DANA GAS PJSC
Report of the Directors

The Board of Directors of Dana Gas ("Dana Gas" or the "Company") are pleased to announce the interim consolidated financial results of the Company, its subsidiaries and joint arrangements (together referred to as the "Group") for the three months and nine months periods ended 30 September 2020.

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 nine months of 2020 – Including discontinued operations
During the nine months of 2020 (the "period") the Company earned gross revenues of USD 262 million (AED 960 million) as compared to USD 357 million (AED 1,309 million) in the nine months of 2019. The decrease in revenue was due to lower realized prices during the period together with decrease in production in Egypt. Realised prices during the nine months were lower by 31% and impacted the topline by USD 69 million (AED 253 million), whilst reduced production in Egypt negatively impacted the topline by USD 26 million (AED 95 million) Realised prices averaged USD 30/bbl for condensate and USD 28/boe for LPG compared to USD 50/bbl and USD 33/boe respectively in 9M 2019.

The Group share of production was 17.2 million barrels of oil equivalent or 63,000 barrels of oil equivalent per day ("boepd"), a reduction of 6% compared to corresponding period production of 18.3 million boe (67,100 boepd).

The Group reported a net loss after tax of USD 379 million (AED 1,390 million) as compared to a profit of USD 142 million (AED 521 million) in the nine months of 2019. Following the sharp decline in oil prices and the associated negative economic effects as a result of the Covid-19 pandemic, the Group recognized a non cash impairment of USD 243 million (AED 891 million) in respect of Egyptian assets and a further impairment of USD 163 million (AED 597 million) in respect of goodwill following sale of the Company's onshore assets in Egypt. Excluding the impairments, the Group's net profit for the period is USD 31 million (AED 113 million) as compared to an adjusted net profit (excluding exceptional income & impairment) of USD 69 million (AED 254 million) in nine months 2019. The decrease in net profit during the period was mainly due to lower realised prices.

Net profit from continued operations during the nine month period was USD 29 million (AED106 million) which reflects the strong underlying operating performance.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") from operations in 9M 2020 decreased to USD 110 million (AED 403 million) down 63% from USD 295 million (AED 1,081 million) in 9M 2019.

Results for quarter ended 30 September 2020 – Including discontinued operations
During the quarter ended 30 September 2020, the Company earned gross revenues of USD 81 million (AED 296 million) as compared to USD 115 million (AED 422 million) in the third quarter of 2019, a decrease of 30% reflecting sharp decline in realized prices during the period. Realised prices during the current period remained lower by 36% and impacted the topline by USD 28 million (AED 103 million). Realised price averaged USD 28/bbl for condensate and USD 25/boe for LPG compared to USD 47/bbl and USD 33/boe respectively in Q3 2019.

Results for quarter ended 30 September 2020 – including discontinued operations (continued)
The Group's share of production for the 92 days was 5.77 million barrels of oil equivalent or 62,750 barrels of oil equivalent per day ("boepd"), a decrease of 3% compared to corresponding quarter production of 6.0 million boe (64,650 boepd).

The Group reported a net loss after tax of USD 360 million (AED 1,321 million) for Q3 2020 as compared to a net profit of USD 2 million (AED 8 million) in Q3 2019. During the quarter, an impairment of USD 373 million (AED 1,368 million) was recognised. Excluding this impairment, the Group reported a net profit of USD 13 million (AED 47 million) as compared to an adjusted net profit (excluding exceptional income & impairment) of USD 17 million (AED 63 million) in quarter 3 2019. This decline in net profit was mainly due to lower realised prices as explained above.

Net profit from continued operations during the quarter was USD 13 million (AED 47 million).

Earnings before interest, tax, depreciation and amortisation ("EBITDA") in Q3 2020 decreased to USD 33 million (AED 121 million) down 63% from USD 90 million (AED 331 million) in Q3 2019.

Discontinued operations
The Company announced on 25 October 2020 that it has entered into a binding agreement with IPR Wastani Petroleum Ltd, a member of the IPR Energy Group ("IPR") for the sale of its onshore Egyptian producing oil and gas assets for a consideration of up to USD 236 million including contingent payments. Under the terms of the sale, the consideration comprises (i) a base cash consideration of USD 153 million, including the net working capital associated with the assets and before any closing adjustments, and (ii) contingent payments of up to USD 83 million subject to average Brent prices and production performance between 2020-2023 as well as realization of potential third party business opportunities. Upon closing, the base consideration will be adjusted by the collections received and payments made by the Company during the intervening period between the economic date and the closing date.

