

Dana Gas PJSC and Subsidiaries

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2011 (UNAUDITED)

DANA GAS PJSC

Report of the Directors

The Board of Directors of Dana Gas (“Dana Gas” or the “Company”) are pleased to announce the consolidated financial results of the Company, its subsidiaries and joint ventures (together referred to as the “Group”) for the period ended 31 March 2011.

Principal Activities

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

Dana Gas is the Middle East’s first and largest private sector natural gas company. The Group currently operates in the MENASA (Middle East, North Africa & South Asia) Region across the natural gas value chain; from exploration and production, through gas processing and transportation, to the distribution, marketing and 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 offices in Sharjah, Egypt, Saudi Arabia, Bahrain, the Kurdistan Region of Iraq and in the United Kingdom

Results for quarter ended 31 March 2011

During the first quarter of 2011, the Company earned Gross Revenues of AED 616 million as compared to AED 411 million in first quarter of 2010, an increase of 50%. The oil and gas production increased to 6 million barrels of oil equivalent (BOE) as compared to 4.5 million BOE in same period last year. The increase in revenue was mainly due to higher hydrocarbon prices coupled with increased production in Kurdistan Region of Iraq.

The Group achieved a net profit after tax of AED 92 million during the current quarter as compared to net profit of AED 33 million in the same period last year. Earnings before interest, tax, depreciation, amortization and exploration write-offs (“EBITDAX”) increased to AED 403 million compared to AED 228 million in March 2010.

The above net profit **excludes** an unrealized gain of AED 326 million recorded in this quarter for the Company’s investment in MOL (the Hungarian oil and Gas Company, who are one of our partners in the Kurdistan Region of Iraq). This is booked directly to equity under “Comprehensive Income” in line with the Company’s published accounting policy.

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, the Kurdistan Region of Iraq and Sharjah Offshore.

The Group’s cash and bank balances as at 31 March 2011 stood at AED 411 million (December 2010: AED 583 million) of which 85% was held with local banks in the UAE.

DANA GAS PJSC

Report of the Directors

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.

Egypt E&P operations

The Company's production for the first 90 Days of operations in 2011 was 4.25 million BOE i.e. averaging 47.3 thousand BOE per day (March 2010: 3.53 million BOE, averaging 39.2 thousand BOE per day). During the period the company drilled one exploratory well "Sanabel 1" within the Sidi Salem formation and this being unsuccessful was written off during first quarter of 2011. Subsequent to quarter end, the company added one more gas discovery to its portfolio, "South Abu El Naga-2" which is located in the West El Manzala concession. A preliminary estimate of the discovered reserves in the new pool (El Wastani formation) is in excess of 60 Bcf of gas, with a possible upside still under evaluation.

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 2010. Following this review, the Company's gross proved reserves (1P) as at 31 December 2010 are estimated to be 89 millions of barrels of oil equivalent "MMBOE (31 December 2009: 47 MMBOE). The gross proved and probable reserves (2P) as at 31 December 2010 are estimated to be 152 MMBOE (31 December 2009: 132 MMBOE). The gross proved, probable and possible reserves (3P) as at 31 December 2010 are estimated to be 253 MMBOE (31 December 2009: 228 MMBOE).

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 from the Khor Mor field including processing and the extraction of LPG and condensate and 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.

During the 90 days of operations, production in the Kurdistan Region of Iraq (Dana Gas 40% share) was 1.75 million BOE i.e. averaging 19.5 thousand BOE per day. The first train of the LPG plant was commissioned in January 2011 and has been in production since then.

Dana Gas has a 40% holding in Pearl Petroleum Company and at 31 March 2011, Dana Gas' investment in Kurdistan exceeds AED 1.3 billion.

DANA GAS PJSC
Report of the Directors

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.

In 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.

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. In July 2010 NIOC introduced gas into its completed transmission network and Dana Gas’ UGTC pipeline and Saj gas processing facilities in Sharjah for commissioning purposes. However, subsequently as it pressured up, NIOC discovered significant leaks in its offshore gas transmission system which it is now rectifying. This repair may take several months. Notwithstanding this, Crescent Petroleum has initiated international arbitration to seek a ruling on its binding 25 years gas supply contract with NIOC and expects an enforceable decision by the international tribunal in less than a year.

Egypt Gulf of Suez – Gas Liquids Extraction Plant

The Company, through its subsidiary Danagaz Bahrain, is a 26.4% owner (effective) in Egyptian Bahrain, Gas Derivative Company (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 contract for the LPG plant was awarded in June 2009. Financing for this project is in place and the construction phase is currently ongoing and is expected to be completed in the September 2011.

