

Dana Gas PJSC and Subsidiaries

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 SEPTEMBER 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, joint operations and joint ventures (together referred to as the "Group") for the period ended 30 September 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 30 September 2013

The Company earned gross revenues of AED 623 million; an increase of 21% as compared to AED 512 million earned in the third quarter of 2012. Increase in revenue was mainly driven by a 29% increase in production in Egypt compared to same period last year.

Production in Egypt during Quarter 3, 2013 was 3.6 mmbœ i.e. averaging 39,350 boepd (September 2012: 2.8 mmbœ, averaging 30,400 boepd). The Group's production for the 92 days of operation was 6.1 mmbœ (million barrels of oil equivalent) [66,850 boepd ("barrels of oil equivalent per day")], an increase of 17% compared to 5.25 mmbœ (57,000 boepd) in the same period last year.

The Group achieved a net profit of AED 102 million during the current quarter as compared to a net profit of AED 104 million in the same period last year and earnings before interest, tax, depreciation, amortization and exploration write-offs ("EBITDAX") stood at AED 340 million; higher by AED 23 million compared to same period last year.

Results for Nine months of 2013

During the nine months ended 30 September 2013 (the "period") the Company earned revenues of AED 1,708 million as compared to AED 1,766 million in the corresponding period. The decline in revenue was mainly due to lower realised hydrocarbon prices in nine months of 2013, as compared to same period last year, coupled with the suspension of LPG production in Kurdistan during the first half of 2013 as repairs continued to the damaged LPG loading bay. Repairs were completed on 17 July 2013 and production capacity of 900 tonnes per day was restored.

The Group achieved a net profit after tax of AED 443 million as compared to AED 491 million in the same period last year. This decline in net profit was mainly due to lower revenue (as explained above) and higher cost of sales and depreciation. Cost of sales was higher mainly due to a one off prior period charge for oil police force in the Kurdistan Region of Iraq which was recognised in Quarter 2 2013. Consequently, EBITDAX also reduced to AED 956 million from AED 1,139 million in corresponding period.

The results for the quarter and nine months period ended 30 September 2013 are set out in detail on page 6 of the interim condensed consolidated financial statements.

DANA GAS PJSC

Report of the Directors

Liquidity and Financial Resources

Net cash generated from operations during the nine month period was AED 252 million as compared to AED 426 million in the same period last year. Collections from Egypt and Kurdistan Region of Iraq, during the same period, stood at AED 484 million. The Company's cash balance improved by 12% to AED 674 million by the end of Quarter 3 2013 compared to AED 601 million at 31 December 2012.

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 & Resources

(a) Dana Gas Egypt

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 mmboe). The gross proved and probable reserves (2P) as at 31 December 2012 were estimated to be 147 mmboe (31 December 2011: 159 mmboe) and the gross proved, probable and possible reserves (3P) as at 31 December 2012 were estimated to be 256 mmboe (31 December 2011: 277 mmboe).

(b) Pearl Petroleum Company Limited

Pearl's appointed independent petroleum consultant Gaffney, Cline & Associates Limited (GCA), has recently provided an estimate of hydrocarbons in-place as at 31st December, 2012 for both the Kor Mor and Chemchemical fields based on a comprehensive data set comprising ca. 1200 km 2D seismic, the 11 wells drilled in the two fields to date and field production data over a period of five years.

Gas initially in-place volumes (unrisked*) have been computed by GCA and, based on its recently released report related to the individual fault blocks which comprise Kor Mor, Dana Gas has calculated an aggregated Best Estimate (P50) volume of 22 Tscf. For Chemchemical, gas initially in place volumes (unrisked*), based on the GCA reported volumes for the individual fault blocks, have been aggregated by Dana Gas to be a Best Estimate (P50) of 30 Tscf. The report also indicates that both fields have considerable additional upside potential. Dana Gas' 40% share of these Best Estimate in-place volumes for Kor Mor and Chemchemical combined corresponds to 20 Tscf.

