

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 interim condensed consolidated financial results of the Company, its subsidiaries and joint arrangements (together referred to as the “Group”) for the period ended 30 June 2023 (“the period”).

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 MENA (Middle East & North Africa) 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 first half of 2023

During the first half of 2023, the Group earned gross revenue of USD 222 million (AED 814 million) as compared to USD 284 million (AED 1,041 million) in the first half of 2022, a decrease of 22%. This decrease was mainly due to lower realised prices during the period which negatively impacted the topline by USD 56 million (AED 205 million). Realised price averaged USD 56/bbl for condensate and USD 37/boe for LPG compared to USD 87/bbl and USD 44/boe, respectively in 1H 2022.

The Group achieved a net profit of USD 83 million (AED 304 million) as compared to USD 111 million (AED 407 million). The decrease in net profit was primarily due to lower oil prices and decline in production in Egypt. Earnings before interest, tax, depreciation and amortisation (“EBITDA”) were lower at USD 130 million (AED 476 million) compared to USD 164 million (AED 601 million) in the corresponding period.

The Group’s share of production for 181 days was 10.82 million barrels of oil equivalent or 59,800 barrels of oil equivalent per day (“boepd”), a decrease of 2% compared to corresponding period production of 11.06 million boe (61,100 boepd). Production in Kurdistan Region increased by 6% to 36,400 boepd, however, this was fully offset by a 12% decline in production in Egypt to 23,400 boepd.

Results for the quarter ended 30 June 2023

During the quarter ended 30 June 2023, the Group earned gross revenues of USD 100 million (AED 367 million) as compared to USD 144 million (AED 528 million) in the second quarter of 2022, a decrease of 31% mainly due to lower realised prices. Realised price averaged USD 53/bbl for condensate and USD 34/boe for LPG compared to USD 93/bbl and USD 45/boe respectively in Q2 2022.

The Group achieved net profit of USD 33 million (AED 121 million) as compared to USD 57 million (AED 209 million) in Q2 2022. The decrease in net profit was mainly due to lower oil prices and decline in production in Egypt. EBITDA was lower at USD 56 million (AED 205 million) compared to USD 83 million (AED 304 million) in Q2 2022.

The Group’s share of production in the second quarter was 5.16 million barrels of oil equivalent or 56,750 barrels of oil equivalent per day (“boepd”), a decrease of 5% compared to corresponding period production of 5.44 million boe (59,800 boepd). This decline was mainly due to natural field depletion in Egypt which resulted in production decline of 14% to 22,600 boepd as compared to 26,200 in Q2 2022 and a partial shut-down of production in the KRI.

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Liquidity and Financial Resources

Cash and bank balance at period end stood at USD 101 million (AED 370 million), a decrease of 33% compared to 2022 year-end balance of USD 151 million (AED 553 million). Cash includes USD 82 million (AED 301 million) being 35% Company's share of cash held at Pearl Petroleum.

The Group collected a total of USD 106 million (AED 389 million) during the period with Egypt and KRI contributing USD 26 million (AED 95 million) and USD 80 million (AED 294 million), respectively.

During the period ended 30 June 2023, the Company paid a dividend of USD 86 million (AED 315 million) as final dividend for 2022 bringing the total cash dividend for the financial year ended 31 December 2022 to 9 fils (2021: 8 fils).

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

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.

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.

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Reserves & Resources (continued)

(a) Pearl Petroleum Company Limited (continued)

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 2022. The Group's gross proved reserves (1P) as at 31 December 2022 were assessed at 23 MMboe (31 December 2021: 30 MMboe). The gross proved and probable reserves (2P) as at 31 December 2022 were estimated at 42 MMboe (31 December 2021:44 MMboe) and the gross proved, probable and possible reserves (3P) as at 31 December 2022 were estimated to be 62 MMboe (31 December 2021:73 MMboe).