Sharjah Western Offshore Concession

In March 2008, Dana Gas was awarded 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 project consists of re-engineering, construction and installation of a new unmanned platform, together with 2-3 horizontal gas production wells, located in the West Sharjah Concession in approximately 24 meters of water depth which is approximately 33 km offshore from the Sharjah Hamriyah Free Zone coast line, linked by a new 12” gas and condensate pipeline, to a new onshore gas processing plant to be located adjacent to the SEWA facility within the Sharjah Hamriyah Free Zone Area.

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Report of the Directors

Sharjah Western Offshore Concession (continued)

A comprehensive integrated engineering contract has been placed with Tripatra Engineering which will carry out the concept, Front-End Engineering and Design (FEED), and detailed engineering for all three main project components (offshore platform, pipeline and onshore plant), in the hands of one single design entity. Detailed well engineering design for the 3 development wells has been placed with SPD drilling consultant, the well design phase is planned to be completed in June 2011. The well engineering design considers a long horizontal completion to maximize the wellbore contact with reservoir rock to increase the gas production rates. Engineering and procurement are planned to proceed in parallel to shorten the project schedule as much as possible. Long lead procurement will commence early on in FEED (within 2011) and suitable potential construction & installation contractors will be brought in early during the detail design phase for project familiarization and the best prospect of achieving the earliest full gas start. The planned gas production of 60 million scfd is targeted to be on-stream in last quarter 2012, unless construction and installation streamlining can be achieved earlier, to enable a quicker startup.

Directors

The Directors who served during the period were:

H.H. Sheikh Ahmed Bin Sultan Al-Qasimi, Honorary Chairman
Mr. Hamid Dhiya Jafar, Chairman
Dr. Adel Khalid Al-Sabeeh, Deputy Chairman
Mr. Ahmed Rashid Al Arbeed, Chief Executive Officer
Mr. Rashid Saif Al-Jarwan, Executive Director
H.E. Sheikh Sultan Bin Ahmed Bin Sultan Al-Qasimi
H.H Shaikha Hanadi Al Thani
Mr. Abdulaziz Hamad Aljomaih
Mr. Abdullah Ali Al Majdouie
Mr. Adib Abdullah Al-Zamil
Mr. Khalid Abdul Rahman Saleh Al-Rajhi
Mr. Majid Hamid Jafar
Mr. Nasser Al Nowais
Mr. Rashad Mohammed Al-Zubair
Mr. Said Arrata
Dr. Tawfeeq Abdulrahman Almoayed
Mr. Varoujan Nerguizian
Mr. Ziad Abdulla Ibrahim Galadari

Auditors

The Company auditors, Ernst & Young, have issued their review report on the interim condensed consolidated financial statements of the Company.

On behalf of the Board of Directors

Director

11 May 2011



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

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Dana Gas PJSC (“the Company”) and its subsidiaries (“the Group”) as at 31 March 2011, the related interim consolidated income statement, the interim consolidated statement of comprehensive income for the three month period then ended, the interim consolidated statements of cash flows and changes in equity for the three month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Emphasis of matter

Without qualifying our conclusion we draw attention to note 5 to the interim condensed consolidated financial statements which discloses that the continued delay in commencement of gas supplies has prompted a key supplier of the Group to initiate arbitration proceedings against its ultimate supplier. Based on the information available at this time, the Directors and management are confident of a positive outcome.



Signed by
Joseph A. Murphy
Partner
Registration No. 492

Sharjah
11 May 2011

Dana Gas PJSC and Subsidiaries

INTERIM CONSOLIDATED INCOME STATEMENT

Period ended 31 March 2011 (Unaudited)

	Note	<i>Three months ended</i>			
		<i>31 March 2011</i>		<i>31 March 2010</i>	
		<i>USD mm</i>	<i>AED mm</i>	<i>USD mm</i>	<i>AED mm</i>
Revenue		168	616	112	411
Royalties		(37)	(136)	(34)	(125)
Net revenue		131	480	78	286
Cost of sales		(10)	(37)	(8)	(29)
Depreciation and depletion		(29)	(106)	(26)	(95)
Gross profit		92	337	44	162
Investment and finance income		1	4	3	11
Other income		1	4	1	4
General and administration expenses		(12)	(44)	(9)	(33)
Finance costs		(21)	(77)	(14)	(52)
Exploration expenses		(10)	(37)	(1)	(4)
PROFIT BEFORE TAX FOR THE PERIOD		51	187	24	88
Income tax expense		(26)	(95)	(15)	(55)
PROFIT FOR THE PERIOD		25	92	9	33
Basic and diluted per share (USD/AED per share)	4	0.004	0.014	0.001	0.005

