Company: **Dragon Oil plc**
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Dr Abdul Jaleel Al Khalifa: Good morning ladies and gentlemen. It's our pleasure and great honour to present to you our 2014 year-end results. On behalf of the Dragon Oil team I want to thank you all for joining us on the call and I'm going to start, turn it over to our Director of Finance Tarun Ohri and then I'll take it after that into the outlook.

So going straight into our operations and our footprint nowadays, as you know we had expanded in 2014 towards Algeria, we have two blocks in Algeria. So right now we're balanced between, I would say, Africa and Asia, towards countries in Africa: Algeria, Tunisia, Egypt; and we have Iraq, Afghanistan and Turkmenistan, so three and three, quite balanced. We're open to look furthermore and expand our footprint in 2015 quite significantly hopefully in the coming years.

So on the operations. 2014 had significant production growth results. We maintained our strong operational and financial results in 2014. We had organic reserve replacement for the fifth consecutive year, two oil discoveries in the same well in Iraq. We diversified into Algeria – two blocks – with our partner Ene. We have two routes for the marketing of our 2015 crude now in Azerbaijan and Russia. Our strong balance sheet is still clearly with no debt and we maintained our dividend policy and plans in 2014 and 2015.

On the production side, we had grown the production by about 6.8% and that was due to the slow start in the first half of the year because of deployment and maintenance. The second half was much, much stronger in terms of drilling and production, so we averaged in December about 89,680 barrels of oil per day (bopd). We had exited the year at 92,000 bopd. This is a very good and comfortable position to start 2015 towards a year-end exit rate of 100,000 bopd. Indeed I'm really proud of our management team and our operational excellence in the field, of being able to deliver on the commitment and promises that we had put out in the market before.

On the drilling, we had drilled 14 wells and completed 14 wells in 2014 with two more wells being completed in January and February of this year. These wells show a very strong production in the Lam area as usual. It showed really some difficulties in Lam 22 and appraisal well in Lam 4, which happened to hit some water in that area. And there are plans right now to sidetrack that well in Lam 4 and to do some auxiliary support for these two wells in Lam 22, but overall the production growth that came from the wells was significant. Added to this is an additional artificial lift and workovers and additional perforations we had in other wells and that really was very instrumental to bring the production level to where it is today.

We'll move on to the reservoir work that we did in Zhdanov and in Zhdanov we had drilled two wells, Zhdanov 101 and Zhdanov 102. And in Zhdanov 102 we have deployed new technologies, ULTRADRIL high performance water-based mud as well as Echoscope to scan the lithology of the reservoir and this has been extremely useful in finding the two reservoir structures in Zhdanov 102. Without firm promises on the results, but it seems significantly better than Zhdanov 101. We still wait for the results of this well that would come hopefully this month or next month.

I move onto the reserves and in 2014 we produced 29 million barrels. We added 17 million barrels in the Cheleken Contract Area, which gives us a good reserves level now at 663 million barrels of 2P reserves. We had additional contingency as compared to last year of 2C that is 93 million barrels compare to 69 million barrels. In Iraq, we have reported 198 million barrels of 2C resources, our 30% share of the Mishrif certified volumes there in oil and additional 56 billion cubic feet of gas in that reservoir. Yamama is not certified yet but the reservoir is quite strong and petroleum is equivalently high.

Let’s move on to the infrastructure and in 2014 we continued working on the Lam E platform, which will hopefully be installed towards the end of this year and 2016. We continued to install the Lam F platform, which will be ready for drilling around June this year. We continued adding some crude oil storage capacity and new tanks. We have about three tanks that will be added to operation by June this year and the remaining will be added by the end of this year. We had continued to add additional equipment in the Central Processing Facility that I will talk about in detail, which can easily allow us to process 100,000 barrel of crude oil and about 150-200 million SCF of gas and we added also many additional drilling slots in the existing platforms.

Let’s move onto the facilities we’ve added in the Central Processing Facility. Normally in the CPF we used to have difficulties during the winter time because of the low temperatures and the vessels that are used to heat and separate oil from water, used not to work at full efficiency during winter time. So what our engineering staff did and this is all done internally in both engineering design as well as construction, we decided they would add two things: preheat exchanger, which is welded to the vessel; and pad heaters for each heater special, so those pad heaters and heat exchangers would increase the temperature of the fluid coming into the heater vessel to 20 degrees and instead of 2 or 3 degrees. So indeed the vessel would operate more efficiently with less energy and would produce better quality oil as it exits towards the storage tanks. In addition they added a new degasing boot that is a vessel that would take out the liquid from the gas before it goes to the flare. So all in all much better efficiency in terms of oil-water separation and in terms of oil and gas separation: more efficiency, better quality fluid, less liquid in the gas and less liquid in the water that goes to the disposal.

