

# **Dana Gas PJSC and Subsidiaries**

## **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**31 MARCH 2019 (Unaudited)**

## **DANA GAS PJSC**

### **Report of the Directors**

The Board of Directors of Dana Gas (“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 period ended 31 March 2019.

#### **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 quarter ended 31 March 2019**

During the quarter ended 31 March 2019, the Company earned gross revenues of USD 119 million (AED 436 million) as compared to USD 120 million (AED 440 million) in the first quarter of 2018, a decrease of 1% reflecting decrease in realised hydrocarbon prices during the quarter partly offset by increased production in Kurdistan. Realised prices were lower by 12 % in Q1 2019 and eroded USD 8 million (AED 29 million) of the topline. Increase in production in Kurdistan added USD 14 million (AED 51 million) to the topline which was partly offset by production decline in Egypt and Zora. Realised prices averaged USD 49/bbl for condensate and USD 33/boe for LPG compared to USD 57/bbl and USD 33/boe respectively in Q1 2018.

The Group’s share of production for the first 90 days was 6.18 million barrels of oil equivalent [68,700 barrels of oil equivalent per day (“boepd”)], an increase of 6% compared to corresponding quarter production of 5.85 million boe (65,000 boepd). The first quarter production increase was led by Kurdistan, which leapt to 32,750 boepd in Q1 2019 from 26,300 boepd in Q1 2018. This increase was principally due to additional production from the completed debottlenecking project that came on-stream in October 2018 and took gas production in Kurdistan from 300 MMscfd to circa. 400 MMscfd, an increase of over 30%. However this increase was partly offset by production decline in Egypt and Zora which were down by 7% and 25%, respectively.

The Group achieved a net profit after tax of USD 35 million (AED 128 million) as compared to USD 14 million (AED 51 million) in Q1 2018, an increase of 150%. The increase in profitability was mainly due to lower finance cost following restructuring of the Sukuk in 2018 and higher other income.

Earnings before interest, tax, depreciation and amortisation (“EBITDA”) in Q1 2019 was USD 68 million (AED 249 million) compared to USD 71 million (AED 259 million) in Q1 2018. Prior period EBITDA included USD 13 million (AED 47 million) pertaining to reversal of accruals made by Pearl for certain operating charges. Excluding this, EBITDA for Q1 2019 would have been higher by USD 10 million (AED 37 million).

#### **Liquidity and Financial Resources**

Cash and bank balance at period end stood at USD 442 million (AED 1,620 million), an increase of 9% compare to year-end balance of USD 407 million (AED 1,492 million). The increase in cash balance was mainly due to higher level of collection and lower level of expenditure during the period. The Group collected a total of USD 63 million (AED 231 million) during the period with Egypt, KRI and U.A.E. contributing USD 21 million (AED 77 million), USD 39 million (AED 143 million) and USD 3 million (AED 11 million), respectively.

## **DANA GAS PJSC**

### **Report of the Directors**

#### **Sukuk**

On 13 May 2018, the Company announced agreement with the Ad-Hoc committee of the Sukukholders (“the AHC”) on terms and conditions of an offer for the restructuring and refinancing of its Sukuk Al-Mudarabah, the nominal value of which on 31 October 2017 was USD 700 million. Sukukholders representing in excess of 52% of the aggregate amount of the existing Exchangeable Certificates and in excess of 30% of the existing Ordinary Certificates entered into a binding lock-up and standstill agreement with the Company in connection with the mutually agreed proposed restructuring.

The salient features of the agreement were as follows:

- For holders wishing to exit their principal; an opportunity to tender their claims at 90.5¢ per \$1 of the face value of their holdings, which included an early participation fee of 2.5¢ (if elections were received within 7 days from the date of launch of the Tender Offer and Consent Solicitation process).
- For holders electing to receive a partial pay down and exchange into a new instrument; a path to full recovery including a significant repurchase obligation at par with respect to the new certificates. Such holders also received arrears of profit distribution as per the Existing Certificates until 31 October 2017, and a 4% profit rate (see below) from 1 November 2017 until closing of the transaction. For elections received within 7 days from the date of launch of the Tender Offer and Consent Solicitation process, holders received an early participation fee of 2.5¢
- The new certificates were constituted as a Wakala Sukuk instrument (based on an underlying Ijara and deferred payment obligation structure) with a 4% profit rate and 3 year tenor.

The Company and members of the AHC involved in litigation also entered into a Litigation Dismissal Agreement that provided a mechanism for the disposal of all pending litigation and a release of certain claims.

Dana Gas launched the Tender offer and Consent Solicitation / Exchange offer on 22 May 2018 to consider approval for the terms and conditions of an offer for the restructuring and refinancing of its Sukuk Al-Mudarabah. The transaction was approved by the Sukukholders in a meeting on 13 June 2018. Also, Dana Gas issued an invitation to its Shareholders to attend the General Assembly to consider and approve issuance of the new Sukuk to replace the existing Sukuk, issued in May 2013, through a special issue to the holders of the existing Sukuk up to USD 560 million for 3 years with 4% profit rate per annum and to approve dismissal of all Sukuk litigation.

On 21 June 2018, the shareholders voted unanimously in favor of the consensual restructuring of USD 700 million Sukuk al-Mudarabah. The Transaction was completed on 13 August 2018 and the new Sukuk is now listed on Euronext Dublin (previously known as “Irish Stock Exchange”).

All legal proceedings were completely brought to an end by the parties to the Sukuk litigation in all jurisdictions. The discontinuance in both the UK and UAE courts was agreed by all the parties following the consensual agreement to restructure the Sukuk reached in May 2018.

The Company paid USD 235 million (AED 861 million) on redemptions, profit payments and early participation fees. The size of new Sukuk reduced to USD 530 million (AED 1,943 million). It has a three-year life, maturing in October 2020 and a new profit rate of 4% per annum.

During 2018, the Company bought back Sukuk amounting to USD 126 million (nominal value).

During the period, the Company bought back additional Sukuk amounting to USD 7 million (nominal value), thereby reducing the outstanding Sukuk to USD 397 million. All bought back Sukuk have been cancelled as per the terms and conditions. The outcome is that Dana Gas has now satisfied its obligations such that it will continue to pay a profit rate of 4% until maturity of the Sukuk at the end of October 2020.

## **DANA GAS PJSC**

### **Report of the Directors**

#### **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 its heartland areas and executing new business development in the upstream and midstream value chains. The Company continues to balance its capital expenditure with the available sources of cash to ensure it maintains a robust financial position.

#### **Reserves & Resources**

##### ***(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 2018. Following this review, the Group's gross proved reserves (1P) as at 31 December 2018 were assessed at 54 MMboe (31 December 2017: 75 MMboe). The gross proved and probable reserves (2P) as at 31 December 2018 were estimated at 89 MMboe (31 December 2017: 117 MMboe) and the gross proved, probable and possible reserves (3P) as at 31 December 2018 were estimated to be 134 MMboe (31 December 2017: 160 MMboe). The decrease in reserves was on account of production during the year, which was not replaced and downgrade of reserves for early water production in two fields and poor production performance from one of the fields.

##### ***(b) 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 risked<sup>1</sup> 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 31 December 2015 based on a comprehensive data set comprising ca. 1200 km 2D seismic, the 11 wells drilled in the two fields to date plus field production data over a period of seven years.