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

Dana Gas PJSC and Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 31 March 2011 (Unaudited)

	<i>Three months ended</i>			
	<i>31 March 2011</i>		<i>31 March 2010</i>	
	<i>USD mm</i>	<i>AED mm</i>	<i>USD mm</i>	<i>AED mm</i>
Profit for the period	<u>25</u>	<u>92</u>	<u>9</u>	<u>33</u>
Gain on available-for-sale financial asset (Note 6)	<u>89</u>	<u>326</u>	<u>38</u>	<u>140</u>
Other comprehensive income for the period	<u>89</u>	<u>326</u>	<u>38</u>	<u>140</u>
Total comprehensive income for the period	<u><u>114</u></u>	<u><u>418</u></u>	<u><u>47</u></u>	<u><u>173</u></u>

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

Dana Gas PJSC and Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2011 (Unaudited)

	Notes	31 March 2011		31 December 2010 (Audited)	
		USD mm	AED mm	USD mm	AED mm
ASSETS					
Non-current assets					
Property, plant and equipment		1,049	3,845	1,045	3,828
Intangible assets	5	1,341	4,915	1,355	4,967
Available-for-sale financial asset	6	404	1,481	315	1,155
Investment property	7	37	136	37	136
		<u>2,831</u>	<u>10,377</u>	<u>2,752</u>	<u>10,086</u>
Current assets					
Inventories		50	183	51	187
Trade and other receivables	8	353	1,294	255	935
Due from related parties		1	3	1	3
Financial assets at fair value through profit or loss	9	10	37	10	37
Cash and cash equivalents	10	112	411	159	583
		<u>526</u>	<u>1,928</u>	<u>476</u>	<u>1,745</u>
TOTAL ASSETS		<u><u>3,357</u></u>	<u><u>12,305</u></u>	<u><u>3,228</u></u>	<u><u>11,831</u></u>
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	11	1,801	6,600	1,801	6,600
Statutory reserve		34	125	34	125
Legal reserve		34	125	34	125
Retained earnings		137	501	112	409
Other reserves		231	847	142	521
Convertible bonds- equity component	12	48	176	48	176
		<u>2,285</u>	<u>8,374</u>	<u>2,171</u>	<u>7,956</u>
Attributable to shareholders of the Company		<u>2,285</u>	<u>8,374</u>	<u>2,171</u>	<u>7,956</u>
Non-controlling interest		4	15	3	11
		<u>2,289</u>	<u>8,389</u>	<u>2,174</u>	<u>7,967</u>
Total equity		<u><u>2,289</u></u>	<u><u>8,389</u></u>	<u><u>2,174</u></u>	<u><u>7,967</u></u>
LIABILITIES					
Non-current liabilities					
Borrowings	12	904	3,314	897	3,288
Provisions		17	62	17	62
		<u>921</u>	<u>3,376</u>	<u>914</u>	<u>3,350</u>
Current liabilities					
Trade payables and accruals		147	540	140	514
		<u>147</u>	<u>540</u>	<u>140</u>	<u>514</u>
Total liabilities		<u><u>1,068</u></u>	<u><u>3,916</u></u>	<u><u>1,054</u></u>	<u><u>3,864</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>3,357</u></u>	<u><u>12,305</u></u>	<u><u>3,228</u></u>	<u><u>11,831</u></u>

Director
11 May 2011

Director
11 May 2011

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

Dana Gas PJSC and Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CASH FLOW

Period ended 31 March 2011 (Unaudited)

