دانة غاز
DANAGAS

The Middle East's Leading Private Sector Natural Gas Company

2nd Quarter 2013 Financial Results

14 August 2013

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Presentation Outline

- Performance Highlights
- Financial Performance
- Country Business Highlights
  - Egypt
  - Kurdistan
  - UAE
- Summary

Performance Highlights

Patrick Allman-Ward – *CEO Designate*

Performance Highlights : 2Q 2013 vs 2Q 2012

Production

- Production of 61,700 BOEPD, up 5% on Q-o-Q basis
- In Egypt, production up 12% to 34,700 BOEPD as a result of tie-in of earlier discoveries
- Production lower by 3% to 27,000 BOEPD in KRI due to lack of LPG production

New Exploration Opportunity

- Egypt offshore Block 6 awarded and Government ratification expected in 2H 2013

Financials

- 2Q 2013 Profit After Tax lower at $ 27 million
- Weaker hydrocarbon prices and lower sales of LPG impacted revenue and profit
- One-off, prior period charge (Years: 2010 to 2013) of $ 7 million for oil field services in KRI
- 2Q 2012 collections at $ 44 million as compared to $ 86 million in 2Q 2012
- Announcements of financial support to Egypt, together with the Government's desire to increase gas production, positive for resolving outstanding receivables and enhancing investment

Performance Highlights : 1H 2013 vs 1H 2012

HSSE

- Strong focus on HSSE continues across the Group with improvements across all performance metrics

Production

- Group production up at 61,500 BOEPD, marginally higher on a year-on-year basis
- In Egypt, total production up 4% to 34,200 BOEPD and in July 2013 achieved highest production (39,000 BOEPD) since 2011
- Production lower by 3% in Kurdistan Region of Iraq (KRI) due to lack of LPG production – capacity since restored

Discovery

- Begonia-1 discovery in Egypt with estimated 3P reserves in the lower Abu Madi pay zone at 15 BCF

Financials

- Profit After Tax of $ 93 million for 1H 2013, decline of 11% on a year-on-year basis due to lack of LPG production (KRI) and weaker hydrocarbon prices
- $ 116 million collected in 1H 2013. Collections in Egypt negatively impacted by macro economics during 2Q 2013; collections in KRG in line with expectations
- Stronger balance sheet with period-end cash balance of $ 216 million as compared to $ 164 million in June 2012

Financial Performance

Azfar Aboobakar – *Head Financial Control & Reporting*

Financial Highlights: 2Q 2013 vs 2Q 2012

(In $ million)	Q2 – 2013	Q2 – 2012	Percentage Change
Gross Revenue	144	151	(5)
Net Profit	27	49	(45)
EBITDAX	80	99	(19)
EPS (AED fils)	1.5	2.7	(44)

- Positive impact of higher production offset by lower hydrocarbon prices and lack of LPG revenue, resulting in lower revenue in 2Q 2013
- Lower net profit due to decline in revenue and impact of production mix (no production of higher-margin LPG in KRI) and increase in cost of sales due to one-off prior period charge of $ 7 million
- EBITDAX lower by 19%

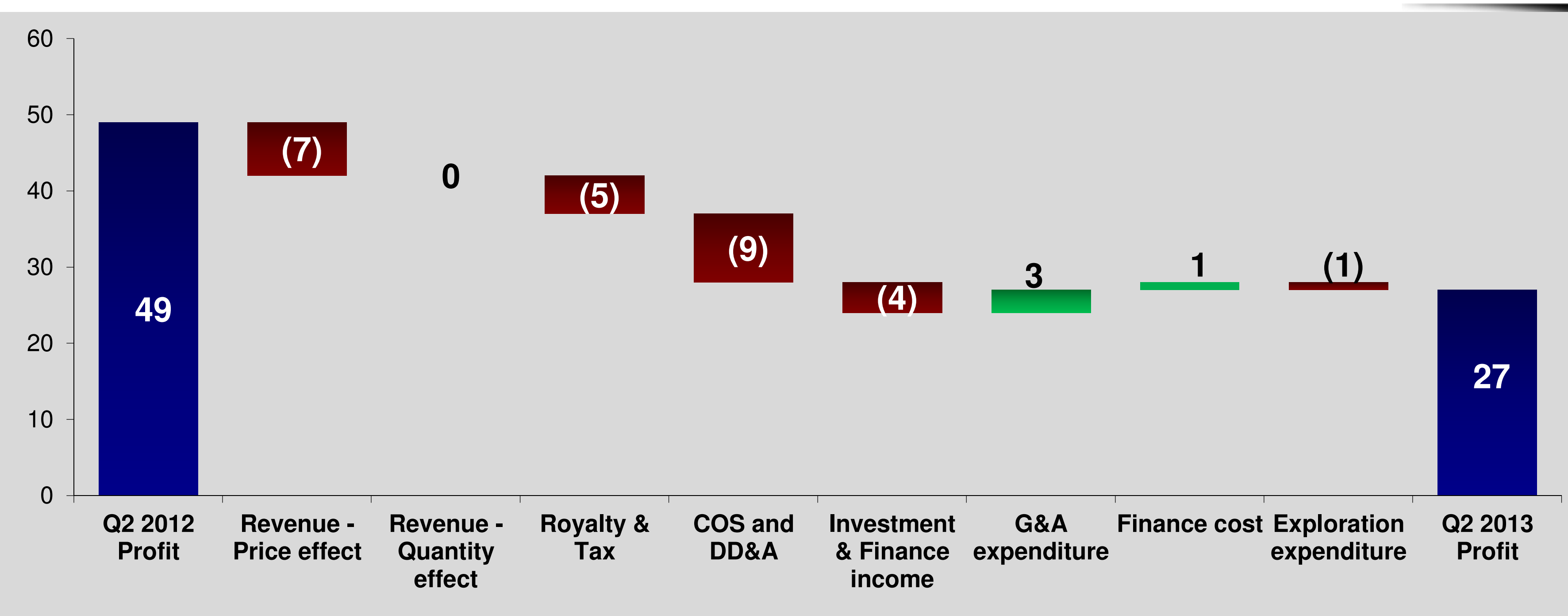
Financial Highlights: 1H 2013 vs 1H 2012

