

# **Dana Gas PJSC and Subsidiaries**

## **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**30 SEPTEMBER 2015 (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, joint operations and joint ventures (together referred to as the “Group”) for the period ended 30 September 2015.

#### **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 a regional natural gas Company with presence in the United Arab Emirates, Egypt, Bahrain, and the Kurdistan Region of Iraq (KRI) and headquartered in Sharjah, United Arab Emirates.

#### **Results for quarter ended 30 September 2015**

During the quarter ended 30 September 2015, the Company earned gross revenues of USD 93 million (AED 341 million) as compared to USD 174 million (AED 638 million) in the third quarter of 2014. This decline of USD 81 million (AED 297 million) in revenue was mainly due to sharp decline in hydrocarbon prices in Q3 2015 as compared to Q3 2014 coupled with lower production in Egypt. Realised price of condensate and LPG in Q3, 2015 were USD 47 per boe and USD 33 per boe, respectively compared to USD 100 per boe and USD 68 per boe, respectively in Q3 2014. The decline in hydrocarbon prices eroded USD 59 Million (AED 216 million) off the top line.

The Group share of production for the 92 days was at 5.59 million barrels of oil equivalent [60,800 barrels of oil equivalent per day (“boepd”)], a decrease of 11% compared to 6.3 Million barrels of oil equivalent (68,700 boepd) in Q3 2014, mainly due to decline in production in Egypt.

The Group reported a net loss after tax of USD 9 million (AED 32 million) as compared to a net profit of USD 38 million (AED 139 million) in Q3 2014. The decline in profitability was mainly due to lower realised hydrocarbon prices and a one-off loss of USD 11 million, incurred on disposal of available-for-sale-asset (investment in MOL).

Earnings before interest, tax, depreciation and amortisation (“EBITDA”) in Q3 2015 reduced to USD 38 million (AED 139 million) compared to USD 100 million (AED 367 million) in Q3 2014, in line with lower profitability.

#### **Results for nine months of 2015**

During the nine months ended 30 September 2015 (the “period”) the Company earned gross revenues of USD 324 million (AED 1,188 million) as compared to USD 541 million (AED 1,983 million) in the corresponding period. This decrease in revenue was mainly due to sharp decline in hydrocarbon prices during the period which eroded USD 187 million (AED 685 million) off the top line coupled with 15% decline in production in Egypt.

The Group achieved a net profit after tax of USD 10 million (AED 37 million) as compared to USD 129 million (AED 472 million) in 2014, a decline of 92% mainly due to reasons explained above. Optimisation of G&A costs and lower Sukuk profit, contributed positively to the bottom line.

The results for the quarter and nine months of 2015 are set out in detail on page 8 of the interim condensed consolidated financial statements.

# **DANA GAS PJSC**

## **Report of the Directors**

### **Liquidity and Financial Resources**

Cash and bank balance at period end stood at USD 142 million (AED 521 million), a decline of 23% compared to the USD 184 million (AED 674 million) cash balance in December 2014. The reduction in cash balance was due to expenditures in Egypt and Zora together with sukuk profit payment partially offset by cash drawdowns from new borrowings for future projects. Cash collection in Egypt stood at USD 53 million and in Kurdistan collections from local sales during the period, after adjusting for cash deposit received in September 2014, amounted to USD 36 million (AED 132 million). During the quarter, the Group also realized USD 41 million (AED 150 million) from sale of investment in MOL shares and used part of the proceeds to buyback Sukuk with par value of USD 27.1 million (AED 99 million).

### **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) 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 2014. Following this review, the Group's gross proved reserves (1P) as at 31 December 2014 were assessed at 59 MMboe (31 December 2013: 74 MMboe). The gross proved and probable reserves (2P) as at 31 December 2014 were estimated at 113 MMboe (31 December 2013: 117 MMboe) and the gross proved, probable and possible reserves (3P) as at 31 December 2014 were estimated to be 171 MMboe (31 December 2013: 189 MMboe).

#### ***(b) Pearl Petroleum Company Limited***

Pearl Petroleum Company Limited's ("Pearl Petroleum") appointed GCA which following its assessment of the KRI assets in 2013, provided an estimate of hydrocarbons in-place as at 31 December 2012 for both the Khor Mor and Chemchemical fields based on a comprehensive data set comprising ca. 1200 km 2D seismic, the 11 wells drilled in the two fields to date and field production data over a period of five years.

Gas initially in-place volumes (unrisked\*) have been computed by GCA. Based on this report related to the individual fault blocks which comprise Khor Mor, Dana Gas has calculated an aggregated Best Estimate (P50) volume of 22 Tscf. For Chemchemical, gas initially in place volumes (unrisked\*), based on the same assessment reported volumes for the individual fault blocks, have been aggregated by Dana Gas to be a Best Estimate (P50) of 30 Tscf. The GCA report also indicates that both fields have considerable additional upside potential. Dana Gas' 40% share of these Best Estimate in-place volumes for Khor Mor and Chemchemical combined corresponds to 20 Tscf.

GCA also stated that certain Khor Mor fault blocks may contain oil instead of gas and determined oil initially in-place volumes (un-risked\*) for these individual blocks. Dana Gas has calculated an aggregated Best Estimate (P50) volume of around 1.8 billion barrels of oil, in place of around 3 Tscf of gas in these blocks.

GCA's report confirms Dana Gas' 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.

*\*Note that a risk factor accounting for geological and commercial uncertainties has not been assessed or applied at this time. However, both fields are surrounded by producing oil and/or gas fields which calibrates and reduces the geological and reservoir risks. 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.*

## **DANA GAS PJSC**

### **Report of the Directors**

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

Following signing of concession agreement with Ajman in January 2014, Dana Gas has a 100% working interest in the Zora field which spans the territorial waters of Sharjah and Ajman. Gaffney, Cline & Associates carried out an independent evaluation of Sharjah Western Offshore – Zora Field's hydrocarbon reserves as on 31 December 2014. Following this review, the Group's gross proved reserves (1P) as at 31 December 2014 were assessed at 17 MMboe (31 December 2013: 17 MMboe). The gross proved and probable reserves (2P) as at 31 December 2014 were estimated to be 32 MMboe (31 December 2013: 33 MMboe) and the gross proved, probable and possible reserves (3P) as at 31 December 2014 were estimated to be 64 MMboe (31 December 2013: 64 MMboe).

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

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

The Company production in Egypt for the 92 days of operations in Q3 2015 was 2.9 MMboe i.e. 32,144 boepd (Q3 2014: 3.7 MMboe, i.e. averaging 40,500 boepd) a decline of 21% over the corresponding period. Recent production decline is in line with normal field decline trends for Nile Delta reserves. This decline is expected to be reversed once new gas is brought online from the Gas Production Enhancement Agreement activities ("GPEA").

During the nine months of 2015, the Company received cash of USD 53 million (AED 194 million) and EGAS/EGPC offset the Block-1 and Block-3 signature bonus of USD 13 million (AED 46 million) and payable to government owned contractors of USD 3 million (AED 11 million) against the amounts due to the Company. Consequently at period end, the trade receivable balance in Egypt stood at USD 252 million (AED 924 million) (31 December 2014: USD 233 million (AED 854 million)). The Company continues to calibrate its capital expenditure and operating costs in line with collections.

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

In April 2007, the Group entered into agreements with the Kurdistan Regional Government of Iraq for developing the significant petroleum (including gas) resources in the Khor Mor and Chemchemal fields. Since then, the focus has been on developing, processing and transporting natural gas from the Khor Mor Field including processing and extracting LPG and condensate and providing natural gas supplies to domestic power generation plants near Erbil and Suleymania. Further development of both fields is planned following resolution of the ongoing legal dispute. As envisaged under the agreements, such further development is expected to provide significant natural gas supplies for future expansion of power generation and local industries as well as for export and sale abroad as and when the political circumstances permit.

Dana Gas's share (40%) of gross production in the KRI for the 92 Days of operations in Q3 2015 was 2.57 MMboe, i.e. averaging 28.0 thousand BOE per day (Q3 2014: 2.55 MMboe, averaging 27.7 thousand BOE per day).

Dana Gas share of collections for the nine months stood at USD 52 million (AED 191 million), however a portion of the collection was adjusted against cash deposit of USD 18 million (AED 66 million) received in September 2014 against future lifting of the product. Upon expiry of the direct local sales contract, KRG has commenced direct lifting of LPG and Condensate from 20 September and 7 October 2015, respectively from the Khor Mor plant through a nominated local contractor. At period end the trade receivable balance stood at USD 804 million (AED 2.95 billion) as compared to USD 746 million (AED 2.7 billion) in 2014.

##### ***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 agreed as the initial unitization share. The objective of the project is the transmission of sour rich gas from the Zora gas field to a new onshore gas processing plant within the Sharjah Hamriya Free Zone.