	Notes	<i>Three months ended 31 March</i>			
		2011		2010	
		USD mm	AED mm	USD mm	AED mm
OPERATING ACTIVITIES					
Profit for the period before tax		51	187	24	88
Adjustments for:					
Depreciation and depletion		29	106	26	95
Investment and finance income		(1)	(4)	(3)	(11)
Finance costs		21	77	14	52
Exploration expenditure		10	37	1	4
Income tax		(26)	(95)	(15)	(55)
		<u>84</u>	<u>308</u>	<u>47</u>	<u>173</u>
Change in working capital:					
Trade and other receivables		(98)	(359)	(13)	(48)
Inventories		1	4	(2)	(7)
Trade and other payables		7	26	(11)	(40)
		<u>(6)</u>	<u>(21)</u>	<u>21</u>	<u>78</u>
Net cash (used in) / from operating activities					
INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(23)	(85)	(36)	(133)
Expenditure on intangibles	5	(6)	(22)	(7)	(26)
Investment and finance income		1	4	2	7
		<u>(28)</u>	<u>(103)</u>	<u>(41)</u>	<u>(152)</u>
Net cash used in investing activities					
FINANCING ACTIVITY					
Proceeds from borrowings		4	14	-	-
Finance costs		(17)	(62)	(17)	(62)
		<u>(13)</u>	<u>(48)</u>	<u>(17)</u>	<u>(62)</u>
Net cash used in financing activity					
DECREASE IN CASH AND CASH EQUIVALENTS					
		<u>(47)</u>	<u>(172)</u>	<u>(37)</u>	<u>(136)</u>
Cash and cash equivalents at the beginning of the period		<u>159</u>	<u>583</u>	<u>213</u>	<u>781</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10	<u><u>112</u></u>	<u><u>411</u></u>	<u><u>176</u></u>	<u><u>645</u></u>

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

Dana Gas PJSC and Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

At 31 March 2011 (Unaudited)

	Attributable to shareholders of the Company																
	Share capital		Statutory reserves		Legal reserves		Retained earnings		Other reserve		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	
At 1 January 2011	1,801	6,600	34	125	34	125	409	521	142	521	48	176	3	11	2,174	7,967	
Profit for the year	-	-	-	-	-	92	-	-	-	-	-	-	-	-	-	25	92
Other comprehensive income	-	-	-	-	-	-	-	326	89	326	-	-	-	-	-	89	326
Total comprehensive income for the year	-	-	-	-	-	92	-	-	89	326	-	-	-	-	-	114	418
Addition to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	1	4	1	4	-
At 31 March 2011	1,801	6,600	34	125	34	125	501	847	231	847	48	176	4	15	2,289	8,389	
At 1 January 2010	1,637	6,000	30	113	30	113	882	107	392	176	48	176	4	15	2,099	7,691	
Profit for the year	-	-	-	-	-	33	-	-	-	-	-	-	-	-	-	9	33
Other comprehensive income	-	-	-	-	-	-	-	140	38	140	-	-	-	-	-	38	140
Total comprehensive income for the year	-	-	-	-	-	33	-	-	38	140	-	-	-	-	-	47	173
Share based payment	-	-	-	-	-	-	-	4	1	4	-	-	-	-	-	1	4
At 31 March 2010	1,637	6,000	30	113	30	113	915	536	146	536	48	176	4	15	2,147	7,868	

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

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2011 (Unaudited)

1 ACTIVITIES

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 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 P. O. Box 2011, Sharjah, United Arab Emirates with offices in Al-Khobar, Bahrain, Cairo, Kurdistan Region of Iraq and London.

Principal subsidiaries and jointly controlled entities of the Group at 31 March 2011 and the Group’s percentage of ordinary share capital or joint venture interest are set out below:

Subsidiaries	%	Country of incorporation	Principal activities
Dana Gas LNG Ventures	100	British Virgin Island	Oil and Gas exploration & production
Dana Gas Egypt (previously Centurion)	100	Barbados	Oil and Gas exploration & production
Sajaa Gas Private Limited Company (“SajGas”)	100	Emirate of Sharjah, UAE	Gas Sweetening
United Gas Transmissions Company Limited (“UGTC”)	100	Emirate of Sharjah, UAE	Gas Transmission
Danagaz (Bahrain) WLL	66	Bahrain	Gas Processing
Joint Ventures	%	Country of operation	Principal activities
Pearl Petroleum Company Limited (“Pearl Petroleum”)*	40	Kurdistan Region of Iraq	Oil and Gas exploration & production
UGTC / Emarat	50	Emirate of Sharjah	Gas Transmission
CNGCL	35	Emirate of Sharjah	Gas Marketing
EBGDCO	26.4	Egypt	Gas Processing
GASCITIES Ltd	50	MENASA	Gas Cities

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

Pearl Petroleum and its shareholders since 18 May 2009 are engaged in an ongoing dialogue with the Ministry of Natural Resources of the KRG as to the interpretation of the agreements (“the Authorisation”).

Pearl Petroleum and its shareholders have assessed the legal position with advice from their legal advisers and are fully confident of Pearl Petroleum’s rights under the Authorisation in accordance with applicable law. Pearl Petroleum and the shareholders’ judgment, based on such assessment and the progress of the continuing dialogue with the KRG, is that these discussions should result in satisfactory outcome which should not have a material adverse impact on the state of the Pearl Petroleum or the carrying values of its assets.