The perimeter of the transaction includes Dana Gas' 100% working interests in the El Manzala, West El Manzala, West El Qantara and North El Salhiya onshore concessions and associated development leases. These assets produced 30,500 boepd and 29,600 in 9M and 3M 2020, respectively. The assets reported an operational loss before impairment of USD 2 million (AED 7 million) and USD 1 million (AED 4 million) in nine months and quarter ended 30 September 2020 as compared to a net profit before impairment of USD 12 million (AED 45 million) and USD 1 million (AED 4 million) in nine months and quarter ended 30 September 2019, respectively.

All the assets and liabilities directly associated with these assets have been classified as held for sale at their fair values.

The transaction, which is subject to a number of conditions precedent and to the Egyptian Ministry of Petroleum and Mineral Resources' approval, is currently expected to complete by early 2021.

Liquidity and Financial Resources
Cash and bank balance at period end stood at USD 299 million (AED 1,096 million), a decrease of 30% compare to year-end balance of USD 425 million (AED 1,558 million). Cash includes USD 36 million (AED 132 million) being 35% share of cash held at Pearl Petroleum.

The Group collected a total of USD 127 million (AED 466 million) during the period with Egypt and KRI contributing USD 53 million (AED 194 million) and USD 74 million (AED 271 million), respectively. During the year the Company paid a dividend of USD 104 million (AED 383 million) and bought back Sukuk amounting to USD 88.5 million – nominal value (AED 324 million). Subsequent to period end, the Group on maturity of its Sukuk redeemed the full outstanding amount of USD 309 million (AED 1,133 million) through internal cash resources and USD 90 million credit facility from Mashreq bank. Following this payment, the Group had cash and bank balance of USD 98 million as of 31 October 2020 including USD 35 million held at Pearl Petroleum.

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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 our heartland areas and new business development in the upstream and midstream value chains. We continue to balance our capital expenditure with the available sources of cash to ensure we maintain a robust financial position.

Reserves & Resources

(a) 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 15 May 2019. The certification is based on the earlier work carried by GCA but updated to take into account the current understanding of the field, production data and incorporating the recent appraisal well drilling and test results.

In their report, GCA estimates the following reserves:

Khor Mor
- Proved plus probable (2P) gas, condensate and LPG reserves are 6.9 Tscf, 173 MMbbl and 18 MMt, respectively, of which Dana Gas' 35% share equates to 2.4 Tscf of dry gas, 61 MMbbl of condensate and 6 MMt of LPG.
- Proved plus probable (2P) oil reserves of 51.3 MMbbl of which Dana Gas' 35% share equates to 18 MMbbl

Chemchemal
- Proved plus probable (2P) gas, condensate and LPG reserves are 5.7 Tscf, 215 MMbbl and 20 MMt, respectively, of which Dana Gas' 35% share equates to 2 Tscf of dry gas, 75 MMbbl of condensate and 7 MMt of LPG.

Dana's share of the proved plus probable (2P) hydrocarbon reserves have increased by 10% following the recent certification of reserves. Management's estimate of the total share of Dana Gas is equivalent to 1,087 MMboe, up from 990 MMboe when GCA first certified the field in April 2016. This confirms that the fields located in the KRI could be the biggest gas fields in the whole of Iraq.

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[2] and Prospective Resources[3].

(b) 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 2019. Following this review, the Group's gross proved reserves (1P) as at 31 December 2019 were assessed at 49 MMboe (31 December 2018: 54 MMboe). The gross proved and probable reserves (2P) as at 31 December 2019 were estimated at 73 MMboe (31 December 2018: 89 MMboe) and the gross proved, probable and possible reserves (3P) as at 31 December 2019 were estimated to be 106 MMboe (31 December 2018: 134 MMboe). The decrease in reserves was on account of production during the year, which was not replaced.

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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] Those quantities of petroleum estimated to be potentially recoverable but not yet considered mature enough for commercial development due to one or more contingencies.
[3] Those quantities of petroleum estimated to be potentially recoverable from undiscovered accumulations by future development projects.

