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FOR IMMEDIATE RELEASE

OGDCL Audited Financial Results for the Full Year Ended 30 June 2015

Oil and Gas Development Company Limited (OGDCL), (Ticker: OGDC), today announces its financial results for the Full Year ended 30 June 2015. Financial Statements have been prepared in accordance with International Financial Reporting Standards.

Highlights of the Full Year include:

- OGDCL's net sales registered Rs 210.625 billion compared to Rs 257.014 billion in the last year
- Net profit before taxation registered Rs 127,025 billion compared to Rs 172.350 billion in the last year
- Net Profit after Taxation registered Rs 87.249 billion as against Rs 123.915 billion in the preceding year translating into Earnings per Share of Rs 20.29
- The Board of Directors declared final cash dividend for the year at Rs 1.50 per share.
- Operating profit margin and net profit margin were 51% and 41%, respectively.
- Average net realized price of crude oil sold was US\$ 63.29/bbl as against US\$ 87.71/bbl during last year
- Average net realized price for natural gas sold was Rs 272.61/Mcf as against Rs 282.95/Mcf during last year
- 5,430 Line Kms of 2D and 1,918 Sq. Kms of 3D seismic acquisition completed
- Twenty five (25) wells were spudded, comprising of fourteen (14) exploratory/appraisal and eleven (11) development wells during the year ended 30 June 2014
- Company's exploratory efforts yielded four (4) new oil and gas discoveries namely; Soghri-1 & Jand-1, both in district Attock, Punjab province and Jarwar-1 & Palli Deep-1 both in district Tando Allah Yar, Sindh province.
- As at June 30, 2015, Net crude oil production of 40,818 barrels per day, net gas production of 1,143 MMcf per day, net LPG production 260 M.Tons per day and net Sulphur production of 52 M.Tons per day was witnessed during the period under review

	FY 2013-14 Rupees Million	FY 2014-15 Rupees Million
Net Sales	257,014	210,625
Profit before Taxation	172,350	127,025
Profit after Taxation	123,915	87,249
Earnings per Share - Rs	28.81	20.29

MD & CEO's Statement

Mr. Zahid Mir, MD & CEO, while commenting on OGDCL's full year FY2014-15 results stated:

"OGDCL during the period July 2014 to June 2015 successfully maintained its position as the leading performer in E&P sector in terms of oil & gas reserves, production and exploration acreage in the Country, and this was achieved despite the dramatic fall in international oil prices. OGDCL was able to accomplish this by successfully re-aligning itself by resetting its cost control strategy and focusing on capital discipline besides carrying out exploration and production activities efficiently and competitively with the aim to deliver long term value.

I am very pleased to inform you all that OGDCL achieved record 2D and 3D seismic data acquisitions of 5,430 line kms and 1,918 sq. Kms, respectively in various exploratory blocks spread throughout the country. Our exploratory efforts resulted in four (4) new oil and gas discoveries at Soghri-1, Jand-1, Jarwar-1 & Palli Deep-1 exploratory wells having a combined additional daily production of 28 MMcf of gas and 1,396 barrels of oil. OGDCL's average daily net crude oil and gas production were 40,818 barrels and 1,143 MMscf, respectively. In spite of the prevalent oil price pressures, OGDCL did reasonably well on the financial front as its net sales for the year registered at Rs 210.625 billion and Net Profit after Taxation registering Rs 87.249 billion translating into Earnings per Share of Rs 20.29 for the year ended June 30, 2015.

Moving forward, the Company based on its financial strength to support intensified exploratory efforts is determined to carry on this momentum in the coming years alongside exploiting high impact growth opportunities to sustain long term business growth.

In the end, I feel proud to state that the skill, dedication and commitment of our workforce is second to none and I thank all employees of the Company for making it happen. I am also very pleased to inform all our stakeholders that the Company is relentlessly working towards maximizing the shareholder value and I see a very bright future ahead of us."

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Notes to Editors

OGDCL, the largest petroleum Exploration and Production (E&P) Company in Pakistan, was listed on all three stock exchanges of the country in November 2003 and its Global Depository Shares (GDS) were issued on London Stock Exchange in December 2006. It holds the largest portfolio of recoverable hydrocarbon reserves of Pakistan, at 33% of gas and 61% of oil, respectively, as at December 31, 2014. It contributed 30% of the country's total natural gas production and 46% of its total oil production as of May 2015.

With a portfolio of 63 exploration licences, the Company has the largest exploration acreage in Pakistan, covering 32% of the total awarded acreage as of 30 June 2015. Currently all production volumes are being realized from onshore areas of Pakistan, however, the Company also has working interests in Pakistan's offshore exploration blocks.

OGDCL had a net profit after tax of Rs 87.249 billion for the year ended 30 June 2015.

SUMMARY RESULTS

The Company continued to deliver steady operational performance while on the financial front downturn in international oil prices influenced the business top and bottom line financial results, a trend witnessed across the E&P industry.

Exploration and Development Activities

OGDCL's concession portfolio contains a diverse portfolio of exploratory assets with the potential to offer robust short, medium and long term growth opportunities. These exploratory assets of the Company currently constitute sixty three (63) owned and operated joint venture exploration licenses along with holding working interest in six (6) blocks operated by other exploration and production companies. Having spread across all four (4) provinces of the Country, the Company's exploratory licenses cover an area of 115,037 sq. km as of 30 June 2015 which is the largest exploration acreage held by any E&P Company in Pakistan.

During the fiscal year 2014-15, OGDCL's operational focus remained on the exploration part of E&P industry cycle which drives highest return on investment for shareholders. In this pursuit, the Company carried out intensified exploratory efforts during the year which culminated in a record 2D and 3D seismic data acquisition of 5,430 Line km (2013-14: 1,807 Line km) and 1,918 sq. km (2013-14: 867 sq. km) respectively in various exploratory blocks including Hetu, Ladhana, Layyah, Alipur, Fathepur, Armala, Khiu, Nashpa, Ranipur, Nim-Daru, Mari East and Thal. The Company also carried out geological field work of 232 Line km and 70 Line km in Warnali and Pezu exploration licenses respectively. Moreover, 8,474 Line km of 2D and 1,235 sq. km of 3D seismic data of various blocks were processed using in-house resources to expedite the prospect generation work.

OGDCL during the period under review spud twenty five (25) wells (2013-14: 17 wells) including fourteen (14) exploratory/appraisal wells and eleven (11) development wells. Exploratory/appraisal wells include Nashpa-X5, Jarwar-1, Kup-1, Loti Deep-1, Surqamar-1, Sinjhora West-1, Sheikhanwala-1, Ismail-1, Shawa-1, Tando Allah Yar East-1, Thal East-1, Zin Pab-2, Soghri-2 and Suleiman-2 and development wells include Pasakhi Deep-5, Chak 5 Dim-3, Dakhni Deep-5, Kunnar-9, Kunnar Deep-10, Pasakhi-10, Reti-2, Nashpa-6 & 7 and Loti-19 & 20. Furthermore, drilling and testing of eleven (11) wells spud in the previous fiscal year has been completed during the reporting period.

In line with the national endeavor to bridge the increasing gap between demand and supply of petroleum products in Pakistan, OGDCL is focused on intensifying exploratory efforts and locating alternate sources of energy like shale gas, tight gas and shale oil. In this pursuit, the Company is carrying out a comprehensive study in its operated blocks through a USA based international consultant in order to evaluate shale and tight gas potential and define development strategy for operated reservoirs.

Moving ahead, OGDCL is committed to carry on aggressive exploratory strategy comprising fast track seismic data acquisition, data processing/interpretation and active drilling campaigns alongside carefully screening new opportunities to target material resource and ensure sustainability of exploration and production assets portfolio. This extensive exploration program especially in the newly acquired blocks will not only yield prospects for near term value creation but will further bolster Company's oil and gas reserves in the coming years.

Discoveries

OGDCL based on aggressive exploratory efforts to discover new hydrocarbon reserves announced a number of material exploration success during the fiscal year 2014-15. Four (4)

new oil and gas discoveries were witnessed at Soghri-1 and Jand-1 exploratory wells both in district Attock, Punjab province and Jarwar-1 and Palli Deep-1 exploratory wells both in district Tando Allah Yar, Sindh province having combined daily production of 28 MMcf of gas and 1,396 barrels of oil. Preliminary reserves estimates of these discoveries are 245.69 billion cubic feet of gas and 3.70 million barrels of oil combined 43.69 million barrels of oil equivalent.