In their report dated April 2016, GCA provide the following reserves estimates for both fields<sup>2</sup>:

- Proved plus Probable (2P) gas and condensate reserves for Khor Mor are 8.5 Tscf and 191 MMbbl respectively of which Dana Gas' 35% share equates to 3 Tscf of dry gas and 67 MMbbl of condensate.
- For Chemchemical, Proved plus Probable (2P) gas and condensate reserves are 6.6 Tscf and 119 MMbbl respectively, with Dana Gas' 35% share being 2.3 Tscf of dry gas and 42 MMbbl of condensate.

The above figures are based on data from 2 of the 12 defined compartments in the Khor Mor Field and 1 of the 3 compartments in the Chemchemical Field. Total Dana Gas share of the Khor Mor and Chemchemical 2P reserves is therefore 5.3 Tcf gas and 109 MMbbls condensate, equivalent to 990 MMboe.

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 Resources<sup>3</sup> and Prospective Resources<sup>4</sup>.

GCA's report confirms Dana Gas' and Crescent Petroleum's belief that Khor Mor and Chemchemical have the potential to be the largest gas fields in the KRI and indeed in the whole of Iraq and thus makes them world class assets.

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<sup>1</sup> 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.

<sup>2</sup> The reported hydrocarbon volumes are estimates based on professional judgment and are subject to future revisions, upwards or downwards, as a result of future operations or as additional information becomes available.

<sup>3</sup> Those quantities of petroleum estimated to be potentially recoverable but not yet considered mature enough for commercial development due to one or more contingencies.

<sup>4</sup> Those quantities of petroleum estimated to be potentially recoverable from undiscovered accumulations by future development projects.

## **DANA GAS PJSC**

### **Report of the Directors**

#### **Reserves & Resources (continued)**

##### ***(c) Sharjah Western Offshore – Zora Field***

Gaffney, Cline & Associates carried out an independent evaluation of Sharjah Western Offshore concession – Zora Field's hydrocarbon reserves as on 31 December 2018. Zora field has seen a continuous decline in its output and no further intervention is economically viable to increase production. Following GCA review, the Group's gross proved reserves (1P) as at 31 December 2018 were assessed at Nil (31 December 2017: 8 MMboe). The gross proved and probable reserves (2P) as at 31 December 2018 were estimated to be 1 MMboe (31 December 2017: 24 MMboe) and the gross proved, probable and possible reserves (3P) as at 31 December 2018 were estimated to be 2 MMboe (31 December 2017: 61 MMboe). The sharp decline is due to reclassification of 2P reserves to contingent resources (2C).

#### **E&P Operations**

##### ***a) Egypt E&P Operations***

The Company production in Egypt for the first 90 days of operations in 2019 was 3.09 MMboe i.e. averaging 34,300 boepd (March 2018: 3.3 MMboe i.e. averaging 36,800 boepd) a decrease of 7% over the corresponding period. The decline in production was mainly due to natural decline in fields and increase of formation water production from Balsam 3 and 5 wells. The decline was partly offset by startup of production from Balsam-8 in quarter 4 2018, adding over 5,500 boepd of gas and condensate. The Company is all set to drill an offshore well in its first offshore block in Egypt. The block has three prospects, each with multiple TCF potential, the first of these being the Merak prospect. Plans are afoot to commence drilling of the Merak well in the first half of 2019.

In Egypt, the Company collected USD 21 million (AED 77 million) during the period and hence realized 70% of the quarter's revenue. Out of the total, USD 11 million (AED 40 million) was received in US Dollars and USD 10 million (AED 37 million) in equivalent Egyptian pounds. During the period, the Company exported 1 cargo of condensate with average cargo volume of 157,450 barrels and collected an amount of USD 9 million (AED 33 million). At year end, the trade receivable balance stood at USD 149 million (AED 546 million) as compared to USD 140 million (AED 513 million) at year end.

##### ***b) Pearl Petroleum Company Limited (KRI) E&P Operations***

Dana Gas's share (35%) of gross production in the KRI for first 90 days of operations in 2019 was 2.9 MMboe, i.e. averaging 32,750 boe per day (Q1 2018 – DG Share 35%: 2.4 MMboe, averaging 26,300 boe per day), an increase of 24% when compared with corresponding period. The increase in production was due to completion of debottlenecking project in quarter four of 2018.

Dana Gas share of collections for the period stood at USD 39 million (AED 143 million) and hence realised 98% of the quarter's revenue. At period end, Dana Gas' 35% share of trade receivable balance stood at USD 19 million (AED 70 million) and represents amounts due against local sales for the month of March 2019.

Pearl is proceeding with the development of two world-class gas fields with in-place volumes of approximately 75 trillion cubic feet of wet gas and 7 billions bbls of oil. Pearl has begun a multi well drilling programme at Khor Mor and Chemchemal, with expansion plans to progress and grow gas production by a further 500 MMscfd and liquids production by a further 20,000 bblpd over the coming three years. Drilling results are due to start coming through in the first half of 2019 and could provide the hard information needed to justify a significant reserves upgrade and potential for further development and production.

During the period, on 19 February 2019, Pearl Petroleum signed a new twenty year Gas Sales Agreement (GSA) with the Kurdistan Regional Government to enable production and sales of an additional 250 MMscf/day that Pearl aims to produce by 2021 as part of its expansion plans in the KRI in order to boost much needed domestic electricity generation.

## **DANA GAS PJSC**

### **Report of the Directors**

#### **E&P Operations (continued)**

##### ***c) Zora Gas Field***

The Zora gas field lies partly in the Sharjah Western Offshore Concession area and extends into the adjacent Ajman Concession area with approximately 50% of the volume on each side as agreed under the initial unitization agreement. The field produces slightly sour gas via an unmanned platform in approximately 24 meters of water depth located about 33km offshore. The platform is connected by means of 12" subsea and onshore pipeline system to a gas processing plant located within Sharjah Hamriyah Free Zone.

The gas plant has been in continuous production since 28 February 2016, currently delivering approximately 6 mmscfd sales gas to Sharjah power station and producing 50 bbl/day of condensate. Production from the Zora field averaged 1,050 boepd in Q1 2019 (Q1 2018: 1,400 boepd). Zora field has seen a continuous decline in its output and no further intervention is economically viable to increase production. The Company anticipates that the production will stop sometime in 2019 and following reclassification of reserves to contingent resources by GCA, the Company has written off the entire book value of Zora assets in 2018.

During the period, collections stood at USD 3 million (AED 11 million). At period end, the trade receivable balance stood at USD 1 million (AED 4 million) (31 December 2018: USD 1 million / AED 4 million).

##### ***UAE Gas Project***

The UAE Gas Project to process and transport imported gas continues to await the commencement of gas supplies from the National Iranian Oil Company ("NIOC") to Crescent Petroleum. Dana Gas has a 35% interest in Crescent National Gas Corporation Limited (CNGCL) which is entitled to market the gas and owns 100% of Saj Gas and UGTC, the entities that own the offshore riser platform, the offshore and onshore pipelines and the sour gas processing plant.

For further updates see "Arbitration Cases".

##### ***Egypt Gulf of Suez – Gas Liquids Extraction Plant***

The Company, through its subsidiary Danagaz Bahrain, is a 26.4% owner (effective) in Egyptian Bahraini Gas Derivative Company (Joint Venture) that has built, owns and operates a Natural Gas Liquids Extraction Plant in Egypt in partnership with the Egyptian National Gas Company (EGAS) and the Arab Petroleum Investments Corporation (APICORP). The plant has a capacity to process 150 mmscf/d of gas and has produced 1,950 boepd of propane (DG Share 26.4%: 515 boepd) and 391 boepd of butane (DG Share 26.4%: 103 boepd) during the period.

