

Dana Gas PJSC and Subsidiaries

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 SEPTEMBER 2019 (UNAUDITED)

DANA GAS PJSC

Report of the Directors

The Board of Directors of Dana Gas (“Dana Gas” or the “Company”) are pleased to announce the consolidated financial results of the Company, its subsidiaries and joint arrangements (together referred to as the “Group”) for the three months and nine months periods ended 30 September 2019.

Principal activities

Dana Gas was incorporated in the Emirate of Sharjah (“Sharjah”), United Arab Emirates, as a public joint stock company on 20 November 2005 pursuant to incorporation decree number 429/2005 issued by the Ministry of Economy.

Dana Gas is the Middle East’s first and largest private sector natural gas company. The Group currently operates in the MENASA (Middle East, North Africa & South Asia) Region across the natural gas value chain; from exploration and production, through gas processing and transportation, to the distribution, marketing and utilisation of gas as feedstock and fuel to the petrochemical, industrial and the power sectors. Since its establishment, the Company has grown to be a regional natural gas Company with presence in the United Arab Emirates, Egypt, and the Kurdistan Region of Iraq (KRI) and headquartered in Sharjah, United Arab Emirates.

Results for quarter ended 30 September 2019

During the quarter ended 30 September 2019, the Company earned gross revenues of USD 115 million (AED 422 million) same as that earned in Q3 2018. Realised prices during the current period remained lower by 19% and impacted the topline by USD 11 million (AED 40 million). This impact, however, was fully offset by an increase in production in Kurdistan Region of Iraq. Realised price averaged USD 47/bbl for condensate and USD 33/boe for LPG compared to USD 64/bbl and USD 34/boe respectively in Q3 2018.

The Group’s share of production for the 92 days was 6.0 million barrels of oil equivalent or 64,650 barrels of oil equivalent per day (“boepd”), an increase of 9% compared to corresponding quarter production of 5.46 million boe (59,350 boepd). In Kurdistan Region of Iraq production increased to 30,500 boepd in Q3 2019 from 25,100 boepd in Q3 2018. This increase was due to additional production from the completed debottlenecking project that came on stream in October 2018.

The Group reported a net profit after tax of USD 2 million (AED 8 million) for Q3 2019 as compared to a net profit of USD 17 million (AED 61 million) in Q3 2018. The decline in net profit was due to impairment of USD 60 million against Merak-1 exploratory well in Block-6 Egypt. The well was completed in July 2019 and reached a depth of 3,890 meters and encountered 36m of sand in the Miocene objective interval but did not encounter commercial hydrocarbons. This was partly offset by increase in other income during the quarter following recognition of financial assets at fair value through profit or loss. Excluding this impairment & recognition of financial asset, on a like-for-like basis, Group achieved a net profit after tax of USD 17 million (AED 61 million) similar to that achieved in Q3 2018.

Earnings before interest, tax, depreciation and amortisation (“EBITDA”) in Q3 2019 increased to USD 90 million (AED 331 million) up 60% from USD 56 million (AED 204 million) in Q3 2018.

Results for nine months of 2019

During the nine months of 2019 (the “period”) the Company earned gross revenues of USD 357 million (AED 1,309 million) as compared to USD 351 million (AED 1,287 million) in the nine months of 2018. This increase in revenue was due to increased production in Kurdistan Region of Iraq partly offset by lower realized prices. Realised prices averaged USD 50/bbl for condensate and USD 33/boe for LPG compared to USD 61/bbl and USD 34/boe respectively in 9M 2018.

DANA GAS PJSC

Report of the Directors

Results for nine months of 2019 (continued)

The Group achieved a net profit after tax of USD 142 million (AED 521 million) as compared to USD 41 million (AED 149 million) in the nine months of 2018. The increase in net profit was mainly due to higher other income and lower finance cost, following successful restructuring of the Sukuk in 2018, partly offset by provision for impairment of USD 60 million against Merak-1 exploration well in Block-6 Egypt. Excluding this recognition of financial asset and impairment, Group achieved a net profit after tax of USD 76 million (AED 279 million) as compared to USD 41 million (AED 149 million) in corresponding nine months of 2018. This increase of 85% in operating profit was mainly due to higher production in KRI and lower finance cost.

Liquidity and Financial Resources

Cash and bank balance at period end stood at USD 392 million (AED 1,437 million), a decrease of 4% compare to year-end balance of USD 407 million (AED 1,492 million). The Group collected a total of USD 230 million (AED 843 million) during the period with Egypt, KRI and UAE contributing USD 105 million (AED 385 million), USD 118 million (AED 432 million) and USD 7 million (AED 26 million), respectively. During the quarter ended 30 September 2019, the Company bought back shares amounting to USD 3 million (AED 11 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 2018. Following this review, the Group's gross proved reserves (1P) as at 31 December 2018 were assessed at 54 MMboe (31 December 2017: 75 MMboe). The gross proved and probable reserves (2P) as at 31 December 2018 were estimated at 89 MMboe (31 December 2017: 117 MMboe) and the gross proved, probable and possible reserves (3P) as at 31 December 2018 were estimated to be 134 MMboe (31 December 2017: 160 MMboe). The decrease in reserves was on account of production during the year, which was not replaced and downgrade of reserves for early water production in two fields and poor production performance from one of the fields.

(b) Pearl Petroleum Company Limited

As reported previously, Dana Gas and Crescent Petroleum, joint operators of Pearl Petroleum Company Limited ("PPCL"), estimates that the P50 total geologically risked¹ resources of petroleum initially in-place (PIIP) of the Khor Mor and Chemchemal Fields at 75 Tscf (of wet gas) and 7 billion barrels of oil.

PPCL appointed Gaffney Cline Associates to carry out a certification of the reserves for these fields as at 15 May 2019. The certification is based on the earlier work carried by GCA but updated to take into account the current understanding of the field, production data and incorporating the recent appraisal well drilling and test results.

In their report, GCA estimates the following reserves:

¹ Risked PIIP figures have been calculated by means of a stochastic aggregation using GeoX software with risk factors accounting for geological uncertainties calibrated by surrounding producing oil and/or gas fields.