(In $ million)	1H – 2013	1H - 2012	Percentage Change
Gross Revenue	296	342	(13)
Net Profit	93	105	(11)
EBITDAX	168	220	(24)
EPS (AED fils)	5.2	5.8	(10)

- Decline in revenue mainly due to lower hydrocarbon prices in second quarter of 1H 2013 and lack of LPG production in KRI; partially offset by a higher production in Egypt
- Benchmark prices have since increased and LPG production capacity of 900 MT has been restored in KRI
- Decline in revenue and higher cost of sales impacted net profit, which was lower by 11%
- EBITDAX lower by 24%

Profit After Tax Bridge – 2Q 2013 Vs 2Q 2012

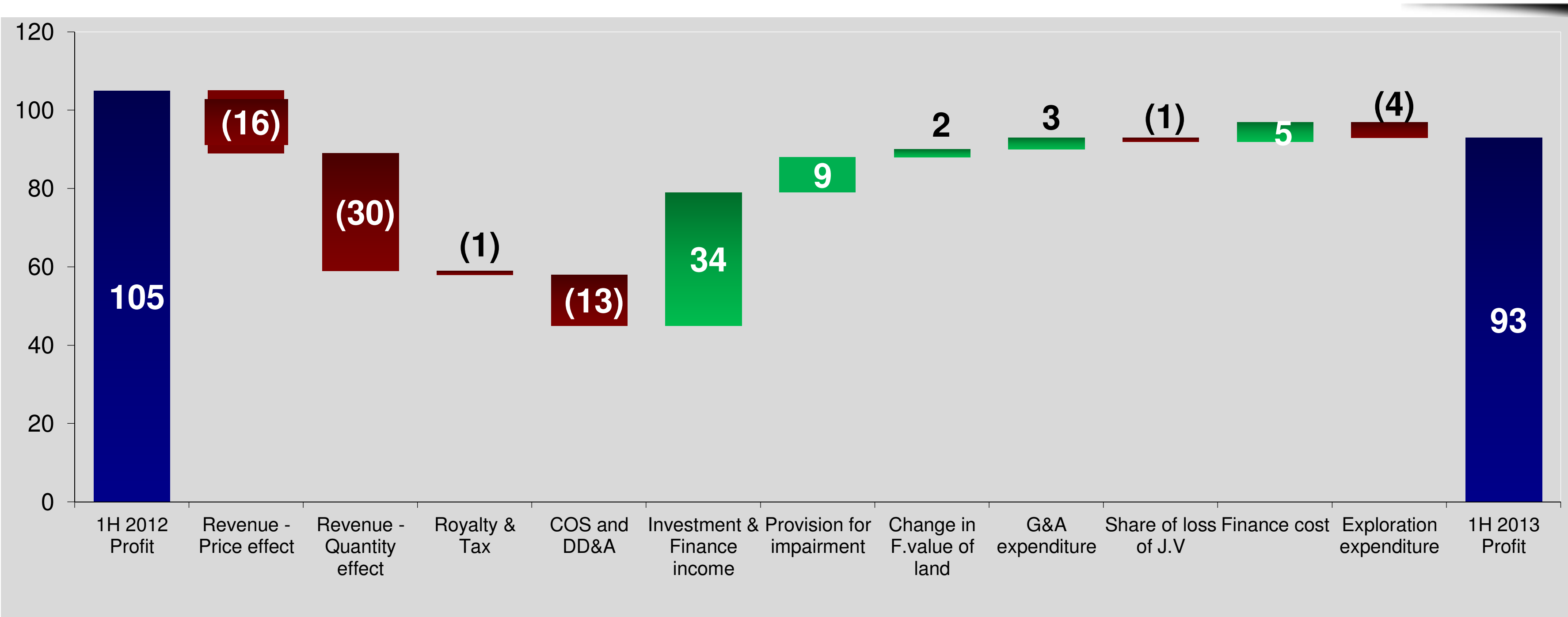
(all figures in $ million)



- Impact of higher production offset by lower hydrocarbon prices during the quarter
- Increased cost of sales due to one-off prior period charge of $ 7 million
- Investment & finance income decreased by $ 4 million due to lower dividend income on residual holding in MOL

