Clean Energy For the Future



Dana Gas Investors Presentation

2Q 2016 Financial Results 11 August 2016

#### Forward Looking Statement



This presentation contains forward-looking statements which may be identified by their use of words like "plans," "expects," "will," "anticipates," "believes," "intends," "projects," "estimates" or other words of similar meaning. All statements that address expectations or projections about the future, including, but not limited to, statements about the strategy for growth, product development, market position, expenditures, and financial results, are forward looking statements.

Forward-looking statements are based on certain assumptions and expectations of future events. The Company, its subsidiaries and its affiliates (the "Companies") referred to in this presentation cannot guarantee that these assumptions and expectations are accurate or will be realised. The actual results, performance or achievements of the Companies, could thus differ materially from those projected in any such forward-looking statements. The Companies assume no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events, or otherwise.

#### **Presentation Outline**



- Performance Highlights
- Finance Update
- Country Performance
  - Egypt
  - Kurdistan Region of Iraq
  - UAE Zora Gas Project
- Summary



## **Performance Highlights**

## **Dr Patrick Allman-Ward Chief Executive Officer**



Strong production – 66,650 barrels of oil equivalent

First half net profit of \$13 million

\$100 million in cash collections; \$344 million in the bank

Mocha-1 spudded in May; prospect with potential multi-TCF reservoir

Kurdistan reserves independently certified at 990m boe

NIOC arbitration; challenges rejected by High Court and damages claim to proceed end October



### **Financial Performance**

## **Chris Hearne Chief Financial Officer**

#### Financial Highlights: Q2 2016



(In \$ million)	Q2 – 2016	Q2 – 2015	Change - \$ million	% Change
Gross Revenue	96	116	(20)	(17)
Gross Profit	20	37	(17)	(46)
Net Profit	7	7	-	-
EBITDA	41	47	(6)	(13)

Net profit on par with Q2 2015 at \$7 million.

Revenue decline due to low price environment and readjustment in Kurdistan assets following disposal of 5% interest in PPCL

Offset by increased production in Egypt and Zora field in UAE

Impact on net profit offset by interest income on overdue receivables, gain on buyback of Sukuk and reversal against provision for surplus over entitlement.

#### Financial Highlights: H1 2016



(In \$ million)	1H – 2016	1H – 2015	Change - \$million	% Change
Gross Revenue	178	231	(53)	(23)
Gross Profit	42	74	(32)	(43)
Net Profit	13	19	(6)	(32)
EBITDA	88	101	(13)	(13)

Marginal profit decrease on low price environment and a decline in production

Offset by new production in the UAE

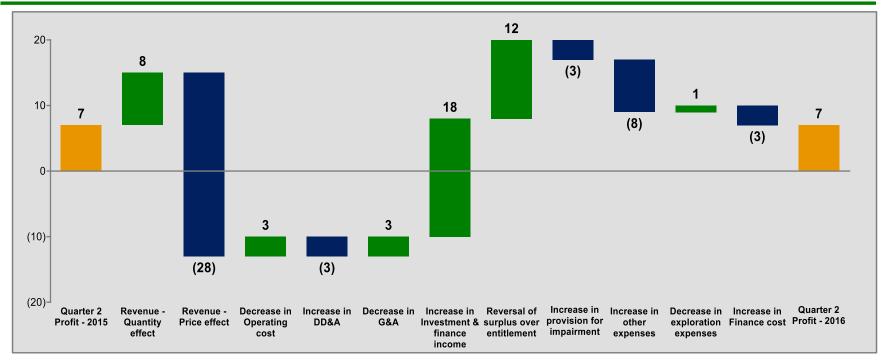
Optimizing operating expenditure and G&A

Increasing investment and finance income

Prudently using cash

### Profit After Tax Bridge – Q2 2016 (USD\$ million)





Zora Gas Field adds \$8 million as disposal of 5% interest in PPCL results in a revenue loss.

