17 February 2015

DRAGON OIL PLC

(the "Company" or together with its subsidiaries the "Group" or "Dragon Oil")

2014 Full-Year Results

Dragon Oil (Ticker: DGO), an international oil and gas exploration, development and production company, today announces its full-year results for the year ended 31 December 2014. These results are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

KEY FINANCIAL HIGHLIGHTS

(US$mn, unless stated)	2014	2013	Change
Revenue	1,093.1	1,047.9	4%
Operating profit	578.6	687.7	(16%)
Profit for the year	650.5	512.6	27%
Basic EPS (US cents)	132.32	104.4	27%
Full-year dividend per share (US cents)	36.0	33.0	9%
Cash and cash equivalents and term deposits*	1,974.9	1,923.6	3%
Debt	Nil	Nil	-

*excludes US$664mn (2013: US$549mn) in abandonment and decommissioning funds.

KEY OPERATIONAL AND CORPORATE HIGHLIGHTS

Turkmenistan

- Fourteen wells completed during 2014;
- Average gross daily production increased by 6.8% to 78,790 barrels of oil per day (bopd);
- December 2014 average gross production of 89,680 bopd;
- 2014 exit rate of 92,008 bopd reached;
- The Caspian Driller jack-up drilling rig arrived to the Cheleken Contract Area and is being commissioned to commence operations;
- Drilling in the Dzhygalybeg (Zhdanov) field commenced with one well completed during 2014;
- Water injection pilot ongoing in the Dzheitune (Lam) 75 area;
- Artificial lift in the form of jet pumping systems commissioned for two wells;
- New marketing contracts put in place until 31 December 2015 using two routes; and
- Approx. 60% organic reserves replacement of 2P oil and condensate reserves achieved.

Exploration

- Iraq: successful discoveries in both formations targeted in Block 9;
- Algeria: two exploration blocks won in partnership with Enel;
- Egypt: the contract for East Zeit Bay signed in May 2014; and
- The Philippines: unsuccessful Baragatan-1A exploration well.

Financial and corporate developments

- The Board recommends the payment of a final dividend of 16 US cents per share for 2014; the full-year dividend for 2014 amounts to 36 US cents (2013: 33 US cents);
- Cash generating capabilities remained strong: US$0.8bn was generated from operations during 2014;
- The Group considered but decided not to pursue a significant corporate acquisition in 2014; and

- Amendment to the Production Sharing Agreement signed to make the tax rate consistent with the provisions of the Tax Code of Turkmenistan at 20% resulting in tax credit of US$160 million to current income tax expense in respect of the reversal of the accrual made in prior years, and to formalise a commitment from Dragon Oil to spend approximately US$10mn a year on social projects and training programmes in Turkmenistan.

Outlook

- Complete between 15 and 20 wells a year in 2015 and in 2016;
- Target annual production growth of around 10% or higher in 2015 and exit 2015 at 100,000 bopd;
- Grow gross production in 2016 to average 100,000 bopd and maintain this rate as plateau from 2016 for at least five years;
- US$500mn to US$600mn estimated capital expenditure for infrastructure and drilling excluding the Gas Treatment Plant cost in Turkmenistan in 2015;
- Annual exploration spend of around US$50-100mn; and
- Actively pursue the diversification strategy to add development assets to the portfolio.

Dr Abdul Jaleel Al Khalifa, CEO, commented:

"With 14 development and appraisal wells completed in 2014 as well as solid field performance, we grew average gross production in the Cheleken Contract Area by 6.8% to 78,790 bopd. Drilling accelerated significantly in the second half of the year allowing us to exit at 92,008 bopd – well above our expectations of 87,000-90,000 bopd.

"Revenues grew by 4% to US$1.1 billion as a result of higher sales volumes, which were offset by lower realised prices. Our cash generating abilities remained strong: US$0.8 billion was generated from operations.

"Among our exploration assets, the exploration well in Iraq yielded encouraging oil discoveries in both targeted formations. We also added two exploration blocks in Algeria and looked at bidding to acquire a major E&P company towards the end of the year, but subsequently withdrew our interest in the uncertain crude oil price environment.

"The Board is pleased to announce a final dividend of 16 US cents bringing the total dividend for 2014 to 36 US cents."

Glossary/Definitions/Abbreviations	
Assessment of reserves	Reserves certification based on a seismic survey conducted by an independent energy consultant
bopd	barrels of oil per day
bn	billion
Dragon Oil / the Group	Dragon Oil plc and its various subsidiary companies
mn	million
Overlifts and underlifts	Crude oil overlifts and underlifts arise on differences in quantities between the Group's entitlement production and the production either sold or held as inventory
Platform	Large structure used to house employees and machinery needed to drill wells in a reservoir to extract oil and gas for transportation to shore
Probable reserves (2P)	Reserves based on median estimates, and claim a 50% confidence level of recovery
PSA	Production Sharing Agreement is a contractual arrangement for exploration, development and production of hydrocarbon resources in the Cheleken Contract Area, Turkmenistan
TCF	Trillion Cubic Feet
US cents	United States cents
US$	United States Dollars

Webcast and conference call details:

Dragon Oil will webcast the presentation of its results with a simultaneous conference call today at 9.00am. For details of the analyst call, please contact Shabnam Bashir at Citigate Dewe Rogerson on +44 (0)20 7282 2822 or at shabnam.bashir@citigatedr.co.uk for further details.

The webcast can be accessed at http://www.axisto-live.com/investis/clients/dragon-oil/presentations/54db42fb96cead59397d7cd1/fy14; the details are also available on the Home page of www.dragonoil.com.

A replay of the webcast will be available for one year, the replay of the conference call will be available from around 1pm today until 24 February 2015.

Replay numbers:

UK	+44 (0)20 3427 0598
Ireland	+353 (0)1 486 0902
USA	+1 347 366 9565
Replay passcode	**5916119**

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About Dragon Oil

Dragon Oil plc is an international oil and gas exploration, development and production company, quoted on the London and Irish Stock exchanges (Ticker symbol: DGO). Its principal producing asset is in the Cheleken Contract Area, in the eastern section of the Caspian Sea, offshore Turkmenistan.

Dragon Oil (Turkmenistan) Ltd., a wholly owned subsidiary of Dragon Oil plc, holds 100% interest in, and is the operator of, the Production Sharing Agreement for the Cheleken Contract Area. The operational focus is on the re-development of two oil and gas producing fields, Dzheitune (Lam) and Dzhygalybeg (Zhdanov).

The Group has exploration blocks in Tunisia, Iraq, Afghanistan, Egypt, the Philippines and Algeria. Dragon Oil's diversification strategy is to add exploration and production assets within Africa, parts of Asia and the Middle East in order to create a diversified and balanced portfolio of assets for the Group.

www.dragonoil.com

Disclaimer

DRAGON OIL PLC

2014 Full-Year Results

OVERVIEW BY THE CHIEF EXECUTIVE OFFICER

FINANCIAL PERFORMANCE

Revenues for 2014 were up by 4% impacted primarily by a significant decline in the Brent oil price in the second half of the year. Profits were higher by 27% on the account of the reversal of an overprovision of US$160mn made in prior years in respect of tax liabilities offset by recognition of US$85mn of social expenses and provision for impairment for exploration activity in 2014. We generated US$0.8bn from operations in 2014.

