

**Transcription for Dana Gas**  
**2013 Preliminary Results Investor Call**

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## Corporate Participants

### **Patrick Allman-Ward**

Dana Gas – Chief Executive Officer

### **Robinder Singh**

Dana Gas – Investor Relations Director

### **Mark Fenton**

Dana Gas Egypt – Country Head and General Manager

### **Azfar Aboobakar**

Dana Gas – Head of Financial Control and Reporting

### **Ranga Kishore**

Dana Gas – Head of Financing

Ladies and gentlemen, welcome to the Dana Gas 2013 Preliminary Results Investor Call. I will now hand the word to Robinder Singh, Investor Relations Director. Sir, the floor is yours.

**Robinder Singh**

Good morning and good afternoon to all of you, ladies and gentlemen, my name is Robinder Singh; I am the IR Director at Dana Gas and thank you for taking time to attend this call. This is a brief presentation, which we have uploaded on our website, and we will be, at the end of the call, also uploading the transcript of the call for those of you who may want to refer to it at a subsequent time and for the benefit of those who could not participate in the call today.

With me on the call are Patrick Allman-Ward, the CEO at Dana Gas, Mark Fenton, the General Manager and Country Head of our Egypt Operations, Azfar Aboobakar, who is the Financial Controller, and Ranga Kishore, who is our Head of Financing. We will be happy to take your questions following the presentation.

Please be aware that the presentation might contain some forward-looking statements and I would urge you to keep that in perspective whilst we review the contents. The presentation essentially has four sections. We will share with you our perspective on the MENA region, we will then share with you Dana Gas's track record and performance highlights for 2013; we will then move onto the financial section, which will be presented by Azfar; following that will be the country operations, which Mark Fenton will address, and then a brief summary, where we will be happy to take your questions.

With that, I'm going to hand over the call to Patrick for a brief overview of the region – Patrick?

**Dr Patrick Allman-Ward**

Thank you, Robinder, and hello and welcome to you all. I am just going to start with some very high-level comments about the region and specifically the role of natural gas and with respect to its place as the deal of choice for both here in the region and elsewhere, of course.

Global population growth, demographic growth, is currently projected to reach 9 billion people by the year 2035 and, of course, there is, understandably, a huge increase in demand for energy linked to that demographic growth, as well as people's increasing expectations regarding quality of life. There is a huge demand for growth and gas is projected by the IEA to take an increasing share of that energy mix, so we are very confident and positive about the role of gas as a fuel, as a preferred fuel, for the future. There are, of course, specific advantages and particularly when it comes to balancing the need for higher energy in the planet with concerns about climate change, so in that respect, gas of course has 70% less CO<sub>2</sub> than coal power generation, it has a much smaller physical footprint, and generally, of course, as a fuel, it is a much more abundant fuel source than, for example, oil. Most of the discoveries made in 2012 were gas discoveries and both conventional and unconventional gas sources have very considerable life ahead in terms of reserves.

Moving onto specifically the MENA region, the MENA region reflects that demographic growth. There is going to be very significant demographic growth in the region and in line with that, of course, also increased energy demands. From 1990 to 2010, energy demand in the region increased by a compound annual growth of 7% per annum and by 2010, gas reached 35% of the total energy demand in the region at the expense of oil, as oil exporting countries keep back their oil production for export.

In the specific countries in which Dana Gas operates, which is the UAE, Egypt, and Iraq, that growth of energy demand and the growth of gas in the energy mix is also clearly reflected.

With respect to Dana Gas's record and since its inception as a company in 2005, starting with, shall we say, the purchase of the Centurion assets principally located in Egypt in 2006 for a consideration of just over a billion Dollars. The Company has carried out an extremely successful exploration campaign in the Nile Delta and in the period between 2007 and 2013, we had 48 exploration wells drilled in that time with a 50% exploration success rate. Taking those discoveries into production has also been effectively – and efficiency has also been a feature of the Company's delivery and we have a number of key examples of project delivery where we have been able to get the discovered resources on stream quickly and efficiently.

