DANA GAS PJSC
Report of the Directors

The Board of Directors of Dana Gas ("Dana Gas" or the "Company") are pleased to announce the consolidated financial results of the Company, its subsidiaries and joint arrangements (together referred to as the "Group") for the period ended 31 March 2019.

Principal Activities

Dana Gas was incorporated in the Emirate of Sharjah ("Sharjah"), United Arab Emirates, as a public joint stock company on 20 November 2005 pursuant to incorporation decree number 429/2005 issued by the Ministry of Economy.

Dana Gas is the Middle East's first and largest private sector natural gas company. The Group currently operates in the MENASA (Middle East, North Africa & South Asia) Region across the natural gas value chain; from exploration and production, through gas processing and transportation, to the distribution, marketing and utilisation of gas as feedstock and fuel to the petrochemical, industrial and the power sectors. Since its establishment, the Company has grown to be a regional natural gas Company with presence in the United Arab Emirates, Egypt, and the Kurdistan Region of Iraq (KRI) and headquartered in Sharjah, United Arab Emirates.

Results for the quarter ended 31 March 2019

During the quarter ended 31 March 2019, the Company earned gross revenues of USD 119 million (AED 436 million) as compared to USD 120 million (AED 440 million) in the first quarter of 2018, a decrease of 1% reflecting decrease in realised hydrocarbon prices during the quarter partly offset by increased production in Kurdistan. Realised prices were lower by 12 % in Q1 2019 and eroded USD 8 million (AED 29 million) of the topline. Increase in production in Kurdistan added USD 14 million (AED 51 million) to the topline which was partly offset by production decline in Egypt and Zora. Realised prices averaged USD 49/bbl for condensate and USD 33/boe for LPG compared to USD 57/bbl and USD 33/boe respectively in Q1 2018.

The Group's share of production for the first 90 days was 6.18 million barrels of oil equivalent [68,700 barrels of oil equivalent per day ("boepd")], an increase of 6% compared to corresponding quarter production of 5.85 million boe (65,000 boepd). The first quarter production increase was led by Kurdistan, which leapt to 32,750 boepd in Q1 2019 from 26,300 boepd in Q1 2018. This increase was principally due to additional production from the completed debottlenecking project that came on-stream in October 2018 and took gas production in Kurdistan from 300 MMscfd to circa. 400 MMscfd, an increase of over 30%. However this increase was partly offset by production decline in Egypt and Zora which were down by 7% and 25%, respectively.

The Group achieved a net profit after tax of USD 35 million (AED 128 million) as compared to USD 14 million (AED 51 million) in Q1 2018, an increase of 150%. The increase in profitability was mainly due to lower finance cost following restructuring of the Sukuk in 2018 and higher other income.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") in Q1 2019 was USD 68 million (AED 249 million) compared to USD 71 million (AED 259 million) in Q1 2018. Prior period EBITDA included USD 13 million (AED 47 million) pertaining to reversal of accruals made by Pearl for certain operating charges. Excluding this, EBITDA for Q1 2019 would have been higher by USD 10 million (AED 37 million).

Liquidity and Financial Resources

Cash and bank balance at period end stood at USD 442 million (AED 1,620 million), an increase of 9% compare to year-end balance of USD 407 million (AED 1,492 million). The increase in cash balance was mainly due to higher level of collection and lower level of expenditure during the period. The Group collected a total of USD 63 million (AED 231 million) during the period with Egypt, KRI and U.A.E. contributing USD 21 million (AED 77 million), USD 39 million (AED 143 million) and USD 3 million (AED 11 million), respectively.

Sukuk

On 13 May 2018, the Company announced agreement with the Ad-Hoc committee of the Sukukholders ("the AHC") on terms and conditions of an offer for the restructuring and refinancing of its Sukuk Al-Mudarabah, the nominal value of which on 31 October 2017 was USD 700 million. Sukukholders representing in excess of 52% of the aggregate amount of the existing Exchangeable Certificates and in excess of 30% of the existing Ordinary Certificates entered into a binding lock-up and standstill agreement with the Company in connection with the mutually agreed proposed restructuring.