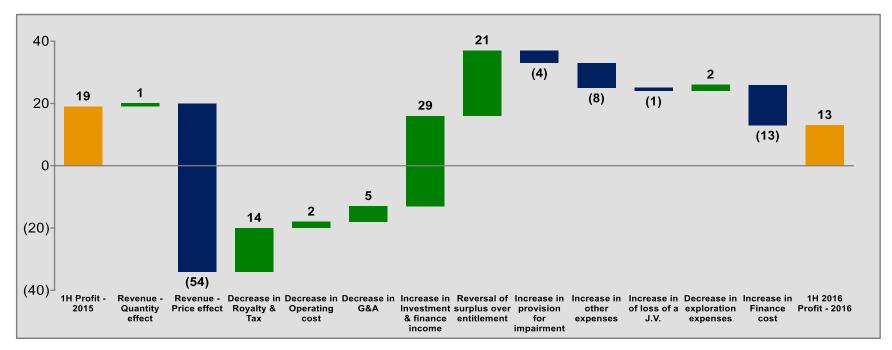
Decrease in operating cost and G&A due to cost optimizations across the Group

Increase in investment and finance income due to interest charged on overdue receivables from KRG and gain on buyback of Sukuk

Reversal of provision for surplus over entitlement due to lower realized price resulting in lower recoveries in KRI Increase in finance cost due to interest on Zora project finance (previously classified as *development stage*)

### Profit After Tax Bridge – H1 2016 (USD\$ million)





The decline in revenue due to production was offset by start of production from Zora field in UAE

Royalty & tax declined by 16% - linked to production and profitability in Egypt

Decrease in operating cost and G&A due to cost optimization across the Group

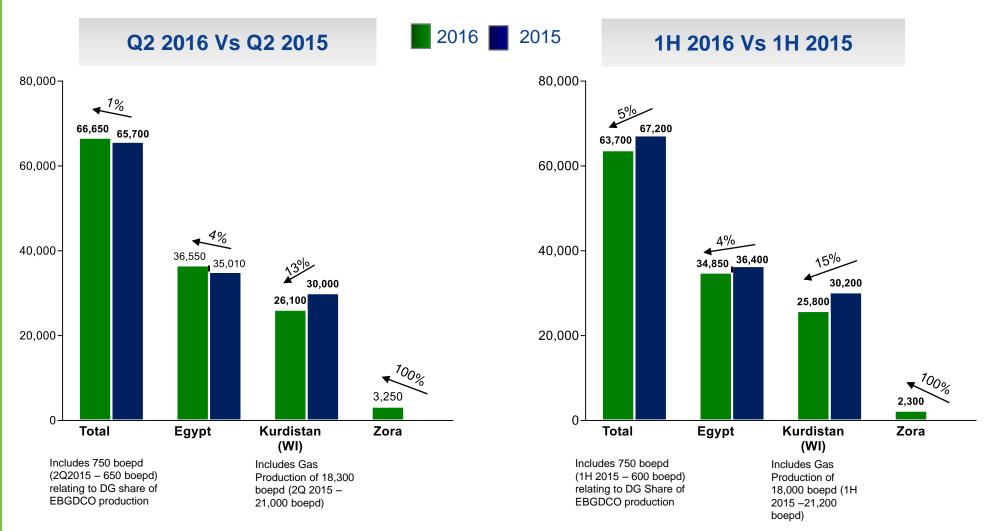
Increase in investment & finance income due to interest charged on overdue receivables from KRG and gain on buyback of Sukuk

Reversal of provision for surplus over entitlement due to lower realized prices resulting in lower recoveries

Increase in finance cost due to unfavorable foreign exchange effects in Q1 and interest on Zora project finance

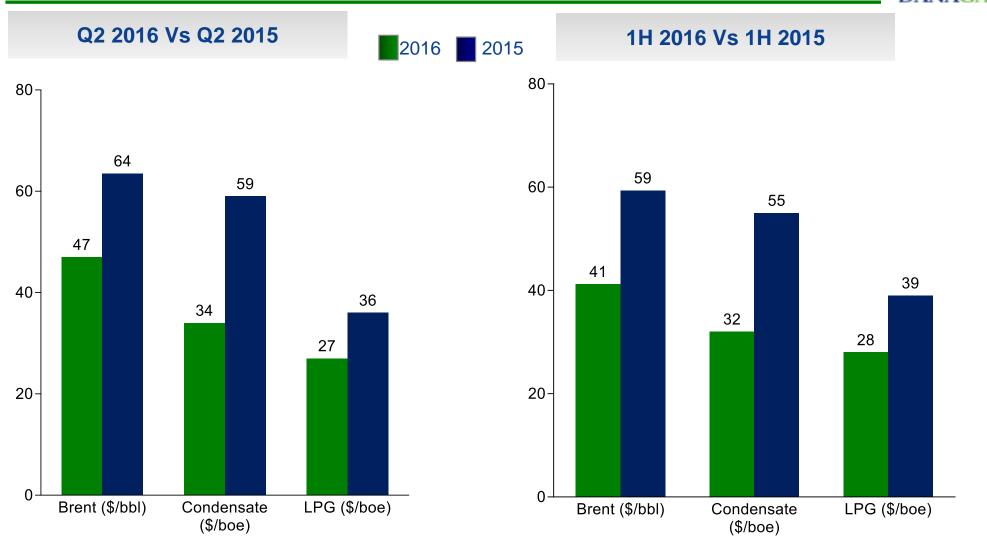
#### Production Performance (BOEPD)





