

Company Name: Dana Gas Pjsc
Company Ticker: DANA UH
Date: 2010-11-10
Event Description: Q3 2010 Earnings Call

Market Cap: 5,016.00
Current PX: .76
YTD Change(\$): -.09
YTD Change(%): -11.064

Bloomberg Estimates - EPS
Current Quarter: N.A.
Current Year: 0.028
Bloomberg Estimates - Sales
Current Quarter: N.A.
Current Year: 1454.111

Q3 2010 Earnings Call

Company Participants

- Joe Kaye, Chairperson
- Ahmed Rashid Al-Arbeed, Chief Executive Officer
- Donald Dorn-Lopez, Technical Director
- Corporate Participant
- Azfar Aboobakar, Financial Controller

Other Participants

- Neeraj Kumar
- Analyst
- Scott Darling
- Jessica Estefane
- Manoj Kulkarni
- Waleed Haram

Presentation

Operator

Good morning ladies and gentlemen, and welcome to the Dana Gas Third Quarter Results Conference Call. At this time, all participants are in a listen-only mode until we conduct the question-and-answer session and instructions will be given at that time. [Operator Instructions]. Just to remind you, this conference call is also being recorded. I would now like to hand over to today's chairperson, Joe Kaye of Dana Gas. Please begin your meeting and I'll be standing by.

Joe Kaye, Chairperson

Thank you. Hello and welcome to Dana Gas' third quarter 2010 results presentation. Today's presentation will be out by our Chief Executive Officer, Ahmed Al Arbeed, our Group Financial Controller, Azfar Aboobakar. Our presentation today will refer to slide pack that can be found on the home page of our website www.danagas.ae. Before we start, I'd like to draw your attention to our cautionary statement which is included in slide number two in our presentation. Our presentation will contain references to projects, estimates, plans and expectations that are forward-looking statements.

The actual results, performance or achievements of the company, could differ materially from those projected. Thank you. I'll now hand over to our Chief Executive Officer, Ahmed Al-Arbeed.

Ahmed Rashid Al-Arbeed, Chief Executive Officer

Thank you. Ladies and gentlemen, this is Ahmed Al-Arbeed, Chief Executive Officer of Dana Gas. Welcome to our sales results conference call. We now have this calls established as part of our communication with investors. And we shall continue with these calls on a regular basis and we have you for the positive feedbacks that we have received from you. I know that you will have questions.

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We will try to address most of them in our presentation and of course, we will be pleased to answer specific questions at the end of our presentation. Slide three of our presentation part shows our presenters today. Donald Dorn-Lopez is our Technical Director, and will review our operations in Egypt and Iraq, and - is our Group Financial Controller, who will present the financial results. Moving over...sorry, we'll go to slide number four. This shows the contents of our telephonic conference. And I will start with the overview.

Technical Director will speak about Egypt through the drilling results production and then Mr. Azfar will talk about the financial results. I will give you some brief about our results. Our production is up to 24% on the same period last year. We have previously indicated, we are on course to deliver a 20% increase in the production in 2010 compared to 2009. I am now confident that this will be achieved and probably will attain better Donald will brief you further on this. Our profits of the quarter at \$9 million are consistent to the first two quarters of the year and we are confident that we will continue to report reliable profits.

Even that we are an active exploration company and will periodically have to write-off the cost of unsuccessful exploration wells. I will leave it to ask for to expand on the financial results. In Egypt, we will continue to enjoy exploration successes. With the three since we last reported to you. Donald will. This performance and why Sama Delta North is a particular interest.

And Kurdistan region of Iraq we are making good progress, and are producing sufficient gas to meet the needs of the two power stations that we supply. This will enable us to start selling additional gas volumes to new industrial customers. We continue to negotiate with the KRG to resolve the payments of our outstanding invoices. However we now have a condensate sales contract approved by the KRG, with a local buyer for which we are receiving payments. Our Egypt process is a still on going. We remain convinced of the value of our continued exploration success compiles this.

We have a no new update considering our UAE gas project, and continue to - deliver of gas. It is our objective to remain communicative with our investors, and I thank you for your continued support to Dana Gas. Our investors consents are also our own consents, we are a very strong company with both operationally and the financially we have particularly high quality assets. We work hard to deliver value to our shareholders. Thank you for listening. I will now hand over to Donald.