With respect to 2013, I want to touch on high-level specific achievements, despite the on-going challenging business environment, so of course in Egypt as well as with respect to our operations in Kurdistan. During the year, we had a higher average production of 64,700 BOEPD, contrasting to the 2012 average of 59,800. Egypt's contribution to that production was 37,100 BOEPD, which was 14% higher on a year-on-year basis. Our production in the Kurdistan region of Iraq remained flat during the year at 27,600 BOEPD.

The higher annual production that we achieved also resulted in increased revenues, which reached \$652 million, and in quarter four of 2012, it rose to \$186 million in 2013 versus the equivalent quarter in the preceding year when that figure was \$151 million.

We have had a successful drilling and exploration programme also during the year. We drilled and tested three development wells in the Nile Delta and we also announced our 25th discovery there with the successful drilling of the Begonia-1 exploration well.

We also had Gaffney Cline & Associates carry out an estimate of in-place resources for our assets in Kurdistan, namely the Khor Mor and Chemchemical fields. We have used those figures to calculate in-place resource volumes. These are undiscounted in-place volumes, but together these volumes represent about 50 TCF of in-place resources, now which of course, as a 40% shareholder in Pearl Petroleum, Dana Gas has about 20 TCF.

Our cash balance was higher by 24% in 2013, reaching \$204 million by year-end, which was largely a feature of the \$53 million that was received from Egypt in December.

Total collections for the year were \$203 million, of which Egyptian collections were \$134 million and \$69 million of that came from the KRI.

Our total trade receivables also increased during the year to \$800 million. However, increasing loyalty payments, depreciation, depletion, and amortisation expenses, particularly in Egypt, and the lower sale of LPG in the KRIs and forecasts, have impacted our net profit, which decreased slightly to \$156 million for the year.

With that, I would just like to hand over to Azfar Aboobakar, who is our Financial Controller and Treasurer – Azfar?

**Azfar Aboobakar**

Thank you Patrick, good afternoon everyone, I will now review with you our financial results for the fourth quarter of 2013 and the full year ended 2013; I will be referring to the slides in the results presentation.

As announced yesterday, Dana Gas reported a quarterly net profit of \$35 million in quarter four and a full year profit of \$156 million in the full year 2013.

I will now take you through the details of our quarterly and full year results.

Let us first go to slide number 10, here we will review a summary of our financial results for Q4 2013. Gross revenues in Q4 were at \$186 million, higher by 23% compared to the same period last year. Higher production in Egypt and Kurdistan in the quarter contributed to this increase in revenue.

In Egypt, our rich production increased by 22%, importing 40,200 BOEPD compared to 23,000 BOEPD in quarter four 2012. In Kurdistan, our 40% share of production increased by 6% in 28,500 BOEPD, as this was largely due to the increase in LPG sales. As a result, our net profit for quarter four was higher than 17% at \$35 million.

Let us move to slide number 11 to review a summary of our full year results. Gross revenues for the full year were slightly higher at \$652 million compared to \$633 million in 2012. This marginal increase in revenue was mainly due to production increase in Egypt, which was higher than 14% in 2012. In Kurdistan, however, production remained flat and contribution to gross revenues remained lower due to lower net sales of LPG in July 2013. As mentioned earlier, sales of LPG have increased in Q4 and we expect this level of lifting to continue in 2014.

As a result, net profits for the year declined by 5% to \$156 million. The main reason for this decline, as mentioned earlier, was lower contribution in the whole of 2013 from LPG production in Kurdistan.

In addition, linked to production increases in Egypt, royalty depreciation, depletion, also increased, and thereby partially reducing the positive contributions from higher production.

I will now move to slide 12 where we have presented the production graphs for Egypt and Kurdistan. I have already explained the key variances and further details of production will be provided in their respective business highlights, which will be covered by Mark later.