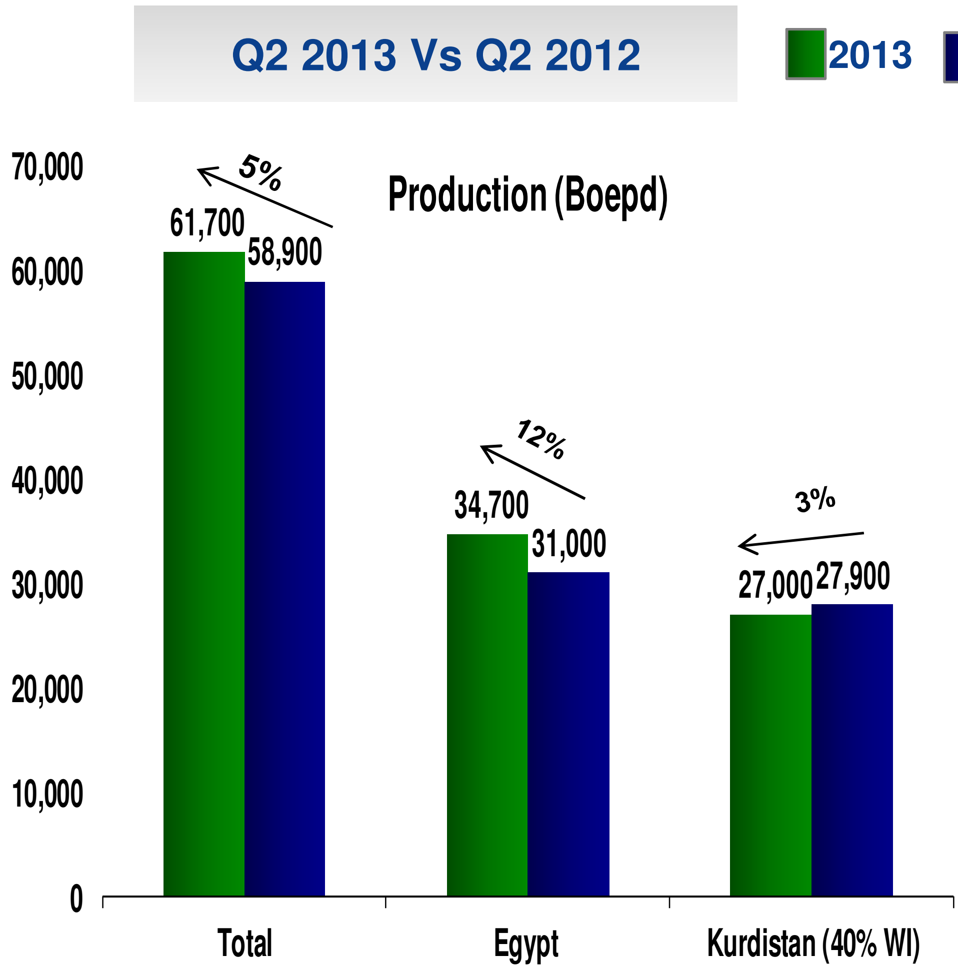
Profit After Tax Bridge – 1H 2013 Vs 1H 2012

(all figures in $ million)

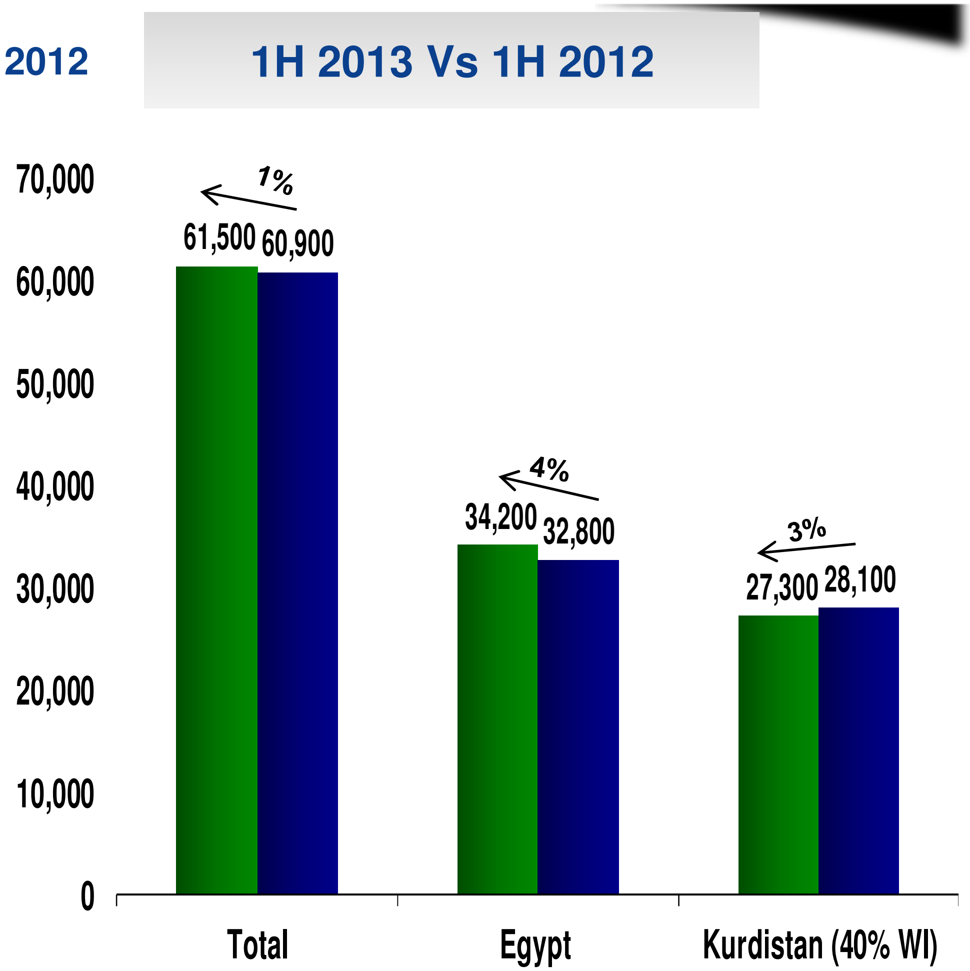


- Lower revenue due to suspension of LPG production in KRI and lower hydrocarbon prices
- Increased investment & finance income due to gain on part disposal of holding in MOL equity
- No provision for impairment required in 1H 2013

