

# **Dana Gas PJSC and Subsidiaries**

## **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**31 MARCH 2013 (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 2013.

#### **Principal Activities**

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

Dana Gas is the Middle East’s first and largest private sector natural gas company. The Group currently operates in the MENASA (Middle East, North Africa & South Asia) Region across the natural gas value chain; from exploration and production, through gas processing and transportation, to the distribution, marketing and utilisation of gas as feedstock and fuel to the petrochemical, industrial and the power sectors. Since its establishment, the Company has grown 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 2013**

During the first quarter of 2013, the Company earned Gross Revenues of AED 557 million as compared to AED 700 million earned in the first quarter of 2012. This reflects the conservative cash policy implemented by the Company in Egypt, given the delays in collection of receivables, and also temporary suspension of Liquefied Petroleum Gas (“LPG”) production in Kurdistan Region of Iraq following the damage to the LPG loading bay by a third party LPG tanker accident in June 2012.

Production and revenues are expected to increase as new discoveries in Egypt are brought to production and upon resumption of LPG production in Kurdistan in June 2013 following completion of repairs to the LPG loading bay.

The Group share of production for the first 90 days of production was 5.52 million barrels of oil equivalent [61,400 barrels of oil equivalent per day (“boepd”)], a decrease of 3% compared to 5.73 Million barrels of oil equivalent (63,000 boepd) in the same period last year.

Net profit however, was higher at AED 241 million, an increase of 17% over the same period last year as a result of a gain recorded on the partial sale of the Company’s investment in MOL.

#### **Liquidity and Financial Resources**

Net cash generated from operations was AED 274 million as compared to AED 183 million in the same period last year. During the period, the Company collected AED 271 million from its share of receivables in Egypt and Kurdistan Region of Iraq. The Company’s cash balance improved by 107% to AED 1,254 million by end of Quarter 1 2013 compared to AED 605 million at 31 December 2012 as a result of the partial sale of MOL shares.

#### **Sukuk Update**

Following agreement on the Company’s Sukuk reached with the Ad Hoc Committee of Sukuk holders in December 2012, the Company launched the consent solicitation process on 26 March 2013 to seek Sukuk holders consent in a Meeting of Sukuk Certificate holders (“Sukuk holders EGM”) to be held on 23 April 2013. Also, the Company issued an invitation to its Shareholders to attend the Extra Ordinary General Assembly (“Shareholders EGM”) on 14 March 2013, if adjourned, then on 21 March 2013, if further adjourned, then on 23 April 2013. This meeting was to consider and approve the Sukuk deal.

The first two shareholders EGM were adjourned for lack of quorum. However, on 23 April 2013, both Sukuk holders EGM and Shareholders EGM approved the Sukuk refinancing deal. The Company achieved completion on 8 May 2013.

# **DANA GAS PJSC**

## **Report of the Directors**

### **Business Update**

In line with its outlined strategy, the Dana Gas Group continues to maximise 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 statement of financial position.

### **Reserves**

The U.K. based advisory firm, Gaffney, Cline & Associates had carried out an independent evaluation of Dana Gas Egypt's and Sharjah Western Offshore hydrocarbon reserves as at 31 December 2012. Following this review, the Group's gross proved reserves (1P) as at 31 December 2012 were 86 millions of barrels of oil equivalent (31 December 2011: 88 mmboc). The gross proved and probable reserves (2P) as at 31 December 2012 were estimated to be 147 mmboc (31 December 2011: 159 mmboc) and the gross proved, probable and possible reserves (3P) as at 31 December 2012 were estimated to be 256 mmboc (31 December 2011: 277 mmboc).

### **Egypt**

The Company's production in Egypt for the first 90 Days of operations in 2013 was 3.0 million BOE i.e. averaging 33.4 thousand BOE per day (March 2012: 3.14 million BOE, averaging 34.5 thousand BOE per day). This represents a decline of 3% compared to the same period last year when production averaged 34,500 boepd. The Company was successful in bringing online production from the tie-in of South Abu El Naga dry gas well and new discoveries of Allium in West El Manzala concession, West Sama in West El Qantara concession and West El Baraka in Komombo concession. Production is expected to increase further upon tie-in of South Abu El Naga rich gas wells, addition of new compression facilities in El Basant and by bringing online recently discovered Balsam field.

During the period the Group collected AED 152 million against receivables in Egypt. At period end the trade receivables balance stood at AED 866 million (31 December 2012: AED 866 million).

On 18 April 2013, Dana Gas Egypt was awarded 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, in water depths of upto 1,000 meters and covering an area of 2,980 Km<sup>2</sup>. The concession has an 8 year exploration period comprised of three phases starting with an initial four year exploration period and two additional two year extension period.

### **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 significant petroleum (including gas) resources in the Khor Mor and Chemchemal 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 providing natural gas supplies to fuel domestic electric power generation plants near the major urban centers of Erbil and Suleymania. Further development of the gas resources are planned to include allowing expansion of electricity generation and to supply natural gas as feedstock and energy for local industries.