Donald Dorn-Lopez, Technical Director

Thank you Ahmed. This Donald Dorn-Lopez, Technical Director for Dana Gas.. I will now review to you our operations in Egypt and in the Kurdish region of Iraq before giving details of our production during the last quarter. Turning out to slide number six in our presentation pack, which show a map our Nile Delta acreage in Egypt along with the summary of our achievements during 2010. We've had six new field discoveries this year. Three since the financial results were reported through last quarter.

We already announced South Abu El Naga which flow gas of 19.5 million cubic feet per day and 1,160 barrels of condensate per day. These reserves we estimate in between 50 and 90 cubic feet of gas plus one to two million barrels of condensate. This is an interesting discovery as it has a higher liquid yield, which is attractive for us, since we received world market prices for both condensate and LPG. The second discovery Salma Delta North-1, which is adjacent to the Salma Delta field marked on the map, -gas 16.1 million cubic feet per day and 561 barrels per day of condensate. This is also a attractive liquid yield. This discovery is particularly interesting because it has a gas water contact on 40 metres deeper than the adjoining Salma Delta field.

We therefore have discovered a new pool, which we will need to appraise further before we can determine the full extent of this accumulation. It also raises the possibility of other similar prospects in the area. Our third discovery is the Capital Shake Reservoir West Ward Delta in the Northwest of our acreage, which flow dry gas at 12.9 million cubic feet per day and reserves in the range of 10 to 17 BCF of gas. Let me put these discoveries in perspective. In 2009, we produced 62 billion cubic feet of gas. South Abu El Naga alone might be.

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Sufficient to replace our entire years production. The discovery result -- and some - to North have let us to redesign our planned gas processing plants shown on the slide as the East Nile plant. This plant will now be roughly double the original on proposal size able to handle 120 million cubic feet of gas along with fuel liquids recovery, which will materially increase our production and revenue by the middle of 2012. The previous plan did not had any LPG recovery until a future second phase development. As mentioned, the higher liquids content of both South Abu El Naga and Salma Delta North have made the redesign an earlier implementation of full liquid recovery and economically attractive option. In 2010, we've already brought four new fields on stream and we are expanding our plant in El Wastani to handle an increase in fleet gas to.

The 214 million cubic feet per day in two stages. Once completed these two facilities - and East Nile first our 60 million cubic feet per day facility as Sondos, Manzala will take our capacity to some 400 million cubic feet per day. We're doing a great deal in Egypt, and we have a lot more to the there. Our exploration development and production teams are delivering material growth at a rapid pace, we're very proud of them. On slide number seven, we show a map of our operations in the Kurdish region of the Iraq and the summary of our progress this year. Together with our partners we are now producing gas from the - field at rate close to 200 million cubic feet per day to our early production facility and through the first train of our gas processing plant.

Cognizant production is around 9,000 barrels per day. We're currently meeting the needs of the two electric power stations that we supply and late this year or perhaps early in the new year we will commence LPG production. You will gather from all these activity in the ramp up of production that what we now have at - a major production processing and transportation facility that's coming to the conclusion of it's construction phase and is entering the production operation phase. Accordingly a senior member of Dana Gas staff has been appointed General Manager of Production Operations, whose responsibility will be to ensure the smooth and effective running of this facility. In addition they have formed a subsurface team in Sharjah comprising technical staff from Dana Gas and the partnered companies to plan and implement the optimum development of this world class gas reservoir. We are producing from a substantial reservoir here which I should remind you we only commenced our first work loan three years ago, in this short space of time we now have the infrastructure.

Operation and a competent professional team managing it. At the same time we continue to work on the well known commercial, political issues that are common to all companies operating in the region. Industry guide, Dana Gas is in a good position for we provide the gas that ensures the region enjoys a reliable electricity supply, and we are managing a major operation in a professional and effective manner. We remain committed to building our operation producing gas from both coke and in Chemchemical fields to meet the needs of the local region and eventually for exports. I will now review our production performance during the third quarter. Turning to slide number eight, we show our total production during the quarter compared to the same quarter last year and breakdown between volumes produced in Egypt and in the Kurdistan region of Iraq.

Our total production is up 24% as Ahmed mentioned to 55,000. 50,550 barrels of oil equivalent per day up from 44,900 barrels of oil equivalent per day last year. Production in Egypt is up 15% from 37,100 barrels of oil equivalent per day to 42,150 barrels of oil equivalent per day. And in the Kurdistan region of Iraq it's up by 72% and 7,800 barrels of oil equivalent per day to 13,400 barrels of oil equivalent per day, giving an overall increase of 24% compared to the same period last year. This is the result of the for the four new fields that have come on stream this year in Egypt and are build up in production in Iraq as our facilities have been completed and bought online. Slide number nine shows production this quarter compared to the second quarter of 2010.

