

Dana Gas PJSC and Subsidiaries

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2018 (UNAUDITED)

DANA GAS PJSC

Report of the Directors

The Board of Directors of Dana Gas (“Dana Gas” or the “Company”) are pleased to announce the consolidated financial results of the Company, its subsidiaries and joint arrangements (together referred to as the “Group”) for the period ended 30 September 2018.

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 2018

During the quarter ended 30 September 2018, the Company earned gross revenues of USD 115 million (AED 422 million) as compared to USD 108 million (AED 396 million) in the third quarter of 2017, an increase of 6% reflecting an increase in realised hydrocarbon prices during the quarter. Realised prices were up by 41 % in Q3 2018 and contributed USD 26 million (AED 95 million) to the topline. The increase was partly offset by production decline in Egypt. Realised prices averaged USD 64/bbl for condensate and USD 34/boe for LPG compared to USD 42/bbl and USD 26/boe respectively in Q3 2017.

The Group’s share of production for the 92 days was 5.46 million barrels of oil equivalent “boe” [59,350 barrels of oil equivalent per day (“boepd”)], a decrease of 12% compared to the corresponding quarter production of 6.2 million boe (67,600 boepd). Production in Egypt was down by 20% to 32,250 boepd during the period.

The Group achieved a net profit after tax of USD 17 million (AED 61 million) as compared to USD 102 million (AED 375 million) in Q3 2017, a decrease of 83%. In Q3 2017, net profit included interest on overdue receivable of USD 5 million (AED 18 million) and full reversal of surplus over entitlement of USD 91 million (AED 333 million) in Pearl following the settlement agreement. These were one offs and if excluded net profit for Q3 2017 would have been lower by USD 96 million (AED 351 million) at USD 6 million (AED 22 million).

Earnings before interest, tax, depreciation and amortisation (“EBITDA”) in Q3 2018 decreased to USD 56 million (AED 204 million) compared to USD 153 million (AED 562 million) in Q3 2017. However, in Q3 2017 EBITDA included USD 91 million (AED 333 million) of non-cash income due to reversal of surplus in Pearl. Excluding this, the EBITDA for Q3 2017 would have been USD 62 million (AED 229 million).

Results for nine months of 2018

During the nine months ended 30 September 2018 (the “period”) the Group earned gross revenues of USD 351 million (AED 1,287 million) as compared to USD 330 million (AED 1,210 million) in the corresponding period. This increase in revenue was due to higher realised hydrocarbon prices during the period partly offset by lower production in Egypt and Zora. Realised prices averaged USD 61/bbl for condensate and USD 34/boe for LPG compared to USD 44/bbl and USD 30/boe respectively in the corresponding period.

The Group achieved a net profit after tax of USD 41 million (AED 149 million) as compared to USD 125 million (AED 458 million) in the 9M of 2017 (but including the one-off impact of the KRG arbitration settlement), a decrease of 67%. In 9M 2017, net profit included reversal of surplus over entitlement of USD 114 million (AED 418 million) and interest on overdue receivables of USD 17 million (AED 62 million). Excluding the one offs in 9M 2017, net loss would have been USD 6 million (AED 22 million) for that period.

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Report of the Directors

Liquidity and Financial Resources

Cash and bank balance at period end stood at USD 434 million (AED 1,591 million), a decrease of 29% compare to year-end balance of USD 608 million (AED 2,229 million). The decrease in cash balance was mainly due to payment of USD 235 million (AED 861 million) in respect of upfront principal, consent fees, accrued profit entitlements and Adhoc committee cost upon completion of Sukuk restructuring. In addition the Group paid a dividend of USD 95 million (AED 348 million) during May 2018.

The Group collected a total of USD 197 million (AED 722 million) during the period with Egypt, Kurdistan Region of Iraq (KRI) and U.A.E. contributing USD 111 million (AED 407 million), USD 77 million (AED 282 million) and USD 9 million (AED 33 million), respectively.

Subsequent to period end the Company bought back Sukuk with nominal value of USD 100 million (AED 367 million).

Sukuk Update

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 includes an early participation fee of 2.5¢ (if elections are 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 will also receive 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. Elections received within 7 days from the date of launch of the Tender Offer and Consent Solicitation process, holders will receive an early participation fee of 2.5¢
- The new certificates will be constituted as a Wakala Sukuk instrument (based on an underlying Ijara and deferred payment obligation structure) with a 4% profit rate and 3 year tenor.

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

Dana 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 issued an invitation to its Shareholders to attend the General Assembly to consider and approve issuance of 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 Sukuk litigation.

On 21 June 2018, 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.

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Sukuk Update (continued)

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

Subsequent to period end, the Company bought back Sukuk amounting to USD 100 million (nominal value). The bought back Sukuk has been cancelled as per the terms and condition. The total outstanding Sukuk post buyback is USD 430 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 2017. Following this review, the Group's gross proved reserves (1P) as at 31 December 2017 were assessed at 75 MMboe (31 December 2016: 89 MMboe). The gross proved and probable reserves (2P) as at 31 December 2017 were estimated at 117 MMboe (31 December 2016: 132 MMboe) and the gross proved, probable and possible reserves (3P) as at 31 December 2017 were estimated to be 160 MMboe (31 December 2016: 184 MMboe). The decrease in reserves was on account of production during the year and which was not replaced.

