

Oil and Gas Development Company Limited

Conference Call on Half Year Financial Results FY 2017 (July 2016 – December 2016)

Presenters: Mr. Zahid Mir (Managing Director / CEO)

Mr. Irteza Ali Qureshi (Chief Financial Officer)

Dr. Muhammad Saeed Khan Jadoon (Executive Director–Exploration)

Dr. Naseem Ahmad (Executive Director – Production)

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Time: 5:00 PM (Pakistan Standard Time)

Mr. Zahid Mir: Good afternoon and welcome to OGDCL's Half Year 2017 Financial Results Conference Call. My name is Zahid Mir, MD/CEO of OGDCL. Before proceeding with the presentation, let me first introduce my team to you. I've with me here Mr. Irteza Ali Qureshi, Chief Financial Officer, Dr. Naseem Ahmad, Executive Director (Production) and Dr. Muhammad Saeed Khan Jadoon, Executive Director (Exploration), who will be part of the presenting team.

Mr. Zahid Mir: Good afternoon, ladies and gentlemen. Welcome to the OGDCL's Conference call. This is being held to announce OGDCL's Half Year Financial Results (FY 2017). I understand that our Investor Relations team has already sent you the presentation so I'll start from page # 2 of the same, I will take a short pause and ask you to go through our legal disclaimer first before I go ahead to the next slide.

Ladies & Gentlemen. OGDCL, being the largest upstream player in Pakistan, enjoys the largest share of exploration acreage in the country, which stands at 33% of the total awarded acreage. As of June 2016, OGDCL held 61% of the country's recoverable oil reserves and 36% of the country's recoverable gas reserves. In terms of production, currently OGDCL delivers 28% of Pakistan's gas output and

52% of its oil output. Our remaining 2P recoverable reserves estimates, as at December 31, 2016, stood at an impressive 907 MMBOE.

OGDCL have a portfolio of 103 Development & Production Leases (D&PLs) out of which 69 D&PLS are 100% owned and operated while 34 are non-operated D&PLs where we act as non-operators having Joint Venture agreements with foreign as well as local E&P companies. OGDCL operations are spread out all over Pakistan.

During the fiscal year from July 2016 to December 2016, OGDCL reported average daily net crude oil, gas and LPG production of 42,880 barrels, 1,048 MMcf and 378 MT, respectively. During the period under review, OGDCL spud seven (7) wells including three (3) exploratory/appraisal wells and four (4) development wells. I am pleased to report that during the 6-month period, OGDCL also made three (3) discoveries.

Moving on to slide 4, you can see a map which clearly shows OGDCL's dominant position in all the prospective areas of Pakistan. OGDCL holds a diverse portfolio of exploratory assets currently constituting sixty (60) owned and operated joint venture exploration licenses along with holding working interest in five (5) blocks operated by other exploration and production companies. These exploratory licenses are spread across all four (4) provinces of the Country covering an area of 115,604 sq. km as of 31st December 2016 representing the largest exploration acreage held by any E&P Company in Pakistan.

Now moving forward, I'll hand over the call to Mr. Irteza Qureshi, our CFO, to give you a briefing on the financial performance of the Company.

Mr. Irteza Ali Qureshi: Ladies and gentlemen, this is Irteza Qureshi, I am the Chief Financial Officer in OGDCL. Turning to slide number 5, despite slight recovery of crude oil observed during July to December 2016, six months' average

international oil prices remained low when compared with the preceding period; thus influencing OGDCL's financial performance. The same is evident from the fact that average basket crude oil price during the current period is USD 46.19 per barrel compared to USD 47.73 per barrel in the corresponding period. This low international oil price resulted in reduced realised prices for crude oil and gas averaging USD 41.46 per barrel and PKR 233.40 per Mcf against USD 43.09 per barrel and PKR 255.47 per Mcf, respectively in the last period. In addition, the Company's sales affected by the decrease in saleable gas production were partially offset by the increase in crude oil and LPG production and slight rise in the exchange rate to PKR 104.91 per USD from PKR 104.19 per USD in the comparative period leading the business to register sales revenue of PKR 81.081 billion against the sales revenue of PKR 86.186 billion in the corresponding period last year, with earnings per share of PKR 6.98. Operating profit and net profit margins both stood at 37%. In addition, the Directors of the Company today approved a second interim payable cash dividend of PKR 1 per share for the year for the second quarter.