DANA GAS PJSC

Report of the Directors

Reserves & Resources (continued)

Khor Mor

- Proved plus probable (2P) gas, condensate and LPG reserves are 6.9 Tscf, 173 MMbbl and 18 MMt, respectively, of which Dana Gas' 35% share equates to 2.4 Tscf of dry gas, 61 MMbbl of condensate and 6 MMt of LPG.
- Proved plus probable (2P) oil reserves of 51.3 MMbbl of which Dana Gas' 35% share equates to 18 MMbbl

Chemchemal

- Proved plus probable (2P) gas, condensate and LPG reserves are 5.7 Tscf, 215 MMbbl and 20 MMt, respectively, of which Dana Gas' 35% share equates to 2 Tscf of dry gas, 75 MMbbl of condensate and 7 MMt of LPG.

Dana's share of the proved plus probable (2P) hydrocarbon reserves have increased by 10% following the recent certification of reserves. Management's estimate of the total share of Dana Gas is equivalent to 1,087 MMboe, up from 990 MMboe when GCA first certified the field in April 2016. This confirms that the fields located in the KRI could be the biggest gas field in the whole of Iraq.

The balance between these 2P reserves figures and the joint operator's estimated risked initially in place (gas and oil) resources (PIIP) are classified as Contingent Resources² and Prospective Resources³.

E&P Operations

a) Egypt E&P Operations

The Company production in Egypt for the 92 days of operations in Q3 2019 was 3 MMboe i.e. averaging 32,500 boepd (September 2018: 2.96 MMboe i.e. averaging 32,250 boepd) an increase of 1% over the corresponding period.

The Company completed the drilling operations at its deepwater Merak-1 well, located in 755 meters of water in the North El Arish (Block 6) Concession. The well was drilled to a total depth of 3,890 meters and encountered 36 m of sand in the Miocene objective interval but did not encounter commercial hydrocarbons. The well was temporarily plugged and abandoned and the cost fully provided for in Q3 2019. The Block 6 Concession area contains at least three other independent prospects with material resource potential that are unaffected by the Merak-1 well result.

In Egypt, the Company collected a total USD 105 million (AED 385 million) during nine months of 2019 and hence realized 125% of the period's revenue. During the nine months period, the Company sold a total of 3 cargoes of condensate with average cargo volumes of 157,000 bbl and collected an amount of USD 28 million (AED 103 million). Starting 1 July 2019, EGPC elected to purchase the full volume of incremental condensate and provided an irrevocable letter of credit for the value of estimated incremental condensate in Q3 2019. An amount of USD 13 million was collected through the letter of credit during the period with an additional USD 6 million collected subsequently. At period end, the trade receivable balance stood at USD 119 million (AED 436 million) as compared to USD 140 million (AED 513 million) at year end.

² Those quantities of petroleum estimated to be potentially recoverable but not yet considered mature enough for commercial development due to one or more contingencies.

³ Those quantities of petroleum estimated to be potentially recoverable from undiscovered accumulations by future development projects.

DANA GAS PJSC

Report of the Directors

E&P Operations (continued)

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

Dana Gas's share (35%) of gross production in the KRI for the 92 days of operations in Q3 2019 was 2.8 MMboe, i.e. averaging 30,500 boe per day (Q3 2018 – DG Share 35%: 2.3 MMboe, averaging 25,100 boe per day), an increase of 22% when compared with corresponding period. The increase in production was due to completion of debottlenecking project in quarter four of 2018.

Dana Gas share of collections for the period stood at USD 118 million (AED 433 million) and hence realised 100% of the period's revenue. At period end, Dana Gas' 35% share of trade receivable balance stood at USD 9 million (AED 33 million) and represents amounts due against local sales for the month of September 2019.

Pearl is proceeding with the development of two world-class gas fields with in-place volumes of approximately 75 trillion cubic feet of wet gas and 7 billion bbls of oil. Pearl has begun a multi well drilling programme at Khor Mor and Chemchemal, with expansion plans to progress and grow gas production by a further 500 MMscfd and liquids production by a further 20,000 bblpd over the coming three years.

Earlier in the year, Pearl Petroleum signed a 20-year gas sale agreement with the KRG that will facilitate the production and sale of an additional 250 MMscf/d of gas. Pearl's expansion plan will see output increase to 650 MMscf/d in 2022 and then to 900 MMscf/d by 2023 from the current 390 MMscf/d.

c) Zora Gas Field

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

Production from the Zora field averaged 950 boepd in Q3 2019 (Q3 2018: 1,200 boepd). Production ceased on 3 September 2019 following instructions from Sharjah Petroleum Council upon acceptance of the relinquishment notice. Planning is underway for decommissioning of the Zora assets and for "Plug & Abandonment" of SHJ-2 well.

During the period, collections stood at USD 7 million (AED 26 million). At period end, the trade receivable balance stood at Nil (AED: Nil) (31 December 2018: USD 1 million / AED 4 million).

UAE Gas Project

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

For further updates see "Arbitration Cases".

Egypt Gulf of Suez – Gas Liquids Extraction Plant

The Company, through its subsidiary Danagaz Bahrain, is a 26.4% owner (effective) in Egyptian Bahraini Gas Derivative Company (Joint Venture) that has built, owns and operates a Natural Gas Liquids Extraction Plant in Egypt in partnership with the Egyptian National Gas Company (EGAS) and the Arab Petroleum Investments Corporation (APICORP). The plant has a capacity to process 150 mmscf/d of gas and has produced 2,150 boepd of propane (DG Share 26.4%: 568 boepd) and 523 boepd of butane (DG Share 26.4%: 138 boepd) during the period.

DANA GAS PJSC

Report of the Directors

Arbitration Cases

- a) The Gas Sales & Purchase Contract between Dana Gas' partner Crescent Petroleum and the National Iranian Oil Company ('NIOC') for the supply of gas to the UAE has been the subject of international arbitration since June 2009. In August 2014, Dana Gas was notified by Crescent Petroleum that the Arbitral Tribunal has issued a Final Award on the merits, determining that the 25-year Contract between it and NIOC is valid and binding upon the parties, and that NIOC has been in breach of its contractual obligation to deliver gas under the Contract since December 2005.

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

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

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

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

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

Dana Gas and Crescent Petroleum rejected the allegations and the default notice, and were forced to initiate arbitration in The London Court of International Arbitration ('LCIA') in order to obtain a formal declarations to resolve these matters. The hearing of these matters took place in London over a three week period commencing on 26 November 2018.