On slide 13, we have presented a comparison of average realised hydrocarbon prices both for quarter four 2013 and also for the full year of 2013; as is evident from the graph, international market prices for condensate and Brent remained pretty much stable during the year, whilst there was a slight decline during the year-end LPG prices.

Let's move to slide 14, where we have presented an analysis of connection and receivables, which I'm sure is of interest to all of you. In Egypt, our billing and collection regime in 2013 stood at 78% compared to 95% in 2012. Our full year connections were at \$134 million in 2013 compared to \$163 million in 2012, and at year-end, our receivables balance in Egypt stood at \$274 million. We continue to work closely with the Egyptian authorities to go over the receivable issue at the earliest.

In Kurdistan, our share of connections remained low at \$69 million in 2013 compared to \$143 million in 2012. As a result, our 40% share of total receivables at the year-end stood at \$515 million. As Patrick mentioned earlier, our cash balance at the year-end improved to \$204 million, aided by the \$52 million we received from Egypt in December.

Our total shareholder equity at the year-end increased by 5% to \$2.5 billion, thereby giving a book value per share of AED 1.41.

This brings the financial review to an end and I will now hand over to Mark, who will take you through the business highlights.

### **Mark Fenton**

Thank you Azfar and good morning and good afternoon ladies and gentlemen. I will start off with Egypt, and I have a slide here which summarises the business environment in Egypt. You would be all aware of the problems that have been occurring in Egypt for the last couple of years. We'd just like to point out a few key aspects of that environment which has an impact on the oil and gas sector as a whole, and Dana Gas in particular. In general, there is a lack of investment in Egypt and this lack of investment is increasing. As a result, export of gas has dropped, and there is a growing gap between the domestic supply and the availability of gas in general.

There are a number of countries in the MENA region, which have been providing aid to the Egyptian Government, in particular Saudi Arabia, Kuwait, and the UAE, and some \$12 billion in grants have been promised recently, and most particularly and most recently in December 2013, \$1.5 billion was provided to the Egyptian Government as a loan from the UAE, which resulted in the availability of \$53 million being passed onto Dana Gas as part of the receivables payment.

Overall in 2013, as Azfar mentioned, there has been a reduction in the collections from the Egyptian Government and this has, in fact, affected our capital investments during the course of the year. Generally speaking, our capital investments were down by about 50% during the course of the year, but as you will see in the next couple of slides, we have been able to increase our production despite that capital investment restriction.

On the following slide you can see some gross overall characteristics of resources and production within Egypt as a whole. You can see that there has been a very rapid increase in resources in Egypt since about 1998 to 2000, and a lot of those resource increases have occurred from large discoveries offshore and you can see it seems have been peaked. It's probably due to a reduction or a halt in major investment in drilling offshore, but you can see that the production has reduced in the country or at best, the countries have managed to maintain this production. So you've got a situation where the resource portfolio has peaked or slightly reducing and the production is staying up, so there is a gap that's opening up. That probably means that there will be a reduction in overall country production within the next couple of years, unless there are more resources brought on stream. I think this gross level of information here supports the comment that was made that investment has been stymied by recent political unrest.

I mentioned that during 2013 we reduced our capital investment by approximately 50%, but you can see from the production profile that we're showing on the next slide that we've managed to increase our production from the beginning of the year – it was around 31,000 BOEPD – up to 40,000 BOEPD by the end of the year. I think that's quite a substantial increase and I would say generally, as a whole, this increase in production is despite the fact that we've managed to reduce our Capital expenditure and optimise the production from our fields. It demonstrates two things. It demonstrates Dana Gas's ability to optimise production from its existing assets, but it also tells you something about the quality of the assets that we have as well. We have a number of fields that with further optimisation can deliver more and, as you can see during the course of the year, there have been some activities which have bumped the production up substantially. As far as production is concerned, it has been a very good year for Egypt.