Oil and Gas Reserves

OGDCL's total gross remaining recoverable 3P reserves as of 30 June 2015 stood at 512.57 million barrels of oil and 12,048.56 billion cubic feet of gas. These reported reserves are in accordance with the Reserves Evaluation Study-2014 carried out by an independent consultant Bayphase Limited, UK for all OGDCL operated fields. Original reserves by Bayphase Limited, UK have been revised/updated during the reporting period based on the production performance, workovers and development wells results of individual fields.

Production

OGDCL being the national flagship of the Country's E&P sector is making all out efforts to play a pivotal role in enhancing the energy security of Pakistan. In this context, the Company during the period July 2014 – May 2015 contributed around 44% and 29% of the Country's total oil and natural gas oil production respectively. The Company during the year added 4,300 barrels per day of oil and 60 MMcf per day of gas through addition of new wells; Nim-1, Chak 66 NE-1, Maru East-1, Chak Naurang South-1, Palli Deep-1, Jarwar-1, Soghri-1, Chak 63-4, Reti-2, Kunnar-9, Pasahki-10, Qadirpur-53 and Hakeem Daho-1 & 2 in the existing gathering system. Regarding seamless development of new oil and gas discoveries in the shortest possible time to achieve production growth and improve operational cash flows, OGDCL during the year under review completed interim arrangement of early production facilities at Palli Deep-1 on fast track basis and the well is currently on production. Likewise, Soghri-1 has also been taken into national grid through Company's nearest gas processing plant located at Dakhni field by utilizing in-house expertise and resources for designing of well head facilities and laying of 22 km pipeline in the shortest time period of 90 days despite difficult terrain. The Company, through jet pump, also put Jarwar-1 on production while installation of processing facilities to utilize gas from Jand-1 is in progress.

In addition to the above, OGDCL during the reporting period successfully tested and completed wells namely Saand-2, Dars Deep-1, Aradin-1, Zin Pab-2 and Pasahki Deep-4 & 5. The Company carried out workover jobs with rig at number of wells including Kunnar-8, Lashari Center-3, Pasahki-7, Chak 66 NE-1, Sono-4, Kunnar-4, Pasahki North-1, Tando Alam-4 & 17, Chak Naurang South-1, Chak Naurang 5-A, Sono-4, Dars Deep-1, Chak 2-3 and Kal-1 resulting in production enhancement/revival. Moreover, stimulation jobs have been carried out at twenty four (24) wells of various fields to boost hydrocarbon production.

In order to update reservoir study and induce improvement in the current well flow parameters, OGDCL carried out pressure surveys at different wells of Chanda, Bobi, Dakhni, Rajian, Sinjhor, Kunnar, Tando Alam and Nashpa fields during the period July 2014-June 2015. As part of preventive maintenance plan, Annual Turn Around (ATA) of plants was carried out at Qadirpur, Uch, Chanda, Sinjhor, Dakhni and Bobi fields. Furthermore, Uch-II Priority-1 terrain was commissioned and put on production in the month of January 2015 resulting in momentous drop of H₂S concentration in the sale gas supply from Uch-II.

During the fiscal year 2014-15, OGDCL reported average daily net crude oil and gas production at 40,818 barrels and 1,143 Mmcft respectively showing a slight decline in comparison with the last year. This is mainly due to natural decline in some of the mature producing fields namely Qadirpur, Chanda, Dakhni, Mela, Pasahki, Kunnar, Sinjhor, Sono, Kal

and Bobi coupled with heavy floods at Bahu gas field, less gas intake from Uch-II by Uch-II Power (Private) Limited due to shut-in of its both turbines, ATA of Fauji Kabirwala Power Company Limited, Liberty Power Limited and Engro Powergen Qadirpur Limited and decrease in the share of gas from non-operated JV fields.

The average daily net production of crude oil and gas during the year under review, including share in both operated and non-operated joint venture fields is as under:

Products	Unit of Measurement	FY 2014-15	FY 2013-14
Crude oil	Barrels per day	40,818	41,330
Gas	MMcf per day	1,143	1,173

OGDCL based on aggressive exploratory efforts carried out during the year and near term completion of ongoing development projects namely Kunnar Pasahki Deep-Tando Allah Yar, Sinjhor, Uch-II, Jhal Magsi, and Nashpa-Mela accompanied with the financial strength to undertake new development activities is confident to maintain and enhance oil and gas output in the future.

Market Share Information from an Independent Source

As a Company that is engaged in oil and natural gas exploration, development and production activities Country wide, OGDCL boasts the highest exploration acreage, oil and gas reserves and production volumes in comparison to other E&P Companies operating in Pakistan. With a portfolio of sixty three (63) owned and operated joint venture exploration licenses, the Company covers 32% of the Country's total exploration acreage awarded as of 30 June 2015. Hydrocarbon reserves of the Company are 61% of oil and 33% of natural gas reserves of the Country as at 31 December 2014. The Company contributed around 44% and 29% of the Country's total oil and natural gas production respectively during the period July 2014-May 2015.

(Source: Pakistan Petroleum Information Services)

Development Projects

OGDCL during the year under review continued to make efforts for completion of ongoing development projects which are at various stages of completion. These development projects include Kunnar Pasahki Deep-Tando Allah Yar (KPD-TAY), Sinjhor, Uch-II, Jhal Magsi and Nashpa-Mela which upon completion are expected to render significant enhancement in the Company's crude oil, gas and LPG production in the near future.

KPD-TAY Development Project

KPD-TAY integrated development project is located adjacent to existing Kunnar LPG plant in district Hyderabad, Sindh province. OGDCL is engaged in completion of this project in two (2) phases by using in-house resources. In this regard, phase-I of the project has already been completed and currently supplying around 1,000 barrels per day of condensate in addition to 100 MMcf per day of dehydrated gas being supplied to Sui Southern Gas Company Limited.

Regarding phase-II of the project, OGDCL is in the process to install well head facilities, gas gathering system, CO₂ removal unit, LPG extraction feed/sales gas compressors, power generation and allied utilities. The contractor has been mobilized at site and foundation work for equipments is in progress. Phase-II of the project is expected to be completed by December 2015 upon which production from combined phases; I and II will be around 225 MMcf per day of gas, 5,100 barrels per day of oil/condensate/NGL and 410 Tons per day of LPG.

Sinhoro Development Project

Sinhoro development project is located near district Sanghar, Sindh province and is a joint venture among OGDCL (62.5%), Orient Petroleum International (15%) and Government Holdings Private Limited (22.5%), with OGDCL as the operator. The Company is developing this field in two (2) phases by using in-house resources. Phase-I of the project has already been completed and is currently supplying around 1,400 barrels per day of oil in addition to 16 MMcf per day of gas being supplied to SSGCL.

Under phase-II of the project, equipment such as feed/sale gas compressor, cooling tower, oily water and treatment packages, utility pumps and other items were received at site. These equipments are installed and upon completion of commissioning activities in the month of July 2015, phase-II of the project has been brought into production. At present, total production from combined phases; I and II is around 2,800 barrels per day of crude oil, 25 MMcf per day of gas and 100 Tons per day of LPG.

Uch-II Development Project

Uch gas field is located about 67 kilometers South East of Dera Bugti in Balochistan province. OGDCL is working to complete this project by employing in-house resources. PC contract pertaining to procurement, construction, installation/erection, testing and completion of civil, mechanical, electrical and instrumentation work and pre-commissioning and commissioning activities was signed with TDE-Zealcon. The contractor has been mobilized at site and currently installation work is in progress. Upon completion of the project by September 2015, the Company would put on stream 160 MMcf per day of gas for supply to Uch-II Power Limited. However under interim arrangement, the Company is supplying 130 MMcf per day of gas to Uch-II Power Limited from one amine unit as per demand since February 2014.

Jhal Magsi Development Project

Jhal Magsi gas field is located in district Jhal Magsi, Balochistan province and is a joint venture among OGDCL (56%), Government Holdings Private Limited (20%) and Pakistan Oilfields Limited (24%), with OGDCL as operator. Regarding this project, procurement pertaining to long lead equipment has already been completed. Currently, surface facilities are being installed while the decision for allocation of gas to power sector is under process. The project is anticipated to yield production of 15 MMcf per day of gas on completion.