## **DANA GAS PJSC**

### **Report of the Directors**

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

On 18 July 2016, the English High Court finally dismissed the National Iranian Oil Company ('NIOC's) remaining grounds of appeal against the 2014 arbitration award. The 2014 arbitration award found in favour of Dana Gas' partner Crescent Petroleum and Crescent Gas Corporation Limited on all issues. NIOC appealed the 2014 arbitration award to the English High Court. Most of the grounds of appeal were previously heard and dismissed by the Court in March 2016. The finalisation of the appeal in July 2016 confirms that the 2014 award is final and binding and that NIOC has been in breach of its gas supply obligations since 2005.

Crescent Petroleum has informed Dana Gas that the final hearing of the remedies phase against NIOC for non-performance of the contract (including claims for damages and indemnities for third party claims up to 2014) took place in November 2016. The final award on damages for the period 2005 to 2014 is awaited from the Tribunal, and in the meantime Dana Gas has been informed that Crescent Petroleum has commenced a second arbitration with a new Tribunal, to address the claims for damages from 2014 until the end of the contract period in 2030.

- b) The Company, together with Crescent Petroleum, commenced arbitration proceedings against MOL Group ('MOL') on 20 September 2017 arising out of MOL's conduct as a 10% shareholder in Pearl Petroleum relating to the settlement of the arbitration with the KRG.

On 30 August 2017, the Company announced settlement of the long running dispute between itself, Crescent Petroleum and Pearl Petroleum Company Limited ("Pearl") and the Kurdistan Regional Government of Iraq (the "KRG") on beneficial terms which paved the way for immediate development of world class resources in Khor Mor and Chemchemal to maximise their potential for mutual benefit as well as the benefit of the people of the Kurdistan Region and all of Iraq.

The Settlement Agreement with the KRG was welcomed and endorsed by Dana Gas, Crescent Petroleum, OMV and RWE, together holding 90% of the shares of Pearl Petroleum. MOL (a 10% shareholder of Pearl) unreasonably sought to link its endorsement of the settlement to a renegotiation of the terms by which it first secured its participation in Pearl back in May 2009 (namely its commitment to certain contingent payments) and now complains about Dana Gas and Crescent Petroleum for their handling of the settlement alongside Pearl, expressing dissatisfaction with the outcome as compared to the alternative of pursuing a final litigation and enforcement outcome against the KRG. MOL has issued a default notice under the terms of the Pearl Petroleum shareholders agreement alleging that the actions of Dana Gas and Crescent Petroleum in concluding the Settlement Agreement amounts to a breach of the Pearl Petroleum shareholders agreement.

Dana Gas and Crescent Petroleum reject the allegations and the default notice, and have been forced to initiate arbitration in The London Court of International Arbitration in order to obtain a formal declarations to resolve these matters. The hearing of these matters took place in London over a three week period commencing on 26 November 2018. The Tribunal's decision is expected during 1H 2019.

## **DANA GAS PJSC**

### **Report of the Directors**

#### **Dividend**

Subsequent to the period end, at the General Assembly of the Company held on 17 April 2019, the shareholders approved a cash dividend of AED 0.055 per share for 2018 (2017: AED 0.05 per share)

#### **Directors**

H.H. Sheikh Ahmed Bin Sultan Al-Qasimi, Honorary Chairman

1. Mr. Hamid Dhiya Jafar, Chairman
2. Mr. Rashid Saif Al-Jarwan, Deputy Chairman
3. Mr. Abdullah Ali Al Majdouie
4. Mr. Hani Abdulaziz Hussein
5. Mr. Jassim MohamadRafi Alseddiqi
6. Mr. Majid Hamid Jafar
7. Mr. Nureddin Sehweil
8. Mr. Said Arrata
9. Mr. Shaheen Al-Muhairi
10. Mr. Varoujan Nerguizian
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 the Board of Directors



Director

06 May 2019



## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF DANA GAS PJSC**

### ***Introduction***

We have reviewed the accompanying interim condensed consolidated financial statements of Dana Gas PJSC (“the Company”) and its subsidiaries (“the Group”) as at 31 March 2019 comprising of the interim condensed consolidated statement of financial position as at 31 March 2019 and the related interim condensed consolidated statements of income, comprehensive income, cash flows and changes in equity for the three month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### ***Scope of Review***

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

### ***Emphasis of matters***

We draw attention to the following matters:

- (i) note 5 to the interim condensed consolidated financial statements which discloses that the continued delay in commencement of gas supplies has prompted a key supplier of the Group to initiate arbitration proceedings against its ultimate supplier;
- (ii) note 1 to the interim condensed consolidated financial statements which discloses arbitration between the Group and a joint venture partner.

Our conclusion is not qualified in respect of the above matters.

For Ernst & Young



Signed by:  
Anthony O'Sullivan  
Partner  
Registration No. 687

6 May 2019

Sharjah, United Arab Emirate

# Dana Gas PJSC and Subsidiaries

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 31 March 2019 (Unaudited)

	<i>Note</i>	<i>Three months ended</i>			
		<i>31 March 2019</i>		<i>31 March 2018</i>	
		<i>USD mm</i>	<i>AED mm</i>	<i>USD mm</i>	<i>AED mm</i>
Revenue		119	436	120	440
Royalties		(40)	(147)	(46)	(169)
Net revenue		79	289	74	271
Operating costs		(12)	(44)	(13)	(47)
Depreciation and depletion		(27)	(99)	(29)	(106)
Reversal of accrued operating cost		-	-	13	47
Gross profit		40	146	45	165
General and administration expenses		(4)	(15)	(4)	(15)
Investment and finance income		4	15	2	7
Other income		7	26	3	11
Other expenses		(2)	(7)	(1)	(4)
Provision for impairment		-	-	(2)	(7)
Share of loss of a joint venture - net		-	-	(1)	(4)
Exploration expenses		-	-	(5)	(18)
Finance cost		(4)	(15)	(14)	(51)
<b>PROFIT BEFORE INCOME TAX</b>		<b>41</b>	<b>150</b>	<b>23</b>	<b>84</b>
Income tax expense		(6)	(22)	(9)	(33)
<b>PROFIT FOR THE PERIOD</b>		<b>35</b>	<b>128</b>	<b>14</b>	<b>51</b>
<b>PROFIT ATTRIBUTABLE TO:</b>					
- Equity holders of the parent		35	128	14	51
- Non-controlling interest		-	-	-	-
		35	128	14	51
<b>EARNINGS PER SHARE:</b>					
- Basic & Diluted earnings per share (USD/AED per share)	4	0.005	0.018	0.002	0.007

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

# Dana Gas PJSC and Subsidiaries

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 March 2019 (Unaudited)

	<i>Three months ended</i>			
	<i>31 March</i>		<i>31 March</i>	
	<i>2019</i>		<i>2018</i>	
	<i>USD mm</i>	<i>AED mm</i>	<i>USD mm</i>	<i>AED mm</i>
<b>Profit for the period</b>	<b>35</b>	<b>128</b>	14	51
<b>Other comprehensive income</b>	-	-	-	-
<b>Other comprehensive income for the period</b>	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>35</b>	<b>128</b>	14	51
<b>ATTRIBUTABLE TO:</b>				
- Equity holders of the parent	35	128	14	51
- Non-controlling interest	-	-	-	-
	<b>35</b>	<b>128</b>	14	51

