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 30 June 2016.

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 a regional natural gas Company with presence in the United Arab Emirates, Egypt, Bahrain, and the Kurdistan Region of Iraq (KRI) and headquartered in Sharjah, United Arab Emirates.

Results for quarter ended 30 June 2016

During the quarter ended 30 June 2016, the Company earned gross revenues of USD 96 million (AED 351 million) as compared to USD 116 million (AED 425 million) reported in the second quarter of 2015. This decline of USD 20 million (AED 74 million) in gross revenue was mainly due to a decline in hydrocarbon prices during the quarter.

The Group achieved a net profit after tax of USD 7 million (AED 26 million) similar to net profit reported in Q2 2015. The impact of decline in hydrocarbon prices was offset by interest income on overdue receivables of USD 14 million (AED 51 million), gain of USD 6 million (AED 22) on buyback of Sukuk and reversal of USD 12 million (AED 44 million) against provision for surplus over entitlement.

The Group's share of production for the 91 days was 6.0 million barrels of oil equivalent [66,650 barrels of oil equivalent per day ("boepd")], an increase of 1% compared to corresponding quarter production of 65,700 boepd. Increase in production was mainly due to higher production in Egypt and production from Zora field in U.A.E. This increase was partly offset by lower production in Kurdistan which reduced by 13% due to due to change in Group's interest in PPCL from 40% in Q2 2015 to 35% in Q2 2016 following disposal of a 5% interest in PPCL on 27 November 2015 to RWEST Middle East Holding BV.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") in Q2 2016 reduced to USD 41 million (AED 150 million) compared to USD 47 million (AED 171 million) in Q2 2015.

Results for first half of 2016

During the first half of 2016 (the "period") the Company earned gross revenues of USD 178 million (AED 652 million) as compared to USD 231 million (AED 847 million) in the corresponding period. This decrease in revenue was mainly due to sharp decline in hydrocarbon prices during the period which eroded USD 54 million (AED 198 million) off the top line coupled with lower production in Egypt and Kurdistan. This was partly offset by production from Zora field in U.A.E. which commenced production from February 2016.

The Group achieved a net profit after tax of USD 13 million (AED 48 million) as compared to USD 19 million (AED 69 million) in first half of 2015, a decline of 32% mainly due to reasons explained above. Optimisation of G&A and operating cost coupled with investment & finance income contributed positively to the bottom line.

Liquidity and Financial Resources

Cash and bank balance at period end stood at USD 344 million (AED 1,261 million), a decline of 27% compared to the USD 470 million (AED 1,723 million) cash balance in December 2015. The reduction in cash balance was due to expenditures in Zora, Sukuk buyback and profit payment & other overheads. The Group collected a total of USD 99 million (AED 363 million) in 1H of 2016 with Egypt, Kurdistan Region of Iraq (KRI) and U.A.E. contributing USD 49 million (AED 180 million), USD 42 million (AED 154 million) and USD 8 million (AED 29 million), respectively. The Company continues to monitor its capital requirements on an ongoing basis to ensure optimal structure. Optimisation measures includes the Company seeking, from time to time, to buy back its outstanding Sukuk. During the current period the company bought back Ordinary sukuk amounting to USD 50.3 million (par value). At the current time the Company has not yet determined the total size of such buybacks, however, going forward it may consider an incremental buy back, through open market purchases or otherwise in accordance with law, the scale of which will depend on market conditions and the Company's liquidity requirements.

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

Dana Gas Egypt & Zora
During 2015, the Company significantly increased its oil & gas reserves. As at 31 December 2015 Gaffney Cline & Associates certified Dana Gas's Proved Reserves in Egypt at 83 MMboe, an increase of 41%. In addition Proved plus Probable (2P) reserves of Dana Gas Egypt increased to 130 MMboe corresponding to a reserve replacement ratio (RRR) of 237%. The Zora Field 2P reserves remained steady at 31 MMboe.

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 31st 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.

[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.

Reserves & Resources (continued)

Pearl Petroleum Company Limited (continued)

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.

E&P Operations

a) Egypt E&P Operations

The Company production in Egypt for the 91 days of operations in Q2 2016 was 3.3 MMboe i.e. 36,550 boepd (June 2015: 3.2 MMboe, i.e. averaging 35,010 boepd). This represents an increase of 4% compared to the same period last year. The increase was mainly due to incremental production from additional development wells in South Abu El Naga and West El Manzala fields.

During the first half of 2016, the Company received cash of USD 49 million (AED 180 million) against the amounts due to the Company i.e. realising 84% of the period's revenue. Consequently at period end, the trade receivable balance in Egypt stood at USD 230 million (AED 843 million) (31 December 2015: USD 221 million (AED 810 million)).

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

In April 2007, the Group entered into agreements with the Kurdistan Regional Government of Iraq for developing the significant petroleum (including gas) resources in the Khor Mor and Chemchemal fields. Since then, the focus has been on developing, processing and transporting natural gas from the Khor Mor Field including processing and extracting LPG and condensate and providing natural gas supplies to domestic power generation plants near Erbil and Sulaimaniya. Further development of both fields is planned following resolution of the ongoing legal dispute. As envisaged under the agreements, such further development is expected to provide significant natural gas supplies for future expansion of power generation and local industries as well as for export and sale abroad as and when the political circumstances permit.