Nashpa-Mela Development Project

Nashpa-Mela fields are located in Karak and Kohat districts of Khyber Pukhtunkhwa province. OGDCL is the operator of these fields with 56.45% share while joint venture partners include Pakistan Petroleum Limited and Government Holdings Private Limited with 28.55% and 15% working interest respectively. The scope of this project involves the installation of well head compressors, crude stabilization unit and laying of 22 kilometers gas transport pipeline from Mela to Nashpa field. The tendering relating to EPCC and respective evaluation has been completed while economic analysis to select the viable option is being carried out. At present, combined production from Nashpa-Mela fields has been 22,772 barrels per day of oil and 89 MMcf per day of gas during the fiscal year 2014-15. Naspha-Mela development project is expected to be completed by December 2016 resulting in incremental production of 280 Tons per day of LPG.

Non Operated Joint Ventures

OGDCL holds working interest in various blocks operated by other exploration and production companies. The detail of the Company's non-operated joint ventures is as follows:

TAL Concession

TAL Block is located in Khyber Pakhtunkhwa province and spreads over Karak, Kohat, Hangu and Bannu areas. Tal concession is operated by MOL with OGDCL, PPL, POL and GHPL as joint venture partners. OGDCL holds 27.76% working interest in TAL concession. The discoveries accredited to TAL concession to-date include Manzalai, Makori, Mamikhel, Maramzai, Makori East, Tolanj and Mardan Khel. 2D processing and reprocessing of 159 Line Km over Tolanj West Area has been completed in January 2015 on account of which well location of exploratory well Tolanj West-1 has been firmed up. The well location will be fine tuned on the basis of 3D Pre-stack Depth Imaging Services (PSDM) and 2D vintage data reprocessing which are currently in progress. At present, production from TAL block is around 20,600 barrels per day of crude oil/condensate, 270 MMcf per day of gas and 450 Tons per day of LPG.

Adhi D&PL

Adhi oil field is located in Rawalpindi district and is operated by PPL while OGDCL and POL are joint venture partners. OGDCL holds 50% working interest in Adhi. As part of the production enhancement plan, during the fiscal year 2014-15 two (2) wells; Adhi-23 and 24 were spud while jet pump pilot testing on shut-in well Adhi-12 is in progress to study behavior of the formation and analyze the hydrocarbon potential. Average daily crude oil, gas, NGL and LPG production from the field is 3,600 barrels, 39 MMcf, 2,500 barrels and 155 Tons respectively. The erection of Adhi plant-III for providing additional processing capacity of 30 MMcf per day of gas, 6000 barrels per day of condensate/NGL and 150 Tons per day of LPG is in progress and is expected to be completed by September/October 2015.

Pindori D&PL

Pindori field is located in district Chakwal, Punjab province and is operated by POL wherein OGDCL holds 50% share. The main productive reservoirs from this field are fractured carbonates of the Eocene Sakesar formation and Paleocene Lockhart formation. To date, eleven (11) wells have been drilled including two water injector wells. Currently two (2) wells are on production and contributing around 302 barrels per day of oil and 0.87 MMcf per day of gas.

Kadanwari, Bhit and Badhra Fields

Kadanwari gas field is located in district Khairpur, Sindh province while Bhit and Badhra fields are located in District Dadu, Sindh province. ENI is operator of these fields and OGDCL has a working interest of 50% in Kadanwari and 20% each in Bhit and Badhra D&PLs.

During the year under review, a well with a potential of 3 MMcf per day of gas was successfully drilled and brought on production in Kadanwari field while in Badhra field further infill development of Badra-B area has been achieved through drilling of two (2) wells with a potential of 65 MMcf per day of gas and these wells are presently on production. In order to enhance the production from Bhit and Badhra wells, compression phase-II has been initiated under which eight (8) out of ten (10) planned booster compressors have been commissioned resulting in an immediate cumulative gain of 26 MMcf per day of gas. Moreover, a compressor was also relocated from Bhit to Badhra field to optimize production.

During the year, average gas sales is 89 MMcf per day from Kadanwari field and 182 MMcf per day of gas in addition to production of 298 barrels per day of condensate from Bhit field. Badhra field is contributing an average production of 88 MMcf per day of gas.

Offshore Block G

Block-G is located in the Deep Offshore Indus Basin about 250 km from the coast of Karachi with water depths between 1,800 and 2,800 meters. The block is operated by ENI while partners include OGDCL and PPL. OGDCL holds a working interest of 33.33% in this block. On

10 December 2014, an extension of two (2) years has been granted by DGPC with effect from 1 November 2014 with the commitment to drill an exploratory well. Moreover, 20% area has been relinquished in order to enter the renewal period and presently Block-G covers an area of 5,948 sq. km.

Within the Block-G, Kekra structure has been evaluated as "high risk - high reward", a promising carbonate buildup with more than 425 sq. km area. Currently activities to spud-in exploratory well Kekra-1 have been deferred to December 2016 due to fall in oil prices.

Indus Offshore Blocks - S and U

OGDCL holds 50% and 27.5% working interest in blocks S and U respectively. Previously, the operator UEPL had carried out an extensive 3D seismic survey of around 1,000 sq. km through which all the contractual work units were fully discharged. Currently, UEPL has requested DGPC for an extension of the grant period upon which further studies are planned to be carried out.

Badar Field

Badar gas field is located in Kashmore, Sukkur and Ghotki, Sindh province and operated by PEL while OGDCL holds 50% working interest. During the year under review, Badar-2 has been tied to Badar-1 production system and currently the field is producing on average 12.4 MMcf per day of gas.

Miano D&PL

Miano gas field is located in district Sukkur, Sindh province and is operated by OMV Pakistan with OGDCL, ENI and PPL as joint venture partners. OGDCL has 52% working interest in D&PL. Joint venture has established two Tight Gas Sand Reservoirs namely Miano C Sand above and Hot Sand below the main B Sand conventional reservoir. During the fiscal year 2014-15, wells namely Miano-TG16H, 17 and 18 were successfully drilled and completed and later wells are presently on production. Miano-TG16H is a tight gas well and activities to evaluate tight gas potential are currently underway. At present, the field is producing an average of 80 MMcf per day of gas.

Dhurnal, Bhangali and Ratana Fields

Dhurnal, Bhangali and Ratana fields are located in district Attock and Rawalpindi in Punjab province. These fields are operated by Ocean Pakistan Limited (formerly Orient Petroleum International Inc.) while OGDCL holds 20%, 50% and 25% working interest in these fields respectively. In order to enhance production, drilling activities at Bhangali-1 and workover for installation of jet pump at Dhurnal-1 are in progress. The current average production of Dhurnal field is 105 barrels per day of oil and 0.42 MMcf per day of gas while Ratana field is producing 358 barrels per day of condensate, 5.5 MMcf per day of gas and 11 Tons per day of LPG.

Sara and Suri Gas Fields

Sara and Suri gas fields are located in district Ghotki, Sindh, province and operated by SEPL while OGDCL holds 40% working interest. Sara and Suri gas fields have one (1) 2-phase separator and two (2) dehydration units each with a capacity to treat 25 MMcf per day of gas, out of which one (1) unit was completely overhauled in the year 2013-14 and is in operational condition. The second dehydration unit is currently under maintenance.

Based on the grant of No Objection Certificate by Environmental Protection Agency Sindh to carry out drilling operations at development well; Sara-4, drilling of the well will commence soon to extract remaining reserves of Sara field.

Badin-II, Badin-IIR and Badin-III Fields

Badin fields are located in district Badin, Sindh province and operated by United Energy Pakistan Limited. OGDCL holds 49%, 24% and 15% working interest in Badin-II, Badin-IIR and

Badin-III fields respectively. During the reporting period, drilling of two (2) wells has been completed and the wells are currently on production. Average gross production from Badin fields has been around 1,455 barrels per day of oil/condensate and 13 MMcf per day of gas during the year under review.

Financial Performance Review

During the year under review, dramatic fall in international oil prices affected OGDCL's financial performance. The same is evident by the fact that average basket price of crude oil during the period July 2014–June 2015 plunged to US\$ 74.45/barrel from US\$ 106.64/barrel in the corresponding period last year. Resultantly, the Company's average realized prices recorded for crude oil and gas were US\$ 63.29/barrel and 272.61/Mcf compared with US\$ 87.71/barrel and 282.95/Mcf respectively in the last year. In addition, change in average exchange rate to Rs/US\$ 102.14 from Rs/US\$ 103.40 during the last year impacted the Company's Sales leading the business to register Sales Revenue of Rs 210.625 billion (2013-14: Rs 257.014 billion).