Production

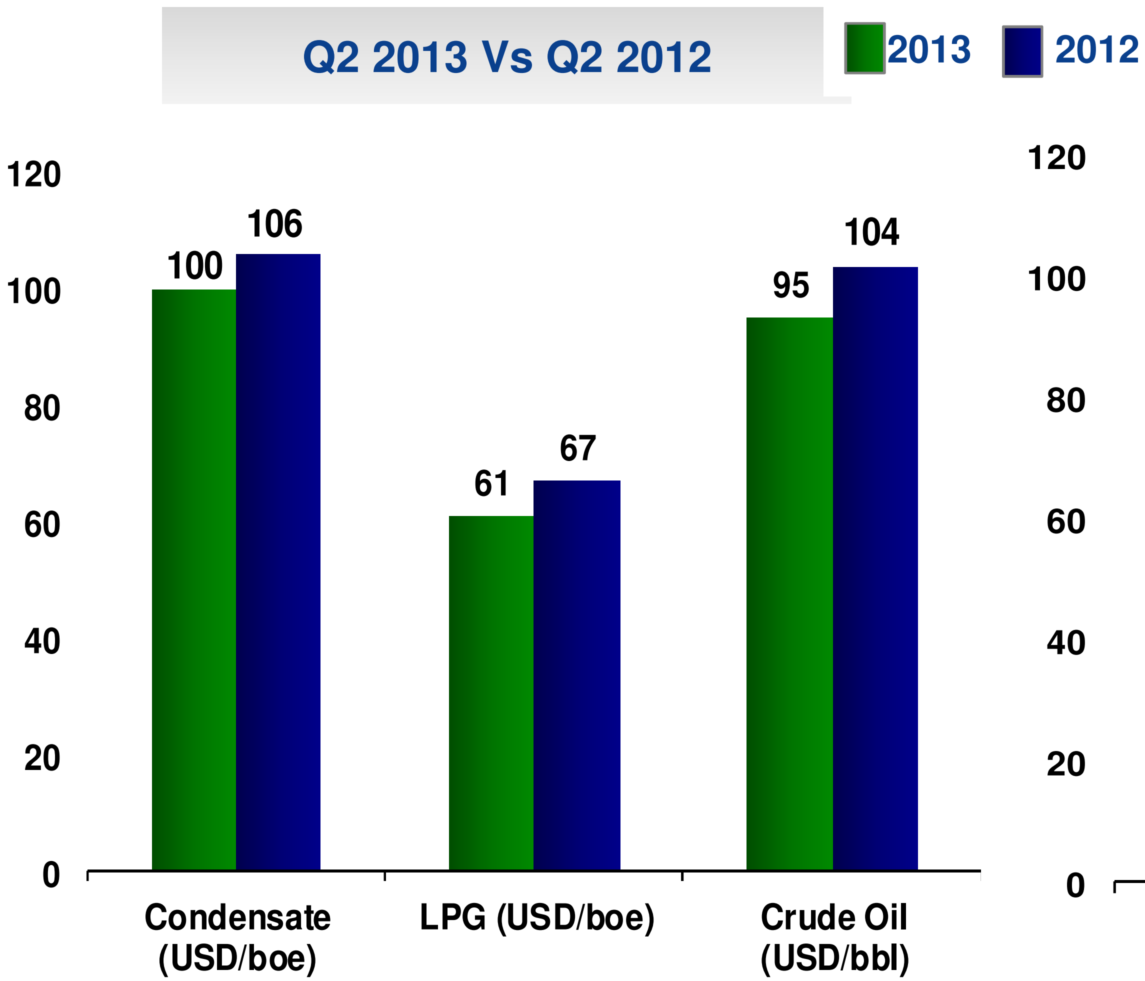


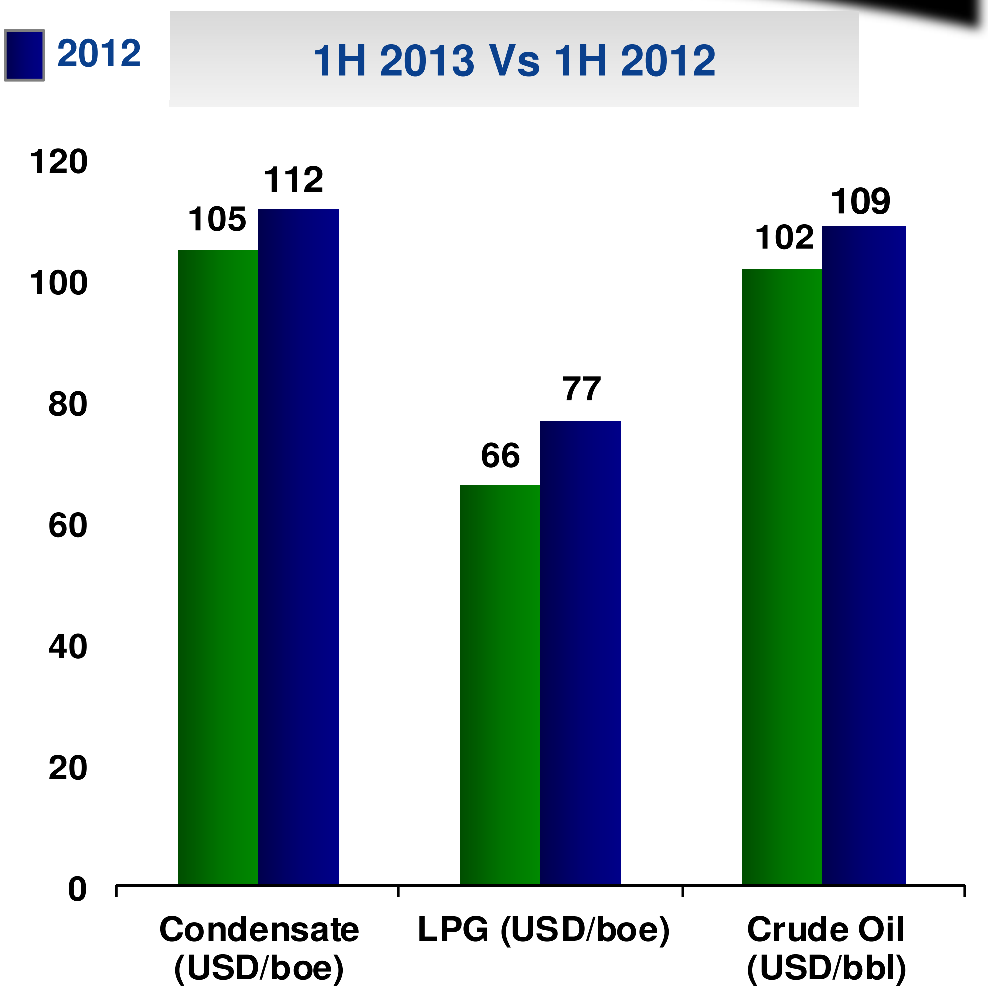
Includes Gas production of 21,300 Boepd (2Q12 – 20,400 Boepd)



Includes Gas production of 21,600 Boepd (1H12 – 20,100 Boepd)