The salient features of the agreement were as follows:

- For holders wishing to exit their principal; an opportunity to tender their claims at 90.5¢ per $1 of the face value of their holdings, which included an early participation fee of 2.5¢ (if elections were received within 7 days from the date of launch of the Tender Offer and Consent Solicitation process).
- For holders electing to receive a partial pay down and exchange into a new instrument; a path to full recovery including a significant repurchase obligation at par with respect to the new certificates. Such holders also received arrears of profit distribution as per the Existing Certificates until 31 October 2017, and a 4% profit rate (see below) from 1 November 2017 until closing of the transaction. For elections received within 7 days from the date of launch of the Tender Offer and Consent Solicitation process, holders received an early participation fee of 2.5¢
- The new certificates were constituted as a Wakala Sukuk instrument (based on an underlying Ijara and deferred payment obligation structure) with a 4% profit rate and 3 year tenor.

The Company and members of the AHC involved in litigation also entered into a Litigation Dismissal Agreement that provided a mechanism for the disposal of all pending litigation and a release of certain claims.

Dana Gas launched the Tender offer and Consent Solicitation / Exchange offer on 22 May 2018 to consider approval for the terms and conditions of an offer for the restructuring and refinancing of its Sukuk Al-Mudarabah. The transaction was approved by the Sukukholders in a meeting on 13 June 2018. Also, Dana Gas issued an invitation to its Shareholders to attend the General Assembly to consider and approve issuance of the new Sukuk to replace the existing Sukuk, issued in May 2013, through a special issue to the holders of the existing Sukuk up to USD 560 million for 3 years with 4% profit rate per annum and to approve dismissal of all Sukuk litigation.

On 21 June 2018, the shareholders voted unanimously in favor of the consensual restructuring of USD 700 million Sukuk al-Mudarabah. The Transaction was completed on 13 August 2018 and the new Sukuk is now listed on Euronext Dublin (previously known as "Irish Stock Exchange").

All legal proceedings were completely brought to an end by the parties to the Sukuk litigation in all jurisdictions. The discontinuance in both the UK and UAE courts was agreed by all the parties following the consensual agreement to restructure the Sukuk reached in May 2018.

The Company paid USD 235 million (AED 861 million) on redemptions, profit payments and early participation fees. The size of new Sukuk reduced to USD 530 million (AED 1,943 million). It has a three-year life, maturing in October 2020 and a new profit rate of 4% per annum.

During 2018, the Company bought back Sukuk amounting to USD 126 million (nominal value).

During the period, the Company bought back additional Sukuk amounting to USD 7 million (nominal value), thereby reducing the outstanding Sukuk to USD 397 million. All bought back Sukuk have been cancelled as per the terms and conditions. The outcome is that Dana Gas has now satisfied its obligations such that it will continue to pay a profit rate of 4% until maturity of the Sukuk at the end of October 2020.

Business Update

In line with its outlined strategy, the Dana Gas Group continues to focus on maximising the value of its existing hydrocarbon assets and projects, while pursuing growth through a strategy of organic exploration opportunities in its heartland areas and executing new business development in the upstream and midstream value chains. The Company continues to balance its capital expenditure with the available sources of cash to ensure it maintains a robust financial position.

Reserves & Resources

(a) Dana Gas Egypt

Gaffney, Cline & Associates (GCA), a leading advisory firm carried out an independent evaluation of Dana Gas Egypt's hydrocarbon reserves as at 31 December 2018. Following this review, the Group's gross proved reserves (1P) as at 31 December 2018 were assessed at 54 MMboe (31 December 2017: 75 MMboe). The gross proved and probable reserves (2P) as at 31 December 2018 were estimated at 89 MMboe (31 December 2017: 117 MMboe) and the gross proved, probable and possible reserves (3P) as at 31 December 2018 were estimated to be 134 MMboe (31 December 2017: 160 MMboe). The decrease in reserves was on account of production during the year, which was not replaced and downgrade of reserves for early water production in two fields and poor production performance from one of the fields.

(b) Pearl Petroleum Company Limited

As reported previously, Dana Gas and Crescent Petroleum, joint operators of Pearl Petroleum Company Limited ("PPCL"), estimates that the P50 total geologically risked[1] resources of petroleum initially in-place (PIIP) of the Khor Mor and Chemchemal Fields at 75 Tscf (of wet gas) and 7 billion barrels of oil.