Let's move onto the rigs, we have four rigs now. One rig is being dismantled and taken away; this is Lam Rig 1: its contract has expired. We have Elima, which is contracted to May 2016. We have Neptune that is working now and by the way Mercury is already in our waters and it's available. We will use Neptune until we have to swap it with Mercury to the end of the contract. We have The Caspian Driller which in our waters being commissioned. And we have Lam Rig 2, which is drilling in the Zhdanov field from the Zhdanov A platform.

So four rigs, three are operational, The Caspian Driller will be operational in the first half of this year.

We maintained our secondary oil recovery approach, be it artificial lift or water injection, that's basically to supplement energy at the well level and at the reservoir level. At the well we can fit it with our jet pump installations: we installed two more in 2014. We'll have 12 more in 2015. We are also planning to install electrical submersible pumps as well this year. This is all done to help produce the low prolific wells at a higher production rate. At the reservoir level we continue our water injection. We plan to start water injection hopefully in either Lam West or in two platforms in Lam Main as the decision is being made now. This is all a plan to basically expand water injection over the entire field in the coming years.

I'll move onto the gas monetisation and Gas Treatment Plant. The GTP is almost in the final stage of being awarded and we've decided that we'll phase it over four years instead of three years with the first train hopefully operational in three years and the second train operational in four years. So 2015 to 2018 is basically the time that we need to install the plant and we're going to start hopefully delivering condensate with our crude in the 2017-2018 timeframe.

I'll move onto marketing. In 2014 we succeeded in moving into selling to two main customers in the Caspian region. Those two customers take it free-on-board at our terminal in Aladja Jetty and they take it through Azerbaijan and Russia towards the international markets. The discount is at approximately US$14 (less or more between the two contractors, between the two buyers) and this is really a very much healthier position compared to one buyer at a higher discount before and we feel that this is going to drive us and the market towards better discounts in the coming years even in the Caspian region let alone if Iran opened up and the sanctions are lifted in the future.

Let's move on to the diversification efforts. Block 9 in Iraq - I'm going to talk more about this in the coming slides but the commitment is to drill two appraisal wells and shoot a seismic survey; de-mining is taking place now. The two blocks in Algeria are Tinrhert Nord and Msari Akabli. In Tinrhert Nord we are the operator and we hold a 70% paying interest and the commitment there is to shoot a seismic survey and to drill four wells. The commitment in Msari Akabli is to shoot a 3D seismic survey and to drill three wells, Enel is the operator, we hold a 30% paying interest of this block.

East Zeit Bay is a 100% operatorship block in Gulf of Suez offshore Egypt and the commitment there is to shoot a seismic survey and to drill two wells.

Sanduqli and Mazar-i-Sharif are the two Afghanistan blocks where we have 40% in each and operatorship in Sanduqli and TPO is the operator in Mazar-i-Sharif. For both blocks we have to shoot seismic and to drill two wells in each.

The Bargou Exploration Permit in Tunisia, we own 55%. We have not decided whether we sidetrack or not. We're still looking at jack-up rigs there and we're reviewing our plans in this area, reassessing, talking to fracture well consultants, looking at the oil test and the oil log data in this reservoir and trying to firm up our opinion and decision making in this permit.

Service Contract 63 in Philippines, we drilled a well, unfortunately it came to be dry. It has encountered some gas but not commercial enough and there was no oil in the well.

So in detail, we'll move onto Iraq Block 9 where we drilled a well, we tested two reservoirs, the first one is Mishrif where the oil flowed at circa 3,400 barrels at a 64-inch choke. Quality of oil is 20 degrees API. The second reservoir, which is more prolific, is the Yamama, the oil flowed at 8,000 barrels that day at a 64-inch choke and has a better quality of 35 degrees API. Both have significant volumes, both have significant additional hopefully appraisal potential and the plan is to drill two appraisal wells in 2015. The operator KEC is talking to the Iraqis and accelerating the production plans in this project.

I will move onto Algeria, which is a new two contracts area: the Tinrhert where we're the operator and the other one is Msari Akabli where Enel is the operator. Both have some discoveries that are already existent. In Tinrhert Nord there is oil and gas. The intention here is to appraise those discoveries and to shoot more seismic data and to drill wildcat wells. The commitment is to drill four wells between wildcat and appraisal wells and the plan is to hopefully commercialise the gas and the oil with adding more potential in both blocks.

Let's move onto our workforce. In 2014, we've had 475 people joining our workforce, 98% retention rate – very healthy counts considering the market in 2014. I'm glad to report that a lot of these additional people are being utilised successfully now in in-house construction teams that would save plenty of time and save costs because we're going to do some of the minor projects internally with our local resources. 93% of our workforce in Turkmenistan are local and we're proud of their great achievements and we continue our training and development of those resources; and on the health and safety front we're glad to report that our lost time incident frequency is down to 0.6 as compared to 0.76 before. It's a healthy downward trend, which is very positive and very much in line with International HSE statistics.