(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 Chemchemical Fields at 75 Tscf (of wet gas) and 7 billion barrels of oil.

PPCL appointed Gaffney Cline Associates ("GCA"), to carry out a certification of the reserves for these fields as at 31 December 2015 based on a comprehensive data set comprising ca. 1200 km 2D seismic, the 11 wells drilled in the two fields to date plus field production data over a period of seven years.

In their report dated April 2016, GCA provide the following reserves estimates for both fields²:

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

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

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

² 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.

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Reserves & Resources

(b) Pearl Petroleum Company Limited

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 Resources³ and Prospective Resources⁴.

GCA's report confirms Dana Gas' and Crescent Petroleum's belief that Khor Mor and Chemchemal 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.

(c) Sharjah Western Offshore – Zora Field

Following signing of a 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 concession – Zora Field's hydrocarbon reserves as on 31 December 2017. Following this review, the Group's gross proved reserves (1P) as at 31 December 2017 were assessed at 8 MMboe (31 December 2016: 17 MMboe). The gross proved and probable reserves (2P) as at 31 December 2017 were estimated to be 24 MMboe (31 December 2016: 33 MMboe) and the gross proved, probable and possible reserves (3P) as at 31 December 2017 were estimated to be 61 MMboe (31 December 2016: 65 MMboe).

E&P Operations

a) Egypt E&P Operations

The Company production in Egypt for the 92 days of operations in Q3 2018 was 2.96 MMboe i.e. averaging 32,250 boepd (Q3 2017: 3.7 MMboe, i.e. averaging 40,300 boepd) a decrease of 20% over the corresponding period. The decline in production is mainly due to natural decline in fields and increase of formation water production from Balsam 3 and 5 wells.

In Egypt, the Company collected USD 111 million (AED 407 million) during the period and hence realised 122% of the period's revenue. Out of the total USD 96 million (AED 352 million) was received in US Dollars and USD 15 million (AED 55 million) in equivalent Egyptian pounds.

At period end, the trade receivable balance decreased to USD 210 million (AED 770 million) from USD 228 million (AED 836 million) at end of 2017. During the period, the company has exported a total of 4 cargoes of condensate with average cargo volume of 157,200 barrels and collected an amount of USD 32 million (AED 117 million). The proceeds for the fourth cargo amounting to USD 12 million (AED 44 million) was collected subsequent to period end. Cash generated from the export of the Government's share of the incremental condensate is being used to pay down the outstanding receivables owed to the Company by the Egyptian Government.

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

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

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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 2018 was 2.3 MMboe, i.e. averaging 25,100 boe per day (Q3 2017 – DG Share 35%: 2.3 MMboe, averaging 25,000 boe per day).

Dana Gas share of collections for the period stood at USD 77 million (AED 282 million) and hence realised 84% of the period's revenue. At period end, Dana Gas' 35% share of trade receivable balance stood at USD 18 million (AED 66 million) and represents amounts due against local sales for the month of August and September 2018 all of which was subsequently collected.

Pearl Petroleum 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 and is targeting a production increase of 20% this year.

c) Zora Gas Field

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

The gas plant has been in continuous production since 28 February 2016, currently delivering approximately 7 mmscf/d sales gas to Sharjah power station and producing on average 58 bbl/day of condensate. Production from the Zora field during the period averaged 1,200 boepd (Q3 2017: 1,550 boepd). The installation of compression will possibly extend the production life, but any final decision on future expenditure will be subject to the outcome of ongoing negotiations on sales gas price.

During the period, collections stood at USD 9 million (AED 33 million). At period end, the trade receivable balance stood at USD 1 million (AED 4 million) (31 December 2017: USD 1 million / AED 4 million).

UAE Gas Project

The UAE Gas Project established to process and transport imported gas from the National Iranian Oil Company ("NIOC") by Crescent Petroleum is the subject of an international arbitration, as previously reported. Dana Gas has a 35% interest in Crescent National Gas Corporation Limited (CNGCL), the gas marketing entity in the UAE and owns 100% of Sajaa 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 2,300 boepd of propane (DG Share 26.4%: 607 boepd) and 284 boepd of butane (DG Share 26.4%: 75 boepd) during the period.

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Arbitration Cases

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

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

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

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

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

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

Dana Gas and Crescent Petroleum reject the allegations and the default notice, and have been forced to initiate arbitration in The London Court of International Arbitration in order to obtain a formal declarations to resolve these matters. The hearing of these matters is scheduled for up to three weeks commencing in London on 26 November 2018.