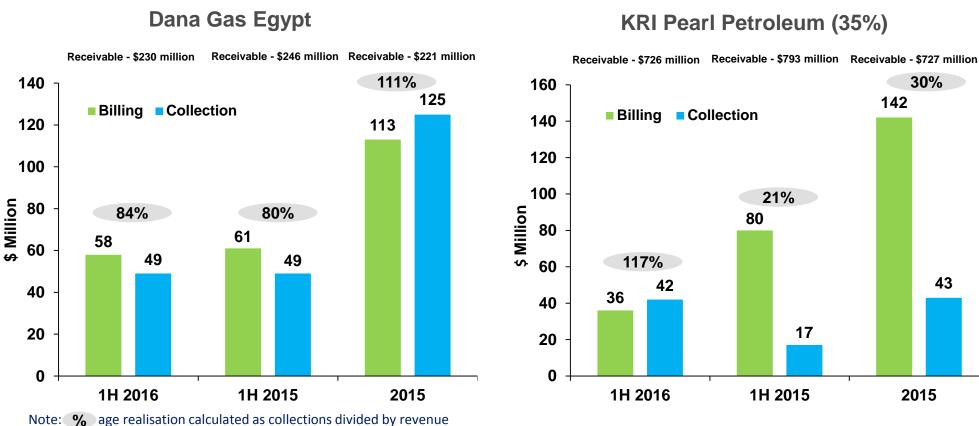
### **Average Realized Prices**





#### Trade Receivables (all figures in USD\$ million)

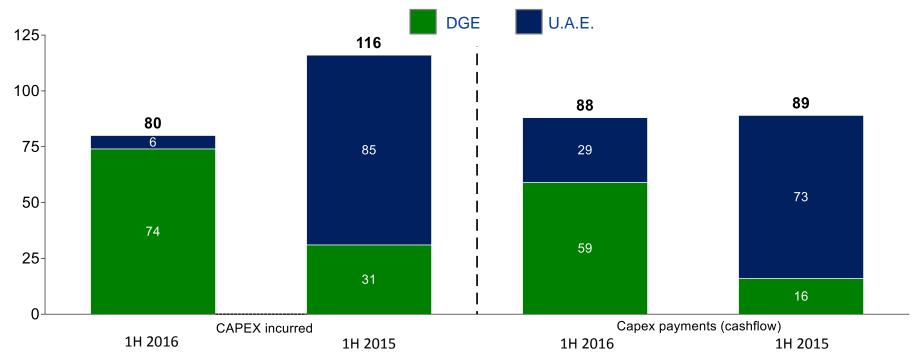




During H1 2016, Dana Gas Egypt received cash equivalent to \$49 million. \$2 million of the total was received in US\$ with balance in EGP

#### Capital Expenditure (all figures in USD\$ million)





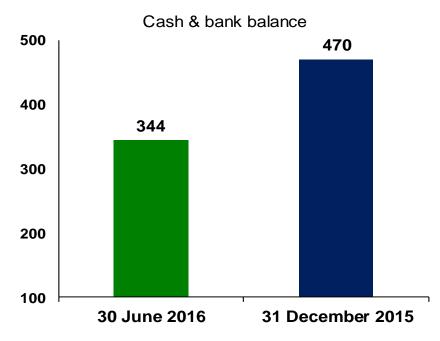
Increase in GPEA programme

UAE completed construction and commissioning activities in Zora

Reducing spend as fewer major capital projects

### Liquidity & Liability

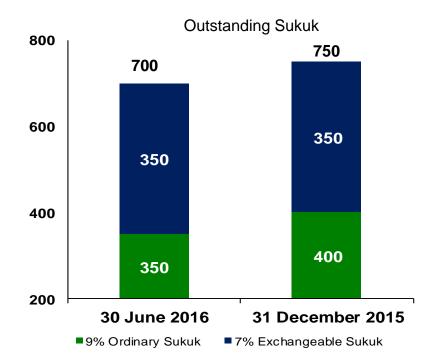




Cash and bank balance - \$344 million

Reduction due to expenditures in Zora, Sukuk buyback, profit payment and other overheads.