GCA also stated that certain Kor Mor fault blocks may contain oil instead of gas and determined oil initially in-place volumes (unrisked*) for these individual blocks. Dana Gas has calculated an aggregated Best Estimate (P50) volume of around 1.8 billion barrels of oil, in place of around 3 Tscf of gas in these blocks.

GCA's report confirms Dana Gas' belief that Kor Mor and Chemchemical have the potential to be the largest gas fields in the KRI and indeed in the whole of Iraq and thus makes them world class assets.

*Note that a risk factor accounting for geological and commercial uncertainties has not been assessed or applied at this time. However, both fields are surrounded by producing oil and/or gas fields which calibrates and reduces the geological and reservoir risks. The reported hydrocarbon volumes are estimates based on professional judgment and are subject to future revisions, upwards or downwards, as a result of future operations or as additional information becomes available.

DANA GAS PJSC

Report of the Directors

Egypt

The Company's production in Egypt for the 92 Days of operations in Quarter 3, 2013 was 3.6 mmboe i.e. averaging 39,350 boepd (September 2012: 2.8 mmboe, averaging 30,400 boepd). This represents an increase of 29% compared to the same period last year. The Company was successful in bringing online production from the tie-in of South Abu El Naga dry gas and rich gas well, new discoveries of Allium in West El Manzala concession, West Sama in West El Qantara concession and West El Baraka in Komombo concession.

During the nine months of 2013, the Group collected AED 234 million against its receivables in Egypt (nine months 2012: AED 549 million). At period end, the trade receivable balance stood at AED 1,093 million (31 December 2012: AED 866 million). The Company continues to calibrate its capital expenditure in line with collections.

On 18 April 2013, Dana Gas Egypt was awarded a 100% working interest in the North El Arish Offshore (Block 6) concession area. The area is located offshore Nile Delta, in the eastern part of the Mediterranean Sea, in water depths of upto 1,000 meters and covering an area of 2,980 Km². 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 92 Days of operations in Quarter 3 2013 was 2.5 mmboe, i.e. averaging 27,100 boepd (September 2012: 2.45 million BOE, averaging 26,600 boepd).

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 hence LPG production was suspended. The reconstruction and upgrading of the loading facilities was completed in July 2013. The Kor Mor LPG Plant now has the capacity to produce up to 900 tonnes/day of LPG, the equivalent of approximately 10,000 boepd

During the nine months of 2013, the Group collected AED 250 million against its share of receivables in Kurdistan (nine months 2012: AED 291 million). At period end the Group's share of trade receivables balance stood at AED 1,646 million (December 2012: AED 1,298 million).

On 21 October 2013, Dana Gas, along with Crescent Petroleum and Pearl Petroleum (which holds petroleum rights in the Kurdistan Region of Iraq), commenced arbitration proceedings at the London Court of International Arbitration (LCIA), in accordance with the agreement with the KRG which was signed in April 2007 and is governed by English Law.

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.

DANA GAS PJSC

Report of the Directors

Sharjah Western Offshore Concession

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.

Following the signatures of the four chain agreements for the development of the Zora Field, a dedicated team was mobilised to execute the project. The conditions precedents for the Unitisation Agreements were satisfied in December 2012, whilst those for the Gas Sales and Purchasing Agreements were satisfied in April 2013 – thus making all of the Agreements effective.

The project had been split into several distinct sub-projects in order to maintain flexibility in contracting strategy so as to optimise cost and schedule whilst maintaining the prescribed technical scope of work.

The technical and commercial evaluations of the bids received have been completed with three award recommendations being made, namely for the onshore plant, offshore platform fabrication and hookup, offshore platform transportation and installation. Bidders for the two remaining scopes, the pipeline procurement and installation, have been identified and bid award recommendations are imminent.

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.

The plant has a capacity to process 150 MMscfd of gas and it is currently processing an average of 80 MMscfd. In future, it is expected that the gas supply 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


31 October 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 statement of financial position of Dana Gas PJSC (the "Company") and its subsidiaries (the "Group") as at 30 September 2013 and the related interim condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended, cash flows and changes in equity for the nine-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

- (i) 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; and
- (ii) We also draw attention to note 1 to the interim condensed consolidated financial statements which discusses the commencement of arbitration proceedings with the Kurdistan Regional Government of Iraq.

