

Staying Our Course

Our nation is experiencing change, as witnessed from the tone of redirection in the oil and gas industry, which will lead to improved accountability and operational efficiencies in our sector. Our business is also experiencing this change with the sale of 60% of our Downstream business in line with our strategic goals of placing our fundamental growth expectations on the Upstream. The cash proceeds of the divestment will be utilized towards debt reduction to shore up our balance sheet in these challenging times. We are encouraged by our recent success in the Upstream which has seen an 11-fold increase in production and 82% increase in 2P reserves, as well as a substantial reduction in our acquisition debt. Our strategic focus is to increase operational efficiencies, whilst creating the necessary platform to be the partner of choice to the IOCs as they continue their divestment programmes.

Wale Tinubu
Group Chief Executive

Operational Update

Oando Energy Resources (OER) completed its 2014 year-end summary of reserves where 2P net reserves increased by 82% from 230.6 mmboc, largely due to the recognition of Reserves of all producible oil and gas volumes associated with the operator provided work program, up to the economic limit of the producing fields.

OER's total production was 10 million barrels of oil equivalent (mmboc) in the six months, H1 2015 period compared to 0.8 mmboc in the same period of 2014. This increase is as a result of the 43,600boepd additional production from OMLs 60 – 63 which was acquired in H2, 2014; a 406 bbls/day production increase from the newly producing Qua-Ibo field; a 68% increase of production from the Ebendo field from 940 bbls/day to 1,580 bbls/day, largely due to the uncapping of the evacuation capacity as provided by the alternate 45,000 bbl/day, 52 Km Umugini pipeline; as well as an 8% reduction in the crude oil, lost through theft and pipeline vandalization.

Oando Energy Services (OES) achieved five and three years of continuous operations with a Zero Lost Time Incident (LTI) on two of its four rigs, "OES Teamwork" and "OES Passion" respectively. Further demonstrating our commitment to world class operating standards, with the proactive use of our EHSSQ and operational processes. OES Passion resumed its 24 month drilling contract with an IOC.

Oando Gas & Power (OGP) completed the first segment of the Greater Lagos Phase 4 pipeline project which runs from Ijora to Bonny Camp in Lagos state, thereby extending our natural gas distribution network to 135 Km. Segment 1 is complete and ready to supply gas to the customers already connected to the network.

Oando Downstream executed an agreement to divest 60% to Helios/Vitol JV for a total consideration of \$461 Million. We remain committed to expanding our footprint globally and will utilise our partnership with Vitol accordingly.

H1 2015 (Unaudited)

Consolidated Income Statement

	Jun-15 N'000	Jun-14 N'000
Revenue	60,318,995	55,669,913
Gross profit	23,693,476	40,838,123
Other operating income	(2,307,077)	(2,106,065)
Administrative expenses	(35,786,737)	(17,547,449)
Operating profit	(14,400,338)	21,184,609
Finance costs - net	(24,182,892)	(12,612,687)
Profit before income tax	(38,583,230)	8,571,922
Income tax expense	3,905,998	(2,828,434)
(Loss)/profit for the year from continuing operations	(34,677,232)	5,743,488
Profit for the year from discontinued operations	(448,576)	3,236,531
Profit for the year	(35,125,808)	8,980,019
Profit attributable to:		
Owners of the parent	(34,743,190)	10,932,315
Non-controlling interest	(382,618)	(1,952,296)
	(35,125,808)	8,980,019

Consolidated Statement of Financial Position

	Jun-15 N'000	Dec-14 N'000
Property, plant & equipment	271,657,696	314,042,207
Intangible assets	253,213,876	245,705,184
Other non-current assets	70,483,804	133,717,654
Current assets	235,780,551	195,907,512
	831,135,927	889,372,557
Financed by:		
Share capital & reserves	70,211,083	45,506,703
Borrowings	237,453,865	473,342,200
Other non-current liabilities	163,043,742	163,673,524
Other current liabilities	360,427,237	206,850,130
	831,135,927	889,372,557

Consolidated Statement of Cash Flows

	Jun-15 N'000	Jun-14 N'000
Cash flows from operating activities	50,012,166	25,044,249
Cash flows from investing activities	(16,110,707)	(21,948,252)
Cash flows from financing activities	(52,802,193)	26,168,892
Net change in cash and cash equivalents	(18,900,734)	29,264,889
Cash and cash equivalents at the beginning of the year	(21,307,899)	(10,331,129)
Cash and cash equivalents at end of the year	(40,208,633)	18,933,760

By order of the Board



Ayotola Jagun
Company Secretary



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