Our strong cash position allows us to maintain payment of dividends: the interim dividend was increased by 33% and today the Board announced the final dividend of 16 US cents bringing the total dividend for 2014 to 36 US cents. The Board continues to consider and strike the right balance of capital investment requirements for the Cheleken Contract Area, investment needs for our exploration assets, return of value to shareholders and opportunities to acquire development assets in addition to prospective exploration blocks on a selective basis, and will exercise prudence in the current low crude oil price environment.

OPERATIONAL RESULTS

Our 2014 drilling programme saw an increase in the number of wells we drilled. A total of 14 wells were completed and the wells in the second half of the year were particularly good. The average gross production reached 78,790 bopd – a 6.8% increase from 73,750 bopd in 2013. We also exited the year at a very strong rate of 92,008 bopd.

We welcomed the arrival of the Caspian Driller in the Cheleken Contract Area; it is currently being commissioned to commence drilling operations. With the Caspian Driller, we now have three jack-up rigs and one land rig – this drilling fleet gives us sufficient flexibility and capacity to drill between 15 and 20 wells in 2015 to achieve the exit rate of 100,000 bopd at the end of 2015.

Organic growth in oil and condensate 2P reserves continued last year; reserves replacement of approx. 60% was achieved against the 2014 gross production. The increase comes from booking additional reserves attributed primarily to the additional volumes, resulting from the new wells and well performance.

2014 saw the award of a contract to build and install the Dzheitune (Lam) E platform and associated pipelines; work on other major projects is progressing and we expect to award more infrastructure projects contracts during 2015.

DIVERSIFICATION

Further progress was made in our exploration blocks and on executing our diversification strategy. We had two successful oil discoveries in targeted formations in the exploration well in Block 9, Iraq. We also won two exploration perimeters in Algeria in partnership with a major European integrated energy company. The results of drilling and testing offshore the Philippines were disappointing: Baragatan-1A well did not discover hydrocarbons.

In the second half of 2014, Dragon Oil considered an acquisition of a listed company with exploration and production assets in the regions of interest to us. However, an extraordinary slide in oil prices raised questions about the long-term level of oil prices and under such circumstances, the Board did not believe it was advisable to proceed with this transaction.

Diversification remains a key strand of our strategy, our financial position is strong and we are determined to continue searching for the right-fit development or producing asset in the regions of interest, namely Africa, the Middle East and parts of Asia.

OPERATING AND FINANCIAL REVIEW

PRODUCTION

Turkmenistan

Production and entitlement

The average gross field production for 2014 reached approximately 78,790 bopd (2013: 73,750 bopd). We achieved a 6.8% average gross production growth on the back of 14 wells completed in the Dzheitune (Lam) and Dzhygalybeg (Zhdanov) fields, including two sidetracks, and solid performance from the existing wells.

The entitlement production for 2014 was approximately 56% (2013: 44%) of the gross production. Entitlement barrels are finalised in arrears and are dependent on, amongst other factors, operating and development expenditure in the period and the realised crude oil price. The higher proportion of entitlement barrels in 2014 is due to the higher capital expenditure and lower realised oil price.

Marketing

In December 2014, the Group announced that it had reached a one-year agreement with two buyers for all its anticipated entitlement export production in 2015, achieving diversification in marketing routes. The terms are FOB (free-on-board) the Aladja Jetty, Turkmenistan through Baku, Azerbaijan and Makhachkala, Russia. Negotiations on the new marketing agreements resulted in a better overall discount to monthly average Brent prices compared to the discount in the previous year. The discount to Brent is expected to be approximately US$14 per barrel. The previous arrangement expired on 31 December 2014 with the new arrangements in place until 31 December 2015.

Dragon Oil sold 13.5 mn barrels (2013: 11.5 mn barrels) of crude oil in 2014. The volumes sold were higher than the previous year's level mainly due to higher entitlement share of gross production offset by the movement in the lifting position.

In 2014, Dragon Oil exported 100% (2013: 100%) of its crude oil production through Baku, Azerbaijan.

The Group was in an underlift position of approximately 2.1 mn barrels of crude oil at the end of 2014 (31 December 2013: overlift position of 0.1 mn barrels of crude oil).

Drilling

During 2014, Dragon Oil completed a total of 14 development and appraisal wells: 13 wells in the Dzheitune (Lam) and one well in the Dzhygalybeg (Zhdanov) field. The table below summarises the results of the drilling programme in 2014 and the results of two wells completed since the beginning of 2015:

Well	Rig	Completion date	Depth (metres)	Type	Initial test rate (bopd)
Lam B/155A	Elima	February	2,447	Development	1,027
Lam 4A/187	Elima	April	1,668	Appraisal	To be sidetracked
Lam B/148A	Elima	May	1,875	Development	1,300
Zhdanov 21/101	Neptune	June	3,447	Appraisal	425
Lam 22/188	Land Rig 1	July	3,276	Development	To be sidetracked
Lam A/189	Elima	July	1,822	Development	1,987
Lam A/190	Elima	August	1,904	Development	1,704
Lam C/191	Neptune	September	2,440	Development	1,510
Lam 28/192	Elima	September	2,283	Development	2,632
Lam 28/193	Elima	September	2,220	Development	1,961
Lam C/195	Neptune	November	2,421	Development	2,002
Lam 28/196	Elima	November	2,100	Development	1,952
Lam 22/194	Land Rig 1	December	3,252	Development	Pending jet pump application
Lam C/197	Elima	December	1,943	Development	1,600
Zhd A/102	Land Rig 2	January 2015	3,745	Appraisal	Being completed
Lam C/198	Neptune	January 2015	2,540	Development	Being completed

The initial flow rates from the completed wells vary depending on the depth of completions, maturity of the area and type of completion (a dual or single completion or a sidetrack).

The sidetrack drilled from the Dzheitune (Lam) 4 platform to appraise a location for a future platform encountered water and will be sidetracked in the future.

An appraisal well Zhdanov 21/101 was drilled to a depth of 3,447 metres, but due to difficulties only the top of the reservoir was tested and flowed at 425 bopd with a high water content. The bottom section of the reservoir was not tested, but has further potential. The well was suspended and will be sidetracked in the future.

The Dzhygalybeg (Zhdanov) A/102 well was drilled to a depth of 3,745 metres and is currently being completed and tested. State-of-the-art technology was used to drill this deep well helping us evaluate these hard and complex rock formations, and successfully confirm the presence of hydrocarbons.

The development well Dzheitune (Lam) 22/188 was drilled to a depth of 3,276 metres but due to equipment failure has been temporarily suspended and is scheduled for sidetracking in the future.

We are currently employing two jack-up and one platform-based rigs and expect the Caspian Driller to commence operations in 1H 2015.

The Elima jack-up rig is contracted until May 2016. It is currently drilling the Dzheitune (Lam) 13/199 well.

The second jack-up rig, Neptune, is available until we take delivery of the Mercury jack-up drilling rig later in 2015. The Mercury rig has been constructed and delivered to the contractor from whom we will be leasing it for the remainder of the three-year period as a replacement for the Neptune rig. The Neptune rig is currently completing the Dzheitune (Lam) C/198 development well.