On our annual commitment on the CSR after amendments to the PSA and putting the tax at 20%, which had added a tax credit of about US$160 million to our balance sheet. Our commitment towards CSR that is US$10 million on an annual basis towards training and corporate social responsibility projects. I think this is a great deal for which we're thankful and it really shows our great commitment to the country, to the people and to the community in which we work.

I'm going to turn it over now to Tarun to go over the financial results.

Tarun Ohri: Hi, good morning everybody, this is Tarun and I'll walk you through the 2014 financial highlights and then we can discuss the balance sheet, income statement and the cash flow in the following slide.

2014 was a challenging year in terms of the oil price and significant fall of the oil price in the second half of 2014 and it still persists at a level where the question in everybody's mind is, "What's the trend and how do we look at the oil price and are we at the bottom of the cycle and how would we determine the capital expenditure of the company?" We are well placed in terms of having a strong balance sheet from which we can confidently grow our production, continue diversification opportunities and pay regular dividends. So if you look at our revenue for the year, it has been consistently over a US$1 billion in the last three years and this is based on production growth during the year of 7% and the lower realised prices of US$81, Brent minus a discount. Our realised prices were down marginally.

If you look at net profit, it's up to US$650 million and the total dividend for the year was US$0.36 per share with a pay-out ratio of about 27% and this was based on the earnings per share of 132 US cents. We have maintained a healthy yield on the dividend, it's about 4.3% as compared to 3.5% last year and the dividend cover on EPS is a healthy 3.6 times. Our cash balance is around US$2 billion, which is sufficient to self-finance development activity, exploration expenditure and look opportunistically for a development asset, should the opportunity arise. We are not leveraged and we continue to pay regular dividends.

Moving on to the next slide we have financial highlights of the balance sheet and the income statement, which we will review in greater detail, but it shows you that our revenue was up 4%, our operating profit was down 16% though if you look at our gross profit, our gross profit increased from US$723 million to US$736 million, so there was an increase in gross profit and gross profit is recognised on an entitlement basis. So all the entitlement barrels are assumed to be sold and accounted as such.

If you look at our operating profit, it was down because of impairment of the Philippine asset of about US$24 million and an upfront charge of US$85 million, which was a discounted value of future social corporate expenses, which we will incur in the next 10 years. So what this does is it takes a charge upfront in line with the IFRS guidelines to be able to recognise the charge in the year when the obligation arose. The dividend was up 9% and if you look at our cash balance, excluding the A&D, which stood at over US$650 million, it was US$1,974 million.

The next slide actually shows us the movement in our income statement, so moving from left to right, a profit after tax for 2013 was US$513 million. Our revenue increased by US$45 million and that was a result of an increase of volume of crude sold by 17%, offset by a decline in the average realised crude oil price.

If you look at our operating costs, our operating costs were up from US$159 million to about US$133 million and that was on account of larger field operating costs because of higher manpower, greater amount of well maintenance, workover activities, as well as offshore marine support. But the operating had a boost of US$69 million, which is a result of adjustment of underlift, so the underlift of 2 million barrels is adjusted in the opex and like I said gross profit is recognised on entitlement basis, not on the basis of sale. The revenue is recognised on the basis of sales but we make an adjustment so that gross profit correctly represents the profit in the company on our entitlement production.

Our depletion charge is up by US$101 million from US$215 million last year, because of higher entitlement production which went up to about 56% this year. Our admin and corporate expenses were up US$13 million because of corporate costs and asset evaluation expenditure. Impairment we've talked about are the Philippines' US$24 million, our corporate social expenses we've also discussed, this is a present value of future payments recognised in one year. Our finance income has remained flat. There's no change despite a marginally larger amount of average cash held by us. The interest rate environment dictates that. Our change in tax is about US$247 million which was a credit in the income statement of about US$61 million versus US$185 million charge last year, so that was a change as a result of write-back for provision as Jaleel had pointed out on the basis of tax. So that gives us a year-end profit of about US$650 million, which is a record number for Dragon Oil.

That takes us to the next slide on cash flow. We've got a similar movement analysis of our changes in the cash position and the movement. Our opening cash was US$1,924 million and our net cash from operations before setting aside funds for abandonment was US$937 million. So the US$937 million is the net cash generated after payment of income tax during the year of about US$120 million. Our interest received on deposits was US$11 million and which was like we said flat from last year. The yield was about 0.6% and that is a better performance than the three months' LIBOR, which is 30 basis points, and six months' LIBOR, which is 0.6%. We've invested US$679 million in additions to plant and equipment in the Cheleken Contract Area; and intangibles, which represent exploration expenditure of about US$52 million, and US$597 million represents the cash outflow for that capital expenditure.