Here we show a 4% increase quarter-on-quarter from 53,400 barrels of oil equivalent per day. Production in both Egypt and Kurdistan region of Iraq is rising and will continue to raised as new facilities are completed and brought on stream. On slide 10 we see our production forecast for fourth quarter of 59,700 barrels of oil equivalent per day which reflects the 7% increase compared to third quarter 2010. In Egypt production is expected to increase by 9% during the fourth quarter and in the Kurdistan region of Iraq, we expected to increase slightly. LPG production is now expected to commence around the end of 2010. Looking to the full I would highlighted forecast average production for the Group which still expected to be atleast 20% higher than the average for 2009.

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Thank you ladies and gentlemen let me now hand over who will present the financial perspective.

Corporate Participant

Thank you Ahmed and Donald. Ladies and gentlemen, we will now review our financial results for the third quarter of 2010. I will also be referring to the slides in our presentation pack which is on our website at www.danagas.ae In the main, we will compare this quarter with the same quarter in 2009 but also the quarter two in 2010, where we believe this additional transparency is helpful to investors. The key headline is a Dana Gas has achieved for the third quarter in a row and after tax profit of \$1.9 million, these results are \$1.30 million - in third quarter of 2009, when we had reported a net loss of \$1.21 million driven mainly by exploration rate offs. On an underlying basis, that is if you remove the effect of the exploration write offs in both periods, a net profit have increased by \$1.4 million. Q3 2010.

The key driver of this increase year-on-year is production and hydrocarbon prices. Ahmed and Donald have already highlighted the increase in production. To conclude on that, the volume increase added \$9 million to gross revenues in Q3 2010 compared to 3Q 2009. Let us that is my turn to slide 11 and 12 for the average revised prices. Slide 11 compares 3Q 2009 with 3Q 2010 prices, a gas realization to Egypt remains constant at 2.7 per 1000 standard cubic feet which reflects a gas contract prices, which deals with 63% of our total production. A gas production in the Kurdistan region of Iraq is delivered free of charge to the two power stations that is applied.

This is approximately 19% of our total production. Our - realization prices increase from \$68 per barrel in 3Q, 2009 to \$75 this quarter, in line with the world market prices. This \$7 per barrel increase apply to condense sales from Egypt and Kurdistan, is nearly 13% of our total production. Altitude realizations increased from \$50...\$44 per BOE in 3Q, 2009 to \$54 this quarter which again reflects world market prices. This \$10 increase apply to our LPG sales currently from Egypt only which is approximately 4% of our total production. Accrued realizations increased from \$63 per barrels to \$71 per barrel.

This currently applies to less. Of the total production. These higher prices added \$4 million to gross revenues in third quarter 2010 compared to third quarter 2009. Lets turn to slide 12. Slide 12, compares second quarter 2010 with third quarter 2010 average prices. You can see that on average prices have been fairly relevant this quarter.

I now turn slide 13, which shows the profit after tax bridge. As indicated earlier increase in commodity prices had form \$1.4 to revenues and the volume increased added \$9 million. This is partly offset by \$16.6 million increase in depreciation due to higher production, \$3 increased in G&A and \$1 million in finance cost. Our G&A has increased due to expanding employee strength. Office and as compared with Q2 2010, shows an increase of only \$1 million. For our cost has increased barrel 1 million as we have suspended capitalization of finance cost on addition CapEx in Kurdistan as construction activity nears an end.

It should be noted that our operating cost have been constant at \$7 million, resulting in lower per DOE cost with higher production. Acceleration write-offs have been lower by \$26 million due to the fact that this quarter will have had only one end successful well. Last year we were exploring deeper prospects with higher drilling cost and by taking a higher hit for the dry holes. The net effect of these is \$30 million increase in the net profit after tax year-on-year. As mentioned earlier, even on an underlying basis that is before the effect of exploration write-offs, our profits have increased by \$4 million. Slide 14 show the capital expenditure.

In Egypt we spends \$32 million this quarter compare to \$26 million in the same quarter last year. The \$6 million increase is mainly due to a additional developments in time work performed during the quarter to bring new discoveries online. So far as Donald mention earlier we have been able to bring four new fields on stream during the year. In Kurdistan CapEx was \$12 million in the quarter compare to \$22 million in third quarter 2009. This reduction is due to the fact that their LPG plant is nearing completion and the level of productivity and spend is reducing accordingly. Others include CapEx in Sharjah Western development and gas liquids plants construction.