## **DANA GAS PJSC**

### **Report of the Directors**

#### ***c) Zora Gas Field (continued)***

The project includes the engineering, construction and installation of a new unmanned platform, about 33 km offshore, together with 2 horizontal gas production wells in approximately 24 meters of water depth. The platform will be connected by means of a 12" subsea and onshore pipeline system to an onshore gas processing plant where the gas will be processed.

Drilling of two laterals is completed and the well completion is finished. The drilling rig has been demobilized.

The platform jacket was installed earlier this year and the topside was installed on 30 October 2015. The platform installation work is completed and the crane barge has been demobilized. The mobilization of the offshore hookup work is in progress.

The offshore pipeline installation from shore to the platform is completed including all testing and pre-commissioning activities. The construction work for the onshore pipeline is also completed with the exception of final tie-in between the offshore and onshore sections of the pipeline. This tie-in will be carried out before the system commissioning.

All erection works for the onshore plant are completed and the pre-commissioning and commissioning works are in progress. Completion dossiers and as-built documentation for all works are being prepared.

The project cost is being partly financed through a USD 100 million Term Facility that was signed on 25 June 2014 in a syndicated facility of four regional banks ENBD, CBI, CBD and Barwa Bank. This facility will contribute the debt component of the financing needed to complete the project and to bring the Zora gas field on-stream. The financial close was achieved for the said Term facility on 16 March 2015, with drawdown of USD 89 million up to 31 October 2015.

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

The UAE Gas Project to process and transport imported gas continues to await the commencement of gas supplies by the National Iranian Oil Company ("NIOC") to Crescent Petroleum. Dana Gas has a 35% interest in Crescent National Gas Corporation Limited (CNGCL) and owns 100% of SajGas and UGTC.

#### ***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) to build, own and operate 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 mmscfd of gas and has processed up to its full capacity during the period.

## **DANA GAS PJSC**

### **Report of the Directors**

#### ***Arbitration Cases***

On 21 October 2013, Dana Gas, along with Crescent Petroleum and Pearl Petroleum (the Consortium which holds petroleum rights in the KRI), commenced international arbitration proceedings at the London Court of International Arbitration (LCIA), in accordance with the agreement with the Kurdistan Regional Government (KRG) signed on 04 April 2007 and governed by English Law.

On 21 March 2014, the Consortium filed an interim measures application with the Tribunal. The Consortium was successful in its application to the Tribunal for interim measures and the Tribunal made an order on 10 July 2014 for the KRG to restore the previous regular payments to the Consortium as of 21 March 2014, the date of the application, and until the case is concluded. The KRG failed to comply with and challenged the Tribunal's order, although since September 2014, the Company was permitted to commence local sales of condensate and LPG to third parties. On 17 October 2014, the Tribunal dismissed the KRG's challenge and re-affirmed its order for interim measures of 10 July 2014. In addition, the Tribunal ordered the KRG to pay the Consortium USD 100 million within a timeframe of 30 days (by 17 November 2014). In default of its legal obligations, the KRG failed to make payment by the stipulated deadline. Consequently, the Tribunal's order became peremptory in nature, enabling its enforcement by the English High Court. On 12 December 2014, and with the Tribunal's permission, an application to the English High Court was made for the enforcement of the order, with the prospect of sanctions being imposed on the KRG for non-compliance. The English High Court heard the Claimants' application for the enforcement of the order during a hearing on 28 and 29 October 2015. The court has reserved its decision.

A one-week hearing took place in London in the week commencing 20 April 2015 at which selected issues in the arbitration were considered.

On 3 July 2015, the Arbitral Tribunal issued a Partial Final Award dated 30 June 2015 confirming the Consortium's contractual rights including a number of important issues addressed at the 20 April 2015 hearing. Among other things, the Partial Final Award confirmed:

- the Consortium's exclusive long-term rights to develop and produce gas and petroleum from both the Khor Mor and Chemchemal fields for the duration of the Contract, being not less than 25 years.
- the KRG's contractual obligation to pay the Consortium for the produced condensate and LPG at international prices, including the pricing methodology for each.
- Dana Gas and Crescent Petroleum were entitled to farm out part of their own interests to MOL and OMV, and that the KRG was not entitled to a share of the farm-out proceeds.

On 21 September 2015, a one-day hearing was held during which the Consortium made an application to the Tribunal for monetary award of USD1.963 billion against the KRG, being the outstanding unpaid invoices (as of 30 June 2015) for the produced condensate and LPG calculated as per the pricing methodology determined by the Tribunal in the Partial Final Award. The Tribunal considered the parties' claims and their submissions made on 21 September 2015. The Tribunal is expected to inform the parties of its ruling in due course.

The remaining claims in the arbitration, including the Consortium's claims for wrongfully delayed development of the fields, will be heard during the next phase of the Arbitration.

In December 2010, Dana Gas PJSC and Crescent Petroleum Company International Limited (the "Claimants") initiated arbitration proceedings before an arbitration tribunal in London alleging that RWEST (the "Respondent") had breached certain confidentiality agreements between the parties. On 10 March 2015, the Tribunal held that Respondent's breaches of the confidentiality agreements had harmed the Claimants' interests in the KRI. As for the quantum of damages, it will be heard during a three-weeks hearing scheduled to start 30 November 2015.

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 Arbitration 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 obligated to deliver gas under the Contract since December 2005. Crescent Petroleum has expressed its hope that all matters can now be amicably resolved through constructive discussions with NIOC. In the meantime, the damages quantification phase of the arbitration process has already commenced.

# **DANA GAS PJSC**

## **Report of the Directors**

### **Board of Directors**

H.H. Sheikh Ahmed Bin Sultan Al-Qasimi, Honorary Chairman  
Dr. Adel Khalid Al-Sabeeh, Chairman (to 30 April 2015)  
Dr. Tawfeeq Abdulrahman Almoayed, Deputy Chairman (to 30 April 2015)  
Mr. Hamid Dhiya Jafar, Chairman (from 30 April 2015)  
Mr. Rashid Saif Al-Jarwan, Deputy Chairman (from 30 April 2015)  
Dr. Patrick Allman-Ward, Chief Executive Officer  
Mr. Ahmed Rashid Al Arbeed (to 30 April 2015)  
H.E. Sheikh Sultan Bin Ahmed Bin Sultan Al-Qasimi  
Mr. Abdulaziz Hamad Aljomaih (to 30 April 2015)  
Mr. Abdullah Ali Al Majdouie  
Mr. Khalid Abdul Rahman Saleh Al-Rajhi (to 30 April 2015)  
Mr. Majid Hamid Jafar  
Mr. Nasser Al Nowais  
Mr. Rashad Mohammed Al-Zubair (to 30 April 2015)  
Mr. Said Arrata  
Mr. Varoujan Nerguizian  
Mr. Ziad Abdulla Ibrahim Galadari  
Mr. Ahmed Al Midfa (to 30 April 2015)  
Mr. Salah Al Qahtani (to 30 April 2015)  
Mr. Hani Abdulaziz Hussein (from 30 April 2015)  
Ms. Fatima Obaid Al-Jaber (from 30 April 2015)

### **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

14 November 2015

## **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 statement of financial position of Dana Gas PJSC (the "Company") and its subsidiaries (the "Group") as at 30 September 2015 and the related interim condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended, cash flows and changes in equity for the nine-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.

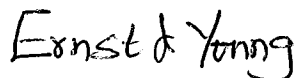
### ***Conclusion***

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***

- (i) We draw attention to 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; and
- (ii) We also draw attention to note 1 to the interim condensed consolidated financial statements which discusses the commencement of arbitration proceedings with the Kurdistan Regional Government of Iraq.