Our dividend payment for the year was on account of the 2013 final dividend and the 2014 interim dividend of 20 US cents, so that outflow was about US$187 million. Our A&D increase is the amount of money we've set aside for abandonment and decommissioning during the year, which takes us to the closing balance of US$1.98 billion. All our cash is maintained, well-diversified over a dozen banks with exposure limits for each bank based on review of the ratings and relative ranking.

The capital expenditures for the year, which is slide number 28, which shows that 2014 was a great year in terms of expanded capital expenditure and progress on various projects. We've spent about US$629 million in drilling and infrastructure and about US$52 million in exploration. The drilling expenditure comprised about 44%. We drilled 14 wells and the infrastructure costs were mainly on account of relocation of Lam F, which is near completion; construction of the tank farm project, which is progressing well; and a number of additional slots in a number of platforms to give us flexibility to move our jack-up rigs to various locations.

Our exploration expenditure of about 7% was mainly in the Philippines, US$24 million, and we've spent about US$14 million in Iraq in 2014, and the other expenditure in Egypt, Afghanistan and Algeria expenditure of about US$14 million bring the total to about US$52 million.

So with that I'll hand it over to Dr Jaleel for his comments on the outlook.

Dr Abdul Jaleel Al Khalifa: Thank you Tarun. Going into the outlook for the coming year 2015, first on the production side. As we've said before we feel more comfortable now that 100,000 bopd is an achievable target as an exit rate for 2015. The 10% production growth for 2015 is a number that could go higher hopefully in the year as we progress towards the second half of the year and we'll report to the market at that time. Water injection pilot in Lam 75 will proceed to be replicated in other platforms as well as jet pumps and ESP installations, so this is all in addition to adding perforations, optimising the chokes, doing some workovers and drilling the wells, all aimed to deliver the 100,000 bopd target.

On the drilling side we plan to complete between 15 and 20 wells in both 2015 and 2016. As you know we have two jack-up rigs and one land rig now and with The Caspian Driller added there it will be three jack-up rigs and one land rig, and hopefully these would be sufficient to meet the 100,000 bopd and maintain it in the future.

On the infrastructure, Lam F will be ready for drilling in June as the accommodation platform is already installed, only the drilling production jacket is being installed now and we're allowing a few months for weather changes, so hopefully by June it should be ready for operation.

Lam E should be fabricated and installed in 2015 and 2016 and again the capex for drilling and for infrastructure is US$500-600 million. We add to this US$400 million for the Gas Treatment Plant phased over four years, so on average it's about US$100 million each year. In 2015 specifically it could be only US$50 million, but for the sake of simple calculation we just say US$400 million over four years.

On the diversification, we're hoping that two appraisal wells will be drilled in Iraq in 2015, thus appraising the total potential of the two discoveries and giving us the right start for an accelerated production plan for the operator in the block and the Iraqi Government.

We plan to reprocess the 3D seismic data in East Zeit Bay in Egypt, finish the gravity and magnetic survey in Afghanistan, which had been already started, and hopefully prearrange logistics for drilling in 2015 in Algeria as we're sitting in the office there now. In general on the exploration front, our spend will be in the range of US$50-100 million each year.

This is where we are in 2014 and this is we feel is a great position to start 2015. We're hoping that 2015 will bring positive news in the sense of production in the Cheleken Contract Area, in terms of additional potential and firming up the discoveries in Iraq and hoping that on the acquisition front we can definitely hope that we're going to find the right targets to acquire be it in Africa or Asia on the development side. In general we're not aggressively going to exploration now. We may be slowing down in exploration acquisitions due to the current market environment, but we're aggressively pursuing the development acquisitions.

On this note, I'm going to turn it over to the audience here and open the floor for Q&A.

Werner Riding, Peel Hunt: Good morning. On your diversification strategy, clearly you stepped back from Petroceltic in Q4 last year citing deteriorating market conditions. That business has got a strong gas bias and so in theory you ought to be better insulated than most against the falling oil price, so my question is what do you need to see from a macro perspective, i.e., the oil price to give you confidence to revisit that deal?

Dr Abdul Jaleel Al Khalifa: I'm not going to comment specifically on that deal, but I think when the market environment changed, the whole landscape changed, so Petroceltic is gas heavy, not oil heavy (they have oil in Egypt and gas as well), but they must be gas heavy. What happened when the market changed, the whole landscape became different because there are many more opportunities available now at a more affordable price compared to an early part of last year when we started talking to Petroceltic. In the future and now, going with regulation framework of timing and so on, definitely the portfolio is open for all opportunities, including Petroceltic and others.

Farid Abasov, Standard Bank: I have few questions, my first question is actually on your guidance on dividends, we could see that they decreased relative to the first half and I understand the deteriorating market conditions, but I was wondering if you could give any guidance or reassurance for this year whether we should expect at least flat, whether we shouldn't expect any decreases for the next sort of semi-annual dividend? That's my first question, my second question is on the cost side, we noticed an increase on the admin. Should we treat it as going forward maintaining the new level? The third question is if you could provide any more colour on Iraq? I understand it's a bit early but in terms of the news flow, when should we expect the first reserves report? Then on the lead time to the first production, is it four or five years away or we could actually see it to be as close as three years away if your partner is pushing hard and accelerating? What is a realistic timeline even if they are pretty ambitious? That's it. If you want to clarify my questions I could ask them again.