The Group's share (40%) of gross production in the Kurdistan Region of Iraq for the first 90 Days of operations in 2013 was 2.49 mmboc, i.e. averaging 27.7 thousand BOE per day (March 2012: 2.59 million BOE, averaging 28.5 thousand BOE per day).

The LPG loading bay at the Kor Mor LPG processing facility was damaged as a result of an explosion of a LPG tanker belonging to a local trader on 22 June 2012 and therefore there has been no LPG production or sales thereafter. LPG production and sales are expected to resume in the second quarter of 2013 once the damaged facilities are reconstructed.

During the period the Group collected AED 119 million against receivables in Kurdistan. At period end the Group's share of trade receivables balance stood at AED 1,389 million (December 2012: AED 1,298 million).

## **DANA GAS PJSC**

### **Report of the Directors**

#### *UAE Gas Project*

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. In July 2010, NIOC introduced gas into its completed transmission network and Dana Gas’ UGTC pipeline and SajGas processing facilities in Sharjah for commissioning purposes. However, subsequently as it pressured up, NIOC discovered significant leaks in its offshore gas transmission system, which needs rectification. Notwithstanding this, Crescent Petroleum is continuing with international arbitration to seek a ruling on its binding 25 years gas supply contract with NIOC and expects an enforceable decision by the international tribunal in 2013.

#### *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.

On 21 November 2012, Dana Gas signed a set of agreements with the Sharjah and Ajman Governments to jointly develop the shared field located around 40 kilometers off the two coasts. These included a unitisation agreement for management of the shared field, gas sales and purchase agreements and the joint operating agreement.

Base plan for the project entails the engineering, construction and installation of a new unmanned platform, together with 2-3 horizontal gas production wells in approximately 24 meters of water depth. These planned facilities are about 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 constructed within the Sharjah Hamriyah Free Zone Area.

#### *Egypt Gulf of Suez – Gas Liquids Extraction Plant*

The Company, through its subsidiary Danagaz Bahrain, is a 26.4% owner (effective) in Egyptian Bahraini Gas Derivative Company (Joint Venture) to build, own and operate a Natural Gas Liquids Extraction Plant in Egypt in partnership with the Egyptian National Gas Company (EGAS) and the Arab Petroleum Investments Corporation (APICORP). The construction of the Project has since been completed, with start-up happening in August 2012.

In its first 3 months of 2013, the plant has processed a combined 8,163 metric tonnes of Propane (7,765) and Butane (398). The plant has a capacity to process 150 MMscfd of gas and it is currently processing at an average of approx. 80 MMscfd. In future, it is expected that the gas supplies will increase through tie-ins with other gas fields in the vicinity.

**DANA GAS PJSC**  
**Report of the Directors**

**Directors**

The Directors who served during the period were:

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

**Auditors**

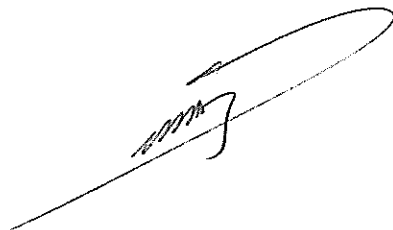
The Company auditors, Ernst & Young, have issued their review report on the interim condensed consolidated financial statements of the Group.

On behalf of the Board of Directors



Director

13 May 2013



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

We have reviewed the accompanying interim condensed consolidated financial statements of Dana Gas PJSC (“the Company”) and its subsidiaries (“the Group”) as at 31 March 2013 comprising of the interim consolidated statement of financial position as at 31 March 2013 and the related interim consolidated statements of income, comprehensive income, 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.

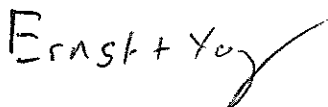
***Conclusion***

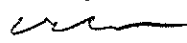
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

***Emphasis of matter***

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.

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



Signed by   
Anthony O'Sullivan  
Partner  
Registration No. 687

Sharjah, United Arab Emirates  
13 May 2013

## Dana Gas PJSC and Subsidiaries

### INTERIM CONSOLIDATED INCOME STATEMENT

Period ended 31 March 2013 (Unaudited)

