

DANA GAS PJSC

Report of the Directors

The Board of Directors of Dana Gas PJSC (“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 2021.

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 2021

During the year, the Group earned gross revenues of USD 452 million (AED 1.6 billion) as compared to USD 349 million (AED 1.27 billion) in 2020, an increase of 30% due to higher realised prices and 5% production growth in the KRI. This increase was partly offset by lower production in Egypt which declined by 7%. Realised price averaged USD 54/bbl for condensate and USD 35/boe for LPG compared to USD 28/bbl and USD 28/boe respectively in 2020 and positively impacted the revenues by USD 113 million.

The Group ended the year with an average production of 62,100 barrels of oil equivalent per day (boepd), a slight decrease of 2% compared to last year’s production of 63,200 boepd. Production was boosted by a 5% jump in production from the KRI, which reached 33,800 boepd as compared to 32,250 boepd in 2020. This was offset by a drop in production from Egypt which fell 7% to 28,300 boepd as compared to 30,300 in 2020, as a result of natural field depletion.

The Group achieved a record Net profit of USD 317 million (AED 1,163 million) in 2021 as compared to a Net Loss of USD 376 million (AED 1,378 million). The increase was primarily due to higher oil prices, improved operational performance and other income. Other income included USD 608 million (AED 2,228 million) relating to an amount due following an arbitration award and a reversal of impairment of USD 80 million (AED 293 million) offset by an impairment of USD 531 million (AED 1,945 million) relating to the UAE Gas Project assets, oil and gas interests and Goodwill.

Excluding the other income and impairments, the Group’s net profit for the year was USD 128 million (AED 469 million) as compared to 2020 adjusted net profit (excluding impairments) of USD 36 million (AED 131 million), an increase of 256%, reflecting robust underlying operating performance.

Earnings before interest, tax, depreciation and amortisation (“EBITDA”) was higher at USD 269 million (AED 986 million) compared to USD 146 million (AED 535 million) in 2020 mainly due to increased revenue.

Discontinued operations/Asset held for sale

The Company announced on 25 October 2020 that Dana Gas Egypt (“DGE”) had entered into an agreement with IPR Wastani Petroleum Ltd, a member of the IPR Energy Group (“IPR”) for the sale of its onshore Egyptian producing oil and gas assets for consideration of up to USD 236 million including contingent payments.

On 23 April 2021 DGE terminated its agreement for the sale of its Egyptian assets, previously announced on 25 October 2020.

DANA GAS PJSC

Report of the Directors

Discontinued operations/Asset held for sale (continued)

IPR submitted a Request for Arbitration disputing DGE's right to terminate the SPA. By an award dated 17 July 2021 the Tribunal dismissed IPR's claim in its entirety, and ruled that Dana Gas' termination of the SPA was valid.

Liquidity and Financial Resources

Cash and bank balance at year end stood at USD 185 million (AED 678 million), an increase of 71% compared to 2020 balance of USD 108 million (AED 396 million). Cash includes USD 67 million (AED 246 million) being 35% share of cash held at Pearl Petroleum. The year-end cash balance is after payment of 5.5 fils dividend in May 2021 of USD 105 million (AED 385 million) and a further 3.5 fils dividend of USD 67 million (AED 245 million) that was approved by the shareholders in December 2021.

The Group collected a total of USD 377 million (AED 1,382 million) during the year with Egypt and KRI contributing USD 193 million (AED 708 million) and USD 184 million (AED 674 million), respectively. The total collection rose 107% year-on-year in 2021, marking a record level of collection for the Company on the back of strong rebound in oil prices, an accelerated pace of payments from Egypt and the settlement of past outstanding KRI receivables from 2019 and 2020. During the year the Company paid a total dividend of USD 172 million (AED 630 million) including final dividend of 5.5 fils for 2020 and an interim dividend of 3.5 fils for the first half of 2021.

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) 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 ("GCA") 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:

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

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)

(a) Pearl Petroleum Company Limited (continued)

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 2019 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.

(b) 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 2021. Following this review, the Group's gross proved reserves (1P) as at 31 December 2021 were assessed at 30 MMboe (31 December 2020: 35 MMboe). The gross proved and probable reserves (2P) as at 31 December 2021 were estimated at 44 MMboe (31 December 2020:59 MMboe) and the gross proved, probable and possible reserves (3P) as at 31 December 2021 were estimated to be 73 MMboe (31 December 2020:85 MMboe). The decrease in reserve was on account of production during the year, which was not replaced.

E&P Operations

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

Dana Gas's share (35%) of gross production in the KRI for was 12.3 MMboe, i.e. averaging 33,800 boe per day (2020 – DG Share 35%: 11.8 MMboe, averaging 32,250 boe per day), an increase of 5% when compared with the corresponding year.

Dana Gas' share of collections for the year stood at USD 184 million (AED 674 million) and hence realised 98% of the year's revenue. At year end, Dana Gas' 35% share of trade receivable balance stood at USD 43 million (AED 158 million) as compared to USD 39 million (AED 143 million) at year end 2020.

Pearl is proceeding with the development of its two world-class gas fields with in-place volumes of approximately 75 trillion cubic feet of wet gas and 7 billion bbls of oil. In January 2020, Pearl appointed an engineering, procurement and construction ('EPC') contractor for the first of two 250 MMscf/d gas processing trains planned at the Khor Mor gas processing plant. The appointment of the contractor followed final approval by the Ministry of Natural Resources of the Kurdistan Regional Government, which oversees the project. The contract award marks a key milestone in Pearl Petroleum's long-term expansion plan. The second phase will take total production to 900 MMscfd.

