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 year ended 31 December 2017.

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 year ended 31 December 2017
During the year, the Company earned gross revenues of USD 450 million (AED 1.6 billion) as compared to USD 392 million (AED 1.4 billion) in 2016, an increase of 15% reflecting increase in realised hydrocarbon prices in 2017 as compared to 2016 and higher production in Egypt. Realised prices were up by 21% in 2017 and impacted the topline by USD 49 million (AED 179 million). Production increase added a further USD 9 million (AED 33 million). Realised price averaged USD 45/bbl for condensate and USD 30/boe for LPG compared to USD 36/bbl and USD 28/boe respectively in 2016.

The Company ended the year with an average production of 67,600 barrels of oil equivalent per day (boepd), an increase of 1% compared to last year's production of 67,050 boepd. Production in Egypt increased by 5% however this was partly offset by a decline in Zora production which was lower by 39% compared to corresponding year.

The Group achieved a net profit after tax of USD 83 million (AED 305 million) a 194% turnaround from a net loss of USD 88 million (AED 323 million) in 2016. In 2016 the main contributor to the net loss was a one-time interest reversal of USD 66 million (AED 242 million) on overdue receivables due from KRG following the Third Partial Final Award. In 2017, apart from good production growth and higher realised prices; the Company's profitability also benefited from a very successful settlement with the KRG at end of August 2017. The profit growth in 2017 was impacted by an impairment of USD 34 million (AED 125 million) against Zora assets following receipt of the year end reserve report.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") increased to USD 334 million (AED 1,224 million) compared to USD 207 million (AED 759 million) in 2016.

Liquidity and Financial Resources
Cash and bank balance at year end stood at USD 608 million (AED 2,229 million), an increase of 101% compare to year-end balance of USD 302 million (AED 1,107 million). The increase was mainly due to receipt of USD 210 million (AED 770 million) dividend from Pearl following settlement with KRG and receipt of an industry payment of USD 110 million (AED 403 million) in Egypt during the month of May and June 2017.

On 30 August 2017, pursuant to a Settlement Agreement with the KRG, Pearl Petroleum Company Limited ("Pearl") received an amount of USD 1 billion (DG Share: USD 350 million) from the KRG towards partial settlement of outstanding receivable. Of this amount, USD 400 million (DG Share: 140 million) is dedicated for investment exclusively for further development to substantially increase production in Kurdistan Region of Iraq. This amount is held by Pearl and will not be distributed as dividend. Accordingly, this amount is classified separately as "Funds held for development".

Liquidity and Financial Resources (continued)
The Group collected a total of USD 639 million (AED 2,342 million) during the year with Egypt, Kurdistan Region of Iraq (KRI) and U.A.E. contributing USD 157 million (AED 575 million), USD 466 million (AED 1,708 million) and USD 16 million (AED 59 million), respectively.

On 2 May 2017, the Company also prepaid the Zora outstanding loan amounting of USD 60 million (AED 220 million) plus applicable interest/costs.

Sukuk
As at 30 June 2017, Capital Received on Issuance of Sukuk amounting to USD 700 million was reclassified from Borrowings. Legal advice received from independent UAE legal advisers states that the terms of the Company's Sukuk Al Mudarabah are unlawful under the laws of the UAE and are not compliant with Shari'a principles and therefore are void and unenforceable. Accordingly, the Company instituted legal action in UAE court for declaration to that effect seeking liquidation of the Mudarabah and a reconciliation of the amounts paid.

On 15 February 2018, the UK High Court ordered that the outstanding UAE law issues relating to the validity of the Mudarabah Agreement, and any consequent reconciliation are matters that should be heard and determined in the UK. Additionally, that the Company should take steps from 29 March 2018 to discontinue the legal proceedings currently pending in the Sharjah Court. The Company has filed applications for permission to appeal against these orders to the UK Court of Appeal.

External legal counsel have advised the Company that the outcome of the ongoing litigation finally in UAE courts could result in a significant liability for the Sukukholders to repay the Company excess 'on account profit payments' based on a lawful reconciliation of the transaction. The Company up to 30 April 2017 has made total on account profit payments of USD 635 million to the Sukukholders since January 2008.