Dr Abdul Jaleel Al Khalifa: Thank you, that's clear. On the dividend guidance, I think our dividend policy is very clear. We at the board level decide at the time and we put in many parameters in the equation, be it the acquisition available or secured debt at the time; be it the market environment or the balance sheet. From what we see today we'll hopefully maintain the same level of dividends. I don't see aggressive growth, I don't see aggressive scale-down. I would say it's fair to assume that we will maintain the same level.

On the admin cost increase, it was really a reflection of how much due diligence we've done on the deals that we wanted to pursue, be it announced or not announced. And this is quietly reassuring for the market that we internally, we have a team working with third parties all the year around to make sure that we study the potential targets from all different angles – not only one, it could be two, could be three – as many and as much as is available in the market at that time. I don't see this number increasing in the future, I think it's got to be lower than this level and I'll leave it to Tarun to count on that as well.

On the Iraq third party report on the Yamama, I hope within the first half of this year we can get something out. But on the production, I personally feel I didn't have a firm commitment from the operator or the Iraqi side, but I believe two to three years for accelerated daily production of some type is reasonably acceptable. Tarun, you want to comment on the admin?

Tarun Ohri: Yes. Now, going back to the admin charges, we would expect the leverage to be around US$35 billion to US$40 billion, which is the average number for 2013 and 2014. It's reflective of two things. One is a larger capex focus in terms of gearing up for growth; and second is what Jaleel pointed out with regard to asset evaluation cost.

Stéphane Foucaud, FirstEnergy Capital: Good morning, guys, a few questions please. The first is around the production growth. The 100,000 barrel per day, could you probably give us an idea of what's the artificial lift contribution to this or perhaps what's the impact – your expected impact of the artificial lift on decline rates? Second is on Zhdanov, how many wells would you expect to drill in 2015 out of the programme at Zhdanov? And lastly back on the production, you talk about the condensate contribution I think from 2017. Would that be on top of the 100,000 barrel per day targets or included in the 100,000 barrel per day targets? Thank you.

Dr Abdul Jaleel Al Khalifa: Just the last one, sir, can you repeat the last one?

Stéphane Foucaud: I think you talk about condensate from the gas processing plant basically contributing to production I think around 2017 or something, and I was wondering whether when you guide at 100,000 barrel per day production plateau for five years, whether that includes condensate or whether condensate is on top of that?

Dr Abdul Jaleel Al Khalifa: Thank you, thank you. So on artificial lift impact, I would say until now it is not very significant but there is something that I want to highlight on artificial lift and that we have to screen for good candidates for artificial lift because if there is a sanding tendency in a well – if the well makes a lot of sand – it may not be a good candidate for jet pumps. If the quality of a well is not very high, it may not be a good candidate for jet pumps. So I don't want to hype expectations with regard to artificial lift. It is so that we have 14 jet pumps to be installed, but I don't think all the 14 will be successfully adding certain potential, but that is assigned I think in the current production rate that we have. I would say maybe 1,000 to 2,000 barrels of oil per day is artificial lift; remaining is a normal field production. Now more potential of artificial lift will come in the future. As the production of the existing wells comes down, they would need more support of artificial lift.

On the Zhdanov field, which is the second question, the land rig will continue drilling in the Zhdanov in the same platform which is Zhdanov A. Zhdanov wells tend to be deeper, more difficult to drill. They take longer time and we are on a learning curve so hopefully we'll be able to drill four more wells in Zhdanov this year. Now, jet pumps could be having a great application in Zhdanov, for example, but that remains to be seen through the years. We have one portable jet pump set up that we can use in Zhdanov in case we need it.

On the condensate, yes, in principle it's anywhere from 3,000 to 5,000 barrels total to be shared with the host government. It is part of the 100,000 bopd sustainable potential we had promised the market. Now, we should have a tolerance of plus or minus at that time. As we reach the 100,000 bopd, we had promised that we will come back to the market with more firm future plans for the production potential of the whole Cheleken Contract Area.

Caren Crowley, Davy: Good morning, gentlemen. Two questions, if I can. The new platform, platform Lam F is being installed in centre of the Lam fields. I am wondering could you tell us a little bit about your expectations for the reservoir in the area of that platform. The second question is with respect to both the Caspian Driller and the new Mercury rig. What are the outstanding items there to have both rigs actually commence drilling in the fields?