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

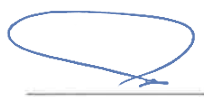
# Dana Gas PJSC and Subsidiaries

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 31 March 2019 (Unaudited)

		<b>31 March 2019</b>		<b>31 December 2018 (Audited)</b>	
	<i>Notes</i>	<i>USD mm</i>	<i>AED mm</i>	<i>USD mm</i>	<i>AED mm</i>
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment		1,223	4,483	1,226	4,494
Intangible assets	5	651	2,386	649	2,379
Investment property	6	22	81	22	81
Interest in joint ventures		564	2,067	564	2,067
		<u>2,460</u>	<u>9,017</u>	<u>2,461</u>	<u>9,021</u>
<b>Current assets</b>					
Inventories		37	136	37	136
Trade and other receivables	7	201	737	191	700
Financial assets at fair value through profit or loss	8	2	7	2	7
Funds held for development	9	69	253	69	253
Cash and cash equivalents	10	442	1,620	407	1,492
		<u>751</u>	<u>2,753</u>	<u>706</u>	<u>2,588</u>
<b>TOTAL ASSETS</b>		<u><b>3,211</b></u>	<u><b>11,770</b></u>	<u><b>3,167</b></u>	<u><b>11,609</b></u>
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity holders of the Parent</b>					
Share capital	11	1,903	6,977	1,903	6,977
Legal reserve		116	424	116	424
Voluntary reserve		116	424	116	424
Retained earnings		478	1,752	443	1,624
Other reserves		7	26	7	26
		<u>2,620</u>	<u>9,603</u>	<u>2,585</u>	<u>9,475</u>
<b>Attributable to equity holders of the Parent</b>		<u><b>2,620</b></u>	<u><b>9,603</b></u>	<u><b>2,585</b></u>	<u><b>9,475</b></u>
Non-controlling interest		2	8	2	8
<b>Total equity</b>		<u><b>2,622</b></u>	<u><b>9,611</b></u>	<u><b>2,587</b></u>	<u><b>9,483</b></u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	12	428	1,568	414	1,517
Provisions		15	55	15	55
		<u>443</u>	<u>1,623</u>	<u>429</u>	<u>1,572</u>
<b>Current liabilities</b>					
Trade payables and accruals		146	536	151	554
		<u>146</u>	<u>536</u>	<u>151</u>	<u>554</u>
<b>Total liabilities</b>		<u><b>589</b></u>	<u><b>2,159</b></u>	<u><b>580</b></u>	<u><b>2,126</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>3,211</b></u>	<u><b>11,770</b></u>	<u><b>3,167</b></u>	<u><b>11,609</b></u>



Director  
06 May 2019



CEO  
06 May 2019



CFO  
06 May 2019

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

# Dana Gas PJSC and Subsidiaries

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 March 2019 (Unaudited)

	<i>Note</i>	<i>Three months ended</i>			
		<i>31 March 2019</i>		<i>31 March 2018</i>	
		<i>USD mm</i>	<i>AED mm</i>	<i>USD mm</i>	<i>AED mm</i>
<b>OPERATING ACTIVITIES</b>					
Profit before income tax		41	150	23	84
Adjustments for:					
Depreciation and depletion		27	99	29	106
Investment and finance income		(4)	(15)	(2)	(7)
Other income		(7)	(26)	(3)	(11)
Provision for impairment		-	-	2	7
Share of loss of a joint venture - net		-	-	1	4
Exploration expenses		-	-	5	18
Finance costs		4	15	14	51
		<u>61</u>	<u>223</u>	<u>69</u>	<u>252</u>
Changes in working capital:					
Trade and other receivables		(3)	(11)	(4)	(15)
Inventories		-	-	1	4
Trade payables and accruals		(4)	(14)	(23)	(84)
		<u>54</u>	<u>198</u>	<u>43</u>	<u>157</u>
Net cash generated from operating activities		<u>54</u>	<u>198</u>	<u>43</u>	<u>157</u>
Income tax		(6)	(22)	(9)	(33)
Net cash flows from operating activities		<u>48</u>	<u>176</u>	<u>34</u>	<u>124</u>
<b>INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment		(25)	(92)	(3)	(11)
Expenditure on intangible assets		(2)	(7)	(6)	(22)
Investment and finance income received		4	15	3	11
Investment redeemed during the period		-	-	1	4
		<u>(23)</u>	<u>(84)</u>	<u>(5)</u>	<u>(18)</u>
Net cash flows used in investing activities		<u>(23)</u>	<u>(84)</u>	<u>(5)</u>	<u>(18)</u>
<b>FINANCING ACTIVITIES</b>					
Repayment of borrowings		(7)	(26)	(1)	(4)
Borrowings		21	77	-	-
Finance costs paid		(4)	(15)	-	-
		<u>10</u>	<u>36</u>	<u>(1)</u>	<u>(4)</u>
Net cash flows from/(used in) financing activities		<u>10</u>	<u>36</u>	<u>(1)</u>	<u>(4)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>35</b>	<b>128</b>	<b>28</b>	<b>102</b>
Cash and cash equivalents at the beginning of the period		<u>407</u>	<u>1,492</u>	<u>608</u>	<u>2,229</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>10</b>	<u><b>442</b></u>	<u><b>1,620</b></u>	<u><b>636</b></u>	<u><b>2,331</b></u>

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

# Dana Gas PJSC and Subsidiaries

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Period ended 31 March 2019 (Unaudited)

### *Atributable to the equity holders of the parent*

	Share capital		Legal reserve		Voluntary reserve		Retained* earnings		Other reserves		Convertible bonds-equity component		Non-controlling interest		Total	
	USD	AED	USD	AED	USD	AED	USD	AED	USD	AED	USD	AED	USD	AED	USD	AED
	mm		mm		mm		mm		mm		mm		mm		mm	
As at 1 January 2019	1,903	6,977	116	424	116	424	443	1,624	7	26	-	-	2	8	2,587	9,483
Profit for the period	-	-	-	-	-	-	35	128	-	-	-	-	-	-	35	128
Total comprehensive income for the period	-	-	-	-	-	-	35	128	-	-	-	-	-	-	35	128
<b>As at 31 March 2019</b>	<b>1,903</b>	<b>6,977</b>	<b>116</b>	<b>424</b>	<b>116</b>	<b>424</b>	<b>478</b>	<b>1,752</b>	<b>7</b>	<b>26</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>8</b>	<b>2,622</b>	<b>9,611</b>
As at 1 January 2018	1,903	6,977	116	424	116	424	669	2,453	4	15	58	212	1	4	2,867	10,509
Profit for the period	-	-	-	-	-	-	14	51	-	-	-	-	-	-	14	51
Total comprehensive income for the period	-	-	-	-	-	-	14	51	-	-	-	-	-	-	14	51
Share based payment	-	-	-	-	-	-	-	-	1	4	-	-	-	-	1	4
As at 31 March 2018	1,903	6,977	116	424	116	424	683	2,504	5	19	58	212	1	4	2,882	10,564

\*subsequent to the period end, at the General Assembly of the Company held on 17 April 2019, the shareholders approved a cash dividend of AED 0.055 per share amounting in total to USD 105 million (AED 384 million).

# Dana Gas PJSC and Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2019 (Unaudited)

### 1 CORPORATE INFORMATION

Dana Gas PJSC (“Dana Gas” or the “Company”) was incorporated in the Emirate of 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 shares are listed on the Abu Dhabi Securities Exchange (ADX).