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



Signed by  
Thodla Hari Gopal  
Registration No. 689  
For Ernst & Young

Sharjah, United Arab Emirates  
14 November 2015



# Dana Gas PJSC and Subsidiaries

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

Period ended 30 September 2015 (Unaudited)

| Notes   | Nine months ended    |           |                      |            | Three months ended   |             |                      |            |
|---|----------------------|-----------|----------------------|------------|----------------------|-------------|----------------------|------------|
|   | 30 September<br>2015 |           | 30 September<br>2014 |            | 30 September<br>2015 |             | 30 September<br>2014 |            |
|   | USD mm               | AED mm    | USD mm               | AED mm     | USD mm               | AED mm      | USD mm               | AED mm     |
| Revenue   | 324                  | 1,188     | 541                  | 1,983      | 93                   | 341         | 174                  | 638        |
| Less: royalties   | (112)                | (411)     | (164)                | (601)      | (33)                 | (121)       | (56)                 | (205)      |
| Net revenue   | 212                  | 777       | 377                  | 1,382      | 60                   | 220         | 118                  | 433        |
| Cost of sales   | (44)                 | (161)     | (36)                 | (132)      | (15)                 | (55)        | (11)                 | (40)       |
| Depreciation and depletion                                  | (71)                 | (260)     | (90)                 | (330)      | (22)                 | (80)        | (28)                 | (103)      |
| Gross profit  | 97                   | 356       | 251                  | 920        | 23                   | 85          | 79                   | 290        |
| Investment and finance (loss) / income                      | (2)                  | (7)       | 3                    | 11         | (7)                  | (25)        | (3)                  | (11)       |
| Reversal of provision for impairment of inventory           | 3                    | 11        | -                    | -          | 1                    | 4           | -                    | -          |
| General and administration expenses                         | (16)                 | (59)      | (21)                 | (77)       | (4)                  | (15)        | (5)                  | (18)       |
| Other expenses  | (7)                  | (26)      | (3)                  | (11)       | (1)                  | (4)         | (1)                  | (4)        |
| Share of loss of a joint venture                            | (2)                  | (7)       | (1)                  | (4)        | (1)                  | (3)         | -                    | -          |
| Exploration expenses  | (4)                  | (15)      | (1)                  | (4)        | (1)                  | (4)         | (1)                  | (4)        |
| Finance costs   | (48)                 | (176)     | (55)                 | (202)      | (16)                 | (59)        | (17)                 | (63)       |
| <b>PROFIT BEFORE TAX FOR THE PERIOD</b>                     | <b>21</b>            | <b>77</b> | <b>173</b>           | <b>633</b> | <b>(6)</b>           | <b>(21)</b> | <b>52</b>            | <b>190</b> |
| Income tax expense  | (11)                 | (40)      | (44)                 | (161)      | (3)                  | (11)        | (14)                 | (51)       |
| <b>PROFIT / (LOSS) FOR THE PERIOD</b>                       | <b>10</b>            | <b>37</b> | <b>129</b>           | <b>472</b> | <b>(9)</b>           | <b>(32)</b> | <b>38</b>            | <b>139</b> |
| <b>PROFIT / (LOSS) ATTRIBUTABLE TO:</b>                     |                      |           |                      |            |                      |             |                      |            |
| - Equity holders of the parent                              | 11                   | 41        | 129                  | 472        | (8)                  | (28)        | 38                   | 139        |
| - Non-controlling interest                                  | (1)                  | (4)       | -                    | -          | (1)                  | (4)         | -                    | -          |
|   | 10                   | 37        | 129                  | 472        | (9)                  | (32)        | 38                   | 139        |
| Basic earnings / (loss) per share<br>(USD/ AED per share)   | 4                    | 0.005     | 0.019                | 0.069      | (0.001)              | (0.004)     | 0.005                | 0.020      |
| Diluted earnings / (loss) per share<br>(USD/ AED per share) | 4                    | 0.001     | 0.017                | 0.063      | (0.001)              | (0.004)     | 0.004                | 0.019      |

The attached explanatory notes 1 to 13 form part of these interim condensed consolidated financial statements.

Dana Gas PJSC and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Period ended 30 September 2015 (Unaudited)

|  | Nine months ended |                   | 30 September 2014 |                   | 30 September 2015 |                   | Three months ended |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|
|  | 30 September 2015 | 30 September 2014 | 30 September 2015 | 30 September 2014 | 30 September 2015 | 30 September 2014 | 30 September 2015  | 30 September 2014 |
|  | USD mm            | AED mm            | USD mm            | AED mm            | USD mm            | AED mm            | USD mm             | AED mm            |
| <b>Profit / (loss) for the period</b>  | 10                | 37                | 129               | 472               | (9)               | (32)              | 38                 | 139               |
| <b>Other comprehensive income</b>  |                   |                   |                   |                   |                   |                   |                    |                   |
| <i>Other comprehensive income to be classified to income statement in subsequent periods:</i>      |                   |                   |                   |                   |                   |                   |                    |                   |
| Gain/ (loss) on available-for-sale financial asset (note 8)  | 3                 | 11                | (21)              | (77)              | (4)               | (15)              | (5)                | (18)              |
| Reclassification of previously recognised loss (on disposal of available-for-sale financial asset) | 11                | 40                | -                 | -                 | 11                | 40                | -                  | -                 |
| Net loss on cash flow hedge  | (3)               | (10)              | -                 | -                 | -                 | -                 | -                  | -                 |
| <b>Other comprehensive income for the period</b>   | 11                | 41                | (21)              | (77)              | 7                 | 25                | (5)                | (18)              |
| <b>Total comprehensive income for the period</b>   | 21                | 78                | 108               | 395               | (2)               | (7)               | 33                 | 121               |
| <b>ATTRIBUTABLE TO:</b>  |                   |                   |                   |                   |                   |                   |                    |                   |
| - Equity holders of the parent   | 22                | 82                | 108               | 395               | (1)               | (3)               | 33                 | 121               |
| - Non-controlling interest   | (1)               | (4)               | -                 | -                 | (1)               | (4)               | -                  | -                 |
|  | 21                | 78                | 108               | 395               | (2)               | (7)               | 33                 | 121               |

The attached explanatory notes 1 to 13 form part of these interim condensed consolidated financial statements.

# Dana Gas PJSC and Subsidiaries

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 30 September 2015

|   |       | 30 September<br>2015<br>(Unaudited) |                      | 31 December<br>2014<br>(Audited) |                      |
|---|-------|-------------------------------------|----------------------|----------------------------------|----------------------|
|   | Notes | USD mm                              | AED mm               | USD mm                           | AED mm               |
| <b>ASSETS</b>   |       |                                     |                      |                                  |                      |
| <b>Non-current assets</b>   |       |                                     |                      |                                  |                      |
| Property, plant and equipment   |       | 1,010                               | 3,702                | 948                              | 3,474                |
| Intangible assets   | 5     | 769                                 | 2,819                | 728                              | 2,669                |
| Investment property   | 6     | 26                                  | 95                   | 26                               | 95                   |
| Interest in joint ventures  |       | 564                                 | 2,067                | 566                              | 2,074                |
|   |       | <u>2,369</u>                        | <u>8,683</u>         | <u>2,268</u>                     | <u>8,312</u>         |
| <b>Current assets</b>   |       |                                     |                      |                                  |                      |
| Inventories   |       | 63                                  | 231                  | 51                               | 187                  |
| Trade and other receivables   | 7     | 1,138                               | 4,171                | 1,049                            | 3,844                |
| Available-for-sale financial asset  | 8     | 3                                   | 11                   | 51                               | 187                  |
| Financial assets at fair value through profit or loss                     | 9     | 9                                   | 33                   | 9                                | 33                   |
| Cash and bank balance   | 10    | 142                                 | 521                  | 184                              | 674                  |
|   |       | <u>1,355</u>                        | <u>4,967</u>         | <u>1,344</u>                     | <u>4,925</u>         |
| <b>TOTAL ASSETS</b>   |       | <u><u>3,724</u></u>                 | <u><u>13,650</u></u> | <u><u>3,612</u></u>              | <u><u>13,237</u></u> |
| <b>EQUITY</b>   |       |                                     |                      |                                  |                      |
| <b>Capital and reserves attributable to equity holders of the Company</b> |       |                                     |                      |                                  |                      |
| Share capital   | 11    | 1,901                               | 6,969                | 1,899                            | 6,961                |
| Statutory reserve   |       | 93                                  | 340                  | 93                               | 340                  |
| Legal reserve   |       | 93                                  | 340                  | 93                               | 340                  |
| Retained earnings   |       | 588                                 | 2,156                | 578                              | 2,119                |
| Other reserves  |       | (2)                                 | (7)                  | (14)                             | (51)                 |
| Convertible bonds- equity component                                       |       | 58                                  | 212                  | 58                               | 212                  |
|   |       | <u>2,731</u>                        | <u>10,010</u>        | <u>2,707</u>                     | <u>9,921</u>         |
| Attributable to equity holders of the Company                             |       |                                     |                      |                                  |                      |
| Non-controlling interest  |       | 2                                   | 7                    | 3                                | 11                   |
|   |       | <u>2,733</u>                        | <u>10,017</u>        | <u>2,710</u>                     | <u>9,932</u>         |
| <b>Total equity</b>   |       | <u><u>2,733</u></u>                 | <u><u>10,017</u></u> | <u><u>2,710</u></u>              | <u><u>9,932</u></u>  |
| <b>LIABILITIES</b>  |       |                                     |                      |                                  |                      |
| <b>Non-current liabilities</b>  |       |                                     |                      |                                  |                      |
| Borrowings  | 12    | 799                                 | 2,929                | 748                              | 2,741                |
| Provisions  |       | 16                                  | 59                   | 19                               | 69                   |
|   |       | <u>815</u>                          | <u>2,988</u>         | <u>767</u>                       | <u>2,810</u>         |
| <b>Current liabilities</b>  |       |                                     |                      |                                  |                      |
| Borrowings  | 12    | 52                                  | 191                  | -                                | -                    |
| Trade payables and accruals   |       | 124                                 | 454                  | 135                              | 495                  |
|   |       | <u>176</u>                          | <u>645</u>           | <u>135</u>                       | <u>495</u>           |
| <b>Total liabilities</b>  |       | <u><u>991</u></u>                   | <u><u>3,633</u></u>  | <u><u>902</u></u>                | <u><u>3,305</u></u>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                       |       | <u><u>3,724</u></u>                 | <u><u>13,650</u></u> | <u><u>3,612</u></u>              | <u><u>13,237</u></u> |

Director  
14 November 2015

Director  
14 November 2015

The attached explanatory notes 1 to 13 form part of these interim condensed consolidated financial statements.