Average Realized Prices

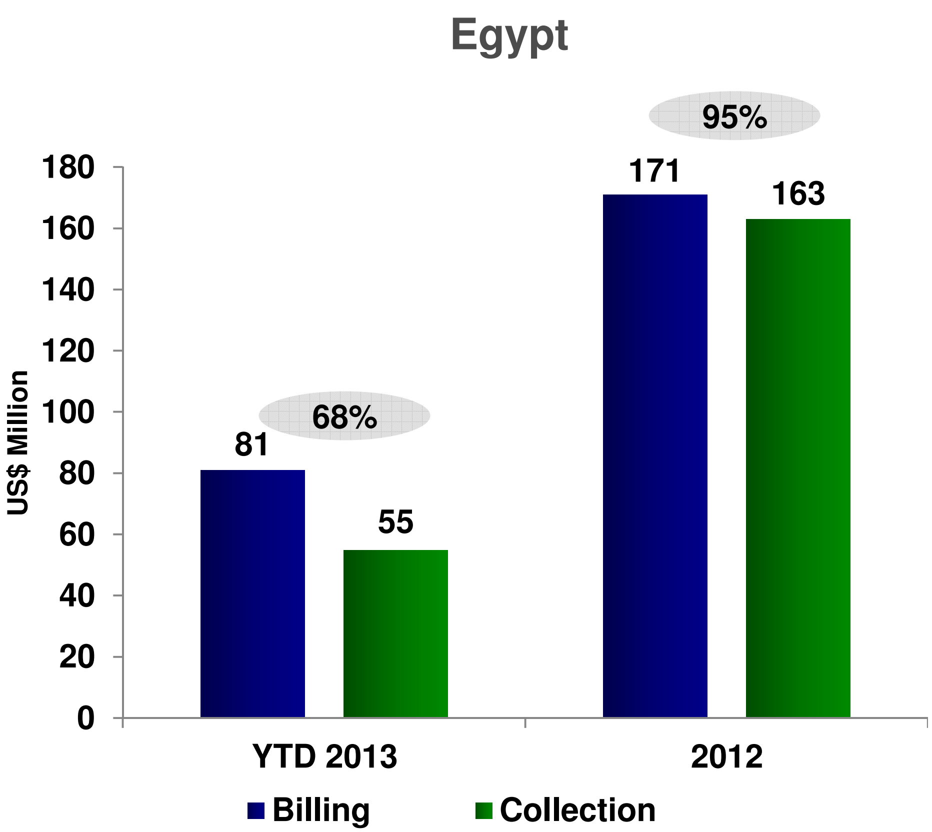


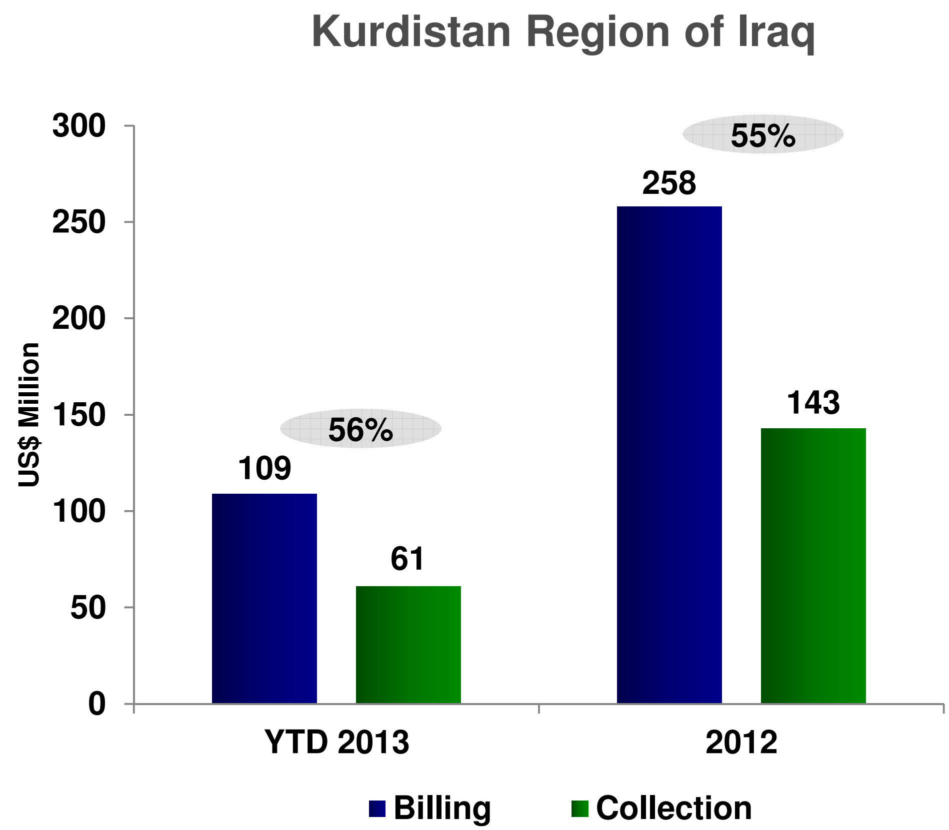


** Liquids benchmarked to Brent*

Billing & Collection – As of June 2013

(all figures in $ million)





- Collection in Egypt remained lower in 2Q 2013 due to the macro economic factors. Status quo in KRI