The Company, its subsidiaries, joint operations and joint ventures constitute the Group (the “Group”). The Group is engaged in the business of exploration, production, ownership, transportation, processing, distribution, marketing and sale of natural gas and petroleum related products, including the development of gas related projects and services.

The Company’s registered head office is at P. O. Box 2011, Sharjah, United Arab Emirates with presence in Cairo (Egypt) and Kurdistan Region of Iraq.

Principal subsidiaries and joint arrangements of the Group at 31 March 2019 and 31 December 2018 and the Company (direct and indirect) percentage of ordinary share capital or interest are set out below:

<i><b>Subsidiaries</b></i>	<i><b>%</b></i>	<i><b>Country of incorporation</b></i>	<i><b>Principal activities</b></i>
Dana LNG Ventures Limited	100	British Virgin Islands	Intermediate holding company of Dana Gas Egypt
Dana Gas Red Sea Corporation	100	Barbados	Holding company of DanaGas Egypt
Dana Gas Egypt Ltd.	100	Barbados	Oil and Gas exploration (“Dana Gas Egypt”) & production
Dana Gas Explorations FZE	100	UAE	Oil and Gas exploration & production
Sajaa Gas Private Limited Company (“SajGas”)	100	UAE	Gas Sweetening
United Gas Transmissions Company Limited (“UGTC”)	100	UAE	Gas Transmission
Danagaz (Bahrain) WLL	66	Bahrain	Gas Processing
<i><b>Joint Operations</b></i>	<i><b>%</b></i>		
Pearl Petroleum Company Limited (“Pearl Petroleum”)	35	British Virgin Islands	Oil and Gas exploration & production
UGTC/ Emarat JV	50	Unincorporated	Gas Transmission
<i><b>Joint Ventures</b></i>	<i><b>%</b></i>		
Egyptian Bahraini Gas Derivative Company (“EBGDCO”)	26.4	Egypt	Gas Processing
Crescent National Gas Corporation Limited (“CNGCL”)	35	British Virgin Islands	Gas Marketing
GASCITIES Ltd	50	British Virgin Islands	Gas Cities

### 1 CORPORATE INFORMATION (continued)

On 30 August 2017, the Company announced the settlement of the International arbitration commenced on 21 October 2013 in the London Court of International Arbitration ('LCIA') in relation to the Heads of Agreement ("the Authorisation") on Khor Mor and Chemchemal fields on 4 April 2007 ('HOA') between Dana Gas, Crescent Petroleum, Pearl Petroleum (the 'Consortium') and the Kurdistan Regional Government ('KRG'), (together the 'Parties').

The Settlement Agreement with the KRG was welcomed and endorsed by Dana Gas, Crescent Petroleum, OMV and RWE, together holding 90% of the shares of Pearl Petroleum. MOL (a 10% shareholder of Pearl) unreasonably sought to link its endorsement of the settlement to a renegotiation of the terms by which it first secured its participation in Pearl back in May 2009 (namely its commitment to certain contingent payments) and now complains about Dana Gas and Crescent Petroleum for their handling of the settlement alongside Pearl, expressing dissatisfaction with the outcome as compared to the alternative of pursuing a final litigation and enforcement outcome against the KRG. MOL has issued a default notice under the terms of the Pearl Petroleum shareholders agreement alleging that the actions of Dana Gas and Crescent Petroleum in concluding the Settlement Agreement amounts to a breach of the Pearl Petroleum shareholders agreement.

Dana Gas and Crescent Petroleum reject the allegations and the default notice, and have been forced to initiate arbitration in The London Court of International Arbitration in order to obtain a formal declarations to resolve these matters. The hearing of these matters took place in London over a three week period commencing on 26 November 2018. The Tribunal's decision is expected during the first half of 2019.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for investment property and financial assets at fair value through profit or loss account that have been measured at fair value. The interim condensed consolidated financial statements are presented in United States Dollars (USD), which is the Company's functional currency, and all the values are rounded to the nearest million except where otherwise indicated. The United Arab Emirates Dirhams (AED) amounts have been presented solely for the convenience to readers of the consolidated financial statements. AED amounts have been translated at the rate of AED 3.6655 to USD 1.

#### Statement of compliance

The interim condensed consolidated financial statements of the Group are prepared in accordance with International Accounting Standard (IAS) No 34, Interim Financial Reporting. Hence, the interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read with the Group's annual financial statement as at 31 December 2018. In addition, results for the three month period ended 31 March 2019 are not necessarily indicative of the results that may be expected for the full financial year ending 31 December 2019.

#### Standards and Interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except for the adoption of new standards and interpretations as of 1 January 2019. These new standards and interpretations did not have any major impact on the accounting policies, financial position or performance of the Group.

The Group did not early adopt any standard, interpretation or amendment that was issued but is not yet effective.

The Group applies, for the first time, IFRS 16 *Leases*. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Standards and Interpretations (continued)

#### IFRS 16 Leases

The Group has adopted IFRS 16 'Leases' issued in January 2016, with date of initial application of 1 January 2019. The Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information is not restated. The Group has assessed that adoption of IFRS 16 did not have any material impact on retaining earnings as at the reporting date and has presented right-of-use assets within 'Property, plant and equipment' and lease liabilities within 'Trade and other payables' in the interim condensed consolidated statement of financial position.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprises IT-equipment.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

## Dana Gas PJSC and Subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2019 (Unaudited)

#### 3 SEGMENTAL INFORMATION

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer (CEO) that are used to make strategic decisions. The CEO considers the business from a geographic perspective which is divided into three geographical units.

##### Period ended 31 March 2019

	<i>United Arab Emirates USD mm</i>	<i>Egypt USD mm</i>	<i>Kurdistan Region of Iraq USD mm</i>	<i>Total USD mm</i>
Revenue net of royalties	3	36	40	79
Gross profit	-	12	28	40
General and administration expenses				(4)
Investment and finance income				4
Other income				7
Other expenses				(2)
Share of loss of a joint venture				-
Finance cost				(4)
Profit before income tax				41
Income tax expense				(6)
<b>PROFIT FOR THE PERIOD</b>				<b>35</b>
Segment assets as at 31 March 2019	1,490	875	846	3,211
Segment liabilities as at 31 March 2019	431	78	80	589
	<i>United Arab Emirates USD mm</i>	<i>Egypt USD mm</i>	<i>Kurdistan Region of Iraq USD mm</i>	<i>Total USD mm</i>
Other segment information				
Capital expenditure:				
Property, plant and equipment	-	4	20	24
Intangible assets	-	2	-	2
Total	-	6	20	26
Operating costs	2	6	4	12
Depreciation, depletion & amortisation	1	18	8	27

# Dana Gas PJSC and Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2019 (Unaudited)

### 3 SEGMENTAL INFORMATION (continued)

	<i>United Arab Emirates USD mm</i>	<i>Egypt USD mm</i>	<i>Kurdistan Region of Iraq USD mm</i>	<i>Total USD mm</i>
Period ended 31 March 2018				
Revenue net of royalties	4	41	29	74
Gross profit	(3)	19	29	45
General and administration expenses				(4)
Investment and finance income				2
Other income				3
Other expenses				(1)
Share of loss of a joint venture				(1)
Provision for impairment				(2)
Exploration expenses				(5)
Finance cost				(14)
Profit before income tax				23
Income tax expense				(9)
PROFIT FOR THE PERIOD				14
Segment assets as at 31 March 2018	1,931	1,008	847	3,786
Segment liabilities as at 31 March 2018	778	103	23	904
	<i>United Arab Emirates USD mm</i>	<i>Egypt USD mm</i>	<i>Kurdistan Region of Iraq USD mm</i>	<i>Total USD mm</i>
Other segment information				
Capital expenditure:				
Property, plant and equipment	-	1	1	2
Intangible assets	-	6	-	6
Total	-	7	1	8
Operating costs	2	6	5	13
Depreciation, depletion & amortisation	5	16	8	29
Exploration expenses	-	5	-	5