The Caspian Driller jack-up rig is in the Cheleken Contract Area being commissioned to commence operations in the Dzheitune (Lam) field. The lease and management contract is for an initial duration of five years, with an option to extend it for a further period of up to two years.

Land Rig 2 is contracted for drilling on the Dzhygalybeg (Zhdanov) A platform until it completes eight slots allocated for drilling with a land rig on this platform. It is currently completing the Dzhygalybeg (Zhdanov) A/102 well.

Land Rig 1 has been released following the completion of the Dzheitune (Lam) 22/194 well.

Water injection project and artificial lift

The water injection pilot project has been progressing in the pilot Dzheitune (Lam) 75 area since June 2013. The process to acquire water injection facilities to be installed in the Dzheitune (Lam) field is in the approval stage with the intention to procure these facilities. The aim of the water injection programme is for pressure maintenance, to sustain production rates and increase reserves recovery.

In 2H 2014, Dragon Oil commissioned the jet pumping system on the Dzheitune (Lam) 13 platform for two wells. Additional jet pumping systems were procured for other platforms and commissioning is scheduled to start later in 1Q 2015. The objective of this artificial lift application is to increase production and enhance recovery.

In parallel, Dragon Oil is considering use of electric submersible pumps (ESP) with an aim to commence their application in a pilot in 2H 2015.

Infrastructure

In February 2014, Dragon Oil awarded a contract for the construction and installation of the wellhead and production platform Dzheitune (Lam) E and associated pipelines. The platform will have eight slots with provision for another four slots to be fitted later, and suitable for a jack-up drilling rig use. Design and detailed engineering work is in progress and fabrication of the platform has commenced. Construction and installation are expected to take two years with the platform being ready in 1H 2016.

Installation of the Dzheitune (Lam) F accommodation platform in the central part of the Dzheitune (Lam) field has been completed. Installation of the production platform is in progress and the platform is expected to be made ready for drilling by 2Q 2015.

The project to quadruple our crude oil storage capacity at the Central Processing Facility is progressing as planned. The tank farm is anticipated to be completed in 1Q 2016 of which three tanks will be built and commissioned on a priority basis in 2Q 2015.

The process to select a contractor to build another 30-inch trunkline from the Dzheitune (Lam) field to the Central Processing Facility is in the tendering stage. Construction is expected to take two years after the contract is awarded.

In 2014, we installed additional equipment to increase the capacity of the Central Processing Facility to handle 100,000 bopd and 150 mmscf of gas per day of average current production. This would allow us to

accommodate increases in gross production in 2015 and 2016 and the plateau production of 100,000 bopd for at least five years from 2016.

Structural strengthening and slot addition works continue at a number of platforms in the Dzheitune (Lam) field, with new slots being added or planned to be added to allow further drilling from these platforms. Work has been completed at the Dzheitune (Lam) C and Dzheitune (Lam) 28 platforms with four slots added on each platform. Strengthening and slot addition works are ongoing at the Dzheitune (Lam) 10 (six slots) and Dzheitune (Lam) B (two slots) platforms and are expected to be completed in 1Q 2015.

Gas Treatment Plant

The bids for an engineering, procurement, installation and construction project of the Gas Treatment Plant are in the evaluation stage. We anticipate the construction phase to take three to four years after the contract is awarded.

The processing capacity of the plant is expected to be 360 mmscfd of gas, which, according to our currently optimised estimates, which are to be confirmed at a later stage, should allow us in the future to strip around 3,600 barrels of oil equivalent per day of condensate and produce dry gas.

Abandonment and decommissioning activities

Dragon Oil continues to perform abandonment and decommissioning work within the first phase of its strategy for the plugging, abandonment and decommissioning of the old non-producing wells and non-producing platforms in the Cheleken Contract Area under the PSA. In 2014, Dragon Oil evaluated another 12 non-producing old wells in the Dzhygalybeg (Zhdanov) field and plugged and abandoned six wells, bringing the total of old non-producing plugged and abandoned wells to 11. The cost of activities is to be met from the abandonment and decommissioning funds.

Reserves and resources

Based on the results of the recent assessment by an independent energy consultant, the 2014 year-end oil and condensate 2P reserves were 663 (31 December 2013: 675) million barrels after having allowed for the 2014 production of 29 million barrels. Assessment of the ongoing drilling operations and well performance have contributed towards the increase of oil and condensate 2P reserves by 17 million barrels. The oil and condensate contingent resources are 93 million barrels compared with 69 million barrels as of 31 December 2013.

The gas 2P reserves are 1.3 TCF and the gas contingent resources are 1.3TCF. Necessary upgrades of and additions to offshore and onshore infrastructure are planned to allow the conversion of the contingent resources into reserves in the future.

No changes have been made to the estimates of recoverable oil from the Dzhygalybeg (Zhdanov) field, where we believe 15% of the total proved and probable recoverable reserves are contained.

	As at 31 December 2014		As at 31 December 2013		As at 31 December 2012	
Proved and Probable Remaining Recoverable Reserves	**Oil and Condensate**	**Gas**	**Oil and Condensate**	**Gas**	**Oil and Condensate**	**Gas**
	mn barrels	**TCF**	**mn barrels**	**TCF**	**mn barrels**	**TCF**
Gross field reserves to 1st May 2035	663	1.3	675	1.4	677	1.5
2C Resources						
Gross oil and condensate contingent resources	93	-	69	-	59	-
Gross gas contingent resources	-	1.3	-	1.3	-	1.4

EXPLORATION

<u>Iraq</u>

On 10 September 2014, the partners in Block 9 in Iraq, Dragon Oil (30%) and Kuwait Energy (70% and operator), announced their first oil discovery at the consortium's first target, the Mishrif formation, reached at 2,700 meters, in the Block 9 exploration well, Faihaa-1. Preliminary open hole tests of the Faihaa-1 Mishrif formation resulted in flow rates of c. 2,000 bopd and 3,400 bopd of 20º API oil on 32”/64” and 64”/64” chokes, respectively.

Later in the year, in December, the partners reported their second oil discovery in the second target, the Yamama formation, reached at 4,000 meters in the same Faihaa-1 exploration well. Preliminary open hole tests of the Faihaa-1 Yamama formation resulted in oil flow rates of c. 5,000 and 8,000 bopd of 35º API crude oil on 32”/64” and 64”/64” chokes, respectively.

The report from an independent petroleum engineer incorporating the results of testing the Mishrif formation indicated contingent 2C oil resources of 198 million barrels and contingent 2C gas resources of 56 Bscf net to Dragon Oil on a working interest basis.

More detailed testing on both formations will be conducted in the cased hole to help evaluate the commerciality of the findings. The consortium’s strategy is to accelerate the evaluation of the Faihaa-1 discovery by drilling two appraisal wells in 2015 in order to fast track the development.

Block 9 is located in the Basra province and covers an area of 866km^2. The work commitment on the block within the initial five-year exploration period includes de-mining, seismic acquisition and interpretation and the drilling of the exploration well Faihaa-1.

Algeria

On 30 September 2014, Dragon Oil announced that in partnership with ENEL Trade S.p.A. (“Enel”), the Group was awarded two exploration perimeters in Algeria, Tinrhert Nord Perimeter and Msari Akabli Perimeter. The contract for the exploration and exploitation of hydrocarbons was signed on 29 October 2014.