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

Signed by

Anthony O'Sullivan

Partner

Registration No. 687

31 October 2013

Sharjah, United Arab Emirates

Dana Gas PJSC and Subsidiaries

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

Period ended 30 September 2013 (Unaudited)

Notes	Nine months ended				Three months ended			
	30 September 2013		30 September 2012		30 September 2013		30 September 2012	
	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm
Revenue	466	1,708	482	1,766	170	623	140	512
Less: royalties	(132)	(484)	(98)	(359)	(54)	(198)	(32)	(117)
Net revenue	334	1,224	384	1,407	116	425	108	395
Cost of sales	(49)	(180)	(37)	(136)	(17)	(63)	(14)	(52)
Depreciation and depletion	(76)	(279)	(66)	(242)	(28)	(103)	(22)	(81)
Gross profit	209	765	281	1,029	71	259	72	262
Investment and finance income	43	158	13	48	-	-	4	15
Provision for impairment	-	-	(9)	(33)	-	-	-	-
Change in fair value of investment property	-	-	(2)	(7)	-	-	-	-
General and administration expenses	(23)	(84)	(27)	(99)	(6)	(22)	(7)	(26)
Share of loss of a joint venture	(1)	(4)	-	-	-	-	-	-
Exploration expenses	(6)	(22)	(6)	(22)	-	-	(4)	(15)
Finance costs	(60)	(220)	(66)	(242)	(21)	(77)	(22)	(81)
PROFIT BEFORE TAX FOR THE PERIOD	162	593	184	674	44	160	43	155
Income tax expense	(41)	(150)	(50)	(183)	(16)	(58)	(14)	(51)
PROFIT FOR THE PERIOD	121	443	134	491	28	102	29	104
Basic and diluted earnings per share (USD/ AED per share)	4	0.018	0.067	0.075	0.004	0.015	0.004	0.016

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Period ended 30 September 2013 (Unaudited)

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

Dana Gas PJSC and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 30 September 2013 (Unaudited)

		30 September 2013		31 December 2012 (Audited) Restated	
	Note	USD mm	AED mm	USD mm	AED mm
ASSETS					
Non-current assets					
Property, plant and equipment		953	3,493	938	3,437
Intangible assets	5	746	2,734	785	2,877
Investment property	6	28	103	28	103
Investment in joint ventures	14	567	2,078	568	2,082
		<u>2,294</u>	<u>8,408</u>	<u>2,319</u>	<u>8,499</u>
Current assets					
Inventories		61	224	54	198
Trade and other receivables	7	822	3,013	678	2,485
Available-for-sale financial asset	8	107	392	255	935
Financial assets at fair value through profit or loss	9	10	37	10	37
Cash and cash equivalents	10	184	674	164	601
		<u>1,184</u>	<u>4,340</u>	<u>1,161</u>	<u>4,256</u>
TOTAL ASSETS		<u>3,478</u>	<u>12,748</u>	<u>3,480</u>	<u>12,755</u>
EQUITY					
Equity attributable to owners of the parent					
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		477	1,749	349	1,280
Other reserves		23	83	85	310
Convertible sukuk - equity component		81	297	48	176
		<u>2,512</u>	<u>9,207</u>	<u>2,413</u>	<u>8,844</u>
Attributable to owners of the parent		2,512	9,207	2,413	8,844
Non-controlling interests		3	11	4	15
Total equity		<u>2,515</u>	<u>9,218</u>	<u>2,417</u>	<u>8,859</u>
LIABILITIES					
Non-current liabilities					
Borrowings	12	813	2,980	-	-
Provisions		18	66	14	51
		<u>831</u>	<u>3,046</u>	<u>14</u>	<u>51</u>
Current liabilities					
Borrowings	12	-	-	920	3,372
Trade payables and accruals		132	484	129	473
		<u>132</u>	<u>484</u>	<u>1,049</u>	<u>3,845</u>
Total liabilities		<u>963</u>	<u>3,530</u>	<u>1,063</u>	<u>3,896</u>
TOTAL EQUITY AND LIABILITIES		<u>3,478</u>	<u>12,748</u>	<u>3,480</u>	<u>12,755</u>

