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 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 the year ended 31 December 2018
During the year, the Company earned gross revenues of USD 470 million (AED 1.7 billion) as compared to USD 450 million (AED 1.6 billion) in 2017, an increase of 4% mainly due to higher realised hydrocarbon prices and increase in production in Kurdistan following completion of the debottlenecking project. Realised prices for liquids averaged 21% higher in 2018 and contributed USD 55 million (AED 202 million) to the top line. This was partly offset by USD 35 million (AED 128 million) reduction due to decline in production in Egypt and Zora. Realised price averaged USD 59/bbl for condensate and USD 34/boe for LPG compared to USD 45/bbl and USD 30/boe respectively in 2017.

The Company ended the year with an average production of 63,050 barrels of oil equivalent per day (boepd), a decrease of 7% compared to last year's production of 67,600 boepd. The decline in production was mainly due to natural decline in fields in Egypt partly offset by increased production in KRI following completion of the debottlenecking project in October. The 30% increase in production from the debottlenecking project in Kurdistan, together with a 5,000 boepd contribution from Balsam-8 in Egypt, allowed the Group achieved its aspirational target of 70,000 boepd during the period November-December. The Company's year-end exit production was 69,424 boepd.

On a like for like basis, excluding one off impairments, profit from core operations increased to USD 64 million (AED 234 million) as compared with USD 5 million (AED 18 million) in 2017. In 2018, one off non-cash impairment provision of USD 250 million (AED 916 million) was recognised in respect of Zora assets (USD 187 million) and certain Egyptian assets (USD 59 million). In 2017, impairments amounted to USD 36 million (AED 132 million) and one off reversal of entitlements amounted to USD 114 million (AED 418 million) following settlement with KRG. After impairments, the Net loss for 2018 was USD 186 million (AED 682 million) as compared to a Net profit of USD 83 million (AED 305 million) in 2017.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") decreased to USD 230 million (AED 842 million) compared to USD 334 million (AED 1,224 million) in 2017. However in 2017 EBITDA included USD 114 million (AED 418 million) of non-cash income due to reversal of surplus in Pearl. Excluding this, the EBITDA for 2017 would have been USD 220 million (AED 806 million).

Liquidity and Financial Resources

Cash and bank balance at year-end stood at USD 407 million (AED 1,492 million), a decrease of 33% 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, accrued profit and costs upon completion of Sukuk restructuring and Sukuk buybacks thereafter amounting to USD 116 million (AED 425 million). In addition, in May 2018, a dividend of USD 95 million (AED 348 million) was paid to shareholders.

Collections of USD 334 million (AED 1,224 million) were made in 2018 with Egypt, Kurdistan Region of Iraq (KRI) and U.A.E. collecting USD 208 million (AED 762 million), USD 114 million (AED 418 million) and USD 12 million (AED 44 million), respectively.

Sukuk

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 1 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 were 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 (continued)
The Company paid USD 235 million (AED 861 million) on redemptions, profit payments and early participation fees. The size of new Sukuk reduced to USD 530 million (AED 1,943 million). It has a three-year life, maturing in October 2020 and a new profit rate of 4% per annum.

During the year, the Company bought back Sukuk amounting to USD 126 million – AED 462 million (nominal value). The bought back Sukuk has been cancelled as per the terms and condition. The total outstanding Sukuk post buyback is USD 404 million (AED 1,481 million).

Subsequent to year end, the Company bought back additional Sukuk with nominal value of USD 5 million (AED 18 million) thereby further reducing the Outstanding Sukuk to USD 399 million (AED 1,463 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 2018. Following this review, the Group's gross proved reserves (1P) as at 31 December 2018 were assessed at 54 MMboe (31 December 2017: 75 MMboe). The gross proved and probable reserves (2P) as at 31 December 2018 were estimated at 90 MMboe (31 December 2017: 117 MMboe) and the gross proved, probable and possible reserves (3P) as at 31 December 2018 were estimated to be 136 MMboe (31 December 2017: 160 MMboe). The decrease in reserves was on account of production during the year, which was not replaced and downgrade of reserves for early water production in two fields and poor production performance from one of the fields.

(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.