On the following slide, I've got a summary of some of the major operational aspects of Egypt for 2013 and the first thing I'd like to draw your attention to is our development license area. When we started with Dana Gas some seven years, our area was much larger and with the concession agreement we have with the Egyptian Government, what happens is when you make a discovery, after a certain period of time, the area through which you can control is reduced and it is a natural consequence of producing hydrocarbons in the region. As of the end of 2013, we had a new development lease at Balsam, which you can see at the north western side there, around the Balsam discovery. We also had a development lease around the Begonia discovery, which is under discussion with the Egyptian Petroleum Government Department, EGAS, at the present time, and we have a couple of other development leases, El Basant and Sama, which have been amended downwards to fit more closely to the limits of the oil fields if they can't [inaudible]. Our production during Q4 2014 averaged just under 40,000 BOEPD and, as Patrick mentioned in the introduction, during the course of 2014, we drilled five wells, of which one of them was an exploration well, resulting in the Begonia discovery. In addition to that, we drilled an appraisal well, a couple of development wells and some side-tracks.

The projects that are in progress or planned, I guess the big one there is the capacity increase to the El Wastani plant. This is also a de-bottlenecking engineering exercise and the first stage of that will occur shortly in February and it essentially increases the throughput capacity of the plant from 160 MMSCFPD to 200 MMSCFPD. We also tend to put a compression station in at the El Basant field. The idea here is that the pressure of the gas that's coming out of the field is a little bit too low to get good production right into the El Wastani plant until we have a compression station. Also, we're going to tie in...we have already started this at Sama; we're going to tie in the Salma and Tulip wells. The first phase of that, it will tie into the South El Manzala field, which is a dry gas field, and the second phase of which is a 30 km 12-inch pipeline across the Nile up to the El Manzala processing plant.

That's the operations as they currently are. Now, we have been awarded a new block offshore. It's called the North El Arish exploration block and this block ranges in water depth from less than 100 metres up to over the 1,000 metres depth, so quite a range of depth there. It was awarded back in April 2013. We are expecting final Government ratification of that in the next couple of weeks actually. The plan for this block is that we intend to acquire some 3D seismic over this block during the course of 2014, hopefully and possibly in conjunction with some other operators offshore to keep the costs down, and we have one well commitment in this block, so it will be our intention to farm this block down and to reduce the exposure and the costs to Dana Gas, but the intention is that within about three years or so we will have at least exploration test

at this extremely prospective block. You can see this exploration block is along the trend from the major gas discoveries that have been made offshore in Israel and that's the reason why we're very interested in this block.

Moving onto Kurdistan, slide number 21, we have just got some overview slides on the importance of the Kurdistan region in terms of oil and gas. You can see in the top two graphs that in terms of oil reserve and resource potential, the Kurdistan region is right up there with Brazil and Angola in having oil resource potential in the tens of billions of barrels, and certainly gas resource potential where possibly in excess of 50 TCF of gas resource potential, and it's also recognised as being an area of tremendous growth in potential production going forward, so you can see that between 2016 and 2020, production is expected to double during this period, so all the numbers look very large for Kurdistan and they also look very promising in terms of the upward production streams that are there.

As far as the operations are concerned in Kurdistan, total net production averaged 27,600 BOEPD during 2013 and this was based on 130 MMSCFPD average of natural gas, 5,700 bbl/d of associated condensate and 325 bbl/d of LPG. During the course of the year, we completed the repairs to the LPG loading bay, which resulted in the restoration of the facility. It has quite a large capacity for loading of LPG at this facility, and those repairs were completed in June this year. The production for LPG has remained low, however, after the loading facility was commissioned, mainly because the Government certified tankers were in short supply and have been in short supply during that period. That is the reason why the numbers are a little bit low in the second half of the year. Given the accident that occurred, these tankers must be properly certified to pick up LPG.