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)

(a) Pearl Petroleum Company Limited (KRI) E&P Operations (continued)

As a result of the impacts of COVID 19 on business operations both globally and in the KRI and specifically on (a) the supply chain for the EPC contract and (b) local site access for construction preparatory works due to flight and other disruptions, had resulted in the contractor declaring Force Majeure under the terms of the EPC contract. In March 2020, Pearl replicated a back-to-back declaration of Force Majeure to the Contractor under the EPC contract and to the KRG pursuant to the terms of the GSA 2 due to the COVID 19 pandemic. Throughout the remainder of 2020, both the contractor and Pearl took all commercially reasonable steps to mitigate the impact of COVID 19 on the delivery of the project and its timelines.

In April 2021, Pearl lifted Force Majeure under the GSA 2 with the Kurdistan Regional Government, agreeing a new target start date for first gas deliveries of 30 April 2023. In June 2021, Pearl and the Contractor also lifted Force Majeure under the EPC Contract and have agreed on a new completion date of 30 April 2023. The restarting of the expansion plans in the KRI demonstrates that all the parties working on the project are fully committed to executing the expansion project as quickly and as safely as possible. The Pearl consortium remains focused on completing the first 250 MMscf/d gas processing train by 30 April 2023.

The KM 250 gas expansion works currently under way at the Khor Mor plant are progressing on schedule, with the project now fully financed after securing a 7-year USD 250 million loan from the US International Development Finance Corporation in September 2021.

(b) Egypt E&P operations

Dana Gas Egypt ended 2021 with production for the full year of operations of 10.3 MMboe i.e. averaging 28,300 boepd (2020: 11.08 MMboe, i.e. averaging 30,300 boepd), a decrease of 7% over the corresponding year. The field natural decline was partially compensated by the drilling of wells, execution of workovers and other well intervention activities and through production optimization operations at the field and plant level.

In Egypt, the Group collected a total USD 193 million (AED 708 million) during 2021 and hence realized 186% of the year's revenue. At year end, the trade receivable balance stood at USD 24 million (AED 88 million) as compared to USD 130 million (AED 477 million) at the end of 2020.

Egypt Gulf of Suez – Gas Liquids Extraction Plant.

The Company, through its subsidiary Danagaz Bahrain was a 26.4% owner (effective) in Egyptian Bahraini Gas Derivative Company (Joint Venture) that built, owned and operated a Natural Gas Liquids Extraction Plant in Egypt in partnership with the Egyptian National Gas Company (EGAS) and the Arab Petroleum Investments Corporation (APICORP). During the year the Company sold its complete interest in Egyptian Bahraini Gas Derivative Company and realised USD 10 million.

DANA GAS PJSC

Report of the Directors

UAE Gas Project

The UAE Gas Project includes Dana Gas' 35% interest in Crescent National Gas Corporation Limited (CNGCL), which is entitled to market the gas, and 100% interests in UGTC and Saj Gas, the entities that own the offshore riser platform, the offshore and onshore pipelines to transport the gas and the sour gas processing plant to process the gas.

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 had been in breach of its contractual obligation to deliver gas under the Contract since December 2005.

The parties to the arbitrations are Crescent Petroleum and NIOC, who are the parties to the Gas Sales & Purchase Contract (GSPC) at issue in the arbitration. Dana Gas is not a party to the GSPC, or to the arbitration.

Dana Gas has been informed by Crescent Petroleum that an award for damages in the first arbitration against NIOC has been made by the international arbitration tribunal on 27 September 2021. This first arbitration covers the period of the first 8.5 years of the 25 year gas sales agreement from 2005 to mid-2014. Dana Gas share of award is USD 608 million (AED 2.23 Billion).

In addition, a second arbitration with a much larger claim for the 16.5 years covering the remainder of the gas supply period from 2014 to 2030 is currently underway, with the final hearing fixed for October 2022 in Paris, and for which a final award on damages is expected the following year in 2023. Dana Gas will also receive a portion of the next award which is expected to be more than the sum due from the first arbitration in keeping with the longer time period.

- b) 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 in accordance with 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 illegitimately sought to avoid and which was the subject of the 20 September 2017 arbitration award against MOL.

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

- c) 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 in accordance with 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

1. Mr. Hamid Dhiya Jafar, Chairman
2. Mr. Rashid Saif Al-Jarwan, Deputy Chairman
3. Mr. Abdullah Ali Al Majdouie (to 28 April 2021)
4. Mr. Ajit Vijay Joshi (from 28 April 2021)
5. Mr. Hani Abdulaziz Hussein
6. Mr. Jassim MohamadRafi Alseddiqi
7. Mr. Majid Hamid Jafar
8. Ms. Najla Ahmed Al-Midfa (from 28 April 2021)
9. Mr. Nureddin Sehweil (to 28 April 2021)
10. Mr. Said Arrata (to 28 April 2021)
11. Mr. Shaheen Al-Muhairi
12. Mr. Varoujan Nerguizian
13. H.E. Younis Al Khoori (from 28 April 2021)
14. Mr. Ziad Abdulla Ibrahim Galadari

Auditors

The financial statements have been audited by Ernst & Young.

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.



Directors
14 March 2022