



دانة غاز
DANA GAS

Ambitious growth plans follow exceptional year

Dana Gas PJSC
Annual Report & Accounts 2018

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Highlights

Gross revenue (million US\$)

US\$470mm

2017: US\$450mm



EBITDA (million US\$)

US\$230mm

2017: US\$334mm



Net profit (million US\$)

US\$64mm

2017: US\$83mm



Cash balance (million US\$)

US\$407mm

2017: US\$608mm

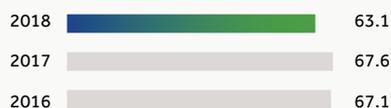


*Profit excluding one-off non-cash impairment of US\$250mm

Production (kboed)

63.1 kboepd

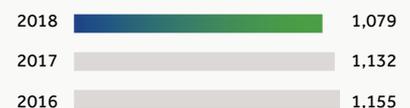
2017: 67.6 kboepd



2P reserves (mmboe)

1,079 mmboe

2017: 1,132 mmboe



Dana Gas is the Middle East's first and largest regional private sector natural gas company. It was established in December 2005 with a public listing on the Abu Dhabi Securities Exchange (ADX).

Dana Gas has exploration and production assets in Egypt, the Kurdistan Region of Iraq (KRI) and the United Arab Emirates (UAE), with an average production output of 63,050 boepd in 2018. With sizeable assets and reserves in Egypt, the KRI and the UAE and further plans for expansion, Dana Gas aims to play an important role in the rapidly growing natural gas sector of the Middle East, North Africa and South Asia region (MENASA).

THE MIDDLE EAST'S FIRST AND LARGEST REGIONAL PRIVATE SECTOR NATURAL GAS COMPANY

With sizeable assets in Egypt, the KRI and the UAE and further plans for expansion, Dana Gas aims to play an important role in the rapidly growing natural gas sector of the Middle East, North Africa and South Asia region (MENASA).

Our vision

To be the leading private sector natural gas company in the Middle East, North Africa and South Asia (MENASA) region generating sustainable value for our stakeholders.

Our strategy

- Focus on sustainable growth in the MENASA region across the natural gas value chain.
- Leverage strategic relationships to maintain competitive advantage.
- Continuously enhance technical and commercial skills to develop and operate assets safely and efficiently.

Our values

- We set and apply the highest standards of conduct and accountability.
- We respect and value everyone and embrace diversity.
- We strive to devise and implement innovative ways to improve our business and fulfil our commitments.
- We aim to provide a safe and environmentally friendly workplace for our employees and business partners and to minimise the adverse effects of our operations on communities and the environment.



63.1 kboepd

Group production (kboepd)



277 mmscf

Average daily gas production in 2018



9,610 bbl

Average daily condensate production in 2018



1,079 mmboe

2P reserves



US\$334mm

Collections



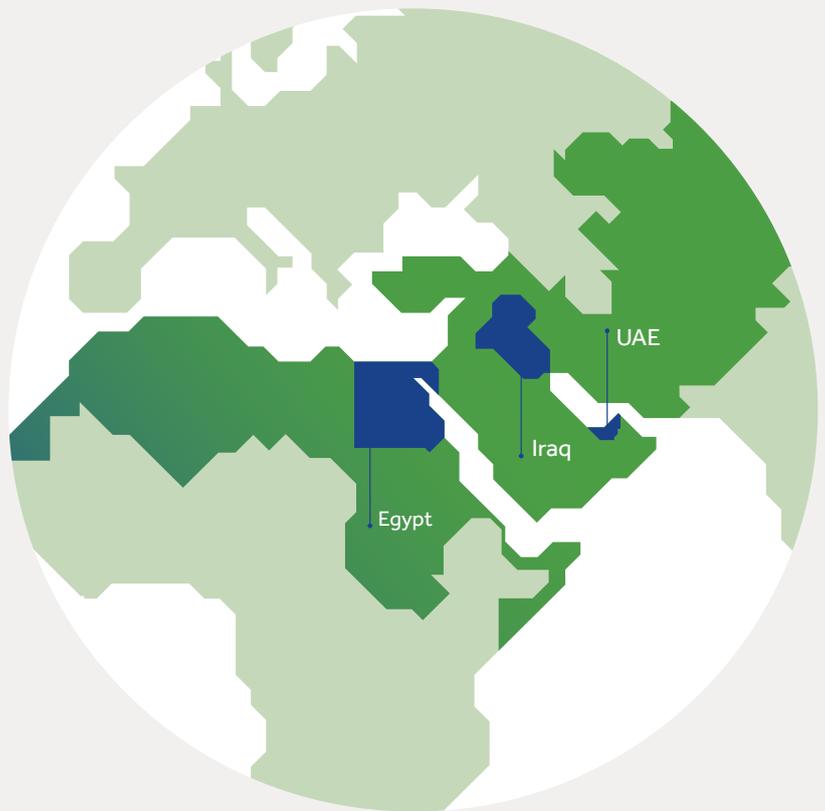
US\$407mm

Cash balance – 31 December 2018



Where we operate

Dana Gas has exploration and production assets in Egypt, the Kurdistan Region of Iraq (KRI) and the United Arab Emirates (UAE).



Egypt

34,500 boepd

- Top 5 gas producer in-country
- 14 development leases and 2 exploration concessions
- Partial interest in an LPG recovery plant in the Gulf of Suez
- Balsam-8 completion added over 5,500 boepd in gas and condensate
- 5 condensate cargo exports in 2018 collecting US\$54 million
- Collections of US\$208 million



KRI

26,650 boepd

- 2 world class fields – largest gas reserves in the KRI
- Decade of continuous production
- Supplies 3 major power stations with gas
- 35% ownership of Pearl Petroleum
- Increased production by 30% in 2018
- Signed a new Gas Sales Agreement
- Collections of US\$114 million



UAE

1,200 boepd

- Zora – offshore gas field project
- UAE Gas Project
- First offshore gas production for Dana Gas
- Project to transport 600 MMscf/d to the UAE
- Collections of US\$12 million

2018 WAS AN EXCEPTIONAL YEAR FOR THE COMPANY

The settlement with the KRG paved the way for us to triple production in the near term and ensure ongoing cash flows.

”

Dear Shareholders,

The last two years have seen the Company successfully navigate through a number of significant challenges and it is now in its best shape since the Company's inception. Three key events happened in 2018 that provided the impetus to move the business forward and to create substantial shareholder value. Firstly, the Settlement with the Kurdistan Regional Government (KRG) in August 2017 paved the way for us to complete the Khor Mor debottlenecking project in October 2018 and increase production by 30%. This has enabled us to plan and begin to execute tripling production by 2023 and thereby significantly increase corporate revenues, cash flow and profits. Furthermore, the KRG has since that time (August 2017) paid the Company for our condensate deliveries and since October 2018 for our incremental gas invoices on time every month whilst the local traders continue to pay on time for our LPG deliveries. Secondly, a consensual deal with the sukukholders and shareholders was reached in May 2018, removing any remaining uncertainty around the refinancing of the Sukuk and confirming the Company's financial strength.

Lastly, our financial position in Egypt has significantly improved, underpinned by a strong operational performance. Here we collected the second highest amount since 2007 both from the Egyptian Government, as part of their commitment to pay down receivables by the end of 2019, and as a result of our continued condensate export program.

Decade in the KRI

Just over ten years ago, we entered the Kurdistan Region of Iraq (KRI) with great ambitions. In 2007, we were awarded rights by the KRG for the development of the Khor Mor and Chemchemical gas fields for a period of 25-years and we formed the Pearl Petroleum Company Limited (Pearl) in a joint venture with Crescent Petroleum to execute the project. We were the first international oil and gas company in the KRI to start producing.

Production has been robust and continuous since 2008 without any decline despite the various political, security and economic issues the KRI has encountered during that period. Our investment has now topped US\$1.6 billion and with our ambitious plans to increase our gross production to 900 MMscf/d, there will be significantly more investment and production to come in the years ahead.



We are equally proud of our social contribution in the KRI, from our investments in education and healthcare, to job creation in the local community whilst helping the government replace the use of expensive and high emission diesel fuel with natural gas as an affordable, clean and reliable fuel for supplying the KRI's major power plants.

Sukuk restructuring and buyback

We were gratified to receive the approval of all key stakeholders to complete the restructuring of our Sukuk. The level of overwhelming support underlines the consensual nature of the restructuring. The continued support of both shareholders and sukukholders of the Company is testimony to our financial and operational strength and our exciting future growth prospects.

Since the restructuring, the Company has further reduced the size of its Sukuk to US\$397 million through a buyback program, bringing down the outstanding Sukuk below the required threshold amount that allows the Company to maintain a 4% profit payment until maturity in October 2020. This has saved the Company substantial amounts in profit payments together with savings from purchasing the Sukuk buybacks at a discount to par.

The Board has decided to seek shareholders' consent for a share buyback program that will allow the Company to repurchase up to 10% of the Company's total share capital. The Board believes the Company is currently undervalued and that a share buyback program represents a way of enhancing shareholder value.

Dividend payment

One of the highlights of 2018 was paying our shareholders a first cash dividend of US\$95 million. This payment was a significant milestone for the Company and cements our strong relationship with shareholders.

The Board of Directors has also recently announced its intention to continue with its stated dividend policy. It is therefore proposing to the General Meeting of Shareholders the payment of a cash dividend of 5.5 fils per share, a 10% increase compared to the 2018 dividend, i.e. US\$105 million.

Operations

Following the amicable settlement of the dispute between the KRG and the Pearl consortium partners (who hold the contract for developing the KRI assets in which Dana Gas holds 35% equity), a 10-year Gas Sales Agreement (GSA) was signed to supply and sell additional quantities of gas from the Khor Mor Plant debottlenecking project. This project, completed in October 2018, led to a 30% increase in production, bringing current total production to 100,000 barrels of oil equivalent per day (boepd), making it the largest regional private sector upstream and midstream petroleum operation in the KRI today.

Pearl recently signed another 20-year GSA which sees the KRG committing to purchasing an additional 250 MMscf/d. This agreement opens a new chapter in the expansion of our Kurdistan Gas Project that will see a further investment of over US\$800 million in coming years to expand total production up to 900 MMscf/day plus 35,000 bpd of condensate and 1,200 MTpd of LPG (in total 199.2 kboed), further fuelling the region's and Iraq's economic growth and development.

In Egypt, the Company's strategy of balancing investments against collections has continued. Following reduced drilling activity in 2017, our drilling picked up in 2018 after receiving payments in the first half. We drilled the successful Balsam-8 well, helping to mitigate the production declines we were experiencing due to natural field declines. We also have exciting growth opportunities in Egypt exemplified by the forthcoming high impact offshore Merak deepwater well that we are drilling in the Company's Block 6 North El Arish Concession Area.

This is the first well to be drilled in one of three prospects all containing a multi-Tcf gas resource potential. The well is expected to spud in the 2Q 2019.

Big strides were made in 2018 with our Egyptian condensate export shipments. A total of five cargoes were exported in 2018, collecting payments of US\$54 million. This was up from three cargoes in 2017. The hard currency received from the buyers relating to the government's share of the incremental condensate is being paid directly to Dana Gas to contribute to paying down the outstanding balance of receivables owed to the Company by Egyptian Government entities.

The Zora Field in the UAE saw its production for the full year continue to fall. No further intervention is economically viable to increase production and therefore, based on current production decline, we anticipate production will stop sometime this year. This is obviously disappointing but as the problems relate to unexpectedly poor reservoir development, this is not something that could have been anticipated prior to development.

Financial performance

Our financial performance in 2018 was strong. Our total collections for the year were US\$334 million. We recorded a year-on-year gross profit increase of 19% to US\$140 million, a notable performance given the global volatility of energy prices. Net profit, before impairments, was US\$64 million, compared on a like-for-like basis of US\$5 million in 2017. We had a non-cash impairment of US\$250 million relating to the Zora Gas Field and to our assets in Egypt which resulted in an overall net loss of US\$186 million for 2018. In the KRI, regular payments have been received and there are no outstanding overdue receivables. In Egypt, the outstanding receivables were reduced by 39% at year end. Notwithstanding the Sukuk payments and the cash dividend of US\$95 million, the Company maintained a healthy cash balance of US\$407 million at year end.

The last two years has seen the Company successfully navigate through a number of significant challenges and it is now in its best shape since the Company's inception.

Arbitrations

Regarding our two ongoing arbitrations, the MOL hearing took place in London in November 2018 and a ruling is expected in the first half of 2019. With regard to the National Iranian Oil Company (NIOC) arbitration, our affiliate company, Crescent Petroleum, received a Tribunal ruling in their favour in July 2014 which confirmed the validity of their gas contract with NIOC. A final hearing took place in October 2017 to determine the damages resulting from NIOC's breach of contract from 2005 to 2014. These damages claims included provision for damages relating to Dana Gas's interests in the project. We had expected a Tribunal ruling within 12 months, that is to say by October 2018, but none was forthcoming. We continue to await an award on damages. Crescent have also advised us that they have commenced a second arbitration against NIOC with a new Tribunal, to address the claims for damages from 2015 up to the end of the contract period in 2030.

Board and management

On behalf of the Board of Directors, I would like to express our gratitude for the continued support of our Honorary Chairman, His Highness Sheikh Ahmed Bin Sultan Al-Qasimi, Deputy Ruler of Sharjah and Chairman of the Sharjah Petroleum Council. We would also like to extend our sincere thanks to our shareholders and wider stakeholder base for their continued support for the Company and their confidence in the growth potential of Dana Gas.

Our gratitude also goes of course to our employees, some of the best and most professional men and women in the oil and gas industry, for their commitment and contributions in 2018. In addition, I would like to thank our management team for their dedication, hard work and individual drive.

Their collective commitment has been fundamental to the success of Dana Gas in 2018 – a year of significant challenges as well as opportunities.

I would like to thank our host governments, the KRG and our partners in the KRI for providing the support required to realise our achievements over the past twelve years, as well as the Egyptian Government for their support in challenging circumstances.

Lastly, I would like to thank my fellow Board members for their continued oversight and policy guidance to the executive management team.

Conclusion

We have navigated our way through a series of challenges and issues to deliver a strong operational and financial performance. Significant challenges remain in 2019, not least uncertain global energy prices and geopolitical volatility. Our focus therefore remains on securing continued efficiencies across all of our operations, whilst delivering on our exciting five-year project in the KRI to boost production to nearly 900 MMscf/d that will significantly improve our cash flows, as well as the prospect of success in our Block 6 deepwater Merak well inshallah, to deliver even greater value for our shareholders and stakeholders alike over the coming years.

Mr. Hamid Dhiya Jafar

Chairman



A YEAR OF POSITIVE CHANGE AND CONCLUSIONS FOR DANA GAS

We delivered on two major growth projects which were materially value accretive to shareholders - completing our debottlenecking project in the KRI and the Balsam-8 well in Egypt.

”

Introduction

Set against a challenging backdrop of macro-economic issues, uncertain oil prices and international trade uncertainties, we can proudly state that, 'we had an excellent 2018'. Our commitment to an efficient growth strategy since 2015 has seen an overall improvement to our operational and financial performance, generating considerable shareholder value.

Let me list some of our achievements regarding our growth strategy and how these have impacted the Company and shareholders alike.

Firstly, we delivered on two major growth projects which were materially value accretive to shareholders. These were the completion of our debottlenecking project in the Kurdistan Region of Iraq (KRI) and bringing online our Balsam-8 well in Egypt.

Secondly, we received regular cash receipts, whereby our payments from the KRI were fully up-to-date and our Egypt collections were up 27% year-on-year.

Thirdly, we achieved a consensual conclusion to the Sukuk refinancing. It was a good deal for all parties and the overwhelming vote in favour of the deal from both the bondholders and shareholders is evidence of this.

Fourthly, we were delighted to distribute our first dividend to shareholders; paying out US\$95 million and the Board has recently proposed a 10% dividend increase in 2019.

Lastly, we have an exciting pipeline of projects, with the first one, the high-impact deepwater Merak exploration well in our Egypt Block 6 Concession Area, due to spud in the second quarter 2019. We also have significant expansion plans in the KRI with the aim of increasing production by 125% within 4 years.

Production

Our Group production numbers average for the full year were 63,050 boepd, a 7% decrease as a result of reduced output in Egypt from natural field declines and the UAE.



In the fourth quarter, Dana Gas Egypt brought on-stream the Balsam-8 well, adding over 5,500 boepd in gas and condensate. This helped to mitigate the effects of the natural well declines across our various concessions. The net effect was a smaller than expected output decline of 13% to 34,500 boepd (FY17 39,500 boepd). In fact, on a third to fourth quarter comparative basis, production increased from 32,250 boepd to 34,450, highlighting how important the Balsam-8 well has been to the Company in terms of mitigating production declines in Egypt.

In the KRI, production was boosted by the completion of our debottlenecking project, taking annual production to 26,650 boepd from 25,750 boepd in 2017. As this was only brought on-stream in October and given the time required to fully ramp up production, the impact can only start to be seen in the Q4 production figures, which increased by 4,100 boepd to 29,200 boepd.

For the full year 2019, we expect our output to be 30% higher on average, adding approximately US\$50 million in revenue, reflecting the full impact of this project.

More than 70% of our production is gas, whose prices remain tied to long-term contracts. However, we have been able to generate higher realised prices from our condensate and LPG sales. The average realised price for condensate was US\$59 per barrel, representing a 31% increase year-on-year; and LPG was US\$34 per boe, representing a 13% increase year-on-year. Higher realised prices have more than compensated for the drop in our overall output.

KRI

It has been a very busy and eventful year in the KRI. Early in 2018, Pearl Petroleum signed a 10-year Gas Sales Agreement (GSA) with the KRG to supply and sell the additional quantities of gas from the debottlenecking project. First gas came onstream in October and we achieved first sales before year end. This was a great achievement and we are proud of our team's efforts.

Earlier in 2019, Pearl Petroleum signed a second GSA, which sees the KRG committing to purchasing an additional 250 MMscf/d. This supply will come from the US\$800 million expansion underway at the Khor Mor Plant. The expansion includes two new gas production trains, the drilling and workover of 12 wells, resulting in production increasing from the current 400 MMscf/day to 650 MMscf/day by 2021, and then to 900 MMscf/day by 2023. The plant, which began operating in 2008, supplies natural gas from the Khor Mor Field by pipeline to power plants in the towns of Chemchemical, Erbil and Bazian. The Khor Mor Plant also produces LPG and NGL, which are sold locally.

Current gross production is 100,000 boepd, making us the largest regional private sector upstream gas operation in Iraq today.

Dana Gas is not expected to be required to put additional capital expenditure towards the expansion of the plant. Instead, it will be funded primarily by Pearl through multi-lateral loans, bonds, bank debt and third-party financing arrangements and then only if required from the development fund set aside in the Settlement Agreement and from additional cash coming from the expanded production streams. The total planned capital expenditure by Pearl Petroleum is expected to reach US\$800 million.

Egypt

Solid progress has been made in Egypt. In the second half of the year, we spudded Balsam-8 in the Nile Delta Concession. The Balsam project was completed early and came under-budget at US\$4.5 million with no incidents, achieving an excellent HSSE record. We added 25 MMscf/d of gas and 1,100 bbl/d of condensate, in total 5,500 boepd.

Our big upcoming growth prospect is an offshore concession area, Block 6, North El Arish, our first offshore Concession Area in Egypt. Block 6 has three deepwater prospects, each with multiple Tcf of gas potential. Plans are in place to commence drilling the first well, Merak, in the second quarter 2019. The success case volumes are expected to be 4-6 Tcf of gas resources, which is substantial and capable of supporting an LNG train. To give some context, ENI's Zhor Field contains 30 Tcf of gas resources. We have allocated approximately US\$60 million in capital expenditure for drilling this exploration well.

Big strides were made in 2018 with our condensate shipments to third parties. In 2017, we exported three cargoes, and in 2018 we managed to export five cargoes by debottlenecking the transport logistics, in the process collecting a total of approximately US\$54 million. This year the loading bay at our storage facility is being modified to allow us to boost the frequency of our export cargoes. The cash received from the buyers relating to the government's share of the incremental condensate is being paid directly to Dana Gas in order to contribute to accelerate paying down the outstanding balance of accounts receivable owed to the Company by the Egyptian Government.

Gross profit increased by 19% to US\$140 million versus US\$118 million in 2017. This reflected the strong underlying operational performance of the Company.

Zora Gas Field

The Zora Gas Field has been seeing a continuous decline in its output. The field was originally designed to produce 40 MMscf/d. However, when the Sharjah-2 well was brought on-stream in early 2016, production only achieved 20 MMscf/d, which was significantly below expectations. After exhaustive subsurface analysis, it was established that the production performance resulted from poor reservoir quality and connectivity. This was not something that could have been predicted before drilling the well and developing the field.

No further intervention to increase production is economically viable and therefore, based on the current decline rates, we anticipate production will stop sometime during the course of this year. As a result, the reserves will not be produced, and the Company's external reserves auditor has therefore reclassified the 2P reserves to 2C (uneconomic Contingent Resources). As a result, we have had to take a write-down of our investment in the Zora Gas Field of US\$187 million.

Financial performance

From a financial point of view, 2018 was a very important year with several positive steps forward in the Company's financial position.

Revenue was up by 4% at US\$470 million for the year compared to US\$450 million in 2017. Higher realised prices and additional production from the KRI were the main contributors to the growth.

Gross profit increased by 19% to US\$140 million versus US\$118 million in 2017. This reflected the strong underlying operational performance of the Company. For the year, on a like-for-like basis, before impairments and reversals, the Company recorded a profit of US\$64 million compared to US\$5 million in 2017.

During the year, a one-off non-cash impairment provision of US\$250 million has been taken. As discussed earlier, this was made up of US\$187 million for the Zora Gas Field and an impairment provision of US\$59 million for our Egyptian assets.

After these impairments, the net loss for the year was US\$186 million compared to a net profit of US\$83 million in 2017.

G&A and OPEX for the full year totalled US\$70 million, in-line with the US\$67 million spent in 2017 which reflects our continued tight cost control program.

Our cash balance at year end stood at US\$407 million, a 33% decrease compared to last year. This was mainly due to the Sukuk restructuring and buyback payments of US\$351 million and a US\$95 million dividend payment.

Collections

With regard to collections, the Company collected a total of US\$334 million during the full year with Egypt, the KRI and the UAE contributing US\$208 million, US\$114 million and US\$12 million respectively.

In the KRI, regular payments have been received with no outstanding overdue receivables by year end. The government is continuing to pay on time and this gives strong confidence for future investments. Since last year, we are now selling gas in the KRI for the first time, and those invoices are also being paid in full and on time.

In Egypt, progress was made in reducing our outstanding balance of overdue receivables. We received a large payment in the fourth quarter as part of a wider set of industry payments and our net receivables at year end reduced by 39% to US\$140 million. We expect the rest of our overdue receivables to be paid off during 2019 as indicated by the Egyptian Government and are in regular communication with the authorities to achieve that objective.

Consistent with previous years, our strategy in Egypt remains to continue to balance our investment program against collections to ensure we maintain a robust financial position.

Conclusion of Sukuk restructuring and buyback

We were delighted with the successful consensual conclusion of the Sukuk restructuring. It was a challenging period but, in the end, the deal agreed upon was beneficial to all parties, as clearly demonstrated by the sukukholder and shareholder general meetings where well over 90% of votes were in favour.

In addition to the restructuring, the Company has bought back a total of US\$133 million of its Sukuk, saving a total of US\$21 million. This has reduced the size of the Sukuk from US\$530 million to US\$397 million. Accordingly, the Company met the threshold amount of outstanding Sukuk which allows the Company to continue to pay the Sukuk annual profit rate at 4% rather than increase to 6% until maturity at the end of October 2020. The total saving is therefore expected to be US\$29 million, which is in addition to the initial saving of US\$35 million per annum achieved at the time of the restructuring.

Decade in the KRI

I would like to highlight our decade of partnership, service and progress in the KRI. In 2018, we commissioned with our Pearl partners an evaluation of our achievements in our first ten years of operations in the KRI. In that time we have seen total investment by Pearl Petroleum reach US\$1.3 billion. We have made contributions of between US\$11 and US\$18 billion to GDP; created more than 20,000 jobs during the construction phase of activities; and generated US\$19 billion in savings to the KRG in substituting diesel for gas as a fuel for power generation.

The next ten years will see Pearl Petroleum invest a further US\$4.3 billion, contributing an average of US\$34 billion to the GDP; creating 84,000 temporary jobs during the construction phase; and saving a further US\$33 billion in fuel costs.

I would like to express my thanks to the incredible effort made by the team from Dana Gas and its partners and to the KRG Government for providing the support required to realise these results. You can read more about our achievements in the Kurdistan Gas Project Impact Assessment Report that we commissioned and issued recently, which can be found on our website.

HSSE

In HSSE, 2018 saw continued improvements by comparison to 2017 in terms of both performance and results. Risk assessments and mitigation plans continued to be carried out prior to executing activities in order to reduce risk conditions to the lowest possible reasonable level in our operations that could have an impact on our people, the environment, our assets or our reputation.

The Khor Mor operations managers, supervisors and employees were focused on HSE performance improvement throughout the year. At the end of the year, the plant has achieved 850 days with no reported lost time injury. The Zora Gas Plant achieved three years of injury free work in October 2018. ESIA studies for the Egypt drilling site locations were completed on time, meeting government approval requirements.

Further progress was made in 2018 on the development and full integration of the Asset Integrity Systems for the Egypt, KRI and UAE operations.

