net | 140,006 | 160,961 |
| Other current assets | 196,179 | 139,229 |
| Total current assets | 509,700 | 533,602 |
| Property and equipment, net | 3,459,701 | 2,317,828 |
| Other non-current assets | 118,788 | 341,173 |
| Total assets | \$ 4,088,189 | \$ 3,192,603 |
| Liabilities and shareholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 176,540 | \$ 141,787 |
| Accrued liabilities | 195,596 | 219,412 |
| Other current liabilities | 12,172 | 67,531 |
| Total current liabilities | 384,308 | 428,730 |
| Long-term liabilities: | | |
| Long-term debt, net | 2,120,547 | 1,282,797 |
| Deferred tax liabilities | 477,179 | 476,548 |
| Other non-current liabilities | 164,677 | 107,416 |
| Total long-term liabilities | 2,762,403 | 1,866,761 |
| Total shareholders' equity | 941,478 | 897,112 |
| Total liabilities and shareholders' equity | \$ 4,088,189 | \$ 3,192,603 |

Kosmos Energy Ltd.

Condensed Consolidated Statements of Cash Flow

(In thousands, unaudited)

| | Three Months Ended December 31, 2018 | Years Ended December 31, 2017 | 2018 |
|--|--|-------------------------------------|-------------|
| Operating activities: | | | |
| Net income (loss) | \$ 185,565 | \$ (122,079) | \$ (93,999) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Depletion, depreciation and amortization | 123,538 | 76,844 | 339,214 |
| Deferred income taxes | 93,240 | (23,315 |) 9,145 |
| Unsuccessful well costs | 8,251 | 18,686 | 123,199 |
| Change in fair value of derivatives | (262,017 |) 97,746 | (29,960) |
| Cash settlements on derivatives, net(1) | (35,237 |) 613 | (137,946) |
| Equity-based compensation | 9,255 | 9,968 | 35,230 |
| Gain on sale of assets | — | — | (7,666) |
| Loss on extinguishment of debt | — | — | 4,324 |

| | | | |
|--|------------|------------|-----------|
| Loss on equity method investment, net / (Undistributed equity in earnings) | (5,280 |) (4,978 |) (45 |
| Other | 1,628 | 2,540 | 2,865 |
| Changes in assets and liabilities: | | | |
| Net changes in working capital | 51,301 | 86,180 | 16,118 |
| Net cash provided by operating activities | 170,244 | 142,205 | 260,49 |
| Investing activities | | | |
| Oil and gas assets | (64,501 |) (39,783 |) (213,80 |
| Other property | (4,375 |) (1,219 |) (7,935 |
| Acquisition of oil and gas properties, net of cash acquired | — | — | (961,76 |
| Equity method investment | — | (231,280 |) — |
| Return of investment from KTIP | 42,036 | — | 184,664 |
| Proceeds on sale of assets | — | — | 13,703 |
| Net cash used in investing activities | (26,840 |) (272,282 |) (985,13 |
| Financing activities: | | | |
| Borrowings on long-term debt | 175,000 | 200,000 | 1,175,0 |
| Payments on long-term debt | (150,000 |) — | (325,00 |
| Purchase of treasury stock | (188,356 |) (78 |) (206,05 |
| Deferred financing costs | (1,927 |) (67 |) (38,672 |
| Net cash provided by (used in) financing activities | (165,283 |) 199,855 | 605,277 |
| Net increase (decrease) in cash, cash equivalents and restricted cash | (21,879 |) 69,778 | (119,37 |
| Cash, cash equivalents and restricted cash at beginning of period | 207,495 | 235,208 | 304,98 |
| Cash, cash equivalents and restricted cash at end of period | \$ 185,616 | \$ 304,986 | \$ 185,6 |

(1) Cash settlements on commodity hedges were \$29.8 million and \$(2.3) million for the three months ended December 31, 2018 and 2017, respectively, and \$(137.1) million and \$38.7 million for the years ended December 31, 2018 and 2017.