The Company on 14 May 2019 received an award dated 10 May 2019 from the LCIA. The Tribunal's award is a welcome and complete vindication for Dana Gas and Crescent Petroleum ("claimant"), finding that they as Claimants were "overwhelmingly successful in this arbitration" and ruling in their favour on all key points while awarding 100% of their external legal costs.

In dismissing all of MOL's claim and finding that the default notices issued by MOL were invalid, the Tribunal considered that MOL's focus on linking the waiver of its deferred payment obligations in exchange for endorsing the settlement was "illegitimate". MOL was also ordered to pay all the costs of the arbitration and 100% of the external legal costs of Dana Gas and Crescent within 30 days.

DANA GAS PJSC

Report of the Directors

Dividend

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

Directors

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

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

Auditors

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

On behalf of the Board of Directors



Director
13 November 2019



Report on review of interim condensed consolidated financial information to the shareholders of Dana Gas PJSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial position of Dana Gas PJSC ("the Company") and its subsidiaries (together "the Group") as at 30 September 2019 and the related interim condensed consolidated income statement and interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods then ended and the interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim condensed consolidated financial information 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 information is not prepared, in all material respects, in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

Emphasis of matter

We draw attention to the matter described in note 7b of the interim condensed consolidated financial information which describes the current position with respect to two arbitration proceedings that a key supplier of the Group has initiated against the ultimate supplier relating to delays in commencement of gas supplies, and the uncertainty surrounding the timing and final outcome of those arbitration proceedings. Our conclusion is not modified in respect of this matter.

Other matter

The consolidated financial information of the Group as at and for the year ended 31 December 2018 and the interim condensed consolidated financial information of the Group as at and for the three- and nine-month periods ended 30 September 2018, were audited and reviewed, respectively, by another auditor, whose reports dated 13 March 2019 and 14 November 2018 expressed an unmodified audit opinion and unmodified review conclusion, respectively.

PricewaterhouseCoopers
13 November 2019

Rami Sarhan
Registered Auditor Number 1152
Sharjah, United Arab Emirates

PricewaterhouseCoopers (Sharjah Branch), License no. 515115
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Douglas O'Mahony, Rami Sarhan, Jacques Fakhoury and Mohamed ElBorno are registered as practising auditors with the UAE Ministry of Economy

Dana Gas PJSC and Subsidiaries
INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
Period ended 30 September 2019 (Unaudited)

	Notes	Nine months ended		30 September 2018		Three months ended	
		30 September 2019	30 September 2019	30 September 2018	30 September 2018	30 September 2019	30 September 2018
		USD mm	AED mm	USD mm	AED mm	USD mm	AED mm
Revenue		357	1,309	351	1,287	115	422
Royalties		(137)	(502)	(129)	(473)	(50)	(154)
Net revenue		220	807	222	814	65	239
Operating costs		(41)	(150)	(40)	(147)	(14)	(51)
Depreciation and depletion		(81)	(297)	(82)	(301)	(27)	(99)
Reversal of accrued operating cost		-	-	13	47	-	-
Gross profit		98	360	113	413	24	89
General and administrative expenses		(11)	(40)	(12)	(44)	(3)	(11)
Investment and finance income		12	44	11	40	5	18
Other income	5	134	491	13	48	45	165
Other expenses		(6)	(22)	(19)	(70)	(2)	(7)
Provision for impairments		(61)	(224)	(3)	(11)	(60)	(220)
Share of (loss)/profit of a joint venture		(1)	(4)	1	4	(1)	(4)
Exploration expenses		-	-	(6)	(22)	-	-
Finance costs		(12)	(44)	(31)	(114)	(4)	(15)
PROFIT BEFORE INCOME TAX		153	561	67	244	4	15
Income tax expense		(11)	(40)	(26)	(95)	(2)	(7)
PROFIT FOR THE PERIOD		142	521	41	149	2	8
ATTRIBUTABLE TO:							
- Equity holders of the Company		142	521	41	149	2	8
Earning per share							
Basic & Diluted earnings per share (USD/ AED per share)	6	0.020	0.075	0.006	0.021	0.0003	0.001
							0.009

The attached explanatory notes 1 to 19 form part of these interim condensed consolidated financial information.

Dana Gas PJSC and Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Period ended 30 September 2019 (Unaudited)


	Notes	Nine months ended		30 September 2018		Three months ended			
		30 September 2019	30 September 2019	30 September 2019	30 September 2019	30 September 2019	30 September 2019	30 September 2019	30 September 2018
		USD mm	AED mm	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm
Profit for the period		142	521	41	149	2	8	17	61
Other comprehensive income									
Other comprehensive income for the period		-	-	-	-	-	-	-	-
Total comprehensive income for the period		142	521	41	149	2	8	17	61
ATTRIBUTABLE TO:									
- Equity holders of the Company		142	521	41	149	2	8	17	61
- Non-controlling interest		-	-	-	-	-	-	-	-
		142	521	41	149	2	8	17	61

Dana Gas PJSC and Subsidiaries


INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019


		30 September 2019		31 December 2018	
		(Unaudited)		(Audited)	
Note	USD mm	AED mm	USD mm	AED mm	
ASSETS					
Non-current assets					
Property, plant and equipment		1,222	4,479	1,226	4,494
Intangible assets	7	635	2,328	649	2,379
Investment property	8	22	81	22	81
Interest in joint ventures		563	2,063	564	2,067
Financial assets at fair value through profit or loss	10	58	213	-	-
		2,500	9,164	2,461	9,021
Current assets					
Inventories		40	147	37	136
Trade and other receivables	9	172	630	191	700
Financial assets at fair value through profit or loss	10	59	216	2	7
Funds held for development	11	69	253	69	253
Cash and cash equivalent	12	392	1,437	407	1,492
		732	2,683	706	2,588
TOTAL ASSETS		3,232	11,847	3,167	11,609
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	13	1,908	6,995	1,903	6,977
Treasury shares	14	(3)	(11)	-	-
Statutory reserve		116	424	116	424
Legal reserve		116	424	116	424
Retained earnings		480	1,761	443	1,624
Other reserves		3	12	7	26
Attributable to equity holders of the Company		2,620	9,605	2,585	9,475
Non-controlling interest		2	8	2	8
Total equity		2,622	9,613	2,587	9,483
LIABILITIES					
Non-current liabilities					
Borrowings	15	449	1,645	414	1,517
Provisions		15	55	15	55
		464	1,700	429	1,572
Current liability					
Trade payables and accruals		146	534	151	554
		146	534	151	554
Total liabilities		610	2,234	580	2,126
TOTAL EQUITY AND LIABILITIES		3,232	11,847	3,167	11,609



Director
13 November 2019



CEO
13 November 2019



CFO
13 November 2019


Director
13 November 2019


CEO
13 November 2019


CFO
13 November 2019

The attached explanatory notes 1 to 19 form part of these interim condensed consolidated financial information.