Dr Abdul Jaleel Al Khalifa: Thank you. So Lam F we believe – or we think it's a good area and this is why we've placed it there. It may not be a boomer in terms of potential but it's one of those platforms in the Lam field, which has quite a nice drainage area around it that would help again access 8 to 12 or 16 locations to drill in that area to maintain the 100,000 barrels of oil per day in the future. So it is better than Lam 22 depleted areas. It's better than Lam 4. Therefore I don't have a lot of worries about the location itself. I think we'll find out some time in the second half of this year the true potential as we drill new wells.

On the Mercury jack-up drilling rig, Mercury by the way is ready to go. I mean it's available. It can drill. We don't want to use Mercury now as Neptune is already operational. We have been through a learning curve for Neptune. So our deal with EDC is that let's maintain using Neptune for now until you find a customer for Neptune and then we'll use Mercury instead, but Mercury is ready to go. But it won't be an addition to us because it's a replacement for Neptune.

The Caspian Driller, there is minor commissioning work that has to be done and it would need a commissioning team to come over from both the Chinese and the Americans and they are applying for their visas. The good news there is that we already have the management company awarded and their team is about to be launched to the site. So I would say first half of the year is quite a reasonable time to start the operation with The Caspian Driller.

Robin Haworth, Oriel Securities: Good morning, thanks for taking my questions, so it relates to Iraq again and I was just wondering how you regard to the opportunity ranking within the opportunity set that you find yourself with, so both in terms of the rest of your exploration and development portfolio but also against what is available for purchase in the market. Thank you.

Dr Abdul Jaleel Al Khalifa: Thank you. We rank it high in terms reservoir quality and volume assets but in terms of returns on investment it is not extremely high as you know because it's a surface fee, so the upside is capped there. The downside is also safe because of the clear firm surface fee per barrel, which is quite good news in this current environment.

Now when we look at our portfolio, the Cheleken Contract Area is number one in terms of the potential, in terms of return on investment, in terms of sustainability. Then comes Iraq discovery, then comes Algeria's potential upside in both appraisal and wildcat there. And of course we're not at a stage where we rank this against acquisition of development assets. As you know, we're blessed to have enough cash to do all of the above. So the issue is while doing the Cheleken, Iraq and Algeria and there remain exploration assets, I think we have room to digest good acquisition targets at reasonable, attractive prices that we can acquire with. I see no competition. We have enough resources to handle this. And in terms of talent and people needed to handle the acquisitions in the future – that remains to be seen. If it's a corporate acquisition it would come with the people; if it's an asset acquisition we can gear up. In today's market, there're plenty of people looking for jobs in the market.

Alwyn Thomas, Nomura: Morning, guys. Can I just ask, for 2015, what are your expectations for percentage entitlement production and the resulting impacts on your DD&A? And after that, can I just ask whether you're seeing any opportunities to lower your capex or opex across the portfolio in light of the oil price fall? Thanks.

Dr Abdul Jaleel Al Khalifa: So I'll take the second one and I'll turn the first one to Tarun. On the lowering capex and opex, I think looking fairly at our opex number it ranks among the lowest in the market in an offshore environment and we feel comfortable that we can maintain this lower level of opex.

On the capex side, though it is a quite timely to approach contractor and service providers to relook at their quoted prices and see if they could offer a discount, we're in the process of thinking about this, how to do it, when to do it and with whom. We're quite conscious that the Caspian region is not a very open market where choice is available. So we want to do it but we want to do it with a cautious position that we want to maintain those contractors and service providers in the long term and I don't think it's fair to squeeze them hard now as we need them for the long term. That said, we expect to gain a benefit of this. On the capex side, we are, for example, going to re-tender some of the projects now before award because we feel the current market environment can offer a lower cost for the new projects – some of them – that are in the tender phase now. And that is the only benefit. I don't think we plan to go to existing contractors and push them hard to keep costs down – unless we can do that in a win-win mutually agreeable position.

Tarun Ohri: Yes, Alwyn, on the 2015 entitlement barrels, as you are aware that in 2014 we have 56% as compared to 44% in 2013. It's gone up as a function of the oil price and the capital expenditure, so you can see that with a 10% growth and capital expenditure of around US$600 million, we expect our entitlement based on the forward price for 2015 to be around 65%. It could be higher depending on various moving factors. So over the life of the PSA, we look at entitlement of about 50% but it can go up and down from year to year. Our depletion rate currently is about US$19-US$20 a barrel on entitlement basis. We expect that to be flat for 2015 as well. So depletion rate would simply be the entitlement rate times US$20, whatever that comes up to, so we're expecting our depletion charge to go up in 2015 but that's a function of increase in entitlement barrels.

Alwyn Thomas: Ok, thanks very much. Can I just ask just quickly, given the impairment – the reversal of the tax charge, giving you tax credit – what do you expect the tax charge to be for 2015?

Tarun Ohri: 2015, the CSR charge will be a very nominal number, something between like US$5 or US$6 million, because there'll only be unwinding of the present value of the US$10 million commitment.