Kosmos Energy Ltd.

Equity Method Investment

(In thousands, unaudited)

| | Period | | |
|----------------------------------|--------------------|------------|-------------------|
| | Three months ended | Year ended | November 28, 2017 |
| Revenues and other income: | | | through |
| Oil and gas revenue | \$ 121,141 | \$ 721,299 | December 31, 2018 |
| Other income | (521 |) (477 |) 294 |
| Total revenues and other income | 120,620 | 720,822 | 54,909 |
| Costs and expenses: | | | |
| Oil and gas production | 32,319 | 147,685 | 15,509 |
| Depletion and depreciation | 17,988 | 126,983 | 10,738 |
| Other expenses, net | 639 | 429 | (19 |
| Total costs and expenses | 50,946 | 275,097 | 26,228 |
| Income before income taxes | 69,674 | 445,725 | 28,681 |
| Income tax expense | 22,933 | 156,981 | 6,588 |
| Net income | \$ 46,741 | \$ 288,744 | \$ 22,093 |
| Kosmos' share of net income | \$ 23,371 | \$ 144,372 | \$ 11,046 |
| Basis difference amortization(1) | 10,127 | 71,491 | 5,812 |
| Equity in earnings - KTIP | \$ 13,244 | \$ 72,881 | \$ 5,234 |

(1) The basis difference, which is associated with oil and gas properties and subject to amortization, has been allocated to the Ceiba Field and Okume Complex. We amortize the basis difference using the unit-of-production method.

Kosmos Energy Ltd.

EBITDAX

(In thousands, unaudited)

| | Three Months Ended December 31, 2018 | | | Three Months Ended December 31, 2017 | | |
|---|--------------------------------------|-----------|------------------------------|--------------------------------------|--------------|------------------------------|
| | Equatorial | | Guinea Kosmos (Equity) | Equatorial | | Guinea Kosmos (Equity) |
| | Kosmos | Total | | Kosmos | Total | |
| Net income (loss) | \$ 185,565 | \$ 13,244 | Method)(1) | \$ 198,809 | \$ (122,079) | Method)(2) |
| Exploration expenses | 54,580 | 352 | | 54,932 | 53,371 | — 53,371 |
| Facilities insurance modifications, net | (14,857) | — | (14,857) | 514 | — | 514 |
| Depletion and depreciation | 121,228 | 19,120 | | 140,348 | 74,294 | 11,181 85,475 |
| Equity-based compensation | 9,255 | — | 9,255 | 9,968 | — | 9,968 |
| Derivatives, net | (267,537) | — | (267,537) | 96,372 | — | 96,372 |
| Cash settlements on commodity derivatives | (29,794) | — | (29,794) | 2,311 | — | 2,311 |
| Inventory impairment and other | 295 | — | 295 | 820 | — | 820 |
| Disputed charges and related costs | (32) | — | (32) | 1,702 | — | 1,702 |
| Loss on equity method investment - KBSL | — | — | — | 256 | — | 256 |
| Gain on equity method investment - KTIP | (13,244) | — | (13,244) | (5,234) | — | (5,234) |
| Interest and other financing costs, net | 33,063 | — | 33,063 | 22,866 | — | 22,866 |
| Income tax expense | 101,460 | 11,467 | | 112,927 | 536 | 3,294 3,830 |
| EBITDAX | \$ 179,982 | \$ 44,183 | | \$ 224,165 | \$ 135,697 | \$ 19,709 \$ 155,406 |
| | Year ended December 31, 2018 | | Year Ended December 31, 2017 | | | |
| | Equatorial | | | Equatorial | | |
| | Guinea Kosmos (Equity) | Total | Guinea Kosmos (Equity) | Guinea Kosmos (Equity) | Total | |
| | | | | | | |
| Net income (loss) | \$ (93,991) | \$ 72,881 | Method)(1) | \$ (21,110) | \$ (222,792) | Method)(2) |
| Exploration expenses | 301,492 | 352 | | 301,844 | 216,050 | — 216,050 |
| Facilities insurance modifications, net | 6,955 | — | 6,955 | (820) | — | (820) |
| Depletion and depreciation | 329,835 | 134,982 | | 464,817 | 255,203 | 11,181 266,384 |
| Equity-based compensation | 35,230 | — | 35,230 | 39,913 | — | 39,913 |
| Derivatives, net | (31,430) | — | (31,430) | 59,968 | — | 59,968 |
| Cash settlements on commodity derivatives | (137,053) | — | (137,053) | 38,737 | — | 38,737 |
| Inventory impairment and other | 288 | — | 288 | 403 | — | 403 |