CSR

For the past ten years, Dana Gas has made corporate social responsibility and sustainable development part of its corporate values. Ensuring we do not harm the environment while supporting local communities is a core commitment to the way in which we operate. Providing sustainable support is not only the right thing to do, it helps to ensure our activities make a long-lasting positive impact on the communities around us, thereby ensuring the Company's continued licence to operate.

Our initiatives in all of our areas of operations continue to focus on supplying better quality education, improved medical services, improved infrastructure including electricity supply and roads, supporting employment opportunities for local communities and in helping those who have been negatively impacted by conflict.

Our formal reporting of our sustainability activities continued in 2018 with the publication of our second Sustainability Report for the calendar year 2017, produced in accordance with the Global Reporting Initiatives Standards. The report details our actions, progress and initiatives related to our economic, environmental and social performance and records the progress we have made in this area. We are committed to issuing one every year.

Conclusion

We are entering an exciting period in Dana Gas's history. There is a huge growth potential for the business in the next three years and we will ensure that our production, operations and financial strategies are kept aligned to deliver on this. In the KRI, Pearl Petroleum has expansion plans to grow production by a further 500 MMscf/d of gas and 20,000 bbl/d of condensate. In Egypt, the high-impact Merak well, which in case of success has multi-Tcf gas resource potential, is to be drilled in Block 6 in the second quarter 2019. In case of success, this will represent a real game-changer for Dana Gas.

I would like to thank the Dana Gas Board, staff, investors and stakeholders for their tireless efforts and continued support and we collectively look forward to delivering another year of robust business performance in 2019.

Dr. Patrick Allman-Ward
CEO of Dana Gas

Board of Directors



HH Sheikh Ahmed Bin Sultan Al-Qasimi

Honorary Chairman

H.H. Sheikh Ahmed Bin Sultan Al-Qasimi is Honorary Chairman of Dana Gas PJSC, Deputy Ruler of Sharjah and Chairman of the Sharjah Petroleum Council.



Mr. Hamid Jafar

Chairman

Mr. Hamid Jafar attended St. Paul's School in London, and subsequently studied at Churchill College, Cambridge University, where he obtained his Bachelor's Engineering Degree (specialising in Thermodynamics and Fluid Flow), followed by a Master's Degree.

Mr. Hamid Jafar is the Founder and Chairman of the Crescent Group of companies headquartered in Sharjah in the UAE, with regional offices in the Middle East and the UK. The Group is engaged in a variety of commercial ventures including container port operations, logistics, real estate, power generation and private equity.

Mr. Jafar also promoted a culture of transparency and accountability in the Gulf region through the Pearl Initiative (whose Board of Governors he chairs), founded in cooperation with the United Nations Office of Partnerships.

Mr. Jafar is the founder of the UAE Chapter of the Young Presidents Organization and the World Presidents Organization (now 'YPO Gold'). He is also a member of the International Chief Executives Organization. In addition, Mr. Jafar has a wide range of philanthropic interests involving disabled and disadvantaged children, cancer treatment and education. He is a member of the Board of Trustees of the American University of Sharjah.



Mr. Rashid Saif Al-Jarwan

Vice Chairman & Chairman of the Board Steering Committee

Mr. Rashid Al-Jarwan holds a Bachelor's Degree in Petroleum & Natural Gas Engineering from Pennsylvania State University, USA.

Mr. Rashid Saif Al-Jarwan is the Vice Chairman of Dana Gas. He also serves on the Board of Emirates General Petroleum Corporation (Emarat), Oman Insurance Company, DIFC Investments (DIFCI), Mashreq Bank and Al Ghurair Holding Company.

Through his extensive oil and gas experience, which extends over more than 40 years, Mr. Al-Jarwan held the position of Acting CEO for one year and General Manager of Dana Gas for 3 years. Earlier he held the position of General Manager of ADGAS for 8 years and several technical and managerial posts in the ADNOC Group of companies in Abu Dhabi for 28 years. He also served on the Board of the National Petroleum Construction Co., the National Drilling Co. in Abu Dhabi and the Sharjah Industrial Development Co. and Fertil Company in Abu Dhabi.

In addition, he is the Chairman of the Board Steering Committee of Dana Gas.



Mr. Varouj Nerguizian

Director & Chairman of the Audit & Compliance Committee

Mr. Varouj Nerguizian holds Sciences Economiques Degree from Saint Joseph University, Lebanon and from Université Lyon Lumière, France.

Mr. Varouj Nerguizian has been the General Manager of Bank of Sharjah, UAE, since 1992. He has been the Chairman and General Manager of Emirates Lebanon Bank SAL, Lebanon, (a member of Bank of Sharjah Group) since 2008.

Mr. Nerguizian is a Founding Member of Dana Gas and the Chairman of the Audit & Compliance Committee. He is also a Founding Member and Chairman of the Lebanese Educational Fund SA and the Lyceé Libanais Francophone Privé in Dubai, a non-profit educational initiative that caters to the needs of the Lebanese and Francophone communities of the UAE since 2003. In addition, he serves on the Board of Growthgate PEF, Pearl Initiative and the Board of Trustees of the American University of Sharjah.



Mr. Said Arrata

Director & Chairman of the Reserves Committee

Mr. Said Arrata holds a B.Sc. Degree in Petroleum Engineering from Cairo University, along with several post-graduate accreditations from various universities in North America, as well as numerous oil and gas industry technical and management course diplomas.

Mr. Said Arrata is the Chairman and Chief Executive Officer of Delta Oil and Gas in the United Kingdom, which is involved in exploration and production of oil and gas concessions.

Through his extensive oil and gas experience, which extends over more than 40 years, Mr. Arrata was the Chairman and Chief Executive Officer of Sea Dragon Energy Company in Canada until 2015. He is a former Co-Founder and CEO of Centurion Energy International in Egypt, in addition to senior management positions in major global oil companies in Canada and around the world.

In addition, he is the Chairman of the Reserves Committee of Dana Gas.



Mr. Abdullah Ali Almajdouie

Director

Mr. Abdullah Almajdouie holds a Bachelor's Degree in Industrial Management and a Master's Degree in Business Administration from King Fahd University of Petroleum and Minerals in Saudi Arabia.

Mr. Abdullah Ali Almajdouie has been the Group President and Vice Chairman of Almajdouie Holding Company since 1986. He holds several chairs in GCC companies including Almajdouie De Rijke Logistic Co. in KSA, Star Marines Services in Dubai, Petrology LLC in Bahrain and Raya Financing Co. in KSA.

Mr. Almajdouie is the Vice Chairman of Dhahran International Exhibitions Co. and serves on the Board of several companies as Arab Union of Land Transport in Jordan, and Arab Paper Manufacturing Co. and Prince Mohammed Bin Fahd University in KSA. In addition, he is a Counseling Member of Tharawat in Dubai and a member of social and charitable organisations in Saudi Arabia and GCC.

In addition, he was the Chairman of the Corporate Governance, Remuneration and Nominations Committee of Dana Gas for many years.



Mr. Majid Hamid Jafar

Board Managing Director

Mr. Majid Jafar holds a Bachelor's and Master's Degrees in Engineering (Fluid Mechanics and Thermodynamics) from Cambridge University (Churchill College), as well as an MA (with Distinction) in International Studies and Diplomacy from the University of London's School of Oriental & African Studies, and an MBA (with Distinction) from Harvard Business School, USA.

Mr. Majid Hamid Jafar is the CEO of Crescent Petroleum, the main founder and largest shareholder of Dana Gas. He is the Vice-Chairman of the Crescent Group of companies, a diversified family business group headquartered in Sharjah in the UAE and active across different industrial sectors and countries. His previous experience was with Shell International's Exploration & Production and Gas & Power Divisions in Europe.

In addition to his energy industry positions, he serves on the Board of the Arab Forum for Environment and Development, Queen Rania Foundation and the Iraq Energy Institute. He is also a member of the GCC Board Directors Institute and the Young Presidents Organization, and is an Accredited Director of the Institute of Directors (IoD Mudara).



Mr. Ziad Abdulla Galadari

Director

Mr. Ziad Galadari holds Bachelor's of Laws (LLB) Degree from UAE University.

Mr. Ziad Abdulla Galadari is the Founder and Chairman of Galadari Advocates & Legal Consultants. He has been practicing as Advocate, Legal Advisor and Arbitrator since 1983.

Mr. Galadari is the Chairman of Galadari Investments Group. In addition, he serves on the Board of Dubai World Trade Centre and Emirates Integrated Telecommunications Company PJSC (DU). He is a member of the Lawyers International Association and the Institute of Chartered Arbitrators.

Mr. Hani Hussain Alterkait

Director & Chairman of CGR&N Committee

Mr. Hani Alterkait holds a Bachelor's Degree in Chemical Engineering from the University of Tulsa in the USA.

Mr. Hani Hussain Alterkait served as the Oil Minister in Kuwait until 2013 and Chief Executive Officer of Kuwait Petroleum Corporation (KPC) from 2004 until 2007.

Mr. Alterkait currently serves on the Board of several companies including Advanced Petrochemical Company in KSA, Kuwait Foundation for the Advancement of Science and Warba Bank in Kuwait. In addition, he is the Chairman of the Corporate Governance, Remuneration & Nominations Committee in Dana Gas. Previously, he held various executive positions in several oil and petrochemical companies in Kuwait including Kuwait National Petroleum Co., Petrochemical Industries Co., the Public Authority for Industry, Hoechst German and Ikarus Petroleum Industries Company.

Mr. Shaheen Mohamed Almheiri

Director

Mr. Shaheen Almheiri holds a Bachelor's Degree in Business Communications Technology from Staffordshire University in the UK.

Mr. Shaheen Mohamed Almheiri has been the General Manager of Al Rubaya Group since 2001. Al Rubaya Group is a leasing and real estate management company, commercial agency and representative of international companies.

He has also held the position of General Manager of Abu Dhabi Medical Company since 2007, the exclusive company of Siemens in the United Arab Emirates. Previously Mr. Almheiri was the Assistant Director of Marine Management at the Abu Dhabi Environment Authority until 2010. In addition to his Board membership of the National Corporation for Tourism and Hotels since 2010, he also is a member of the Audit Committee.



Mr. Jassim Mohamedrafi Alseddiqi

Director

Mr. Jassim Alseddiqi holds a BSc in Electrical Engineering from the University of Wisconsin-Madison and MSc in Electrical Engineering from Cornell University, USA.

Mr. Jassim Mohamedrafi Alseddiqi is the Chief Executive Officer of Abu Dhabi Financial Group (ADFG). He has been at the helm of the company since its establishment in 2011, transforming it into one of the leading and fastest growing investment management companies in the MENA region. He is known for his dynamic and innovative approach, having pioneered investment strategies in the region.

Mr. Alseddiqi is the Chairman of SHUAA Capital, Eshraq Properties and The Entertainer. He also serves on the Board of First Abu Dhabi Bank (FAB), Abu Dhabi Capital Group and ADNOC Distribution. He has also served as a noted lecturer at the Abu Dhabi-based Petroleum Institute.

Mr. Nureddin S. Sehweil

Director

Mr. Nureddin Sehweil holds a BSC Degree in Petroleum Engineering from Louisiana State University, USA.

Mr. Nureddin S. Sehweil is the Chief Executive Officer of UAG and Uni-Arab Engineering & Oilfield Services in Abu Dhabi.

His experience extends nearly 46 years in the E&P areas. He started his oil and gas career with Mobil Oil Corporation and Consolidated Natural Gas in the Gulf of Mexico area and has over 7 years experience in the nuclear power generation industry.

He serves on the Board of Uni-Arab Group and its subsidiaries and partnerships in oil and gas engineering, services and supplies. These include Newline Soosan ENS, Newline Huvis Water and Newline Orbitech in the nuclear power generation services.

Dr. Mohamed Nour El Din El Tahir

Board Secretary and Advisor to the Chairman

Dr. Mohamed El Tahir earned his Bachelor of Law Degree from Khartoum University, and earned his LLM and PhD Degrees from Cambridge University, UK.

Dr. Mohamed Nour El Din El Tahir is Board Secretary and Advisor to the Chairman, holding this position since June 2016. Previously, he was General Counsel and Corporate Secretary of Dana Gas for 13 years. He held a similar position at the Arab Petroleum Investment Corporation (APICORP) in Dammam, Saudi Arabia.

Prior to his time in the Gulf, Dr. Mohamed El Tahir was engaged in the legal field in Sudan, both academically and professionally, as a lecturer and associate professor in the Faculty of Law at the University of Khartoum and as a judge and legal consultant.

International Advisory Board



Dana Gas has adopted the concept of the International Advisory Board (IAB). The purpose of this Board is to provide strategic advice to the Board of Directors and the management, as well as to identify specific business opportunities and build relationships worldwide.

(Left to right)

Mr. Kai Hietarinta

Former Vice Chairman of Neste Oy of Finland

Dr. Joseph Stanislaw

Former CEO of Cambridge Energy Research Associates (CERA)

Mr. Nordine Ait-Laoussine

Former Algerian Oil Minister and former Head of Sonatrach

Sir Graham Hearne

Chairman of the International Advisory Board, former Chairman of Enterprise Oil plc of the UK

Ms. Razan Jafar

Secretary of the International Advisory Board

Mr. Hamid Dhiya Jafar

Chairman of Dana Gas

Lord Simon of Highbury

Former Chairman of British Petroleum (BP)

Dr. Burckhard Bergmann

Former member of the Board of Russian gas company Gazprom

Dr. Nader Sultan

Former CEO of Kuwait Petroleum Corporation and Director of the Oxford Energy Seminar



Management



Dr. Patrick Allman-Ward
Chief Executive Officer

Dr. Patrick Allman-Ward is CEO of Dana Gas. He is an accomplished international energy executive with over 36 years of experience in the oil and gas industry. He has held senior positions in locations all over the world, including Europe, the Far East and the Middle East.

Dr. Allman-Ward started his career at Shell in 1982 where he gained extensive experience in a wide range of fields and held many senior positions. Dr. Allman-Ward joined Dana Gas in August 2012 as the General and Country Manager of Dana Gas Egypt. In 2013, Dr. Allman-Ward was selected by the Dana Gas Board to take over as CEO of the Dana Gas Group.

Dr. Allman-Ward studied geology at Durham University and earned his PhD from the Royal School of Mines, Imperial College London.



Chris Hearne
Chief Financial Officer

Chris Hearne is the Chief Financial Officer (CFO) of Dana Gas. He joined the Company in early 2016.

Previously, Mr. Hearne was with Serica Energy plc, an international oil exploration and production company listed on the AIM market in London, where he served as CFO and Director from 2005. Mr. Hearne has over 20 years' experience within the oil industry having been CFO and Senior Vice President of Erin Energy, a NYSE listed company with oil assets across Africa, and with Intrepid Energy North Sea Limited.

Mr. Hearne was originally an investment banker and has extensive experience of corporate finance transactions, including capital markets and M&A. He spent 10 years with Lehman Brothers International and Robert Fleming & Co.



Duncan Maclean
Legal and Commercial Director

Duncan Maclean is Legal and Commercial Director of Dana Gas. Mr. Maclean joined Dana Gas in 2014 as the Commercial and Business Development Director.

Previously, Mr. Maclean was a partner with a leading international law firm based in Perth, Australia, and was the Co-Chair of the firm's global energy and resources group. Mr. Maclean is admitted to the Supreme Courts of Western Australia, South Australia, the Northern Territory and the Federal and High Courts of Australia. He has over 25 years' extensive experience of practicing international energy law.



Bruce Basaraba

Head of HSSE and Sustainability

Bruce Basaraba is Head of Corporate HSSE and Sustainability for Dana Gas, where he is responsible for the direction, leadership and accountability of the Group's performance for HSSE and sustainable development.

He has more than 47 years of environmental and safety management, sustainability planning, human resources management, employee development and training, operations, maintenance and project management experience worldwide.

He began his career in 1972 in heavy industry and energy as a Maintenance Technician. Since then, Mr. Basaraba has held senior management positions in the international petroleum industry, coal mining in Canada, international gold and uranium mining and in technical and vocational training and HSSE and asset integrity consulting.



Ramganes Srinivasan

Head of Human Resources

Ramganes Srinivasan joined Dana Gas in 2009 and has headed the human resources function since 2015. He has over 18 years of human resources experience in multinational and multicultural organisations. Prior to moving to the oil and gas industry, Mr. Srinivasan worked in various HR capacities in the IT sector.

He is experienced in People Capability Maturity Model (PCMM), Six Sigma and Integrated Competency & Learning Management. Mr. Srinivasan holds a MBA in HR and Systems and other professional certifications and credentials in the areas of Reward Management, Job Measurement and Rational Emotive Behavioral Technique.



Donald Dorn-Lopez

General Manager – Egypt

Donald Dorn-Lopez is the Dana Gas Egypt General Manager and the acting Group Technical Director for Dana Gas PJSC. With more than 30 years' experience in oil and gas, Mr. Dorn-Lopez has held senior positions including Technical Director – Country COO for Max Petroleum in Kazakhstan, as well as various other roles for Mobil Oil, British Petroleum, Conoco and Maersk. Mr. Dorn-Lopez began his career as a geoscientist and progressed through technical team leadership, E&P management, operations management to executive management.

Mr. Dorn-Lopez holds a Bachelor's Degree in Geology and Geophysics from San Diego State University in the United States and has undergone various executive leadership training with leading institutes.



Shakir Shakir

Country Manager – Iraq

Shakir is the Iraq Country Manager for Dana Gas and has held this position since 2007.

Prior, Shakir was the Iraq-Countrywide Cognizant Technical Officer (CTO) and the General Development Specialist and Activity Manager for the United States Agency for International Development (USAID) - Iraq Mission. From 2003 to 2007, he worked in developing several sectors such as oil and gas, agriculture, education, local governance, economic growth, power generation and building infrastructure projects in the Kurdistan Region of Iraq under USAID activities and budget.

From 2001 to 2003, he managed the Integrated Rural Agricultural Rehabilitation Program in the United Nations Food and Agriculture Organization (UNFAO) in the Kurdistan Region of Iraq.

Shakir is a member of the Iraqi Physics & Mathematics Society. He obtained a B.Sc. in Physics from the College of Science of the Al-Mustansiriyah University, Baghdad, in 1993. He completed the Iraq Public Policy & Leadership Program at the American University of Sharjah, UAE, in 2013.

GLOBAL ENERGY MARKET OVERVIEW

Global energy demand and oil and gas trade flows were particularly volatile in 2018 due to a series of significant events. These included the US withdrawal from the JCPOA with Iran and renewed sanctions, its increased sanctions on Russia, its trade war with China (at a time when Chinese gas demand was soaring), Egypt's return to being an LNG exporter, the end of war with ISIS in Iraq and Syria, Brexit and Canada's unexpected oil production cut. Economic uncertainty linked to the direction of the US Fed's base rate and China's monetary policy and growth trajectory added further volatility towards the end of the year.

- Over the year, Brent fell from US\$67 to US\$54/bbl but averaged US\$72/bbl over the year. The price volatility is most clearly expressed in Brent's low-high spread of US\$36/bbl, from a high of US\$86 (3 October) to a low of US\$50/bbl (24 December). The year ended on an inflection point, as in December, the futures market switched from steep backwardation to a shallow contango. This implied that the oil market switched to short-term over-supply but with an expectation for price recovery.
- Gas prices rose in all markets during 2018 as the market continued to tighten, driven by a combination of weather, surging Chinese LNG demand, and limited storage in certain markets. The NBP price (European spot price) averaged US\$7.90/MMBtu (up 34 percent from US\$5.90 in 2017). Japan's average LNG import price was about US\$10.60/MMBtu in 2018 (up 23 percent from 2017 when it averaged US\$8.60). Henry Hub prices (US domestic spot price) averaged US\$3.10/MMBtu (up just 2 percent relative to 2017) but finished the year with levels of roughly US\$4, not seen since 2014.

In this context of market volatility, E&P company upstream capex investments have remained steady on 2017, rising just 3 percent on aggregate to about US\$533 billion (source: Rystad Energy). This is still 40 percent below the peak of 2014. There were some signs of investment recovery as upstream capex into conventional onshore rose 6 percent year-on-year whilst tight oil investment rose by 22 percent. Perhaps most importantly, the industry is beginning to focus on new barrels as capex investment into greenfield projects rose 23 percent relative to 2017 and by 73 percent on 2016 (although still down 51 percent on 2012). In 2019, 40 percent of greenfield investment is expected to be in the Middle East, driven primarily by gas developments. A further clear sign that reserve replacement is becoming an industry priority after four years of reduced expenditure has been the considerable investment of International Oil Companies (IOCs) into exploration acreage through licensing rounds, in Brazil (US\$8 billion in total signature bonuses), Mexico (US\$4 billion in minimum work program commitments), and the UAE (US\$6.5 billion in total signature bonuses).

Oil markets

Oil markets have struggled to reconcile the continued growth of US tight oil with OPEC+'s continued efforts to manage its share of global output to reduce price volatility, in the belief that neither a 2008 spike or 2014 collapse would be beneficial to the long-term health of the sector or the global economy. While the US is driven by individual corporate decisions of hundreds of independent companies, each responding quickly when the prevailing oil price justifies investment, OPEC+ has had to balance the market by both cutting and increasing production.

In the same year that Saudi Arabia cut its production to 9.9 mmbbl/d, it was also compelled to ramp up production to a new record of 11.1 mmbbl/d (source: IEA) to try to compensate for the expected outage of Iranian volumes due to the end of JCPOA sanctions relief.

Robustness of global oil demand growth was called into question during the latter half of 2018 due to fears of possible demand destruction related to interest rate hikes in the US and EU and a slowdown in Chinese economic performance. However, the IEA has not changed its demand growth estimates for 2018 (+1.3 mmbbl/d) or 2019 (+1.4 mmbbl/d).

Gas markets

2018 continued the 2017 trend of extreme weather conditions and surging LNG demand in core markets, but also saw rising gas demand in producing pipeline-connected regions such as the US and Europe.

In China, gas imports rose 32 percent to an all-time high of 90.4 mt, South Korean LNG imports hit an all-time high of 44 mt, while in the US gas demand is expected (by the EIA in its October 2018 outlook) to have also risen to an all-time high of about 830 bcm in 2018, up roughly 8.5 percent on 2017. The EU's gas demand is estimated by IHS Markit to have recovered to about 480 bcm in 2018 (up 80 bcm since 2014 and just 40 bcm off its all-time peak).

2018 saw the first three LNG project FIDs after nearly three years (LNG Canada, Corpus Christi train 3 and Tortue FLNG), encouraged by the tightening of the LNG market. These FIDs come against a backdrop of a sizeable proposed second wave of US LNG capacity, which could bring another 120 mtpa to the market by 2025 (assuming FERC and EPC contractor bottlenecks do not slow progress), and a Qatari project to expand its LNG capacity from 77 mtpa to 110 mtpa.

Aside from weather-related demand, 2018's demand drivers (as in 2017) were largely related to clean air policies in countries such as China, but the move away from coal continues to gain momentum in the US, due to abundant gas that competes on cost with coal (since 2010, 40 percent of US coal power generation capacity has been closed or designated for closure), and in Europe where CO2 policy is leading to the closure of more coal power plants (10 European countries are now coal free with another 10 due to be coal free by or before 2030).

Egypt: Egypt has achieved a dramatic turnaround in gas by once again becoming an LNG exporter. Since Egypt became a gas importer in 2014 it has made every effort to stimulate new gas developments by IOCs by renegotiating gas price terms and commitments to repay receivables balances. At the beginning of 2019, Egypt was exporting 520 MMscf/d of LNG.

KRI: The KRI has seen a considerable expansion in its gas productive capacity thanks to the efforts of Pearl Petroleum, which completed the debottlenecking of Khor Mor to deliver a further 90 MMscf/d of gas to be used in KRI power generation. The consortium is now pursuing a two-phase expansion project to deliver a further 500 MMscf/d.



Gas price performance (Gas price – US\$/mmbtu)



Oil price performance (Oil price – US\$/bbl)



Egypt

BALANCING INVESTMENTS AGAINST COLLECTIONS

Highlights

- 27% year-on-year increase in collections
- Receivables in 2018 dropped 40% to US\$140 million
- Balsam-8 completion added over 5,500 boepd in gas and condensate
- 5 condensate cargo exports in 2018 collecting US\$54 million



Overview

Dana Gas has operated in Egypt through its subsidiary, Dana Gas Egypt (DGE), since 2007, focused on developing and providing natural gas and gas liquids, including condensate and LPG. Since entering Egypt, it has become the nation's fifth largest gas producer.

DGE operates 14 development leases onshore at the Nile Delta, all with 100% working interest. In addition, DGE operates Block 6 North El Arish offshore Concession Area with 100% working interest. It also owns a 50% non-operated interest in the Block 3 El Matariya Concession Area onshore at the Nile Delta. The onshore Block 1 North El Salhiya Concession Area was relinquished towards the end of 2018 with one development lease application under process.

Dana Gas also has a partial interest (through its Danagaz Bahrain subsidiary) in an LPG recovery plant in the Gulf of Suez with annual capacity of 130,000 tons.

The business strategy in Egypt is to continue to balance investment opportunities against collections to ensure that a robust financial position is maintained.

Going forward, there is an active program to improve performance for various wells in the development leases. These will be executed in 2019 and will help the Company to mitigate natural field production declines.