# Dana Gas PJSC and Subsidiaries

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 30 September 2015 (Unaudited)

|  | Notes | Nine months ended |              |                   |              |
|--|-------|-------------------|--------------|-------------------|--------------|
|  |       | 30 September 2015 |              | 30 September 2014 |              |
|  |       | USD mm            | AED mm       | USD mm            | AED mm       |
| <b>OPERATING ACTIVITIES</b>                                  |       |                   |              |                   |              |
| Profit before income tax                                     |       | 21                | 77           | 173               | 633          |
| Adjustments for:   |       |                   |              |                   |              |
| Depreciation and depletion                                   |       | 71                | 260          | 90                | 330          |
| Investment and finance loss / (income)                       |       | 2                 | 7            | (3)               | (11)         |
| Reversal of provision for impairment of inventory            |       | (3)               | (11)         | -                 | -            |
| Finance costs  |       | 48                | 176          | 55                | 202          |
| Exploration expenses   |       | 4                 | 15           | 1                 | 4            |
| Share of loss of a joint venture                             |       | 2                 | 7            | 1                 | 4            |
| Board compensation   |       | -                 | -            | (3)               | (11)         |
|  |       | <u>145</u>        | <u>531</u>   | <u>314</u>        | <u>1,151</u> |
| Changes in working capital:                                  |       |                   |              |                   |              |
| Trade and other receivables                                  |       | (95)              | (348)        | (244)             | (894)        |
| Inventories  |       | (9)               | (33)         | 10                | 37           |
| Trade payables and accruals                                  |       | (7)               | (26)         | 19                | 69           |
|  |       | <u>34</u>         | <u>124</u>   | <u>99</u>         | <u>363</u>   |
| Net cash generated from operating activities                 |       |                   |              |                   |              |
| Income tax paid  |       | (11)              | (41)         | (44)              | (161)        |
|  |       | <u>23</u>         | <u>83</u>    | <u>55</u>         | <u>202</u>   |
| Net cash flows from operating activities                     |       |                   |              |                   |              |
| <b>INVESTING ACTIVITIES</b>                                  |       |                   |              |                   |              |
| Purchase of property, plant and equipment                    |       | (128)             | (469)        | (73)              | (269)        |
| Expenditure on intangible assets                             | 5     | (32)              | (117)        | -                 | -            |
| Proceeds from disposal of available-for-sale-financial asset |       | 41                | 150          | -                 | -            |
| Investment and finance income received                       |       | 4                 | 15           | 6                 | 22           |
| Proceeds from sale of interest                               |       | -                 | -            | 4                 | 15           |
|  |       | <u>(115)</u>      | <u>(421)</u> | <u>(63)</u>       | <u>(232)</u> |
| Net cash flows used in investing activities                  |       |                   |              |                   |              |
| <b>FINANCING ACTIVITIES</b>                                  |       |                   |              |                   |              |
| Proceeds from borrowing                                      |       | 125               | 458          | -                 | -            |
| Repurchase of sukuk  |       | (24)              | (88)         | -                 | -            |
| Finance costs paid   |       | (51)              | (187)        | (51)              | (187)        |
| Deposit – Murabaha facility                                  | 10    | (28)              | (102)        | -                 | -            |
|  |       | <u>22</u>         | <u>81</u>    | <u>(51)</u>       | <u>(187)</u> |
| Net cash flows from / (used in) financing activities         |       |                   |              |                   |              |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>             |       | <u>(70)</u>       | <u>(257)</u> | <u>(59)</u>       | <u>(217)</u> |
| Cash and cash equivalents at the beginning of the period     |       | <u>184</u>        | <u>674</u>   | <u>204</u>        | <u>748</u>   |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>    | 10    | <u>114</u>        | <u>417</u>   | <u>145</u>        | <u>531</u>   |

The attached explanatory notes 1 to 13 form part of these interim condensed consolidated financial statements.

# Dana Gas PJSC and Subsidiaries

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2015 (Unaudited)

|   | Attributable to owners of the parent |       |                   |     |               |     |                   |       |                |      |                                    |      |                          |     |       |        |
|---|--------------------------------------|-------|-------------------|-----|---------------|-----|-------------------|-------|----------------|------|------------------------------------|------|--------------------------|-----|-------|--------|
|   | Share capital                        |       | Statutory reserve |     | Legal reserve |     | Retained earnings |       | Other reserves |      | Convertible sukuk-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    | mm             | mm   | mm                                 | mm   | mm                       | mm  | mm    | mm     |
| At 1 January 2015   | 1,899                                | 6,961 | 93                | 340 | 93            | 340 | 578               | 2,119 | (14)           | (51) | 58                                 | 212  | 3                        | 11  | 2,710 | 9,932  |
| Profit for the period   | -                                    | -     | -                 | -   | -             | -   | 11                | 41    | -              | -    | -                                  | -    | (1)                      | (4) | 10    | 37     |
| Other comprehensive income  | -                                    | -     | -                 | -   | -             | -   | -                 | -     | 11             | 41   | -                                  | -    | -                        | -   | 11    | 41     |
| Total comprehensive income for the period   | -                                    | -     | -                 | -   | -             | -   | 11                | 41    | 11             | 41   | -                                  | -    | (1)                      | (4) | 21    | 78     |
| Transfer  | -                                    | -     | -                 | -   | -             | -   | (1)               | (4)   | 1              | 4    | -                                  | -    | -                        | -   | -     | -      |
| Issuance of shares to employees   | 2                                    | 8     | -                 | -   | -             | -   | -                 | -     | (2)            | (8)  | -                                  | -    | -                        | -   | -     | -      |
| Share based payment   | -                                    | -     | -                 | -   | -             | -   | -                 | -     | 2              | 7    | -                                  | -    | -                        | -   | 2     | 7      |
| At 30 September 2015  | 1,901                                | 6,969 | 93                | 340 | 93            | 340 | 588               | 2,156 | (2)            | (7)  | 58                                 | 212  | 2                        | 7   | 2,733 | 10,017 |
| At 1 January 2014   | 1,801                                | 6,602 | 80                | 293 | 80            | 293 | 482               | 1,767 | 16             | 58   | 81                                 | 297  | 3                        | 11  | 2,543 | 9,321  |
| Profit for the period   | -                                    | -     | -                 | -   | -             | -   | 129               | 472   | -              | -    | -                                  | -    | -                        | -   | 129   | 472    |
| Other comprehensive income  | -                                    | -     | -                 | -   | -             | -   | -                 | -     | (21)           | (77) | -                                  | -    | -                        | -   | (21)  | (77)   |
| Total comprehensive income for the period   | -                                    | -     | -                 | -   | -             | -   | 129               | 472   | (21)           | (77) | -                                  | -    | -                        | -   | 108   | 395    |
| Reclassification of previously recognized gain on disposed available-for-sale asset | -                                    | -     | -                 | -   | -             | -   | -                 | -     | (3)            | (11) | -                                  | -    | -                        | -   | (3)   | (11)   |
| Conversion of Sukuk (note 11)   | 97                                   | 355   | -                 | -   | -             | -   | -                 | -     | -              | -    | (23)                               | (85) | -                        | -   | 74    | 270    |
| Issuance of shares to employees   | 1                                    | 4     | -                 | -   | -             | -   | -                 | -     | (1)            | (4)  | -                                  | -    | -                        | -   | -     | -      |
| Board compensation  | -                                    | -     | -                 | -   | -             | -   | (3)               | (11)  | -              | -    | -                                  | -    | -                        | -   | (3)   | (11)   |
| At 30 September 2014  | 1,899                                | 6,961 | 80                | 293 | 80            | 293 | 608               | 2,228 | (9)            | (34) | 58                                 | 212  | 3                        | 11  | 2,719 | 9,964  |

The attached explanatory notes 1 to 13 form part of these interim condensed consolidated financial statements.

# Dana Gas PJSC and Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As At 30 September 2015 (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 Bahrain, Cairo, Kurdistan Region of Iraq and London.

