



Oando Plc

**Building Africa's Leading Integrated
Energy Provider**

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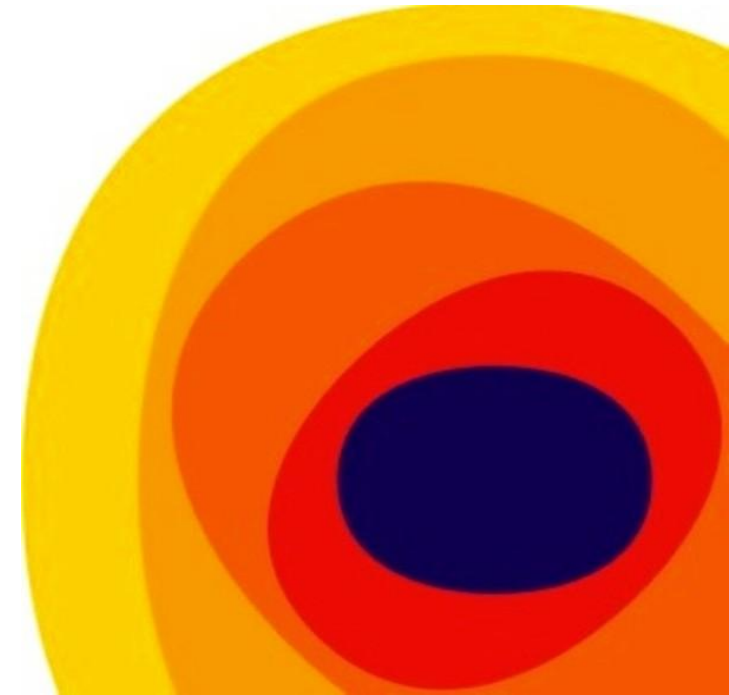
October 2009

"NSE Quoted Company of the Year" 2003, 2004, 2007

***Thisday Oil & Gas Company of the Year 2008**

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Oando – The Present



Description	Marketing	Supply and Trading	Refining & Terminals	Gas & Power	Energy Services	Exploration & Production
	<ul style="list-style-type: none"> Nigeria's leading oil retailer with 18% market share Operations in Nigeria, Togo, Ghana and Benin 	<ul style="list-style-type: none"> Largest indigenous supply and trading player in the sub-Saharan region Over 1 million MT of white products imported into Nigeria in 2008 	<ul style="list-style-type: none"> Commenced development of a refinery in Lekki, Lagos 	<ul style="list-style-type: none"> Consists of Gaslink Nigeria Limited, Akute Power and East Horizon Gas Company Limited. 	<ul style="list-style-type: none"> Leading indigenous drilling contractor in Nigeria with special interest in swamp and shallow offshore operations 	<ul style="list-style-type: none"> Rapidly expanding business Primary assets are located in Nigeria

2008 Financials (US\$m)	Marketing	Supply and Trading	Refining & Terminals	Gas & Power	Energy Services	Exploration & Production
Revenue	1456.9	1,066.3	n/a	54.8	34.5	106.2
EBITDA	62.3	13.3	n/a	5.1	(6.9)	57.8
Net Profit	27.5	7.6	n/a	3.0	(7.1)	22.5
Cash	62.2	39.9	n/a	1.2	1.2	11.0
Debt	100.1	219.5	n/a	46.5	64.7	-

Key assets	Marketing	Supply and Trading	Refining & Terminals	Gas & Power	Energy Services	Exploration & Production
	<ul style="list-style-type: none"> 518 retail outlets Six terminals (120,000 MT) 3 Aviation fuel depots Two lube blending plants (55m litres / annum) Ten LPG filling plants 	<ul style="list-style-type: none"> Trading desks in Nigeria, the UK and Singapore 	<ul style="list-style-type: none"> Purchased 450 hectares of land Completed pre-feasibility studies FEED for refined products tank farm commenced in 1Q 09 	<ul style="list-style-type: none"> 124 km gas pipeline in the East of Nigeria spanning Akwa Ibom and Cross River states 100 km gas distribution pipeline in Lagos Akute Power Plant 	<ul style="list-style-type: none"> 5 rigs Drill bits and engineering services. Total fluids management. 	<ul style="list-style-type: none"> OPL 236 204Bcf OPL 278 11.0 mmbbls OPL 282 6.5 mmbbls OML 56 3.8 mmbbls OML 125 5.7 mmbbls OML 134 10.9 mmbbls OML 90 4.2 mmbbls



