

31 January 2010

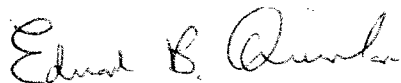
The Board of Directors  
DanaGas PJSC  
P O Box 2011  
Sharjah  
United Arab Emirates

**Preliminary results for the year ended 31 December 2009**

Dear Sirs

We have pleasure in returning the English and Arabic language preliminary results of the Company for the year ended 31 December 2009. As requested these have been stamped and initialed by us for identification purposes.

Yours faithfully

A handwritten signature in cursive script, appearing to read 'Edward B. Quinlan'.

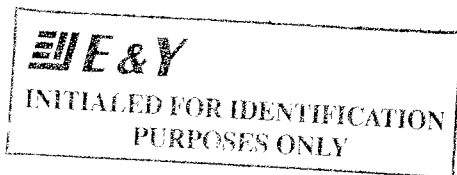
Edward Quinlan  
Partner  
Registration No. 93

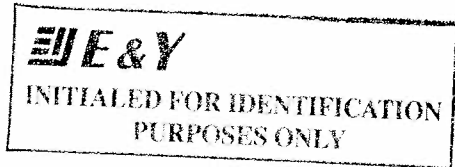


## Preliminary Results of Public Joint Stock Company

### First - General Information:

<b>Name of the company</b>	:	Dana Gas (PJSC)
<b>Establishment date</b>	:	20 <sup>th</sup> November 2005
<b>Paid up capital</b>	:	AED 6.000 billion
<b>Subscribed capital</b>	:	AED 6.000 billion
<b>Authorized capital</b>	:	AED 7.794 billion
<b>Chairman of the Board</b>	:	Mr. Hamid Dhiya Jafar
<b>Chief Executive Office</b>	:	Mr. Ahmed Rashid Al Arbeed
<b>Name of the external auditor</b>	:	Ernst & Young
<b>Mailing address</b>	:	P.O.Box 2011, Sharjah
<b>Tel</b>	:	06 556 9444
<b>Fax</b>	:	06 556 6522
<b>E- Mail</b>	:	mail@danagas.ae





## Preliminary Results for the Year ended 31 December 2009

					<u>(All figures in Million)</u>			
					2009	2008	2009	2008
					US\$	US\$	AED	AED
Total Assets	:	3,111	2,946	11,402	10,798			
Shareholders' Equity	:	2,095	1,970	7,676	7,218			
Revenues	:	349	311	1,279	1,139			
Gross Profit	:	119	71	436	258			
Net Profit for the year after tax	:	24	33	88	120			
Total Comprehensive Income for the Year:		125	33	458	120			
Earnings per share	:	0.004	0.005	0.015	0.020			

## Summary of the Company's Performance for Year ended 31 December 2009:

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

Dana Gas is the Middle East's first and largest private sector natural gas company. The group currently operates in the MENASA (Middle East, North Africa & South Asia) Region across the natural gas value chain; from exploration and production, through gas processing and transportation, to the distribution, marketing and utilization of gas as feedstock and fuel to the petrochemical, industrial and the power sectors. Since its establishment, the Company has grown from a small core team at its head office in Sharjah to a regional, as well as international natural gas company with over 300 professional staff. It now has offices in Sharjah, Egypt, Saudi Arabia, Bahrain, the Kurdistan Region of Iraq and in the United Kingdom.

## Results for the year ended 31 December 2009

During the current year, Dana Gas achieved gross revenues of AED 1.28 billion as compared to AED 1.14 billion in 2008; an increase of 12%. The increase in revenue was mainly contributed to by a full year of condensate sales in Kurdistan Region of Iraq, compared to 3 months sales in 2008. In Egypt, revenue earned was at a similar level to 2008, with increased production largely compensated by the lower realized prices of LPG and condensate.

2009 Gross profit of AED 436 million (2008: AED 258 million) was higher by 69%, over the corresponding period, due to contribution from condensate sales in Kurdistan and higher production in Egypt.

The Group achieved a net profit after tax of AED 88 million during the current year as compared to AED 120 million in 2008. The decline in net profit was mainly due to exploration write offs in line with the "successful efforts" accounting policy adopted by the Company, plus the impairment of certain oil and gas assets. However, Earnings before Interest, Tax, Depreciation, Amortization and Exploration (EBITDAX) increased by 150 % from AED 575 million to AED 1.44 billion, mainly due to gain on sale of 10% of the Company's interest in Pearl Petroleum Company Limited (PPCL) earlier in 2009 and the sale of 50% of the Company's interest in the Komombo concession in Egypt in December.