## Dana Gas PJSC and Subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2019 (Unaudited)

#### 4 EARNINGS PER SHARE

(a) Basic earnings per share is calculated by dividing net profit for the period attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

	<i>Three months ended 31 March</i>	
	<i>2019</i>	<i>2018</i>
<b>Earnings:</b>		
Net profit for the period - USD mm	<u>35</u>	<u>14</u>
<b>Shares:</b>		
Weighted average number of shares outstanding for calculating basic EPS- million	<u>6,977</u>	<u>6,977</u>
<b>EPS (Basic) – US per share:</b>	<u>0.005</u>	<u>0.002</u>

#### EPS (Diluted)

Employee restricted shares are dilutive, however they have no material impact on the EPS for the period ended 31 March 2019 and 31 March 2018.

#### 5 INTANGIBLE ASSETS

	<i>Oil and gas Interests USD mm</i>	<i>Transmission &amp; sweetening rights USD mm</i>	<i>Gas processing rights USD mm</i>	<i>Development cost USD mm</i>	<i>Goodwill USD mm</i>	<i>Total USD mm</i>
Cost at 1 January 2019	167	289	7	2	308	773
Less: impairment	(115)	-	(7)	(2)	-	(124)
At 1 January 2019	<u>52</u>	<u>289</u>	<u>-</u>	<u>-</u>	<u>308</u>	<u>649</u>
Additions	2	-	-	-	-	2
At 31 March 2019	<u>54</u>	<u>289</u>	<u>-</u>	<u>-</u>	<u>308</u>	<u>651</u>
At 31 December 2018(audited)	<u>52</u>	<u>289</u>	<u>-</u>	<u>-</u>	<u>308</u>	<u>649</u>

##### (a) Oil and Gas Interests

Oil and gas interests of USD 54 million relates to Dana Gas Egypt which has a number of concessions and development leases in Egypt as described below in more detail:

- El Wastani Development Lease – This development lease is held with a 100% working interest and represents approximately 5% of current production in Dana Gas Egypt. El Wastani production includes both gas and associated gas liquids. This development lease has 40.7 sq. km of land included within its boundary and is located in the Nile Delta of Egypt.
- South El Manzala Development Lease – These development leases are held with a 100% working interest and are not currently producing. These development leases have 65 sq. km of land included within their boundaries and are located in the Nile Delta of Egypt.
- West El Manzala Development Leases (West El Manzala Concession) – These development leases are held with a 100% working interest. These development leases have 261.5 sq. km of land included within their boundaries and are located in the Nile Delta of Egypt. To date, eleven development leases are producing both natural gas and associated liquids representing approximately 88% of Dana Gas Egypt current production.

#### 5 INTANGIBLE ASSETS (continued)

##### (a) Oil and Gas Interests (continued)

- West El Qantara Development Leases (West El Qantara Concession) – These development leases are held with a 100% working interest. These development leases have 76.5 sq. km of land included within their boundaries and are located in the Nile Delta of Egypt. To date, two development leases are producing both natural gas and associated liquids representing approximately 7% of Dana Gas Egypt current production.
- North Al Arish Offshore (Block-6) - In April 2013, Dana Gas Egypt was awarded a 100% working interest in the North El Arish Offshore (Block 6) concession area. The area has 3,050 sq. km, offshore Nile Delta, in the eastern part of the Mediterranean Sea.. A 3D seismic acquisition was carried out in the Block, covering 1,830 full fold sq. Km. Plans are afoot to commence drilling of the first offshore Merak well in the first half of 2019.
- El Matariya Onshore (Block-3) - In September 2014, Dana Gas Egypt was awarded a 50% working interest in the Block 3 concession area. The area is located onshore Nile Delta. As per the concession agreement, Dana Gas Egypt as a partner and BP as an operator will participate on a 50:50 basis. The first deep target exploration well in the concession was spud in May 2016. During the year, the BP operated Mocha-1 exploration well in Block 3 has been completed. It reached total depth at 5,940 metres, making it the deepest onshore Nile Delta well drilled to date. Whilst the Messinian objective encountered wet gas, the primary Oligocene target did not encounter gas in commercial quantities and the well has been P&A'ed. Under the terms of the agreement signed in June 2015, BP agreed to carry Dana Gas for its 50% share of the cost of the well. Consequently, Dana Gas has achieved its objective of drilling this important calibration well at no cost to itself.

##### (b) Transmission and sweetening rights

Intangible assets include USD 289 million which represent the fair value of the rights for the transmission and sweetening gas and related products acquired by the Company through its shareholdings in SajGas and UGTC. The fair value of the rights acquired in 2005 was determined by reference to valuation exercises undertaken by professionally qualified independent third parties based on the expected future cash flows arising from the underlying contractual relationships. The intangible assets will be amortised over 25 years from the date of commencement of commercial activity in accordance with the terms of the contracts to which they relate. Commercial activity has not yet commenced. In July 2010, National Iranian Oil Company (NIOC) introduced gas into its completed transmission network and Dana Gas' UGTC pipeline and SajGas processing facilities in Sharjah for commissioning purposes. However, subsequently as it pressured up, NIOC discovered significant leaks in its offshore gas transmission system which required rectification. Notwithstanding this, Crescent Petroleum is continuing with international arbitration to seek a ruling on its binding 25 years gas supply contract with NIOC.

The Company was notified by Crescent Petroleum on 10 August 2014 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 has been in breach of its contractual obligation to deliver gas under the Contract since December 2005.

On 18 July 2016, the English High Court finally dismissed the National Iranian Oil Company ('NIOC's) remaining grounds of appeal against the 2014 arbitration award. The 2014 arbitration award found in favour of Dana Gas' partner Crescent Petroleum Company International Limited and Crescent Gas Corporation Limited on all issues. NIOC appealed the 2014 arbitration award to the English High Court. Most of the grounds of appeal were previously heard and dismissed by the Court in March 2016. The finalisation of the appeal in July 2016 confirms that the 2014 award is final and binding and that NIOC has been in breach of its gas supply obligations since 2005.

Crescent Petroleum has informed Dana Gas that the final hearing of the remedies phase against NIOC for non-performance of the contract (including claims for damages and indemnities for third party claims up to 2014) took place in November 2016. The final award on damages for the period 2005 to 2014 is awaited from the Tribunal, and in the meantime Dana Gas has been informed that Crescent Petroleum has commenced a second arbitration with a new Tribunal, to address the claims for damages from 2014 until the end of the contract period in 2030. Moreover, we are aware that Crescent Petroleum has made provision in its damages claim against NIOC for reimbursement of the losses suffered by the Company including any third party claims where the damages would ultimately be assessed and decided by a court.

## Dana Gas PJSC and Subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2019 (Unaudited)

#### 5 INTANGIBLE ASSETS (continued)

##### (b) Transmission and sweetening rights (continued)

In accordance with IAS 36 requirement relating to intangible assets not yet available for use, management had undertaken an impairment review of the intangible assets as at 31 December 2018. Management has reviewed the various inputs into the original valuation model and believes that the inputs into the original valuation model have not materially changed.

