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PRESS STATEMENT

Oando PLC Announces Unaudited Full Year End 2020 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 unaudited results for Q1 – Q4 2020.

HIGHLIGHTS

Operational

- **Upstream:** 5% production increase, 44,550boe/day compared to 42,492boe/day (FYE 2019)
 - Oil production of 15,912bbbls/day (vs 17,969bbbls/day in FYE 2019)
 - Natural Gas production of 26,881boe/day (vs 22,047boe/day in FYE 2019)
 - NGL production of 1,757bbbls/day (vs 2,476bbbls/day in FYE 2019)
- **Downstream:**
 - 13% increase in traded crude oil volumes of 16.1 million (vs 14.2 million in FYE 2019)
 - 53% increase in traded refined petroleum products (694,653 MT compared to 452,919 MT in FYE 2019)

Financial

- 15% Turnover decrease, ~~N~~490.0 billion compared to ~~N~~576.6 billion (FYE 2019)
- Loss-After-Tax of ~~N~~132.6 billion compared to Loss-After-Tax of ~~N~~207.1 billion (FYE 2019)
- 16% Total Group Borrowings increase, ~~N~~419.6 billion compared to ~~N~~362.2 billion (FYE 2019)

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

“2020 proved to be an unprecedented year for the global economy due to the impact of the novel COVID-19 pandemic. The Oil & Gas industry was no exception as the year turned out to be one of the most challenging years in its history as we witnessed the lowest oil prices since our sojourn into Nigeria’s upstream sector in 2008, thus negatively impacting our revenue during the period. This resulted in us having to impair a portion of the goodwill on our balance sheet to ensure the carrying value of our assets was a true reflection of the environment we were operating in. Furthermore, the second tranche funding of the settlement of a protracted and disruptive shareholder issue resulted in us taking a further impairment on a category of our financial and non-financial assets. Despite these challenges, our hedging policy and long-term offtake contracts ensured our cash flows were not severely stressed during this period.



Amid an uncertain operating environment, our operational performance remained on track as we grew our upstream production by 5%, whilst downstream traded volumes of crude oil and refined products ramped up by 13% and 53% respectively”.

OPERATIONS REVIEW

Upstream:

Production for the twelve months ended 31 December 2020:

	FYE 2020	FYE 2019	% Change
Crude Oil (bbls/day)	15,912	17,969	-11%
NGLs (bbls/day)	1,757	2,476	-29%
Natural Gas (boe/day)	26,881	22,047	22%
Total (boe/day)	44,550	42,492	5%

During the twelve months ended December 31, 2020, production was 44,550 boe/day, compared to 42,492 boe/day in 2019. In 2020, production consisted of 15,912 bbls/day of crude oil, 1,757 boe/day of NGLs and 161,288 mcf/day (26,881 boe/day) of natural gas. The increase in production was a result of increased natural gas production at OML 60-63 (22%) offset by 29% decrease in NGL production and 5% and 15% crude production decreases at OML 56 and OML 13 respectively. Production decreases were a result of shut-ins for repairs, maintenance and sabotage incidences at the facilities.

During the twelve months to December 31, 2020, Oando spent \$82.8 million on capital expenditures related to the development of oil and gas assets and exploration and evaluation activities, compared to \$78.8 million in the twelve months to December 31, 2019.

Capital Expenditures in 2020 consisted of \$80.0 million at OMLs 60 to 63 incurred on oil and gas properties, \$1.5 million at OML 56 and \$1.3 million capital expenditure recorded on other assets.

Downstream:

Traded volumes for the twelve months ended 31 December 2020:

Traded Volumes	FYE 2020	FYE 2019	% Change
Crude Oil (bbls)	16,081,633	14,173,691	13%
Refined Products (MT)	694,653	452,919	53%

In FYE 2020, Oando Trading traded approximately 16 million barrels of crude oil under various contracts with the Nigerian National Petroleum Corporation (NNPC) and delivered 694,653 MT of refined products.



FINANCE REVIEW

₦ Million (unless otherwise stated)	FYE 2020	FYE 2019	% Change
Revenue	489,986	576,572	-15%
Operating Loss	(74,797)	(334,881)	-78%
Loss-After-Tax	(132,570)	(207,078)	-36%
Total Borrowings	419,630	362,166	16%
Average Realized Oil Price (US\$/bbl)	34.21	62.59	-45%
Average Realized Gas Price (US\$/boe)	7.13	9.37	-24%
Average Realized NGL Price (US\$/boe)	5.48	6.84	-20%

Revenue

Revenue for the period was directly impacted by volatile product prices due to the global economic impact of the pandemic, with realized average crude oil price declining by 45% (\$34.21 per barrel compared to \$62.59 per barrel in 2019), natural gas by 24% (\$7.13/boe compared to \$9.37/boe in 2019), and NGL by 20% (\$5.48/boe compared to \$6.84/boe in 2019). These contributed to an overall decline in revenue of 15% (₦490.0 billion compared to ₦576.6 billion in the same period in 2019) despite a 5% increase in production (44,550 boepd compared to 42,492 boepd in 2019), a 13% increase in traded crude oil volumes (16,081,633 bbls compared to 14,173,691 bbls in 2019), and a 53% increase in traded refined products (694,653 MT compared to 452,919 MT in 2019).