	Note	<i>Three months ended</i>			
		<i>31 March 2013</i>		<i>31 March 2012</i>	
		<i>USD mm</i>	<i>AED mm</i>	<i>USD mm</i>	<i>AED mm</i>
				<i>Restated</i>	
Revenue		152	557	191	700
Royalties		(40)	(147)	(35)	(128)
Net revenue		<u>112</u>	<u>410</u>	<u>156</u>	<u>572</u>
Cost of sales		(12)	(44)	(11)	(40)
Depreciation and depletion		(25)	(92)	(22)	(81)
Gross profit		<u>75</u>	<u>274</u>	<u>123</u>	<u>451</u>
Investment and finance income	8	39	143	1	4
Provision for impairments		-	-	(9)	(33)
Change in fair value of investment property	6	-	-	(2)	(7)
General and administration expenses		(11)	(40)	(11)	(40)
Share of loss of a joint venture		(1)	(4)	-	-
Exploration expenses		(5)	(18)	(2)	(7)
Finance costs		(18)	(66)	(22)	(81)
<b>PROFIT BEFORE INCOME TAX</b>		<u>79</u>	<u>289</u>	<u>78</u>	<u>287</u>
Income tax expense		(13)	(48)	(22)	(81)
<b>PROFIT FOR THE PERIOD</b>		<u><u>66</u></u>	<u><u>241</u></u>	<u><u>56</u></u>	<u><u>206</u></u>
Basic and diluted per share (USD/AED per share)	4	<u><u>0.010</u></u>	<u><u>0.037</u></u>	<u><u>0.008</u></u>	<u><u>0.031</u></u>

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Dana Gas PJSC and Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 31 March 2013 (Unaudited)

	<i>Three months ended</i>			
	<i>31 March 2013</i>		<i>31 March 2012</i>	
	<i>USD mm</i>	<i>AED mm</i>	<i>USD mm</i>	<i>AED mm</i>
<b>Profit for the period</b>	<u>66</u>	<u>241</u>	<u>56</u>	<u>206</u>
(Loss)/ gain on available-for-sale financial asset (Note 8)	<u>(16)</u>	<u>(59)</u>	<u>37</u>	<u>135</u>
<b>Other comprehensive (loss)/ income for the period</b>	<u>(16)</u>	<u>(59)</u>	<u>37</u>	<u>135</u>
<b>Total comprehensive income for the period</b>	<u><u>50</u></u>	<u><u>182</u></u>	<u><u>93</u></u>	<u><u>341</u></u>

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.



Dana Gas PJSC and Subsidiaries

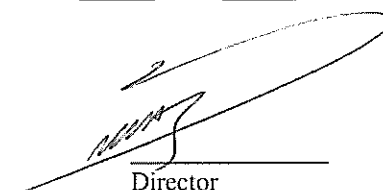
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Note	31 March 2013		31 December 2012 (Audited) Restated	
		USD mm	AED mm	USD mm	AED mm
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment		967	3,544	938	3,437
Intangible assets	5	747	2,738	785	2,877
Investment property	6	28	103	28	103
Investment in joint ventures	14	567	2,078	568	2,082
		<u>2,309</u>	<u>8,463</u>	<u>2,319</u>	<u>8,499</u>
<b>Current assets</b>					
Inventories		54	198	54	198
Trade and other receivables	7	705	2,584	678	2,485
Available-for-sale financial asset	8	104	381	255	935
Financial assets at fair value through profit or loss	9	10	37	10	37
Cash and cash equivalents	10	342	1,254	164	601
		<u>1,215</u>	<u>4,454</u>	<u>1,161</u>	<u>4,256</u>
<b>TOTAL ASSETS</b>		<u><u>3,524</u></u>	<u><u>12,917</u></u>	<u><u>3,480</u></u>	<u><u>12,755</u></u>
<b>EQUITY</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	11	1,801	6,602	1,801	6,602
Statutory reserve		65	238	65	238
Legal reserve		65	238	65	238
Retained earnings		415	1,521	349	1,280
Other reserves		30	109	85	310
Convertible bonds- equity component		48	176	48	176
		<u>2,424</u>	<u>8,884</u>	<u>2,413</u>	<u>8,844</u>
<b>Attributable to owners of the parent</b>		<u>2,424</u>	<u>8,884</u>	<u>2,413</u>	<u>8,844</u>
Non-controlling interests		3	11	4	15
<b>Total equity</b>		<u>2,427</u>	<u>8,895</u>	<u>2,417</u>	<u>8,859</u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Provisions		13	48	14	51
		<u>13</u>	<u>48</u>	<u>14</u>	<u>51</u>
<b>Current liabilities</b>					
Borrowings	12	920	3,372	920	3,372
Trade payables and accruals		164	602	129	473
		<u>1,084</u>	<u>3,974</u>	<u>1,049</u>	<u>3,845</u>
<b>Total liabilities</b>		<u>1,097</u>	<u>4,022</u>	<u>1,063</u>	<u>3,896</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>3,524</u></u>	<u><u>12,917</u></u>	<u><u>3,480</u></u>	<u><u>12,755</u></u>



Director  
13 May 2013



Director  
13 May 2013

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

## Dana Gas PJSC and Subsidiaries

### INTERIM CONSOLIDATED STATEMENT OF CASH FLOW

Period ended 31 March 2013 (Unaudited)