The Tinrhert Nord Perimeter in which Dragon Oil holds a 70% paying interest and is the operator, with Enel holding the remaining 30%, is in the Illizi Basin in Eastern Algeria and near a number of producing oil and gas fields. The total area of the perimeter is 2,907 km^2. A number of undeveloped discoveries have been previously identified on the perimeter. The commitment during the exploration period includes acquisition and interpretation of 2D seismic data and drilling four wells.

The Msari Akabli Perimeter in which Dragon Oil holds a 30% paying interest, with Enel holding the remaining 70% and serving as the operator, is in the Ahnet Basin in South-western Algeria. The total area of the perimeter is 8,096 km^2. A number of undeveloped discoveries have been previously identified on the perimeter. The commitment during the exploration period includes acquisition and interpretation of 3D seismic data and drilling three wells.

Egypt

The contract for the East Zeit Bay (Dragon Oil 100%), offshore the Gulf of Suez, Egypt, was signed between the Petroleum Ministry, represented by Ganoub El Wadi Petroleum Holding Company (GANOPE), and Dragon Oil on 19 May 2014. We have hired a country manager and are setting up an office in Cairo.

The East Zeit Bay is located offshore in the prolific southern Gulf of Suez region. The block covers an area of 93km^2 and lies in shallow waters ranging in depth from 10 to 40 metres. A number of producing oil fields are adjacent to or near the block, namely East Zeit, Hilal, Ashrafi, SW Ashrafi and Zeit Bay fields. Dragon Oil plans to acquire a new 3D survey over an area of approximately 100km^2 and reprocess all of the available 2D data in the block in addition to drilling two wells during the initial exploration period of four years. We have commenced the work programme as per the Concession Agreement.

Dragon Oil is evaluating bids to select a contractor to re-process the existing 2D seismic data.

Afghanistan

In 2014, the consortium, comprising Dragon Oil (40%, operator of Sanduqli block), TP Afghanistan Ltd. (TPAL, 40% and operator of Mazar-i-Sharif block) and the Ghazanfar Group (20%), awarded contracts for the airborne gravity and magnetic survey, which commenced in early 1Q 2015 in both blocks.

Tunisia

The joint venture partners (Dragon Oil, 55%; Cooper Energy, 30% and operator; and Jacka Resources Ltd, 15%) have rescheduled appraisal drilling at Hammamet West until 2016. The extension to the current exploration phase taking it to 7 August 2015 has been granted.

The Philippines

On 7 July 2014, Nido Petroleum Limited (ASX: NDO, 20% participating interest) on behalf of SC 63 Joint Venture partners PNOC-EC (40% and operator) and Dragon Oil (Philippines SC 63) Limited (40%) advised that the Baragatan-1A well did not discover commercial hydrocarbons. The Baragatan-1A well was plugged and abandoned. The partners are in the process of integrating information and data obtained from the well into current geological models and Dragon Oil is assessing its future interest in the block.

Dividends

The Board of Directors of Dragon Oil recommends the payment of a final dividend of 16 US cents per share (2013: 18 US cents). Together with the interim dividend of 20 US cents, the total dividend for the year ended 31 December 2014 is 36 US cents. The final dividend of 16 US cents is subject to shareholder approval at the Annual General Meeting to be held in London, UK on 27 April 2015. If approved, the final dividend of 16 US cents is expected to be paid on 30 April 2015 to shareholders on the register as of 7 April 2015.

The following is the dividend timetable for the shareholders' information:

17 February 2015: Declaration of final dividend

2 April 2015: Ex-Dividend Date

7 April 2015: Record Date

27 April 2015: Annual General Meeting

30 April 2015: Dividend Payment Date.

MATERIAL EVENTS

Diversification

In line with our diversification strategy, we continue to look for development or production assets in Africa, the Middle East and parts of Asia.

On 6 October 2014, the Dragon Oil Board confirmed that it was in detailed discussions regarding a possible offer to be made by Dragon Oil for the issued, and to be issued, share capital of Petroceltic International plc (Petroceltic) and submitted a proposed offer of 230 pence sterling per share in cash following an extensive confirmatory due diligence exercise.

On 1 December 2014, Dragon Oil confirmed that, in light of the then prevailing market conditions, it no longer intended to make an offer for Petroceltic and accordingly, as a result of the announcement, was bound by the restrictions set out in Rule 2.8 of the Irish Takeover Rules.

The Board did not believe it was advisable to proceed with this deal following a significant drop in the crude oil price and subsequent uncertainty about the long-term prices for crude oil.

Our People

In 2014, the Group increased its average headcount to 1,775, an 18% increase over the previous year. In 2014, 475 people joined Dragon Oil across its two main locations, the headquarters in Dubai, UAE, and operational and administrative sites in Turkmenistan. The overwhelming majority of new hires joined our workforce in Hazar, Turkmenistan, of whom 93% were local people as we gear up for continued growth of production at the Cheleken Contract Area towards our medium-term goal of exiting 2015 at 100,000 bopd and maintaining the average gross production of 100,000 bopd as a plateau for at least five years from 2016.

The Group continued with its objective of strengthening our expertise, cultural diversity and talent through hiring experienced and competent people. Our guiding principle of "People First" continues to drive our focus on training, empowering and trusting our talented workforce.

Corporate Social Responsibility

We strongly believe in giving back to the community, aiming to contribute to the well-being, educational and sports life of our host communities. In 2014 Dragon Oil undertook a number of projects for the community of Hazar, the hub of our operations in Turkmenistan. Among these projects were refurbishment of educational quarters and building an auxiliary building at two nurseries and refurbishment of sanitary facilities and the canteen, including procurement of canteen equipment, at a secondary school.

Dragon Oil also equipped all of Hazar's schools with interactive boards, including installation and training, and set up a seminar for the city's secondary school teachers on the application of computer technologies to the educational process. Other projects included sponsorship for a number of sport events in Turkmenistan and donations to relevant charitable organisations.

In 2014, Dragon Oil celebrated Earth Day at our Hazar operations hub by cleaning the harbour area and bringing together our employees, contractors and school-age children-citizens of Hazar and other towns.

In December 2014, we signed an amendment to the PSA with The State Agency for Management and Use of Hydrocarbon Resources at the President of Turkmenistan ("the Agency"), which will see an allocation of approximately US$10mn annually for jointly identified social and training projects.

Social projects would cover any such projects designed to develop or upgrade social infrastructure and facilities, training, sponsorship of cultural, educational, sports and other related activities to the benefit of the host communities in Turkmenistan. This is line with our corporate social responsibility policy towards host communities.

Training programmes will focus on higher education or vocational training, training courses for Turkmenistan citizens, including school graduates and secondary school leavers, who are not employees of Dragon Oil. This would be an expansion of our currently run in-house programme of providing financial assistance to help high-potential employees fund their higher education.

Outlook

In 2015, our target is to grow average gross production at around 10% or higher and exit the year at 100,000 bopd. We plan to complete 15 to 20 wells a year in 2015 and 2016 given the present and future availability of drilling rigs. We aim to average the gross production at 100,000 bopd in 2016 and maintain this level of production for a minimum period of five years from 2016.

Financial Summary

Dragon Oil has strengthened its balance sheet further in the last 12 months with a growth of 14% in net assets to US$3.7bn. The Group has no debt and is able to finance its operations internally with net cash generated from its operations in Turkmenistan.