Apart from drop in oil and gas prices and exchange rate, increased exploration and prospecting expenditure on account of enhanced geophysical survey combined with higher operating expenses mainly owing to increase in depreciation on property, plant and equipment, impairment on development and production assets and joint venture expenses coupled with increase in repairs and maintenance pertaining to equipment, Annual Turn Around of major plants and software maintenance contributed to reduced profitability. This has led the Company to register Profit after Tax of Rs 87.249 billion translating into Earnings per Share of Rs 20.29.

Responding to the current oil price pressures, OGDCL has reset its cost control strategy and is focused on capital discipline and carrying out exploration and production activities efficiently and competitively with the aim to deliver value in this new context. Moving forward, the Company based on its financial strength to support intensified exploratory efforts is determined to carry on this momentum in the coming years alongside exploiting high impact growth opportunities to sustain long term business growth and maximize shareholders value.

Liquidity and Cash flow Analysis

During the year 2014-15, OGDCL's cash flow from operations after working capital changes and payment of income tax of Rs 54.557 billion and royalty of Rs 25.008 billion was Rs 74.013 billion. After adjusting investment and financing activities of Rs 53.648 billion and Rs 37.951 billion respectively (cash outflows), the Company's cash and cash equivalents at the end of the year were Rs 22.528 billion.

The prevailing inter-corporate circular debt issue in the energy sector is negatively impacting OGDCL as business overdue receivables in this regard stand at Rs 76.990 billion as on 30 June 2015, mainly outstanding against oil refineries and gas distribution companies. In this regard, the Management of the Company is in constant liaison with the Government of Pakistan and position of receivables is being reported to the Government on daily basis. Moreover, the Company during the year has been engaged in vigorous follow-ups through personal visits, telephonic calls and written letters directed towards oil refineries and gas distribution companies requesting to expedite the payment of outstanding amounts. Early resolution of this issue is necessary to ensure smooth running of the Company's E&P activities and timely discharge of statutory obligations.

Based on 30 June 2015 financial results, OGDCL's current and acid test/quick ratio of 3.55 and 3.27 respectively reflect the Company's sound financial position and adequate liquidity to meet day to day business requirements. Going forward, the Company expects its operational

activities will continue to generate sufficient cash flows to fund the business exploration, development and production operations.

Financial results for the year ended 30 June 2015 are summarized below:

	(Rs in billion)
Profit before taxation	127.025
Taxation	(39.776)
Profit for the year	87.249
Un-appropriated profit brought forward	346.056
Other comprehensive loss	(0.616)
Profit available for appropriations	432.689
Appropriations	
Transfer to capital reserves	(0.850)
Distribution through Dividends	
Final Dividend 2013-14 @ Rs 3.00 per share (30.00%)	(12.903)
First Interim Dividend 2014-15 @ Rs 2.50 per share (25.00%)	(10.752)
Second Interim Dividend 2014-15 @ Rs 2.00 per share (20.00%)	(8.602)
Third Interim Dividend 2014-15 @ Rs 1.75 per share (17.50%)	(7.527)
	(39.783)
Un-appropriated profit carried forward	392.056

Final Dividend

The Board of Directors has recommended the final cash dividend of Rs 1.50 per share in addition to three cumulative interim cash dividends of Rs 6.25 per share already declared and paid during the year. This makes a total dividend of Rs 7.75 per share (77.50%) for the year ended 30 June 2015.

Contribution to National Exchequer

Being the leading E&P Company of Pakistan, OGDCL continues to make significant contribution towards the national exchequer on account of corporate tax, royalty, general sales tax, excise duty, development surcharge and dividend. During the year 2014-15, a sum of Rs 123.702 billion is contributed to the national exchequer. In addition, the Company's oil and gas production continued to render foreign exchange savings as import substitution.

Awards Conferred

Corporate Excellence Award

OGDCL won the 30th Corporate Excellence Award and was awarded first rank by the Management Association of Pakistan (MAP) in oil and gas sector for the second consecutive year. The award is given in recognition of the Company's outstanding performance and best management practices carried out during the fiscal year 2013-14. The President of Islamic Republic of Pakistan, Mr. Mamnoon Hussain graced the occasion and presented the award to Mr. Muhammad Rafi, then Managing Director & CEO, OGDCL.

Annual Environment Excellence Award

Annual Environment Excellence Award (AEEA) is designed to recognize and promote the organizations which make an outstanding contribution towards sustainable development and in protecting the environment for Greener Pakistan. OGDCL based on environment friendly policies and implementation of environmental management systems at the Company's major sites, won the 11th Annual Environment Excellence Award 2014.

Board of Directors

OGDCL Board of Directors comprises twelve (12) directors including the Chairman and Managing Director & CEO. During the year under review, the composition of the Board has changed as follows:

Managing Director & CEO

Mr. Zahid Mir has been appointed as the Managing Director & CEO with effect from 15 April 2015 upon superannuation of Mr. Muhammad Rafi.

Directors

During the fiscal year 2014-15, Mr. Muhammad Yawar Irfan Khan replaced Syed Masieh-ul-Islam as Director on Board with effect from 17 July 2014. Additionally, Mr. Saif Ullah Chattha was appointed as Director on Board in place of Mr. Babar Yaqoob Fateh Muhammad with effect from 5 August 2014. On 13 April 2015, Mr. Arshad Mirza was appointed as Director on Board in place of Mr. Abid Saeed.

The Board appreciated the professional acumen and services rendered by the outgoing Managing Director and extended warm welcome to the newly appointed Managing Director. The Board also recorded its appreciation for the contribution and services rendered by the outgoing Directors and welcomed the new members.

The present Board of Directors comprises the following:

Mr. Zahid Muzaffar	Chairman
Mr. Saif Ullah Chattha	Director
Mr. Arshad Mirza	Director
Mr. Iskander Mohammed Khan	Director
Mr. Hamid Farooq	Director
Mr. Muhammad Ali Tabba	Director
Mr. Zafar Masud	Director
Prince Ahmed Omar Ahmedzai	Director
Sayed Shafqat Ali Shah	Director
Mr. Rehmat Salam Khattak	Director
Mr. Muhammad Yawar Irfan Khan	Director
Mr. Zahid Mir	Managing Director & CEO

Role of Chairman and Managing Director & CEO

Positions of Chairman and Managing Director & CEO in OGDCL are headed by separate individuals. The Chairman is primarily responsible for working of the Board and all matters relevant to governance of the Company, where superintendence of the Board is necessary. The Chairman conducts Board meetings including fixing the agenda of the meetings.

Managing Director & CEO is involved in the management of day to day operations and procedures relating to operational, financial and other matters of the Company. Managing Director & CEO is responsible for implementation of strategies and policies approved by the

Board, making appropriate arrangements to ensure that the Company's resources are properly safeguarded and are used economically, efficiently and effectively in accordance with the statutory obligations.

Board Structure and Committees

OGDCL's Board structure is in accordance with the Code of Corporate Governance and Public Sector Companies (Corporate Governance Rules), 2013 issued by the Securities and Exchange Commission of Pakistan. Presently, the Company's Board comprises twelve Directors; nine (9) Independent Directors, two (2) Non-Executive Directors and an Executive Director.

In order to ensure effective implementation of sound internal control system and compliance with the Code of Corporate Governance, the Board has constituted various committees which are six (6) in numbers.

Performance Evaluation: Board, Managing Director & CEO and Senior Management

During the year under review, OGDCL's Board carried out self-evaluation of the performance, capabilities and competencies in accordance with the criteria laid down in the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules, 2013. Self-evaluation exercise is now a regular feature and members have agreed to discuss the outcome of the exercise with a view to enhance the efficiency and effectiveness of the Board. Moreover, performance evaluation of the MD & CEO and senior management is also done by the Board against their targets and responsibilities.

Investor Relations (IR)

OGDCL recognizes the importance of establishing and maintaining good relations with all the stakeholders. In this respect, IR function serves to keep the investors and market participants informed of all the material information which could have an influence on the Company's share price and this is done through simultaneous broadcasting to all the stock exchanges of the Country and to the London Stock Exchange in a timely manner. Furthermore, all such material information is also uploaded to OGDCL's website. The Company maintains a dedicated "Investors" section on the website (www.ogdcl.com) wherein important information including share price related data with graphical representations, financial reports, conference call presentations with transcript, financial calendar and other such notices containing material information is posted and regularly updated in order to keep stakeholders abreast of all material developments of the Company.

