

Islamabad, 27 October 2008

## HIGHLIGHTS

### “OGDCL Only” Un-Audited Financial Results for the Quarter ended 30 September, 2008

Oil and Gas Development Company Limited (OGDCL), (Ticker: OGDC), today announces its financial results for the quarter ended 30 September 2008. Financial Statements have been prepared in accordance with International Financial Reporting Standards.

#### Highlights of the Quarter include:

- OGDCL's net sales increased by 48.7% to Rs 41,282 million from Rs 27,769 million.
- Net profit before taxation stood at Rs 28,789 million.
- Net profit after taxation stood at Rs 18,976 million resulting in earnings per share of Rs 4.41.
- Operating profit margin and net profit margin were 65% and 46% respectively.
- Payable first interim dividend of Rs 2.0 per share.
- Average net realized price of crude oil sold was US \$ 93.78/bbl as against US \$ 56.67/bbl during corresponding period last year.
- Average net realized price for natural gas sold was Rs 167.68/Mcf as against Rs 139.67/Mcf during corresponding period last year.
- 478 L. Kms of 2D and 378 Sq. Kms of 3D seismic acquisition completed.
- Net crude production of 41,581 barrels per day (a decrease of 7.2% during corresponding period last year), net gas production was 953 MMcf per day (an increase of 2.8% during corresponding period last year), net LPG production 228 tons per day (a decrease of 37.4% during corresponding period last year) and net Sulphur production was 53 tons per day (a decrease of 22.8% during corresponding period last year).

Quarter ended 30 September 2008	1Q 2007-08 Rupees '000	1Q 2008-09 Rupees '000	% Change
Net Sales	27,768,732	41,282,439	48.7
Profit before Taxation	17,195,528	28,789,064	67.4
Profit after Taxation	12,236,860	18,975,529	53.8
Earnings per Share - Rs	2.87	4.41	53.8
Net Cash from Operating activities	13,153,683	11,729,433	-10.8

**OGDCL Consolidated Un-Audited Financial Results for the Quarter ended 30  
September, 2008**

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**Highlights of the Quarter include:**

- OGDCL's net sales increased by 48.2% to Rs 41,384 million from Rs 27,927 million for the quarter.
- Net profit before taxation increased to Rs 28,816 million from Rs 17,286 million for the quarter.
- Net profit after taxation increased to Rs 18,980 million resulting in earnings per share of Rs 4.41.
- Operating profit margin and net profit margin were 64 % and 46 % respectively.
- Payable first interim dividend of Rs 2.0 per share.
- Average net realized price of crude oil sold was US\$ 93.78/bbl as against US\$ 56.67/bbl during corresponding period last year.
- Average net realized price for natural gas sold was Rs 166.47 / Mcf as against Rs 137.93 / Mcf during corresponding period last year.
- 478 L. Kms of 2D and 378 Sq. Kms of 3D seismic acquisition completed.
- Net crude production of 41,581 barrels per day (a decrease of 7.2% during corresponding period last year), net gas production was 966 MMcf per day (an increase of 1.7% during corresponding period last year), net LPG production 228 tons per day (a decrease of 37.4% during corresponding period last year) and net Sulphur production was 53 tons per day (a decrease of 22.8% during corresponding period last year).

<b>Quarter ended 30 September 2007</b>	<b>1Q 2007-08 Rupees '000</b>	<b>1Q 2008-09 Rupees '000</b>	<b>% Change</b>
Net Sales	27,926,861	41,383,587	48.2
Profit before Taxation	17,286,013	28,816,207	66.7
Profit after Taxation	12,399,484	18,979,651	53.1
Earnings per Share - Rs	2.88	4.41	53.1
Net Cash from Operating activities	13,291,002	11,124,773	-16.3

## **Chairman's statement**

Commenting on OGDCL's First Quarter results ended September 30, 2008, the Chairman BoD of OGDCL, Mr. Farooq Rehmatullah, said:

"It gives me great pleasure to state that the Group had a very profitable first quarter in terms of financials. The period under review saw growth of 48.2% in net sales as compared to the corresponding period last year."

