

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 2024 (“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 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 first half of 2024

During the first half of 2024, the Group earned gross revenue of USD 190 million (AED 696 million) as compared to USD 222 million (AED 814 million) in the first half of 2023, a decrease of 14%. This decrease was mainly due to lower production in Egypt and lower realized prices during the period. Lower realized prices negatively impacted the topline by USD 14 million (AED 51 million), whereas lower production in Egypt impacted the topline by USD 27 million (AED 99 million). This was partly offset by increased production in Kurdistan which added USD 9 million (AED 33 million) to the topline. Realised price averaged USD 45/bbl for condensate and USD 33/boe for LPG compared to USD 56/bbl and USD 37/bbl, respectively in 1H 2023.

The Group achieved a net profit of USD 72 million (AED 263 million) as compared to USD 83 million (AED 304 million). The decrease in net profit was primarily due to lower revenues as explained above. Earnings before interest, tax, depreciation and amortisation (“EBITDA”) were lower at USD 115 million (AED 421 million) compared to USD 130 million (AED 476 million) in the corresponding period.

The Group share of production for 182 days was 10.05 million barrels of oil equivalent or 55,250 barrels of oil equivalent per day (“boepd”), a decrease of 7% compared to corresponding period production of 10.82 million boe (59,800 boepd). Production in Kurdistan Region increased by 3% to 37,600 boepd, however, this was fully offset by a 25% decline in production in Egypt to 17,650 boepd.

Results for the quarter ended 30 June 2024

During the quarter ended 30 June 2024, the Group earned gross revenues of USD 93 million (AED 340 million) as compared to USD 100 million (AED 367 million), a decrease of 7% mainly due to lower realised prices and declining rate of production in Egypt. Realised prices averaged USD 45/bbl for condensate and USD 33/boe for LPG compared to USD 53/bbl and USD 34/boe respectively in Q2 2023.

The Group achieved a net profit of USD 34 million (AED 124 million) as compared to USD 33 million (AED 121 million) in Q2 2023. Earnings before interest, tax, depreciation and amortisation (“EBITDA”) were lower at USD 54 million (AED 197 million) compared to USD 56 million (AED 205 million) in Q2 2023.

The Group’s share of production for the 91 days was 4.89 million barrels of oil equivalent or 53,700 barrels of oil equivalent per day (“boepd”), a decrease of 4% compared to corresponding period production of 5.16 million boe (56,750 boepd). Production in Egypt declined by 24% to 17,200 boepd compared to 22,600 boepd in Q2 2023 due to natural field depletion. Production in Kurdistan on the other hand increased by 7% to 36,500 boepd as compared to 34,150 boepd in the corresponding period.

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Liquidity and Financial Resources

Cash and bank balance at period end stood at USD 140 million (AED 513 million), an increase of 7% compared to 2023 year-end balance of USD 131 million (AED 480 million). Cash includes USD 110 million (AED 403 million) being 35% share of cash held at Pearl Petroleum.

The Group collected a total of USD 152 million (AED 557 million) during the period with Egypt and KRI contributing USD 21 million (AED 77 million) and USD 131 million (AED 480 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.

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 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 fields 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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(a) 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).

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 2024 was 3.3 MMboe, i.e. averaging 36,500 boe per day (Q2 2023 – DG Share 35%: 3.1 MMboe, averaging 34,150 boe per day).

Dana Gas' share of collections for the period stood at USD 131 million (AED 480 million) and hence realised 120% of the period's revenue. At period end, Dana Gas' 35% share of trade receivable balance stood at USD 81 million (AED 297 million) as compared to USD 103 million (AED 378 million) at year end 2023.

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 2023, 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.

On 26 April 2024, a condensate storage tank at Khor Mor was struck by a drone terror attack, tragically resulting in four fatalities and minor injuries to eight employees of Pearl's contractors while they were working to repair the tank. Although there was very minor damage to the facilities, for the safety of all staff and the facilities, Pearl temporarily suspended production and instituted specific procedural changes.

On 1 May 2024, based upon concrete actions which have been taken by the Government of Iraq and the Kurdistan Regional Government to significantly strengthen defences at the Khor Mor site as well as firm commitments from the highest levels of those authorities, Pearl took steps to recommence production from the Khor Mor field which was fully restored to normal levels on 3 May 2024.

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

The aforesaid challenges faced by Pearl have impacted the works on KM250 project. The main EPC contractor has declared Force Majeure thus delaying completion of the KM-250 project. Concerted efforts are in-hand to establish a new timeline and completion date for the project including careful consideration of multiple external factors. Dana Gas and its partners in Pearl are committed to the resumption of construction activities by Pearl as safely and swiftly as possible and will update about the revised completion date and impact on costs upon finalization.

(b) Egypt E&P operations

The Group' production in Egypt for the 91 days of operations in Q2 2024 was 1.56 MMboe i.e. averaging 17,200 boepd (Q2 2023: 2.05 MMboe i.e. averaging 22,600), a decrease of 24% over the corresponding period.

In Egypt, the Group collected a total USD 21 million (AED 77 million) during the period and hence realized 64% of the period's revenue. At period end, the trade receivable balance stood at USD 60 million (AED 220 million) as compared to USD 48 million (AED 176 million) at the end of 2023.

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. This agreement has now been ratified by the Egyptian Parliament.

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

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 June 2024 Dana Gas share of interest amounted to USD 89 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, the hearing has been delayed and is now anticipated in 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
4. Mr. Ajit Vijay Joshi (resigned on 29 February 2024)
5. Mr. Hani Abdulaziz Hussein (to 17 April 2024)
6. Mr. Majid Hamid Jafar
7. Mr. Mohamed Al Sayed Mohamed Ebraheem Alhashmi (from 17 April 2024)
8. Mr. Mohamed Khalil Mohamed Sharif Foulathi Alkhoori (from 17 April 2024)
9. Ms. Najla Ahmed Al-Midfa
10. Mr. Omar Ibrahim Al-Mullah (from 17 April 2024)
11. Mr. Shaheen Al-Muhairi
12. Mr. Varoujan Nerguizian (to 17 April 2024)
13. H.E. Younis Al Khoori
14. Mr. Ziad Abdulla Ibrahim Galadari

Auditors

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

On behalf of Board of Directors



Directors
7 August 2024