Net profit for the year was 27% higher than the previous year primarily on account of an increase in revenue and a credit in the current income tax expense offset by increased cost of sales, recognition of corporate social expenses, a provision for impairment and higher corporate costs. Earnings per share were 27% higher and net cash from operations was 26% higher over 2013.

Key financial data

US$mn (unless stated)	2014	2013	Change
Revenue	1,093.1	1,047.9	+4%
Gross Profit	736.4	723.8	+2%
Operating profit	578.6	687.7	-16%
Profit for the year	650.5	512.6	+27%
Earnings per share, basic (US cents)	132.32	104.44	+27%
Earnings per share, diluted (US cents)	132.26	104.36	+27%
Net assets	3,708.2	3,239.5	+14%
Net cash from operating activities	821.8	652.2	+26%
Net cash used in investing activities	(627)	(763.5)	-18%
Debt	Nil	Nil	Nil

Income Statement

Revenue

Gross production levels in 2014 averaged approximately 78,790 bopd (2013: approximately 73,750 bopd) on a working interest basis.

Revenue for the year was US$1,093mn compared with US$1,048mn in 2013. An increase of 4% over the previous year is primarily attributable to a 17% increase in the volume of crude oil sold over the previous year, despite the 11% decrease in the average realised crude oil price during the year. The average realised crude oil price during the year was approximately US$81 per barrel (2013: US$91 per barrel) and was at an 18% (2013: 17%) discount to Brent during the year.

Operating profit

Gross profit is measured on an entitlement basis. The entitlement production was approximately 56% (2013: 44%) of the gross production in 2014. Entitlement barrels are finalised in arrears and are dependent on, amongst other factors, operating and development expenditure in the period and the realised crude oil price. The increase in the volumes of crude oil sold was mainly due to higher entitlement share of gross

production offset by the movement in the lifting position. The higher proportion of entitlement barrels in 2014 is primarily due to the higher capital expenditure in the Cheleken Contract Area and lower realised crude oil prices.

At the year-end, the Group was in an underlift position of approximately 2.1mn barrels that is recognised and measured at market value (31 December 2012: overlift position of approximately 0.1mn barrels).

The Group generated an operating profit of US$579mn (2012: US$688mn), 16% lower than in the previous year.

The decrease in operating profit of US$109mn was primarily on account of higher cost of sales, recognition of corporate social obligations, provision for impairment towards the exploration and evaluation costs of the Baragatan-1A well, offshore the Philippines and administrative expenses offset by higher revenue.

The Group's cost of sales was US$357mn in 2014 compared to US$324mn in 2013, an increase of about 10%. Cost of sales includes operating and production costs and the depletion charge. The increase is primarily due to the increased depletion charge during the year and higher field operating costs, offset by the movement in the lifting position.

The depletion and depreciation charge during the year was higher by about 47% at US$316mn (2013: US$215mn) primarily due to increased entitlement barrels during the year. The depletion rate per barrel, and the consequent charge, is also impacted by significant assumptions in the future oil and gas prices and future development costs, and is partly offset by reserves replacement during the year. The decrease in operating and production costs was primarily attributable to the changes in lifting positions of US$93mn, offset by increased costs of US$24mn due to a higher level of field operations.

Administrative expenses (net of other income) were higher at US$49mn (2013: US$36mn) primarily due to an increase in corporate costs during 2014. Under the terms of the PSA amended in December 2014, the Group is committed to spend US$10mn per year until the end of the PSA towards corporate social expenses. Consequently an amount of US$85mn (2013: nil) has been recognised for corporate social expenses for the initial term of the PSA in Turkmenistan. A provision for impairment of US$24mn (2013: nil) was recognised towards the exploration and evaluation costs of the Baragatan-1A well, offshore the Philippines. The exploration well did not discover commercial hydrocarbons and has been plugged and abandoned. The future interest in the block remains to be assessed.

Profit for the year

Profit for the year was US$651mn (2013: US$513mn), 27% higher than the previous year primarily on account of a credit in the current income tax expense in respect of the reversal of the overprovision made in prior years up to 2013 no longer payable, and higher revenue offset by higher cost of sales, recognition of corporate social obligations, a provision for impairment and administrative expenses. The profit for the year includes finance income of US$11mn (2013: US$11mn).

The Group's subsidiary Dragon Oil (Turkmenistan) Ltd has paid taxes in accordance with the legislation of Turkmenistan. From 2008 to 2013 Dragon Oil (Turkmenistan) Ltd paid taxes in accordance with the Tax Code at the rate of 20% and provided for additional taxes at 5% in line with provisions of the Production Sharing Agreement (PSA) and the Hydrocarbon Resources Law of 2008.

During 2014 the state authorities in Turkmenistan and the Group entered into an amendment to the provisions of the PSA to bring the tax rate in line with the provisions of the Tax Code of Turkmenistan. The rate of 20% is now applicable to the Group in respect of its petroleum operations in Turkmenistan. The Group has applied this rate in determining its tax liabilities as at 31 December 2014. The impact of the reduction in the tax rate is a reversal of US$160mn in respect of an overprovision for prior years up to 2013 no longer payable, and a corresponding credit resulting from remeasurement of deferred taxes at 20%.

Finance income in 2014 remained similar to that of the prior year, despite higher cash and cash equivalents and term deposits maintained during the year on account of marginally lower interest yields.

Basic Earnings per share of 132.32 US cents for the year were 27% higher than the previous year (2013: 104.44 US cents).

Balance Sheet

Total capital expenditure for 2014 was US$679mn (2013: US$331mn). Investments in property, plant and equipment increased by an amount of US$310mn primarily due to capital expenditure of US$627mn (2013: US$272mn) incurred on oil and gas interests, offset mainly by the depletion and depreciation charge during the year. The total capital expenditure during the year was on drilling and infrastructure projects in Turkmenistan and exploration assets in Afghanistan, Iraq, Egypt and the Philippines. Of the total capital expenditure for 2014, 49% was attributable to infrastructure (2013: 37%) with 44% (2013: 46%) spent on development and appraisal drilling and the balance spent on exploration assets and computer software,

which are classified as intangible assets on the balance sheet. The infrastructure spend during the period included relocation of the Dzhygalybeg (Zhdanov) B platform (now Dzheitune (Lam) F platform), construction of the tank farm and additional slots on a number of platforms.

Current Assets and Liabilities

Current assets rose by US$225mn primarily due to an increase of US$115mn in abandonment and decommissioning funds, US$85mn in underlift debtors, US$51mn in term deposits and cash and cash equivalents and US$11mn in inventories offset by a US$37mn decrease in trade and other receivables. The cash and cash equivalents and term deposits at the year-end were US$1,975mn (2013: US$1,924mn), excluding funds held for abandonment and decommissioning activities. Amounts of US$1,936mn (2013: US$1,894mn) are held in term deposits with original maturities greater than three months.

Funds held for abandonment and decommissioning activities at the year-end were US$664mn (2013: US$549mn). Previously, the abandonment and decommissioning funds and the related liability were presented within Term deposits and Cash and cash equivalents, and Trade and other payable, respectively. The presentation has since been amended to reflect the specific nature of the fund and the related liability and accordingly the change has been applied retrospectively.