Dana Gas PJSC and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2019 (Unaudited)

Note	<i>Nine months ended</i>			
	<i>30 September 2019</i>		<i>30 September 2018</i>	
	<i>USD mm</i>	<i>AED mm</i>	<i>USD mm</i>	<i>AED mm</i>
OPERATING ACTIVITIES				
Profit before income tax	153	561	67	244
Adjustments for:				
Depreciation and depletion	81	297	82	301
Investment and finance income	(12)	(44)	(11)	(40)
Other income	(134)	(491)	(13)	(48)
Provision of impairment	61	224	3	11
Share of loss/(profit) of a joint venture	1	4	(1)	(4)
Exploration expenses	-	-	6	22
Finance costs	12	44	31	114
Directors' compensation	-	-	(2)	(7)
	<u>162</u>	<u>595</u>	<u>162</u>	<u>593</u>
Changes in working capital:				
Trade and other receivables	31	114	31	114
Inventories	(3)	(11)	4	14
Trade payables and accruals	5	18	(30)	(110)
Funds held for development	-	-	71	260
Net cash generated from operating activities	<u>195</u>	<u>716</u>	<u>238</u>	<u>871</u>
Income tax	<u>(11)</u>	<u>(40)</u>	<u>(26)</u>	<u>(95)</u>
Net cash flows generated from operating activities	<u>184</u>	<u>676</u>	<u>212</u>	<u>776</u>
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(72)	(265)	(25)	(92)
Expenditure on intangible assets	(50)	(183)	(21)	(77)
Investment and finance income received	10	37	8	29
Investment redeemed during the period	-	-	1	4
Net cash flows used in investing activities	<u>(112)</u>	<u>(411)</u>	<u>(37)</u>	<u>(136)</u>
FINANCING ACTIVITIES				
Dividends paid	(105)	(384)	(95)	(348)
Acquisition of treasury shares	(3)	(11)	-	-
Repayment of borrowings	(7)	(26)	(188)	(688)
Borrowings obtained	42	153	-	-
Finance costs paid	(14)	(52)	(66)	(242)
Net cash flows used in financing activities	<u>(87)</u>	<u>(320)</u>	<u>(349)</u>	<u>(1,278)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS				
	<u>(15)</u>	<u>(55)</u>	<u>(174)</u>	<u>(638)</u>
Cash and cash equivalents at the beginning of the period	<u>407</u>	<u>1,492</u>	<u>608</u>	<u>2,229</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>392</u>	<u>1,437</u>	<u>434</u>	<u>1,591</u>
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The attached explanatory notes 1 to 19 form part of these interim condensed consolidated financial information.

Dana Gas PJSC and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2019 (Unaudited)

	Attributable to equity holders of the Company																	
	Share capital		Statutory reserve		Legal reserve		Retained earnings		Other reserves		Treasury Shares		Convertible sukuk- equity component		Non- controlling interest		Total	
													USD	AED	USD	AED		
	mm	AED	mm	AED	mm	AED	mm	AED	mm	AED	mm	AED	mm	AED	mm	AED	mm	AED
As at 1 January 2019	1,903	6,977	116	424	116	424	443	1,624	7	26	-	-	-	-	2	8	2,587	9,483
Profit for the period	-	-	-	-	-	-	142	521	-	-	-	-	-	-	-	-	142	521
Total comprehensive income for the period	-	-	-	-	-	-	142	521	-	-	-	-	-	-	-	-	142	521
Share based payment	-	-	-	-	-	-	-	-	1	4	-	-	-	-	-	-	1	4
Dividend paid	-	-	-	-	-	-	(105)	(384)	-	-	-	-	-	-	-	-	(105)	(384)
Acquisition of treasury shares	-	-	-	-	-	-	-	-	-	-	(3)	(11)	-	-	-	-	(3)	(11)
Issuance of shares to employees	5	18	-	-	-	-	-	-	(5)	(18)	-	-	-	-	-	-	-	-
As at 30 September 2019	1,908	6,995	116	424	116	424	480	1,761	3	12	(3)	(11)	-	-	2	8	2,622	9,613
As at 1 January 2018	1,903	6,977	116	424	116	424	669	2,453	4	15	-	-	58	212	1	4	2,867	10,509
Profit for the period	-	-	-	-	-	-	41	149	-	-	-	-	-	-	-	-	41	149
Total comprehensive income for the period	-	-	-	-	-	-	41	149	-	-	-	-	-	-	-	-	41	149
Share based payment	-	-	-	-	-	-	-	-	3	11	-	-	-	-	-	-	3	11
Dividend paid	-	-	-	-	-	-	(95)	(348)	-	-	-	-	-	-	-	-	(95)	(348)
Board compensation	-	-	-	-	-	-	(2)	(7)	-	-	-	-	-	-	-	-	(2)	(7)
As at 30 September 2018	1,903	6,977	116	424	116	424	613	2,247	7	26	-	-	58	212	1	4	2,814	10,314

The attached explanatory notes 1 to 19 form part of these interim condensed consolidated financial information.

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine months period ended 30 September 2019 (Unaudited)

1 CORPORATE INFORMATION

Dana Gas PJSC (“Dana Gas” or the “Company”) was incorporated in the Emirate of Sharjah, United Arab Emirates as a Public Joint Stock Company on 20 November 2005 pursuant to incorporation decree number 429/2005 issued by the Ministry of Economy. Dana Gas shares are listed on the Abu Dhabi Securities Exchange (ADX).