[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 (continued)

(b) Pearl Petroleum Company Limited (continued)
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
Gaffney, Cline & Associates carried out an independent evaluation of Sharjah Western Offshore concession – Zora Field's hydrocarbon reserves as on 31 December 2018. Zora field has seen a continuous decline in its output and no further intervention is economically viable to increase production. Following GCA review, the Group's gross proved reserves (1P) as at 31 December 2018 were assessed at Nil (31 December 2017: 8 MMboe). The gross proved and probable reserves (2P) as at 31 December 2018 were estimated to be 1 MMboe (31 December 2017: 24 MMboe) and the gross proved, probable and possible reserves (3P) as at 31 December 2018 were estimated to be 2 MMboe (31 December 2017: 61 MMboe). The sharp decline is due to reclassification of 2P reserves to contingent resources (2C).

E&P Operations

a) Egypt E&P operations

Dana Gas Egypt ended 2018 with production for the full year of operations of 12.6 MMboe i.e. averaging 34,500 boepd (2017: 14.4 MMboe, i.e. averaging 39,500 boepd) a decrease of 13% over the corresponding year. The decline in production was mainly due to natural decline in fields and increase of formation water production from Balsam 3 and 5 wells. This decline was partly offset by startup of production from Balsam-8, in the fourth quarter, adding over 5,500 boepd of gas and condensate. The Company will be also be drilling an offshore well in its first offshore block in Egypt. The block has three prospects, each with multiple TCF potential, the first of these being the Merak prospect. Plans are afoot to commence drilling of the Merak well in the first half of 2019.

During the year, the Company collected USD 208 million (AED 762 million) and hence realised 173% of the year's revenue. Out of the total, USD 164 million (AED 601 million) was received in US Dollars, USD 35 million (AED 128 million) in equivalent Egyptian pounds and USD 9 million (AED 33 million) in the form of offset. During the year, the Company has exported a total of 5 cargoes of condensate with average cargo volumes of 157,200 barrels and collected an amount of USD 54 million (AED 198 million). The Government's share of the cash generated from the incremental condensate export is being used to pay down the outstanding receivables owed to the Company. At year end, the trade receivable balance reduced by 39% to USD 140 million (AED 513 million) from USD 228 million (AED 835 million) at end of 2017.

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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.

E&P Operations (continued)

b) Pearl Petroleum Company Limited (KRI) E&P Operations

Dana Gas's share (35%) of gross production in the KRI for 2018 was 9.7 MMboe, i.e. averaging 26,650 boe per day (2017 – DG Share 35%: 9.4 MMboe, averaging 25,750 boe per day). The production was boosted by the completion of debottlenecking project, in quarter four, taking annual average production to 26,650 boepd from 25,750 boepd last year. Full impact can be seen in quarter four where production increased to 29,200 boepd from 25,100 boepd in Quarter 3 2018, an addition of 4,100 boepd.

Dana Gas share of collections for the year stood at USD 114 million (AED 418 million) and hence realised 89% of the year's revenue. At year 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 November and December 2018 all of which was subsequently collected.

Pearl 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 billions bbls of oil. Pearl has begun a multi well drilling programme at Khor Mor and Chemchemal, with expansion plans to progress and grow gas production by a further 500 MMscfd and liquids production by a further 20,000 bblpd over the coming three years. Drilling results are due to start coming through in the first half of 2019 and could provide the hard information needed to justify a significant reserves upgrade and potential for further development and production.

Subsequent to year end, on 19 February 2019, Pearl Petroleum signed a new twenty year Gas Sales Agreement (GSA) with the Kurdistan Regional Government to enable production and sales of an additional 250 MMscf/day that the Pearl aims to produce by 2021 as part of its expansion plans in the KRI in order to boost much needed local domestic electricity generation.

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 6 mmscfd sales gas to Sharjah power station and producing 50 bbl/day of condensate. Production from the Zora field averaged 1,200 boepd in 2018 (2017: 1,650 boepd). Zora field has seen a continuous decline in its output and no further intervention is economically viable to increase production. The company anticipates that the production will stop sometime in 2019 and following reclassification of reserves to contingent resources by GCA, the Company has written off the entire book value of Zora assets.

During the year, collections stood at USD 12 million (AED 44 million). At year 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".

E&P Operations (continued)

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 2,650 boepd of propane (DG Share 26.4%: 614 boepd) and 325 boepd of butane (DG Share 26.4%: 86 boepd) during the year.

Arbitration Cases

a) 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.

b) 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 took place in London over a three week period commencing on 26 November 2018. The Tribunal's decision is expected during 1H 2019.

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Dividend

The Board of Directors have proposed a cash dividend of 5.5% i.e. AED 5.5 fils per share (2017: AED 5 fils per share) for the year 2018. The dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

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

Auditors

The financial statements have been audited by Ernst & Young.

On behalf of the Board of Directors

Director

13 March 2019