On the following slide, number 23, we have put together a narrative on the sorts of volumes we are aware of in our Kurdistan assets. As Patrick mentioned, we did have Gaffney, Cline look at our Khor Mor and Chemchemical assets in later 2012 and based on their work, the volumes that we're talking about you can see in the third bullet point totalled some 50 TCFs spread between Khor Mor and Chemchemical, so Dana Gas's share of that would equate to approximately 20 TCF across the two fields. Not only that, GCA also recognised further upside potential, over and above these numbers, and moreover, some of the blocks, they think there is a very good chance that there is oil instead of gas, and if that were to be true, then 3 Tscf of the gas could be replaced with approximately 1.8 billion barrels in place of oil, so whichever way we look at it, the Kurdistan assets are extremely substantial and having a 40% position in this makes these volumes extremely significant for the future of Dana Gas.

Finally, on Zora, just an update on the Zora Project, a project team has been put together and are currently working this project as we speak. The platform fabrication and load-out contract was awarded back in November 2013 to ADYARD and work is in progress at the moment on contracting for the platform transportation and installation, offshore and onshore pipeline procurement and onshore gas treatment plant. We also are doing work at the moment, looking at drilling contract options for the project as a whole. Overall, the Zora Project is on track to deliver gas Q1 2015, capacity will be approximately 40 MMSCFPD.

With that, I will hand back to Patrick.

### **Patrick Allman-Ward**

Thank you, Mark. I would like to summarise the presentation part of this engagement with a few comments about the Company's performance over the course of 2013 and the years before.

I think we have demonstrated the Company has a credible track record of project delivery, as well as very significant HSSE performance across our entire asset [stakes] in all of the different countries in which we operate. We have managed to put back into operation the LPG loading bay in the KRI during the course of last year, and that LPG production is a very significant contributor to profitability for our Kurdistan operations going forwards. We have continued to maintain a high level of drilling success in our Nile Delta operations in Egypt, and the Block 6 award of contract for the concession offshore Egypt, as well as the development of our Zora Project provides real growth opportunities for the Company going forwards. That growth opportunity is also reflected in the very substantial resource volumes that have been identified in our assets in Kurdistan, so I think we have been able to show you that for a company of our size, we are sitting on a very, very material resource base that provides substantial growth opportunities for the Company going forwards.

As you are aware, we have a 425 million convertible Sukuk, that was part of the renegotiation that took place successfully in April of last year, and as the share price of the Company has risen to close to parity at AED 1, we have had a number of requests from Sukuk holders to convert the convertible element into shares, and we are currently in the process of processing those requests and obtaining regulators' approval to convert those requests into shares.

We have also demonstrated that we have increased our cash balance for the year, which gives us a very comfortable position in terms of growing the production for the Company forwards during the remainder of 2014. However, we have always carried out and we will continue to exercise a cautious approach towards capital investments, making sure that we balance our trade receivables with the investments that we make in the different areas of our operations. We do continue to place priority on adding reserves and of course replacing production and thereby underpinning the sustainability of the Company going forwards.

I would like to conclude it at that point, and I will hand back to Robinder to handle any of your questions.

**Robinder Singh**

Thank you very much gentlemen. Marine, we can now open up the call for questions please.

**Question and Answer Session**

**Operator**

Ladies and gentlemen, if you wish to ask a question, please press 01 on your telephone keypad. Thank you for holding until we have the first question. We have a question from Simon Tan, Irox Capital.

**Simon Tan**

I have a couple of questions I guess, surrounding certain trade receivables in Egypt and Kurdistan. I guess, with regard to Egypt, I guess right now you're selling all the hydrocarbons to Egypt, is there any alternative route? Can you sell it to someone else or are you pretty much committed to selling all your production to the Government? Just kind of wondering whether there has been any kind of progress made on recovering the rest of the receivables, other than the \$53 million that was announced.