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

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

Principal subsidiaries and joint arrangements of the Group as at 30 September 2019 and 31 December 2018 and the Company’s (direct and indirect) percentage of ordinary share capital or interest are set out below:

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

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine months period ended 30 September 2019 (Unaudited)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial information has been prepared on the historical cost basis, except for investment property and financial assets at fair value through profit or loss that have been measured at fair value. The interim condensed consolidated financial information 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 information of the Group for the nine months period ended 30 September 2019 ('the period') are prepared in accordance with International Accounting Standard (IAS) No 34, Interim Financial Reporting. Hence, the interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read with the Group's annual financial statement as at 31 December 2018. The results for the nine month period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the full financial year ending 31 December 2019.

Standards and interpretations

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

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

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

IFRS 16 *Leases*

The Group has adopted IFRS 16 'Leases' issued in January 2016, with date of initial application of 1 January 2019. The Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information is not restated. The Group has assessed that adoption of IFRS 16 did not have any material impact on retaining earnings as at the reporting date and has presented right-of-use assets amounting to circa USD 674,000 within 'Property, plant and equipment' and lease liabilities within 'Trade and other payables' in the interim condensed consolidated statement of financial position.

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

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

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

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

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION For the nine months period ended 30 September 2019 (Unaudited)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and Interpretations (continued)

IFRS 16 Leases (continued)

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

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's condensed consolidated interim financial information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and accompanying disclosures, and the disclosure of contingent asset and liabilities at the date of the condensed consolidated interim financial information, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates if different assumptions were used and different conditions existed. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION For the nine months period ended 30 September 2019 (Unaudited)

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgement, estimates and assumptions

There has been no change in judgement, estimates and assumptions used at 2018 year end except for the fair value of financial asset through profit or loss. The Group based its assumptions and estimates on parameter available when the condensed consolidated interim financial information was prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur. The Group uses various models and assumptions in measuring fair value of financial assets. Judgement is applied in identifying the most appropriate model for each type of asset as well as determining the assumptions used in these models, including assumptions around probabilities and discount rates.

The carrying value of Investments in Joint Venture is assessed for impairment annually using a discounted cash flow model. The model encapsulates the following factors:

- Oil prices: management has used an oil price assumption based on internal estimates and available market data;
- Cost: based on the initial estimates of the project, adjusted with the applicable inflation rates; and
- Discount rates: the future cash flows are discounted to their present value using a pre-tax discount rate of 10%.

Based on the above model, the recoverable amount determined are in excess of the carrying amount of the related investment and a 5% increase in the discount rate will not result in an impairment loss on this investment. Management has reviewed the various inputs into the original valuation model and believes that the inputs in the original valuation model have not materially changed from the year ended 31 December 2018.

4 SEGMENT INFORMATION

Management has determined the reportable 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.

Nine months ended 30 September 2019 (Unaudited)

	<i>United Arab Emirates USD mm</i>	<i>Egypt USD mm</i>	<i>Kurdistan Region of Iraq USD mm</i>	<i>Total USD mm</i>
Revenue net of royalties	9	95	116	220
Gross profit				98
General and administration expenses				(11)
Investment and finance income				12
Other income				134
Other expenses				(6)
Provision for impairment				(61)
Share of loss of a joint venture				(1)
Finance cost				(12)
Profit before income tax				153
Income tax expense				(11)
PROFIT FOR THE PERIOD				142

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION For the nine months period ended 30 September 2019 (Unaudited)

4 SEGMENT INFORMATION (continued)

Nine months ended 30 September 2019 (continued)

	<i>United Arab Emirates USD mm</i>	<i>Egypt USD mm</i>	<i>Kurdistan Region of Iraq USD mm</i>	<i>Total USD mm</i>
Segment assets as at 30 September 2019	<u>1,614</u>	<u>789</u>	<u>829</u>	<u>3,232</u>
Segment liabilities as at 30 September 2019	<u>433</u>	<u>86</u>	<u>91</u>	<u>610</u>
Other segment information				
Capital expenditure				
Property, plant and equipment	-	24	53	77
Intangible assets	-	46	-	46
Total		<u>70</u>	<u>53</u>	<u>123</u>
Operating costs	6	19	16	41
Depreciation, depletion & amortisation	1	55	25	81

Nine months ended 30 September 2018 (Unaudited)

	<i>United Arab Emirates USD mm</i>	<i>Egypt USD mm</i>	<i>Kurdistan Region of Iraq USD mm</i>	<i>Total USD mm</i>
Revenue net of royalties	<u>12</u>	<u>118</u>	<u>92</u>	<u>222</u>
Gross profit				113
General and administration expenses				(12)
Investment and finance income				11
Other income				13
Other expenses				(19)
Provision for impairment				(3)
Share of profit of a joint venture				1
Exploration expenses				(6)
Finance cost				<u>(31)</u>
Profit before income tax				67
Income tax expense				<u>(26)</u>
PROFIT FOR THE PERIOD				<u>41</u>
Segment assets as at 30 September 2018	<u>1,699</u>	<u>990</u>	<u>796</u>	<u>3,485</u>
Segment liabilities as at 30 September 2018	<u>552</u>	<u>81</u>	<u>38</u>	<u>671</u>

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine months period ended 30 September 2019 (Unaudited)

4 SEGMENT INFORMATION (continued)

Nine months ended 30 September 2018 (continued)

	<i>United Arab Emirates USD mm</i>	<i>Egypt USD mm</i>	<i>Kurdistan Region of Iraq USD mm</i>	<i>Total USD mm</i>
Other segment information				
Capital expenditure				
Property, plant and equipment	-	15	27	42
Intangible assets	-	21	-	21
Total		36	27	63
Operating costs	6	18	16	40
Depreciation, depletion & amortisation	12	47	23	82
Exploration expenses	-	6	-	6

5 OTHER INCOME

	<i>Nine months ended 30 September 2019 2018 USD mm</i>		<i>Three months ended 30 September 2019 2018 USD mm</i>	
Financial assets recognised during the period (note 10)	126	13	45	7
Reimbursement of arbitration cost	6	-	-	-
Others	2	-	-	-
	<u>134</u>	<u>13</u>	<u>45</u>	<u>7</u>

6 EARNINGS PER SHARE

EPS (Basic)

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

	<i>Nine months ended 30 September 2019 2018 USD mm</i>		<i>Three months ended 30 September 2019 2018 USD mm</i>	
Earnings:				
Net profit for the period - USD mm	<u>142</u>	<u>41</u>	<u>2</u>	<u>17</u>
Shares:				
Weighted average number of shares outstanding for calculation basic EPS - million	<u>6,986</u>	<u>6,977</u>	<u>6,992</u>	<u>6,977</u>
EPS (Basic) – USD per share:	<u>0.020</u>	<u>0.006</u>	<u>0.0003</u>	<u>0.002</u>

EPS (Diluted)

Employee restricted shares are dilutive, however they have no material impact on the EPS for the period ended 30 September 2018.