	Note	Three months ended			
		31 March 2013		31 March 2012 <i>Restated</i>	
		USD mm	AED mm	USD mm	AED mm
<b>OPERATING ACTIVITIES</b>					
Profit before income tax		79	289	78	287
Adjustments for:					
Depreciation and depletion		25	92	22	81
Investment and finance income		(39)	(143)	(1)	(4)
Change in fair value of investment property		-	-	2	7
Provision for impairments		-	-	9	33
Finance costs		18	66	22	81
Exploration expenses		5	18	2	7
Share of loss of a joint venture		(1)	(4)	-	-
		<u>87</u>	<u>318</u>	<u>134</u>	<u>492</u>
Changes in working capital:					
Trade and other receivables		(30)	(110)	(41)	(150)
Inventories		-	-	(2)	(8)
Trade payables and accruals		31	114	(17)	(63)
Due to related parties		-	-	(2)	(6)
		<u>88</u>	<u>322</u>	<u>72</u>	<u>264</u>
Net cash generated from operating activities		<u>88</u>	<u>322</u>	<u>72</u>	<u>264</u>
Income tax paid		(13)	(48)	(22)	(81)
Net cash flows from operating activities		<u>75</u>	<u>274</u>	<u>50</u>	<u>183</u>
<b>INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment		(28)	(102)	(2)	(7)
Expenditure on intangibles	5	(5)	(18)	(3)	(12)
Investment and finance income received		135	495	1	4
Others		-	-	1	3
		<u>102</u>	<u>375</u>	<u>(3)</u>	<u>(12)</u>
Net cash flows from/ (used) in investing activities		<u>102</u>	<u>375</u>	<u>(3)</u>	<u>(12)</u>
<b>FINANCING ACTIVITIES</b>					
Proceeds from borrowings		-	-	1	4
Finance costs paid		-	-	(17)	(62)
		<u>-</u>	<u>-</u>	<u>(16)</u>	<u>(58)</u>
Net cash flows used in financing activities		<u>-</u>	<u>-</u>	<u>(16)</u>	<u>(58)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>					
		177	649	31	113
Cash and cash equivalents at the beginning of the period		<u>165</u>	<u>605</u>	<u>112</u>	<u>411</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	10	<u>342</u>	<u>1,254</u>	<u>143</u>	<u>524</u>

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

## Dana Gas PJSC and Subsidiaries

### INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 31 March 2013 (Unaudited)

	Attributable to owners of the parent															
	Share capital		Statutory reserve		Legal reserve		Retained earnings		Other reserves		Convertible bonds-equity component		Non-controlling interest		Total	
	USD	AED	USD	AED	USD	AED	USD	AED	USD	AED	USD	AED	USD	AED	USD	AED
At 1 January 2013	1,801	6,602	65	238	65	238	349	1,280	85	310	48	176	4	15	2,417	8,859
Profit for the period	-	-	-	-	-	-	66	241	-	-	-	-	-	-	66	241
Other comprehensive income	-	-	-	-	-	-	-	-	(16)	(59)	-	-	-	-	(16)	(59)
Total comprehensive income for the period	-	-	-	-	-	-	66	241	(16)	(59)	-	-	-	-	50	182
Gain on disposal of available-for-sale financial asset	-	-	-	-	-	-	-	-	(39)	(142)	-	-	-	-	(39)	(142)
Loss to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(1)	(4)	(1)	(4)
<b>At 31 March 2013</b>	<b>1,801</b>	<b>6,602</b>	<b>65</b>	<b>238</b>	<b>65</b>	<b>1,521</b>	<b>415</b>	<b>30</b>	<b>109</b>	<b>48</b>	<b>176</b>	<b>3</b>	<b>11</b>	<b>2,427</b>	<b>8,895</b>	
At 1 January 2012	1,801	6,602	48	176	48	176	220	806	55	200	48	176	4	15	2,224	8,151
Profit for the period	-	-	-	-	-	-	56	206	-	-	-	-	-	-	56	206
Other comprehensive income	-	-	-	-	-	-	-	-	37	135	-	-	-	-	37	135
Total comprehensive income for the period	-	-	-	-	-	-	56	206	37	135	-	-	-	-	93	341
Share based payment	-	-	-	-	-	-	-	-	1	4	-	-	-	-	1	4
<b>At 31 March 2012</b>	<b>1,801</b>	<b>6,602</b>	<b>48</b>	<b>176</b>	<b>48</b>	<b>1,012</b>	<b>276</b>	<b>93</b>	<b>339</b>	<b>48</b>	<b>176</b>	<b>4</b>	<b>15</b>	<b>2,318</b>	<b>8,496</b>	

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

## Dana Gas PJSC and Subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS As at 31 March 2013 (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, jointly controlled entities/ operations and joint venture of the Group at 31 March 2013 and the Group percentage of ordinary share capital or joint venture interest are set out below:

