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 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 June 2018

During the quarter ended 30 June 2018, the Company earned gross revenues of USD 116 million (AED 425 million) as compared to USD 104 million (AED 382 million) in the second quarter of 2017, an increase of 12% reflecting an increase in realised hydrocarbon prices during the quarter. Realised prices were up by 31 % in Q2 2018 and contributed USD 20 million (AED 73 million) to the topline. This increase was partly offset by production decline in Egypt which impacted the topline by USD 8 million (AED 28 million). Realised price averaged USD 62/bbl for condensate and USD 34/boe for LPG compared to USD 42/bbl and USD 29/boe respectively in Q2 2017.

The Group's share of production for the 91 days was 5.67 million barrels of oil equivalent "boe" [62,400 barrels of oil equivalent per day ("boepd")], a decrease of 5% compared to the corresponding quarter production of 5.9 million boe (65,400 boepd). Production in Egypt was down by 9% to 34,400 boepd.

The Group achieved a net profit after tax of USD 10 million (AED 37 million) as compared to USD 12 million (AED 43 million) in Q2 2017, a decrease of 17%. In Q2 2017 net profit included interest on overdue receivable of USD 7 million (AED 26 million) and reversal of surplus over entitlement of USD 17 million (AED 63 million). In Q2 2018 other expenses were higher by USD 8 million (AED 29 million) mainly due to Sukuk restructuring costs. The negative impacts were partly offset by higher realised prices and reversal of accrual on Sukuk profit based on the old rate of 8% compared to the new agreed rate of 4%.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") in Q2 2018 decreased to USD 51 million (AED 189 million) compared to USD 53 million (AED 195 million) in Q2 2017. However, in Q2 2017 EBITDA included USD 17 million (AED 63 million) of non-cash income due to reversal of surplus in Pearl. Excluding this, the EBITDA for Q2 2017 would have been lower at USD 36 million (AED 132 million) compared to USD 51 million (AED 189 million) achieved in Q2 2018.

Results for first half of 2018

During the first half of 2018 (the "period") the Company earned gross revenues of USD 236 million (AED 865 million) as compared to USD 222 million (AED 814 million) in the first half of 2017. This increase in revenue was due to higher realised hydrocarbon prices during the first half of 2018. Realised prices averaged USD 60/bbl for condensate and USD 34/boe for LPG compared to USD 44/bbl and USD 32/boe respectively in 1H 2017.

The Group achieved a net profit after tax of USD 24 million (AED 88 million) as compared to USD 23 million (AED 83 million) in the first half of 2017, an increase of 4% mainly due to higher realised prices during first half of 2018 partly offset by lower investment and finance income.

Liquidity and Financial Resources

Cash and bank balance at period end stood at USD 613 million (AED 2,247 million), an increase of 1% compare to year-end balance of USD 608 million (AED 2,229 million) despite the fact that the Group paid a dividend of USD 95 million (AED 348 million) during Q2 2018. The increase in cash and bank balance was mainly due to higher level of collection. The Group collected a total of USD 141 million (AED 517 million) during the period with Egypt, Kurdistan Region of Iraq (KRI) and U.A.E. contributing USD 89 million (AED 326 million), USD 46 million (AED 169 million) and USD 6 million (AED 22 million), respectively.

Subsequent to period end the Company paid USD 235 million (AED 861 million) in respect of upfront payment, consent fees, accrued profit entitlements and Adhoc Committee cost of USD 7 million (AED 26 million). In addition a further USD 100 million (AED 367 million) is to be used on buyback/redemption of Sukuk within next 9 months.

Sukuk Update

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 U.A.E. Court. Conversely, on 13 March 2018 on the application of a Company shareholder, the UAE Court ordered the Company not to discontinue and to proceed with the legal proceedings currently pending in the UAE Court. It also suspended the enforcement in the UAE of the English Court orders pending consideration by the UAE Court of the enforceability of the English Court orders in the UAE.

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.

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 are as follows:

- For holders wishing to exit their principal, Dana is offering 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).

Sukuk Update (continued)

- For holders electing to receive a partial pay down and exchange into a new instrument, there is 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. If elections are 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 of a Wakala Sukuk instrument (based on an underlying Ijara and deferred payment obligation structure) which has 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 provides 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.

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.

Reserves & Resources

(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.

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 91 days of operations in Q2 2018 was 3.1 MMboe i.e. averaging 34,400 boepd (Q2 2017: 3.4 MMboe, i.e. averaging 37,650 boepd) a decrease of 9% 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.

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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*

In Egypt, the Company collected USD 89 million (AED 326 million) during the period and hence realised 144% of the period's revenue. Out of the total USD 79 million (AED 289 million) was received in US Dollars and USD 10 million (AED 37 million) in equivalent Egyptian pounds.

At period end, the trade receivable balance decreased to USD 202 million (AED 740 million) from USD 228 million (AED 836 million) at end of 2017. During the period, the company has exported a total of 3 cargoes with average cargo volume of 150,000 barrels and collected an amount of USD 21 million (AED 77 million). The proceeds for the third cargo amounting to USD 11 million (AED 40 million) was collected subsequent to period end. 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.

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 2018 was 2.4 MMboe, i.e. averaging 26,000 boe per day (Q2 2017 – DG Share 35%: 2.3 MMboe, averaging 25,400 boe per day).

Dana Gas share of collections for the period stood at USD 46 million (AED 169 million) and hence realised 77% of the period's revenue. At period end, Dana Gas' 35% share of trade receivable balance stood at USD 17 million (AED 62 million) and represents amounts due against local sales for the month of May and June 2018 all of which was subsequently collected.

Pearl is going ahead with the development of two world-class gas field 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 and 170% within two to three years.

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 62 bbl/day of condensate. Production from the Zora field during the period averaged 1,200 boepd (Q2 2017: 1,650 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 period, collections stood at USD 6 million (AED 22 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 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 2,150 boepd of propane (DG Share 26.4%: 568 boepd) and 216 boepd of butane (DG Share 26.4%: 57 boepd) during the period.

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 Company International Limited ("Crescent Petroleum"), Pearl Petroleum (the 'Consortium') and the Kurdistan Regional Government ('KRG'), (together the 'Parties').

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) 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, 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.

Arbitration Cases (continued)

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

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 August 2018