The Company, in line with detailed public disclosures that it has made to the Securities and Commodities Authority (SCA) and through ADX, is pursuing the litigation route to resolve the matter and is confident pursuant to independent legal advice of prevailing in its interpretation of the outcome.

The unlawful nature of the current Sukuk and the ongoing litigation process raise a number of accounting issues which may have a material impact on the carrying value of certain assets and liabilities on the statement of financial position. Management and the Directors will carefully review these with the external auditors on an ongoing basis.

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). Decrease in reserves was on account of production during the year, 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]:

a) 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.
b) 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.

(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).

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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.

E&P Operations

a) Egypt E&P operations

Dana Gas Egypt ended 2017 with production for the full year of operations of 14.4 MMboe i.e. averaging 39,500 boepd (2016: 13.7 MMboe, i.e. averaging 37,600 boepd) an increase of 5% over the corresponding year. The higher production is a result of El Wastani plant good performance with minimum downtime. El Wastani plant was operating at full capacity throughout the year of 190 MMscf/d of gas, 6,000 bbl/d of condensate and 200 ton/d of LPG.

In Egypt, the Company collected USD 164 million (AED 600 million) during the year and hence realised 129% of the year's revenue. USD 113 million (AED 413 million) was received in US Dollars, USD 44 million (AED 161 million) in equivalent Egyptian pounds and USD 7 million (AED 26 million) was offset against payables to government owned contractors.

At year end, the trade receivable balance reduced to USD 228 million (AED 835 million) from USD 265 million (AED 971 million) at end of 2016. During the year, the Company achieved an important milestone with the international sale of condensate under the GPEA. Three condensate cargos were exported during the year and an additional cargo was exported in January 2018 with average cargo volume of 150,000 barrels. Total proceeds from the three cargos exported during the year was USD 22 million (AED 81 million). Cash generated from the export of Government's share of the incremental condensate is being used to pay down the outstanding receivables owed to the Company by the Egyptian Government.

During the year, the BP operated Mocha-1 exploration well in Block 3 was completed. It reached total depth at 5,940 metres, making it the deepest onshore Nile Delta well drilled to date. Whilst the Messinian objective encountered wet gas, the primary Oligocene target did not encounter gas in commercial quantities and the well has been P&A'ed. Under the terms of the agreement signed in June 2015, BP agreed to carry Dana Gas for its 50% share of the cost of the well. Consequently, Dana Gas has achieved its objective of drilling this important calibration well at no cost to itself.

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.

Dana Gas's share (35%) of gross production in the KRI for 2017 was 9.4 MMboe, i.e. averaging 25,750 boe per day (2016 – DG Share 35%: 9.5 MMboe, averaging 26,000 boe per day).

Dana Gas share of collections for the year stood at USD 466 million (AED 1,708 million). Pursuant to the Settlement Agreement with the KRG dated 30 August 2017, KRG settled the outstanding receivable amounting to USD 1.98 billion (DG Share: USD 695 million) as of 30 August 2017 by payment of USD 1 billion (DG Share: USD 350 million) in cash with the residual receivable being converted to petroleum cost and classified as "Oil & Gas interest" on the balance sheet. Consequently at year end, Dana Gas' 35% share of trade receivable balance stood at USD 7 million (AED 26 million) and represents amounts due against local sales for the month of December 2017.

The settlement allows Pearl to start 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, with plans underway to increase total production by 20% this year and 170% within 2 years.

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 8 mmscfd sales gas to Sharjah power station and producing on average 76 bbl/day of condensate. Production from the Zora field during 2017 averaged 1,650 boepd (2016: 2,750 boepd). As the current production rate of the Sharjah-2 well has continued to decline, a detailed geo-technical study was carried out, based on production data, to determine the range of well intervention options which could enhance production and to assess their economic viability. This work was further extended into a Field Development Plan to evaluate possible future options for further development and to determine the gas price required to make such further development economically viable. At this time it is unlikely that further well interventions can be economically justified and this has been taken into consideration during the 2017 annual reserves evaluation audit. However, any final decision on future expenditure will also be subject to the outcome of negotiations on sales gas price.