Rafal Gutaj, Bank of America Merrill Lynch: Good morning, gentlemen, just three questions for me please. Coming back to the Caspian Driller, the three-month delay to the start-up operations that you've announced today, that – the guidance of 15-20 wells was given when The Caspian Driller was meant to start towards the end of the first quarter. So what this three-month slippage mean in terms of your 15-20 well guidance range? Should we expect that towards the bottom end of that or do you expect to make up this delay? The second point on marketing arrangements, can you just clarify whether the new marketing arrangement is a percentage discount to Brent or if it's a flat dollar per barrel discount? And then finally just on Iraq again, can we just clarify what the timing of the two appraisal wells will be and when we should expect the results of those? Thanks very much.

Dr Abdul Jaleel Al Khalifa: So the Caspian Driller, we honestly did not announce any firm delays. We said that the drilling will be in the first half of the year and that is why we had this wide range between 15-20 wells. If we manage to get the Caspian Driller to start drilling in March/April, we'll be towards the higher end of the range. If the Caspian Driller could not start drilling until June/July, it could be one or two wells fewer. So I would still maintain 15-20 wells range and based on which we're trying to see, how much we can accelerate drilling in Zhdanov and the future wells. So the range of 15-20 wells is still valid and is holding.

On the discount in the crude marketing, it's flat dollars per barrel between two contractors, two different numbers – around US$14 on average.

On the Iraq, two appraisal wells, as you know, we are not the operator. The plan is to drill them in 2015 and once drill these two wells, they will be tested as we drill them and the test results will make it to the market at that point.

Gerry Hennigan, Goodbody: Good morning. Jaleel, you just mentioned there that you've got, on the marketing arrangement you've got two different numbers. Would it be fair to say then that the discount rate applied to Russia would be slightly less than maybe the Azerbaijan one which you've had over the last two or three years? And also maybe on the diversification front, given the current environment, do you have a preference for oil rather than gas or is it more a function of asset quality and lifespan or what, how do you look at diversification opportunities in the current environment?

Dr Abdul Jaleel Al Khalifa: Thank you. Now, on the two customers for the crude, we have one that goes for Russia; the second one goes for Russia and Azerbaijan. Both are cheaper than the previous buyer who used to be in the 2014 and 2013 and so on. Both are less discount. One of them is better than the second one in terms of nominal flat dollars, you know, but it all depends on the volumes that each one is lifting and the commitments. I really don't want to go specifically as how many cents this one is cheaper, how many cents that one is more expensive because the average of US$14 is quite a reasonable number for analysts to work with and I think I would leave the rest of the details so it would help us in the future negotiation when we do the second round for 2016 onward.

On the preference for diversification, I would say, as usual, we have to forget about today's market environment. I feel as an operational engineer, I feel I have more preference for oil than gas. Ironically, in today's environment maybe gas is more secure against downsides, you know, especially for companies that have a great sales agreement, though most of the gas sales agreements is really a reference to the crude price. So in essence, they are related either explicitly or implicitly. So I would say oil is more attractive but really the assets, as you said, clearly that the asset quality and the cost associated are really the determining factors there.

Gerry Hennigan: Ok, and just one other question if I can maybe more for Tarun, if you can comment too on the fact that obviously your abandonment and decommissioning liabilities were ratcheting up year-on-year despite the fact that you're plugging and abandoning some of the older wells here. Do you see a point where this might reach a ceiling, Tarun, or is it just going to steadily increase year-on-year?

Tarun Ohri: Yes, as of now we would increase it for the next few years till we have a proper assessment and we commit to a larger abandonment programme to be able to determine what is the final cost of the abandonment. So no change that we foresee over the next few years.

David Gamboa, Tudor, Pickering, Holt & Co. International: Good morning, guys. Thanks for taking my question. I think most of them have been already answered but just a follow-on on Iraq if I may. You've booked or have certified 198 million barrels for the Mishrif formation there but I heard you mentioned the Yamama is actually more prolific. So just two questions there. What do you need for certifying volumes in the Yamama? Do you need the well test results? And can you just give more colour on why do you think it's more prolific? Is it better reservoir quality or what do you see there that you don't you see in the Mishrif or what's the upside there? Thanks

Dr Abdul Jaleel Al Khalifa: Thank you, sir. So when I said the Yamama is more prolific, precisely as you said it's the better reservoir quality because it's clear in the oil production for 8,000 bopd compared to 3,000+ bopd in the Mishrif. And in terms of oil quality, 34 degree API compared to 20 degrees API. In terms of volumetrics, I am not comparing sizes because we haven't yet got to the size of Yamama. It may be the same or less than Mishrif. But in terms of reservoir and crude quality, it's better than Mishrif. So we have enough data to put in the report for the third party to set the price for Yamama and that is what we're doing right now. We don't need the appraisals; the appraisals will come at a later stage to either confirm or to add or to substantiate but that's not needed for now.