Production

Production declines are a natural part of the gas production business and therefore fields require constant investment to partially stem the decline. In Egypt, the strategy of balancing investments against collections resulted in reduced drilling activity in 2017. This was a direct result of not being able to collect the receivables owed to the Company in 2016.

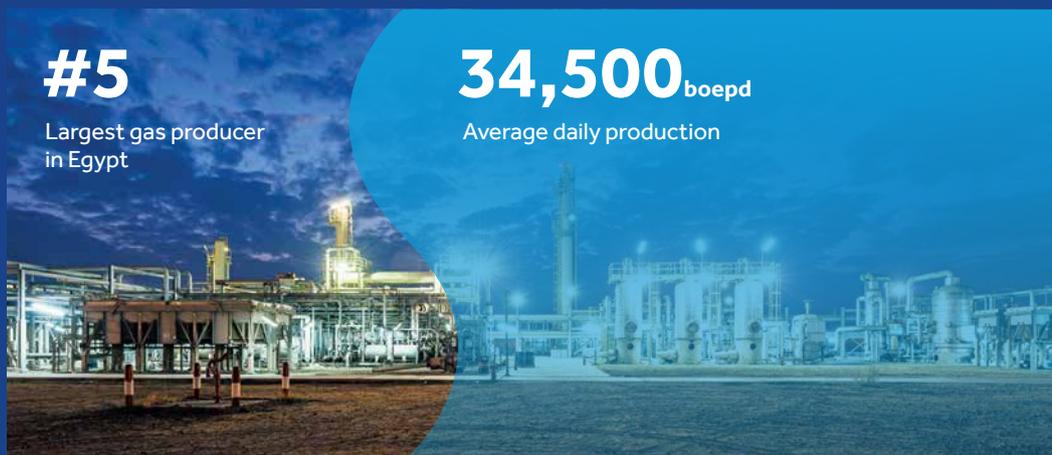
Following the Egyptian Government's payments in the middle of 2017, and funded by those payments, a four-well activity program was started in Q4 2017. Three wells were drilled along with an extensive well workover campaign. Two of the three wells were successful, ESAEN-1 in Block 1 and SAEN-9 which was completed and successfully tested in April and contributed 5 MMscf/d to production. A workover of the Faraskur 2 well was also undertaken, which resulted in additional production of 4 MMscf/d.

#5

Largest gas producer in Egypt

34,500_{boepd}

Average daily production



In total, these activities together added 14 MMscf/d of production capacity. Following receipt in May 2018 of a US\$40 million payment, the Balsam-8 horizontal well was drilled and completed. Excellent results from this well brought production back up to 35,000 boepd by the end of 2018.

Balsam-8 well

This well was drilled and completed ahead of schedule and under budget. Drilling was scheduled to be completed in 65 days at an estimated cost of US\$6.5 million. However, it was completed in 41 days at a cost of US\$4.5 million with no incidents, achieving an excellent health, safety and environment record. Following completion, the production tie-in took three days.

Balsam-8 added 25 MMscf/d of gas and 1,100 bbl/d of condensate, equivalent to 5,500 boepd. This helped mitigate the effects of both the natural well declines and the reduction in investment in drilling activity. Overall for the year, production in Egypt declined by 13% to 34,500 boepd from 39,500 boepd in 2017. However, on a 2018 third quarter to fourth quarter comparative basis, production increased from 32,250 boepd to 34,500 boepd. This increase highlights how important the Balsam-8 well has been in terms of mitigating production decline in Egypt.

Block 1 (North El-Salhiya Concession)

The East South Abu El Naga-1 exploration well was drilled and tested, and the results confirmed it was a commercially viable discovery with production capacity of 5 MMscf/d. The company has applied for a development lease for this discovery. The remainder of Block 1, not covered by the ESAEN development lease application was relinquished by the end of 2018.

Block 3 (El-Matarya onshore concession)

This concession is operated by BP. In 2018, BP drilled two unsuccessful exploration wells, Khairat and Nafahat, in which Dana Gas chose not to participate. BP has exercised an option to extend the licence by a further three years and Dana Gas exercised its option to continue participating in the next concession exploration phase, which began in January 2018. Dana Gas and BP will jointly drill another exploration well in 2019, which will be operated by Dana Gas. Although the scale of this opportunity is relatively small, if successful, it will be tied back quickly into the existing facilities in the Nile Delta.

Condensate shipments

The Company is actively pursuing growth in its condensate export cargoes. The Company successfully increased the number of shipments from 3 shipments in 2017 to 5 shipments in 2018 at an average volume of 157,200 barrels of El Wastani condensate by increasing the number of condensate trucks. These cargoes were exported by Dana Gas under the GPEA, which provides payment of government receivables through marketing and exporting both the Company share and the government share of exported condensate. The total received in 2018 for all 5 cargoes was US\$54 million. The Company is planning to further grow its condensate export capacity by installing additional pump capacity at the Midor storage facility.

Gas production (mmscf/d)

2018	162
2017	187
2016	177

Condensate (bbl/d)

2018	4,982
2017	6,020
2016	5,300

LPG production (MTD)

2018	221
2017	196
2016	245

Production (kboepd)

2018	34.5
2017	39.5
2016	37.6



The Company collected US\$208 million of accounts receivable during 2018 and made substantial progress in reducing the outstanding balance of overdue receivables.

Future growth

Block 6 North El-Arish exploration concession area, awarded in 2014, is the first offshore Concession Area for Dana Gas in Egypt and contains significant growth potential. Several prospects and leads have been defined through advanced 3D seismic, including two that are drill ready. The Merak prospect is a large and robust structure which is defined by closure at Lower Miocene and Oligocene levels. The Lower Miocene is analogous to the prolific Tamar and Leviathan trend that has been very successful for Noble and its partners in the Eastern Mediterranean. The Merak prospect shares many geophysical attributes similar to the Tamar discovery. The Oligocene objective is analogous to the play which has been very successful in the outer Egyptian Nile Delta such as the Atoll, Salamat and Notus Fields and most recently in the Nour-1 exploration well located about 40 km away from Merak. If successful, the Merak-1 well will establish the presence of multiple Tcf of gas resources.

The Merak-1 drill date is now set for Q2, 2019, having been pushed back from an earlier planned spud in February, owing to a requirement by EGAS to re-tender the drill rig contract. To compensate for this delay, the government has extended the first exploration period on the block by a further 4 months, until June 2019.

Reserves and impairments

Gaffney, Cline & Associates (GCA) carried out an independent evaluation of Dana Gas Egypt's reserves as at 31 December 2018. Following this review, the Group's proved plus probable reserves (2P) as at 31 December 2018 were estimated at 89 MMboe (31 December 2017: 117 MMboe).

The decrease in reserves was on account of production during the year, which was not replaced through exploration drilling activity, and reserves revisions resulting from early water breakthrough in the Balsam minor horst and in the El Basant Field where new studies reduced the gas in place volumes and the recovery factor. An impairment provision of US\$59 million was made for Egypt. This consisted of US\$36 million for reserve adjustments as part of the independent reserve report, US\$13 million for the Block 1 relinquishment and US\$10 million for obsolete inventory.

Collections

The Company collected US\$208 million of its accounts receivable during 2018 and made substantial progress in reducing the outstanding balance of overdue receivables. A large payment was received in Q4 as part of a wider set of industry payments and net receivables at year end were reduced by 39% to US\$140 million. This marks the first year since 2011 that the year end balance of accounts receivable in Egypt fell below US\$200 million. The Egyptian Government has continued to forecast that the remaining overdue receivables to the petroleum industry sector will be paid in 2019.

EBGDCO

In the Gulf of Suez, the Company holds a 26.4% interest in an LPG recovery plant with capacity to extract up to 130,000 tons per annum of LPG from a gas stream of 150 MMscf/d of rich gas. In 2018, the plant achieved an input of 139 MMscf/d of rich feed gas and 80,000 tons of propane and butane products were extracted. During the year, the plant availability and reliability was 98%. In 2018, a number of projects were carried out, adding an additional processing capacity of 15 MMscf/d to the current feedstock gas handling capacity. The capital expenditure was financed by the principal buyer and without shareholders' contribution.

HSSE

ESIA studies for the Egypt drilling site locations were completed on time, meeting government requirements for approvals for activities given in a timely manner.

There were two lost time injuries involving contractors. One well site contractor operator was injured due to faulty procedures in well site temporary piping connections. The investigation has led to significant improvements to all temporary piping set-ups at well locations that use temporary production piping. One drill rig employee was injured due to improper procedures being followed and lack of competent supervision. A rig stand down was held to review safe work procedures with the crews. Senior rig management were instructed to improve the competency of their personnel through the instigation of a competency training system. The rig incident was investigated thoroughly with subsequent actions put in place to assure no reoccurrence.

More information is available in the HSSE section on page 38 of the Report.

2P reserves

89 mmboe



Kurdistan Region of Iraq (KRI)

HUGE FUTURE GROWTH POTENTIAL

Highlights

- A decade of continuous production
- KRI payments up to date
- Successful debottlenecking boosted Company's production in the KRI
- Production increased by 30% year-on-year
- Multi-well drilling program at Khor Mor and Chemchemical



Overview

The Kurdistan Gas Project was established in 2007 when Dana Gas and Crescent Petroleum entered into an agreement with the Kurdistan Regional Government (KRG) for exclusive rights to appraise, develop, produce, market, and sell hydrocarbons from the Khor Mor and Chemchemical fields in the Kurdistan Region of Iraq (KRI). The government benefited from having a stable supply of gas for power generation in the region. Production from the gas processing plant in Khor Mor and the 180 km pipeline supplies gas to power stations in Chemchemical, Bazian and Erbil, now generating over 2000 MW of electricity. Production from these newly built facilities began in October 2008 within 15 months from project initiation, an industry record. In 2009, Pearl Petroleum was formed as a consortium with Dana Gas and Crescent Petroleum as shareholders (initially 50%, now 35% each), since when OMV, MOL, and RWE have joined, purchasing a 10% share each.

The Kurdistan Gas Project was the first time that an international oil and gas company had begun producing gas in the KRI. To date, all of the gas produced by the Company has been used for in-country power generation, providing affordable electricity in the KRI. In addition, the Khor Mor Plant produces Natural Gas Liquids (NGL, or gas condensate) and Liquefied Petroleum Gas (LPG), which are sold to the Kurdistan Regional Government (KRG) and local traders respectively. Originally, the Khor Mor Plant produced around 300 MMscf/d but as a result of the debottlenecking project concluded in October 2018, the daily rate has increased to around 400 MMscf/d together with 15,000 bpd condensate and over 1,000 MT/d of LPG.

By early 2012, Pearl Petroleum had invested around US\$1 billion in the region, rising to US\$1.6 billion by early 2019. This investment has allowed Pearl to produce 260 million barrels of oil equivalent (boe), resulting in over US\$20 billion of fuel cost savings and other economic benefits for the KRI. Further investment is underway to expand production from the initial 300 MMscf/d up to 900 MMscf/d by 2022, together with associated liquids.

US\$1.6bn

Investment in the region
by early 2019

990 mmboe

2P reserves



Full-time operational staff now number over 600 with over 80% being local nationals. Local staff are being trained in order to increase this figure further. The Company has also contributed directly to local communities, supplying local power, education and healthcare facilities, as well as sponsoring support programs for internally displaced people in Iraq.

Settlement

In August 2017, Pearl Petroleum reached an amicable settlement of a contractual dispute between the Kurdistan Regional Government and Pearl, the key benefits of the deal being:

- The total settlement in favour of Pearl was US\$2.2 billion, of which Pearl was paid US\$1 billion in cash and the balance, US\$1.2 billion, was transferred to petroleum costs, to be recovered through production.
- Of the US\$1 billion paid in cash, US\$600 million was disbursed immediately to the shareholders (Dana Gas's share was US\$210 million) and a further US\$400 million was placed into a reserve account to fund future investment (Dana Gas's share was US\$140 million). When future investment is financed by third-parties, this reserved amount can be returned to shareholders.

Some of the other additional benefits from the settlement were as follows:

- Firstly, Pearl was awarded an extension to the Khor Mor Block boundaries to encompass the entirety of the field as currently mapped.

- Secondly, the KRG has awarded the Consortium investment opportunities in blocks 19 and 20 located adjacent to Khor Mor and added these to the Heads of Agreement areas, against commitments by the Consortium to make appraisal investments on these blocks, and to develop if commercial oil and gas resources are found.
- Thirdly, the length of the licences was extended by 12 years. They now expire in 2049, which gives Pearl sufficient time to fully exploit these assets.
- Lastly, there was an advantageous change in the profit sharing arrangement to bring it in line with that received by other international oil companies operating in the region.

Most importantly, however, the settlement has lifted the barrier to investing and growing our operations in the region and allows Pearl to move ahead with developing the Khor Mor and Chemchemical fields. This activity is already underway.

Despite the challenges that Pearl has faced since the dispute with the KRG began in 2009, a strong positive relationship is once again being enjoyed with the KRG. Throughout periods of non-payment and growing receivables, the arbitration, the geopolitical and security threats from ISIS, the Consortium continued to operate at maximum plant capacity and produce gas for power generation for the benefit of the people of the region. This commitment was a key factor in achieving the settlement agreement and the Company looks forward to working alongside the Ministries and other partners in the years ahead to complete this exciting project.

Gross gas production mmscfpd

2018	309
2017	299
2016	307

Gross condensate production bblpd

2018	13.0
2017	12.9
2016	13.3

Gross LPG production MTD

2018	976
2017	914
2016	826

Net production kboepd

2018	26.7
2017	25.8
2016	26



Operational Review continued

For 2019, production is expected to be a full 30% higher on average and is expected to add up to US\$50 million annually to the Company's revenue without incurring additional costs.



Development activities

Since the conclusion of the settlement agreement in 2017, Pearl has executed a project to debottleneck the existing Khor Mor gas processing plant; developed a detailed Field Development Plan (FDP) for the Khor Mor Field which envisages expanding production by building two additional gas processing trains; and has put in place an appraisal and development program for the Chemchemical Field which is leading to the completion of a Field Development Plan. The work program comprises the following:

- Fast-track debottlenecking of the existing facilities by 90-100 MMscf/d completed Q4 2018.
- Drilling 2 appraisal wells in Chemchemical and up to 4 development and appraisal wells in Khor Mor begun Q4 2018.
- Work-overs on the six producing wells in Khor Mor begun Q1 2019.
- Building of two 250 MMscf/d trains sequentially to expand gas production from Khor Mor by a further 500 MMscf/d begun Q4 2018.
- Gas Sales Agreements (GSA) with the MNR have been completed for the gas from the debottlenecking project in January 2018, and for the first of the two further 250 MMscf/d expansion trains in March 2019.

Based on an independent external auditor report, the results of which we announced in 2015, Dana Gas believes that the in-place resource potential of the Khor Mor and Chemchemical fields could contain in the region of 75 trillion cubic feet of wet gas and 7 billion barrels of oil. To provide a sense of scale, this is 2.5 times the size of the ENI Zohr gas discovery in Egypt and sufficient to supply 28 years of UAE gas consumption or more than 10 years of gas consumption by the three biggest European economies, Germany, France and the UK put together. This makes our KRI assets one of the largest undeveloped gas reserves in the Middle East.

Growth

The Company will unlock billions of dollars worth of value through executing the Khor Mor and Chemchemical fields' development activities. The initial phase of this production increase was the fast-track debottlenecking project of the existing Khor Mor Plant. The expansion of the gas processing plant consisted of a series of plant additions and modifications to debottleneck throughput, raising output capacity by 30% from 305 MMscf/d to 400 MMscf/d, as well as a further 2,000 barrels per day of condensate, exceeding the initial target of 20-25% increase in production.

The fast-tracking and completion of the debottlenecking project in 2018 boosted production to an annual average of 26,650 boepd from 25,750 boepd in 2017. As the debottlenecking project was only brought on-stream in October 2018 and given the time required to scale up production, the impact could only be seen in the Q4 2018 production figures. This showed quarterly production of 29,200 boepd, up from 25,100 boepd in Q3, providing an additional 4,100 boepd to average production output and boosting revenue for the quarter by US\$8 million. For 2019, production is expected to be a full 30% higher on average and is expected to add up to US\$50 million annually to the Company's revenue without incurring additional costs.

Plans now are underway to increase Pearl Petroleum's production by a further 125% by 2022 through the installation of the two 250 MMscf/d gas processing trains, which are expected to be completed in two phases in 2021 and 2022. This will increase the capacity to process gas and condensate from the Khor Mor Field by 500 MMscf/d and 20 kbbl/d respectively. With an oil price ranging between US\$60-\$70 per barrel, the new trains are expected to add US\$175-\$200 million to Dana Gas's share of revenues and the project's cash flows per annum.

Capex and collections

Capex in the KRI for 2018 was US\$50 million. There were no funding requirements as the monies were sourced from contractor financing and operating cash flow. This will continue to be the case in 2019. In 2018, Pearl Petroleum also secured a term facility of US\$150 million to fund expansion activities in the KRI.

The Company received regular payments and collected US\$114 million during the full year, with no outstanding receivables at year end. Up until the completion of the debottlenecking project all the gas generated was supplied free of charge to the KRG, but with the first GSA in place the 100 MMscf per day of additional production is being paid for and collected.

The planned further expansions by Pearl Petroleum are expected to require capital expenditure of US\$700 million and will be funded primarily from multi-lateral loans, contractor financing, bonds, bank debt and, if required, additional dividends forthcoming from the expanded production streams and the sums set aside in the Settlement Agreement. The expansion is therefore not expected to require direct cash injections from Dana Gas.

Reserves

An independent external reserves audit report by Gaffney Cline Associates (GCA) completed in April 2016 estimated that the Proved plus Probable (2P) gas and condensate reserves for the two fields to be 15 Tcf gas and 310 MM bbls condensate. 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. If the two fields were to be fully developed, Pearl would be able to potentially produce 5 to 6 bscf/d gas.

HSSE

The Khor Mor operations managers, supervisors and employees were focused on HSSE performance improvement throughout the year. At the end of 2018, the plant had gone 850 days with no reported lost time injuries.

More information is available in the HSSE section on page 38 of the Report.

UAE

Highlights

- Average production of 1,200 boepd
- Achieved three years of injury free work in October 2018



Zora Gas Field

Dana Gas's UAE operations comprise two projects: the Zora Gas Field, located in the Sharjah Western Offshore Concession Block, and the UAE Gas Project for importing gas.

Signed in March 2008, the 25-year Zora Gas Field Concession was the Company's first GCC project. The gas produced is supplied to the Sharjah Electricity and Water Authority (SEWA) at its Hamriyah power station where it feeds gas-based local power generation. The Zora Gas Field lies 35km offshore and straddles the Sharjah-Ajman maritime boundary. The field is connected by a 12" pipeline to the onshore gas processing plant located within the Hamriyah Free Zone where the gas and petroleum liquids are separated. Having invested US\$250 million in the project, the Company completed construction in 2015 and first gas was produced in January 2016.

Production and reserves

Since production began in 2016, the Zora Field has performed below expectations. The field was originally designed to produce 40 MMscf/d. However, when the field was brought on-stream in early 2016 through the Sharjah-2 well, production only achieved 20 MMscf/d, which was significantly below expectations.

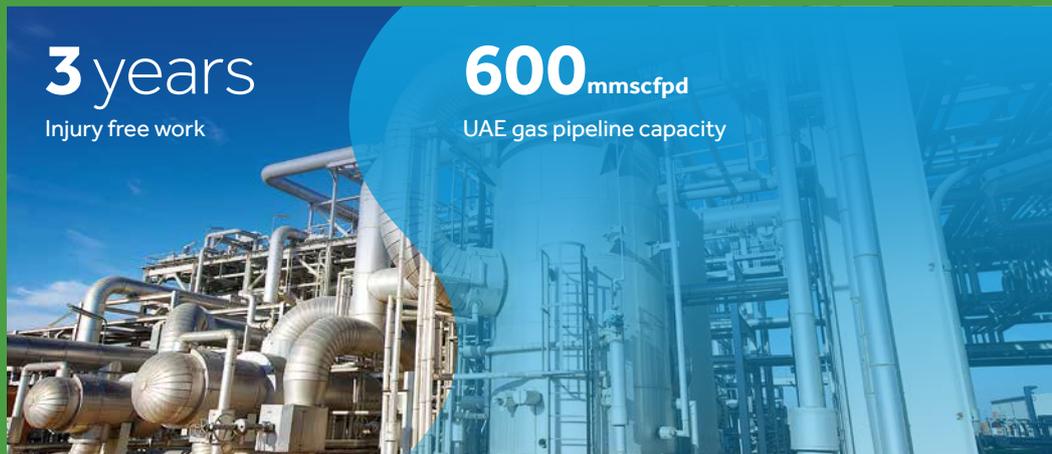
Exhaustive subsurface analysis has established that the decline in production performance can be attributed to poor reservoir quality and connectivity, which could not have been predicted beforehand. The external reserves auditor has reclassified the 2P reserves to 2C (Contingent Resources), which recognises gas resources remaining in the reservoir, but estimates that they are not economic to recover at current market conditions.

3 years

Injury free work

600 mmscfpd

UAE gas pipeline capacity



Zora is currently producing 6 MMscf/d. Average production in 2018 was 1,200 boepd compared to 1,650 boepd in 2017. With production declining steadily, Zora is expected to cease production in 2019.

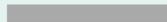
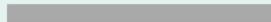
UAE Gas Project

The UAE Gas Project involves the purchase of 600 MMscf/d imported gas for transportation, processing and sale in the UAE. Gas is received at the offshore riser platform, connected to the Mubarak oil field infrastructure and then transported via a 30" pipeline to the SajGas processing plant in Sharjah, where the gas is processed to sweeten it (remove the sulphur) and to extract natural gas liquids (condensate) for sales within the UAE. The offshore riser platform and pipeline are owned by the United Gas Transmission Company, which is wholly owned by Dana Gas, as is the SajGas processing plant.

CNGCL (in which Dana Gas owns a 35% equity share) is the gas marketing company set up to sell the gas to end users in the UAE and to market the liquids and sulphur products to regional and international customers.

The gas was never supplied by NIOC when the project was due to start up in 2005. Accordingly, the Gas Sales & Purchase Contract between Dana Gas's partner Crescent Petroleum and NIOC for the supply of gas has been the subject of international arbitration since June 2009. In 2014, the Tribunal ruled in favour of Crescent, finding NIOC to be in breach of the gas supply contract and liable for damages, following which further hearings have been taking place. The last hearing in October 2017 was to determine the amount of damages payable by NIOC, and the final judgement was expected within 12 months of that hearing. To date, the Tribunal has not given its judgement.

Net production boepd

2018		1,200
2017		1,650
2016		2,700



2018 was a very important year - the Company successfully restructured the Sukuk, there was a significant improvement in cash collections and revenue, and gross profit increased year-on-year.

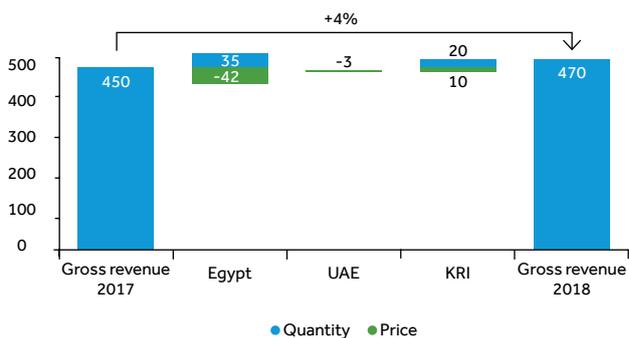


Key financial metrics

	2018 (\$ million)	2017 (\$ million)	% Change
Gross revenue	470	450	4
Gross profit	140	118	19
Net profit before impairment and reversal	64	5	1,180
Net (Loss) / Profit	(186)	83	-
EBITDA	230	334	(31)
Cash From operations	315	465	(32)

Gross revenue

US\$m



Overview

2018 was a very important year with several positive steps forward in the Company's financial position. First, the Company successfully restructured the Sukuk and succeeded in reaching a consensual agreement that benefitted the Company and was overwhelmingly supported by sukukholders and shareholders alike. This was followed by further restructuring with a Sukuk buyback program in which Sukuk amounting US\$133 million (nominal value) was bought back at an average price of 92.1 cents. The buyback reduced the size of the Sukuk from US\$530 million to US\$397 million and realised a saving of US\$21 million. In addition, the reduced Sukuk amount will allow the Company to continue to pay the Sukuk profit at 4% per annum rather than increase to 6% per annum until maturity at the end of October 2020, thereby saving an additional US\$8 million in profit payments. These savings are in addition to the significant saving of US\$35 million per annum in annual profit payments achieved at the time of the restructuring.

Second, there was a significant improvement in cash collections, with more than US\$324 million being collected from the operations in Egypt, the KRI and the UAE. The improved financial position allowed the Company to pay the Group's first ever cash dividend of 5% in May 2018.

Third, revenue and gross profit increased year-on-year, following the timely completion of the debottlenecking project in the KRI. The Group's revenue for the year was 4% higher at US\$470 million compared with last year's US\$450 million, mainly due to higher realised prices and incremental production in the KRI coming on-stream from Q4 2018. Gross profit also increased 19% to US\$140 million compared to US\$118 million in 2017, reflecting the Group's strong operational performance. On a like-for-like basis, excluding one-off impairments, profit from core operations was US\$64 million compared with US\$55 million in 2017. In 2018, a one-off non-cash impairment provision of US\$250 million was recognised in respect of the Zora assets and certain Egyptian assets. Our cash balance at the end of 2018 stood at US\$407 million compared to US\$608 million at the end of 2017.