A full year capital expenditure forecast is now we would has a maximum most \$225 million excluding. Any major new business development. Slide15 shows that a cash flow for the third quarter 2010 was negative \$17 million. Analyzing

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these numbers further, our third quarter 2010 operating cash flow before working capital moments was \$72 million. We had Egypt tax payments of \$18 million, \$46 million in CapEx, net financing cost of \$16 million and invested additional \$11 million in the working capital. As a result, our cash balance at the end of the quarter was \$180 million, a decrease of \$ 17 million compared to the end of Q2, 2010.

On slide 16, we show an analysis of our trade receivables, which increase by \$13 million in the quarter, Egypt receivables. The overall level of receivables has reduced from. Of \$80 million at the end of 2Q 2010 to 76 million at the end of 3Q 2010. So, this is in line with the efforts to bring it down to the near current level. Our share of Kurdistan receivables to about 40% ownership of Pearl Petroleum Company amounted to \$96 million at the end of the quarter compared to \$79 million at the end of 2Q 2010. This \$17 million increase represents a share of condensate production sold to the KRG during the quarter.

This receivable balance is a focused area for us and we continue to work harder on this together with our partners in Pearl Petroleum. Slide number 17 is simply at summary of the key financial metrics for the quarter, which I've just addressed. This concludes our review of the third quarter result of Dana Gas. We will now be pleased to take specific questions. After the call, if you any further questions, please direct meet to Joe Kaye of Dana Gas, whose email address is on the invitation. Thank you.

Joe Kaye, Chairperson

Thank you for your attention ladies and gentlemen. I am now going to hand over to our moderator who'll handle question-and-answer session for us. I'll be grateful if when you ask a question you clearly state your name and organization. I'll now hand over to our moderator to introduce the first question.

Questions And Answers

Operator

Thank you, sir. [Operator Instructions]. Our first question comes from the line of of Neeraj Kumar. Please go ahead of your question, your line is now open.

Neeraj Kumar

Hi, good afternoon, this is Neeraj Kumar from JP Morgan. I have two questions if I may. Can you please provide some color on the Egyptian asset sale which you sell at 30% and can you give some criteria like I mean, what are the multiples you are looking at and over the criteria you are using for selecting bidders. And my second question is how you plan on refinancing or rolling over your debt when your 2012 - matures. Thank you very much.

Donald Dorn-Lopez, Technical Director

Neeraj this is Donald Dorn-Lopez, I'll take the first question on the farmout, as I am the team leader for the farmout project. So I am happy to answer that on the financing, I will ask or pass it to him on that one. With respect to the farmout, the process is still ongoing and I would like to explain to you. Little bit about why this process is taking a little time. Clearly with 11 producing fields on the concessions and with four new fields brought on stream this quarter for three new discoveries this quarter and exploration program ongoing, there is a constant flow of data and right now that data is bringing very good news. In particular our discoveries at the South South Abu El Naga and Sama Delta North have led us to redesign a new gas plant at Sama to handle the larger volumes of gas and liquids that we now know we are going to be producing.

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This plant is as I said now twice the size of we originally planed with exploration success unfolding in this way, we have the big hopes actually for the rise in production levels that we've talked about and we clearly have to hold for their discussions with our bidders. In all of these process our primary goal is to maximize the value for the shareholders, with respect to the specific criteria and the people that we have been speaking with. We cannot discuss that at this time we have confidentiality agreements with people and we still would be in appropriate to discuss that. But I would like to tell you that the process is being very active and so far we are very pleased with the response that we have had. With that I will turn it over to Azfar on the financing question.

Azfar Aboobakar, Financial Controller

Hello Neeraj this is Azfar. In respect of your financing questions. I would like to tell you that we are working on strategy which once approved by the board, we will made known to our investors and analyst.

Analyst

Thank you very much. Thank you.

We can take the next question Alex.

Operator

Our next question comes from the line of Scott Darling. Please go ahead with your question. Your line is now open.

Scott Darling

Good afternoon Gentlemen. Its Scott Darling from the Nomura. Just three sort of quick questions follow up to the last though. Don, are you confident that you will be able to execute the far amount by the end of this year? And second question is if there is actually no news on the UAE gas contract, presumably will rise it after year end. And then my third question, for sure I mean more gas do regarding this. I know this was been escalated to more of the UAE government and high minister level, but is there any sort of good news on horizon especially this comments around your possible formation of Iraqi government, that can give us hope but it's one long for another year.

