



Tema Oil Refinery (TOR) Ltd.

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NEWS RELEASE

**FOR IMMEDIATE RELEASE
MAY 25, 2021**

To All Media Houses

RE: TEMA OIL REFINERY'S RESPONSE TO RECENT MEDIA PUBLICATIONS

We wish to refute what is recently being circulated in the media to suggest that TOR is on the verge of shutdown. Such publications from anonymous sources create an unwarranted negative impression of the organization and hinders the progress of our revitalization and expansion plans as well as the business operations at large.

We hereby state categorically that TOR is not on the verge of shutdown, but has rather been positioned for its effective turnaround and re-vitalization through the support of its shareholder.

Several potential investors and partners have in recent times expressed their interest in either partnering TOR or providing funds for the revitalization and expansion of Tema Oil Refinery (TOR). These are indeed exciting times for Ghana's premiere Refinery to realize its vision; "To be the Preeminent Refinery, a pride for Ghanaians".

We set out below, just a few of the progressive steps that have been taken by management of the Tema Oil Refinery to sustain its workforce during the challenging Covid 19 pandemic period and ensure its strategic turnaround into a viable going concern.

TOR Debts and Recapitalization Application in Accordance with Public Financial Management Regulations

TOR's debts date as far back as 2009 and are currently in excess of \$400m. These debts consist of debts relating to Loans, Trade Creditors, Sundry Creditors and Project Creditors.

Efforts by TOR Management led to the payment of TOR's outstanding GHS1 Billion debt that accrued between 2009 and 2016. The payment was made by the current government as part of support to TOR. A further US\$167m of the debt carried over from 2009 to 2016 has also been paid by the Government.

As a means of addressing the outstanding debt situation and ensuring that the necessary capital injection required for the effective and reliable operation of the refinery is made available, a Business and Revitalization Plan was developed to form part of required inputs for the application for recapitalization of TOR. This is in accordance with Regulation 198 and 199 of the Public Financial Management Regulations. The application was endorsed by the State Interest and Governance Authority (SIGA) and forwarded to the Ministry of Finance for consideration in February 2021.

The Management of TOR continues with its efforts to clear all other debts by agreeing payment plans for all legacy statutory debts such as GRA, SSNIT and Tier 2. However, for the year 2021, TOR endeavours to remain current on all statutory debts when they become due. TOR management is also in discussion with Ghana Water and other creditors to agree payment plans for settlement of legacy debts. Arrangements have also been made for payment of outstanding terminal benefits due to retired and resigned staff. Arrangements are also being made for repayment of provident fund arrears.

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Management of TOR during COVID 19 Pandemic

The COVID-19 pandemic has had a profound impact on the global refinery industry and TOR was not spared in the slightest. Restrictions on movement (via land and especially by air) greatly reduced the demand for petroleum products. Therefore, refineries all over the globe had to reduce their throughputs and in many cases refineries in America, Europe and Asia had to shut down.

Crude refining accounts for up to 80% of the revenues received at TOR, therefore not receiving any crude oil deliveries to refine for a period 6 months as a direct result of the Covid 19 pandemic had a negative impact on TOR's ability to meet certain fixed costs and other payment obligations.

A World Bank report in August 2020 also referred to a Survey that was conducted by the Ghana Statistical Service (GSS), which showed that about 770,000 workers (25% of the total workforce) had their wages reduced and about 42,000 employees in Ghana were laid off during the country's COVID-19 partial lockdown.

That notwithstanding, the Management of TOR endeavored to pay salaries and benefits throughout the COVID period and has held on to its workforce during these extremely difficult times, even though the financial impact of the COVID-19 pandemic has been felt across the globe and in many cases with devastating impact to business.

Even though staff have been on a double track system since April 2020, whereby staff work two weeks and stay at home for two weeks, TOR management has maintained full staff salaries and benefits to date.

These are only some of the efforts being made to ensure that TOR's cherished staff are kept whole during a pandemic crisis, while management tackles other critical issues that have hindered the company for over a decade.

Imminent Completion of TOR's Imploded Furnace

Following the implosion of one of TOR's two crude heaters in January 2017, the refinery's processing capacity was reduced from the name plate capacity of 45,000 barrels per stream day (BPSD) to about 25,000 BPSD. The reduced processing capacity led to its attendant reduction in revenues.

The loss of the furnace in 2017 has had a fundamental impact on TOR's ability to pay its fixed costs, arrears and other payment obligations.

Although TOR has procured the new furnace which has been delivered, the project stalled due to lack of funding to complete the installation and commissioning by the contractor's engineers based in Italy. However, with the support of the Ministry of Energy, TOR management was able to source funds in February 2021 through the Ministry of Finance to complete this revenue generating project. The contractors are now on site and expected to commission the project by the 4th quarter of 2021.

Collection of Debts Owed to TOR

TOR has collated details of all recalcitrant debtors and a special management taskforce has subsequently been formed by management to pursue and recover all monies owed TOR.

Pre-Payment of Services to Mitigate Debt Accumulation Risk

In order to mitigate the accumulation of debts for services rendered and invoiced, TOR management now insist that all storage, transfers and liftings transactions with third parties are strictly on a cash and carry basis by requiring pre-payment before TOR provides services.

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NPA grants TOR Laycan

Through the support of the Ministry of Energy, TOR has been able to obtain laycans for the import of petroleum products for blending at the Refinery and also sell to the local market to support cash flows.

TOR's mandate as set out in the Companies regulation and the nature of the business which the Company is authorized to carry on are:

- To carry on the business of refiners, importers, storers, suppliers, buyers and sellers of petroleum products, in all its branches.
- To do all other things as are indicated or conducive to the attainment of the aforesaid objects.

Deliveries of LPG commenced in April 2021 and TOR recorded additional margins directly related to LPG sales. TOR is concluding arrangement to commence import of other petroleum products to support its cash flows and help meet its payment obligations.

\$1m Insurance Premium Reduction

TOR management achieved over US\$1million insurance premium reduction for 2021. This was due to prudent management and improvement in the refinery's risk quality in 2020.

Tolling Partner Arrangements

Negotiations with a potential new tolling partner are far advanced and expected to be concluded by June 2021. That notwithstanding, other arrangements are being made with other partners to deliver Crude for processing. The refinery is currently undergoing a mini maintenance in preparation for the next supply of crude oil. The maintenance exercise is expected to be completed in June 2021.

We entreat the media and general public to contact the Corporate & Public Affairs Manager of TOR for any clarifications concerning issues to do with TOR.

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