Current liabilities rose by US$47mn due to increases of US$105mn in trade and other payables, US$95mn in the abandonment and decommissioning liability set aside to meet future obligations based on increased production offset by a US$153mn decrease in the current tax liability.

Cash flows

Net cash generated from operations during the year increased by US$170mn to US$822mn (2013: US$652mn). The increase was primarily attributable to an increase in volumes of crude oil sales despite marginally lower average realised crude oil prices, the change in the working capital position, lower tax paid and lower amounts transferred to abandonment and decommissioning funds.

Cash used in investing activities was US$627mn (2013: US$764mn), comprising capital expenditure of US$546mn (2013: US$281mn), net placement on term deposits of US$42mn (2013: US$435mn) and additions to intangible assets of US$50mn (2013: US$59mn), offset by interest received on cash and cash equivalents and term deposits of US$11mn (2013: US$11mn). Cash used in financing activities was US$185mn (2013: US$136mn) mainly on account of the payment of dividends of US$187mn (2013: US$147mn).

Group balance sheet
As at 31 December

	2014 US$'000	*Restated 2013 US$'000	*Restated As at 1 January 2013 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	1,891,346	1,580,987	1,524,157
Intangible asset	92,731	64,172	5,466
	1,984,077	1,645,159	1,529,623
Current assets			
Inventories	35,434	24,450	12,387
Trade and other receivables	301,697	254,041	156,858
Term deposits	1,935,884	1,894,410	1,459,888
Cash and cash equivalents	38,994	29,168	276,619
Abandonment and decommissioning funds	663,970	548,972	407,718
	2,975,979	2,751,041	2,313,470
Total assets	4,960,056	4,396,200	3,843,093
EQUITY			
Capital and reserves attributable to the Company's equity shareholders			
Share capital	77,767	77,731	77,474
Share premium	247,264	245,101	233,889
Capital redemption reserve	80,644	80,644	80,644
Other reserve	9,936	7,640	8,022
Retained earnings	3,292,593	2,828,383	2,459,287
Total equity	3,708,204	3,239,499	2,859,316
LIABILITIES			
Non-current liabilities			
Trade and other payables	77,586	523	1,290
Deferred income tax liabilities	146,380	175,633	141,789
	223,966	176,156	143,079
Current liabilities			
Trade and other payables	230,401	125,842	127,605
Abandonment and decommissioning liability	669,367	573,898	438,465
Current income tax liabilities	128,118	280,805	274,628
	1,027,886	980,545	840,698
Total liabilities	1,251,852	1,156,701	983,777
Total equity and liabilities	4,960,056	4,396,200	3,843,093

* Certain amounts shown here do not correspond to the 2013 financial statements and reflect the restatement made in 2014, refer to Note 9.

Group income statement
Year ended 31 December

	2014 US$'000	2013 US$'000
Revenue	1,093,057	1,047,890
Cost of sales	(356,618)	(324,073)
Gross profit	736,439	723,817
Administrative expenses	(48,832)	(36,394)
Provision for impairment of exploration and evaluation assets	(23,985)	-
Corporate social expenses	(85,289)	-
Other income	283	309
Operating profit	578,616	687,732
Finance income	10,819	10,838
Profit before income tax	589,435	698,570
Income tax credit / (expense)	61,093	(185,947)
Profit attributable to equity holders of the Company	650,528	512,623
Earnings per share attributable to equity holders of the Company		
Basic	132.32c	104.44c
Diluted	132.26c	104.36c

Group statement of comprehensive income
Year ended 31 December

	2014 US$'000	2013 US$'000
Profit attributable to equity holders of the Company	650,528	512,623
Total comprehensive income for the year	650,528	512,623

Group cash flow statement
Year ended 31 December

	2014 US$'000	Restated 2013 US$'000
Cash generated from operating activities before tax and transfer to abandonment and decommissioning funds	1,057,675	939,338
Income tax paid	(120,847)	(145,926)
Amounts transferred to abandonment and decommissioning funds	(114,998)	(141,254)
Net cash generated from operating activities	821,830	652,158
Cash flows from investing activities		
Additions to property, plant and equipment	(546,510)	(281,105)
Additions to intangible assets	(49,873)	(58,706)
Interest received on bank deposits	10,819	10,838
Amounts withdrawn from term deposits (with original maturities of over three months)	3,745,826	3,136,729
Amounts placed on term deposits (with original maturities of over three months)	(3,787,300)	(3,571,251)
Net cash used in investing activities	(627,038)	(763,495)
Cash flows from financing activities		
Proceeds from issue of share capital	2,199	11,469
Dividends paid	(186,821)	(147,289)
Employee contribution towards ESPP	1,908	1,557
Shares purchased for ESPP	(2,252)	(1,851)
Net cash used in financing activities	(184,966)	(136,114)
Net increase / (decrease) in cash and cash equivalents	9,826	(247,451)
Cash and cash equivalents at beginning of year	29,168	276,619
Cash and cash equivalents at end of year	38,994	29,168

Comparative information presented above has been amended to accord to the current year presentation (refer to Note 9).

Group statement of changes in equity

	Share capital US$'000	Share premium US$'000	Capital redemption reserve US$'000	Other reserve US$'000	Retained earnings US$'000	Total US$'000
At 1 January 2014	77,731	245,101	80,644	7,640	2,828,383	3,239,499
Total comprehensive income for the year	-	-	-	-	650,528	650,528
Shares issued during the year	36	2,163	-	-	-	2,199
Employee share option scheme:						
- value of services provided	-	-	-	3,143	-	3,143
Transfer on exercise of share options	-	-	-	(847)	847	-
Dividends	-	-	-	-	(186,821)	(186,821)
Employee share purchase plan contribution	-	-	-	-	(344)	(344)
Total transactions with owners	36	2,163	-	2,296	(186,318)	(181,823)
At 31 December 2014	77,767	247,264	80,644	9,936	3,292,593	3,708,204
At 1 January 2013	77,474	233,889	80,644	8,022	2,459,287	2,859,316
Total comprehensive income for the year	-	-	-	-	512,623	512,623
Shares issued during the year	257	11,212	-	-	-	11,469
Employee share option scheme:						
- value of services provided	-	-	-	3,674	-	3,674
Transfer on exercise of share options	-	-	-	(4,056)	4,056	-
Dividends	-	-	-	-	(147,289)	(147,289)
Employee share purchase plan contribution	-	-	-	-	(294)	(294)
Total transactions with owners	257	11,212	-	(382)	(143,527)	(132,440)
At 31 December 2013	77,731	245,101	80,644	7,640	2,828,383	3,239,499

1 General information

Dragon Oil plc ("the Company") and its subsidiaries (together "the Group") are engaged in upstream oil and gas exploration, development and production activities primarily in Turkmenistan under a Production Sharing Agreement (PSA) signed between Dragon Oil (Turkmenistan) Limited and The State Agency for Management and Use of Hydrocarbon Resources at the President of Turkmenistan ("the Agency"). The production of crude oil is shared between the Group and the Government of Turkmenistan as determined in accordance with the fiscal terms as contained in the PSA.

The Group's exploration interests are located in Tunisia, Iraq, Afghanistan, Egypt, the Philippines and Algeria.