Note: percentage calculated as collections divided by net revenue

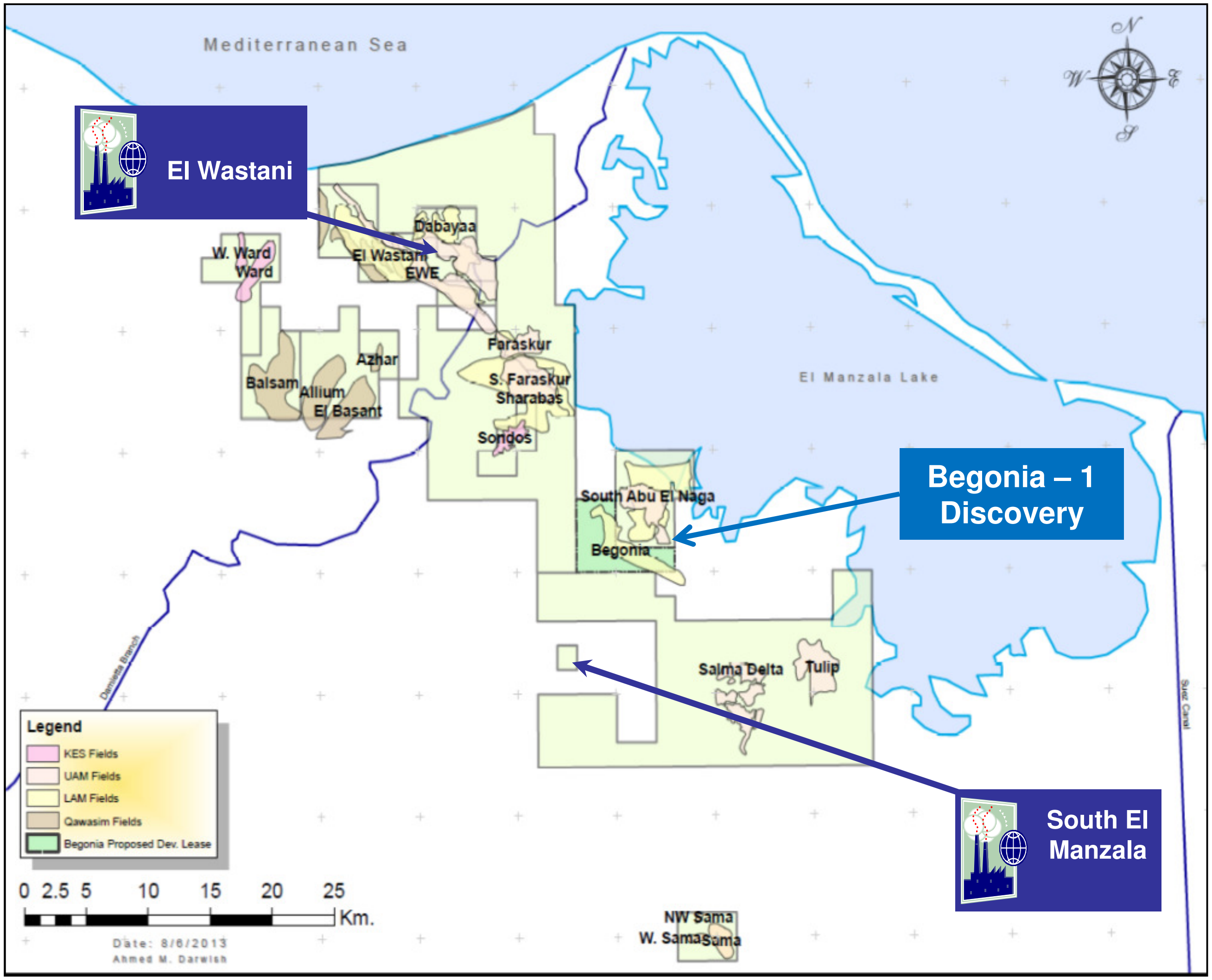
Country Business Highlights

Leonardo Salvadori – *Head Business Development*

Egypt: Business Environment

- Economic and political situation likely to stabilize with wider relations with the international investment community - over $ 12 billion in support by Saudi Arabia, UAE and other Gulf Arab states seen as a strong positive for economic development
- Foreign reserves up to $ 18.8 billion in July 2013, highest monthly rise since 2011
- Phased increase in gas prices with high consumption factories (steel, fertilizers etc.) increased to $ 4/MMBTU in late 2011 followed by $ 6/MMBTU in 2013 for cement industry. Discussions ongoing for further increase to $ 6/MMBTU for all factories