Operating Loss

The Operating Loss of ₦74.8 billion in 2020 was driven primarily by asset impairments totalling ₦84.7 billion as detailed below:

- I. **Impairment of Non-Financial Assets:** OER's goodwill arising from Exploration & Evaluation ("E&E") and producing assets was 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. 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 ₦21.8 billion.
- II. **Impairment of Financial Assets:** This relates to an impairment of receivables utilized towards financing of the settlement of a disruptive and value destructive long-standing shareholder dispute. In accordance with IFRS guidelines, an impairment test was carried out on the financing of the agreed settlement, resulting in an impairment on financial assets of ₦62.9 billion.



Loss-After-Tax

The Loss-After-Tax for FYE 2020 of ₦132.6 billion was driven primarily by the above asset impairments of ₦84.7 billion, as well as a 45% increase in Net Finance Costs to ₦58.9 billion (compared to ₦40.7 billion in 2019).

Total Borrowings

Total Borrowings increased by 16% to ₦419.6 billion (compared to ₦362.2 billion in FYE 2019) due to the financing of the settlement of the protracted shareholder dispute as stated above.

COVID-19 REVIEW

The COVID-19 pandemic, which commenced in December 2019, resulted in an unprecedented global health and economic crisis, with more than 82.0 million confirmed cases and 1.8 million deaths as at the end of December 2020. A resultant shut down of the global economy had a major impact on global demand for oil, with consumption reportedly declining by 30% to 65 million barrels a day in March 2020. This, combined with the inability of OPEC + to agree to production cuts, resulted in a global excess supply of 35 million barrels a day by the end of Q1 2020. In March, Brent crude marker prices reached record lows, declining by over 80% (from a high of \$70/bbl. on January 6th to a low of \$14/bbl. on March 31st). The second quarter of 2020 began to witness a gradual recovery in global economic activity; OPEC + also succeeded in agreeing production cuts of 9.7mb/d (about 10% of global supply) in April helping oil price to recover robustly in May and June, rising by 180% from its March lows of \$14.85/bbl to remain at \$41.58/bbl in June. In July, OPEC + eased production cuts to 7.7 mb/d as oil price continued its path to stability, eventually closing the year at \$51.22/bbl (266% increase from March lows and 24% below the 2019 closing price of \$67.77/bbl.).

As a company our average realized selling price of oil during the period was 45% below the previous year (\$34.21/bbl vs \$62.59/bbl in 2019) while average realized selling prices for natural gas and NGL also remained 24% and 20% below the preceding year respectively.

In line with Oando's focus on cash preservation and balance sheet optimization, we took the prudent approach of hedging a proportion of our oil production throughout the course of the year. In the first quarter of 2020, we hedged 8,000bbls per day of oil production at a floor price of \$55/bbl, ensuring ~63% of oil production was protected from oil price volatility. In April 2020, we crystallized all the hedges within our portfolio for a gross proceed of \$61.7 million and subsequently entered a new hedge arrangement at 4,000bbls per day with a strike price of \$25/bbl., for a three-month period covering May – July 2020. Proceeds from this hedge crystallization were used to guarantee debt service obligations on certain debt facilities due in 2020. In October 2020, we entered a new hedge arrangement at 8,000bbls per day with a strike price of \$35/bbl. for a six-month period covering October 2020 - March 2021. Our priority at every point was to ensure that our hedge strike price met our cash break-even requirements of covering our marginal cost of operations.



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For further information, please contact:

Ayotola Jagun
Company Secretary
The Wings Office Complex
17a Ozumba Mbadiwe Avenue
Victoria Island,
Lagos, Nigeria.
Tel: +234 (1) 270400, Ext 6159
ajagun@oandopl.com

Adeola Ogunsemi
Group Chief Financial Officer
The Wings Office Complex
17a Ozumba Mbadiwe Avenue
Victoria Island,
Lagos, Nigeria.
Tel: +234 (1) 270400, Ext 6506
aogunsemi@oandopl.com

Ibukun Opeodu
Investor Relations Manager
The Wings Office Complex
17a Ozumba Mbadiwe Avenue
Victoria Island,
Lagos, Nigeria.
Tel: +234 (1) 270400, Ext 6114
iopeodu@oandopl.com

For Oando PLC

Chief Compliance Officer & Company



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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