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 three months and six months period ended 30 June 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 quarter ended 30 June 2019

During the quarter ended 30 June 2019, the Company earned gross revenues of USD 123 million (AED 451 million) as compared to USD 116 million (AED 425 million) in the second quarter of 2018, an increase of 6% reflecting increased production in Kurdistan partly offset by reduced realized prices during the period. Increase in production in Kurdistan added USD 14 million (AED 51 million) to the topline. Realised price averaged USD 53/bbl for condensate and USD 34/boe for LPG compared to USD 62/bbl and USD 34/boe respectively in Q2 2018. Realised prices were lower by 10 % in Q2 2019 and eroded USD 6 million (AED 22 million) of the topline

The Group's share of production for the 91 days was 6.16 million barrels of oil equivalent [67,700 barrels of oil equivalent per day ("boepd")], an increase of 8% compared to corresponding quarter production of 5.67 million boe (62,400 boepd). In Kurdistan Region of Iraq production increased to 32,100 boepd in Q2 2019 from 26,000 boepd in Q2 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 1% and 21% respectively.

The Group achieved a net profit after tax of USD 105 million (AED 385 million) as compared to USD 10 million (AED 37 million) in Q2 2018. The increase in net profit is mainly due to higher other income during the quarter following recognition of certain reserve based earn out entitlements and confined payments as financial assets at fair value through profit or loss. These are due from certain shareholders in Pearl Petroleum as considerations which were contingent upon proving up additional reserves in Pearl Petroleum. Excluding this recognition of financial asset, on a like-for-like basis, Group achieved a net profit after tax of USD 34 million (AED 125 million) as compared to USD 10 million (AED 37 million) in Q2 2018, an increase of 240%, reflecting strong operating performance. .

Earnings before interest, tax, depreciation and amortisation ("EBITDA") in Q2 2019 increased to USD 137 million (AED 502 million) from USD 51 million (AED 189 million) in Q2 2018.

Results for first half of 2019

During the first half of 2019 (the "period") the Company earned gross revenues of USD 242 million (AED 887 million) as compared to USD 236 million (AED 865 million) in the first half of 2018. This increase in revenue was due to increased production in Kurdistan Region of Iraq partly offset by lower realized prices. Realised prices averaged USD 51/bbl for condensate and USD 33/boe for LPG compared to USD 60/bbl and USD 34/boe respectively in 1H 2018.

Results for first half of 2019 (continued)

The Group achieved a net profit after tax of USD 140 million (AED 513 million) as compared to USD 24 million (AED 88 million) in the first half of 2018. The increase in net profit mainly due to higher other income as explained above and lower finance and other cost following successful restructuring of the Sukuk in 2018. Excluding this recognition of financial asset, Group achieved a net profit after tax of USD 69 million (AED 253 million) as compared to USD 24 million (AED 88 million) in 1H 2018. This increase of 187% in operating profit was mainly due to higher production in KRI, lower Sukuk & restructuring costs and higher other income.

Liquidity and Financial Resources

Cash and bank balance at period end stood at USD 404 million (AED 1,481 million), a decrease of 1% compare to year-end balance of USD 407 million (AED 1,492 million). The Group collected a total of USD 165 million (AED 605 million) during the period with Egypt, KRI and UAE contributing USD 81 million (AED 297 million), USD 80 million (AED 293 million) and USD 4 million (AED 15 million), respectively. During the quarter the Company paid a dividend of USD 105 million (AED 384 million).

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) 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 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 test results.

In their report, GCA estimates the following reserves:

[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.

Reserves & Resources (continued)

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 field 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].

E&P Operations

a) Egypt E&P Operations

The Company production in Egypt for the 91 days of operations in Q2 2019 was 3.09 MMboe i.e. averaging 33,950 boepd (June 2018: 3.1 MMboe i.e. averaging 34,400 boepd) a decrease of 1% over the corresponding period.

Subsequent to period end, the Company completed the drilling operations at its deepwater Merak-1 well, located in 755 meters of water in the North El Arish (Block 6) Concession. The well was drilled to a total depth of 3,890 meters and encountered 46 m of sand in the Miocene objective interval but did not encounter commercial hydrocarbons. The well is being plugged and abandoned. Drilling costs of the Merak-1 well are expected to be below budget and these costs will be written off in quarter three. The Block 6 Concession area contains at least three other independent prospects with material resource potential that are unaffected by the Merak-1 well result.

In Egypt, the Company collected a total USD 81 million (AED 297 million) during first half of 2019 and hence realized 140% of the period's revenue. Out of the total, USD 58 million (AED 213 million) was received in US Dollars, USD 20 million (AED 73 million) in equivalent Egyptian pounds and USD 3 million (AED 11 million) as offsets. During the period, the Company exported a total of 2 cargoes of condensate with average cargo volume of 157,000 barrels and collected an amount of USD 19 million (AED 70 million). At period end, the trade receivable balance stood at USD 117 million (AED 429 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 the 91 days of operations in Q2 2019 was 2.9 MMboe, i.e. averaging 32,100 boe per day (Q2 2018 – DG Share 35%: 2.4 MMboe, averaging 26,000 boe per day), an increase of 23% when compared with corresponding period. The increase in production was due to completion of debottlenecking project in quarter four of 2018.

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[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 (continued)

Dana Gas share of collections for the period stood at USD 80 million (AED 293 million) and hence realised 100% of the period'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 June 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.

Earlier in the year, Pearl Petroleum signed a 20-year gas sale agreement with the KRG that will facilitate the production and sale of an additional 250 MMscf/d of gas. Pearl's expansion plan will see output increase to 650 MMscf/d in 2022 and then to 900 MMscf/d by 2023 from the current 400 MMscf/d.

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 5.5 mmscfd sales gas to Sharjah power station and producing 50 bbl/day of condensate. Production from the Zora field averaged 950 boepd in Q2 2019 (Q2 2018: 1,200 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 4 million (AED 15 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 2,250 boepd of propane (DG Share 26.4%: 594 boepd) and 535 boepd of butane (DG Share 26.4%: 187 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) 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). MOL therefore complained about Dana Gas and Crescent Petroleum's handling of the settlement, expressing dissatisfaction with the outcome as compared to the alternative of pursuing a final litigation and enforcement outcome against the KRG. MOL then 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 amounted to a breach of the Pearl Petroleum shareholders agreement.

   Dana Gas and Crescent Petroleum rejected the allegations and the default notice, and were forced to initiate arbitration in The London Court of International Arbitration ('LCIA') 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 Company on 14 May 2019 received an award dated 10 May 2019 from the LCIA. The Tribunal's award is a welcome and complete vindication for Dana Gas and Crescent Petroleum ("claimant"), finding that they as Claimants were "overwhelmingly successful in this arbitration" and ruling in their favour on all key points while awarding 100% of their external legal costs.

   In dismissing all of MOL's claim and finding that the default notices issued by MOL were invalid, the Tribunal considered that MOL's focus on linking the waiver of its deferred payment obligations in exchange for endorsing the settlement was "illegitimate". MOL was also ordered to pay all the costs of the arbitration and 100% of the external legal costs of Dana Gas and Crescent within 30 days.

Dividend

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

On behalf of the Board of Directors

Director

07 August 2019