Director
31 October 2013

Director
31 October 2013

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

Dana Gas PJSC and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 30 September 2013 (Unaudited)

	Notes	Nine months ended			
		30 September		30 September	
		2013		2012	
		USD mm	AED mm	USD mm	AED mm
OPERATING ACTIVITIES					
Profit before income tax		162	593	184	674
Adjustments for:					
Depreciation and depletion		76	279	66	242
Investment and finance income		(43)	(158)	(13)	(48)
Change in fair value of investment property		-	-	2	7
Provision for impairments		-	-	9	33
Finance costs		60	220	66	242
Exploration expenses		6	22	6	22
Board compensation		(3)	(11)	(2)	(8)
		<u>258</u>	<u>945</u>	<u>318</u>	<u>1,164</u>
Changes in working capital:					
Trade and other receivables		(144)	(528)	(121)	(444)
Inventories		(7)	(26)	(1)	(4)
Trade payables and accruals		3	11	(28)	(103)
Due from related parties		-	-	(1)	(4)
Net cash generated from operating activities		<u>110</u>	<u>402</u>	<u>167</u>	<u>609</u>
Income tax paid		<u>(41)</u>	<u>(150)</u>	<u>(50)</u>	<u>(183)</u>
Net cash flows from operating activities		<u>69</u>	<u>252</u>	<u>117</u>	<u>426</u>
INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(52)	(190)	(34)	(125)
Expenditure on intangible assets	5	(13)	(48)	(17)	(61)
Investment and finance income received		140	513	12	45
Net cash flows from/(used in) investing activities		<u>75</u>	<u>275</u>	<u>(39)</u>	<u>(141)</u>
FINANCING ACTIVITIES					
Proceeds from borrowings		-	-	3	11
Sukuk repayment		(70)	(257)	-	-
Finance costs paid		(54)	(197)	(52)	(191)
Net cash flows used in financing activities		<u>(124)</u>	<u>(454)</u>	<u>(49)</u>	<u>(180)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS					
		20	73	29	105
Cash and cash equivalents at the beginning of the period		<u>164</u>	<u>601</u>	<u>112</u>	<u>411</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10	<u>184</u>	<u>674</u>	<u>141</u>	<u>516</u>

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

Dana Gas PJSC and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2013 (Unaudited)

Attributable to owners of the parent																
	Share capital		Statutory reserve		Legal reserve		Retained earnings		Other reserves		Convertible sukuk-equity component		Non-controlling interest		Total	
	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm
At 1 January 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	-	-	-	-	-	-	121	443	-	-	-	-	-	-	121	443
Other comprehensive income	-	-	-	-	-	-	-	-	(13)	(48)	-	-	-	-	(13)	(48)
Share based reserve	-	-	-	-	-	-	10	37	(10)	(37)	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain on disposal of available-for-sale financial asset	-	-	-	-	-	-	131	480	(23)	(85)	-	-	-	-	108	395
Equity component of convertible sukuk	-	-	-	-	-	-	-	-	(39)	(142)	-	-	-	-	(39)	(142)
Loss to non-controlling interest	-	-	-	-	-	-	-	-	-	-	33	121	-	-	33	121
Board compensation	-	-	-	-	-	-	-	-	-	-	-	-	(1)	(4)	(1)	(4)
At 30 September 2013	1,801	6,602	65	238	65	238	477	1,749	23	83	81	297	3	11	2,515	9,218
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	-	-	-	-	-	-	134	491	-	-	-	-	-	-	134	491
Other comprehensive income	-	-	-	-	-	-	-	-	38	139	-	-	-	-	38	139
Share based payment	-	-	-	-	-	-	-	-	1	4	-	-	-	-	1	4
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss to non-controlling interest	-	-	-	-	-	-	134	491	39	143	-	-	-	-	173	634
Board compensation	-	-	-	-	-	-	-	-	-	-	-	-	(1)	(4)	(1)	(4)
At 30 September 2012	1,801	6,602	48	176	48	176	352	1,289	94	343	48	176	3	11	2,394	8,773