DANA GAS PJSC

Report of the Directors

Board of 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. H.E. Sheikh Sultan Bin Ahmed Bin Sultan Al-Qasimi (to 18 April 2018)
4. Mr. Abdullah Ali Al Majdouie
5. Ms. Fatima Obaid Al-Jaber (to 18 April 2018)
6. Mr. Hani Abdulaziz Hussein
7. Mr. Majid Hamid Jafar
8. Mr. Nasser Al Nowais (to 18 April 2018)
9. Mr. Said Arrata
10. Mr. Varoujan Nerguizian
11. Mr. Ziad Abdulla Ibrahim Galadari
12. Mr. Adel Al-Awadhi (from 18 April 2018)
13. Mr. Nureddin Sehweil (from 18 April 2018)
14. Mr. Shaheen Al-Muhairi (from 18 April 2018)

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 2018

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Dana Gas PJSC ("the Company") and its subsidiaries ("the Group") as at 30 September 2018 comprising of the interim condensed consolidated statement of financial position as at 30 September 2018 and the related interim condensed consolidated statements of income, 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

We draw attention to the following matters:

- (i) note 6 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) note 1 to the interim condensed consolidated financial statements which discloses arbitration between the Group and a joint venture partner.

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

For Ernst & Young



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

14 November 2018

Sharjah, United Arab Emirates

Dana Gas PJSC and Subsidiaries

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

Period ended 30 September 2018 (Unaudited)

Notes	Nine months ended				Three months ended			
	30 September 2018		30 September 2017		30 September 2018		30 September 2017	
	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm
Revenue	351	1,287	330	1,210	115	422	108	396
Royalties	(129)	(473)	(128)	(469)	(42)	(154)	(39)	(143)
Net revenue	222	814	202	741	73	268	69	253
Operating costs	(40)	(147)	(38)	(139)	(15)	(56)	(13)	(47)
Depreciation and depletion	(82)	(301)	(78)	(286)	(27)	(99)	(29)	(106)
Reversal of accrued operating cost	13	47	-	-	-	-	-	-
Gross profit	113	413	86	316	31	113	27	100
General and administration expenses	(12)	(44)	(11)	(40)	(4)	(15)	(4)	(14)
Investment and finance income	11	40	22	80	3	11	7	25
Other income	13	48	26	95	7	26	21	77
Reversal of surplus over entitlement	-	-	114	418	-	-	91	333
Other expenses	(19)	(70)	(17)	(62)	(6)	(23)	(11)	(40)
Provision of impairment	(3)	(11)	(1)	(4)	-	-	-	-
Share of profit / (loss) of a joint venture	1	4	(1)	(4)	1	4	-	-
Exploration expenses	(6)	(22)	(11)	(40)	(1)	(4)	(1)	(3)
Finance costs	(31)	(114)	(55)	(202)	(7)	(26)	(18)	(66)
PROFIT BEFORE INCOME TAX	67	244	152	557	24	86	112	412
Income tax expense	(26)	(95)	(27)	(99)	(7)	(25)	(10)	(37)
PROFIT FOR THE PERIOD	41	149	125	458	17	61	102	375
PROFIT ATTRIBUTABLE TO:								
- Equity holders of the parent	41	149	125	458	17	61	102	375
Basic & Diluted earnings per share (USD/ AED per share)	5	0.006	0.021	0.018	0.002	0.009	0.015	0.05

The attached explanatory notes 1 to 16 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 2018 (Unaudited)

	Nine months ended				Three months ended			
	30 September 2018		30 September 2017		30 September 2018		30 September 2017	
	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm
Profit for the period	41	149	125	458	17	61	102	375
Other comprehensive income	-	-	-	-	-	-	-	-
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive income for the period	41	149	125	458	17	61	102	375
ATTRIBUTABLE TO:								
- Equity holders of the parent	41	149	125	458	17	61	102	375
- Non-controlling interest	-	-	-	-	-	-	-	-
	41	149	125	458	17	61	102	375

The attached explanatory notes 1 to 16 form part of these interim condensed consolidated financial statements.

Dana Gas PJSC and Subsidiaries

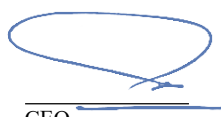
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018 (Unaudited)

		30 September 2018 (Unaudited)		31 December 2017 (Audited)	
	<i>Notes</i>	<i>USD mm</i>	<i>AED mm</i>	<i>USD mm</i>	<i>AED mm</i>
ASSETS					
Non-current assets					
Property, plant and equipment		1,424	5,220	1,462	5,360
Intangible assets	6	657	2,408	644	2,361
Investment property	7	24	87	24	87
Interest in joint ventures		561	2,057	560	2,053
		<u>2,666</u>	<u>9,772</u>	<u>2,690</u>	<u>9,861</u>
Current assets					
Inventories		46	169	50	183
Trade and other receivables	8	266	975	285	1,045
Financial assets at fair value through profit or loss	9	4	15	9	33
Funds held for development	10	69	253	140	513
Cash and cash equivalents	11	434	1,591	608	2,229
		<u>819</u>	<u>3,003</u>	<u>1,092</u>	<u>4,003</u>
TOTAL ASSETS		<u>3,485</u>	<u>12,775</u>	<u>3,782</u>	<u>13,864</u>
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	12	1,903	6,977	1,903	6,977
Statutory reserve		116	424	116	424
Legal reserve		116	424	116	424
Retained earnings		613	2,247	669	2,453
Other reserves		7	26	4	15
Convertible bonds- equity component		58	212	58	212
		<u>2,813</u>	<u>10,310</u>	<u>2,866</u>	<u>10,505</u>
Attributable to equity holders of the Company		<u>2,813</u>	<u>10,310</u>	<u>2,866</u>	<u>10,505</u>
Non-controlling interest		1	4	1	4
Total equity		<u>2,814</u>	<u>10,314</u>	<u>2,867</u>	<u>10,509</u>
LIABILITIES					
Non-current liabilities					
Borrowings	13	431	1,580	19	70
Provisions		14	51	14	51
		<u>445</u>	<u>1,631</u>	<u>33</u>	<u>121</u>
Current liabilities					
Borrowings	13	99	364	704	2,581
Trade payables and accruals		127	466	178	653
		<u>226</u>	<u>830</u>	<u>882</u>	<u>3,234</u>
Total liabilities		<u>671</u>	<u>2,461</u>	<u>915</u>	<u>3,355</u>
TOTAL EQUITY AND LIABILITIES		<u>3,485</u>	<u>12,775</u>	<u>3,782</u>	<u>13,864</u>