David Gamboa: Thank you very much. Do you have any timing on the release of that certification report?

Dr Abdul Jaleel Al Khalifa: No. No, sir. No. I will – let's say first half of the year to be on the safe side.

Ritesh Gaggar, GMP: Hi, good morning, Ritesh from GMP. Two questions please. The first one is regarding capital allocation. Now, given the fall in crude prices, is it now more favourable to do more acquisitions than basically invest in a 15% IRR type gas treatment plant? My second question is on acquisitions. Over the last couple of years, you have mentioned higher oil prices and higher asset prices to be the main reasons why no deals have materialized. Now that oil prices have fallen and you also mentioned a lot of opportunities are available, how advanced are you in the screening process of these assets and how quickly can these materialize as well?

Dr Abdul Jaleel Al Khalifa: Thank you, sir. With regard to the GTP and whether it can be delayed further in favour of acquisitions, I think we need to realize that there is a commitment towards the environment and the government of Turkmenistan to stop flaring some time. We have a permit to flare that is renewed every year and we have to prepare for a time where that permit will not get renewed. So we cannot indefinitely defer the Gas Treatment Plant. We have to do it and we have been a little bit slow in doing it over the past two or three years and I think we have to do it now. So let's not just compare it on a rate of return here because that is a commitment towards oil and gas production there.

In terms of the acquisition environment today, it's far better than before. There are more affordable opportunities but as you know very well, that transaction to have them, it would need selling party and the buying party. The selling party has to agree on the terms and the landscape as well. And some companies are distressed and in awkward positions, other companies who are not distressed you know, who are not highly leveraged may decide to wait until the landscape changes and then start talking again. So yes, if you look at a sheet of how much companies are discounted and this and that, yes, you would say, well, the landscape is great, buyers can pick and choose. But that's not always the case, you know. There are affordable positions right now. It's much better than before but there is enough work for acquisition teams to work on and it will take the companies – the selling party – to agree on the newer terms or conditions, which would take some time to do. We are, to be specific, working on a few things here and there. We are not at the final stage yet, and hoping that 2015 would be enough for us to make some deals.

Ritesh Gaggar: Thank you so much. Just one follow-up on this. So on acquisitions, from what I understand from your reply, is that the deal process might take some time and as you say, 2015 could be the year if oil prices remain at current levels and more distressed valuations do appear. So is it correct to infer that any special one-off dividend is now off the table for 2015 at least, and then going forward it will depend on how quickly can you materialize a deal?

Dr Abdul Jaleel Al Khalifa: No. Special off dividends is not on our agenda today. It might be in the future. I'm not going to rule it out. But I would say that we have been intelligent over the past three or four years for a time like this where our cash is very much needed to acquire companies, which have potential and which can grow the size of the company into a new level that is remarkably different than today's level. I mean, we've used the money to take the company from 40,000-50,000 bopd production to almost 100,000 bopd. We have got a discovery in Iraq. We have got gas 2C resources in Algeria that hopefully would come back to the market with a number after we look at it with the third party. The Company is in a much better position than before. We have the cash in the balance sheet. In today's environment, our shareholder is very happy that we have kept the cash not to over-spend it in the past in aggressive acquisitions. I think they were patient enough in the past and they will give us the time in 2015 to do our homework.

Ritesh Gaggar: So there is no pressure from ENOC especially when their cash – the cash requirement is still quite high on infrastructure projects and you being the cash generator to give out more cash. Then there is no pressure from their side?

Dr Abdul Jaleel Al Khalifa: To be honest, we are blessed to have ENOC and all other shareholders being very understanding, very appreciative of the work we do. We don't have any pressure from either ENOC or others to cash out our balance sheet.

Farid Abasov, Standard Bank: Yes, sorry, just wanted to follow-up. One is I misheard, just wanted to double-check the entitlement factor for 2015. I mean based on the capex projection, is 65%, is it the right number I have heard?

Dr Abdul Jaleel Al Khalifa: It's an estimated number.

Farid Abasov: Ok. Ok, thanks. And the second question is could you please provide any colour where there has been any progress on your negotiations on the gas sales in

Turkmenistan. I mean, has basically ice melted? Do you see any progress on that front or if not then when should we expect any colour?

Dr Abdul Jaleel Al Khalifa: No progress so far. I don't think we can commit to any deadline on that front. I think markets will determine where there is again a market for our sales, for our gas. We are looking at opportunities with other investors, third parties who may be looking at methanol plants, gas-to-liquid plants, other opportunities that could happen in the future. As yet, only at the theoretical side now talking to them, nothing firm, nothing that we can commit to the market.

Dr Abdul Jaleel Al Khalifa: I want to thank you all for taking the time. I appreciate your interest, your insightful enquiries here. We take your comments and ideas and think about them to steer ours and to streamline our operation in the future. Again, thank you very much and have a good day.