| | | | | | | |
|---|------------|------------|------------|------------|-----------|------------|
| Disputed charges and related costs | (9,753) | — | (9,753) | 4,962 | — | 4,962 |
| Gain on sale of assets | (7,666) | — | (7,666) | — | — | — |
| Loss on equity method investment - KBSL | — | — | — | 11,486 | — | 11,486 |
| Gain on equity method investment - KTIP | (72,881) | — | (72,881) | (5,234) | — | (5,234) |
| Interest and other financing costs, net | 101,176 | — | 101,176 | 77,595 | — | 77,595 |
| Income tax expense | 43,131 | 78,491 | 121,622 | 44,937 | 3,294 | 48,231 |
| EBITDAX | \$ 465,333 | \$ 286,706 | \$ 752,039 | \$ 520,408 | \$ 19,709 | \$ 540,117 |

(1) For the three months and year ended December 31, 2018, we have presented separately our 50% share of the results from operations and amortization of our basis difference for the Equatorial Guinea investment, as we account for such investment under the equity method.

(2) For the three months and year ended December 31, 2017 we have presented separately our 50% share of the results from operations and amortization of our basis difference for the Equatorial Guinea investment from the date of acquisition, November 28, 2017 through December 31, 2017 as we account for such investment under the equity method.

Adjusted Net Income

(In thousands, except per share amounts, unaudited)

| | Three Months Ended December 31, 2018 | 2017 | Years Ended December 31, 2018 | 2017 |
|---|--|--------------|-------------------------------------|---------------|
| Net income (loss) | \$ 185,565 | \$ (122,079) | \$ (93,991) | \$ (222,792) |
| Derivatives, net | (267,537) | 96,372 | (31,430) | 59,968 |
| Cash settlements on commodity derivatives | (29,794) | 2,311 | (137,053) | 38,737 |
| Gain on sale of assets | — | — | (7,666) | — |
| Facilities insurance modifications, net | (14,857) | 514 | 6,955 | (820) |
| Inventory impairment and other | 295 | 820 | 288 | 403 |
| Disputed charges and related costs | (32) | 1,702 | (9,753) | 4,962 |
| Impairment of suspended well costs | — | — | 57,772 | — |
| Gain on exit of Essaouira | (8,043) | — | (8,043) | — |
| Loss on extinguishment of debt | — | — | 4,324 | — |
| Loss on equity method investments, net | — | 256 | — | 11,486 |
| Total selected items before tax | (319,968) | 101,975 | (124,606) | 114,736 |
| Income tax expense on adjustments(1) | 94,977 | (34,539) | 29,653 | (34,547) |
| Impact of U.S. tax law change | — | 16,721 | — | 16,721 |
| Adjusted net loss | \$ (39,426) | \$ (37,922) | \$ (188,944) | \$ (125,882) |
| Net income (loss) per diluted share | \$ 0.43 | \$ (0.31) | \$ (0.23) | \$ (0.57) |
| Derivatives, net | (0.62) | 0.25 | (0.08) | 0.15 |
| Cash settlements on commodity derivatives | (0.07) | 0.01 | (0.34) | 0.10 |
| Gain on sale of assets | — | — | (0.02) | — |
| Facilities insurance modifications, net | (0.03) | — | 0.02 | — |
| Inventory impairment and other | — | — | — | — |
| Disputed charges and related costs | — | — | (0.02) | 0.01 |
| Impairment of suspended well costs | — | — | 0.14 | — |
| Gain on exit of Essaouira | (0.02) | — | (0.02) | — |
| Loss on extinguishment of debt | — | — | 0.01 | — |
| Loss on equity method investments, net | — | — | — | 0.03 |
| Total selected items before tax | (0.74) | 0.26 | (0.31) | 0.29 |
| Income tax expense on adjustments(1) | 0.22 | (0.09) | 0.07 | (0.09) |
| Impact of U.S. tax law change | — | 0.04 | — | 0.04 |
| Adjusted net loss per diluted share | \$ (0.09) | \$ (0.10) | \$ (0.47) | \$ (0.33) |
| Weighted average number of diluted shares | 426,826 | 389,149 | 404,585 | 388,375 |