Collections

US\$334mm

Collected from the operations in Egypt, the KRI and the UAE

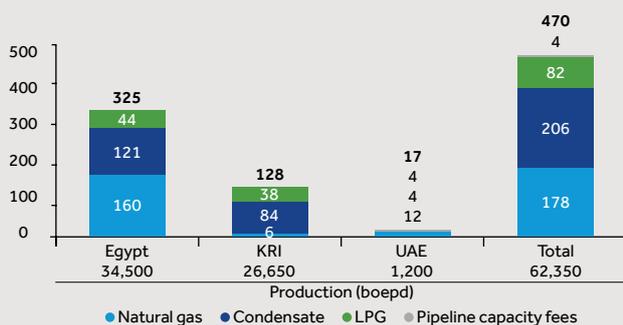
Gross revenue

Gross revenue at US\$470 million was 4% higher than the US\$450 million earned in 2017. Realised prices for liquids averaged 21% higher in 2018 and contributed US\$55 million to the topline. This was partly offset by a US\$38 million reduction due to decline in production in Egypt and Zora, whereas incremental production in the KRI following completion of the debottlenecking project contributed \$10 million. Realised price average \$59/bbl for condensate and US\$34/boe for LPG compared to US\$45/bbl and US\$30/boe respectively in 2017.

The Group ended the year with an average production of 63,050 barrels of oil equivalent per day (boepd), a decrease of 7% compared to 2017 production of 67,600 boepd. The decline in production was mainly due to the natural decline in fields in Egypt, which was partly offset by increased production in the KRI following completion of the debottlenecking project in October.

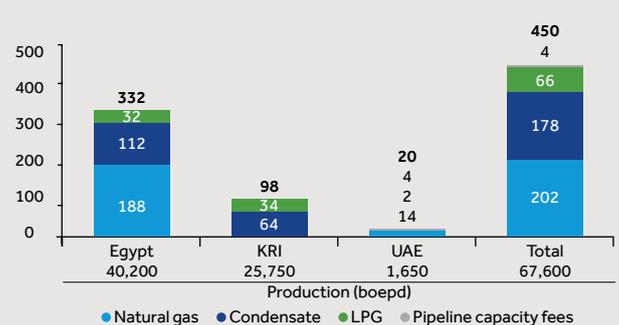
2018 Split gross revenue by product and geography

US\$mm



2017 Split gross revenue by product and geography

US\$mm



The 30% increase in production from the debottlenecking project in the KRI, together with a 5,000 boepd contribution from Balsam-8 in Egypt, allowed the Group to achieve its aspirational target of 70,000 boepd during the period November-December. The Group's year end exit production was 69,424 boepd.

Egypt contributed US\$325 million to gross revenue compared to US\$332 million in 2017. Our share of revenue from the joint operations in the KRI stood at US\$128 million, higher by 31% compared to US\$98 million in 2017.

Gross profit

Gross profit for year increased 19% to US\$140 million compared to US\$118 million in 2017, reflecting the Group's strong operational performance. The increase was mainly due to increased revenues resulting from higher realised hydrocarbon prices during 2018 and the production increase in the KRI.

Gross margins increased by 19% from 42% in 2017 to 48% in 2018, reflecting higher revenue while keeping a tight lid on operating costs. Gross margin in Pearl increased from 55% in 2017 to 59% in 2018, whilst in Egypt the margin reduced from 45% in 2017 to 40% in 2018 due to higher government entitlement in the form of royalties.

The gross margin was also supplemented by a US\$13 million reversal of accruals made by Pearl Petroleum for certain operating charges in prior years. These were no longer required following the positive arbitration settlement with the KRG.

Operating costs, general and administration expenses

After achieving significant reductions in cost, year-on-year, since 2015, we have maintained our operating costs and G&A expenditure at almost the same level in 2018 as in the previous year. We are pleased to have kept a tight control on the expenditure and remain focused on improving profitability.

Net profit

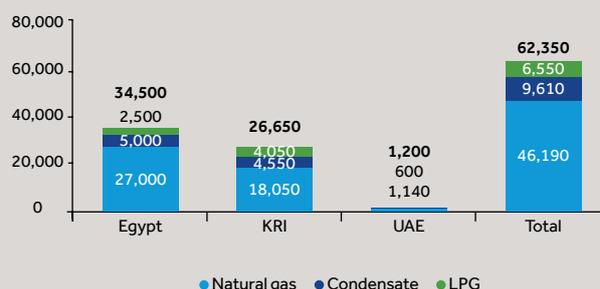
On a like-for-like basis, excluding one-off impairments, profit from core operations increased to US\$64 million compared with US\$5 million in 2017. In 2018, a one-off non-cash impairment provision of US\$250 million was recognised in respect of the Zora assets (\$187 million) and certain Egyptian assets (\$59 million). In 2017, impairments amounted to US\$36 million and a one-off reversal of entitlements amounted to US\$114 million following settlement with the KRG. After impairments, the net loss for 2018 was US\$186 million compared to a net profit of US\$83 million in 2017.

Balance sheet

The balance sheet of the Group remained strong, with total assets of US\$3.2 billion compared to liabilities of US\$580 million. Consequently, equity attributable to shareholders stood at US\$2.58 billion, translating into a book value per share of AED 1.36 (2017: AED 1.5) after absorbing the loss for the year.

After achieving significant reductions in cost, year-on-year, since 2015 we have maintained our operating costs and G&A expenditure at almost the same level in 2018 as in the previous year.

2018 Production split by product and geography
boepd



Gross profit

US\$140mm

Increased 19%, reflecting the Group's strong operational performance



The Balance sheet of the Group remained strong, with total assets of US\$3.2 billion compared to liabilities of US\$580 million.

Non-current assets

Non-current assets of the Group stood at US\$2.46 billion as of 31 December 2018 compared to US\$2.69 billion in 2017, a decrease of 8%. The decrease was primarily due to a one-off impairment charge recognised against Zora assets and certain Egyptian assets.

Current assets

Current assets of the Group stood at US\$706 million as of 31 December 2018, a 35% decrease compared to US\$1.1 billion as of 31 December 2017. The decrease was primarily due to a reduction in trade and other receivables as a result of higher collections during the year, a reduction in cash and cash equivalents and funds held for development.

Cash and cash equivalents reduced from US\$608 million to US\$407 million mainly due to a payment of US\$235 million in respect of upfront principal, accrued profit and costs upon completion of the Sukuk restructuring and Sukuk buybacks amounting to US\$116 million. In addition, in May 2018 a dividend of US\$95 million was paid to shareholders.

Funds held for development decreased from US\$140 million to US\$69 million as during the year US\$71 million was released from these funds to Dana Gas by Pearl in accordance with the Settlement Agreement.

Liabilities

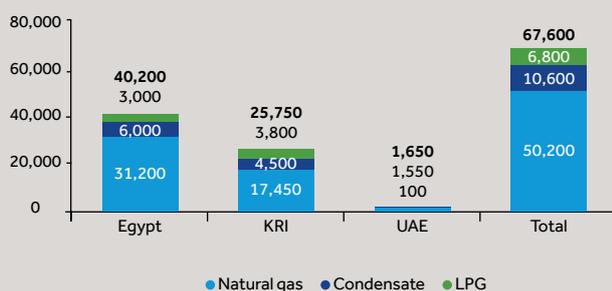
Total liabilities reduced from US\$915 million in 2017 to US\$580 million in 2018. The decrease was primarily due to the successful restructuring of Sukuk and the subsequent buyback program, which reduced the size of Sukuk from US\$700 million in 2017 to US\$404 million in 2018. In addition, the Group settled an amount of US\$23 million against sale and lease back financing in Egypt.

Capital investment

The Group incurred an amount of US\$126 million in capital expenditure during the year ended 31 December 2018. Out of the total, US\$56 million was incurred in Egypt, US\$50 million in the KRI and US\$20 million in the UAE. In Egypt, the capex was spent on care and maintenance, drilling and completion of the Balsam-8 well and the East South Abu El Naga well, and preparatory costs for the drilling of the Merak prospect in Block-6.

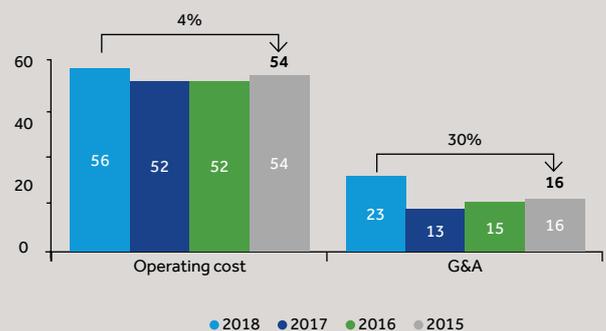
2017 Production split by product and geography

boepd



Operating costs, general and administration expenses

US\$mm



In the KRI, Pearl is proceeding with the development of two world-class gas fields with in-place volumes of approximately 75 trillion cubic feet of wet gas and 7 billions bbls of oil. Pearl has begun a multi-well drilling program at Khor Mor and Chemchemical, with expansion plans to progress and grow gas production by a further 500 MMscf/d and liquids production by a further 20,000 bblpd over the coming three years. The Group's share of total capital expenditure for the year was US\$50 million and was sourced by Pearl through contractor financing, operating cash flow and third-party financing. This will continue to be the case in 2019.

Trade receivables

The Group's trade receivables at the end of the year stood at US\$163 million compared to US\$239 million in 2017. The decrease in receivables was mainly due to higher collections in Egypt compared to revenue billed.

The Group collected a total of US\$334 million during the year, with Egypt, the KRI and UAE contributing US\$208 million, US\$114 million and US\$12 million respectively.

In Egypt, the trade receivables balance reduced from US\$228 million at the end of 2017 to US\$140 million in 2018. The Group collected US\$208 million or 173% of net revenue invoiced for the year. Out of the total collections, US\$164 million was received in US dollars, US\$35 million in equivalent Egyptian pounds and US\$9 million in the form of offset.

During the year, the Group has exported a total of 5 cargoes of condensate with average cargo volumes of 157,200 barrels and collected an amount of US\$54 million. The government's share of the cash generated from the incremental condensate export is being used to pay down the outstanding receivables owed to the Group.

In Kurdistan, Dana Gas's share of collections for the year 2018 stood at US\$114 million and hence realised 89% of the year's revenue. At year end, the Group's share of trade receivables stood at US\$18 million and represents amounts due against local sales for the month of November and December 2018, all of which were subsequently collected.

In Zora, collections during the year stood at US\$12 million. At year end, the trade receivables balance amounted to US\$1 million (2017: US\$1 million).

Cash flow

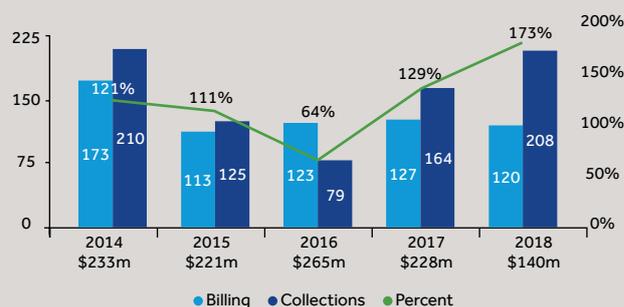
Cash flow from operations decreased from US\$465 million in 2017 to US\$315 million in 2018. The decrease in net cash flow from operating activities was primarily due to a one-off receipt of US\$1 billion (Dana Gas share: US\$350 million) from the KRI towards partial settlement of outstanding receivables in 2017. However, in 2018 collection of US\$208 million in Egypt partly offset the decline in operating cash flow.

Net cash used in investing activities increased from US\$46 million in 2017 to US\$56 million in 2018, an increase of 22%. The increase was mainly due to a higher level of capital expenditure by Pearl during the current year.

Net cash used in financing activities for the year 2018 was US\$460 million, a 347% increase compared to US\$103 million in the prior year. During the year, cash was primarily used for payment of US\$235 million in respect of upfront principal, accrued profit and costs upon completion of the Sukuk restructuring and Sukuk buybacks amounting to US\$116 million. In addition a dividend of US\$95 million was paid to the shareholders in May 2018.

The Sukuk restructuring transaction was completed on 13 August 2018 through a combination of buyback, cash payment and issuance of a new 3-year Sukuk of US\$530 million, maturing in October 2020 with a reduced profit rate of 4% per annum.

Trade receivables – Dana Gas Egypt
US\$m



Trade receivables

US\$163mm

Compared to US\$239mm in 2017



The Group ended the year with a healthy cash and bank balance of US\$407 million based upon which the Board proposed a dividend payment of 5.5 fils per share, a 10% increase over the dividend paid in 2018.

Financing

The Sukuk restructuring transaction was completed on 13 August 2018 through a combination of some buyback, cash payment and issuance of a new 3-year Sukuk of US\$530 million, maturing in October 2020 with a reduced profit rate of 4% per annum.

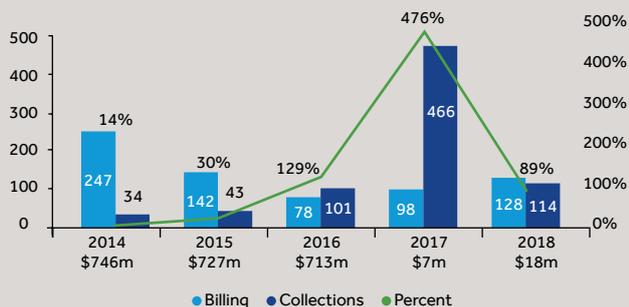
Following this, the Company bought back the new Sukuk amounting to US\$126 million (nominal) leaving the outstanding Sukuk post buyback as of 31 December 2018 at US\$404 million. Subsequent to year end, the Company also bought back additional Sukuk amounting to US\$7 million (nominal) thereby reducing the outstanding Sukuk to US\$397 million. Thus the Company met its post-issuance commitment in relation to use of "Allocated Amount" as well as bringing the outstanding Sukuk to such levels that the Company will continue to pay at the current profit rate of 4% p.a.

Further, in 2018, the Company also fully settled the outstanding amount of US\$23 million relating to an equipment loan and a building loan from CorpLease in Egypt. As a result of all of the above, the total deleveraging by the Company in 2018 amounted to US\$319 million, a decrease of 44% of the outstanding debt as at US\$723 million of 2017. In September 2018, Pearl Petroleum entered into a US\$150 million term loan facility for financing its development activities. This financing is non-recourse to the Company.

The Company will be pursuing various financing options available to deal with the maturity of US\$397 million of outstanding Sukuk in October 2020. The method of refinancing will be decided once the financing needs of the KRI project expansion plans are addressed at the project level, and also post the drilling results of the high potential Merak well at Egypt in H1 2019.

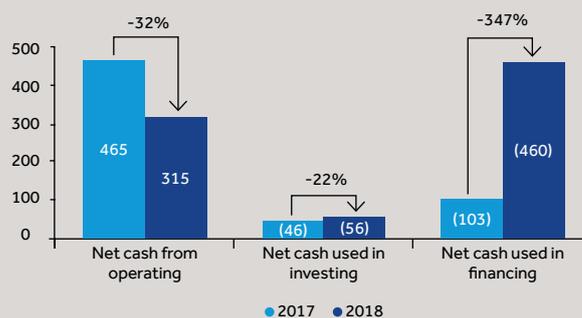
Net cash used in investing activities increased from US\$46 million in 2017 to US\$56 million in 2018, an increase of 22%. The increase was mainly due to a higher level of capital expenditure by Pearl during 2018.

Trade receivables – Pearl Petroleum
US\$m



Note: Percentage calculated as collections divided by net revenue

Cash flow
US\$m



2018 SAW CONTINUED IMPROVEMENTS FROM 2017 IN HSSE PERFORMANCE AND RESULTS

There continued to be improvement in the quality of incident reporting, the frequency of safety observations and the percentage of closed-out actions.



During 2018, there was evident commitment and visible participation by the Dana Gas leadership team and employees towards a proactive effort to protect employees and contractors, the communities we interact with, the environment and our assets from potential hazards and risks.

Highlights

- 2018 saw continued improvements from 2017 in terms of HSSE performance and results, along with risk reductions related to conditions, operations and processes impacting our people, contractors, communities, environment, assets and reputation.
- There continued to be improvement in the quality of incident reporting, the frequency of safety observations and the percentage of closed-out action items.
- The Zora Gas Plant achieved 3 years of injury free work in October 2018.
- Continuous improvement was demonstrated throughout the year in the efficient and timely close out of actions from incident investigations, and in applying lessons learned to take a more proactive approach to incident prevention.
- The middle and senior management leadership teams demonstrated their commitment by increasing the number of site visits and safety inspections in 2018 from 2017. Consistent messages were communicated relating to improving hazard awareness and risk reduction with emphasis placed on behavioural changes such as being proactive, no room for complacency, positive intervention and commitment to continuous improvement.

- ESIA studies for the Egypt drilling site locations were completed on schedule and met government requirements, with all approvals for the activities obtained in time.
- The Khor Mor operations managers, supervisors and employees were focused on HSSE performance improvement throughout the year. At the end of 2018, the plant achieved 850 days (2.25 years) with no reported lost time injuries.
- HSSE training and competency development programs for employees and contractors across the Group were conducted. The primary focus for training was on Behavior Based Safety, Permit to Work, Risk Assessment, Defensive Driving and Safety Observations.
- Further progress was made in 2018 on the development and full integration of the Asset Integrity Systems for the Egyptian, KRI and UAE operations. Critical asset integrity KPI targets were met in 2018 at each location, with a reduction of failures in piping and structures due to corrosion and erosion. The asset integrity programs at each location are continuing to grow and evolve as fit-for-purpose actions to ensure that the safety and integrity of each operating asset meets acceptable risk and integrity standards.

Noteworthy HSSE achievements and incidents in 2018

The Dana Gas Corporate Office in Sharjah and the Khor Mor operation in the KRI demonstrated their full compliance with the internationally recognised OHSAS 18001 standard for Corporate Safety Management Systems and maintained their certifications to that standard through third party audits in 2018.

In 2019, this standard will change to the ISO 45001 standard for workplace safety and health. Dana Gas Egypt and WASCO, the operator of the El Wastani assets, also successfully maintained compliance of their HSE Management Systems to the OHSAS 18001 and ISO 14001 standards in 2018, as demonstrated through third party audit exercises. Exterran, the operation and maintenance contractor for the Zora Gas Plant, maintained compliance of its HSEQ Management System to OHSAS 18001, ISO 14001 and ISO 9001 in 2018.

2018 saw the continued safe operation of the Zora Gas Plant, including both the offshore and onshore facilities. Throughout the year, continued direction and focus was placed on safety performance with the "goal zero" target and philosophy that was started in February 2016. There were no major incidents or injuries for the third year running during the operation of this asset and the credit goes to the gas plant's effective management and leadership, with safety and environment taking priority for everyone.

As part of the Dana Gas Egypt business plan delivery in 2018, there were continued drilling and construction activities. This included several months of drilling activity in Q1 and Q3 2018. Along with the drilling activities at Dana Gas Egypt, there were well tie-in and pipeline expansion activities and upgrades to the gas compression production equipment.

Continuous improvement was demonstrated throughout the year in the efficient and timely close out of actions from incident investigations.

Throughout these activities, the project and operations teams focused on HSE performance and results. However, there was one lost time injury to a contractor operator in Q1 2018, due to faulty procedures in making up well site temporary piping connections despite a lot of focus and attention having been spent on drilling safety at DGE and WASCO and with the primary drilling contractor. The investigation into this incident has led to significant improvements in all temporary piping set ups at Dana Gas Egypt and WASCO well locations that use temporary production piping. In the light of these incidents involving contractor staff and personnel, both Dana Gas Egypt and WASCO placed a lot of attention in 2018 on contractor safety management to improve both safety and environmental management performance through quarterly contractor performance reviews and workshops.

During late June 2018, the first of the wells was spudded in the KRI. Dana Gas and Crescent Petroleum as joint operators were responsible for the drilling of the KRI wells throughout 2018. Subsequent wells were spudded for drilling in July and August 2018.

The drilling of these wells has seen technical, security and safety challenges. Unfortunately, on 16 November 2018, on the Chemchemical-3 drilling location, there was a loss of well control incident during which one of the drilling contractor staff was killed. For all involved this was a very tragic and sad incident. Our thoughts and sympathies continue to go to the family and friends of the deceased. Since the incident occurred, an exhaustive investigation has been carried out to learn from what happened and ensure that it cannot be repeated.

Challenges faced

The key challenge areas for Dana Gas in 2018 with respect to HSSE included:

- Application of consistent and expected workplace safety behaviours and practices.
- Risk identification, assessment and controls.
- Consistent application of environment procedures and practices.
- Taking proactive actions to prevent near misses and high potential incidents.
- Improved incident investigation and close out of actions.
- Continuous improvement of process safety and safety critical elements.

- Improving contractor safety and environmental management.
- Improving contractor safety culture.
- Competency of on-site supervision and employees of contractor companies.
- Improving community relationships linked to environmental and social impacts.
- Ongoing security threats related to conflicts and acts of terrorism in the regions of operation.

Measuring HSSE performance

We remain committed to open reporting of incidents (major and minor) across the Company to enable us to learn and improve. The Group KPIs to Measure HSSE Performance are as follows:

- Number of Fatalities
- Total Recordable Injury Frequency
- Number of Safety Observations
- Number of Observation Close Out Actions
- Vehicle Incident Frequency.

Measuring HSSE performance

We remain committed to open reporting of incidents (major and minor) across the Company to enable us to learn and improve.

Key metric	2018	2017	2016	2015
Fatalities	1	0	0	0
Man Hours Worked (Million Man Hours)	5.9	4.5	5.4	7.9
Recordable Injury Cases	9	5	10	7
Total Recordable Injury Frequency	0.33	0.22	0.36	0.18
Number of Safety Observations	31040	12657	21398	18122
Percentage of Observation Close Out Actions	88%	85%	83%	71%
High Potential Incidents	5	6	9	14
Major Road Accidents	4	0	10	1
Kilometres Driven (million)	* 6.4	5.7	6.4	8.0
Vehicle Incident Frequency	0.12	0.00	0.31	0.21

• 2018 Kilometres driven includes June to December 2018 KRI drilling activities.(4.4 million kms DG/DGE/Zora/Credan, and 2 million kms PPCL)

HSSE risks and measures for reducing risks

Throughout 2018, the leadership team continued to emphasise reducing HSSE risks and achieving positive progress against the performance targets. The risks are identified from asset and Business Unit risk analysis and captured in risk matrices. These have become a key discussion item on the agenda of senior management in dedicated meetings held on a quarterly basis and in Board of Directors' meetings.

Risk theme	Controls in place in 2018 (highlights)
Maintaining a strong safety culture across the Group	<ul style="list-style-type: none"> Group Operating Risk Management System as the guideline for risk control. Corporate and Business Unit Safety and Environmental Management System meeting international standards. Visible Safety Leadership with increased site visits. Timely incident reporting and root cause analysis. Full review and sharing of incident lessons learned. Fit-for-purpose HSSE and asset integrity KPIs included on the Group Scorecard. Celebrating HSSE success with employees.
Consistency in assessment of HSSE risks across the Group	<ul style="list-style-type: none"> Attention on risk identification with required mitigations. Utilising controls: Risk Assessments, Hazard Identification, ALARP, Permit to Work, Management of Change and Environmental and Social Impact Assessments. Demonstrate competency of technical authorities and technical assurance. Conduct Peer Reviews, Readiness Reviews and Lessons Learned.
Project HSSE risk and assurance	<ul style="list-style-type: none"> Compliance with the ORMS and the required HSE management systems and controls. Contractor HSE Management. Risk Assessments, Hazard Reviews and Peer Reviews. Technical Authority for project oversight. Alignment of projects with HSSE requirements.
Ensuring identification and management of major accident hazards	<ul style="list-style-type: none"> Process safety training, competency and technical assurance. Major accident hazard reviews conducted for operating facilities. Safety critical element lists developed for operating facilities. High level investigations of all high potential incidents. Emphasis on lessons learned and continuous improvements.
Consistency in the HSSE standards of contractors	<ul style="list-style-type: none"> Issue of the operations and project requirements for HSSE standards and requirements. Continued reduction of incidents related to driving and transportation performance and Journey Management procedures. HSSE standards and procedures for drilling and construction contractors. HSSE competency requirements for contractor staff.



Celebrating 3 years LTI free at Zora Gas Plant, October 2018



A ROBUST RISK MANAGEMENT PROCESS ACROSS THE GROUP

Early identification, assessment and mitigation of the principal risks are all integral to the management and governance processes operating within Dana Gas. Effective business risk management processes are essential to the efficient operation of projects, business units, central functions and the Group. Dana Gas has fully adopted best practice in Enterprise Risk Management (ERM), covering strategic, operational, project, financial, compliance and HSSE risks, in order to maximise opportunities and safeguard shareholder value.

Dana Gas has a robust risk management process across the Group, which ensures risk is considered at every level of the organisation. There is a bottom up escalation from the country level and functions to the Group and from the Board down to the country level and functions. On an annual basis, the Executive Committee carries out an assessment of the principal risks facing the Group. The key risks are submitted and discussed by the Board and the management of these principal risks is delegated to the Executive Team and senior management and is overseen by the Board of Directors and its committees.

