

Oando PLC
(Incorporated in Nigeria and registered as an external
company in South Africa)
Registration number: RC 6474
(External company registration number 2005/038824/10)
Share Code on the JSE Limited: OAO
Share Code on the Nigerian Stock Exchange: UNTP
ISIN: NGOANDO00002
("Oando" or the "Company")



Oando PLC Announces Full Year End 2019 Results

Lagos, Nigeria – Oando PLC (referred to as "Oando" or the "Group"), Nigeria's leading indigenous energy group listed on both Nigerian Exchange Limited and Johannesburg Stock Exchange, today announced audited financial statements for the year ended December 31, 2019.

HIGHLIGHTS

Operational

Upstream: 6% production increase, 42,492boe/day compared to 40,023boe/day (FYE 2018)

- 6% increase in Oil production, 17,969bbls/day (vs 16,967bbls/day in FYE 2018)
- 11% increase in Natural Gas production, 22,047boe/day (vs 19,922 in FYE 2018)
- 21% decrease in NGL production, 2,476bbls/day (vs 3,134bbls/day in FYE 2018)

Downstream:

- Traded crude oil volumes of 14.17 million (vs 14.19 million in FYE 2018)
- 39% decline in traded refined petroleum products (452,919 MT compared to 739,876 MT in FYE 2018)

Financial

- 15% decrease in Turnover, ₦576.6 billion compared to ₦679.5 billion (FYE 2018)
- Loss-After-Tax of ₦207.1 billion compared to Profit-After-Tax of ₦28.8 billion (FYE 2018)
- 72% Total Group Borrowings increase, ₦362.2 billion compared to ₦210.9 billion (FYE 2018)

Commenting on the results, Wale Tinubu, Group Chief Executive, Oando PLC said:

"2019 witnessed the completion of our corporate strategy of divesting from our naira earning businesses to focus on a dollar-earning portfolio following the sale of our 25% residual stake in Axxela to Helios Investment Partners. This guarantees that future income is protected from foreign exchange fluctuations which have hindered us in the past.

We also recorded a 6% and 11% growth in crude oil and natural gas production respectively compared to the prior year due to an aggressive ramp up in drilling activities across our joint venture operations.

However, the COVID-19 pandemic, despite surfacing at the tail end of 2019, had major repercussions on financial reporting across the globe with the oil industry recording over \$145 billion in write-downs due to the impact of the pandemic on future cash flows, and consequently,

the valuation of oil and gas assets. We were no exception as following a thorough evaluation of our oil and gas assets, we had to book non-financial impairments of ₦169 billion during the year in line with IFRS reporting guidelines. In addition, following the successful resolution of a long-standing, and value destructive shareholder dispute that had plagued the company since 2017, we had to recognize a significant impairment of ₦148 billion on the financial assets arising from the financing and settlement of the resolution.

Subsequently, we quickly put in place mechanisms to safeguard our business by implementing a hedging program to protect our oil revenue and in April 2020, utilized the proceeds from crystalizing the hedges towards reducing debt obligations. This ensured that our cashflows were not severely stressed during a period which witnessed cashflow challenges for many of our peers. Furthermore, we successfully extended our NAOC-OOL-NPDC JV crude offtake contract, thereby securing long term offtake of our crude lifting volumes. In conjunction with our partners, we implemented stringent cost management strategies across all our Joint Venture operations, in addition to reducing operating expenses.

Nevertheless, we remain focused on aggressively increasing our upstream production, growing our trading volumes, and optimising our balance sheet towards returning the company to profitability within the shortest possible time”.

OPERATIONS REVIEW

Upstream:

Production for the financial year ended 31 December 2019:

	FYE 2019	FYE 2018	% Change
Crude Oil (bbls/day)	17,969	16,967	6%
NGLs (bbls/day)	2,476	3,134	-21%
Natural Gas (boe/day)	22,047	19,922	11%
Total (boe/day)	42,492	40,023	6%

During the financial year ended December 31, 2019, production increased by 6% to 42,492boe/day, compared with 40,023boe/day over the same period of 2018. A breakdown of the 2019 production consisted of 17,969 bbls/day of crude oil, 2,476 boe/day of NGLs and 132,281 mcf/day (22,047 boe/day) of natural gas.

Over the course of the year, in conjunction with our JV partners, we aggressively ramped up our drilling program towards increasing oil revenue and meeting our gas obligations. In July 2019, we successfully completed a side-track at OML 56, shoring up net production by ~1,500bbls/day, whilst also drilling and completing five wells across three rig lines at our joint venture operations on OMLs 60-63 during the year.

In September 2019, the NAOC/ OOL/ NPDC JV (of which Oando Energy Resources [OER] holds a 20% working interest through its subsidiary OOL) announced that it had made a significant gas and condensate find in the deeper sequences of the Obiafu-Obrikom fields in OML 61, onshore Niger Delta, amounting to about 1 trillion cubic feet of gas and 60 million barrels of associated condensate. The well has the capacity to deliver more than 100 million standard cubic feet/day of gas and 3,000 barrels/day of associated condensates. The discovery is part of a drilling campaign planned by the Joint Venture aimed at exploring near-field and deep pool opportunities as immediate time to market opportunities. OER is positive that this discovery will have an impact on its gas reserves.