Principal subsidiaries and joint arrangements of the Group at 30 September 2015 and the Group percentage of ordinary share capital or interest are set out below:

| <b>Subsidiaries</b>                                  | <b>%</b> | <b>Country of incorporation</b>  | <b>Principal activities</b>          |
|--|----------|----------------------------------|--------------------------------------|
| Dana Gas LNG Ventures Limited                        | 100      | British Virgin Islands           | Oil and Gas exploration & production |
| Dana Gas Egypt                                       | 100      | Barbados                         | Oil and Gas exploration & production |
| Dana Gas Exploration 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                       |
| <b>Joint Operations</b>                              | <b>%</b> | <b>Area of operation</b>         | <b>Principal activities</b>          |
| Pearl Petroleum Company Limited (“Pearl Petroleum”)* | 40       | Kurdistan Region of Iraq         | Oil and Gas exploration & production |
| UGTC/ Emarat JV                                      | 50       | Emirate of Sharjah               | Gas Transmission                     |
| <b>Joint Ventures</b>                                | <b>%</b> | <b>Country/Area of operation</b> | <b>Principal activities</b>          |
| Egyptian Bahraini Gas Derivative Company (“EBGDCO”)  | 26.4     | Egypt                            | Gas Processing                       |
| Crescent National Gas Corporation Limited (“CNGCL”)  | 35       | Emirate of Sharjah               | Gas Marketing                        |
| GASCITIES Ltd  | 50       | MENASA                           | Gas Cities                           |

\* On 15 May 2009, Dana Gas and Crescent signed a Share Sale Agreement with OMV and MOL wherein an equity interest of 5% each was sold by Dana Gas and Crescent to OMV and MOL respectively. Consequently, the new shareholding interest in Pearl Petroleum is as follows: 40% to Dana Gas, 40% to Crescent, 10% to OMV and 10% to MOL.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As At 30 September 2015 (Unaudited)

### 1 CORPORATE INFORMATION (continued)

Pearl Petroleum and its shareholders since 18 May 2009 are engaged in an ongoing dialogue with the Ministry of Natural Resources ("MNR") of the Kurdistan Regional Government ("KRG") as to the interpretation of the agreement with the KRG ("the Authorisation").

Failing satisfactory progress with that dialogue, Dana Gas, along with Crescent Petroleum and Pearl Petroleum (which holds petroleum rights in the Kurdistan Region of Iraq), commenced arbitration proceedings on 21 October 2013 at the London Court of International Arbitration (LCIA), in accordance with the Authorisation which was signed in April 2007 and is governed by English Law. The objective of the arbitration is to obtain confirmation of the long-term contractual rights for the development and marketing in respect of the Khor Mor and Chemchemical fields including the outstanding receivables owed by the MNR of KRG.

Following a hearing in London between 20-24 April 2015, on 3 July 2015, the Tribunal issued a Partial Final Award (dated 30 June 2015) confirming Pearl's long-term exclusive rights for the development and marketing in respect of the Khor Mor and Chemchemical fields, and its entitlement to be paid by KRG for condensate and LPG invoices at the contractually specified international prices. On 21 September 2015, a one-day hearing was held during which the Consortium made an application to the Tribunal for monetary award of USD1.963 billion against KRG, being the outstanding unpaid invoices (as of 30 June 2015) for the produced condensate and LPG calculated as per the pricing methodology determined by the Tribunal in the Partial Final Award. The Tribunal considered the parties' claims and their submissions made on 21 September 2015. The Tribunal is expected to inform the parties of its ruling in due course.

A final determination regarding the Consortium's entitlement in respect of Excess Gas will be made a subsequent phase of arbitration. In the meantime, KRG remains in default of the arbitration Tribunal's peremptory order to pay the Claimants USD100 million on an interim basis. Accordingly, the Claimants applied to the English Court for enforcement of this interim order. The English High Court heard the Claimants' application for the enforcement of the order during a hearing on 28 and 29 October 2015. The court has reserved its decision.

The ultimate outcome of any arbitration process is uncertain. The final outcome of the arbitration process may have an impact on the carrying value of certain assets and liabilities on the statement of financial position including determination, under the terms of the Authorisation, of any amounts which may become due to KRG over and above Pearl Petroleum's entitlements. Pearl Petroleum and its shareholders have assessed the legal position with advice from their legal advisors and based on such legal advice are fully confident of the company's right under the Authorisation in accordance with applicable law. Accordingly, they believe that there should not be a material adverse impact on the state of the Group or the carrying values of its assets or liabilities.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for investment property, available-for-sale financial asset and financial assets at fair value through profit or loss account that have been measured at fair value. The 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 Company and its subsidiaries 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 2014.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As At 30 September 2015 (Unaudited)

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015, which do not impact the interim condensed consolidated financial statements of the Group:

The nature and impact of each new standard and amendment is described below:

**Annual Improvements 2010-2012 Cycle**

These improvements are effective from 1 July 2014 and include:

**IFRS 2 Share-based Payment**

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied
- The above definitions are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods, and thus these amendments do not impact the Group's accounting policies.

**IFRS 3 Business Combinations**

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.

**IFRS 8 Operating Segments**

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.
- The Group has not applied the aggregation criteria in IFRS 8.12. The Group has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in these financial statements as the reconciliation is reported to the chief operating decision maker for the purpose of her decision making.

**IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets**

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The Group did not record any revaluation adjustments during the current interim period.

**IAS 24 Related Party Disclosures**

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.



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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS

As At 30 September 2015 (Unaudited)

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Annual Improvements 2011-2013 Cycle**

These improvements are effective from 1 July 2014 and include:

**IFRS 3 Business Combinations**

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself. As the Group is not a joint arrangement, and thus this amendment is not relevant for the Group and its subsidiaries.

**IFRS 13 Fair Value Measurement**

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Group does not apply the portfolio exception in IFRS 13.

**IFRS 15 Revenue from contracts with customers**

IFRS 15 Revenue from contracts with customers was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018 either based on a full retrospective or modified application, with early adoption permitted. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, which is found currently across several Standards and Interpretations within IFRSs. It establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. This amendment does not impact the accounting policy of the Group.

**IAS 40 Investment Property**

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment does not impact the accounting policy of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**Cash flow hedges**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the consolidated statement of comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement. Amounts previously recognised in the consolidated statement of comprehensive income and accumulated in equity are reclassified to the consolidated income statement in the periods when the hedged item is recognised in the consolidated income statement, in the same line of the consolidated statement of comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the consolidated income statement.

At 30 September 2015, the Group held Egyptian Pounds, designated as hedge of expected highly probable future outflow. The cash flow hedge of the expected future outflow were assessed to be highly effective and as at 30 September 2015, a net unrealised loss of USD 3 million was included in OCI in respect of this hedging.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As At 30 September 2015 (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 30 September 2015

|   | <i>United Arab<br/>Emirates<br/>USD mm</i> | <i>Egypt<br/>USD mm</i> | <i>Kurdistan Region<br/>of Iraq<br/>USD mm</i> | <i>Total<br/>USD mm</i> |
|---|--|-------------------------|--|-------------------------|
| Revenue net of royalties                          | <u>3</u>                                   | <u>99</u>               | <u>110</u>                                     | <u>212</u>              |
| Gross profit                                      |  |                         |  | 97                      |
| Investment and finance loss                       |  |                         |  | (2)                     |
| Reversal of provision for impairment of inventory |  |                         |  | 3                       |
| General and administration expenses               |  |                         |  | (16)                    |
| Other expenses                                    |  |                         |  | (7)                     |
| Share of loss of a joint venture                  |  |                         |  | (2)                     |
| Exploration expenses                              |  |                         |  | (4)                     |
| Finance costs                                     |  |                         |  | (48)                    |
| Profit before income tax                          |  |                         |  | 21                      |
| Income tax expense                                |  |                         |  | (11)                    |
| <b>PROFIT FOR THE PERIOD</b>                      |  |                         |  | <u>10</u>               |
| Segment assets as at 30 September 2015            | <u>1,445</u>                               | <u>1,134</u>            | <u>1,145</u>                                   | <u>3,724</u>            |
| Segment liabilities as at 30 September 2015       | <u>865</u>                                 | <u>107</u>              | <u>19</u>                                      | <u>991</u>              |
| <b>Other segment information</b>                  |  |                         |  |                         |
| <b>Capital expenditure:</b>                       |  |                         |  |                         |
| Intangible assets                                 | -  | 45                      | -  | 45                      |
| Property, plant and equipment                     | <u>122</u>                                 | <u>8</u>                | <u>-</u>                                       | <u>130</u>              |
| Total   | 122  | 53                      | -  | 175                     |
| Depreciation, depletion & amortisation            | 2  | 60                      | 9  | 71                      |
| Exploration expenses                              | -  | 4                       | -  | 4                       |
| Reversal of provision for impairment of inventory | -  | 3                       | -  | 3                       |

