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 September 2018.

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 September 2018

During the quarter ended 30 September 2018, the Company earned gross revenues of USD 115 million (AED 422 million) as compared to USD 108 million (AED 396 million) in the third quarter of 2017, an increase of 6% reflecting an increase in realised hydrocarbon prices during the quarter. Realised prices were up by 41 % in Q3 2018 and contributed USD 26 million (AED 95 million) to the topline. The increase was partly offset by production decline in Egypt. Realised prices averaged USD 64/bbl for condensate and USD 34/boe for LPG compared to USD 42/bbl and USD 26/boe respectively in Q3 2017.

The Group's share of production for the 92 days was 5.46 million barrels of oil equivalent "boe" [59,350 barrels of oil equivalent per day ("boepd")], a decrease of 12% compared to the corresponding quarter production of 6.2 million boe (67,600 boepd). Production in Egypt was down by 20% to 32,250 boepd during the period.

The Group achieved a net profit after tax of USD 17 million (AED 61 million) as compared to USD 102 million (AED 375 million) in Q3 2017, a decrease of 83%. In Q3 2017, net profit included interest on overdue receivable of USD 5 million (AED 18 million) and full reversal of surplus over entitlement of USD 91 million (AED 333 million) in Pearl following the settlement agreement. These were one offs and if excluded net profit for Q3 2017 would have been lower by USD 96 million (AED 351 million) at USD 6 million (AED 22 million

Earnings before interest, tax, depreciation and amortisation ("EBITDA") in Q3 2018 decreased to USD 56 million (AED 204 million) compared to USD 153 million (AED 562 million) in Q3 2017. However, in Q3 2017 EBITDA included USD 91 million (AED 333 million) of non-cash income due to reversal of surplus in Pearl. Excluding this, the EBITDA for Q3 2017 would have been USD 62 million (AED 229 million).

Results for nine months of 2018

During the nine months ended 30 September 2018 (the "period") the Group earned gross revenues of USD 351 million (AED 1,287 million) as compared to USD 330 million (AED 1,210 million) in the corresponding period. This increase in revenue was due to higher realised hydrocarbon prices during the period partly offset by lower production in Egypt and Zora. Realised prices averaged USD 61/bbl for condensate and USD 34/boe for LPG compared to USD 44/bbl and USD 30/boe respectively in the corresponding period.

The Group achieved a net profit after tax of USD 41 million (AED 149 million) as compared to USD 125 million (AED 458 million) in the 9M of 2017 (but including the one-off impact of the KRG arbitration settlement), a decrease of 67%. In 9M 2017, net profit included reversal of surplus over entitlement of USD 114 million (AED 418 million) and interest on overdue receivables of USD 17 million (AED 62 million). Excluding the one offs in 9M 2017, net loss would have been USD 6 million (AED 22 million) for that period.

Liquidity and Financial Resources

Cash and bank balance at period end stood at USD 434 million (AED 1,591 million), a decrease of 29% compare to year-end balance of USD 608 million (AED 2,229 million). The decrease in cash balance was mainly due to payment of USD 235 million (AED 861 million) in respect of upfront principal, consent fees, accrued profit entitlements and Adhoc committee cost upon completion of Sukuk restructuring. In addition the Group paid a dividend of USD 95 million (AED 348 million) during May 2018.

The Group collected a total of USD 197 million (AED 722 million) during the period with Egypt, Kurdistan Region of Iraq (KRI) and U.A.E. contributing USD 111 million (AED 407 million), USD 77 million (AED 282 million) and USD 9 million (AED 33 million), respectively.

Subsequent to period end the Company bought back Sukuk with nominal value of USD 100 million (AED 367 million).

Sukuk Update

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 includes an early participation fee of 2.5¢ (if elections are 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 will also receive arrears of profit distribution as per the Existing Certificates until 31 October 2017, and a 4% profit rate (see below) from 01 November 2017 until closing of the transaction. Elections received within 7 days from the date of launch of the Tender Offer and Consent Solicitation process, holders will receive an early participation fee of 2.5¢
- The new certificates will be 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 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 issued an invitation to its Shareholders to attend the General Assembly to consider and approve issuance of 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 Sukuk litigation.

On 21 June 2018, 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 have been 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.

Sukuk Update (continued)

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

Subsequent to period end, the Company bought back Sukuk amounting to USD 100 million (nominal value). The bought back Sukuk has been cancelled as per the terms and condition. The total outstanding Sukuk post buyback is USD 430 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 2017. Following this review, the Group's gross proved reserves (1P) as at 31 December 2017 were assessed at 75 MMboe (31 December 2016: 89 MMboe). The gross proved and probable reserves (2P) as at 31 December 2017 were estimated at 117 MMboe (31 December 2016: 132 MMboe) and the gross proved, probable and possible reserves (3P) as at 31 December 2017 were estimated to be 160 MMboe (31 December 2016: 184 MMboe). The decrease in reserves was on account of production during the year and which was not replaced.