These discussions have included dialogue on the amounts due to Pearl Petroleum from the KRG under the terms of the Authorisation. These amounts have not been disputed by the KRG and are expected to be recovered in full once the dialogue with the KRG on the Authorisation is concluded.

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2011 (Unaudited)

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Statement of compliance

The interim condensed consolidated financial statements of the Company and its subsidiaries are prepared in accordance with International Accounting Standard (IAS) No 34, Interim Financial Reporting. Hence, the interim condensed consolidated financial statements do not contain all information and disclosure required for full financial statements prepared in accordance with International Financial Reporting Standards.

Standards and Interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2011 (Unaudited)

3 SEGMENTAL INFORMATION

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer (CEO) that are used to make strategic decisions. The CEO considers the business from a geographic perspective which is divided into three geographical units.

Period ended 31 March 2011

	<i>United Arab Emirates USD mm</i>	<i>Egypt USD mm</i>	<i>Kurdistan Region of Iraq USD mm</i>	<i>Total USD mm</i>
Revenue				
External sales net of royalties	2	84	45	131
Total revenue net of royalties	<u>2</u>	<u>84</u>	<u>45</u>	<u>131</u>
Gross Profit	1	54	37	92
Investment and finance income				1
Other Income				1
General and administration expenses				(12)
Finance costs				(21)
Exploration cost write-off				(10)
Profit before income tax				51
Income tax expense				(26)
PROFIT FOR THE PERIOD				<u>25</u>
Segment assets at 31 March 2011	<u>1,687</u>	<u>1,135</u>	<u>535</u>	<u>3,357</u>
Segment liabilities at 31 March 2011	<u>924</u>	<u>122</u>	<u>22</u>	<u>1,068</u>

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2011 (Unaudited)

3 SEGMENTAL INFORMATION (continued)

Period ended 31 March 2010

	<i>United Arab Emirates USD mm</i>	<i>Egypt USD mm</i>	<i>Kurdistan Region of Iraq USD mm</i>	<i>Total USD mm</i>
Revenue				
External sales net of royalties	1	59	18	78
Total revenue net of royalties	<u>1</u>	<u>59</u>	<u>18</u>	<u>78</u>
Gross Profit	1	26	17	44
Investment and finance income				3
Other income				1
General and administrative expenses				(9)
Finance costs				(14)
Exploration cost write-off				(1)
Profit before income tax				24
Income tax expense				(15)
PROFIT FOR THE PERIOD				<u>9</u>
Segment assets at 31 March 2010	<u>1,671</u>	<u>1,060</u>	<u>411</u>	<u>3,142</u>
Segment liabilities at 31 March 2010	<u>897</u>	<u>70</u>	<u>28</u>	<u>995</u>

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2011 (Unaudited)

4 EARNINGS PER SHARE

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

	<i>Three months ended 31 March</i>	
	<i>2011</i>	<i>2010</i>
Earnings:		
Net Profit for the period- USD mm	<u>25</u>	<u>9</u>
Shares:		
Weighted average number of shares outstanding for calculating basic EPS- million	<u>6,600</u>	<u>6,600</u>
EPS (Basic) – USD:	<u>0.004</u>	<u>0.001</u>

(b) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares: convertible sukuk, share options and restricted shares. The convertible sukuk is assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the finance cost effect. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	<i>Three months ended 31 March</i>	
	<i>2011</i>	<i>2010</i>
Earnings:		
Net Profit for the period- USD mm	<u>25</u>	<u>9</u>
Finance cost on convertible sukuk	<u>17</u>	<u>17</u>
	<u>42</u>	<u>26</u>
Shares:		
Weighted average number of shares outstanding for calculating basic EPS- million	<u>6,600</u>	<u>6,600</u>
Adjustments for:		
Assumed conversion of convertible Sukuk (million)*	<u>1,908</u>	<u>1,908</u>
Share options / Restricted shares (million) **	<u>7</u>	<u>-</u>
Weighted average number of ordinary shares for diluted earnings per share (million)	<u>8,515</u>	<u>8,508</u>

Note: Restricted shares had a dilutive effect on the EPS of the Group, however as the dilution is insignificant it is not disclosed separately.

*As disclosed in Note 12, on 7 July 2008, the conversion rate for the convertible sukuk was determined and has been fixed at 17,343.3 shares for every USD 10,000 Sukuk Certificate. The shareholders in the Annual General Meeting on 21 April 2010 approved the issuance of 10% bonus shares, due to which the conversion exchange ratio was reset from 17,343.3 shares to 19,076.6 shares for every USD 10,000 Sukuk Certificate. As at 31 March 2011 the conversion had an anti-dilutive effect on the EPS of the Company.