GCA reserves estimation is based on the enhanced fiscal terms of the concession consolidation agreement with the Egyptian Natural Gas Holding Company (EGAS). The agreement is subject to the Egyptian parliament ratification which is expected later this year.

E&P Operations

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

Dana Gas's share (35%) of gross production in the KRI for the 91 days of operations in Q2 2023 was 3.1 MMboe, i.e. averaging 34,150 boe per day (Q2 2022 – DG Share 35%: 3.06 MMboe, averaging 33,600 boe per day).

Dana Gas' share of collections for the period stood at USD 80 million (AED 294 million) and hence realised 71% of the period's revenue. At period end, Dana Gas' 35% share of trade receivable balance stood at USD 97 million (AED 356 million) as compared to USD 64 million (AED 235 million) at year end 2022.

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 Exterran, an engineering, procurement and construction ('EPC') contractor, for the first of two 250 MMscf/d gas processing trains and provide operations related technical assistance services for 5 years post hand over of the 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 EPC contract terms reflect Exterran's contractor financing whereby the plant will be predominantly funded by Exterran with repayment of principal with interest over five years following completion of the plant. Following declarations of force majeure in 2020 under the EPC contract due to COVID, Pearl and Exterran agreed on a completion date of 30 April 2023. In 2022 Exterran was purchased by Enerflex.

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.

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E&P Operations (continued)

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

Work on the KM 250 onsite EPC contract activities was temporarily suspended in June 2022 following rocket attacks in the area of the construction site and plant and a state of force majeure was declared. During the period, following enhancement of the security arrangements, Enerflex and its subcontractors remobilized to site to recommence construction. The operator and contractor have discussed the necessary improvements in security arrangements with the Kurdistan Regional Government required for construction activities to fully get underway.

Production, drilling operations and non-EPC contract activities have continued throughout as normal.

(b) Egypt E&P operations

The Group's production in Egypt for the 91 days of operations in Q2 2023 was 2.05 MMboe i.e. averaging 22,600 boepd (June 2022: 2.38 MMboe i.e. averaging 26,200), a decrease of 14% over the corresponding period. The field annual natural decline of circa 20% was partially compensated by the intervention campaign and production optimization operations at field and plant level.

In Egypt, the Group collected a total USD 26 million (AED 95 million) during the period and hence realized 67% of the period's revenue. At period end, the trade receivable balance stood at USD 41 million (AED 150 million) as compared to USD 30 million (AED 110 million) at the end of 2022.

In Egypt, the Company reached an agreement with the Egyptian Natural Gas Holding Company (EGAS) for consolidation of its existing concessions on enhanced fiscal terms. The new terms will extend the life of Egypt's economic assets. The agreement is subject to the Egyptian parliament ratification which is expected later this year.

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 was informed by Crescent Petroleum that an award for damages in the first arbitration against NIOC was made by the international arbitration tribunal on 27 September 2021. This first arbitration covered 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 was USD 608 million (AED 2.23 Billion) which was recorded in the books in 2021.

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Arbitration Cases (continued)

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. The final hearing was scheduled to commence in October 2022 in Paris, however, was delayed to March 2023. The hearing has been further deferred and is now anticipated later this year. The final award on damages is expected by 2024. 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.

Directors

1. Mr. Hamid Dhiya Jafar, Chairman
2. Mr. Rashid Saif Al-Jarwan, Deputy Chairman
3. Mr. Ajit Vijay Joshi
4. Mr. Hani Abdulaziz Hussein
5. Mr. Jassim MohamadRafi Alseddiqi
6. Mr. Majid Hamid Jafar
7. Ms. Najla Ahmed Al-Midfa
8. Mr. Shaheen Al-Muhairi
9. Mr. Varoujan Nerguizian
10. H.E. Younis Al Khoori
11. Mr. Ziad Abdulla Ibrahim Galadari

Auditors

The Company auditors, Ernst & Young, have issued their review report on the interim condensed consolidated financial statements of the Group.

On behalf of Board of Directors



Directors
08 August 2023