I now hand over the presentation to Dr. Muhammad Saeed Khan Jadoon who is OGDCL's head of exploration to continue with this presentation and take you through the next slide.

Dr. Muhammad Saeed Khan Jadoon: This is Dr. Saeed Jadoon and I will be taking you through slide # 6. As of December 31, 2016, the Company held the largest exploration acreage in the Country covering an area of 115,604 Sq. kms. This includes sixty (60) owned and operated joint venture (JV) exploration licenses. Additionally, OGDCL also have working interest ownership in five (5) blocks operated by other companies. In pursuit to embark upon new growth opportunities, OGDCL's fast track seismic data acquisition continued during July-December 2016. This is witnessed by the fact that the Company's 2D and 3D seismic data

acquisition during the reporting period was 2,039 Line km and 1,019 sq. km which is 65% and 47% of the total seismic data acquired in the Country, respectively.

OGDCL during the period under review, spud seven (7) wells including three (3) exploratory/appraisal wells Gundanwari-1, Ranipur-1 and Thal East-3 and four (4) development wells namely Mela-5, Chanda-4, Qadirpur-56 and Rajian-10 during the current period. In addition, drilling of fifteen (15) ongoing wells from the previous fiscal years continued, out of which drilling and testing of nine (9) wells have been completed while the Company drilled a total of 37,784 meters during the reporting period. OGDCL based on aggressive exploratory efforts to discover new hydrocarbon reserves during the half year ended 31 December 2016 announced three (3) exploration successes having cumulative daily production potential of 29 MMcf of gas and 15 barrels of oil. These discoveries include Gundanwari-1, Mithri-1 in district Khairpur and Khamiso-1 in district Ghotki, Sindh province.

Now I will hand over the presentation to Dr. Naseem Ahmad, Executive Director of Production who will take you through the next couple of slides.

Dr. Naseem Ahmad: Hello everyone, this is Naseem Ahmad, Executive Director of Production. OGDCL is pursuing a balanced production strategy encompassing intensified exploratory endeavors, focus on completion of ongoing development projects and utilization of latest production techniques to augment oil and gas output from its owned and operated joint venture fields. The aforesaid strategy has started to bear fruit with the Company's gross crude oil production touching the record level of 50,345 barrels per day on 28 November 2016 leading the business to witness an improved market share of 52% while gas volumes represented 28% of the Country's total natural gas production during July-December 2016. During the period under review, average net crude oil production of 42,880 bpd, average net gas production of 1,048 MMcfd, average net LPG production of 378 MTPD and average net Sulphur production of 58 MTPD was realized.

Progressing towards increase in production, OGDCL during the period under review carried on concerted efforts for completion of its ongoing development projects including Kunnar Pasakhi Deep-Tando Allah Yar (KPD-TAY), Uch-II, Nashpa-Mela and Soghri. In this regard, commissioning of gas processing units at KPD-TAY phase-II and supply of on-spec gas to Sui Southern Gas Company Limited from phase-I has started with effect from 1 September 2016 while LPG production started on 14 December 2016. At present, KPD-TAY field is producing around 2,450 barrels per day of crude oil, 160 MMcf per day of gas and 160 tons per day of LPG. The production will enhance after complete commissioning of turbo expanders, sale compressors and dehydration units, completion of performance test of all equipment and successful handover of the entire project by the contractor. Uch-II Development Project has been completed and currently producing 130 MMCFD of gas. Jhal Magsi Development Project is on hold at the moment and Government to decide regarding laying of gas pipeline by SSGCL or the gas may be allocated to other gas buyer. The EPCC contractor is mobilized for the Nashpa-Mela development project, and design phase of the project has been completed. The project is expected to be completed by June 2017, leading to a daily incremental production of 1,100 barrels of crude oil, 10 MMcf of gas and 340 Tons of LPG. Soghri development project scope involves installation of gas sweetening unit and allied utilities at Dakhni site to process Soghri gas. To this end, amine unit has been shifted to the field and necessary equipment/material is being procured while hiring of the PC contractor is in progress. Upon completion of this project, daily incremental production of 20 MMcf of gas is anticipated from Soghri.