# Dana Gas PJSC and Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As At 30 September 2015 (Unaudited)

### 3 SEGMENTAL INFORMATION (continued)

Period ended 30 September 2014

|   | <i>United Arab<br/>Emirates<br/>USD mm</i> | <i>Egypt<br/>USD mm</i> | <i>Kurdistan Region<br/>of Iraq<br/>USD mm</i> | <i>Total<br/>USD mm</i> |
|---|--|-------------------------|--|-------------------------|
| Revenue net of royalties                    | <u>3</u>                                   | <u>177</u>              | <u>197</u>                                     | <u>377</u>              |
| Gross profit                                |  |                         |  | 251                     |
| Investment and finance income               |  |                         |  | 3                       |
| General and administration expenses         |  |                         |  | (21)                    |
| Other expenses                              |  |                         |  | (3)                     |
| Share of loss of a joint venture            |  |                         |  | (1)                     |
| Exploration expenses                        |  |                         |  | (1)                     |
| Finance costs                               |  |                         |  | (55)                    |
| Profit before income tax                    |  |                         |  | 173                     |
| Income tax expense                          |  |                         |  | (44)                    |
| PROFIT FOR THE PERIOD                       |  |                         |  | <u>129</u>              |
| Segment assets as at 30 September 2014      | <u>1,398</u>                               | <u>1,149</u>            | <u>1,076</u>                                   | <u>3,623</u>            |
| Segment liabilities as at 30 September 2014 | <u>790</u>                                 | <u>77</u>               | <u>37</u>                                      | <u>904</u>              |
| Other segment information                   |  |                         |  |                         |
| Capital expenditure:                        |  |                         |  |                         |
| Intangible assets                           | -  | 20                      | -  | 20                      |
| Property, plant and equipment               | 33   | 43                      | -  | 76                      |
| Total                                       | <u>33</u>                                  | <u>63</u>               | <u>-</u>                                       | <u>96</u>               |
| Depreciation, depletion & amortisation      | 1  | 79                      | 10   | 90                      |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As At 30 September 2015 (Unaudited)

**4 EARNINGS PER SHARE**

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

|   | <i>Nine months ended<br/>30 September</i> |              |
|---|---|--------------|
|   | <i>2015</i>                               | <i>2014</i>  |
| <b>Earnings:</b>  |   |              |
| Net profit for the period - USD mm  | <u>10</u>                                 | <u>129</u>   |
| <b>Shares:</b>  |   |              |
| Weighted average number of shares outstanding for calculating basic EPS - million | <u>6,964</u>                              | <u>6,864</u> |
| <b>EPS (Basic) – USD:</b>   | <u>0.001</u>                              | <u>0.019</u> |

(b) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible sukuk and restricted shares. The convertible sukuk is assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the finance cost effect. For the restricted shares the total numbers of shares which will vest over the period are considered to calculate dilution.

|   | <i>Nine months ended<br/>30 September</i> |              |
|---|---|--------------|
|   | <i>2015</i>                               | <i>2014</i>  |
| <b>Earnings:</b>  |   |              |
| Net profit for the period - USD mm  | 10  | 129          |
| Finance cost on convertible Sukuk - USD mm  | 18  | 19           |
|   | <u>28</u>                                 | <u>148</u>   |
| <b>Shares:</b>  |   |              |
| Weighted average number of shares outstanding for calculating basic EPS- million    | 6,964                                     | 6,864        |
| Adjustments for:  |   |              |
| Restricted shares (million)   | 19  | 2            |
| Assumed conversion of convertible Sukuk (million)*                                  | 1,713                                     | 1,725        |
| Weighted average number of ordinary shares for diluted earnings per share (million) | <u>8,696</u>                              | <u>8,591</u> |
| <b>EPS (Diluted) – USD:</b>   | <u>0.001</u>                              | <u>0.017</u> |

\* As per the agreement, the conversion rate for the Convertible sukuk was set at a 50% premium to the 75 calendar day volume-weighted average price, measured over a period commencing on 1 December 2012 (with a floor of AED 0.75 and cap of AED 1.00). The initial effective exchange price for the convertible sukuk was determined on 13 February 2013 and has been fixed at AED 0.75 per share (floor price).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As At 30 September 2015 (Unaudited)

## 5 INTANGIBLE ASSETS

|  | <i>Oil and gas<br/>Interests<br/>USD mm</i> | <i>Transmission<br/>&amp; sweetening<br/>rights<br/>USD mm</i> | <i>Gas<br/>processing<br/>rights<br/>USD mm</i> | <i>Development<br/>cost<br/>USD mm</i> | <i>Goodwill<br/>USD mm</i> | <i>Total<br/>USD mm</i> |
|--|---|--|---|--|----------------------------|-------------------------|
| Cost at 1 January 2015                       | 223   | 289  | 7   | 2                                      | 308                        | 829                     |
| Less: impairment                             | (99)  | -  | -   | (2)                                    | -                          | (101)                   |
| At 1 January 2015                            | 124   | 289  | 7   | -                                      | 308                        | 728                     |
| Additions                                    | 45  | -  | -   | -                                      | -                          | 45                      |
| Transfer to property, plant<br>and equipment | (4)   | -  | -   | -                                      | -                          | (4)                     |
| At 30 September 2015                         | 165   | 289  | 7   | -                                      | 308                        | 769                     |
| At 31 December 2014 (audited)                | 124   | 289  | 7   | -                                      | 308                        | 728                     |

## (a) Oil and Gas Interests

Oil and gas interests of USD 165 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 11% of current production in Dana Gas Egypt. El Wastani production includes both gas and associated gas liquids. This lease has 13,017 acres of land included within its boundary and is located in the Nile Delta of Egypt.
- South El Manzala Development Leases – These development leases are held with a 100% working interest and are not currently producing. These development leases have 16,055 acres 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 146,039 acres 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 77% of Dana Gas Egypt current production. The Egyptian Natural Gas Holding Company (“EGAS”) approved new development lease for Balsam and Allium 1 in February 2014. EGAS initially approved the scope of new development lease for Begonia discovery during the second half of 2013 with formal approval in March 2015.
- West El Qantara Development Leases (West El Qantara Concession) – These development leases are held with a 100% working interest. These development leases have 4,324 acres of land included within their boundaries and are located in the Nile Delta of Egypt. EGAS, in February 2014, approved the scope of the Sama development lease amendment for West Sama-1 and approved also new development lease for Salma in July 2014. To date, two development leases are producing both natural gas and associated liquids representing approximately 12% 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 is located offshore Nile Delta, in the eastern part of the Mediterranean Sea. As per the concession agreement, Dana Gas Egypt had to pay a signature bonus of USD 20 million to the Egyptian Natural Gas Holdings. This amount payable was offset against the outstanding receivables in January 2014.
- North Al Salhiya Onshore (Block-1) - In September 2014, Dana Gas Egypt was awarded a 100% working interest in the North El Salhiya Onshore (Block 1) concession area. The area is located onshore Nile Delta. Dana As per the concession agreement, Dana Gas Egypt had to pay a signature bonus of USD 5 million to the Egyptian Natural Gas Holdings. This amount payable was offset against the outstanding receivables in January 2015.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As At 30 September 2015 (Unaudited)

**5 INTANGIBLE ASSETS (continued)**

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

- El Matariya Onshore (Block-3) - In September 2014, Dana Gas Egypt was awarded a 50% working interest in the El Matariya Onshore (Block 3) concession area. The area is located onshore Nile Delta. As per the concession agreement, Dana Gas Egypt will with BP as partner and operator will participate on a 50:50 basis. Dana Gas Egypt (50% share) had to pay a signature bonus of USD 7.5 million to the Egyptian Natural Gas Holdings. This amount payable was offset against the outstanding receivables in January 2015.

**(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 needs 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 Arbitration Tribunal has issued a Final Award for the merit phase of the proceedings, determining that the 25 year contract between it and NIOC is valid and binding upon the parties, and that NIOC has been obligated to deliver gas under the Contract since December 2005. The damages quantification phase of the arbitration process has already commenced.

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 2014. 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 develop the gas fields in the Kurdistan region of Iraq. 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 2014.