The Company is incorporated and domiciled in Ireland and the address of its registered office is given on the inside back cover. The Group headquarters is based in Dubai, United Arab Emirates (UAE).

The Company's ordinary shares have a primary listing on the Irish Stock Exchange and a premium listing on the London Stock Exchange.

These financial statements have been approved for issue by the Board of Directors on 16 February 2015.

2 Basis of preparation

In accordance with EU Regulations, the Group is required to present its annual consolidated financial statements for the year ended 31 December 2014 in accordance with EU adopted International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and those parts of the Irish Companies Act, 1963 to 2013 applicable to companies reporting under IFRS and Article 4 of the International Accounting Standards (IAS) Regulation.

This financial information has been extracted from the consolidated financial statements for the year ended 31 December 2014 approved by the Board of Directors on 16 February 2015. The financial information comprises the Group balance sheet as of 31 December 2014 and restated Group balance sheets as of 31 December 2013 and 1 January 2013 and related Group income statement, Group statement of comprehensive income, restated Group cash flow statement, Group statement of changes in equity and selected notes for the twelve months then ended, of Dragon Oil plc. This financial information has been prepared under the historical cost convention except for the measurement at fair value of underlift receivables/overlift payables, provisionally priced trade receivables and employee share incentive schemes.

The preliminary results for the year ended 31 December 2014 have been prepared in accordance with the Listing Rules of the Irish Stock Exchange.

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group financial information are disclosed in Note 4.

3 Accounting policies

The accounting policies used are consistent with those set out in the audited financial statements for the year ended 31 December 2013 (except for the presentation of the abandonment and decommissioning fund and related liability, and the gross presentation of movements in term deposits as set out in Note 9). The audited financial statements for the year ended 31 December 2014 are available on the Company's website, www.dragonoil.com and the following amendments to IFRS are effective as of 1 January 2014.

- IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32;
- Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets;
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39;
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27);
- IFRIC 21 Levies (IFRIC 21)
- Annual Improvements 2010-2012 Cycle
- Annual Improvements 2011-2013 Cycle

In addition, the following new standards also became effective for the current financial year. While they did not have any impact on the Group's financial position or performance, they have resulted in additional disclosures.

- IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements;
- IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures;
- IFRS 12 Disclosure of Interests in Other Entities.

4 Critical accounting judgements and estimation uncertainties

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities as well as contingent assets and liabilities at the date of the balance sheet, and the reported amounts of revenues and expenses during a reporting period. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The critical accounting judgements and estimates used in the preparation of financial statements that could result in material adjustments to the income statement and the carrying amounts of assets and liabilities are discussed below:

(a) Depreciation and depletion charge on development and production assets

In arriving at the carrying value of the Group's development and production assets, significant assumptions in respect of the depletion charge have been made. These significant assumptions include estimates of oil and gas reserves, future oil and gas prices, finalisation of a gas sales agreement and future development costs including the cost of drilling, infrastructure facilities and other capital and operating costs.

If the gas sales were delayed to 2019, the depletion charge would increase by US$6.1 million for 2014. Should there be a significant delay in signing of the gas sales agreement at appropriate commercial terms beyond 2019, it would change the timing of the recognition of the depletion charge. Inclusion of the gas reserves has deferred a current year depletion charge in the amount of US$86.4 million over the remaining life of the PSA.

The Group revised its estimated long-term view of oil prices from US$90 per barrel to forward curve for 2014-16 and then US$90 per barrel thereafter, from 1 January 2014 and forward curve for 2015-17 and then US$85 per barrel thereafter, from 1 August 2014. The Group's estimated long-term view of netback prices for gas was revised from US$3.5 per Mscf to US$0.5 per Mscf, based on the Group's current assessment, from 1 August 2014. The effect of a downward revision in the estimated long-term oil price is to increase the level of reserves attributable to the Group and to decrease the depletion charge per barrel.

If the estimate of the long-term oil price had been US$40 per barrel higher and the netback price of gas had been US$ 2 per Mscf higher from 1 January 2014, the reserves attributable to the Group would decrease, with a consequent increase in the depletion charge of US$35.2 million for the year.

If the estimate of the long-term oil price had been US$40 per barrel lower and the netback price of gas had been US$0.25 per Mscf lower from 1 January 2014, the reserves attributable to the Group would increase, with a consequent decrease in the depletion charge of US$100.7 million for the year.

The depletion computation assumes the continued development of the field to extract the assessed oil and gas reserves and the required underlying capital expenditure to achieve the same. For this purpose, it assumes that a gas sales agreement will be signed and that the PSA, which is valid up to 2025, will be extended on similar terms up to 2035 under an exclusive right to negotiate for an extension period of not less than 10 years, provided for in the PSA.

(b) Exploration and Evaluation assets

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether it is likely that future economic benefits will arise, from either exploitation or sale, or whether activities have not reached a stage, which permits a reasonable assessment of the existence of reserves.

(c) Classifications of joint arrangements

Judgement is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement, as stated in the joint operating agreement such as approval of the capital expenditure program for each year. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries. Classifying a joint arrangement requires the Group to assess its rights and obligations arising from the arrangement. Specifically, the Group considers whether it is structured through a separate vehicle.

5 Segment information

In accordance with IFRS 8 'Operating Segments', the Group has three principal reporting segments which are as follows:

- Central Asia: Development and production assets located in Turkmenistan in the Caspian region
- North Africa: Exploration and evaluation assets in Tunisia, Egypt and Algeria
- South East Asia and Middle East: Exploration and evaluation assets in Philippines, Iraq and Afghanistan

In the prior year, the Group was managed as a single business unit and therefore a single segment was presented.

In the current year, the segment information presented is based on the financial performance as reported in the internal reporting provided to the Chief Operating Decision-maker (CODM). The Board of Directors (BOD), which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CODM that makes strategic decisions.

The financial information reviewed by the CODM is based on the IFRS financial information for the Group.

'Corporate' primarily includes cash resources held by the Group, interest income earned and other operational expenditure incurred by the Group which are not specifically attributable to identified operating segments.

	Central Asia	**North Africa**	**South East Asia and Middle East**	**Corporate**	**Eliminations**	**Total**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue						
External customers	1,093,057	-	-	-	-	1,093,057
Segment result before tax	642,676	(1,997)	(27,487)	-	-	613,192
Unallocated Corporate expenses						(34,859)
Other income						283
Operating profit						578,616
Finance income						10,819
Profit before tax						589,435
Income tax credit						61,093
Profit after tax						650,528
Total assets	2,980,043	66,013	27,010	3,557,549	(1,670,559)	4, 960,056
Total liabilities	(2,710,094)	(68,493)	(54,912)	(88,912)	1,670,559	(1,251,852)

5 Segment information (continued)

	Central Asia	North Africa	South East Asia and Middle East	Corporate	Eliminations	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Other segment information						
Capital expenditure for the period:						
Property, plant and equipment	626,333	-	-	433	-	626,766
Intangible exploration & evaluation assets	-	14,060	37,891	-	-	51,951
Computer Software	593	-	-	-	-	593
Impairment losses recognised in income statement	-	-	(23,985)	-	-	(23,985)

Comparative information as at 31 December 2013 is not provided as the only assets not in the Central Asia segment were the exploration and evaluation assets of US$63.7 million and other intangible assets of US$ 0.5 million.