"During the first quarter, OGDCL realization of strong net profit after tax of Rs. 18.98 billion was primarily due to the international high oil price environment. Net crude oil production saw a decline of 7.2% from the same period last year whereas net gas production showed an improvement of 1.7% from the same period last year. The Group is fully committed and is undertaking all-out efforts to arrest the decline in oil volumes caused primarily by the unforeseen water-cut problem in Dhodak field and mechanical problems encountered at Mela-1. The Group anticipates reversal of this trend in the second quarter. To ensure maximization of profits, the Group is also consistently keeping a close watch on the operating costs and have put in place checks and balances to make certain that these do not go beyond the benchmarks."

"Last but not the least, I am very proud of our human capital and commend and appreciate their unrelenting support, hard work and unwavering commitment to ensure that the Group is well aligned on the strategic path set by the management and going all out in not just only achieving but exceeding the targets and goals set for them."

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**For further information:**

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### **Notes to Editors**

OGDCL, the largest E&P Company in Pakistan, is listed on all three stock exchanges of the country and on London Stock Exchange since December 2006. Over the years, OGDCL

has developed into a premium up-stream company, whose strength lies mainly in its highly qualified professional human resource base.

As of June 2008, the Company had a total number of 44 Exploration Licences in hand covering 85,476 sq. kms which is 33% of the country's total exploration acreage. The Company holds oil & gas reserves of 46% and 34% respectively of the country's total reserves. Company's share in country's total oil & gas production stands at 61% & 25% respectively.

OGDCL had a net profit after tax of Rs 44.33 billion for the year ended June 30<sup>th</sup>, 2008.

## **Summary Results**

Overall, the first three months of current financial year have been a period of improved financial results as the Company's sales revenue and profit after taxation increased by 48.7% and 53.8% to Rs 41.282 billion and Rs 18.976 billion respectively resulting into earnings per share (EPS) of Rs 4.41. The Company continued to pursue its strategy of adding value through exploration, development, production and build on the growth it achieved in the past year. Based on the first quarter results, all core business areas of the Company are expected to contribute in meeting the targets set in the Company's business and strategic plan.

Company's exploratory efforts during the period yielded Gas/Condensate discovery at Kunnar South-1 located in District Tando Allah Yar of Sindh Province, which has been tested to produce 250 barrels per day of Condensate and 15 MMcf per day of Gas. Reserves assessment of this newly discovered field is currently under evaluation.

During the quarter under review, Company's crude oil and LPG production witnessed decline due to high water cuts at Dhodak, Annual Turn Around (ATA) at Dakhni, Kunnar & Bobi fields, natural decline at Thora & Lashari fields and mechanical problems at Mela-1. In addition, anticipated share of crude oil production from non-operated joint venture fields could not be achieved. OGDCL's daily net production of crude oil, gas and LPG averaged 41,581 barrels, 966 MMcf and 228 M.Tons respectively.

OGDCL acquired 478 L. Kms. of 2-D and 378 Sq. Kms of 3-D Seismic data in various blocks during July-September 2008 and spudded six new wells including three Exploratory/Appraisal and three Development wells. Workover jobs on seven wells were also carried out.

## **Dividend**

Directors of the Company are pleased to declare first interim cash dividend of Rs 2.0 per share (20%) for the year ending June 30, 2009.

## **Board of Directors**

The Board comprises of eleven directors including the Managing Director. The present Board was elected in the Eleventh Annual General Meeting held on September 29, 2008 for a term of three years. Subsequently, on October 06, 2008, Mr. Muhammad Naeem Malik resigned and the casual vacancy was filled by Mr. Muhammad Ijaz Chaudhry. The

Board of Directors would like to express their appreciation for the valuable contributions made and services rendered by all the outgoing Directors for the progress of the Company.