**As at 31 March 2011 all the stock options issued to employees were out of money, hence no shares have been assumed for calculating diluted earnings per share. Last year key management employees were awarded with restricted shares which will be vested over a period of 3 years. These restricted shares have been taken into account in the calculation of diluted earnings per share.

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2011 (Unaudited)

5 INTANGIBLE ASSETS

	<i>Oil and gas interests USD mm</i>	<i>Purchase, transmission, sweetening and sale rights USD mm</i>	<i>Gas processing rights USD mm</i>	<i>Development cost USD mm</i>	<i>Goodwill USD mm</i>	<i>Total USD mm</i>
Cost at 1 January 2011	270	857	7	2	308	1,444
Less: Provision for impairment	(87)	-	-	(2)	-	(89)
At 1 January	183	857	7	-	308	1,355
Additions	6	-	-	-	-	6
Transfer to property, plant & equipment	(20)	-	-	-	-	(20)
At 31 March 2011	169	857	7	-	308	1,341
At 31 December 2010	183	857	7	-	308	1,355

(a) Oil and Gas Interests

Oil and gas interests of USD 169 million relates to Dana Gas Egypt which is the Upstream (Exploration and Production) Division of the Dana Gas Group. Dana Gas Egypt has a number of concessions and development leases in Egypt which are described below in more detail:

- El Wastani Development Lease – This development lease is held with a 100% working interest and represents approximately 28% of current production in Dana Gas Egypt. El Wastani production includes both gas and associated gas liquids. This lease has 13,017 acres of land included within their boundaries and is located in the Nile Delta of Egypt.
- South El Manzala Development Leases – These development leases are held with a 100% working interest and are not currently producing. These development leases have 16,055 acres of land included within their boundaries and are located in the Nile Delta of Egypt.
- West El Manzala Exploration Concession – Dana Gas Egypt holds a 100% working interest in this Concession, which includes 476,216 acres of exploration land. The expiry date of the Exploration Concession and the total relinquishment of the non-productive land is 30 June 2012. Current drilling programs and seismic interpretation are being carried out to explore the acreage. This concession is located in the Nile Delta of Egypt. To date, nine development leases have been created from this exploration concession and produce approximately 62% of Dana Gas Egypt current volumes and produce both natural gas and associated liquids. The Company has applied for a tenth development lease to cover the recently discovered South Abu El Naga field.
- West El Qantara Exploration Concession – Dana Gas Egypt holds a 100% working interest in this Concession, which includes 319,618 acres of exploration land. The expiry date of the Exploration Concession and the total relinquishment of the non-productive land is 30 June 2012. Current drilling programs and seismic interpretation are being carried out to explore the acreage. This concession is located in the Nile Delta of Egypt and two development leases have been granted to date. Only one is producing yet (Sama) and contributes approximately 9% of Dana Gas Egypt current volumes.
- Kom Ombo Exploration Concession – Dana Gas Egypt holds a 50% working interest in this Concession, which includes 5,654,727 acres of exploration land with the balance of 50% interest held by Sea Dragon Energy Limited (“Sea Dragon”). To date one development lease has been created from this exploration concession and produces approximately 1% of Dana Gas Egypt current volumes and produces only oil.

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2011 (Unaudited)

5 INTANGIBLE ASSETS (continued)

(a) Oil and Gas Interests (continued)

In addition to the above Dana Gas has the following interests which were acquired as part of Centurion acquisition:

- Block 4 Sao Tome/Nigeria – a 9.5% working interest in the exploration block. The block is located off shore in the Nigeria/Sao Tome Joint Development Zone. The block has 15,876 acres (net share) of land in its boundaries.
- Tunisia Exploration Lease –exploration rights in relation to up to a 50 percent working interest in deeper prospective horizons that underlie upper producing horizons. The deeper prospects rights which have been retained potentially contain significant gas and petroleum liquid resources. This is based on the presence of a large neighboring structure involving the Triassic reservoir, which is one of the main producing horizons in Algeria and Tunisia.

Management has carried out a review of each of the oil and gas interests in 2010 and believes that no change in impairment provision of USD 87 million pertaining to JDZ Block-4, Tunisia and Komombo is required.