Board and executive responsibility

The Board provides strategic oversight and stewardship of the Company and has a particular responsibility for maintaining effective risk management and internal control systems. This includes evaluating risks to the delivery of the business and strategic plan and oversight on mitigating strategies. The Audit & Compliance Committee (A&CC) has delegated responsibility from the Board for oversight of the risk management process, supported by Group Internal Audit. Risk management is also an integral part of the annual business planning process and ongoing business performance management. Key strategic risks and opportunities are reviewed quarterly by the Board and the A&CC.

Risk factors and uncertainties

Dana Gas businesses in the MENA region are exposed to a number of risks and uncertainties, which could, either on their own or in combination with others, potentially have a material effect on the Group's strategy, business performance or reputation. In turn, these may impact shareholders' returns, including dividends or Dana Gas's share price. The Group continues to define and develop processes for identifying and managing these risks. Some of the risks listed below may be outside the control of Dana Gas and the Group may also be affected by other risks and uncertainties besides those listed here.

A. Line – operational & supervisory assurance

Day-to-day management of the Business and Functional activities in compliance with Internal Control Processes. QPR and Peer Review Process

B. Internal assurance

- a) Assurance by BOD & BOD Committee Structure
- b) Assurance & Oversight by HO functions (Sharjah, DGE), ExCo & sub-committees, Business Unit Management teams.
- c) Internal Audit Reviews by Group Audit & JV Audit

C. Independent assurance

- a) External Auditors (Financial)
- b) Oil & Gas Reserves, HSSE, Technical Consultants
- c) Group Audit investigations and forensics

The Executive Team, Group functional heads and Business Delivery Teams are responsible and accountable for monitoring and managing the risks in their parts of the business. Individual leaders and managers identify and assess the probability and impact of particular day-to-day risks and decide, within their levels of authority, whether the activities causing the risk should be terminated or actions taken to mitigate them to bring them to an acceptable level to meet international industry levels of acceptability (ALARP).

Risk management process

Risk registers and maps capture risks facing the Group and these are assessed, at both an inherent and residual level, against their likelihood to potentially impact the Group. The impacts include financial, HSE, timeline and reputation. The risk owners use these assessments to understand how strong the existing controls are and what mitigating actions need to be taken. Throughout the risk management process, assurances are obtained at each level from the business units.

During 2018, the Executive Team actively reviewed the risks to the business plan and also brought greater focus on action planning to the Group risk register. This assessment enabled the risk owners to determine the strength of existing controls and mitigating actions and to identify the additional treatment required to reduce the risk to the agreed tolerance level. The quarterly risk and audit review sessions created a platform in which new risks and opportunities were discussed and risk-informed decisions about optimal courses of action were made. In addition to the short-to-medium-term risks associated with the delivery of the business plan, the Executive Committee and Board also considered the medium- and long-term risks and opportunities faced by Dana Gas. As in previous years, a further high level review was carried out in 2018 by way of integrating the World Economic Forum risk mapping approach to the region and to the oil and gas industry by which the identification of "top down" global risks are integrated into the Dana Gas bottom-up, business driven risk assessments.

Dana Gas's risk management process is underpinned by the Internal Controls Framework, which sets out all the mandatory policies, standards and controls necessary to manage the Company's business activities and associated risks. Over 2018, the core Internal Controls operating in Dana Gas have been progressively reviewed, updated and further rolled out throughout the organisation. The key policies include the Code of Conduct, Anti-Money Laundering Policy, Anti-Bribery & Corruption Policy, Delegation of Authority Manual, Technical Management Systems and Workplace Policy. Other financial and operational controls are reviewed with respect to the status of their development, communication, understanding, and implementation and monitoring to ensure that they are effective in mitigating the risks.

In Q1 2018, employees and business units confirmed compliance with the key controls such as the Code of Conduct, Anti-Money Laundering Policy and Anti-Bribery & Corruption Policy rolled out during 2017/2018.

Geo-political and sovereign risk

The success of the Group depends in part upon understanding and managing the political, economic and market conditions in the diverse economies in the MENA region. Specific country risks that could have an effect on the Group's business and reputation include: volatility of national currencies; unexpected changes in local laws, regulations and standards; cancellation, variation or breach of contractual rights; aggressive re-interpretation of existing tax laws; regional and governmental instability; government intervention in licence awards; increased royalty payments or taxes mandated by governments; expropriation of assets; and political obstacles to key project delivery.

Receivables, liquidity and impairment

Dana Gas is exposed to liquidity risks, including risks associated with refinancing borrowings as they mature, and the risk that financial assets cannot readily be converted to cash without loss of value. The Group may be required to record asset impairment charges as a result of events beyond the Group's control.

Dana Gas's exposure to receivables and liquidity risk takes the form of a loss that would be recognised if counterparties (including sovereign entities) failed or were unable to meet their payment or performance obligations. These risks may arise in certain agreements in relation to amounts owed for physical product sales.

Inability to replenish depleted reserves

The rate of production from natural gas and oil reservoirs declines as reserves are depleted. The Group needs to replace these depleted reserves with new proved reserves cost effectively and on a consistent basis. Delivery of production growth depends upon a number of factors, including: successful discovery and development of hydrocarbon resources; the acquisition of sufficient new resource opportunities; sufficient field appraisal; reservoir quality and performance; accurate interpretation of received data; drilling conditions or costs; rig availability; and adequate human or technical resources. Competition for exploration and development rights, and access to gas and oil resources, is intense. A failure to secure appropriate new resources could impact upon the Group's production growth prospects beyond the next decade.

Access to new gas markets and the competitive environment

Inability to adequately analyse, understand, respond and access new gas markets and the competitive environment could result in a loss of market share and have an impact on the Group's financial position. This could be due to inability to deliver new gas projects in time and understand the competitive environment from new gas supplies coming into the UAE, KRI, Egypt, and nearby markets. Dana Gas faces strong competition from both the National Oil Companies (NOCs), which control a substantial percentage of the world's reserves, and the International Oil Companies (IOCs) that operate in the region. This competition could make securing access to acreage, reserves and gas markets more challenging.

The success of the Group depends in part upon understanding and managing the political, economic and market conditions in the diverse economies in the MENA region.

Asset performance and asset integrity

The Company's levels of production (and therefore revenues) are dependent on the continued operational performance of its producing assets. The Company's producing assets are subject to a number of operational issues including: reduced availability of those assets due to planned activities such as maintenance or shutdowns; unplanned outages; productivity and efficiency of wells; contamination of product; and the performance of joint venture partners and contractors. In addition, asset integrity failure could lead to loss of containment of hydrocarbons, major accident hazards, marine incidents and wells out of control.

Corporate and project funding

Dana Gas corporate and project funding requirements depend on a broad range of factors, including revenue and cash flow generated from our operations; servicing the Sukuk; variations in the planned level of capital expenditure; success with new development leases; proceeds realised from any asset disposals; hydrocarbon prices; and new agreements with governments for production increases. Dana Gas's ability to access project finance on attractive terms may be constrained by its business performance and liquidity/receivables position. In addition, funding could be affected by any future asset write-off impacting the balance sheet and goodwill.

HSSE

Exploration, production, transmission and processing activities carry significant inherent risks relating to health, safety, security and environmental impacts. Major accidents and the failure to manage the associated risks could result: in injury or loss of life; delay in completion of projects; cancellation of exploration; damage to the environment; or loss of certain facilities with an associated loss or deferment of production and revenues.

Corporate reputation and licence to operate

The Group could be exposed to loss of corporate reputation due to failings in corporate governance, corporate social responsibility, HSSE, regulatory compliance, misreporting and/or restatement of results. This could impact future revenue, increase operating, capital or regulatory costs, or destroy shareholder value. Over the years, the Group has implemented robust corporate governance, corporate conduct, asset integrity and HSSE systems and processes and will continue to enhance these in line with any changes in the regulatory and compliance frameworks in the countries in which it operates.

People resource and succession planning

The Group's performance, operating results and future growth depend on its ability to attract, retain, motivate and organise people with the appropriate level of expertise and knowledge, as Dana Gas pursues its objectives. Dana Gas takes a systematic approach to resourcing to ensure we can meet our long-term human resource needs, operating short- and long-term resourcing demand models to predict and manage the people requirements that underpin the Group's business plans. The Group aims to identify the best people through succession planning and talent management, coupled with effective recruitment.

Insurance

The transfer of risks to the insurance market may be affected and influenced by constraints on the availability of cover, market appetite, capacity, pricing and the decisions of regulatory authorities. Some of the major risks associated with the Group's activities cannot or may not be reasonably or economically insured. Dana Gas may incur significant losses from different types of risks that are not covered by insurance.

Other risks

Other risks that are regularly reviewed and assessed by the Dana Gas Executive Committee include Commodity Prices, Stakeholder Management and Cyber Security.



Dana Gas risk management is underpinned by the Internal Controls Framework, which sets out all mandatory policies, standards and controls necessary to manage our business activities and associated risks.

DANA GAS ALWAYS ASPIRES TO THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE

Dana Gas has recognised that the adoption of best corporate governance practices is fundamental to building a robust business and ensuring a sound commercial reputation in the Middle East and internationally.

Background

The Board of Dana Gas PJSC is committed to upholding the practices of good corporate governance throughout the Group as prescribed in the UAE Corporate Governance Code SCA 7/R.M. The Board believes good corporate governance supports the enhancement of shareholders' value and sustainable growth. The Board is pleased to share the manner in which the Principles of the Code have been applied within the Group in respect of the financial year ended 31 December 2018.

Dana Gas has always aspired to high standards of corporate governance with emphasis on accountability, transparency and integrity. It has recognised that the adoption of best corporate governance practices is fundamental to building a robust business and ensuring a sound commercial reputation in the Middle East and internationally. In 2015, Dana Gas commissioned 'Hawkamah', the Institute of Corporate Governance in the MENA region, to carry out an audit of the corporate governance practices with reference to the Ministerial Resolution No 518/2009. The review confirmed that the Company's corporate governance practices remained top quartile and identified a number of improvements to ensure that the Company keeps to the highest possible standards of corporate governance.

Over 2018, the last remaining actions from the key recommendations were implemented under the review of the Corporate Governance, Remuneration and Nominations Committee (CGR&NC), further strengthening the corporate governance processes.

Corporate governance processes during 2018

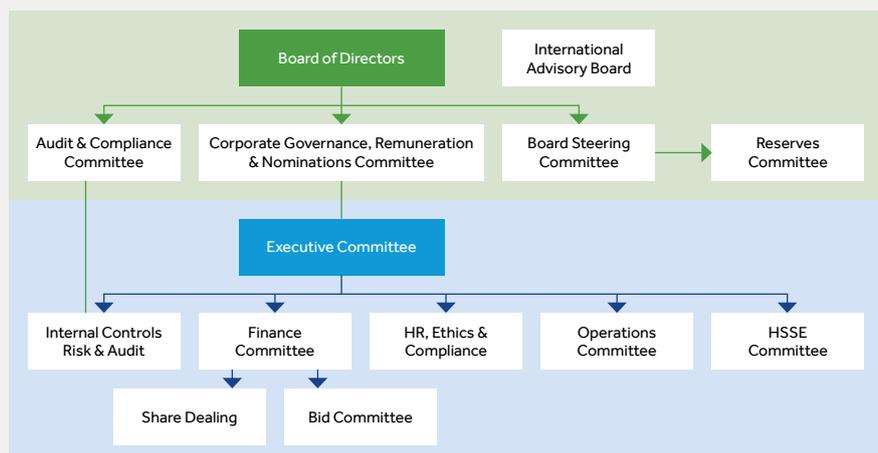
Board elections

The AGM was held in April 2018 and concluded with the election of a new 11 member Board of Directors for the next three-year term.

Board members re-elected from the previous term:

- Mr. Hamid Jafar, Non-Executive Director & Chairman
- Mr. Rashid Al-Jarwan, Non-Executive Director
- Mr. Majid Jafar, Non-Executive Director
- Mr. Varouj Nerguizian, Independent Director
- Mr. Said Arrata, Independent Director
- Mr. Abdullah Ali Almajdouie, Independent Director
- Mr. Ziad Galadari, Independent Director
- Mr. Hani Alterkait, Independent Director

Corporate Governance Committee structure (2018)



New Board Members elected:

- Mr. Shaheen Almuhairei, Independent Director
- Mr. Nureddin Sehweil, Independent Director
- Mr. Adel Al-Awadhi, Independent Director (resigned September 2018)

Subsequent to Mr. Adel Al-Awadhi's resignation, Mr. Jassim Alseddiqi was appointed to the Board of Directors in November 2018.

The retiring Board members included HE Sheikh Sultan bin Ahmed Al-Qasimi, Mr. Nasser Al-Nowais and Mrs. Fatima Obaid Al-Jaber.

Gulf integrity indicator assessment

During 2018, Dana Gas was assessed for the maturity of its Business Integrity Framework and Practices as part of the Pearl Initiative Gulf Integrity Indicator Project. The Pearl Initiative is the leading independent, non-profit organisation working to improve corporate accountability and transparency in the Gulf region. The activities of the Pearl Initiative are supported by a wide range of partner companies from across the Gulf region.

The Gulf Integrity Indicator Framework assessed the business on 6 key pillars:

1. The Company's Integrity Framework (ranked level 4)
2. The Integrity Risk Assessment (ranked level 3)
3. The Implementation of Integrity Policies (ranked level 4)
4. The Management of Integrity Incidents (ranked level 4)
5. The Role of the Board & Executives (ranked level 4)
6. Business Integrity Reporting (ranked level 3)

Dana Gas scored 4 out of a maximum 5 in four of the pillars and a score of 3 out of 5 in the remaining 2 pillars. During 2019, actions plans will be developed and implemented to respond to the identified areas for improvement in the Company's integrity practices so that the business will continue to enhance its internal corporate governance. A re-assessment of our Business Integrity Framework will be carried out at the end of 2019.

Implementation and enhancing of corporate governance practices

During 2017/18, a number of new controls were introduced and rolled out to the business with awareness sessions provided to employees on the key terms and application of these controls. The controls included the Code of Conduct, Anti Bribery & Corruption Policy, Anti-Money Laundering Policy and the Work Place Policy. A year end exercise was conducted to seek employee confirmation on understanding and compliance with these five key controls during 2018. An audit of the application of the Anti-Bribery & Corruption Policy and Anti-Money Laundering Policy is scheduled for 2019.

A Board Effectiveness Survey was carried out by an external consultant in 2017 at the Board's request. An action plan from the 8 key recommendations was implemented during 2018, identifying 27 separate actions items. These actions will be progressively implemented during 2019, further strengthening the corporate governance processes.

High standards of corporate governance are a key contributor to the long-term success of the Company, creating trust between the Company and its stakeholders. Dana Gas will continue to review and develop our governance framework in view of changes in the external environment, business performance and best practice frameworks.

The Board of Directors and responsibilities

The Board is elected by the General Assembly every 3 years and the last election was held in 2018. The Board continues to be comprised of leading businessmen from GCC countries and others with considerable experience in the oil and gas business. Currently out of the 11 members of the Board, 8 are Independent Directors and 3 Non-Executive Directors.

The responsibilities of the Board of Directors include: formulating and approving the Company's strategy and business plans; approving the annual budget and the allocation of resources; setting investment priorities and approving business opportunities; overseeing accuracy of the financial statements and financial reporting and the effectiveness of the internal controls; assessing the executive management's performance; developing and adopting by-laws and regulations, policies and procedures in connection with the Company's administration, financial matters and personnel affairs; and appointing and planning the succession of senior executives.

The Board is independent of the management and is formed of non-executive and independent directors. At all times, at least one-third of the directors are independent and a majority of directors are non-executives with the technical and financial skills and experience required to be of benefit to Dana Gas.

Board committees

The Board has 3 permanent committees, each having a written charter setting out their respective scope and responsibilities. These committees are:

- Audit & Compliance Committee;
- Corporate Governance, Remuneration & Nominations Committee; and
- Board Steering Committee.



Corporate Governance continued

In addition, in light of the importance of the quantification of the Company's hydrocarbon resources the Board has appointed a Reserves Sub-Committee to the Board Steering Committee to provide specialist knowledge required for proper oversight in this area.

The Audit & Compliance Committee (A&CC)

The principal duties of the A&CC are monitoring the integrity of the Company's financial statements and its reports (annual reports, semi-annual reports and quarterly reports), reviewing the financial and accounting policies and procedures of the Company and ensuring the independence of the Company's external auditor. It is also responsible for evaluating the integrity and quality of the Company's risk management and internal control policies and all the duties stated in the Ministerial Resolution 7/R.M. of 2016.

The A&CC members are:

- Varouj Nerguizian, Independent Director (Chair)
- Abdullah Al-Majdouie, Independent Director
- Nureddin Sehweil, Independent Director
- Jassim Alseddiqi, Independent Director
- Majid Jafar, Non-Executive Director

The Committee convenes not less than once every 3 months and additionally whenever the need arises. The minutes of the Audit Committee meetings are signed by the Committee Chair and the Committee Secretary. The management provides the necessary information to the A&CC to enable it to discharge its functions.

Corporate Governance, Remuneration & Nomination Committee (CGR&NC)

The CGR&NC oversees compliance by the governing bodies of the Company, being the General Assembly the Board of Directors and executive management within established corporate governance standards. The Committee assists the Board in relation to the appointment of senior executives, appraisal of management performance, succession planning and remuneration policies. The Committee is responsible for nominations and elections to the Board of Directors.

The CGR&NC members are:

- Mr. Hani Hussain, Independent Director (Chair)
- Mr. Said Arrata, Independent Director

- Mr. Ziad Galadari, Independent Director
- Mr. Shaheen Almheiri, Independent Director
- Mr. Nureddin Sehweil, Independent Director

All of the members of the Committee are Independent Directors. They possess relevant knowledge and expertise in corporate governance, nominations, remuneration, salaries and benefits policies.

The Board Steering Committee (BSC)

The principal role of the Board Steering Committee (BSC) is to provide support to and facilitate the deliberations and decision-making processes of the Board of Directors through prior consideration of matters submitted for the Board's consideration relating to strategy, business planning, budgets and new investment opportunities. The BSC recommends to the Board the business performance targets and annual corporate scorecard for each year and reviews progress against the scorecard as may be required from time to time. It also considers reports from the Sub-Committee on the Company's Reserves.

The BSC members are:

- Mr. Rashid Al-Jarwan, Independent Director (Chair)
- Mr. Varouj Nerguizian, Independent Director
- Mr. Hani Hussain, Independent Director
- Mr. Said Arrata, Independent Director
- Mr. Majid Jafar, Non-Executive Director

The Reserves Sub-Committee (RSC)

The main purpose of the Reserves Sub-Committee (RSC) is to review and approve the Company's Reserves Reports. The RSC reviews the Reserves Reports, discusses these with management and the external reserves auditors and recommends their adoption where appropriate to the Board Steering Committee in accordance with the provisions of its Charter.

The RSC is comprised of:

- Mr. Said Arrata, Independent Director (Chair)
- Mr. Varouj Nerguizian, Independent Director
- Mr. Ziad Galadari, Independent Director
- Mr. Shaheen Almheiri, Independent Director
- Mr. Nureddin Sehweil, Independent Director

Delegation of responsibilities to the executive management

The Board of Directors has delegated to the Company's executive management the following responsibilities:

- To implement the strategies, plans and policies laid down by the Board of Directors for achieving the Company's objectives.
- To identify, pursue and submit studies and proposals relating to business development and new investment opportunities.
- To submit to the Board of Directors periodic reports about the status of the business of the Company, its financial position, internal control procedures and the measures taken to manage risks.
- To provide the Board of Directors, on a timely basis, the information and documents required for the efficient conduct of Board meetings.
- To provide regulatory bodies (e.g. Ministry of Economy, Securities and Commodities Authority, Abu Dhabi Securities Exchange) with information, disclosure statements and documents as required in accordance with applicable laws, rules and regulations and the Company's Articles of Association.

The executive management consists of the following:

- a. Dr. Patrick Allman-Ward, Chief Executive Officer
- b. Mr. Chris Hearne, Chief Financial Officer
- c. Mr. Duncan Maclean, Legal & Commercial Director
- d. Mr. Donald Dorn-Lopez, GM Egypt
- e. Mr. Bruce Basaraba, Head of HSSE
- f. Mr. Ramganes Srinivasan, Head of Human Resources

Company external auditor

The Company's external auditor in 2018 was Ernst & Young, one of the top tier international audit firms with a network of 260,000 employees in more than 150 countries. It is an independent professional firm, which has been in the region since 1923 and has evolved during that period to become one of the big four audit firms in the world. The firm's areas of work include oil and gas, banks, financial institutions, technology and commerce, healthcare, infrastructure, industrial and leisure, in addition to consumer products and allied sectors.

Internal control

Internal controls & risk management

Dana Gas has in place a fully integrated internal control system that links corporate governance rules, risk management, internal controls and assurance processes.

The Internal Controls & Risk Management department is responsible for identifying and assessing the risks facing the Company and assisting management in developing and implementing an effective internal controls system that addresses the key risks. The Company's internal controls are policies, processes and standards designed to achieve the effectiveness and efficiency of operations, reliability of financial reporting and in compliance with laws and regulations. There is a continuous verification in place that the Company and its staff comply with applicable laws and regulations, and resolutions that govern the Company's operations as well as internal procedures and policies.

The Corporate Internal Controls & Risk Manager is responsible for overseeing the Internal Audit and the Internal Controls functions with a direct reporting line to the Audit Committee and is ultimately accountable to the Board. He is primarily and directly responsible for auditing the Company's internal controls to confirm that they are adequate for their intended purpose, for identifying and reviewing any perceived shortfalls or weaknesses in the internal controls, and for testing compliance with the internal control framework. He is authorised to take the necessary action to implement the directives of the Board of Directors, and to report violations of the Company's regulations, policies and Board directives to the Board of Directors and the Audit Committee identified during the audit process.

The Internal Control Manager submits an annual risk-based audit plan to the Board of Directors for approval, which includes a comprehensive assessment of the risks facing the Company. The annual plan is designed to prioritise potential areas of risk with a view to allocating the Group's resources to those areas of most strategic importance to the Company, to ensure that all material functions and activities of the Company (and its subsidiaries) are periodically audited and reviewed, and to support the Company's overall risk assessment procedures.

The internal audit reports are shared with the Company's external auditors when auditing the Company's annual financial statements.

Whistleblowing mechanism

The Company has established a whistleblowing mechanism whereby employees can anonymously make complaints pertaining to mal-administration, fraud or corruption. The Compliance Officer leads the Business Ethics Committee, which is responsible for addressing complaints made through this procedure. Any financial-related complaints are addressed by the Internal Controls & Risk Manager and promptly communicated to the Audit & Compliance Committee.

The Corporate Internal Controls & Risk Manager

Mr. Bob Sehmi was appointed Corporate Internal Controls & Risk Manager in July 2015. He has over 30 years of experience working with multinational organisations listed on the London, New York and Frankfurt stock exchanges and the Abu Dhabi Securities Exchange. Mr. Sehmi is a Fellow of the Chartered Institute of Management Accountants (FCMA), Member of the Institute of Risk Management (MIRM), Member of the Institution of Civil Engineers (MICE) and Member of the Institution of Structural Engineers (MIStructE).

Compliance Officer

Mr. Duncan Maclean was appointed as Compliance Officer by Board Resolution No. 27/2016 dated 22 June 2016, to carry on the duties and functions prescribed in article 51 of the SCA Resolution No 7/R.M/2016 concerning Corporate Discipline and Governance. Mr. Maclean is an Australian qualified lawyer, is admitted as a Barrister and Solicitor of the High Court of Australia, Federal Court of Australia, the Supreme Courts of the Northern Territory, South Australia and Western Australia. He holds a Bachelor Degree in Law (LLB) and a Masters Degree in Commercial Law (MCommLaw) and has over 25 years of experience in corporate, commercial and oil and gas legal practice in international law firms. He is also the Legal and Commercial Director and Company Secretary.

Company social responsibility

In 2018, Dana Gas published its Annual Sustainability Report (2017) prepared in accordance with the Global Reporting Initiative (GRI) Standards. The report details the Company's account of actions, progress and initiatives related to its economic, environment and social performance.

Dana Gas's corporate social responsibility activities cover the countries where it operates. The Company's objective has been to play a prominent role in supporting local communities situated within our areas of operation with the objective of sustainably improving their quality of life. During 2018, Dana Gas implemented a number of projects and programs covering education, health, employment and social activities.



DIVERSITY AND EQUALITY ARE ENGRAINED DEEPLY IN OUR ORGANISATION'S CULTURE

Our people are and will continue to be the most important factor contributing to our success.

Talent attraction and retention

Talent drives our business and at Dana Gas we strive to ensure that we offer not only extensive career opportunities, but also the right work environment for our people to continuously learn, grow and flourish. Our Human Resources priority is to attract, retain and develop the talent needed to deliver our business objectives.

Our people strategies are aligned with our business; they strengthen and support the successful delivery of our objectives and are a key aspect in enhancing shareholder value. Dana Gas is able to continue its success in building and maintaining capability at all levels by identifying, attracting and retaining skilled people. It is an integral part of our evolving culture to value expertise in a way that will generate the necessary proficiency that we require across the Group now and for the future.

Diversity and equality

Diversity and equality are engrained deeply in our organisation's culture. Dana Gas upholds an inclusive culture, where people are valued and encouraged to realise their potential.

We focus on creating and sustaining a collaborative and nurturing environment for employees with diverse backgrounds.

We respect and value everyone, and embrace diversity, which brings understanding and connection to the communities in which we operate. We are committed to equal opportunities and do not condone discrimination of any kind.