Thank you.

Donald Dorn-Lopez, Technical Director

The quick answer to your question and the timing for the formalities consistent with what we have said all along, and I think our CEO has mentioned as well today that we do expect by the year to be able to come back here with some firm information on that.

Ahmed Rashid Al-Arbeed, Chief Executive Officer

Yeah on the, this Ahmed Al-Arbeed the CEO, the negotiation with Kurdistan of course we are engaged in this negotiation on continues basis in the process of finalizing that, the involvement of other - such as the UAE government is really because in all the government is hoping to support its own companies, so its a initiative that we did appreciate very much. We're hoping that we can get to a conclusion soon. The formation of the government in Iraq, in my opinion will not have that much to do because it is mostly - how the deal with their own wells and how they deal with the operators they have in place.

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Donald Dorn-Lopez, Technical Director

Scott I think you had one other question, was I think you were asking about the situation of the UAE gas project on our books.

Scott Darling

Yeah. Can I ask

Corporate Participant

Hello Scott this is - here. In respect of the UAE Gas project the answers which are appearing on the balance sheet. We will having discussions on this - also. The situation I discussed now is that our partners present in arbitration with. On the party. And there is a level of uncertainty and I told you this uncertainty is resolved at the moment we are not looking into any impairments.

Certainly this will be visited at the year-end but since its a arbitration I think the view will to carry it forward for some more time.

Analyst

Thank you.

Joe Kaye, Chairperson

Great. Thanks. If we can take the next question -.

Operator

Our next question comes from the line of Jessica Estefane. Please go ahead with your question. Your line is now open.

Jessica Estefane

Good afternoon gentlemen. This is Jessica Estefane from Shuaa Capital. First of all, congratulations on the discovery. I just have a couple of specific question if you may. First of all, regarding the two new discoveries, which processing country they go through and when should we expect production to start? Secondly, how many works are still ongoing at this time after the. 2010 drilling program and to re-expect any write-offs with the dry hole? And finally when do you expect new discoveries to some on stream? Thank you so much.

Ahmed Rashid Al-Arbeed, Chief Executive Officer

Just a acreage is down to our low acreages I'll take those one at a time. With respect to the new discoveries I think I have already mentioned that the South Abu El Naga and the Salma Delta will definitely be going to the East Nile Plant, because we're planning starting the full liquid recovery including LPG from the very beginning there and use of very high liquids content discoveries. With respect to the West Ward Delta that's a dry gas capital shake discovery in the vicinity of the El Wastani Plant. Since it is dry gas we don't actually have to put it through the processing at the plant and we may connect the downstream of the plant. We are doing some engineering studies on that just now. But it will

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be in the gathering system from El Wastani even if it's not process through the liquids recovery portion.

So, that's about the discoveries. With respect to the exploration write-offs, we are using a successful efforts policy here and unfortunately we can't predict before we drill these wells, which ones are going to be successful and which ones are not. So, I can't give here any guidance on whether there will any write-offs there or not. This is a risk element of the business. We have a very good track acreage. We also have the belief that when we do the entire portfolio that were coming out well ahead but as to specific prospects and specific write-offs some afraid if we knew the answer to that we would probably be a higher -.

Anyway we really can't comment on which ones will be dry holes. There is a third part to that question and I don't recall what it was.

Jessica Estefane

Yeah. I mean the drilling program for 2010, I think there was the Northwest Salma-1. I am not sure what's happened if you will be revisiting that sometime in this year and about the drilling program what's left for you guys? I mean for the year.

Donald Dorn-Lopez, Technical Director

We are continuing with the active drilling program and in fact there where you mentioned we didn't finish we suspended that round, we are going to come back to probably later in the year. You asked a question too which I see here now in front of me that you wanted to know about the start up for the Eastern Nile?

Analyst

Yeah.

Donald Dorn-Lopez, Technical Director

That's planned for mid year but until we complete the final engineering design studies it's very difficult to know precisely when that will be, we're pretty confident we'll have it by mid year, so that's why we announced that. If things go well that could be even a little bit earlier.

Analyst

Yeah so we should expect those elements under East Nile to come - may be by 2011 I guess.

Donald Dorn-Lopez, Technical Director

Yes this is what we are planning for, we do have additional development wells to drill, we have a development plan that needs to be approved and there are several steps that has to be followed. So this is one of the main tasks of our Egypt exploration and development team and they are working very hard on it. None of that is finished today but we do expect it by mid 2012 that will all be in place.