During the year, collections stood at USD 16 million (AED 59 million). At year end, the trade receivable balance stood at USD 1 million (AED 4 million) (31 December 2016: USD 2 million / AED 7 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 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 2,355 boepd of propane (DG Share 26.4%: 622 boepd) and 178 boepd of butane (DG Share 26.4%: 47 boepd) during the year.

Arbitration Cases

On 30 August 2017, the Company announced the settlement of the International arbitration commenced on 21 October 2013 in the London Court of International Arbitration ('LCIA') in relation to the Heads of Agreement on Khor Mor and Chemchemal fields on 4 April 2007 ('HOA') between Dana Gas, Crescent Petroleum, Pearl Petroleum (the 'Consortium') and the Kurdistan Regional Government ('KRG'), (together the 'Parties').

The Parties have mutually agreed to fully and finally settle all their differences amicably by terminating the Arbitration and related court proceedings, and releasing all remaining claims between them, including the substantial damages asserted by the Consortium against the KRG; implementing a mechanism for settlement of USD 2,239 million awarded by the Tribunal to date; and proceeding with immediate further development of the HoA's world class resources for mutual benefit as well as the benefit of the people of the Kurdistan Region and all of Iraq.

The agreed settlement highlights was as follows:

- The KRG to immediately pay Pearl a sum of USD 600 million.
- The KRG to immediately pay Pearl a further of USD 400 million to be dedicated for investment exclusively for the aforesaid further development to substantially increase production.
- Pearl to increase gas production at Khor Mor by 500 MMscf/day, a 160% increase on the current level of production (the "Additional Gas"). The Additional Gas, together with significant additional amounts of condensate, is expected to begin production in approximately two years.
- The balance of sums awarded by the Tribunal (USD 1,239 million) was no longer a debt owed by the KRG and was reclassified as outstanding recoverable by Pearl from future revenues generated form the HoA areas.
- The profit share allocated to Pearl from future revenues generated from the HoA areas were adjusted upwards to a level similar to the overall profit levels normally offered to IOCs under the KRG's Production Sharing Contracts. This adjustment reflected the larger investment risk and costs involved in the development of natural gas resources compared to oil developments.
- The Parties have clarified the Khor Mor block boundary coordinates and the KRG has awarded the Consortium investment opportunities in the adjacent blocks 19 and 20, and added these to the HoA areas, with commitments by the Consortium to make appraisal investments on these blocks, and developments if commercial oil and gas resources are found.
- The KRG will purchase 50% of the Additional Gas on agreed terms to boost the gas supply to power generation plants in the Kurdistan Region. The other 50% of the Additional Gas (250 mmscf/d) will be marketed and sold by Pearl to customers within Iraq or by export, or can be sold to the KRG as well to further boost power generation within Iraq.
- Pearl will also expand its local training and employment programs towards achieving maximum localization and content, as well as supporting local communities through its active Corporate Social Responsibility (CSR) programmes.
- The Parties have exchanged mutual releases, waivers, and discharges in relation to all the claims in relation to the Arbitration and related court proceedings.
- The Parties have also amended and clarified the HoA language and terms, including extension of the term of the Contract until 2049.

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.

Arbitration Cases (continued)

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 of the remedies phase against NIOC for non-performance of the contract (including claims for damages and indemnities for third party claims) took place in November 2016. Due to a long post-hearing submissions timetable, the tribunal indicated that its award will likely be delivered in 2H of 2018.

The Company, together with Crescent Petroleum International Limited ("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.

DANA GAS PJSC
Report of the Directors

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
4. Mr. Abdullah Ali Al Majdouie
5. Ms. Fatima Obaid Al-Jaber
6. Mr. Hani Abdulaziz Hussein
7. Mr. Majid Hamid Jafar
8. Mr. Nasser Al Nowais
9. Mr. Said Arrata
10. Mr. Varoujan Nerguizian
11. Mr. Ziad Abdulla Ibrahim Galadari

Auditors

The financial statements have been audited by Ernst & Young who retire and, being eligible, offer themselves for reapproval.

On behalf of the Board of Directors

Director

14 March 2018