14% of the total cash and bank balance was held in equivalent Egyptian Pounds.



Sukuks maturing on 31 October 2017.

In Q2, bought back 9% Ordinary Sukuk amounting to US\$ 50 million par value.

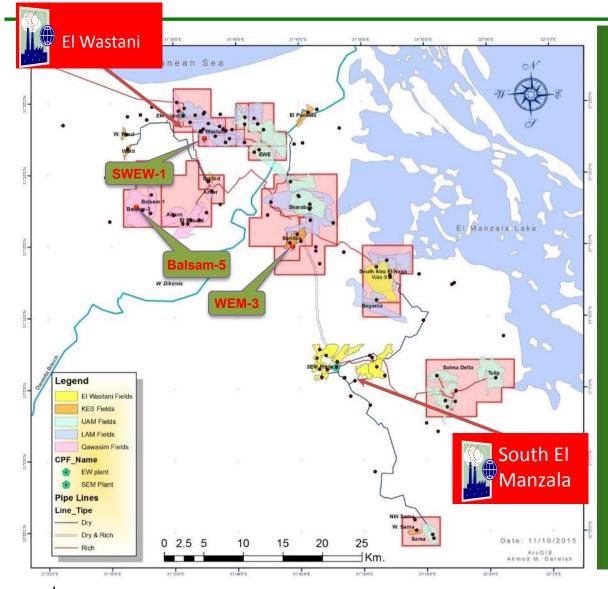


## **Country Performance – Egypt, KRI and UAE**

# Iman Hill Technical Director & GM UAE and Egypt

#### **Egypt: Nile Delta Operations**





#### **Development Leases**

 Onshore acreage consisting of 14 Development Leases in the prolific Nile Delta region

#### **Production**

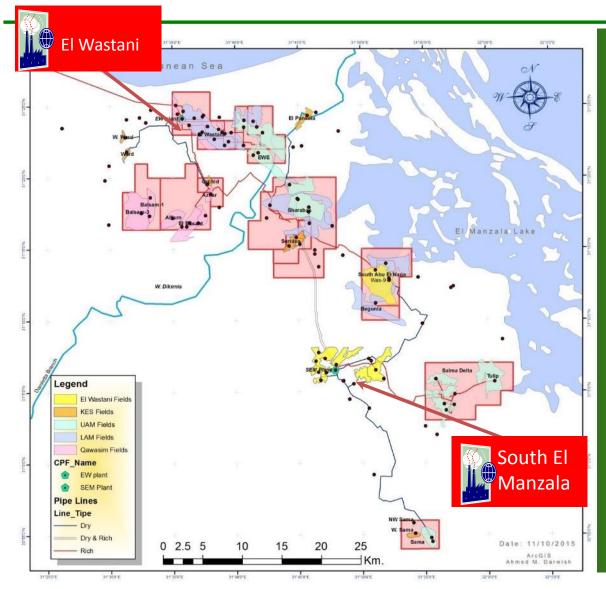
 Q2 2016 average is 36.6 kboe/d versus Q2 2015 of 33.0 kboe/d. Balsam field production has been largely responsible for the steady production increase.

#### **Drilling**

- West Manzala-3 and Balsam-5 development wells were successfully completed.
- South West El Wastani-1 exploration well has hit 16 meters pay as predicted in 2 intervals.