- No adverse impact on Dana Gas's operations or costs despite recent political events
  - Record production in 2013 achieved in July 2013 (>39,000 BOEPD), highest since 2011
  - Egyptian assets provide continuous investment and growth opportunities
  - Receivables remains an issue and speedy recovery will underpin incremental investment decisions

Egypt: Nile Delta Operations



Discoveries:
- Begonia -1 tested 1.6 kboed
- Reserves estimated at 15 bcf

New Development Leases:
- Sama Amendment (West Sama)
- El Basant Amendment (Allium)
- Balsam
- Begonia

New Fields on Stream:
- South Abu El Naga (W. Manzala)

Av. Production Rate (1H2013):
- 33.6 kboepd

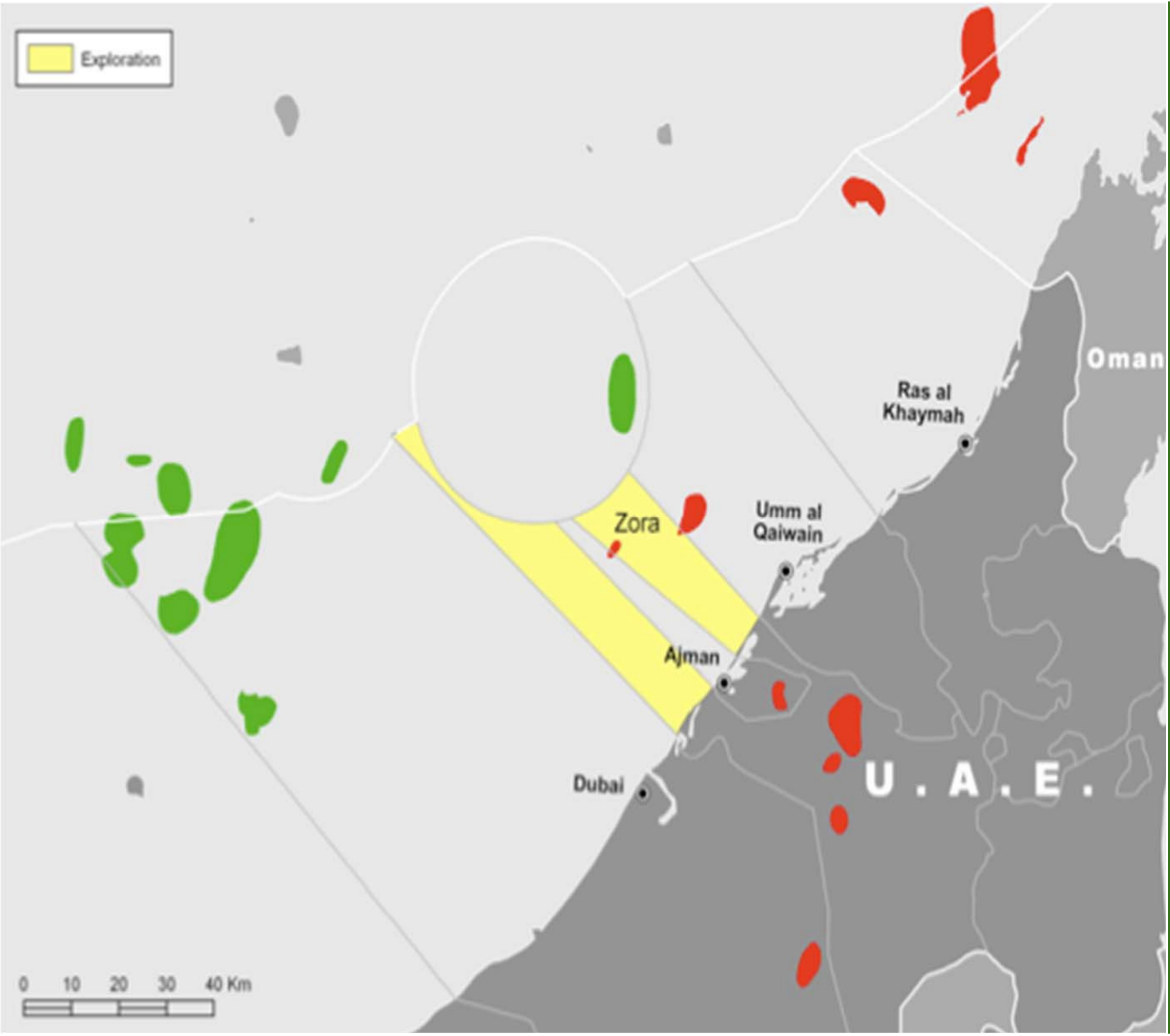
Projects in Progress:
- El Basant Compression Station
- EW Capacity De-bottlenecking
- Salma/Tulip tie-in

