

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 2019.

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 2019

During the year, the Company earned gross revenues of USD 459 million (AED 1.68 billion) as compared to USD 470 million (AED 1.72 billion) in 2018, a decrease of 2% due to lower realised prices and lower levels of production in Egypt. This decline was partly offset by production increase in Kurdistan which added USD 40 million to the top line. Realised price averaged USD 49/bbl for condensate and USD 30/boe for LPG compared to USD 59/bbl and USD 34/boe respectively in 2018.

The Company ended the year with an average production of 66,200 barrels of oil equivalent per day (boepd), an increase of 5% compared to last year’s production of 63,050 boepd. In Kurdistan production increased to 31,500 from 26,650 in 2018, an increase of 18%. This increase was partly offset by a 4% drop in production in Egypt.

Net profit for the year was USD 157 million (AED 575 million) as compared to a loss of USD 186 million (AED 682 million) in 2018. Increase in net profit was mainly due to higher other income and lower finance cost, partly offset by provision for impairment of USD 60 million (AED 220 million) against the Merak-1 exploration well in Block-6 Egypt. The loss in 2018 was mainly due to a one-off non-cash impairment provision of USD 250 million (AED 916 million) recognised mainly in respect of Zora assets.

On a like for like basis, excluding one off impairments and earn out and deferred income, profit from core operations increased by USD 51 million (AED 187 million) to USD 115 million (AED 422 million) as compared to USD 64 million (AED 235 million) in 2018, reflecting the strong underlying operations performance.

Earnings before interest, tax, depreciation and amortisation (“EBITDA”) increased to USD 341 million (AED 1,249 million) compared to USD 230 million (AED 842 million) in 2018.

DANA GAS PJSC

Report of the Directors

Liquidity and Financial Resources

Cash and bank balance at year-end stood at USD 425 million (AED 1,558 million), an increase of 4% compare to year-end balance of USD 407 million (AED 1,492 million). The Group collected a total of USD 285 million (AED 1,044 million) in 2019 with Egypt, KRI and U.A.E. contributing USD 138 million (AED 506 million), USD 139 million (AED 510 million) and USD 8 million (AED 29 million), respectively. During the year, the Company executed a share buyback amounting to USD 9 million (AED 33 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 2019. Following this review, the Group's gross proved reserves (1P) as at 31 December 2019 were assessed at 49 MMboe (31 December 2018: 54 MMboe). The gross proved and probable reserves (2P) as at 31 December 2019 were estimated at 73 MMboe (31 December 2018: 89 MMboe) and the gross proved, probable and possible reserves (3P) as at 31 December 2019 were estimated to be 106 MMboe (31 December 2018: 134 MMboe). The 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 risked¹ resources of petroleum initially in-place (PIIP) of the Khor Mor and Chemchemical Fields at 75 Tscf (of wet gas) and 7 billion barrels of oil.

PPCL appointed Gaffney Cline Associates to carry out a certification of the reserves for these fields as at 15 May 2019. The certification is based on the earlier work carried by GCA but updated to take into account the current understanding of the field, production data and incorporating the recent appraisal well drilling and test results.

In their report, GCA estimates the following reserves:

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.

DANA GAS PJSC Report of the Directors

Reserves & Resources (continued)

(b) Pearl Petroleum Company Limited

Khor Mor

- Proved plus probable (2P) gas, condensate and LPG reserves are 6.9 Tscf, 173 MMbbl and 18 MMt, respectively, of which Dana Gas' 35% share equates to 2.4 Tscf of dry gas, 61 MMbbl of condensate and 6 MMt of LPG.
- Proved plus probable (2P) oil reserves of 51.3 MMbbl of which Dana Gas' 35% share equates to 18 MMbbl

Chemchemical

- Proved plus probable (2P) gas, condensate and LPG reserves are 5.7 Tscf, 215 MMbbl and 20 MMt, respectively, of which Dana Gas' 35% share equates to 2 Tscf of dry gas, 75 MMbbl of condensate and 7 MMt of LPG.