**6 INVESTMENT PROPERTY**

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

|                                     | <b>30 September 2015</b> | <b>31 Dec 2014</b> |
|-------------------------------------|--------------------------|--------------------|
|                                     | <b>USD mm</b>            | <b>USD mm</b>      |
|                                     |                          | <b>(Audited)</b>   |
| Balance at 1 January                | 26                       | 27                 |
| Change in fair value                | -                        | (1)                |
| Balance at 30 September/31 December | <u>26</u>                | <u>26</u>          |

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 properties are 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 2014.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As At 30 September 2015 (Unaudited)

## 7 TRADE AND OTHER RECEIVABLES

|   | 30 September 2015<br>USD mm | 31 Dec 2014<br>USD mm<br>(Audited) |
|---|-----------------------------|------------------------------------|
| Trade receivables                                   | 1,071                       | 992                                |
| Prepaid expenses                                    | 1                           | 2                                  |
| Due from joint ventures                             | 18                          | 15                                 |
| Other receivables                                   | 54                          | 46                                 |
| Less: provision for impairment of other receivables | (6)                         | (6)                                |
|   | <u>1,138</u>                | <u>1,049</u>                       |

Trade receivables are interest bearing. However, the interest amounts have not been included in the trade receivables. The general terms of credit are 30-60 days.

The Group's share of trade receivables in Pearl Petroleum (note 1) is in respect of condensate and LPG deliveries amounting to USD 804 million (31 Dec. 2014: USD 746 million).

Pearl Petroleum supplied 614,387.9 MMscf (683,800,000 MMBtu) of gas to KRG until September 2015 and invoiced KRG for gas supplied in excess of 200MMscfd ("Excess Gas"). Invoices for Excess Gas for the period between January 2011 to May 2015 amount to USD1.498 billion (Dana Gas 40% share: USD 599.2 million). Revenue and receivables reported from January 2011 to 30 September 2015 does not include amounts invoiced for Excess Gas. Effective June 2015, Pearl Petroleum suspended issuance of further invoices to the KRG in respect of Excess Gas pending clarification of Pearl Petroleum's entitlement to receivables in respect of Excess Gas by the Tribunal in a subsequent hearing, which is expected to take place in 2016.

The ageing analysis of trade receivables is as follows:

|               | Total<br>USD mm | Neither<br>past due<br>nor<br>impaired<br>USD mm | Past due but not impaired |                         |                         |                          |                        |
|---------------|-----------------|--|---------------------------|-------------------------|-------------------------|--------------------------|------------------------|
|               |                 |  | <30<br>days<br>USD mm     | 30-60<br>days<br>USD mm | 61-90<br>days<br>USD mm | 91-120<br>days<br>USD mm | >120<br>days<br>USD mm |
| 30 Sept. 2015 | 1,071           | 72   | 20                        | 22                      | 28                      | 8                        | 921                    |
| 31 Dec. 2014  | 992             | 113  | 17                        | 51                      | 64                      | 52                       | 695                    |

## 8 AVAILABLE-FOR-SALE FINANCIAL ASSET

|  | 30 September 2015<br>USD mm | 31 Dec 2014<br>USD mm<br>(Audited) |
|--|-----------------------------|------------------------------------|
| At 1 January                             | 51                          | 100                                |
| Disposal                                 | (51)                        | (23)                               |
| Change in fair value for the period/year | 3                           | (26)                               |
|  | <u>3</u>                    | <u>51</u>                          |

The Group holds 65,656 ordinary shares in MOL (31 December 2014: 1,136,116 shares) received as consideration for the disposal of an interest in Pearl Petroleum in 2009. These shares are listed on the Budapest Stock Exchange and have been fair valued with reference to published price quotation at 30 September 2015. During the period, the Group sold 1,070,460 shares out of its total shareholding of 1,136,116 shares in MOL, at an average price of USD 48.03 per share (USD 51 million - net). Subsequent to period end, the remaining MOL shares were also sold at an average price of USD 44.79 per share.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As At 30 September 2015 (Unaudited)

**9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

|                                     | <b>30 September 2015</b><br><b>USD mm</b> | <b>31 Dec 2014</b><br><b>USD mm</b><br><b>(Audited)</b> |
|-------------------------------------|---|---|
| Balance at 1 January                | 9   | 8   |
| Change in fair value                | -   | 1   |
| Balance at 30 September/31 December | <u>9</u>                                  | <u>9</u>  |

This represents an initial investment of USD 10 million in the Abraaj Infrastructure fund. The valuation is based on the latest indicative fair value of the fund as of 30 September 2015.

**10 CASH AND BANK BALANCE**

|                             | <b>30 September 2015</b><br><b>USD mm</b> | <b>31 Dec 2014</b><br><b>USD mm</b><br><b>(Audited)</b> |
|-----------------------------|---|---|
| Cash at bank and on hand    |   |   |
| - Local Banks within UAE    | 55  | 28  |
| - Foreign Banks outside UAE | 6   | 6   |
| Short term deposits         |   |   |
| - Local Banks within UAE    | 16  | 76  |
| - Foreign Banks outside UAE | 37  | 74  |
| Cash and cash equivalent    | <u>114</u>                                | <u>184</u>  |
| Deposit (Murabaha facility) | 28  | -   |
| Cash and Bank Balance       | <u>142</u>                                | <u>184</u>  |

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 short-term deposits is USD 142 million (2014: USD 184 million). The effective profit rate earned on short term deposits ranged 0.45% to 6.5% (2014: 0.45% to 2.0%) per annum. As at 30 September 2015, 38 % (31 December 2014: 56%) of cash and cash equivalents were held with UAE banks and the balance held outside UAE. Out of the total cash and bank balance of USD 142 million, 49% of the amount was held in Egyptian pounds (31 December 2014: 42%).

Deposit (Murabaha facility) includes EGP deposit pledged with Mashreq Bank PSC, Egypt branch against fully secured facility of USD 25 million (note 12e). As per the arrangement Dana Gas Egypt will maintain EGP deposit equal in value to 115% of the outstanding principal amount of loan in USD. The tenor of the facility is one year from the date of drawdown, which was completed on 9 April 2015. The pledged EGP deposit as of 30 September 2015 stood at USD 28 million in equivalent EGP.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As At 30 September 2015 (Unaudited)

11 SHARE CAPITAL

|  | 30 September 2015<br>USD mm | 31 Dec 2014<br>USD mm<br>(Audited) |
|--|-----------------------------|------------------------------------|
| <i>Authorised:</i>   |                             |                                    |
| 6,968,616,114 (31 Dec. 2014: 6,960,981,188) common shares<br>of AED 1 each (USD 0.2728 each) |                             |                                    |
| <i>Issued and fully paid up:</i>   |                             |                                    |
| 6,968,616,114 (31 Dec. 2014: 6,960,981,188) common shares<br>of AED 1 each (USD 0.2728 each) | 1,901                       | 1,899                              |

The conversion period for Exchangeable sukuk issued on 8 May 2013 commenced on 31 October 2013 and will expire 25 trading days prior to the scheduled redemption date of 31 October 2017. During this period sukuk holders have the right to convert all or part of the Exchangeable sukuk into ordinary shares of the Company. During the year 2014, the Company received voluntary early conversion notices for the Exchangeable sukuk amounting to USD 72,926,080. Accordingly, 357,094,708 ordinary shares calculated at a conversion price of AED 0.75 (nominal value of AED 1) were required to be delivered to satisfy the said voluntary early conversion notices. All the required ordinary shares of the Company were issued to satisfy the notices.

12 BORROWINGS

|  | 30 September 2015<br>USD mm | 31 Dec 2014<br>USD mm<br>(Audited) |
|--|-----------------------------|------------------------------------|
| <b>Non-current</b>                                   |                             |                                    |
| Ordinary Sukuk (a)                                   | 400                         | 425                                |
| Convertible Sukuk (a)                                | 328                         | 323                                |
| Bank Borrowings – Zora Gas Field Project Finance (b) | 56                          | -                                  |
| Equipment loan (c)                                   | 12                          | -                                  |
| Egypt Building loan (d)                              | 3                           | -                                  |
|  | <u>799</u>                  | <u>748</u>                         |
| <b>Current</b>                                       |                             |                                    |
| Bank Borrowings – Zora Gas Field Project Finance (b) | 27                          | -                                  |
| Bank Borrowings – Murabaha facility (e)              | 25                          | -                                  |
|  | <u>52</u>                   | <u>-</u>                           |
| <b>Total Borrowings</b>                              | <u>851</u>                  | <u>748</u>                         |

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS

As At 30 September 2015 (Unaudited)

**12 BORROWINGS (continued)**

**a) EXCHANGEABLE SUKUK**

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 drawn up to conform to the principles of Islamic Sharia, were approved by the Company's shareholders at an Extraordinary General Meeting held in July 2007. Pursuant to the conditions of the Sukuk, the proceeds were used for the acquisition and development of assets (the "Mudarabah Assets") owned by Dana LNG Ventures Limited. The Sukuk matured on 31 October 2012 and had a profit rate of 7.5% payable quarterly from profits of the Mudarabah Assets. In 2008, Dana Gas purchased some of the Sukuk from the market with a nominal value of USD 80 million.

The Company announced on 10 December 2012 that a standstill and lockup agreement has been reached with an "Ad-Hoc committee" of Sukuk certificate holders for a refinancing transaction (the "Transaction") in relation to the Sukuk. The standstill and lockup agreement also includes a detailed set of terms, conditions and implementation schedule.