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION For the nine months period ended 30 September 2019 (Unaudited)

7 INTANGIBLE ASSETS

	<i>Oil and gas interests USD mm</i>	<i>Transmission & sweetening rights USD mm</i>	<i>Gas processing rights USD mm</i>	<i>Development cost USD mm</i>	<i>Goodwill USD mm</i>	<i>Total USD mm</i>
Cost at 1 January 2019	167	289	7	2	308	773
Less: accumulated impairment	(115)	-	(7)	(2)	-	(124)
Net book amount at 1 January 2019	52	289	-	-	308	649
Additions (net)	50	-	-	-	-	50
Transfer to PP&E	(4)	-	-	-	-	(4)
Impairment	(60)	-	-	-	-	(60)
At 30 September 2019 (unaudited)	38	289	-	-	308	635
At 31 December 2018(audited)	52	289	-	-	308	649

(a) Oil and gas interests of USD 38 million relates to Dana Gas Egypt which has a number of concessions and development leases in Egypt as described below in more detail:

- El Wastani Development Lease – This development lease is held with a 100% working interest and represents approximately 5% of current production in Dana Gas Egypt. El Wastani production includes both gas and associated gas liquids. This development lease has 40.7 sq. km of land included within its boundary and is located in the Nile Delta of Egypt.
- South El Manzala Development Lease – These development leases are held with a 100% working interest and are not currently producing. These development leases have 65 sq. km of land included within their boundaries and are located in the Nile Delta of Egypt.
- West El Manzala Development Leases (West El Manzala Concession) – These development leases are held with a 100% working interest. These development leases have 261.5 sq. km of land included within their boundaries and are located in the Nile Delta of Egypt. To date, eleven development leases are producing both natural gas and associated liquids representing approximately 88% of Dana Gas Egypt current production.
- West El Qantara Development Leases (West El Qantara Concession) – These development leases are held with a 100% working interest. These development leases have 76.5 sq. km of land included within their boundaries and are located in the Nile Delta of Egypt. To date, two development leases are producing both natural gas and associated liquids representing approximately 7% of Dana Gas Egypt current production.
- North El Salhiya Development Lease – This development lease is held with a 100% working interest and is not yet producing (awaiting tie-in and hookup). This development lease has 11.6 sq.km of land included within its boundaries and is located in the Nile Delta of Egypt.
- 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 currently comprises 2,000 sq. km after relinquishment of 1/3 of the original area in July 2019, offshore Nile Delta/Sinai Peninsula, in the eastern part of the Mediterranean Sea.. A 3D seismic survey acquisition was carried out in the Block, covering 1,830 full fold sq. Km. The Company completed the drilling operations at its deepwater Merak-1 well in July 2019. The well was drilled to a total depth of 3,890 meters and encountered 36m of sand in the Miocene objective interval but did not encounter commercial hydrocarbons.

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine months period ended 30 September 2019 (Unaudited)

7 INTANGIBLE ASSETS (continued)

- El Matariya Onshore (Block-3) - In September 2014, Dana Gas Egypt was awarded a 50% working interest in the Block 3 concession area. The area is located onshore Nile Delta. As per the concession agreement, Dana Gas Egypt as a partner and BP as an operator will participate on a 50:50 basis.

(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's UGTC pipeline and SajGas processing facilities in Sharjah for commissioning purposes. However, subsequently as it pressured up, NIOC discovered significant leaks in its offshore gas transmission system which required rectification. Notwithstanding this, Crescent Petroleum is continuing with international arbitration to seek a ruling on its binding 25 years gas supply contract with NIOC.

The Company was notified by Crescent Petroleum on 10 August 2014 that the Arbitral Tribunal has issued a Final Award on the merits, determining that the 25 year contract between it and NIOC is valid and binding upon the parties, and that NIOC has been in breach of its contractual obligation to deliver gas under the Contract since December 2005.

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

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

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

(c) Goodwill

Goodwill of USD 308 million relates to the acquisition of Dana Gas Egypt in January 2007 which enabled Dana Gas to acquire the upstream business qualification and therefore the rights to development. As per the requirement of IAS 36, an impairment review has to be carried out annually by the management and the last such review was carried out in December 2018. Management has reviewed the various inputs into the impairment model, which have not materially changed as at period end.

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION For the nine months period ended 30 September 2019 (Unaudited)

8 INVESTMENT PROPERTY

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

	30 September 2019 USD mm	31 Dec 2018 USD mm <i>(Audited)</i>
Balance at 1 January	22	24
Change in fair value	-	(2)
Balance at 30 September / 31 December	<u>22</u>	<u>22</u>

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

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

9 TRADE AND OTHER RECEIVABLES

	30 September 2019 USD mm	31 Dec 2018 USD mm <i>(Audited)</i>
Trade receivables (net)	133	163
Prepaid expenses	1	2
Due from joint ventures	18	14
Accrued revenue (note c)	8	-
Other receivables	19	19
Less: provision for impairment of other receivables	(7)	(7)
	<u>172</u>	<u>191</u>

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

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

	Past due					
	Total	Not past due	<30 days	30-60 days	61-90 days	91-120 days
	USD mm	USD mm	USD mm	USD mm	USD mm	USD mm
30 September 2019	<u>133</u>	<u>48</u>	<u>5</u>	<u>29</u>	<u>23</u>	<u>6</u>
31 Dec. 2018	<u>163</u>	<u>75</u>	<u>22</u>	<u>1</u>	<u>14</u>	<u>22</u>

c) In 2019, a region-wide audit of the entire KRI pipeline metering system revealed metering issues at the Khor Mor field, which resulted in an over reporting by around 5.9% of the volume of gas supplied by Pearl to the KRG since November 2018. As an interim measure, the correct meter factors were configured on 31 July 2019, which satisfactorily addressed the estimated over reporting. It was also discovered that the way the gross heating value is measured to establish the energy content of the sales gas (which is the basis for billing) had potentially also resulted in an under reporting of the quantity of sales gas.