(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.

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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.

Reserves & Resources

(b) Pearl Petroleum Company Limited

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.

(c) Sharjah Western Offshore – Zora Field

Following signing of a concession agreement with Ajman in January 2014, Dana Gas has a 100% working interest in the Zora field which spans the territorial waters of Sharjah and Ajman. Gaffney, Cline & Associates carried out an independent evaluation of Sharjah Western Offshore concession – Zora Field's hydrocarbon reserves as on 31 December 2017. Following this review, the Group's gross proved reserves (1P) as at 31 December 2017 were assessed at 8 MMboe (31 December 2016: 17 MMboe). The gross proved and probable reserves (2P) as at 31 December 2017 were estimated to be 24 MMboe (31 December 2016: 33 MMboe) and the gross proved, probable and possible reserves (3P) as at 31 December 2017 were estimated to be 61 MMboe (31 December 2016: 65 MMboe).

E&P Operations

a) Egypt E&P Operations

The Company production in Egypt for the 92 days of operations in Q3 2018 was 2.96 MMboe i.e. averaging 32,250 boepd (Q3 2017: 3.7 MMboe, i.e. averaging 40,300 boepd) a decrease of 20% over the corresponding period. The decline in production is mainly due to natural decline in fields and increase of formation water production from Balsam 3 and 5 wells.

In Egypt, the Company collected USD 111 million (AED 407 million) during the period and hence realised 122% of the period's revenue. Out of the total USD 96 million (AED 352 million) was received in US Dollars and USD 15 million (AED 55 million) in equivalent Egyptian pounds.

At period end, the trade receivable balance decreased to USD 210 million (AED 770 million) from USD 228 million (AED 836 million) at end of 2017. During the period, the company has exported a total of 4 cargoes of condensate with average cargo volume of 157,200 barrels and collected an amount of USD 32 million (AED 117 million). The proceeds for the fourth cargo amounting to USD 12 million (AED 44 million) was collected subsequent to period end. Cash generated from the export of the Government's share of the incremental condensate is being used to pay down the outstanding receivables owed to the Company by the Egyptian Government.

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[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.

b) 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 2018 was 2.3 MMboe, i.e. averaging 25,100 boe per day (Q3 2017 – DG Share 35%: 2.3 MMboe, averaging 25,000 boe per day).

Dana Gas share of collections for the period stood at USD 77 million (AED 282 million) and hence realised 84% of the period's revenue. At period end, Dana Gas' 35% share of trade receivable balance stood at USD 18 million (AED 66 million) and represents amounts due against local sales for the month of August and September 2018 all of which was subsequently collected.

Pearl Petroleum 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 and is targeting an production increase of 20% this year.

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 7 mmscfd sales gas to Sharjah power station and producing on average 58 bbl/day of condensate. Production from the Zora field during the period averaged 1,200 boepd (Q3 2017: 1,550 boepd). The installation of compression will possibly extend the production life, but any final decision on future expenditure will be subject to the outcome of ongoing negotiations on sales gas price.

During the period, collections stood at USD 9 million (AED 33 million). At period end, the trade receivable balance stood at USD 1 million (AED 4 million) (31 December 2017: USD 1 million / AED 4 million).

UAE Gas Project

The UAE Gas Project established to process and transport imported gas from the National Iranian Oil Company ("NIOC") by Crescent Petroleum is the subject of an international arbitration, as previously reported. Dana Gas has a 35% interest in Crescent National Gas Corporation Limited (CNGCL), the gas marketing entity in the UAE and owns 100% of Sajaa 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 2,300 boepd of propane (DG Share 26.4%: 607 boepd) and 284 boepd of butane (DG Share 26.4%: 75 boepd) during the period.

Arbitration Cases

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.

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 is scheduled for up to three weeks commencing in London on 26 November 2018.

Board of 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. H.E. Sheikh Sultan Bin Ahmed Bin Sultan Al-Qasimi (to 18 April 2018)
4. Mr. Abdullah Ali Al Majdouie
5. Ms. Fatima Obaid Al-Jaber (to 18 April 2018)
6. Mr. Hani Abdulaziz Hussein
7. Mr. Majid Hamid Jafar
8. Mr. Nasser Al Nowais (to 18 April 2018)
9. Mr. Said Arrata
10. Mr. Varoujan Nerguizian
11. Mr. Ziad Abdulla Ibrahim Galadari
12. Mr. Adel Al-Awadhi (from 18 April 2018)
13. Mr. Nureddin Sehweil (from 18 April 2018)
14. Mr. Shaheen Al-Muhairi (from 18 April 2018)

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

14 November 2018