Now I ask Mr. Irteza Ali Qureshi, CFO, to continue with this presentation.

Mr. Irteza Ali Qureshi: Thank you. Looking at slide number 9, which shows the graphical illustration of our financial performance. Net sales revenues decreased by 6% mainly on account of reduced realised prices. 4%, 9%, and 20% oil, gas

and LPG prices were down respectively. Further there has been a decrease in the gas production which accounts for the reduced lower realized well head gas prices. Operating expenses increased by 7% on account of salaries & wages, workover well charges, depreciation expense and amortisation of relevant and production assets. Increase in exploration and prospecting expenditure by 74% is mainly on account cost of dry & abandoned wells. Increased in prospecting expenditure due to outsourced 2D seismic survey on different blocks and dry well cost includes Rs 743 million for Rubbly X-1, Rs 1,499 million for Shawa well-1 and Rs 755 million for Daru Deep well-1. The profit after tax decreased by 12% mainly due to the decreased in sales revenues as well as the increase in the expenses mentioned earlier.

Turning to slide number 10, which shows key performance indicators of the Company. Earnings per share clocked in at Rs 6.98 per share for the first half of the year 2016/17 as against Rs7.95 per share in the corresponding period last year. Cumulative dividends per share figure was Rs 2.50 per share against Rs 2.70 per share in the corresponding period last year.

To take the presentation to conclusion, I now hand over the presentation back to our MD/CEO.

Mr. Zahid Mir: Thank you Irteza. OGDCL management is fully focused on achieving consistent growth in production volumes of the Company. OGDCL is also fully committed to ensure the speedy development of our projects in the pipeline. We plan to achieve the production and reserves growth through implementing international best practices across all our operations.

Ladies and gentlemen, thank you very much. This concludes our presentation for today and I thank you all for joining in the conference call. We now ask the Operator to conduct a Q and A session which we expect to be not more than 15 to 20 minutes.

Operator: Thank you. If you would like to ask a question, please press the star or asterisk key, followed by the digit one. We will pause for a moment to allow everyone to signal. We have our first question from Mr. Faizan Ahmad from JS Global. Please go ahead.

Faizan Ahmad: Thank you, I wanted to ask what are your capex for the FY 2017 and next year as well?

Mr. Zahid Mir: In the first six months, our net capital expenditure was Rs 19.4 billion; however, we expect to spent Rs 40 – 42 billion by the end of current fiscal year.

Operator: We will now take our next question from Mr. Fahad Irfan from Alfalah Securities. Please go ahead.

Fahad Irfan: Thank you. Sir, I would like to know in a bit detail about the KPD/TAY project, the total flows which the Company is currently producing?

Mr. Zahid Mir: The total sales gas from KPD/TAY currently 160 mmcf per day 2450 barrels per day of oil along with 160 metric tons per day of LPG. Now, this is not the full potential of the project and the commissioning phase is underway. It is

expected that the commissioning will be completed in the next couple of weeks and we will be able to achieve the full potential volumes. After 100% commissioning of the plant, we should be able to add about 50 MMSCF per day of gas and about 200 metric tons / day of LPG along with more 1500 barrels per day of oil.

Fahad Ifran: All right, thank you so much.

Operator: It appears there are no further questions at this time. Mr Mir, I would like to turn the conference back to you for any additional or closing remarks.

Zahid Mir: Thank you very much, everybody. I hope to see you again in six months' time. Please note that our Investor Relations team is available to attend to any further queries that you may have.

Thank you very much ladies and gentlemen.