(1) Income tax expense is calculated at the statutory rate in which such item(s) reside. Statutory rates for the U.S. and Ghana are 21% and 35%, respectively.

Operational Summary⁽¹⁾

(In thousands, except barrel and per barrel data, unaudited)

| | Three Months Ended | | Years Ended | |
|--|----------------------|------------|----------------------|------------|
| | December 31, 2018 | 2017 | December 31, 2018 | 2017 |
| Net Volume Sold | | | | |
| Oil (MMBbl) | | | | |
| Kosmos | 4.596 | 2.931 | 12.673 | 10.761 |
| Equity method investment - Equatorial Guinea | 0.950 | 0.405 | 5.228 | 0.405 |
| Total Oil (MMBbl) | 5.546 | 3.336 | 17.901 | 11.166 |
| Gas (MMcf) | 1.959 | — | 2.268 | — |
| NGL (MMBbl) | 0.154 | — | 0.179 | — |
| Total (MMBoe) | 6.027 | 3.336 | 18.458 | 11.166 |
| Revenue | | | | |
| Oil sales: | | | | |
| Kosmos | \$ 290,856 | \$ 187,104 | \$ 874,382 | \$ 578,139 |
| Equity method investment - Equatorial Guinea | 60,570 | 27,307 | 360,649 | 27,307 |
| Total Oil sales | 351,426 | 214,411 | 1,235,031 | 605,446 |
| Gas sales | 6,126 | — | 7,101 | — |
| NGL sales | 4,464 | — | 5,183 | — |
| Total sales | 362,016 | 214,411 | 1,247,315 | 605,446 |
| Cash settlements on commodity derivatives | (29,794) | 2,311 | (137,053) | 38,737 |
| Realized revenue | \$ 332,222 | \$ 216,722 | \$ 1,110,262 | \$ 644,183 |
| Oil and Gas Production Costs | | | | |
| Kosmos | \$ 73,066 | \$ 46,173 | \$ 224,727 | \$ 126,850 |
| Equity method investment - Equatorial Guinea | 16,160 | 7,755 | 73,843 | 7,755 |
| Total oil and gas production costs | \$ 89,226 | \$ 53,928 | \$ 298,570 | \$ 134,605 |
| Oil sales per Bbl: | | | | |
| Kosmos | \$ 63.28 | \$ 63.84 | \$ 69.00 | \$ 53.73 |
| Equity method investment - Equatorial Guinea | 63.76 | 67.42 | 68.98 | 67.42 |
| Total Oil sales per Bbl | 63.37 | 64.27 | 68.99 | 54.22 |
| Gas sales per Mcf | 3.13 | — | 3.13 | — |
| NGL sales per Bbl | 28.91 | — | 29.00 | — |
| Total sales per Boe | 60.06 | 64.27 | 67.58 | 54.22 |
| Cash settlements on commodity derivatives per oil Bbl ⁽²⁾ | (6.48) | 0.79 | (10.81) | 3.60 |
| Realized revenue per Boe ⁽³⁾ | 55.12 | 64.96 | 60.15 | 57.69 |
| Oil and gas production costs per Boe: | | | | |
| Kosmos | \$ 14.39 | \$ 15.75 | \$ 16.99 | \$ 11.78 |
| Equity method investment - Equatorial Guinea | 17.01 | \$ 19.15 | 14.12 | \$ 19.15 |
| Total oil and gas production costs | 14.80 | 16.17 | 16.18 | 12.05 |