The existing directors are:

Mr. Farooq Rehmatullah	Chairman
Mr. Zahid Hussain	Managing Director
Mr. Muhammad Ijaz Chaudhry	Director
Mr. Sikandar Hayat Jamali	Director
Mr. Tariq Iqbal Khan	Director
Mr. Waqar A. Malik	Director
Mr. Rafiq Dawood	Director
Mr. Tariq Faruque	Director
Ms. Shagufta Jummani	Director
Mr. Iskander Muhammed Khan	Director
Mr. Wasim A. Zuberi	Director

### **Financial Results**

During the first quarter, Company's product sales revenue increased by Rs 13.515 billion to Rs 41.274 billion, a growth of 48.7% over the same period last year. Increase in sales revenue was mainly driven by higher realized prices, rising rupee dollar parity and enhanced gas sales volume which contributed Rs 15.930 billion towards increase in sales revenue. This increase was offset by Rs 2.415 billion on account of decreased sales volume of crude oil, LPG and Sulphur. Net realized prices of crude oil and gas averaged at US\$ 93.78 / BBL and Rs 167.68 / Mcf respectively compared with US\$ 56.67/BBL and Rs 139.67/Mcf respectively during the same period last year.

Company registered 67.4% increase in profit before taxation which is Rs 28.789 billion compared to Rs 17.196 billion during corresponding quarter of last year. Increase in profit before taxation is primarily due to higher sales revenue and income from exchange gain on foreign currency deposits. Profit after taxation increased by Rs 6.639 billion to Rs 18.976 billion resulting into earnings per share (EPS) of Rs 4.41 compared to Rs 2.87 in the first quarter of previous year.

During the quarter, net cash from operations after working capital changes and payments of royalty and corporate tax of Rs 13.106 billion was Rs 11.729 billion against Rs 13.154 billion in corresponding period of last year. Despite increase in profit, net cash from

operating activities decreased because of higher figures of trade debts which increased by Rs 12.119 billion during July-September 2008 as against increase of Rs 1.939 billion during July-September 2007. Payment of Rs 5.377 billion as capital expenditure and receipt of Rs 686 million as interest and dividend income resulted into net cash utilized in investing activities of Rs 4.638 billion against Rs 2.524 billion in corresponding quarter of 2007-08. Dividend payments during the period under review were Rs 9.453 billion compared to Rs 2.093 billion during the same period of last year. Cash flow from operating activities and net cash utilized in investing and financing activities resulted into net cash decrease of Rs 2.361 billion to ending cash balance of Rs 14.323 billion.

### **Production**

During the first quarter, Company's average daily net production including its share in operated and non-operated joint venture fields was as follows:

<b>PRODUCTS</b>	<b>UOM</b>	<b>July-Sept. 2007</b>	<b>July-Sept. 2008</b>
Crude Oil	Barrels per day	44,801	41,581
Gas	MMcf per day	949	966
LPG	M. Tons per day	364	228
Sulphur	M. Tons per day	69	53
<ul style="list-style-type: none"> <li>• Daily production has been worked out at 365 days / year.</li> <li>• Gas production during July-Sept 2008 includes subsidiary Company production 14 MMcfd.</li> </ul>			

Crude oil production from Company's own fields and its share in non-operated joint venture fields witnessed decline of 5.3% and 22.4% respectively compared with same period of last year. Decrease of crude oil production from own fields is mainly due high water cuts at Dhodak and Kal fields, natural decline at Thora and Lashari fields, Annual Turn Around (ATA) at Bobi, Kunnar and Dakhni fields. Business plan targets of crude oil production could not be achieved because of delay in completion of Chanda-3, mechanical problems at Mela-1 and non-achievement of share of crude oil production from non-operated joint venture fields as anticipated in the business plan. Recovery plan of Production Services Platform (PSP) string with work-over being undertaken at Mela-1 is expected to start normal production by the end of October 2008.