Projects completed:
- SAEN field tie-in (2.2 kboed)

Kurdistan Operations

- Total net production averaged at 27,300 BOEPD during 1H 2013:
  - 130 MMSCFD of natural gas
  - 5730 Bbl/D of condensate
- Enhanced bench strength by placing key positions
- Completed engineering, fabrication, installation and stress testing of the new LPG loading bay resulting in restoration of the facility with capacity of 900 MT on July 17, 2013

UAE: Zora Project Update



- Project scope includes the following:
  - Offshore platform
  - Offshore & Onshore Pipeline (35 km offshore & 2.5km onshore
  - Gas Treatment Onshore Plant (to receive 40 MMSCFD of gas and 300 bbl/day associated hydrocarbon condensate
- Commercial and technical bids evaluated and recommendations made to the bid approval committee
- Terms sheets for project financing signed

Summary

Patrick Allman-Ward – *CEO Designate*

Summary

- Taking a risk based approach to HSSE and asset integrity managing to ALARP
- Improving foreign currency reserves situation in Egypt may positively impact our receivables situation
- Taking a cautious approach towards capital investments keeping this in line with cash collections with a priority given to adding reserves and replacing production
- Continuing with our comprehensive evaluation of key business risks and implementation of mitigation strategies
- Continue to actively identify and evaluate organic growth opportunities in keeping with the Company's growth strategy
- Significant efforts being made to further strengthen business relationships with our partners and governments
- Taking steps to further strengthen management capabilities through recruitment of key staff

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HSE
On Track to Outperform Performance Metrics

- 2012 - a turning point for Dana Gas with several lessons learnt. We implemented new strategies that resulted in the following:
  - All three operating areas have shown improvements in HSE performance
  - On track to beat all the HSE metrics on our Group scorecard, but do not under estimate what needs to be done to maintain this level of performance
  - External audit (ERM) of the North Egypt JV resulted in multiple lessons which are being addressed throughout 2013, enabling us to lower overall operational risks
  - We are working in Kurdistan and Egypt to develop design and operating Safety Cases for our major operating sites

KPI	12 months rolling to June 2013	1H 2013	1H 2012	2013 target [1]
Fatalities	0	0	5	0
Recordable Injury Frequency [2]	0.34	0.13	1.10	0.60[3]
Loss of Primary Containment Incidents	25	9	55	50
Safety observations frequency [2]	240	195	159	230

[1] 2013 target versus 12 month rolling data   [2] Against 200,000 man hours   [3] 2012 OGP benchmark of 0.34

Group Key Risks and Mitigations

BUSINESS RISK	MITIGATIONS & COMMENTARY
Financial Risk	Receivables risk management through ongoing discussions with key stakeholders in Egypt and KRI. Conservative capital allocation and cash utilization policy, while maintaining BAU, to stay. Longer term funding being investigated to drive growth and shareholder creation
Asset Integrity & HSSE	Remains the overriding priority for the Group. Operational Risk Management Systems designed to help manage risks. HSSE Task Forces and Asset Integrity Teams in place to follow up on audit findings
Country /Regulatory	Integral part of the strategy to manage political and other contextual issues in markets where we operate and for future business development
Reserves Development and Projects	Exploration, development and project delivery subject to internal assurance processes to optimize designs and minimize risks. Ongoing independent reserves evaluation being carried out. Recent commercial discoveries including Begonia 1 going through the development planning stage
Commodity Prices	Portfolio includes long-term contracts not linked to short term fluctuations. Current pricing agreements do not necessitate hedging
People & Organization	CEO, IRD, KRI GM Operations and Head of Engineering in place. CFO recruitment is work-in-progress. Other recent key hires were Head of Projects, Senior Legal Counsel and HR Manager (Egypt). Organization & structural changes in progress to deliver more effectively for the future

Egypt – 12 months drilling performance

- Creating records on cost/time and maintaining focus on HSE
  - Drilled 3,000m slim hole well in 17 days with total cost $1.7 million (historical performance of 25-30 days and $2.5-3 million)
- Lowest cost well drilled in the Nile delta onshore through:
  - application of drill to limit
  - use of drilling fluids that enabled enhanced performance
  - increased rate of penetration through use of specialist drill bits
- 2 successful wells (Allium-1 & Balsam-1) drilled to 3,500 m across the overpressure Qawasim /S. Salem sections by:
  - identifying pressure ramp start up and isolating the section
  - use of real time logging
- Reduced the deep well drilling duration to 27 days and the cost to $3.5mm in Balsam-1 vs. 50 days and $4.6mm in Allium-1 through use of:
  - drilling fluids that enabled enhanced performance
  - HPHT mud motors
  - real time logging whilst drilling (LWD)

Amak-1 drilling in the Nile Delta