<b>Subsidiaries</b>	<b>%</b>	<b>Country of incorporation</b>	<b>Principal activities</b>
Dana Gas LNG Ventures Limited	100	British Virgin Islands	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
<b>Joint Operations</b>	<b>%</b>	<b>Country of operation</b>	<b>Principal activities</b>
*Pearl Petroleum Company Limited (“Pearl Petroleum”)	40	Kurdistan Region of Iraq	Oil and Gas exploration & production
UGTC/ Emarat JV	50	Emirate of Sharjah	Gas Transmission
<b>Joint Ventures</b>	<b>%</b>	<b>Country/Area of operation</b>	<b>Principal activities</b>
Egyptian Bahraini Gas Derivative Company (“EBGDCO”)	26.4	Egypt	Gas Processing
Crescent National Gas Corporation Limited (“CNGCL”)	35	Emirate of Sharjah	Gas Marketing
GASCITIES Ltd	50	MENASA	Gas Cities

\* 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”).

**1 ACTIVITIES (continued)**

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 a 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. Pearl Petroleum retains full confidence in its contractual rights to full recovery of sums invoiced and indeed Pearl Petroleum has received USD 80 million (Dana Gas 40% share is USD 32 million) during the period.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation**

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for investment properties, available-for-sale financial asset and financial assets at fair value through profit or loss account that have been measured at fair value. The interim condensed consolidated financial statements are presented in United States Dollars (USD), which is the Company's functional currency, and all the values are rounded to the nearest million except where otherwise indicated. The United Arab Emirates Dirhams (AED) amounts have been presented solely for the convenience to readers of the 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 disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read with the Group's annual financial statement as at 31 December 2012.

**New standards, interpretations and amendments adopted by the Group**

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 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, and amendments to IAS 1 Presentation of Financial Statements. As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 Disclosure of Interest in Other Entities would result in additional disclosures in the annual consolidated financial statements of the Group.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard/ amendment is described below:

**IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1**

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**New standards, interpretations and amendments adopted by the Group (continued)**

**IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)**

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The Group provides this disclosure as total segment assets were reported to the chief operating decision maker (CODM). As a result of this amendment, the Group now also includes disclosure of total segment liabilities as these are reported to the CODM. See Note 3.

**IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements**

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, 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. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Group.

**IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures**

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. The application of this new standard impacted the financial position of the Group by removing the option to account for joint ventures using proportionate consolidation with the equity method of accounting. IFRS 11 is effective for annual periods beginning on or after 1 January 2013. The effect of IFRS 11 is described in more detail in Note 14, which includes quantification of the effect on the consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## Dana Gas PJSC and Subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS As at 31 March 2013 (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 2013

	<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>
<b>Revenue</b>				
External sales net of royalties	1	54	57	112
<b>Total revenue net of royalties</b>	<u>1</u>	<u>54</u>	<u>57</u>	<u>112</u>
<b>Gross profit</b>	1	25	49	75
Investment and finance income				39
General and administration expenses				(11)
Share of loss of a joint venture				(1)
Exploration cost write-off				(5)
Finance costs				(18)
<b>Profit before income tax</b>				<u>79</u>
Income tax expense				(13)
<b>PROFIT FOR THE PERIOD</b>				<u>66</u>
Segment assets as at 31 March 2013	<u>1,600</u>	<u>1,176</u>	<u>748</u>	<u>3,524</u>
Segment liabilities as at 31 March 2013	<u>976</u>	<u>108</u>	<u>13</u>	<u>1,097</u>

## Dana Gas PJSC and Subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS As at 31 March 2013 (Unaudited)

#### 3 SEGMENTAL INFORMATION (continued)

##### Period ended 31 March 2012

	<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	72	83	156
	<u>1</u>	<u>72</u>	<u>83</u>	<u>156</u>
Total revenue net of royalties	<u>1</u>	<u>72</u>	<u>83</u>	<u>156</u>
Gross profit	1	46	76	123
Investment and finance income				1
Provision for impairments				(9)
Change in fair value of investment property				(2)
General and administration expenses				(11)
Finance costs				(22)
Exploration cost write-off				(2)
Profit before tax for the period				78
Income tax expense				(22)
PROFIT FOR THE PERIOD				<u>56</u>
Segment assets as at 31 December 2012	1,551	1,155	774	3,480
	<u>1,551</u>	<u>1,155</u>	<u>774</u>	<u>3,480</u>
Segment liabilities as at 31 December 2012	960	93	10	1,063
	<u>960</u>	<u>93</u>	<u>10</u>	<u>1,063</u>

#### 4 EARNINGS PER SHARE

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

	<i>Three months ended 31 March</i>	
	<i>2013</i>	<i>2012</i>
<b>Earnings:</b>		
Net profit for the period- USD mm	66	56
	<u>66</u>	<u>56</u>
<b>Shares:</b>		
Weighted average number of shares outstanding for calculating basic EPS- million	6,602	6,602
	<u>6,602</u>	<u>6,602</u>
<b>EPS (Basic) – USD:</b>	<u>0.010</u>	<u>0.008</u>