Pearl and the KRG have agreed a series of steps to put in place full fiscal metering by October 2020 with a provisional adjustment to invoices, pending final reconciliation. Pearl and the KRG agreed that a provisional adjustment be made against the invoices of July, August and September 2019 amounting to USD 23 million (DG Share: USD 8 million) relating to the period November 2018 to July 2019, with such provisional adjustment to be trued-up when the final adjustment and reconciliation is completed in 2020. This provisional adjustment to amounts due from the KRG has been reflected in this financial statements as accrued revenue.

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION For the nine months period ended 30 September 2019 (Unaudited)

9 TRADE AND OTHER RECEIVABLES (continued)

The financial assets included under trade and other receivable are classified as follows:

	<i>30 September 2019</i> <i>USD mm</i>	<i>31 Dec 2018</i> <i>USD mm</i> <i>(Audited)</i>
Financial assets at amortised cost		
Trade receivables (net)	133	163
Due from joint ventures	18	14
Accrued revenue	8	-
Other receivables	19	19
Less: provision for impairment of other receivables	(7)	(7)
	<u>171</u>	<u>189</u>
Other current asset		
Prepaid expenses	1	2
	<u>172</u>	<u>191</u>

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>30 September 2019</i> <i>USD mm</i>	<i>31 Dec 2018</i> <i>USD mm</i> <i>(Audited)</i>
Balance at 1 January	2	9
Recognised during the period/year	126	-
Received during the period/year	(12)	(1)
Change in fair value/Unwinding of interest	1	(6)
Balance at 30 September / 31 December	<u>117</u>	<u>2</u>

Financial assets classification between non-current and current assets is as follows:

	<i>30 September 2019</i> <i>USD mm</i>	<i>31 Dec 2018</i> <i>USD mm</i> <i>(Audited)</i>
Current assets	59	-
Non-current assets	58	2
	<u>117</u>	<u>2</u>

Financial asset at fair value through profit or loss includes investment in the Abraaj Infrastructure Fund at USD 2 million fair value which is underpinned by the underlying assets. As the fund managing entity is under liquidation, the Company was not able to obtain an indicative fair value of the fund as of 30 September 2019. On a prudent basis, with reference to the last valuation as of 30 September 2018, the Company has estimated the fair value of this investment as at 30 September 2019.

During the period, the Company has recorded certain reserve based earn out entitlements as financial assets at fair value through profit or loss. These are due from certain shareholders in Pearl Petroleum as considerations which were contingent upon proving up additional reserves in Pearl Petroleum.

In addition, as part of the settlement agreement with RWE Supply & Trading GmbH ("RWE") the Company is entitled to and has recognised certain confined payments which are due only in case and in the amount dividends are distributed to RWE by Pearl (based on RWE's 10% equity in Pearl). During the period, the Company has received an amount of USD 12 million towards such confined payments.

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine months period ended 30 September 2019 (Unaudited)

11 FUNDS HELD FOR DEVELOPMENT

As part of the Settlement Agreement with the KRG, out of the USD 1 billion received from KRG (DG Share: USD 350 million), an amount of USD 400 million (DG Share: USD 140 million) was dedicated for investment exclusively for further development to substantially increase production in the Kurdistan Region of Iraq. Pearl is entitled to use any funds remaining in that account after the said development is complete or 29 February 2020, whichever occurs first. If to the reasonable satisfaction of the KRG, Pearl secures financing for all or part of the development specified in the agreement, Pearl shall be entitled to use funds from this USD 400 million (DG Share: USD 140 million) in the same amount as such financing without restriction. During 2018, USD 202 million (DG Share: USD 71 million) has been released from these funds in accordance with the terms of the Settlement Agreement and the balance as at 30 September 2019 is USD 198 million (DG Share: USD 69 million). The amount is placed in short term deposit with duration ranging between 1 months to 6 months carrying interest at rates ranging from 2.9% to 3.35% p.a.

12 CASH AND CASH EQUIVALENTS

	<i>30 September 2019</i> <i>USD mm</i>	<i>31 Dec 2018</i> <i>USD mm</i> <i>(Audited)</i>
Cash at bank and on hand		
- Local banks within UAE	28	15
- Foreign banks outside UAE	4	20
Short term deposits		
- Local banks within UAE	360	372
Cash and cash equivalent	<u>392</u>	<u>407</u>

Cash at bank earns profit at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods ranging between one week and twelve months, depending on the immediate cash requirements of the Group, and earn profit at the respective short-term deposit rates. The fair value of cash and bank balance including short-term deposits is USD 404 million (31 December 2018: USD 407 million). The effective profit rate earned on short term deposits ranged 1.5% to 4.25% (2018: 1.4% to 3.5%) per annum. As at 30 September 2019, 99 % (31 December 2018: 95%) of cash and bank balance were held with UAE banks and the balance held outside UAE. Out of the total cash and bank balance of USD 392 million, 1% of the amount was held in Egyptian pounds (31 December 2018: 4%).

13 SHARE CAPITAL

	<i>30 September 2019</i> <i>USD mm</i>	<i>31 Dec 2018</i> <i>USD mm</i> <i>(Audited)</i>
<i>Authorised:</i>		
9,000,000,000 common shares of AED 1 each (USD 0.2728 each)		
<i>Issued and fully paid up:</i>		
6,995,373,373 (2018: 6,976,623,422) common shares of AED 1 each (USD 0.2728 each)	<u>1,908</u>	<u>1,903</u>

14 TREASURY SHARES

During the period, the Company acquired 11,886,114 of its own shares for a total consideration of AED 11.2 million.

