# Resilience in The New Reality

"The global industry clearly shaped our financial outcome as a company in 2014. We thrived in our operational achievements, with a five-fold increase in total production over 2014, but this was adversely countered by the slump in global crude oil prices. In this new pricing reality we have provisioned for a number of write-downs as a result of reduced activity in the service sector as well as the value of reserves in our legacy portfolio. We see this period as a time for prudent consolidation and will be focusing our energies on creating value through optimization of resources, via efficiency in our operations, deleverage and risk management - as demonstrated with our hedging instruments that yielded $234 million in proceeds, whilst, seeking the right opportunity to substantially expand our reserve and production base."

**Wale Tinubu**
Group Chief Executive

**Operational Update**

In the Upstream, Oando Energy Resources increased production by over 500% from 2013, largely due to a full 5 month contribution from OMLs 60 – 63 which were acquired in July 2014. OER made significant progress in organic development during the course of the year with completed drilling campaigns for 3 wells in the Abo field, maintaining a production average of 3,303 bbl/d (OER share). Ebendo 7 well was drilled, completed and tested, growing the Ebendo field production capacity to 7,140boepd (3,052 boepd OER share). OER participated in the completion of the 51km Umugini evacuation pipeline (45,000bbls/d throughput capacity) which will provide an alternative route for crude transport from the Ebendo Field, through the Trans Forcados export pipeline. Following the completion of the evacuation pipeline, oil production capacity was increased within OML 56 to 7,140bbl/d (3,052 bbl/d OER Share). Export had been constrained at 3,093 bbbl/d (1,322 bbl/d OER share) via the Agip operated Kwale-Brass NAOC/JV infrastructure. The newly constructed pipeline will allow the company maximize the production and transportation of crude on OML 56. The Company successfully realized $234 million by resetting its crude oil hedge floor price from an average of $95.35 per barrel to $65.00 per barrel on 10,223 bbls/day of oil production till July 2016 and another 1,553 bbls/day for a further 18 months until January 2019. The proceeds, in addition to $4 million cash on hand, were used to prepay $238 million of certain loan facilities.

OES Teamwork rig celebrated 4 years without Lost Time to Injury (LTI). LTI measures injury sustained on the job that can directly obstruct a worker from performing or continuing with a task or resulting in downtime in operations. This signifies our commitment to world class operating standards, with the proactive use of our EHSSQ and operational processes.

In the midstream, Oando Gas and Power commenced execution of the 9km Greater Lagos pipeline expansion project, which will enable customers along the Ijora and Marina axis have access to gas; this expansion will increase the pipeline's overall capacity by 30mmscf/day. We also entered into an agreement with General Electric Nigeria to engage in various initiatives to develop power generation projects, Compressed Natural Gas facilities and mini Liquefied Natural Gas projects.

The downstream industry remains in need of immediate regulatory reform. Despite the challenges, Oando stays focused on increasing our footprint and diversifying our product mix. In line with increasing our presence and dominance across Africa, Oando Marketing completed the construction of the Island Jetty.

## 2014 FYE (Audited)

### Consolidated Income Statement

| | Dec-14 N'000 | Dec-13 N'000 |
|---|---|---|
| Revenue | 424,677,646 | 449,873,466 |
| **Gross profit** | 69,181,658 | 59,289,031 |
| Other operating income | 68,567,663 | 5,132,343 |
| Administrative expenses | (277,633,697) | (47,874,870) |
| **Operating profit** | (139,884,376) | 16,546,504 |
| Finance costs - net | (31,438,889) | (15,833,297) |
| Profit before income tax | (171,323,265) | 713,207 |
| Income tax expense | (7,958,945) | (5,389,472) |
| (Loss)/profit for the year from continuing operations | (179,282,210) | (4,676,265) |
| Profit for the year from discontinued operations | (4,610,976) | 6,073,191 |
| **Profit for the year** | (183,893,186) | 1,396,926 |
| **Profit attributable to:** | | |
| Owners of the parent | (180,538,490) | 1,414,462 |
| Non-controlling interest | (3,354,696) | (17,536) |
| | **(183,893,186)** | **1,396,926** |

### Consolidated Statement of Financial Position

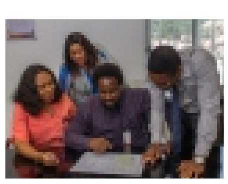
| | Dec-14 N'000 | Dec-13 N'000 |
|---|---|---|
| Property, plant & equipment | 314,042,207 | 172,209,842 |
| Intangible assets | 245,705,184 | 82,232,746 |
| Other non-current assets | 133,717,654 | 105,089,203 |
| Current assets | 195,907,512 | 225,897,426 |
| | **889,372,557** | **585,429,217** |
| Financed by: | | |
| Share capital & reserves | 45,506,703 | 162,368,077 |
| Borrowings | 473,342,200 | 255,285,053 |
| Other non-current liabilities | 163,673,524 | 21,670,964 |
| Other current liabilities | 206,850,130 | 146,105,123 |
| | **889,372,557** | **585,429,217** |

### Consolidated Statement of Cash Flows

| | Dec-14 N'000 | Dec-13 N'000 |
|---|---|---|
| Cash flows from operating activities | (45,333,888) | 32,888,268 |
| Cash flows from investing activities | (184,997,313) | (41,803,532) |
| Cash flows from financing activities | 214,422,352 | 33,713,612 |
| **Net change in cash and cash equivalents** | (15,908,849) | 24,798,348 |
| Cash and cash equivalents at the beginning of the year | (10,331,129) | (35,129,477) |
| **Cash and cash equivalents at end of the year** | **(26,239,978)** | **(10,331,129)** |

By order of the Board

Ayotola Jagun
Company Secretary



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