The attached explanatory 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 30 September 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 30 September 2013 and the Group percentage of ordinary share capital or joint venture interest are set out below:

Subsidiaries	%	Country of incorporation	Principal activities
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
Joint Operations	%	Country of operation	Principal activities
*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
Joint Ventures	%	Country/Area of operation	Principal activities
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 ("MNR") of the Kurdistan Regional Government ("KRG") as to the interpretation of the agreement with the KRG ("the Authorisation").

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2013 (Unaudited)

1 ACTIVITIES (continued)

Dana Gas, along with Crescent Petroleum and Pearl Petroleum (which holds petroleum rights in the Kurdistan Region of Iraq), has commenced arbitration proceedings on 21 October 2013 at the London Court of International Arbitration (LCIA), in accordance with the Authorisation which was signed in April 2007 and is governed by English Law.

The objective of the arbitration is to obtain confirmation of the long-term contractual rights for the development and marketing in respect of the Khor Mor and Chemchemal fields including the outstanding receivables owed by the MNR of the Kurdistan Region of Iraq.

Pearl Petroleum and its shareholders have assessed the legal position with advice from their legal advisors and based on such legal advice are fully confident of the company's rights under the Authorisation in accordance with applicable law.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2013 (Unaudited)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 30 September 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 30 September 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>
Revenue				
External sales net of royalties	4	167	163	334
Total revenue net of royalties	<u>4</u>	<u>167</u>	<u>163</u>	<u>334</u>
Gross profit	3	74	132	209
Investment and finance income				43
General and administration expenses				(23)
Share of loss of a joint venture				(1)
Exploration cost write-off				(6)
Finance costs				(60)
Profit before income tax				<u>162</u>
Income tax expense				(41)
PROFIT FOR THE PERIOD				<u>121</u>
Segment assets as at 30 September 2013	<u>1,474</u>	<u>1,190</u>	<u>814</u>	<u>3,478</u>
Segment liabilities as at 30 September 2013	<u>845</u>	<u>101</u>	<u>17</u>	<u>963</u>

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2013 (Unaudited)

3 SEGMENTAL INFORMATION (continued)

Period ended 30 September 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	3	178	203	384
Total revenue net of royalties	<u>3</u>	<u>178</u>	<u>203</u>	<u>384</u>
Gross profit	2	100	179	281
Investment and finance income				13
Provision for impairment				(9)
Change in fair value of investment property				(2)
General and administration expenses				(27)
Finance costs				(66)
Exploration cost write-off				(6)
Profit before tax for the period				184
Income tax expense				(50)
PROFIT FOR THE PERIOD				<u>134</u>
Segment assets as at 30 September 2012	<u>1,583</u>	<u>1,141</u>	<u>742</u>	<u>3,466</u>
Segment liabilities as at 30 September 2012	<u>953</u>	<u>111</u>	<u>8</u>	<u>1,072</u>

4 EARNINGS PER SHARE

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

	<i>Nine months ended 30 September</i>	
	<i>2013</i>	<i>2012</i>
Earnings:		
Net profit for the period- USD mm	<u>121</u>	<u>134</u>
Shares:		
Weighted average number of shares outstanding for calculating basic EPS- million	<u>6,602</u>	<u>6,602</u>
EPS (Basic) – USD:	<u>0.018</u>	<u>0.020</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 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>Nine months ended 30 September</i>	
	<i>2013</i>	<i>2012</i>
Earnings:		
Net profit for the period- USD mm	121	134
Finance cost on convertible Sukuk – USD mm	22	56
	<u>143</u>	<u>190</u>
Shares:		
Weighted average number of shares outstanding for calculating basic EPS- million	6,602	6,602
Adjustments for:		
Share options / Restricted shares (million) *	19	11
Assumed conversion of convertible Sukuk (million)**	2,081	1,908
Weighted average number of ordinary shares for diluted earnings per share (million)	<u>8,702</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.