Furthermore, in line with the international best practices, OGDCL maintains a regular dialogue with local and foreign institutional investors/fund managers and research analysts through meetings, presentations and conferences on full and half yearly financial results. The Company provides three (3) personal communication forums; Annually - the AGM and on dates of the presentation of Annual results and Half year results whereby shareholders and research analysts interface with the executive management through conference calls. Moreover, notice of AGM is circulated to all shareholders at least twenty one (21) days prior to the meeting along with dispatch of the Annual Report to all the shareholders within the stipulated timeframe.

Handling Investor Grievances

In pursuance to OGDCL's mission of meeting expectations of the stakeholders through best management practices, enquiries from shareholders and analysts relating to OGDCL's operational and financial activities are welcomed and IR function strives to provide a prompt response to the analysts' queries. Moreover, investor grievances are aptly handled and all out efforts are made to address their concerns, if any.

Share Price Sensitivity Analysis

Being involved in exploration for and development of hydrocarbons, OGDCL's business is speculative in nature and various factors may produce a potential impact on the Company's share price. In this regard, the key factors are as follows:

Commodity Prices (Crude oil and HSFO)

Changes in the international crude oil/HSFO prices impact revenue thus influencing the Company's share price. The same is witnessed by dramatic fall in international oil prices during the year which have impacted the sales revenue and profitability ultimately producing effect on the Company's share price.

Macroeconomic, Political and Security Environment

Changes in macroeconomic factors such as growth in economy, low inflation and stable interest/exchange rates have a favorable impact on the Company's share price and vice versa. Political stability reduces the Country's risk premium and positively affects the share price. Moreover, improvement in security situation enhances the E&P activities along with reducing security related expenditures thus positively influencing OGDCL's share price.

Regulatory and Licensing Regimes

Improvement and stability in the regulatory regime and better pricing policies positively influence future earnings leading to a favorable impact on E&P companies share price.

Operational Activities

OGDCL's share price positively responds to success achieved on operational fronts especially as a result of new oil and gas discoveries, enhancement of hydrocarbon production from owned and operated joint venture fields and completion of development projects. Failures such as dry and abandoned wells and delay in completion of the development projects may produce a contrary effect on the Company's share price.

Infrastructure and Technology

Improvement in existing infrastructure and introduction of new E&P technologies reduces exploration and production costs and provides access to untapped hydrocarbon reservoirs. This creates future growth opportunities and positively impacts the Company's share price and vice versa.

Relationship and Engagement with Stakeholders

OGDCL strives to develop and maintain strong relations with all the stakeholders including shareholders, Ministries, Divisions and Departments/Directorates of Federal and Provincial Governments, JV partners, customers, suppliers, employees and local communities to create shared prosperity while adhering to high standards of corporate governance and social responsibility. The Company endeavours to build durable bonds with these stakeholders to stay connected, informed and engaged as a group.

OGDCL regulators include MP&NR, DGPC and other divisions and departments of Federal and Provincial Governments. The Company fully complies with their directives/guidelines relating to gas pricing, crude oil and gas allocation to refineries and gas distribution companies and concession management etc. Regarding shareholders, the Company fully respects their confidence and trust reposed in the business and carries out regular dialogue with them through active Investor Relations which aims at maintaining and updating material information on the website and timely dissemination of the information to the stock exchanges in a transparent manner.

With respect to the employees, the Company appreciates their contribution and efforts rendered in making OGDCL a leading E&P Company of Pakistan. The Company focuses on safety and satisfaction of the employees while ensuring that their hard work is recognized and valued. The Company also enjoys strong and healthy relations with JV partners and works alongside a number of E&P companies through production sharing contracts to explore, develop and produce oil and gas in the Country. Likewise, the Company maintains positive relationships with customers including crude oil refineries and gas distribution companies and suppliers and local communities with the aim to create long term sustainable value for mutual benefits of the stakeholders.

Corporate Governance

OGDCL being a listed Company adheres to Code of Corporate Governance and all listing regulations. The Company is a public sector enterprise and operates under the framework of Public Sector Companies (Corporate Governance Rules), 2013. The Board of Directors ensures that the Company fulfills all reporting and disclosure requirements as envisaged in the Companies Ordinance, Rules, Regulations and the Code.

Specific statements to comply with the requirements of the Code of Corporate Governance are as follows:

- The financial statements prepared by the Management present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure from there has been adequately disclosed.
- The Board has complied with the relevant principles of corporate governance and has identified the rules that have not been complied with, the period in which such non-compliance continued and reasons for such non-compliance.
- The sound system of internal control is established and maintained which is regularly reviewed and monitored with ongoing efforts to improve it further.
- There are no doubts upon the Company's ability to continue as a going concern.
- The appointment of the Chairman and other members of Board and the terms of their appointment along with the remuneration policy adopted are in the best interests of the Company as well as in line with the best practices.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Information about outstanding taxes and levies is given in the notes to the financial statements.
- Value of investments, including bank deposits, of various funds based on the latest audited accounts as of 30 June 2014 are as follows:

Pension and Gratuity Fund	Rs 54,352 million
General Provident Fund	Rs 3,831 million

Formal Orientation and Continuous Professional Development Programs

Orientation sessions with respect to OGDCL's operations, structure and business along with briefing sessions at various field locations continued during the year under review. The Company focuses on imparting external training through professional institutions both local and foreign. During the fiscal year 2014-15, Mr. Zahid Muzaffar, Chairman Board attended High Performance Boards Program organized by IMD Global Board Center, Switzerland. Additionally, Mr. Hamid Farooq, Director is a certified director from SECP approved institution.

Auditors

The present auditors KPMG Taseer Hadi & Co., Chartered Accountants and A.F Ferguson & Co., Chartered Accountants have completed their assignment for the year ended 30 June 2015 and shall retire on the conclusion of 18th Annual General Meeting scheduled to be held in October 2015. In accordance with the Code of Corporate Governance, Audit Committee considered and recommended the reappointment of KPMG Taseer Hadi & Co., Chartered Accountants and A.F Ferguson & Co., Chartered Accountants, as joint statutory auditors for the fiscal year 2015-16. The recommendations of the Audit Committee are endorsed by the Board of Directors.

Internal Control and Audit

OGDCL has an independent Internal Audit Department. Head of the Internal Audit Department is functionally reporting directly to the Audit Committee which comprises four (4) Independent Directors.

The scope and role of the Internal Audit Department has been duly approved by the Board. This role corresponds to the responsibilities envisaged for the internal audit function under the Public Sector Companies (Corporate Governance) Rules, 2013. Internal audit function serves as an effective appraisal of internal controls which ensure that methods and measures are in place to safeguard the Company's assets, monitoring compliance with the best practices of Corporate Governance, check the accuracy and reliability of accounting data and encourage adherence to prescribed rules and policies.

Human Resource (HR)

OGDCL based on committed and dedicated work force continued to render industry leading performance during the year under review. The Company highly regards the value of human capital which is deemed as a key resource of the business. In order to maintain and enhance productivity of the workforce, the Company's HR strategy aims at embedding high performing culture in the organization hinging on business core values namely merit, teamwork, dedication, integrity, safety and innovation. Moreover, the Company is focused on providing regular training and a work place free of discrimination to all employees to carry out business operations efficiently and effectively.

Being an equal opportunity employer, OGDCL encourages diversity amongst workforce. HR decisions relating to recruitment, development, promotion, compensation, succession planning and performance & appraisal of the employees are made upon merit and are not influenced by factors such as gender, marital status, race, ethnic origin, color, religion, age, disability etc. As of 30 June, 2015, OGDCL's manpower strength comprised a total of 9,502 employees including regular and contractual employees. This strength is also inclusive of minorities and disabled employees working in the Company.

Industrial Relations

Management relations with the Collective Bargaining Agent (CBA) continued to be friendly and industrial peace prevailed at all locations during the year under review. The Management has

successfully concluded 23rd Memorandum of Settlement (MOS) with CBA for a period of two (2) years with effect from 7 February 2015. Measures such as settlement of differences and disputes through bilateral negotiations, maintaining continuous sympathy and understanding, ensuring security of employment, provision of safe working environment and job satisfaction along with prompt dealing of cases pertaining to individual grievances preserved to ensure that relations between the workers and Management remain cordial and conducive.