PPCL appointed Gaffney Cline Associates ("GCA"), to carry out a certification of the reserves for these fields as at 31 December 2015 based on a comprehensive data set comprising ca. 1200 km 2D seismic, the 11 wells drilled in the two fields to date plus field production data over a period of seven years.

In their report dated April 2016, GCA provide the following reserves estimates for both fields[2]:

- Proved plus Probable (2P) gas and condensate reserves for Khor Mor are 8.5 Tscf and 191 MMbbl respectively of which Dana Gas' 35% share equates to 3 Tscf of dry gas and 67 MMbbl of condensate.
- For Chemchemal, Proved plus Probable (2P) gas and condensate reserves are 6.6 Tscf and 119 MMbbl respectively, with Dana Gas' 35% share being 2.3 Tscf of dry gas and 42 MMbbl of condensate.

The above figures are based on data from 2 of the 12 defined compartments in the Khor Mor Field and 1 of the 3 compartments in the Chemchemal Field. Total Dana Gas share of the Khor Mor and Chemchemal 2P reserves is therefore 5.3 Tcf gas and 109 MMbbls condensate, equivalent to 990 MMboe.

The balance between these 2P reserves figures and the joint operator's estimated risked initially in place (gas and oil) resources (PIIP) are classified as Contingent Resources[3] and Prospective Resources[4].

GCA's report confirms Dana Gas' and Crescent Petroleum's belief that Khor Mor and Chemchemal have the potential to be the largest gas fields in the KRI and indeed in the whole of Iraq and thus makes them world class assets.

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[1] Risked PIIP figures have been calculated by means of a stochastic aggregation using GeoX software with risk factors accounting for geological uncertainties calibrated by surrounding producing oil and/or gas fields.
[2] The reported hydrocarbon volumes are estimates based on professional judgment and are subject to future revisions, upwards or downwards, as a result of future operations or as additional information becomes available.
[3] Those quantities of petroleum estimated to be potentially recoverable but not yet considered mature enough for commercial development due to one or more contingencies.
[4] Those quantities of petroleum estimated to be potentially recoverable from undiscovered accumulations by future development projects.

Reserves & Resources (continued)

(c) Sharjah Western Offshore – Zora Field

Gaffney, Cline & Associates carried out an independent evaluation of Sharjah Western Offshore concession – Zora Field's hydrocarbon reserves as on 31 December 2018. Zora field has seen a continuous decline in its output and no further intervention is economically viable to increase production. Following GCA review, the Group's gross proved reserves (1P) as at 31 December 2018 were assessed at Nil (31 December 2017: 8 MMboe). The gross proved and probable reserves (2P) as at 31 December 2018 were estimated to be 1 MMboe (31 December 2017: 24 MMboe) and the gross proved, probable and possible reserves (3P) as at 31 December 2018 were estimated to be 2 MMboe (31 December 2017: 61 MMboe). The sharp decline is due to reclassification of 2P reserves to contingent resources (2C).

E&P Operations

a) Egypt E&P Operations

The Company production in Egypt for the first 90 days of operations in 2019 was 3.09 MMboe i.e. averaging 34,300 boepd (March 2018: 3.3 MMboe i.e. averaging 36,800 boepd) a decrease of 7% over the corresponding period. The decline in production was mainly due to natural decline in fields and increase of formation water production from Balsam 3 and 5 wells. The decline was partly offset by startup of production from Balsam-8 in quarter 4 2018, adding over 5,500 boepd of gas and condensate. The Company is all set to drill an offshore well in its first offshore block in Egypt. The block has three prospects, each with multiple TCF potential, the first of these being the Merak prospect. Plans are afoot to commence drilling of the Merak well in the first half of 2019.