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION For the nine months period ended 30 September 2019 (Unaudited)

15 BORROWINGS

	<i>30 September 2019</i> <i>USD mm</i>	<i>31 Dec 2018</i> <i>USD mm</i> <i>(Audited)</i>
Non-current		
Sukuk (a)	397	404
Project finance – Pearl Petroleum (b)	52	10
Total Borrowings	<u>449</u>	<u>414</u>

a) SUKUK

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

The salient features of the agreement were as follows:

- For holders wishing to exit their principal; an opportunity to tender their claims at 90.5¢ per \$1 of the face value of their holdings, which included an early participation fee of 2.5¢ (if elections were received within 7 days from the date of launch of the Tender Offer and Consent Solicitation process).
- For holders electing to receive a partial pay down and exchange into a new instrument; a path to full recovery including a significant repurchase obligation at par with respect to the new certificates. Such holders also received arrears of profit distribution as per the Existing Certificates until 31 October 2017, and a 4% profit rate (see below) from 01 November 2017 until closing of the transaction. For elections received within 7 days from the date of launch of the Tender Offer and Consent Solicitation process, holders received an early participation fee of 2.5¢.
- The new certificates were constituted as a Wakala Sukuk instrument (based on an underlying Ijara and deferred payment obligation structure) with a 4% profit rate and 3 year tenor with maturity on 31 October 2020.

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

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

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

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

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

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION For the nine months period ended 30 September 2019 (Unaudited)

15 BORROWINGS (continued)

a) SUKUK (continued)

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

During 2018, the Company bought back Sukuk amounting to USD 126 million (nominal value). During the period, the Company bought back additional Sukuk amounting to USD 7 million (nominal value), thereby reducing the outstanding Sukuk to USD 397 million. All bought back Sukuk have been cancelled as per the terms and conditions. The outcome is that Dana Gas has now satisfied its obligations such that it will continue to pay a profit rate of 4% until maturity of the Sukuk at the end of October 2020.

Background

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

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

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

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

b) PROJECT FINANCE – PEARL PETROLEUM

Pearl Petroleum on 18 September 2018 signed a USD 150 million 5 year term loan facility "Facility Agreement" with a local UAE bank for financing its development activities. This financing is non-recourse to the Company. The Facility Agreement provides for a 2-year grace period and is repayable in equal quarterly instalments. Pearl has agreed to provide security by assignment of revenue, insurance and registered pledge over Pearl's certain production facilities in Kurdistan which are replaced and existing security released after construction of new gas plant facilities. Pearl has since full drawn down USD 150 million (DG Share: USD 52.5 million) from the facility. The borrowing is stated net of transaction costs and is carried at amortised cost.

Dana Gas PJSC and Subsidiaries

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16 CONTINGENCIES AND COMMITMENTS

Dana Gas Egypt

In March 2006, Centurion Petroleum Corporation ("CPC") (re-named Dana Gas Egypt on 3 April 2009) 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 ("CTIP transaction"), CPC held a 100% participating interest in each of these Concessions. As agreed under the terms of the said acquisition agreement CPC paid USD 13 million as a result of the first Government approved plan of Development in the West El Manzala Concession. In addition, CPC agreed to pay additional payments that could total up to a further USD 12.5 million as and when total Proved Reserves for both El Manzala and West El Qantara concessions collectively and in the aggregate exceeds 1 Trillion cubic feet of natural gas. CPC has also granted a three percent net profits interest to CTIP on future profit from the Concessions.

On 26 February 2007, Dana Gas acquired CPC as part of the acquisition of Centurion Energy International Inc. and inherited the obligations and liabilities of CPC in relation to the CTIP transaction. CPC was re-named Dana Gas Egypt on 3 April 2009.

In April 2013, Dana Gas Egypt was awarded a 100% working interest in the North El Arish Offshore (Block 6) concession area. The area is located offshore Nile Delta, in the eastern part of the Mediterranean Sea. As per the concession agreement, Dana Gas Egypt has committed to spend USD 25.5 million on the block during the first phase of exploration which is 4 years and expired on 11 February 2018. Dana Gas Egypt was granted extension for the first phase of exploration till 10 June 2019. During the quarter, Dana Gas Egypt applied for and received approval to enter second phase of exploration, until 10 June 2023. To-date Dana Gas Egypt has spent circa. USD 70 million and has fulfilled the spend commitment of both the first and second phases of exploration.

Pearl Petroleum

As at 30 September 2019, Pearl had capital commitments of circa USD 3.5 million (DG Share: USD 1 million).

17 RELATED PARTY DISCLOSURES

Transactions with related parties which are conducted at arm's length included in the interim condensed consolidated income statement are as follows:

	<i>30 September 2019</i>		<i>30 September 2018</i>	
	<i>Revenues</i>	<i>Fees for management services</i>	<i>Revenues</i>	<i>Fees for management services</i>
	<i>USD mm</i>	<i>USD mm</i>	<i>USD mm</i>	<i>USD mm</i>
Joint arrangement	1	2	1	1
Major shareholder	-	1	-	2
	<u>1</u>	<u>3</u>	<u>1</u>	<u>3</u>

Board committee fees for the year amounted to USD 2 million.

18 DIVIDEND

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

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine months period ended 30 September 2019 (Unaudited)

19 FAIR VALUE ESTIMATION

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements:

	<i>Carrying amount September 2019 USD mm</i>	<i>Fair value September 2019 USD mm</i>	<i>Carrying amount December 2018 USD mm</i>	<i>Fair value December 2018 USD mm</i>
Financial assets				
Trade and other receivables	172	172	191	191
Cash and short term deposits	392	392	407	407
Financial assets at fair value through profit or loss	117	117	2	2
Financial liabilities				
Borrowings	449	449	414	414
Trade payables and accruals	146	146	151	151

The fair value of borrowings is the amortised cost determined as the present value of discounted future cash flows using the effective interest rate.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (Level 3).

The following table presents the Group' assets that are measured at fair value on 30 September 2019:

	<i>Level 1 USD mm</i>	<i>Level 2 USD mm</i>	<i>Level 3 USD mm</i>	<i>Total USD mm</i>
Assets				
Financial assets at fair value through profit or loss	-	2	115	117
Investment property	-	-	22	22
Total	-	2	137	139

The following table presents the Group' assets that are measured at fair value on 31 December 2018:

	<i>Level 1 USD mm</i>	<i>Level 2 USD mm</i>	<i>Level 3 USD mm</i>	<i>Total USD mm</i>
Assets				
Financial assets at fair value through profit or loss	-	2	-	2
Investment property	-	-	22	22
Total	-	2	22	24

There have been no transfers between Level 1 and Level 2 during the nine months ended 30 September 2019 and year ended 31 December 2018.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.