*During the period, the Board approved the issuance of new restricted shares to key management employees in lieu of the previously held options. All options issued in prior years have been cancelled and the reserve created for the employee share option scheme has been transferred to retained earnings. These restricted shares will vest over a period of three years starting from 1 April 2013. Further 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. All the above restricted shares have been taken into account in the calculation of diluted earnings per share.

** As disclosed in Note 12, the Company entered into a standstill and lockup agreement with the "Ad-Hoc committee" of Sukuk certificate holders for a refinancing transaction in relation to the Sukuk. As per the agreement, the conversion rate for 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). Based on the terms of the agreement, the initial effective exchange price for the convertible sukuk was determined on 13 February 2013 and has been fixed at AED 0.75 per share (floor price).

The conversion exchange ratio for the previous convertible sukuk, which expired on 24 September 2012, was determined and was 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 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: impairment	(96)	-	-	-	(96)
At 1 January 2013	181	289	7	308	785
Additions	13	-	-	-	13
Transfer to property, plant & equipment	(52)	-	-	-	(52)
At 30 September 2013	142	289	7	308	746
At 31 December 2012	181	289	7	308	785

(a) Oil and Gas Interests

Oil and gas interests of USD 142 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 13% 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 Development Leases (West El Manzala Concession)** – These development leases are held with a 100% working interest. These development leases have 591 Km2 of land included within their boundaries and are located in the Nile Delta of Egypt. To date, nine development leases are producing both natural gas and associated liquids representing approximately 78% of Dana Gas Egypt current volumes. 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 2013. These leases are Balsam development lease and El Basant development lease amendment for Allium-1 well. In 2013, notification of commercialization plans was submitted to the Government for Begonia discovery.
- **Sama Development Lease (West El Qantara Concession)** – This development lease is held with a 100% working interest. This development lease has 17.5 Km2 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 formal approval for Sama development lease amendment for West Sama-1 is expected by late 2013. To date, one development lease is producing both natural gas and associated liquids representing approximately 8% of Dana Gas Egypt current volumes.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 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 Km2 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>30 September 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 30 September/ 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 such valuation exercise was carried out on 30 June 2013.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2013 (Unaudited)

7 TRADE AND OTHER RECEIVABLES

	30 September 2013 USD mm	31 Dec 2012 USD mm (Audited)
Trade receivables	757	599
Prepaid expenses	1	1
Other receivables	70	84
Less: provision for impairment of other receivables	(6)	(6)
	<u>822</u>	<u>678</u>

The Group's share of trade receivables in Pearl is in respect of condensate and LPG deliveries. The above does not include amounts invoiced by Pearl to the KRG in respect of Excess Gas deliveries. Such amounts have not been included pending mutual agreement with the KRG regarding the commercial terms of such Excess Gas deliveries.

Trade receivables are interest bearing, however, the interest amounts have not been included in the trade receivables. The general terms of credit are 30-60 days.

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
30 Sep 2013	757	134	21	24	21	27	530
31 Dec 2012	599	100	32	11	56	5	395

8 AVAILABLE-FOR-SALE FINANCIAL ASSET

	30 September 2013 USD mm	31 Dec 2012 USD mm (Audited)
At 1 January	255	226
Disposal	(135)	-
Change in fair value for the period/ year	(13)	29
At 30 September/ 31 December	<u>107</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 30 September 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2013 (Unaudited)

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 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 30 September / 31 December	<u>10</u>	<u>10</u>

10 CASH AND CASH EQUIVALENTS

	30 September 2013 USD mm	31 Dec 2012 USD mm (Audited)
<i>Cash at bank and on hand</i>		
- Local Banks within UAE	17	39
- Foreign Banks outside UAE	15	41
<i>Short term deposits</i>		
- Local Banks within UAE	152	84
	<u>184</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 184 million (December 2012: USD 164 million). The effective profit rate earned on short term deposits ranged between 0.3% to 2.5% (2012: between 1.25% and 3.5%) per annum. As at 30 September 2013, 92% of cash and cash equivalents were held with UAE banks.