Director
14 November 2018



CEO
14 November 2018



CFO
14 November 2018

The attached explanatory notes 1 to 16 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 2018 (Unaudited)

	Note	Nine months ended			
		30 September 2018		30 September 2017	
		USD mm	AED mm	USD mm	AED mm
OPERATING ACTIVITIES					
Profit before income tax		67	244	152	557
Adjustments for:					
Depreciation and depletion		82	301	78	286
Investment and finance income		(11)	(40)	(22)	(80)
Other income		(13)	(48)	(26)	(95)
Reversal of surplus over entitlement		-	-	(114)	(418)
Provision of impairment		3	11	1	4
Share of (profit)/loss of a joint venture		(1)	(4)	1	4
Exploration expenses		6	22	11	40
Finance costs		31	114	55	202
Directors' compensation		(2)	(7)	-	-
		<u>162</u>	<u>593</u>	<u>136</u>	<u>500</u>
Changes in working capital:					
Trade and other receivables		31	114	415	1,520
Inventories		4	14	-	-
Trade payables and accruals		(30)	(110)	23	83
Funds held for development		71	260	(140)	(513)
		<u>238</u>	<u>871</u>	<u>434</u>	<u>1,590</u>
Net cash generated from operating activities					
Income tax paid		(26)	(95)	(27)	(99)
		<u>212</u>	<u>776</u>	<u>407</u>	<u>1,491</u>
Net cash flows from operating activities					
		<u>212</u>	<u>776</u>	<u>407</u>	<u>1,491</u>
INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(25)	(92)	(38)	(139)
Expenditure on intangible assets		(21)	(77)	(3)	(11)
Investment and finance income received		8	29	5	18
Investment redeemed during the period		1	4	-	-
		<u>(37)</u>	<u>(136)</u>	<u>(36)</u>	<u>(132)</u>
Net cash flows used in investing activities					
		<u>(37)</u>	<u>(136)</u>	<u>(36)</u>	<u>(132)</u>
FINANCING ACTIVITIES					
Dividends paid		(95)	(348)	-	-
Repayment of borrowings		(188)	(688)	(80)	(293)
Finance costs paid		(66)	(242)	(31)	(113)
Deposit – Murabaha facility		-	-	10	37
		<u>(349)</u>	<u>(1,278)</u>	<u>(101)</u>	<u>(369)</u>
Net cash flows used in financing activities					
		<u>(349)</u>	<u>(1,278)</u>	<u>(101)</u>	<u>(369)</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(174)	(638)	270	990
Cash and cash equivalents at the beginning of the period		608	2,229	292	1,070
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	11	<u>434</u>	<u>1,591</u>	<u>562</u>	<u>2,060</u>

The attached explanatory notes 1 to 16 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 2018 (Unaudited)

	Attributable to equity holders of the parent															
	Share capital		Statutory reserve		Legal reserve		Retained earnings		Other reserves		Convertible sukuk-equity component		Non-controlling interest		Total	
	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm
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
At 1 January 2017	1,901	6,969	108	395	108	395	603	2,210	3	11	58	212	1	4	2,782	10,196
Profit for the period	-	-	-	-	-	-	125	458	-	-	-	-	-	-	125	458
Total comprehensive income for the period	-	-	-	-	-	-	125	458	-	-	-	-	-	-	125	458
Share based payment	-	-	-	-	-	-	-	-	1	4	-	-	-	-	1	4
Transfer	-	-	-	-	-	-	(1)	(4)	1	4	-	-	-	-	-	-
Issuance of shares to employees	2	8	-	-	-	-	-	-	(2)	(8)	-	-	-	-	-	-
At 30 September 2017	1,903	6,977	108	395	108	395	727	2,664	3	11	58	212	1	4	2,908	10,658

The attached explanatory notes 1 to 16 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 2018 (Unaudited)