Our Code of Conduct, workplace policies and practices provide an inclusive environment where everyone can contribute and develop freely and equitably. These values have helped us to build and maintain the diverse and robust community that is Dana Gas.

Development

We continuously align our learning and development investments with our business imperatives as well as the evolving expectations of our workforce. We support our people in the development of their competencies and capabilities, thereby ensuring that we achieve the full potential for our workforce in support of the business objectives.

As of December 2018, we employed staff from 17 countries.

As of December 2018, nearly 16% of our overall full-time workforce were female employees.



Developing our people and helping them to reach their full potential are key elements in delivering our people strategy and remain key focus areas. We recognise that the success of our strategy depends on successful delivery by our employees, and we therefore provide learning and development opportunities for employees at all levels. In 2018, we spent 481 person days in learning and development activities across all disciplines in the form of external, internal and on-the-job learning. As a part of our social commitment towards building a capable and sustainable workforce for the future, Dana Gas has engaged with academic institutions to provide internship and learning opportunities to university students. In 2018, both in the UAE and in Egypt, Dana Gas provided internship and learning opportunities across multiple disciplines to a total of 8 students, of which 7 were female.

Performance and rewards

At Dana Gas, we take care to ensure every individual's role and responsibilities are articulated and understood, as well as defining the expected outcomes and key results. Dana Gas has a robust performance management program that firstly defines the criteria by which business success is measured. Goals are then set accordingly, performance reviewed periodically, employees assessed for their delivery against their goals and recognised for their contributions. Our performance management system is designed to achieve holistic development for all our employees through performance differentiation, consistent evaluation and continuous feedback.

Dana Gas understands that motivating employees is essential and that effective teamwork drives delivery and progress. The reward philosophy of Dana Gas is performance-driven across all levels and is designed to deliver both a solid employee value proposition as well as to support the corporate strategy effectively.

Our compensation and benefits program is founded on our belief in using the same as a lever, to enhance the performance and productivity of our employees while maintaining a means of differentiating high performers.

This helps the Company in maintaining an able workforce that is motivated and is capable of delivering the Company's business objectives. We have relentlessly pursued practices that have enabled our employees to take pride in being outcome oriented and to take on the responsibility of ensuring that they contribute to the growth of the organisation.

Employee engagement

We are focused on building a lean, well defined and efficient organisation, enabling empowerment, faster decision-making while enhancing effectiveness. Dana Gas has a strong shared focus on maintaining a healthy and safe working environment. Dana Gas encourages all employees to report any incidents that affect their health and safety, with the goal of causing no accidents nor harm to people and minimising any adverse effect on the environment. Dana Gas believes in open dialogue and values employees' feedback and suggestions. Our regular staff Town Hall sessions serve to communicate our operational as well as financial results and to keep everyone informed about changes and progress that affect them as well as the Group.

Head count, net to the Company's interest as of 31st December 2018

The table below sets out the number of employees and contractors employed by Dana Gas through its subsidiaries and joint ventures as of 31st December 2018. The vast majority of these employees and contractors are based in Sharjah, Egypt and the Kurdistan Region of Iraq.

Unit	Employees	Contractors
Dana Gas Head Office	36	3
Dana Gas UAE Units (Saj, UGTC & Zora)	12	3
DG Kurdistan Region of Iraq	3	1
Dana Gas Egypt	90	27
WASCO (Egypt)	5	0
Total	146	34

The table below sets out the number of employees and contractors as of 31st December 2018 employed by joint ventures in which Dana Gas has an interest.

	Ownership interest held by Dana Gas	JV employees (net to Dana Gas's interest)	JV Contractors (net to Dana Gas's interest)
WASCO (Egypt)	100 percent	406	326
EBGDCo (Egypt)	26.4 percent	17	19
Credan (KRI)	35 percent	165	0
Total		588	345



MAINTAINING RELATIONS AND POSITIVE INTERACTIONS BETWEEN BUSINESS AND PEOPLE

Dana Gas in 2018 continued on its sustainability journey by contributing to the development of communities in the regions in which it operates.

For the past ten years, Dana Gas has made corporate social responsibility (CSR) and sustainable development part of our Corporate Values. Ensuring that we do not harm the environment and help support the communities in which we operate is a core commitment to the way in which we do business.

Providing sustainable support is not only the right thing to do from a moral perspective, it is the right thing to do in so far as it helps to ensure that our activities make a long-lasting impact for the better on the communities around us and thereby ensure the Company's continued licence to operate.

Dana Gas's business activities in 2018 spanned Egypt, the KRI and the UAE. The annual CSR objective is to continue in an active role in the development and support of local communities in each of these countries.

Dana Gas in 2018 continued on our sustainability journey by contributing to the development of communities in the regions in which it operates.

Dana Gas believes that CSR is about maintaining relations and positive interactions between business and people, the environment and communities, by contributing to economic and social development while protecting natural resources and respecting the rights of each individual.

- Throughout 2018 the Company was focused on delivering sustainable long-term value to its stakeholders.
- Dana Gas was fully engaged in the year fostering community social responsibility strategies and ethics into its activities and business practices.
- Dana Gas has undertaken this effort since its establishment, and it prides itself on continuing to pursue this path in 2018 despite the many challenges in the petroleum sector as a whole and that the Company has experienced.

Sustainability objective

The priority in 2018 is our commitment to managing the impacts of our businesses in the region and to share in a prosperous future with shareholders, governments, communities, employees and industry partners alike.



The meaning of corporate social responsibility for Dana Gas is:

- Valuing tolerance, diversity, equality and learning.
- Growing talent in the organisation and employee motivation.
- Nurturing a collaborative workplace where there is respect for cultural diversity.
- Focusing on talent development and competency assurance.
- Continuous emphasis on employee performance management and evaluation.
- Continuous effort towards operational excellence.
- Encouraging open communication, employee engagement and timely feedback.
- Creating a work environment that invites everyone's "right to question".
- Mutual sharing of ideas and opinions is expected.
- Promoting the balance between work and family.
- Sharing the value of everyone working safely and respecting the environment.

Corporate social responsibility focus

- To support and develop healthcare standards and education resources for individuals and families, particularly in rural areas where the Company's concessions are located.
- The Company continued offering as much assistance as possible in 2018 to the communities in which it operates and is thereby endeavouring to make a positive and lasting contribution to society.
- Dana Gas believes that the ideal way to achieve our goal is by supporting communities with the best sustainable development tools we have at our disposal.

Corporate social responsibility commitment

In 2018 Dana Gas continued to be fully committed to its corporate social responsibility activities.

Objectives of stakeholder engagement for Dana Gas in 2018

1. Identify all those affected by or interested in our operations and projects to ensure they are included in the engagement process.
2. Understand the views of key stakeholders and ensure they adequately understand the positive and negative impacts of the activities.
3. Inform the public and partners about our activities, being transparent, honest and open.
4. Build relationships and trust through supporting communications, dialogue and engagement with stakeholders, and acting with transparency.
5. Engage with stakeholders including vulnerable and marginalised groups by having an inclusive approach to consultation and participation.
6. Manage expectations and concerns by providing a method for stakeholders to engage with us about their concerns and expectations.
7. Maintain compliance with local and national government regulations and international best practices as defined by recognised standards and associations.

Stakeholder engagement activities for Dana Gas in 2018

1. Conducted ESIA studies where needed for the benefit of the public, the environment and the Company.
2. Carried out stakeholder engagement forums and public consultation meetings with communities.
3. Executed health and safety training programs for the communities.
4. Carried out "meet the neighbours" initiatives.
5. Held open house and site visits at the gas plants.

6. Made corporate presentations to local community schools and universities.
7. Active member of joint business groups and associations to further CSR objectives.
8. Conducted emergency response drills and training with public authorities.
9. Identified and conducted joint mutual aid programs.
10. Made sponsorships, donations and contributed to charity initiatives.
11. Maintained and advertised the Company's formal and informal grievance procedure for raising issues and complaints, including the Whistleblower Policy and process.
12. Maintained mandatory reporting related to operations and project impacts and actions.

Corporate social responsibility involvement in 2018

- Supported higher education in the UAE to develop the youth in the country.
- In Egypt and the KRI, continued to support the development of local primary healthcare and improved local education services.
- In Egypt, continued to promote sustainable business development and partnering with local businesses to further enhance growth and employment opportunities.
- In Egypt and the KRI, supported orphaned children programs and provided materials and resources for community schools.
- In the KRI, continued supporting local infrastructure development projects including access to clean potable water supplies, provision of electricity, bus transportation for school children, and maintaining local access roads for communities where we operate.
- Continued to provide an annual donation to support the operation of a medical and healthcare centre as well as education facilities at a camp for Internally Displaced People (IDP) in the KRI.



We believe that our support and involvement with the continuation of social contributions did make a difference to both communities and individuals in 2018.

Social and economic impact ¹

Dana Gas makes long-term economic investments and generates significant direct and indirect benefits for the KRI through the Erbil and Chemchemical power plants that we supply with cheap gas. Gas fired power generation today is reliable and electricity supplied to the region achieves an average of 22 hours per day compared to 8 hours in 2006, in an area that is fundamentally short of power. This has resulted in an estimated US\$9-21bn in avoided business costs. In addition, Dana Gas contributes to the provision of cheap natural gas and supports the generation of electricity at internationally and nationally competitive rates.

Since June 2011, as part of its CSR program, Crescent Petroleum and Dana Gas have been providing free electricity supplies from the Khor Mor Gas Plant to the local villages in and around Qadir Karam and Khor Mor. In 2018, the amount of electric power provided to the villages was approximately 16,000 kWh per day, which is around 30% of the total electric power generated at the Khor Mor Gas Plant. The commercial value of this free electric power supply is around US\$96,000/month (based on the commercial cost of 0.2\$/kwhr). Since the start of electric power supply to the immediate villages, the total value to the community of this CSR initiative is around US\$8,640,000

Dana Gas Head Office Sharjah 2018 CSR activities

Dana Gas Head Office Sharjah in 2018 was involved in several social activities in order to promote corporate social responsibility objectives:

- Sponsored the Dana Gas Chemical Engineer Chair at the American University of Sharjah (AUS), and will continue this sponsorship in 2019.
- Continued to support an internship program identifying students from AUS and the Sharjah Higher College of Technology, preferably female, to be given work experience.
- Provided annual sponsorship to the Centre for Economic Growth (CEG) at Insead UAE, a collaboration between the region's private sector and a leading global business school, to provide original research and projects on the key economic challenges impacting the region.
- Continued to further strengthen mutual relationships with neighbouring industries located adjacent to the Zora Gas Plant in the Hamriyah Free Zone and the Sajgas Plant in the Saja Industrial Zone to encourage sharing of resources related to emergency response, security and operational issues.
- Provided financial support to a Sharjah-based academic empowerment project to provide orphans with access to education. Dana Gas supported the education of five orphans in 2018.
- Provided financial support to the Sidreh of Wishes (Tree of Wishes) organisation in Sharjah for granting of wishes to orphans.

Dana Gas Egypt 2018 CSR activities

Dana Gas has been involved with corporate social responsibility activities in Egypt since the day the business commenced there. The CSR focus has been on support for the local communities in each of the Governorates where the Company has its operations. From 2015 to 2018, there was a significant growth in exploration and production activity in each of the three Governorates, thus necessitating the expanded approach for fit-for-purpose CSR activities. 2018 saw a strategic focus on CSR activities related to healthcare, medical assistance, education support and small business assistance. The 2018 CSR activities that were initiated by Dana Gas Egypt in each of the three Governorates included the following:

Health

- Medical Campaign: Signed a Protocol with Dar El Orman Association to cover heart and eye operations and supply of prostheses. Medical check ups were provided to 105 people in Abu Greeda Village, Faraskur, Damietta.
- Petroleum Marine Services (PMS): Supported PMS to sponsor critical medical cases for the parents of oil & gas industry staff who lack healthcare coverage.

Education

- Teacher Training Program: Signed a Gift Agreement with the American University in Cairo to train 80 teachers from different schools around Dana Gas facilities in Dakahlia and Damietta Governorates to become fully certified in advanced teaching practices.
- Best Qualified Students Competition: DGE held a soccer tournament competition in October 2018 between 60 best performer students from different schools in Faraskur, Damietta and El Gamaleya, Dakahlia, after obtaining the required approvals. Sixty athletic uniforms were distributed to the students.

1. PwC "Assessment of Societal Benefits", Dana Gas and Crescent Petroleum Gas Projects in Kurdistan, December 2014.

Community

- Bakery Project: Finalised the maintenance of the Bakery Project, which is now working with 100% efficiency (Dakahlia Governorate).
- Cancer Hospital Visit: Conducted the Cancer Hospital visit in May 2018, Invited DGE employees to participate in the Cancer Hospital visit. Purchased around 300 toys and school items for distribution to the children suffering from cancer.
- Ramadan Boxes: Purchased and distributed 2,000 Ramadan Boxes (Dry Food) that was distributed in the two Governorates (Dakahlia & Damietta) to support the communities around the facilities. Dana Gas employees participated in labelling and distributing the boxes under the supervision of the Governorates.

Awareness

- CSR/HSSE Event: With cooperation from the El Dakahlia Health Directorate, a CSR-HSSE training and awareness event was held in El Gamaleya for 130 healthcare personnel. Appreciation certificates and first aid kits were distributed at the end of the sessions to stress the importance of personal health and safety.
- Technical Session: DGE Petroleum conducted a session on Introduction to the Oil & Gas Industry for the students of the Faculty of Science in El Mansoura University, Dakahlia.
- Dana Gas Egypt employees participated in and supported the BP Event organised by RRI (Red Rock International) to raise awareness and funds for the Egyptian Paralympic athletes.

Dana Gas Kurdistan Region of Iraq 2018 CSR activities

We provided an annual donation to the AMAR International Charitable Foundation, which operates the Khanke Camp for Internally Displaced People (IDP) on the outskirts of Dohuk in northern Kurdistan. The Khanke Camp includes a medical and healthcare centre as well as education facilities for children and adults. Dana Gas provides charitable support for the operation and maintenance of the healthcare and education facilities at the Khanke Camp. The camp has 18,000 mostly Yazidi residents and the medical clinic is a vital part of the infrastructure.

The education facilities are critical for preparing the children and young adults for learned life skills and job skills for better employment opportunities.

Khor Mor 2018 CSR activities

Throughout 2018 the Khor Mor Gas Plant, under the joint operatorship of Crescent Petroleum and Dana Gas, continued with a focused and fit-for-purpose community social responsibility program, despite challenges and many requests for assistance from the local communities where the Company has its operations and assets.

The focus of the CSR support and assistance programs during the year was on:

- Education support
- Rural electricity generation and supply,
- Rural water supply and infrastructure maintenance,
- Local community healthcare
- Regional youth development
- Social assistance to regional communities and local governments
- Agriculture development in the region.

Khor Mor 2018 CSR highlights

- In 2018, the total value of the aid and support directed towards the communities in the near vicinity of the Khor Mor Gas Plant was US\$1.4 million.
- The largest component of expenditure of US\$1.2 million was for electricity generation and supply for Qadir Karam Town and five other smaller nearby villages. Electricity was generated by the Khor Mor Plant for these villages throughout the entire year.
- The remaining sum of US\$207,000 went towards education, healthcare, water, agriculture and social assistance activities.
- Khor Mor will continue with the provision of CSR activities in education, health, agriculture, social support, water and electricity generation in 2019.

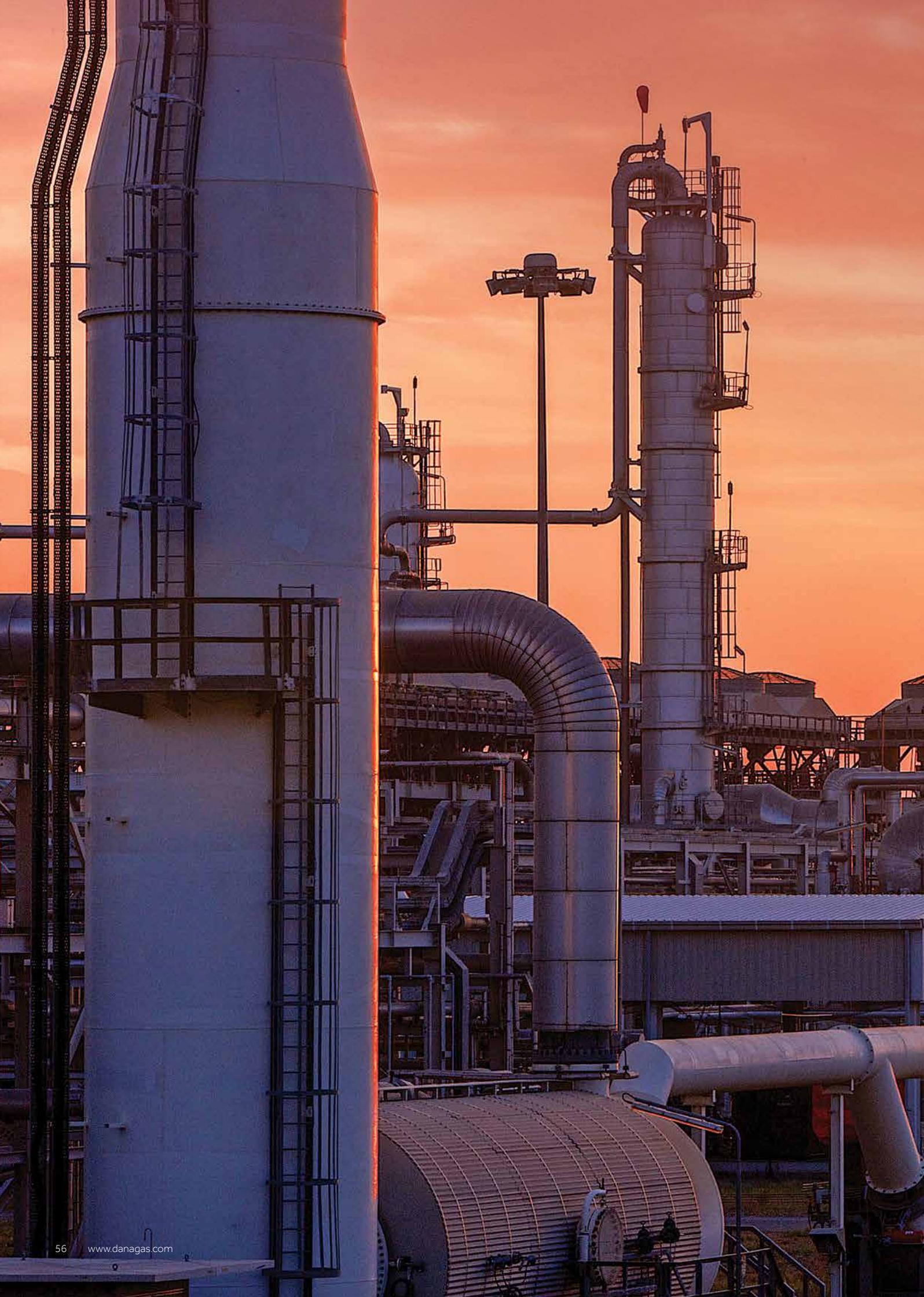
Summary

Dana Gas believes that our continued support and involvement with social contributions made a difference to both communities and individuals in 2018. The Company is committed to its CSR efforts as demonstrated in years past, and in 2019 it will focus on sustainable development initiatives and the alignment of CSR activities in each region in which it operates.

The focus continues to be on improving healthcare, education and community engagement standards. We continue to keep in mind our responsibility to contribute towards improving the quality of life sustainably in those areas where the Company is present.

- Dana Gas is committed to social investment and community development activities.
- Dana Gas recognised that CSR is about managing interactions between business and people, environment and communities.
- Our objective is to directly contribute to economic and social development while protecting natural resources and respecting the rights of individuals.
- We endeavour to make a positive and lasting contribution to society.
- We believe that the ideal way to achieve our goals is by empowering communities and providing them with the necessary resources that lead to successful and sustainable results.
- One of the most essential factors for achieving our goals for sustainability and making the outcomes impactful is recognising the efforts and contributions of our own employees.
- The success of the Dana Gas journey for community social responsibility and sustainability is ensuring that our employees are involved and engaged.
- The key to achieving the Dana Gas sustainability goals is by having a solid and reputable corporate governance system in place.

Dana Gas assures its stakeholders that we are a responsible business and we will continue to focus on the environment and people issues. Our commitment is to deliver sustainable, long-term value, while making a positive contribution to the communities with which we engage.



FINANCIAL STATEMENTS

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Independent Auditor's Report to the Shareholders of Dana Gas PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Dana Gas PJSC (the "Company" or "Dana Gas") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matters

We draw attention to the following matters:

- (i) notes 12 (b) and 14 to the consolidated financial statements which disclose that the continued delay in commencement of gas supplies has prompted a key supplier of the Group to initiate arbitration proceedings against the ultimate supplier; and
- (ii) note 1 to the consolidated financial statements which discloses arbitration between the Group and a joint venture partner.

Our opinion is not modified in respect of the above matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters are addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying consolidated financial statements.

(i) Recoverability of trade receivables from the Government of Egypt

The trade receivables from state owned companies of Government of Egypt, EGPC and EGAS amounted to USD 140 million (note 17) as at 31 December 2018.

Given the quantum of outstanding receivables at year end and the history of delayed payments in prior years we continue to focus in our audit on the recoverability of this receivable balances.

We discussed the status of these receivables with the Group's management and reviewed the Gas production enhancement agreements and its impact on recovering the receivables. We also obtained an understanding of the local environment in which the entity operates and its impact on the operations. We also considered cash received during the year and ageing of these receivable balances.

(ii) UAE gas project assets and legal arbitration

As disclosed in notes 12 (b) and 14 to the consolidated financial statements, the UAE Gas Project to process and transport imported gas continues to await the commencement of gas supplies by the National Iranian Oil Company ("NIOC") to Crescent Petroleum. Dana Gas has a 35% interest in Crescent National Gas Corporation Limited (CNGCL) and owns 100% of SajGas and UGTC, all of whose rights to recover their losses have been preserved and whose claims are being pursued by Crescent Petroleum. Assets of SajGas and UGTC include intangible and tangible assets of USD 289 million and USD 237 million respectively (note 12b). Dana Gas' 35% interest in the marketing entity CNGCL is recorded in the balance sheet at USD 556 million (note 14). The carrying value of these assets is dependent upon the final Tribunal Award on the damages claim against NIOC and the resultant share of Dana Gas.

We have reviewed the legal documents including the decision of the English High Court of July 2016 relating to dismissal of the NIOC challenge of the Award, legal confirmations of the external legal consultants involved in the arbitrations and discussed the progress and status with the client's legal department. We assessed the recoverability of these assets based on Company's confirmation that they know that Crescent Petroleum has made provision in its damages claim against NIOC for reimbursement of the losses suffered by the Company, which the management believes will be sufficient to cover the value of assets relating to the UAE Gas Project. We also reviewed the adequacy of the related disclosures in the consolidated financial statements.

Considering the inherent uncertainty over the ultimate outcome of any arbitration or court process, and the inherent uncertainty over the enforceability of the court orders, we have included an emphasis of this matter in this audit report.

(iii) Goodwill and oil and gas interests

As at 31 December 2018, the Group has goodwill of USD 308 million (note 12) relating to Egyptian assets and tangible and intangible assets amounting to USD 356 million (notes 11 & 12) relating to the oil and gas interests of Dana Gas Egypt. The current volatile oil price environment and uncertainty over timing of cash flows from these assets presents an increased risk of impairment.

The management undertook an impairment review of these assets as at 31 December 2018 using a discounted cash flow model supported by an independent expert's reserve report. This impairment test was significant because of the materiality of the balances and also as it requires significant management judgments and assumptions that are affected by future market conditions, particularly future oil/gas prices, expected reserves additions from the development activities currently in progress as part of Gas Production Enhancement Agreement, commercial recoverability of resources from prospects considered for goodwill valuation, macro-economic conditions in Egypt and the flow rates from the Zora Gas Field in UAE.

Based on impairment review, management has booked impairment of 100% of the remaining book value of development assets of Zora field in the UAE amounting to USD 187 million as no further intervention is economically viable to increase production and USD 36 million on oil and gas interests of Dana Gas Egypt.

We evaluated the assumptions and methodologies used by the Group and the independent external expert, in particular those relating to discount rates, oil/gas prices, capital/operating expenditures and production profile. We evaluated the discount rate used by comparing key inputs, where relevant, to the externally derived data and market rates. We agreed the forward looking data used in the impairment models to the business plan. We compared the short and long-term oil/gas prices assumptions used by management in the business plan to the contractual arrangement and third party forecasts. We compared future capital and operating expenditure to current sanctioned budgets, historical expenditure and ensured variations were in accordance with our expectations based upon other information obtained throughout the audit. We also reviewed the reasonableness of the production profile in light of reserves volumes certified by independent external experts and historical operations.

In addition to the above, we performed audit procedures on the mathematical integrity of the impairment models and performed sensitivity analysis over inputs to the cash flow models. We have evaluated the objectivity, independence and expertise of the independent external expert. We also focused on the adequacy of the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of oil and gas assets and goodwill which are disclosed in note 3 to the consolidated financial statements.

(iv) Arbitration with a joint venture partner

As disclosed in note 1 to the consolidated financial statement, the Company, together with Crescent Petroleum International Limited ("Crescent Petroleum"), had commenced arbitration proceedings against MOL Group ("MOL") on 20 September 2017 arising out of MOL's conduct as a 10% shareholder in Pearl Petroleum Company Limited ("Pearl") relating to the settlement of the arbitration with the KRG.

