



An Evolving Strategy

In the Upstream, OER has made significant progress in organic development during the course of the year with completed drilling campaigns for wells 9, 4 ST and 8 in the Abo field, and wells 5 and 6 in the Ebendo field (OML 56). Production from the Abo field within OML 125 averaged 3,321 bbl/d light oil (net Working Interest) in 2013 as we drilled 3 wells to maintain production levels; whilst production at the Ebendo Field averaged at 679 bbl/d, representing a 54% increase in production over 2012 due to additional well capacity and the optimisation of crude storage and injection.

Significant progress was made in the construction of an alternative 45,000bbls/d, 51km evacuation pipeline which will provide an alternative route for crude transport from the Ebendo Field, through the Trans Forcados export pipeline; completion is expected in Q4, 2014. With the two additional wells drilled on the Ebendo field, we grew our oil production capacity within OML 56 to 7,140bbl/d (3,213 bbl/d OER Share). Export is currently constrained at 3,093 bbl/d (1,391.85 bbl/d OER share) via the Agip operated Kwale-Brass NAOC/JV infrastructure; however, this does not pose a threat as the construction of our alternative Umugini pipeline will resolve the constraint. We continue to make substantial progress in bringing the Akepo field (OML 90) and Qua Ibo field (OML 13) to first oil.

OES took delivery of its' fourth swamp drilling rig, Respect, in Q4 2013, which is expected to commence a \$100,000 day rate contract with an IOC. The Integrity rig celebrated 4 years without Lost Time to Injury (LTI), signifying our commitment to world class operating standards, with the proactive use of our EHSSQ and operational processes.

In the midstream, we commissioned the Alausa Independent Power Plant in Q4 2013, thus growing our power generation capacity by an additional 10.4MW. We also commissioned a 5 mmscf/day Compressed Natural Gas facility in Lagos which enables us to reach commercial and industrial customers outside our existing pipeline network. Similarly, we've commenced execution of our Greater Lagos pipeline expansion project, which will enable customers along the Ijora and Marina axis have access to pipeline gas. This pipeline expansion will increase the pipeline's overall capacity by 30mmscf/day. We successfully divested our 128Km EHGC pipeline in line with our strategy to maximize value from our assets, with proceeds from the sale re-invested into the business for growth in other identified value-creating areas.

As downstream players continue to battle delayed subsidy payments from the Federal Government, we are being proactive in creating value as we explore efficient channels to increase our margins and add value to the sector, with the completion of our single point mooring jetty in the Apapa port, a first of its kind in Africa. This will contribute to cost-savings as a result of a deeper berth to accommodate larger vessels, increased throughput capacity, which will increase efficiency as well as toll charges from external parties. We have also increased our product diversity and expanse across geographies, with operations and supplies into new markets, countries, and continents

Wale Tinubu
Group Chief Executive

2013 FYE (Audited)

Consolidated Income Statement

	Dec-13 N'000	Dec-12 N'000
Revenue	449,873,466	650,565,603
Gross profit	59,289,031	69,901,096
Other operating income	5,135,379	1,637,352
Administrative expenses	(47,874,870)	(47,113,219)
Operating profit	16,549,540	24,425,229
Finance costs - net	(15,833,297)	(10,247,787)
Share of loss of investment using equity method	(3,036)	-----
Profit before income tax	713,207	14,177,442
Income tax expense	(5,389,472)	(8,666,859)
(Loss)/profit for the year from continuing operations	(4,676,265)	5,510,583
Profit for the year from discontinued operation	6,073,191	5,275,734
Profit for the year	1,396,926	10,786,317
Profit attributable to:		
Owners of the parent	1,414,462	10,424,491
Non-controlling interest	(17,536)	361,826
	1,396,926	10,786,317

Consolidated Statement of Financial Position

	Dec-13 N'000	Dec-12 N'000
Property, plant & equipment	172,209,842	130,324,713
Intangible assets	82,232,746	138,853,809
Other non-current assets	111,556,925	99,831,898
Current assets	188,414,313	146,053,368
Asset of disposal group classified as held for sale	10,000	-----
	591,896,939	515,063,788
Financed by:		
Share capital & reserves	162,368,077	105,354,528
Borrowings	255,285,053	288,886,785
Other non-current liabilities	28,138,686	27,353,664
Other current liabilities	131,875,111	93,468,811
	591,896,939	515,063,788

Consolidated Statement of Cash Flows

	Dec-13 N'000	Dec-12 N'000
Cash flows from operating activities	32,888,267	19,666,408
Cash flows from investing activities	(41,803,532)	(105,290,229)
Cash flows from financing activities	33,770,400	57,142,955
Exchange (loss)/gain on cash and cash equivalents	(56,787)	8,527
Net change in cash and cash equivalents	24,798,348	(28,472,339)
Cash and cash equivalents at the beginning of the year	(35,129,477)	(6,657,138)
Cash and cash equivalents at end of the period	(10,331,129)	(35,129,477)

By order of the Board



Ayotola Jagun
Company Secretary