### **Egypt: Nile Delta Operations**



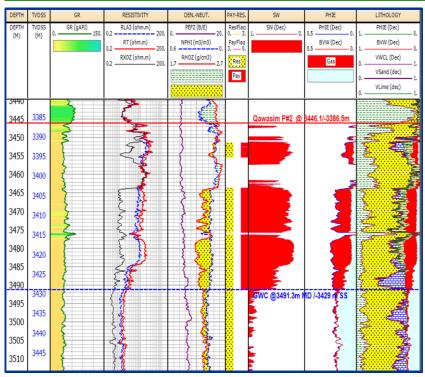


#### **Projects**

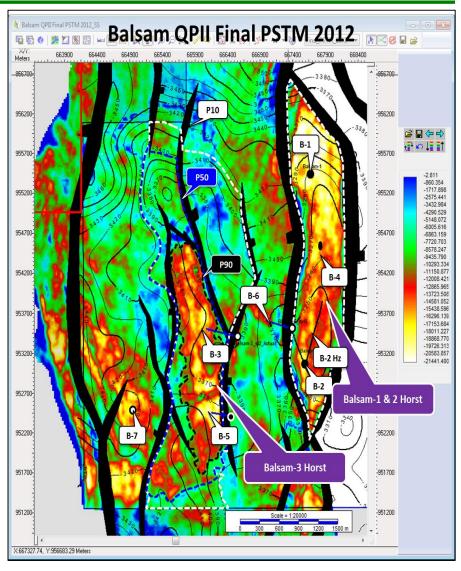
- 4 wells (South Faraskur-5, South Faraskur-6, SAEN-7 and West Manzala-3) have been tied into the existing gathering system.
- The 17 km 12 inch trunk line from Balsam to El Wastani plant was completed and put into production on May 25, 3 months ahead of schedule.
- A contract was awarded for a rental Standalone Production Facility, capable of increasing overall production capacity to 250 mmscf/d.
- Piling and foundation work was completed for a new compression station for Faraskur wells.

#### Egypt: Balsam Western Horst Update: Balsam-5



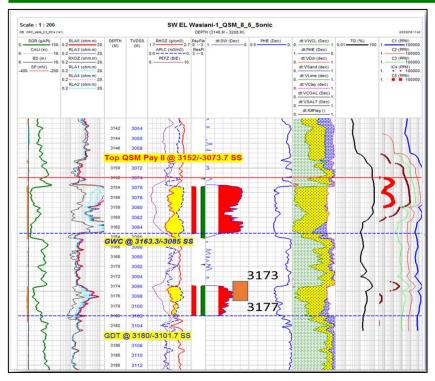


- Following the success of Balsam-3 well, Balsam-5
  has been drilled into the same accumulation as a
  production acceleration well.
- The well has proven a gas water contact which was previously unknown. It encountered 30m of vertical pay and flowed 11 mmscf/d on drill stem test.

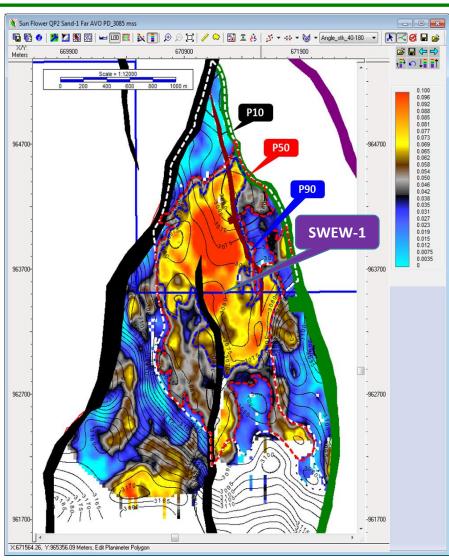


#### Egypt: South West EL Wastani Discovery



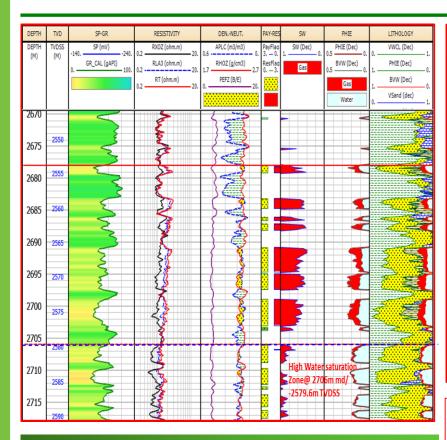


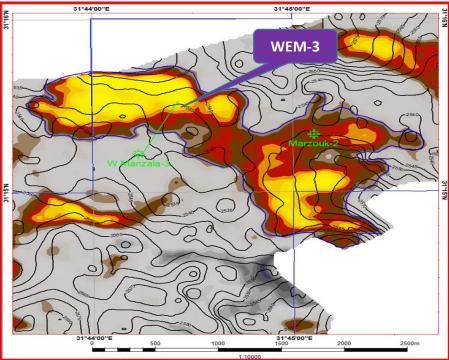
- South West El Wastani discovery well has proved up the play on this previously undrilled downthrown terrace
- This is a separate hydrocarbon filled structure from El Wastani Field increasing the resource base in this development lease with 2P estimated GIIP of 15.7 bcf.