1 CORPORATE INFORMATION

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

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

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

Principal subsidiaries and joint arrangements of the Group at 30 September 2018 and 31 December 2017 and the Company (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 company of Dana Gas Egypt	Intermediate holding
Dana Gas Red Sea Corporation	100	Barbados	Holding company of Dana Gas Egypt
Dana Gas Egypt Ltd. (“Dana Gas Egypt”)	100	Barbados	Oil and Gas exploration & 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>	<i>Area of operation</i>	<i>Principal activities</i>
Pearl Petroleum Company Limited (“Pearl Petroleum”)*	35	Kurdistan Region of Iraq	Oil and Gas exploration & production
UGTC/ Emarat JV	50	Emirate of Sharjah	Gas Transmission
<i>Joint Ventures</i>	<i>%</i>	<i>Country/Area of operation</i>	<i>Principal activities</i>
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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS As at 30 September 2018 (Unaudited)

1 CORPORATE INFORMATION (continued)

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

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

Dana Gas and Crescent Petroleum reject the allegations and the default notice, and have been forced to initiate arbitration in The London Court of International Arbitration in order to obtain a formal declarations to resolve these matters. The hearing of these matters is scheduled for up to three weeks commencing in London on 26 November 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Statement of compliance

The interim condensed consolidated financial statements of the Group are prepared in accordance with International Accounting Standard (IAS) No 34, Interim Financial Reporting. Hence, the interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read with the Group's annual financial statement as at 31 December 2017. In addition, results for the nine month period ended 30 September 2018 are not necessarily indicative of the results that may be expected for the full financial year ending 31 December 2018.

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 2017, except for the adoption of new standards and interpretations as of 1 January 2018. These new standards and interpretations did not have any major impact on the accounting policies, financial position or performance of the Group.

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

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. 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 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at 30 September 2018 (Unaudited)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and Interpretations (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for 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.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective approach. The Group has assessed its contracts with customer and is of the view that the adoption of IFRS 15 does not have any impact on the timing of revenue recognition and the amount of revenue to be recognised. Therefore there was no effect of adopting IFRS 15 on the retained earnings and no impact on the accounting policy for the revenue recognition.

IFRS 9 Financial Instruments

IFRS 9 replaces the provision of IAS 39 that related to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial instruments from 1 January 2018 resulted in changes in accounting policies with no changes to the amount recognised in the financial statements which are described below.

a) Classification and measurement

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivable and available for sale.

The Group's management has assessed which business model apply to the financial assets held by the group and has classified its financial instruments into the appropriate IFRS 9 categories. The reclassification criteria based on IFRS 9 did not have any impact on the classification or measurement of the financial assets.

b) Impairment

The adoption of IFRS 9 has changed the Group's accounting policy for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For Trade and other receivable, the Group has applied the standard's simplified approach. The Group has established a matrix that is based on the Group's historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Based on its assessment, the Group concluded that the application of IFRS 9 has no impact on its condensed consolidated interim financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at 30 September 2018 (Unaudited)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies

Financial Instruments – accounting policies applied from 1 January 2018

Classification and measurement of financial assets and liabilities

Classification

From 1 January 2018, the group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- Those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows and is determined at the time of initial recognition.

For assets measured at fair value, gain and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for equity investment at fair value through other comprehensive income (FVOCI). The group reclassifies debt investments when and only when its business mode for managing those assets changes.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt Instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ (losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss. This category includes Group's trade and other receivables.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses when are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gain/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at 30 September 2018 (Unaudited)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

Measurement (continued)

Equity Instrument

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payment is established.

Changes in the fair value of financial assets at FVPL are recognised in other gain/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 January 2018, the group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivable. The Group has established a matrix that is based on the Group's historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2018 (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.

Nine months ended 30 September 2018

	<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	12	118	92	222
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				(31)
Profit before income tax				67
Income tax expense				(26)
PROFIT FOR THE PERIOD				41
Segment assets as at 30 September 2018	1,699	990	796	3,485
Segment liabilities as at 30 September 2018	552	81	38	671
	<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

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS As at 30 September 2018 (Unaudited)

3 SEGMENTAL INFORMATION (continued)

Nine months ended 30 September 2017

	<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	14	118	70	202
Gross profit				86
General and administration expenses				(11)
Investment and finance income				22
Other income				26
Reversal of surplus over entitlement				114
Other expenses				(17)
Provision for impairment				(1)
Share of loss of a joint venture				(1)
Exploration expenses				(11)
Finance cost				(55)
Profit before income tax				152
Income tax expense				(27)
PROFIT FOR THE PERIOD				125
Segment assets as at 30 September 2017	1,941	1,012	843	3,796
Segment liabilities as at 30 September 2017	754	103	31	888
Other segment information				
Capital expenditure:				
Property, plant and equipment	-	25	433	458
Intangible assets	-	3	-	3
Total	-	28	433	461
Operating costs	6	17	15	38
Depreciation, depletion & amortisation	13	50	15	78
Exploration expenses	-	11	-	11

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2018 (Unaudited)

4 REVERSAL OF ACCRUED OPERATING COST

Reversal of accrued operating costs amounting to USD 13 million relates to accrual made by Pearl Petroleum for certain operating charges in prior years which are no longer required as a result of the positive arbitration settlement with the KRG. In line with IFRS requirements this reversal has been recorded before the Gross Profit with a corresponding amount being reversed from Trade payable and accruals.