Analyst

Very good. Thank you very much.

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Donald Dorn-Lopez, Technical Director

We can take the next question Adrian.

Operator

Our next question comes from the line of -. Please go ahead your line is now open.

Analyst

Hi, good afternoon gentlemen. I have just got two quick questions. The first one regarding and on the - that we are hoping to hear about regarding these refinancing and farmout and the possible higher I know you have a board meeting scheduled this year, do you think can we expect to hear or get news relating our answers. Before a year end. And the second question is I am just trying to reconcile your present year CapEx presentation. And I was hoping you can walk me through maybe I'm not saying something I got on slide 14 your CapEx spend of a 32 million in Egypt, 12 in Kurdistan and 10 for others.

And then you have got a Cap-Ex spend of 46 million on your next slide, on slide 15. I just wondering is Kurdistan the gross number or?

Azfar Aboobakar, Financial Controller

This is Azfar. In respect of your question regarding the Cap-Ex one is really a number based on accruals and the other number is really a cash flow impact meaning that the cash paid in respect of the capital expenditure. So there is some timing difference in the actual cash payments..

Analyst

I was just curious. Thank you.

Corporate Participant

I will take the first question of use. Well, industrial coke issue, I think we just stop it preparing the possible options that we have to do and we are engaging our board towards us to static in decisions, we have not yet finished everything. We still have time for this recruit to the year 2012. But I think we are doing this in advance. So, it can be in the next year technically appropriate action. On the CFO recruitment, yes we are orally engaged in the process and will advance in this process and once we select this candidate, we will announce that.

Upon who's engagement.

Analyst

Okay. Thank you.

Ahmed Rashid Al-Arbeed, Chief Executive Officer

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you welcome.

Joe Kaye, Chairperson

-if we could take the next question -.

Operator

Next question comes from the line of-. Please go ahead. Your line is now open.

Analyst

Yes, hi. Good afternoon. I have two questions. One is on the beginning of the presentation you mentioned that in Kurdistan you have now entered with some local buyer for selling some of the gas there, and that you are receiving payments from that front. Can you elaborate bit more in terms of how it is structured? And could we also look at this as a possible alternative to the whole KRG government payment issue to the extended by 2011 and beyond you can buyback the whole issue with this little bit KRG and the centrally like a government. And the second question is also related to Kurdistan, you mentioned earlier that -u will reviewing your balance sheet and the Iraq contract, which you have seating on the balance sheet.

To that note, what are the -\$60 million in account receivable that you have already to Kurdistan and that can also be under review with the -and that you may have to take some provisions for that if the payment issue by end of the year is not result to the KRG? Thanks.

Donald Dorn-Lopez, Technical Director

Alex this is Donald. I'll take little bit of this question on the condensate sales because I am representing the company now on the operating committee, which has had a meeting yesterday on this. I can give you precise details of your arrangement but I do want to say that our current sales agreement is for a large proportion of our current condensate production. We are generating sufficient revenue from these sales to ensure that we do not need invest further funds into the project in the short-term. So, this really very good news for us. And it really unblocks the cash flow from our perspective.

The operations here in Kurdistan. With respect to the receivables just as has already been said. We continue to work this issue very hard. We don't have anything to report at this stage, we are not investing any further capital in the project until this issue which effects all the companies in the region has been resolved and we do remain committed to developing Chemchemical as the ultimate reject this year of exporting gas to Europe. That's what I wanted to say on that and then if there is anybody else who wants to add, i'll let them add.

Analyst

It would be, I mean, on the account receivables there and looking beyond the current quarter and going into the end of the year and even beyond that, as you increase production. And under a scenario that the KRG payment is good is not result. That might have \$50 million from accounts receivable and assuming that you have this. Continues to buy them, if you can find more local buyers. How can you, how is that \$96 million that we currently have in accounts receivable going to evolve, we continue to grow as you increase production or could it, at least the growth rate slowdown, because now you were selling at to some local buyers who indeed will be paying you? Unlike the KRG government.

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Date: 2010-11-10
Event Description: Q3 2010 Earnings Call

Market Cap: 5,016.00
Current PX: .76
YTD Change(\$): -.09
YTD Change(%): -11.064

Bloomberg Estimates - EPS
Current Quarter: N.A.
Current Year: 0.028
Bloomberg Estimates - Sales
Current Quarter: N.A.
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Azfar Aboobakar, Financial Controller

Hello Alex this Azfar here. As you rightly said the receivable growth will definitely slowdown, and this is something which we are very positive on as far as the management the board is concerned that, this is a valid receivable. And we continue to carry it and we are pretty hopeful that in the near term, this matter will be resolved.

