

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 September 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 nine months of 2023

During the nine months of 2023, the Group earned gross revenue of USD 326 million (AED 1,195 million) as compared to USD 415 million (AED 1,521 million) in the nine months of 2022, a decrease of 21%. This decrease was mainly due to lower realised prices during the period which negatively impacted the topline by USD 83 million (AED 304 million). Realised price averaged USD 53/bbl for condensate and USD 36/boe for LPG compared to USD 85/bbl and USD 43/boe, respectively in 9M 2022.

The Group achieved a net profit of USD 126 million (AED 462 million) as compared to USD 161 million (AED 589 million). The decrease in net profit was primarily due to lower oil prices. Earnings before interest, tax, depreciation and amortisation (“EBITDA”) were lower at USD 201 million (AED 736 million) compared to USD 240 million (AED 880 million) in the corresponding period.

The Group’s share of production was 16.3 million barrels of oil equivalent or 59,750 barrels of oil equivalent per day (“boepd”), a decrease of 1% compared to corresponding period production of 16.5 million boe (60,600 boepd). Production in Kurdistan Region increased by 8% to 37,150 boepd, however, this was fully offset by a 14% decline in production in Egypt to 22,600 boepd.

Results for the quarter ended 30 September 2023

During the quarter ended 30 September 2023, the Group earned gross revenues of USD 104 million (AED 381 million) as compared to USD 131 million (AED 480 million) in the third quarter of 2022, a decrease of 21% mainly due to lower realised prices. Realised price averaged USD 45/bbl for condensate and USD 34/boe for LPG compared to USD 81/bbl and USD 39/boe respectively in Q3 2022.

The Group achieved net profit of USD 43 million (AED 158 million) as compared to USD 50 million (AED 182 million) in Q3 2022. The decrease in net profit was mainly due to lower oil prices. EBITDA was lower at USD 71 million (AED 260 million) compared to USD 76 million (AED 279 million) in Q3 2022.

The Group’s share of production in the third quarter was 5.5 million barrels of oil equivalent or 59,600 barrels of oil equivalent per day (“boepd”) as compared to corresponding period production of 5.5 million boe (59,800 boepd). Production in Egypt declined 19% to 21,000 boepd offset by a 14% increase in production in Kurdistan to 38,600 boepd.

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Liquidity and Financial Resources

Cash and bank balance at period end stood at USD 115 million (AED 422 million), a decrease of 24% compared to 2022 year-end balance of USD 151 million (AED 553 million). Cash includes USD 99 million (AED 363 million) being 35% Company's share of cash held at Pearl Petroleum.

The Group collected a total of USD 167 million (AED 612 million) during the period with Egypt and KRI contributing USD 40 million (AED 147 million) and USD 127 million (AED 465 million), respectively.

During the period ended 30 September 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.

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.

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 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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Reserves & Resources (continued)

(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 92 days of operations in Q3 2023 was 3.5 MMboe, i.e. averaging 38,600 boe per day (Q3 2022 – DG Share 35%: 3.13 MMboe, averaging 34,000 boe per day).

Dana Gas' share of collections for the period stood at USD 127 million (AED 465 million) and hence realised 75% of the period's revenue. At period end, Dana Gas' 35% share of trade receivable balance stood at USD 106 million (AED 389 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.

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. There was a further indirect strike that landed within Khor Mor on 30 August 2023, however it resulted in no injuries, asset damage or operational or project impact.

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

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E&P Operations (continued)

(b) Egypt E&P operations

The Group's production in Egypt for the 92 days of operations in Q3 2023 was 1.93 MMboe i.e. averaging 21,000 boepd (September 2022: 2.37 MMboe i.e. averaging 25,800), a decrease of 19% over the corresponding period.

In Egypt, the Group collected a total USD 40 million (AED 147 million) during the period and hence realized 70% of the period's revenue. At period end, the trade receivable balance stood at USD 47 million (AED 172 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.

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 in 2024. The final award on damages is expected by late 2024 or early 2025. 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.

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Directors

1. Mr. Hamid Dhiya Jafar, Chairman
2. Mr. Rashid Saif Al-Jarwan, Deputy Chairman
3. Mr. Ahmed Abdulhamid Alahmadi (appointed on 3 October 2023)
4. Mr. Ajit Vijay Joshi
5. Mr. Hani Abdulaziz Hussein
6. Mr. Jassim MohamadRafi Alseddiqi (resigned on 2 October 2023)
7. Mr. Majid Hamid Jafar
8. Ms. Najla Ahmed Al-Midfa
9. Mr. Shaheen Al-Muhairi
10. Mr. Varoujan Nerguizian
11. H.E. Younis Al Khoori
12. 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
07 November 2023