

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 2023.

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 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 2023

During the year, the Group earned gross revenues of USD 423 million (AED 1.5 billion) as compared to USD 529 million (AED 1.9 billion) in 2022, a decrease of 20%. This decrease was mainly due to lower realised prices during the year which eroded the topline by USD 93 million (AED 341 million). Realised price averaged USD 51/bbl for condensate and USD 35/boe for LPG compared to USD 79/bbl and USD 42/boe respectively in 2022.

The Group achieved a Net Profit of USD 160 million (AED 586 million) in 2023 as compared to a Net Profit of USD 182 million (AED 667 million) in 2022. The decrease in net profit was primarily due to lower hydrocarbon prices partly offset by a production increase in the Kurdistan Region of Iraq (KRI) and reduced operating costs. Earnings before interest, tax, depreciation and amortisation (“EBITDA”) was lower at USD 257 million (AED 941 million) compared to USD 332 million (AED 1,217 million) in 2022 mainly due to reduced revenue.

The Group’s average production during the year was 58,700 barrels of oil equivalent per day (boepd), a decrease of 2% compared to last year’s production of 60,200 boepd. Production in Kurdistan increased by 8% to 36,900 boepd from 34,300 boepd in the corresponding year. This was fully offset by a drop in production in Egypt which fell 16% to 21,800 boepd as compared to 25,900 boepd in 2022, due to natural decline in producing fields.

Liquidity and Financial Resources

Cash and bank balance at year end stood at USD 131 million (AED 480 million), a decrease of 13% compared to 2022 balance of USD 151 million (AED 553 million). Cash includes USD 114 million (AED 418 million) being 35% share of cash held at Pearl Petroleum.

The Group collected a total of USD 238 million (AED 872 million) during the year with Egypt and KRI contributing USD 58 million (AED 212 million) and USD 180 million (AED 660 million), respectively.

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.

DANA GAS PJSC

Report of the Directors

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 latest 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.

(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 2023. The Group’s gross proved reserves (1P) as at 31 December 2023 were assessed at 17 MMboe (31 December 2022: 23 MMboe). The gross proved and probable reserves (2P) as at 31 December 2023 were estimated at 34 MMboe (31 December 2022:42 MMboe) and the gross proved, probable and possible reserves (3P) as at 31 December 2023 were estimated to be 48 MMboe (31 December 2022:62 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 in Q1 2024.

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.

DANA GAS PJSC

Report of the Directors

E&P Operations

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

Dana Gas's share (35%) of gross production in the KRI for 2023 was 13.5 MMboe, i.e. averaging 36,900 boe per day (2022 – DG Share 35%: 12.5 MMboe, averaging 34,300 boe per day), an increase of 8% when compared with the previous year. This increase was the result of the successful completion of further plant de-bottlenecking enhancements at the Khor Mor facility, a strategic response to the growing demand for natural gas in KRI. In November 2023, to help meet the growing power demand and further support local power generation, Pearl achieved a record production output of 520 MMscfd.

Dana Gas' share of collections for the year stood at USD 180 million (AED 660 million) and hence realised 82% of the year's revenue. At year end, Dana Gas' 35% share of trade receivable balance stood at USD 103 million (AED 378 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 barrels 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. 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 year, 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. Three further security incidents occurred at the Khor Mor site in 2023 and early 2024, which did not result in any harm to personnel and only a minimal impact on production operations.

Pearl continued to make steady progress on the KM 250 expansion project in 2023, with drilling of six KM 250 project wells successfully completed. It expects completion of the KM 250 project in the second half of 2024.

(b) Egypt E&P operations

Dana Gas Egypt ended 2023 with production for the full year of operations of 7.95 MMboe i.e. averaging 21,800 boepd (2022: 9.4 MMboe, i.e. averaging 25,900 boepd), a decrease of 16% over the corresponding year.

In Egypt, the Company collected a total USD 58 million (AED 212 million) during 2023 and hence realized 77% of the year's revenue. At year end, the trade receivable balance stood at USD 48 million (AED 176 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 economic life of Dana Gas Egypt's assets. The agreement is subject to the Egyptian parliament's ratification which is expected in Quarter 1 2024.

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 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. The award accrues interest for delayed payment and at the end of 2023 Dana Gas share of interest amounted to USD 67.5 million.

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 late 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. Ahmed Abdulhamid Alahmadi (appointed on 3 October 2023)
4. Mr. Ajit Vijay Joshi (resigned on 29 February 2024)
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

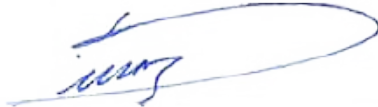
DANA GAS PJSC
Report of the Directors

Auditors

The consolidated 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 consolidated financial condition, results of operation and cash flows of the Group as of, and for, the periods presented in the report.



Directors
13 March 2024