5 EARNINGS PER SHARE

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

	<i>Nine months ended 30 September</i>	
	<i>2018</i>	<i>2017</i>
Earnings:		
Net profit for the period - USD mm	<u>41</u>	<u>125</u>
Shares:		
Weighted average number of shares outstanding for calculating basic EPS- million	<u>6,977</u>	<u>6,977</u>
EPS (Basic) – US per share:	<u>0.006</u>	<u>0.018</u>
EPS (Diluted)		

Employee restricted shares are anti-dilutive and have no impact on the EPS for the period ended 30 September 2018 and 30 September 2017.

6 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 2018	149	289	7	2	308	755
Less: impairment	(102)	-	(7)	(2)	-	(111)
At 1 January 2018	<u>47</u>	<u>289</u>	<u>-</u>	<u>-</u>	<u>308</u>	<u>644</u>
Additions	21	-	-	-	-	21
Transfer to property, plant and equipment	(2)	-	-	-	-	(2)
Exploration expenses	(6)	-	-	-	-	(6)
At 30 September 2018	<u>60</u>	<u>289</u>	<u>-</u>	<u>-</u>	<u>308</u>	<u>657</u>
At 31 December 2017(audited)	<u>47</u>	<u>289</u>	<u>-</u>	<u>-</u>	<u>308</u>	<u>644</u>

(a) Oil and Gas Interests

Oil and gas interests of USD 60 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 6% 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at 30 September 2018 (Unaudited)

6 INTANGIBLE ASSETS (continued)

(a) Oil and Gas Interests (continued)

- 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 86% 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 4,324 acres 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 8% 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. A 3D seismic acquisition was recently carried out in the Block, covering 1,830 full fold sq. Km.
- 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.
- El Matariya Onshore (Block-3) - In September 2014, Dana Gas Egypt was awarded a 50% working interest in the Block 3 concession area. The area is located onshore Nile Delta. As per the concession agreement, Dana Gas Egypt as a partner and BP as an operator will participate on a 50:50 basis. The first deep target exploration well in the concession was spud in May 2016. During the year, the BP operated Mocha-1 exploration well in Block 3 has been completed. It reached total depth at 5,940 metres, making it the deepest onshore Nile Delta well drilled to date. Whilst the Messinian objective encountered wet gas, the primary Oligocene target did not encounter gas in commercial quantities and the well has been P&A'ed. Under the terms of the agreement signed in June 2015, BP agreed to carry Dana Gas for its 50% share of the cost of the well. Consequently, Dana Gas has achieved its objective of drilling this important calibration well at no cost to itself.

(b) Transmission and sweetening rights

Intangible assets include USD 289 million which represent the fair value of the rights for the transmission and sweetening gas and related products acquired by the Company through its shareholdings in SajGas and UGTC. The fair value of the rights acquired in 2005 was determined by reference to valuation exercises undertaken by professionally qualified independent third parties based on the expected future cash flows arising from the underlying contractual relationships. The intangible assets will be amortised over 25 years from the date of commencement of commercial activity in accordance with the terms of the contracts to which they relate. Commercial activity has not yet commenced. In July 2010, National Iranian Oil Company (NIOC) introduced gas into its completed transmission network and Dana Gas' UGTC pipeline and SajGas processing facilities in Sharjah for commissioning purposes. However, subsequently as it pressured up, NIOC discovered significant leaks in its offshore gas transmission system which 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 Arbitral Tribunal has issued a Final Award on the merits, determining that the 25 year contract between it and NIOC is valid and binding upon the parties, and that NIOC has been in breach of its contractual obligation to deliver gas under the Contract since December 2005.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2018 (Unaudited)

6 INTANGIBLE ASSETS (continued)

(b) Transmission and sweetening rights (continued)

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.

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 2017. 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 2017.

7 INVESTMENT PROPERTY

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

	30 September 2018	31 Dec 2017
	USD mm	USD mm
		<i>(Audited)</i>
Balance at 1 January	24	24
Change in fair value	-	-
Balance at 30 September / 31 December	<u>24</u>	<u>24</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 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 2017 and resulted in a valuation of USD 24 million.

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS As at 30 September 2018 (Unaudited)

8 TRADE AND OTHER RECEIVABLES

	30 September 2018 USD mm	31 Dec 2017 USD mm (Audited)
Trade receivables (net)	232	239
Prepaid expenses	2	2
Due from joint ventures	18	20
Other receivables	21	31
Less: provision for impairment of other receivables	(7)	(7)
	<u>266</u>	<u>285</u>

- a) Trade receivables are interest bearing and are generally on 30-60 days credit period.
- b) The Group's share of trade receivables in Pearl Petroleum is in respect of condensate and LPG deliveries amounting to USD 18 million (31 December 2017: USD 7 million).
- c) The ageing analysis of trade receivables is as follows:

	Total USD mm	Neither past due nor impaired USD mm	Past due but not impaired				
			<30 days USD mm	30-60 days USD mm	61-90 days USD mm	91-120 days USD mm	>120 days USD mm
30 Sept. 2018	232	128	22	13	7	2	60
31 Dec. 2017	239	92	8	-	2	16	121

- d) As part of the settlement agreement, the Company is entitled to further confined payments from RWE only in case and in the amount dividends are distributed to RWE by Pearl (based on RWE's 10% equity share in Pearl). During the period, on an accrual basis, an amount of USD 13 million has been recognised in other income and other receivable. By period end USD 11 million has been received.