(b) Purchase, transmission, sweetening and sale rights

Intangible assets include USD 857 million which represent the fair value of the rights for the purchase, transmission, sweetening and sale of gas and related products acquired by the Company through its shareholdings in SajGas, UGTC and 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. 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. The ultimate supplier of gas, NIOC, has after a delay of over 4 years completed the installation of all the main components of the required upstream facilities in Iran. Crescent Petroleum, which has the gas supply contract with NIOC, announced that it has taken NIOC to international arbitration pursuant to its contract, in response to demands for performance by customers in the UAE given the four years of delays in delivery of the contractual quantities of natural gas by NIOC. Based on the information available at this time, the Directors and management are confident of a positive outcome.

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 2010. Management understands that progress has been made on the construction of the required facilities by the ultimate gas supplier and has reviewed the various inputs into the original valuation model. Management believes that the inputs into the original valuation model have not significantly changed.

(c) Goodwill

Goodwill of USD 308 million relates to the acquisition of Dana Gas Egypt (previously known as Centurion) in January 2007 which enabled Dana Gas to acquire the upstream business qualification and therefore the rights to develop the gas fields in the Kurdistan region of Iraq. As per the requirement of IAS 36, an impairment review has to be carried out annually by the management and the last such review was carried out in December 2010.

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2011 (Unaudited)

6 AVAILABLE-FOR-SALE FINANCIAL ASSET

	<i>31 March 2011</i> <i>USD mm</i>	<i>31 Dec 2010</i> <i>USD mm</i> <i>(Audited)</i>
At 1 January	315	283
Change in fair value	89	32
At 31 March / 31 December	<u>404</u>	<u>315</u>

The Group holds 3,161,116 ordinary shares in MOL received as consideration for the disposal of an interest in Pearl Petroleum in 2009. These shares are listed on the Budapest Stock Exchange and have been fair valued with reference to published price quotation at 31 March 2011.

7 INVESTMENT PROPERTY

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

	<i>31 March 2011</i> <i>USD mm</i>	<i>31 Dec 2010</i> <i>USD mm</i> <i>(Audited)</i>
At 1 January	37	39
Change in fair value	-	(2)
At 31 March / 31 December	<u>37</u>	<u>37</u>

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

Investment properties are stated at fair value which has been determined based on a valuation performed by an independent firm of qualified property consultants, with reference to comparable market transactions. The latest valuation exercise was carried out on 31 December 2010, which resulted in a decrease in the fair value by USD 2 million which was charged to consolidated income statement.

8 TRADE AND OTHER RECEIVABLES

	<i>31 March 2011</i> <i>USD mm</i>	<i>31 Dec 2010</i> <i>USD mm</i> <i>(Audited)</i>
Trade receivables	310	218
Prepaid expenses	1	1
Other receivables	51	45
Less: Provision for impairment of other receivables	(9)	(9)
	<u>353</u>	<u>255</u>

Trade receivables are non-interest bearing and are generally on 30-60 days terms.

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2011 (Unaudited)

8 TRADE AND OTHER RECEIVABLES (continued)

As at 31 March, the ageing analysis of trade receivables is as follows:

	<i>Total USD mm</i>	<i>Neither past due nor impaired USD mm</i>	<i>Past due but not impaired</i>				
			<i><30 days USD mm</i>	<i>30-60 days USD mm</i>	<i>61-90 days USD mm</i>	<i>91-120 days USD mm</i>	<i>>120 days USD mm</i>
31 March 2011	310	74	40	33	21	6	136
31 Dec. 2010	218	69	17	7	9	13	103

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>31 March 2011 USD mm</i>	<i>31 Dec 2010 USD mm (Audited)</i>
At 1 January	10	9
Change in Fair value	-	1
At 31 March / 31 December	10	10

10 CASH AND CASH EQUIVALENTS

	<i>31 March 2011 USD mm</i>	<i>31 Dec 2010 USD mm (Audited)</i>
Cash at bank and on hand		
- Local Banks within UAE	4	17
- Foreign Banks outside UAE	17	9
Short term deposits		
- Local Banks within UAE	91	133
	112	159

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 earns profit at the respective short-term deposit rates. The fair value of cash and short-term deposits is USD 112 million (December 2010: USD 159 million). The effective profit rate earned on short term deposits ranged between 2.5% to 5% (2010: between 2.5% and 6.1%) per annum. As at 31 March 2011, 85% of cash and cash equivalents were held with UAE banks.