Dana's share of the proved plus probable (2P) hydrocarbon reserves have increased by 10% following the recent certification of reserves. Management's estimate of the total share of Dana Gas is equivalent to 1,087 MMboe, up from 990 MMboe when GCA first certified the field in April 2016. This confirms that the fields located in the KRI could be the biggest gas fields in the whole of Iraq.

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 Resources² and Prospective Resources³.

E&P Operations

(a) Egypt E&P operations

Dana Gas Egypt ended 2019 with production for the full year of operations of 12.0 MMboe i.e. averaging 33,000 boepd (2018: 12.6 MMboe, i.e. averaging 34,500 boepd), a decrease of 4% over the corresponding year. The decline in production was mainly due to natural decline in fields and increased formation water production from some wells of the Balsam Field. This decline was partially compensated by putting in place production optimization strategies at the fields and plant level.

During the year, the Company completed the drilling operations at its deepwater Merak-1 well, located in 755 meters of water in the North El Arish (Block 6) Concession. The well was drilled to a total depth of 3,890 meters and encountered 36 m of sand in the Miocene objective interval but did not encounter commercial hydrocarbons. The well was temporarily plugged and abandoned and the cost fully provided for in 2019. The Block 6 Concession area contains at least three other independent prospects with material resource potential that are unaffected by the Merak-1 well result.

In Egypt, the Company collected a total USD 138 million (AED 506 million) and hence realized 127% of the year's revenue. Out of the total, USD 97 million was received in USD Dollar, USD 36 million in equivalent Egyptian pounds and USD 5 million in the form of offsets against payables. During the year, the Company sold a total of 3 cargoes of condensate with average cargo volumes of 157,000 bbl and collected an amount of USD 28 million (AED 103 million). Starting 1 July 2019, EGPC elected to purchase the full volume of incremental condensate and provided an irrevocable letter of credit for the value of estimated incremental condensate in 2H of 2019. An amount of USD 30 million was collected through the letter of credit during the year. At year end, the trade receivable balance reduced by 21% to USD 111 million (AED 407 million) from USD 140 million (AED 513 million) at end of 2018.

² Those quantities of petroleum estimated to be potentially recoverable but not yet considered mature enough for commercial development due to one or more contingencies.

³ Those quantities of petroleum estimated to be potentially recoverable from undiscovered accumulations by future development projects.

DANA GAS PJSC

Report of the Directors

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 2019 was 11.5 MMboe, i.e. averaging 31,500 boe per day (2018 – DG Share 35%: 9.7 MMboe, averaging 26,650 boe per day), an increase of 18% when compared with corresponding year. The increase in production was due to the full year impact of production coming online from the debottlenecking project which was completed in quarter four of 2018.

Dana Gas share of collections for the year stood at USD 139 million (AED 510 million) and hence realised 91% of the period's revenue. At year end, Dana Gas' 35% share of trade receivable balance stood at USD 24 million (AED 88 million) and represents amounts due against local sales for the month of November and December 2019.

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 billion bbls of oil. Pearl has continued with a multi well appraisal drilling programme at Khor Mor and Chemchemical begun in 2018, 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.

During the year, Pearl completed two appraisal wells in Khor Mor and one appraisal well in Chemchemical and embarked upon and completed 5 workovers in Khor Mor. The Company's expansion plan in the KRI is on schedule, with delivery from the first gas train expected early in 2022. This will raise production to 650 MMscf/d from the current rate of circa 400 MMscf/d.

Earlier in the year, Pearl Petroleum signed a 20-year gas sale agreement with the KRG for the production and sale of these incremental volumes of 250 MMscf/d of gas.

(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 the Sharjah Hamriyah Free Zone.

Production from the Zora Field averaged 1,000 boepd in 2019 (2018: 1,200 boepd). Production ceased on 3 September 2019 following instructions from Sharjah Petroleum Council upon acceptance of the relinquishment notice. Zora onshore and offshore facilities have now been fully shutdown, with all hydrocarbon and chemical removed, and are being kept in preservation mode.. Engineering design and project planning is ongoing for the "Plug & Abandonment" of the SHJ-2 well.

