



# Dana Gas H1 2021 - Financial Results

## Investor Presentation

This is a Report on H1 2021 financial results which can be read alongside the presentation material posted on our website in order to provide additional context to the presentation. We will not be hosting an investor call for the half-year. If you have any questions, please email them to [mohammed.mubaideen@danagas.com](mailto:mohammed.mubaideen@danagas.com)

### Snapshot - H1 Results (Slide 5)

This slide provides a short summary of the half-year 2021 figures. Dana Gas had one of its strongest starts to any year. The steady rise in oil prices over the period has seen the Company deliver excellent half-year figures as the Company's low-cost structure has helped it to deliver a very profitable six months.

This time last year, the Company posted a loss and was under tremendous pressure to keep its operations going in the midst of lock downs due to the global pandemic. One year further on, the Company has succeeded both financially and operationally with the main highlight being a net profit of \$139 million versus a \$19 million loss in H1 2020.

The production numbers were steady despite the continuing challenges faced by the industry as a whole. The global pandemic is still prevalent and the number one priority has been to maintain our staff's health and continue operations in a safe manner. Strict protocols remain in place which has allowed the Company's assets to continue producing uninterrupted. The management teams in the KRI and Egypt have done an incredible job in keeping the production flowing and we are extremely pleased with this performance.

Overall group production numbers for the half-year were 64,000 boepd, in line with the 63,250 in H1 2020, driven by increased production in the KRI which helped to offset a decline in Egypt.

Operationally, the Company is making good progress on its KM250 expansion project at the Khor Mor field in the KRI after Pearl Petroleum agreed to lift its *force majeure* alongside the contractor and government regulators in Q2 2021. The KM250 expansion involves a total investment of



\$600 million and will add 250 million standard cubic feet per day (MMscf/d) of gas to the current production. It is scheduled to come on-stream in Q2 2023.

On 23 April 2021 the Company terminated its agreement for the sale of its Egyptian assets and will continue to own and operate these with the view to maximise returns for shareholders; this includes carrying out judicious drilling activities, carefully monitoring expenditure and lengthening the economic life of these assets as much as possible. Dana Gas Egypt's operational cash flow increased in H1 2021 by 175% to \$80 million reflecting the increase in oil price and collection during the period. This enforces the correctness of the Board decision not to sell the assets.

As a result of the termination IPR Wastani Petroleum Limited (IPR) initiated an arbitration disputing DGE's right to terminate the SPA. On 17 July 2021 the Tribunal dismissed IPR's claim in its entirety, and overwhelmingly ruled in favour of Dana Gas.

There are no new updates on the NIOC case and we are still expecting the Tribunal to issue a damages award later this year.

### **Production (Slide 7)**

The group production and realized prices are illustrated on Slide 7. Half-year output was 64,000 boepd in-line with H1 2020, which was 63,250 boepd. The KRI operations increased production by 8% to 34,300 boepd which is the result of the successful completion of the plant bypass project in July 2020. The KRI's production managed to outweigh the decline in Egypt, which saw a 6% decline in production to 29,150 boepd as a result of the natural decline of our Nile Delta mature onshore fields.

Average realized prices are highlighted on the bottom row. In the first six-months, condensate prices increased over 50% to \$48 per barrel versus \$30 in H1 2020. LPG prices were higher at \$32 per boe for H1 2021 versus \$28 boe in H1 2020. It is also worth noting that Brent also rose over 50%, averaging \$65 per barrel as compared to \$40 in the same period last year.

This had positive effect on collections for the half-year 2021. More on this later in the Report.



## **Egypt (Slide 8)**

A summary of Egypt's operational activities is provided on Slide 8.

Dana Gas has won its arbitration with IPR Wastani and will therefore retain its operations in Egypt. This is an excellent outcome for the Company due to the improvements in financial performance from the assets as compared with the proposed sale.

As part of its strategy to manage production decline, Dana Gas Egypt completed maintenance and workover on 6 wells; and drilling operations continue on the South Abu El Naga-1 field.

With regard to its offshore Block 6, the Company completed the interpretation on final depth-migrated seismic volume. It has also been awarded an extension to the second exploration phase by EGAS for nine months until March 2022, with an option for a further two-year extension.

In the second quarter, Dana Gas sold its 26.4% interest in EBGDCO, a natural gas liquids extraction plant in Egypt for a total consideration of \$11.4 million.

## **KRI: Energising the KRI (Slide 9)**

The Company's KRI operations are progressing with its KM250 expansion plans to increase daily production to 690 MMscf.

The site continues to observe and maintain high levels of health and safety and the vaccination rate among the workforce is strong. Civil engineering work has been ongoing since December 2020 and drilling program is scheduled to take place in 2022.

The KM 250 expansion project is scheduled to deliver first gas in Q2 2023.