2008 Avg NGN/USD exchange rate: N118.5/USD used for convenience of translation
 2008 Y/E NGN/USD exchange rate: N132.6/USD used for convenience of translation
 Note: Individual division financials do not add up to Group figures due to intra-group transactions and other smaller companies included in consolidation

Oando - The Future

Growth

- Expansion Strategy:
 - OST
Increase in white products supply along the West coast of Africa.
Increase in supply of products to Nigeria post full deregulation of the .
 - OML
Key focus on the expansion of LPG distribution across Nigeria. Increase in domestic use of LPG. Maintain pole position in the distribution of products in Nigeria.
 - OGP
Dedication of \$100million per annum to the expansion of Nigeria's gas pipeline network.
Expansion of Oando's gas pipeline network across Africa, commencing with an extensive distributive network in Ghana, Togo and Benin.
 - OES
Investments in on-land Drilling Rigs for inland drilling operations in the Niger Delta Area.
 - OEPL
Acquisition of Oil & Gas Assets and Companies in the Gulf of Guinea to increase Oando's oil and gas production and recoverable reserves.

Financing

- Capital Raising:
 - Local Capital Raising
 - Rights Issue to raise ₦20+Bn
Q'4 2009
 - Bond Offering ₦75Bn
Q'1 2010
 - International Capital Raising

Q'1 2010

Unusual Challenges – Ingenious Solutions

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Oando Gas & Power

Oando's commitment to supply gas to Lagos industries and the domestic market.

Transaction Overview

- Oando Gas and Power was awarded the Lagos State Gas Pipeline Concession.
- To build a gas pipeline distribution network across the Lagos State Area for the distribution of gas to local industries and the domestic market.
- The project was to be financed by a consortium of local banks led by First Bank.

Challenges

1. High Capital Expenditure expectations of the project threatened the feasibility.
2. Pipeline Right of Way/Community Issues
3. Untested business/Pioneering Status.
4. Customer Company commitments
5. Commercial Gas Tariffs (NGC)

Solutions

1. Oando divided the implementation of the project into 3 phases to reduce the immediate capital needs.
2. Implementation of CSR initiatives. e.g Adopt-a-school.
3. Innovative financing solutions.
4. Structuring affordable tariffs.
5. Application of revenues to CAPEX.



Oando

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Transaction Overview



Oando's pursuit for producing Oil & Gas Assets.

OML 125 daily production of 20,000bopd.

2P recoverable reserves of 50mmbbls.

Further exploration potential due to OML 134 untapped potential.

- Shell owned a 49.81% interest in 2 deep offshore blocks OML's 125 & 134.
- A strategic decision was made by Shell to divest from these assets.
- Oando was invited by Shell to join an international bidding process to acquire the 49.81% stake interest in these OMLs
- NAOC was Shell's partner and the operator of the block.
- Oando submitted the winning bid of \$625million for these blocks.
- The acquisition was to be financed by a consortium of foreign banks (BNPP, Standard Bank & Standard Chartered).

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Oando Exploration
& Production

Post acquisition:

*3 new wells
successfully
drilled.*

*50% increase in
production.*

*Increased
exploration of
OML 134.*

Challenges

1. NAOC exercised its pre-emptive rights as a partner in the producing asset and was awarded the 49.81% stake in the assets.
2. The total acquisition for the 15% was \$196million and the foreign banks were unable to secure the necessary internal approvals for the funds to be drawn-down by the transaction closure date.
3. High CAPEX requirements for the development of the assets.
4. Crude oil price dropped below \$40/barrel (2009), project economics was finalised in a \$100/barrel economy.

Solutions

1. Oando appealed and with the support of the Federal Government of Nigeria, Oando was awarded 15% interest in the assets.
2. Oando sourced funding from 2 local banks (Zenith & Access Banks) till the consortium of banks financed the transaction by a Senior Debt Loan (\$55m) and a Junior Mezzanine Loan (\$40m). Oando Plc financed the balance of the acquisition costs.
3. The assets are generally self funding but due to timing of the inflows Oando has on occasion sourced bridge financing to meet immediate short falls.
4. Oando hedged 50% of its projected crude production to ensure it meets its repayment schedule.

Unusual Challenges – Ingenious Solutions

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Lessons Learnt

- Cash is King – Secure all necessary financing approvals prior to closure. Understand the entirety of a transaction before committing to any process. i.e nature of CAPEX, regulatory environment and cashcalls.
- Hedge your positions to protect the project cashflows during turbulent economic times.
- Excellent banking relations - always have a fall back position.
- Excellent community relations – engage and incorporate yours local communities.
- Creativity and deal innovation – be ready to think outside the box.
- Also understand the inherent risks of doing business in a dynamic regulatory environment.