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2011 (Unaudited)

11 SHARE CAPITAL

	<i>31 March 2011 USD mm</i>	<i>31 Dec 2010 USD mm (Audited)</i>
<i>Authorised:</i> 8,394,000,000 common shares of AED 1 each (USD 0.2728 each)		
<i>Issued and fully paid up:</i> 6,600,000,000 common shares of AED 1 each (USD 0.2728 each)	<u>1,801</u>	<u>1,801</u>

12 BORROWINGS

	<i>31 March 2011 USD mm</i>	<i>31 Dec 2010 USD mm (Audited)</i>
Convertible bonds	890	887
Bank borrowings	14	10
At 31 March / 31 December	<u>904</u>	<u>897</u>

a) CONVERTIBLE BONDS

In October 2007, the Group issued convertible bonds in the form of Trust Certificates / Sukuk-al-Mudarabah (“the Sukuk”) for a total value of USD 1 billion. The Sukuk, which is structured to conform to the principles of Islamic Shariah, was approved by the Company’s shareholders at an Extraordinary General Meeting held in July 2007. The Sukuk matures in 2012 and has a fixed profit rate of 7.5% to be paid quarterly. The reference share price for conversion, based on the terms and conditions of the Sukuk issue, was determined on 7 July 2008. The exchange ratio has been set at 17,343.4 shares for every USD 10,000 Sukuk certificate (i.e. an effective conversion price of AED 2.118 per share). Each Trust Certificate may be redeemed at the option of the holder at any time after 7 July 2008 to the maturity date. It may be converted into shares, or at the option of Dana Gas, into the equivalent sum of money based on the prevailing share price at conversion. Dana Gas may also voluntarily redeem the Trust Certificates under certain conditions. In 2008, Dana Gas repurchased convertible sukuk with a nominal value of USD 80 million. At the Annual General Meeting held on 21 April 2010, the shareholders approved a 10% bonus issue and consequently conversion ratio for Sukuk was increased from 17,343.3 shares to 19,076.7 shares for every USD 10,000 Sukuk certificate (i.e. an effective conversion price reset at AED 1.926 per share).

The Sukuk is secured by way of a pledge over the shares of Dana Gas LNG Ventures Ltd., SajGas and UGTC in accordance with the principles of Islamic Shariah.

The fair value of the liability component, included in non-current liabilities, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion option, is included in shareholders’ equity.

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2011 (Unaudited)

12 BORROWINGS (continued)

b) BANK BORROWINGS

On 22 April 2010, EBGDCO (Joint Venture Company) entered into a facility agreement with Commercial International Bank (Egypt) S.A.E. "CIB" for the financing of 70% (USD 66.5 Million) of the investment cost of the company's project comprising establishment of Gas Liquids extraction plant at Ras Shukeir. The facility matures in 12 years and carries variable rate of LIBOR + Margin during the repayment period. The first drawdown for the said facility was made in June 2010 and Danagaz W.L.L's share of the drawdown is approx USD 14 Million as at 31 March 2011.

As continuing security for the performance and full payment of liabilities under the Facility Agreement, Danagaz W.L.L. has pledged its entire share in share capital of EBGDCO in favour of CIB.

Dana Gas PJSC has given an undertaking "not to dispose" of its equity stake in Danagaz WLL except to a qualified investor approved by CIB, Egypt and not create any lien/pledge of its equity stake in Danagaz WLL. This facility is non-recourse to Dana Gas PJSC.

13 CONTINGENCIES AND COMMITMENTS

(a) Dana Gas Egypt

Dana Gas Egypt has two drilling rigs under contract and in the event that Dana Gas Egypt does not proceed with planned drilling with these rigs, it would be obligated to pay the rig operators a variable rate based on days not utilised under the contracts. The remaining commitment at 31 March 2011 was USD 2.9 million.

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

(b) Nigeria / Sao Tome

In 2006, Centurion signed a Production Sharing Contract ("PSC") and formal granting by the Joint Development Authority of its 10 percent (gross) equity interest, 9.5 percent (net) in Block- 4 of the Nigeria/Sao Tome. This was later assigned to Dana Gas PJSC in 2009. Dana Gas and another partner have withdrawn from the Concession in accordance with the relevant agreements (PSC/JOA) due to operator's decision to drill a third well without approval. The operator has disputed this position.

(c) Pearl Petroleum Company Limited

Dana Gas has incurred over USD 350 million in expenditure to date and commitments, not yet accrued, amount to approximately USD 0.2 million (40% share) for the development project in the Kurdistan Region of Iraq.

(d) Sharjah Western Offshore

Capital expenditure contracted for at the end of the reporting period but not yet accrued amounted to USD 5 million for the development of Zora gas field.

(e) EBGDCO

EBGDCO, through its banker, CIB, has issued a letter of credit to a supplier. Against this LC an amount of USD 14 million (DG Share USD 4 million) is outstanding as on 31 March 2011.