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 Saj Gas and UGTC, the entities that own the offshore riser platform, the offshore and onshore pipelines and the sour gas processing plant to transport and process the gas.

For further updates see "Arbitration Cases".

DANA GAS PJSC

Report of the Directors

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 2,050 boepd of propane (DG Share 26.4%: 541 boepd) and 472 boepd of butane (DG Share 26.4%: 125 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 NIOCs 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). MOL therefore complained about Dana Gas and Crescent Petroleum's handling of the settlement, expressing dissatisfaction with the outcome as compared to the alternative of pursuing a final litigation and enforcement outcome against the KRG. MOL then 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 amounted to a breach of the Pearl Petroleum shareholders agreement.

DANA GAS PJSC

Report of the Directors

Arbitration Cases (continued)

Dana Gas and Crescent Petroleum rejected the allegations and the default notice, and were forced to initiate arbitration in The London Court of International Arbitration ('LCIA') 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 Company on 14 May 2019 received an award dated 10 May 2019 from the LCIA. The Tribunal's award is a welcome and complete vindication for Dana Gas and Crescent Petroleum ("claimant"), finding that they as Claimants were "overwhelmingly successful in this arbitration" and ruling in their favour on all key points.

In dismissing all of MOL's claim and finding that the default notices issued by MOL were invalid, the Tribunal considered that MOL's focus on linking the waiver of its deferred payment obligations in exchange for endorsing the settlement was "illegitimate". MOL was also ordered to pay all the costs of the arbitration and 100% of the external legal costs of Dana Gas and Crescent within 30 days.

- c) MOL Earn Out payment arbitration: The Company, together with Crescent Petroleum, commenced arbitration proceedings against MOL Hungarian Oil and Gas Public Limited Company ('MOL') on 14 February 2020 arising out of MOL's attempts to avoid paying reserve based earn out payments to the Company and Crescent Petroleum arising out of the terms of the Sale and Purchase agreement entered into between the Parties in 2009, through which MOL acquired its 10% shareholding in Pearl Petroleum.

The reserve based earn out payment obligations are the same obligations which MOL sought to illegitimately avoid in the 20 September 2017 arbitration against MOL (see note above).

The arbitration will also address the separate and additional crude oil earn out payments arising out of the said 2009 Sale and Purchase agreement.

- d) OMV Earn Out payment arbitration: The Company, together with Crescent Petroleum, commenced arbitration proceedings against OMV Upstream International GMBH ('OMV') on 14 February 2020 arising out of OMV's attempts to avoid paying reserve based earn out payments to the Company and Crescent Petroleum arising out of the terms of the Sale and Purchase agreement entered into between the Parties in 2009, through which OMV acquired its 10% shareholding in Pearl Petroleum.

DANA GAS PJSC
Report of the Directors

Directors

H.H. Sheikh Ahmed Bin Sultan Al-Qasimi, Honorary Chairman

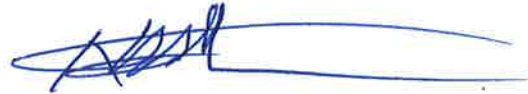
1. Mr. Hamid Dhiya Jafar, Chairman
2. Mr. Rashid Saif Al-Jarwan, Deputy Chairman
3. Mr. Abdullah Ali Al Majdouie
4. Mr. Hani Abdulaziz Hussein
5. Mr. Jassim MohamadRafi Alseddiqi
6. Mr. Majid Hamid Jafar
7. Mr. Nureddin Sehweil
8. Mr. Said Arrata
9. Mr. Shaheen Al-Muhairi
10. Mr. Varoujan Nerguizian
11. Mr. Ziad Abdulla Ibrahim Galadari

Auditors

The financial statements have been audited by PricewaterhouseCoopers.

On behalf of the Board of Directors

To the best of our knowledge, the financial information included in the report fairly presents in all material respects the financial condition, results of operation and cash flows of the company as of, and for, the periods presented in the periodic report.



Director
11 March 2020