6 Dividend distribution

At a meeting held on 15 February 2015, the Board of Directors of the Company have proposed a final dividend of USc 16 per share (2013: USc18 per share) be paid to the shareholders in respect of the full year 2014. The total dividend to be paid is US$ 78.7 million (2013: US$88.5 million). In accordance with company law and IFRS, this dividend has not been provided for in the balance sheet at 31 December 2014. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting.

7 Earnings per share

	2014 US$'000	2013 US$'000
Profit attributable to equity holders of the Company	650,528	512,623
	Number '000	Number '000
Weighted average number of shares:		
Basic	491,629	490,836
Assumed conversion of potential dilutive share options	221	393
Diluted	491,850	491,229
Earnings per share attributable to equity holders of the Company:		
Basic	132.32c	104.44c
Diluted	132.26c	104.36c

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive options over ordinary shares and shares granted under the LTIP.

8 Cash generated from operating activities

	2014 US$'000	Restated 2013 US$'000
Profit before income tax	589,435	698,570
Adjustments for:		
- Depletion and depreciation	316,407	215,130
- Crude oil underlifts	(84,867)	-
- Crude oil overlifts	(11,007)	(2,910)
- Employee share options – value of services provided	3,143	3,674
- Interest on bank deposits	(10,819)	(10,838)
- Write-off of intangible assets	23,985	-
- Abandonment and decommissioning liability	95,469	135,433
- Corporate social expenses	85,289	-
Operating cash flow before changes in working capital	1,007,035	1,039,059
Changes in working capital:		
- Inventories	(10,984)	(12,063)
- Trade and other receivables	37,211	(97,183)
- Trade and other payables	24,413	9,525
Cash generated from operating activities before tax and transfer to abandonment and decommissioning funds	1,057,675	939,338

9 Retrospective restatement

During the second half of 2014, the Group has changed the presentation of the abandonment and decommissioning fund and the related liability on the balance sheet. Funds held in designated accounts towards abandonment and decommissioning activities and the related liability previously included in Term deposits and Cash and cash equivalents and Trade and other payables respectively are now shown separately on the balance sheet. The Group has unrestricted access and control over these funds.

Previously, the abandonment and decommissioning funds and the related liability were presented within Term deposits and Cash and cash equivalents, and Trade and other payables respectively. The presentation has since been amended to reflect the specific nature of the fund and the related liability and accordingly the change has been applied retrospectively and the prior period comparatives have been restated. Since these are presentation changes within the balance sheet, it did not have any effect on the Group income statement, Group statement of comprehensive income and Group statement of changes in equity.

The impact of the restatement is summarised below:

	2013 Previously stated US$'000	Impact of restatement US$'000	2013 Restated US$'000	2012 Previously stated US$'000	Impact of restatement US$'000	2012 Restated US$'000
Effect on Group balance sheet						
ASSETS						
Current assets						
Inventories	24,450	-	24,450	12,387	-	12,387
Trade and other receivables	254,041	-	254,041	156,858	-	156,858
Term deposits	2,438,342	(543,932)	1,894,410	1,866,228	(406,340)	1,459,888
Cash and cash equivalents	34,208	(5,040)	29,168	277,997	(1,378)	276,619
Abandonment and decommissioning funds	-	548,972	548,972	-	407,718	407,718
Total current assets	2,751,041	-	2,751,041	2,313,470	-	2,313,470

9 Retrospective restatement (continued)

	2013 Previously stated US$'000	Impact of restatement US$'000	2013 Restated US$'000	2012 Previously stated US$'000	Impact of restatement US$'000	2012 Restated US$'000
LIABILITIES						
Current liabilities						
Trade and other payables	699,740	(573,898)	125,842	566,070	(438,465)	127,605
Abandonment and decommissioning liability		573,898	573,898	-	438,465	438,465
Current income tax liabilities	280,805	-	280,805	274,628	-	274,628
Total current liabilities	980,545	-	980,545	840,698	-	840,698

The change in presentation of the abandonment and decommissioning funds and the related liability within the balance sheet did not have any impact on the total assets, total liabilities or equity.

In 2014, the movement of term deposits within an accounting period in the Group cash flow has been split between amounts withdrawn and placed on term deposits. Comparative information for 2013 has been restated to split movements between amounts withdrawn from term deposits and amounts placed on term deposits.

The impact of the split between amounts withdrawn from term deposits and amounts placed on term deposits and the change in presentation of the abandonment and decommissioning fund and the related liability are shown below:

	2013 Previously stated US$'000	Impact of restatement US$'000	2013 Restated US$'000
Effect on Group cash flow statement			
Profit before income tax	698,570	-	698,570
Adjustments for:			
- Depletion and depreciation	215,130	-	215,130
- Crude oil overlifts	(2,910)	-	(2,910)
- Employee share options – value of services provided	3,674	-	3,674
- Interest on bank deposits	(10,838)	-	(10,838)
- Abandonment and decommissioning liability	-	135,433	135,433
Operating cash flow before changes in working capital	903,626	135,433	1,039,059
Changes in working capital:			
- Inventories	(12,063)	-	(12,063)
- Trade and other receivables	(97,183)	-	(97,183)
- Trade and other payables	144,958	(135,433)	9,525
Cash generated from operating activities before tax and transfer to abandonment and decommissioning funds	939,338	-	939,338
Income tax paid	(145,926)	-	(145,926)
Amounts transferred to abandonment and decommissioning funds	-	(141,254)	(141,254)
Net cash generated from operating activities	793,412	(141,254)	652,158

9 Retrospective restatement (continued)

	2013 Previously stated US$'000	Impact of restatement US$'000	2013 Restated US$'000
Effect on Group cash flow statement (continued)			
Cash flows from investing activities			
Additions to property, plant and equipment	(281,105)	-	(281,105)
Additions to intangible assets	(58,706)	-	(58,706)
Interest received on bank deposits	10,838	-	10,838
Amounts placed on term deposits (with original maturities greater than three months)	(572,114)	572,114	-
Amounts withdrawn from term deposits (with original maturities of over three months)	-	3,136,729	3,136,729
Amounts placed on term deposits (with original maturities of over three months)	-	(3,571,251)	(3,571,251)
Net cash used in investing activities	(901,087)	137,592	(763,495)
Net cash used in financing activities	(136,114)	-	(136,114)
Net decrease in cash and cash equivalents	(243,789)	(3,662)	(247,451)
Cash and cash equivalents at beginning of year	277,997	(1,378)	276,619
Cash and cash equivalents at end of year	34,208	(5,040)	29,168

10 Statutory Accounts

This financial information is not the statutory accounts of the Company and the Group, a copy of which is required to be annexed to the Company's annual return to the Companies Registration Office in Ireland. A copy of the statutory accounts in respect of the year ended 31 December 2014, upon which the Auditors have given an unqualified audit opinion, will be annexed to the Company's annual return for 2014. Consistent with prior years, the full financial statements for the year ended 31 December 2014 and the audit report thereon will be circulated to shareholders at least 20 working days before the AGM. A copy of the statutory accounts, containing an unqualified audit report, required to be annexed to the Company's annual return in respect of the year ended 31 December 2013 has been annexed to the Company's annual return for 2013 to the Companies Registration Office.

11 Further information is available on the Company's website, www.dragonoil.com.