On 27 November 2015, Dana Gas and Crescent sold an equity interest of 5% each in Pearl Petroleum to RWE Middle East Holding BV ("RWE"). The shareholding interest in Pearl Petroleum is now as follows: Dana Gas: 35%, Crescent: 35%, OMV: 10%, MOL: 10% and RWE: 10%.

Dana Gas's share (35%) of gross production in the KRI for the 91 Days of operations in Q2 2016 was 2.4 MMboe, i.e. averaging 26.1 thousand BOE per day (June 2015 – DG Share 40%: 2.73 MMboe, averaging 30.0 thousand BOE per day). The decrease in production is mainly due to change in Group's interest in PPCL from 40% in Q2 2015 to 35% in Q2 2016 i.e. after disposal of 5% interest in PPCL 27 November 2015 to RWEST Middle East Holding BV.

[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.

E&P Operations (continued)

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

Dana Gas share of collections for the period stood at USD 42 million (AED 154 million) including advance of USD 6 million (AED 22 million) received pursuant to local sales contract for future lifting of LPG and condensate. At period end, Dana Gas' 35% share of trade receivable balance stood at USD 726 million (AED 2,661 million) – (Dana Gas' 35% - 2015: USD 727 million / AED 2,665 million).

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 Fee Zone.

The gas plant has been in continuous production since 28 February 2016, currently delivering approximately 16 mmscfd sales gas to Sharjah power station and producing 200 bbl/day of condensate. The Company production in Zora for the 91 days of operations in Q2 2016 was 295,750 boe or 3,250 boepd (June 2015: Nil).

The plant operations is limited by the ability to handle the increased water production and requires modification to inlet separation system and expansion of the water treatment package. Design modifications have been agreed with the intent to modify the plant after the summer running period. At the same time a well intervention and data gathering program will be executed on the Sharjah-2 production well.

During the first half of 2016, the Company collected USD 8 million (AED 29 million) against the amounts due to the Company. At period end, the trade receivable balance stood at USD 2 million (AED 7 million) (31 December 2015: Nil).

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.

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 2,658 boepd of propane (DG Share 26.4%: 702 boepd) and 175 boepd of butane (DG Share 26.4%: 46 boepd) during Q2 2016.

Arbitration Cases

On 21 October 2013, Dana Gas, along with Crescent Petroleum and Pearl Petroleum (the Consortium which holds petroleum rights in the KRI), together "the Claimants", commenced international arbitration proceedings at the London Court of International Arbitration (LCIA), in accordance with the dispute resolution mechanism of the agreement signed with the Kurdistan Regional Government (KRG) on 04 April 2007 and governed by English Law.

Arbitration Cases (continued)

With effect from June 2013, the date upon which the Claimants initiated mediation proceedings with the LCIA, the KRG ceased making any payments for the liquid products that it continued to lift and sell from the Khor Mor plant. On 21 March 2014, the Consortium filed an interim measures application with the Tribunal. The Consortium was successful in its application to the Tribunal for interim measures and the Tribunal made an order on 10 July 2014 for the KRG to restore the previous regular payments to the Consortium as of 21 March 2014, the date of the application, and until the case is concluded.

The KRG failed to comply with and challenged the Tribunal's order, although from September 2014, the Company was permitted to commence local sales of condensate and LPG to third parties. On 17 October 2014, the Tribunal dismissed the KRG's challenge and re-affirmed its order for interim measures of 10 July 2014. In addition, the Tribunal ordered the KRG to pay the Consortium USD 100 million within a timeframe of 30 days (by 17 November 2014). In default of its legal obligations, the KRG failed to make payment by the stipulated deadline. Consequently, the Tribunal's order became peremptory in nature, enabling its enforcement by the English High Court. On 12 December 2014, and with the Tribunal's permission, an application to the English High Court was made for the enforcement of the order, with the prospect of sanctions being imposed on the KRG for non-compliance. The English High Court heard the Claimants' application for the enforcement of the order during a hearing on 28 and 29 October 2015.

On 20 November 2015, the High Court handed down its decision, in which it enforced the Peremptory Order and ordered the KRG to pay the Peremptory Order within 14 days. Following receipt of the judgement, the KRG applied to challenge the Court's order, by way of seeking (1) a discharge of the Peremptory Order; (2) an appeal; and (3) alternatively, an extension of time to pay the Peremptory Order. At the same time as the KRG made its application it also applied to the Tribunal to discharge the Peremptory Order.

At the hearing before the Court on 17 December 2015, the Court decided to (1) adjourn the discharge application to allow the Tribunal to decide whether or not the Peremptory Order should be discharged; (2) refused permission for the KRG to appeal; and (3) extended the time for the KRG to pay the Peremptory Order to 26 February 2016. However, as a condition of this extension, the Court ordered the KRG to pay in the meantime 3 installments of USD 8 million each by 31 December 2015, 15 January 2016 and 19 February 2016 to the Consortium. All three instalments have been paid.