The above net profit **excludes** an unrealized gain of AED 370 million recorded in 2009 for the Company's investment in MOL (the Hungarian oil and Gas Company, who are one of our partners in Kurdistan). This is booked directly to equity under "Comprehensive Income" in line with the Company's published accounting policy.

**The total Comprehensive Income for the year stood at AED 458 million compared to AED 120 million last year.**

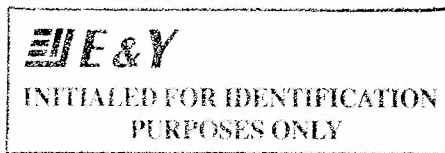
### Liquidity and Financial Resources

During the period, the operating cash flow and the Group's cash and bank balances were principally used to fund its capital expenditure programme in Egypt, Kurdistan, Offshore Sharjah and Nigeria.

The Group's cash and bank balances as at 31 December 2009 stood at AED 781 million (2008: AED 798 million) of which 96% was held with local banks in the UAE.

### Business Update

In line with its outlined strategy, the Dana Gas Group continues to maximize the value of its existing oil and gas assets and projects, while pursuing growth through a strategy of targeted acquisitions and new business development across the gas value chain. We continue to balance our capital expenditure with the available sources of finance to ensure we maintain a robust Balance Sheet.



## Dana Gas Egypt operations

Dana Gas Egypt ended 2009 by achieving the production target of 40,000 barrels of oil equivalent (boe) with production for the full year of operations of 12.7 MMBOE i.e. averaging in excess of 34,700 boepd (barrels of oil equivalent per day). This represents an increase of 20% over last year's total production. During the year, the Company continued its exploration success by adding eight more gas discoveries (67% rate of success) and subsequent to the year end, announced its 9<sup>th</sup> discovery, (Orchid-1) drilled in the West Manzala Concession. In January 2010, the Company also announced a new oil discovery in the Komombo Concession (Al Baraka-4).

The U.K. based advisory firm, Gaffney, Cline & Associates have carried out an independent evaluation of Dana Gas Egypt's hydrocarbon reserves as at 31 December 2009. Following this review, the Company's gross proved reserves (1P) as at 31 December 2009 are estimated to be 47 millions of barrels of oil equivalent "MMBOE (31 December 2008: 55 MMBOE). The gross proved and probable reserves (2P) as at 31 December 2009 are estimated to be 132 MMBOE (31 December 2008: 94 MMBOE). The gross proved, probable and possible reserves (3P) as at 31 December 2009 are estimated to be 228 MMBOE (31 December 2008: 158 MMBOE).

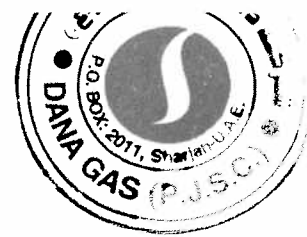
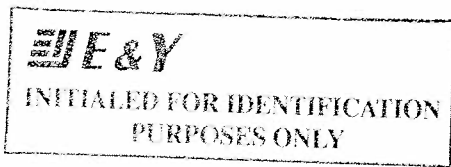
The 2P reserves results give a total reserves addition of 40%. The total production replacement ratio associated with this 2P reserves increase is 397%.

In December 2009, Dana Gas Egypt entered into a settlement agreement with Kuwait International Oil and Environmental Services and Consulting Co. WLL (KIOEC) for reassignment of their 50% interest in the Komombo Concession in Southern Egypt to Dana Gas Egypt. Following completion of this settlement agreement, Dana Gas Egypt farmed out the 50% interest in the Komombo Concession to Sea Dragon Energy Limited ("Sea Dragon") on December 31<sup>st</sup> 2009. Dana Gas Egypt and Sea Dragon will act as joint operators of this concession. Endorsement from the Ganoub El-Wadi Holding Petroleum Company (a body corporate existing under the laws of Egypt) has been obtained.

## Kurdistan Region of Iraq (KRI) Project (*Pearl Petroleum Company Limited*)

In April 2007, the Group entered into agreements with the Kurdistan Regional Government of Iraq for the development of its substantial gas resources on the Khor Mor and Chemchemal gas fields. Since then, the focus has been on developing, processing and transporting natural gas on a fast-track basis, from the Khor Mor field including processing and the extraction of LPG and condensate, provide natural gas supplies to fuel domestic electric power generation plants near the major urban centers of Erbil and Suleymania. Further development of the gas reserves are planned to supply natural gas as feedstock and energy for local industries.