The Company launched the consent solicitation on 26 March 2013 to seek Sukuk holders consent in a meeting of Sukuk Certificate holders ("Sukuk holders EGM") to be held on 23 April 2013. Also, the Company issued an invitation to its Shareholders to attend the Extra Ordinary General Assembly ("Shareholders EGM") to consider and approve the Sukuk deal.

On 23 April 2013, both Sukuk holders EGM and Shareholders EGM approved the Sukuk refinancing deal. On 8 May 2013 successful completion was achieved and the Company made the cash pay-down of USD 69.9 million and paid the accrued profit from 31 October 2012 to 7 May 2013 amounting to USD 38.4 million. Following this, the Company also perfected the required securities and issued a compliance certificate dated 10 July 2013.

The salient features of the agreement were a reduction in the Company's outstanding Sukuk amount 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 will be split into two tranches being a USD 425 million Ordinary sukuk and USD 425 million Exchangeable Sukuk (together the "New Sukuks"), each with 5-year maturity to ensure long term financing. The Ordinary Sukuk and Exchangeable Sukuk have a profit rate of 9% and 7% per annum, respectively.

The Ordinary and Exchangeable 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 Sukuks 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.

As per the agreement, the conversion rate for the Exchangeable sukuk was set at a 50% premium to the 75 calendar day volume-weighted average price, measured over a period commencing on 1 December 2012 (with a floor of AED 0.75 and cap of AED 1.00). The initial effective exchange price for the exchangeable sukuk was determined on 13 February 2013 and has been fixed at AED 0.75 per share (floor price). The Company has the option to pay down the outstanding principal amount of the New Sukuks prior to the new maturity date of 31 October 2017, subject to the applicable call premium on the Ordinary Sukuk and the soft call provisions on the Exchangeable Sukuk. The Exchangeable sukuk at the option of the certificate holders can be exchanged into ordinary shares of the Company on or after 31 October 2013 until 25 trading days prior to the Scheduled Redemption Date.

During 2014, the Company received conversion notices for the Exchangeable sukuk amounting to USD 72.9 million (please refer note 11 for details).

During the period, the Company has bought back Ordinary and Exchangeable sukuk amounting to USD 24.9 million and USD 2.2 million (par value), respectively. All the bought back sukuk were cancelled in accordance with the terms and conditions.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As At 30 September 2015 (Unaudited)

**12 BORROWINGS (continued)**

**a) EXCHANGEABLE SUKUK (continued)**

The Convertible Sukuk recognised in the statement of financial position is calculated as follows:

|  | <b>30 September 2015</b><br><b>USD mm</b> | <b>31 Dec 2014</b><br><b>USD mm</b><br><i>(Audited)</i> |
|--|---|---|
| Liability component at 1 January                                       | 323                                       | 390   |
| Convertible sukuk converted into shares                                | -   | (73)  |
| Finance expense for convertible sukuk                                  | 23  | 32  |
| Sukuk cancelled through buyback  | (2)                                       |   |
| Profit paid  | (12)                                      | (22)  |
|  | <u>332</u>                                | <u>327</u>  |
| Current portion of profit classified under trade payables and accruals | (4)                                       | (4)   |
|  | <u>328</u>                                | <u>323</u>  |
| Liability component at 30 September 2015/ 31 December 2014             |   |   |

The conversion option embedded in the convertible instrument is valued at the issuance of the Exchangeable sukuk and disclosed separately under Equity.

**b) BANK BORROWINGS – ZORA GAS FIELD PROJECT FINANCE**

On 25 June 2014, Dana Gas Explorations FZE (100% subsidiary of Dana Gas PJSC) entered into a Common Terms Agreement with Emirates NBD Bank, Commercial Bank International, Commercial Bank of Dubai and Barwa Bank (Lenders) for USD 100 million Term Facility for the Zora Field Development Project. Emirates NBD Bank will also act as the Global Facility Agent, Term Facility Agent, Security Agent and Account Bank while Barwa Bank will act as the Murabaha Investment Agent for the Shariah tranche of this loan.

The repayment for the Term Facility is over a period of 15 quarterly instalments and will commence from Q3 2015, subject to a cash sweep mechanism and carries variable rate of LIBOR + Margin during the repayment period.

Project Security covers, commercial mortgage over entire Zora gas field project assets (onshore & offshore), assignment of rights under Gas Sales Purchase Agreements, assignment of bank accounts, assignment of Zora Project Insurance proceeds, Project performance Guarantees from Contractors & Irrevocable Letter of Credits from Sharjah Petroleum Council. Dana Gas PJSC has pledged the shares of Dana Gas Explorations FZE in favor of security agent. Dana Gas PJSC is also a Guarantor for the entire tenure of the term facility.

|  | <b>30 September 2015</b><br><b>USD mm</b> |
|--|---|
| Loan facility                                      | 85  |
| Less: Unamortised portion of loan arrangement fees | (2)                                       |
| <b>Net Loan facility</b>                           | <u><u>83</u></u>                          |
| Loan facility is payable as follows:               |   |
| Within one year                                    | 27  |
| After one year                                     | 58  |
| <b>Loan facility</b>                               | <u><u>85</u></u>                          |

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

As At 30 September 2015 (Unaudited)

**12 BORROWINGS (continued)**

**c) EQUIPMENT LOAN**

Dana Gas Egypt ("DGE") has entered into a "Sale and Lease back" finance lease arrangement with Corporate Leasing Company Egypt SAE on 29 January 2015, for certain inventory equipment (casings, wellheads, piping etc.) that belong to DGE that have not been used till date. The total facility consisting of three contracts amounts to USD 12.6 million and have been fully drawn down up to 30 June 2015. The payments are over a period of 29 quarters commencing from Quarter 3 2015 including grace period of 2 quarters for interest and principal.

**d) EGYPT BUILDING LOAN**

Pearl Properties Egypt ("PPE") has entered into a "Sale and Lease back" finance lease arrangement for Egypt Building with Corporate Leasing Company Egypt SAE on 9 June 2015. The total facility consist of three contracts amounting to USD 13.42 million out of which USD 3.1 million have been drawdown up to 30 September 2015. The payments are over a period of 29 quarters including grace period of 2 quarters for lease payments."

**e) MURABAHA FACILITY**

Dana Gas Egypt Ltd (Barbados) has entered into Commodity Murabaha agreement with facility limit of USD 25 million with Mashreq bank PSC (UAE) on 30 March 2015. This is a fully secured facility wherein Dana Gas Egypt Ltd will maintain EGP deposit (pledged) equal in value to 115% of the outstanding principal amount of loan in USD which will be held with Mashreq bank PSC, Egypt branch acting as Security Agent. The profit rate on the facility is LIBOR + Margin & the EGP deposit attracts a deposit rate that closely reflects the profit rate on the loan at this point in time. The facility tenor is one year from the date of drawdown. The drawdown of the said facility was completed on 9 April 2015.

**13 CONTINGENCIES AND COMMITMENTS**

**(a) 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 discovery volumes equal or in excess of 1Tcf of Proved Reserves. 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.

In October 2014, Dana Gas Egypt was awarded a 100% working interest North El Salhiya (Block 1) concession area. The area is located in Nile delta next to DGE existing development leases. As per the concession agreement, Dana Gas Egypt has committed to spend USD 20 million on the block during the first phase of exploration which is 3 years. Dana Gas Egypt had to pay a signature bonus of USD 5 million to the Egyptian Natural Gas Holding. This amount payable was offset against the outstanding receivables in January 2015.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS

As At 30 September 2015 (Unaudited)

**13 CONTINGENCIES AND COMMITMENTS (continued)**

**(a) Dana Gas Egypt (continued)**

In October 2014, Dana Gas Egypt was also awarded El Matariya (Block 3) onshore concession area in the Nile Delta. Dana Gas Egypt with BP Exploration (Delta) Limited "BP" as partner and operator will participate in the concession on a 50:50 basis. As per the terms of the agreement with BP, BP will fund all of the cost (including Dana Gas's share) of the first exploration well up to an agreed maximum limit. In the event that the well proves commercial, BP has the option to acquire 50% in the deep potential of some of Dana Gas' adjacent Development leases. Dana Gas Egypt and BP have committed to spend USD 60 million on the block during the first phase of exploration which is 3 years. Dana Gas Egypt had to pay a signature bonus of USD 7.5 million (50% share) to the Egyptian Natural Gas Holdings. This amount payable was offset against outstanding receivables in January 2015.

Capital expenditure contracted for at 30 September 2015 but not yet accrued amounted to USD 11 million.

**(b) Zora Gas Field**

Capital expenditure contracted for at 30 September 2015 but not yet accrued amounted to USD 11 million (2014: USD 61 million).