##### (c) Goodwill

Goodwill of USD 308 million relates to the acquisition of Dana Gas Egypt in January 2007 which enabled Dana Gas to acquire the upstream business qualification and therefore the rights to development. As per the requirement of IAS 36, an impairment review has to be carried out annually by the management and the last such review was carried out in December 2018.

#### 6 INVESTMENT PROPERTY

The movement in investment property during the period/year is as follows:

	<b>31 March 2019</b> <b>USD mm</b>	<b>31 Dec 2018</b> <b>USD mm</b> <i>(Audited)</i>
Balance at 1 January	<b>22</b>	24
Change in fair value	-	(2)
Balance at 31 March / 31 December	<b>22</b>	22

Investment property consists of industrial land owned by SajGas, a subsidiary, in the Sajaa area of the Emirate of Sharjah, United Arab Emirates. The Group considers a portion of land to be surplus to their operational requirements and will be used for earning rentals or held for capital appreciation.

Investment property is stated at fair value which has been determined based on a valuation performed by an independent firm of qualified property consultants, with reference to comparable market transactions. The latest valuation exercise was carried out by the consultants as at 31 December 2018 and resulted in a valuation of USD 22 million.

#### 7 TRADE AND OTHER RECEIVABLES

	<b>31 March 2019</b> <b>USD mm</b>	<b>31 Dec 2018</b> <b>USD mm</b> <i>(Audited)</i>
Trade receivables (net)	<b>173</b>	163
Prepaid expenses	<b>2</b>	2
Due from joint ventures	<b>15</b>	14
Other receivables	<b>18</b>	19
Less: provision for impairment of other receivables	<b>(7)</b>	(7)
	<b>201</b>	191

a) Trade receivables are interest bearing and are generally on 30-60 days credit period.

## Dana Gas PJSC and Subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2019 (Unaudited)

#### 7 TRADE AND OTHER RECEIVABLES (continued)

b) The ageing analysis of trade receivables is as follows:

	<i>Total USD mm</i>	<i>Neither past due nor impaired USD mm</i>	<i>Past due but not impaired</i>				
			<i>&lt;30 days USD mm</i>	<i>30-60 days USD mm</i>	<i>61-90 days USD mm</i>	<i>91-120 days USD mm</i>	<i>&gt;120 days USD mm</i>
<b>31 March 2019</b>	<b>173</b>	<b>76</b>	<b>22</b>	<b>7</b>	<b>12</b>	<b>16</b>	<b>40</b>
31 Dec. 2018	163	75	22	1	14	22	29

#### 8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>31 March 2019 USD mm</i>	<i>31 Dec 2018 USD mm (Audited)</i>
Balance at 1 January	2	9
Repayment during the period	-	(1)
Change in fair value	-	(6)
Balance at 31 March / 31 December	<u>2</u>	<u>2</u>

This represents an investment in the Abraaj Infrastructure Fund which are underpinned by the underlying assets. As the fund managing entity is under liquidation, the Company was not able to obtain an indicative fair value of the fund as of 31 March 2019. On a prudent basis, with reference to the last valuation as of 30 September 2018, the Company has estimated the fair value of this investment as at 31 March 2019.

#### 9 FUNDS HELD FOR DEVELOPMENT

As part of the Settlement Agreement with the KRG, out of the USD 1 billion received from KRG (DG Share: USD 350 million), an amount of USD 400 million (DG Share: USD 140 million) was dedicated for investment exclusively for further development to substantially increase production in the Kurdistan Region of Iraq. Pearl is entitled to use any funds remaining in that account after the said development is complete or 29 February 2020, whichever occurs first. If to the reasonable satisfaction of the KRG, Pearl secures financing for all or part of the development specified in the agreement, Pearl shall be entitled to use funds from this USD 400 million (DG Share: USD 140 million) in the same amount as such financing without restriction. During 2018, USD 202 million (DG Share: USD 71 million) has been released from these funds in accordance with the terms of the Settlement Agreement and the balance as at 31 March 2019 is USD 198 million (DG Share: USD 69 million). The amount is placed in short term deposit with duration ranging between 1 months to 6 months carrying interest at rates ranging from 2.65% to 3.1% p.a.

#### 10 CASH AND CASH EQUIVALENT

	<i>31 March 2019 USD mm</i>	<i>31 Dec 2018 USD mm (Audited)</i>
Cash at bank and on hand		
- Local Banks within UAE	46	15
- Foreign Banks outside UAE	22	20
Short term deposits		
- Local Banks within UAE	374	372
Cash and cash equivalent	<u>442</u>	<u>407</u>

## Dana Gas PJSC and Subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2019 (Unaudited)

#### 10 CASH AND CASH EQUIVALENT (continued)

Cash at bank earns profit at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one week and three months, depending on the immediate cash requirements of the Group, and earn profit at the respective short-term deposit rates. The fair value of cash and bank balance including short-term deposits is USD 442 million (31 December 2018: USD 407 million). The effective profit rate earned on short term deposits ranged 2.0% to 4.25% (2018: 0.95% to 3.25%) per annum. As at 31 March 2019, 95 % (31 December 2018: 95%) of cash and bank balance were held with UAE banks and the balance held outside UAE. Out of the total cash and bank balance of USD 442 million, 4% of the amount was held in Egyptian pounds (31 December 2018: 4%).

#### 11 SHARE CAPITAL

	<i>31 March 2019</i> <i>USD mm</i>	<i>31 Dec 2018</i> <i>USD mm</i> <i>(Audited)</i>
<i>Authorised:</i>		
9,000,000,000 common shares of AED 1 each (USD 0.2728 each)		
<i>Issued and fully paid up:</i>		
6,976,623,422 (2018: 6,976,623,422) common shares of AED 1 each (USD 0.2728 each)	<u>1,903</u>	<u>1,903</u>

#### 12 BORROWINGS

	<i>31 March 2019</i> <i>USD mm</i>	<i>31 Dec 2018</i> <i>USD mm</i> <i>(Audited)</i>
<b>Non-current</b>		
Sukuk (a)	397	404
Project finance – Pearl Petroleum (b)	31	10
<b>Total Borrowings</b>	<u>428</u>	<u>414</u>

##### a) SUKUK

On 13 May 2018, the Company announced agreement with the Ad-Hoc committee of the Sukukholders (“the AHC”) on terms and conditions of an offer for the restructuring and refinancing of its Sukuk Al-Mudarabah, the nominal value of which on 31 October 2017 was USD 700 million. Sukukholders representing in excess of 52% of the aggregate amount of the existing Exchangeable Certificates and in excess of 30% of the existing Ordinary Certificates entered into a binding lock-up and standstill agreement with the Company in connection with the mutually agreed proposed restructuring.

The salient features of the agreement were as follows:

- For holders wishing to exit their principal; an opportunity to tender their claims at 90.5¢ per \$1 of the face value of their holdings, which included an early participation fee of 2.5¢ (if elections were received within 7 days from the date of launch of the Tender Offer and Consent Solicitation process).
- For holders electing to receive a partial pay down and exchange into a new instrument; a path to full recovery including a significant repurchase obligation at par with respect to the new certificates. Such holders also received arrears of profit distribution as per the Existing Certificates until 31 October 2017, and a 4% profit rate (see below) from 01 November 2017 until closing of the transaction. For elections received within 7 days from the date of launch of the Tender Offer and Consent Solicitation process, holders received an early participation fee of 2.5¢.