Gas production (net) during the quarter increased by 1.7% compared with same period of last year despite decline in production from Dhodak, Bobi and Dakhni due to high water cuts, ATAs and line blasts of header line and SCADA up-gradation at Pirkoh. Targets of

gas production could not be achieved mainly due to non achievement of yield improvements anticipated in the business plan. LPG production during the quarter also decreased due to decreased production of gas from Dhodak field and ATAs at Dakhni, Bobi and Kunnar fields.

As part of OGDCL's strategy of enhancing its production base, the Company during the quarter has carried out drilling operations on a number of development wells spudded in the later part of previous year. Three new development wells namely Chak Naurang-5, Dakhni-11 and Qadirpur-34 were spudded during the quarter under review in addition to workover jobs on Pasahki-1, Pasahki North East-1, Thora-3, Thora-4, Tando Alam-1, Tando Alam-17 and Kal-3. Annual Turn Around (ATA) at Dakhni, Bobi and Kunnar was completed in July and August 2008 as part of scheduled annual maintenance. Three new wells namely Dhodak Deep-1, Nandpur-10 and Kunnar-8 were also put on production during the period under review. Efforts are also being made to further enhance the operational efficiencies at the producing fields in order to achieve the yield improvements anticipated in the business plan.

### **Exploration and Development Activities**

OGDCL presently holds largest acreage position in Pakistan and as of September 30, 2008 was operating 44 exploration blocks including 5 offshore blocks covering an area of 84,889.37 Sq. Kms and one Reconnaissance work permit over Jhampir covering an area of 1,326.62 Sq. Kms. OGDCL is also holding interest in five non-operated joint venture concessions.

During the quarter under review, OGDCL acquired 478 L. Kms. of 2-D Seismic data in Kewari, Hundi, Jhampir, Sinjhoru and Nashpa blocks and 378 Sq. Kms of 3-D Seismic data in Thal and Soghari blocks. The Company could not start activities in 12 concessions which constitute 32% of total acreage held by the Company due to security reasons. However, Government of Baluchistan has granted security clearance on July 10, 2008 for start of activities in Shahana, Samandar and Shaan concessions. Seismic acquisition programme of these concessions is being undertaken by OGDCL itself through its own seismic acquisition parties.

During the quarter under review, OGDCL has carried out drilling operations on a number of exploratory / appraisal wells spudded in the later part of previous year. Locations for

another 23 wells have been marked on ground out of which six wells including three development wells and three exploratory/appraisal wells namely Dakhni North-1, Wahid Bux-1 and Thatta East-1 were spudded.

The Company visited data room of ALNAFT Algeria, data interpretation and evaluation is ongoing for participation in the forthcoming bidding round, negotiations with prospective consortium members is also ongoing for formation of a consortium. Prospectivity evaluation of Yemen, Turkey and Offshore blocks are in progress.

OGDCL is actively working on the development work of various current and future projects and efforts are being made to complete these projects on accelerated pace without compromising quality and transparency.

### **Future Outlook**

OGDCL is following the strategy of maintaining balanced growth through acquisition of new exploration acreage, maintaining and enhancing production from existing fields, expeditious production from new discoveries and joint venture opportunities outside Pakistan. The focus of the Company, for the period ahead, will be to ensure production growth and deliver its exploration and development program with the objective of securing oil and gas reserves and enhance its production base. Strenuous efforts are on going to build an extensive, diversified and high quality portfolio of exploration licenses. The Company expects to continue a high level of exploration activity including 2-D and 3-D seismic acquisition in the onshore and offshore areas, extensive exploratory drilling and follow on its recent successes with further appraisal drilling leading to potential new field developments. The Company anticipates a significant boost to its existing production on completion of current and future development projects, resulting into strong operating cash flow and sound financial position of the Company, thus leading to significant value addition for the shareholders. We are confident that the pace of growth will continue in times to come and we have every reason to look forward to the future with confidence.