Code of Conduct: Business Ethics and Anti-Corruption Measures and Conflict of Interest

In order to ensure that the Company conducts operations in accordance with highest business ethical consideration complying with all statutory regulations and standards of good corporate governance, OGDCL possesses and abides by the Code of Conduct. This code provides guidelines on fair employment practices, equitable treatment of the employees and procedures to report any failure to comply with the business policies/regulations, financial malpractices, damage to business assets and actions which are likely to harm the reputation of the Company. The Code of Conduct promotes a culture of openness in which employees can report legitimate concerns without the fear of any retaliation or punishment. The directors and employees adhere in letter and spirit to all laws and avoid conflict of interest, which if any (real or perceived) are to be notified to the Company immediately.

Training and Development

OGDCL is cognizant of the fact that professional grooming and provision of regular training to the workforce yields improved business performance. In line with this objective, the Company established an Oil & Gas Training Institute (OGTI) in 1979 and renamed as OGDCL Institute of Science & Technology (OIST) in 2013.

In conformance with the consistently growing needs of training in Pakistan's petroleum sector, premier institute has expanded and earned recognition by striving to meet the training needs of all domestic companies of the petroleum sector and allied industry in the Country. Training programs are being offered ranging from technician to management level in the fields of exploration, reservoir, drilling, production and processing activities. In addition, the institute imparts education and training with respect to Health, Safety and Environment, Information Technology and Management. These training programs are developed and delivered by renowned trainers both from within OGDCL and experts from the local and foreign petroleum industry. In order to effectively conduct the training programs, OIST is equipped with well-established laboratories and other complimentary facilities.

During the fiscal year 2014-15, the institute successfully conducted 90 training programs in the form of workshops, seminars and conferences, with most of them arranged at OIST and some at OGDCL Head Office and field locations to facilitate the participants. More than 1,300 professionals from OGDCL and other exploration and production companies benefited from these programs. Moreover, OIST processed cases of 121 professionals in connection with foreign trainings and visits. Promotion courses of more than 434 Company officials were also arranged at OIST.

With the aim to foster relations and establish linkage between universities and industry and facilitate the students in getting practical exposure, summer internships were provided to more than 500 students from various universities and institutions along with providing attachments to around 1000 fresh graduates.

Corporate Social Responsibility (CSR)

Supporting and sustaining communities residing in the vicinity of the Company's operations is fundamental to OGDCL's success and in line with the business commitment of building a better community. In this regard, the Company during the year under review continued to conduct the E&P operations in an ethical and responsible manner embracing business core values viz., Merit, Team Work, Dedication, Integrity, Safety and Innovation. Through extensive community investment program involving areas; education, health, water supply, infrastructure development and generous donations, the Company under respective Petroleum Concession Agreements continued to undertake poverty alleviation efforts among marginalized communities for improving their quality of life.

A brief of OGDCL's CSR activities carried out during the fiscal year 2014-15 is as follows:

Education

OGDCL strongly believes that training and education are essential for professional development therefore regarded as a building block of change. In this pursuit, the Company during the year continued to undertake the following promotional activities in order to uplift the education level among most deprived communities residing around the areas of business operations:

- Provided financial support for the establishment of Technical/Vocational institute and Computer labs for Boys/Girls High School at district Nushki, Balochistan amounting Rs 42 million;
- Construction of building for Government Primary School at Sardar Shahwali Mardanzai Spina Qilla , district Zhob, Balochistan for Rs 4.480 million and construction of two (2) class rooms and purchase of furniture for public school at Loti, district Dera Bugti, Balochistan;
- Provided uniform and necessary school items to poor students of Government High School, Tando Jam, district Hyderabad, Sindh costing Rs 1.153 million;
- Provided furniture and school items for High School Ayub Lakhan, district Ghotki, Sindh;
- Up-gradation of the standards of two (2) technical training institutes at district Karak, Khyber Pakhtunkhwa and district Quetta, Balochistan to provide training in the field of petroleum industry to the local community.

Health

OGDCL financed the establishment of Blood Bank at Civil Hospital, district Nuski, Balochistan costing Rs 10.32 million and extended the waiting room of social welfare dispensary at Rajian oil field, district Chakwal, Punjab. A one (1) day free medical special camp was conducted on 19 March 2015 at Social Welfare dispensary, Qadirpur for local community of the area to impart health awareness regarding diabetes and hepatitis B & C. Moreover, free medical camps were held for the affected people of 2014 floods and provision of free medicines to Mother and Child Care Centre, Taluka Hospital at Qadirpur, district Ghotki, Sindh. The Company also provided fully equipped ambulance at Chanda field, district Kohat, Khyber Pakhtunkhwa and medical rehabilitation equipment to disabled persons of Sanghar district, Sindh.

Supply of Clean Drinking Water

OGDCL is playing an active role to provide clean drinking water for the communities residing around its business areas. In this regard, the Company funded rehabilitation of water supply schemes amounting Rs 11.470 million at Johri/Pitokh, Habib Rahi, Peshi, Landi, Dinani, Khurdan and Marrow at district Dera Bugti, Baluchistan. Installation of hand pumps at Tehsil Jand, district Attock, Punjab and four (4) pressure pumps at UC Thakhtayy Nasrati, district Karak, Khyber Pakhtunkhwa has also been carried out during the year. In addition, the

Company also undertook construction of water supply storage tanks at Taulka Jam Naqaz, district Sanghar, Sindh and community water tanks at Nashpa, Khyber Pakhtunkhwa. Furthermore, the Company continued the supply of water to residents of remote locations like Loti, Pirkoh, Hundi/Sari, Rajian, Chanda and Nashpa fields.

Donations and Financial Assistance

Being the national oil and gas Company, OGDCL has always taken the lead role in extending relief efforts to the affected communities in the times of national calamities. The Company generously contributed a sum of Rs 250 million in Prime Minister Relief Fund 2014 for flood affectees Punjab. The Company has also proactively taken the issue of internally displaced people (IDPs) of North Waziristan and in this regard contributed Rs 80 million in President Relief Fund IDPs-2014. Moreover, Rs 1 million was donated to Bright Star Mobile Library for construction of a reading room in Bani Gala, Islamabad to promote reading habits among young children of Government schools.

Apart from the above, OGDCL for the sake of promoting healthy sport activities in the Country sponsored Jhal Magsi Desert Challenge 2014 amounting Rs 1.50 million and Spring Sports festival at Sibi, Balochistan. The Company also financed 2nd Prime Minister T20 cricket tournament for Blinds 2014 along with arranging 2nd OGDCL KPK Gold cup football tournament 2014.

Health, Safety, Environment and Quality (HSEQ)

Occupational Health, Safety and Environment Initiatives

With the goal of ensuring a strong HSE culture, OGDCL has always given priority to the health, safety and environment of the employees and communities residing around the business operations. To meet this objective, the Company always complies with Pakistan Environment Protection Act (PEPA) 1997; Initial Environmental Examination (IEE)/Environmental Impact Assessment (EIA) Studies are conducted and No Objection Certificates (NOCs) are acquired from respective Environmental Protection Agencies (EPAs) before the commencement of new projects and effluents and emissions are also monitored accordingly.

On the more visible side, plantation of trees in OGDCL's operating fields is seen as a routine measure to compensate the emissions from different activities carried out in the fields. Based on sustainable mechanisms pertaining to safeguard of environment and society, the Company during the year under review won Annual Environmental Excellence Award 2014 and Annual Fire Safety Award from National Forum for Environment and Health (NFEH). These improved performances are result of the vigorous professional endeavors that initiated over the years.

Consumer Protection Measures

As per the past practice, the Company during the year under review ensured that business products supplied to the market, consumers and other stakeholders are properly processed and bear minimum (allowable) potential for pollution. In order to mitigate unwanted and hazardous gases impact, the Company utilizes absorbents, scrubbers and desiccants/molecular sieves to guarantee continuous quality conscious operations at the fields and plants while ascertaining that remaining traces of gases are burnt in accordance with the international practice in the controlled-flare.