Dana Gas and Crescent Petroleum rejected the allegations and the default notice and initiated arbitration in The London Court of International Arbitration in order to obtain a formal declarations to resolve these matters. Based on the hearing held on 29 November 2018, it is noted that the key witness being the MOL appointed director to Pearl was not present for the hearing. It is expected that the ruling related to the case will be announced during the first half of 2019.

We have discussed the status of the ongoing arbitration with the Group's management including the legal department, in addition to review of independent external legal confirmations. We have reviewed the correspondence between Pearl and its joint venture partners, and the related arbitration documents including the court transcripts of the hearing held on 29 November 2018. We have also evaluated management's and lawyers rationale for concluding on the validity of the settlement agreement including update based on the hearing held on 29 November 2018. We also assessed the adequacy of the disclosure made in relation to the settlement agreement in note 1 to the consolidated financial statements.

Considering the inherent uncertainty over the ultimate outcome of any arbitration or court process, we have included an emphasis of this matter in this audit report.

Independent Auditor's Report to the Shareholders of Dana Gas PJSC continued

Report on the Audit of the Consolidated Financial Statements continued

Other information

Management is responsible for the other information. Other information consists of the information included in the Group's 2018 Annual Report, other than the consolidated financial statements and our auditors' report thereon. We obtained the Report of the Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Group's 2018 Annual Report after the date of our auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and in compliance with the applicable provisions of the article of association of the Company and the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

- (i) we have obtained all the information we considered necessary for the purposes of our audit;
- (ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015 and the articles of association of the Company;
- (iii) the Group has maintained proper books of account;
- (iv) the financial information included in the Report of the Directors is consistent with the books of account of the Group;
- (v) investments in shares and stocks during the year ended 31 December 2018, if any, are disclosed in note 18 to the consolidated financial statements;
- (vi) note 30 reflects material related party transactions and the terms under which they were conducted;
- (vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2018 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its articles of association which would materially affect its activities or its financial position as at 31 December 2018; and
- (viii) note 34 reflects the social contributions made during the year.

For Ernst & Young



Anthony O'Sullivan

Partner

Registration No. 687

13 March 2019

Sharjah, United Arab Emirates

Consolidated Income Statement

For the year ended 31 December 2018

	Notes	2018		2017	
		USD mm	AED mm	USD mm	AED mm
Revenue	5	470	1,723	450	1,649
Royalties	5	(176)	(645)	(169)	(619)
Net revenue	5	294	1,078	281	1,030
Operating costs		(54)	(198)	(52)	(191)
Depreciation and depletion	11	(113)	(414)	(111)	(407)
Reversal of accrued operating cost		13	47	–	–
Gross profit		140	513	118	432
General and administration expenses		(16)	(59)	(15)	(55)
Investment and finance income	6	22	81	24	88
Other income	7	14	51	26	95
Reversal of surplus over entitlement	28	–	–	114	418
Other expenses		(22)	(81)	(20)	(73)
Provision for impairment		(250)	(916)	(36)	(132)
Change in fair value of investment property	13	(2)	(7)	–	–
Share of profit of a joint venture - net	14	1	4	–	–
Exploration expenses		(6)	(22)	(19)	(69)
Finance cost	8	(36)	(132)	(71)	(260)
(LOSS)/PROFIT BEFORE INCOME TAX		(155)	(568)	121	444
Income tax expense	9	(31)	(114)	(38)	(139)
(LOSS)/PROFIT FOR THE YEAR		(186)	(682)	83	305
(LOSS)/PROFIT ATTRIBUTABLE TO:					
- Equity holders of the parent		(187)	(686)	83	305
- Non-controlling interest		1	4	–	–
		(186)	(682)	83	305
EARNINGS PER SHARE:					
- Basic & Diluted (loss)/earnings per share (USD/AED per share)	10	(0.027)	(0.098)	0.012	0.044

The attached notes 1 to 34 form part of these consolidated financial statements.

Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2018

	2018		2017	
	USD mm	AED mm	USD mm	AED mm
(Loss)/profit for the year	(186)	(682)	83	305
Other comprehensive income	-	-	-	-
Other comprehensive income for the year	-	-	-	-
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	(186)	(682)	83	305
ATTRIBUTABLE TO:				
- Equity holders of the parent	(187)	(686)	83	305
- Non-controlling interest	1	4	-	-
	(186)	(682)	83	305

The attached notes 1 to 34 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018		2017	
		USD mm	AED mm	USD mm	AED mm
ASSETS					
Non-current assets					
Property, plant and equipment	11	1,226	4,494	1,462	5,360
Intangible assets	12	649	2,379	644	2,361
Investment property	13	22	81	24	87
Interest in joint ventures	14	564	2,067	560	2,053
		2,461	9,021	2,690	9,861
Current assets					
Inventories	16	37	136	50	183
Trade and other receivables	17	191	700	285	1,045
Financial assets at fair value through profit or loss	18	2	7	9	33
Funds held for development	19	69	253	140	513
Cash and cash equivalents	20	407	1,492	608	2,229
		706	2,588	1,092	4,003
TOTAL ASSETS		3,167	11,609	3,782	13,864
EQUITY AND LIABILITIES					
Capital and reserves attributable to equity holders of the Parent					
Share capital	21	1,903	6,977	1,903	6,977
Legal reserve	22	116	424	116	424
Voluntary reserve	22	116	424	116	424
Retained earnings		443	1,624	669	2,453
Other reserves	23	7	26	4	15
Convertible bonds – equity component		–	–	58	212
Attributable to equity holders of the Parent		2,585	9,475	2,866	10,505
Non-controlling interest		2	8	1	4
Total equity		2,587	9,483	2,867	10,509
Non-current liabilities					
Borrowings	25	414	1,517	19	70
Provisions	26	15	55	14	51
		429	1,572	33	121
Current liabilities					
Borrowings	25	–	–	704	2,581
Trade payables and accruals	27	151	554	178	653
		151	554	882	3,234
Total liabilities		580	2,126	915	3,355
TOTAL EQUITY AND LIABILITIES		3,167	11,609	3,782	13,864


 Director
 13 March 2019


 Director
 13 March 2019

The attached notes 1 to 34 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018		2017	
		USD mm	AED mm	USD mm	AED mm
OPERATING ACTIVITIES					
(Loss)/Profit before income tax		(155)	(568)	121	444
Adjustments for:					
Depreciation and depletion	11	113	414	111	407
Other income		(14)	(51)	(26)	(95)
Investment and finance income/(cost)	6	(22)	(81)	(24)	(88)
Reversal of surplus over entitlement	28	–	–	(114)	(418)
Provision for impairments		250	916	36	132
Change in fair value of investment property	13	2	7	–	–
Share of profit of a joint venture – net	14	(1)	(4)	–	–
Exploration expenses		6	22	19	69
Finance cost	8	36	132	71	260
Directors' fee		(2)	(7)	–	–
		213	780	194	711
Changes in working capital:					
Trade and other receivables		102	374	405	1,485
Funds held for development		71	260	(140)	(513)
Inventories		3	11	(1)	(3)
Trade payables and accruals		(43)	(157)	45	164
Net cash generated from operating activities		346	1,268	503	1,844
Income tax paid		(31)	(114)	(38)	(139)
Net cash flows generated from operating activities		315	1,154	465	1,705
INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(38)	(140)	(40)	(146)
Expenditure on intangible assets		(32)	(117)	(12)	(44)
Investment and finance income received		13	48	6	22
Investment redeemed during the year		1	4	–	–
Net cash flows used in investing activities		(56)	(205)	(46)	(168)
FINANCING ACTIVITIES					
Dividends paid		(95)	(348)	–	–
Repayment of borrowings		(305)	(1,118)	(81)	(298)
Borrowings		10	37	–	–
Finance costs paid		(70)	(257)	(32)	(117)
Deposit – Murabaha facility		–	–	10	37
Net cash flow used in financing activities		(460)	(1,686)	(103)	(378)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(201)	(737)	316	1,159
Cash and cash equivalents at the beginning of the year	20	608	2,229	292	1,070
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	20	407	1,492	608	2,229

The attached notes 1 to 34 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Atributable to the equity holders of the parent																
	Share capital		Statutory reserve		Legal reserve		Retained earnings		Other reserves		Convertible bonds-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 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 year	-	-	-	-	-	-	83	305	-	-	-	-	-	-	-	83	305
Total comprehensive income for the year	-	-	-	-	-	-	83	305	-	-	-	-	-	-	-	83	305
Transfer to reserves	-	-	8	29	8	29	(16)	(58)	-	-	-	-	-	-	-	-	-
Share based payment	-	-	-	-	-	-	-	-	2	8	-	-	-	-	-	2	8
Transfer	-	-	-	-	-	-	(1)	(4)	1	4	-	-	-	-	-	-	-
Issuance of shares to employees	2	8	-	-	-	-	-	-	(2)	(8)	-	-	-	-	-	-	-
As at 31 December 2017	1,903	6,977	116	424	116	424	669	2,453	4	15	58	212	1	4	2,867	10,509	
Loss for the year	-	-	-	-	-	-	(187)	(686)	-	-	-	-	1	4	(186)	(682)	
Total comprehensive loss for the year	-	-	-	-	-	-	(187)	(686)	-	-	-	-	1	4	(186)	(682)	
Transfer	-	-	-	-	-	-	58	212	-	-	(58)	(212)	-	-	-	-	
Share based payment	-	-	-	-	-	-	-	-	3	11	-	-	-	-	3	11	
Dividend paid	-	-	-	-	-	-	(95)	(348)	-	-	-	-	-	-	(95)	(348)	
Board compensation	-	-	-	-	-	-	(2)	(7)	-	-	-	-	-	-	(2)	(7)	
As at 31 December 2018	1,903	6,977	116	424	116	424	443	1,624	7	26	-	-	2	8	2,587	9,483	

The attached notes 1 to 34 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

At 31 December 2018

1 Corporate Information

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

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

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

Principal subsidiaries and joint arrangements of the Group at 31 December 2018 and 2017 and the Company (direct and indirect) percentage of ordinary share capital or interest are set out below:

Subsidiaries	%	Country of incorporation	Principal activities
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 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
Joint operations	%	Area of operation	Principal activities
Pearl Petroleum Company Limited ("Pearl Petroleum")*	35	Kurdistan Region of Iraq	Oil and Gas exploration
UGTC/Emarat JV	50	Emirate of Sharjah	Gas Transmission and Production
Joint ventures	%	Country/Area of operation	Principal activities
Egyptian Bahraini Gas Derivative Company ("EBGDICO")	26.4	Egypt	Gas Processing
Crescent National Gas Corporation Limited ("CNGCL")	35	Emirate of Sharjah	Gas Marketing
GASCITIES Ltd	50	MENASA	Gas Cities

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

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

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

Notes to the Consolidated Financial Statements continued

At 31 December 2018

2 Summary of Significant Accounting Policies

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for investment property and financial assets at fair value through profit or loss account that have been measured at fair value. The consolidated financial statements are presented in United States Dollars (USD), which is the Company's functional currency, and all the values are rounded to the nearest million (USD mm) 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 consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

New and amended standards adopted by the Group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9 Financial instruments
- IFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2
- Annual improvements 2014-2016 cycle
- Transfers to Investment Property – Amendments to IAS 40
- Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Amendments to IAS 28 Investments in Association and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The nature and effect of the changes as a result of adoption of IFRS 9 and IFRS 15 are described below. The other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group.

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 with effect from 1 January 2018 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 Group applied IFRS 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. No differences were identified as at 1 January 2018 arising from the adoption of IFRS 9 other than that the group had to change its accounting policies following the adoption of IFRS 9. This is disclosed in note 2 below.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective. The standards are not expected to have any material impact on the consolidated financial statements of the Group.

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date not decided)
- IFRS 16 Leases (1 January 2019)
- IFRS 17 Insurance Contracts (1 January 2021)
- IAS 19 plan Amendment, Curtailment or Settlement (1 January 2019)
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (1 January 2019)
- Amendments to IAS 28: Long-term interests in associates and joint ventures (1 January 2019)
- Annual Improvements 2015-2017 Cycle (issued in December 2017, effective 1 January 2019)
 - IFRS 3 *Business Combinations*
 - IFRS 11 *Joint Arrangements*
 - IAS 12 *Income Taxes*
 - IAS 23 *Borrowing Costs*
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the lease item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The group has assessed the impact of IFRS 16 "Leases" on the consolidated financial statements and does not expect it to have a material impact on the Group.

The new standard will be effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2018.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

Where the Group has less than a majority of the voting, or similar, rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement(s) with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

Notes to the Consolidated Financial Statements continued

At 31 December 2018

2 Summary of Significant Accounting Policies continued

Basis of consolidation continued

(a) Subsidiaries continued

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owner of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gain or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Inter-company transactions, balances and unrealised gains on transaction between Group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to share of profit/(loss) of associates in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

(e) Joint arrangements

The Group has applied IFRS 11 to all joint arrangements as of 1 January 2013. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Notes to the Consolidated Financial Statements continued

At 31 December 2018

2 Summary of Significant Accounting Policies continued

Basis of consolidation continued

(e) Joint arrangements continued

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.

In relation to its interest in joint operations, the Group recognises its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from sale of its share of the output arising from the joint operations
- Share of the revenue from the sale of the output by the joint operations
- Expenses, including its share of any expenses incurred jointly.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating decision-maker. The Chief Operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer who makes strategic decisions.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in USD which is the Company's functional currency and AED is presented as the Group's presentation currency for the convenience of the users of the consolidated financial statements.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each items of financial position presented are translated at the closing rate at the date of statement of financial position;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognised in other comprehensive income.

Property, plant and equipment

Property, plant and equipment is stated at cost net of accumulated depreciation and/or accumulated impairment losses, if any. Land is not depreciated.

Depreciation is computed on a straight line basis over the estimated useful lives of the assets as follows:

	Useful life
Oil and gas properties	unit-of-production
Buildings	25 years
Gas plant	15 – 25 years/unit-of-production
Pipelines & related facilities	25 years/unit-of-production
Other assets:	
Computers	2-3 years
Furniture and fixtures	3 years – 5 years
Vehicles	3 years – 5 years
Leasehold improvements	over the expected period of lease

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount being the higher of their fair value less costs to sell and their value in use.

The residual values and useful lives of property, plant and equipment are reviewed at each financial year end and adjusted prospectively if appropriate.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Capital work-in-progress is stated at cost. On commissioning, capital work-in-progress is transferred to property, plant and equipment and depreciated or depleted in accordance with Group policies.

Oil and gas assets

Oil and natural gas exploration and evaluation expenditures are accounted for using the 'successful efforts' method of accounting. Pre-license costs are expensed in the period in which they are incurred. License costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit. Exploration license and leasehold property acquisition costs are capitalised in intangible assets. Geological and geophysical costs are recognised in the income statement, as incurred.

Costs directly associated with an exploration well are capitalised as an intangible asset until the drilling of the well is complete and the results have been evaluated. If hydrocarbons are not found, the exploration expenditure is written off as a dry hole. If hydrocarbons are found and, subject to further appraisal activity which may include the drilling of further wells (exploration or exploratory-type stratigraphic test wells), are likely to be capable of commercial development, the costs continue to be carried as an asset. All such carried costs are subject to a technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proven reserves of oil and natural gas are determined and development is sanctioned, capitalisation is made within property, plant and equipment or intangible assets according to the nature of the expenditure. Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within oil and gas properties.

(a) Depletion

Oil and gas properties are depleted using the unit-of-production method. Unit-of-production rates are based on proved reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods.

Notes to the Consolidated Financial Statements continued

At 31 December 2018

2 Summary of Significant Accounting Policies continued

Oil and gas assets continued

(b) Impairment – exploration and evaluation assets

Exploration and evaluation assets are tested for impairment when reclassified to development tangible or intangible assets, or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less cost to sell and their value in use. For the purpose of assessing impairment, the exploration and evaluation assets subject to testing are grouped with existing cash-generating units of production fields that are located in the same geographical region.

Intangible assets

Intangible assets acquired as part of a business combination relating to oil and gas properties are recognised separately from goodwill if the asset is separable or arises from contractual or legal rights and its fair value can be measured reliably.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as a change in accounting estimate.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually either individually or at the cash-generating unit level. When development in respect of the oil and gas properties is internally approved, the related amount is transferred from intangible assets to property, plant and equipment and depleted in accordance with the Group's policy. If no future activity is planned, the remaining balance is written off.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquire and the fair value of the non-controlling interest in the acquire.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset or a cash generating unit (CGU) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's or CGU's recoverable amount. An asset's or CGU's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets in which case, the asset is tested as part of a large CGU to which it belongs. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assumptions of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset or CGU is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

Financial assets and liabilities

Financial assets

Classification and measurement

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. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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 the 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 recycled 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 Consolidated Financial Statements continued

At 31 December 2018

2 Summary of Significant Accounting Policies continued

Financial assets and liabilities 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.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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.

Accounting policies applied until 31 December 2017

Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables'.

Available-for-sale financial assets

Available-for-sale (AFS) financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting period. After initial measurement, AFS investments are subsequently measured at fair value with unrealised gains or losses recognised as "other comprehensive income" in the AFS reserve (fair value reserve) until the investment is derecognised. At that time cumulative gain is recognised in other income and cumulative loss is recognised as finance costs and removed from AFS reserve.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value and transaction costs are expensed in the income statement.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value.

Gain or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'investment and finance income' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payment is established.

The fair value of quoted investments is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These includes the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

The Group assesses, at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Profit-bearing loans and borrowings

All profit-bearing loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs directly attributable to the borrowing. The effective profit rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument.

After initial recognition, profit-bearing loans and borrowings are subsequently measured at amortised cost using the effective profit rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Convertible bonds

Convertible bonds that can be converted into share capital at the option of the holder and are accounted for as compound financial instruments. The equity component of the convertible bonds is calculated as the excess of issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option.

Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent expenditure is added to the carrying value of investment properties when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Group. Any expenditure that results in the maintenance of property to an acceptable standard or specification is treated as repairs and maintenance expenses and is charged to the consolidated income statement in the period in which it is accrued.

Subsequently investment properties are stated at fair value, which reflects market conditions at the reporting date. Any gains or loss arising from changes in fair values of investment properties are included in the income statement. Fair values are determined based on an annual evaluation performed by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

Notes to the Consolidated Financial Statements continued

At 31 December 2018

2 Summary of Significant Accounting Policies continued

Accounting policies applied until 31 December 2017 continued

Investment properties continued

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises purchase price, cost of production, transportation and other directly allocable expenses. Costs of spares and consumables are determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Trade and other receivables

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. 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.

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Trade payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Decommissioning liability

Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of that particular asset. The cash flows are discounted at a current pre tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the income statement as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset. The abandonment and site restoration costs initially recorded are depleted using the unit-of-production method based on proven oil and gas reserves. Subsequent revisions to abandonment and site restoration costs are considered as a change in estimates and are accounted for on a prospective basis.

Employees' end of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. With respect to its UAE national employees, the Group makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Income taxes

In Egypt, the Government receives production in lieu of income tax. The Group records this production as a current income tax expense.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of respective assets until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised as finance cost in the income statement in the period in which they are incurred.

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

Share based payment transactions

Certain employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for either equity instruments ("equity settled transactions") or restricted shares.

Restricted shares

Service-based restricted shares are granted at no cost to key employees and generally vest one third each year over a three year period from the date of grant. Restricted shares vest in accordance with the terms and conditions established by the Board of Directors and are based on continued service.

The fair value of service-based restricted shares is determined based on the numbers of shares granted and the closing price of the Company's common stock on the date of grant. The cost is being amortised on a straight line method, based on the vesting period.

Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
- Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Net revenue is measured at the fair value of the consideration received or receivable taking into account contractually defined terms of payment, excluding royalties, discounts, rebates, and other sales taxes or duties. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from sale of hydrocarbons

Revenue from sale of hydrocarbons is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue contracts because it typically controls the goods before transferring them to the customer.

Finance income

Income from surplus funds invested with financial institutions and interest charged to debtors for overdue receivables is recognised as the profit/interest accrues.

Notes to the Consolidated Financial Statements continued

At 31 December 2018

3 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Group's consolidated financial statements 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 consolidated financial statements, 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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Estimates and assumptions

The Group has identified the following areas where significant estimates and assumptions are required, and where if actual results were to differ, may materially affect the financial position or financial results reported in future periods. Changes in estimates are accounted for prospectively. Further information on each of these and how they impact the various accounting policies are described in the relevant notes to the consolidated financial statements. The Group based its assumptions and estimates on parameter available when the consolidated financial statements were 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.

- Impairment of goodwill: The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from each cash-generating unit and also to determine a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2018 was USD 308 million (2017: USD 308 million).
- Recoverability of intangible oil and gas assets: The Group assesses at each statement of financial position date whether there is any evidence of impairment in the carrying value of its intangible oil and gas assets. This requires management to estimate the recoverable value of its intangible oil and gas assets using estimates and assumptions such as long term oil prices, discount rates, operating costs, future capital requirements, decommissioning costs, explorations potentials, reserves and operating performance uncertainty. These estimates and assumptions are subject to risk and uncertainty. The carrying amount of such intangibles at 31 December 2018 was USD 52 million (2017: USD 47 million).
- The Group is entitled to further contingent compensation and payments under the terms of the RWE settlement agreement, however as of the reporting date these cannot be reasonably ascertained.
- The Group carries its investment property at fair value, with changes in fair values being recognised in the consolidated income statement. The Group engaged a firm of qualified independent property consultant to determine fair value reflecting market conditions at 31 December 2018.
- Decommissioning costs: Decommissioning costs will be incurred by the Group at the end of the operating life of some of the Group's facilities and properties. The Group assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future decommissioning costs required.
- Units of production depreciation of oil and gas properties: Oil and gas properties are depreciated using the units of production (UOP) method over total proved reserves. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining production from the field. Each items' life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production based on total proved reserves, or future capital expenditure estimates changes. Changes to prove reserves could arise due to changes in the factors or assumptions used in estimating reserves and are accounted for prospectively.

- Exploration and evaluation expenditures: The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment to determine whether it is likely that future economic benefits are likely, from future either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on how the resources are classified. These estimates directly impact when the Group defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in profit or loss in the period when the new information becomes available.
- Hydrocarbon reserve and resource estimates: Oil and gas properties are depreciated on a units UOP basis at a rate calculated by reference to total proved reserves determined in accordance with the Society of Petroleum Engineers' rules and incorporating the estimated future cost of developing those reserves. The Group estimates its commercial reserves based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to the host government under the terms of the relevant commercial arrangements. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. The carrying amount of oil and gas properties at 31 December 2018 is shown in Note 11.
- As the economic assumptions used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Group's reported financial position and results, which include:
 - The carrying value of oil and gas properties, property, plant and equipment, and goodwill may be affected due to changes in estimated future cash flows.
 - Depreciation and amortisation charges in profit or loss may change where such charges are determined using the UOP method, or where the useful life of the related assets change.
 - Provisions for decommissioning may change as the changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities.
- Key assumptions used in value in use calculations: The calculation of value in use for the oil and gas interest is most sensitive to the following assumptions:
 - Financial returns;
 - Discount rates;
 - Oil prices; and
 - Production profiles.
 - **Financial returns:** estimates are based on the unit achieving returns on existing investments (comprising both those that are currently cash flowing and those which are in exploration and development stage and which may therefore be consuming cash) at least in line with current forecast income and cost budgets during the planning period.
 - **Discount rates:** discount rates reflect management's estimate of the risks specific to the above unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.
 - **Oil prices:** management has used an oil price assumption based internal estimates and available market data for the impairment testing of its individual oil & gas investments.
 - **Production profiles:** management has used its internally developed economic models of reserves and production as a basis of calculating value in use.
- Sensitivity to changes in assumptions used in value in use calculations: The calculation for value in use for the oil and gas interests is most sensitive to the following assumptions:
 - Discount rate: The Group generally estimates values in use for CGU using a discounted cash flow model. The future cash flows are discounted to their present value using a pre-tax discount rate of 10% (2017: 10%) that reflects current market assessments of the time value of money and the risks specific to the asset.
 - Crude oil price: The future cash flows are sensitive to oil price. If the oil price forecast were to increase/decrease by 10%, the value in use would have been higher/lower by USD 19 million for the year ended 31 December 2018.

Notes to the Consolidated Financial Statements continued

At 31 December 2018

4 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. The Group's financing and investments are managed on a Group basis and not allocated to segment.