On 15th May 2009, Dana Gas signed a Share Sale Agreement with two Central European strategic partner companies and Nabucco Project Founders, OMV Upstream International GmbH ("OMV") and MOL Hungarian Oil and Gas Public Limited Company ("MOL") whereby an equity interest of 10% was sold by Dana Gas to OMV (5%) and MOL (5%) respectively in Pearl Petroleum Company Limited.



Dana Gas now holds a 40% share of the total assets of Pearl Petroleum Company Limited. As at December 31<sup>st</sup> 2009, the Dana Gas investment in Kurdistan exceeds AED 1.2 billion.

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

The UAE Gas Project to process and transport imported gas continues to await the commencement of gas supplies by 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. After a delay of almost 4 years, NIOC has recently introduced hydrocarbons into the completed upstream facilities (within Iran) to progress the commissioning and testing activities. This potentially allows for contractual gas deliveries to commence. Notwithstanding this, Crescent Petroleum has served NIOC with an arbitration notice several months ago and the legal process is now underway. The Balance Sheet carrying values of these assets at December 31<sup>st</sup> 2009 have been reviewed with the auditors. No impairment provisions are considered necessary at this time

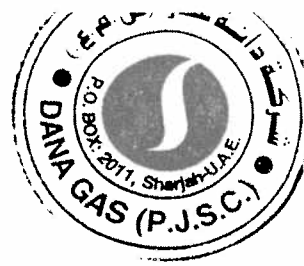
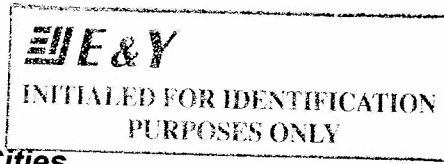
### ***Egypt Gulf of Suez – Gas Liquids (LPG) Plant***

The Company, through Danagaz Bahrain, is a 26.4% owner in a joint venture to build, own and operate a Liquids Extraction Plant in Egypt in partnership with the Egyptian National Gas Company (EGAS) and the Arab Petroleum Investments Corporation (APICORP). The formation of the joint venture company in Egypt and the acquisition of the land for the plant have been completed. The contract for the LPG plant was awarded in June 2009, with the construction phase expected to be completed in the first quarter of 2011.

### ***Sharjah Western Offshore Concession***

In March 2008, Dana Gas was awarded a twenty five year oil and gas concession by the Government of Sharjah for the exploration and development of the Western Offshore Concession in Sharjah, UAE. The concession award marks Dana Gas’ entry into the GCC exploration and production sector, and will also be the first offshore upstream asset for the Company. The concession agreement covers a total area of over 1,000 square kilometers including part of the Zora Gas Field, which has established gas reserves and a ready market. The field will be developed together with the government of Ajman, which controls approximately half of the reserves.

The Company is in the initial execution phase of this project, which includes upstream development as well as transportation of the produced gas and condensates via a 25km offshore pipeline. A detailed engineering design for the offshore platform and the conceptual engineering design for the onshore gas processing plant are complete. Key management, engineering, procurement, construction and installation contracts are ready to be awarded. This project will add new production and revenues to Dana Gas, expanding its diversified portfolio.



## **Gas Cities**

Dana Gas has a 50% interest in a joint venture known as GASCITIES Ltd for the development of a series of "Gas Cities" across the MENASA region.

On 9<sup>th</sup> September 2009, GASCITIES Ltd signed a Memorandum of Understanding to carry out a series of pre-feasibility studies to establish gas and land allocations for a potential Gas City in the Hodeidah Region of Yemen.

The company is also assessing the feasibility for Gas Cities in Egypt and in Kurdistan.

## **Nigeria / Sao Tome and Principe Joint Development Zone – Block 4**

Dana Gas holds a 10% interest in Block 4 of the Nigeria/Sao Tome Joint Development Zone. Block 4 is an extension of the prolific Nigeria deep water play where a number of significant oil discoveries have been made. Based on mapping of 3D seismic, several large structures capable of containing giant size oil fields were identified.

The Block 4 consortium, for which Addax Petroleum is the operator, drilled a gas discovery with the first well, Kina 1-X, which was not considered commercial. The second well, Malanza 1-X, found no significant hydrocarbons. These outcomes have been reflected in the 2009 financial results.