## Dana Gas PJSC and Subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS As at 31 March 2013 (Unaudited)

#### 4 EARNINGS PER SHARE (continued)

(b) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming 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</i>	
	<i>31 March</i>	
	<i>2013</i>	<i>2012</i>
<b>Earnings:</b>		
Net profit for the period - USD mm	<b>66</b>	56
Finance cost on convertible Sukuk - USD mm	-	17
	<u><b>66</b></u>	<u>73</u>
<b>Shares:</b>		
Weighted average number of shares outstanding for calculating basic EPS - million	<b>6,602</b>	6,602
Adjustments for:		
Share options/ Restricted shares (million) *	<b>11</b>	11
Assumed conversion of convertible Sukuk (million)**	-	1,908
Weighted average number of ordinary shares for diluted earnings per share (million)	<u><b>6,613</b></u>	<u>8,521</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 at 31 March 2013 all the stock options issued to employees were out of money, hence no shares have been assumed for calculating diluted earnings per share. In 2010 and 2011, key management employees were awarded with restricted shares, one third portion of which will vest yearly over a period of 3 years. These restricted shares have been taken into account in the calculation of diluted earnings per share.

\*\* 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. The conversion option for the existing sukuk has already expired.

## Dana Gas PJSC and Subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS As at 31 March 2013 (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>Goodwill USD mm</i>	<i>Total USD mm</i>
Cost at 1 January 2013	277	289	7	308	881
Less: provision for impairment	(96)	-	-	-	(96)
<b>At 1 January 2013</b>	<b>181</b>	<b>289</b>	<b>7</b>	<b>308</b>	<b>785</b>
Additions	5	-	-	-	5
Transfer to property, plant & equipment	(43)	-	-	-	(43)
<b>At 31 March 2013</b>	<b>143</b>	<b>289</b>	<b>7</b>	<b>308</b>	<b>747</b>
At 31 December 2012	181	289	7	308	785

#### (a) Oil and Gas Interests

Oil and gas interests of USD 143 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 17% of current production in Dana Gas Egypt. El Wastani production includes both gas and associated gas liquids. This lease has 13,017 acres of land included within its boundary and is located in the Nile Delta of Egypt.
- South El Manzala Development Leases – These development leases are held with a 100% working interest and are not currently producing. These development leases have 16,055 acres of land included within their boundaries and are located in the Nile Delta of Egypt.
- West El Manzala Exploration Concession – Dana Gas Egypt holds a 100% working interest in this Concession, which is located in the Nile Delta of Egypt and includes 476,216 acres of exploration land. The expiry date of the Exploration Concession and the total relinquishment of the non-productive land was 30 June 2012, however during the period the expiry date of the Exploration Concession was extended by six months to 28 December 2012. The Company has been granted an extension of upto six months to complete the drilling and testing of the Begonia-1 well. In case of either discovering commercial gas or reaching negative results, the Company will have to withdraw from the concession areas that have not been transformed into development leases or those which have not been presented by the Company to be transformed into a development lease. To date, nine development leases have been created from this exploration concession and produce both natural gas and associated liquids representing approximately 73% of Dana Gas Egypt current volumes. The Company has applied for a tenth development lease to cover the recently discovered South Abu El Naga field. Further the Egyptian Natural Gas Holding Company (“EGAS”) initially approved the scope of new development leases for two discoveries during the second half of 2012 and formal approval for development leases are expected by late May 2013. These leases are Balsam development lease and El Basant development lease amendment for Allium-1 well.
- Sama Development Lease (West El Qantara Concession) – This development lease is held with a 100% working interest. This development lease has 17.5 Km<sup>2</sup> of land included within its boundaries and is located in the Nile Delta of Egypt. The Egyptian Natural Gas Holding Company (“EGAS”) initially approved the scope of new development lease for West Sama discovery during the second half of 2012 and formal approval for Sama development lease amendment for West Sama-1 is expected by late May 2013. To date, one development lease is producing both natural gas and associated liquids representing approximately 9% of Dana Gas Egypt current volumes.

## Dana Gas PJSC and Subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS As at 31 March 2013 (Unaudited)

#### 5 INTANGIBLE ASSETS (continued)

##### (a) Oil and Gas Interests (continued)

- Kom Ombo Development Leases (Kom Ombo Concession) – These development leases are held with a 50% working interest with the balance of 50% interest held by Sea Dragon Energy Limited. These development leases have 119 Km<sup>2</sup> of land included within its boundaries and is located in the Upper Egypt. In February 2013, Ganoub El Wadi Holding Petroleum Company approved the new development lease for West El Baraka. To date, two development leases have been created from this exploration concession and produces approximately 1% of Dana Gas Egypt current volumes and produces only oil.