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2018 USD mm	31 Dec 2017 USD mm (Audited)
Balance at 1 January	9	9
Repayment during the period	(1)	-
Change in fair value	(4)	-
	<u>4</u>	<u>9</u>
Balance at 30 September / 31 December	<u>4</u>	<u>9</u>

This represents an investment in the Abraaj Infrastructure fund which are underpinned by the underlying assets. As the fund managing entity is under liquidation, the Company was unable to obtain an indicative fair value of the fund as of 30 September 2018. Consequently, the valuation is based on the updated indicative fair value of the fund as of 31 March 2018 received by the Company on 30 August 2018.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2018 (Unaudited)

10 FUNDS HELD FOR DEVELOPMENT

As part of the Settlement Agreement with the KRG (refer note 1), 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) is dedicated for investment exclusively for further development to substantially increase production in 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. As at 30 September 2018, an amount of USD 202.1 million (DG Share: USD 70.7 million) has been released from these funds in accordance with the terms of the Settlement Agreement.

11 CASH AND CASH EQUIVALENTS

	<i>30 September 2018</i> <i>USD mm</i>	<i>31 Dec 2017</i> <i>USD mm</i> <i>(Audited)</i>
Cash at bank and on hand		
- Local Banks within UAE	84	42
- Foreign Banks outside UAE	3	6
Short term deposits		
- Local Banks within UAE	347	560
Cash and cash equivalent	<u>434</u>	<u>608</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 bank balance including short-term deposits is USD 434 million (2017: USD 608 million). The effective profit rate earned on short term deposits ranged 1.4% to 3.5% (2017: 0.95% to 2.5%) per annum. As at 30 September 2018, 99 % (31 December 2017: 99%) of cash and bank balance were held with UAE banks and the balance held outside UAE.

12 SHARE CAPITAL

	<i>30 September 2018</i> <i>USD mm</i>	<i>31 Dec 2017</i> <i>USD mm</i> <i>(Audited)</i>
<i>Authorised:</i>		
9,000,000,000 common shares of AED 1 each (USD 0.2728 each)		
<i>Issued and fully paid up:</i>		
6,976,623,422 (2017: 6,976,623,422) common shares of AED 1 each (USD 0.2728 each)	<u>1,903</u>	<u>1,903</u>

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2018 (Unaudited)

13 BORROWINGS

	30 September 2018 USD mm	31 Dec 2017 USD mm (Audited)
Non-current		
Sukuk (a)	431	-
Equipment loan (b)	-	10
Egypt Building loan (c)	-	9
	<u>431</u>	<u>19</u>
Current		
Sukuk (a)	99	700
Equipment loan (b)	-	2
Egypt Building loan (c)	-	2
	<u>99</u>	<u>704</u>
Total Borrowings	<u>530</u>	<u>723</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 includes an early participation fee of 2.5¢ (if elections are 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 will also receive 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. Elections received within 7 days from the date of launch of the Tender Offer and Consent Solicitation process, holders will receive an early participation fee of 2.5¢.
- The new certificates will be 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 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 issued an invitation to its Shareholders to attend the General Assembly to consider and approve issuance of 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 Sukuk litigation.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2018 (Unaudited)

13 BORROWINGS (continued)

a) SUKUK (continued)

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

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

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

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

Subsequent to period end, the Company bought back Sukuk amounting to USD 100 million (nominal value). The bought back Sukuk has been cancelled as per the terms and condition. Post cancellation of the above, the total outstanding Sukuk is USD 430 million.

Background

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2018 (Unaudited)

13 BORROWINGS (continued)

b) EQUIPMENT LOAN

Dana Gas Egypt ("DGE") 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 to 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. After the full draw down, an additional contract of USD 1.1 million (note 13c) was added to the facility thereby increasing the facility to USD 13.7 million. The payments are over a period of 29 quarters commencing from Quarter 3 2015 including grace period of 2 quarters for interest and principal. The loan was settled in full on 27 August 2018 in accordance with the terms and condition of the Sale and lease back agreement.

c) 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 originally consisted of three contracts amounting to USD 13.8 million which was reduced by USD 1.1 million to USD 12.7 million. The facility was fully drawn down up to 30 April 2016. The payments are over a period of 29 quarters including grace period of 2 quarters for lease payments. The loan was settled in full on 27 August 2018 in accordance with the terms and condition of the Sale and lease back agreement.

14 PROVISION FOR SURPLUS OVER ENTITLEMENT (NET)

a) Surplus over Entitlements

As per the terms of the Petroleum Development Agreement, Pearl takes title to all petroleum produced and accordingly recognises 100% revenue from the sale of condensate and LPG. From such revenue received in cash, Pearl is entitled to retain the petroleum costs and remuneration fee as per the Petroleum Development Agreement ("Entitlements") and any residual amount is to be paid to the KRG ("Surplus"). The right under the Petroleum Development Agreement to receive such revenue in full was upheld by the Arbitration Tribunal in its second Partial Final Award dated 27 November 2015.