#### 12 BORROWINGS (continued)

##### a) SUKUK (continued)

- The new certificates were constituted as a Wakala Sukuk instrument (based on an underlying Ijara and deferred payment obligation structure) with a 4% profit rate and 3 year tenor with maturity on 31 October 2020.

The Company and members of the AHC involved in litigation also entered into a Litigation Dismissal Agreement that provided a mechanism for the disposal of all pending litigation and a release of certain claims.

Dana Gas launched the Tender offer and Consent Solicitation / Exchange offer on 22 May 2018 to consider approval for the terms and conditions of an offer for the restructuring and refinancing of its Sukuk Al-Mudarabah. The transaction was approved by the Sukukholders in a meeting on 13 June 2018. Also, Dana Gas issued an invitation to its Shareholders to attend the General Assembly to consider and approve issuance of the new Sukuk to replace the existing Sukuk, issued in May 2013, through a special issue to the holders of the existing Sukuk up to USD 560 million for 3 years with 4% profit rate per annum and to approve dismissal of all Sukuk litigation.

On 21 June 2018, the shareholders voted unanimously in favor of the consensual restructuring of USD 700 million Sukuk al-Mudarabah. The Transaction was completed on 13 August 2018 and the new Sukuk is now listed on Euronext Dublin (previously known as "Irish Stock Exchange").

All legal proceedings have been completely brought to an end by the parties to the Sukuk litigation in all jurisdictions. The discontinuance in both the UK and UAE courts was agreed by all the parties following the consensual agreement to restructure the Sukuk reached in May 2018.

The Company paid USD 235 million on redemptions, profit payments and early participation fees. The size of new Sukuk is reduced to USD 530 million. It has a three-year life, maturing in October 2020 and a new profit rate of 4% per annum.

The New Certificates are secured against the shares of Dana LNG Ventures Limited (BVI), Sajaa Gas Company Limited (Sharjah) and United Gas Transmission Company Limited (Sharjah). In addition to the above, the security package available to holders of the New Sukuk holders will include security over certain receivables of the Company's Egyptian assets and Sajaa Gas industrial land.

During 2018, the Company bought back Sukuk amounting to USD 126 million (nominal value).

During the period, the Company bought back additional Sukuk amounting to USD 7 million (nominal value), thereby reducing the outstanding Sukuk to USD 397 million. All bought back Sukuk have been cancelled as per the terms and conditions. The outcome is that Dana Gas has now satisfied its obligations such that it will continue to pay a profit rate of 4% until maturity of the Sukuk at the end of October 2020.

#### Background

In October 2007, the Group arranged to issue convertible Sukuk-al-Mudarabah (the "Sukuk") for a total value of USD 1 billion in the form of Trust Certificates through a special purpose company (the "Issuer"). The Sukuk, which were intended to conform to the principles of Islamic Shari'a, were approved by the Company's shareholders at an Extraordinary General Meeting held in July 2007. Pursuant to the terms of the Sukuk, the proceeds were applied to the acquisition and development of assets (the "Mudarabah Assets") owned by Dana LNG Ventures Limited. The Sukuk had a profit rate of 7.5% per annum to be paid quarterly from profits generated by the Mudarabah Assets. In 2008, Dana Gas purchased Sukuk from the market with an aggregate value of USD 80 million.

The Sukuk matured on 31 October 2012. On 23 April 2013, the Sukuk holders (by Extraordinary Resolution passed at a meeting of Holders) and the Company's shareholders (by EGM) approved the Sukuk refinancing Transaction. The salient features of the agreement were a reduction in the capital received on issuance of Sukuk from USD 1 billion to USD 850 million via USD 70 million of cash pay-down and cancellation of another USD 80 million of the existing Sukuk already owned by the Company. The remaining USD 850 million was split into two tranches being a USD 425 million Ordinary Sukuk and USD 425 million Exchangeable Sukuk (together the "New Sukuk"), each with 5-year maturity. The Ordinary Sukuk and Exchangeable Sukuk have a profit rate of 9% and 7% per annum, respectively, to be paid quarterly from profits generated by the Mudarabah Assets. The initial effective exchange price for the exchangeable Sukuk was determined on 13 February 2013 and was fixed at AED 0.75 per share (floor price).

## Dana Gas PJSC and Subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2019 (Unaudited)

#### 12 BORROWINGS (continued)

##### a) SUKUK (continued)

The New Sukuk are secured against the shares of Dana LNG Ventures Limited (BVI), Sajaa Gas Company Limited (Sharjah) and United Gas Transmission Company Limited (Sharjah). In addition to the above, the security package available to holders of the New Sukuk was enhanced by USD 300 million of value comprising security over certain receivables of the Company's Egyptian assets, Company's interest in Danagaz W.L.L. and Sajaa Gas industrial land.

During the previous years the Company bought back Sukuk amounting to USD 77.4 million and a further USD 72.9 million worth of Sukuk was converted into shares of Dana Gas PJSC. The outstanding Sukuk due for maturity on 31 October 2017 was USD 700 million.

##### b) PROJECT FINANCE – PEARL PETROLEUM

Pearl Petroleum on 18 September 2018 signed a USD 150 million 5 year term loan facility "Facility Agreement" with a local UAE bank for financing its development activities. This financing is non-recourse to the Company. The Facility Agreement provides for a 2-year grace period and is repayable in equal quarterly instalments. Pearl has agreed to provide security by assignment of revenue, insurance and registered pledge over Pearl's certain production facilities in Kurdistan which are replaced and existing security released after construction of new gas plant facilities. Pearl has since drawn down USD 91 million (DG Share: USD 32 million) from the facility until 31 March 2019. The borrowing is stated net of transaction costs and is carried at amortised cost.

#### 13 CONTINGENCIES AND COMMITMENTS

##### Dana Gas Egypt

In March 2006, Dana Gas Egypt entered into an agreement with CTIP Oil and Gas Limited ("CTIP") to acquire a 25% percent working interest in the West El Manzala and West El Qantara Concessions. Following the closing of this acquisition, the Company held a 100% participating interest in each of these Concessions. As agreed under the terms of the said acquisition agreement Dana Gas Egypt has paid USD 13 million as a result of the first Government approved plan of Development in the West El Manzala Concession. In addition, Dana Gas Egypt has agreed to pay additional payments that could total up to a further USD 12.5 million as and when total Proved Reserves for both El Manzala and West El Qantara concessions collectively and in the aggregate exceeds 1 Trillion cubic feet of natural gas. Dana Gas Egypt has also granted a three percent net profits interest to CTIP on future profit from the Concessions.

In April 2013, Dana Gas Egypt was awarded a 100% working interest in the North El Arish Offshore (Block 6) concession area. The area is located offshore Nile Delta, in the eastern part of the Mediterranean Sea. As per the concession agreement, Dana Gas Egypt has committed to spend USD 25.5 million on the block during the first phase of exploration which is 4 years and expired on 11 February 2018. Dana Gas Egypt is granted extension for the first phase of exploration till 10 June 2019. To-date Dana Gas Egypt has spent circa. USD 31 million and has fulfilled the spend commitment of first phase of exploration.

##### Pearl Petroleum

As at 31 March 2019, Pearl had capital commitments of circa USD 16 million (DG Share: USD 6 million).

#### 14 DIVIDEND

Subsequent to the period end, at the General Assembly of the Company held on 17 April 2019, the shareholders approved a cash dividend of AED 0.055 per share for 2018 (2017: AED 0.05 per share) amounting in total to USD 105 million (AED 384 million).