Year ended 31 December 2018

	United Arab Emirates USD mm	Egypt USD mm	Kurdistan Region of Iraq USD mm	Total USD mm
Revenue net of royalties	15	151	128	294
Gross profit				140
General and administration expenses				(16)
Investment and finance income				22
Other income				14
Other expenses				(22)
Provision for impairments				(250)
Change in fair value of investment property				(2)
Share of profit of a joint venture – net				1
Exploration expenses				(6)
Finance cost				(36)
Loss before income tax				(155)
Income tax expense				(31)
LOSS FOR THE YEAR				(186)
Segment assets as at 31 December 2018	1,481	868	818	3,167
Segment liabilities as at 31 December 2018	442	82	56	580
Other segment information				
Capital expenditure:				
Property, plant and equipment	20	24	50	94
Intangible assets	–	32	–	32
Total	20	56	50	126
Operating cost	8	25	21	54
Depreciation and depletion	15	66	32	113
Provision for impairments	189	59	2	250
Exploration expenses	–	6	–	6

Year ended 31 December 2017

	United Arab Emirates USD mm	Egypt USD mm	Kurdistan Region of Iraq USD mm	Total USD mm
Revenue net of royalties	18	165	98	281
Gross profit				118
General and administration expenses				(15)
Investment and finance income				24
Other income				26
Reversal of surplus over entitlement				114
Other expenses				(20)
Provision for impairments				(36)
Exploration expenses				(19)
Finance cost				(71)
Profit before income tax				121
Income tax expense				(38)
PROFIT FOR THE YEAR				83
Segment assets as at 31 December 2017	1,912	1,023	847	3,782
Segment liabilities as at 31 December 2017	770	108	37	915
Other segment information				
Capital expenditure:				
Property, plant and equipment	–	35	–	35
Intangible assets	–	12	–	12
Total	–	47	–	47
Operating cost	9	23	20	52
Depreciation and depletion	20	67	24	111
Provision for impairments	36	–	–	36
Exploration expenses	–	19	–	19

5 Revenue

	2018 USD mm	2017 USD mm
Gross revenue	466	446
Tariff fee	4	4
	470	450
Less: royalties	(176)	(169)
Net revenue	294	281

Royalties relate to Government share of production in Egypt and the United Arab Emirates.

Tariff fees relates to fixed pipeline capacity fees earned by UGTC.

Notes to the Consolidated Financial Statements continued

At 31 December 2018

6 Investment and Finance Income

	2018 USD mm	2017 USD mm
Interest on overdue receivable	–	17
Gain on buyback of Sukuk	14	–
Profit on short term deposit	13	6
Fair value loss on financial assets at fair value through profit or loss (note 18)	(6)	–
Others	1	1
	22	24

7 Other Income

As part of settlement agreement with RWE Supply & Trading GmbH ("RWE"), 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 in Pearl). During 2018, the Company has received an amount of USD 14 million (2017: USD 26 million) towards such confined payments.

8 Finance Cost

	2018 USD mm	2017 USD mm
Profit on Sukuk (note 25a)	18	66
Consent fee	16	–
Zora gas field project finance	–	3
Egypt equipment and building loan (note 25c & d)	2	2
	36	71

9 Income Tax Expense

(a) UAE

The Company is not liable to corporate income tax in its primary jurisdiction (UAE). Dana Gas Exploration FZE is however, liable to income tax at a rate of 50%.

(b) Egypt

The income tax expense in the income statement relates to Dana Gas Egypt operations which is taxed at an average tax rate of 40.55% (2017: 40.55%). This tax is paid by Egyptian General Petroleum Corporation (EGPC)/Egyptian Natural Gas Holding Company (EGAS) on behalf of the Company from their share of production. Dana Gas Egypt does not have any deferred tax asset/liability at year end.

(c) Kurdistan Region of Iraq

The PDA provides that corporate income tax in the Kurdistan Region of Iraq will be paid directly by the KRG to the relevant tax authorities on behalf of the Company.

10 Earnings Per Share

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

	2018	2017
Earnings:		
Net (loss)/profit for the year – USD mm	(187)	83
Shares:		
Weighted average number of shares outstanding – million	6,977	6,977
(Loss)/Earnings per share (Basic) – USD:	(0.027)	0.012

EPS (diluted)

Employee restricted shares are anti-dilutive and have no impact on the EPS for the years ended 31 December 2018 and 31 December 2017.

11 Property, Plant and Equipment

	Freehold land USD mm	Building USD mm	Oil and gas interests USD mm	Plant and equipment USD mm	Other assets USD mm	Pipeline & related facilities USD mm	Capital work-in-progress USD mm	Total USD mm
Cost:								
At 1 January 2018	14	12	1,604	450	39	162	208	2,489
Additions	–	–	32	11	1	–	49	93
Adjustment	–	–	–	–	–	1	–	1
Transfer from capital work in progress	–	–	–	12	–	–	(12)	–
Impairment	–	–	(78)	(92)	–	(44)	(11)	(225)
Transfer from intangible assets (note 12)	–	–	8	–	–	–	–	8
At 31 December 2018	14	12	1,566	381	40	119	234	2,366
Depreciation/depletion:								
At 1 January 2018	–	4	804	154	19	46	–	1,027
Depreciation/depletion charge for the year	–	1	76	25	2	9	–	113
At 31 December 2018	–	5	880	179	21	55	–	1,140
Net carrying amount:								
At 31 December 2018	14	7	686	202	19	64	234	1,226

Capital work in progress comprises:	USD mm
SajGas plant and facilities	99
UGTC pipeline & related facilities	89
Kurdistan Region of Iraq project	46
	234

	Freehold land USD mm	Building USD mm	Oil and gas interests USD mm	Plant and equipment USD mm	Other assets USD mm	Pipeline & related facilities USD mm	Capital work-in-progress USD mm	Total USD mm
Cost:								
At 1 January 2017	14	12	1,128	451	38	170	208	2,021
Additions	–	–	32	2	1	–	–	35
Adjustment*	–	–	439	(3)	–	(8)	–	428
Impairment	–	–	(34)	–	–	–	–	(34)
Transfer from intangible assets (note 12)	–	–	39	–	–	–	–	39
At 31 December 2017	14	12	1,604	450	39	162	208	2,489
Depreciation/depletion:								
At 1 January 2017	–	4	728	129	18	37	–	916
Depreciation/depletion charge for the year	–	–	76	25	1	9	–	111
At 31 December 2017	–	4	804	154	19	46	–	1,027
Net carrying amount:								
At 31 December 2017	14	8	800	296	20	116	208	1,462

Capital work in progress comprises:	USD mm
SajGas plant and facilities	99
UGTC pipeline & related facilities	89
Kurdistan Region of Iraq project	11
Sharjah Western Offshore (including Zora field)	9
	208

* Oil and gas interest addition includes residual amount receivable from KRG of USD 1.25 billion (DG Share: USD 439 million), post cash settlement of USD 1 billion, which was converted to Petroleum Cost pursuant to the Settlement Agreement. This is depleted using the unit of production method.

Notes to the Consolidated Financial Statements continued

At 31 December 2018

12 Intangible Assets

	Oil and gas interests USD mm	Transmission & sweetening rights USD mm	Gas processing rights USD mm	Development cost USD mm	Goodwill USD mm	Total USD mm
Cost at 1 January 2018	149	289	7	2	308	755
Less: impairment	(102)	–	(7)	(2)	–	(111)
At 1 January 2018	47	289	–	–	308	644
Additions	32	–	–	–	–	32
Transfer to property, plant and equipment (note 11)	(8)	–	–	–	–	(8)
Impairment/Exploration expense	(19)	–	–	–	–	(19)
At 31 December 2018	52	289	–	–	308	649

	Oil and gas interests USD mm	Transmission & sweetening rights USD mm	Gas processing rights USD mm	Development cost USD mm	Goodwill USD mm	Total USD mm
Cost at 1 January 2017	195	289	7	2	308	801
Less: impairment	(102)	–	(7)	(2)	–	(111)
At 1 January 2017	93	289	–	–	308	690
Additions	12	–	–	–	–	12
Transfer to property, plant and equipment (note 11)	(39)	–	–	–	–	(39)
Exploration expense	(19)	–	–	–	–	(19)
At 31 December 2017	47	289	–	–	308	644

(a) Oil and gas interests

Oil and gas interests of USD 52 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 development lease has 40.7 sq. km of land included within its boundary and is 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 87% 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 Al Arish Offshore (Block-6) – In April 2013, Dana Gas Egypt was awarded a 100% working interest in the North El Arish Offshore (Block 6) concession area. The area has 3,050 sq. km, offshore Nile Delta, in the eastern part of the Mediterranean Sea. A 3D seismic acquisition was recently carried out in the Block, covering 1,830 full fold sq. Km. The Company is planning to drill its first exploration well (Merak-1) in the block during Quarter 2 2019.
- 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 has 1,526.6 sq. km in the onshore Nile Delta. In December 2018, Dana Gas Egypt was awarded one development lease for East South Abul El Naga-1 discovery and expects to commence production in Quarter 2 2019. Balance of the Block was relinquished on 15 July 2018.
- 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 2017, the BP operated Mocha-1 exploration well in Block 3 was drilled to a total depth of 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 hence the well was plugged and abandoned. Under the terms of the agreement signed in June 2015, BP agreed to carry Dana Gas for its 50% share of the cost of the well. Consequently, Dana Gas has achieved its objective of drilling this important calibration well at no cost to itself.

(b) Transmission and sweetening rights

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

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

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

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

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. The recoverable amount of the above cash generating unit has been determined based on value in use calculation using cash flow projections approved by senior management up to a 20 year period or the economic limit of the producing field. The pre-tax discount rate applied to cash flow projections is 10% (2017: 10%). Cash flows are generated using forecasted production, capital and operating cost data over the expected life of each accumulation. Management believes that currently there is no reasonable change in assumptions used which would impact Goodwill.

13 Investment Property

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

	2018 USD mm	2017 USD mm
Balance at 1 January	24	24
Change in fair value	(2)	–
Balance at 31 December	22	24

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 this 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.

Notes to the Consolidated Financial Statements continued

At 31 December 2018

14 Interest in Joint Ventures

The following table summarises the statement of financial position of the joint ventures as at 31 December 2018:

	EBGDCO USD mm	Gas Cities USD mm	CNGCL USD mm	Total USD mm
Current assets	11	2	–	13
Non-current assets	83	–	1	84
Current liabilities	(28)	(9)	(37)	(68)
Non-current liabilities	(47)	–	–	(47)
Equity	19	(7)	(36)	(18)
Group's share of net assets	8	(3)	(13)	(5)

The following table summarises the income statement of the joint ventures for the year ended 31 December 2018:

	EBGDCO USD mm	Gas Cities USD mm	CNGCL USD mm	Total USD mm
Revenue	34	–	–	34
Profit/(loss) before income tax	6	2	(6)	2
Profit/(loss) for the year	6	2	(6)	2
Other comprehensive income	–	–	–	–
Total comprehensive income/(loss) for the year	6	2	(6)	2
Group's share of income/(loss) for the year	2	1	(2)	1

The joint ventures had no other contingent liabilities or capital commitments as at 31 December 2018 and 2017 except as disclosed in note 29.

The following table summarises the statement of financial position of the joint ventures as at 31 December 2017:

	EBGDCO USD mm	Gas Cities USD mm	CNGCL USD mm	Total USD mm
Current assets	13	–	–	13
Non-current assets	85	–	1	86
Current liabilities	(30)	(8)	(41)	(79)
Non-current liabilities	(52)	–	–	(52)
Equity	16	(8)	(40)	(32)
Group's share of net assets	6	(4)	(14)	(12)

The following table summarises the income statement of the joint ventures for the year ended 31 December 2017:

	EBGDCO USD mm	Gas Cities USD mm	CNGCL USD mm	Total USD mm
Revenue	26	–	–	26
Profit/(loss) before income tax	2	–	(3)	(1)
Profit/(loss) for the year	2	–	(3)	(1)
Other comprehensive income	–	–	–	–
Total comprehensive income/(loss) for the year	2	–	(3)	(1)
Group's share of income/(loss) for the year	1	–	(1)	–
Reconciliation of summarised financial information				
Opening net investment as of 1 January 2017	5	(4)	559	560
Profit/(loss) for the year	1	–	(1)	–
Net investment as of 31 December 2017	6	(4)	558	560
Profit/(loss) for the year	2	1	(2)	1
Adjustment	–	3	–	3
Net investment as of 31 December 2018	8	–	556	564

Out of the total investment in joint ventures, USD 556 million relates to an interest in CNGCL which represents the fair value of the rights for the purchase and sale of gas and related products acquired by the Company through its 35% interest in CNGCL. 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.

Commercial activity in CNGCL has not yet commenced. In July 2010, National Iranian Oil Company (NIOC) introduced gas into its completed transmission network and Dana Gas' UGTC pipeline and SajGas processing facilities in Sharjah for commissioning purposes. However, subsequently as it pressured up, NIOC discovered significant leaks in its offshore gas transmission system which required rectification. Notwithstanding this, Crescent Petroleum is continuing with international arbitration to seek a ruling on its binding 25 years gas supply contract with NIOC.

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

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

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

15 Interest in Joint Operations

(a) Kurdistan Region of Iraq project

Pearl was incorporated in the British Virgin Islands as a BVI Business Company on 19 January 2009. The activities of the Company include exploration, development, production, ownership, transportation, processing, distribution, marketing and sale of natural gas and petroleum related products, including the development of gas related projects and services in the KRI.

Pearl is owned 35% each by Crescent Petroleum and Dana and 10% each by OMV Upstream International GmbH ("OM"), MOL Hungarian Oil and Gas Public Limited Company ("MOL") and RWE Middle East Holding BV ("RWE").

Pursuant to the Head of Agreement with the KRG dated 4 April 2007 (supplemented with a detailed accounting procedure dated 25 January 2008) which was subsequently amended on 30 August 2017 and termed as the "Petroleum Development Agreement" ("PDA"), Pearl is the contractor and consequently takes title to and enjoys exclusive rights to appraise, develop, produce, market and sell petroleum, including natural gas domestically and for export, from certain areas in the KRI. Crescent and Dana have been appointed as the Operator (for and on behalf of Pearl Petroleum) for the purposes of the implementation of the PDA.

The following amounts represent the Group's 35% share of the assets, liabilities and income of the joint operation:

	2018 USD mm	2017 USD mm
Assets:		
Non-current assets	687	670
Current assets	131	177
Total assets	818	847
Liabilities:		
Non-current liabilities	11	–
Current liabilities	45	37
Net assets	762	810
Income	128	98
Operating cost	(21)	(20)
Depreciation	(32)	(24)
Reversal of accrued operating cost	13	–
Gross profit	88	54

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15 Interest in Joint Operations continued

(b) UGTC/Emarat joint venture

The Group has a 50% interest in the UGTC/Emarat jointly controlled operations which owns one of the largest gas pipelines in the UAE (48 inch diameter) with an installed capacity of 1,000 MMscfd, to transport gas in the Emirates of Sharjah from Sajaa to Hamriyah. The following amounts represent the Group's 50% share of the assets, liabilities and income of the joint operations:

	2018 USD mm	2017 USD mm
Assets:		
Non-current assets	16	17
Current assets	17	15
Total assets	33	32
Liabilities:		
Current liabilities	–	–
Net assets	33	32
Income	4	4
Operating cost	(1)	(1)
Depreciation	(1)	(1)
Gross profit	2	2

16 Inventories

	2018 USD mm	2017 USD mm
Spares and consumables	57	58
Less: provision for impairment of inventory	(19)	(8)
Less: reclassification to property, plant and equipment	(1)	–
	37	50

17 Trade and Other Receivables

	2018 USD mm	2017 USD mm
Trade receivables (net)	163	239
Prepaid expenses	2	2
Due from joint ventures	14	20
Other receivables	19	31
Less: provision for impairment of other receivables	(7)	(7)
	191	285

(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:

	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
2018	163	75	22	1	14	22	29
2017	239	92	8	–	2	16	121

18 Financial Assets at Fair Value through Profit or Loss

	2018 USD mm	2017 USD mm
Balance at 1 January	9	9
Repayment during the year	(1)	–
Change in fair value	(6)	–
Balance at 31 December	2	9

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

19 Funds Held for Development

As part of the Settlement Agreement with the KRG (refer note 15), 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 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 the year USD 202 million (DG Share: USD 71 million) has been released from these funds in accordance with the terms of the Settlement Agreement and the balance as at 31 December 2018 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 2.0% to 2.65% p.a.

20 Cash and Cash Equivalents

	2018 USD mm	2017 USD mm
Cash at bank		
- Local banks within UAE	15	42
- Foreign banks outside UAE	20	6
Short-term deposits		
- Local banks within UAE	372	560
Cash and cash equivalents	407	608

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 407 million (2017: USD 608 million). The effective profit rate earned on short term deposits ranged 2% to 3.75% (2017: 0.95% to 2.5%) per annum. As at 31 December 2018, 95 % (31 December 2017: 99%) of bank balance were held with UAE banks and the balance held outside UAE. Out of the total cash and bank balance of USD 407 million, 4% of the amount was held in Egyptian pounds (31 December 2017: 0.5%).

21 Share Capital

	2018 USD mm	2017 USD mm
Authorised:		
9,000,000,000 common shares of AED 1 each (USD 0.2728 each)		
Issued and fully paid up:		
6,976,623,422 (2017: 6,976,623,422) common shares of AED 1 each (USD 0.2728 each)	1,903	1,903

Notes to the Consolidated Financial Statements continued

At 31 December 2018

22 Legal and Voluntary Reserve

	Legal reserve USD mm	Voluntary reserve USD mm
At 1 January 2017	108	108
Transfer for the year	8	8
At 31 December 2017	116	116
Transfer for the year	–	–
At 31 December 2018	116	116

(a) Legal reserve

In accordance with the U.A.E. Federal Law No. (2) of 2015, the Company has established a legal reserve by appropriation of 10% of the Group's net profit for each year. The allocation may cease by the decision of the General Assembly when the reserve equals 50% of the Company's paid up capital. This reserve may not be distributed to the shareholders. However, the legal reserve in excess of 50% of the capital may be distributed as profits to the shareholders in the years in which the Company does not make sufficient net profits.

(b) Voluntary reserve

As per the Article of Association of the Company, 10% of the Group's net profit for each year will be allocated to the voluntary reserve. The General Assembly may stop the allocation upon the recommendation of the Board of Directors or when the reserve reaches 50% of the paid up capital. The voluntary reserve shall be expended in accordance with a resolution of the Board of Directors on matters that serve the interests of the Company

23 Other Reserves

	Share based reserve USD mm	Fair value reserve USD mm	Total USD mm
At 1 January 2017	3	–	3
Share based reserve (note 24)	2	–	2
Transfer from retained earnings	1	–	1
Shares issued to employees	(2)	–	(2)
At 31 December 2017	4	–	4
Share based reserve (note 24)	3	–	3
At 31 December 2018	7	–	7

24 Share Based Payment

The Company operates a restricted shares plan details of which are as follows:

Restricted shares

Awards under this plan are generally subject to vesting over time, contingent upon continued employment and to restriction on sale, transfer or assignment until the end of a specified period, generally over one to three years from date of grant. All awards may be cancelled if employment is terminated before the end of the relevant restriction period. The Group determines fair value of restricted shares unit based on the numbers of unit granted and the grant date fair value.

The charge recognised in the consolidated income statement under share based payment plans is shown in the following table:

	2018 USD mm	2017 USD mm
Expense arising from equity settled share-based payment transactions	3	2

25 Borrowings

	2018 USD mm	2017 USD mm
Non-current		
Sukuk (a)	404	–
Project finance (b)	10	–
Equipment loan (c)	–	10
Egypt Building loan (d)	–	9
	414	19
Current		
Sukuk (a)	–	700
Equipment loan (c)	–	2
Egypt Building loan (d)	–	2
	–	704
Total borrowings	414	723

(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.

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.

Notes to the Consolidated Financial Statements continued

At 31 December 2018

25 Borrowings continued

(a) Sukuk continued

During quarter four, the Company bought back Sukuk amounting to USD 126 million (nominal value). The bought back Sukuk have been cancelled as per the terms and conditions. The total outstanding Sukuk post buyback at 31 December 2018 is USD 404 million.

Subsequent to year end, the Company bought back additional Sukuk amounting to USD 5 million (nominal value), thereby reducing the outstanding Sukuk to USD 399 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.

(b) Project finance

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. 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. This financing is non-recourse to the Company. Pearl has since drawn down USD 31 million (DG Share: USD 11 million) from the facility until 31 December 2018. The borrowing is stated net of transaction costs and is carried at amortised cost.

(c) 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 25d) 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.

(d) Egypt building loan

Pearl Properties Egypt ("PPE") has entered into a "Sale and Lease back" finance lease arrangement for Egypt Building with Corporate Leasing Company Egypt SAE on 9 June 2015. The total facility 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.

26 Provisions

	2018 USD mm	2017 USD mm
Asset decommissioning obligation	12	12
Employee's end of service benefits	3	2
	15	14

27 Trade Payables and Accruals

	2018 USD mm	2017 USD mm
Trade payables	31	38
Accruals and other payables	102	124
Advance against local sales in KRI	18	16
	151	178

28 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.

(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 31 December 2018, no interest is receivable from KRG.

29 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.

Notes to the Consolidated Financial Statements continued

At 31 December 2018

29 Contingencies and Commitments continued

Dana Gas Egypt continued

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 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.

Pearl petroleum

As at 31 December 2018, Pearl had capital commitments of circa USD 20 million (DG Share: USD 7 million).

30 Related Party Disclosures

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

	2018		2017	
	Revenues USD mm	Fees for management services USD mm	Revenues USD mm	Fees for management services USD mm
Joint arrangement	1	3	1	2
Major shareholder	–	4	–	1
	1	7	1	3

The remuneration to the Board of Directors for the year 2018 & 2017 has been disclosed in the consolidated statement of changes in equity.

Compensation of key management personnel

The remuneration of members of key management during the year was as follows:

	2018 USD mm	2017 USD mm
Short-term benefits	5	5
Restricted shares	2	1
	7	6

31 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 5 fils per share for 2017 amounting in total to USD 95 million (AED 348 million).

A cash dividend of AED 5.5 fils per share for 2018 is proposed by the Board of Directors and is subject to the approval of the shareholders in the forthcoming Annual General Meeting.

32 Financial Risk Management Objectives and Policies

Financial risk factors

The Group's principal financial liabilities comprise borrowings, decommissioning obligations (provisions), trade payables, other payables and due to related parties. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, price risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

(a) Foreign currency risk

The Group is exposed to foreign currency risks in relation to its cash balance in Egyptian pounds held in Egypt with local banks.

At 31 December 2018, if the Egyptian pounds had strengthened/weakened by 10% against the USD with all other variables held constant, total comprehensive profit for the year would have been USD 2 million higher/lower (2017: USD 0.3 million), as a result of foreign exchange gains/losses on translation of Egyptian pounds denominated cash and bank balance.

(b) Profit rate risk

The Group has minimal exposure to Profit rate risk on bank deposits.

(c) Commodity price risk

The Group is exposed to commodity price risk (crude oil price), however this has been partially mitigated due to fixed pricing agreement in Egypt & U.A.E. for sale of natural gas which constitute approximately 38% (2017: 45%) of the Groups gross revenue. At 31 December 2018, if the average price of crude oil for the year had increased/decreased by 10% with all other variable held constant the Group's total comprehensive profit for the year would have been USD 14 million higher/lower (2017: USD 15 million).

(d) Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from trade receivables and bank balances.

Financial risk factors**(i) Trade receivables**

The trade receivables arise from its operations in UAE, Egypt and Kurdistan Region of Iraq. The requirement for impairment is analysed at each reporting date on an individual basis for major customers. As majority of the Group's trade receivable are from Government related entities no impairment was necessitated at this point. The maximum exposure to credit risk at the reporting date is the carrying amount as illustrated in note 17.

(ii) Bank balances

Credit risk from balances with banks and financial institutions is managed by Group's Treasury in accordance with the Group policy. Investment of surplus funds is made only with counterparties approved by the Group's Board of Directors. The Group's maximum exposure to credit risk in respect of bank balances as at 31 December 2018 is the carrying amount as illustrated in note 20.

(e) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings, trade payables and other payables. The table below summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments:

Year ended 31 December 2018

	Less than 1 month USD mm	Less than 1 year USD mm	1 to 5 years USD mm	>5 years USD mm	Total USD mm
Borrowings (including profit)	1	13	432	–	446
Trade payables and accruals	3	135	13	–	151
Provisions	–	2	6	8	16
	4	150	451	8	613

Year ended 31 December 2017

	Less than 1 month USD mm	Less than 1 year USD mm	1 to 5 years USD mm	>5 years USD mm	Total USD mm
Borrowings (including profit)	–	705	21	1	727
Trade payables and accruals	–	178	–	–	178
Provisions	–	–	6	8	14
	–	883	27	9	919

Capital risk management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

Notes to the Consolidated Financial Statements continued

At 31 December 2018

32 Financial Risk Management Objectives and Policies continued

Capital risk management continued

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 31 December 2017. Capital comprises share capital, retained earnings, other reserves and equity component of convertible bonds, and is measured at USD 2,353 million as at 31 December 2018 (2017: USD 2,634 million).

33 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:

	Carrying amount 2018 USD mm	Fair value 2018 USD mm	Carrying amount 2017 USD mm	Fair value 2017 USD mm
Financial assets				
Trade and other receivables	191	191	285	285
Cash and short term deposits	407	407	608	608
Financial liabilities				
Borrowings	414	414	723	723
Trade payables and accruals	151	151	178	178

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's assets that are measured at fair value on 31 December 2018:

	Level 1 USD mm	Level 2 USD mm	Level 3 USD mm	Total USD mm
Assets				
Financial assets at fair value through profit or loss	–	2	–	2
Investment property	–	–	22	22
Total	–	2	22	24

The following table presents the Group's assets that are measured at fair value on 31 December 2017:

	Level 1 USD mm	Level 2 USD mm	Level 3 USD mm	Total USD mm
Assets				
Financial assets at fair value through profit or loss	–	9	–	9
Investment property	–	–	24	24
Total	–	9	24	33

There have been no transfers between Level 1 and Level 2 during the years 2018 and 2017.

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.

34 Social Contributions

As part of the Corporate Social Responsibility Initiatives, the Group spent USD 370,058 (2017: USD 337,900) during the year.



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