On an accruals basis, the cumulative revenue recognised by Pearl as at 31 December 2016 exceeded its net Entitlements under the Petroleum Development Agreement, if all invoices and outstanding receivables were to be paid by the KRG in an amount of USD 326 million (DG Share 35%: USD 114 million). This notional Surplus was only due on the assumption that all the outstanding liquid petroleum invoices as at 31 December 2016 had been paid in full by the KRG as of that date, which they had not.

Furthermore, Pearl has a right under the terms of the Authorisation to offset this Surplus, when payable, against any other outstanding payments due from the KRG. Accordingly, as at 31 December 2016, the aforementioned Surplus has been reduced by other outstanding amounts due from KRG, the net result being that a net amount of USD 117 million (DG Share 35%: USD 41 million) would be repayable to the KRG, even if the entire amount of USD 2.04 billion (DG Share 35%: USD 713 million) in outstanding receivables to Pearl by 31 December 2016 were to be settled in full.

Pursuant to the Settlement Agreement dated 30 August 2017, an amount of USD 1 billion was paid in cash by the KRG and the residual debt of USD 1.24 billion (including interest and transportation costs receivable) was converted to petroleum cost under the Petroleum Development Agreement. Post this conversion of the residual debt to petroleum costs, Pearl is again in a cost recovery mode wherein Pearl is yet to recover its full Entitlement under the Petroleum Development Agreement. Accordingly, the provision for Surplus over Entitlement of USD 260 million (DG Share 35%: USD 91 million) as of 30 August 2017 was no longer required and has been fully reversed to the income statement in 2017.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at 30 September 2018 (Unaudited)

14 PROVISION FOR SURPLUS OVER ENTITLEMENT (NET)

b) Interest and other receivable from KRG (net)

Pearl Petroleum ("Pearl") is contractually entitled to charge interest cost on overdue receivables due from KRG. Previously, without giving up its contractual entitlement to actual interest costs, Pearl invoiced interest on overdue KRG invoices at the rate of LIBOR plus 2%. In the absence of settlement of overdue invoices, Pearl decided to invoice by applying 9% interest (quarterly compounded) on 50% of the total overdue receivables, while the remaining 50% overdue receivables were subject to an interest rate of LIBOR plus 2% which is the minimum specified under the Authorisation.

As part of the Third Award received on 13 February 2017 the Tribunal ruled that Pearl is entitled to interest on overdue receivable at Libor plus 2% compounded monthly. Based on the above, Dana Gas share (35%) of the total interest on overdue receivables (for condensate and LPG sales and transportation costs paid on behalf of KRG) from KRG as at 31 December 2016 stood at USD 67 million.

Pursuant to Settlement Agreement with the KRG dated 30 August 2017, total interest at LIBOR plus 2% compounded monthly on overdue receivables from KRG (towards liquids sales and transportation costs paid on behalf of KRG) amounting to USD 237 million (DG Share 35%: USD 83 million) as on 30 August 2017 has been converted to petroleum cost. For the purposes of these financial statements, this amount has been recorded as Oil & Gas Properties and included under Property, plant & equipment. At 30 September 2018, no interest is receivable from KRG.

15 CONTINGENCIES AND COMMITMENTS

Dana Gas Egypt

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

In April 2013, Dana Gas Egypt was awarded a 100% working interest in the North El Arish Offshore (Block 6) concession area. The area is located offshore Nile Delta, in the eastern part of the Mediterranean Sea. As per the concession agreement, Dana Gas Egypt has committed to spend USD 25.5 million on the block during the first phase of exploration which is 4 years and expired on 11 February 2018. Dana Gas Egypt is granted a one year extension for the first phase of exploration till 10 February 2019. To-date Dana Gas Egypt has spent circa. USD 23.5 million out of the total commitment.

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 and expired on 14 January 2018. Dana Gas Egypt is granted a six month extension for the first phase of exploration till 14 July 2018. Upton end of Quarter 3 2018, Dana Gas Egypt has spent circa. USD 12 million out of the total commitment. The remaining commitment remained unfulfilled and is expected to be adjusted against trade receivable in Quarter 4 2018.

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. 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. 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. BP also has the option to acquire 50% in the deep potential of some of Dana Gas' adjacent Development leases. The Mocha-1 and West Ward Delta-2 exploration wells were drilled during the first exploration phase. Dana Gas Egypt and BP elected to carry on with the block for the second phase of exploration with commitment to spend USD 15 million during 3 years. The Mocha-1 and West Ward Delta-2 wells drilling costs have fulfilled the spend commitment of first and second phases of exploration.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at 30 September 2018 (Unaudited)

15 CONTINGENCIES AND COMMITMENTS (continued)

Pearl Petroleum

As at 30 September 2018, Pearl had capital commitments of circa USD 24 million (DG Share: USD 8 million).

16 DIVIDEND

At the Annual General Meeting of the Company held on 18 April 2018 the shareholders of the Company approved a cash dividend of AED 0.05 per share for 2017 amounting in total to USD 95 million (AED 348 million). This was paid in May 2018.