HSE - key activities

Regarding HSE, OGDCL key activities during the reporting year 2014-15 are as follows:

- i. Public hearing of EIA with respect to Nashpa-Mela development project has been conducted successfully involving installation of Mela to Nashpa trunk line and LPG plant at

Nashpa field and oil stabilizing and dispatch facility at Mela field. EPA KPK will issue NOC in this regard;

- ii. Public hearing of exploration activities in Dakhni mining lease has been conducted successfully and EPA Punjab will issue NOC accordingly;
- iii. IEE studies of forty three (43) exploratory and mining leases concerning exploration, drilling and production activities have been initiated mainly in the newly award blocks by renowned consultant EMC Pakistan. Presentations are also given to the technical committees of all respective provincial EPAs for seeking NOCs;
- iv. For first time in the history of the Company, Indoor Air Quality Monitoring of OGDCL House is performed to check the environmental working conditions by the consultant SGS. Resultantly, all the indoor environmental parameters have been found satisfactory and as per international standards;
- v. By utilizing in-house trained cross-functional HSE teams of auditors, corporate level HSE audits have been conducted at locations including Chanda, Dakhni, Rig N-1 and Rig N-55 to check the level of compliance of HSE System in the perspective of ISO 14001 and OHSAS 18001 standards. Resultantly, HSE audit summary reports have been prepared and distributed to all concerned for corrective and preventive actions cum improvements;
- vi. Bureau Veritas, certification agency conducted stage 1 and 2 certification audits of Dakhni and Chanda oil and gas processing fields and has recommended these sites for ISO 14001 and OHSAS 18001 certification. Qadirpur gas processing field is already ISO 14001 and OHSAS 18001 certified;
- vii. In order to articulate awareness through participation, fun and sports, HSE awareness events were arranged at Tando Alam Oil Complex, Qadirpur and Chanda fields. Delegates and workforce were invited from the surrounding locations to increase the level of participation, learning, and cultural reinforcement; and
- viii. The Company officials from various operational departments got trained through facilitating following certificate level professional training courses:
 - a) HSE Hazards Identification and Risk Assessment for Managing Risk Register
 - b) HSE Auditing-A Management Systems Approach based on ISO14001 & OHSAS18001 Standards
 - c) Accidents Prevention and Investigation through Root Cause and Failure Analysis
 - d) Firefighting techniques

In addition to the above, HSE development facilitators at field level were selected to conduct short awareness sessions at six clusters to build HSE culture on sustainable basis.

Major Energy Conservation/Emissions Control Project

Being a national oil and gas Company, OGDCL is striving to bridge the gap between energy supply and increasing demand and in this respect successfully installed permeate compressors after necessary modification in gas circuit to reduce tons of CO₂ equivalent emissions due to flaring of gas from Qadirpur plant. The permeate gas is being effectively utilized in a modern combined cycle power plant in the private sector during the last few years. The electricity so generated is supplied to the national grid utilizing the gas which would otherwise had been flared/vented into the atmosphere.

In addition, being an ISO 14001 certified site various protocols to conserve energy in the process operations and other routine activities have been introduced at Qadirpur field. Optimization of process parameters has been achieved through monitoring of fuel and

chemical usage and preemptively addressing and troubleshooting heating/cooling systems whereby examining energy conservation and saving opportunities directly or indirectly linked with the results of the heat volume balance. Extensive pragmatic plans have also been developed to ensure prudent utilization of energy resources at other key installations like Nashpa, Sinjhor, KPD-TAY and Uch fields.

Energy Saving Measures

Energy saving measures which are part and parcel of OGDCL's processes carried out at fields and offices through application of 4R philosophies namely Reduce, Reuse, Recycle and Repair are as follows:

- i. Timely maintenance of engines and turbines to avoid incomplete combustion which leads to wastage of fuel;
- ii. Proper selection and maintenance of pumps to avoid large wastage of energy;
- iii. Predictive maintenance of machines based on condition monitoring in order to avoid efficiency drop;
- iv. Proper insulation of pipelines and air ducts and use of heat tracing cables;
- v. Decanting and secondary containment systems for condensate/crude oil, diesel and chemicals;
- vi. Replacing lights with low energy lamps or solar lights where feasible and intelligent lighting controls;
- vii. Reuse of oil based muds during drilling operations;
- viii. Bioremediation of oil spills, oil based drill cuttings and oily sludge to rehabilitate soil; and
- ix. Use of produced water for enhanced oil recovery through wells reinjection.

Information Technology

As part of the technology modernization plan, OGDCL undertook following initiatives for development of Information Systems and infrastructure during the fiscal year 2014-15:

- i. Entered into an enterprise agreement with Microsoft for three (3) years in order to simplify the process of license compliance and standardization of software products across the Company. This arrangement will also ensure that the Company has access to the latest versions of Microsoft Technologies in a timely manner;
- ii. The Company's website has been re-designed and revamped making it more interactive. A new feature of "Overseas Discussion Forum" has also included providing a platform for the exchange of information and opinions. This new web site is live since March 2015;
- iii. The Company is in the process of introducing a Computerized Maintenance Management System in order to streamline operations of OGDCL plants. The system is an IBM Maximo Asset Management solution, which manages physical assets on a common platform allowing organizations to share and enforce best practices, inventory, resources and personnel. Initially, the software will be implemented at two (2) sites namely Qadirpur and Dhakni plant and later on will be extended to other plants. The project kicked off in November 2014 and is expected to go-live by the end of year 2015;
- iv. In order to ensure a secure access, Security Information and Event Management System is being implemented. This system consolidates log source event data throughout the network and performs immediate normalization and correlation activities on raw data to distinguish real threats from false ones. The project is in deployment phase and is operative since April 2015;

- v. Medical facility management is being automated by computerizing various functions of the department such as recording of patient's medical history and employee/pensioner wise monitoring of medical expenses. The project kicked off in January 2015 and will be completed by the end of this calendar year;
- vi. Fund Management System has been developed to control OGDCL Pension and Provident Funds in line with State Bank of Pakistan's directive. The application has been successfully implemented in March 2015;
- vii. For better control on network administration, a set of hardware and software tools; Network Management System that allows an IT professional to effectively monitor and manage all the network elements of different technologies and types from centralized location has been installed and became operational during the year;
- viii. Deployed enterprise level end-point security solution called KASPERSKY End Point Security Advance Business for protection of end devices from malware, worms, virus, lost data protection, device control, web control, application control, system provisioning and remote image deployment;
- ix. SYMANTEC Backup Exec 3600 Appliance has been deployed in the Company's datacenter for backup and restoration of VMware/Microsoft Exchange Infrastructure. This appliance reduces backup complexity and simplifies data protection along with providing all data in a single backup and recovery solution;
- x. RFID based Access Control System (ACS) was made more effective by linking the system with the employees leave management system and overtime. The ACS is also extended beyond the Head Office to department posted at F-8 office, Islamabad. Further expansion efforts are underway and are expected to be completed in the near future;
- xi. The Company has established a Disaster Recovery (DR) Site for ERP applications at National Telecommunication (NTC) datacenter, Islamabad. The contract in this regard has been finalized and infrastructure has also been deployed while DR server will be moved shortly. DR facility is also planned to be extended to e-mail and other services;
- xii. In order to provide an uninterrupted power supply, new UPS with the capacity of 90 KVA extendable up to 150 KVA has been installed at datacenter. UPS provides modular and scalable features to increase power backup time to 1.5 hours to protect the Company's critical applications and network infrastructure.

Business Risks and Mitigation Measures

The long term success of any E&P company depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. These activities are speculative in nature and are characterized by inherent uncertainties, geological surprises and complexities which may have a potential impact on the Company's financial conditions and results of exploration, production and development operations.

OGDCL regularly monitor such risks using information obtained or developed from external and internal sources and take appropriate actions to mitigate their adverse impact. Effective risk management strategies and proactive risk mitigation techniques are cornerstone in accomplishing the strategic objectives and protecting business assets, personnel and reputation. In this regard, a Risk Management Committee is already functional in the Company

and its role is to identify key business risks and devise and implement measures to mitigate the potential impact of the risks with the aim to ensure quality decision making.

The relative importance of risks faced by OGDCL can and is likely to change with modification in the business strategy and changes in the Company's external environment. At present, business risks and uncertainties believed to be material in nature coupled with their mitigating techniques are as follows:

Strategic Risk

OGDCL's strategy aims at optimization of business portfolio and sustaining production growth in a cost effective manner leading to improved profit margins. In this pursuit, while going forward, the Company cannot guarantee maintenance of high drilling success and effective execution of low cost strategy with respect to finding and developing of oil and gas prospects. In order to counter the risk of strategic failure, the Company focuses on utilizing latest production techniques, advance reservoir management practices and modern technology to exploit new reserves and boost production while ensuring the low cost operator status. Additionally, the Company renews and repositions its portfolio to embark upon future growth opportunities in line with the strategic objectives laid out in the strategic plan to enhance reserves and increase shareholders value.