Analyst

Thanks.

Corporate Participant

Thanks Alex. Could we take the next question comes from the line of Manoj Kulkarni. Please go ahead your line is now open.

Manoj Kulkarni

Hi this is Manoj Kulkarni from SJS Market. When would you consider to sell your 3% stake in the Hungarian MOL. Do you have a value target in mind for which you will be willing to stake - or will this be in turn in combination with your refinancing strategy. Thank you.

Ahmed Rashid Al-Arbeed, Chief Executive Officer

This is an option i.e. open to as such all times in fact we will practice it when we only need it we think for the time being we don't need to do that in future at any time that can be practiced.

Manoj Kulkarni

Thank you very much.

Corporate Participant

Thanks can we take new question, Adrian?. Next question comes from the line of Zaffar Nazeem. Please go ahead your line is now open.

Analyst

Thank you. With respect to the refinancing and maturity two years from now, you mentioned that the board is, or will be considering several options. And I'm just wondering are these options are solely limited to how today's financing to pay out the Sukuk, or is one of the options also extended Sukuk or ask the existing holders to agree to some extension in exchange for some compensation that you may be willing to give.

Ahmed Rashid Al-Arbeed, Chief Executive Officer

Well I must say that you can actually the now announce now what kind of option that we will consider, I think we leave that until we come to a same understanding and. We allowed for this issue. So, when you talk about it then it would be

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talking that will be doable and affordable for Dana Gas.

Analyst

But I think you will be able to at least exclude one of the options which is not to pay the -at all or is difficult to make that exclusion right now?

Ahmed Rashid Al-Arbeed, Chief Executive Officer

For the time being, I think all options are opened before we go over all these this options and see where the benefits is.

Analyst

Great. Thank you.

Joe Kaye, Chairperson

Could you take your question- ?

Operator

Next question comes from the line of Waleed Haram. Please go ahead. Your line is now open.

Waleed Haram

Hi, gentlemen. Thank you for the call. Waleed Haram from Nomura Fixed Income Trading. Just want to check your couple of things. In terms of the new discoveries in Egypt on your 2011 and 2012 revenue? How much do you see that as an impact?

Donald Dorn-Lopez, Technical Director

Well, this is Donald. There is a actually quite a large impact of bringing in new discoveries on stream. You'll recall that between, sorry, last year and this year we're increasing production our production by more than 20% and I think that's consistent with what we have done in previous years as well. So, you wouldn't go far wrong I think to predict similar level based on new discoveries. The completion of the new plant on the East Nile we really had a big boost to us. We could see our production going up rather dramatically in 2012.

I am not prepared to forecast that number for you just here because we still have to build our reservoir models and make some predictions. And we still have not assessed it for reserve impacted the Northwest Sama, but I think to use the past is a guide will be conservative in this case we are expecting at least a 20% year-on-year increase and that will at least continue for the next year or two.

Analyst

Okay is there I mean given the discoveries and I don't know what discussion you have with potential buyers, is there a scenario where you would not go ahead with the is that not in - is there scenario why you would not go ahead with

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The only thing our sales and this one is that the answer that I gave in our last investors call is about achieving several objectives, we have an objective of raising cash flow investment in our business. We also have an objective identifying a partner with a similar strategic interest where we can partner together in more than one area and we also are looking for someone with technical ability that will help at our operation, beyond that I'm not really going to comment at this point we will announce the result when we have one it's not we are holding anything back from you this process is still very much active, and as I said we have to have some conclusion to it by the end of the year. But prior to that there's really nothing, no discussion that we can engage in and that will be very enlightening for you.

Analyst

And in terms of the - for more shares as I realize they are at this stage an option but would you at least hedge your down side, are you thinking of hedging your down side I mean more shares have - 50% plus since they were sort of paid to Dana Gas, do you not consider it prudent, to just hedge or down side not necessarily but take a hedge.

Ahmed Rashid Al-Arbeed, Chief Executive Officer

We stay that set and points of time in the past, we used time that much needed relief for our position and then it just kept the mold shares as they are taking the right time to get the - out of being.

Analyst

Right. And what's your definition of the right time. You get must value I mean what's the, when would you consider selling them?

Ahmed Rashid Al-Arbeed, Chief Executive Officer

Well, I don't really have something in our specific, but the time the company feels, the value is something with to be kicked.