##### (b) Purchase, transmission, sweetening and sale rights

Intangible assets include USD 289 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 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, NIOC introduced gas into its completed transmission network and Dana Gas' UGTC pipeline and SajGas processing facilities in Sharjah for commissioning purposes. However, subsequently as it pressured up, NIOC discovered significant leaks in its offshore gas transmission system which needs rectification. Notwithstanding this, Crescent Petroleum is continuing with international arbitration to seek a ruling on its binding 25 years gas supply contract with NIOC and expects an enforceable decision by the international tribunal in 2013. 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 2012. Management has reviewed the various inputs into the original valuation model and 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 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 2012.

#### 6 INVESTMENT PROPERTY

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

	<i>31 March 2013</i> <i>USD mm</i>	<i>31 Dec 2012</i> <i>USD mm</i> <i>(Audited)</i>
At 1 January	28	31
Change in fair value for the period/ year	-	(3)
At 31 March / 31 December	<u>28</u>	<u>28</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 by the consultants as at 31 December 2012.

## Dana Gas PJSC and Subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS As at 31 March 2013 (Unaudited)

#### 7 TRADE AND OTHER RECEIVABLES

	31 March 2013 USD mm	31 Dec 2012 USD mm (Audited)
Trade receivables	625	599
Prepaid expenses	1	1
Other receivables	85	84
Less: provision for impairment of other receivables	(6)	(6)
	<u>705</u>	<u>678</u>

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

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
31 March 2013	625	139	22	20	26	18	400
31 Dec 2012	599	100	32	11	56	5	395

#### 8 AVAILABLE-FOR-SALE FINANCIAL ASSET

	31 March 2013 USD mm	31 Dec 2012 USD mm (Audited)
At 1 January	255	226
Disposal	(135)	-
Change in fair value for the period/ year	(16)	29
At 31 March / 31 December	<u>104</u>	<u>255</u>

The Group holds 1,486,116 ordinary shares in MOL (31 December 2012: 3,161,116 shares) 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 2013. On 8 February 2013, the Group sold 1,675,000 shares (53%) out of its total shareholding of 3,161,116 shares in MOL, at an average price of HUF 17,515 (USD 135 million) through a book building process.

#### 9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 March 2013 USD mm	31 Dec 2012 USD mm (Audited)
At 1 January	10	10
Investment redeemed during the period/ year	-	(2)
Change in fair value	-	2
At 31 March / 31 December	<u>10</u>	<u>10</u>

## Dana Gas PJSC and Subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS As at 31 March 2013 (Unaudited)

#### 10 CASH AND CASH EQUIVALENTS

	<i>31 March 2013 USD mm</i>	<i>31 Dec 2012 USD mm (Audited)</i>
Cash at bank and on hand		
- Local Banks within UAE	143	39
- Foreign Banks outside UAE	41	41
Short term deposits		
- Local Banks within UAE	158	84
	<u>342</u>	<u>164</u>

Cash at bank earns profit at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one week and three months, depending on the immediate cash requirements of the Group, and earns profit at the respective short-term deposit rates. The fair value of cash and short-term deposits is USD 342 million (December 2012: USD 164 million). The effective profit rate earned on short term deposits ranged between 1.0% to 2.5% (2012: between 1.25% and 3.5%) per annum. As at 31 March 2013, 88% of cash and cash equivalents were held with UAE banks.

#### 11 SHARE CAPITAL

	<i>31 March 2013 USD mm</i>	<i>31 Dec 2012 USD mm (Audited)</i>
<i>Authorised:</i>		
6,602,001,300 common shares of AED 1 each (USD 0.2728 each)		
<i>Issued and fully paid up:</i>		
6,602,001,300 common shares of AED 1 each (USD 0.2728 each)	<u>1,801</u>	<u>1,801</u>

#### 12 BORROWINGS

	<i>31 March 2013 USD mm</i>	<i>31 Dec 2012 USD mm (Audited)</i>
<b>Current</b>		
Convertible Sukuk	920	920
	<u>920</u>	<u>920</u>
Total borrowings	<u>920</u>	<u>920</u>

**12 BORROWINGS (continued)**

**CONVERTIBLE SUKUK**

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 drawn up to conform to the principles of Islamic Sharia, were approved by the Company's shareholders at an Extraordinary General Meeting held in July 2007. Pursuant to the conditions of the Sukuk, the proceeds were used for the acquisition and development of assets (the "Mudarabah Assets") owned by Dana LNG Ventures Limited. The Sukuk matured on 31 October 2012 and had a profit rate of up to 7.5% payable quarterly from profits of the Mudarabah Assets. In 2008, Dana Gas purchased some of the Sukuk from the market with a nominal value of USD 80 million.

The Sukuk have limited recourse and are secured against the shares of Dana LNG Ventures Limited (BVI), Sajaa Gas Company Limited (Sharjah) and United Gas Transmissions Company Limited (Sharjah). The net book value of the aforesaid assets is in excess of the amount of the Sukuk.