Commercial Risk

On account of the rising oil and gas demands and prevailing energy crisis in the Country, OGDCL's hydrocarbon production is readily absorbed in the indigenous market thus bearing no risk regarding sale of products. However, following factors may unfavorably influence OGDCL's financial stature:

Commodity Price Risk

The crude oil prices in Pakistan are linked to a basket of Middle East crude oil prices which are calculated taking into account average basket prices of Oman, Dubai and Das Blend. Any volatility in the prices of the crude oil has a significant influence on OGDCL's sales revenue and profit margins. Presently, slide in the international oil prices have impacted the Company's sales and profitability, a trend witnesses across all E&P companies operating both locally and internationally.

However, gas sales which is a major component of OGDCL's revenue is less prone to price risk as the gas prices of its major fields are capped at fixed crude oil/HSFO prices and sales can only be affected in case the international crude oil prices fall below the capped price. Against the backdrop of decline in the international oil prices, the Company being a low cost operator has stepped up the exploratory efforts to augment hydrocarbon production leading to improved operational cash flows and value creation for shareholders in the coming years.

Foreign Currency Risk

OGDCL's functional and reporting currency is Pak rupees. The Company is exposed to foreign currency risk with respect to crude oil and gas prices which are determined in US dollars and translated into Pak rupees using exchange rate established by the regulatory authority. Therefore, any decline in the value of Pak Rupee against US dollar has a positive impact on the Company's earnings and vice versa. While currency risk arising against payments, denominated in foreign currencies, for purchase of material and equipment and hiring of third party services is neutralized by natural hedging provided by the Company's pricing mechanism.

Credit Risk

Significant trade debts are payable to OGDCL by crude oil refineries and natural gas distribution companies against supply of crude oil and natural gas products respectively. Settlement of such debts has been slow due to non-availability of funds which resulted in the creation of Inter Corporate Circular Debt issue in the energy industry.

During the year under review, inter corporate debt has started piling up again in response to which the Company's management is carrying out all possible measures including vigorous follow-ups and constant liaison with GoP to recover receivables and avert liquidity problems.

Financial Risk

OGDCL is currently not exposed to financial risk as evident by strong operating cash flows and a debt free balance sheet. However, delay in settlement of trade debts can put the Company's cash position and financial standing at risk. Prolonged nonpayment of trade debts by crude oil refineries and gas distribution companies may trigger the need for borrowing in order to carry out planned exploration, production and development activities/projects alongside ensuring timely discharge of statutory obligations including royalty, taxes/duties and dividend etc.

Reserves Risk

Crude oil and gas reserves data are only estimates and the actual quantity of recoverable reserves may differ from the estimated proven and probable reserves. This is due to inherent uncertainties in the application of reserves evaluation techniques. In order to cope up with this risk, OGDCL internally evaluates and update reserves on quarterly basis based on the production performance, workovers and development wells results of individual fields. Moreover, the Company arranges reserve evaluation study which is carried out by an independent international expert after every three (3) years for verification/up-dation of the reserves status.

Operational Risk

OGDCL operational activities may be exposed to the following risks:

Exploration, Drilling and Production Risk

The risks and hazards inherent in OGDCL's operational activities include well blow outs, explosions, uncontrollable leaks, down hole fires, oil spills, mechanical failures, adverse weather conditions etc. These risks may result in substantial losses to the Company in the form of injury to workers, loss of life, severe damage to property, plant and equipment, production loss, pollution and suspension of operations thus adversely affecting the business earnings and growth. In order to mitigate these risks, OGDCL focuses on routine check-ups and repair and maintenance of plant and machinery in addition to maintaining an insurance coverage against some of the potential risks associated with the Company's operations in line with customary industry practices.

In addition to the above, drilling of exploratory wells involves the risk that no commercially productive oil or gas reservoirs will be encountered. Moreover, exploration and production activities are often conducted in extremely challenging environments which heighten the risks of technical integrity failure and natural disasters. Furthermore, exploring and developing oil and gas fields is a capital intensive activity requiring sufficient cash flows to finance the operations. In order to thrive in this environment, the Company focuses on formulation of strategic alliances with other E&P companies having technical expertise and complementary skills in the areas of operation.

Environmental Risk

Environmental risks comprise natural disasters in shape of earthquakes, cyclones, floods and other such events which cause the Company operations to disrupt or be curtailed. In this connection, all insurable risks are covered through insurance besides maintaining a contingency fund to cover uninsured damages.

Security Risk

Security risk in shape of insurgency and political instability adversely influence the Company's operations causing threat to the lives of the workers in affected operational areas, suspension of business activities, production limitations etc. The Company is exposed to such risks particularly in the provinces of KPK and Balochistan. To manage this risk, OGDCL relies on its well thought-out plan for curbing or neutralizing potential security threat and collaborates with law enforcement agencies to deploy security personnel in the sensitive areas for protection of the workers and operational facilities.

Competitive Risk

The GoP has taken steps to liberalize E&P sector in Pakistan, particularly with respect to award of exploration concessions which is done on a competitive basis. OGDCL, being a public sector entity, does not enjoy any preferential treatment or relaxation of any sort in bidding for new exploration areas. Moving on, the Company may face increased competition in this regard in addition to utilization of advance equipment and technology by the competitors to more efficiently explore and develop oil and gas fields. In order to cope up with this risk, the Company based on its quality asset base, capable workforce and commitment to utilize innovative technology will continue to compete on merit for acquiring new concessions and undertake challenging tasks and activities to strengthen business competitive position.

Future Outlook

Being aware of the complexity of E&P market due to slide in international oil prices and resultant challenges posed in terms of scaling back capital expenditures and reducing costs by indigenous and international exploration and production companies, OGDCL based on robust financial framework and debt free balance sheet is committed to carry on vigorous exploratory activities exhibited during the year under review. The Company believes that the extensive exploration program including fast track seismic data acquisition, data processing/interpretation and active drilling campaigns not only offers the potential for near term value creation but will also provide a bed rock to embark upon new tasks and opportunities. To this end, the Company carried out record 2D and 3D seismic survey of 5,430 Line km and 1,918 sq. km respectively, mainly in the newly acquired exploratory blocks while processing and reprocessing of the acquired data also continued to identify prospective areas offering the potential to yield commercial oil and gas reserves. On account of seismic data interpretation, further drilling campaigns are planned to be carried out in the coming years to replenish and augment the Company's hydrocarbon reserves and ensure business sustainable growth.

On the production front, OGDCL is striving to maintain and enhance production from own and operated joint venture fields with the aim to shoulder the responsibility of meeting oil and gas demands in the Country. In pursuit to this aim, the Company contributed around 44% and 29% of the Country's total oil and natural gas production respectively during July 2014 - May 2015. Moreover, ambition to carry on enhanced exploratory efforts to explore new reserves coupled with accelerating the pace of bringing new oil and gas discoveries to production in the shortest possible time, the Company expects to generate production growth and improve operational cash flows in the future. In parallel, the Company is also focused on the ongoing development projects which upon completion are expected to render

significant enhancement in oil, gas and LPG production in the near future. In order to mitigate the impact of natural decline in some of the mature producing fields, the Company stands firm at utilizing latest production techniques including Improved/Enhanced oil recovery methods and innovative technologies to drive functional excellence across E&P operations and maximize hydrocarbon recovery.

In order to exploit unconventional sources of energy like shale gas and coal bed methane, OGDCL initiated shale gas potential study to evaluate shale gas, shale oil and tight gas. The first phase of this study is completed and in-house review of Shale Reservoir Petro-Physical (SRP) reports of various wells is in progress. Moving on, the Company will focus on the second phase of the study under which geological, reservoir, geo-mechanical and petro-physical modelling for prospects identification will be carried out along with incorporation of laboratory analysis of rock samples.

On the financial front, OGDCL financials have been affected by fall in the international oil prices leading the business to register reduced profitability. The same is the dilemma faced by other E&P companies which also witnessed squeeze in their profit margins. Against this backdrop of lower oil prices, OGDCL has reset the business strategy and is endeavouring to maintain a conservative financial framework and concentrate on a rigorous approach regarding capital allocation and cost control with the aim to carry out exploration, development and production operations competitively and meet future business challenges ahead. In addition, the Company will continue to focus on formulation of joint ventures with leading E&P companies both within the Country and abroad to introduce new partners with complementary skills and share operational cost to ensure that ventures and projects are carried out efficiently and cost effectively.

Looking ahead, OGDCL on account of financial strength and determination to enhance Country's energy security will spare no effort to continue the intensified exploratory activities and capitalize on new growth opportunities while ensuring that health and safety of people and fulfilling social obligations remain a business priority.