Analyst

Okay.. I think we going to few think -at the moment we will lead on.

Waleed Haram

Sure. Can I just ask for the last question please? In terms of just you've announced that you want to do share buyback. How many shares have you bought since you've announced the share buyback?

Azfar Aboobakar, Financial Controller

Waleed this is Azfar here. So far we've done bought back any shares because as you are aware we have certain lock up periods. And this is something which you will consider going forward.

Waleed Haram

Okay. Thank you.

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Azfar Aboobakar, Financial Controller

Thank you.

Joe Kaye, Chairperson

-if you could take the next question?

Operator

Our next question comes from the line of -. Please go ahead. Your line is now open.

Analyst

Actually my question was with regard to the 54 million in the receivables, right now from the -project. -know a little bit more in terms of the year? I think the question has been ask but I am not exactly sure the answer wasn't very clear.

Azfar Aboobakar, Financial Controller

Hello John this is Azfar here. Actually the amount is 79 million, 96 million for Kurdistan receivable I am not sure where you get that 54 million.

Analyst

Okay.

Azfar Aboobakar, Financial Controller

Anyways my previous answer was, actually we are in negotiations with the Kurdistan government and along with our partner, we are very hopeful, we are very positive about positive outcome and the Management and the Board does not believe any provisioning requirement as of now and the order to support it, based on we are unable today. I think our stands will continue on the basis at the year end, and if it extends for a even longer period then we will revisit this.. And can you give us a bit of idea on the contract that's going to come in I know that you haven't gone forward with it yet but what portion of that will you receive in cash, if this contract goes through?

Ahmed Rashid Al-Arbeed, Chief Executive Officer

Well the whole amount is receivable in cash

Analyst

No, no I mean with regards to the contract that's been approved by the KRG.

Ahmed Rashid Al-Arbeed, Chief Executive Officer

I think this is a confidential between the two parties and I am sorry to say that we cannot disclose it.

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Analyst

Okay thank you

It will take time for next question.

Operator

Next question comes from the line of Scott Darling. Please go ahead your line is now open.

Scott Darling

Just one follow up question. Can you give any sort of guidance around sort of CapEx for next year assuming you don't have the farmout of, I by country or region.

Donald Dorn-Lopez, Technical Director

Next year we are actually in the process of discussing budget will be and we don't have here approval from the Board of Directors so its pretty matured for us to discuss those numbers. The CapEx will be higher next year and the reason for the is because of the new plants, but in terms of the actual split and how that's going to come out that's still the subject there discussions with the Board, so we really have nothing that we can add to that at this time.

Scott Darling

Okay. Fine.

Corporate Participant

One last question if you take the final question.

Operator

Next question comes from the line of -. Please go ahead your line is now open.

Analyst

Hello, this is Rajeev from Kuwait Financial Front. I have one simple question. UAE gas project although you mentioned that there are no further detail. As I understand significant portion of about 1 billion was being paid to Crescent in terms of goodwill on the back of which contract, which is now under arbitration for more than a year I think. My question is this, that in the event that this arbitration proceedings go against you or go against Crescent, do you have any recourse to Crescent for recovering at least the goodwill portion of it? Thank you.

Azfar Aboobakar, Financial Controller

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Hello this is Azfar here. In the sight of the -in respect to the UAE gas project as far as I understood your question, your question is really about a -the amount you paid. Are out of about \$1 billion to invent which has been made for this one to Crescent. About 700, \$800 million is essentially a kind of goodwill or evaluation of the contract rather than the actual assets. Actual assets are probably 100 to \$200 million only. In the event that contract is already delayed for I think more than four years now.

But in the event that this contract is not honored by Iranian or one critics or another. Do you have a record as a Dana Gas, although the Dana Gas is to Crescent. But for the sake of other 80% shareholder, do you have a re-cost on Dana Gas, on Crescent for recovering the goodwill which you've paid?

Well as we stand today, the Crescent is an IOC and they send an information available at this time, the Directors and the Management are confident about project development. In the case of a negative outcome then we will revisit their options, but at the moment we all are positive based on the information available to date.

Joe Kaye, Chairperson

Good thank you, I hope that answers your question right? I think that's the end of our queued up questions. Ladies and gentleman, thank you very much for your attention and participation in this call, that does conclude our call for today. We are always available to talk and take questions from you on an individual basis and if in a first instance had always direct your calls to me, that's Joe Kaye. We are ready to answer questions. Thank you very much for your attention and goodbye.

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