Capital expenditure of \$78.8 million was incurred in the 2019 financial year compared to \$104.9 million in same period in 2018, representing a 25% decrease. Approximately 91% of 2019 Capital expenditure was allocated to OMLs 60-63 (\$71.3 million) towards the development of oil and gas assets, as well as exploration and evaluation activities. \$6.3 million was spent on OML 56 towards development drilling and

capital construction. \$1.2 million was spent largely on capital construction, as well as to advance exploration on the other assets.

Downstream:

Traded volumes for the financial year ended 31 December 2019:

Traded Volumes	FYE 2019	FYE 2018	% Change
Crude Oil (bbls)	14,173,691	14,187,897	0%
Refined Products (MT)	452,919	739,876	-39%

In FYE 2019, Oando Trading traded approximately 14 million barrels of crude oil under various contracts with the Nigerian National Petroleum Corporation (NNPC) and delivered 452,919 MT of refined products.

FINANCE REVIEW

₦ Million (unless otherwise stated)	FYE 2019	FYE 2018	% Change
Revenue	576,572	679,465	-15%
Operating Loss	(334,881)	44,002	-861%
Loss-After-Tax	(207,078)	28,798	-819%
Total Borrowings	362,166	210,901	72%
Average Realized Oil Price (US\$/bbl)	62.59	69.44	-10%
Average Realized Gas Price (US\$/boe)	9.24	10.56	-13%
Average Realized NGL Price (US\$/boe)	6.85	9.15	-25%

Revenue

The 15% decline in turnover was driven by a 10% decline in our average realized oil price in 2019 (\$62.59 per barrel compared to \$69.44 per barrel in 2018). Other upstream products also recorded declines in average realized price compared to 2018 (Natural Gas -13%; NGL -25%). In the downstream, we recorded a 39% decline in traded volumes on refined products.

Operating Loss

The Operating Loss of ₦334.9 billion in 2019 was driven primarily by asset impairments totalling ₦316.7 billion as detailed below:

- I. **Impairment of Non-Financial Assets:** An impairment on non-financial assets of ₦169.1 billion consists largely of exploration and evaluation ("E&E") asset impairment losses of ₦12.6 billion and goodwill impairment losses of ₦156.5 billion.
 - **E&E Asset Impairment Losses (₦12.6 billion):** This was driven by a re-assessment of expected cash flows from oil, gas and NGL reserves. As at the time of the assessment, the futures market forward curve for Brent carried lower forecasted prices due to the impact of the COVID-19 pandemic on global oil demand and subsequently crude prices. This assessment led to an impairment loss of ₦12.6 billion.

- **Goodwill Impairment Losses (N156.5 billion):** OER's goodwill arising from E&E and producing assets was also impaired as the fair value less costs of disposal of E&E assets and the discounted estimated cash flows for producing assets were lower than its carrying value. As explained above, the futures market forward curve for Brent carried lower forecasted prices due to the impact of the COVID-19 pandemic on global oil demand and subsequently crude prices. This assessment of goodwill impairment losses resulted in a total impairment of N156.5 billion.

II. **Impairment of Financial Assets:** This relates to an impairment of receivables utilized towards financing of a long-standing shareholder dispute that had plagued the Company since 2017. Oando's intervention in resolving this dispute was crucial as the protracted issue had resulted in significant destruction of value for the company in general, and minority shareholders in particular. In accordance with IFRS guidelines, an impairment test was carried out on the receivables utilized towards the agreed settlement, resulting in an impairment on financial assets of N147.6 billion.

Loss-After-Tax

The Loss-After-Tax for FYE 2019 of N207.1 billion was driven primarily by the above asset impairments of N316.7 billion, partially offset by an income tax credit of N170.3 billion. In June 2019, OER received a notification from the Nigerian Investment Promotion Commission (NIPC) for Company Income Tax Relief for an additional period of 2 years (2017 and 2018) for Oando Oil Limited. The incentive relates to activities around manufacturing and distribution of gas and as such, OER extinguished its current income tax liabilities of N24.6 billion (\$68.0 million) for 2017 and 2018. This amount has been recognized as a tax recovery in the income statement.

Total Borrowings

Total Borrowings increased by 72% to N362.2 billion (compared to N210.9 billion in FYE 2018) due to the financing of the resolution of the protracted shareholder dispute as stated above.

Shareholders are advised that the Company's financial results for the year ended 31 December 2019 are now available on the:

JSE Limited website:

<https://senspdf.jse.co.za/documents/2022/jse/isse/untp/oando19.pdf>

Full Announcement

This short-form announcement is the responsibility of the Directors of the Company and is a summary of the information in the full announcement.

Any investment decision by investors and/or shareholders should be based on consideration of the full announcement, copies of which are also available for inspection at our offices on work-days during business hours, at no charge:

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JSE Sponsor to Oando



GLOSSARY

"boe/day"	barrels of oil equivalent per day
"bbls/day"	barrels of oil per day
"mcf/day"	thousand cubic feet per day
"bbls"	barrels of oil
"boe"	barrels of oil equivalent
"US\$/bbl"	US dollars per barrel of oil
"US\$/boe"	US dollars per barrel of oil equivalent
"US\$/mcf"	US dollars per thousand cubic feet
"MT"	Metric Tonnes
"OML"	Oil Mining Licence