In Egypt, the Company collected USD 21 million (AED 77 million) during the period and hence realized 70% of the quarter's revenue. Out of the total, USD 11 million (AED 40 million) was received in US Dollars and USD 10 million (AED 37 million) in equivalent Egyptian pounds. During the period, the Company exported 1 cargo of condensate with average cargo volume of 157,450 barrels and collected an amount of USD 9 million (AED 33 million). At year end, the trade receivable balance stood at USD 149 million (AED 546 million) as compared to USD 140 million (AED 513 million) at year end.

b) Pearl Petroleum Company Limited (KRI) E&P Operations

Dana Gas's share (35%) of gross production in the KRI for first 90 days of operations in 2019 was 2.9 MMboe, i.e. averaging 32,750 boe per day (Q1 2018 – DG Share 35%: 2.4 MMboe, averaging 26,300 boe per day), an increase of 24% when compared with corresponding period. The increase in production was due to completion of debottlenecking project in quarter four of 2018.

Dana Gas share of collections for the period stood at USD 39 million (AED 143 million) and hence realised 98% of the quarter's revenue. At period end, Dana Gas' 35% share of trade receivable balance stood at USD 19 million (AED 70 million) and represents amounts due against local sales for the month of March 2019.

Pearl is proceeding with the development of two world-class gas fields with in-place volumes of approximately 75 trillion cubic feet of wet gas and 7 billions bbls of oil. Pearl has begun a multi well drilling programme at Khor Mor and Chemchemal, with expansion plans to progress and grow gas production by a further 500 MMscfd and liquids production by a further 20,000 bblpd over the coming three years. Drilling results are due to start coming through in the first half of 2019 and could provide the hard information needed to justify a significant reserves upgrade and potential for further development and production.

During the period, on 19 February 2019, Pearl Petroleum signed a new twenty year Gas Sales Agreement (GSA) with the Kurdistan Regional Government to enable production and sales of an additional 250 MMscf/day that Pearl aims to produce by 2021 as part of its expansion plans in the KRI in order to boost much needed domestic electricity generation.

E&P Operations (continued)

c) Zora Gas Field

The Zora gas field lies partly in the Sharjah Western Offshore Concession area and extends into the adjacent Ajman Concession area with approximately 50% of the volume on each side as agreed under the initial unitization agreement. The field produces slightly sour gas via an unmanned platform in approximately 24 meters of water depth located about 33km offshore. The platform is connected by means of 12" subsea and onshore pipeline system to a gas processing plant located within Sharjah Hamriyah Free Zone.

The gas plant has been in continuous production since 28 February 2016, currently delivering approximately 6 mmscfd sales gas to Sharjah power station and producing 50 bbl/day of condensate. Production from the Zora field averaged 1,050 boepd in Q1 2019 (Q1 2018: 1,400 boepd). Zora field has seen a continuous decline in its output and no further intervention is economically viable to increase production. The Company anticipates that the production will stop sometime in 2019 and following reclassification of reserves to contingent resources by GCA, the Company has written off the entire book value of Zora assets in 2018.

During the period, collections stood at USD 3 million (AED 11 million). At period end, the trade receivable balance stood at USD 1 million (AED 4 million) (31 December 2018: USD 1 million / AED 4 million).

UAE Gas Project

The UAE Gas Project to process and transport imported gas continues to await the commencement of gas supplies from the National Iranian Oil Company ("NIOC") to Crescent Petroleum. Dana Gas has a 35% interest in Crescent National Gas Corporation Limited (CNGCL) which is entitled to market the gas and owns 100% of Saj Gas and UGTC, the entities that own the offshore riser platform, the offshore and onshore pipelines and the sour gas processing plant.

For further updates see "Arbitration Cases".

Egypt Gulf of Suez – Gas Liquids Extraction Plant

The Company, through its subsidiary Danagaz Bahrain, is a 26.4% owner (effective) in Egyptian Bahraini Gas Derivative Company (Joint Venture) that has built, owns and operates a Natural Gas Liquids Extraction Plant in Egypt in partnership with the Egyptian National Gas Company (EGAS) and the Arab Petroleum Investments Corporation (APICORP). The plant has a capacity to process 150 mmscf/d of gas and has produced 1,950 boepd of propane (DG Share 26.4%: 515 boepd) and 391 boepd of butane (DG Share 26.4%: 103 boepd) during the period.