E&P Operations

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

Dana Gas's share (35%) of gross production in the KRI for the 92 days of operations in Q3 2020 was 2.98 MMboe, i.e. averaging 32,400 boe per day (Q3 2019 – DG Share 35%: 2.8 MMboe, averaging 30,500 boe per day), an increase of 6% when compared with corresponding period.

Dana Gas share of collections for the period stood at USD 74 million (AED 271 million) and hence realised 81% of the period's revenue. At period end, Dana Gas' 35% share of trade receivable balance stood at USD 40 million (AED 147 million) as compared to USD 24 million (AED 88 million) at year end.

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 billion bbls of oil. During the period, Pearl appointed an engineering, procurement and construction ('EPC') contractor for the first of two 250 MMscf/d gas processing trains planned at Khor Mor gas processing plant. The appointment of a contractor follows final approval by the Ministry of Natural Resources of the Kurdistan Regional Government, which oversees the project. The contract award marks a key milestone in Pearl Petroleum's long-term expansion plan. The implementation of the first 250 MMscfd gas processing train was planned to be carried out with first gas by Q1-2022. The second phase will take total production to 900 MMscfd.

As a result of the impacts of COVID 19 on business operations across the world and KRI and specifically for (a) supply chain for EPC contract and (b) local site access for construction preparatory works due to flight and other disruptions, the contractor has declared Force Majeure with respect to the execution of the project timeline under the terms of the EPC contract. Pearl has replicated Force Majeure similarly to the KRG pursuant to the terms of the GSA signed in 2019. The EPC contractor has assured Pearl that it is committed to the EPC project and is taking all commercially reasonable steps to mitigate the impact of COVID 19 on the project.

b) Egypt E&P Operations – Discontinued operations

The Company production in Egypt for the 92 days of operations in Q3 2020 was 2.7 MMboe i.e. averaging 29,600 boepd (September 2019: 3.0 MMboe i.e. averaging 32,500 boepd) a decrease of 9% over the corresponding period. The decline in production was mainly due to natural decline in fields and increase of formation water production from some wells of Balsam field. The decline was partially compensated by implementing wells workover and production optimization activities at fields and plant level.

In Egypt, the Company collected a total USD 53 million (AED 194 million) during nine months of 2020 and hence realized 75% of the period's revenue. Out of the total, USD 26 million (AED 95 million) was received in US Dollars, USD 26 million (AED 95 million) in equivalent Egyptian pounds and USD 1 million in the form of offset against payables. During the period, the Company sold a total of 9 monthly shipments of incremental condensate to EGPC with average shipment volume of 100,000 bbls. Of the 9 shipments, 6 shipments were collected during the period with remaining 3 invoices collected subsequent to period end. At period end, the trade receivable balance stood at USD 128 million (AED 469 million) as compared to USD 111 million (AED 407 million) at year end.

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 to transport and process the gas.

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 1,996 boepd of propane (DG Share 26.4%: 527 boepd) and 425 boepd of butane (DG Share 26.4%: 112 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 NIOCs 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) MOL Earn Out payment arbitration: The Company, together with Crescent Petroleum, commenced arbitration proceedings against MOL Hungarian Oil and Gas Public Limited Company ('MOL') on 14 February 2020 arising out of MOL's attempts to avoid paying reserve based earn out payments to the Company and Crescent Petroleum arising out of the terms of the Sale and Purchase agreement entered into between the Parties in 2009, through which MOL acquired its 10% shareholding in Pearl Petroleum.

   The reserve based earn out payment obligations are the same obligations which MOL sought to illegitimately avoid in the 20 September 2017 arbitration against MOL.

   The arbitration will also address the separate and additional crude oil earn out payments arising out of the said 2009 Sale and Purchase agreement.

c) OMV Earn Out payment arbitration: The Company, together with Crescent Petroleum, commenced arbitration proceedings against OMV Upstream International GMBH ('OMV') on 14 February 2020 arising out of OMV's attempts to avoid paying reserve based earn out payments to the Company and Crescent Petroleum arising out of the terms of the Sale and Purchase agreement entered into between the Parties in 2009, through which OMV acquired its 10% shareholding in Pearl Petroleum.

Dividend

At the General Assembly of the Company held on 21 April 2020, the shareholders approved payment of a cash dividend of AED 0.055 per share for 2019 (2018: AED 0.055 per share).

Directors

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, PricewaterhouseCoopers, have issued their review report on the interim condensed consolidated financial information of the Group.

On behalf of the Board of Directors

Director
12 November 2020