(1) For the three and years months December 31, 2018, we have presented separately our 50% share of the results from operations for the Equatorial Guinea investment, as we account for such investment under the equity method.

(2) Cash settlements on commodity derivatives are only related to Kosmos and are calculated on a per barrel basis using Kosmos's Net Oil Volumes Sold.

(3) Realized revenue includes revenue from Kosmos, Equatorial Guinea (equity method investment), and Cash settlements on commodity derivatives; on a per Boe basis realized revenue is calculated using the total Net Volume Sold from both Kosmos and Equatorial Guinea (equity method investment).

Ghana was underlifted by approximately 137 thousand barrels as of December 31, 2018.

Hedging Summary

As of December 31, 2018⁽¹⁾

(Unaudited)

| | Index | MBbl | Weighted Average Price per Bbl | | | | |
|-------------------|-------------|--------|--------------------------------|----------|----------|------------|--|
| | | | Floor(2) | Sold | Put | Ceiling | |
| 2019: | | | | | | | |
| Three-way collars | Dated Brent | 10,500 | \$ 53.33 | \$ 43.81 | \$ 73.58 | \$ — | |
| Swaps | NYMEX WTI | 1,747 | 52.31 | — | — | — | |
| Collars | NYMEX WTI | 339 | 57.77 | — | 63.70 | — | |
| Collars | Argus LLS | 1,000 | 60.00 | — | 88.75 | — | |
| 2020: | | | | | | | |
| Three-way collars | Dated Brent | 4,000 | \$ 57.50 | \$ 45.00 | \$ 82.77 | \$ — | |

(1) Please see the Company's filed 10-Q for full disclosure on hedging material. Includes hedging position as of December 31, 2018 and hedges added since quarter-end.

(2) "Floor" represents floor price for collars or swaps and strike price for purchased puts.

Note: Excludes 0.9 MMBbls of sold (short) calls with a strike price of \$80.00 per Bbl in 2019 and 8.0 MMBbls of sold (short) calls with a strike price of \$85.00 per Bbl in 2020.

2019 Guidance

| | 1Q 2019 | FY 2019 |
|---------------------|-----------------------------------|-----------------------------|
| Production(1,2) | 58,000 - 60,000 boe per day | 69,000 - 73,000 boe per day |
| Opex | \$14.00 - \$16.00 per boe | \$12.00 - \$15.00 per boe |
| DD&A | \$22.00 - \$25.00 per boe | \$22.00 - \$25.00 per boe |
| G&A(3) | \$32 - \$35 million | \$115 - \$125 million |
| Exploration Expense | ~\$30 million average per quarter | |
| Net Interest | \$35 - \$37 million per quarter | |
| Tax | \$3.00 - \$5.00 per boe | |
| Capex | \$425 - \$475 million in FY 2019 | |

Note: Ghana/EG revenue calculated by number of cargos.

(1) 1Q 2019 cargo forecast - Ghana: 2 cargos / Equatorial Guinea 1.5 cargos. FY 2019 Ghana: 13 cargos / Equatorial Guinea 5.5 cargos. Average cargo sizes 950,000 barrels of oil.

(2) U.S. Gulf of Mexico production: 1Q 2019 - 16,000-18,000 boe per day / FY 2019 22,000-24,000 boe per day. Oil/Gas/NGL split for 2019: U.S. Gulf of Mexico: 80%/12%/8%.

(3) G&A - Approximately 70% cash.

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