Arbitration Cases

a) The Gas Sales & Purchase Contract between Dana Gas' partner Crescent Petroleum and the National Iranian Oil Company (NIOC) for the supply of gas to the UAE has been the subject of international arbitration since June 2009. In August 2014, Dana Gas was notified by Crescent Petroleum that the Arbitral Tribunal has issued a Final Award on the merits, determining that the 25-year Contract between it and NIOC is valid and binding upon the parties, and that NIOC has been in breach of its contractual obligation to deliver gas under the Contract since December 2005.

   On 18 July 2016, the English High Court finally dismissed the National Iranian Oil Company ('NIOC's) remaining grounds of appeal against the 2014 arbitration award. The 2014 arbitration award found in favour of Dana Gas' partner Crescent Petroleum and Crescent Gas Corporation Limited on all issues. NIOC appealed the 2014 arbitration award to the English High Court. Most of the grounds of appeal were previously heard and dismissed by the Court in March 2016. The finalisation of the appeal in July 2016 confirms that the 2014 award is final and binding and that NIOC has been in breach of its gas supply obligations since 2005.

   Crescent Petroleum has informed Dana Gas that the final hearing of the remedies phase against NIOC for non-performance of the contract (including claims for damages and indemnities for third party claims up to 2014) took place in November 2016. The final award on damages for the period 2005 to 2014 is awaited from the Tribunal, and in the meantime Dana Gas has been informed that Crescent Petroleum has commenced a second arbitration with a new Tribunal, to address the claims for damages from 2014 until the end of the contract period in 2030.

b) The Company, together with Crescent Petroleum, commenced arbitration proceedings against MOL Group ('MOL') on 20 September 2017 arising out of MOL's conduct as a 10% shareholder in Pearl Petroleum relating to the settlement of the arbitration with the KRG.

   On 30 August 2017, the Company announced settlement of the long running dispute between itself, Crescent Petroleum and Pearl Petroleum Company Limited ("Pearl") and the Kurdistan Regional Government of Iraq (the "KRG") on beneficial terms which paved the way for immediate development of world class resources in Khor Mor and Chemchemal to maximise their potential for mutual benefit as well as the benefit of the people of the Kurdistan Region and all of Iraq.

   The Settlement Agreement with the KRG was welcomed and endorsed by Dana Gas, Crescent Petroleum, OMV and RWE, together holding 90% of the shares of Pearl Petroleum. MOL (a 10% shareholder of Pearl) unreasonably sought to link its endorsement of the settlement to a renegotiation of the terms by which it first secured its participation in Pearl back in May 2009 (namely its commitment to certain contingent payments) and now complains about Dana Gas and Crescent Petroleum for their handling of the settlement alongside Pearl, expressing dissatisfaction with the outcome as compared to the alternative of pursuing a final litigation and enforcement outcome against the KRG. MOL has issued a default notice under the terms of the Pearl Petroleum shareholders agreement alleging that the actions of Dana Gas and Crescent Petroleum in concluding the Settlement Agreement amounts to a breach of the Pearl Petroleum shareholders agreement.

   Dana Gas and Crescent Petroleum reject the allegations and the default notice, and have been forced to initiate arbitration in The London Court of International Arbitration in order to obtain a formal declarations to resolve these matters. The hearing of these matters took place in London over a three week period commencing on 26 November 2018. The Tribunal's decision is expected during 1H 2019.

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Dividend

Subsequent to the period end, at the General Assembly of the Company held on 17 April 2019, the shareholders approved a cash dividend of AED 0.055 per share for 2018 (2017: AED 0.05 per share)

Directors
H.H. Sheikh Ahmed Bin Sultan Al-Qasimi, Honorary Chairman

1. Mr. Hamid Dhiya Jafar, Chairman
2. Mr. Rashid Saif Al-Jarwan, Deputy Chairman
3. Mr. Abdullah Ali Al Majdouie
4. Mr. Hani Abdulaziz Hussein
5. Mr. Jassim MohamadRafi Alseddiqi
6. Mr. Majid Hamid Jafar
7. Mr. Nureddin Sehweil
8. Mr. Said Arrata
9. Mr. Shaheen Al-Muhairi
10. Mr. Varoujan Nerguizian
11. Mr. Ziad Abdulla Ibrahim Galadari

Auditors

The Company auditors, Ernst & Young, have issued their review report on the interim condensed consolidated financial statements of the Group.

On behalf of the Board of Directors

Director

06 May 2019