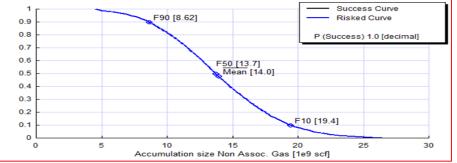
#### Egypt: West El Manzala-3 Discovery





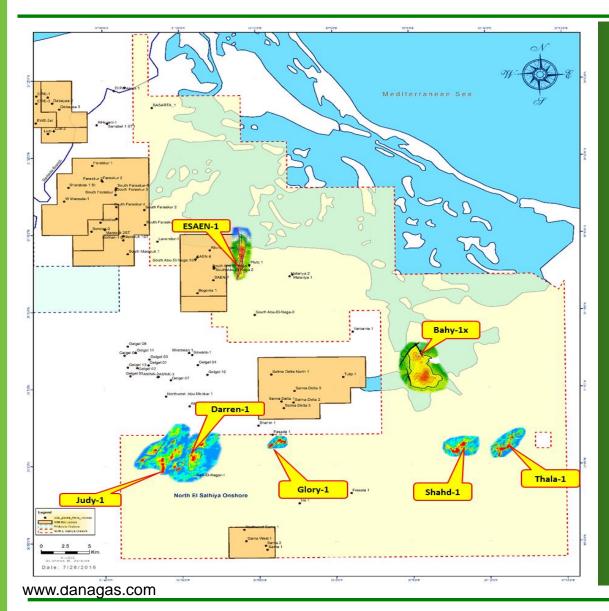


- WEM-3 discovery well has proved up the play in the Abu Madi Formation.
- This separate hydrocarbon filled structure increases the resource base in this development lease by an incremental 13.7 bcf GIIP.



#### Egypt: Block 1 - North El Salheya Exploration





#### Block-1 (100% WI)

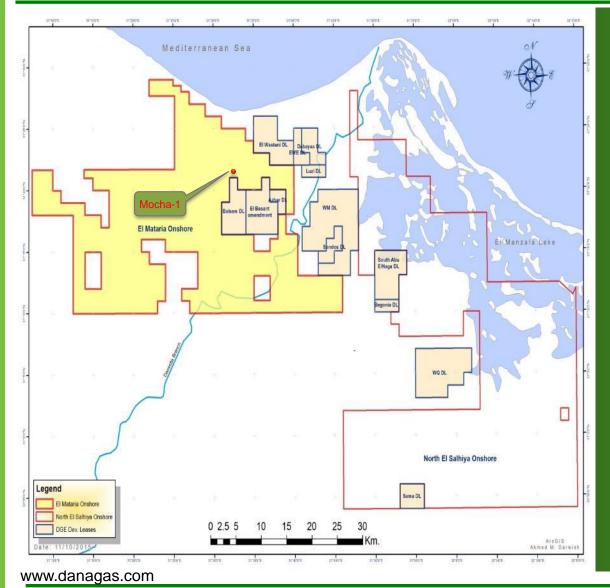
• Targets the prolific Abu Madi and Kafr El Sheikh plays.

#### **Activities**

- Reprocessing of 800 km2 3D seismic Western Geco completed and loaded to workstation.
- Reprocessing of 2D seismic data has started.
- Plan to drill 4 exploration wells in 2017. Lead inventory is emerging. 4 notional locations are identified plus 2 backups.