**Mark Fenton**

Indeed, our concession agreement says that all the hydrocarbons we produce are sold to the Egyptian Government, that is what our concession agreement says, and the fact that they haven't been fully paying our invoices has resulted in our receivables balance growing over the last two years.

Your question is right on the money, because in fact, in the last couple of months, the government has actually approached us and suggested some ideas, some practical ways of tweaking the concession agreement, whereby we will have the opportunity to deal with our hydrocarbons in a different way, such that the receivables balance can be reduced.

Obviously, this sort of arrangement would require a special agreement with the government, but having said that, the idea came from the Government in the first place. Suffice to say that we're currently involved in discussions with the Government on a practical solution to this, very much along the lines of the intent of your question.

**Simon Tan**

Got you, and do you have a kind of rough idea of when agreement can be reached or is this a matter of weeks or months, or is it likely to drag on for a while. Just curious on the timeline.

**Mark Fenton**

I think the short answer to the question is as soon as possible, but one must recognise that we're dealing with multiple Government departments here, and also, this is a departure from the normal arrangements that the Government has with oil and gas companies. We expect that this will take a little bit of time to put in place, but we're very hopeful and we're certainly working hard on it.

**Simon Tan**

Got you, and on Kurdistan, I guess it looks like they have stopped paying the bills altogether. Is that basically in response to the arbitration filing? I guess, does that mean that they will stop paying for any production...they will basically stop paying until this arbitration panel has convened and come to a decision?

**Patrick Allman-Ward**

Simon let me answer that, it is Patrick here. The cessation in payments of the receivables in Kurdistan did coincide with the Company and its partners request for arbitration, so it is at the moment, coincidence. We have some information that indicates that there is a more deliberate intent behind that, but as you will appreciate, arbitration is subject to confidentiality and I obviously can't share anything in terms of details. We did however, and I can point to a disclosure that we made yesterday, which confirmed that the arbitral tribunal has now been formed and that the process is on-going.

**Simon Tan**

I guess, I mean, in terms of timeline, any idea on kind of...I guess, it probably won't be weeks, but just wondering if you have a sense for when this issue might be resolved.

**Patrick Allman-Ward**

Well, arbitration process as you know takes as long as an arbitration process takes, and we never know exactly how long that will be. We firmly believe that this process is a very clear one; it is about respect the contract and we therefore are hopeful that this can be dealt with in a very short timeframe indeed.

**Simon Tan**

All throughout, you will continue to be producing in Kurdistan, so I guess I am just kind of wondering, that basically just means that it is business as usual in Kurdistan and petroleum continuing to deliver hydrocarbons to KRG and basically continuing to bill them for the deliveries despite not receiving payment.

**Patrick Allman-Ward**

Absolutely, Simon. The operations continue uninterrupted and we continue to supply gas compensate and LPGs to the Government and we are committed to go on doing so.

**Simon Tan**

Right, and I guess I am just wondering, is it...in the end, would it be a cheaper more cost effective thing to stop production, or is business as usual kind of the most...that will engender the least cash burn?

**Operator**

We have a question from Montasser Khelifi from Quantum Investment Bank. Sir, please go ahead.

**Montasser Khelifi**

My question is regarding the conversion of the Sukuk. You said recently that about 20 million worth of Sukuk were converted in the first half of January. If I may ask, how much has been converted since then in the second part of the month, and also, my question is regarding the conversion in cash and using the cash settlement. Have you received any requests from Sukuk holders to convert directly in cash and what is the estimated amount for this conversion? Thank you.

**Azfar Aboobakar**

For the second batch, we have received 17.4 million of Sukuk conversion requests. The payment or cash or delivery of cash is really [adoption] of the Company, and the Company is currently processing on the basis of delivery of shares only.

**Montasser Khelifi**

Okay, there is no conversion in cash, only in shares?

**Azfar Aboobakar**

Yes, we are currently targeting that, delivery by shares.