The Company announced on 10 December 2012 that a standstill and lockup agreement has been reached with an "Ad-Hoc committee" of Sukuk certificate holders for a refinancing transaction (the "Transaction") in relation to the Sukuk. The standstill and lockup agreement also includes a detailed set of terms, conditions and implementation schedule.

The salient features of the agreement are a reduction in the Company's outstanding Sukuk amount 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 will be split into two tranches being a USD 425 million Ordinary Sukuk and USD 425 million Convertible Sukuk (together the "New Sukuks"), each with 5-year maturity to ensure long term financing.

The Ordinary Sukuk will have a profit rate of 9% per annum and the Convertible Sukuk will have a profit rate of 7% per annum.

The security package available to holders of the New Sukuks will be enhanced by USD 300 million of value comprising security over receivables of the Company's Egyptian assets, and certain Egyptian assets and UAE assets. The Conversion price of the Convertible Sukuk will be set at a 50% premium to the 75 calendar day volume-weighted average price, measured over a period commencing on 1 December 2012 (with a floor of AED 0.75 and cap of AED 1.00). The Company has the option to pay down the outstanding principal amount of the New Sukuks prior to the new maturity date of 31 October 2017, subject the applicable call premium on the Ordinary Sukuk and the soft call provisions on the Convertible Sukuk.

The Company launched the consent solicitation on 26 March 2013 to seek Sukuk holders consent in a meeting of Sukuk Certificate holders ("Sukuk holders EGM") to be held on 23 April 2013. Also, the Company issued an invitation to its Shareholders to attend the Extra Ordinary General Assembly ("Shareholders EGM") on 14 March 2013, if adjourned, then on 21 March 2013, if further adjourned, then on 23 April 2013. This meeting was to consider and approve the Sukuk deal.

The first two shareholders EGM were adjourned for lack of quorum. However, on 23 April 2013, both Sukuk holders EGM and Shareholders EGM approved the Sukuk refinancing deal. Subsequent to the period end on 8 May 2013 successful completion was achieved and the Company made the cash pays down of USD 69.9 million and paid the accrued profit from 31 October 2012 to 7 May 2013 amounting to USD 38.4 million as completion was successfully achieved.

**13 CONTINGENCIES AND COMMITMENTS**

**(a) Dana Gas Egypt**

Dana Gas Egypt currently has two drilling rigs under contract. 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 stand by rate based on days not utilised under the contracts. Maximum liability as of 31 March 2013 was USD 2 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.

In April 2013, Dana Gas Egypt was awarded 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 pay Egyptian Natural Gas Holdings a sum of USD 20 million as a signature bonus which can be offset against our outstanding receivables. In addition, Dana Gas Egypt has committed to spend USD 25.5 million on the block during the first phase of exploration.

**(b) Pearl Petroleum Company Limited**

Capital expenditure contracted for in relation to reconstruction of the damaged loading bay facility at the end of the reporting period but not yet accrued is estimated at USD 6 million (DG Share: USD 2.4 million). As per the terms and conditions of the insurance policies, Pearl Petroleum Company Limited insurers have confirmed their commitment to reimburse the cost incurred for the restoration of the damaged LPG loading facility.

**(c) Sharjah Western Offshore**

Capital expenditure contracted for at the end of the reporting period but not yet accrued amounted to USD 2 million.

## Dana Gas PJSC and Subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS As at 31 March 2013 (Unaudited)

#### 14 SHARE OF INVESTMENT IN JOINT VENTURES

##### Interest in joint ventures (transition to IFRS 11)

As disclosed in Note 1, the Group has 26.4%, 35% and 50% interests in EBGDCO, CNGCL and Gas Cities respectively. Under IAS 31 Investment in Joint Ventures (prior to the transition to IFRS 11), the Group's interest in the above mentioned entities was classified as a jointly controlled entity and the Group's share of the assets, liabilities, revenue, income and expenses were proportionately consolidated in the consolidated financial statements. Upon adoption of IFRS 11, the Group has determined its interest to be a joint venture in the above entities and it is required to be accounted for using the equity method. The effect of applying IFRS 11 is as follows:

**Impact on the income statement – Quarter 1 2012:** There was no material impact on the interim consolidated income statement and interim consolidated statement of cash flows or the basic or diluted EPS.

##### Impact on the statement of financial position (As at 31 December 2012):

	<i>EBGD USD mm</i>	<i>Gas Cities USD mm</i>	<i>CNGCL USDmm</i>
Increase in net investment in joint venture (non-current)	9	-	559
Decrease in Intangible assets (non-current)	-	-	(568)
Decrease in property, plant and equipment (non-current)	(47)	-	-
Decrease in cash and cash equivalent (current)	(1)	-	-
Decrease in borrowings (current & noncurrent)	31	-	-
Decrease in due to related parties (current)	3	-	5
Decrease in trade payables and accruals (current)	5	-	4
<b>Net impact on equity</b>	<b>-</b>	<b>-</b>	<b>-</b>

In accordance with the transition provision of IFRS 11 certain comparative numbers have been restated.