#### Egypt: Block 3 - El Matarya Exploration



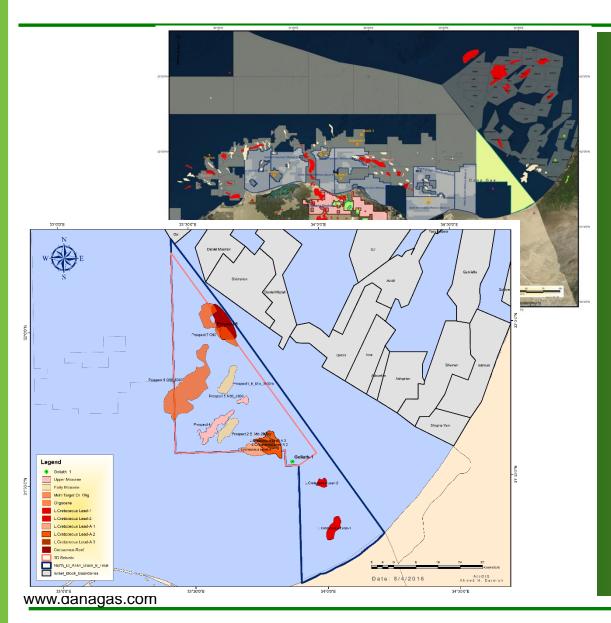


#### Block-3 (Dana Gas 50% WI)

- BP is operating Block-3 as 50/50 partner and is targeting the deeper, high potential Oligocene play which is proven in the offshore Nile Delta.
- Mocha-1 spudded on 6<sup>th</sup> of May and is expected to reach target depth in November 2016
- First wet-gas hydrocarbons have been discovered in the Messinian Qwassim formation.

#### Egypt: Block 6 – North El Arish Offshore Update





#### **Block-6 (100% WI)**

- 1782 km2 of full fold 3D seismic acquired.
- 3D seismic processing completed in January 2016.
- Substantial and material prospect inventory emerging in the Oligo-Miocene section.
- Several prospects show significant DHIs.
- Farm-out activities started and interest shown by other companies.

#### **Egypt Summary**



- The Company collected USD 49 million in 1H 2016 realizing 84% of the period's revenue. Period end total receivables are \$ 230 million compared to \$ 221 million at 31 December 2015.
- The Company continued to deliver the Gas Production Enhancement Project with 17 wells successfully drilled since May 2015 (3 exploration, 9 development and 5 recompletions). The Nile Delta drilling program for the next 2 years includes additional 12 wells of which 10 are exploration and 2 development.
- Post reprocessing of the Block-1 2D and 3D seismic data, plan is on track to drill 4 exploration wells in 2017.
- Mocha-1 Oligocene exploration well in Block-3 has spudded 6<sup>th</sup> May 2016. A discovery has been made in a secondary target which leads to increased confidence that there is gas in the primary target.
- Block-6 3D seismic acquisition and processing are completed. A substantial prospect inventory is emerging with interest shown by other Operators to farm-in to the block.
- The Company's major capital projects are currently either ahead of or on schedule with 2016 work program.



## **Kurdistan Operations Q2 2016**

# Iman Hill Technical Director and GM UAE & Egypt

#### Operations in Kurdistan Region of Iraq





- DG share of production averaged 26,100 boepd during Q2 2016. Gross production details are as follows:
  - o 313 ( Q2 2015: 316) MMscfd of natural gas
  - 13,472 (Q2 2015: 13,830) bbl/d of condensate
  - o 757 (Q2 2015: 724) MT/d LPG
- Operation have remained steady throughout the quarter.



## **UAE Operations - Zora Gas Project Update**

# **Iman Hill Technical Director and GM UAE & Egypt**

#### **Zora Operations progress**





- The Zora gas plant has been in continuous production since February 2016.
- Current production is approximately 16,000 mmbtu gas and 200 bbl/day of condensate.
- The plant operation is limited by the ability to handle the increased water production (approximately 600 bbl/day) 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.
- A workover is planned on the Sharjah-2 well to optimize production and will be executed during the Q3 shutdown for the above plant modifications.



## **Summary**

## **Dr Patrick Allman-Ward Chief Executive Officer**

### **Summary**



'Steady progress' in terms of production, operations, cost control and financial stability

Increase production: Balsam Field in Egypt the core driver

Profitable even under the current prevailing low price

Finances under control, significant cash in hand

Started proving up growth potential in Egypt with multi-TCF; Mocha-1 exploration well spudded in May, results in Q4 2016

Key arbitration hearings with KRG and NIOC to be heard in Q2 and Q3 2016



#### Reach us:

#### Dana Gas

P. O. Box 2011, Sharjah, UAE www.danagas.com

Direct : +971 6 519 4444
Fax : +971 6 556 6522