**Montasser Khelifi**

Okay, thank you.

**Operator**

We have a question from Mark Woods. Sir, please go ahead.

**Mark Woods**

Hello, I would just like to ask a question about the Zora offshore gas field in the UAE. You're still to award a pipeline package and a package for the gas processing facility. I was just wondering whether you have made any agreements on these awards or when you expect to announce the award.

**Patrick Allman-Ward**

I can make a couple of comments on that. we are really on the verge of awarding a whole raft of contingent contracts, both for the pipeline package and for the onshore gas processing plant, and we are hopeful that we will be having those awards made towards the mid/end of February.

**Mark Woods**

Thank you.

**Operator**

We have a question from Ali Mustafa, Al Ramz Capital. Please go ahead.

**Ali Mustafa**

Hi, I want to ask about the royalty fees in Egypt. You said that the profits were affected by the royalty fees in Egypt, so if you can guide me how it is calculated, and my second question regarding the conversion price is at 0.75 and the par is at 1. Can you guide us how the accounting treatment between this difference will be treated? Is it a loss on the Company? This AED 0.25, how it is going to be accounted for?

Regarding the LPG loading bay in Kurdistan, you said that the Ministry is not offloading – is not taking LPG, if you can guide us when you expect they will get back to process and take the LPG from the Group.

Regarding Dana Gas, or the arbitration in the Kurdistan assets, the process and what is the correlation between this and your production in the region, in Kurdistan?

**Azfar Aboobakar**

The royalty in Egypt, and there are concessions, is the Government's share of production, so as the production increases, so does the Government's share of that production. Also, part of the royalty is linked to the CapEx we spend in Egypt and the total cost we incur in any year, so then the total cost is lower than the eligibility of the cost tool, then the differential is shared between the Government and ourselves, so you would expect that as production goes up, normally the royalty would go up, but also part of it is linked to the cost you incur.

**Azfar Aboobakar**

In respect to your second question, where the conversion has taken place at AED 0.75, what happens to the differential between the conversion and the par value of the shares?

**Ali Mustafa**

Yes.

**Azfar Aboobakar**

What would happen in terms of the accounting, we will record the share capital at AED 1, we will adjust the Sukuk liability at AED 0.75, and the balance will go to reserves, which has been created for the Sukuk conversion. You see on the details of the balance sheet, there is a reserve within this for the Sukuk conversion.



**Patrick Allman-Ward**

Yes, I will handle the next two, which is I think about the LPG loading bay and the last one about Kurdistan production. The volumes of LPG that have been lifted have been gradually increasing since the middle of the year, and that is for two reasons, one is that we are getting more trucks, which have been certified to come in and lift the LPGs. In fact, we have now achieved 254 tons per day of LPG offtake in quarter four. We are hopeful that the volumes of product will continue to rise in line with the increasing availability of trucks and of course, the increasing demand for LPG in the area.

With respect to production, I think I mentioned before, our production in Kurdistan is unaffected by the arbitration process. We continue to produce at our maximum rate for the asset in Kurdistan going forwards.

**Ali Mustafa**

And the [fuels] collections in Kurdistan, what is your view about it?

**Patrick Allman-Ward**

Well, that is part of the process that is undergoing discussion for the arbitration process, so I am afraid I cannot comment on that.

**Operator**

We have a question from Simon Tan, Irox Capital. Please go ahead.

**Simon Tan**

My final question just now is just on Kurdistan. I know you mentioned that it will be business as usual, but I was just wondering in terms of cash burn, whether it was a consideration for you, given that they're not paying, would it be easier to shut down production while this dispute is resolved, or whether that is not an option because the contract requires a certain level of performance?

**Patrick Allman-Ward**

Thank you, Simon. We have committed as partners to fulfil our side of our contractual obligations, irrespective of what happens and so we continue to produce according to our contractual obligations.