## **Financial Highlights (Slide 11)**

The Company's financials are described in Slides 11 to 13.

Dana Gas has delivered a very strong set of financial numbers as compared to last year, both with its half year and second quarter financial results.

### ***Half-Year Financials***

Net profit was up significantly to \$139 million versus a \$19 million loss in H1 2020. The increase in net profit was due to higher revenue, reversal of impairment in Egypt (following termination of the Sale and Purchase



agreement) and reduction in finance cost due to lower borrowing base. Excluding the impairments, the Company posted an adjusted net profit of \$61 million versus an adjusted net profit of \$18 million in H1 2020, an increase of 239%, reflecting strong underlying operating performance.

Gross revenue was up 19% to \$216 million from \$181 million in H1 2020 driven by higher realized prices which added \$37 million to Revenues.

Gross profit was 133% higher at \$91 million versus \$39 million in H1 2020. This was principally due to higher realized prices and a lower depreciation and depletion (DD&A) on the Dana Gas Egypt assets post last year's impairments.

## ***Q2 Financials***

Net profit was also up significantly to \$115 million versus a \$36 million loss in Q2 2020. Excluding the reversal, the Company posted an adjusted net profit of \$36 million versus an adjusted loss of \$3 million in Q2 2020.

Gross revenue was up 43% to \$110 million from \$77 million in Q2 2020 driven by higher realized prices

Gross profit was considerably higher at \$46 million versus \$6 million in Q2 2020. This was driven by higher revenues as well as lower DD&A.

## **CAPEX & Opex (Slide 12)**

The Company posted its lowest G&A in 10 years. In the first half of 2021 G&A was \$5 million, down from \$6 million in H1 2020. On the other hand, OPEX has slightly increased to \$31 million from \$27 million in H1 2020 due to higher allocation of Dana Gas Egypt's overheads to OPEX as a result of reduced capex activity.

The Company's capital expenditure totaled \$50 million in H1 2021 versus \$25 million in H1 2020. Dana Gas Egypt spent \$16 million and \$34 million was spent in the KRI. There was higher capex this year as work on KM 250, drilling, workover and other similar activities resumed as compared to last year when work had stopped due to pandemic restrictions.

## **Cash Flow, Liquidity & Receivables (Slide 13)**

The Company's liquidity and collections position is very robust (Slide 13).



As of June 30, 2021, the Company's cash position was \$125 million, slightly higher than the \$108 million at the end of 2020. This is after paying a cash dividend of \$105 million in May. The cash position includes \$ 61 million being Dana Gas share of cash held at Pearl Petroleum.

Operational cash flow increases by 97% to \$146 million in the first half of 2021, and first half 2021 free cash flow increased to \$103 million versus \$51 million in H1 2020.

The Company collected \$185 million in the first half 2021, more than double H1 2020 and a five-year record. Dana Gas saw its share of collections from sales of condensate, LPG and gas in the KRI jump 85% to \$87 million in the first half 2021 as compared to \$47 million in the same period last year.

In Egypt, Dana Gas collected \$98 million during H1 2021, compared to \$43 million received in the same period of 2020, representing a 128% increase.

Trade receivables are considerably lower due to the high collection rate. As of 30 June 2021, KRI and Egypt receivables stand at \$39 million and \$82 million respectively.

Furthermore, the Kurdistan Regional Government (KRG) remains committed to paying down past receivables and the Company expects to receive the balance of the overdue receivables from the KRG during the next quarter.

## **Summary (Slide 15)**

At the end of the first half 2021, the Company:

- Posted a very strong set of financial results in the first half and second quarter 2021. Revenues, gross profit and net profit were all up significantly, driven by rising oil prices.
- Simultaneously, the Company diligently and successfully managed to reduce the expected decline in Egypt production and group production remained steady and in-line year-on-year at 64,000 boepd, driven by a boost in KRI output.
- Carried out the sale of its EBGDCO shares. The disposal of non-core asset is part of the management's strategy and it was executed successfully and profitably.
- Another strategic focus area was collections which the management team has delivered very well on in the first half of the year. The Company collected \$185 million, in what was the Company's highest



record intake in 5-years. Receivables have dropped to a multi-year low, and the Company

- Company remains confident that collections will continue to be made on time giving renewed confidence in ongoing investment projects.
- Dana Gas cancelled its decision to sell its onshore Egypt assets to IPR Wastani and subsequently won the arbitration against IPR who challenged the decision. The Board of Directors believed it was in the best interests of shareholders. Going on forward Management focus will be on maximizing asset value, lengthening its economic life and returning dividends to Dana Gas.
- Dana Gas continues to make progress on its two key projects, namely; Block 6 exploration well drilling, and the KM250 expansion project, which came out of *force majeure* and is on track to come on-stream in Q2 2023.