The KRG has also applied to the Tribunal to discharge the Peremptory Order, which was the subject of a short hearing before the Tribunal on 8 January 2016. The parties then went back before the English High Court on 5 February 2016, in which the Court dismissed the KRG's discharge application and upheld the Peremptory Order. The KRG then applied to the English Court of Appeal for permission to appeal the High Court's judgment. The hearing for permission took place on 12 May 2016, with the Court of Appeal refusing the KRG's application and upholding the Peremptory Order.

Separately, in March 2016 the Claimants and the KRG independently reached an agreement whereby the Peremptory Order will be paid down by the KRG in monthly instalments. As at 30 June 2016, the KRG has paid the Claimants an amount of US$17 million. As the Peremptory Order is included in the US$1.96 billion awarded pursuant to the Second PFA, the amount of the Second PFA now outstanding has been reduced by US$17 million.

In relation to the arbitration proceedings on merits a one-week hearing took place in London commencing 20 April 2015 at which selected issues in the arbitration were considered.

On 3 July 2015, the Arbitral Tribunal issued a Partial Final Award dated 30 June 2015 ("First PFA") confirming the Consortium's contractual rights including a number of important issues addressed at the 20 April 2015 hearing. Among other things, the First Partial Final Award confirmed:

- The Consortium's exclusive long-term rights to develop and produce gas and petroleum from both the Khor Mor and Chemchemal fields for the duration of the Contract, being not less than 25 years.
- The KRG's contractual obligation to pay the Consortium for the produced condensate and LPG at international prices, including the pricing methodology for each.
- That Dana Gas and Crescent Petroleum were entitled to farm out part of their own interests to MOL and OMV, and that the KRG was not entitled to a share of the farm-out proceeds.

Arbitration Cases (continued)

On 21 September 2015, a one-day hearing was held during which the Consortium made an application to the Tribunal for monetary award of USD 1.963 billion against the KRG, being the outstanding unpaid invoices (as of 30 June 2015) for the produced condensate and LPG calculated as per the pricing methodology determined by the Tribunal in the First Partial Final Award. The Tribunal considered the parties' claims and their submissions. On 27 November 2015, the Tribunal handed down its Second Partial Final Award ("Second PFA") in which it ordered the KRG to pay the Consortium within 28 days (i.e. by 26 December 2015) the sum of USD 1.963 billion for outstanding unpaid invoices for the produced condensate and LPG up to 30 June 2015, as per the pricing methodology already determined by the Tribunal in the First PFA.

The Second PFA is final, binding and internationally enforceable, and does not depend upon any further hearings or the parties' outstanding claims and counter-claims that are yet to be determined in the arbitration.

The KRG has not yet paid the USD 1.963 billion, and on 22 December 2015, launched a challenge to the Second PFA in the English High Court on the limited procedural grounds allowed for in arbitration. The Consortium and their legal advisors are of the view that the challenge is without merit and will fail. This challenge in any case does not freeze the obligation of the KRG to pay. The hearing for the KRG's challenge has been set for 28-30 November 2016.

The Consortium's entitlement to receivables in respect of Excess Gas and substantial damage claims (estimated at over USD 15 billion) for wrongful interference with the Consortiums long term rights over the Khor Mor and Chemchemal fields (as affirmed by the First PFA) will be determined (along with other outstanding claims) in two subsequent hearing. The first hearing is scheduled to take place between 5-16 September 2016 and will address the remainder of the Consortium's claims (including its entitlement to Excess Gas receivables), save for its claim for the wrongful late development of the Khor Mor and Chemchemal fields, along with the various counterclaims alleged by the KRG against the Claimants (save for its mirror counterclaim against the Consortium for wrongful late development), all of which the Consortium and their legal advisors believe are without merit. The final hearing, which will address the Consortium's claim for wrongful late development and the KRG's mirror claim, is yet to be scheduled but expected to take place in either Q4 2016 or Q1 2017.

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 Arbitration 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 obligated 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 Company International Limited 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 for determination of the damage claims against NIOC for non-performance of the contract has now been fixed by the Arbitration Tribunal for the 28 October 2016 in The Hague.

DANA GAS PJSC
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Board of Directors

1. H.H. Sheikh Ahmed Bin Sultan Al-Qasimi, Honorary Chairman
2. Mr. Hamid Dhiya Jafar, Chairman
3. Mr. Rashid Saif Al-Jarwan, Deputy Chairman
4. Dr. Patrick Allman-Ward, Chief Executive Officer
5. H.E. Sheikh Sultan Bin Ahmed Bin Sultan Al-Qasimi
6. Mr. Abdullah Ali Al Majdouie
7. Mr. Majid Hamid Jafar
8. Mr. Nasser Al Nowais
9. Mr. Said Arrata
10. Mr. Varoujan Nerguizian
11. Mr. Ziad Abdulla Ibrahim Galadari
12. Mr. Hani Abdulaziz Hussein
13. Ms. Fatima Obaid Al-Jaber

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

11 August 2016