**Simon Tan**

Got you, thanks. Oh, and just one more question on Egypt, sorry I didn't quite catch the royalties point, but do I take it that because it is production linked, that the

royalties represent kind of barrels or delivery of gas to the government as opposed to cash payments.

**Robinder Singh**

That is correct.

**Simon Tan**

Okay, got you, thanks.

**Operator**

We have a question from Dinesh Saboo, Copal Amba. Sir, please go ahead.

**Dinesh Saboo**

Hi, I have two questions mainly on Egypt business. The first question is on the pricing negotiation in terms of the natural gas prices, so as I understand, pricing is right now fixed, but I assume that there is a possibility of negotiations with the Government on the pricing part. Is the Management looking at this as an option, or is it possible sometime soon, maybe over the next one-year or so. This is the first question.

The second question is on the capacity debottlenecking wherein we are seeing that the capacity will increase, so just wanted to know more on the timelines as to when are we expecting the increase in capacity.

**Patrick Allman-Ward**

Thanks, I will handle the first part of the question and then I will hand over to Mark to perhaps provide a little bit more detail about the debottlenecking project.

With respect to pricing negotiations, the concession agreement that we have specified a price that is contractually determined, and so there are no current negotiations on-going with respect to renegotiating price for the domestic market.

Having said that, as you are probably aware, in Egypt, over the course of the last few years, there has been an increase in prices that the Government has been charging to its end users in Egypt, which is being segregated on a sector-by-sector basis. The Government is charging increased prices for the gas to the end consumers, but currently for onshore gas in any case, there are no negotiations on going with respect to revising the gas pricing mechanism.

Having said that, there have been press releases that when it comes to expensive offshore gas that the Government will consider developments on a case-by-case basis, and clearly it is in the interests of the Egyptian Government and the Egyptian

people to bring more expensive sources of gas in the offshore, in the deep-water into production, and it is recognised that that will require higher gas prices that are currently envisaged in most of the gas price contracts in Egypt.

I will Mark, perhaps, address the second question around providing a bit more information about the debottlenecking of the El Wastani plant.

**Dr Mark Fenton**

Sure, thanks, Patrick. The El Wastani plant has an official capacity of approximately 160 MMSCFD, and we have had planned for quite some time now to increase the capacity of the field. We intend to increase the capacity of the field in the coming months and the short-term, and that will take the capacity of the field up to around 200 MMSCFPD. There is lots involved – engineering work involved in that sort of debottlenecking effort. Suffice to say that we have had a very experienced engineering team preparing for this for a while, and it is coming up in the short-term.

**Dinesh Saboo**

Okay, I just have a last question, if you could please answer that is on the UAE business. I understand on the UAE business, you have been – the current guidance of around 40 starting from 2015, but I understand the previous guidance was around 50-60 in terms of the total production. I just wanted to understand, has something happened so that the guidance has gone down, or are we not considering any particular penetration or wells or something like that, so could you please clarify that?

**Patrick Allman-Ward**

Yes, Patrick here, I can help you with that. The reserves have not gone down significantly, so the reserves base remains the same. However, some optimisation of the production profiles were carried out and the choice was made to run with lower production volumes for a longer plateau period, so at the end of the day, the total area under the curve, the total volumes produced will be the same, but we have chosen to plateau the production for a longer period of time.

**Dinesh Saboo**

Sure, all right, thanks for answering.

**Operator**

We have no other questions. Thank you.

**Robinder Singh**

All right, thank you. If there are indeed no other questions, then thank you everybody for attending the call. As mentioned earlier, we have loaded the presentation that we made earlier and of course the transcript will also be available, and as always, we are available, should you need to reach out, please feel free to write to me or call me and we will be happy to take your questions going forward, and thank you again, and we wish you all the best for 2014.

**Operator**

Ladies and gentlemen, this concludes the conference call. Thank you all for your participation. You may now disconnect.