11 SHARE CAPITAL

	30 September 2013 USD mm	31 Dec 2012 USD mm (Audited)
<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>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2013 (Unaudited)

12 BORROWINGS

	30 September 2013 USD mm	31 Dec 2012 USD mm (Audited)
Non-Current		
Ordinary Sukuk	425	-
Convertible Sukuk	388	920
	<u>813</u>	<u>920</u>
Total borrowings	<u>813</u>	<u>920</u>

a) 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 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 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 pay-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. Following this, the Company also perfected the securities and issued a compliance certificate dated 10 July 2013.

The salient features of the agreement were 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 and Convertible Sukuk have a profit rate of 9% and 7% per annum, respectively.

The Ordinary and Convertible Sukuk are secured against the shares of Dana LNG Ventures Limited (BVI), Sajaa Gas Company Limited (Sharjah) and United Gas Transmission Company Limited (Sharjah). In addition to the above, the security package available to holders of the New Sukuks was enhanced by USD 300 million of value comprising security over receivables of the Company's Egyptian assets, Company's interest in Danagaz W.L.L. and Sajaa Gas land.

Dana Gas PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2013 (Unaudited)

12 BORROWINGS (continued)

a) SUKUK (continued)

As per the agreement, the conversion rate for the Convertible sukuk was 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 initial effective exchange price for the convertible sukuk was determined on 13 February 2013 and has been fixed at AED 0.75 per share (floor price). 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 to the applicable call premium on the Ordinary Sukuk and the soft call provisions on the Convertible Sukuk. The convertible sukuk at the option of the certificate holders can be exchanged into ordinary shares of the Company on or after 31 October 2013.

The Convertible Sukuk recognised in the statement of financial position is calculated as follows:

	<i>30 September 2013 USD mm</i>
Face value of convertible sukuk on 8 May 2013	425
Less: Issuance costs	(11)
Less: Equity component on initial recognition	(33)
Liability component on initial recognition	381
Finance expense for convertible sukuk	31
Profit paid	(19)
	393
Current portion of profit classified under trade payables and accruals	(5)
Liability component at 30 September 2013	388

13 CONTINGENCIES AND COMMITMENTS

(a) Dana Gas Egypt

In March 2006, Dana Gas Egypt entered into an agreement with CTIP Oil and Gas Limited ("CTIP") to acquire a 25% percent working interest in the West El Manzala and West El Qantara Concessions. Following the closing of this acquisition, the Company held a 100% participating interest in each of these Concessions. As agreed under the terms of the said acquisition agreement Dana Gas Egypt has paid USD 13 million as a result of the first Government approved plan of Development in the West El Manzala Concession. In addition, Dana Gas Egypt has agreed to pay additional payments that could total up to a further USD 12.5 million as and when 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 a 100% working interest in the North El Arish Offshore (Block 6) concession area. The area is located offshore Nile Delta, in the eastern part of the Mediterranean sea. As per the concession agreement, Dana Gas Egypt has committed to 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 and other projects at the end of the reporting period but not yet accrued is estimated at USD 2 million (DG share: USD 2 million).

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2013 (Unaudited)

14 SHARE OF INVESTMENT IN JOINT VENTURES (continued)

Interest in joint ventures (transition to IFRS 11) – (continued)

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 – Nine months and three months ended 30 September 2012: There was no material impact on the interim consolidated income statement and statement of cash flows or the basic or diluted EPS.

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

	<i>USD mm</i>	<i>EBGDCO USD mm</i>	<i>Gas Cities USDmm</i>	<i>CNGCL</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
		<u> </u>	<u> </u>	<u> </u>
Net impact on equity		<u> </u>	<u> </u>	<u> </u>

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